



## A slice of lime

**We believe that Lime has the fundamentals to continue to experience strong revenue growth, given that its niche SaaS CRM market is expected to show revenue CAGR of 21% in 2017-23. Combined with an increasing share of recurring revenues (approximately 60% today), we forecast Lime to show 24% EBITA CAGR in 2018-21. We believe that Lime should be valued in line with similar peers, which justifies a fair value of SEK 72-105 per share.**

### Key Data (2018E)

|                        |         |
|------------------------|---------|
| Price (SEK)            | 77.00   |
| Reuters                | Lime.ST |
| Bloomberg              | Lime SS |
| Market cap (SEKm)      | 963     |
| Market cap (USDm)      | 108     |
| Market cap (EURm)      | 94      |
| Net debt (SEKm)        | 94      |
| Net gearing            | 286%    |
| Net debt/EBITDA (x)    | 1.6     |
| Shares fully dil. (m)  | 12.5    |
| Avg daily turnover (m) | 0.0     |
| Free float             | 50%     |

### Lime is a market leader in the Swedish CRM market

Lime is a Swedish customer relationship management (CRM) software provider, and with its key product, Lime CRM, the company mainly targets the small to medium enterprise (SME) segment, which has among the lowest penetration of CRM systems (10-20% in Sweden). Lime has a long history of profitable growth (sales CAGR of 14% and EBITA CAGR of 9% during the past 10 years). Lime operates in the high growth software as a service (SaaS) niche, which is expected to show revenue CAGR of 21% in 2017-23.

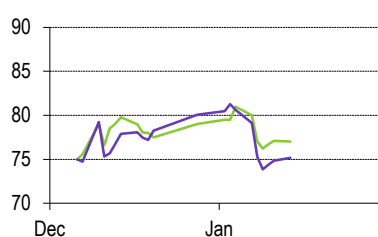
### Digitalisation and greater regulatory pressure should drive market growth

Digitalisation, increased regulatory pressure on companies to gather, store, and use customer information, as well as the greater need for a tool to handle automation, are key drivers behind the greater penetration of CRM systems, which according to Capgemini are expected to be used by around 35% of companies in Sweden. Given Lime's strong position in its addressable market, recent acquisitions, and the potential to gain market share in other Nordic regions, we believe Lime has strong growth fundamentals.

### We believe that Lime should be valued in line with similar peers

We estimate 17% organic revenue CAGR and 24% EBITA CAGR in 2018-21. Using a peer group of Nordic high growth, Nordic software, and international SaaS companies, we derive a fair value of SEK 72-105 per share, and a DCF value of SEK 100.

### Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

### Marketing communication

### Financials (SEK)

| Year end: Dec              | 2017 | 2018E | 2019E | 2020E |
|----------------------------|------|-------|-------|-------|
| Revenues (m)               | 205  | 244   | 282   | 330   |
| Adj. EBIT                  | 35   | 54    | 64    | 78    |
| Pre-tax profit (m)         | 32   | 23    | 46    | 61    |
| EPS                        | 1.90 | 1.58  | 2.89  | 3.81  |
| Adj. EPS                   | 2.67 | 3.25  | 3.73  | 4.68  |
| DPS                        | 6.00 | 0.79  | 1.44  | 1.91  |
| Revenue growth (%)         | n.m. | 19.1  | 16.0  | 16.9  |
| Adj. EBIT growth (%)       | n.m. | 52.7  | 18.7  | 22.1  |
| Adj. EPS growth (%)        | n.m. | 22.0  | 14.6  | 25.6  |
| Adj. EBIT margin (%)       | 16.1 | 11.0  | 17.7  | 19.3  |
| ROE (%)                    | 31.1 | 32.7  | 78.4  | 64.4  |
| ROCE (%)                   | 25.2 | 18.2  | 32.5  | 40.6  |
| PER (x)                    |      | 23.7  | 20.6  | 16.4  |
| Free cash flow yield (%)   |      | 1.9   | 3.5   | 4.8   |
| Dividend yield (%)         |      | 1.0   | 1.9   | 2.5   |
| P/BV (x)                   |      | 29.21 | 16.28 | 10.85 |
| EV/Sales (x)               |      | 4.34  | 3.66  | 3.05  |
| EV/Adj. EBITDA (x)         | 0.0  | 14.5  | 14.3  | 11.4  |
| EV/Adj. EBIT (x)           | 0.0  | 19.7  | 16.3  | 13.0  |
| Operating cash flow/EV (%) |      | 3.4   | 5.1   | 6.5   |
| Net debt/Adj. EBITDA (x)   | 0.59 | 1.58  | 0.98  | 0.49  |

Source for all data on this page: SEB (estimates) and SIX/Thomson Reuters (prices)

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# A long history of growth

Digitalisation, increased regulatory pressure on companies to gather, store and use customer information, as well as the greater need for a tool to handle automation are key drivers behind the greater penetration of customer relationship management (CRM) systems, which according to Capgemini are expected to be used by around 35% of companies in Sweden.

**Lime is a market leader in the Swedish CRM market, targeting the SME segment where the penetration of CRM systems is the lowest**

With around 4,500 customers, Lime is a market leader in the Swedish CRM market, and with its key product Lime CRM, the company mainly targets the small to medium enterprise (SME) segment, which has among the lowest penetration of CRM systems (10-20% in Sweden). For a CRM system to be efficient, it needs to be shared between several users, and for this reason user-friendliness is an important factor for success. In our channel checks, we found that the key reason why SMEs chose Lime CRM is its simple, user-friendly function, as well as its scalability.

**A long history of profitable growth, and the growth outlook looks strong with the SaaS CRM market expected to show CAGR of 21% in 2017-23**

Lime has a long history of profitable growth (sales CAGR of 14% and EBITA CAGR of 9% during the past 10 years). The growth was surprisingly high during the transition from a licence to a software as a service (SaaS) based business model in 2014-16, demonstrating continued underlying strong growth during the transition years. After this transition, Lime now operates in a high growth niche in the CRM market, SaaS, which according to Capgemini is expected to show revenue CAGR of 21% in 2017-23.

Given Lime's strong position in its addressable market, which we estimate is 18% market share in Sweden, the recent three acquisitions, as well as the potential to gain market share in other Nordic regions (2% Nordic market share today in our view), we believe Lime has strong fundamentals to continue to experience strong growth.

**100% direct sales model differentiates Lime from peers, which secures a low churn and lowers the risk to the business model**

The 100% direct sales model differentiates Lime from peers and a higher engagement than competitors was highlighted by users in our channel checks. We believe the high customer satisfaction is linked to the consulting business and secures a low churn of customers, which lowers the risk to the business model. A diversified client base, where the largest customer represents 2% of total revenues, supports the low risk argument.

**Recurring revenue base of 64% supports high cash conversion of around 100%**

Of total revenues, 64% are recurring (Q3 2018), subscription, and contract based, and adding the 70% of the consulting revenues (68% YTD), which are derived from existing customers, implies that close to 86% of total revenues have a recurring characteristic, supporting the high cash conversion rate of around 100% of EBITDA, adjusted for capitalised development expenses over the period.

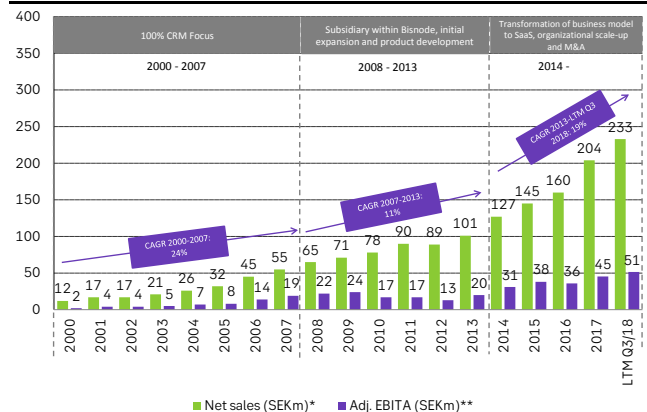
The increasing share of recurring, subscription based revenues should support further margin expansion. However, we are cautious in letting our estimates reflect significant margin expansion, as we take into account increase in R&D investment.

**We expect organic revenue CAGR of 17% in 2018-21, versus Lime's financial targets of "above 15% revenue growth"**

We expect 17% organic revenue and 24% EBITA CAGR in 2018-21 (compared with Lime's financial targets of "above 15% organic growth and above 23% EBITA margin"), and we believe that Lime should be valued in line with peers with similar growth characteristics. Using a peer group of Nordic high growth, Nordic software, and international SaaS companies, and a valuation based on EV/EBIT and EV/sales, we estimate a fair value of SEK 72-105 per share.

# Investment case in charts

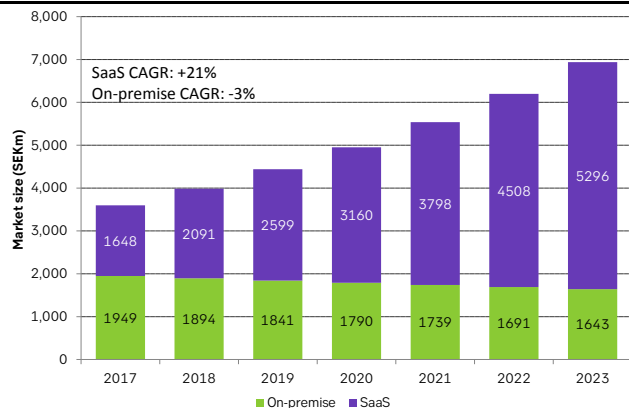
## Lime has shown strong growth over two decades



\*Net sales and EBITA adjusted for acquired and sold Norwegian business 2010-2012.  
 \*\*EBITA adjusted for non-recurring Bisnode management fee 2013 and non-recurring acquisition and IPO related costs 2014-LITM Q3 2018.

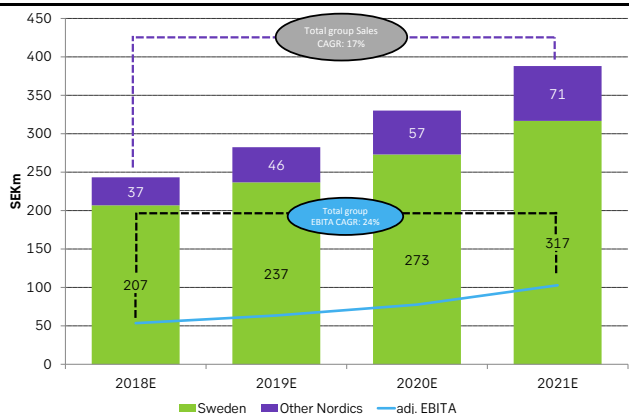
Source: SEB, Company data, Lime annual report and company filings

## Market growth expected to continue in SaaS CRM



Source: Capgemini market study 2018

## We forecast sales CAGR of 17% in 2018-21



Source: SEB

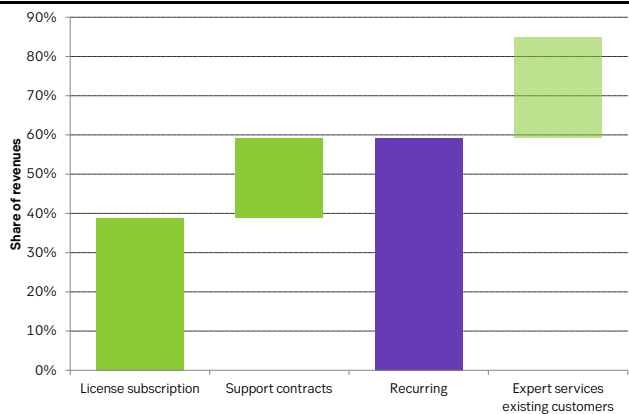
## Our forecasts are in line with Lime's targets\*\*

|                   | Lime financial targets | SEB 2018-2020E      |
|-------------------|------------------------|---------------------|
| Sales growth      | >15% organic growth    | 16% organic growth  |
| EBITA margin      | >23% EBITA margin      | 22-24% EBITA margin |
| Capital structure | <2.5x ND/EBITDA        | 1.6-0.7 ND/EBITDA*  |
| Dividend policy   | 50% of net profit      | 50% of EPS as DPS   |

\*EBITDA adjusted for IPO-costs, \*\*Medium/Long-term

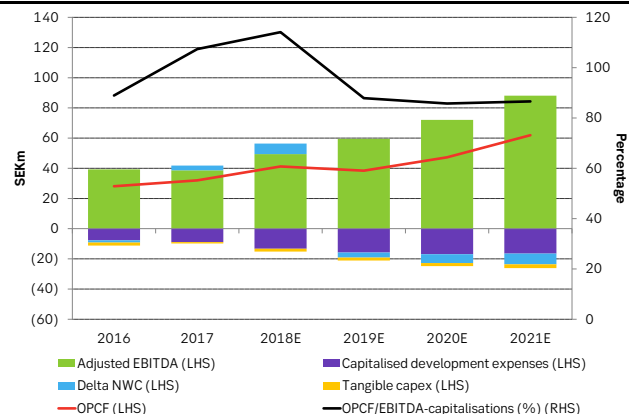
Source: Lime mid-term targets, SEB, Lime annual report

## High share of recurring revenues...



Source: SEB, Lime annual report

## ... should support continued strong cash conversion



Source: SEB, Company data, Lime annual report

# Risks

- **Competition:** Large global players, such as Microsoft Dynamics 365, Salesforce, and Oracle have mainly focused on the Global Enterprise customer segment. However, Lime has succeeded in developing a relatively strong Nordic market position in the SME segment. If any of these larger players increase their focus towards smaller businesses, it could pose a threat to Lime's market niche. Salesforce started to develop a better, more scalable solution for smaller businesses during the end of 2017, and was awarded the best CRM software for small business globally in 2018 by Businessnewsdaily. There is limited threat from smaller (or new) local competitors because of relatively high barriers to entry and Lime's strong market position by offering the whole CRM market chain (development, sales, integration, and support). CRM systems are a software service which has to be customised depending on customer needs, and the threat from low priced standardised CRM providers is low.
- **Quality control in the value chain:** It is important that Lime continues to deliver high quality products and solutions in all stages of the CRM market chain. To compete with the larger players, Lime has to deliver a competitive software solution, establish a strong sales team, provide quick and easy product integration, and offer best-in-class local customer support. A lack in any of these stages will decrease Lime's competitiveness and is a key risk to its operations.
- **Customer churn:** Lime's SaaS business model, with 64% recurring revenues (as of Q3 2018), is highly dependent on customer satisfaction to retain its customers from other CRM providers. Between September 2017 and September 2018, Lime had revenue churn of SEK 0.8m (9.9% of monthly recurring revenues), which could be viewed as relatively high as the customer satisfaction in the support function of Lime is 98.7%. However, this number can be affected by companies being acquired or declaring bankruptcy, and should be treated with caution.
- **Nordic exposure:** Lime is mainly exposed to the Nordic SME and local enterprise market, with about 85% of its sales generated in Sweden, and the business could be affected by changes in market conditions. The transformation in Lime's business model, from pre-pay to subscription, has limited this risk as customers sign 12-month contracts, which makes it easier for Lime to estimate its future sales. An economic downturn in the Nordics would increase the number of bankruptcies and lead to a high number of companies cutting costs – something that might lead to a lower demand of Lime's products and services.
- **Employee risks:** We have highlighted that Lime offers its customer a full CRM market chain, from software development and sales to integration and support. This makes the business highly dependent on its employees in every step in the value chain to not break trust or satisfaction in Lime's products and services. From 2011 to 2012, Lime's annual sales decreased from SEK 90m to SEK 89m (adjusted EBITA declined from SEK 17m to SEK 13m according to its annual report) due to a generational renewal and three of Lime's better sellers leaving the company. Since then, this risk has been limited, and Lime is today less person-dependent due to its transformation to a subscription based business model. A large part of Lime's business consists of consultancy services, and strict control over salary inflation is important when competing with other consultancy firms in terms of competent staff. A rapid increase in salary inflation would squeeze margins and decrease Lime's profits.

- **Acquisitions:** With about 3,000 applicants per year of engineering and business academics, Lime has built a strong brand as an attractive workplace. It is important that the integration processes, following recent acquisitions, works smoothly and that Lime's culture quickly becomes integrated into the acquired businesses. Another risk when integrating acquired units, besides the cultural, is the risk from a purely technical perspective when integrating different IT platforms.
- **Supply chain:** Lime works with several software suppliers, such as Amazon (for cloud solutions), Elasticsearch (search engine), and Docker (virtualisation). According to Lime, there are alternative solutions to these suppliers' products, and the risk is limited (Lime is not dependent on only one supplier). Despite this, as there is a large barrier to changing supplier, we see a risk in price increases of the suppliers' products and services which might hamper margins.

# Company profile

## A brief history of Lime

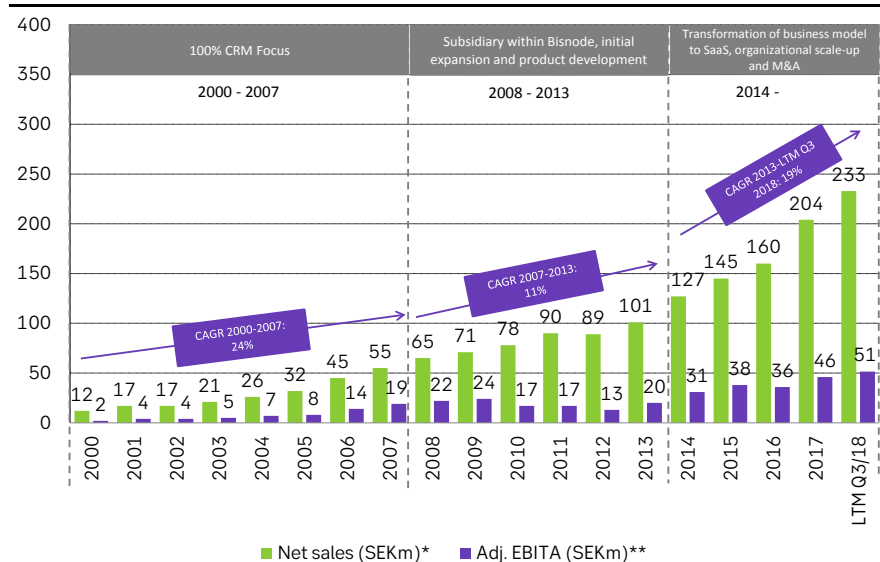
Lime was founded in 1990 in Lund, Sweden. Ten years later it had transformed into a pure customer relationship management (CRM) focused company and in 2002 Lime CRM was launched.

In 2007, Lime became a subsidiary of Bisnode, whose customer relations network helped Lime’s expansion outside Sweden to Norway and Finland in 2010. At this time Lime made investments in the platform to make it cloud compliant and suitable for the small to medium enterprise (SME) segment, which became the core focus segment for Lime.

In 2014, Monterro acquired Lime, which was the starting point for a transition of the company. The business model transformed from licenced based pricing to software as a service (SaaS), and the number of full time employees (FTEs) increased by 52% (2015-YTD 2018), with the focus to scale up in the Nordic countries outside Sweden. Since 2017, Lime has made three acquisitions to strengthen its product offering – RemoteX (Lime Field), Netoptions (Lime Newsletter), and Hysminai/Sparta (Lime Engage). The company was rebranded from Lundalogik to Lime.

During three phases (2000-07, 2008-13, and 2014 to present day) Lime has demonstrated strong growth in sales and earnings. Furthermore, the transition to a SaaS model (2014-16), combined with an increase in the number of FTEs, did not appear to significantly affect revenues or EBIT, suggesting that the underlying growth momentum was strong during this period.

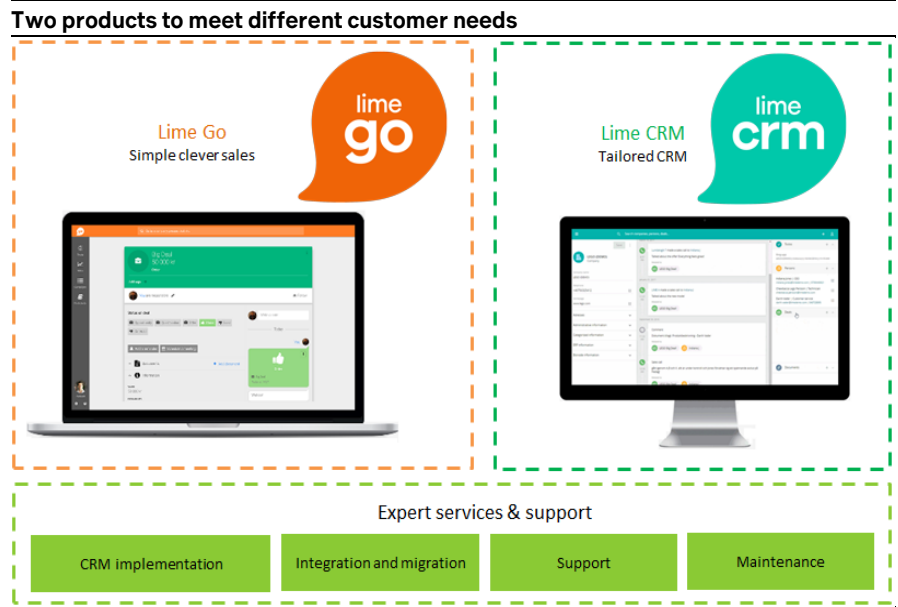
### Growth over two decades



Source: SEB, Lime annual report and company filings

## Product portfolio

Lime is a software company with two main CRM products to meet different customer needs, Lime GO and Lime CRM, and the latter represents the majority of sales today. In addition, the supporting consulting business, expert services, represented 38% of sales during the first three quarters of 2018.

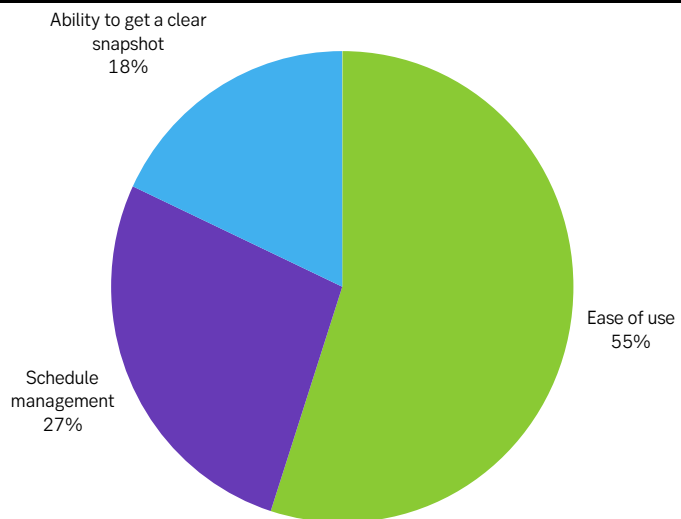


Source: SEB, Lime

In general, a CRM system becomes efficient when it is shared between several users. For this reason, the simplicity and user friendliness are important factors for its success.

As an example, according to research by Inside CRM, 55% of respondents to a survey claimed that ease of use is the most important CRM feature. The same survey also showed that customers chose a CRM system which is intuitive, with a user-friendly interface which offers, for example, onscreen training and clearly labelled buttons.

### Most important CRM features



Source: InsideCRM, SuperOffice, SEB

**Lime GO – “simple clever sales”**

- Targets SMEs with three to 20 users who need to streamline sales processes.
- Only available in the Swedish market, but Lime plans to expand the product to other Nordic countries.
- The CRM system is created for sales leaders who want to follow up each deal through statistics and historical conversations. A tool for prospecting with a quick search function (for instance, to search for potential prospects).
- The price is SEK 329 per user per month for a 12-month subscription (company website).
- Lime Go has a separate technical platform, where multiple customers share the same database (multi-tendency).
- Lime Go has lower gross margins than Lime CRM, as it acquires data from a third party (Bisnode) for this product. However, this could change with growth.
- It is only available in a cloud solution (Saas), hosted by Amazon.

**Lime CRM – “a tailored CRM solution”**

- Targets SMEs with 20-500 users within all industries.
- A more advanced CRM solution with flexible and tailored solutions for each segment. Around 60% of sales come from the standard Lime CRM product and the remaining 40% from industry customised solutions, according to the company.
- Available in all Nordics countries.
- Pricing is set at SEK 3,000 per month for five users for a 12-month subscription (close to twice the price per user compared with Lime Go). But this price declines after five users, at which point the price is SEK 450 per user per month (company website info).
- Lime CRM has a separate technical platform where each customer has one database, which is a more costly approach but necessary to cope with the individualised solutions.
- Available in a web based SaaS solution hosted by Amazon, but also available as an on premise PC solution.

**Machine learning and artificial intelligence**

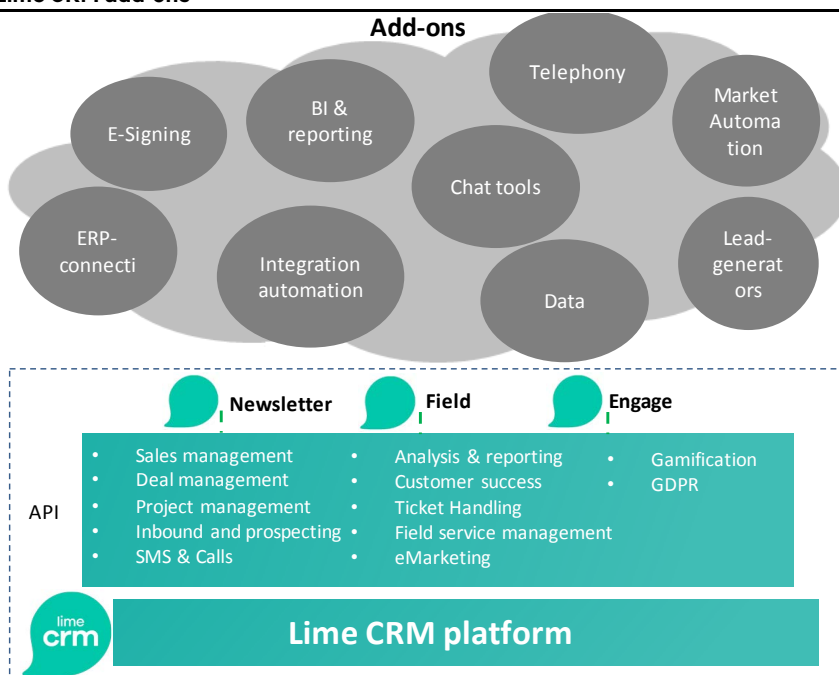
Lime offers its Lime GO customers machine learning (ML), provided by third-party Scikit, and artificial intelligence (AI) on the platform to optimise its customer needs. Lime believes that there is no other CRM provider which has integrated ML and AI into its platforms to the same extent as Lime. For example, Lime has ML/AI giving recommendations based on data which is included. As CRM users are provided with a large amount of daily information on their platforms, Lime states that it is important for the software to learn what the users demand.

If a customer asks for specific information during the day, the platform learns from the users' navigation. This works similar to Spotify or Netflix, which learn what type of music or movies a user prefers, and delivers business data suggestions to the user based on these patterns. This is an innovative method for Lime, based on user patterns, to provide its customers with the information the customers prefer. This solution is only available on the Lime GO platform but will be implemented into Lime CRM as well.

### A large portfolio of add-ons

Lime’s two products, GO and CRM, can be integrated with partner applications within different areas, such as e-signing, ERP connections, chat tools, BI, and reporting. The most recent acquisitions have added in-house add-ons such as Newsletter (a software tool for efficient email marketing), Engage (sales gamification add-on to increase engagement among the sales staff), and Lime Field (add-on software to track the status of a specific property for a real estate client for instance).

#### Lime CRM add-ons



Source: SEB, Lime

### Expert services and support – retains customers and secures low churn

Expert services (consulting) during the implementation phase is important for retaining customer commitment and to secure low churn of the customer base. The implementation phase can take from one day up to four to five months. It takes one day for the user to learn the system. All CRM systems are to reach critical mass in usage. The expert services division also generates revenues over time when serving companies with new functions, add-ons, or new customised solutions.

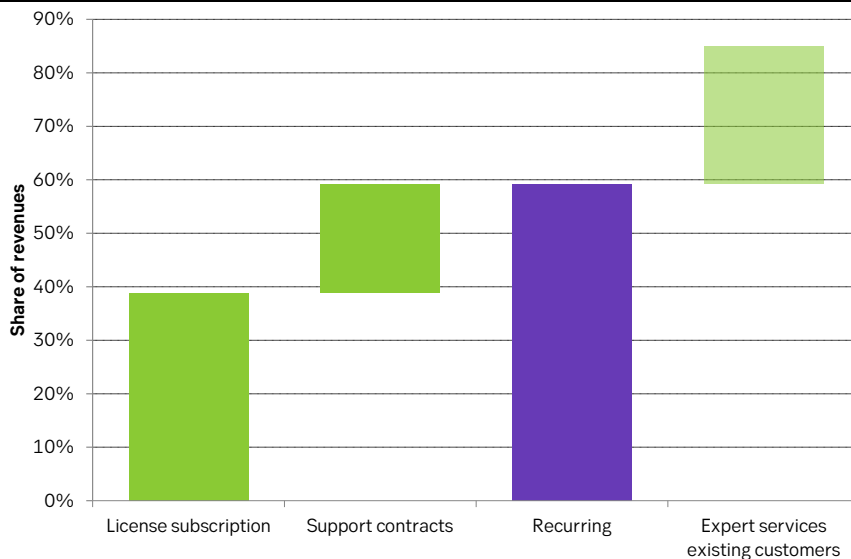
## Business model fundamentals

### SaaS and consulting combined gives sticky recurring revenues

After transforming the business model from one-off licence payment to a SaaS model with monthly subscriptions, the recurring nature and the risk of the business model has been lowered substantially with around 60% of revenues as recurring. In addition, the pure consulting business (Expert Services & Support) has 30% of revenues derived from the installation of the CRM software with new customers (company information). We expect that the other 70% of revenues are derived from existing users who upgrade to add functionality and features to their existing systems, and for this reason it is linked to the recurring revenue base.

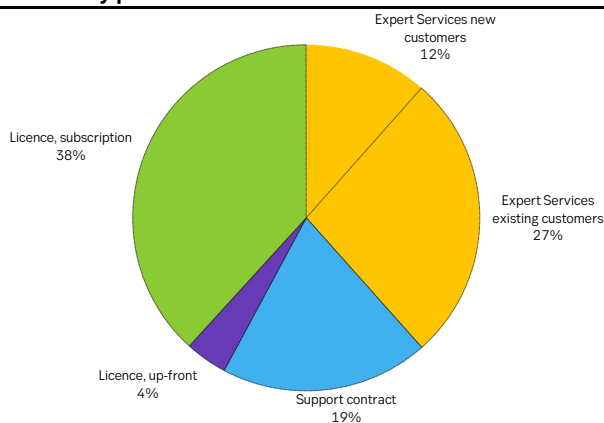
The maintenance revenue (support contracts) relates to users who, using the previous licence agreements, should be converted to licence subscription revenues as users move to the new platforms and services.

**Recurring revenues at least 60%**



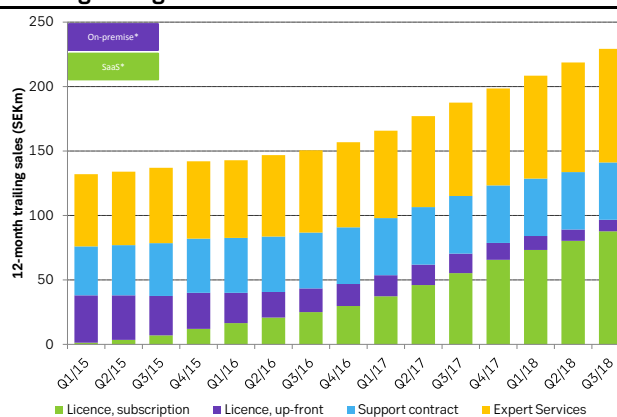
Source: SEB

**Revenue by product and service**



Source: SEB, Lime Q4 2017-Q3 2018, expert services split from Q1-Q2 2018 numbers

**SaaS is growing as a share of revenues**



\*SEB's view is that subscription largely is related to SaaS sales and Up-front to on premise

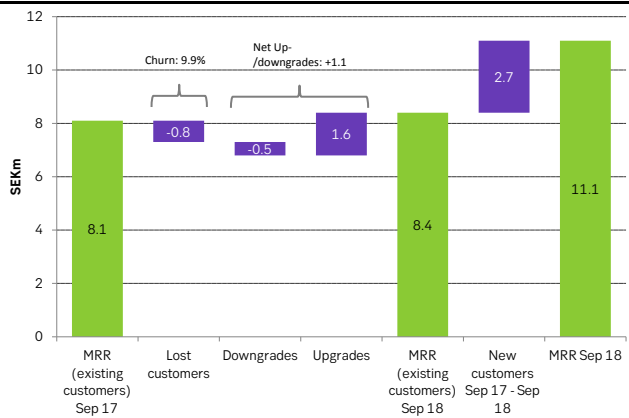
Source: SEB, Lime

Based on the change in the monthly recurring revenue base (MRR), the chart below shows that Lime had a net increase of SEK 1m (over the last 12 months) related to customers exiting our buying more licences.

Lime lost monthly recurring revenues (MRR) of SEK 0.8m related to lost customers, implying that the churn was 9.9% of its MRR sales. This refers to customers who in any way stop their software payments to Lime due to reasons such as moving to competitors, bankruptcy, or stop using a CRM system. The main contribution to the increased MRR related to new customers. New customer intake during the period was SEK 2.7m (32% of MRR excluding existing customers).

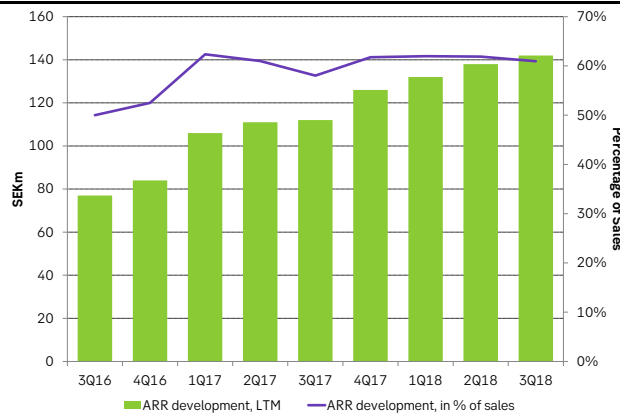
The trailing annual recurring revenue (ARR) in Q3 2016-18 is shown in the chart below right, which shows a steady increase in absolute numbers. This has stayed at approximately 60% of revenues in the past two years.

**Software churn and customer down/upgrades**



Source: SEB, Company data

**Annual recurring revenue (ARR), LTM**



Source: SEB, Company data

## Go to market and after market

### 100% direct sales increases stickiness

Lime has a 100% direct sales model in all markets, which offers the benefit of a direct relationship with all customers and distinguishes Lime from its competitors.

Lime has local presence in all Nordic countries with sales staff and a sales manager in each location. In total, 47 FTEs work in sales, of which the majority are in Sweden. The high degree of direct sales generates a high degree of reference cases. We believe this is one key reason why customer satisfaction is high (both from the figures we received from the company’s own surveys and our own channel check).

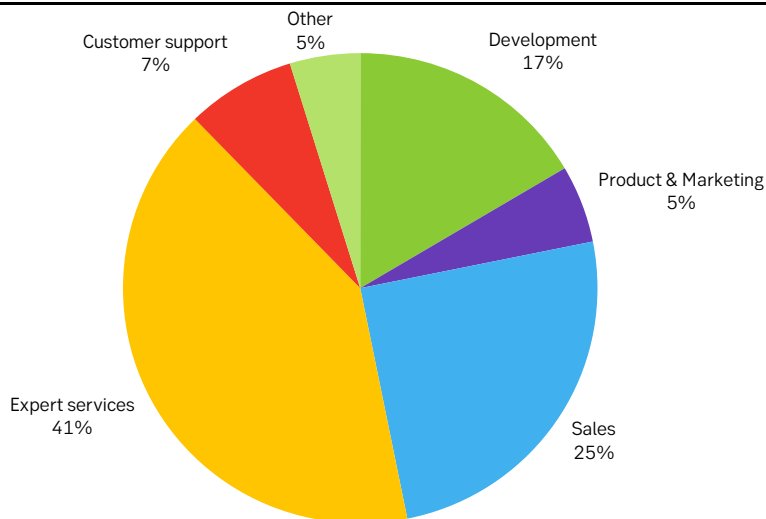
A proactive sales process is used for Lime CRM products for local enterprises within the four focus vertical sectors (utilities, real estate, wholesale retail, and consultancy). Here, the sales cycles are longer and the value per deal higher, but volumes lower. A different approach is used for Lime Go, with a market automated and reactive approach. Lime Go is typically sold to Nordic sales organisations with three to 20 users only in Sweden, while Lime CRM targets larger organisations (20-500 users) in all Nordic countries. The selling point of Lime Go is to offer a fast and user friendly web based sales and CRM tool, streamlined to optimise sales efforts. Lime CRM offers both customised and packaged solutions by providing flexible re-usable, standardised components, APIs, and building blocks.

During the first 18 months after a customer signs up with Lime, a sales representative is responsible for the customer with regular follow ups to reduce churn. The common upsell during this time is to add more users and product add-ons. After 18 months a customer success team takes over the management of the customer, with continued focus on improving the relationship and keeping the churn low.

## R&D and staff

Lime has a development team of 31 FTEs (17% of total employment base) and there is a close collaboration between the development team and the rest of the organisation through customer and market feedback from the existing 4,500 customers and 60,000 users. The code is written in Python and servers on Amazon. R&D/sales versus Swedish tech peers seems similar to Enea, HMS, and Axis (before it was bought by Canon) at 15%.

### FTE by department



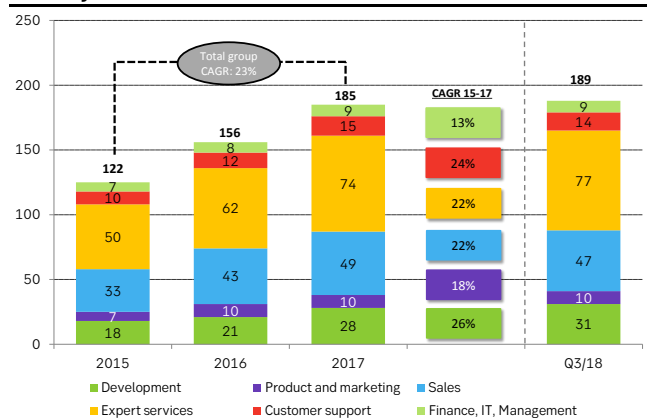
Source: SEB, Lime

### Recruitment strategy

According to Lime, its most important process is recruitment, to attract and retains employees. Lime receives approximately 3,000 applications per year from mainly engineering and business academics (more than 90%) from primarily Lund and Linköping University. From this, about 1,500 proceed to a group interview. After this, the applicants have to pass a case step and one-to-one interviews before being hired. During 2017, Lime hired 51 new people, of whom approximately 70% were directly from university.

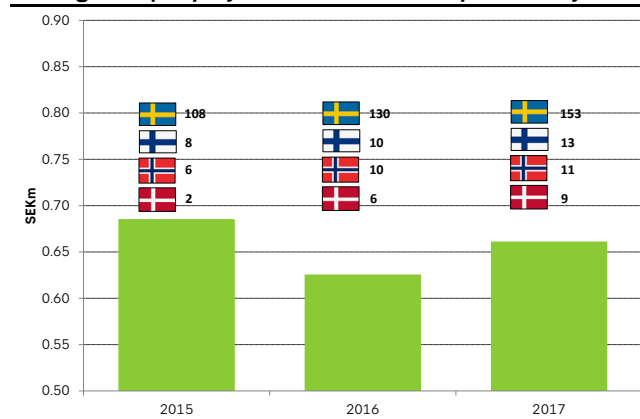
The new recruitments start in classes, either in August or January, with five weeks of education in Lund. Then they return to their home offices for their roles, together with a mentor. A few months later they come back to Lund for further classes. They finish their on-boarding 10 months later with a graduation trip.

### FTEs by function



Source: SEB, Company data

### Average cost/employee & number of FTEs per country



Source: SEB, Company data

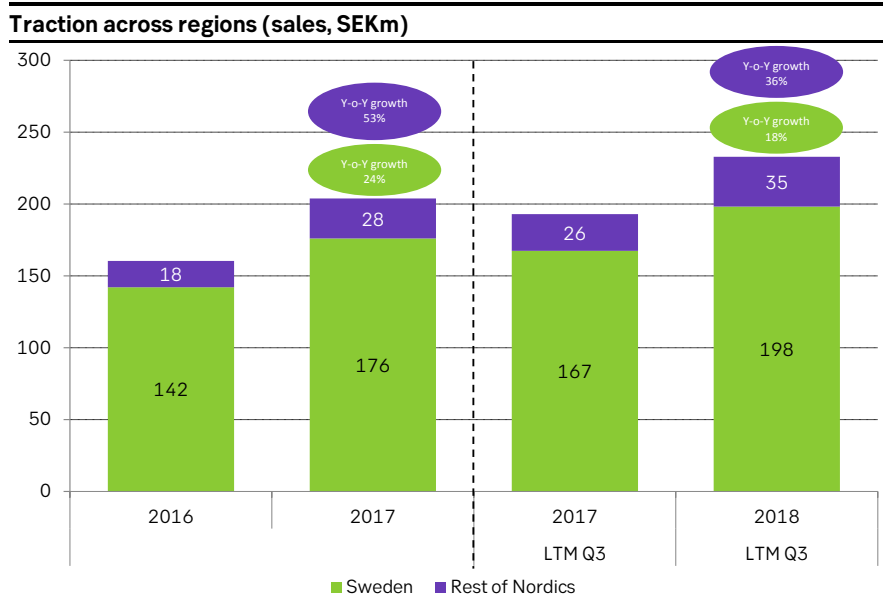
The number of employees has increased from 122 FTEs in 2015 to 189 in Q3 2018, which are divided into 154 in Sweden, 13 in Finland, 11 in Norway, and nine in Denmark. The largest increase in number of FTEs has been in Sweden due to the acquisitions and by increasing the number of software developers (CAGR of 26% in 2015-17). We expect that the net organic recruitment was modest during 2017 as the total FTE increase in 2017 of 29 included a potential small boost from acquisitions.

The cost per employee increased between 2016 and 2017 and has continued to increase during 2018. This is due to Lime hiring people, especially within management because of the IPO, but also more developers. This has hampered margins during 2018, and as these recruitments will not continue, we expect margins to slightly increase following this.

## Customers

Lime’s niche is within the SME segment, and it has 4,500 customers and around 60,000 users, implying that the average customer has 13 users. Most potential customers do not have a CRM system today.

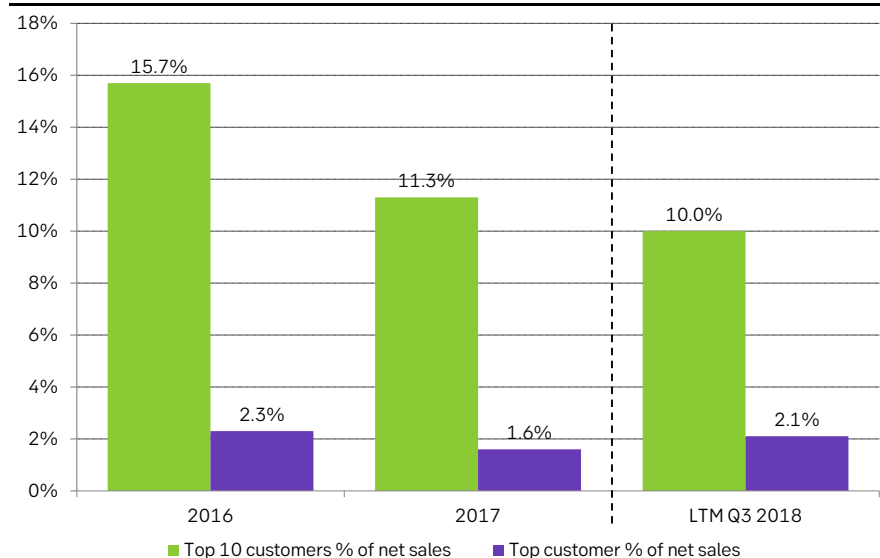
Lime has a diversified customer base, mainly based in Sweden (85% of sales from Sweden), but it is starting to gain traction in other Nordic countries.



Source: SEB, Company information

The customer concentration is low and decreasing. The top 10 customers represent 10% of sales and the largest customer represents 2% of sales. The fact that the dependency on one single client is fairly limited shows that the risk to sales, even if a client leaves because it has become too large (a risk that our channel check below indicates) is controllable. We estimate that 12 customers out of 4,500 have above 500 users.

**Customer concentration**



Source: SEB, Company information

Lime has chosen to focus mainly on four industry verticals where it has found that its products are most suitable – utilities, real estate, wholesale retail, and consultancy. Examples of clients within each vertical are shown in the chart below.

**Customer focus in four verticals**



Source: SEB

**Channel check – continued focus on its niche SMEs**

We performed a channel check and talked to 10 companies who are currently using Lime CRM. The majority of the responding companies have around 200 employees in-house using Lime CRM with the largest have 1,200 users and the smallest 40 users (not all companies told us how many users they had).

We found that the key reason why clients chose Lime CRM was its simple and user friendly function, as well as its scalability, and the company's better engagement than its large competitors. The overall negatives were mainly mentioned among companies with above 500 users, where users demand changes.

Some of Lime's customers still use the On-premise solution only due to safety reasons where two to three companies stated that they do not trust cloud solutions. We believe this is a general view held by the majority of CRM users who work with sensitive data. In our channel check, these companies were working within the energy sector or municipals. One respondent from a company is using Lime CRM on a mobile device as a complement to the On-premise solution. The respondent mentioned that some real time updates were not possible while using CRM on a mobile device. This was not seen as a problem, but could be an improvement to strengthen the cloud solution, according to the respondent.

Good functionality, ease of use, and scalability are some continuous pros mentioned by almost every respondent. One respondent talked about the pros of Lime having the whole value chain from development and sales to implementation and support, stating that "we can get help from Lime directly which are agile and extremely helpful. This makes it easy to integrate new functions". The same respondent stated that the company uses Microsoft on enterprise resource planning (ERP) and has considered Microsoft CRM solutions, but feels that it is both more expensive and not as user friendly as Lime. The scalability with Lime was mentioned several times as a key advantage as companies pay a relatively low price per user and can easily add new users to the platform. This makes it affordable for smaller companies to start with Lime, which grows with the company by adding new users and features. Company 1 started with 30 users in 2007 and was using Lime because it was local, offered a competitive price, and felt that Salesforce (the competitor it compared with) was too large. Today, the same company has 1,200 users and feels that it might be time to change to Dynamics 365. Even though the respondent stated that it is satisfied with Lime (9/10 rating), it is considering changing CRM system to Microsoft Dynamics 365 as "... I like how all of the integrations are interrelated on the same Microsoft cloud platform – such as Sharepoint, ERP and Office".

Company 2 stated that it is satisfied with Lime's products, but is considering changing its CRM system as it needs more add-ons and some functions that Lime does not currently offer. Telling the same story as Company 1, Company 2 has expanded and feels that it might be too large for Lime. This is one of the cons that have been mentioned – that Lime lacks when companies become "too large". This is in line with Lime's customer focus on smaller companies and it seems that some are becoming too large to continue to use Lime when the user demands changes. Another negative aspect mentioned by Company 4 and 6 was that Lime does not offer the same usability in the cloud as On-premise. This was not stated to be a major problem by the two, but still an improvement which was demanded.

**Channel check**

| Product  | Company | Pros  | Cons   | Other comments  | Rate 1-10 | Used in #years                                 |
|----------|---------|---|--|---|-----------|--|
| Lime CRM | 1       | Scalable price (cheap for smaller businesses). Started with 30 users in 2007, today 1,200                                       | Some complex integrations. Dynamics 365 offer total integrations as SharePoint, ERP & office. Company getting to big for Lime. | Used Lime CRM since 2007, before that Contract (Old Lime version). Now wants a software like dynamics 365 supporting servers in the cloud as Office 365, Office online & SharePoint | 9         | 11   |
| Lime CRM | 2       | Easy to integrate and easy to use.  | Now the company have grown and feel that it need more add-ons and functionality. Lime lacks here.                              | The company have used dynamic 365 on sales as well. Not as user friendly as Lime. More complex.   | -         | -  |
| Lime CRM | 3       | Modern and great functionality. Scalable. Great customer support  | No cons  | Use it On-premise due to safety reasons. 200 users.   | 8         | 5  |
| Lime CRM | 4       | Great to use on the Sales department. User friendly.  | Can't do updates while used on the phone. Says its no problem with that, could be an improvement.                              | Also use APSIS which is web based to do all the mailings  | -         | -  |
| Lime CRM | 5       | Great to keep an eye on your integrations. Functionality. You can choose what the flows should look like.                       | No cons  | Lime deal was part of a large public procurement. Package with several other systems in the same procurement.   | 8         | 10   |
| Lime CRM | 6       | Flexible. Great to gather all cases, statistics etc. Recently added Lime newsletter. Functionality and user friendly. Scalable. | Not the same usability in the cloud as On-premise.   | 250 users. Public procurement competing with larger and smaller companies. Had no CRM system before.  | 8         | 9  |
| Lime CRM | 7       | No specific pros since the company have a very complex business that no CRM system can meet.                                    | External consultants solve their highly complex business integrations. Also hired an old Lime employee responsible for CRM.    | Should not maybe use Lime if the procurement were today. See no long term sustainability in using Lime. 40 users.   | 7         | Since 2003 and 2017 - two separate businesses. |

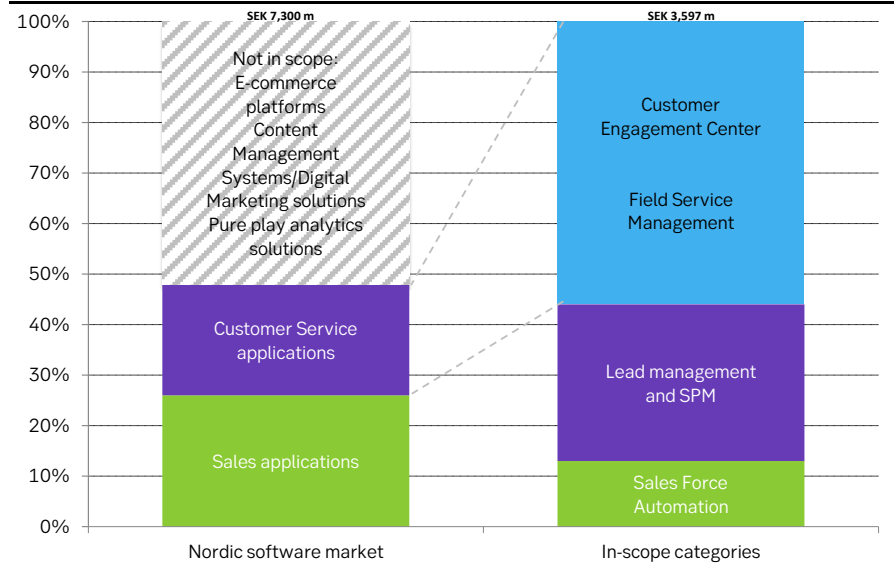
Source: SEB

# Market analysis

## Market overview

Lime is a software company which mainly operates in the Nordic customer relationship market (CRM). Since 2017, Lime has made three acquisitions which have strengthened its product offering and widened the addressable market – RemoteX (Lime field), Netoptions (Lime Newsletter), and Hysminai/Sparta (Lime Engage). After these acquisitions, we believe that the chart below shows Lime’s addressable market.

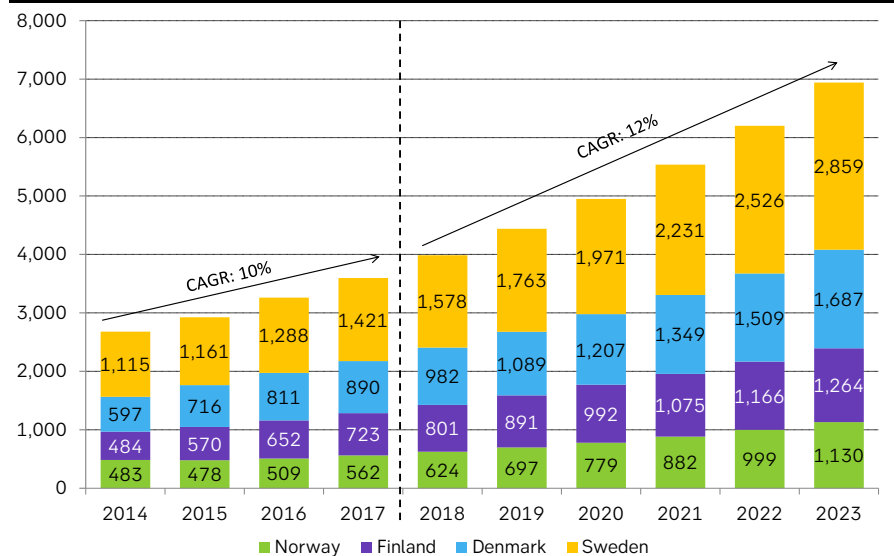
### Lime's addressable market



Source: Capgemini market study 2018, Lime

With the above in mind, Lime is addressing a market which today is worth SEK 3.6bn, expanded at a CAGR of 10% in 2014-17, and is expected to increase at a CAGR of 12% in 2018-23 (Capgemini market study 2018).

### CRM market overview – Lime’s addressable markets are rapidly expanding

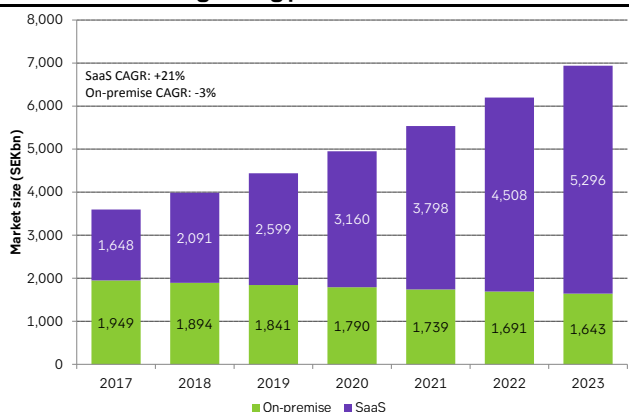


Source: Capgemini market study 2018

**The SaaS part of the CRM market is the main driver for Lime**

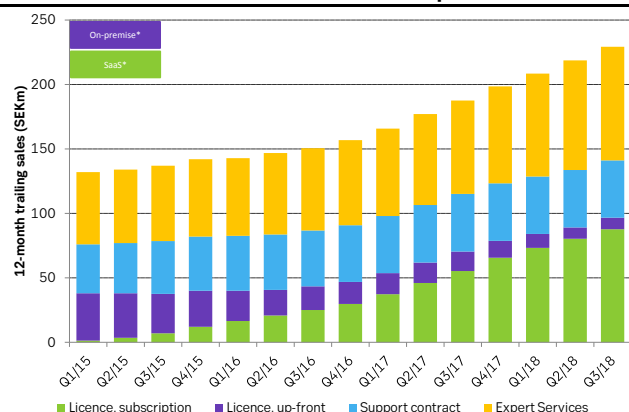
As shown in the chart below left, the SaaS part of the market is expected to increase at a CAGR of 21% in 2017-23, while the On-premise part of the market is expected to have a negative CAGR of 3% 2017-23.

**SaaS is the fastest growing part of the CRM market**



Source: Capgemini market study 2018

**Lime's sales are more from SaaS than On-premise\***



\*SEB's view is that subscription largely is related to SaaS sales and Up-front to on premise

Source: Lime

The chart above right show Lime's 12-month trailing sales and as shown, the green part (licence, subscription, i.e. SaaS) has been the main growth driver for Lime and the licence (up front, i.e. more on premise) part of the business has been in decline.

We believe that what is de facto happening behind the data is that a lot of the clients are converting from licence to SaaS (hence parts of the purple are converting to the green in the chart). The blue part (support contract) mainly relates to the purple part (licence, up front), but as these customers convert to subscription, so should the blue part. In addition, Lime is taking market share. Hence, in our view the main market driver for Lime is the SaaS CRM market.

**The penetration of SaaS and CRM is lower in the SME segment**

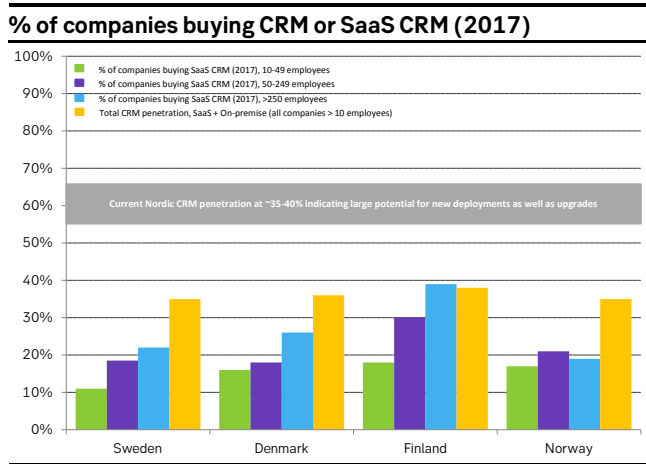
Another way to slice the market is to look at the penetration of SaaS CRM in the different sizes of companies – small (10-49 FTEs), medium (50-249 FTEs), and large (over 250 FTEs).

The key drivers for why penetration should increase are:

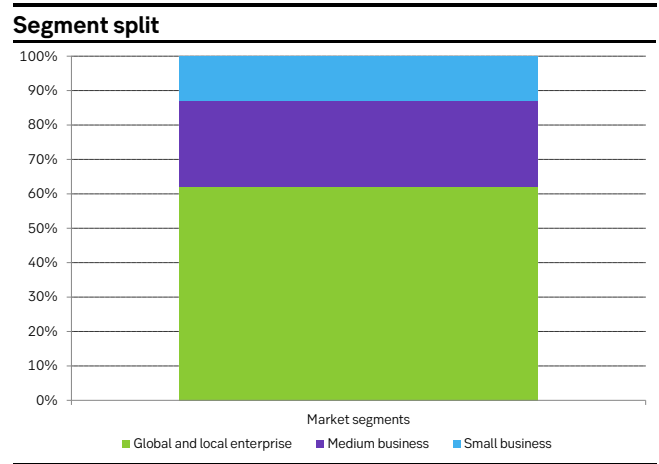
- **Digitalisation:** In our view, the general digitalisation trend implies that companies have to diversify from peers on customer experience, or price, which is why they need to better understand customers and be more responsive and proactive. A CRM system should, in our view, increase in importance for companies, which should increase penetration.
- **Shift to cloud and SaaS:** Cloud and SaaS are two general trends and Capgemini estimates that SaaS as a share of the CRM market should increase from 45% today to 75% in 2023.
- **Compliance with regulations:** GDPR has applied pressure on companies who gather, store, and use customer information, and a CRM system is a method to comply with these demands, and why greater regulation should support CRM penetration.

- Improved end-user experience and ease of integration:** A bad CRM system is only regarded as an extra admin tool for sales people while a good CRM system is regarded as a tool which can increase sales efficiency, and hence the CRM tools that are easy to use, value adding and SaaS based, should see increased traction.
- Increased process automation and efficiency:** Automation is a strong trend. The problem for many corporations is that a lot of data is stored in excel, word, emails, etc., and hence the process to automate is tough. Automation can be achieved by adding more information into an organised CRM system.

The chart below left shows that the total penetration of CRM systems is 35-40% among Nordic companies. The chart below right shows how the market is split between the three categories today.



Source: Capgemini market study 2018, Lime



Source: SEB

### GDPR and CRM

In May 2018, the new European regulation of GDPR (The General Data Protection Regulation) was implemented to secure the same protection of personal data across Europe. A regulation that some believed was going to increase the sales of CRM systems to help companies handle their data. This has still not been the case according to Lime, which has not seen boosted demand due to GDPR.

A general misunderstanding is that GDPR only affects larger corporates which is not the typical customer for Lime. We have seen several investigations from the Swedish "Datainspektionen" and might soon see the first fines being distributed. If this is the case, it might trigger higher demand for CRM systems by more companies (10-35% of Swedish companies had a CRM system in 2017).

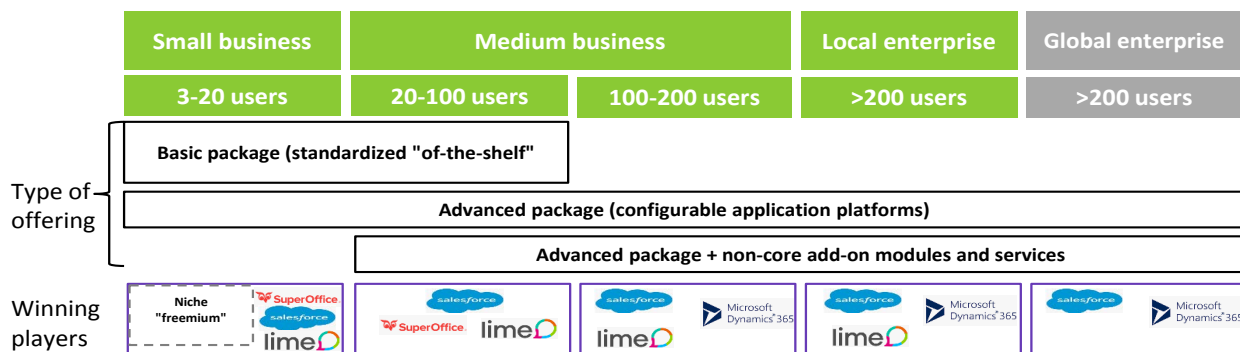
## Position, competition, and market share

### Lime's main focus is outside of global enterprises

We have discussed above that there are several factors in place to drive growth in Lime's part of the CRM market. We believe that the SaaS part of the CRM market should grow the fastest, and that penetration is the lowest in the SME segment. Therefore, we expect these segments to rapidly increase, and Lime should benefit as it is focused on "larger small businesses" up to local enterprises with about 500 users in size, or in other words, all but very small businesses and global enterprises.

The chart below shows that Lime is positioned in the SME and local enterprise segments of the market.

**Peer position overview**



\*Expert interviews cite that SMB segment has historically been a strong area for Salesforce but it is not part of their current Nordic focus

Source: SEB, Lime

Below we give our view on what clients look for in the different segments:

- **Small business:** In the small business segments, the key USP is that the product must be quick, easy, and reliable “off the shelf” with basic functionality. The integration with other types of systems should be easy. Local language is also an appreciated functionality.
- **Medium businesses and local enterprises:** In the medium sized corporate and local enterprise segments, our view is that customers want a key account contact that helps them adapt the CRM system to their needs, helps them extract data, and arranges data from other systems to gain valuable data into the CRM tool, which can help the client use the tool. Support is also an appreciated functionality. With this in mind, we believe that a CRM software company with a local based team should have an advantage with some clients who value a reliable partner which is quick to make changes in the system.
- **Global enterprises:** In the global enterprise segment, the requirements on personalisation and integration with other tools is greater.

**Lime’s offering compared with peers**

According to Capgemini, the main peers of Lime in the CRM space in the Nordics are SuperOffice, Microsoft Dynamics, Salesforce, SAP CRM, and Oracle.

The table below shows the differences between peers where Lime and SuperOffice clearly have the most functionality. Salesforce is a global well-known CRM/SaaS company and Microsoft, Oracle, and SAP all have an enterprise focus or a platform that other suppliers can integrate.

**Offering comparison**

| Key competitors    | Customer focus              | Local presence*     | Pure CRM | Direct sales | Nordic development | Nordic implement. | Nordic support | SaaS | On-premise | Sales automation | Sales perf. mgmt. | Customer service | Field serv-ice mgmt. | Lead mgmt |
|--------------------|-----------------------------|---------------------|----------|--------------|--------------------|-------------------|----------------|------|------------|------------------|-------------------|------------------|----------------------|-----------|
| Lime               | SMB to local enterprise     | Sw e, Fin, Nor, Den | ✓        | 100%         | ✓                  | ✓                 | ✓              | ✓    | ✓          | ✓                | ✓                 | ✓                | ✓                    | ✓         |
| Superoffice        | SMB                         | Sw e, Nor, Den      | ✓        | ~70-90%      | ✓                  | ✓                 | ✓              | ✓    | ✓          | ✓                | ✓                 | ✓                | ✓                    | ✓         |
| Microsoft Dynamics | Medium to Global enterprise | Sw e, Fin, Nor, Den |          | 0%           |                    |                   |                | ✓    | ✓          | ✓                | ✓                 | ✓                | ✓                    | ✓         |
| Salesforce         | Medium to Global enterprise | Sw e, Fin, Nor, Den | ✓        | ~70-90%      |                    |                   |                | ✓    | ✓          | ✓                | ✓                 | ✓                | ✓                    | ✓         |
| SAP/CRM            | Global enterprise           | Sw e, Fin, Nor, Den |          | ~10%         |                    |                   |                | ✓    | ✓          | ✓                | ✓                 | ✓                | ✓                    | ✓         |
| Oracle             | Global enterprise           | Sw e, Fin, Nor, Den |          | ~10%         |                    |                   |                |      | ✓          | ✓                | ✓                 | ✓                | ✓                    | ✓         |

\* Blue text indicate limited or emerging presence.

\*\*Red check indicate limited or emerging focus

Source: Capgemini market study 2018, Lime

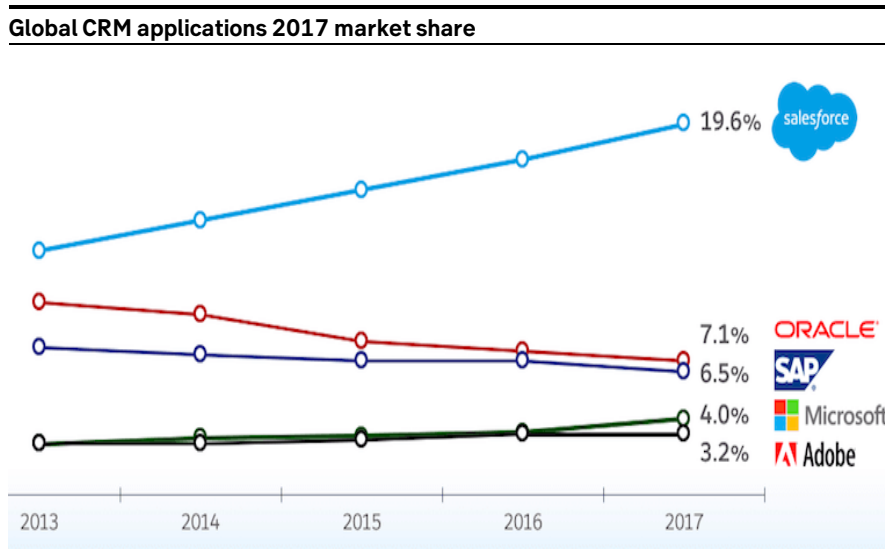
### Competitors

The Nordic CRM market is dominated by the two giants, Microsoft Dynamics 365 and Salesforce, with around 20% and 17% market share, respectively. This is mainly within the large enterprise segment. Two other large players within this segment are SAP CRM and Oracle serving large enterprises, while smaller, local players, such as SuperOffice and Lime serve a larger stake of the SME segment within the region. As Lime operates within the SME segment, the company meets fragmented competition. The largest competitors within the market as a whole are listed below.

- **SuperOffice** – a pure CRM player focused on the SME segment with an approximate 7% market share in the Nordics and 6% in Sweden. The company, based in Oslo, is a strong player in Norway where it has 24% market share and offers its customers both On-premise and SaaS solutions. The company has 70-90% of its sales by direct sales and offers basic package standardised “off the shelf” solutions. The customer focus is towards smaller SMEs than Lime by offering its products mainly to customers with less than 100 users.
- **Microsoft Dynamics 365** – the largest competitor to Lime with a CRM software market share of 20% in the Nordics and 18% in Sweden. Our channel check suggests that Dynamics 365’s solutions do not compete with Lime in the SME segment as the solutions are too expensive and not as scalable as Lime’s SME product offering. Dynamics 365’s products are not sold and integrated by Microsoft – instead, companies such as Accenture, Evry, and Acando, are responsible for the processes after the software development stage. According to our channel check, customers seem to like a full solution where Dynamics 365 offers several integrations such as Sharepoint, ERP, and Office, which gives an advantage due to its large complementary product portfolio. Dynamics 365 also offers an App platform where the customer can choose from different types of business tools which are better in line with the company’s industry. If a company is invested in a lot of Microsoft technology such as Office 365, Outlook and Sharepoint, Dynamics might be a natural choice due to interoperability.
- **Salesforce** – a pure CRM focused company and the second largest competitor to Lime with 17% market share in the Nordic market and about 15% in Sweden. By not offering its customers On-premise solutions, Salesforce is focused on SaaS and typically associated with larger businesses and enterprises. In November 2017, Salesforce launched its product “Essentials” (a product offered for up to five users) to penetrate the small business segment, offering a similar low price scalable offering as Lime. In 2018, the company was awarded the ‘Best CRM Software’ for Small Businesses by [businessnewsdaily.com](http://businessnewsdaily.com) because it “...can service your small business from the start-up stage through to the enterprise level”. This increases Salesforce’s product offering with an important solution to get small businesses into the Salesforce platform at an early stage, where Lime before had a competitive advantage. Salesforce is today one of the five fastest growing enterprise software companies worldwide, with several years of gaining market share from other CRM giants (see figure below). Salesforce offers its customers access to a large Salesforce App marketplace, where installing third party integration is made easy.

- SAP CRM** – not a direct competitor to Lime as its focus is on the global enterprise customer segment. SAP has a 12% market share in the Nordics and 9% in Sweden. The larger part of this is mainly global enterprises with more than 200 users. SAP does not have a local Nordic presence and about 10% of its sales is direct sales. SAP offers its customers both SaaS and On-premise solutions, which are tailored to customer specific landscapes. The global market share of SAP has remained 6-7% (see chart below) during the same time as Salesforce gained market share.
- Oracle** – not a direct competitor to Lime as it is focused on the large enterprise segment. Approximately 6% market share is held in the Nordics and 5% in Sweden, and the main part comprises large companies. Similar to SAP CRM, Oracle has about 10% of its sales as direct sales and is not a pure CRM provider. Compared with Salesforce, which only offers English as the default language, Oracle offers its customers Chinese, German, Indian, and Japanese as language settings.

All of the large global players have pretty much retained their market share during the past five years, except Salesforce, which has shown a stable increase (see figure below).

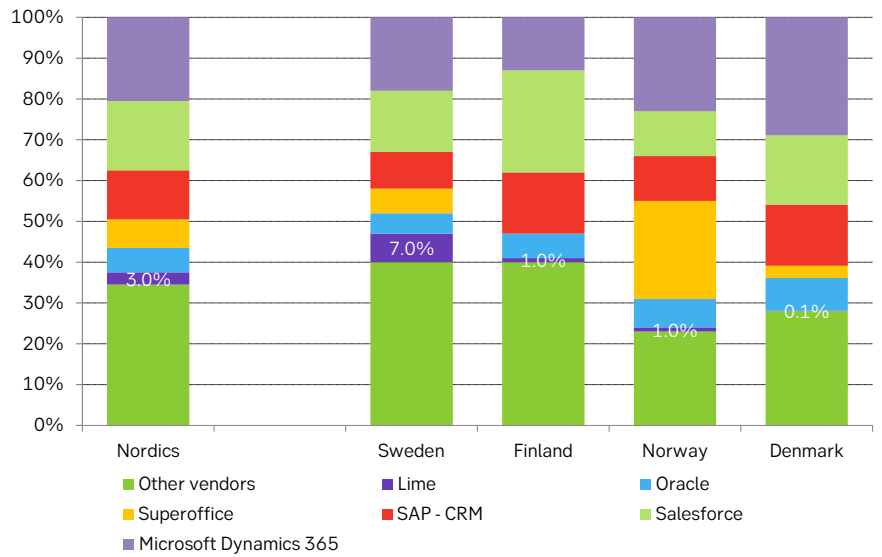


**Lime has plenty of market share to take**

The chart below shows Lime’s market share according to Capgemini. We struggle to find a better way to look at it, but we acknowledge that this approximates the market share as it should differ between the small, medium, and enterprise segments, as well as on global enterprises.

Nevertheless, the chart below shows that Lime has about 7% market share in Sweden and 0-1% market share in the rest of Nordics, and in total around 3% of the total Nordic market.

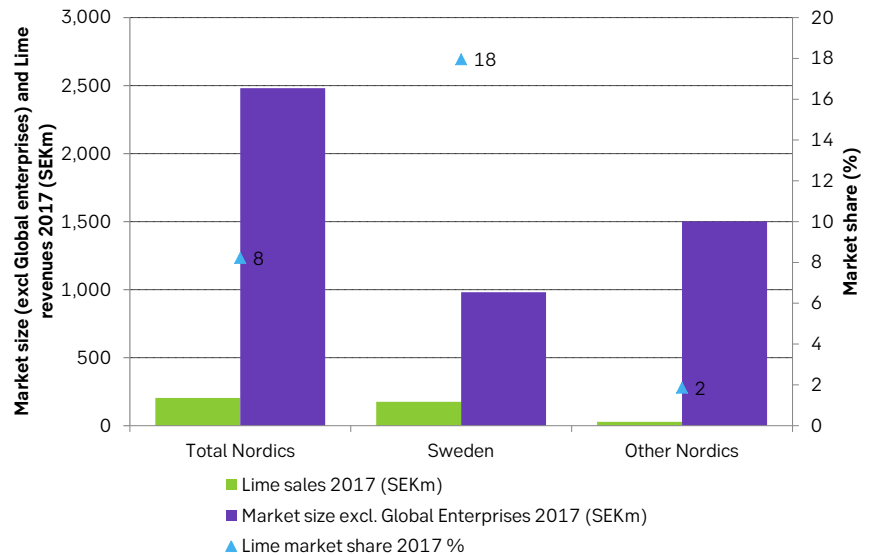
**Market share out of total market**



Source: Capgemini market study 2018, Lime

However, if we look at the chart on page 21 “segment split” and assume that half of the global and local enterprise market is local enterprises, then Lime’s target market of the whole would be 69%, or SEK 2.5bn of the total SEK 3.6bn in market size. This means that with less than SEK 0.2bn in revenues in 2017, Lime likely had around 8% market share in total in the Nordics outside global enterprises. If we were to assume that the “segment split” is applicable to Sweden as a country and not only the Nordics, then that would indicate that Lime has 18% market share in Sweden, which we find to be more reasonable than 7%.

**Market share out of market excluding Global Enterprises**



Source: Capgemini market study 2018, Lime, SEB

# Financial overview

## Financial targets

### Summary of targets

Lime has outlined four overall medium-term targets for the company:

- **Sales growth:** Lime's objective is to achieve annual organic net sales growth of above 15%.
- **EBITA margin:** Lime's objective is to achieve an EBITA margin above 23%.
- **Capital structure:** The objective in respect of capital structure is that net debt in relation to EBITDA should be less than 2.5x.
- **Dividend policy:** Lime intends to distribute available cash flow, after taking into account the company's indebtedness, as well as future growth opportunities, including acquisitions.

### Lime's financial medium/long-term targets

|                   | Lime financial targets |
|-------------------|------------------------|
| Sales growth      | >15% organic growth    |
| EBITA margin      | >23% EBITA margin      |
| Capital structure | <2.5x ND/EBITDA        |
| Dividend policy   | 50% of net profits*    |

Source: Lime medium/long-term targets. . \* Dividend is expected to correspond to at least 50% of net profit.

# Financial history

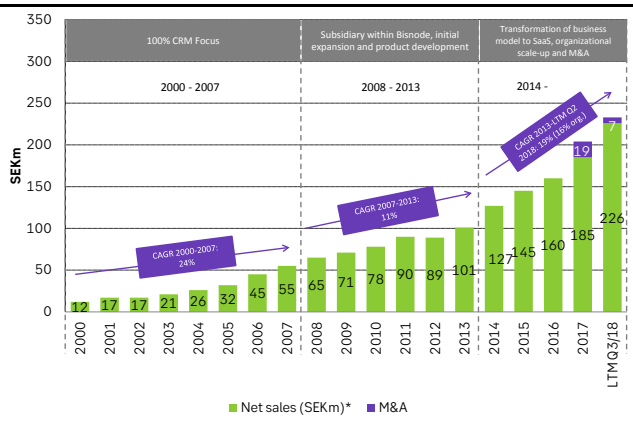
## Sales growth has accelerated

Lime has a history of high revenue growth, with CAGR of 11% in 2007-13, which has accelerated to 19% in 2014-LTM Q3 2018. However, in 2017 and 2018 Lime made three acquisitions, and taking this into account, Lime's organic CAGR in 2014-LTM Q3 2018 is likely around 16%, which is still substantially higher versus 11% in 2007-13 and slightly above its financial revenue growth goal of above 15%.

## EBITA margins have been strong

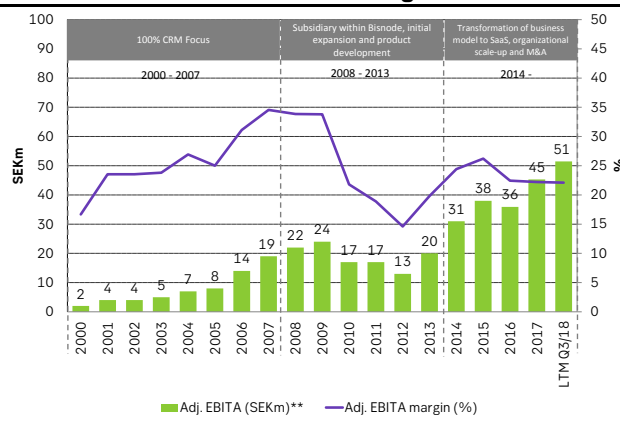
The EBITA margin has overall been strong at around or above 20%. The exception to the trend was 2006-09, when the margin was strong, but in our view this was likely partly affected by shift in focus from growth to margins in conjunction with becoming a part of Bisnode. The second exception was 2010-13, but in our view this was related to the fact that growth again became the focus, but when growth again started to slow, margins recovered. During 2016-18, the margin has declined from 25% to closer to 20% and in our view the reason for this is that Lime has increased focus on growth and that the acquisitions of RemoteX and Bizwizard have lowered margins, whereas Sparta has negative margins and hence this has held back. Hence, although not a flat line, we believe that Lime has demonstrated the potential to exceed its margin target of above 23%.

**Lime's historical revenues and revenue CAGR**



Source: Lime annual report and company filings

**Lime's historical EBITA and EBITA margin**



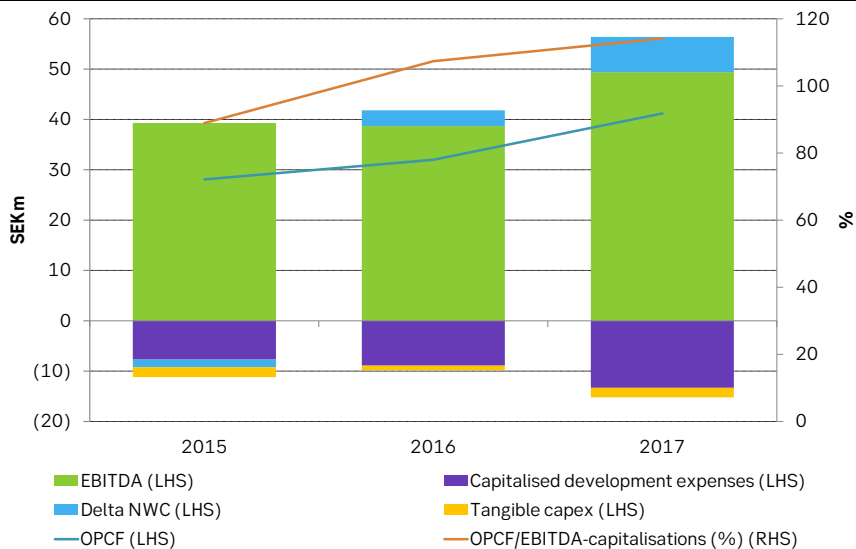
Source: Lime annual report and company filings

## Cash conversion allows for a strong balance sheet, dividends, and M&A

The chart below shows Lime's historical operating cash flow (OPCF) trends and the drivers. The OPCF increased at a CAGR of 18% during 2015-17 of which 14% in 2016 and 23% in 2017. The main driver for the cash flow growth in 2016 was working capital improvement, while EBITDA growth contributed to the accelerated growth in 2017. The main counterbalancing factor has been the increased capitalisation. If we were to look at EBITDA-capitalisations, which could be argued to be a better proxy of long-term cash flows, the trend is lower with a CAGR of 4%. However, in our view the muted EBITDA-capitalisation trend is due to the fact that the acquired companies RemoteX and Bizwizard have lower margins than the average of the group and that Lime has invested in growth. Therefore, as these companies start to contribute to sales and the growth compensates for costs, the margin should improve as well as the cash flow.

The chart also shows the cash conversion which was strong in 2015-17 ranging from 90-115%

**Cash conversion allows for a strong balance sheet, dividends and M&A**

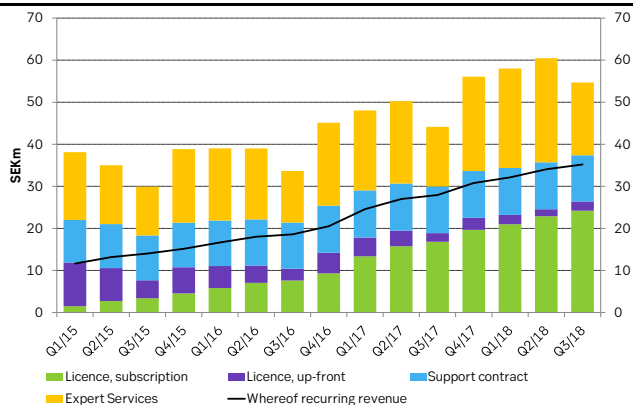


Source: Lime, SEB

**Quarterly seasonality**

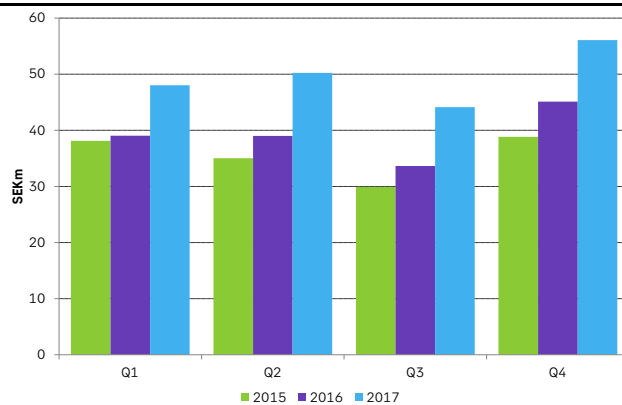
Lime has low quarterly seasonality in its subscription and support contract quarterly sales, while expert services generate lower revenues in Q3 as it is a consultancy business with lower utilisation rates during Q3, due to vacations (see charts below).

**Net sales per revenue type (quarterly)**



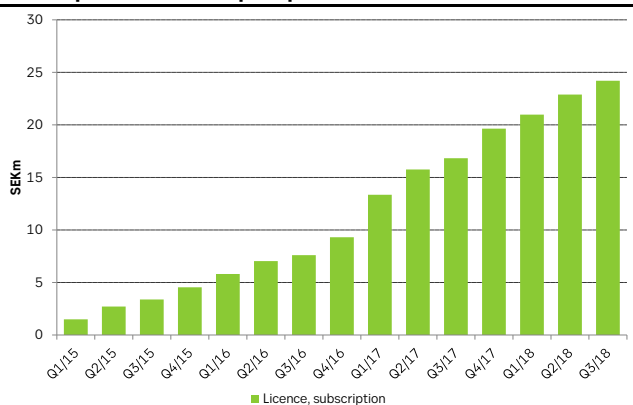
Source: SEB, Company data

**Total quarterly revenues 2015-2017**



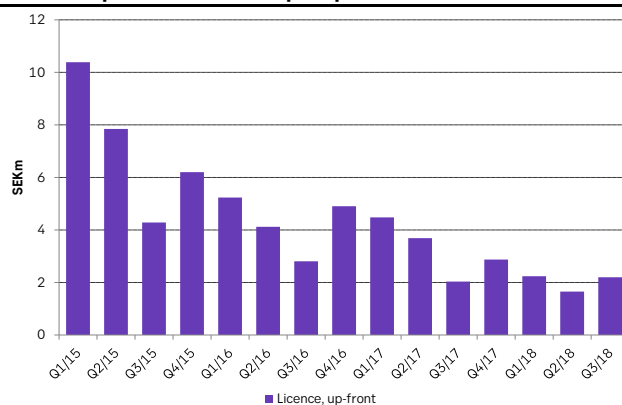
Source: SEB, Company data

**Subscription revenues per quarter**



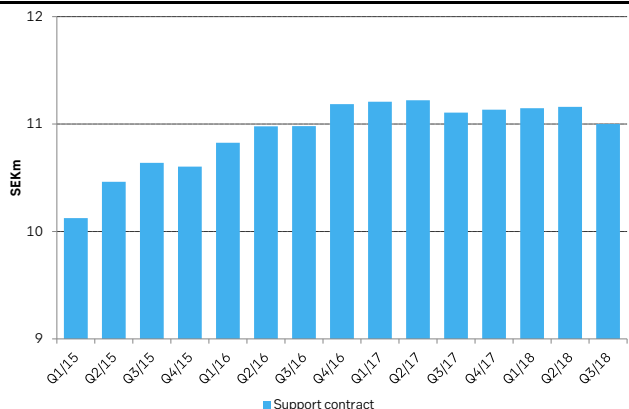
Source: SEB, Company data

**Licence, up-front revenues per quarter**



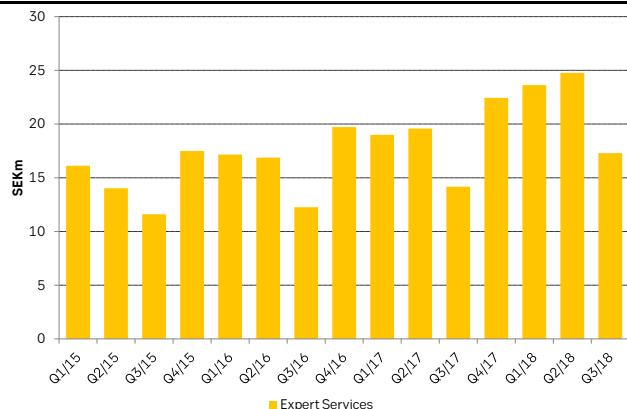
Source: SEB, Company data

**Support contract revenues per quarter**



Source: SEB, Company data

**Expert Services revenues per quarter**



Source: SEB, Company data

## SEB estimates

### SEB versus Lime’s targets

On a high level SEB estimates are as presented below

#### SEB estimates versus Lime’s medium/long-term targets

|                          | Lime financial targets | SEB 2018-20E        |
|--------------------------|------------------------|---------------------|
| <b>Sales growth</b>      | >15% organic growth    | 16% organic growth  |
| <b>EBITA margin</b>      | >23% EBITA margin      | 22-24% EBITA margin |
| <b>Capital structure</b> | <2.5x ND/EBITDA        | 1.6-0.5 ND/EBITDA*  |
| <b>Dividend policy</b>   | 50% of net profits**   | 50% of EPS as DPS   |

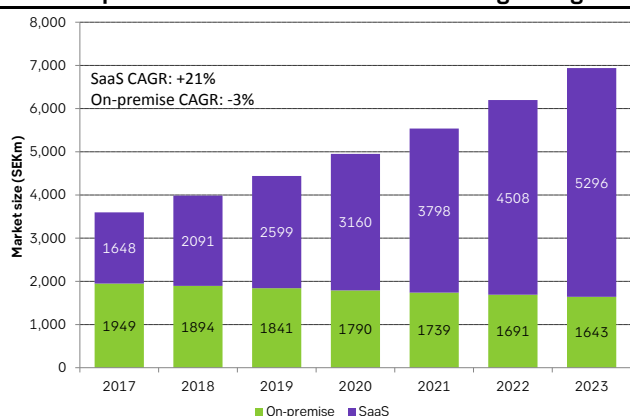
\* EBITDA adjusted for NRIs related to the IPO. \*\* Dividend is expected to correspond to at least 50% of net profit.

Source: SEB, Lime medium-term targets

- Sales growth:** In our view, Lime’s addressable market should grow somewhere between Capgemini’s estimate for the total market of 12% and Capgemini’s estimate for the SaaS part of the market, 21%. We argue that the increasing exposure to the SaaS part of the market should support the thesis of a slight exponential growth, and we estimate 16% organic CAGR in 2018-20. We also note that our channel checks indicate that Lime’s products are well perceived by customers.
- EBITA margin:** To forecast the EBITA margin is slightly complicated as depreciation is increasing due to investments. However, as long as we are correct in our view that the SaaS part of lime will continue to increase in share of total revenues, that should have a positive spill over effect on margins, and we expect increasing margin trends ahead. We forecast that the EBITDA margin will trough this year at slightly below 25%, which is slightly up from 2016-17 and then exponentially increase to 26% in 2019 and then to 27% in 2020, i.e. similar to 2015. Given our estimates for depreciation, this translates into 22% EBITA margin for 2018, 23% for 2019, and 24% for 2020.

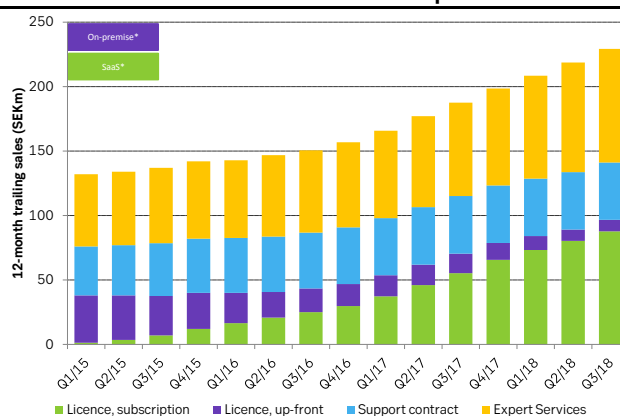
- Capital structure and dividends:** We assume that Lime will distribute approximately 50% of EPS as dividends ahead and use the rest of the cash flow to deleverage. The main challenge to this assumption in our view is if Lime chooses to make any large acquisitions. Taking our view on dividends and above into account, we believe that Lime should have no net debt by 2022 given that we assume interest rate for Lime to remain at current, tax rates to decline to 21.5%, and capex including capitalisation to remain around 7% of sales.
- Revenues:** In our view, Lime's core addressable market should grow somewhere between Capgemini's estimate for the total market of 12% and Capgemini's estimate for the SaaS part of the market, 21%. Capgemini's view on the market is shown in charts below left, and Lime's revenue split is shown in the chart below right.

**The SaaS part of the CRM market is the fastest growing**



Source: Capgemini market study 2018

**Lime's sales are more from SaaS than On-premise**

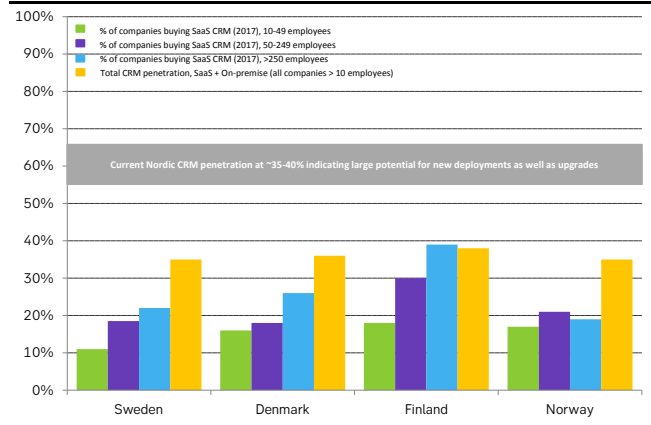


\*SEB's view is that subscription largely is related to SaaS sales and Up-front to on premise  
Source: Lime

How fast expert services will grow is in our view mainly a function of how fast Lime will churn out licence up-front paying customers, or convert these into licence subscription (SaaS) model users, as well as how many SaaS users Lime adds. The chart below left show that the SaaS part of the market is a smaller share of the total market, that the penetration overall is below 40% and that the penetration is lower among smaller than larger companies. Adding these together, we argue that Lime will likely continue to add customers, but as the other three charts below show, the nature of the SaaS model will imply that over time the SaaS share of revenues will increase (as it is recurring revenue) and the share from expert services and other revenue decrease.

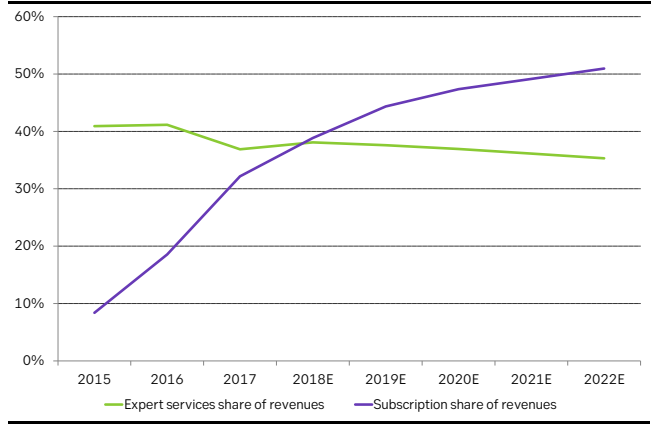
The chart below right shows our forecast for how expert services and SaaS (software subscription) share of revenues will evolve in the long-term. In our estimates, we assume that Lime will continue to add customers at a fast pace, but that the SaaS share will increase, which will support both sales and margins.

**% of companies buying CRM or SaaS CRM (2017)**



Source: Capgemini market study 2018, Lime

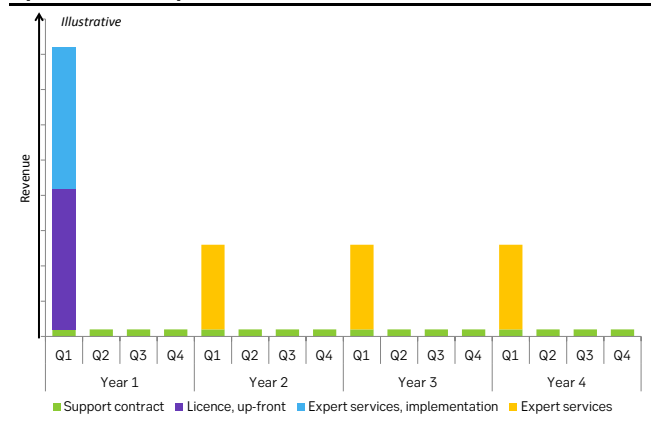
**SaaS set to increase in share of Lime's revenues**



Source: SEB

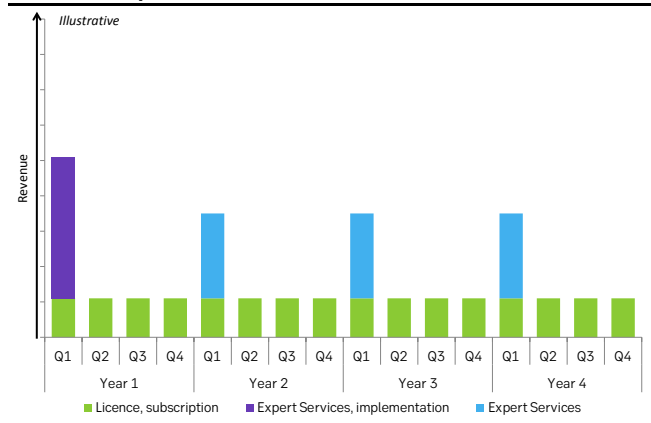
The chart below shows why we make the assumption that the SaaS share will increase and the simple reason for this is the business model where the expert services share of revenues is smaller when users buy Lime via an SaaS model than via a up-front model as the subscription part of revenues is recurring while license up-front is not.

**Up-front and expert services business model**



Source: SEB, Company data

**SaaS and expert services business model**

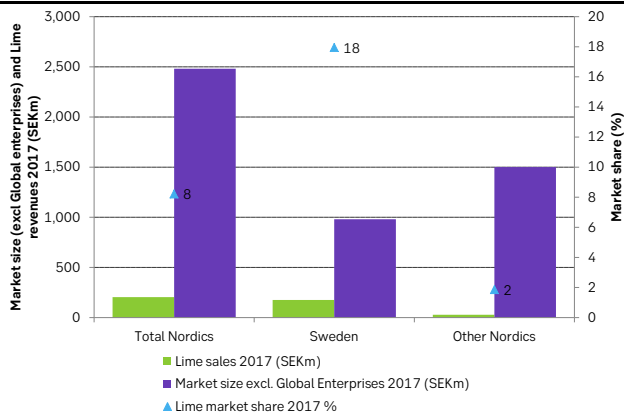


Source: SEB, Company data

With the above in mind, we find it reasonable to expect that Lime will show slight exponential growth, and we estimate 15% organic growth in 2018, 16% growth in 2019, and 17% growth in 2020. We note that our channel checks indicate that Lime's products are well perceived and liked by customers, which suggests that churn can remain low, which is crucial to our assumption around the SaaS sales.

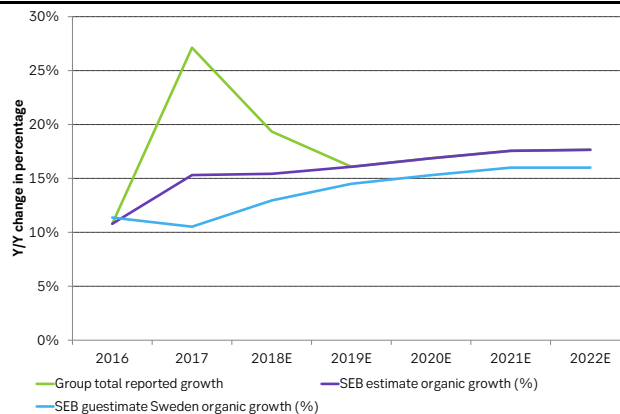
On a regional level, we expect that Lime will grow faster outside Sweden than in Sweden. The reason for this is that Lime's market share outside Sweden is in our view only a couple of percentage points and the company should have a fair chance to increase this. On Sweden, we find it difficult to make a clear assessment of the underlying organic growth, as we do not know how the acquired company's sales are progressing. However, the data provided by Lime would indicate that organic sales growth is around 15% YTD 2018 and Sweden 12%. The Q3 report showed total organic growth of 17.7%, of which 15.7% in Sweden, which was good in our view.

**Market share out of markets excluding global**



Source: Cag Gemini market study 2018, Lime, SEB

**Nordic growth, Sweden growth & Sweden org growth**



Source: SEB, Company data

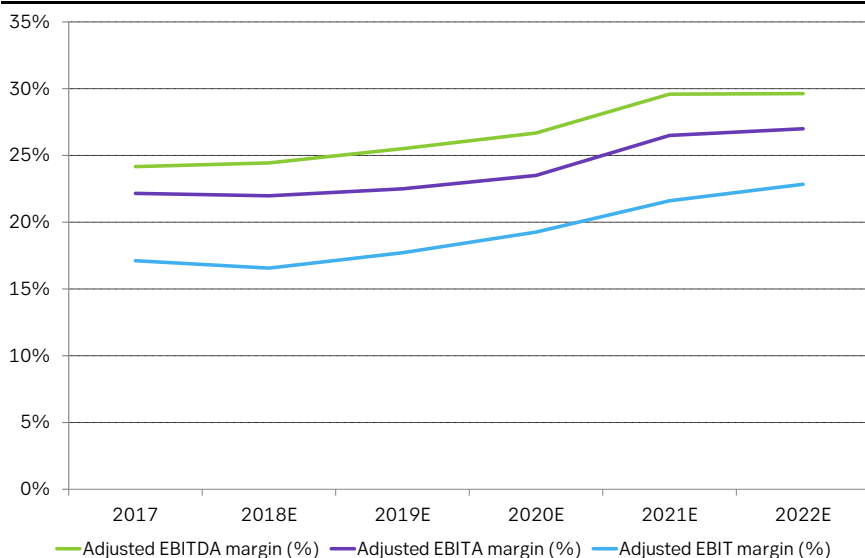
**Margins**

To forecast the EBITA margin is slightly complicated, as depreciation is increasing due to investments. The same logic applies to EBIT as amortisation is increasing due to investments and acquisitions.

However, as long as we are correct in our view that the SaaS part of Lime will continue to increase in share of total revenues, this should have a positive spill over effect on margins, and we expect increasing margin trends ahead. Furthermore, Lime is and has been in an investment and transformation phase where it has changed from the up-front On-premise model to a SaaS model, which implies that the software/service mix has been hit in the short-term due to high new client sales activity and software revenues changed from large upfront payments to lower recurring software revenues. This has hit margins in the short-term and will continue to burden ahead, but over time this transformation should result in higher margins.

We forecast that the adjusted EBITDA margin will trough this year to slightly below 25%, which is about flat down from 2016-17 and then exponentially increase to 26% in 2019 and then to 27% in 2020, i.e. similar to 2015. Given our estimates for depreciation, this translates into 22%, 23%, and 24% adjusted EBITA margin in 2018-20E and 17%-19% EBIT margin in 2018-20E.

**Adjusted EBITDA, EBITA, and EBIT margins**

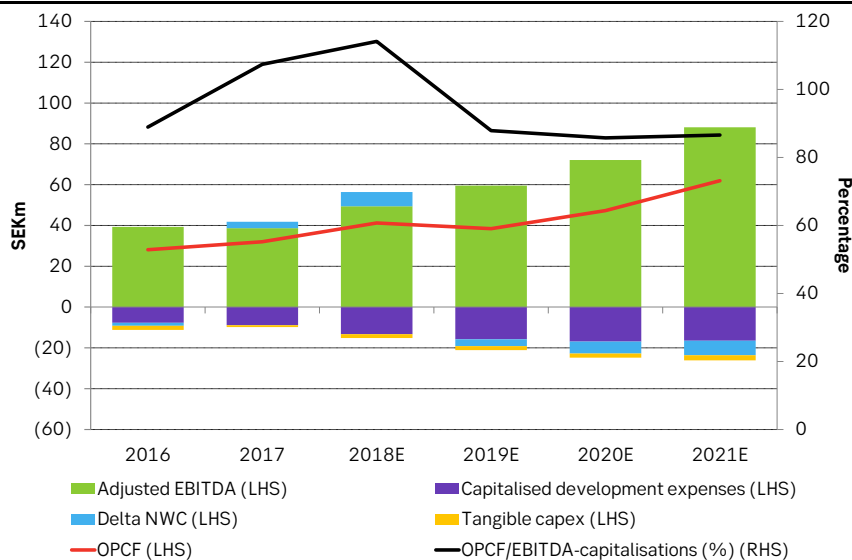


Source: SEB

**Cash flow**

In-line with our view on margins, we argue that the cash flow should follow the same pattern as sales and service initiatives to yield new recurring customers, which over time yields strong cash flow. We assume that tangible capex and capitalisation will persist at 6-7%, but that working capital will not improve further.

**Strong cash flow**



Source: Lime, SEB

**Tax**

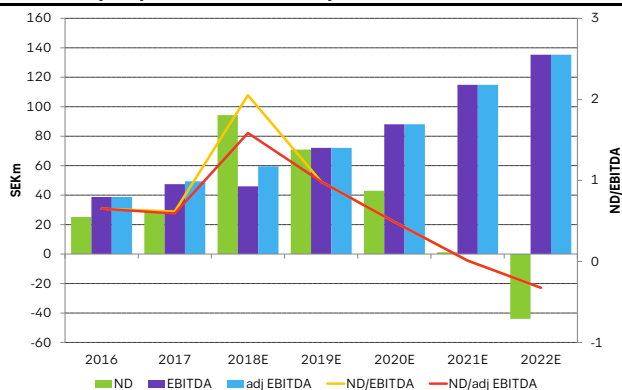
Lime's profits are today mainly derived from Sweden, while over time a slightly higher share should come from other Nordic countries. PWC (PWC.se) argues that ongoing legislation in Sweden should result in lower corporate tax rates from the current 22% to 20.6% by 2021. In our estimates, we have assumed this and taken into account other Nordic tax rates, and we assume that the corporate tax for Lime will decline slightly from 22% to 21% by 2021.

**Dividends and ND/EBITDA**

We assume that Lime will distribute 50% of EPS as dividends ahead and use the rest of the cash flow to deleverage. The main challenge to this assumption in our view is if Lime chooses to make any large acquisitions.

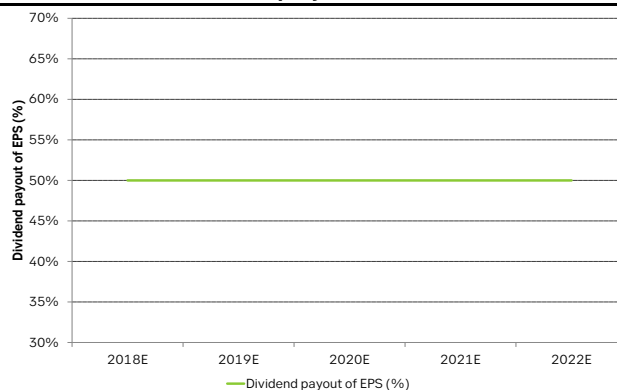
Taking our view on dividends and our other estimates into account, we argue that Lime should be below 0x ND/EBITDA by 2022. Hence, we see good grounds to expect that Lime should be able to sustain a feasible ND/EBITDA, continue with an M&A agenda, as well as distribute excess as dividends.

**Net debt (ND), EBITDA, and ND/EBITDA**



Source: SEB

**We assume 50% dividend payout of EPS**



Source: SEB

# Valuation

We value Lime based on peer valuation using EV/EBIT and EV/Sales multiples. As a sanity check, we use a DCF valuation based on different long-term sales growth and margin assumptions.

## Peer comparison

We have chosen three peer groups to compare with Lime:

- Nordic software peers.
- Nordic high growth peers.
- International SaaS peers.

Several of the companies within our peer groups are valued on high EV/Sales multiples due to high expected growth, for example Xero and Workday with an enterprise value (2019E) higher than or around 10x annual sales. We see an average EBIT margin range of 15-21% in the peer groups for 2019, compared with our estimate of Lime's 2019 EBIT margin of 18%.

### Peer group comparison

|                                  | Ccy | Price | Mkt cap.  |          |           | SP performance (%) |           |           | PER       |           |           | EV/EBITDA |           |           | EV/EBIT   |          |          | EV/Sales |           |           | ND/EBITDA |           |           | Gross profit (%) |           |           | EBIT Margin (%) |            |            | Gross Profit |        | EBIT CAGR |  | Sales CAGR |  |
|----------------------------------|-----|-------|-----------|----------|-----------|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-----------------|------------|------------|--------------|--------|-----------|--|------------|--|
|                                  |     |       | SEKbn     | 1M       | 3M        | 12M                | 2018E     | 2019E     | 2020E     | 2018E     | 2019E     | 2020E     | 2018E     | 2019E     | 2020E     | 2018E    | 2019E    | 2020E    | 2018E     | 2019E     | 2020E     | 2018E     | 2019E     | 2020E            | 2018E     | 2019E     | 2020E           | 2018E      | 2019E      | 2020E        | 17-20E | 17-20E    |  |            |  |
| <b>Nordic software peers</b>     |     |       |           |          |           |                    |           |           |           |           |           |           |           |           |           |          |          |          |           |           |           |           |           |                  |           |           |                 |            |            |              |        |           |  |            |  |
| IAR Systems Group AB             | SEK | 245   | 3         | 7        | -1        | 20                 | 39        | 33        | 27        | 24        | 19        | 16        | 30        | 23        | 19        | 8        | 7        | 6        | -1        | -1        | -1        | 98        | 94        | 91               | 28        | 31        | 34              | 17%        | 17%        | 10%          |        |           |  |            |  |
| NetEnt AB (publ)                 | SEK | 44    | 9         | 18       | 30        | -20                | 18        | 17        | 15        | 10        | 9         | 9         | 14        | 13        | 12        | 5        | 5        | 4        | -1        | -1        | -1        | 100       | 97        | 93               | 35        | 36        | 36              | -          | 8%         | 5%           |        |           |  |            |  |
| Basware Oyj                      | EUR | 39    | 1         | 0        | 30        | -15                | -         | -         | -         | -         | -         | -         | 208       | -         | -         | 4        | 4        | 3        | 3         | 60        | 11        | 63        | 67        | 69               | -5        | -9        | -6              | 15%        | 1%         | 5%           |        |           |  |            |  |
| Simcorp A/S                      | DKK | 485   | 20        | 9        | -3        | 30                 | 34        | 29        | 27        | 25        | 22        | 20        | 26        | 23        | 21        | 7        | 6        | 6        | -1        | -2        | -3        | 62        | 63        | 62               | 26        | 28        | 28              | 10%        | 12%        | 6%           |        |           |  |            |  |
| SECTRA AB                        | SEK | 205   | 7         | -1       | -3        | 8                  | 46        | 41        | 38        | 24        | 23        | 21        | 29        | 29        | 26        | 6        | 5        | 5        | -1        | -1        | -1        | 87        | 88        | 88               | 20        | 18        | 19              | 16%        | 11%        | 6%           |        |           |  |            |  |
| <b>Average</b>                   |     |       | <b>8</b>  | <b>6</b> | <b>10</b> | <b>5</b>           | <b>34</b> | <b>30</b> | <b>27</b> | <b>21</b> | <b>18</b> | <b>55</b> | <b>25</b> | <b>22</b> | <b>19</b> | <b>6</b> | <b>5</b> | <b>5</b> | <b>0</b>  | <b>11</b> | <b>1</b>  | <b>82</b> | <b>81</b> | <b>80</b>        | <b>21</b> | <b>21</b> | <b>22</b>       | <b>15%</b> | <b>10%</b> | <b>6%</b>    |        |           |  |            |  |
| <b>Median</b>                    |     |       | <b>7</b>  | <b>7</b> | <b>-1</b> | <b>8</b>           | <b>37</b> | <b>31</b> | <b>27</b> | <b>24</b> | <b>21</b> | <b>20</b> | <b>28</b> | <b>23</b> | <b>20</b> | <b>6</b> | <b>5</b> | <b>5</b> | <b>-1</b> | <b>-1</b> | <b>-1</b> | <b>87</b> | <b>88</b> | <b>88</b>        | <b>26</b> | <b>28</b> | <b>28</b>       | <b>16%</b> | <b>11%</b> | <b>6%</b>    |        |           |  |            |  |
| <b>Nordic high growth peers</b>  |     |       |           |          |           |                    |           |           |           |           |           |           |           |           |           |          |          |          |           |           |           |           |           |                  |           |           |                 |            |            |              |        |           |  |            |  |
| Edgewise AB (publ)               | SEK | 13    | 0         | 9        | 1         | -62                | -         | 25        | 17        | -127      | 8         | 6         | -16       | 13        | 9         | 1        | 1        | 1        | 90        | -6        | -5        | 69        | 72        | 72               | -7        | 8         | 10              | 5%         | 35%        | 8%           |        |           |  |            |  |
| Invisio Communications AB        | SEK | 64    | 3         | 3        | 14        | -23                | 63        | 33        | 22        | 44        | 23        | 15        | 47        | 25        | 16        | 8        | 6        | 5        | -2        | -1        | -1        | -         | -         | -                | 16        | 24        | 29              | -          | 28%        | 18%          |        |           |  |            |  |
| THQ Nordic AB                    | SEK | 163   | 13        | 9        | -7        | 75                 | 43        | 20        | 16        | 12        | 6         | 6         | 27        | 12        | 10        | 3        | 2        | 2        | -1        | -1        | -1        | 41        | 50        | 51               | 11        | 18        | 21              | 102%       | 87%        | 14%          |        |           |  |            |  |
| HMS Networks AB                  | SEK | 123   | 6         | -8       | -18       | -4                 | 37        | 27        | 22        | 22        | 17        | 14        | 26        | 20        | 16        | 5        | 4        | 3        | 1         | 1         | -         | 61        | 61        | -                | 17        | 19        | 20              | -          | 21%        | 11%          |        |           |  |            |  |
| RaySearch Laboratories AB (publ) | SEK | 107   | 3         | 7        | -10       | -22                | 34        | 24        | 17        | 11        | 9         | 7         | 20        | 14        | 10        | 4        | 4        | 3        | 0         | 0         | 0         | 93        | 94        | 95               | 22        | 25        | 30              | 18%        | 21%        | 14%          |        |           |  |            |  |
| CLX Communications AB (publ)     | SEK | 88    | 5         | 0        | -16       | 19                 | 32        | 20        | 15        | 15        | 11        | 9         | 28        | 16        | 13        | 1        | 1        | 1        | 1         | 1         | 0         | 25        | 25        | 25               | 5         | 7         | 8               | 32%        | 34%        | 10%          |        |           |  |            |  |
| <b>Average</b>                   |     |       | <b>5</b>  | <b>3</b> | <b>-6</b> | <b>-3</b>          | <b>42</b> | <b>25</b> | <b>18</b> | <b>-4</b> | <b>12</b> | <b>9</b>  | <b>22</b> | <b>17</b> | <b>12</b> | <b>4</b> | <b>3</b> | <b>2</b> | <b>15</b> | <b>-1</b> | <b>-1</b> | <b>58</b> | <b>61</b> | <b>60</b>        | <b>11</b> | <b>17</b> | <b>20</b>       | <b>39%</b> | <b>38%</b> | <b>12%</b>   |        |           |  |            |  |
| <b>Median</b>                    |     |       | <b>4</b>  | <b>5</b> | <b>-8</b> | <b>-13</b>         | <b>37</b> | <b>25</b> | <b>17</b> | <b>13</b> | <b>10</b> | <b>8</b>  | <b>27</b> | <b>15</b> | <b>11</b> | <b>4</b> | <b>3</b> | <b>3</b> | <b>1</b>  | <b>0</b>  | <b>-1</b> | <b>61</b> | <b>61</b> | <b>61</b>        | <b>14</b> | <b>19</b> | <b>21</b>       | <b>25%</b> | <b>31%</b> | <b>12%</b>   |        |           |  |            |  |
| <b>International SaaS peers</b>  |     |       |           |          |           |                    |           |           |           |           |           |           |           |           |           |          |          |          |           |           |           |           |           |                  |           |           |                 |            |            |              |        |           |  |            |  |
| Salesforce.Com Inc               | USD | 148   | 113       | 8        | 6         | 35                 | 110       | 57        | 54        | 52        | 37        | 29        | 75        | 51        | 39        | 11       | 9        | 7        | -1        | -1        | -1        | 76        | 77        | 77               | 15        | 17        | 18              | 26%        | 38%        | 15%          |        |           |  |            |  |
| Ultimate Software Group Inc      | USD | 257   | 8         | 2        | -9        | 13                 | 48        | 41        | 34        | 29        | 24        | 19        | 34        | 29        | 24        | 7        | 6        | 5        | -1        | -1        | -2        | 64        | 65        | 66               | 21        | 20        | 21              | 22%        | 20%        | 13%          |        |           |  |            |  |
| Workday Inc                      | USD | 167   | 37        | 3        | 34        | 47                 | 171       | 132       | 104       | 104       | 77        | 55        | 177       | 130       | 85        | 17       | 13       | 10       | -6        | -1        | -2        | 74        | 75        | 76               | 10        | 10        | 12              | 35%        | 145%       | 18%          |        |           |  |            |  |
| Xero Ltd                         | AUD | 42    | 6         | 7        | -3        | 40                 | -         | -         | 175       | 255       | 77        | 44        | -         | -         | -         | 16       | 12       | 9        | -3        | -1        | -1        | 81        | 81        | 81               | -7        | 0         | 7               | 38%        | -191%      | 21%          |        |           |  |            |  |
| Cornerstone OnDemand Inc         | USD | 53    | 3         | 2        | 8         | 36                 | 71        | 48        | 32        | 31        | 24        | 17        | 48        | 35        | 24        | 6        | 5        | 5        | -1        | -2        | -2        | 74        | 76        | 76               | 12        | 15        | 19              | 13%        | 66%        | 7%           |        |           |  |            |  |
| Zendes Inc                       | USD | 62    | 7         | 7        | 6         | 73                 | 388       | 210       | 84        | 195       | 101       | 52        | -         | -         | 80        | 11       | 9        | 7        | -3        | -2        | -2        | 73        | 74        | 76               | 0         | 3         | 8               | 36%        | -270%      | 20%          |        |           |  |            |  |
| Akamai Technologies Inc          | USD | 63    | 10        | -6       | 3         | -3                 | 18        | 16        | 14        | 9         | 8         | 8         | 14        | 13        | 11        | 4        | 3        | 3        | -1        | -1        | -1        | 72        | 72        | 73               | 26        | 27        | 29              | 12%        | 15%        | 5%           |        |           |  |            |  |
| Intuit Inc                       | USD | 206   | 53        | 0        | 3         | 26                 | 37        | 32        | 28        | 24        | 22        | 19        | 27        | 24        | 21        | 9        | 8        | 7        | 0         | -1        | -1        | 84        | 84        | 85               | 33        | 33        | 34              | 12%        | 13%        | 7%           |        |           |  |            |  |
| Cloudera Inc                     | USD | 12    | 2         | -6       | -23       | -35                | -         | -         | -         | -14       | -29       | -38       | -         | -         | -         | 4        | 3        | 3        | 4         | 9         | 15        | 69        | 81        | 83               | -31       | -13       | -9              | 37%        | -          | 14%          |        |           |  |            |  |
| athenahealth Inc                 | USD | 133   | 5         | 0        | 10        | 1                  | 32        | 28        | 23        | 14        | 13        | 11        | 23        | 20        | 17        | 4        | 4        | 3        | 0         | 0         | -         | 54        | 55        | 55               | 18        | 19        | 20              | 11%        | 22%        | 6%           |        |           |  |            |  |
| ServiceNow Inc                   | USD | 192   | 34        | 5        | 10        | 39                 | 81        | 61        | 46        | 50        | 36        | 27        | 63        | 44        | 32        | 13       | 10       | 8        | -2        | -2        | -2        | 80        | 81        | 82               | 20        | 22        | 25              | 35%        | 49%        | 18%          |        |           |  |            |  |
| Oracle Corp                      | USD | 48    | 173       | 4        | 3         | -1                 | 16        | 14        | 15        | 10        | 10        | 9         | 10        | 11        | 10        | 5        | 5        | 4        | 0         | 0         | 0         | 80        | 80        | 80               | 44        | 43        | 44              | 2%         | 3%         | 1%           |        |           |  |            |  |
| SAP SE                           | EUR | 89    | 110       | -1       | -8        | -3                 | 20        | 18        | 17        | 14        | 13        | 12        | 16        | 14        | 13        | 5        | 4        | 4        | 0         | 0         | 0         | 72        | 72        | 72               | 29        | 30        | 30              | 8%         | 9%         | 5%           |        |           |  |            |  |
| <b>Average</b>                   |     |       | <b>43</b> | <b>2</b> | <b>3</b>  | <b>21</b>          | <b>90</b> | <b>60</b> | <b>52</b> | <b>60</b> | <b>32</b> | <b>20</b> | <b>49</b> | <b>37</b> | <b>32</b> | <b>8</b> | <b>7</b> | <b>6</b> | <b>-1</b> | <b>0</b>  | <b>0</b>  | <b>73</b> | <b>75</b> | <b>76</b>        | <b>14</b> | <b>18</b> | <b>20</b>       | <b>22%</b> | <b>-7%</b> | <b>12%</b>   |        |           |  |            |  |
| <b>Median</b>                    |     |       | <b>10</b> | <b>2</b> | <b>3</b>  | <b>26</b>          | <b>48</b> | <b>41</b> | <b>33</b> | <b>29</b> | <b>24</b> | <b>19</b> | <b>30</b> | <b>26</b> | <b>24</b> | <b>7</b> | <b>6</b> | <b>5</b> | <b>-1</b> | <b>-1</b> | <b>-1</b> | <b>74</b> | <b>76</b> | <b>76</b>        | <b>18</b> | <b>19</b> | <b>20</b>       | <b>22%</b> | <b>17%</b> | <b>13%</b>   |        |           |  |            |  |
| <b>Total Peer group average</b>  |     |       | <b>26</b> | <b>3</b> | <b>2</b>  | <b>11</b>          | <b>67</b> | <b>44</b> | <b>38</b> | <b>36</b> | <b>24</b> | <b>25</b> | <b>36</b> | <b>28</b> | <b>24</b> | <b>7</b> | <b>6</b> | <b>5</b> | <b>3</b>  | <b>2</b>  | <b>0</b>  | <b>72</b> | <b>73</b> | <b>74</b>        | <b>15</b> | <b>18</b> | <b>20</b>       | <b>24%</b> | <b>8%</b>  | <b>11%</b>   |        |           |  |            |  |
| <b>Total peer group median</b>   |     |       | <b>7</b>  | <b>3</b> | <b>2</b>  | <b>10</b>          | <b>38</b> | <b>29</b> | <b>25</b> | <b>24</b> | <b>19</b> | <b>15</b> | <b>27</b> | <b>21</b> | <b>17</b> | <b>5</b> | <b>5</b> | <b>5</b> | <b>-1</b> | <b>-1</b> | <b>-1</b> | <b>73</b> | <b>75</b> | <b>76</b>        | <b>17</b> | <b>19</b> | <b>21</b>       | <b>17%</b> | <b>20%</b> | <b>10%</b>   |        |           |  |            |  |
| Lime Technologies AB (publ)      | SEK | 77    | 1         | 1        | -         | -                  | 24        | 21        | 17        | 18        | 14        | 11        | 26        | 21        | 16        | 4        | 4        | 3        | 1.6       | 1.0       | 0.5       | -         | -         | -                | 17%       | 18%       | 19%             | -          | 22%        | 17%          |        |           |  |            |  |

Source: SEB, Reuters

Due to a similar pace in expected growth, EBIT margins, and geographical operations, we believe that the Nordic high growth peer group is a reasonable comparison. We are fairly comfortable in our assumption that Lime should be traded at a premium to this peer group. This is due to several reasons which are listed below.

**Nordic high growth peers:** We estimate a 2017-20 sales CAGR of approximately 17% for Lime, which is slightly higher than the Nordic high growth peer group average of 12%.

- Based on the other peer groups, we believe that Nordic software peers and international SaaS peers should be traded at a premium to those in the Nordic high growth peer group. This means that companies in the SaaS business are valued at a premium to Nordic high growth peer.
- Even companies within the same region (the Nordics), but with operations in the software business, are valued at a premium to the high growth peer group.
- Lime's attractive business model, where more than 50% of its revenues are recurring, is worth paying a premium for, in our opinion. As Lime offers a stable revenue base, we believe there is a good reason why the shares should be traded above its Nordic peer group.

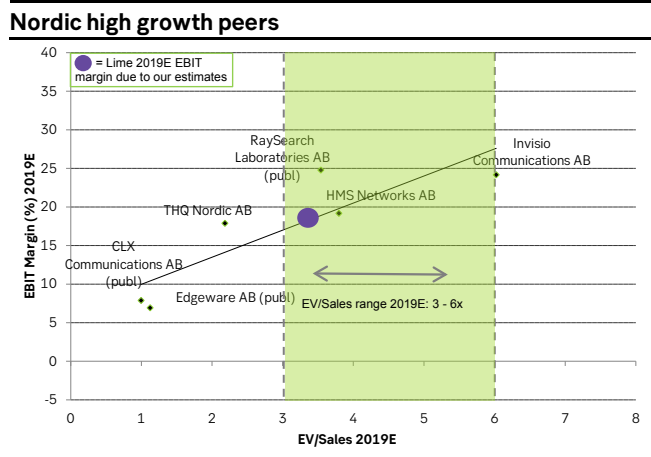
| Peer group multiples summary 2019E |          |           |         |     |
|------------------------------------|----------|-----------|---------|-----|
|                                    | EV/Sales | EV/EBITDA | EV/EBIT | PER |
| Total peer group median            | 5        | 19        | 21      | 29  |
| International SaaS peers           | 6        | 24        | 26      | 41  |
| Nordic high growth peers           | 3        | 12        | 17      | 25  |
| Nordic software peers              | 5        | 18        | 22      | 30  |

Source: SEB, Reuters

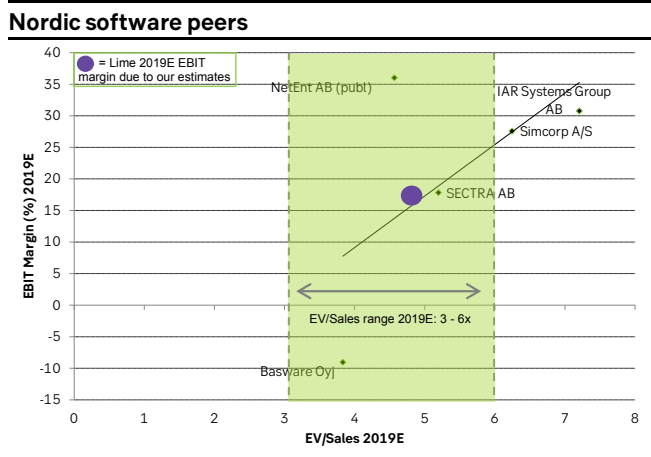
Due to the reasons listed above, we estimate a valuation floor in line with the Nordic high growth peer group average EV/EBIT of 17x and EV/Sales of 3x in 2019. We believe the international SaaS peer group average is at the upper-end of the range of the valuation due to the fact that Lime is not a pure SaaS niche company (around 40% of Lime's sales are from its consultant business), and the scalability and gross margins are lower compared with this peer group. The international peers with greater diversification of sales are valued at a high premium compared with the Nordic peers, which should be taken into consideration. Therefore, we expect Lime to have a valuation below the international SaaS peer median (median instead of average because of outliers) EV/Sales of 6x.

We believe a fair value of Lime should be slightly above 18x and below 28x EV/EBIT and EV/Sales of 3.4-5.0x based on 2019E, which gives a valuation of SEK 72-105 per share.

By looking at the EV/Sales multiple in relation to the EBIT margin (2019E) in both of the Nordic peer groups, we believe that Lime is valued towards the low-end of the range in the high growth peer group and close to the mid-point of the range compared with the Nordic software peers (purple dots).

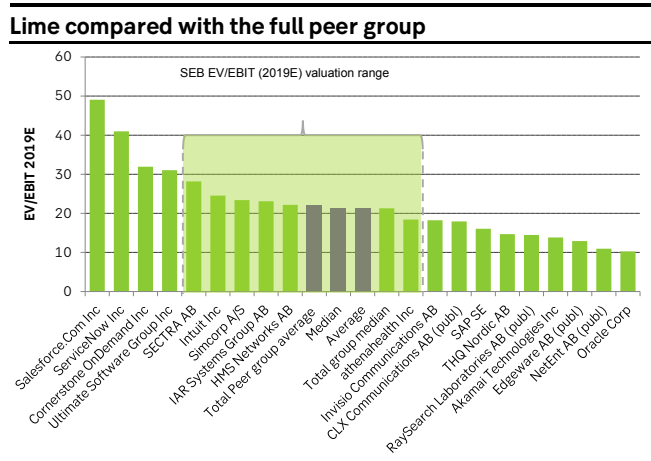


Source: SEB, Reuters

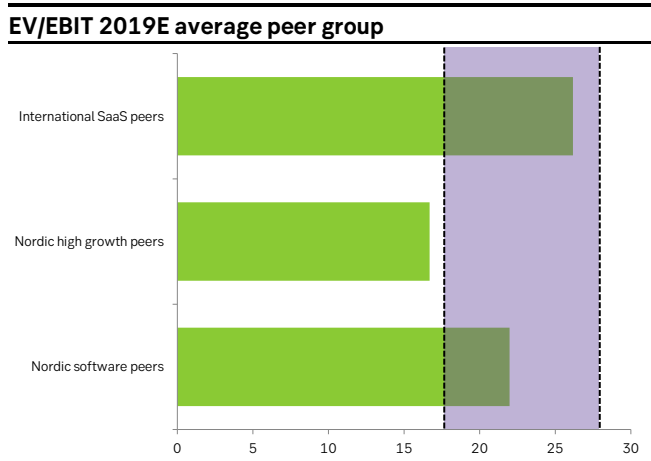


Source: SEB, Reuters

We believe that Lime is fairly valued at a share price between SEK 72-105, which is slightly above 18x and below 28x 2019E EBIT. This is shown below where the range is above the Nordic high growth and below the international SaaS peer group average.



Source: SEB, Reuters



Source: SEB, Reuters

The multiples range is shown below where share price, Mcap, PER, EV/EBIT, EV/Sales are shown based on our estimates.

#### Lime: Multiples analysis

| Share price<br>SEK | Mcap<br>SEKm | EV    |       |       | PER   |       |       | EV/EBITDA |       |       | EV/EBITA |       |       | EV/EBIT |       |       | EV/Sales |       |       |
|--------------------|--------------|-------|-------|-------|-------|-------|-------|-----------|-------|-------|----------|-------|-------|---------|-------|-------|----------|-------|-------|
|                    |              | 2018E | 2019E | 2020E | 2018E | 2019E | 2020E | 2018E     | 2019E | 2020E | 2018E    | 2019E | 2020E | 2018E   | 2019E | 2020E | 2018E    | 2019E | 2020E |
| 40                 | 500          | 594   | 571   | 543   | 12    | 11    | 9     | 10        | 8     | 6     | 11       | 9     | 7     | 15      | 11    | 9     | 2.4      | 2.0   | 1.6   |
| 44                 | 550          | 644   | 621   | 593   | 14    | 12    | 9     | 11        | 9     | 7     | 12       | 10    | 7     | 16      | 12    | 9     | 2.6      | 2.2   | 1.8   |
| 48                 | 600          | 694   | 671   | 643   | 15    | 13    | 10    | 12        | 9     | 7     | 13       | 10    | 8     | 17      | 13    | 10    | 2.9      | 2.4   | 1.9   |
| 52                 | 650          | 744   | 721   | 693   | 16    | 14    | 11    | 13        | 10    | 8     | 14       | 11    | 8     | 18      | 14    | 11    | 3.1      | 2.6   | 2.1   |
| 56                 | 700          | 794   | 771   | 743   | 17    | 15    | 12    | 13        | 11    | 8     | 15       | 12    | 9     | 20      | 15    | 12    | 3.3      | 2.7   | 2.3   |
| 60                 | 750          | 844   | 821   | 793   | 18    | 16    | 13    | 14        | 11    | 9     | 16       | 13    | 10    | 21      | 16    | 12    | 3.5      | 2.9   | 2.4   |
| 64                 | 800          | 894   | 871   | 843   | 20    | 17    | 14    | 15        | 12    | 10    | 17       | 13    | 10    | 22      | 17    | 13    | 3.7      | 3.1   | 2.6   |
| 68                 | 850          | 944   | 921   | 893   | 21    | 18    | 15    | 16        | 13    | 10    | 18       | 14    | 11    | 23      | 18    | 14    | 3.9      | 3.3   | 2.7   |
| 72                 | 900          | 994   | 971   | 943   | 22    | 19    | 15    | 17        | 13    | 11    | 19       | 15    | 12    | 25      | 19    | 15    | 4.1      | 3.4   | 2.9   |
| 76                 | 950          | 1,044 | 1,021 | 993   | 23    | 20    | 16    | 18        | 14    | 11    | 20       | 16    | 12    | 26      | 20    | 16    | 4.3      | 3.6   | 3.0   |
| 80                 | 1,000        | 1,094 | 1,071 | 1,043 | 25    | 21    | 17    | 18        | 15    | 12    | 21       | 17    | 13    | 27      | 21    | 16    | 4.5      | 3.8   | 3.2   |
| 84                 | 1,050        | 1,144 | 1,121 | 1,093 | 26    | 23    | 18    | 19        | 16    | 12    | 22       | 17    | 13    | 28      | 22    | 17    | 4.7      | 4.0   | 3.3   |
| 88                 | 1,100        | 1,194 | 1,171 | 1,143 | 27    | 24    | 19    | 20        | 16    | 13    | 23       | 18    | 14    | 30      | 23    | 18    | 4.9      | 4.1   | 3.5   |
| 92                 | 1,150        | 1,244 | 1,221 | 1,193 | 28    | 25    | 20    | 21        | 17    | 14    | 24       | 19    | 15    | 31      | 24    | 19    | 5.1      | 4.3   | 3.6   |
| 96                 | 1,200        | 1,294 | 1,271 | 1,243 | 30    | 26    | 20    | 22        | 18    | 14    | 25       | 20    | 15    | 32      | 25    | 20    | 5.3      | 4.5   | 3.8   |
| 100                | 1,250        | 1,344 | 1,321 | 1,293 | 31    | 27    | 21    | 23        | 18    | 15    | 26       | 20    | 16    | 33      | 26    | 20    | 5.5      | 4.7   | 3.9   |
| 104                | 1,300        | 1,394 | 1,371 | 1,343 | 32    | 28    | 22    | 23        | 19    | 15    | 27       | 21    | 16    | 35      | 27    | 21    | 5.7      | 4.9   | 4.1   |
| 108                | 1,350        | 1,444 | 1,421 | 1,393 | 33    | 29    | 23    | 24        | 20    | 16    | 28       | 22    | 17    | 36      | 28    | 22    | 5.9      | 5.0   | 4.2   |
| 112                | 1,400        | 1,494 | 1,471 | 1,443 | 34    | 30    | 24    | 25        | 20    | 16    | 29       | 23    | 18    | 37      | 29    | 23    | 6.1      | 5.2   | 4.4   |
| 116                | 1,450        | 1,544 | 1,521 | 1,493 | 36    | 31    | 25    | 26        | 21    | 17    | 30       | 23    | 18    | 38      | 30    | 23    | 6.3      | 5.4   | 4.5   |
| 120                | 1,500        | 1,594 | 1,571 | 1,543 | 37    | 32    | 26    | 27        | 22    | 18    | 30       | 24    | 19    | 40      | 31    | 24    | 6.6      | 5.6   | 4.7   |

Source: SEB, Reuters

## DCF valuation

For reference, we include a DCF-based valuation where we have used our base case forecasts. We have not accounted for any additional M&A in our base case as Lime's strategy is to expand organically. Using a cost of equity of 7.5% and a steady state EBIT margin of 17.9 %, we derive a fair share price of SEK 100. By reducing or increasing the absolute change in EBITDA margins, we estimate a fair share price of SEK 91-110.

We assume a risk free interest rate of 2.5%, and a risk premium of 5%, which gives a weighted average cost of capital of 7.0%.

| <b>DCF analysis</b>                     |              |   |            |
|---|--------------|---|------------|
| <b>DCF valuation (SEKm)</b>             |              | <b>Weighted average cost of capital (%)</b> |            |
| NPV of FCF in explicit forecast period  | 490          | Risk free interest rate                     | 2.5        |
| NPV of continuing value                 | 859          | Risk premium                                | 5.0        |
| <b>Value of operation</b>               | <b>1,349</b> | <b>Cost of equity</b>                       | <b>7.5</b> |
| Net debt                                | 94           | <b>After tax cost of debt</b>               | <b>2.0</b> |
| Share issue/buy-back in forecast period | -            | <b>WACC</b>                                 | <b>7.0</b> |
| Value of associated companies           | -            | <b>Assumptions</b>                          |            |
| Value of minority shareholders' equity  | -            | Number of forecast years                    | 10         |
| Value of marketable assets              | -            | EBIT margin - steady state (%)              | 17.9       |
| <b>DCF value of equity</b>              | <b>1,254</b> | EBIT multiple - steady state (x)            | 13.4       |
| <b>DCF value per share (SEK)</b>        | <b>100</b>   | Continuing value (% of NPV)                 | 63.7       |
| Current share price (SEK)               | 77.10        |   |            |
| DCF performance potential (%)           | 30           |   |            |

Source: SEB

### DCF Sensitivity

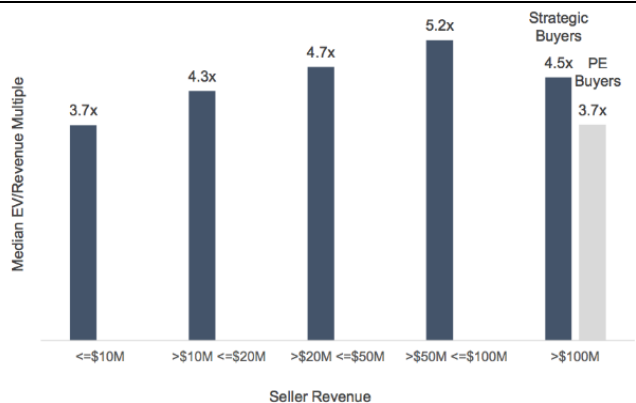
|   |     | Absolute change in EBITDA margin - all years |     |     |     |     |
|---|-----|--|-----|-----|-----|-----|
|   |     | -2%  | -1% | 0   | +1% | +2% |
| Abs. change in sales growth - all years | -2% | 81   | 85  | 90  | 94  | 98  |
|   | -1% | 86   | 90  | 95  | 99  | 104 |
|   | 0   | 91   | 95  | 100 | 105 | 110 |
|   | +1% | 96   | 101 | 106 | 111 | 116 |
|   | +2% | 101  | 107 | 112 | 118 | 123 |

Source: SEB

### The global SaaS M&A market

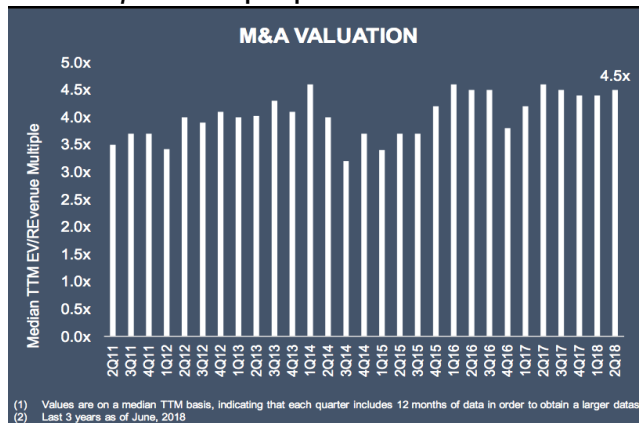
According to Softwareequity.com, we expect a large increase in the demand for SaaS companies where transaction volume remains at record highs through 2018 and is 11% higher than 2017. The average quarterly deal volume reached 626 transactions worldwide in 2Q18, on a trailing twelve month (TTM) basis (up 50% from the softer in deal volume during 2013). This was mainly in the US (80% of the transactions), followed by Europe accounting for 14% of the deals and eight to 10 deals per year from transactions of USD 15m to USD 100's of millions.

**Size drives multiples**



Source: SEB, softwareequity.com

**Median EV/Sales multiples per deal**



Source: SEB, Softwareequity.com

The valuation of SaaS companies is largely driven by company size – companies with higher sales earn higher EV/Sales multiples. Private equity backed firms or private equity-backed strategic firms represent 61% of the transactions while publicly traded strategic firms represented the other 39%. The median EV/Sales multiple on a TTM basis was 4.5x sales in Q2 2018.

**Arguments for a higher/lower valuation multiple compared with peers**

**Arguments**

**Arguments for a higher valuation multiple**

- 57% recurring revenues and 12 months contract with customers secures revenues under more volatile times (increased Sales & Margins during -08 down turn)
- A strong market position within its SMB niche in Sweden and have now started to gain market shares in other Nordics
- Operates in an attractive business, SaaS where valuations generally are higher than the overall average.
- Proof-of-concept with attractive scalable products and high customer satisfaction

**Arguments for a lower valuation multiple**

- Smaller companies earn lower EV/Sales multiples according to Software Equity Group report where this would be the case with Lime
- Less diversified compared to some of the peers offering its products all over the globe. Sales also rely on only one products.
- Competitive market with large player starting to focus on the SMB niche
- With approximately 40% of its sales in Expert services - a large part of Lime is exposed a down turn.

Source: SEB

# Overview

## Investment case

Digitalisation, greater regulatory pressure on companies to gather, store, and use customer information, as well as the greater need for a tool to handle automation, are key drivers behind the greater penetration of CRM systems, which according to Capgemini are expected to be used by around 35% of companies in Sweden. Given Lime’s strong position in its addressable market, recent acquisitions, and the potential to gain market share in other Nordic regions, we believe Lime has strong growth fundamentals.

## Company profile

Lime is a Swedish customer relationship management (CRM) software provider, and with its key product, Lime CRM, the company mainly targets the small to medium enterprise (SME) segment, which has among the lowest penetration of CRM systems (10-20% in Sweden). Lime has a long history of profitable growth (sales CAGR of 14% and EBITA CAGR of 9% during the past 10 years). Lime operates in the high growth software as a service (SaaS) niche, which is expected to show revenue CAGR of 21% in 2017-23.

## Valuation approach

We value Lime based on peer valuation using EV/EBIT and EV/Sales multiples. As a sanity check, we use a DCF valuation based on different long-term sales growth and margin assumptions. The attractive SaaS niche and high pace of growth in Lime justifies a premium towards Nordic high growth peers. Because 40% of Lime’s net sales are derived from its consultancy business, we believe the stock should trade at a discount to international software peers.

## Target price risks

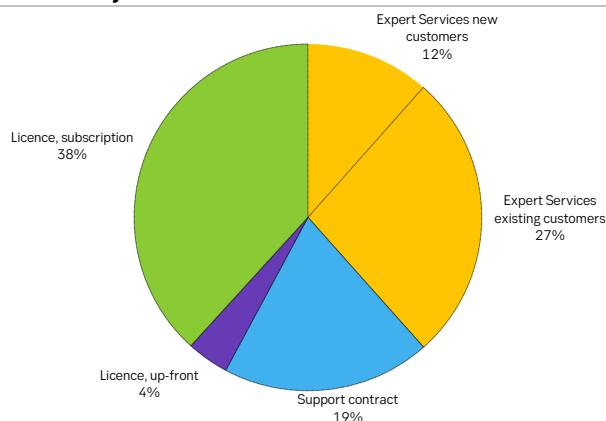
Risks include competition from large global players such as Microsoft and Salesforce, increases in customer churn and employee risks following high salary inflation. Another key risk is that Lime is only exposed to the Nordic SME and local enterprise market, with about 85% of its sales generated in Sweden, and the business could be affected by changes in market conditions.

### Revenues by region



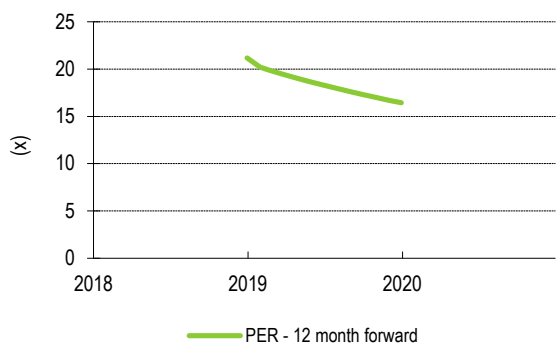
Source: SEB

### Revenues by division



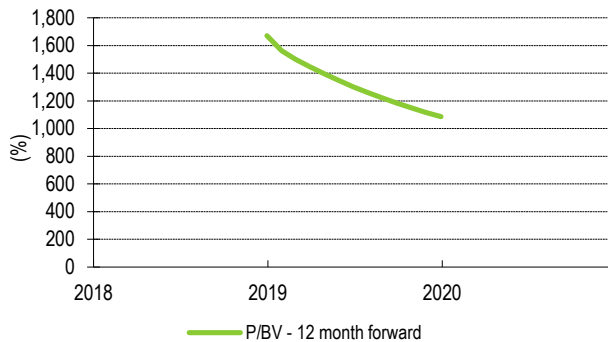
Source: SEB

**PER - 12 month forward**



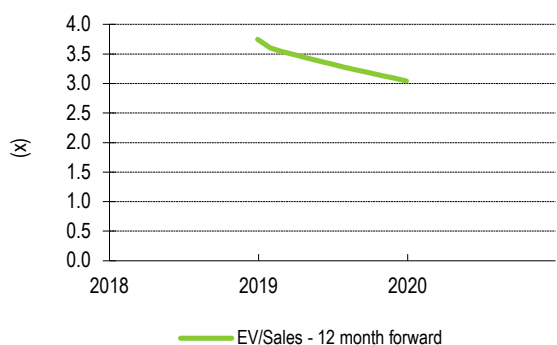
Source: SEB

**P/BV - 12 month forward**



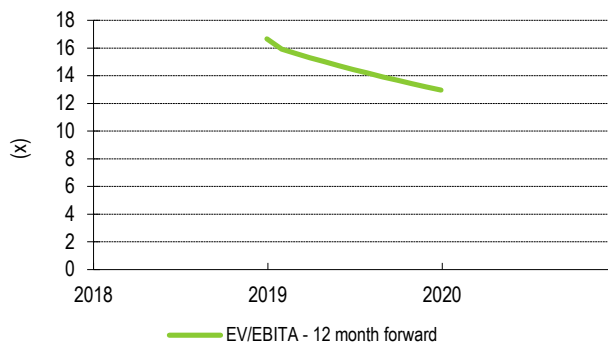
Source: SEB

**EV/Sales - 12 month forward**



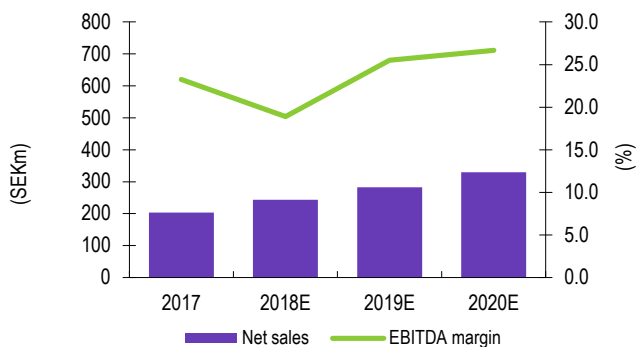
Source: SEB

**EV/EBITA - 12 month forward**



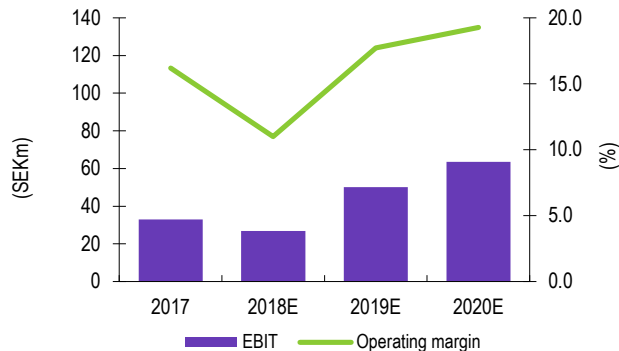
Source: SEB

**Net sales & EBITDA margin**



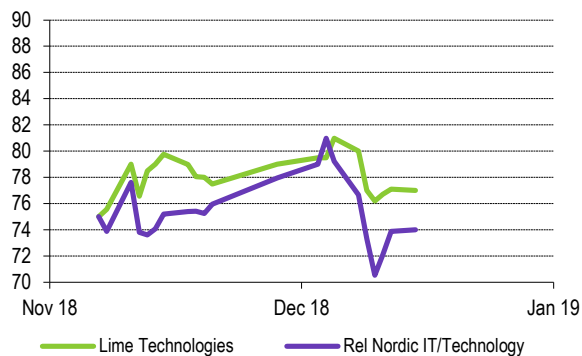
Source: SEB

**EBIT & Operating margin**



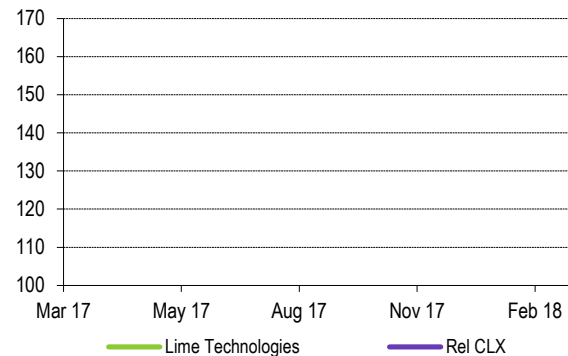
Source: SEB

**Comparison with sector index - 1 year**



Source: SIX

**Comparison with CLX - 1 year**



Source: SIX

| <b>Profit &amp; loss statement - Lime Technologies</b> |             |              |              |              |
|--|-------------|--------------|--------------|--------------|
| <b>(SEKm)</b>  | <b>2017</b> | <b>2018E</b> | <b>2019E</b> | <b>2020E</b> |
| Net Sales  | 204         | 243          | 282          | 330          |
| Other revenues   | 1           | 0            | 0            | 0            |
| <b>Total revenues</b>                                  | <b>205</b>  | <b>244</b>   | <b>282</b>   | <b>330</b>   |
| Total expenses   | (157)       | (198)        | (210)        | (242)        |
| <b>Profit before depreciation</b>                      | <b>47</b>   | <b>46</b>    | <b>72</b>    | <b>88</b>    |
| Depreciation - Fixed assets                            | 0           | 0            | 0            | 0            |
| Depreciation - Other assets                            | (4)         | (6)          | (9)          | (11)         |
| Amortisation - Goodwill                                | (10)        | 0            | 0            | 0            |
| Amortisation - Other intangibles                       | 0           | (13)         | (14)         | (14)         |
| <b>Operating profit</b>                                | <b>33</b>   | <b>27</b>    | <b>50</b>    | <b>64</b>    |
| Net interest expenses                                  | (1)         | (3)          | (4)          | (3)          |
| Foreign exchange items                                 | 0           | 0            | 0            | 0            |
| Other financial items                                  | 0           | 0            | 0            | 0            |
| Value changes - Fixed assets                           | 0           | 0            | 0            | 0            |
| Value changes - Financial assets                       | 0           | 0            | 0            | 0            |
| Value changes - Other assets                           | 0           | 0            | 0            | 0            |
| <b>Reported pre-tax profit</b>                         | <b>32</b>   | <b>23</b>    | <b>46</b>    | <b>61</b>    |
| Minority interests                                     | 0           | 0            | 0            | 0            |
| Total taxes  | (8)         | (3)          | (10)         | (13)         |
| <b>Reported profit after tax</b>                       | <b>24</b>   | <b>20</b>    | <b>36</b>    | <b>48</b>    |
| Discontinued operations                                | 0           | 0            | 0            | 0            |
| Extraordinary items                                    | 0           | 0            | 0            | 0            |
| <b>Net Profit</b>                                      | <b>24</b>   | <b>20</b>    | <b>36</b>    | <b>48</b>    |
| <b>Adjustments:</b>                                    |             |              |              |              |
| Discontinued operations                                | 0           | 0            | 0            | 0            |
| Interest on convertible debt                           | 0           | 0            | 0            | 0            |
| Minority interests (IFRS)                              | 0           | 0            | 0            | 0            |
| Value changes  | 0           | 0            | 0            | 0            |
| Goodwill/intangibles amortisations                     | 10          | 13           | 14           | 14           |
| Restructuring charges                                  | 2           | 14           | 0            | 0            |
| Other adjustments                                      | 0           | 0            | 0            | 0            |
| Tax effect of adjustments                              | (3)         | (6)          | (3)          | (3)          |
| <b>Adjusted profit after tax</b>                       | <b>33</b>   | <b>41</b>    | <b>47</b>    | <b>59</b>    |
| <b>Margins, tax &amp; returns</b>                      |             |              |              |              |
| Operating margin                                       | 16.2        | 11.0         | 17.7         | 19.3         |
| Pre-tax margin   | 15.5        | 9.6          | 16.4         | 18.4         |
| Tax rate   | 25.0        | 15.0         | 22.0         | 21.5         |
| ROE  | 31.1        | 32.7         | 78.4         | 64.4         |
| ROCE   | 25.2        | 18.2         | 32.5         | 40.6         |
| <b>Growth rates y-o-y (%)</b>                          |             |              |              |              |
| Total revenues   | n.a.        | 19.1         | 16.0         | 16.9         |
| Operating profit                                       | 5.8         | (18.9)       | 86.9         | 27.0         |
| Pre-tax profit   | 5.8         | (26.3)       | 98.6         | 31.2         |
| EPS (adjusted)   | 0.0         | 22.0         | 14.6         | 25.6         |
| <b>Cash flow</b>                                       |             |              |              |              |
| <b>(SEKm)</b>  | <b>2017</b> | <b>2018E</b> | <b>2019E</b> | <b>2020E</b> |
| Net profit   | 24          | 20           | 36           | 48           |
| Non-cash adjustments                                   | 15          | 19           | 22           | 25           |
| <b>Cash flow before work cap</b>                       | <b>39</b>   | <b>39</b>    | <b>58</b>    | <b>72</b>    |
| Ch. in working capital / Other                         | 1           | (3)          | (6)          | (7)          |
| <b>Operating cash flow</b>                             | <b>40</b>   | <b>36</b>    | <b>52</b>    | <b>65</b>    |
| Capital expenditures                                   | (15)        | (18)         | (19)         | (19)         |
| Asset disposals  | 2           | 0            | 0            | 0            |
| L/T financial investments                              | 0           | 0            | 0            | 0            |
| Acquisitions / adjustments                             | (31)        | (8)          | 0            | 0            |
| <b>Free cash flow</b>                                  | <b>(4)</b>  | <b>10</b>    | <b>33</b>    | <b>46</b>    |
| Net loan proceeds                                      | (2)         | 66           | (23)         | (28)         |
| Dividend paid  | 0           | (75)         | (10)         | (18)         |
| Share issue  | 0           | 0            | 0            | 0            |
| Other  | 0           | (0)          | 0            | 0            |
| <b>Net change in cash</b>                              | <b>(6)</b>  | <b>1</b>     | <b>0</b>     | <b>0</b>     |
| <b>Adjustments</b>                                     |             |              |              |              |
| C/flow bef chng in work cap                            | 39          | 39           | 58           | 72           |
| Adjustments  | 0           | 0            | 0            | 0            |
| Int on conv debt net of tax                            | 0           | 0            | 0            | 0            |
| Cash earnings  | 39          | 39           | 58           | 72           |
| <b>Per share information</b>                           |             |              |              |              |
| Cash earnings  | 3.11        | 3.12         | 4.65         | 5.77         |
| Operating cash flow                                    | 3.18        | 2.86         | 4.18         | 5.2          |
| Free cash flow   | (0.33)      | 0.79         | 2.66         | 3.68         |
| <b>Investment cover</b>                                |             |              |              |              |
| Capex/sales (%)  | 0.9         | 0.8          | 0.7          | 0.8          |
| Capex/depreciation (%)                                 | 0           | 0            | 0            | 0            |

Source for all data on this page: SEB

**Balance sheet - Lime Technologies**

| (SEKm)                              | 2017       | 2018E      | 2019E      | 2020E      |
|-------------------------------------|------------|------------|------------|------------|
| Cash and liquid assets              | 24         | 25         | 25         | 25         |
| Debtors                             | 40         | 46         | 54         | 63         |
| Inventories                         | 0          | 0          | 0          | 0          |
| Other                               | 6          | 4          | 4          | 4          |
| <b>Current assets</b>               | <b>70</b>  | <b>75</b>  | <b>83</b>  | <b>92</b>  |
| Interest bearing fixed assets       | 1          | 1          | 1          | 1          |
| Other financial assets              | 0          | 0          | 0          | 0          |
| Capitalized development cost        | 0          | 10         | 18         | 24         |
| Goodwill                            | 0          | 0          | 0          | 0          |
| Other intangibles                   | 183        | 178        | 164        | 150        |
| Fixed tangible assets               | 4          | 6          | 8          | 10         |
| Other fixed assets                  | 0          | 0          | 0          | 0          |
| <b>Fixed assets</b>                 | <b>187</b> | <b>194</b> | <b>191</b> | <b>185</b> |
| <b>Total assets</b>                 | <b>257</b> | <b>269</b> | <b>274</b> | <b>277</b> |
| Creditors                           | 9          | 10         | 12         | 14         |
| Other trade financing               | 0          | 0          | 0          | 0          |
| S/T interest bearing debt           | 23         | 0          | 0          | 0          |
| Other                               | 84         | 84         | 84         | 84         |
| <b>Current liabilities</b>          | <b>116</b> | <b>94</b>  | <b>95</b>  | <b>97</b>  |
| L/T interest bearing debt           | 31         | 120        | 97         | 69         |
| Other long-term liabilities         | 0          | 0          | 0          | 0          |
| Convertible debt                    | 0          | 0          | 0          | 0          |
| Pension provisions                  | 0          | 0          | 0          | 0          |
| Other provisions                    | 0          | 0          | 0          | 0          |
| Deferred tax                        | 23         | 23         | 23         | 23         |
| <b>Long term liabilities</b>        | <b>54</b>  | <b>143</b> | <b>119</b> | <b>91</b>  |
| Minority interests                  | 0          | 0          | 0          | 0          |
| <b>Shareholders' equity</b>         | <b>88</b>  | <b>33</b>  | <b>59</b>  | <b>89</b>  |
| <b>Total liabilities and equity</b> | <b>257</b> | <b>269</b> | <b>274</b> | <b>277</b> |
| Net debt (m)                        | 29         | 94         | 71         | 43         |
| Working capital (m)                 | (46)       | (43)       | (37)       | (30)       |
| Capital employed (m)                | 142        | 153        | 156        | 157        |
| Net debt/equity (%)                 | 33         | 286        | 120        | 48         |
| Net debt/EBITDA (x)                 | 0.6        | 1.6        | 1.0        | 0.5        |
| Equity/total assets (%)             | 34         | 12         | 22         | 32         |
| Interest cover                      | 23.6       | 7.7        | 13.2       | 22.0       |

**Valuation**

| (SEK)                          | 2017 | 2018E | 2019E | 2020E |
|--------------------------------|------|-------|-------|-------|
| No of shares, fully dil. (y/e) | 12.5 | 12.5  | 12.5  | 12.5  |
| No of shares, fully dil. avg.  | 12.5 | 12.5  | 12.5  | 12.5  |
| Share price, y/e               |      | 77.0  | 77.0  | 77.0  |
| Share price, high              |      | 81.5  |       |       |
| Share price, low               |      | 72.0  |       |       |
| Share price, avg               |      | 77.5  |       |       |
| EPS (reported)                 | 1.90 | 1.58  | 2.89  | 3.81  |
| EPS (adjusted)                 | 2.67 | 3.25  | 3.73  | 4.68  |
| Cash earnings/share            | 3.11 | 3.12  | 4.65  | 5.77  |
| Dividend/share                 | 6.00 | 0.79  | 1.44  | 1.91  |
| Enterprise value/share         |      | 85    | 83    | 80    |
| Book value/share               | 7.1  | 2.6   | 4.7   | 7.1   |
| Adjusted equity/share          | 7.1  | 2.6   | 4.7   | 7.1   |
| PER (adjusted)                 |      | 23.7  | 20.6  | 16.4  |
| CEM                            |      | 24.7  | 16.6  | 13.3  |
| Dividend yield                 |      | 1.0   | 1.9   | 2.5   |
| EV/EBITDA                      |      | 17.8  | 14.3  | 11.4  |
| EV/EBITA                       |      | 26.4  | 16.3  | 13.0  |
| EV/EBIT                        |      | 39.5  | 20.6  | 15.8  |
| EV/Sales (x)                   |      | 4.34  | 3.66  | 3.05  |
| Price/Book value               |      | 29.21 | 16.28 | 10.85 |
| Price/adjusted equity          |      | 29.21 | 16.28 | 10.85 |
| Free cash flow/Market cap (%)  |      | 1.9   | 3.5   | 4.8   |
| Operating cash flow/EV (%)     |      | 3.4   | 5.1   | 6.5   |
| EV/Capital employed (x)        |      | 6.9   | 6.6   | 6.4   |

**Main shareholders**

| Main shareholders |     |       |         | Management |                | Company information |                          |
|-------------------|-----|-------|---------|------------|----------------|---------------------|--------------------------|
| Name              | (%) | Votes | Capital | Title      | Name           | Contact             |                          |
| Monterro AB       |     | 30.0  | 30.0    | COB        |                | Internet            | www.lime-technologies.se |
| Erik Syrén        |     | 10.0  | 10.0    | CEO        | Erik Syrén     | Phone number        | (46) 46 270 48 00        |
| Robur Microcap    |     | 5.9   | 5.9     | CFO        | Magnus Hansson |                     |                          |
|                   |     |       |         | IR         |                |                     |                          |

Source for all data on this page: SEB

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