

THE OLA ROLLÉN CASE

Share Movement Rationale

What caused the share price to soar in NEXT Biometrics on the 9th October 2015?

It is seldom in finance that you are served with such precise material as to why a stock reacts to information as in this case. On 9th October 2015 NEXT presented three pieces of information in a press release:

1. Cessation of a Royalty Agreement
2. A Rights Issue with Greenbridge Ltd, founded by Melker Schörling and Ola Rollén
3. A sales and purchase agreement between Ecomnex and Greenbridge of 333.333 shares

The share price reaction was enormous – an increase of +84% in one day. So let's analyse the pieces of information one by one.

1. Cessation of a Royalty Agreement:

The Royalty agreement was an agreement between the inventor and the company. The contract stipulated that the company should pay 5% of the gross profit in royalties to the inventor every year until 2025. We can, from the transactions above see that the inventor was willing to give up this right for (60NOK in sales price - 48.5NOK in market price on the 8th X 333.333 shares =) 3.8 MNOK + a sum of 9.4 MNOK from the company. So the one that should be able to value the IP the best sold everything for 13.2 MNOK. How would the market react? The market must know the Gross Profit for NEXT in 2015 and 2016 in order to put a value on the contract. The Gross Profit was running at a loss of -170 to -200 MNOK in both 2015 and 2016.

The value for the market of terminating the Royalty Agreement is zero.

2. Purchase of shares from Ecomnex

Has no market value since other actors in the market cannot access the same conditions.

3. A Rights Issue with Greenbridge

This piece of news consists of two components: 1) the rights issue itself and 2) the fact that Greenbridge signs for the rights issue. If we start with the rights issue itself we have the fortunate situation that NEXT carried out a new rights issue of similar size in a similar market with better performance from the company, but Greenbridge did not participate, in early 2017. In the table on the next page we can determine the theoretical price impact from this rights issue and compare it to the actual market reaction as well as compare it to the rights issue of October 2015.

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Valuation of a rights issue in NEXT Biometrics

Rights Issue announced on 6th February -17				
Closing price on 6th	139.0	NOK		
Rights Issue price	134.0	NOK		
Closing price on 7th	132.5	NOK		
	<u>No Shares</u>	<u>Price</u>	<u>Market Capitalisation</u>	
Shares outstanding before issue	16.32	139	2268	MNOK
Shares in new issue	1.164	134	156	MNOK
TOTAL Shares	17.484	138.7	2424	
Theoretical New value of the NEXT share after RI			138.7	NOK
Actual value on the 7th after the announcement of RI			132.5	NOK
MARKET REACTION TO RIGHTS ISSUE			-4%	

Rights Issue announced on 9 th October -15				
Closing price on 8th	48.5	NOK		
Rights Issue price	60.0	NOK		
Closing price on 9th	89	NOK		
	<u>No Shares</u>	<u>Price</u>	<u>Market Capitalisation</u>	
Shares outstanding before issue	11.833	48.5	574	MNOK
Shares in new issue	2.000	60.0	120	MNOK
TOTAL Shares	13.833	50.2	694	
Theoretical New value of the NEXT share after RI			50.2	NOK
Actual value on the 9th after the announcement of RI			89	NOK
MARKET REACTION TO RIGHTS ISSUE			77%	

We can notice the following:

1. In 2015 there is a premium but in 2017 there is a discount. The discount is partly caused by the fact that Greenbridge declined to participate.
2. The actual reaction from the market in Feb 2017 is to further reduce the share price by -4% from the new theoretical price.
3. In the 2015 Rights Issue the market reaction is an increase of +77% over the new theoretical price.

Conclusions for the Rights Issue:

A rights issue in NEXT has a slight negative impact on the share price compared to the theoretical price after rebasing the company after the rights issue announcement. In 2015 the reaction is the opposite – a share price appreciation of +77 per cent over the theoretical price after the rights issue announcement. The only logical reason for this reaction is that the market puts a premium on the fact that it is Greenbridge that subscribes to the issue. This conclusion is backed up by the study of topics discussed at Avanza Forum (the Nordic region's largest stock chat forum) and by the fact that a surge of Swedish investors bought the stock in the days after the announcement.

Summary

Share price closing 8th October 2015:	48.50 NOK
- Value Ecomnex	00.00 NOK
- Value Royalty cessation	00.00 NOK
- Value 60 NOK premium in RI	1.70 NOK
- Conclusion: Value having Greenbridge Ltd	38.80 NOK
Share price closing on 9th October 2015:	89.00 NOK

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Reason for share price jump!

Avanza Forum blog post

1/1 – 8/10 2015

Search phrase	# of mentions	# of messages	Percentage	Cum GB %
OR	0	0	0.0%	0.0%
Ola	0	0	0.0%	0.0%
Rollen	0	0	0.0%	0.0%
Rollén	0	0	0.0%	0.0%
Ola Rollen	0	0	0.0%	0.0%
Ola Rollén	0	0	0.0%	0.0%
Rolle	0	0	0.0%	0.0%
Melker	0	0	0.0%	0.0%
Schörling	0	0	0.0%	0.0%
Melker Schörling	0	0	0.0%	0.0%
Greenbridge	0	0	0.0%	0.0%
Fingerprint	58	43	10.2%	0.0%
FPC	86	66	15.6%	
Dell	73	54	12.8%	
Lenovo	85	46	10.9%	
Microsoft	72	52	12.3%	
Tier 1	42	31	7.3%	
Tier-1	46	39	9.2%	
Royalty	0	0	0.0%	
Minh Dinh	0	0	0.0%	
Ming Dinh	0	0	0.0%	

9/10 – 15/10 2015

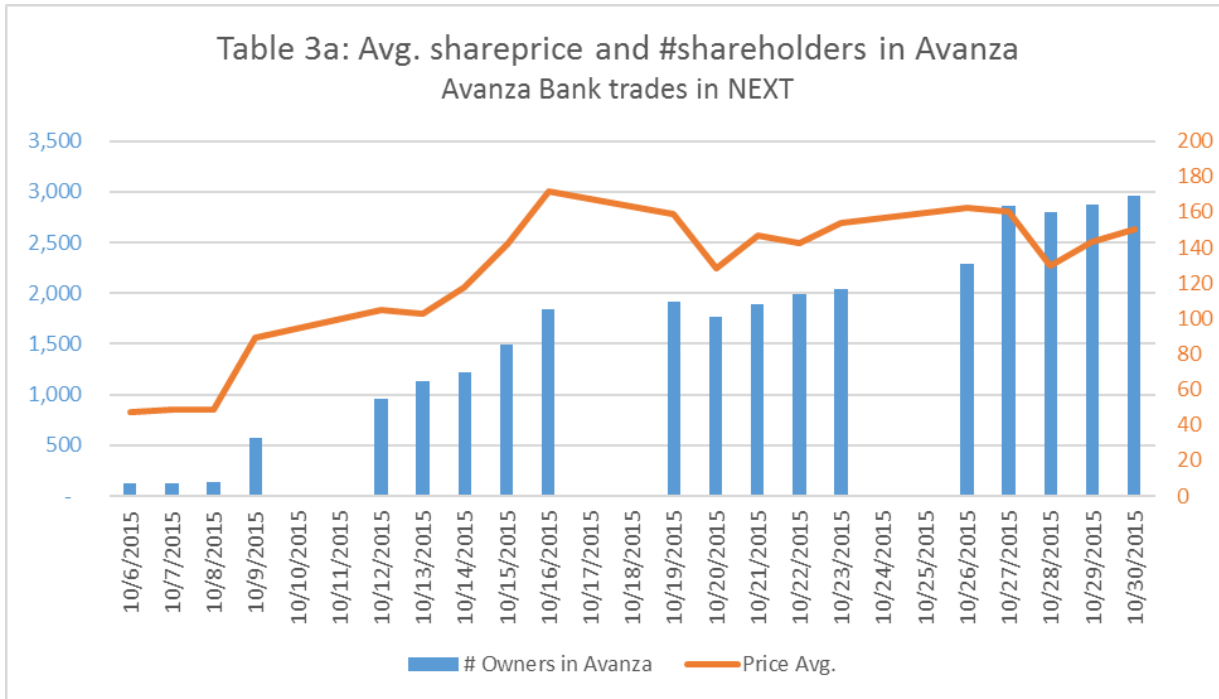
Search phrase	# of mentions	# of messages	Percentage	Cum GB %
OR	12	6	0.8%	0.8%
Ola	88	56	7.7%	8.5%
Rollen	28	23	3.2%	11.6%
Rollén	29	23	3.2%	14.8%
Ola Rollen	16	13	1.8%	16.6%
Ola Rollén	16	13	1.8%	18.4%
Rolle	3	3	0.4%	18.8%
Melker	42	28	3.8%	22.6%
Schörling	24	19	2.6%	25.2%
Melker Schörling	10	9	1.2%	26.4%
Greenbridge	11	9	1.2%	27.7%
Fingerprint	133	88	12.1%	27.7%
FPC	146	81	11.1%	38.8%
Dell	48	30	4.1%	
Lenovo	27	20	2.7%	
Microsoft	83	37	5.1%	
Tier 1	59	50	6.8%	
Tier-1	9	6	0.8%	
Royalty	1	1	0.1%	
Minh Dinh	3	1	0.1%	
Ming Dinh	1	1	0.1%	

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Share Movement Rationale

Avg. share price and #shareholders in Avanza

Avazana trades in NEXT



Net Purchase of NEXT Shares

(9 to 30 October 2015)

