



MARKET COMMENT

Copenhagen, 05 July 2016

LINE's IPO in NYC and Tokyo Stock Exchange - July 14 and 15.

Line is going to be the biggest tech IPO this year looking to raise as much as \$1.1B as the company is raising the price range from \$26.50-\$31.50 to \$28.50-\$32.50 putting the market value at around \$6.6B at the high end of the range. The valuation multiple (EV/Sales) will be around 6x compared to around 15.5x for Facebook, so it does not look to be highly valued in the IPO which is a good thing because the shareholders want a good start to Line's new public life.

Line is competitor to WhatsApp and gets around 75% of its \$1B revenue from Japan with the remaining from other Asian countries such as Thailand. The market potential is big in especially Southeast Asia and the company is already profitable. Line has around 217 million active users generating around \$5 per user which half of what Facebook generates and less than Twitter, but it shows that there is potential to grow the revenue alone from optimizing its advertising offering.

The organic growth rate has come down 118% in 2014 to around 40% in 2015. Investors will be very sensitive to the trajectory in revenue growth which is something we have seen with Twitter. As a result it's critical for Line to rapidly expand into other Asian countries. Based on the valuation, already being profitable and growing fast we are positive on the share price and believe it could double in its first year.

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