BUY

Fara

Ticker: FARA

Target: NOK 1,00
Price: NOK 0,75

March 19, 2010

Fara

Sector:	Information Technology
Industry:	Electronic Equipment & Instruments
Market cap.:	118
Recommendation:	BUY
Risk:	HIGH

NOKm	2009	2010E	2011E
Revenues	131	167	205
EBITDA	-32	1	20
EBIT	-40	-6	15
EPS (NOK)	-0,26	-0,04	0,07

Ratios	2009	2010E	2011E
P/E	neg	neg	10,6
EV/NOPLAT	neg	neg	11,1
EV/EBITDA	neg	>100	6,0
EV/EBIT	neg	neg	8,0
P/B	6,6	7,6	4,4
P/Sales	1,1	0,7	0,6

All key figures adjusted for non-recurring items
Book value does not include goodwill

Analyst

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Fara is a market making client of Terra Markets

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Overreaction to weak Q4 results

- Fara's share price went down 14% since the delivery of weak Q4 results last month. However, the figures were not surprising to us, as they were in line with the profit warning issued in December (due to the delays in some projects). At that time the company guided EBITDA of around NOK -23m, while the actual figure came out at NOK -22,8m.
- On the other hand, revenues and operating costs were above our expectations. The quarter was marked by high external consultancy costs related to the merging of different Fara platforms. We increased our operating cost estimates following the report. Nevertheless, we continue to expect significant margin improvement in H2 2010, as the consolidation of platforms is nearing the completion.
- In the outlook section, the management stated that the company participates in several tenders and more should come in 2010. Thus, we can expect near term positive news flow.
- The company had used NOK 9,6m out of NOK 40m of credit facilities available by the end of Q4. We find that current liquidity reserves are satisfactory for daily operations.
- Our DCF-based target price is down from NOK 1,40 to NOK 1,00 on the back of downward estimate revisions. However, we believe that the market overreacted to the weak Q4 results sending the share too low. Hence, we reiterate our Buy recommendation.

Q4 results (NOKm)	Reported	Terra
Revenues	30,4	25,5
EBITDA	-22,8	-20,9
Operating profit	-25,0	-22,8
Pretax profit	-24,0	-23,4
EPS adjusted (NOK)	-0,15	-0,15

Conclusion

We believe that the market overreacted to the weak Q4 results sending the share too low. Thus, we reiterate our Buy recommendation with a target price of NOK 1,00 per share.

Estimate changes

	2010e			2011e			2012e		
NOKm	Old	New	Change	Old	New	Change	Old	New	Change
Revenues	167	167	-0,2 %	204	205	0,5 %	245	246	0,5 %
Gross margin, %	63,0%	63,2%	0,2 %p	0,64	0,64	0,0 %p	64%	64%	0,0 %p
EBITDA	3,7	0,7	nm	25,3	20,2	-20,2 %	37,5	31,2	-16,8 %
EBIT	-2,4	-6,2	nm	20,7	15,2	-26,6 %	33,8	27,2	-19,6 %
EBIT margin, %	-1,5%	-3,7%	-2,2 %p	10,2%	7,4%	-2,7 %p	13,8%	11,0%	-2,8 %p
EPS (NOK)	-0,03	-0,04	nm	0,09	0,07	-18,0 %	0,15	0,13	-14,4 %

Recent insider trades

Date	Name	Position	Action	Price	Value in NOK	Share	Comment
—	—	—	—	—	—	—	No recent insider trades

Note: only more than NOK 50 000 worth trades are included in the table

Peer comparison

USDm	Estimates	EV	EV/Sales*			EV/EBITDA*			EV/EBIT*			P/E			Market Cap
			2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	
Fara	**Terra Markets**	**21**	**0,7**	**0,6**	**0,5**	**nm**	**6,1**	**3,9**	**neg**	**8,1**	**4,5**	**neg**	**10,4**	**5,8**	**20**
Ivu Traffic Technologies	Consensus**	47	na	na	na	na	na	na	na	na	na	na	na	na	44
Thales	Consensus**	8 512	0,5	0,5	na	6,6	5,1	na	11,3	7,3	na	17,4	10,2	na	7 995
Cubic Corporation	Consensus**	743	0,7	0,7	na	7,0	6,4	na	8,1	7,5	na	16,2	15,4	na	970
Init	Consensus**	159	1,6	1,4	na	7,6	7,0	na	8,5	7,8	na	12,5	11,5	na	164
Average			**0,9**	**0,8**	**na**	**7,1**	**6,2**	**na**	**9,3**	**7,5**	**na**	**15,4**	**12,4**	**na**	
Median			**0,7**	**0,7**	**na**	**7,0**	**6,4**	**na**	**8,5**	**7,5**	**na**	**16,2**	**11,5**	**na**	

** Calculated applying the last reported Balance sheet and last Market Capitalization*
*** Infinancials*

DCF model

NOKm	2010e	2011e	2012e	2013e	2014e
Revenues	167	205	246	271	298
EBIT	-6	15	27	27	26
Tax on EBIT	*-1*	*-4*	*-8*	*-8*	*-7*
NOPLAT (+)	-7	11	19	20	19
Depreciation & amortization (+)	*7*	*5*	*4*	*4*	*3*
Capital expenditure (-)	*-2*	*-2*	*-3*	*-3*	*-3*
Change in working capital (- or +)	*-5*	*3*	*-5*	*-3*	*-4*
Free Cash Flow to the Firm	**-7**	**17**	**16**	**17**	**15**
NPV of FCFF	-6	14	12	11	9

WACC calculation	
Debt ratio	17,9%
Cost of debt (after tax)	3,8%
Risk free rate	3,9%
Beta	1,4
Market risk premium	6,0%
Cost of equity	12,0%
WACC	**10,5%**

Valuation, NOKm	
Net debt	8
Minority interest	0
NPV cash flow	
2010-2014e	40
2015e-	125
Total NPV cash flow	165
Equity value	157
Value per share, NOK	**1,00**

Assumptions	
L.t. growth	3,0%
Tax rate	28,0%
# shares, m	157,808

Sensitivity analysis

	L.t. growth				
WACC	2,0%	2,5%	3,0%	3,5%	4,0%
10,1%	1,0	1,0	1,1	1,1	1,2
10,3%	0,9	1,0	1,0	1,1	1,2
10,5%	0,9	0,9	1,0	1,1	1,1
10,7%	0,9	0,9	1,0	1,0	1,1
10,9%	0,9	0,9	0,9	1,0	1,1

Description of the company

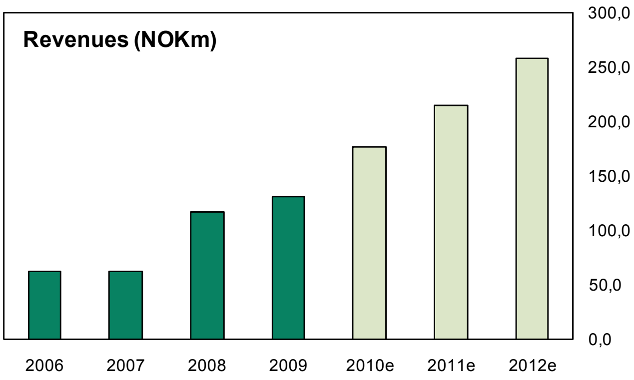
Fara was established at the end of 2005, through a demerger of the ticketing business from Q-Free, and was listed as a separate company on the Oslo Børs. Having originally started as a Norway-based company providing ticketing systems primarily to ferry-companies in Norway, Fara grew both organically and through acquisition to become a leading player in the Nordic automatic fare collection (AFC) system market with a solid basis for expansion into the European market. The company holds a unique IT solutions portfolio which is split into three business lines: Ticketing, Infotainment and RTI (Real Time Information).

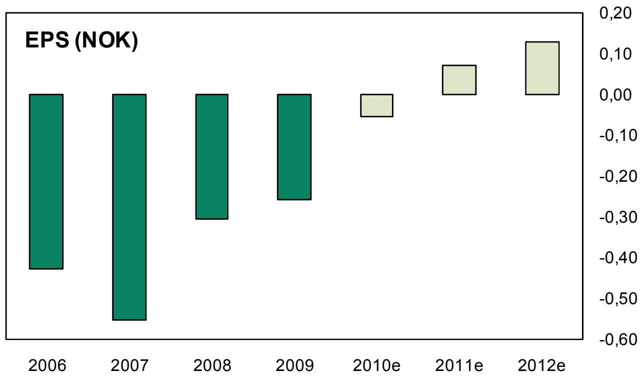
Company data

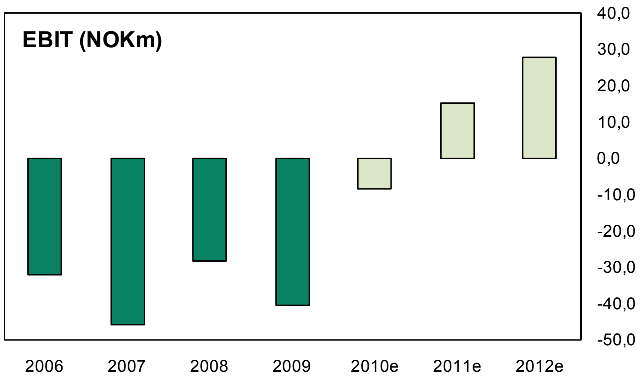
Chief Executive Officer:	Øivind Kirksæter
Chief Financial Officer:	Ørjan Kirkefjord
Web:	www.fara.no
Telephone:	+47 40 00 33 66
Address	Leif Tronstads plass 6 Oslo
Listing:	Oslo Stock Exchange
Number of shares:	157 807 573

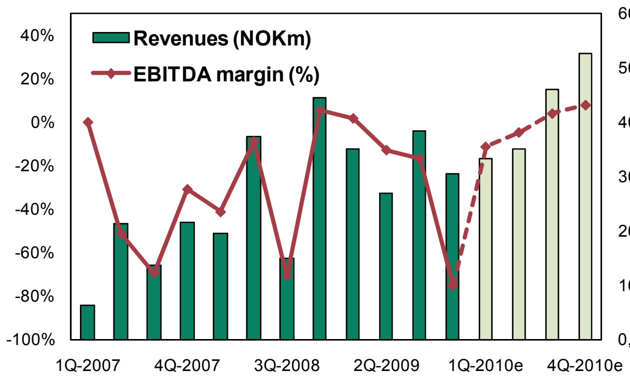
News flow

Date	Event
H1 2010	New tender wins in the Nordics and CEE (?)
H2 2010 (?)	Completion of the merging of acquired platforms
27.04.2010	Q1 2010 report
27.05.2010	Annual General Meeting
14.07.2010	Q2 2010 report
20.10.2010	Q3 2010 report









PROFIT & LOSS (NOKm)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales	**na**	**na**	**na**	**na**	**53**	**63**	**63**	**116**	**131**	**167**	**205**	**246**
COGS	na	na	na	na	-27	-25	-26	-49	-52	-61	-74	-89
Gross profit	**na**	**na**	**na**	**na**	**26**	**37**	**36**	**67**	**79**	**106**	**131**	**158**
Sales & general administration costs	na	na	na	na	-52	-67	-71	-87	-111	-105	-111	-126
EBITDA	**na**	**na**	**na**	**na**	**-26**	**-29**	**-35**	**-20**	**-32**	**1**	**20**	**31**
Depreciation & amortisation	na	na	na	na	-1	-3	-11	-9	-8	-7	-5	-4
EBIT adjusted	**na**	**na**	**na**	**na**	**-28**	**-32**	**-46**	**-28**	**-40**	**-6**	**15**	**27**
Non-recurring items	na	na	na	na	0	0	0	0	0	0	0	0
Goodwill amortisation/write-ups/-downs	na	na	na	na	0	0	0	0	0	0	0	0
EBIT	**na**	**na**	**na**	**na**	**-28**	**-32**	**-46**	**-28**	**-40**	**-6**	**15**	**27**
Net financial items	na	na	na	na	0	0	-1	-3	0	0	0	0
Equity earnings	na	na	na	na	0	0	0	0	0	0	0	0
Pretax profit	**na**	**na**	**na**	**na**	**-28**	**-32**	**-47**	**-31**	**-41**	**-6**	**15**	**27**
Tax	na	na	na	na	0	0	-1	0	0	-1	-4	-8
Tax rate	*na*	*na*	*na*	*na*	*0%*	*0%*	*-1%*	*0%*	*0%*	*-15%*	*28%*	*28%*
Profit after taxes	na	na	na	na	-28	-32	-47	-31	-41	-7	11	20
Minority interest	na	na	na	na	0	0	0	0	0	0	0	0
Extraord. items / Discontinued oper.	na	na	na	na	0	0	0	0	0	0	0	0
Net profit	**na**	**na**	**na**	**na**	**-28**	**-32**	**-47**	**-31**	**-41**	**-7**	**11**	**20**
Other comprehensive income	na	na	na	na	0	0	0	0	0	0	0	0
Comprehensive income	**na**	**na**	**na**	**na**	**-28**	**-32**	**-47**	**-31**	**-41**	**-7**	**11**	**20**

BALANCE SHEET (NOKm)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Goodwill	na	na	na	na	0	0	11	11	11	11	11	11
Intangible assets	na	na	na	na	32	29	32	25	17	12	9	8
Tangible assets	na	na	na	na	0	0	1	2	2	2	2	2
Financial assets	na	na	na	na	0	0	0	0	0	0	0	0
Inventories	na	na	na	na	38	5	6	15	8	13	13	16
Accounts receivable	na	na	na	na	12	20	21	34	31	41	43	51
Other current assets	na	na	na	na	0	8	3	7	19	19	19	19
Cash and cash equivalents	na	na	na	na	10	12	0	0	0	3	15	19
Total assets	**na**	**na**	**na**	**na**	**92**	**75**	**75**	**94**	**89**	**102**	**112**	**126**
Shareholders' equity	na	na	na	na	59	57	33	17	33	26	37	57
Minority interest	na	na	na	na	0	0	0	0	0	0	0	0
Pension provisions	na	na	na	na	0	0	0	0	0	0	0	0
Interest-bearing debt	na	na	na	na	-3	0	3	13	14	24	18	6
Other liabilities	na	na	na	na	35	18	39	64	42	52	57	63
Equity and liabilities	**na**	**na**	**na**	**na**	**92**	**75**	**75**	**94**	**89**	**102**	**112**	**126**

KEY FIGURES (NOK)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales per share	na	na	na	na	na	0,83	0,74	1,15	0,83	1,06	1,30	1,56
EPS	na	na	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,04	0,07	0,13
EPS (adjusted)	**na**	**na**	**na**	**na**	**na**	**-0,43**	**-0,55**	**-0,31**	**-0,26**	**-0,04**	**0,07**	**0,13**
Dividends per share	na	na	na	na	na	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Book value per share*	na	na	na	na	na	0,76	0,26	0,06	0,14	0,10	0,17	0,29
Net debt (cash) per share	na	na	na	na	na	-0,16	0,04	0,12	0,09	0,13	0,02	-0,08
P/E	na	na	na	na	na	neg	neg	neg	neg	neg	10,6	6,0
P/E (adjusted)	**na**	**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**10,6**	**6,0**
P/Net Sales	na	na	na	na	na	5,4	3,7	1,1	1,9	1,1	0,9	0,8
P/Book value*	na	na	na	na	na	3,6	6,1	11,9	6,6	7,6	4,4	2,6
P/Book value (incl. goodwill)	na	na	na	na	na	3,6	4,1	4,2	4,5	4,5	3,2	2,1
EV/EBITDA	na	na	na	na	na	neg	neg	neg	neg	>100	6,0	3,4
EV/EBIT**	na	na	na	na	na	neg	neg	neg	neg	neg	8,0	3,9
EV/NOPLAT**	**na**	**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**11,1**	**5,4**
EV/Sales	na	na	na	na	na	3,0	2,2	0,7	1,2	0,8	0,6	0,4
Dividend yield	na	na	na	na	na	0%	0%	0%	0%	0%	0%	0%
ROE* (adjusted)	na	na	na	na	na	-55%	-119%	-219%	-287%	-37%	53%	54%
Equity ratio*	na	na	na	na	65%	76%	35%	7%	29%	17%	26%	40%
Debt/Equity*	na	na	na	na	-5%	0%	15%	211%	61%	152%	66%	12%
Net debt/EBITDA	na	na	na	na	nm	nm	nm	nm	nm	30,90	0,14	-0,42
Gross margin	na	na	na	na	48%	60%	58%	58%	60%	63%	64%	64%
EBITDA margin	na	na	na	na	-50%	-47%	-55%	-17%	-25%	0%	10%	13%
EBIT** margin	na	na	na	na	-52%	-51%	-73%	-24%	-31%	-4%	7%	11%
Growth of Sales	na	na	na	na	nm	19%	0%	86%	12%	28%	23%	20%
Growth of EBITDA	na	na	na	na	nm	nm	nm	nm	nm	nm	2999%	54%
EPS** growth	na	na	na	na	na	nm	nm	nm	nm	nm	nm	77%
Share price	na	na	na	na	na	2,70	1,60	0,70	0,94	0,75	0,75	0,75
No. shares year-end	na	na	na	na	na	75,066	85,152	101,173	157,808	157,808	157,808	157,808
Market capitalisation	na	na	na	na	na	203	136	71	148	118	118	118
Net debt	na	na	na	na	-13	-12	3	13	14	20	3	-13
Enterprise value	na	na	na	na	na	191	140	83	162	139	121	105
Book value of equity*	na	na	na	na	59	57	22	6	22	16	27	46

**Excluding goodwill*

***Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs*

PROFIT & LOSS (NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010e	2Q-2010e	3Q-2010e	4Q-2010e
Sales	**37,4**	**14,8**	**44,6**	**35,1**	**27,0**	**38,3**	**30,4**	**33,3**	**35,1**	**46,0**	**52,5**
COGS	-21,5	-5,8	-15,9	-11,4	-12,0	-16,1	-12,8	-13,3	-12,6	-16,6	-18,9
Gross profit	**15,9**	**9,0**	**28,7**	**23,7**	**15,0**	**22,3**	**17,6**	**20,0**	**22,5**	**29,4**	**33,6**
Sales & general administration costs	-19,3	-19,5	-26,3	-23,1	-18,5	-28,7	-40,5	-23,8	-24,1	-27,6	-29,4
EBITDA	**-3,3**	**-10,5**	**2,4**	**0,6**	**-3,5**	**-6,4**	**-22,8**	**-3,8**	**-1,6**	**1,9**	**4,2**
Depreciation & amortisation	-2,3	-2,2	-2,3	-2,6	-1,5	-2,1	-2,2	-2,0	-1,8	-1,6	-1,5
EBIT adjusted	**-5,6**	**-12,7**	**0,1**	**-2,0**	**-4,9**	**-8,5**	**-25,0**	**-5,7**	**-3,4**	**0,2**	**2,7**
Non-recurring items	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Goodwill amortisation/write-ups/-downs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	**-5,6**	**-12,7**	**0,1**	**-2,0**	**-4,9**	**-8,5**	**-25,0**	**-5,7**	**-3,4**	**0,2**	**2,7**
Net financial items	-0,5	-0,8	-1,1	-0,2	-0,2	-0,8	1,0	-0,1	0,0	0,0	0,2
Equity earnings	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Pretax profit	**-6,1**	**-13,5**	**-1,0**	**-2,2**	**-5,2**	**-9,3**	**-24,0**	**-5,8**	**-3,4**	**0,3**	**2,9**
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	-0,8
Tax rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*28%*	*28%*
Profit after taxes	-6,1	-13,5	-1,0	-2,2	-5,2	-9,4	-24,0	-5,8	-3,4	0,2	2,1
Minority interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Extraord. Items / Discontinued oper.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net profit	**-6,1**	**-13,5**	**-1,0**	**-2,2**	**-5,2**	**-9,4**	**-24,0**	**-5,8**	**-3,4**	**0,2**	**2,1**
Other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	**-6,1**	**-13,5**	**-1,0**	**-2,2**	**-5,2**	**-9,4**	**-24,0**	**-5,8**	**-3,4**	**0,2**	**2,1**

BALANCE SHEET (NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010e	2Q-2010e	3Q-2010e	4Q-2010e
Goodwill	11	11	11	11	11	11	11	11	11	11	11
Intangible assets	29	27	25	23	21	19	17	16	14	13	12
Tangible assets	2	2	2	2	2	3	2	2	2	2	2
Financial assets	0	0	0	0	0	0	0	0	0	0	0
Inventories	6	8	15	15	14	11	8	9	10	11	13
Accounts receivable	27	14	34	27	22	29	31	23	26	31	41
Other current assets	6	3	7	1	3	17	19	19	19	19	19
Cash and cash equivalents	1	0	0	0	22	0	0	8	1	5	3
Total assets	**82**	**65**	**94**	**79**	**95**	**89**	**89**	**88**	**84**	**93**	**102**
Shareholders' equity	18	6	17	17	66	58	33	27	24	24	26
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Interest-bearing debt	25	23	13	25	0	8	14	18	21	24	24
Other liabilities	39	36	64	37	30	23	42	43	39	45	52
Equity and liabilities	**82**	**65**	**94**	**79**	**95**	**89**	**89**	**88**	**84**	**93**	**102**

KEY FIGURES (NOK)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010e	2Q-2010e	3Q-2010e	4Q-2010e
EPS	-0,07	-0,11	-0,01	-0,02	-0,03	-0,06	-0,15	-0,04	-0,02	0,00	0,01
EPS (adjusted)	**-0,07**	**-0,11**	**-0,01**	**-0,02**	**-0,03**	**-0,06**	**-0,15**	**-0,04**	**-0,02**	**0,00**	**0,01**
12-months forward P/E (adjusted)	neg	neg	neg	neg	neg	neg	neg	neg	>100	19,61	12,17
Equity ratio*	11%	-8%	7%	9%	65%	61%	29%	21%	18%	16%	17%
Debt/Equity*	335%	nm	211%	406%	0%	17%	61%	106%	156%	176%	152%
Gross margin	43%	61%	64%	68%	56%	58%	58%	60%	64%	64%	64%
EBITDA margin	-9%	-71%	5%	2%	-13%	-17%	-75%	-11%	-5%	4%	8%
EBIT** margin	-15%	-86%	0%	-6%	-18%	-22%	-82%	-17%	-10%	1%	5%
Growth of Sales (Q/Q)	91%	-60%	201%	-21%	-23%	42%	-21%	10%	5%	31%	14%
Growth of EBITDA (Q/Q)	nm	nm	nm	-75%	nm	nm	nm	nm	nm	nm	125%
EPS** growth (Q/Q)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	1045%
Growth of Sales (Y/Y)	77%	8%	108%	79%	-28%	159%	-32%	-5%	30%	20%	73%
Growth of EBITDA (Y/Y)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EPS** growth (Y/Y)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Share price	1,30	1,06	0,70	1,04	1,23	1,00	0,94	0,75	0,75	0,75	0,75
No. shares quarter-end	85,152	120,652	101,173	101,173	157,808	157,808	157,808	157,808	157,808	157,808	157,808
Market capitalisation	111	128	71	105	194	158	148	118	118	118	118
Net debt	24	23	13	25	-23	8	14	10	20	18	20
Enterprise value	135	151	83	130	172	166	162	128	138	136	139
Book value of equity*	8	-5	6	6	55	48	22	17	13	13	16

**Excluding goodwill*

***Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs*

Cash flow statement (NOKm)	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Operating earnings (EBIT)	na	na	na	na	-32,1	-45,8	-28,5	-40,4	-6,2	15,2	27,2
Depreciation & amortization	na	na	na	na	2,6	11,0	8,9	8,3	6,8	5,0	4,0
Net financial items	na	na	na	na	-0,1	-0,8	-2,6	-0,3	0,1	0,2	0,2
Paid taxes	na	na	na	na	-0,1	0,0	0,0	0,0	-0,9	-4,3	-7,7
Cash earnings in operations	**na**	**na**	**na**	**na**	**-29,6**	**-35,5**	**-22,2**	**-32,4**	**-0,1**	**16,1**	**23,7**
Changes in working capital	na	na	na	na	27,7	24,1	8,3	-18,2	-4,7	3,4	-4,9
Cash flow from operating activities	**na**	**na**	**na**	**na**	**-22,9**	**-11,4**	**-13,8**	**-49,1**	**-4,8**	**19,5**	**18,8**
CAPEX	na	na	na	na	0,0	0,0	0,0	0	-1,8	-2,2	-2,7
Other investments	na	na	na	na	0,0	-24,8	-8,1	-0,7	0,0	0,0	0,0
Cash flow from investing activities	**na**	**na**	**na**	**na**	**0,0**	**-24,8**	**-8,1**	**-0,7**	**-1,8**	**-2,2**	**-2,7**
Free cash flow	**na**	**na**	**na**	**na**	**-1,9**	**-36,2**	**-21,9**	**-49,9**	**-6,6**	**17,3**	**16,1**
Changes in interest bearing liabilities	na	na	na	na	0,0	0,0	0,0	0,0	10,0	-6,0	-12,0
New share issues & share buy-backs	na	na	na	na	0,0	0,0	0,0	56,3	0,0	0,0	0,0
Other financing activities	na	na	na	na	28,2	22,0	12,1	-3,9	0,0	0,0	0,0
Cash flow from financing activities	**na**	**na**	**na**	**na**	**14,5**	**22,0**	**12,1**	**52,4**	**10,0**	**-6,0**	**-12,0**
Cash flow for the period	**na**	**na**	**na**	**na**	**12,6**	**-14,2**	**-9,8**	**2,5**	**3,4**	**11,3**	**4,1**

Cash flow statement (NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010e	2Q-2010e	3Q-2010e	4Q-2010e
Operating earnings (EBIT)	-5,6	-12,7	0,1	-2,0	-4,9	-8,5	-25,0	-5,7	-3,4	0,2	2,7
Depreciation & amortization	2,3	2,2	2,3	2,6	1,5	2,1	2,2	2,0	1,8	1,6	1,5
Net financial items	-0,5	-0,8	-1,1	-0,2	-0,2	-0,8	1,0	-0,1	0,0	0,0	0,2
Other non-cash adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Paid taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	-0,8
Cash earnings in operations	**-3,8**	**-11,3**	**1,3**	**0,4**	**-3,7**	**-7,3**	**-21,8**	**-3,8**	**-1,7**	**1,8**	**3,6**
Changes in working capital	11,4	10,2	-9,6	-0,5	-15,9	-19,0	17,1	7,9	-7,9	0,4	-5,1
Cash flow from operating activities	**7,5**	**-1,2**	**-8,3**	**-0,1**	**-19,6**	**-26,3**	**-3,2**	**4,1**	**-9,6**	**2,2**	**-1,5**
CAPEX	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,4	-0,4	-0,5	-0,6
Other investments	-0,5	0,0	-7,5	0,0	-0,3	0,2	-0,6	0,0	0,0	0,0	0,0
Cash flow from investing activities	**-0,5**	**0,0**	**-7,5**	**na**	**-0,3**	**0,2**	**-0,6**	**-0,4**	**-0,4**	**-0,5**	**-0,6**
Free cash flow	**7,0**	**-1,1**	**-15,7**	**-0,1**	**-19,8**	**-26,2**	**-3,8**	**3,7**	**-10,0**	**1,7**	**-2,1**
Changes in interest bearing liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	4,0	3,0	3,0	0,0
New share issues & share buy-backs	0,0	0,0	0,0	0,0	56,3	0,0	0,0	0,0	0,0	0,0	0,0
Other financing activities	-16,0	2,1	26,1	-8,9	7,0	0,3	-2,3	0,0	0,0	0,0	0,0
Cash flow from financing activities	**-16,0**	**2,1**	**26,1**	**-8,9**	**63,3**	**0,3**	**-2,3**	**4,0**	**3,0**	**3,0**	**0,0**
Cash flow for the period	**-9,0**	**0,9**	**10,3**	**-9,0**	**43,4**	**-25,8**	**-6,1**	**7,7**	**-7,0**	**4,7**	**-2,1**

TOP 20 INVESTORS		15.03.2010		Change over a week
No.	Investor	Ownership	No. of shares	No. of shares
1	REDBACK AS	20,98%	33 101 377	0
2	UBS (LUXEMBOURG) S.A.	8,87%	14 000 000	0
3	RAMS AS	6,31%	9 952 000	0
4	KLP LK AKSJER	4,12%	6 500 000	0
5	ODIN NORGE	4,01%	6 331 559	-1 200
6	VPF NORDEA VEKST	3,25%	5 121 500	0
7	KLP AKSJENORGE	2,72%	4 300 000	150 000
8	MP PENSJON	2,69%	4 240 000	0
9	WARRENWICKLUND NORGE	2,36%	3 723 000	170 000
10	ALDEN AS	2,28%	3 600 000	0
11	JPMBLSA	2,24%	3 536 000	0
12	POLAR ELECTRO OT-PALVELU OY	1,91%	3 010 000	0
13	DANSKE INVEST NORGE VEKST	1,90%	3 000 000	0
14	TERRA NORGE VPF	1,62%	2 552 000	-170 000
15	VPF NORDEA SMB	1,51%	2 383 700	0
16	KIKUT AS	1,47%	2 325 000	0
17	HANDELSBANKEN MARKETS MARKET-MAKING DERIVATER	1,27%	2 000 000	0
18	WILHELMSEN LINES SHIPOWNING AS	1,27%	2 000 000	0
19	STOREBRAND VEKST	1,13%	1 790 000	0
20	OLE JOHAN OLSEN INVEST AS	1,12%	1 765 000	0

Source: Infront / The Online Trader

Fara												FARA
Price	NOK	0,75			Risk:	*High*					Last report	31.12.2009
Capitalisation	NOK	118			Investment potential:	*Medium*					Last update	19.03.2010
		2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010e**	**2011e**	**2012e**
Sales	NOK	na	na	na	53	63	63	116	131	167	205	246
Gross profit	NOK	na	na	na	26	37	36	67	79	106	131	158
EBITDA	NOK	na	na	na	-26	-29	-35	-20	-32	1	20	31
EBIT adjusted	NOK	na	na	na	-28	-32	-46	-28	-40	-6	15	27
Operating earnings (EBIT)	NOK	na	na	na	-28	-32	-46	-28	-40	-6	15	27
Pretax profits (EBT)	NOK	na	na	na	-28	-32	-47	-31	-41	-6	15	27
Net profit	NOK	na	na	na	-27,5	-32	-47	-31	-41	-7	11	20
Net debt (cash)	NOK	na	na	na	-13	-12	3	13	14	20	3	-13
Enterprise value	NOK	na	na	na	na	191	140	83	162	139	121	105
Book value of equity	NOK	na	na	na	59	57	22	6	22	16	27	46
Sales per share	NOK	na	na	na	na	0,83	0,74	1,15	0,83	1,06	1,30	1,56
EPS	NOK	na	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,04	0,07	0,13
EPS (adjusted)	**NOK**	**na**	**na**	**na**	**na**	**-0,43**	**-0,55**	**-0,31**	**-0,26**	**-0,04**	**0,07**	**0,13**
Dividends per share	NOK	na	na	na	na	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Book value per share*	NOK	na	na	na	na	0,76	0,26	0,06	0,14	0,10	0,17	0,29
Net debt (cash) per share	NOK	na	na	na	na	-0,16	0,04	0,12	0,09	0,13	0,02	-0,08
P/E		na	na	na	na	neg	neg	neg	neg	neg	10,6	6,0
P/E (adjusted)		**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**10,6**	**6,0**
P/FCF		na	na	na	na	na	na	na	na	na	na	na
P/Sales		na	na	na	na	3,2	2,2	0,6	1,1	0,7	0,6	0,5
P/Book value*		na	na	na	na	3,6	6,1	11,9	6,6	7,6	4,4	2,6
EV/EBITDA		na	na	na	na	neg	neg	neg	neg	>100	6,0	3,4
EV/EBIT**		na	na	na	na	neg	neg	neg	neg	neg	8,0	3,9
EV/NOPLAT**		**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**11,1**	**5,4**
EV/Sales		na	na	na	na	3,0	2,2	0,7	1,2	0,8	0,6	0,4
Dividend yield		na	na	na	na	0%	0%	0%	0%	0%	0%	0%
ROE* (adjusted)		na	na	na	na	-55%	-119%	-219%	-287%	-37%	53%	54%
Equity ratio*		na	na	na	65%	76%	35%	7%	29%	17%	26%	40%
Debt/Equity*		na	na	na	-5%	0%	15%	211%	61%	152%	66%	12%
Net debt/EBITDA		na	na	na	nm	nm	nm	nm	nm	30,90	0,14	-0,42
Gross margin		na	na	na	48%	60%	58%	58%	60%	63%	64%	64%
EBITDA margin		na	na	na	-50%	-47%	-55%	-17%	-25%	0%	10%	13%
EBIT** margin		na	na	na	-52%	-51%	-73%	-24%	-31%	-4%	7%	11%
Growth of Sales		na	na	na	nm	19%	0%	86%	12%	28%	23%	20%
Growth of EBITDA		na	na	na	nm	nm	nm	nm	nm	nm	2999%	54%
EPS** growth		na	na	na	na	nm	nm	nm	nm	nm	nm	77%

**Book value of equity excludes goodwill*

***Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs*

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Recommendation history for FARA

Date	Recommendation	Target price (NOK)
19.03.2010	BUY	1,00
22.12.2009	BUY	1,40

The table above shows current and previous recommendations given in company reports.

Planned updates
Orion Securities plans to update its recommendation on the company: 1) when new accounting figures are released, 2) if any material news on the company or industry is released, 3) in other important instances.

Was the company report presented to the issuer?
The company report was presented to the issuer before dissemination. There were minor changes after being presented to the issuer.

Price target methodology and risks
Target price was calculated using a combined peer and DCF approach. The main risk is the competition as Automated Fare Collection is a highly fragmented market.

Critical assumptions
We assume Y/Y revenue growth of 20% - 30% during 2010 – 2013 driven by an assumed successful expansion outside the Nordic countries. Meanwhile, operating costs are expected to grow 5% - 10% per year in the same period.

Information sources
The sources of information used in this report are the quarterly and annual reports from the company, Vikingen Børs, Infinancials, company reports from Ivu, Init, Cubic and Thales.

Potential conflict of interests

Investors should assume that Terra Markets is seeking or will seek Corporate Finance or other business relationships with the company in this report. None of Terra Markets' employees are a representative of the Board or any other similar supervision body of the Company. Responsible analyst has not provided any investment banking services to the Company during the last 12 months. **Please note that Terra Markets operates as a market maker in the shares of FARA and may have holdings for this purpose.** Complete lists of corporate clients and updated share positions are available at www.terramarkets.no.

Share positions in the Company:

Responsible analyst(s)	0
Employees of Terra Markets AS	0
Terra Markets AS	0

Analysts never hold any shares in companies they analyze. Positions of employees are based on lists updated each week. Holdings as a part of Terra Markets' investment services activities such as market making are not included.

Recommendation structure and risk classification

Terra Markets' recommendations are based on a six-month time horizon and are based on absolute performance adjusted for risk. Near term dividends are included into return. The table below shows our general guidelines for determining our recommendations:

Risk	Buy / Strong Buy	Hold	Reduce / Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 30%	5% - 30%	< 5%

The percentages are defined as an upside to our price target plus eventual dividends within six months. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on analyst's conviction in the case. Our risk assessments range from high risk to medium risk and low risk and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in share, 3) strength of balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Recommendation distribution as of January 8, 2010

Weekly Casebook	Strong Buy	Buy	Hold	Reduce	Sell
Total	4	53	58	23	1
% of total	3%	38%	42%	17%	1%
Corporate clients	2	13	9	1	0
% of total	8%	52%	36%	4%	0%

The recommendation distribution above is based on Terra-rating in Weekly Casebook. Terra-rating of +2 is defined as Strong Buy, +1 as Buy, 0 as Hold. Terra-rating of -1 is defined as Reduce and -2 as Sell.

Recommendation distribution as of January 8, 2010

Company reports	Strong Buy	Buy	Hold	Reduce	Sell
Total	3	60	49	11	5
% of total	2%	47%	38%	9%	4%
Corporate clients	0	13	8	0	0
% of total	0%	62%	38%	0%	0%

The table above shows recommendation distribution for all company reports issued during the last three months.

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