



## Recovering from pandemic measures

For Q3-20e we model 7% sales growth and flat EBITDA (EUR 4.9m; 9.0% margin) which would in our view represent a very good performance in the current economic climate. We model EUR 0.7m positive net income in the quarter, highlighting that the group is recovering from measures imposed to stem the spread of Covid-19 in European markets. Our DCF TP is increased to EUR 0.48 (0.40) given slightly higher EBIT margins assumed and we confirm our Buy rating.

### Q3-20 competitive advantage for “Made in Germany”

The group’s “Made in Germany” focus appears to have provided a competitive advantage compared to Far East suppliers. A major restocking at retail provided a Q3-20 boost for which we model 19% yoy respectively 12% rise in sales for the Phones and Smartphone segments. However Professional and Smart Home remain depressed.

### Gross margin improvement and cost control to stabilize EBITDA

We model stable EBITDA of EUR 4.9 in Q3-20e (margin of 9.0%, down from 9.8% in Q3-19) which would represent a good performance in the current circumstances. We forecast an EBIT profit of EUR 1.0m and EUR 0.7m net income for the quarter (Q3-19 nil).

### Phones segment continues to underpin the current biz model

Despite the Covid-19 pandemic, we believe that the group has a credible plan to mitigate a declining market for DECT cordless phones (where it is European leader) and invest the cash generated therefrom into building a stronger position in the Smartphones and Professional segments as well as establishing a growing role in the fast expanding but highly fragmented Smart Home segment.

EURm	2018	2019	2020e	2021e	2022e
Revenues	280	258	209	244	268
EBITDA	22	29	0	21	25
EBIT	9	14	(15)	5	8
EPS	0.03	0.09	(0.08)	0.02	0.04
EPS adj	0.03	0.03	(0.08)	0.02	0.04
DPS	-	-	-	-	-
EV/EBITDA	4.0	4.3	-	5.7	4.7
EV/EBIT	10.5	8.8	-	24.4	14.3
P/E adj	11.5	10.6	-	9.4	5.4
P/B	1.56	2.43	5.38	3.56	3.03
ROE (%)	13.8	51.9	-	45.7	60.7
Div yield (%)	-	-	-	-	-
Net debt	50	76	98	92	88

Source: Pareto

Target price (EUR)	0.48
Share price (EUR)	0.21

### Forecast changes

%	2020e	2021e	2022e
Revenues	0	(7)	(2)
EBITDA	NM	(1)	1
EBIT adj	28	(1)	6
EPS reported	28	(0)	6
EPS adj	28	(0)	6

Source: Pareto

Ticker	GGS.DE, GGS.GY
Sector	Hardware & Equipment
Shares fully diluted (m)	132.5
Market cap (EURm)	28
Net debt (EURm)	98
Minority interests (EURm)	0
Enterprise value 20e (EURm)	126
Free float (%)	26

### Performance



Source: Factset

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## Q2 beat provides some optimism for Q3

In commenting on the Q2-20 results (24 Sep.) we noted that Gigaset had published figures which were not quite as bad as feared. Since retail is the group's main distribution channel, the enforced shutdown of most of the group's POS resulted in 29% drop in revenue to EUR 43.4m (a 5% beat vs. Pareto EUR 41.5m).

Moreover, the lack of sales coverage meant that the group dipped into a loss at the EBITDA level of EUR -0.5m, well down from the clean EUR 5.3m profit achieved in Q2-19 but again beating Pareto EUR -1.3m estimate.

The main top line beat in Q2 lay in the key Phones segment where revenues were EUR 4m ahead of our model although there had also been EUR 1m beat in Smartphones. Against that revenues in the Professional segment were disappointing, missing our estimates by EUR 3m, whilst there had been only minimal revenue recorded in the Smart Home category in Q2-20.

Although the group has invested in the expansion of its own e-commerce operations and supported similar activities of business partners, retail remains the dominant sales channel for Gigaset. Thus, despite 100% jump with online revenues, the Covid-19 restrictions on many retail partners in Germany and abroad had a massive negative impact on reported sales during H1-20 which will not be recovered in the second half.

Nonetheless, we would anticipate that the group's broad positioning in the telecommunication sector will first allow a sharp recovery in 2021, followed by steady growth in the top line together with an improving operating margin going forward, given Gigaset's planned diversification away from DECT reliance.

### Exhibit 1: Expectations for Q2-20 beaten a difficult trading period for all

EUR m	Q2 - 19	Q2 - 20	% yoy	PS Q2e	% yoy
<b>Revenues</b>	<b>61.3</b>	<b>43.5</b>	<b>-29%</b>	<b>41.5</b>	<b>5%</b>
<i>of which: Phones</i>	43.4	31.4	-28%	27.0	16%
<i>of which: Professional</i>	14.5	8.0	-45%	10.9	-27%
<i>of which: Smartphones</i>	2.4	3.9	62%	2.5	59%
<i>of which: Smart Home</i>	1.0	0.1	-90%	1.0	-90%
<i>Change inventories</i>	-1.2	-4.1	252%	-0.9	355%
<i>Purchased goods</i>	-29.1	-19.3	-34%	-21.0	-8%
<i>Gross profit</i>	31.0	20.1	-35%	19.6	2%
<i>Own production capitalised</i>	1.8	1.9	4%	2.3	-16%
<i>Other op. income</i>	6.4	2.9	-55%	2.1	36%
<i>Personnel expenses</i>	-14.4	-13.6	-6%	-12.2	12%
<i>Other op. expenses</i>	-16.3	-11.9	-27%	-13.1	-9%
<b>EBITDA</b>	<b>8.5</b>	<b>-0.5</b>	<b>n.a</b>	<b>-1.3</b>	<b>n.a</b>
EBITDA margin	13.9%	-1.3%	-15.2 pp	-3.0%	1.8 pp
<b>Adjusted EBITDA</b>	<b>5.3</b>	<b>-0.5</b>	<b>n.a</b>	<b>-1.3</b>	<b>n.a</b>
Adjusted EBITDA margin	8.6%	-1.3%	-9.9 pp	-3.0%	-1.3 pp
<b>EBIT</b>	<b>5.1</b>	<b>-4.3</b>	<b>n.a</b>	<b>-5.2</b>	<b>n.a</b>
EBIT margin	8.3%	-9.8%	-18 pp	-12.6%	-9.8 pp
<b>Pretax</b>	<b>6.0</b>	<b>-4.5</b>	<b>n.a</b>	<b>-5.5</b>	<b>n.a</b>
Pretax margin	9.8%	-10.4%	-20.2 pp	-13.3%	-10.4 pp
<b>Net income</b>	<b>4.6</b>	<b>-3.2</b>	<b>n.a</b>	<b>-3.9</b>	<b>n.a</b>

Source: Pareto

Recent years have seen the group evolve into two distinct business elements with differing but complimentary characteristic. The core operation targets to maintain share in the declining DECT Phones segment, generating stable profits and rising cashflow for the investment into the fast-growing segments encompassing Smartphones, Smart Home and Professional.

Gigaset's development in these business areas should be promoted by its product offering which may gain a competitive advantage by aging demographics in the key markets of Germany and Western Europe, as well as being influenced by the trend to an ecosystem of digitally connected products for around the home and for use in home office environment.

### Our expectations for Q3-20e

In summary we model 7% sales growth (EUR 54m in Q3-20e) and a flat yoy EBITDA at EUR 4.9m (9.0% margin) which would in our view represent a very good performance in the current economic climate. We also model EUR 0.7m positive net income in the quarter, highlighting that the group is recovering from measures imposed to stem the spread of Covid-19 in European markets.

The main **Phones segment** produces and distributes DECT cordless phones and DECT/CAT-iq mobile component, largely to private consumers. It has been facing a declining market for several years, although the group could partially compensate by increasing share (it is market leader in Germany and Europe).

However, with some 30,000 retail outlets forced to close given the pandemic, the segment's main distribution channel was significantly impacted in Q2-20. GfK market data suggests that the EU-6 countries saw 8.2% drop in H1-20 revenues although Gigaset was able to protect its market share, stable at 37% (in terms of units sold) and 41% (down just 1% in terms of revenue).

Moreover, the group's "Made in Germany" focus appears to have provided a competitive advantage during Q3 compared to Far East suppliers. We understand that a major restocking at retail provided a Q3-20 boost for which we model 19% yoy jump in sales for the Phones segment (to EUR 40m).

The **Professional segment** targets SMEs with communication solutions, offering products in area of multi-cell systems, DECT-based cordless telephones, non-proprietary desk telephones. This division has also been impacted as corporate clients adopted a "wait and see" attitude through much of the pandemic, deferring some projects.

We suspect that the trend to Home Office will soon provide additional support for this segment as businesses grapple with the greater need for more telephone conferences, UCC solutions and virtual meetings in normal business life. Nonetheless, we believe it is too early to detect this in the group's current trading: business has continued to be depressed, albeit at a much-reduced rate during Q3-20e for which we model EUR 10m sales (-24%).

The **Smartphones segment** provides a "Made in Germany" range of smartphones mainly in the low-mid-price segment (to EUR 300). As well as serving private customers, Gigaset also has a B2B operation working with business customers on numerous bespoke solutions. This division has been heavily impacted by Covid-19 with Gartner anticipating a 15% reduction in unit sales in the current year to 1.3bn units globally.

During the crisis peak, many retailers utilised a supply clause which allowed them to return unsold smartphones back to Gigaset (resulting in negative segmental sales recorded in Q1-20). We believe that the re-opening of shops around Europe has got retail customers to again stock-up, whilst the first trade deliveries of the fifth generation Gigaset smartphones (GS3 and GS4) on sale online from November may have also helped Q3-20e sales for which we model EUR 3.7m, up 12% yoy.

Although the **Smart Home segment** is still quite small today, this division operates in a huge, fast-growing and heavily fragmented market offering security & alarm solutions, home comfort solutions, including energy management and smart home care. A significant part of this today is home building security, a market estimated by Statista at EUR 4bn alone in Germany in 2020 which could increase to EUR 7bn by 2023.

Thus, this is a division for which we have high hopes for fast and lucrative growth going forward albeit for Q3-20e we model a depressed (-30%) performance to EUR 0.5m revenues.

Assuming EUR 4.7m positive change in inventories (reflecting the normal seasonal build) we forecast EUR 58.7m total operating performance (TOP) for Q3. **Cost of sales** as a ratio-to-TOP is expected to fall 440bp in the period compared to the high Q3-19 comp (Pareto 49.5%) meaning that we model an improved gross margin of 50.5% yielding a stable gross profit at EUR 29.7m for Q3-20e.

**Personnel costs** would have benefited from the furloughing of staff during the lockdowns plus leaving employees have not yet been replaced. For Q3 we forecast EUR -13.4m expenses, down 2% yoy but representing 22.8% ratio to TOP. We also model 6% reduction in other operating expenses to EUR 15.3m (28.3% ratio to TOP) in Q3-20e.

Consequently, we model stable **EBITDA** of EUR 4.9 in Q3-20e (margin of 9.0%, down from 9.8% in Q3-19) which would represent a good performance in the current circumstances. After depreciation & amortisation of EUR 3.9m (EUR 3.6m) we forecast an **EBIT** profit of EUR 1.0m (vs. EUR 1.3m) for EBIT margin of 1.8%. After EUR -0.2m financial result, we look for EUR 0.8m at the pretax level and EUR 0.7m net income for the quarter.

No guidance has been possible for 2020, given the uncertainties stemming from the Covid-19 fall-out in the light of different actions being considered by the authorities in different countries.

Our segmental forecasts 2020e through 2022e are presented below.

## Exhibit 2: Segmental sales and P&L forecasts 2020e through 2022e

EUR m	Q3 - 19	Q3 - 20e	% yoy	9M - 19	9M - 20e	% yoy	FY - 19	FY - 20e	FY - 21e	FY - 22e
<b>Revenues</b>	<b>50.4</b>	<b>54.0</b>	<b>7%</b>	<b>157.5</b>	<b>129.9</b>	<b>-18%</b>	<b>257.9</b>	<b>209.1</b>	<b>244.1</b>	<b>268.0</b>
<i>of which: Phones</i>	33.7	40.2	19%	110.1	96.9	-12%	176.3	142.8	154.3	157.3
<i>of which: Professional</i>	12.7	9.6	-24%	37.6	27.3	-28%	56.6	44.2	53.0	62.3
<i>of which: Smartphones</i>	3.3	3.7	12%	7.5	3.9	-48%	21.2	18.9	32.1	41.8
<i>of which: Smart Home</i>	0.7	0.5	-30%	2.3	1.8	-22%	3.7	3.1	4.7	6.6
<i>Change inventories</i>	14.0	4.7	-66%	11.0	3.0	-73%	2.9	2.0	2.6	1.0
<i>Purchased goods</i>	-34.7	-29.0	-16%	-84.7	-66.9	-21%	-130.9	-106.6	-123.3	-134.7
<i>Gross profit</i>	29.7	29.7	0%	83.7	66.0	-21%	129.8	104.4	123.4	134.3
<i>Own production capitalised</i>	3.1	2.4	-24%	6.4	6.5	1%	9.2	8.5	10.0	10.0
<i>Other op. income</i>	1.9	1.5	-23%	11.2	7.5	-33%	18.5	8.8	9.0	9.5
<i>Personnel expenses</i>	-13.6	-13.4	-2%	-42.8	-42.9	0%	-59.4	-59.2	-59.2	-63.7
<i>Other op. expenses</i>	-16.2	-15.3	-6%	-47.0	-40.3	-14%	-69.7	-62.2	-62.2	-65.7
<b>EBITDA</b>	<b>4.9</b>	<b>4.9</b>	<b>-1%</b>	<b>11.6</b>	<b>-3.1</b>	<b>n.a</b>	<b>28.5</b>	<b>0.3</b>	<b>21.0</b>	<b>24.5</b>
EBITDA margin	9.8%	9.0%	-0.8 pp	7.4%	-2.4%	-9.8 pp	11.1%	0.2%	8.6%	9.1%
<b>Adjusted EBITDA</b>	<b>4.9</b>	<b>4.9</b>	<b>-1%</b>	<b>8.3</b>	<b>-3.1</b>	<b>n.a</b>	<b>14.4</b>	<b>0.3</b>	<b>21.0</b>	<b>24.5</b>
Adjusted EBITDA margin	9.8%	9.0%	-0.8 pp	5.3%	-2.4%	-7.7 pp	5.6%	0.2%	8.6%	9.1%
<b>EBIT</b>	<b>1.3</b>	<b>1.0</b>	<b>-24%</b>	<b>1.0</b>	<b>-14.7</b>	<b>n.a</b>	<b>13.7</b>	<b>-15.3</b>	<b>4.9</b>	<b>8.1</b>
EBIT margin	2.6%	1.8%	-0.7 pp	0.6%	-11.3%	-12 pp	5.3%	-7.3%	2.0%	3.0%
Pretax	0.9	0.8	-16%	1.2	-15.4	n.a	14.5	-16.1	4.2	7.4
Pretax margin	1.8%	1.4%	-0.4 pp	0.8%	-11.8%	-12.6 pp	5.6%	-7.7%	1.7%	2.8%
Net income	0.0	0.7	n.a	0.4	-10.6	n.a	11.3	-11.1	3.0	5.2

Source: Pareto

Assuming our Q3-20e forecasts are broadly met, the sales shortfall at 9M-20e (18%) and cumulative drop in EBITDA (EUR 15m) will likely be too big to recover in Q4-20. Thus, we forecast EUR 209m sales in 2020e with a small EBITDA profit of EUR 0.3m (we had previously assumed a loss) given a better margin mix. However, we currently believe it realistic to anticipate a major recovery next year, followed by a further improvement in 2022e.

### Exhibit 3: DCF model points to EUR 0.48 target on 12-months view

EUR m	Phase I					Phase II					Phase III
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
<b>Revenues</b>	<b>209</b>	<b>244</b>	<b>268</b>	<b>289</b>	<b>299</b>	<b>308</b>	<b>316</b>	<b>323</b>	<b>329</b>	<b>334</b>	
<i>growth rate</i>	-18.9%	16.8%	9.8%	7.9%	3.4%	3.0%	2.6%	2.2%	1.8%	1.4%	
EBIT	-15.3	4.9	8.1	10.8	14.2	14.8	15.4	15.9	16.3	16.7	
<i>EBIT margin</i>	-7.3%	2.0%	3.0%	3.7%	4.8%	4.8%	4.9%	4.9%	5.0%	5.0%	
Tax	5.0	-1.3	-2.3	-3.1	-4.3	-4.5	-4.6	-4.8	-4.9	-5.0	
<i>Tax rate</i>	33%	26%	28%	29%	30%	30%	30%	30%	30%	30%	
Depr. & Amort.	16	16	16	17	17	16	16	16	16	16	
<i>% of sales</i>	7.5%	6.6%	6.1%	5.8%	5.7%	5.2%	5.0%	4.9%	4.8%	4.8%	
Capex	-11	-11	-12	-13	-13	-14	-15	-16	-16	-17	
<i>% of sales</i>	5.3%	4.5%	4.5%	4.3%	4.3%	4.7%	4.8%	4.9%	5.0%	5.0%	
Change in WC & P	-3	-1	-1	-2	-2	-2	-1	-1	-1	-1	
<i>% of sales</i>	1.4%	0.4%	0.5%	0.5%	0.6%	0.5%	0.5%	0.4%	0.3%	0.2%	
Free Cash Flow	-8.7	7.7	9.0	10.4	12.2	10.4	9.8	9.7	9.9	10.1	162.6
<i>growth rate</i>		<i>nm</i>	16.7%	15.4%	17.3%	-14.3%	-6.2%	-0.9%	2.0%	1.6%	1.0%
<b>Present Value FCF</b>	<b>-8.6</b>	<b>7.1</b>	<b>7.7</b>	<b>8.3</b>	<b>9.1</b>	<b>7.3</b>	<b>6.4</b>	<b>5.9</b>	<b>5.6</b>	<b>5.3</b>	<b>85.7</b>

PV Phase I	24	Risk free rate	3.50%	Targ. equity ratio	50%			
PV Phase II	30	Premium Equity	5.00%	Beta	1.50			
PV Phase III	86	Premium Debt	1.50%	<b>WACC</b>	<b>7.25%</b>			
Enterprise value	140	<b>Sensitivity</b>	<b>Growth in phase III</b>					
- Net Debt (Cash)	-16		<b>0.0%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	
- Pension Provisions	93	<b>6.5%</b>	0.5	0.6	0.6	0.7	0.8	
- Minorities & Peripherals	0	<b>6.9%</b>	0.4	0.49	0.55	0.62	0.7	
+/- Other EV items	0	<b>WACC</b>	<b>7.2%</b>	0.4	<b>0.43</b>	<b>0.48</b>	0.54	0.6
			<b>7.6%</b>	0.3	0.37	0.42	0.47	0.5
			<b>8.0%</b>	0.3	0.3	0.4	0.4	0.5
Equity value	64							
Number of shares	132.5							
Value per share (€)	0.48							
Current Price (€)	0.21							
Upside	129%							

Source: Pareto

We continue to refer to the DCF model in setting our 12-months target price. We apply a WACC of 7.2% (a risk-free rate of 3.5%, market premium of 5.0%, a beta of 1.5 and 30% normal tax rate). We conservatively model 5.0% terminal margin which we know is below the 6.5% level that management target for the longer-term but will review this rate if the group makes quicker than anticipated strides towards the 13% EBITDA / 6.5% EBIT margins.

We currently see EUR 0.48 as an appropriate TP, slightly higher than our previous EUR 0.40 given slightly higher EBIT margins assumed plus stronger control over working capital. Given over 100% upside from last night's closing price we continue with our previous Buy rating.

<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
<b>Revenues</b>	<b>305</b>	<b>282</b>	<b>293</b>	<b>280</b>	<b>258</b>	<b>209</b>	<b>244</b>	<b>268</b>
<b>EBITDA</b>	<b>8</b>	<b>30</b>	<b>30</b>	<b>22</b>	<b>29</b>	<b>0</b>	<b>21</b>	<b>25</b>
Depreciation & amortisation	(21)	(18)	(18)	(14)	(15)	(16)	(16)	(16)
<b>EBIT</b>	<b>(16)</b>	<b>13</b>	<b>12</b>	<b>9</b>	<b>14</b>	<b>(15)</b>	<b>5</b>	<b>8</b>
Net interest	(3)	(1)	(1)	(1)	1	(1)	(1)	(1)
Other financial items	-	-	-	-	-	-	-	-
<b>Profit before taxes</b>	<b>(20)</b>	<b>12</b>	<b>11</b>	<b>7</b>	<b>15</b>	<b>(16)</b>	<b>4</b>	<b>7</b>
Taxes	(2)	(7)	(3)	(4)	(3)	5	(1)	(2)
Minority interest	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>(22)</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>11</b>	<b>(11)</b>	<b>3</b>	<b>5</b>
EPS reported	(0.17)	0.03	0.06	0.03	0.09	(0.08)	0.02	0.04
<b>EPS adjusted</b>	<b>(0.17)</b>	<b>0.03</b>	<b>0.06</b>	<b>0.03</b>	<b>0.03</b>	<b>(0.08)</b>	<b>0.02</b>	<b>0.04</b>
DPS	-	-	-	-	-	-	-	-
<b>BALANCE SHEET (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Tangible non current assets	30	25	23	23	28	25	25	22
Other non-current assets	67	65	62	50	51	57	51	50
Other current assets	83	84	93	103	108	103	98	93
Cash & equivalents	41	47	49	37	37	20	22	25
<b>Total assets</b>	<b>221</b>	<b>222</b>	<b>227</b>	<b>213</b>	<b>223</b>	<b>205</b>	<b>197</b>	<b>190</b>
Total equity	18	18	24	25	19	5	8	9
Interest-bearing non-current debt	-	-	-	14	13	14	9	6
Interest-bearing current debt	0	-	-	-	7	7	7	7
Other Debt	133	123	121	101	91	82	74	68
<b>Total liabilities &amp; equity</b>	<b>221</b>	<b>222</b>	<b>227</b>	<b>213</b>	<b>223</b>	<b>205</b>	<b>197</b>	<b>190</b>
<b>CASH FLOW (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Cash earnings	6	31	31	16	22	3	20	23
Change in working capital	(2)	(13)	(16)	(26)	(5)	(3)	(1)	(1)
Cash flow from investments	(14)	(11)	(12)	(14)	(16)	(11)	(11)	(12)
Cash flow from financing	0	(1)	(1)	12	(2)	(2)	(6)	(7)
Net cash flow	(10)	7	2	(12)	(0)	(14)	2	3
<b>CAPITALIZATION &amp; VALUATION (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
<b>Share price (EUR end)</b>	<b>0.58</b>	<b>0.82</b>	<b>0.61</b>	<b>0.30</b>	<b>0.34</b>	<b>0.21</b>	<b>0.21</b>	<b>0.21</b>
Number of shares end period	132	132	132	132	132	132	132	132
Net interest bearing debt	29	33	32	50	76	98	92	88
<b>Enterprise value</b>	<b>106</b>	<b>142</b>	<b>113</b>	<b>89</b>	<b>121</b>	<b>126</b>	<b>120</b>	<b>116</b>
EV/Sales	0.3	0.5	0.4	0.3	0.5	0.6	0.5	0.4
<b>EV/EBITDA</b>	<b>14.2</b>	<b>4.7</b>	<b>3.7</b>	<b>4.0</b>	<b>4.3</b>	-	<b>5.7</b>	<b>4.7</b>
EV/EBIT	-	11.1	9.2	10.5	8.8	-	24.4	14.3
P/E reported	-	25.2	10.2	11.5	4.0	-	9.4	5.4
<b>P/E adjusted</b>	<b>-</b>	<b>25.2</b>	<b>10.2</b>	<b>11.5</b>	<b>10.6</b>	<b>-</b>	<b>9.4</b>	<b>5.4</b>
P/B	4.3	6.1	3.3	1.6	2.4	5.4	3.6	3.0
<b>FINANCIAL ANALYSIS &amp; CREDIT METRICS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
ROE adjusted (%)	-	24.2	37.6	13.8	19.5	-	45.7	60.7
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	2.5	10.8	10.4	7.9	11.1	0.2	8.6	9.1
EBIT margin (%)	-	4.6	4.2	3.0	5.3	-	2.0	3.0
NIBD/EBITDA	3.93	1.10	1.06	2.26	2.67	295.61	4.41	3.59
EBITDA/Net interest	2.29	28.09	27.71	20.78	-	0.41	29.99	35.03

<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
<b>Revenues</b>	<b>46</b>	<b>61</b>	<b>50</b>	<b>100</b>	<b>32</b>	<b>43</b>	<b>54</b>	<b>79</b>
<b>EBITDA</b>	<b>(2)</b>	<b>9</b>	<b>5</b>	<b>17</b>	<b>(7)</b>	<b>(1)</b>	<b>5</b>	<b>3</b>
Depreciation & amortisation	(4)	(3)	(4)	(4)	(4)	(4)	(4)	(4)
<b>EBIT</b>	<b>(5)</b>	<b>5</b>	<b>1</b>	<b>13</b>	<b>(11)</b>	<b>(4)</b>	<b>1</b>	<b>(1)</b>
Net interest	(0)	1	(0)	1	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
<b>Profit before taxes</b>	<b>(6)</b>	<b>6</b>	<b>1</b>	<b>13</b>	<b>(12)</b>	<b>(5)</b>	<b>1</b>	<b>(1)</b>
Taxes	2	(1)	(1)	(2)	4	1	(0)	0
Minority interest	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>(4)</b>	<b>5</b>	<b>(0)</b>	<b>11</b>	<b>(8)</b>	<b>(3)</b>	<b>1</b>	<b>(1)</b>
EPS reported	(0.03)	0.03	(0.00)	0.08	(0.06)	(0.02)	0.01	(0.00)
<b>EPS adjusted</b>	<b>(0.03)</b>	<b>0.01</b>	<b>(0.00)</b>	<b>0.05</b>	<b>(0.06)</b>	<b>(0.02)</b>	<b>0.01</b>	<b>(0.00)</b>
DPS	-	-	-	-	-	-	-	-
<b>BALANCE SHEET (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
Tangible non current assets	27	28	27	28	27	26	25	25
Other non-current assets	53	54	59	51	55	59	58	57
Other current assets	95	90	101	108	83	75	93	103
Cash & equivalents	26	29	22	37	20	29	20	20
<b>Total assets</b>	<b>201</b>	<b>201</b>	<b>209</b>	<b>223</b>	<b>185</b>	<b>188</b>	<b>196</b>	<b>205</b>
Total equity	17	16	10	19	11	5	6	5
Interest-bearing non-current debt	17	13	14	13	16	14	14	14
Interest-bearing current debt	1	5	6	7	4	7	7	7
Other Debt	86	81	84	91	61	64	71	82
<b>Total liabilities &amp; equity</b>	<b>201</b>	<b>201</b>	<b>209</b>	<b>223</b>	<b>185</b>	<b>188</b>	<b>196</b>	<b>205</b>
<b>CASH FLOW (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
Cash earnings	(2)	3	3	17	(6)	(1)	6	3
Change in working capital	(6)	5	(6)	2	(5)	9	(9)	2
Cash flow from investments	(2)	(4)	(5)	(5)	(3)	(2)	(2)	(3)
Cash flow from financing	(1)	-	-	-	(2)	-	-	-
Net cash flow	(11)	4	(8)	15	(17)	6	(5)	2
<b>CAPITALIZATION &amp; VALUATION (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
<b>Share price (EUR end)</b>	<b>0.43</b>	<b>0.40</b>	<b>0.38</b>	<b>0.34</b>	<b>0.28</b>	<b>0.26</b>	<b>0.23</b>	<b>0.21</b>
Number of shares end period	132	132	132	132	132	132	132	132
Net interest bearing debt	73	75	93	76	93	90	99	98
P/E reported	68.3	13.3	5.5	4.0	5.0	-	-	-
<b>P/E adjusted</b>	<b>68.3</b>	-	<b>8.5</b>	<b>10.6</b>	-	-	-	-
P/B	3.4	3.4	5.0	2.4	3.5	6.8	4.9	5.4
<b>FINANCIAL ANALYSIS &amp; CREDIT METRICS</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	-	13.9	9.8	16.9	-	-	9.0	4.4
EBIT margin (%)	-	8.3	2.6	12.7	-	-	1.8	-
NIBD/EBITDA	3.31	3.14	2.49	2.78	3.68	6.35	6.49	286.86
EBITDA/Net interest	14.41	-	-	-	-	39.58	-	0.41

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Disclosure requirements pursuant to the Norwegian Securities Trading Regulations section 3-10(2) and section 3-11(1), letters a-b

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Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	2,006,735	9.61%	SpareBank 1 Østfold Akershi	1,139,560	9.20%
Pareto Bank ASA	15,994,312	22.90%	Sparebanken Vest	6,361,336	5.93%

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Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
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NHST Media Group AS	17,900	1.39%	SpareBank 1 Østlandet	1,743,409	1.63%
Pareto Bank ASA	15,994,312	22.90%	Sparebanken Møre	305,239	3.09%
Selvaag Bolig ASA	2,177,497	2.32%	Sparebanken Sør	433,544	2.77%
SpareBank 1 BV	1,640,220	2.60%	Sparebanken Vest	6,361,336	5.93%
SpareBank 1 Nord-Norge	3,220,305	3.21%	Totens Sparebank	78,246	1.28%
SpareBank 1 SMN	1,875,442	1.44%			

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Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings
Aker ASA	500	1,470	Fjordkraft Holding	0	10,100	Pareto Bank	0	2,370,702
Aker BP	0	23,995	Frontline	0	42,918	Pexip Holding	0	6,139
Aker Carbon Capture	0	178,028	Gjensidige Forsikring	0	7,280	Protector Forsikring	0	13,400
American Shipping Company	0	3,780	Golden Ocean Group	0	1,433	Quantafuel	0	1,115,100
Arcus	0	2,684	Grieg Seafood	0	9,890	REC Silicon	0	32,500
Atlantic Sapphire	0	9,410	Hafnia Limited	0	30,000	SalMar	0	305
Austevoll Seafood	0	4,135	Hunter Group ASA	0	15,400	Sandnes Sparebank	0	5,782
Avance Gas	0	4,374	Ice Group ASA	0	170,000	Sbanken ASA	0	4,520
B2Holding AS	0	14,075	Kid ASA	0	783	Scatec Solar	0	20,000
Bakkafrost	0	89	Komplett Bank	0	88,300	Schibsted ASA B Aksjer	0	631
BASF	270	270	Kongsberg Gruppen	0	37,237	Selvaag Bolig	0	2,350
Bonheur	0	33,312	KWS	75	75	SpareBank 1 BV	0	7,000
Borregaard ASA	0	500	Lerøy Seafood Group	0	4,663	SpareBank 1 SMN	0	12,740
Bouvet	0	94	Mowi	0	4,594	SpareBank 1 SR-Bank	0	17,752
BRABank	0	31,499	NORBIT ASA	0	7,453	Sparebanken Sør	0	16,235
BW Energy	0	43,075	Nordic Semiconductor	0	4,590	Sparebanken Vest	0	5,409
BW Offshore	0	8,326	Norsk Hydro	0	92,721	Sparebanken Øst	0	1,500
DNB	0	24,636	Norske Skog	0	3,550	Stolt-Nielsen	0	41,317
DNO	0	499,263	Norwegian Finans Holding	0	3,210	Storebrand	0	7,462
Elkem	0	7,198	NTS	0	2,272	Subsea 7	0	5,226
Entra	0	10,442	Ocean Yield	0	52,305	Telenor	0	2,147
Equinor	0	3,369	Okeanis Eco Tankers	0	2,000	VOW	0	4,681
Europris	0	12,756	Orkla	0	19,353	XXL	0	12,573
Fjord1 ASA	0	50,000	Panoro Energy	0	9,285	Yara	0	14,471

This overview is updated monthly (last updated 14. 10.2020).

\*Analyst holdings refers to positions held by the Pareto Securities AS analyst covering the company.

## Appendix B

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letters e-f, ref the Securities Trading Act Section 3-10

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

24SevenOffice Scandinavia	Hafnia Limited	Pexip Holding
Acconer AB	Helgeland Sparebank	Pinewood Laboratories
Advanzia Bank	H&N Energy Ltd	Pioneer Property Group
Africa Energy Corp	HydrogenPro	Providences Inv. Mngmt Pty
Aker ASA	ICW Holding	Quantafuel
American Tanker, Inc.	Instabank ASA	Salmon Evolution
Aprila Bank ASA	Kingfish Zeeland	Sandnes Sparebank
Boreal Holding AS	Klaveness Combination Carriers ASA	Scorpio Bulkers Inc.
Borr Drilling Limited	Komplett Bank	Seadrill Ltd
BRABank	Kongsberg Automotive	Sparebanken Vest
Brooge Energy Limited	Luxaviation Holding	United Camping AB
BW Energy	Mercell	Watercircles Forsikring ASA
Cabonline Group Holding AB	Mintra Group	
Cibus Nordic Real Estate	MPC Container Ships	
Cloudberry Clean Energy AS	Mutares SE & Co. KGaA	
CrayoNano AS	Navigator Holdings Ltd.	
Digiplex	Next Biometrics Group	
DOF	Northern Ocean	
DOF Subsea AS	Norwegian Air Shuttle	
ELOP	Ocean Yield	
Erwe Immobilien	Odfjell SE	
Fjordkraft Holding	OHT ASA	
Genel Energy	PGS	

*This overview is updated monthly (this overview is for the period 31.09.2019 – 31.09.2020).*

## Appendix C

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11(4)

### Distribution of recommendations

Recommendation	% distribution
Buy	65%
Hold	29%
Sell	5%

### Distribution of recommendations (transactions\*)

Recommendation	% distribution
Buy	67%
Hold	29%
Sell	4%

\* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months

This overview is updated monthly (last updated 15.10.2020).

## Appendix D

This section applies to research reports prepared by Pareto Securities AB.

### Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1% or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

### Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has

24SevenOffice Scandinavia AB	IRRAS AB	Minesto	Sedana Medical
Azelio	Isofol Medical AB	Pexip Holding	ShaMaran Petroleum
Bionvent	Jetpak Top Holding AB	Pledpharma AB	Vicore Pharma
Climeon AB	Mentice AB	QleanAir Holding	VNV Global
Implantica			

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

Africa Energy Corp.	Magnolia Bostad	Logistri Fastighets AB	ShaMaran Petroleum
ByggPartner i Dalarna Holding	Media & Games Invest plc.	Saltängen Property Invest	Surgical Science
Cibus Nordic Real Estate	Mentice AB	SciBase Holding	Tethys Oil
Isofol Medical	Minesto	Sedana Medical	Vostok Emerging Finance

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

Member of the Pareto Group is providing Business Management services to the following companies:

Bosjö Fastigheter AB	Bråviken Logistik	Halmslätten	Målaråsen
Bonäsudden	Delarka	Logistri	Sydsvenska Hem

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None  
This overview is updated monthly (last updated 22.10.2020).

## Appendix E

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter d, ref the Securities Trading Act Section 3-10

### Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

2G Energy *	Gigaset *	MLP *	Siemens Healthineers AG
Baywa	Heidelberg Pharma *	MOBOTIX AG	SMT Scharf AG *
Biotest *	Hypoport AG	mutares	Surteco Group *
Brenntag	Intershop Communications AG	OVB Holding AG	Szygy AG *
CORESTATE Capital Holding S.A.	ISRA Vision	Procredit Holding *	TAKKT AG
Daldrup & Söhne	Leifheit	PSISOFTWARE AG *	Vapiano
Demire	Logwin *	PWO *	va-Q-tec *
Epigenomics AG*	Manz AG *	RIB Software *	Viscom *
Gesco *	MAX Automation SE	S&T AG *	
GFT Technologies *	Merkur Bank	SCOUT24	

\* The designated sponsor services include a contractually agreed provision of research services.

## Appendix F

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter g, ref the Securities Trading Act Section 3-10

### Sponsored Research

Pareto Securities has entered into an agreement with these companies about the preparation of research reports and – in return - receives compensation.

Adler Modemaerkte	Daldrup & Söhne	Intershop Communications AG	mutares
Baywa	Dermapharm Holding SE	Leifheit	OHB SE
BB Biotech	First Sensor	MAX Automation SE	OVB Holding AG
B.R.A.I.N.	Godewind Immobilien AG	Merkur Bank	Siegfried Holding AG
comdirect	Hypoport AG	MOBOTIX AG	

This overview is updated monthly (last updated 15.10.2020).