

Profit recovery in a challenging 2021

Despite disruptions in the supply chain, Gigaset reported 2021 results highlighting a nice recovery following the negative impacts from measures taken to dampen the spread of the coronavirus imposed in the previous year. Given a full order book, it could be possible for Gigaset to return to pre-Covid revenues. However, a lack of visibility with respect to the availability of components has encouraged management to remain conservative with regards to 2022 guidance in calling for only slight growth in revenues and EBITDA and our forecasts are revised accordingly. In rolling our DCF forward, we derive EUR 0.54 TP and continue to rate the shares a Buy.

Return to sales growth and positive profit (EBITDA and net income)

Gigaset's 2021 headlines read well, including sales up 1.4% to EUR 217m, a strong recovery in EBITDA to EUR 16.5m, up from EUR 1.9m, with a positive net income of EUR 0.5m following a loss of EUR -10.5m in 2020. This was achieved despite significant headwinds from Q3 arising from the shortfall of semiconductor chips and bottlenecks with other components.

Strong orders could mean a return to pre-pandemic business levels

Availability of chips has shown signs of improving, but uncertainty with the delivery of the desired components remains extremely difficult to plan production. Given the full order book, it could be possible for Gigaset to attain pre-Covid revenues (2019 sales: EUR 258m) but a lack of visibility with respect to macro issues has encouraged management to remain conservative with regards to 2022 guidance.

Model changes reflect cautious guidance

We revise our model, now anticipating 2022E revenue growth of only 8% with a further recovery of 12% in 2023E; we cut our EBITDA estimates to EUR 19.5m / EUR 23.8m respectively. In rolling our DCF forward, we derive EUR 0.54 TP (prev. EUR 0.48) and continue to rate the share with a Buy rating.

EURm	2020	2021	2022e	2023e	2024e
Revenues	214	217	235	263	284
EBITDA	2	16	19	24	28
EBIT	(13)	2	5	8	12
EPS	(0.08)	0.00	0.02	0.04	0.06
EPS adj	(0.08)	0.00	0.02	0.04	0.06
DPS	-	-	-	-	-
EV/EBITDA	60.2	7.9	6.5	5.1	4.1
EV/EBIT	-	75.0	26.4	14.7	9.4
P/E adj	-	87.8	15.5	7.7	4.9
P/B	20.96	5.09	3.97	2.87	1.84
ROE (%)	-	9.4	28.2	43.1	45.8
Div yield (%)	-	-	-	-	-
Net debt	76	90	87	83	76

Source: Pareto Securities

Target price (EUR)	0.54	▲	BUY
Share price (EUR)	0.30	-	HOLD
		▼	SELL

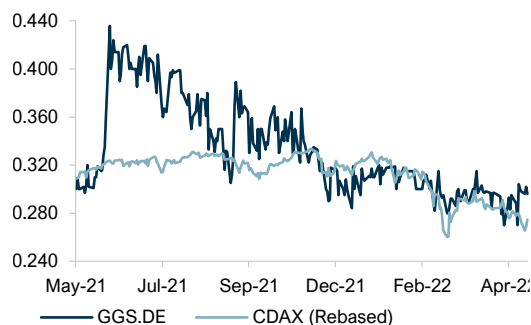
Forecast changes

%	2022e	2023e	2024e
Revenues	(15)	(13)	NM
EBITDA	(13)	(10)	NM
EBIT adj	(13)	(7)	NM
EPS reported	(30)	(18)	NM
EPS adj	(30)	(18)	NM

Source: Pareto Securities

Ticker	GG.S.DE, GGS.GY
Sector	Hardware & Equipment
Shares fully diluted (m)	132.5
Market cap (EURm)	39
Net debt (EURm)	87
Minority interests (EURm)	0
Enterprise value 22e (EURm)	127
Free float (%)	26

Performance



Source: FactSet

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A challenging year but a good recovery reported in 2021

On the face of it, Gigaset's 2021 headlines read well, including sales up 1.4% to EUR 217m (PAsE: 213m) and a strong recovery in EBITDA to EUR 16.5m (PAsE EUR 11.2m), up from EUR 1.9m. It was nonetheless a volatile year, starting with a good recovery coming out of the coronavirus pandemic with strong order books, but then from Q3 facing significant new challenges arising from the shortfall of semiconductor chips and bottlenecks with other components.

Although availability of chips has shown signs of improving, uncertainty with the delivery of the desired components remains extremely difficult to plan production. Meanwhile, there are additional macro impacts stemming from substantially higher prices for raw materials, whilst the strength of the US dollar (in which many raw materials are priced) could well pose additional problems for suppliers and customers alike.

Given the full order book, it could be possible for Gigaset to attain pre-Covid revenues (2019 sales: EUR 258m) but a lack of visibility with respect to the macro issues highlighted above has encouraged management to remain conservative with regards to 2022 guidance:

- A slight increase in revenues and EBITDA
- A modestly positive free cashflow

Given the continued uncertainty, we revise our model, now anticipating 2022E sales growth of only 8% with a further recovery of 12% in 2023E; we cut EBITDA estimates to EUR 19.5m / EUR 23.8m respectively.

Beyond the current year, the spill-over effects from the pandemic are likely to bring additional opportunities for Gigaset. In particular, the trend to home office brings a widespread need to update the European IT infrastructure and the technology employed in allowing the digital requirements of tomorrow. This should also feed into B2B solutions in which, the recently announced agreement with Unify Software will propel the Professional segment.

Rolling on our DCF-based valuation our target price is raised to EUR 0.54 (prev. EUR 0.48), and we remain with our Buy rating.

Exhibit 1: Q4'21 and 2021 results: overview of key P&L details

EUR m	Q4 '20	Q4 '21	% yoy	PAsE Q4	FY '20	FY '21	% yoy
Revenues	80.7	63.2	-22%	59.2	214.2	217.1	1%
<i>of which: Phones</i>	56.7	40.3	-29%	37.7	157.3	140.2	-11%
<i>of which: Professional</i>	14.0	16.5	18%	10.6	41.1	57.2	39%
<i>of which: Smartphones</i>	9.3	6.0	-36%	10.4	13.3	18.2	37%
<i>of which: Smart Home</i>	0.6	0.4	-37%	0.4	2.4	1.5	-38%
<i>Change inventories</i>	-7.9	-0.7	-91%	2.6	-7.3	-2.3	-69%
<i>Purchased goods</i>	-34.1	-31.7	-7%	-31.9	-103.7	-102.1	-2%
<i>Gross profit</i>	38.7	30.8	-20%	29.9	103.2	112.7	9%
<i>Own production capitalise</i>	3.0	3.6	20%	3.1	10.2	12.0	17%
<i>Other op. income</i>	2.8	9.2	231%	2.7	10.9	18.0	64%
<i>Personnel expenses</i>	-17.1	-14.4	-16%	-18.4	-58.5	-58.9	1%
<i>Other op. expenses</i>	-22.4	-23.7	6%	-17.1	-63.9	-67.3	5%
EBITDA	4.9	5.4	10%	0.2	1.9	16.5	n.a
EBITDA margin (%)	6.1%	8.6%	2.5 pp	0.3%	0.9%	7.6%	n.a.
EBIT	1.3	1.6	22%	-3.9	-13.0	1.7	n.a
EBIT margin (%)	1.6%	2.5%	0.9 pp	-6.7%	-6.1%	0.8%	8.6 pp
Pretax	1.1	1.2	5%	-4.2	-14.0	0.4	n.a.
Pretax margin (%)	1.4%	1.9%	0.5 pp	-7.1%	-6.5%	0.2%	8.4 pp
Net income	0.1	1.6	n.a.	-2.6	-10.5	0.5	n.a.

Source: Pareto Securities

Segmental sales development

Gigaset reported a Q4'21 revenue drop of 22% to EUR 63.2m, beating PAsE EUR 59.2m (which had been lowered following the warning with the Q3 results that chip shortages meant that the group was unable to fulfill orders on hand). Not surprisingly, it was the Phones segment that witnessed the biggest volume decline, down EUR 16m yoy. The latter represented a decline of 29% but there was also significant weakness with Smartphones (36%). By contrast, the Professional segment improved sales by 18% in Q4, continuing to recovery from the cancellation of projects in the previous year.

For FY 2021 revenues of EUR 217m, +1.4%, beat our EUR 213m forecast. The coronavirus pandemic triggered measures through-out Europe aimed at slowing the spread of the virus, including the closure of many retail channels which provide the main form of distribution for Gigaset's products and services. With the re-opening in early 2021, the group was able to record a strong bounce-back, highlighting continuing solid underlying demand for its goods and services, whilst (as discussed) the component shortage was the major influence in the second half.

We found the 39% growth with the Professional segment (EUR 57.2m) particularly encouraging, with Smartphones increasing 37% to EUR 18.2m, whilst the main Phones division dropped 11% to EUR 140m. It was the latter segment that was most impacted by chip shortages in 2021.

Exhibit 2: Quarterly sales development by segment

EUR m	Q1 '21	Q2 '21	Q3 '21	Q4 '21	FY '21
Revenues	50.5	51.5	52.0	63.2	217.1
Phones	35.3	35.0	29.6	40.3	140.2
yoy (%)	39%	12%	-32%	-29%	-11%
Share (%)	70%	68%	57%	64%	65%
Professional	11.2	11.5	18.0	16.5	57.2
yoy (%)	17%	43%	90%	18%	39%
Share (%)	22%	22%	35%	26%	26%
Smartphones	3.6	4.6	4.0	6.0	18.2
yoy (%)	n.a	17%	6%	-36%	37%
Share (%)	7%	9%	8%	9%	8%
Smart Home	0.4	0.4	0.3	0.4	1.5
yoy (%)	-67%	300%	-40%	-37%	-38%
Share (%)	1%	1%	1%	1%	1%

Source: Pareto Securities

The main **Phones segment** produces and distributes DECT cordless phones and DECT/CAT-iq mobile component, largely to private consumers. Nearly all products are assembled the group's Bocholt, NRW, production facilities. It has been facing a declining market for several years, although the group could partially compensate by increasing share. The division recorded an 11% decline in revenues in 2021 to EUR 140m, with the decline weighted the second half.

Gigaset is not only clear market leader in Germany, but also Europe. According to GfK – the European top six markets for cordless phones (GER, FR, IT, HOL, UK, SP) saw a 14% volume and 11% value decline in 2021. Gigaset outperformed this claiming 38% volume share / 39% value share in the six core markets. Although some recovery is probably in the current year, the longer-term prospects for desktop telephony is likely to lose-out to mobile, but the group plans on at least maintaining market share.

Over the past ten years, the **Professional segment** has been providing SMEs with communication solutions, offering products in area of multi-cell systems, DECT-based cordless telephones, non-proprietary desk telephones, as well as mobile telephony. The group's business partners advise, sell and install Gigaset Professional solutions. Selling products under its own PRO brand plus via OEM partners its systems can enable scaling up to 20,000 consumer devices in a company. The company believes that it has 23% share of the DECT multi-cell B2B market in Western Europe.

In 2020, this division was impacted as corporate clients adopted a "wait and see" attitude through much of the pandemic, deferring numerous projects, but was able to reflect on a good recovery in 2021. Gigaset recorded a 39% recovery to EUR 57m in segment revenues, improving yoy in all quarters. Going forward, an increasing demand for mobile / remote

workplace environment, paired with Wi-Fi and Bluetooth will likely underpin the segment's prospects.

Furthermore, the group's exclusive agreement with Unify Software & Solutions is likely to provide an additional boost to the Professional segment from 2023 on. Under this agreement, Unify will purchase the next generation of Gigaset terminals of desktop telephones to include within its own solutions packages for Unify's own clients.

The **Smartphones segment** provides a "Made in Germany" range of smartphones mainly in the low-mid-price segment (to EUR 350). As well as serving private customers, Gigaset also has a B2B operation working with business customers on numerous bespoke mobile solutions. The strategic goal is to expand and then further exploit brand recognition in the segment, currently supported by German singer celebrity Sasha.

Launched at the end of 2020, Gigaset's GS3 and GS4 smartphones were the main driver behind the segment's EUR 18m revenue base in 2021 (+37%). Another device the GS5 was brought to the market at the end of the year with key USPs that include a replaceable battery and the "Made in Germany" ethos. We believe that the latter features should support further good growth in the division in the current year and beyond.

Focussed primarily on private households, the **Smart Home** segment has been in operation since 2012. Whilst 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.

Focussed on the core markets of Germany, Switzerland and the Netherlands, the software-based cloud approach allows users to be aware of events at home via their smartphone. A pleasing development was seen in the Gigaset eShop, up nearly a third last year albeit that segment sales dropped 38% in 2021 to EUR 1.5m.

It is however a segment for which we have high hopes for fast growth going forward. Following the collaboration with Swisscom AG (which now offers Gigaset Smart Home solutions in all of its retail shops in Switzerland) the group has entered into a further partnership with Minol, a housing industry service provider. These moves are seen as supporting the view that the group can exploit this market via other partners, including B2B2C collaborations when traditional shops are forced to close.

Costs and margin development

With EUR -2.3m change in inventories total operating performance (TOP) was EUR 214.8m for 2021. This was a 3.9% increase over 2020, when a EUR -7.3m change with inventories meant that TOP was EUR 206.8m

Cost of sales as a ratio-to-TOP in the period declined to 47.5% (50.1%) meaning despite a drop in Q4'21, the annual gross margin improved 260bp to 52.5% (49.9%). This was influenced by the higher share of revenues recorded by the Professional segment and meant that the resulting gross profit increased 9% to EUR 112.8m in 2021.

Other operating income at EUR 18.0m (from EUR 10.9m) included EUR 3.4m of state support to cover the additional burdens encountered by measures to deal with the coronavirus. **Personnel costs** remained stable in 2021 at EUR 58.9m and represents 27.4% (28.3%) ratio-to-TOP, given a slight decrease in the average number of employees to 872 (from 893 in 2020).

Other operating expenses rose 5% in 2021 to EUR 67.3m (31.3% ratio-to-TOP, compared to 30.9%). The key influences here were EUR 3.5m increase in patent and license fees (to EUR 5.1m) and EUR 1.2m rise in marketing costs (to EUR 21.4m), rising once more following the previous year's reduction in new product launches in the face of the pandemic, whilst general administrative expenses eased nearly 5% (to EUR 9.9m).

The headline EBITDA kpi increased to EUR 16.5m (from EUR 1.9m), clearly beating PASE EUR 11.2m. This means that the EBITDA 2021 margin has recovered to 7.6% from the depressed 0.9% recorded in 2020. After stable depreciation & amortisation of EUR 14.7m, **EBIT** was positive at EUR 1.8m (compared an EBIT loss of EUR -13m reported in 2020), for EBIT margin of 0.8%.

Furthermore, in 2021 Gigaset was able to report a modest net profit of EUR 0.5m once again, following a net loss of EUR -10.5m in the pandemic year.

Cash flow development

On the 2021 balance sheet cash and cash equivalents amounted to EUR 23.1m, down from EUR 41.1m. We view this as a precautionary high base per December 2020 but also reflecting supply bottlenecks affecting semiconductors (causing the build in working capital) in 2021.

In the face of the potential problems arising from the pandemic in 2020, management paid particular attention to managing group liquidity and was able to release EUR 30.6m from working capital. A more normal restoration in 2021 saw an annual investment in NWC of EUR 15.5m (a EUR 46m swing). Together with the EUR 20.8m cash earnings, this meant that **operating cash flow** was only EUR 5.3m in 2021 (vs. EUR 30.6m).

Cash flow from investing activities totalled EUR 19.5m (following EUR 21.5m in 2020), partly reflecting cash outflow in connection with own work capitalised, although the 2020 year also saw the first EUR 6.6m payment for proprietary rights in connection with the Unify Software & Solutions collaboration.

Thus, at EUR -14.2m (EUR 8.2m) free cashflow declined EUR 23m yoy in 2021. **Cashflow from financing** amounted to EUR -3.6m (2020: EUR -2.3m), including EUR 2m paid towards the repayment of the 2018 credit facilities and there was EUR 1.8m repayment of principal of leasing liabilities.

Exhibit 3: Cash flows Q4 and FY 2020 and 2021

EUR m	Q4 '20	Q4 '21	FY '20	FY '21	yoy devt
Cash earnings	4.4	8.1	0.0	20.8	20.8
Change in working capital	23.0	4.2	30.6	-15.5	-46.1
Cash flow from operations	27.4	12.2	30.6	5.3	-25.3
Cash flow from investment	-9.7	-7.4	-21.5	-19.5	1.9
FCF	17.7	4.8	9.2	-14.2	-23.4
Cash flow from financing	-1.5	-2.6	-2.3	-3.6	-1.2
Change in net cash	0.0	0.0	6.8	-17.8	-24.6
Cash & equiv.	42.0	23.1	42.0	23.1	-19.0

Source: Pareto Securities

As highlighted, cash & equivalents amounted to EUR 23.1m. Against that, financial liabilities totalled EUR 16.0m (vs. EUR 16.5m per Dec. 2020), lease liabilities amounted to EUR 3.1m (EUR 3.7m) and pension provisions also declined to EUR 93.8m (EUR 98.3m).

Thus, **net debt** (for EV purposes) per December 2021 was up EUR 13.5m yoy at EUR 89.9m, largely reflecting the high pension provisions, but the group had no net financial debt. At EUR 192.2m Gigaset's balance sheet total slipped 6% during 2021 and included EUR 7.9m equity (from EUR 1.9m) for an equity ratio of 4.2% (0.9%).

Forecasts: 2022-2023E

The component disruptions (particularly the semiconductor chip shortage) which meant that Gigaset was unable to fulfil all orders in 2021 has continued in 2022 and is again likely to impede group sales. Given the full order book, it could be possible for the group to attain pre-Covid revenues (2019 sales: EUR 258m) but a lack of visibility with respect to the macro issues highlighted above has encouraged management to remain conservative with regards to 2022 guidance, calling for “a slight increase in revenues and EBITDA.”

With the publication of Q1'22E (due 24 May) there may be greater clarity in the economic environment and there could be more colour provided as to what investor might anticipate with the remainder of the year.

Meanwhile, our segmental forecasts for Q1'22E and the years 2022E through 2023E are presented below. Against the high (re-opening boosted) Q1'21, we forecast EUR 49.5m revenue (-9%) for the first quarter and an EBITDA loss of EUR -1.5m loss (vs. EUR 1.6m profit). We model EUR -4.2m (vs. EUR -1.9m) net income loss.

We remind investors that sales in the key Phones segment jumped 39% in Q1'21, against which we assume a setback in Q1'22 given the disruptions with components. Each of the other segments are expected to record a revenue improvement. We model a stable yoy performance with respect to other internal capitalised production and other operating income.

We anticipate some unwinding of the inflated the gross margin Q1'21 level (supply issues) and further model continued modest increases in personnel expenses, with a reduction in the level of (Covid-19) fallow employment. Other operating expenses could be lower in Q1'22. Our forecast EUR -1.5m EBITDA (-3.3% margin) should represent the nadir this year, from which we can expect steady recovery as the year progresses.

Exhibit 4: Q1'22E and 2022-23E sales by segment and key P&L forecasts

EUR m	Q1 '21	Q1 '22E	% yoy	FY '21	FY '22E	% yoy	FY '23E	% yoy
Revenues	50.5	45.9	-9%	217.1	235.2	8%	262.7	12%
<i>of which: Phones</i>	35.3	26.8	-24%	140.2	135.3	-4%	131.3	-3%
<i>of which: Professional</i>	11.2	14.3	28%	57.2	76.1	33%	102.7	35%
<i>of which: Smartphones</i>	3.6	4.3	n.a	18.2	21.8	20%	26.2	20%
<i>of which: Smart Home</i>	0.4	0.5	30%	1.5	2.0	33%	2.5	25%
<i>Change inventories</i>	0.0	0.3	-1026%	-2.3	1.0	-144%	1.0	0%
<i>Purchased goods</i>	-22.9	-23.0	0%	-102.1	-114.7	12%	-136.6	19%
<i>Gross profit</i>	27.5	23.2	-16%	112.7	121.6	8%	127.1	5%
<i>Own production capitalise</i>	2.6	3.0	14%	12.0	12.5	4%	12.8	2%
<i>Other op. income</i>	3.6	3.5	-3%	18.0	14.0	-22%	14.0	0%
<i>Personnel expenses</i>	-15.8	-16.3	3%	-58.9	-62.3	6%	-64.4	3%
<i>Other op. expenses</i>	-16.4	-14.9	-9%	-67.3	-66.2	-2%	-65.7	-1%
EBITDA	1.6	-1.5	n.a	16.5	19.5	18%	23.8	22%
EBITDA margin	3.1%	-3.3%	-6.4 pp	7.6%	8.3%	0.7 pp	9.0%	0.8 pp
EBIT	-2.3	-5.3	n.a	1.7	4.8	175%	8.3	74%
EBIT margin	-4.5%	-11.5%	-7 pp	0.8%	2.0%	1.2 pp	3.2%	1.1 pp
Pretax	-2.5	-5.6	n.a	0.4	3.3	855%	6.9	106%
Pretax margin	-4.9%	-12.1%	-7.2 pp	0.2%	1.4%	1.3 pp	2.6%	1.2 pp
Net income	-1.9	-4.2	n.a	0.5	2.5	n.a	5.1	101%

Source: Pareto Securities

Encouraged by further signs of outperformance and strong orders on hand, we model revenue of EUR 235m (+8%) and EUR 19.5m EBITDA for 2022E (8.3% margin), both of which would beat guidance which calls for “slight improvement” in sales and EBITDA”.

Furthermore, we anticipate a significant recovery from next year. In addition to a return to a more normal business environment in particular with respect to the group's main distribution channels, and more plannable sourcing, there should be the first contribution from the deal for the Professional segment to supply Unify. We forecast EUR 263m (+12%) revenue in 2023E with an EBITDA of EUR 23.8m (9.0% margin).

Target price raised to EUR 0.54

We continue to refer to the DCF model in setting our 12-months target price. We apply a WACC of 7.6% (including a risk-free rate of 3.5%, market premium of 5.0%, a beta of 1.35 and 28% normal tax rate).

We apply 1% perpetual growth rate. We model 5.5% terminal margin which we know is below the 6.5% level that management has previously targeted for the longer-term although it is likely that the significant cooperation with Unify will both boost the top line but at the expense of depressing EBIT margins.

We view EUR 0.54 as an appropriate TP. Given over 80% upside from last night's closing price we continue with our previous Buy rating.

Exhibit 5: DCF model points to EUR 0.54 target

EUR m	Phase I					Phase II					Phase III
	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Revenues	235	263	284	303	321	338	353	365	375	382	
<i>growth rate</i>	1.4%	12%	8%	7%	6%	5.2%	4.3%	3.5%	2.7%	1.8%	
EBIT	5	8	12	16	18	19	20	20	21	21	
<i>EBIT margin</i>	2.0%	3.2%	4.3%	5.1%	5.6%	5.6%	5.6%	5.5%	5.5%	5.5%	
Tax	-1	-2	-3	-4	-5	-5	-5	-6	-6	-6	
<i>Tax rate</i>	17%	22%	25%	26%	28%	28%	28%	28%	28%	28%	
Depr. & Amort.	15	15	16	16	17	16	16	16	16	16	
<i>% of sales</i>	6.2%	5.9%	5.6%	5.3%	5.3%	4.8%	4.5%	4.4%	4.3%	4.3%	
Capex	-13	-14	-14	-15	-15	-15	-16	-16	-17	-17	
<i>% of sales</i>	5.6%	5.2%	4.9%	4.8%	4.6%	4.6%	4.5%	4.5%	4.5%	4.5%	
Change in WC & P	-1	-2	-2	-3	-4	-4	-4	-3	-2	-2	
<i>% of sales</i>	0.4%	0.6%	0.8%	1.0%	1.0%	1.2%	1.0%	0.8%	0.6%	0.4%	
Free Cash Flow	4.6	6.9	8.9	10.1	11.2	10.4	10.6	11.2	12.0	12.6	193.7
<i>growth rate</i>		50.2%	29.0%	14%	11%	-7%	2%	5%	7%	6%	1.0%
Present Value FCF	4.4	6.1	7.3	7.8	8.0	6.9	6.5	6.4	6.4	6.2	95.7

PV Phase I	34	Risk free rate	3.50%	Targ. equity ratio	60%
PV Phase II	32	Premium Equity	5.00%	Beta	1.35
PV Phase III	96	Premium Debt	1.50%	WACC	7.59%

Enterprise value		Sensitivity	Growth in phase III					
			0.0%	0.5%	1.0%	1.5%	2.0%	
- Net Debt (Cash)	-4							
- Pension Provisions	94	6.8%	0.6	0.6	0.7	0.8	0.9	
- Minorities & Peripherals	0	7.2%	0.5	0.56	0.62	0.70	0.8	
+/- Other EV items	0	WACC						
		7.6%	0.4	0.49	0.54	0.61	0.7	
		8.0%	0.4	0.42	0.47	0.53	0.6	
		8.3%	0.3	0.4	0.4	0.5	0.5	

Equity value	72
Number of shares	132.5
Value per share (€)	0.54
Current Price (€)	0.30
Upside	82%

Source: Pareto Securities

PROFIT & LOSS (fiscal year) (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	293	280	258	214	217	235	263	284
EBITDA	30	22	29	2	16	19	24	28
Depreciation & amortisation	(18)	(14)	(15)	(15)	(15)	(15)	(15)	(16)
EBIT	12	9	14	(13)	2	5	8	12
Net interest	(1)	(1)	1	(1)	(1)	(1)	(1)	(1)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	11	7	15	(14)	0	3	7	11
Taxes	(3)	(4)	(3)	3	0	(1)	(2)	(3)
Minority interest	-	-	-	-	-	-	-	-
Net profit	8	3	11	(10)	0	3	5	8
EPS reported	0.06	0.03	0.09	(0.08)	0.00	0.02	0.04	0.06
EPS adjusted	0.06	0.03	0.03	(0.08)	0.00	0.02	0.04	0.06
DPS	-	-	-	-	-	-	-	-
BALANCE SHEET (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Tangible non current assets	23	23	28	22	24	21	18	15
Other non-current assets	62	50	51	74	75	76	77	78
Other current assets	93	103	108	67	70	66	61	57
Cash & equivalents	49	37	37	42	23	24	26	33
Total assets	227	213	223	205	192	187	182	183
Total equity	24	25	19	2	8	10	14	21
Interest-bearing non-current debt	-	14	13	15	4	2	0	0
Interest-bearing current debt	-	-	7	5	15	15	15	15
Other Debt	121	101	91	85	71	66	60	53
Total liabilities & equity	227	213	223	205	192	187	182	183
CASH FLOW (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Cash earnings	31	16	22	0	21	19	23	27
Change in working capital	(16)	(26)	(5)	31	(16)	(1)	(2)	(2)
Cash flow from investments	(12)	(14)	(16)	(21)	(20)	(13)	(14)	(14)
Cash flow from financing	(1)	12	(2)	(3)	(4)	(6)	(6)	(3)
Net cash flow	2	(12)	(0)	6	(18)	(1)	2	7
VALUATION (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Share price (EUR end)	0.61	0.30	0.34	0.30	0.31	0.30	0.30	0.30
Number of shares end period	132	132	132	132	132	132	132	132
Net interest bearing debt	32	50	76	76	90	87	83	76
Enterprise value	113	89	121	116	130	127	122	115
EV/Sales	0.4	0.3	0.5	0.5	0.6	0.5	0.5	0.4
EV/EBITDA	3.7	4.0	4.3	60.2	7.9	6.5	5.1	4.1
EV/EBIT	9.2	10.5	8.8	-	75.0	26.4	14.7	9.4
P/E reported	10.2	11.5	4.0	-	87.8	15.5	7.7	4.9
P/E adjusted	10.2	11.5	10.6	-	87.8	15.5	7.7	4.9
P/B	3.3	1.6	2.4	21.0	5.1	4.0	2.9	1.8
FINANCIAL ANALYSIS	2017	2018	2019	2020	2021	2022e	2023e	2024e
ROE adjusted (%)	37.6	13.8	19.5	-	9.4	28.2	43.1	45.8
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	10.4	7.9	11.1	0.9	7.6	8.3	9.0	9.9
EBIT margin (%)	4.2	3.0	5.3	-	0.8	2.0	3.2	4.3
NIBD/EBITDA	1.06	2.26	2.67	39.60	5.45	4.49	3.50	2.69
EBITDA/Net interest	27.71	20.78	-	2.04	11.85	13.47	16.45	21.78

PROFIT & LOSS (fiscal year) (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22e	2Q'22e	3Q'22e	4Q'22e
Revenues	50	52	52	63	46	52	61	77
EBITDA	2	3	7	5	(2)	2	8	11
Depreciation & amortisation	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
EBIT	(2)	(1)	3	2	(5)	(2)	5	7
Net interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	(2)	(1)	3	1	(6)	(2)	4	7
Taxes	1	0	(1)	0	1	1	(1)	(2)
Minority interest	-	-	-	-	-	-	-	-
Net profit	(2)	(1)	2	2	(4)	(2)	3	5
EPS reported	(0.01)	(0.01)	0.01	0.01	(0.03)	(0.01)	0.03	0.04
EPS adjusted	(0.01)	(0.01)	0.01	0.01	(0.03)	(0.01)	0.03	0.04
DPS	-	-	-	-	-	-	-	-
BALANCE SHEET (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22e	2Q'22e	3Q'22e	4Q'22e
Tangible non current assets	21	21	22	24	26	26	28	21
Other non-current assets	72	73	72	75	74	74	72	76
Other current assets	68	68	73	70	69	66	70	66
Cash & equivalents	28	24	21	23	10	13	18	24
Total assets	191	186	189	192	179	179	188	187
Total equity	6	5	9	8	5	4	8	10
Interest-bearing non-current debt	14	15	14	4	4	3	3	2
Interest-bearing current debt	6	5	7	15	15	15	15	15
Other Debt	75	70	71	71	61	63	69	66
Total liabilities & equity	191	186	189	192	179	179	188	187
CASH FLOW (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22e	2Q'22e	3Q'22e	4Q'22e
Cash earnings	1	5	7	8	(2)	2	8	11
Change in working capital	(11)	(4)	(5)	4	(9)	5	-	3
Cash flow from investments	(3)	(4)	(5)	(7)	(3)	(2)	(3)	(6)
Cash flow from financing	(0)	(1)	(0)	(3)	(1)	(2)	(1)	(2)
Net cash flow	(14)	(4)	(3)	2	(14)	3	5	6
VALUATION (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22e	2Q'22e	3Q'22e	4Q'22e
Share price (EUR end)	0.33	0.40	0.36	0.31	0.32	0.30	0.30	0.30
Number of shares end period	132	132	132	132	132	132	132	132
Net interest bearing debt	81	87	87	90	103	99	94	87
P/E reported	-	-	-	-	-	-	-	15.5
P/E adjusted	-	-	-	-	-	-	-	15.5
P/B	7.0	10.3	5.2	5.1	8.7	9.4	4.9	4.0
FINANCIAL ANALYSIS	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22e	2Q'22e	3Q'22e	4Q'22e
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	3.1	5.1	13.1	8.6	-	3.4	13.9	14.0
EBIT margin (%)	-	-	6.3	2.5	-	-	7.9	9.3
NIBD/EBITDA	7.77	5.95	5.19	5.23	6.83	7.55	6.80	4.92
EBITDA/Net interest	11.00	13.83	13.85	11.85	9.14	8.26	10.01	13.47

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Disclosure requirements in accordance with Commission Delegated Regulation (EU) 2016/958 and the FINRA Rule 2241

The below list shows companies where Pareto Securities AS - together with affiliated companies and/or persons – owns a net long position of the shares exceeding 0,5 % of the total issued share capital in any company where a recommendation has been produced or distributed by Pareto Securities AS.

Companies	No. of shares	Holdings in %
Bonheur	240,958	0.57%
Pareto Bank	15,310,630	21.92%
Selvaag Bolig	4,314,865	4.60%
Sparebank 1 Nord-Norge	4,287,282	4.27%
Sparebank 1 Ringerike Hadeland	100,000	0.64%
Sparebank 1 SMN	2,036,192	1.57%
Sparebank 1 SR-Bank	1,934,632	0.76%
Sparebank 1 Østfold Akerhus	1,232,229	9.95%
Sparebank 1 Østlandet	3,833,163	3.61%
Sparebanken Møre	1,054,030	2.13%
Sparebanken Sar	433,744	2.77%
Sparebanken Vest	6,862,344	6.39%
NEXT Biometrics	710,901	0.78%
Sparebank 1 Sørøst-Norge	1,771,308	2.81%

Pareto Securities AS may hold financial instruments in companies where a recommendation has been produced or distributed by Pareto Securities AS in connection with rendering investment services, including Market Making.

Please find below an overview of material interests in shares held by employees in Pareto Securities AS, in companies where a recommendation has been produced or distributed by Pareto Securities AS. "By material interest" means holdings exceeding a value of NOK 50 000.

Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,825
Aker ASA	500	2,694
Aker BP	0	25,266
Aker Carbon Capture	0	4,926
Aker Clean Hydrogen	0	140,540
Aker Horizons	0	125,948
Aker Offshore Wind	0	165,118
Aprila Bank ASA	0	22,675
ArcticZymes Technologies	0	684
Awilco LNG	0	10,000
B2Holding AS	0	10,940
Bonheur	0	32,088
Børresgaard ASA	0	650
Bouvet	0	940
BRABank	0	31,499
BW Energy	0	112,660
BW Offshore	0	16,076
Cloudberry Clean Energy	0	101,750
DNB	0	49,145
DNO	0	70,258
Elkem	0	65,067
ELOP	0	130,000
Equinor	0	2,473
Europris	0	13,708
Fjordkraft Holding	0	29,763
Flex LNG	0	1,317
Frontline	0	12,190
Gaming Innovation Group	0	25,912
Gjensidige Forsikring	0	7,746
Greg Seafood	0	8,889

Company	Analyst holdings*	Total holdings
Huddly	0	993,173
HydrogenPro	0	39,276
Kalera	0	26,752
Kitron	0	18,336
Komplett Bank	0	209,400
Kongsberg Gruppen	0	301
KWS	75	75
Leroy Seafood Group	0	39,363
Meltwater	0	30,700
MerCell	0	24,863
Mowi	0	399
MPC Container Ships	0	42,995
NEXT Biometrics	0	710,901
Nordic Semiconductor	0	5,336
Norco	0	590
Norse Atlantic	0	35,000
Norsk Hydro	0	84,189
Norske Skog	0	105,499
Northern Drilling Ltd.	0	67,919
Odjell Drilling	0	28,581
Okeanis Eco Tankers	0	1,420
Orkla	0	23,183
Panoro Energy	0	26,241
Pareto Bank	0	1,340,284
Pexip Holding	0	112,083
Protector Forsikring	0	14,000
Pryme	0	5,000
Quantafuel	0	2,797
REC Silicon	0	38,281
Salmor	0	2,799
Sandnes Sparebank	0	4,013
Scatec	0	30,474
Selvaag Bolig	0	3,093
Sparebank 1 Nord-Norge	0	3,350
Sparebank 1 SMN	0	13,490
Sparebank 1 SR-Bank	0	17,254
Sparebank 1 Østfold Akerhus	0	1,252
Sparebank 1 Østlandet	0	9,621
Sparebanken Sar	0	16,435
Sparebanken Vest	0	17,463
Sparebanken Øst	0	1,500
Stolt-Nielsen	0	1,817
Storbrand	0	39,798
Subsea 7	0	13,187
Telenor	0	13,602
TGS	0	600
Vow	0	9,331
Vow Green Metals	0	19,681
Vår Energi	0	33,829
Wallenius Wilhelmsen	0	2,000
XXL	0	20,523
Yara	0	18,737
Zaptec	0	15,000

This overview is updated monthly (last updated 19.04.2022).

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

Appendix B

Disclosure requirements in accordance with Article 6(1)(c)(iii) of Commission Delegated Regulation (EU) 2016/958

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:

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Aker Clean Hydrogen	Seagems Norway
Aker Offshore Wind	Seajacks
Apria Bank ASA	SFL Corporation Ltd
Arca Crypto	Shamaran Petroleum
Barraundi Group Pte. Ltd.	State European Holdings
Biomea Group AS	Smart Wireless Inc.
Bonheur	Swedencare
Boreal Holding AS	TEMPTON GmbH
BW LPG	Tier klinik Hofheim GbR
BW Offshore	Trønderenergi AS
Cabonline Group Holding AB	Vegfinans AS
Cavali AS	Vestby Logistikk Holding
Cloudberry Clean Energy	Viking ACQ 1 AS, SPAC
Dampskibsselskabet NORDEN A/S	Vår Energi
DLT	Waldorf Production UK Ltd
DNO	Waste Plastic Upcycling
Documaster AS	wheel.me
ELOP	Xeneta AS
Enapter AG	Ymber AS
Ensurge Micropower	ZTL Payment Solution AS
Enviv AS (Books)	
Esmailizadeh Holding	
First Camp Group AB	
Flex LNG	
FREYR Battery	
Funkwerk AG	
Global Agrarjes (Fertiberia group)	
Global LNG	
GramCar Carriers	
Green Transition Holding	
Greentood	
Grøntvedt AS	
Hafslund Eco	
Hagal AS	
Halodi Robotics AS	
HKN Energy Ltd	
HMH Holding	
Ice Group	
Immunopharma	
InoBat Auto	
International Petroleum Corporation	
JP/Politiken's Forlag	
Kalera	
Kebony	
Kentech Global Plc	
Keppel FELS Limited	
Kistos Plc.	
KMC Properties	
Komplett ASA	
Kruse Smith	
Kvitbjørn Varme	
Laker's Holding AS	
Lerøy Sealood Group	
Lumina AS	
Malorama Holding AS	
Mathesa Bostadsbolaget AB	
Mer cell	
Mime Petroleum	
Modex AS	
Navios Maritime Acquisitions	
Navios Maritime Holdings	
Nordic Halibut	
Noreco	
Norlandia Health & Care Group AS	
Norwegian Block Exchange	
Odjell Oceanwind	
Otello Corporation	
Pareto Bank	
Petronor E&P	
PHM Group	
Ping Petroleum UK Limited	
poLight	
Pronofa AS	
Protector Forsikring	
Pyrum Innovations	
Quantafuel	
Saga Robotics	

This overview is updated monthly (this overview is for the period 31.03.2021 – 31.03.2022).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buy	74%
Hold	24%
Sell	2%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	81%
Hold	19%
Sell	0%

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

This overview is updated monthly (last updated 19.04.2022).

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 rendered publicly known not immaterial investment banking services over the previous twelve months:

Cibus Nordic Real Estate AB	Josemaria Resources	Sedana Medical
Green Landscaping Group AB	Implantica	Studentbostäder i Norden
Hexatonic	Isfol Medical AB	Surgical Science
Hexicon	Media & Games Invest plc.	VNV Global

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.	Media & Games Invest plc.	ShMaran Petroleum
ByggPartner i Dalarna Holding	Mentice AB	Surigical Science
Cibus Nordic Real Estate	Minesto	Tethys Oil
Isfol Medical	Sällängen Property Invest	Vostok Emerging Finance
Logistri Fastighets AB	SciBase Holding	
Magnolia Bostad	Sedana Medical	

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:

Aarhus Residential's Denmark AB	Delarka	Logistri Fastighets AB
Backaheden Fastighets AB	Fleming Properties AB	Mälarsen AB
Bonäsudden Holding AB (publ)	Halmslätten Fastighets AB (publ)	One Publicus Fastighets AB
Borjanda Fastighets AB	Korsängen Fastighets AB (publ)	Origa Care AB (publ)
Bosjö Fastigheter AB	Krona Public Real Estate AB	Præsarium Property AB

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 19.04.2022).

Appendix E

Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

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

2G Energy *	Inter shop Communications AG	OVB Holding AG
Biotech *	Leifheit	Procredit Holding *
CORESTATE Capital Holding S.A.	Logwin *	PSI SOFTWARE AG *
Daldrup & Söhne	Manz AG *	PWO *
Demire	MAX Automation SE	S&T AG *
EpiGenomics AG *	Merkur Bank	SMT Scharf AG *
Gesco *	MLP *	Surteco Group *
Ger ry Weber	Mühl Produkt & Service AG	Szygy AG *
GFT Technologies *	mutares	TAKKT AG
Gigaset *	Northern Data AG	Viscom *
Heidelberg Pharma *		

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

Appendix F

Disclosure requirements in accordance with Article 6(1)(c)(iv) of Commission Delegated Regulation (EU) 2016/958

Sponsored Research

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

Baywa	Ger ry Weber	Mynaric
BB Biotech	Hypoport AG	mutares
CLIQ Digital	Inter shop Communications AG	Northern Data AG
Daldrup & Söhne	Leifheit	OHB SE
Dermaphar m Holding SE	MAX Automation SE	OVB Holding AG
Enapter	Mer kur Bank	Segfried Holding AG
Expr es2ion Biotechnologies		

This overview is updated monthly (last updated 19.04.2022).