

Fundamentally on track, the potential sale of the IT Service unit pending

Kontron published Q2 numbers that exceeded market expectations and re-iterated the guidance for 2022 and 2025. Regarding project "Focus", our impression was that the likelihood of a deal has decreased a bit, though. Private equity bidders seem to have pulled themselves out of the auction process and strategic buyers appear to be hesitant to pay the desired price of EUR 500-700m. Our DCF indicates a price target of EUR 28 (was EUR 30 before), the recommendation remains buy.

Good Q2 numbers

Kontron published Q2 numbers that exceeded market expectations. Thanks to a significant improvement of the gross margin to 38% of revenues, EBITDA rose by 10% yoy and EBIT even by 27%, surpassing consensus expectations by 6% and 10%, respectively. The rise in gross margin was due to a better pass-through of the price increases for chips, but also R&D capitalization had an impact of 5.6m on EBITDA (up from EUR 4.0m in Q2 2021) and EUR 2.0m on EBIT.

Guidance re-iterated, sale of IT Service unit pending

Kontron re-iterated its guidance for the full year and plans to realize revenues of EUR 1,500m in 2022 @ a 10% EBITDA margin. The long-term target for 2025 (EUR 2bn @ 13% EBITDA margin) was re-iterated, too, provided that project "Focus", i.e., the sale of the IT Service business, will be executed as planned in Q3 this year. Our impression was that the likelihood of a deal has decreased a bit, though. Private equity bidders seem to have pulled themselves out of the auction process against the backdrop of rising interest rates and the remaining strategic buyers appear to be hesitant to pay the desired price of EUR 500-700m. KTN made clear that they won't sell if the price is not attractive.

PT EUR 28 plus more re-rating potential

Our DCF indicates a price target of EUR 28 (was EUR 30 before), which translates into an upside of 85%. In case KTN is able to sell the IT Service business for EUR 500m and investors are willing to attribute a similar multiple for KTN's IoT activities as for the other (few) listed IoT companies, there is strong re-rating potential beyond the current fair value. The recommendation remains buy.

EURm	2020	2021	2022e	2023e	2024e
Revenues	1,255	1,342	1,502	1,742	1,946
EBITDA	130	126	150	174	204
EBIT	68	63	90	114	130
EPS	0.85	0.75	1.02	1.31	1.48
EPS adj	0.85	0.75	1.02	1.31	1.48
DPS	0.30	0.35	0.47	0.61	0.69
EV/EBITDA	9.5	7.5	6.2	5.6	4.8
EV/EBIT	18.0	15.2	10.4	8.6	7.6
P/E adj	22.6	19.4	14.6	11.4	10.1
P/B	3.09	2.23	2.06	1.85	1.67
ROE (%)	14.3	11.7	14.8	17.1	17.4
Div yield (%)	1.6	2.4	3.2	4.1	4.6
Net debt	(20)	14	(19)	26	34

Source: Pareto Securities

Target price (EUR)	28.0	▲	BUY
Share price (EUR)	14.9	—	HOLD
		▼	SELL

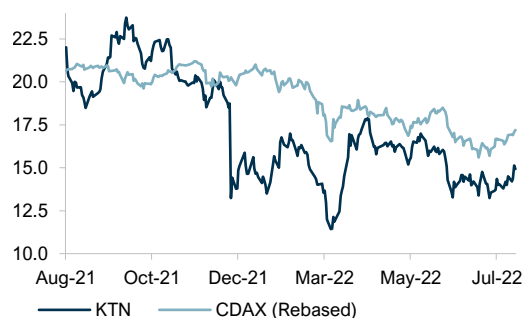
Forecast changes

%	2022e	2023e	2024e
Revenues	(9)	(8)	(8)
EBITDA	(7)	(8)	(8)
EBIT adj	(2)	8	5
EPS reported	(2)	9	5
EPS adj	(2)	9	5

Source: Pareto Securities

Ticker	KTN.DE, KTN GY
Sector	Hardware & Equipment
Shares fully diluted (m)	63.6
Market cap (EURm)	950
Net debt (EURm)	-19
Minority interests (EURm)	5
Enterprise value 22e (EURm)	936
Free float (%)	0

Performance



Source: FactSet

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Wrap up Q2 results

Overview Q2

Kontron AG (EURm)	Actual			Pareto		Consensus	
	Q2 2021	Q2 2022	yoy (%)	Q2 2022	Delta (%)	Q2 2022	Delta (%)
Revenues	307	331	8	343	-3.5	338	-2.1
IT Services	137	137	0				
IoT Solutions Europe	181	206	14				
IoT Solutions International	28	35	27				
Internal revenues	-40	-48	21				
Gross profit	117.0	125.8	8	126.5	-0.6	124.7	0.9
<i>margin</i>	38.2%	38.0%	-17 bps	36.9%		36.9%	
EBITDA	30.1	33.2	10	31.2	6.4	31.3	6.1
<i>margin</i>	9.8%	10.0%	21 bps	9.1%		9.3%	
IT Services	13.1	12.9	-2				
IoT Solutions Europe	16.1	19.8	23				
IoT Solutions International	0.9	0.4	-56				
EBIT	13.9	17.7	27	16.5	6.7	16.0	10.3
<i>margin</i>	4.5%	5.3%	80 bps	4.8%	51 bps	4.7%	60 bps
Net Income	10.4	12.8	23	13.2	-3.4	11.7	9.3
<i>margin</i>	3.4%	3.9%	47 bps	3.9%	0 bps	3.9%	1 bps
EPS	0.16	0.20	26	0.21	-3.4	0.16	25.6

Source: KTN, Pareto Securities

Kontron published Q2 numbers that clearly exceeded market expectations. Thanks to a significant improvement of the gross margin to 38% of revenues, EBITDA rose by 10% yoy and EBIT even by 27%, surpassing consensus expectations by 6% and 10%, respectively. Accordingly, the EBITDA margin was already at the target level of 10%. The rise in gross margin was explained later in the call by a better pass-through of the price increases for chips, but also R&D capitalization had an impact of 5.6m on EBITDA (up from EUR 4.0m in Q2 2021) and EUR 2.0m on EBIT.

Group revenues increased by 10%, driven by purely organic growth despite the deconsolidation of Russian assets, which cost KTN EUR 6.1m of revenues in H1 and reduced earnings by EUR 4m due to the provisioning of anticipated divestment losses in Russia. The total revenue impact of divestments in the region is expected to be EUR 30m for the full year.

Order intake was at EUR 405m, significantly above revenues. Overdue orders increased by a further EUR 19m qoq in Q2 to EUR 127m, but Kontron believes it can deliver on most of these orders in the remainder of the year. The target level is EUR 50m by year end.

Segment-wise, the good results were mainly driven by IoT Solutions Europe. Kontron highlighted the cooperation with leading railway companies as driver for that segment. The stagnating result in IT Service was due to project delays resulting from the chip crisis but resulted also from a higher share of hardware shipments which usually have a dilutive effect on segment margins. IoT Solutions America / International were back in the black in Q2 on the EBITDA level. For this segment, the company was especially bullish for the remainder of the year, expecting avionics to drive the recovery. Respective revenues dropped from USD 50m in 2019 to only 12m in 2020. KTN expects avionics revenues of EUR 40m to be realized in 2022.

The operating CF was still negative in Q2 (minus EUR 7m) due to the built-up of inventory (up EUR 28m in Q2). This is not only about buffering critical chips but due to the pile-up of semi-finished products. Kontron intends to revert 50% of the inventory build-up until the end of the year, partially by delaying the order of (available) components for a product if a critical part cannot be secured. Factoring will also remain an instrument for KTN to generate cash. Target level is around 22-26% of receivables.

Kontron re-iterated its guidance for the full year and plans to realize revenues of EUR 1,500m in 2022 @ a 10% EBITDA margin. The long-term target for 2025 (EUR 2bn @ 13% EBITDA margin) was re-iterated, too, provided that project "Focus", i.e., the sale of the IT Service business, will be executed as planned in Q3 this year. Our impression was that the likelihood of a deal has decreased a bit, though. Private equity bidders seem to have pulled themselves out of the auction process against the backdrop of rising interest rates and the remaining

strategic buyers appear to be hesitant to pay the desired price of EUR 500-700m. KTN made clear that they won't sell if the price will not be satisfying.

In case the deal was dropped, there might also be consequences for the intended acquisitions in IoT. So-called "gamechanger" acquisitions might not occur as a result, although KTN seem to be prepared to also consider debt-financed deals, if the target has the right risk profile in terms of cash generation.

Estimates update

We continue to assess the company in the current state, i.e., we do not yet take the intended sale of the IT Service business into consideration and consequently neither the reinvestment of the respective proceeds into the IoT business.

We continue to expect the company to make up for a major part of overdue shipments in 2022 (EUR 77m) in line with S&T's respective announcements and therefore expect organic growth of 12.5% yoy in the fiscal year 2022.

A change to our estimates results from the fact that we don't expect meaningful contributions from acquisitions in the remainder of 2022 anymore. Even if there were deals signed in Q3, it is unlikely that these would be consolidated already in 2022 for a significant amount of time. In 2023 and 2024, we still expect KTN to acquire revenues as high as EUR 150m and EUR 100m, respectively, besides organic growth of 6% p.a. Due to these potential acquisitions, we think the upside potential for the margin is limited and we expect the EBITDA margin to approach "only" 11% in the foreseeable future.

In total, we arrive at the P&L depicted below. We are now fully in-line with the company guidance for 2022 of EUR 1,500m (+11% yoy) at a 10% EBITDA margin (excluding acquisitions). For 2025, we are above the guided EUR 2bn but below the EBITDA guidance of EUR 260m (again including IT Service).

P&L

Profit & Loss	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Revenue	468	504	882	991	1,123	1,255	1,342	1,502	1,742	1,946	2,063
% yoy	21.4%	7.6%	75.1%	12.3%	13.3%	11.7%	6.9%	11.9%	16.0%	11.7%	6.0%
EBITDA	28	34	68	91	112	130	126	150	174	204	227
% of sales	6.1%	6.8%	7.7%	9.1%	9.9%	9.6%	9.8%	10.0%	10.0%	10.5%	11.0%
EBIT	21	24	42	62	62	69	63	90	114	130	145
% of sales	4.4%	4.8%	4.7%	6.2%	5.5%	5.5%	4.7%	6.0%	6.5%	6.7%	7.0%
Pretax Profit	18	20	35	56	54	61	54	79	103	119	134
% of sales	3.9%	4.0%	4.0%	5.7%	4.8%	4.8%	4.0%	5.3%	5.9%	6.1%	6.5%
Net Profit	16	15	23	45	49	56	48	65	83	94	106
% of sales	3.4%	2.9%	2.6%	4.5%	4.4%	4.4%	3.6%	4.3%	4.8%	4.8%	5.1%
EPS	0.36	0.33	0.43	0.70	0.74	0.85	0.75	1.02	1.31	1.48	1.67
% yoy	14.8%	-8.9%	30.8%	61.3%	6.4%	14.8%	-11.8%	35.4%	28.5%	12.9%	12.7%
DPS	0.08	0.10	0.13	0.16	0.00	0.30	0.35	0.47	0.61	0.69	0.77
Payout ratio	22%	30%	30%	23%	0%	35%	46%	46%	46%	46%	46%

Source: KTN, Pareto Securities

We also lowered our expected depreciation numbers after the H1 figures. Please find below the changes to our estimates and the comparison of our numbers with the consensus in the table below.

Exhibit 1: Changes to our estimates

Kontron AG		2022e			2023e			2024e		
		Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenues	EURm	1,653	1,502	-9%	1,902	1,742	-8%	2,116	1,946	-8%
EBITDA	"	162	150	-7%	190	174	-8%	222	204	-8%
EBIT	"	92	90	-2%	105	114	8%	124	130	5%
Net result	"	66	65	-2%	76	83	9%	89	94	5%
EPS	EUR	1.04	1.02	-2%	1.20	1.31	9%	1.40	1.48	5%

Source: KTN, Pareto Securities

Consensus does not yet factor in project Focus, and neither do we. However, if the IT Service business was not disposed in 2022, there would still be some bolt-on instead of large-scale acquisitions, in our view. Because of that, our estimates look as if we are significantly more optimistic than consensus, which we are not.

Pareto vs. consensus

	2022e			2023e		
	Pareto	Cons.	Delta	Pareto	Cons.	Delta
Revenues	1,501.9	1,515.0	-0.9%	1,742.0	1,670.0	4.3%
EBITDA	150.2	152.1	-1.3%	174.2	172.0	1.3%
EBIT	90.3	88.3	2.3%	113.6	103.0	10.3%
Net result	65.0	66.0	-1.6%	83.5	79.0	5.7%
EPS	1.02	1.10	-7.1%	1.31	1.24	5.8%
EPS adj.	1.02	1.10	-7.3%	1.31	1.32	-0.6%

Source: KTN, Pareto Securities

Valuation update

DCF

EUR m	Phase I					Phase II					Phase III
	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Revenues	1,502	1,742	1,946	2,063	2,187	2,307	2,423	2,532	2,633	2,725	
<i>growth rate</i>	12%	16%	12%	6%	6%	6%	5%	5%	4%	4%	
EBITDA	150	174	204	227	241	254	266	278	290	300	
<i>EBITDA margin</i>	10.0%	10.0%	10.5%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	
Depr. & Amort. (FA)	45	43	55	61	59	76	75	73	70	65	
<i>% of sales</i>	3.0%	2.5%	2.8%	3.0%	2.7%	3.3%	3.1%	2.9%	2.6%	2.4%	
Depr. & Amort. (RoU)	15	17	19	21	22	23	24	25	26	27	
<i>% of sales</i>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
EBIT	90	114	130	145	160	155	167	180	194	208	
<i>EBIT margin</i>	6.0%	6.5%	6.7%	7.0%	7.3%	6.7%	6.9%	7.1%	7.4%	7.6%	
Tax	(15)	(20)	(26)	(29)	(32)	(31)	(33)	(36)	(39)	(42)	
<i>Tax rate</i>	17%	18%	20%	20%	20%	20%	20%	20%	20%	20%	
Capex	(38)	(44)	(49)	(52)	(55)	(58)	(61)	(63)	(66)	(68)	
<i>% of sales</i>	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
Acquisitions (ex NWC)	0	(72)	(48)	0	0	0	0	0	0	0	
<i>% of sales</i>	0.0%	4.1%	2.5%	0.0%	0.0%	1.3%	1.9%	2.2%	2.3%	8.8%	
Change in WC & P	(18)	(27)	(23)	(13)	(14)	(15)	(15)	(16)	(17)	(17)	
<i>% of sales</i>	1.2%	1.5%	1.2%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
Free Cash Flow	64	(6)	40	113	118	128	133	138	142	146	2,746
<i>growth rate</i>	nm	nm	nm	nm	5%	8%	4%	4%	3%	3%	3%
Present Value FCF	62	(5)	33	85	83	82	79	76	72	68	1,278

PV Phase I	258	Risk free rate	3.5%	Targ. equity ratio	94%
PV Phase II	376	Premium Equity	5.0%	Beta	1.1
PV Phase III	1,278	Premium Debt	0.5%	WACC	8.5%

Enterprise value	1,913	Sensitivity	Growth in phase III				
			2.0%	2.5%	3.0%	3.5%	4.0%
- Net debt (cash)	14	7.6%	29.5	31.6	34.2	37.5	41.6
- Pension provisions	10	8.0%	27.1	28.9	31.0	33.6	36.9
- Minorities & Peripherals	5	WACC	29.5	26.5	28.3	30.4	33.0
- Leasing liabilities	62	8.5%	23.2	24.5	26.0	27.7	29.9
- Paid-out dividends for last FY	22	8.9%	21.6	22.7	24.0	25.4	27.2
+/- Other EV items	0	9.3%					

Equity value	1,800
Number of shares (m)	63.6
Value per share (€)	28.0
Current Price (€)	15.1
Upside	85%

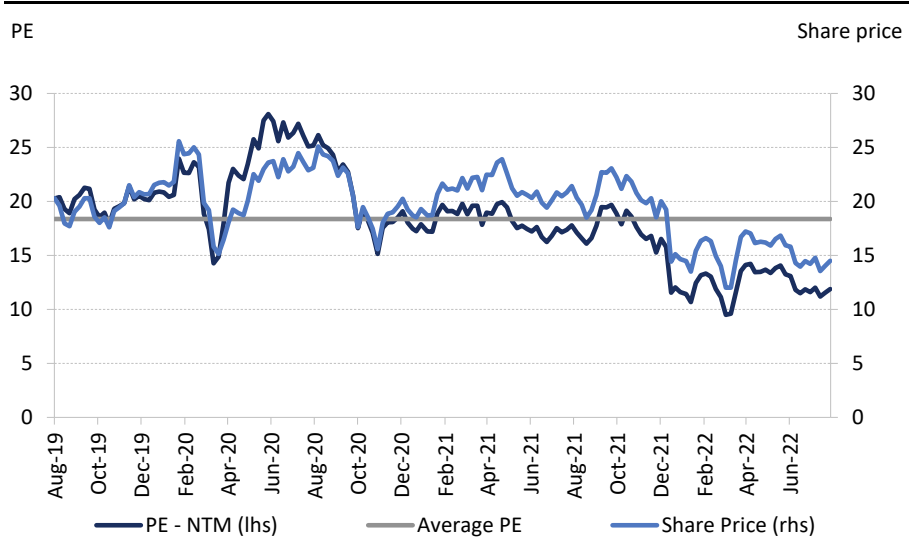
Source: Pareto Securities

Our DCF indicates a price target of EUR 28 (was EUR 30 before), which translates into an upside of 85%. The recommendation remains buy.

Our reading of today's drop in share price is that investors would not be happy if KTN was not going ahead with the sale of the IT Service business in 2022. Also, some might be concerned about the rising capitalization of R&D expenditures, but this is speculation from our side.

We are sure that in 2022 investors will remain focussed on the terms of a possible IT Service business disposal and the subsequent potential large IoT deal, financed by the proceeds of the sale or debt. KTN's organic growth rates and its ability to catch up on postponed business will remain secondary, we suspect.

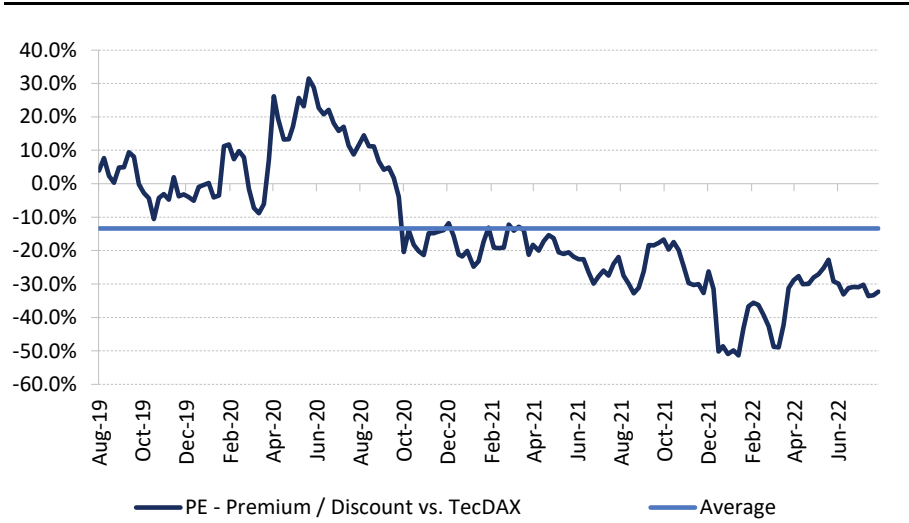
Historical PE (consensus-based)



Source: Factset, Pareto Securities

Our “buy” case is supported by the significant discount of the share to (1) past levels and (2) the TecDAX.

Premium vs. TecDAX



Source: Factset, Pareto Securities

SOTP

Significant re-rating potential

Division	EBITDA 2022e (mEUR)	Peers	EV/ EBITDA x	EV (m EUR)
IT Service	50	Target multiple	10.0	500
IoT Europe	94	Advantech, Seco Spa	19.6	1,841
IoT Americas	7	Advantech, Seco Spa	19.6	137
Enterprise value				2,478
- Net debt (cash)				14
- Pension provisions				10
- Minorities & Peripherals				5
- Leasing liabilities				62
- Paid-out dividends for last FY				22
+/- Other EV items				0
Equity value				2,365
Number of shares (m)				64
Value per share (EUR)				37
Current Price (EUR)				15
Upside				146%

Source: Factset, Pareto Securities

In case KTN is able to sell the IT Service business for EUR 500m and investors are willing to attribute a similar multiple for KTN's IoT activities as for the other (few) listed IoT companies, there is strong re-rating potential beyond the current fair value of EUR 28.

At a glance

Business Units	IT Services	IoT Solutions Europe	IoT Solutions International				
Products/ applications	IT services to a broad range of enterprises. Managed services. Operates according to the Plan - Build - Run Principle. Plans to reduce share of hardware business.	Solutions in the areas of IoT and Industry 4.0, combining hardware, middleware and services. Markets served are in Europe and Asia.	Embedded hardware and software solutions focussing on aviation, transport and communication.				
Customers	Small and mid-sized enterprises in DACH and Eastern European region	Industrial applications such as industrial automation, medical technologies, infotainment, energy industry, and public transportation. Core is the former Kontron business.	Communications and aviation customers				
Market share/ positioning	Below 1% in KTN's footprint	Below 1% in KTN's footprint	Only reasonable data from KTN's prospectus reveals market share for Advantech of 8%, Siemens 6% and ADLINK of 3% in the European Economic Area (EWR)				
Drivers	Outsourcing and cost cutting main drivers for GDP-like growth for KTN in IT Services.	Connectivity of devices and increased need for secure platforms in M2M, smart metering and other applications drive market growth and innovation in IoT.	System-on-a-chip, enhanced software solutions and niche but customized solutions in the automation, infotainment, medical and transportation segments.				
Main competitors	Bechtle, Cancom, HPE, IBM, Accenture, Adesso, Capgemini, Atos and other IT services companies	Check Point Software, Intel, FireEye, Imperva, Secunet, Compugroup, Vitec Software AB Smart Energy: Landis & Gyr, Schneider Electric, Siemens, Itron, IBM, Cisco, ABB	Advantech, ADLINK, Siemens, Beckhoff and Radisys				
Entry barriers/ competitive advantage	High personnel and R&D intensive business, especially in IT Services (personnel) and Embedded Systems (R&D/pre-financing). KTN has high economies of scale/scope once embedded products are developed and software products included. KTN has a low cost base (c. 50% of workforce is located in low cost Eastern European countries), highly outsourced production to Foxconn and Ennoconn in China and Canada respectively, a strong customer retention effort (e.g. trying to become single source supplier for automotive, industrial, aerospace and energy sector), only embedded and smart metering supplier and services provider with a strong Eastern European production footprint, strong IP portfolio.						
Strategy & Guidance	Strategy: (I) Support growth by frequent acquisitions, esp. turnarounds at low multiples. (II) Benefit from megatrends (increased device and machine connectivity, security/firewall requirements, outsourcing) (III) Increase the share of proprietary software in IoT solutions. (IV) Cross-selling. (V) Concentrate on embedded solutions (i.e. combine hard- and software.)		Revenues: EUR 1,500m y/y 4.3% EBITDA margin 10.0%	Guidance (08/2022) EUR 1,502m 4.4% EUR 150m 9.8%	PASe EUR 1,502m 4.4%	Consensus EUR 1,515m 12.9% EUR 152m 10.0%	
2021	Sales (EURm) 1342 y/y	EBITDA (EURm) 126 Margin 9.4%	EBIT adj. (EURm) 63 Margin 4.7%	Sales 5Y hist. CAGR 22%			
Sales & EBIT Split	Sales split by region 		Sales split by division 		EBITDA split by division 		Group financial
Shareholder structure & management	CEO Hannes Niederhauser CEO (since 2011) • Hannes Niederhauser joined the company in 2011 as CEO. Following his studies in electrical engineering at the Graz University of Technology, the Austrian-born manager worked as a developer of microchips and in the embedded computer segment. Prior he has been the main shareholder and CEO of Kontron AG from 1999 to 2007, which became the world's largest provider in the field of embedded computing.	CFO Richard Neuirth CFO (since 2013) • Richard Neuirth has degrees in jurisprudence and business administration. He began his career as a lawyer working for a Vienna-based firm. He joined S&T (the predecessor of KTN) in 2006, and has held a variety of management positions at it, with these including managing director of S&T Bulgaria and country manager and sales director of S&T Austria. As of July 2013, Neuirth became the company's CFO.	Shareholder structure 				
# of employees FY 2021	6,206						

PROFIT & LOSS (fiscal year) (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	882	991	1,123	1,255	1,342	1,502	1,742	1,946
EBITDA	68	91	112	130	126	150	174	204
Depreciation & amortisation	(26)	(29)	(50)	(62)	(64)	(60)	(61)	(74)
EBIT	42	62	62	68	63	90	114	130
Net interest	(6)	(5)	(8)	(8)	(8)	(11)	(11)	(11)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	35	56	54	61	54	79	103	119
Taxes	(6)	(8)	(5)	(6)	(5)	(13)	(18)	(24)
Minority interest	(7)	(3)	(0)	1	(1)	(1)	(1)	(1)
Net profit	23	45	49	56	48	65	83	94
EPS reported	0.43	0.70	0.74	0.85	0.75	1.02	1.31	1.48
EPS adjusted	0.43	0.70	0.74	0.85	0.75	1.02	1.31	1.48
DPS	0.13	0.16	-	0.30	0.35	0.47	0.61	0.69
BALANCE SHEET (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Tangible non current assets	32	37	38	80	86	81	114	132
Other non-current assets	195	273	392	403	424	436	474	498
Other current assets	361	366	483	481	545	595	670	734
Cash & equivalents	217	172	312	282	297	329	285	277
Total assets	805	848	1,226	1,247	1,352	1,441	1,544	1,641
Total equity	332	367	385	409	423	467	521	577
Interest-bearing non-current debt	115	113	283	262	311	311	311	311
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	356	366	549	565	608	654	702	743
Total liabilities & equity	805	848	1,226	1,247	1,352	1,441	1,544	1,641
CASH FLOW (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Cash earnings	46	48	82	112	84	111	127	150
Change in working capital	(1)	(12)	2	29	12	(18)	(27)	(23)
Cash flow from investments	(39)	(63)	(56)	(77)	(66)	(38)	(115)	(96)
Cash flow from financing	93	(21)	84	(66)	(20)	(22)	(30)	(39)
Net cash flow	91	(45)	141	(30)	15	33	(45)	(8)
VALUATION (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Share price (EUR end)	18.0	15.8	21.3	19.3	14.7	14.9	14.9	14.9
Number of shares end period	63	66	66	65	64	64	64	64
Net interest bearing debt	(102)	(58)	(30)	(20)	14	(19)	26	34
Enterprise value	1,066	998	1,385	1,232	951	936	982	990
EV/Sales	1.2	1.0	1.2	1.0	0.7	0.6	0.6	0.5
EV/EBITDA	15.7	11.0	12.4	9.5	7.5	6.2	5.6	4.8
EV/EBIT	25.5	16.2	22.4	18.0	15.2	10.4	8.6	7.6
P/E reported	41.5	22.6	28.6	22.6	19.4	14.6	11.4	10.1
P/E adjusted	41.5	22.6	28.6	22.6	19.4	14.6	11.4	10.1
P/B	3.7	2.9	3.8	3.1	2.2	2.1	1.8	1.7
FINANCIAL ANALYSIS	2017	2018	2019	2020	2021	2022e	2023e	2024e
ROE adjusted (%)	7.9	12.9	13.1	14.0	11.6	14.6	16.9	17.2
Dividend yield (%)	0.7	1.0	-	1.6	2.4	3.2	4.1	4.6
EBITDA margin (%)	7.7	9.1	9.9	10.4	9.4	10.0	10.0	10.5
EBIT margin (%)	4.7	6.2	5.5	5.4	4.7	6.0	6.5	6.7
NIBD/EBITDA	(1.50)	(0.64)	(0.26)	(0.16)	0.11	(0.12)	0.15	0.17
EBITDA/Net interest	10.72	17.56	14.54	16.89	15.03	13.48	15.90	18.23

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Appendix A

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	240,358	0.57%
Pareto Bank	15,305,077	21.91%
Selvaag Bolig	4,311,865	4.60%
Sparebank 1 Nord-Norge	4,421,827	4.40%
Sparebank 1 SMN	2,177,355	1.68%
Sparebank 1 SR-Bank	2,071,099	0.81%
Sparebank 1 Østfold Akerhus	1,232,429	9.95%
SpareBank 1 Østlandet	3,836,463	3.61%
Sparebanken Møre	705,030	1.43%
Sparebanken Sør	433,449	2.77%
Sparebanken Vest	6,861,419	6.39%
NEXT Biometrics	710,901	0.78%
Sparebank 1 Sørøst-Norge	1,771,308	2.81%

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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	1,675
Aker ASA	500	2,694
Aker BP	0	28,796
Aker Carbon Capture	0	4,926
Aker Horizons	0	180,838
Aprilia Bank ASA	0	22,675
ArcticZymes Technologies	0	684
Austevoll Seafood	0	1,898
Avance Gas	0	4,000
Awilco LNG	0	30,000
Bonheur	0	32,088
Borrøgaard ASA	0	650
Bouvet	0	1,240
BW Energy	0	116,561
BW Offshore	0	9,650
Circa Group	0	6,550
Cloudberry Clean Energy	0	100,250
Crayon	0	1,080
Desert Control	0	32,500
DNB	0	49,534
DNO	0	70,258
Elkem	0	95,817
Elmer a Group ASA	0	10,119
ELOP	0	140,000
Equinor	0	2,623
Europris	0	17,708
Flex LNG	0	717
Frontline	0	11,740
Gaming Innovation Group	0	25,912
Gjensidige Forsikring	0	7,671

Company	Analyst holdings*	Total holdings
GramCar Carriers	0	3,000
Grieg Seafood	0	5,334
Hafnia Ltd.	0	145,195
Huddly	0	959,514
HydrogenPro	0	36,641
Kitron	0	28,536
Komplett Bank	0	197,800
Kongsberg Gruppen	0	281
KWS	75	75
Lerøy Seafood Group	0	35,021
Meltwater	0	30,700
Mer cell	0	24,863
Mowi	0	859
MPC Container Ships	0	15,045
NEXT Biometrics	0	710,901
Nordic Semiconductor	0	10,532
Norco	0	500
Norse Atlantic	0	40,000
Norsk Hydro	0	84,189
Norske Skog	0	104,249
Northern Drilling Ltd.	0	181,419
Odfjell Drilling	0	28,581
Okeanis Eco Tankers	0	1,420
Orkla	0	24,336
Panoro Energy	0	28,373
Pareto Bank	0	1,334,731
Pexip Holding	0	310,883
Protector Forsikring	0	15,300
Pryme	0	7,401
Pyrum Innovations	0	100
Quantafuel	0	8,797
REC Silicon	0	31,391
Salmor	0	104
Sandnes Sparebank	0	3,731
Scatec	0	31,009
Seadrill Ltd	0	2,171
Sparebank 1 Nord-Norge	0	4,350
Sparebank 1 SMN	0	18,584
Sparebank 1 SR-Bank	0	17,509
SpareBank 1 Østfold Akerhus	0	1,252
SpareBank 1 Østlandet	0	12,921
Sparebanken Sør	0	16,140
Sparebanken Vest	0	16,538
Stolt-Nielsen	0	2,000
Storbrand	0	7,127
Subsea 7	0	35,132
Telenor	0	9,284
TGS	0	600
Vow	0	10,431
Vow Green Metals	0	19,681
Vår Energi	0	58,585
Wallenius Wilhelmsen	0	2,000
Yara	0	18,660
Zaptec	0	11,610

This overview is updated monthly (last updated 25.07.2022).

*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 CleanHydrogen	Sartorius-Herbst
Aker Offshore Wind	Seagems Norway
Alva Industries AS	Seajacks
Apriila Bank ASA	Shamaran Petroleum
Arctane Crypto	State European Holdings
Bar Ramsund Group Pte. Ltd.	Swedencare
Biomega Group AS	TEMPTON GmbH
Bonheur	Tier klinik Hofheim GbR
Boreal Holding AS	Trender Energi AS
Brooge Petroleum and Gas	Vestby Logistikk Holding
BW LPG	Vår Energi
BW Offshore	Waldorf Production UK Ltd
Cabonline Group Holding AB	Waste Plastic Upcycling
Cavai AS	Wattif EV
Cloudberry Clean Energy	wheel.me
Dampskibsselskabet NORDEN A/S	Xeneta AS
DNO	Ymber AS
Documaster AS	ZTL Payment Solution AS
ELOP	Ørn Software
Enapter AG	
Ensurge Micropower	
Esmailizadeh Holding	
First Camp Group AB	
Flex LNG	
FREYR Battery	
Funkwerk AG	
Global Agrarjes (Fertiberia group)	
Golar LNG	
Gram Carriers	
Green Transition Holding	
Greentood	
Grøntvedt AS	
Hafslund Eco	
Hagal AS	
HMH Holding	
Ice Group	
Immunopharma	
InoBat Auto	
International Petroleum Corporation	
JP/Politikken's Forlag	
Kalera	
Kebony	
Kentech Global Plc	
Keppel FELS Limited	
KMC Properties	
Komplett ASA	
Kruse Smith	
Kvitbjørn Varme	
Lakers Holding AS	
Leray Seafood Group	
Luminaire AS	
Mathesa Bostadsbolaget AB	
Mer cell	
Mime Petroleum	
Modex AS	
Multitude SE	
Navios Maritime Acquisitions	
Navios Maritime Holdings	
Nordic Halibut	
Noreco	
Norwegian Block Exchange	
Odjell Oceanwind	
Okea AS	
Otellio Corporation	
Pandion Energy	
Pareto Bank	
PetroNor E&P	
PHM Group	
Ping Petroleum UK Limited	
poLight	
Pronofa AS	
Protector Forsikring	
Pryme	
Prym Innovations	
Qred Holding	
Quantafuel	
Saga Robotics	

This overview is updated monthly (this overview is for the period 31.05.2021 – 31.05.2022).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buy	78%
Hold	21%
Sell	1%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	89%
Hold	11%
Sell	0%

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

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BioInvent	Media & Games Invest plc.	Swedencare
Cibus Nordic Real Estate AB	Oscar Properties	VEF
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Logistri Fastighets AB	SciBase Holding	
Magnolia Bostad	Sedana Medical	

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Bosjö Fastigheter AB	Logistri Fastighets AB	

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Appendix E

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

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Demi re	Manz AG *	PWO *
Epigenomics AG *	MAX Automation SE	S&T AG *
Gesco *	Merkur Bank	SMT Scharf AG *
Ger ry Weber	MLP *	Surteco Group *
GFT Technologies *	Mühl Produkt & Service AG	Szygy AG *
Gigaset *	mutares	Viscom *

* 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

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Enapter	Mer kur Bank	Siegl Fried Holding AG
Express2ion Biotechnologies		

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