

Digesting the Omnova acquisition

We think the Omnova acquisition has clearly improved Surteco's growth outlook and has resulted in a more balanced product portfolio and better geographical diversification. On the other hand, the acquisition comes with an increased financial and integration risk, and in our DCF, this is reflected by a higher debt premium and a higher beta. All in, we arrive at a new fair value of EUR 31 (was EUR 30) and keep our "Buy" rating in view of an upside of around 60%. Also, the Surteco share now trades at 0.7x book value 2023e, while the average in the past was more around 1.1x, underpinning our buy case.

2022 numbers published

In the annual report 2022, SUR has provided additional details on the Omnova transaction. According to these pro forma numbers, Omnova realized revenues of EUR 238m in 2022. This translates into an EV / Sales multiple of 1.1x. According to the Q1 financial report, EUR 113m (44%) of the purchase price of EUR 256m will be capitalized as goodwill, EUR 69m (27%) as other intangible assets and EUR 32m (13%) as fixed assets. All in, our impression is that the Omnova acquisition was strategically sound but not on the cheap side.

The acquisition will result in higher leverage

For the time being, we suppose that the full purchase price will be financed with debt instruments. As a result, net debt / EBITDA (net leverage) will increase from 1.9x in 2022 to 3.3x in 2023e and the equity ratio will go down from 50% to 40%, according to our calculations. This is in our view non-investment grade territory and will result in higher financing costs. For 2024, the net leverage is expected to decrease again to 2.75x, in line with Surteco's ambition to get below 3x again.

New PT EUR 31

We think the Omnova acquisition has clearly improved Surteco's growth outlook and has resulted in a more balanced product portfolio and better geographical diversification. On the other hand, the acquisition comes with an increased financial and integration risk, and in our DCF, this is reflected by a higher debt premium and a higher beta. All in, we arrive at a new fair value of EUR 31 (was EUR 30) and keep our "Buy" rating in view of an upside of around 60%. Also, the Surteco share now trades at 0.7x book value 2022e, while the average in the past was more around 1.1x, underpinning our buy case.

EURm	2021	2022	2023e	2024e	2025e
Revenues	757	748	939	1,005	1,035
EBITDA	115	84	117	136	145
EBIT	73	40	57	75	84
EPS	3.08	1.63	1.98	2.62	3.03
EPS adj	3.08	1.63	1.98	2.62	3.03
DPS	1.00	0.70	0.85	1.13	1.30
EV/EBITDA	6.6	5.4	5.9	5.0	4.6
EV/EBIT	10.4	11.4	12.2	9.1	7.8
P/E adj	12.3	11.7	10.1	7.6	6.6
P/B	1.42	0.70	0.70	0.66	0.62
ROE (%)	12.1	6.0	7.1	8.9	9.7
Div yield (%)	2.6	3.7	4.3	5.7	6.6
Net debt	153	153	379	365	343

Source: Pareto Securities

Target price (EUR)	31	▲	BUY
Share price (EUR)	20	—	HOLD
		▼	SELL

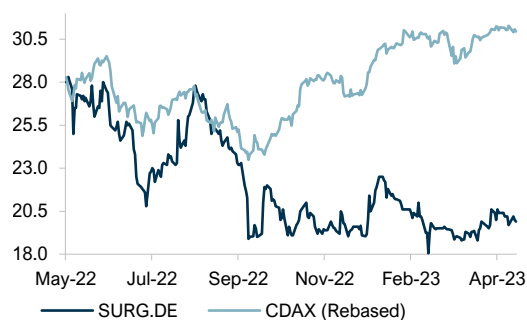
Forecast changes

%	2023e	2024e	2025e
Revenues	33	39	NM
EBITDA	53	64	NM
EBIT adj	69	90	NM
EPS reported	43	58	NM
EPS adj	43	58	NM

Source: Pareto Securities

Ticker	SURG.DE, SUR GR
Sector	Industrials
Shares fully diluted (m)	15.5
Market cap (EURm)	309
Net debt (EURm)	389
Minority interests (EURm)	0
Enterprise value 23e (EURm)	698
Free float (%)	12

Performance



Source: FactSet

Pareto Securities AS has been paid by the issuer to produce this research report. This material is considered by Pareto Securities to qualify as an acceptable minor non-monetary benefit according to the EU MIFID 2 directive.

Analysts

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Wrap-up 2022 and Q1 2023

2022 numbers & update on the Omnova acquisition

2022

SURTECO GROUP (EURm)	2021	Actual 2022	yoy (%)
Revenues	757	748	-1
Cost of materials	-382	-391	2
Personnel expenses	-175	-175	0
Other	-85	-101	19
EBITDA	114.8	84.2	-27
EBITDA Margin	15.2%	11.3%	-390 BP
D&A	-42	-44	4
EBIT	72.5	40.2	-45
EBIT Margin	9.6%	5.4%	-421 BP

Source: Pareto Securities

Regarding 2022 numbers, full year EBIT came in at EUR 40m, down 45% y/y, but broadly in line with lowered expectations. This means that Surteco incurred a slight loss at the EBIT level in Q4. Material cost remained elevated at 52% of output in Q4 as input cost increases could not fully be passed through to the customers. Capacity utilization was said to be at 70%.

As a reminder, Surteco acquired the laminates and performance films and coated fabrics business from Synthomer plc's US subsidiary Omnova for EUR 256m, which translates into a (trailing) EV / sales multiple of ~1x and an EV/EBITDA multiple of ~8x, based on 2021 numbers. In the annual report 2022, SUR has provided additional details on the transaction. According to these pro forma numbers, Omnova realized revenues of EUR 238m and EBIT of EUR 8.2m in 2022. This translates into an EV / Sales multiple of 1.1x, and a P/E multiple of 39x, assuming a normalized tax rate of ~20% in the US. These multiples don't seem to be on the cheap side, but one needs to keep in mind that (1) earnings are unleveraged, (2) numbers are before any synergies from the takeover, and (3) the industry headed into a downturn at the end of 2022. We assume that mid-cycle-based numbers look more favourable. On top of the purchase price, SUR will incur a mid-single digit number for transaction-related costs in 2023.

SUR's management made clear that in contrast to earlier acquisitions, Omnova will be fully integrated into the Surteco group. Notwithstanding, Omnova was said to be a top line-oriented acquisition, and cost cuttings will not be in focus. Surteco is now the No 1 in the United States for compound surfaces and expects a similar trend towards these materials as in Europe, which was the prime reason for the transaction.

For 2023, the company guides for revenues of EUR 920-950m and EBIT of EUR 45-55m (including the recent Omnova acquisition), which is based on the expectation that demand will remain sluggish at least until mid-year. Compared to a pro forma revenue of EUR 748m (Surteco old) + 10/12 x EUR 238m (Omnova, to be consolidated for 10 months in 2023) equalling EUR 946m for 2022, this implies a revenue in-/decrease between 0% and minus 3% and an EBIT margin between 4.7-6.0% after 5.4% in 2022 for Surteco "old". The guidance is after the absorption of transaction costs mentioned above, we understand.

Q1

On Friday last week, Surteco published Q1 results. Omnova has been consolidated for one month in Q1, we understand. Obviously, the newly acquired entity contributed a loss of EUR 0.9m in March as Surteco has released a preliminary EBIT figure of EUR 8.5m on April 14th for Surteco “old” (Q1 EBIT Surteco “new”: EUR 7.6m).

Moreover, Surteco changed the segment reporting after the transaction. The cross-sectional segments North America and Asia Pacific include all activities in these regions, irrespective of the product. In addition, North America includes the activities in Thailand, which was before part of the Omnova group. The product-centric segments (Surfaces, Edgebands, Profiles) comprise all product-related activities outside North America and Asia, i.e. in Europe and South America. All segment heads bear full responsibility across legal entities for the corresponding product groups and regions, respectively, which has not been the case before.

Q1

SURTECO GROUP (EURm)	Q1 2022	Actual	
		Q1 2023	yoy (%)
Revenues	213	206	-3
Surfaces	89	78	-12
Edgebands	49	40	-18
Profiles	42	39	-6
North America	24	39	62
Asia / Pacific	14	13	-9
Reconciliation	-4	-4	-15
Cost of materials	-112	-102	-10
Personnel expenses	-47	-53	14
Other	-28	-31	11
EBITDA	31.1	19.1	-38
EBITDA Margin	14.6%	9.3%	-528 BP
D&A	-11	-12	6
EBIT	20.2	7.6	-62
EBIT Margin	9.5%	3.7%	-579 BP
Surfaces	6.2	-0.3	-105
Edgebands	6.7	5.3	-21
Profiles	5.0	4.6	-8
North America	2.1	0.1	-94
Asia / Pacific	2.8	2.1	-25
Reconciliation	-2.5	-4.2	67

Source: Pareto Securities

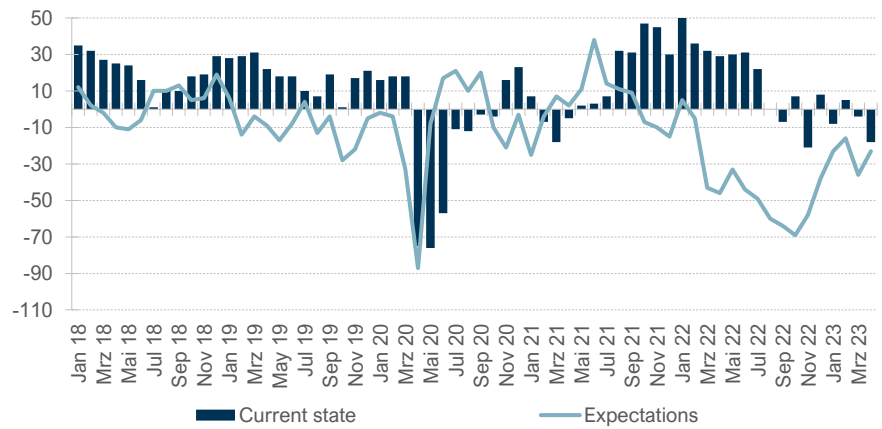
Some more thoughts on Q1 results:

- Profits in the newly formed segments Edgebands, Profiles and Asia Pacific appear more stable than profits for Surfaces, which reported a result around zero in Q1 2023, although revenues were not much more down than those in the other segments.
- North America, which includes the lion share of the newly acquired Omnova activities including the plant in Thailand, reported also results around zero, but this result was burdened by an (undisclosed) amount of one-off expenses related to the acquisition.
- While Edgebands and Profiles earned EBIT margins of 12-13% in the current downturn, Asia Pacific realized even 17% (and 20% one year ago), which clearly represents a leading level within the Surteco group.
- Compared to Q4 2022, costs of materials were down from 52.4% of total output to 49.4%. We believe that this is partially due to a lower material cost intensity of the Omnova activities but also because of a decrease of some input prices.
- In contrast, personnel costs were about stable at 25-26% of output in Q1 compared to Q4 2022, but clearly about average levels for the entire year 2022 (23%).

In Q2, the picture of the “new” group will become clearer, as Omnova will be consolidated for the full 3 months.

Where is Surteco in the cycle?

ifo business climate index for the German furniture industry

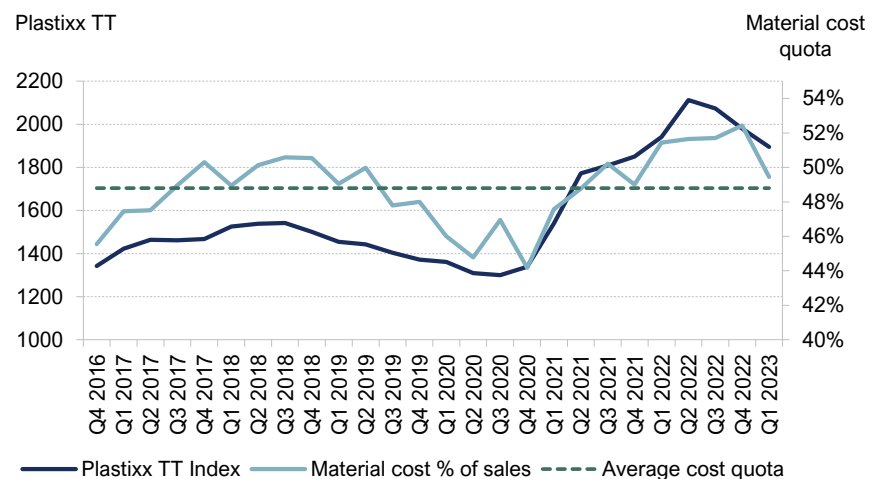


Source: VDM, Pareto Securities

After the takeover of Omnova, the significance of the German furniture market has decreased for Surteco. But as Germany still accounts for ~20% of group revenues, it is still worthwhile to look at early warning indicators such as the ifo business climate index. Like the stock market, business expectations have also recovered from the lows reached in September last year but are still in negative territory. The index which mirrors the current state of the business, is oscillating around zero since last summer.

The Plastixx TT index was down in recent months as was the material cost intensity (material cost / output) for Surteco. It is now close to the historical average of around 49% of output. Q2 numbers will provide more insights how the material cost quota will look for the “new” Surteco.

Plastixx TT index and material cost quota



Source: Pareto Securities, www.kiweb.de, Surteco

All in, we think we saw a stabilisation of Surteco’s business environment in the last couple of months. Especially the lower material input costs is a clear positive for the company.

Updating our estimates

P&L forecast

Profit & Loss	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Total output	693	706	677	622	773	751	939	1,005	1,035	1,067	1,098
% yoy	7.8%	1.4%	-3.4%	-7.2%	20.7%	-1.2%	25.5%	7.1%	3.0%	3.0%	3.0%
Cost of materials	-335	-350	-327	-283	-382	-391	-465	-493	-502	-512	-527
% of total output	48.4%	49.5%	48.2%	45.5%	49.4%	52.0%	49.5%	49.0%	48.5%	48.0%	48.0%
Personnel expenses	-175	-185	-186	-163	-175	-175	-216	-226	-233	-240	-247
% of total output	25.2%	26.2%	27.5%	26.1%	22.7%	23.3%	23.0%	22.5%	22.5%	22.5%	22.5%
Other OPEX (net)	-100	-99	-98	-88	-101	-101	-141	-151	-155	-160	-165
% of total output	14.5%	14.0%	14.5%	14.2%	13.1%	13.5%	15.0%	15.0%	15.0%	15.0%	15.0%
EBITDA	83	73	66	88	115	84	117	136	145	155	159
% of total output	12.0%	10.3%	9.8%	14.2%	14.8%	11.2%	12.5%	13.5%	14.0%	14.5%	14.5%
EBIT	45	32	21	46	73	40	57	75	84	94	98
% of total output	6.4%	4.6%	3.1%	7.4%	9.4%	5.4%	6.1%	7.5%	8.2%	8.8%	8.9%
Adjusted EBIT	47	40	40	46	73	40	57	75	84	94	98
% of total output	6.7%	5.6%	6.0%	7.4%	9.4%	5.4%	6.1%	7.5%	8.2%	8.8%	8.9%
Pretax Profit	34	27	16	43	70	37	43	57	66	76	80
% of total output	4.8%	3.8%	2.4%	7.0%	9.0%	4.9%	4.6%	5.7%	6.4%	7.1%	7.3%
Net Profit	26	19	9	34	48	25	31	41	47	54	57
% of total output	3.8%	2.6%	1.4%	5.4%	6.2%	3.4%	3.3%	4.0%	4.5%	5.0%	5.1%
EPS	1.69	1.20	0.61	2.17	3.08	1.63	1.98	2.62	3.03	3.46	3.65
% yoy	9.7%	-28.9%	-49.6%	258.8%	41.8%	-47.2%	21.5%	32.5%	15.8%	14.0%	5.4%
DPS	0.80	0.55	0.00	0.80	1.00	0.70	0.85	1.13	1.30	1.49	1.57
Payout ratio	47%	46%	0%	37%	32%	43%	43%	43%	43%	43%	43%

Source: SUR, Pareto Securities

As there is not much known on the P&L structure of Omnova, it will take some time until the full impact of the transaction on Surteco's P&L will become visible. For the time being, we anticipate stable revenues for Surteco "old" and a small drop for Omnova, as Omnova's business cycle was said to be slightly behind the "old" Surteco's. Omnova will be (newly) consolidated for 10 months in 2023 and 2 months in 2024, leading to more than 7% revenue growth also in 2024.

We assume a small improvement of the material cost quota in 2023 over 2022 as indicated by Q1 results. We furthermore suppose that all other costs will remain largely stable as % of output. In total, we arrive at EBIT of EUR 57m for 2023, slightly above the range guided by Surteco. As a result of Surteco's rising indebtedness and higher interest rates, we assume a sharp increase of interest expenses from 5m to EUR 15m in 2023 and EUR 19m in 2024 and thereafter.

According to the Q1 financial report, EUR 113m (44%) of the purchase price of EUR 256m will be capitalized as goodwill, EUR 69m (27%) as other intangible assets and EUR 32m (13%) as fixed assets. The remaining EUR 41m will be capitalized as some kind of net working capital (NWC), we assume. These attributions are preliminary and might be subject to changes in the coming quarters, we understand.

For the time being, we suppose that the full purchase price will be financed with debt instruments. As a result, net debt / EBITDA (net leverage) will increase from 1.9x in 2022 to 3.3x in 2023e and the equity ratio will go down from 50% to 40%, according to our calculations. This is in our view non-investment grade territory and will result in higher financing costs. For 2024, the net leverage is expected to decrease again to 2.75x, in line with Surteco's ambition to get below 3x again.

Balance sheet forecast

Balance Sheet	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Total assets / liabilities	843	845	780	799	795	852	1,097	1,130	1,162	1,198	1,234
% of sales	122%	120%	115%	128%	103%	113%	117%	112%	112%	112%	112%
Goodwill	163	163	163	163	163	162	275	275	275	275	275
% of sales	24%	23%	24%	26%	21%	22%	29%	27%	27%	26%	25%
Intangibles	67	59	54	49	47	44	113	113	113	114	114
% of sales	10%	8%	8%	8%	6%	6%	12%	11%	11%	11%	10%
Fixed Assets	258	256	237	234	242	251	280	280	281	283	287
% of sales	37%	36%	35%	38%	31%	33%	30%	28%	27%	27%	26%
Capital employed	605	599	580	570	623	632	832	844	852	861	871
% of sales	87%	85%	86%	92%	81%	84%	89%	84%	82%	81%	79%
Net Working Capital	114	119	113	100	152	143	178	191	197	203	209
% of sales	16%	17%	17%	16%	20%	19%	19%	19%	19%	19%	19%
Net Debt + Pension Prov.	203	210	194	158	164	162	389	374	352	328	304
Gearing	35%	36%	34%	28%	27%	27%	46%	44%	41%	37%	34%
Equity	346	350	351	373	414	423	443	470	500	533	567
Equity ratio	41%	41%	45%	47%	52%	50%	40%	42%	43%	45%	46%
No. Shares	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
% yoy		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Book Value per Share	22	23	23	24	27	27	29	30	32	34	37
% yoy		1%	0%	6%	11%	2%	5%	6%	6%	7%	6%

Source: SUR, Pareto Securities

Regarding the payout for the Omnova acquisition, EUR 215m are booked as investment cash flow within our model framework and the remaining EUR 41m for net working capital are included in operating cash flow in the table above. We assume that Surteco will incur 6% of sales as capex going forward, slightly below depreciation.

Cash flow forecast

Cash Flow	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Operating Cash Flow	83	61	84	83	44	69	55	88	102	109	112
% of sales	12%	9%	12%	13%	6%	9%	6%	9%	10%	10%	10%
Capex	-43	-48	-36	-38	-33	-50	-56	-60	-62	-64	-66
% of sales	6%	7%	5%	6%	4%	7%	6%	6%	6%	6%	6%
Operating FCF	40	13	48	44	11	19	-1	28	40	45	46
% of sales	6%	2%	7%	7%	1%	3%	0%	3%	4%	4%	4%
Acquisitions and others	-74	0	0	8	2	11	-215	0	0	0	0
% of sales	-11%	0%	0%	1%	0%	2%	-23%	0%	0%	0%	0%
FCF	-33	11	48	52	13	30	-216	28	40	45	46
% of sales	-5%	2%	7%	8%	2%	4%	-23%	3%	4%	4%	4%

Source: SUR, Pareto Securities

Valuation update

DCF

EUR m	Phase I					Phase II					Phase III
	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	
Revenue	939	1,005	1,035	1,067	1,098	1,131	1,163	1,195	1,226	1,258	
<i>growth rate</i>	25.5%	7.1%	3.0%	3.0%	3.0%	2.9%	2.8%	2.8%	2.7%	2.6%	
EBIT	57.2	75.5	84.5	93.7	97.7	100.5	103.4	106.3	109.1	112.0	
<i>EBIT margin</i>	6.1%	7.5%	8.2%	8.8%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	
Tax	-16.6	-21.9	-24.5	-27.2	-28.3	-29.2	-30.0	-30.8	-31.6	-32.5	
<i>Tax rate</i>	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	
Depr. & Amort.	53.0	52.6	52.6	52.8	53.2	59.7	63.9	67.0	69.4	71.9	
<i>% of sales</i>	5.6%	5.2%	5.1%	5.0%	4.8%	5.3%	5.5%	5.6%	5.7%	5.7%	
Capex & Acquisitions	-271.0	-60.3	-62.1	-64.0	-65.9	-67.8	-69.8	-71.7	-73.6	-75.5	
<i>% of sales</i>	28.9%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
Change in WC & Prov.	-35.7	-12.7	-5.7	-5.9	-6.1	-6.1	-6.1	-6.1	-6.1	-6.0	
<i>% of sales</i>	3.8%	1.3%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	
Free Cash Flow	-213.1	33.2	44.7	49.4	50.6	57.2	61.5	64.7	67.3	69.9	1,177.5
<i>growth rate</i>	<i>nm</i>	<i>nm</i>	34.8%	10.6%	2.3%	13.0%	7.6%	5.2%	4.0%	3.9%	2.5%
Present Value FCF	-201.9	28.9	35.9	36.6	34.5	35.9	35.5	34.4	33.0	31.6	531.7

PV Phase I	-66	Risk free rate	3.5%	Target equity ratio	76%
PV Phase II	170	Premium Equity	5.0%	Beta	1.2
PV Phase III	532	Premium Debt	4.5%	WACC	8.6%

Enterprise value	636	Sensitivity	Growth in phase III				
			1.5%	2.0%	2.5%	3.0%	3.5%
- Net Debt (Cash)	150	7.7%	32.9	36.3	40.2	45.0	50.9
- Pension Provisions	12	8.2%	28.9	31.7	35.0	38.9	43.7
		WACC 8.6%	25.4	27.8	30.6	33.8	37.7
		9.0%	22.3	24.4	26.7	29.4	32.7
		9.4%	19.6	21.3	23.3	25.6	28.3

Equity value	474
Number of shares	15.5
Value per share (€)	31.0
Current Price (€)	20.2
Upside	53%

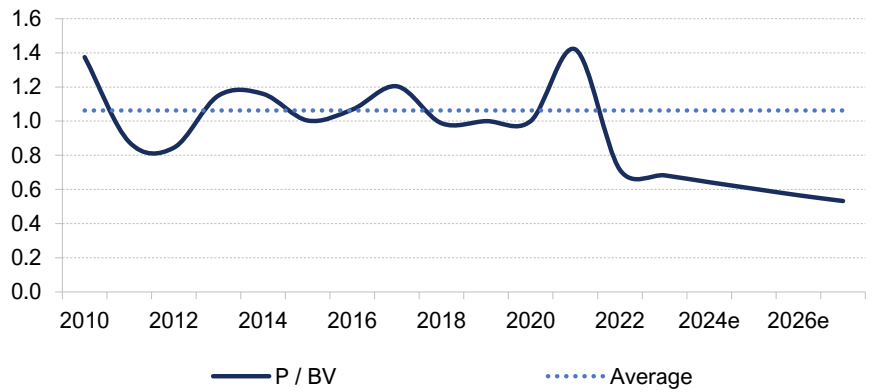
Source: Pareto Securities

Based on a DCF, we arrive at a new fair value of EUR 31 (was EUR 30) and keep our "Buy" rating in view of an upside of around 60%.

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The Surteco share now trades at 0.7x book value 2023e, while the average in the past was more around 1.1x, underpinning our buy case.

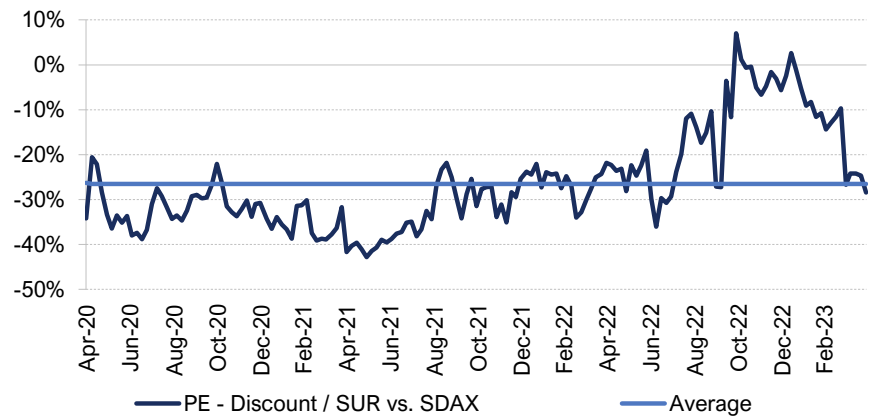
P/BV



Source: Pareto Securities

Surteco continues to trade at a steep discount of around 30% to the SDAX. (Surteco is no member of the SDAX at present). So, this indicator is in neutral territory.






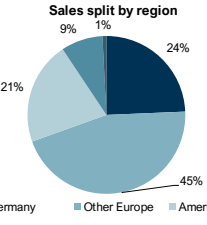
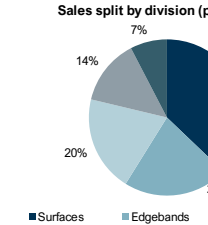
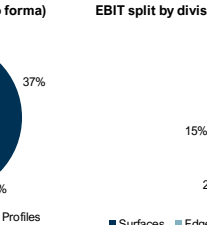
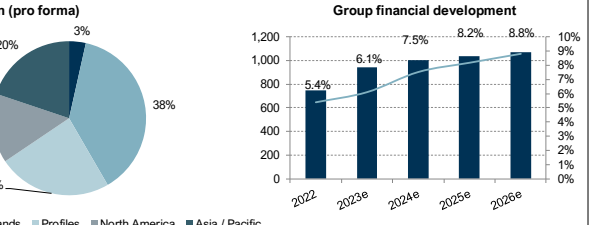


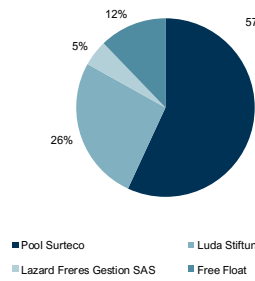
PE Discount to SDAX



Source: Factset, Pareto Securities

At a glance

At a glance

Products	Surfaces	Edgebands	Profiles	Asia Pacific	North America	
Products/applications	 Decor papers, finish foils and melamine edgings in Europe and South America	 Plastic edgebands in Europe and South America	 Includes skirtings and technical profiles	 Cross-sectional segment, complete product range	 Cross-sectional segment, complete product range	
Customers	Serves primarily the wood-based sector, namely the woodworking, flooring, caravanning and furniture (namely kitchen, living room and office) industries	Mainly caravanning and furniture	Industries served include: interior design, craft, caravanning, industrial applications, cruising and ship building	All kind of customers buying Surteco products	All kind of customers buying Surteco products	
Market share/positioning	60% European market share for paper-based edge bands and 25% market share for thermoplastic edges					
Drivers	Surteco operates in a material intensive industry whose products have a long-life, thus top-line growth is driven by: (I) demand from furniture manufacturers; (II) macroeconomic headwinds, namely currency fluctuations in USD and trade dispute tensions; (III) global economic growth, private consumption propensity, disposable income and unemployment level. Bottom line is catalysed by: (I) availability and costs of raw materials, particularly raw papers (cellulose), plastics (PVC) and chemical additives (titanium dioxide); (II) successful consolidation of low-cost players to expand horizontally and vertically but also gain market shares in new regions					
Main competitors	Neodecortech, Schattdecor, Interprint (now part of the Toppan group), Rehau, MKT (edgebanding), Impress (paper) plus many smaller names					
Entry barriers/competitive advantage	Medium barriers of entry because of high initial investments and proprietary rights for décors. On the other hand, Surteco presents a unique market positioning as a one-stop shop supplier of decorative surfaces given that several of its products are the most sold in its segment. Surteco also has a product and international scale advantage as well as high operational leverage, allowing it to benefit from economies of scale in development costs					
Strategy & Guidance	Strategy: (I) "Product Leadership" - Capitalizing on the comprehensive know-how of the group. (II) "Focussed Internationalization" - Increasing presence in selective growth markets. (III) "Digital Transformation" - Supporting the commercial and operational excellence via process digitalization.		Guidance (04/2023): Revenue: EUR 920-950m EBIT: EUR 45-55m		Pareto Estimates Revenue: EUR 939m y/y: 25.5% EBIT: EUR 57m Margin: 6.1%	Consensus EUR 937m EUR 53m 5.7%
2022	Sales (EURm) y/y: 747.6	EBITDA Margin: 84.2 11.3%	EBIT (EURm) Margin: 40.2 5.4%	Sales 5Y hist. CAGR: 1.6%		
Sales & EBIT Split	Sales split by region 	Sales split by division (pro forma) 	EBIT split by division (pro forma) 	Group financial development 		
Shareholder structure & management	CEO Wolfgang Moyses CEO (since 2019)  • Mr Moyses joined Webasto as divisional controller in 1988. From 1992 until 1999, he had roles of head of controlling, project manager, commercial director, and division manager at MANN+Hummel. He served as Chairman for Simona from 1999 until August 2019. As of October 2019, Mr Moyses acts as CEO of Surteco. Mr Moyses earned an MBA from the Gutenberg University of Mainz.	CFO Andreas Pötz CFO (since 2022)  • After a number of management positions at Siemens, Infineon, Zumtobel and Aixtron in Germany and abroad, Mr Pötz joint Kraitzer Automation AG, where he became member of the management board in 2015. In 2017, Mr Pötz joint Surteco as CFO and became member of the management board in 2022.	Shareholder structure 			
# of employees FY 2022	3,147					

Source: Company, Pareto Securities

PROFIT & LOSS (fiscal year) (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Revenues	699	675	627	757	748	939	1,005	1,035
EBITDA	73	66	88	115	84	117	136	145
Depreciation & amortisation	(41)	(45)	(42)	(42)	(44)	(60)	(60)	(60)
EBIT	32	21	46	73	40	57	75	84
Net interest	(6)	(7)	(3)	(4)	(4)	(15)	(19)	(19)
Other financial items	0	1	-	-	-	-	-	-
Profit before taxes	27	16	43	70	37	43	57	66
Taxes	(8)	(7)	(10)	(22)	(12)	(13)	(17)	(19)
Minority interest	(0)	(0)	(0)	-	-	-	-	-
Net profit	19	9	34	48	25	31	41	47
EPS reported	1.20	0.61	2.17	3.08	1.63	1.98	2.62	3.03
EPS adjusted	1.54	0.61	2.17	3.08	1.63	1.98	2.62	3.03
DPS	0.55	-	0.80	1.00	0.70	0.85	1.13	1.30
BALANCE SHEET (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Tangible non current assets	256	237	234	242	251	280	280	281
Other non-current assets	245	246	230	227	241	424	424	462
Other current assets	223	214	201	254	242	293	311	281
Cash & equivalents	121	84	133	73	118	101	116	138
Total assets	845	780	799	795	852	1,097	1,130	1,162
Total equity	353	355	373	414	423	443	470	500
Interest-bearing non-current debt	253	255	238	133	261	464	464	464
Interest-bearing current debt	66	9	41	93	10	17	17	17
Other Debt	160	148	134	144	149	164	170	172
Total liabilities & equity	845	780	799	795	852	1,097	1,130	1,162
CASH FLOW (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Cash earnings	66	78	70	96	60	91	101	108
Change in working capital	(5)	6	13	(52)	9	(36)	(13)	(6)
Cash flow from investments	(49)	(36)	(31)	(31)	(39)	(271)	(60)	(62)
Cash flow from financing	(24)	(85)	(4)	(73)	15	199	(13)	(17)
Net cash flow	(12)	(37)	50	(60)	45	(17)	15	22
VALUATION (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Share price (EUR end)	22.3	22.7	24.1	37.9	19.1	19.9	19.9	19.9
Number of shares end period	16	16	16	16	16	16	16	16
Net interest bearing debt	198	180	145	153	153	379	365	343
Enterprise value	559	548	532	752	458	698	683	661
EV/Sales	0.8	0.8	0.8	1.0	0.6	0.7	0.7	0.6
EV/EBITDA	7.7	8.3	6.0	6.6	5.4	5.9	5.0	4.6
EV/EBIT	17.4	26.0	11.5	10.4	11.4	12.2	9.1	7.8
P/E reported	18.6	37.4	11.1	12.3	11.7	10.1	7.6	6.6
P/E adjusted	14.4	37.4	11.1	12.3	11.7	10.1	7.6	6.6
P/B	1.0	1.0	1.0	1.4	0.7	0.7	0.7	0.6
FINANCIAL ANALYSIS	2018	2019	2020	2021	2022	2023e	2024e	2025e
ROE adjusted (%)	6.8	2.7	9.3	12.1	6.0	7.1	8.9	9.7
Dividend yield (%)	2.5	-	3.3	2.6	3.7	4.3	5.7	6.6
EBITDA margin (%)	10.4	9.8	14.1	15.2	11.3	12.5	13.5	14.0
EBIT margin (%)	4.6	3.1	7.4	9.6	5.4	6.1	7.5	8.2
NIBD/EBITDA	2.71	2.71	1.64	1.33	1.81	3.23	2.69	2.36
EBITDA/Net interest	13.27	9.75	27.34	26.25	20.95	8.03	7.18	-

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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 %
Benheur	239,220	0.56%
Huddly	1,188,823	0.56%
Pareto Bank	14,732,232	21.09%
Pexip Holding	747,095	0.72%
Sparebank 1 Nord-Norge	5,013,452	4.99%
Sparebank 1 SMN	2,800,224	2.16%
Sparebank 1 SR-Bank	2,407,375	0.94%
SpareBank 1 Østfold Åkerhus	1,237,140	9.99%
SpareBank 1 Østlandet	5,772,206	5.44%
Sparebanken Møre	566,833	1.15%
Sparebanken Sør	333,149	0.80%
Sparebanken Vest	7,981,712	7.28%
NEXT Biometrics	700,000	0.76%
SpareBank 1 Sørøst-Norge	2,746,539	4.35%

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
Adevinta	0	950
Aker ASA	500	2,288
Aker BP	0	15,875
Aker Horizons	0	212,397
Aker Solutions	0	1,388
AMSC ASA	0	3,600
Aprilia Bank ASA	0	22,675
AURELIUSEquity Opportunities	0	500
Austevoll Seafood	0	3,548
Awilco LNG	0	30,000
Belships	0	40,000
Biolinvent	0	15,000
Bonheur	0	30,350
Borregaard ASA	0	518
Bouvet	0	980
BW Energy	0	98,381
BW Offshore	0	4,900
Cool Company	0	5,000
Crayon	0	610
DNB	0	33,084
DNO	0	71,391
Edda Wind	0	5,000
Egetis Therapeutics	0	6,855
Elkem	0	19,520
Elmera Group ASA	0	37,305
Embracer Group	0	8,600
Equinor	0	3,012
Essity	0	168
Ennpris	0	17,745
Flex LNG	0	895

Company	Analyst holdings*	Total holdings
Frontline	0	8,000
Gaming Innovation Group	0	25,000
Gjensidige Forsikring	519	1,960
Grieg Seafood	0	13,491
Hafnia Ltd.	0	126,220
Huddly	0	1,188,823
HydrogenPro	0	34,922
International Petroleum Corp	0	5,511
Kahoot	0	36,118
Kambi Group plc	0	430
Kinnevik AB	0	315
Kitron	0	2,314
Komplett ASA	0	21,754
Komplett Bank	0	153,800
Kongsberg Gruppen	0	500
Lea bank	0	16,355
Lerøy Seafood Group	0	38,951
Media and Games Invest	0	5,000
Meltwater	0	24,000
Mowi	0	5,242
Multitude	0	2,443
NEXT Biometrics	0	700,000
NorAm Drilling	0	6,883
NORBIT ASA	0	1,706
Nordic Semiconductor	0	12,305
Noreco	0	1,000
Norsk Hydro	0	80,711
Norske Skog	0	90,449
Odjell Drilling	0	2,081
Okeanis Eco Tankers	0	5,016
Orkla	0	8,526
Panoro Energy	0	14,733
Pareto Bank	0	761,886
Petrofal	0	74,000
Pexip Holding	0	747,095
Protector Forsikring	0	7,300
Pylum Innovations	0	100
Quantafuel	0	23,665
REC Silicon	0	32,539
Salmor	0	3,724
Sandnes Sparebank	0	2,500
Scatec	0	20,129
Seadrill Ltd	0	10,300
SignUp Software	0	1,264
Solstad Offshore	0	117,500
Sparebank 1 Nord-Norge	725	7,775
Sparebank 1 SMN	0	9,421
Sparebank 1 SR-Bank	0	9,545
SpareBank 1 Østlandet	1,100	11,100
Sparebanken Møre	0	1,080
Sparebanken Sør	0	15,840
Sparebanken Vest	0	2,294
Stolt-Nielsen	0	3,800
Storbrand	100	3,110
Storlytel	0	5,390
Subsea 7	0	21,470
Teekay Tankers	0	208
Talenor	0	3,004
TGS	0	10,830
Transocean	0	10,000
Valaris	0	3,100
Vestas Wind Systems	0	1,235
Vår Energi	0	117,479
Webstep	0	2,000
With. Wilhelmsen Holding	0	229
Yara	0	16,089
Zaptec	0	16,200
AAC Clyde Space	0	52,700

This overview is updated monthly (last updated 16.04.2023).

*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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Akerhus Energi Varmer AS	Wattif EV
Alva Industries AS	wheel.me
American Shipping Company	ØrnSoftwar e
Archer	
B2Holding AS	
Bekkt og Strøm AS, SV Vattenkraft AB	
Benchmark Holdings	
Biolinvent	
Bluewater Holding	
Borr Drilling	
Broege Petroleum and Gas	
BW LPG	
Cadeler	
CCS Finansiering AS	
CERAFILTEC	
Cloudberry Clean Energy	
COOL Company	
DNO	
Dolphin Drilling	
Edda Wind	
EdR Certified Origin Physical Gold Plc	
Eidesvik Offshore	
Endur ASA	
Feritberia Corporation S.L.U.	
First Camp Group	
Fishbase Group AS	
Foatal	
Hafnia Ltd.	
Hospitality Invest	
House of Control	
HydrogenPro	
Idavang AS	
Island Green Power Ltd	
Kezzler AS	
KMC Operatives	
Komplett Bank	
Kraft Bank	
Kron AS	
Kruse Smith	
Kvitbjørn Energi AS	
Magnora	
Maha Energy	
Memmo Family	
Mime Petroleum	
Multitude SE	
Mutar es SE & Co. KGaA	
Nor Am Drilling	
Nordic Unmanned	
Noreco	
Norlandia Health & Care Group	
Norse Atlantic	
Norske Skog	
Northern Ocean	
Okea AS	
Pandion Energy	
PGS	
PHM Group Holding Holding	
Polight ASA	
Proximar Seafood	
Pryme	
PulPac AB	
Qred Holding	
Salmon Evolution	
Scala Eiendom	
Schletter International B.V	
Seacrest Petroleum	
Shamaran Petroleum	
Skandia GreenPower	
Standard Supply AS	
Tasik Toba Subsea AS	
Tise AS	
Treasurer ASA	
Vantage Drilling International	
Vestby Logistikk Holding	
Viking Venture 27 AS	
Viking Venture 28 AS	
Waldorf Production Ltd.	

This overview is updated monthly (this overview is for the period 01.04.2022 – 31.03.2023).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buv	73%
Hold	23%
Sell	4%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buv	88%
Hold	12%
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 14.04.2023).

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:

ADDVise Group AB	Cinis Fertilizer AB	NGE Minerals Ltd
Adtraction Group AB	Egetis Therapeutics AB	Renewcell AB
Artificial Solutions International AB	Hanza AB	Sedana Medical
Azelio AB	Hexicon AB	SignUp Software AB
Biovica International AB	Linkfire AI/S	Xbrane Biopharma AB
Boule Diagnostics AB	Mentice AB	VEF AB
Cibus Nordic Real Estate AB	Media & Games Invest plc	Vicore Pharma Holding AB

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:

Implantica	Mentice AB	SignUp Software
Linkfire	Modelon AB	VEF
Media & Games Invest plc.	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 Residentials	Fleming Properties AB	Logistri Fastighets AB
Backaheden Fastighets AB	Hallsell Property Invest AB	Målaråsen AB
Bonäsudden Holding AB (publ)	Halmälåten Fastighets AB (publ)	One Publicus Fastighets AB
Borglunda Fastighets AB	Korsängens Fastighets AB (publ)	Origa Care AB (publ)
Bosjö Fastigheter AB	Krona Public Real Estate AB	Preserium 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 16.04.2023).

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 provision of the designated sponsor services.

2G Energy AG	INTERSHOP Communications AG	Progress-Werk Oberkirch AG
adpepper media international N.V.	IVU Traffic AG	Pryme B.V.
Biotest AG	Kontron AG	PSI AG
Biotest AG Pf.d.	Leifheit AG	Pyrum Innovations AG
Cor estate Capital Holding S.A.	Logwin AG	Salmones Camanchaca S.A.
Daldrup & Söhne AG	manz AG	Seven Principles AG
DEMIRE AG	MAX Automation SE	SHOP APOTHEKE EUROPE N.V.
DF Deutsche Fortfalt AG	Merkur Privatbank AG	SMT Scharf AG
epigenomics AG	Meta Wolf AG	Surteco AG
Foris AG	MPLP SE	Szyggy AG
GERRY WEBER International AG	MPC Container Ships ASA	TTL Beteiligungs- und Grundbesitz AG
Gesco AG	Muehlhahn AG	Uzin Utz SE
GFT Technologies SE	Mutar es SE & Co. KGaA	VERIANOSSE
Gigaset AG	OVH Holding AG	Viscom AG
Heidelber g Pharma AG	Pr oCredit Holding AG	WPU - Waste Plastic Upcycling AS

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.

2G Energy AG	GERRY WEBER International AG	MPLP SE
BayWa AG	Gesco AG	Mutar es SE & Co. KGaA
BB Biotech AG	GFT Technologies SE	Mynaric AG
Biotest AG	Gigaset AG	OHB SE
Biotest AG Pf.d.	Heidelber g Pharma AG	Pr oCredit Holding AG
Ciq Digital AG	Hypoport SE	Progress-Werk Oberkirch AG
Daldrup & Söhne AG	INTERSHOP Communications AG	PSI AG
Dellignit	Kontron AG	Sieglried Holding AG
Der mapham Holding SE	Leifheit AG	SMT Scharf AG
Enapter AG	Logwin AG	Surteco AG
epigenomics AG	MAX Automation SE	Szyggy AG
Expres2ion Biotech Holding AB	Mer kur Privatbank AG	Viscom AG

This overview is updated monthly (last updated 16.04.2023).