

The re-rating potential remains high

Kontron is in good shape at present, reporting sound organic growth rates and complementing its business with mid-sized acquisitions at reasonable prices. Despite excellent growth prospects, the Kontron share trades at a 30-40% discount to the fair value, according to our estimates. We remain buyers of the share with a PT of EUR 29.

Re-assuring Q3 numbers

Kontron reported good Q3 numbers that were above consensus at the EBITDA level. Organic growth for the group was at 5.6% in the quarter (8.1% considering the cancellation of low margin component business), close to our projection. Also, Kontron reported a strong order entry of EUR 356m, which is almost 20% above the revenue in the quarter.

Slight raise of the outlook

Kontron raised the outlook for the full year and now expects a net income of more than EUR 72m for the full year (PAsE: EUR 78m), which stood at EUR 54.8m after 9 months. Accordingly, Kontron expects a net income of at least EUR 17m for the final quarter, which looks well achievable.

Future results under the influence of planned acquisitions

Having revisited our model, we believe the 2023 guidance (revenues of EUR 1,200m @11%+ EBITDA margin and a net income of >EUR 72m) is comfortably in reach for Kontron. Regarding 2025e, we are at revenues of EUR 1,965m, an EBITDA margin of 11.5% and at a net income of EUR 117m at present, which is all slightly below Kontron's mid-term guidance (but much higher than Factset consensus). The numbers will ultimately depend on the size and profitability of the acquired assets, of course, which cannot be accurately forecasted.

Still significant re-rating potential

We value the Kontron share using a DCF, a SOTP approach and peer multiples. Despite excellent growth prospects, the Kontron share trades at a 30-40% discount to the fair value, according to our estimates. We remain buyers of the share with a PT of EUR 29.

EURm	2021	2022	2023e	2024e	2025e
Revenues	1,342	1,096	1,253	1,715	1,968
EBITDA	126	70	139	172	226
EBIT	63	(2)	98	117	149
EPS	0.75	3.66	1.22	1.37	1.77
EPS adj	0.75	3.66	1.22	1.37	1.77
DPS	0.35	1.00	0.61	0.69	0.89
EV/EBITDA	7.5	12.2	9.0	8.1	6.3
EV/EBIT	15.2	-	12.8	11.9	9.6
P/E adj	19.5	4.2	16.8	15.0	11.6
P/B	2.23	1.53	2.02	1.88	1.71
ROE (%)	11.7	44.2	12.1	13.0	15.4
Div yield (%)	2.4	6.5	3.0	3.3	4.3
Net debt	14	(118)	(56)	82	119

Source: Pareto Securities

Target price (EUR)	29	▲	BUY
Share price (EUR)	21	—	HOLD
		▼	SELL

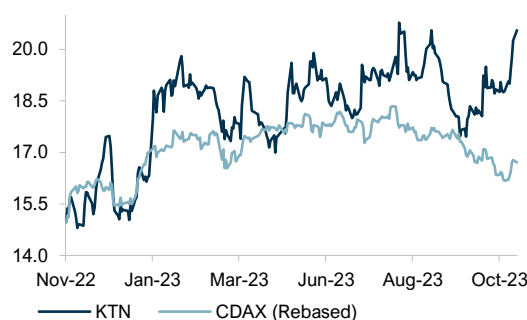
Forecast changes

%	2023e	2024e	2025e
Revenues	(3)	(4)	(4)
EBITDA	4	0	(4)
EBIT adj	4	1	(5)
EPS reported	8	2	(6)
EPS adj	8	2	(6)

Source: Pareto Securities

Ticker	KTN.DE, KTN GY
Sector	Hardware & Equipment
Shares fully diluted (m)	63.6
Market cap (EURm)	1,308
Net debt (EURm)	-56
Minority interests (EURm)	1
Enterprise value 23e (EURm)	1,253
Free float (%)	0

Performance



Source: FactSet

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Wrap up Q3 2023 results

Q3 2023 – continuing operations (except EPS)

Kontron AG (EURm)	Actual			Pareto		Consensus	
	Q3 2022	Q3 2023	yoy (%)	Q3 2023	Delta (%)	Q3 2023	Delta (%)
Revenues	262	300	14	296	1.2	299	0.4
Europe	170	195	14				
Global	53	49	-7				
Software & Solutions	39	56	42				
Gross profit margin	37.0%	39.5%	253 bps	39.5%			
EBITDA margin	20.4%	35.0%	71 bps	31.5%	11.0%	31.2%	12.1 bps
Europe	10	23	128				
Global	3	4	55				
Software & Solutions	7	8	8				
EBIT margin	8.5%	25.1%	195 bps	21.4%			
Net Income (cont. oper.) margin	5.4%	18.9%	250 bps	16.2%	16.8%	16.4%	15.3 bps
EPS	0.13	0.30	130	0.28	7.4		

Source: KTN, Pareto Securities

Kontron reported Q3 numbers that were above consensus at the EBITDA level. Segment-wise, the company saw a strong development in Software & Solutions as book to bill was above 2x and EBITDA increased by 30% (16.3% margin) over the first 9 months. Also, the segment Europe saw a strong earnings increase. Europe and Software & Solutions were supported by the first-time consolidation of Telit and Comlab, respectively. Organic growth for the group was at 5.6% in the quarter (8.1% considering the cancellation of low margin component business), close to our projection.

Kontron reported a strong order entry of EUR 356m, which is almost 20% above the revenue in the quarter. The order book has no different margin profile than the present business, according to Kontron.

Kontron raised the outlook for the full year and now expects a net income of more than EUR 72m for the full year (was more than EUR 66m before), which stood at EUR 54.8m after 9 months. Accordingly, Kontron expects a net income of at least EUR 17m for the final quarter, which is below the average in first three quarters, though. That number will depend not only on the course of business but also taxes, depreciations, the timing of the first-time consolidation of acquisitions, the profitability of discontinued operations etc. will play a role. So, in isolation, one cannot not read too much in this raise. However, it seems clear that the company is currently in good shape, helped by the megatrends depicted on the next page. Another positive for Kontron is that customers of Taiwanese IoT bellwether Advantec look for ways to mitigate their procurement risk in view of increased political risks.

The integration of the 5 most recent acquisitions has started. BSquare is a former spin-off of MSFT and will be delisted at the end of the year which saves significant costs. It will be merged into KTN America. Its core product “BSquare 1” is similar to KTN core software suite “Susietec” and is regarded as a strong complement. While the activities bought from Telit might require some downsizing, and KTN expects to incur some restructuring charges for that in the coming months, all other acquired entities will be largely untouched, we understand.

M&A remains high on KTN’s agenda, as price tags have come down recently. KTN has earmarked another EUR 200m for potential acquisitions in 2024 as it has EUR 292m liquidity plus a EUR 59m payable owed by Vinci on its balance sheet. Also, the promissory note due in April 2024 will at least partially be refinanced, we understand (current cost of incremental debt is at 5%). There are currently 3 potential deals in the pipeline. In general, KTN is flexible regarding the size of potential targets - larger acquisitions could mean a larger step forward for the acquirer but are often tougher to integrate.

Macro trends driving the IoT Technology.

<p>5G</p>	<ul style="list-style-type: none"> • Lower investment & lifecycle costs • Intelligent modules offer security • Shift from GSM-R/4G/Wi-Fi to 5G • 5G private networks for factories 	<p>Smart Factories</p>	<ul style="list-style-type: none"> • Nearshoring/factories coming back • Robots increase automation budget • Connected IoT production machines
<p>Auto-nomous Driving</p>	<ul style="list-style-type: none"> • Unmanned trains, construction machines, harvesters save cost • Increase security of traffic 	<p>Aerospace and defense</p>	<ul style="list-style-type: none"> • Recovery of travel • Technological shift to orbit • NATO goal: 2% GDP defense budget • Perception shift in Europe
<p>Medical</p>	<ul style="list-style-type: none"> • Aging population • Pressure on healthcare systems • Ambitious projects (e.g., US "Moonshot" for curing cancer) 	<p>High-speed trains</p>	<ul style="list-style-type: none"> • EU "Green deal": expand high-speed tracks from 11,000 to 33,000km • Technological shift from GSM-R to FRMC and from FRMC to 5G
<p>Global-ization</p>	<ul style="list-style-type: none"> • China and USA show higher growth than Europe but compete with each other • Kontron may serve both markets with leading technology 	<p>Artificial Intelligence</p>	<ul style="list-style-type: none"> • High computational requirements of running complex AI models • Taking over human tasks like defect detection

■ Europe
 ■ Global
 ■ Software + Solutions

Source: KTN, Pareto Securities

Estimates update

Our basic assumptions remain that Kontron can grow organically by 6% p.a. Our estimates for 2023 and 2024 have been reworked and now account for the most recent five acquisitions: Comlab and the Cellular Automotive Module bought from Telit, Hartmann & W-IE-NE-R, Altimate and BSquare. We believe that all acquisitions together will contribute revenues of roughly EUR 45m in 2023 and an additional “portfolio effect” (=first time consolidation) of EUR 138m revenues in 2024.

On top of that, we expect Kontron to acquire another EUR 250m of revenues in 2024, applying an acquisition multiple of 0.6x sales. Accordingly, we expect a total portfolio effect of EUR 387m in 2024. Assuming another EUR 150m of annualized revenues to be acquired in 2025 results in the P&L depicted below.

Regarding EBITDA, we generally assume that sizeable M&A activities might have a certain dilutive effect on the group margin, even though the margin in Q3 2023 even improved compared to H1 despite the contributions by Comlab and Telit, and we expect a similar picture in Q4 and for the full year 2023. But in general, we think it is prudent to assume that Kontron can realize 5% EBITDA margin on all newly acquired activities in the first year of consolidation and 11% on all existing activities. Consequently, we expect an EBITDA margin below 11% in 2024, which should improve with an ongoing integration of the acquired activities into the Kontron group.

As a result, we believe the 2023 guidance (revenues of EUR 1,200m @11%+ EBITDA margin and a net income of >EUR 72m) is comfortably in reach for Kontron. Regarding 2025e, we are at revenues of EUR 1,965m, an EBITDA margin of 11.5% and at a net income of EUR 117m at present, which is all slightly below Kontron's mid-term guidance (EUR 2,000m@13% EBITDA margin and a net income of EUR 140m). However, the numbers will ultimately depend on the size and profitability of the acquired assets, of course, which cannot be accurately forecasted by us.

P&L

Profit & Loss	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Revenue	504	882	991	1,123	1,255	1,342	1,096	1,253	1,715	1,968	2,086
% yoy	7.6%	75.1%	12.3%	13.3%	11.7%	6.9%	-18.3%	14.3%	36.9%	14.7%	6.0%
EBITDA	34	68	91	112	130	126	70	139	172	226	250
% of sales	6.8%	7.7%	9.1%	9.9%	10.4%	9.4%	6.4%	11.1%	10.0%	11.5%	12.0%
EBIT	24	42	62	62	69	63	-2	98	117	149	162
% of sales	4.8%	4.7%	6.2%	5.5%	5.5%	4.7%	-0.2%	7.8%	6.8%	7.6%	7.8%
Pretax Profit	20	35	56	54	61	54	-11	90	108	140	153
% of sales	4.0%	4.0%	5.7%	4.8%	4.8%	4.0%	-1.0%	7.2%	6.3%	7.1%	7.3%
Net Profit	15	23	45	49	56	48	232	78	87	113	123
% of sales	2.9%	2.6%	4.5%	4.4%	4.4%	3.6%	21.2%	6.2%	5.1%	5.7%	5.9%
EPS	0.33	0.43	0.70	0.74	0.85	0.75	3.66	1.22	1.37	1.77	1.93
% yoy	-8.9%	30.8%	61.3%	6.4%	14.8%	-11.9%	385.3%	-66.6%	12.2%	29.2%	9.1%
DPS	0.10	0.13	0.16	0.00	0.30	0.35	1.00	0.61	0.69	0.89	0.97
Payout ratio	30%	30%	23%	0%	35%	46%	27%	50%	50%	50%	50%

Source: KTN, Pareto Securities

The consensus estimates published by Factset obviously account for future acquisitions only to a minor extent. Expected margins for 2025 are at 11.4%, i.e., below the margin targets communicated by the company, too. Our reading remains that if KTN can deliver on its acquisitions plans and is able to manage the integration risks as well as in the past, there is still upgrade potential on the sell-side, with respective implications for the share price.

Pareto vs consensus

	2023e			2024e			2025e		
	Pareto	Cons.	Delta	Pareto	Cons.	Delta	Pareto	Cons.	Delta
Revenues	1,252.6	1,241.9	0.9%	1,715.2	1,460.1	17.5%	1,968.1	1,603.6	22.7%
EBITDA	139.0	134.5	3.3%	172.1	159.3	8.0%	225.7	184.9	22.0%
EBIT	98.0	91.6	6.9%	116.8	109.0	7.2%	149.3	130.3	14.6%
Net result	77.7	73.1	6.3%	87.2	87.5	-0.4%	112.6	104.5	7.8%
EPS	1.22	1.14	7.3%	1.37	1.37	0.1%	1.77	1.64	8.1%
EPS adj.	1.22	1.13	7.8%	1.37	1.36	0.9%	1.77	1.63	8.8%

Source: Factset, Pareto Securities

Valuation update

DCF

EUR m	Phase I					Phase II					Phase III
	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	
Revenues	1,253	1,715	1,968	2,086	2,211	2,333	2,450	2,560	2,662	2,755	
<i>growth rate</i>	14%	37%	15%	6%	6%	6%	5%	5%	4%	4%	
EBITDA	139	172	226	250	287	299	309	317	325	331	
<i>EBITDA margin</i>	11.1%	10.0%	11.5%	12.0%	13.0%	12.8%	12.6%	12.4%	12.2%	12.0%	
Depr. & Amort. (FA)	24	32	50	60	60	77	76	74	75	76	
<i>% of sales</i>	1.9%	1.9%	2.5%	2.9%	2.7%	3.3%	3.1%	2.9%	2.8%	2.8%	
Depr. & Amort. (RoU)	17	23	27	28	30	31	33	35	36	37	
<i>% of sales</i>	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	
EBIT	98	117	149	162	198	190	200	209	214	217	
<i>EBIT margin</i>	7.8%	6.8%	7.6%	7.8%	8.9%	8.2%	8.2%	8.2%	8.0%	7.9%	
Tax	(18)	(23)	(30)	(32)	(40)	(38)	(40)	(42)	(43)	(43)	
<i>Tax rate</i>	18%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
Capex	(36)	(50)	(57)	(60)	(64)	(68)	(71)	(74)	(77)	(80)	
<i>% of sales</i>	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
Acquisitions (ex NWC)	(64)	(119)	(72)	0	0	0	0	0	0	0	
<i>% of sales</i>	5.1%	7.0%	3.6%	0.0%	0.0%	1.5%	2.2%	2.5%	2.7%	9.0%	
Change in WC & P	(16)	(48)	(26)	(12)	(13)	(14)	(14)	(15)	(16)	(16)	
<i>% of sales</i>	1.3%	2.8%	1.3%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
Free Cash Flow	(13)	(92)	14	117	141	148	150	152	153	154	2,755
<i>growth rate</i>	nm	nm	nm	nm	21%	5%	2%	1%	1%	0%	3%
Present Value FCF	(12)	(83)	12	90	99	96	90	83	77	71	1,279

PV Phase I	106	Risk free rate	3.5%	Targ. equity ratio	95%			
PV Phase II	418	Premium Equity	5.0%	Beta	1.1			
PV Phase III	1,279	Premium Debt	1.5%	WACC	8.8%			
Enterprise value	1,802	Sensitivity	Growth in phase III					
- Net debt (cash)	118		2.0%	2.5%	3.0%	3.5%	4.0%	
- Pension provisions	-7	7.9%	30.6	32.7	35.2	38.3	42.1	
- Minorities & Peripherals	-2	8.3%	28.2	30.0	32.0	34.5	37.5	
- Leasing liabilities	-43	WACC	8.8%	30.6	27.6	29.3	31.3	33.8
- Paid-out dividends for last FY	-64	9.2%	24.3	25.6	27.0	28.7	30.7	
+ Outstanding purchase price	59	9.6%	22.7	23.8	25.0	26.4	28.1	
Equity value	1,864							
Number of shares (m)	63.6							
Value per share (€)	29.0							
Current Price (€)	20.3							
Upside	43%							

Source: Pareto Securities

Our DCF still indicates a price target of EUR 29, which translates into an upside of more than 40%. Please be aware that we book the estimated cash outflows for future acquisitions partially in the "Acquisition" column and partially as investments into net working capital (NWC), which consequently is included in the line "Change of WC & P".

EUR 59m of the purchasing price for the IT Service activities are still to be paid by Vinci in the next 12 months, which we add to the equity value.

As usual, we doublecheck our result by a SOTP approach by multiplying the average multiple of relevant peers with EUR 139m EBITDA that we expect for 2023. In contrast to the DCF approach, we need to deduct the EUR 71m that have been or will be paid for the 2023 acquisitions within the SOTP framework. As a result of this exercise, we arrive at a reassuring price level of EUR 33-34 per share. Taking KTN's margin disadvantage compared to Seco and Advantech into account, we think it is prudent to stick to the DCF-derived fair value. The recommendation thus remains "buy".

Significant re-rating potential

Division	EBITDA 2023e (mEUR)	Peers	EV/ EBITDA x	EV (m EUR)
IoT Business		139 <i>Advantech, Seco Spa</i>	15.4x	2,141
Enterprise value				2,141
- Net debt (cash)				118
- Pension provisions				-7
- Minorities & Peripherals				-2
- Leasing liabilities				-43
- Paid-out dividends for last FY				-64
+ Outstanding purchase price				59
- Payout for 2023 acquisitions				-71
Equity value				2,133
Number of shares (m)				63.6
Value per share (EUR)				33.5
Current Price (EUR)				20.3
Upside				66%

Source: Factset, Pareto Securities

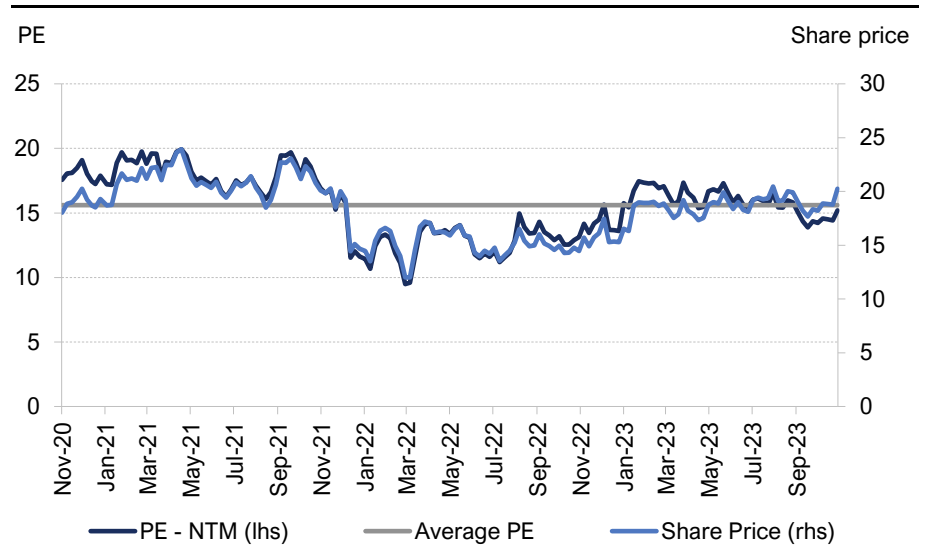
Peer multiples

Company	Country	Share price (EUR)	MV (m EUR)	Beta	P/E		EV/EBITDA		EV/EBIT		DY FY1	EBITDA margin	EBITDA/ Assets	
					FY1	FY2	FY1	FY2	FY1	FY2				
IoT														
Advantech Co., Ltd.	TAIWAN	345	8,530	1.1	26.8	25.0	20.8	18.6	22.5	20.2	2.8%	19.8%	21.4%	
SECO S.p.A.	ITALY	3.61	472	0.8	22.2	15.5	10.0	7.9	15.2	11.4	0.0%	18.3%	7.4%	
Median IoT					0.9	24.5	20.3	15.4	13.3	18.8	15.8	1.4%	19.0%	14.4%
Indizes														
TECDAX						18.8	16.5	9.2	8.4	14.7	13.1	2.2%		
CDAX						10.9	10.3	7.5	7.3	12.0	11.8	3.6%		
Kontron AG														
Kontron	GERMANY	20.6	1,362	0.9	17.8	14.8	9.3	7.9	13.7	11.5	2.6%	10.4%	12.4%	
Premium/ Discount KTN to ...														
IoT Peer Group						-27%	-27%	-39%	-41%	-27%	-27%	89%	-45%	-14%
TECDAX						-6%	-10%	1%	-6%	-6%	-12%	22%		
CDAX						63%	43%	25%	8%	14%	-2%	-26%		

Date 06.11.2023

Source: Factset, Pareto Securities

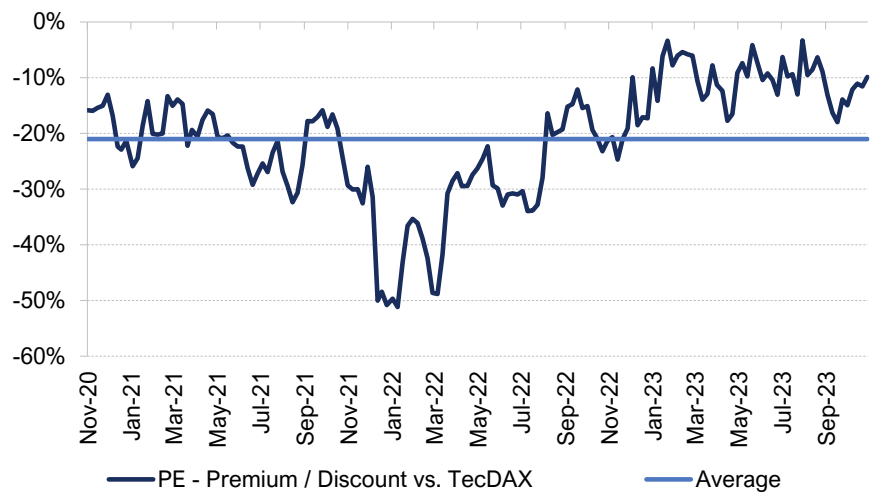
Historical PE (consensus-based)



Source: Factset, Pareto Securities




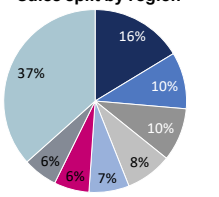
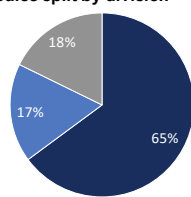
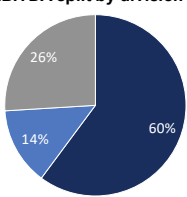
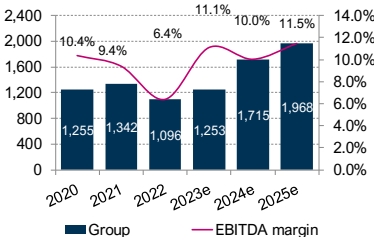
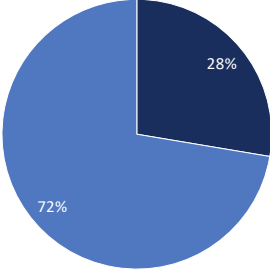
Kontron trades at a 12m forward PE multiple of ~15x. Excluding the net cash position, it is more around 12x, i.e., clearly below historical levels. Moreover, Kontron continues to trade at a discount to the TecDax, to which Kontron has been included this year. This also appears incompatible for one of the few European IoT pure plays with excellent growth prospects.

Discount vs. TecDAX



Source: Factset, Pareto Securities

At a glance

Business Units	Europe	Global	Software & Solutions	
				
Products/ applications	Contains the divisions Industrial IoT (industrial, medical, defense), ODM, Services (remaining IT Service activities in AT, HU and RO) and Communications (5G solutions).	Acts as sales channels for Industrial IoT Europe in the US and Asia, with proprietary solutions in avionics. Global supply chain hub in Taiwan.	Software: Supplies connectivity SW language for IOT grids. Transport: Supplies communication / data for high speed trains.	
Customers	Industrial: Dräger, Kuka, B&R Industrial Automation, Thales. ODM: TGW, Vector, Gorenje. Communications: DARS, TELEKOM SLOVENIJE, Railway Slovenia, Ukrtelecom	Americas: GE HC, Rockwell, Medtronic, Micron, Caterpillar, TK. Asia: Air China, GE, CRCC, FoxConn	Software: Infineon, Hauser, Zeiss. Transport: DB, SNCF, NRT.	
Market share/ positioning	Market leader in Europe for IoT solutions. Otherwise serving niche markets.	Serving niches markets.	European market leader in transport.	
Drivers	Strong demand for IoT solutions and 5G connectivity. ODM additionally driven by return of production from China	Recovery of avionics. Otherwise same as for Europe.	Early adoption of 5G connectivity. Roll-out of European solutions in US and China.	
Main competitors	Beckhoff, ABB, Seco and Eurotech in IoT. Bechtle, Cancom, and other IT services companies in IT Service.	Mercury, Curtiss Wright, Advantech and Adlink.	In Transport: Nokia, Huawei, Atos.	
Entry barriers/ competitive advantage	High market fragmentation. Limited economies of scale and the dominance of niche markets prevent big players from entering the IoT space. Kontron is in a privileged position through the technology and production collaboration with FoxConn / Ennoconn.			
Strategy & Guidance	Strategy: (I) Concentrate on IoT solutions, longer-term full exit from IT Service conceivable (II) Benefit from megatrends (increased device and machine connectivity, security/firewall requirements, outsourcing) (III) Increase the share of proprietary software in IoT solutions. (IV) Support growth by frequent acquisitions, esp. turnarounds at low multiples.		Revenues: y/y EBITDA margin Guidance (11/2023) EUR 1,200m 9.5% EUR 132m 11.0% PASE EUR 1,253m 17.4% EUR 139m 11.1% Consensus EUR 1,242m 13.3% EUR 135m 10.8%	
2022	Sales (EURm) 1,096 y/y	EBITDA (EURm) 70 Margin 6.4%	EBIT adj. (EURm) -2 Margin -0.2%	Sales 5Y hist. CAGR 4%
Sales & EBIT Split	   			
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, CCO Clemens Billek CFO, CCO (since 2022) • Clemens Billek is responsible for the topics law, compliance, internal audit, risk management and corporate governance. He started his career at the stock exchange supervisory authority in the Austrian Takeover Commission (later returning as head of the office) and at an international investment bank. Clemens Billek has extensive professional experience in the fields of compliance, legal and IR at listed companies and in the field of digitalization respectively as the founder of a telemedicine platform.	Shareholder structure  ■ Ennoconn Corp. ■ Free Float	
# of employees FY 2022	4,475			

Source: Company, Pareto Securities

PROFIT & LOSS (fiscal year) (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Revenues	991	1,123	1,255	1,342	1,096	1,253	1,715	1,968
EBITDA	91	112	130	126	70	139	172	226
Depreciation & amortisation	(29)	(50)	(62)	(64)	(72)	(41)	(55)	(76)
EBIT	62	62	68	63	(2)	98	117	149
Net interest	(5)	(8)	(8)	(8)	(9)	(8)	(8)	(9)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	56	54	61	54	(11)	90	108	140
Taxes	(8)	(5)	(6)	(5)	(2)	(16)	(22)	(28)
Minority interest	(3)	(0)	1	(1)	1	1	1	1
Net profit	45	49	56	48	232	78	87	113
EPS reported	0.70	0.74	0.85	0.75	3.66	1.22	1.37	1.77
EPS adjusted	0.70	0.74	0.85	0.75	3.66	1.22	1.37	1.77
DPS	0.16	-	0.30	0.35	1.00	0.61	0.69	0.89
BALANCE SHEET (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Tangible non current assets	37	38	80	86	65	99	172	213
Other non-current assets	273	392	403	424	493	495	558	596
Other current assets	366	483	481	545	445	493	637	716
Cash & equivalents	172	312	282	297	438	375	238	201
Total assets	848	1,226	1,247	1,352	1,441	1,462	1,605	1,726
Total equity	367	385	409	423	636	649	697	765
Interest-bearing non-current debt	113	283	262	311	320	320	320	320
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	366	549	565	608	479	486	582	634
Total liabilities & equity	848	1,226	1,247	1,352	1,441	1,462	1,605	1,726
CASH FLOW (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Cash earnings	48	82	112	84	(0)	101	119	162
Change in working capital	(12)	2	29	12	45	(16)	(48)	(26)
Cash flow from investments	(63)	(56)	(77)	(66)	144	(84)	(169)	(129)
Cash flow from financing	(21)	84	(66)	(20)	(91)	(64)	(39)	(44)
Net cash flow	(45)	141	(30)	15	141	(63)	(137)	(37)
VALUATION (EURm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Share price (EUR end)	15.8	21.3	19.3	14.7	15.3	20.6	20.6	20.6
Number of shares end period	66	66	65	64	64	64	64	64
Net interest bearing debt	(58)	(30)	(20)	14	(118)	(56)	82	119
Enterprise value	998	1,385	1,232	951	856	1,253	1,390	1,426
EV/Sales	1.0	1.2	1.0	0.7	0.8	1.0	0.8	0.7
EV/EBITDA	11.0	12.4	9.5	7.5	12.2	9.0	8.1	6.3
EV/EBIT	16.2	22.4	18.0	15.2	-	12.8	11.9	9.6
P/E reported	22.6	28.6	22.6	19.5	4.2	16.8	15.0	11.6
P/E adjusted	22.6	28.6	22.6	19.5	4.2	16.8	15.0	11.6
P/B	2.9	3.8	3.1	2.2	1.5	2.0	1.9	1.7
FINANCIAL ANALYSIS	2018	2019	2020	2021	2022	2023e	2024e	2025e
ROE adjusted (%)	12.9	13.1	14.0	11.6	43.9	12.1	13.0	15.4
Dividend yield (%)	1.0	-	1.6	2.4	6.5	3.0	3.3	4.3
EBITDA margin (%)	9.1	9.9	10.4	9.4	6.4	11.1	10.0	11.5
EBIT margin (%)	6.2	5.5	5.4	4.7	-	7.8	6.8	7.6
NIBD/EBITDA	(0.64)	(0.26)	(0.16)	0.11	(1.69)	(0.40)	0.48	0.53
EBITDA/Net interest	17.56	14.54	16.89	15.02	8.14	17.34	20.44	24.89

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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 %
Austevoll Seafood	1,052,265	0.52 %
Bonheur	243,588	0.57 %
Pareto Bank	16,119,470	23.08 %
Pexip Holding	812,095	0.78 %
Sparebank 1 Nord-Norge	5,006,421	4.99 %
Sparebank 1 SMN	2,944,385	2.27 %
Sparebank 1 SR-Bank	2,439,627	0.95 %
SpareBank 1 Østfold Akerhus	1,228,074	9.91 %
SpareBank 1 Østlandet	6,990,591	6.58 %
Sparebanken Møre	426,833	0.86 %
Sparebanken Vest	8,797,550	8.02 %
SpareBank 1 Sør-øst-Norge	2,760,852	4.38 %

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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
2020 Bulkers		534
2G Energy		340
ABB Ltd.		580
Adevinta		19,000
Aker ASA	500	1,377
Aker BP		11,820
Aker Carbon Capture		8,976
Aker Horizons		502,071
AMSC ASA		3,600
Aprila Bank		22,675
Austevoll Seafood		3,548
Bakkafrost		600
BB Biotech		460
Belships		20,000
Biolinvent		15,000
BlueNord		1,000
Bonheur		30,718
Borrregaard ASA		518
Bouvet		5,500
BW Energy		83,427
BW Offshore		3,000
Cloudberry Clean Energy		8,690
Cool Company		5,305
Crayon		6,042
Dermapharm Holding SE		750
DNB		17,235
DNO		72,361
Edda Wind		5,000
Elkem		59,520
Elmera Group ASA		36,565

Company	Analyst holdings*	Total holdings
Embracer Group		32,520
Encavis AG		630
Eneti		525
Equinor		5,336
Europris		17,868
Evolution		52
Flex LNG		595
Frontline		12,820
Gaming Innovation Group		10,000
Gelinge		260
GFT Technologies		270
Gjensidige Forsikring	519	3,540
Greg Seafood		13,201
Hallma Ltd.		82,050
HydrogenPro		3,622
Høegh Autoliners		10,923
International Petroleum Corp		7,786
Kahoot		1,918
Kambi Group plc		430
Kinnvik AB		495
Kitron		12,314
Kongsberg Gruppen		490
Kontron AG		350
Leabank		16,355
Leroy Seafood Group		114,350
Morrow Bank		121,200
Mowi		9,512
MPC Container Ships		7,190
Multitude		2,443
Mutar es SE & Co. KGaA		433
NorAm Drilling		6,883
NORBIT ASA		1,154
Nordic Semiconductor		10,277
Norsk Hydro		77,351
Norske Skog		85,606
Northern Ocean		8,400
Norwegian Air Shuttle		64,009
Odyssey Drilling		2,186
Okeanis Eco Tankers		7,340
Orkla		7,626
Otovo ASA		35,400
Panoro Energy		34,533
Pareto Bank		762,986
Petro-Tal		74,000
Pexip Holding		812,095
Protector Forsikring		9,436
PSI Software		300
QleanAir		3,498
Quantafuel		16,665
REC Silicon		32,539
SalMar		224
Sandnes Sparebank		2,500
Scatec		20,129
Seadrill Ltd		10,300
Sem Offshore		2,000
Solstad Offshore		124,000
Sparebank 1 Nord-Norge	725	744
Sparebank 1 SMN		6,023
Sparebank 1 SR-Bank		6,797
SpareBank 1 Sør-øst-Norge		3,000
SpareBank 1 Østlandet	1,100	1,100
Sparebanken Møre		1,080
Sparebanken Sør		15,000
Sparebanken Vest		966
Standard Supply		20,000
Stolt-Nielsen		3,500
Stora Enso		1,396
Storbrand	100	2,600
Stor tytel		17,115
Subsea 7		20,805
Telenor		3,833
TGS		10,595
Thule Group		350
Transeocean		10,000
Valaris		3,100
Vestas Wind Systems		1,225
Viscom		1,300
Var Energi		253,158
Yara		17,674
Zaptec		19,800

This overview is updated monthly (last updated 17.10.2023).

*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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AMSC ASA	Scala Etendom
APK AG	Seacrest Petroleum
Ar cher	Shamar an Petroleum
Austevoll Seafood	Skandia GreenPower
Beer enberg Services AS	Standard Supply
Benchmark Holdings	Tasik Toba Subsea AS
BlueNord	Treasur e ASA
Bluewater Holding	Vantage Drilling International
Bonheur ASA	Viking Venture e 28 AS
Bor r Drilling	Waldorf Production Ltd.
Cabonline Group Holding	Wattif EV
Cadeler	wheel.me
CCS Finansiering AS	Ziton A/S
CEMASys AS	
CERAFILTEC	
Clemens Kraft AS	
COOL Company	
DEAG Deutsche Entertainment AG	
Delignit	
Desert Contr ol AS	
DOF	
Dolphin Drilling	
Edda Wind	
EDR Certified Origin Physical Gold Plc	
Eidesvik Offshore	
EIK Servicing AS	
Endur ASA	
Energ y Drilling Pte. Ltd.	
Fiberbia Corporate S.L.U.	
First Camp Group	
Fishbase Group AS	
Floatel	
Freidkstad Energi AS	
Frøy ASA	
Gjensidige Forsikring ASA	
Golar LNG	
Golden Energy Offshore Services AS	
Grøntvedt AS	
Hafnia Ltd.	
Hertha BSC GmbH & Co. KGaA	
House of Control	
HydrogenPro	
HÖRMANN Industries GmbH	
Idavang A/S	
Instabank ASA	
International Petroleum Corp. ("IPC")	
Katjes International GmbH & Co	
Kezzler AS	
Klavens Combination Carriers ASA	
KMC Properties	
Kraft Bank	
Kron AS	
Krow Bido AS	
Krusse Smith	
LoneStar Group	
Maha Energy	
Mime Petroleum	
Mintra Group	
Morrow Bank	
Mutar es SE & Co. KGaA	
NEXT Biometrics Group ASA	
Nor Am Drilling	
Nordic Unmanned	
Norlandia Health & Care Group	
Norse Atlantic	
Northern Ocean	
OKEA	
Pareto Bank	
PGS	
PHM Group Holding	
Point Resources Holding AS	
Profas e	
Proximar Seafood	
PulPac AB	
Quality Living Residential AS	
ReFuels	

This overview is updated monthly (this overview is for the period 01.10.2022 – 30.09.2023).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buy	74%
Hold	25%
Sell	1%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	93%
Hold	7%
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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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	Renewcell AB
Adtraction Group AB	Hanza AB	Xbrane Biopharma AB
Artificial Solutions International AB	Hexicon AB	Xspray Pharma AB
Azelio AB	Linkfire A/S	Vicore Pharma Holding AB
Boule Diagnostics AB	Media & Games Invest plc	VNV Global AB
Cibus Nordic Real Estate AB	NGEX Miner als Ltd	

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:

Adtraction AB	Media & Games Invest plc.	Sedana Medical AB
Implantica AG	Mentice AB	Signup Software AB
Linkfire	Modelon AB	VEF
Lundin Gold		

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	Hallsell Property Invest AB	Målaråsen AB
Backaheden Fastighets AB	Korsängen Fastighets AB (publ)	One Public Fastighets AB
Bonäsudden Holding AB (publ)	Krona Public Real Estate AB	Origa Care AB (publ)
Borglunda Fastighets AB	Logistri Fastighets AB	Præservium Property AB
Fleming Properties 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 16.10.2023).

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	IVU Traffic AG	Pr yme B.V.
ad pepper media International N.V.	Kontron AG	PSI AG
Biotech AG	Leifheit AG	Pyrum Innovations AG
Biotech AG Pf.d.	Logwin AG	Salmones Camanchaca S.A.
Cor estate Capital Holding S.A.	manz AG	Seven Principles AG
Daldrup & Söhne AG	MAX Automation SE	SHOP APOTHEKE EUROPE N.V.
DEMIRE AG	Mer kur Privatbank AG	SMT Schar f AG
DF Deutsche Forfait AG	Meta Wolf AG	Surteco AG
epigenomics AG	MPL SE	Szygyy AG
Foris 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	OVB Holding AG	Viscom AG
Heidelber g Pharma AG	ProCredit Holding AG	WPU - Waste Plastic Upcycling AS
INTERSHOP Communications AG	Progress-Werk Oberkirch AG	

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	Expr es2ion Biotech Holding AB	MLP SE
BayWa AG	Gesco AG	Mutar es SE & Co. KGaA
BB Biotech AG	GFT Technologies SE	Mynaric AG
Biotech AG	Gigaset AG	OHB SE
Biotech AG Pf.d.	Heidelber g Pharma AG	ProCredit Holding AG
Ciq Digital	Hypoport SE	Progress-Werk Oberkirch AG
Daldrup & Söhne AG	INTERSHOP Communications AG	PSI AG
Delignit	Kontron AG	Sieglfried Holding AG
Der mapham Holding SE	Leifheit AG	SMT Schar f AG
Enapter AG	Logwin AG	Surteco AG
epigenomics AG	MAX Automation SE	Szygyy AG
exceed Group	Mer kur Privatbank AG	Viscom AG

This overview is updated monthly (last updated 16.10.2023).