

## Waiting for the “gamechanger” acquisitions

After a soft 2022 result which was impacted by a number of one-offs, Kontron gave an upbeat outlook for 2023, which implies an EBITDA rise of ~90% over the (depressed) result in 2022. Given that this guidance and the change of Kontron to one of the rare European IoT pure plays has been largely ignored by analysts and investors so far, we continue to see strong re-rating potential. Buy, TP EUR 28.

### 2022 result soft, outlook upbeat

The full year result from continuing operations for 2022 was a bit soft due to a number of one-offs. Notwithstanding, the price received from the disposal of the largest part of the IT Service segment was in-line with the previous communication and the outlook provided by the company was upbeat: Including the first of several expected “gamechanger” acquisitions, Kontron expects revenues of EUR 1,200m and an EBITDA margin of 11%, which implies an EBITDA rise of ~90% over the (depressed) result in 2022.

### Strong re-rating potential

These imminent acquisitions have so far not been integrated into consensus estimates published by Factset. Our reading is that if KTN can actually deliver on its promises and expected KPIs, there will be huge upgrade potential on the sell-side, with respective implications for the share price.

### Undemanding valuation

Kontron continues to trade on a PE multiple of 16x. Excluding the net cash position, it is more around 14.5x, i.e. clearly below historical levels, that were already not particularly ambitious. Moreover, Kontron continues to trade at a clear discount to the TecDax, which also appears to be on the cheap side for one of the few European IoT pure plays. We stick to our DCF derive price target of EUR 28 and re-iterate our buy rating.

EURm	2021	2022	2023e	2024e	2025e
Revenues	1,342	1,096	1,287	1,739	1,993
EBITDA	126	70	142	209	259
EBIT	63	(2)	92	132	161
EPS	0.75	3.66	1.09	1.56	1.91
EPS adj	0.75	3.66	1.09	1.56	1.91
DPS	0.35	1.00	0.55	0.78	0.96
EV/EBITDA	7.5	12.2	8.0	5.9	4.8
EV/EBIT	15.2	-	12.2	9.3	7.7
P/E adj	19.5	4.2	15.9	11.1	9.1
P/B	2.23	1.53	1.73	1.57	1.42
ROE (%)	11.7	44.2	10.9	14.8	16.4
Div yield (%)	2.4	6.5	3.1	4.5	5.5
Net debt	14	(118)	21	120	132

Source: Pareto Securities

Target price (EUR)	28	▲	BUY
Share price (EUR)	17	—	HOLD
		▼	SELL

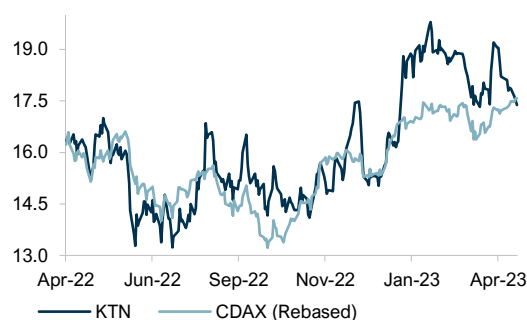
### Forecast changes

%	2023e	2024e	2025e
Revenues	(27)	(12)	NM
EBITDA	(20)	1	NM
EBIT adj	(21)	0	NM
EPS reported	(19)	3	NM
EPS adj	(19)	3	NM

Source: Pareto Securities

Ticker	KTN.DE, KTN GY
Sector	Hardware & Equipment
Shares fully diluted (m)	63.6
Market cap (EURm)	1,105
Net debt (EURm)	21
Minority interests (EURm)	1
Enterprise value 23e (EURm)	1,127
Free float (%)	0

### Performance



Source: FactSet

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## Wrap up 2022 results

### Overview 2022 (2021 numbers adjusted) – continuing operations

Kontron AG (EURm)	2021	Actual 2022	yoy (%)
<b>Revenues</b>	<b>992</b>	<b>1,096</b>	<b>11</b>
IT Services	227	230	1
IoT Solutions Europe	814	908	12
IoT Solutions America	115	147	27
Internal revenues	-165	-189	15
<b>EBITDA (before one-offs)</b>	<b>90</b>	<b>70</b>	<b>-22</b>
<i>margin</i>	9.1%	6.4%	-270 bps
IT Services	24	14	-40
IoT Solutions Europe	67	58	-13
IoT Solutions America	-1	-3	99
<b>Net Income</b>	<b>30</b>	<b>232.5</b>	<b>663</b>
<i>margin</i>	3.1%	21.2%	1814 bps
<b>EPS</b>	<b>0.48</b>	<b>3.66</b>	<b>663</b>

Source: KTN, Pareto Securities

Kontron published full year numbers that were a bit tough to benchmark due to the partial sale of the IT service business and some changes in the reporting. However, the “old” Kontron achieved revenues of EUR 1,484m and an operating EBITDA of EUR 150m, which was bang in line with the guidance given throughout the year. The book gain from the sale was at EUR 189.9m (included in the net income above), exceeding the “at least EUR 160m” number that have been guided in January 2023. Also, the dividend of EUR 1 for 2022 was confirmed.

We note that EBITDA for all continuing operations was down yoy to EUR 70m. For IoT solutions Europe, it was down 13% to EUR 58m. IoT Solutions America remained in the red despite good top line growth. For both IoT solutions segments, this was due to “one-off effects and impairments”, according to the fiscal year report. During the analyst call, KTN pointed to a write down of intangibles by EUR 60m (EUR 30m goodwill, EUR 30m capitalized R&D) in the context of the downsizing of Russian activities and the sale of large parts of the IT Services business. KTN announced that the IT Service business in Moldova will also be sold in 2023, but the remaining segment entities in Austria, Romania and Hungary) will stay in the group.

IT Service EBITDA from these continuing operations were down 40% from EUR 24.0m to EUR 14.4m. This was due to one-off costs from the “focus” divestment, especially additional legal and consulting costs as well as salary bonuses. The order book in the IoT areas rose to EUR 1,459m in the 2022 financial year (2021: EUR 1,160 m), which corresponds to a book-to-bill of 1.28. This includes overdue orders of EUR 96m in 2023; a topic that will be largely resolved in 2023, as the prices for chips caused by supply chain problems are expected to normalize, we understand.

A big topic during the call was the new company guidance that was provided on several P&L levels. We understand that the main guidance for 2023 (2025) points at revenues of EUR 1,200m (EUR 2,000m), an EBITDA margin of at least of 11% (13%) and a net profit of EUR 66m (EUR 140m). This includes the expectation to acquire EUR 250m in revenues in both 2023 and 2024 and another EUR 150m in 2025, which has already been announced before. To deliver on these targets in the current year, KTN expects to close two deals.

Moreover, KTN aspires to be a “10-10-10” company: 10% growth, 10% EBIT margin and a 10% operating CF margin. Moreover, S&T has revealed EBITDA margin targets for the newly created segments. “Europe” shall earn 11%, “Global” 8% and “Software and Solutions” 15%. We understand that these objectives are longer term ambitions but not as concrete as the aforementioned group targets. An important message was that IoT Americas, which is now part of the segment “Global” and was loss making in the last couple of years, is expected to recover due to a revival of the avionics business, which has received orders worth c. EUR 30m.

## Estimates update

Our model implies that KTN will deliver on its M&A guidance and will acquire revenues of EUR 250m in both 2023 and 2024 and EUR 150m in 2026. As we are already approaching the end of April, we expect only 50% of these deal-related revenues for the current year to be consolidated in 2023, i.e., the 2<sup>nd</sup> half of the year, and the remainder in 2024. With view to KTN's positive M&A track record, we presume the EV / Sales multiple to be 0.6x, even though we believe that it won't be easy to acquire at these low prices in the field of IoT. Moreover, we continue to expect 6% organic growth p.a. and an EBITDA margin of 11% in 2023, that should creep up to 13% in 2025, in-line with the company guidance.

Furthermore, we expect a largely unchanged tax rate, as the decreasing share of low-taxed Eastern Europe business is compensated by a higher amount of tax assets. Lastly, we expect a 50% pay-out ratio, in-line with KTN's announcement.

In total, we arrive at the P&L depicted below. We are a bit above the company guidance for 2023 and in-line for 2025, but final numbers will be heavily influenced by the announced gamechanger acquisitions, of course, which cannot be accurately forecasted by us.

### P&L

Profit & Loss	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
<b>Revenue</b>	504	882	991	1,123	1,255	1,342	1,096	1,287	1,739	1,993	2,113
% yoy	7.6%	75.1%	12.3%	13.3%	11.7%	6.9%	-18.3%	17.4%	35.1%	14.6%	6.0%
<b>EBITDA</b>	34	68	91	112	130	126	70	142	209	259	275
% of sales	6.8%	7.7%	9.1%	9.9%	10.4%	9.4%	6.4%	11.0%	12.0%	13.0%	13.0%
<b>EBIT</b>	24	42	62	62	69	63	-2	92	133	161	166
% of sales	4.8%	4.7%	6.2%	5.5%	5.5%	4.7%	-0.2%	7.2%	7.6%	8.1%	7.9%
<b>Pretax Profit</b>	20	35	56	54	61	54	-11	84	124	151	157
% of sales	4.0%	4.0%	5.7%	4.8%	4.8%	4.0%	-1.0%	6.5%	7.1%	7.6%	7.4%
<b>Net Profit</b>	15	23	45	49	56	48	232	69	99	122	126
% of sales	2.9%	2.6%	4.5%	4.4%	4.4%	3.6%	21.2%	5.4%	5.7%	6.1%	6.0%
<b>EPS</b>	0.33	0.43	0.70	0.74	0.85	0.75	3.66	1.09	1.56	1.91	1.98
% yoy	-8.9%	30.8%	61.3%	6.4%	14.8%	-11.9%	385.3%	-70.1%	43.3%	22.2%	3.6%
<b>DPS</b>	0.10	0.13	0.16	0.00	0.30	0.35	1.00	0.55	0.78	0.96	0.99
Payout ratio	30%	30%	23%	0%	35%	46%	27%	50%	50%	50%	50%

Source: KTN, Pareto Securities

The consensus estimates published by Factset are obviously ex acquisitions but are also slightly below the margin targets communicated by the company. For example, consensus expects a margin of below 11% for 2025, while KTN guides for 13%. Our reading is that if KTN can actually deliver on its promises, there is huge 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
<b>Revenues</b>	1,286.9	1,195.4	7.6%	1,739.1	1,292.9	34.5%	1,993.4	1,406.1	41.8%
<b>EBITDA</b>	141.6	126.8	11.7%	208.7	144.9	44.0%	259.1	156.3	65.8%
<b>EBIT</b>	92.3	80.7	14.3%	132.6	95.8	38.4%	160.7	104.1	54.4%
<b>Net result</b>	69.4	66.0	5.2%	99.5	78.1	27.3%	121.6	89.9	35.2%
<b>EPS</b>	1.09	1.05	4.1%	1.56	1.24	26.3%	1.91	1.40	36.3%
<b>EPS adj.</b>	1.09	1.05	4.1%	1.56	1.24	26.3%	1.91	1.40	36.2%

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	
<b>Revenues</b>	<b>1,287</b>	<b>1,739</b>	<b>1,993</b>	<b>2,113</b>	<b>2,240</b>	<b>2,363</b>	<b>2,481</b>	<b>2,593</b>	<b>2,697</b>	<b>2,791</b>	
<i>growth rate</i>	17%	35%	15%	6%	6%	6%	5%	5%	4%	4%	
<b>EBITDA</b>	<b>142</b>	<b>209</b>	<b>259</b>	<b>275</b>	<b>291</b>	<b>302</b>	<b>313</b>	<b>322</b>	<b>329</b>	<b>335</b>	
<i>EBITDA margin</i>	11.0%	12.0%	13.0%	13.0%	13.0%	12.8%	12.6%	12.4%	12.2%	12.0%	
<b>Depr. &amp; Amort. (FA)</b>	<b>32</b>	<b>53</b>	<b>72</b>	<b>81</b>	<b>76</b>	<b>78</b>	<b>77</b>	<b>75</b>	<b>76</b>	<b>77</b>	
<i>% of sales</i>	2.5%	3.1%	3.6%	3.8%	3.4%	3.3%	3.1%	2.9%	2.8%	2.8%	
<b>Depr. &amp; Amort. (RoU)</b>	<b>17</b>	<b>23</b>	<b>26</b>	<b>28</b>	<b>29</b>	<b>31</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>37</b>	
<i>% of sales</i>	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	
<b>EBIT</b>	<b>92</b>	<b>133</b>	<b>161</b>	<b>166</b>	<b>186</b>	<b>193</b>	<b>203</b>	<b>212</b>	<b>217</b>	<b>221</b>	
<i>EBIT margin</i>	7.2%	7.6%	8.1%	7.9%	8.3%	8.2%	8.2%	8.2%	8.1%	7.9%	
<b>Tax</b>	<b>(17)</b>	<b>(27)</b>	<b>(32)</b>	<b>(33)</b>	<b>(37)</b>	<b>(39)</b>	<b>(41)</b>	<b>(42)</b>	<b>(43)</b>	<b>(44)</b>	
<i>Tax rate</i>	18%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
<b>Capex</b>	<b>(37)</b>	<b>(50)</b>	<b>(58)</b>	<b>(61)</b>	<b>(65)</b>	<b>(69)</b>	<b>(72)</b>	<b>(75)</b>	<b>(78)</b>	<b>(81)</b>	
<i>% of sales</i>	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
<b>Acquisitions (ex NWC)</b>	<b>(119)</b>	<b>(119)</b>	<b>(72)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<i>% of sales</i>	9.3%	6.9%	3.6%	0.0%	0.0%	1.5%	2.2%	2.5%	2.7%	8.9%	
<b>Change in WC &amp; P</b>	<b>(20)</b>	<b>(47)</b>	<b>(27)</b>	<b>(12)</b>	<b>(13)</b>	<b>(14)</b>	<b>(15)</b>	<b>(15)</b>	<b>(16)</b>	<b>(16)</b>	
<i>% of sales</i>	1.5%	2.7%	1.3%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
<b>Free Cash Flow</b>	<b>(68)</b>	<b>(58)</b>	<b>45</b>	<b>140</b>	<b>146</b>	<b>150</b>	<b>153</b>	<b>154</b>	<b>156</b>	<b>157</b>	<b>2,734</b>
<i>growth rate</i>	nm	(16)%	nm	nm	5%	3%	2%	1%	1%	0%	3%
<b>Present Value FCF</b>	<b>(64)</b>	<b>(50)</b>	<b>36</b>	<b>102</b>	<b>98</b>	<b>92</b>	<b>86</b>	<b>80</b>	<b>74</b>	<b>69</b>	<b>1,196</b>

<b>PV Phase I</b>	<b>122</b>	<b>Risk free rate</b>	3.5%	<b>Targ. equity ratio</b>	100%
<b>PV Phase II</b>	<b>402</b>	<b>Premium Equity</b>	5.0%	<b>Beta</b>	1.1
<b>PV Phase III</b>	<b>1,196</b>	<b>Premium Debt</b>	2.5%	<b>WACC</b>	8.9%

Enterprise value	1,719	Sensitivity	Growth in phase III				
			2.0%	2.5%	3.0%	3.5%	4.0%
- Net debt (cash)	-118						
- Pension provisions	7	8.0%	29.6	31.5	33.8	36.6	40.0
- Minorities & Peripherals	2	8.5%	27.2	28.8	30.7	32.9	35.7
- Leasing liabilities	43	WACC	29.6	26.5	28.1	29.9	32.1
- Paid-out dividends for last FY	0	9.3%	23.4	24.5	25.8	27.4	29.2
+/- Other EV items	0	9.8%	21.8	22.8	23.9	25.2	26.7

<b>Equity value</b>	<b>1,786</b>
<b>Number of shares (m)</b>	<b>63.6</b>
<b>Value per share (€)</b>	<b>28.0</b>
<b>Current Price (€)</b>	<b>17.4</b>
<b>Upside</b>	<b>61%</b>

Source: Pareto Securities

Our DCF still indicates a price target of EUR 28, which translates into an upside of close to 60%. Please be aware that we book the expected 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".

We double check our result by a SOTP approach. The IoT business and the remaining IT Service activities are valued by using the average multiple of relevant peers. This is multiplied by EBITDA numbers that we would roughly expect for the two segments for 2023 if there were no acquisitions. For the IT Service business, we employ a small discount to the average market multiple, as we believe the higher quality part of the segment has been bought by Vinci, indicated by a margin level above the segment average.

As a result, we arrive at a re-assuring price level of EUR 32 per share, i.e. a notch above our DCF-derived fair value. The recommendation thus remains "buy".

In 2023, the focus of investors will most likely be on the terms of the announced "gamechanger" IoT deal(s), especially on price, quality and strategic fit, we believe.

### Significant re-rating potential

Division	EBITDA 2023e (mEUR)	Peers	EV/ EBITDA x	EV (m EUR)
Remaining IT Service Business	~26	IT Service peers	7.0x	182
IoT Business	~102	Advantech, Seco Spa	16.0x	1,754
<b>Enterprise value</b>				<b>1,936</b>
- Net debt (cash)				-118
- Pension provisions				7
- Minorities & Peripherals				2
- Leasing liabilities				43
- Paid-out dividends for last FY				0
+/- Other EV items				0
<b>Equity value</b>				<b>2,003</b>
<b>Number of shares (m)</b>				<b>63.6</b>
<b>Value per share (EUR)</b>				<b>31.5</b>
<b>Current Price (EUR)</b>				<b>17.4</b>
<b>Upside</b>				<b>81%</b>

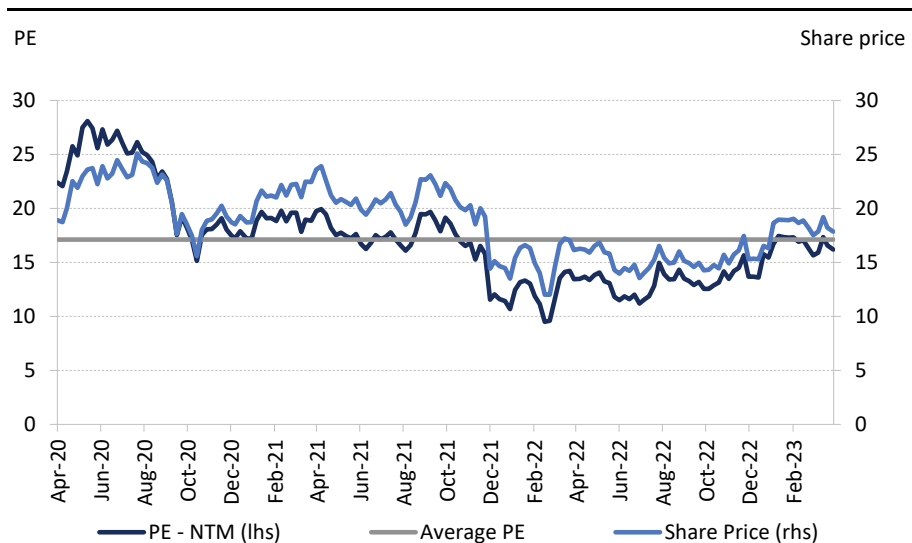
Source: Factset, Pareto Securities

### 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				
<b>IoT</b>														
Advantech Co., Ltd.	TAIWAN	367	8,523	0.9	26.3	23.9	19.1	17.5	20.8	18.8	2.8%	0.6%	0.7%	
SECO S.p.A.	ITALY	5	600	0.6	23.0	15.5	12.9	9.7	18.3	13.0	0.0%	18.3%	7.4%	
<b>Median IoT</b>					<b>0.8</b>	<b>24.7</b>	<b>19.7</b>	<b>16.0</b>	<b>13.6</b>	<b>19.6</b>	<b>15.9</b>	<b>1.4%</b>	<b>9.5%</b>	<b>4.0%</b>
<b>IT Service Germany</b>														
adesso SE	GERMANY	137.2	893	1.4	21.9	17.7	9.6	8.1	16.9	13.7	0.5%	8.2%	10.5%	
All for One Group SE	GERMANY	41.6	207	0.4	14.1	12.9	5.1	4.7	10.3	9.0	3.8%	9.4%	12.5%	
Bechtle AG	GERMANY	41.8	5,263	1.4	20.0	18.4	11.3	10.5	14.7	13.5	1.6%	7.2%	12.2%	
CANCOM SE	GERMANY	30.2	1,067	1.5	22.5	19.0	7.0	6.2	11.4	9.7	3.3%	7.5%	7.4%	
Canit AG	GERMANY	14.5	121	0.5	22.0	14.4	8.0	6.4	14.4	9.8	3.4%	7.2%	9.2%	
Datagroup SE	GERMANY	66.6	556	0.9	17.4	15.5	8.3	7.7	13.8	12.5	1.9%	14.2%	13.7%	
GFT Technologies SE	GERMANY	35.4	932	1.6	17.6	14.6	9.8	8.4	12.9	10.7	1.4%	10.2%	14.8%	
KPS AG	GERMANY	3.50	131	0.4	11.9	10.5	7.1	6.6	9.9	8.9	5.9%	12.1%	13.5%	
PSI Software AG	GERMANY	27.9	438	0.8	23.9	18.8	10.9	9.3	16.9	13.4	1.7%	10.1%	9.2%	
<b>Median IT Service Germany</b>					<b>0.9</b>	<b>20.0</b>	<b>15.5</b>	<b>8.3</b>	<b>7.7</b>	<b>13.8</b>	<b>10.7</b>	<b>1.9%</b>	<b>9.4%</b>	<b>12.2%</b>

Source: Factset, Pareto Securities

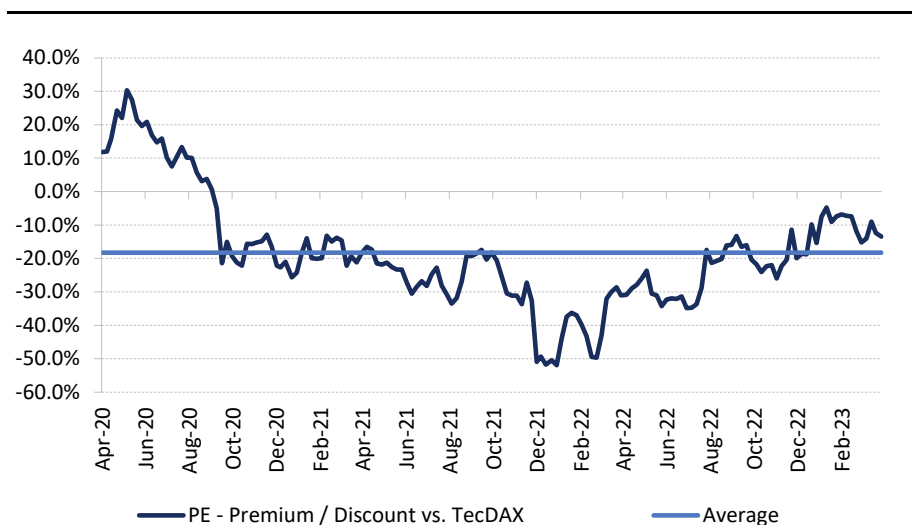
**Historical PE (consensus-based)**



Source: Factset, Pareto Securities




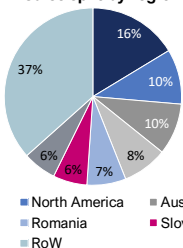
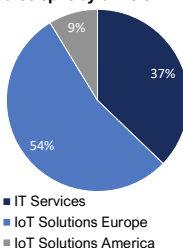
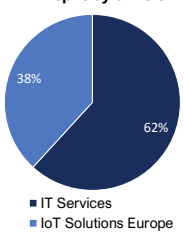
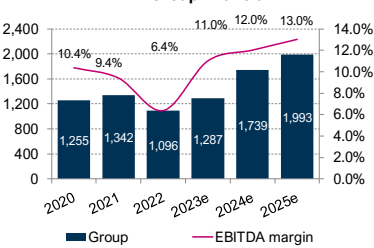


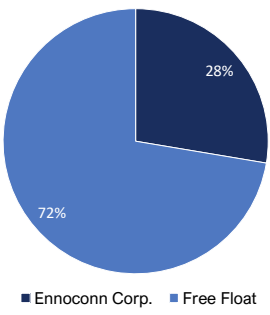
Kontron continues to trade on a PE multiple of 16x. Excluding the net cash position, it is more around 14.5x, i.e. clearly below historical levels, that were already not particularly ambitious. Moreover, Kontron continues to trade at a clear discount to the TecDax, which also appears cheap for one the few European IoT pure plays.

**Premium vs. TecDAX**



Source: Factset, Pareto Securities

KTN at a glance

Business Units	Europe	Global	Software & Solutions		
Products/ applications					
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	<b>Strategy:</b> (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: EUR 1,200m y/y 9.5% EBITDA margin 11.0%	Guidance (03/2023) EUR 1,287m PAsE 17.4% EUR 142m 11.1% Consensus EUR 1,195m 9.1% EUR 127m 10.6%	
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	<b>Sales split by region</b> 		<b>Sales split by division</b> 	<b>EBITDA split by division</b> 	<b>Group financial</b> 
Shareholder structure & management	<b>CEO</b>  <b>Hannes Niederhauser</b> 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.	<b>CFO, CCO</b>  <b>Clemens Billek</b> 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.	<b>Shareholder structure</b> 		
# of employees FY 2022	4,475				

Source: Company, Pareto Securities



<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Revenues</b>	<b>991</b>	<b>1,123</b>	<b>1,255</b>	<b>1,342</b>	<b>1,096</b>	<b>1,287</b>	<b>1,739</b>	<b>1,993</b>
<b>EBITDA</b>	<b>91</b>	<b>112</b>	<b>130</b>	<b>126</b>	<b>70</b>	<b>142</b>	<b>209</b>	<b>259</b>
Depreciation & amortisation	(29)	(50)	(62)	(64)	(72)	(49)	(76)	(98)
<b>EBIT</b>	<b>62</b>	<b>62</b>	<b>68</b>	<b>63</b>	<b>(2)</b>	<b>92</b>	<b>132</b>	<b>161</b>
Net interest	(5)	(8)	(8)	(8)	(9)	(8)	(9)	(9)
Other financial items	-	-	-	-	-	-	-	-
<b>Profit before taxes</b>	<b>56</b>	<b>54</b>	<b>61</b>	<b>54</b>	<b>(11)</b>	<b>84</b>	<b>124</b>	<b>151</b>
Taxes	(8)	(5)	(6)	(5)	(2)	(15)	(25)	(30)
Minority interest	(3)	(0)	1	(1)	1	1	1	1
<b>Net profit</b>	<b>45</b>	<b>49</b>	<b>56</b>	<b>48</b>	<b>232</b>	<b>69</b>	<b>99</b>	<b>122</b>
EPS reported	0.70	0.74	0.85	0.75	3.66	1.09	1.56	1.91
<b>EPS adjusted</b>	<b>0.70</b>	<b>0.74</b>	<b>0.85</b>	<b>0.75</b>	<b>3.66</b>	<b>1.09</b>	<b>1.56</b>	<b>1.91</b>
DPS	0.16	-	0.30	0.35	1.00	0.55	0.78	0.96
<b>BALANCE SHEET (EURm)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
Tangible non current assets	37	38	80	86	65	128	185	209
Other non-current assets	273	392	403	424	493	530	589	622
Other current assets	366	483	481	545	445	504	644	724
Cash & equivalents	172	312	282	297	438	299	199	187
<b>Total assets</b>	<b>848</b>	<b>1,226</b>	<b>1,247</b>	<b>1,352</b>	<b>1,441</b>	<b>1,461</b>	<b>1,618</b>	<b>1,742</b>
Total equity	367	385	409	423	636	641	705	776
Interest-bearing non-current debt	113	283	262	311	320	320	320	320
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	366	549	565	608	479	493	587	639
<b>Total liabilities &amp; equity</b>	<b>848</b>	<b>1,226</b>	<b>1,247</b>	<b>1,352</b>	<b>1,441</b>	<b>1,461</b>	<b>1,618</b>	<b>1,742</b>
<b>CASH FLOW (EURm)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
Cash earnings	48	82	112	84	(0)	101	152	193
Change in working capital	(12)	2	29	12	45	(20)	(47)	(27)
Cash flow from investments	(63)	(56)	(77)	(66)	144	(157)	(170)	(129)
Cash flow from financing	(21)	84	(66)	(20)	(91)	(64)	(35)	(50)
Net cash flow	(45)	141	(30)	15	141	(139)	(99)	(12)
<b>VALUATION (EURm)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Share price (EUR end)</b>	<b>15.8</b>	<b>21.3</b>	<b>19.3</b>	<b>14.7</b>	<b>15.3</b>	<b>17.4</b>	<b>17.4</b>	<b>17.4</b>
Number of shares end period	66	66	65	64	64	64	64	64
Net interest bearing debt	(58)	(30)	(20)	14	(118)	21	120	132
<b>Enterprise value</b>	<b>998</b>	<b>1,385</b>	<b>1,232</b>	<b>951</b>	<b>856</b>	<b>1,127</b>	<b>1,226</b>	<b>1,238</b>
EV/Sales	1.0	1.2	1.0	0.7	0.8	0.9	0.7	0.6
<b>EV/EBITDA</b>	<b>11.0</b>	<b>12.4</b>	<b>9.5</b>	<b>7.5</b>	<b>12.2</b>	<b>8.0</b>	<b>5.9</b>	<b>4.8</b>
EV/EBIT	16.2	22.4	18.0	15.2	-	12.2	9.3	7.7
P/E reported	22.6	28.6	22.6	19.5	4.2	15.9	11.1	9.1
<b>P/E adjusted</b>	<b>22.6</b>	<b>28.6</b>	<b>22.6</b>	<b>19.5</b>	<b>4.2</b>	<b>15.9</b>	<b>11.1</b>	<b>9.1</b>
P/B	2.9	3.8	3.1	2.2	1.5	1.7	1.6	1.4
<b>FINANCIAL ANALYSIS</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
ROE adjusted (%)	12.9	13.1	14.0	11.6	43.9	10.9	14.8	16.4
Dividend yield (%)	1.0	-	1.6	2.4	6.5	3.1	4.5	5.5
EBITDA margin (%)	9.1	9.9	10.4	9.4	6.4	11.0	12.0	13.0
EBIT margin (%)	6.2	5.5	5.4	4.7	-	7.2	7.6	8.1
NIBD/EBITDA	(0.64)	(0.26)	(0.16)	0.11	(1.69)	0.15	0.58	0.51
EBITDA/Net interest	17.56	14.54	16.89	15.02	8.14	17.43	23.78	28.03



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Companies	No. of shares	Holdings in %
Bonheur	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 Akerhus	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%

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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
AURELIUS Equity Opportunities	0	500
Austevoll Seafood	0	3,548
Awilco LNG	0	30,000
Balships	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
Elmeria Group ASA	0	37,305
Embracer Group	0	8,600
Equinor	0	3,012
Essity	0	168
Europris	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
Hafslund	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
Lasbank	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
Petro Tal	0	74,000
Pexip Holding	0	747,095
Protector Forsikring	0	7,300
Pyram Innovations	0	100
Quantafuel	0	23,665
REC Silicon	0	32,539
Sailor	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
Telenor	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
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 18.04.2023).

\*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:

Add Energy	Waste Plastic Upcycling
Aker Shus Energi Varme AS	Wattif EV
Alva Industries AS	wheel.me
American Shipping Company	Ørn Sof tware
Archer	
B2Holding AS	
Bekkt og Strøm AS, SV Vattenkraft AB	
Benchmark Holdings	
Biolinvent	
Bluewater Holding	
Borr Drilling	
Brooge 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	
Fossil	
Hafslund	
Hospitality Invest	
House of Control	
HydrogenPro	
Idavang AS	
Island Green Power Ltd	
Kezzler AS	
KMC Properties	
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	
Treasura 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
Buy	73%
Hold	23%
Sell	4%

### Distribution of recommendations (transactions\*)

Recommendation	% distribution
Buy	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 Sof tware 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 Sof tware
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.
Biotech AG	Kontron AG	PSI AG
Biotech 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
Biotech AG	Gigaset AG	OHB SE
Biotech 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
Delignit	Kontron AG	Siegrfried Holding AG
Der maphar m 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).