



## Poor Q2 and lowered FY guidance

*Syzygy has indicated Q2 sales down 5% and has lowered FY sales guidance to around the EUR 65.8m level achieved in 2018, with the UK highlighted as being problematic. Operating income dropped 19% in Q2 to EUR 1.37m implying 150bp lower EBIT margin at 8.6%. Additional restructuring charges now planned for the international operations mean that FY margin guidance is lowered to between 8-9%. Taking the mid-point would imply FY EBIT around EUR 5.5m, down from EUR 6.1m in 2018 and compares to our existing EUR 7m forecast. We lower our TP to EUR 10.*

### Anticipated recovery in sales fails to materialize

In preliminary data, the group has indicated H1-19 sales down 2% at EUR 31.57m, with solid growth in the core German market, but a double-digit decline in international markets, dragged-down by a deteriorating UK media market. The implication is a drop of 5% in Q2 sales, compared to hopes of accelerating growth from the 2% growth reported for Q1. Since international sales are not expected to recover in the near-term, annual guidance is reduced to a level similar to the EUR 65.8m seen in 2018 and we lower our estimate from EUR 71m.

### Missed sales and international restructuring impacts profitability

The detailed report will be published on 2 August, but H2 EBIT is unchanged yoy at EUR 2.8m with 20bp improvement in margin at 8.9%. For Q2-19 a drop of 19% was posted, implying 150bp drop in margin to 8.6% and management will have to take additional restructuring measures for its international operations. Guidance calls for operating margin in 8-9% range and we cut EBIT forecast to EUR 5.5m (from EUR 7.0m previously).

EURm	2017	2018	2019e	2020e	2021e
Revenues	61	66	66	71	77
EBITDA	6	8	13	20	21
EBIT	4	6	6	7	8
EPS	0.39	0.35	0.30	0.35	0.40
EPS adj	0.39	0.35	0.30	0.35	0.40
DPS	0.39	0.40	0.41	0.42	0.44
EV/EBITDA	22.9	10.9	8.6	6.1	5.9
EV/EBIT	34.5	14.6	20.8	18.5	16.5
P/E adj	29.2	22.9	30.1	26.1	22.6
P/B	2.70	2.00	2.29	2.32	2.32
ROE (%)	9.4	8.5	7.5	8.8	10.3
Div yield (%)	3.5	5.0	4.5	4.7	4.9
Net debt	(10)	(19)	(5)	(1)	3

Source: Pareto

Target price (EUR)	10.0
Share price (EUR)	9.0

### Forecast changes

%	2019e	2020e	2021e
Revenues	(8)	(8)	(8)
EBITDA	13	56	52
EBIT adj	(20)	(16)	(14)
EPS reported	(20)	(17)	(14)
EPS adj	(20)	(17)	(14)

Source: Pareto

Ticker	SYZG.DE, SYZ GY
Sector	Media
Shares fully diluted (m)	13.5
Market cap (EURm)	122
Net debt (EURm)	-5
Minority interests (EURm)	0
Enterprise value 19e (EURm)	116
Free float (%)	49

### Performance



Source: Factset

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## Lowered estimates reflect ne guidance

Although the detailed H1-19 report has yet to be published (it is due 2 August) the preliminary headlines together with lowered FY guidance provide a reasonable basis for new forecasts. The divisional figures provided below are Pareto estimates, but they highlight clearly that the key problem lie in declining advertising revenues in the UK. We attribute this to business uncertainty surrounding Brexit and this could well continue for rest of the year. At the same time, the modest revenue improvement in Germany is also below expectations and reflect the sharp decline in recent PMI data.

### Exhibit 1: Key highlights for a disappointing Q2

EUR m	Q2 2019e	Q2 2018	yoy
Revenues	15.877	16.799	-5.5%
<i>of which: Germany</i>	<i>12.1</i>	<i>12.0</i>	<i>1%</i>
<i>of which: United Kingdom</i>	<i>2.6</i>	<i>3.7</i>	<i>-29%</i>
<i>of which: Other segments</i>	<i>1.5</i>	<i>1.8</i>	<i>-14%</i>
EBITDA	2.6	2.4	9%
EBITDA margin	16.6%	14.4%	222bp
EBIT	1.365	1.690	-19.2%
EBIT Margin	8.6%	10.1%	-146bp
EBT	1.355	1.774	-23.6%
EBT Margin	8.5%	10.6%	-203bp
Net income	0.994	1.337	-25.7%
EPS	0.07	0.10	-26.1%

Source: Pareto Securities Research

Our new 2019 estimates reflect the updated guidance: we cut revenue estimate from previously EUR 71m to now EUR 66m (-8%). We currently assume that the UK situation will be resolved (as opposed to assume it worsens further next year) and lower future revenue estimates also by c8% reflecting the lower 2019 base.

Taking the 8.5% mid-point for EBIT margin guidance reduces our forecast to now EUR 5.5m, down from EUR 7m (a cut of 20%). Since restructuring expenses should be lower in future years, the reductions to future estimates are more modest.

We lower our DCF TP from EUR 10.9 to EUR 10, but retain a Buy rating.

## Exhibit 2: text

EUR m	Phase I					Phase II					Phase III	
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e		
Revenues	65.5	71.1	77.1	83.7	90.8	97.9	105.0	112.0	119.0	125.9		
<i>growth rate</i>	-0.4%	8.5%	8.5%	8.5%	8.5%	7.8%	7.2%	6.7%	6.2%	5.8%		
EBIT	5.6	6.5	7.6	8.4	9.3	10.0	10.8	11.5	12.3	13.0		
<i>EBIT margin</i>	8.5%	9.2%	9.8%	10.0%	10.2%	10.2%	10.3%	10.3%	10.3%	10.4%		
Tax	-1.4	-1.7	-2.0	-2.2	-2.5	-2.7	-2.9	-3.1	-3.3	-3.5		
<i>Tax rate</i>	25.0%	26.7%	26.7%	26.7%	26.7%	26.7%	26.7%	26.7%	26.7%	26.7%		
Depr. & Amort.	7.9	13.4	13.4	13.5	13.6	12.2	10.7	9.3	7.9	6.4		
<i>% of sales</i>	12.1%	18.8%	17.4%	16.1%	15.0%	12.4%	10.2%	8.3%	6.6%	5.1%		
Capex	-5.2	-10.8	-10.8	-10.9	-11.0	-10.1	-8.9	-7.4	-5.7	-3.8		
<i>% of sales</i>	7.9%	15.1%	14.1%	13.1%	12.1%	10.3%	8.5%	6.6%	4.8%	3.0%		
Change in WC	-10.8	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5		
<i>% of sales</i>	16.5%	0.5%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%		
Free Cash Flow	-3.8	7.0	7.7	8.2	8.9	8.9	9.2	9.8	10.6	11.7	240	
<i>growth rate</i>	nm	-283.3%	9.3%	7.3%	7.7%	0.4%	3.5%	6.1%	8.4%	10.4%	3.0%	
Present Value FCF	-3.7	6.3	6.4	6.3	6.3	5.9	5.6	5.5	5.5	5.6	116	
PV Phase I		22				Risk free rate	3.50%		Targ. equity ratio		80%	
PV Phase II		28				Premium Equity	5.00%		Beta		1.1	
PV Phase III		116				Premium Debt	2.00%		WACC		8.0%	
Enterprise value		166										
- Net Debt (Cash)		17										
- Pension Provisions		0										
- Minorities & Peripherals		15										
+ MV of financial assets		0										
- Paid-out dividends for last FY		0										
+/- Other EV items		0										
Equity value		134										
Number of shares		13.5										
Value per share (€)		10.0										
Current Price (€)		9.1										
Upside		9.4%										
						Sensitivity		Growth in phase III				
								2.0%	2.5%	3.0%	3.5%	4.0%
						7.21%	10.3	11.3	12.5	14.0	16.1	
						7.61%	9.3	10.1	11.1	12.3	13.9	
						WACC 8.01%	8.5	9.1	10.0	11.0	12.2	
						8.41%	7.7	8.3	9.0	9.8	10.8	
						8.81%	7.0	7.5	8.1	8.8	9.6	

Source: Pareto Securities Research

<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
<b>Revenues</b>	<b>47</b>	<b>57</b>	<b>64</b>	<b>61</b>	<b>66</b>	<b>66</b>	<b>71</b>	<b>77</b>
<b>EBITDA</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>13</b>	<b>20</b>	<b>21</b>
Depreciation & amortisation	(1)	(2)	(2)	(2)	(2)	(8)	(13)	(13)
<b>EBIT</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>8</b>
Net interest	1	1	1	0	0	(0)	(0)	(0)
Other financial items	1	1	1	1	-	-	-	-
<b>Profit before taxes</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>8</b>
Taxes	(1)	(2)	(2)	(1)	(2)	(1)	(2)	(2)
Minority interest	0	(0)	(0)	1	(0)	(0)	(0)	(0)
<b>Net profit</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>
EPS reported	0.35	0.37	0.39	0.39	0.35	0.30	0.35	0.40
<b>EPS adjusted</b>	<b>0.35</b>		<b>0.39</b>	<b>0.39</b>	<b>0.35</b>	<b>0.30</b>	<b>0.35</b>	<b>0.40</b>
DPS	0.28	0.35	0.38	0.39	0.40	0.41	0.42	0.44
<b>BALANCE SHEET (EURm)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Tangible non current assets	3	3	2	6	6	39	39	40
Other non-current assets	26	26	35	60	59	60	60	60
Other current assets	42	22	22	22	22	22	24	25
Cash & equivalents	13	27	22	16	22	9	4	1
<b>Total assets</b>	<b>83</b>	<b>78</b>	<b>81</b>	<b>105</b>	<b>110</b>	<b>129</b>	<b>126</b>	<b>126</b>
Total equity	51	51	50	56	54	53	52	52
Interest-bearing non-current debt	7							
Interest-bearing current debt	-							
Other Debt	26	8	8	8	16	8	9	9
<b>Total liabilities &amp; equity</b>	<b>83</b>							
<b>CASH FLOW (EURm)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Cash earnings	10	5	7	4	5	10	15	16
Change in working capital	4	(8)	(1)	0	11	(11)	(0)	(0)
Cash flow from investments	(5)	(3)	2	(4)	(5)	(9)	(14)	(15)
Cash flow from financing	(4)	(4)	(5)	(0)	(7)	(4)	(5)	(4)
Net cash flow	6	(9)	3	0	5	(14)	(5)	(3)
<b>CAPITALIZATION &amp; VALUATION (EURm)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
<b>Share price (EUR end)</b>	<b>6.4</b>	<b>8.8</b>	<b>11.6</b>	<b>11.3</b>	<b>8.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>
Number of shares end period	13	13	13	14	14	14	14	14
Net interest bearing debt	(10)	(27)	(22)	(10)	(19)	(5)	(1)	3
<b>Enterprise value</b>	<b>71</b>	<b>86</b>	<b>126</b>	<b>141</b>	<b>89</b>	<b>116</b>	<b>121</b>	<b>124</b>
EV/Sales	1.5	1.5	2.0	2.3	1.3	1.8	1.7	1.6
<b>EV/EBITDA</b>	<b>14.1</b>	<b>11.6</b>	<b>17.1</b>	<b>22.9</b>	<b>10.9</b>	<b>8.6</b>	<b>6.1</b>	<b>5.9</b>
EV/EBIT	18.5	16.2	22.5	34.5	14.6	20.8	18.5	16.5
P/E reported	18.3	24.1	29.7	29.2	22.9	30.1	26.1	22.6
<b>P/E adjusted</b>	<b>18.3</b>		<b>29.7</b>	<b>29.2</b>	<b>22.9</b>	<b>30.1</b>	<b>26.1</b>	<b>22.6</b>
P/B	1.6	2.2	3.0	2.7	2.0	2.3	2.3	2.3
<b>FINANCIAL ANALYSIS &amp; CREDIT METRICS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
ROE adjusted (%)	8.8							
Dividend yield (%)	4.4	4.0	3.3	3.5	5.0	4.5	4.7	4.9
EBITDA margin (%)	10.8	12.9	11.5	10.2	12.4	20.6	28.0	27.2
EBIT margin (%)	8.2	9.2	8.7	6.8	9.2	8.5	9.2	9.8
NIBD/EBITDA	(1.90)	(3.62)	(2.97)	(1.68)	(2.37)	(0.41)	(0.03)	0.13
EBITDA/Net interest	-		-	-	-	-	-	-

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Appendix A

Disclosure requirements pursuant to the Norwegian Securities Trading Regulations section 3-10 (2) and section 3-11 (1), letters a-b

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

Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	2,010,630	9.63%	SpareBank 1Østfold Akersl	1,140,010	9.20%
Pareto Bank ASA	12,862,966	18.53%	Sparebanken Vest	4,508,279	7.64%

Pareto Securities AS or its affiliates own as determined in accordance with Section 13(d) of the US Exchange Act, 1% or more of the equity securities of:

Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	2,010,630	9.63%	SpareBank 1Østfold Akersl	1,140,010	9.20%
Pareto Bank ASA	12,862,966	18.53%	Sparebanken Møre	311,739	3.15%
Selvaag Bolig ASA	2,174,147	2.32%	Sparebanken Sør	460,689	2.94%
SpareBank 1BV	1,639,640	2.61%	Sparebanken Vest	4,508,279	7.64%
SpareBank 1Nord-Norge	1,899,924	1.89%	Totens Sparebank	79,246	1.29%
SpareBank 1SMN	1,878,192	1.45%			

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	Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,675	Gjensidige Forsikring	0	7,711	REC Silicon	0	357,742
Aker	0	702	Golden Ocean Group	0	1,919	SailMar	0	130
Aker BP	0	8,480	Grieg Seafood	0	784	Sandnes Sparebank	0	23,832
AKVA Group	0	2,100	Helgeland Sparebank	0	4,127	Scatec Solar	0	35,735
American Shipping Compar	0	3,105	Höegh LNG	0	6,509	Schibsted ASA B Aksjer	0	357
Archer	0	60,770	Jæren Sparebank	0	500	Seadrill	0	14,772
Atea	0	450	Komplett Bank	0	117,387	Selvaag Bolig	0	5,000
Atlantic Sapphire	0	5,305	Kongsberg Gruppen	0	5,901	SpareBank 1BV	0	17,700
Austevoll Seafood	0	5,815	KWS	75	75	SpareBank 1Nord-Norge	0	26,500
Avance Gas	0	5,051	Lerøy Seafood	0	36,210	SpareBank 1Ringerike Hadr	0	500
Axactor	0	8,963	Magseis Fairfield	0	12,659	SpareBank 1SMN	0	15,490
BASF	270	270	Mowi	0	1,979	SpareBank 1SR-Bank	0	29,391
B2Holding	0	5,639	NORBIT	0	19,968	Sparebank 1Østfold Akersl	0	450
Bonheur	0	46,535	Nordic Semiconductor	0	6,000	SpareBank 1Østlandet	0	4,041
Borr Drilling	0	923	Norsk Hydro	0	126,345	Sparebanken Møre	0	6,550
BRABank	0	1,371,000	Northern Drilling	0	6,060	Sparebanken Sør	0	43,380
BWLPG	0	2,069	Norwegian Air Shuttle	0	68,437	Sparebanken Vest	0	2,219
DNB	0	35,206	Norwegian Energy Compan	0	350	Sparebanken Øst	0	1,500
DNO	0	33,678	Ocean Yield	0	33,967	Stolt-Nielsen	0	900
Entra	0	14,362	Odjell Drilling	0	3,944	Storebrand	0	5,565
Equinor	0	8,788	Okeanis Eco Tankers	0	1,738	Subsea 7	0	5,990
Europris	0	10,850	Orkla	0	20,164	Telenor	0	2,311
Fjord1	0	51,550	Panoro Energy	0	5,670	TGS-NOPEC	0	2,085
Fjordkraft Holding	0	4,132	Pareto Bank	0	977,841	XXL	0	9,929
FlexLNG	0	1,138	Pioneer Property	0	2,050	Yara International	0	17,450
Frontline	0	13,003	Protector Forsikring	0	14,567	Zenterio	0	78,865

This overview is updated monthly (last updated 15.07.2019).

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

## Appendix B

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letters e-f, ref the Securities Trading Act Section 3-10

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:

2020Bulkers	Floatel	Northmill Group AB
Avanzia Bank	Genel Energy	Odfjell
African Petroleum Corporation	Gfinity Plc	OKEA
Agder Energi	GG. St. Kongensgade 100 og 106	Okea AS
American Tanker	Gulf Keystone Petroleum	Okeanis Eco Tankers
Andfjord Salmon	Hafslund E-CO	Oliga Group
APC Forsikringsmæglere A/S	Hertha BSC GmbH	Panoro Energy
Arnarlax	HKN Energy Ltd	Pareto Bank
Avida Holding AB	Hunter Group	Petroleum Geo-Services
Bank Norwegian	Hörmann Industries	PetroTal
Belships	Ice Group	Pioneer Public Properties Finland Oy
Bluewater Holding	Jactel AS	Point Resources AS
CentralNic Group	Klavensesship Holding	Questaerre Energy Corporation
DNO ASA	Lundin Petroleum	Rødovre Port Holding A/S
Dof Subsea AS	Magseis	Shamaran Petroleum
Eco Atlantic Oil and Gas	Monobank ASA	Sparebank 1 Østlandet
Exmar NV	Navig8	Sparebanken Vest
FFS Bidco	NGEX Resources	Union Maritime Limited
Flex LNG	Norbit Group	Vantage Drilling

*This overview is updated monthly (this overview is for the period 30.06.2018 – 30.06.2019).*

## Appendix C

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

### Distribution of recommendations

Recommendation	% distribution
Buy	66%
Hold	31%
Sell	4%

### Distribution of recommendations (transactions\*)

Recommendation	% distribution
Buy	100%
Hold	0%
Sell	0%

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

This overview is updated monthly (last updated 15.07.2019).



## 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:

Azelio	Green Landscaping Holding	Jetpak Top Holding AB	ShaM aran Petroleum
Bionvent	IRRAS AB	Sedana Medical	
Climeon			

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 universes:

Cavotec	Saltängen Property Invest	Sedana Medical	Tethys Oil
Cibus Nordic Real Estate	SciBase Holding	ShaM aran Petroleum	Vostok Emerging Finance
Isofol 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  
*This overview is updated monthly (last updated 15.07.2019).*

## Appendix E

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter d, ref the Securities Trading Act Section 3-10

### 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 *	Freenet	MAX Automation SE	SCOUT24
Aixtron *	Gesco *	Merkur Bank	Siemens Healthineers AG
Baywa	GFT Technologies *	MLP *	SMT Scharf AG *
Biotest *	Gigaset *	MOBOTIX AG	Surteco Group *
Brenntag	Heidelberg Pharma *	OVB Holding AG	Syzygy AG *
CORESTATE Capital Holding S.A.	Hypoport AG	Procredit Holding *	TAKKT AG
Daldrup & Söhne	init	PSI SOFTWARE AG *	Vapiano
Demire	Intershop Communications AG	PWO *	va-Q-tec *
Epigenomics AG*	Leifheit	RIB Software *	Viscom *
Euromicron AG *	Logwin *	S&T AG *	windeln.de
Eyemaxx Real Estate	Manz AG *	Schaltbau Holding AG	

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

## Appendix F

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter g, ref the Securities Trading Act Section 3-10

### Sponsored Research

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

Adler Modemaerkte	First Sensor	MAX Automation SE	OVB Holding AG
Baywa	Godewind Immobilien AG	Intershop Communications AG	Schaltbau Holding AG
BB Biotech	Hypoport AG	Merkur Bank	Siegfried Holding AG
comdirect	init	MOBOTIX AG	Vapiano
Daldrup & Söhne	Leifheit	OHB SE	
Eyemaxx Real Estate			

*This overview is updated monthly (last updated 15.07.2019).*