



Q1 data reflects first Covid-19 signs

Syzygy has indicated Q1-20e sales down 5% as the first effects of the Covid-19 pandemic begin to bite. A still positive trend in domestic sales was not able to compensate weak international business. It has however repeated FY 2020 sales guidance calling for a drop between 10%-20% with mid-single digit EBIT margin likely. Reflecting the latter, we cut current year EBIT c.50% in expecting Q2 to be the nadir, from which a recovering pattern can be anticipated. We lower our TP to EUR 8.5 but retain a Buy rating given the significant upside and view Syzygy as relatively well positioned.

German revenues cannot compensate for the international drop

Group revenues decreased by 5% in Q1-20e to EUR 14.9m. The full details have yet to be disclosed, but domestic business increased by c.6%, whilst international operations declined over 30%, with the UK and US continuing to drag on group revenues. For 2020e a sales decline of 10% to 20% has been confirmed.

Domestic margin of 13%, but loss with international operations

The indicated Q1e EBIT is EUR 1.1m, down 24%, for a margin of 7.4% (from 9.2% in Q1-19). We estimate German EBIT at EUR 1.6m (for 13% margin) which we view as reasonable, but there was a modest loss in the international operations. Going forward cost savings (eg "Kurzarbeit" with staff) might mitigate future sales reductions and we await an update here with the detailed report.

Price target at EUR 8.5 and Buy rating maintained

We continue to refer to a DCF model is setting our EUR 8.5 TP (down from EUR 9.5) and retain a Buy rating given the significant upside. We view Syzygy as relatively well positioned despite the uncertainty.

| EURm | 2018 | 2019 | 2020e | 2021e | 2022e |
|---------------|------|------|-------|-------|-------|
| Revenues | 66 | 64 | 54 | 60 | 67 |
| EBITDA | 8 | 11 | 8 | 11 | 13 |
| EBIT | 6 | 5 | 3 | 6 | 7 |
| EPS | 0.35 | 0.26 | 0.13 | 0.28 | 0.35 |
| EPS adj | 0.35 | 0.26 | 0.13 | 0.28 | 0.35 |
| DPS | 0.39 | 0.40 | 0.30 | 0.30 | 0.33 |
| EV/EBITDA | 12.6 | 11.9 | 12.9 | 9.2 | 8.4 |
| EV/EBIT | 16.9 | 23.5 | 36.8 | 18.5 | 15.5 |
| P/E adj | 22.9 | 28.2 | 44.7 | 21.2 | 16.8 |
| P/B | 2.00 | 1.84 | 1.56 | 1.54 | 1.50 |
| ROE (%) | 8.5 | 6.4 | 3.4 | 7.3 | 9.1 |
| Div yield (%) | 4.9 | 5.5 | 5.1 | 5.1 | 5.6 |
| Net debt | (5) | 31 | 31 | 27 | 29 |

Source: Pareto

| | |
|--------------------|-----|
| Target price (EUR) | 8.5 |
| Share price (EUR) | 5.9 |

Forecast changes

| % | 2020e | 2021e | 2022e |
|--------------|-------|-------|-------|
| Revenues | (21) | (19) | (16) |
| EBITDA | (27) | (11) | (8) |
| EBIT adj | (53) | (23) | (16) |
| EPS reported | (62) | (30) | (22) |
| EPS adj | (62) | (30) | (22) |

Source: Pareto

| | |
|-----------------------------|-----------------|
| Ticker | SYZG.DE, SYZ GY |
| Sector | Media |
| Shares fully diluted (m) | 13.5 |
| Market cap (EURm) | 79 |
| Net debt (EURm) | 31 |
| Minority interests (EURm) | -1 |
| Enterprise value 20e (EURm) | 109 |
| Free float (%) | 49 |

Performance



Source: Factset

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Preliminary headlines OK, but first signs of the Covid-19 pandemic are being felt

The detailed report is due on 30 April; preliminary headlines include: -

- ▶ Q1-20 group revenues down 5% at EUR 14.9m
- ▶ 6% growth in core German market and with 13% EBIT margin
- ▶ Recovery in international operations deferred with EUR 0.2m loss
- ▶ Consequent fall in operating income to EUR 1.1m (-24%)
- ▶ Net income of EUR 0.7m (from EUR 1.1m in Q1-19)
- ▶ Liquid funds improved from EUR 4.6m to EUR 8.8m (PAS estimate)
- ▶ Outlook confirmed: FY sales to drop 10%-20%; msd-% margin likely

Following a strong start for the domestic operations, there was a noticeable slowing from mid-March, with several consulting projects delayed in the context of potential financial implications stemming from the Covid-19 pandemic. It is now quite clear that the coronavirus will result in a recession in the markets served by Syzygy and we anticipate that the nadir will likely be in Q2.

With 80% of revenues now generated in Germany (in 2019 +7% with 15.5% operating margin), we view Syzygy as being more resilient than several peers. To begin with, Germany seems likely to be less economically affected than many other developed countries. Additionally, Syzygy has developed a portfolio of services that should protect the group from over-exposure to one part of the broad advertising chain. Q1-20e preliminary sales are indicated up 6% with a 13% margin anticipated.

Following the loss of several accounts, including in-housing by a major client, the UK saw a drop of 30% of sales in 2019 and recorded EUR 1m EBIT loss, but with a restructuring new management had developed a promising pipeline of new accounts and was optimistic that it could turn the corner in the current year.

Exhibit 1: Pareto estimates for the segmental Q1-20 performance and group P&L forecasts for 2020-21

| EUR m | Q1-19 | Q1-20e | yoy | FY-19 | FY-20e | yoy | FY-21e | yoy |
|--------------------------------------|-------|--------|--------|-------|--------|--------|--------|-------|
| Revenues | 15.69 | 14.92 | -4.9% | 64.24 | 54.36 | -15.4% | 60.31 | 11.0% |
| <i>of which: Germany</i> | 11.5 | 12.3 | 6% | 49.7 | 43.7 | -12% | 49.0 | 12% |
| <i>of which: United Kingdom</i> | 2.9 | 1.9 | -35% | 9.9 | 7.4 | -25% | 7.9 | 6% |
| <i>of which: Other segments</i> | 1.7 | 1.3 | -25% | 6.3 | 5.0 | -20% | 5.4 | 9% |
| <i>Corporate & Consolidation</i> | -0.4 | -0.4 | 14% | -1.6 | -1.8 | 13% | -2.0 | n.m. |
| EBITDA | 2.65 | 2.38 | -10% | 10.88 | 8.50 | -22% | 11.32 | 33% |
| EBITDA margin (%) | 16.9% | 16.0% | -95bp | 16.9% | 15.6% | -130bp | 18.8% | 314bp |
| EBIT | 1.44 | 1.10 | -24% | 5.50 | 2.97 | -46% | 5.64 | 90% |
| EBIT margin (%) | 9.2% | 7.4% | -184bp | 8.6% | 5.5% | -310bp | 9.4% | 389bp |
| <i>of which: Germany</i> | 2.2 | 1.6 | -28% | 7.7 | 4.8 | -38% | 6.7 | 40% |
| <i>of which: United Kingdom</i> | 0.0 | -0.1 | n.m. | -1.0 | -0.4 | -64% | 0.3 | n.m. |
| <i>of which: Other segments</i> | 0.0 | -0.1 | n.m. | 0.4 | 0.0 | -100% | 0.2 | n.m. |
| <i>Corporate & Consolidation</i> | -0.7 | -0.3 | n.m. | -1.6 | -1.5 | -9% | -1.6 | n.m. |
| Pretax | 1.43 | 0.96 | -33% | 5.19 | 2.49 | -52% | 5.31 | 113% |
| Pretax margin (%) | 9.1% | 6.4% | -272bp | 8.1% | 4.6% | -351bp | 8.8% | 423bp |
| Net income | 1.06 | 0.67 | -37% | 3.47 | 1.77 | -49% | 3.73 | 111% |
| EPS (EUR) | 0.08 | 0.05 | -37% | 0.26 | 0.13 | -49% | 0.28 | 111% |

Source: Pareto

However, new accounts find it easier to cancel and it seems that the UK has continued to see significant sales decline in Q1-20e, probably with a small EBIT loss.

Other operating segments include businesses in the US and Poland. These accounted for 10% of group 2019 sales and recorded a modest operating profit.

We view the Polish operations as being resilient, given its focus as a tech-hub for the group, indeed the CGI (computer-generated imagery) segment is likely to see its prospects enhanced by the coronavirus. Thus, we anticipate a stable outcome for Poland in Q1-20e.

The more traditional media operations in the US had seen some major account losses at the end of last year and that will anyway impact the current year's results which has been compounded by budget cutbacks following Covid-19. It is likely that the US has dragged Other segments into a loss in Q1-20e.

Preliminary group data for Q1 show group sales down 5% at EUR 14.9m with EBIT down 24% at EUR 1.1m implying 7.4% margin (down from 9.2% in Q1-19). Whilst this is a little disappointing, it should be viewed in the context of Covid-19 that has generated much uncertainty in the commercial world and will mark a better performance than some peers.

From today's standpoint, we believe that Q2-20e will mark the nadir, although the recession that will impact all of Syzygy's markets will also negatively impact the advertising markets in Q3 and to an extent also Q4. At this stage, it may be that Syzygy can break-even at the EBIT level in Q2, although there remains a lot of uncertainty. Nonetheless in a fast-changing world, we find it encouraging that management has confirmed the outlook provided in the 2019 accounts.

2020 guidance calls for sales to fall between 10% and 20%. We have cut our previous forecast by 21% and now lie in the middle of the guidance range in modelling a sales decline of 15%. Unfortunately, much of this drop could be viewed as lost sales and will not be simply recovered in a post-recession world. Thus, we have also reduced estimates for 2021 (19%) and 2022 (16%).

The guidance continues to call for an EBIT margin in the mid-single digit percentage range for 2020. In modelling 5.5% margin, we assume EUR 3m EBIT for the current year. We anticipate a major recovery in margins next year, and in forecasting 9.4% we target EBIT of EUR 5.6m. For 2022 we now model EBIT of EUR 6.9m (10.2% margin) before moving up to 10.5% in the following years.

We continue to refer to the DCF model in setting our EUR 8.5 TP (lowered from EUR 9.5). Within our model, we assume that the international operations continue to depress group sales next year before growing again thereafter. Given likely developments in the digital communications market, it could be that our sales estimates are a little conservative. Likewise, with our assumption of modest margin growth towards the mid-term target of 10.5%.

Exhibit 2: Reduced near-term estimates included in DCF, with mid-term targets maintained in setting EUR 8.5 TP

| EUR m | Phase I | | | | | Phase II | | | | | Phase III |
|----------------------------|---------|-------|-------|-------|-------|----------------|---------------------|-------|--------------------|-------|-----------|
| | 2020e | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | |
| Revenues | 54.4 | 60.3 | 67.4 | 73.3 | 78.8 | 84.1 | 89.6 | 97.1 | 102.2 | 107.1 | |
| <i>growth rate</i> | -15.4% | 11.0% | 11.7% | 8.8% | 7.6% | 6.9% | 6.3% | 5.7% | 5.3% | 4.8% | |
| EBIT | 3.0 | 5.6 | 6.9 | 7.7 | 8.4 | 9.0 | 9.6 | 10.5 | 11.1 | 11.3 | |
| <i>EBIT margin</i> | 5.5% | 9.4% | 10.2% | 10.5% | 10.6% | 10.7% | 10.8% | 10.8% | 10.9% | 10.5% | |
| Tax | -0.7 | -1.4 | -1.8 | -2.0 | -2.3 | -2.4 | -2.6 | -2.8 | -3.0 | -3.0 | |
| <i>Tax rate</i> | 27% | 27% | 27% | 27% | 27% | 27% | 27% | 27% | 27% | 27% | |
| Depr. & Amort. | 5.5 | 5.7 | 5.8 | 6.0 | 6.0 | 6.1 | 6.1 | 6.2 | 6.2 | 6.2 | |
| <i>% of sales</i> | 10.2% | 9.4% | 8.7% | 8.2% | 7.7% | 7.2% | 6.8% | 6.4% | 6.1% | 5.8% | |
| Capex | -1.9 | -2.0 | -2.2 | -2.3 | -2.5 | -2.6 | -2.8 | -3.0 | -3.2 | -3.2 | |
| <i>% of sales</i> | 3.4% | 3.3% | 3.2% | 3.2% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% | 3.0% | |
| Change in WC | 2.3 | 1.0 | -0.3 | -0.6 | -1.0 | -1.3 | -1.6 | -2.0 | -2.5 | -2.5 | |
| <i>% of sales</i> | -4.1% | -1.7% | 0.4% | 0.8% | 1.2% | 1.5% | 1.8% | 2.1% | 2.4% | 2.3% | |
| Free Cash Flow | 8.2 | 8.9 | 8.5 | 8.8 | 8.7 | 8.8 | 8.8 | 8.7 | 8.7 | 8.8 | 168 |
| <i>growth rate</i> | nm | 8.0% | -4.4% | 3.7% | -0.9% | 0.7% | 0.2% | -0.6% | -1.0% | 1.1% | 2.0% |
| Present Value FCF | 7.8 | 7.9 | 7.0 | 6.8 | 6.3 | 5.9 | 5.5 | 5.1 | 4.7 | 4.4 | 85 |
| PV Phase I | | 36 | | | | Risk free rate | 3.50% | | Targ. equity ratio | | 70% |
| PV Phase II | | 26 | | | | Premium Equity | 5.00% | | Beta | | 1.1 |
| PV Phase III | | 85 | | | | Premium Debt | 2.00% | | WACC | | 7.3% |
| Enterprise value | | 146 | | | | | | | | | |
| - Net Debt (Cash) | | 31 | | | | | | | | | |
| - Pension Provisions | | 0 | | | | | | | | | |
| - Minorities & Peripherals | | -1 | | | | | | | | | |
| | | | | | | Sensitivity | Growth in phase III | | | | |
| | | | | | | | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
| | | | | | | 6.6% | 8.7 | 9.4 | 10.2 | 11.2 | 12.4 |
| | | | | | | 7.0% | 8.1 | 8.6 | 9.3 | 10.1 | 11.1 |
| | | | | | | WACC 7.3% | 7.5 | 8.0 | 8.5 | 9.2 | 10.1 |
| Equity value | | 115 | | | | 7.7% | 7.0 | 7.4 | 7.9 | 8.4 | 9.1 |
| Number of shares | | 13.5 | | | | 8.1% | 6.5 | 6.9 | 7.3 | 7.8 | 8.4 |
| Value per share (€) | | 8.5 | | | | | | | | | |
| Current Price (€) | | 5.9 | | | | | | | | | |
| Upside | | 46% | | | | | | | | | |

Source: Pareto

| PROFIT & LOSS (fiscal year) (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Revenues | 57 | 64 | 61 | 66 | 64 | 54 | 60 | 67 |
| EBITDA | 7 | 7 | 6 | 8 | 11 | 8 | 11 | 13 |
| Depreciation & amortisation | (2) | (2) | (2) | (2) | (5) | (6) | (6) | (6) |
| EBIT | 5 | 6 | 4 | 6 | 5 | 3 | 6 | 7 |
| Net interest | 2 | 1 | 1 | 0 | (0) | (0) | (0) | (0) |
| Other financial items | 1 | 1 | 1 | 0 | - | - | - | - |
| Profit before taxes | 7 | 7 | 6 | 7 | 5 | 2 | 5 | 7 |
| Taxes | (2) | (2) | (1) | (2) | (2) | (1) | (1) | (2) |
| Minority interest | (0) | (0) | 1 | (0) | (0) | (0) | (0) | (0) |
| Net profit | 5 | 5 | 5 | 5 | 3 | 2 | 4 | 5 |
| EPS reported | 0.37 | 0.39 | 0.39 | 0.35 | 0.26 | 0.13 | 0.28 | 0.35 |
| EPS adjusted | 0.37 | 0.39 | 0.39 | 0.35 | 0.26 | 0.13 | 0.28 | 0.35 |
| DPS | 0.37 | 0.38 | 0.38 | 0.39 | 0.40 | 0.30 | 0.30 | 0.33 |
| BALANCE SHEET (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| Tangible non current assets | 3 | 3 | 8 | 7 | 32 | 31 | 28 | 31 |
| Other non-current assets | 27 | 35 | 59 | 59 | 61 | 61 | 61 | 61 |
| Other current assets | 43 | 36 | 31 | 32 | 25 | 25 | 24 | 24 |
| Cash & equivalents | 4 | 7 | 7 | 12 | 1 | (2) | (1) | (7) |
| Total assets | 102 | 81 | 105 | 110 | 119 | 115 | 112 | 110 |
| Total equity | 51 | 50 | 56 | 54 | 53 | 50 | 50 | 51 |
| Interest-bearing non-current debt | 2 | 7 | 22 | 17 | 36 | 33 | 30 | 27 |
| Interest-bearing current debt | - | - | - | - | - | - | - | - |
| Other Debt | 49 | 24 | 27 | 39 | 31 | 32 | 32 | 32 |
| Total liabilities & equity | 102 | 81 | 105 | 110 | 119 | 115 | 112 | 110 |
| CASH FLOW (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| Cash earnings | 7 | 5 | 2 | 6 | 10 | 9 | 11 | 12 |
| Change in working capital | (9) | 1 | 3 | 11 | (15) | 2 | 1 | (0) |
| Cash flow from investments | (3) | 2 | (4) | (5) | 4 | (6) | (3) | (10) |
| Cash flow from financing | (4) | (5) | (0) | (7) | (10) | (9) | (8) | (8) |
| Net cash flow | (9) | 3 | 0 | 5 | (11) | (3) | 1 | (6) |
| CAPITALIZATION & VALUATION (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| Share price (EUR end) | 8.8 | 11.6 | 11.3 | 8.0 | 7.3 | 5.9 | 5.9 | 5.9 |
| Number of shares end period | 13 | 13 | 14 | 14 | 14 | 14 | 14 | 14 |
| Net interest bearing debt | (20) | (15) | 6 | (5) | 31 | 31 | 27 | 29 |
| Enterprise value | 92 | 132 | 158 | 103 | 129 | 109 | 105 | 107 |
| EV/Sales | 1.6 | 2.1 | 2.6 | 1.6 | 2.0 | 2.0 | 1.7 | 1.6 |
| EV/EBITDA | 12.5 | 18.0 | 25.5 | 12.6 | 11.9 | 12.9 | 9.2 | 8.4 |
| EV/EBIT | 17.5 | 23.7 | 38.5 | 16.9 | 23.5 | 36.8 | 18.5 | 15.5 |
| P/E reported | 24.1 | 29.7 | 29.2 | 22.9 | 28.2 | 44.7 | 21.2 | 16.8 |
| P/E adjusted | 24.1 | 29.7 | 29.2 | 22.9 | 28.2 | 44.7 | 21.2 | 16.8 |
| P/B | 2.2 | 3.0 | 2.7 | 2.0 | 1.8 | 1.6 | 1.5 | 1.5 |
| FINANCIAL ANALYSIS & CREDIT METRICS | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| ROE adjusted (%) | 9.1 | 9.9 | 9.4 | 8.6 | 6.5 | 3.4 | 7.4 | 9.3 |
| Dividend yield (%) | 4.2 | 3.3 | 3.4 | 4.9 | 5.5 | 5.1 | 5.1 | 5.6 |
| EBITDA margin (%) | 12.9 | 11.5 | 10.2 | 12.4 | 16.9 | 15.6 | 18.8 | 18.8 |
| EBIT margin (%) | 9.2 | 8.7 | 6.8 | 9.2 | 8.6 | 5.5 | 9.4 | 10.2 |
| NIBD/EBITDA | (2.72) | (2.07) | 0.95 | (0.66) | 2.89 | 3.65 | 2.36 | 2.30 |
| EBITDA/Net interest | - | - | - | - | 35.90 | 17.71 | 34.31 | 70.57 |

| PROFIT & LOSS (fiscal year) (EURm) | 1Q'19 | 2Q'19 | 3Q'19 | 4Q'19 | 1Q'20e | 2Q'20e | 3Q'20e | 4Q'20e |
|--|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Revenues | 16 | 16 | 16 | 17 | 15 | 11 | 13 | 15 |
| EBITDA | 3 | 3 | 3 | 3 | 2 | 1 | 2 | 3 |
| Depreciation & amortisation | (1) | (1) | (1) | (2) | (1) | (1) | (1) | (2) |
| EBIT | 1 | 1 | 1 | 1 | 1 | (0) | 1 | 1 |
| Net interest | (0) | (0) | (0) | (0) | - | - | - | - |
| Other financial items | - | - | - | - | - | - | - | - |
| Profit before taxes | 1 | 1 | 1 | 1 | 1 | (0) | 1 | 1 |
| Taxes | (0) | (0) | (0) | (1) | (0) | 0 | (0) | (0) |
| Minority interest | (0) | (0) | (0) | 0 | (0) | (0) | (0) | 0 |
| Net profit | 1 | 1 | 1 | 1 | 1 | (0) | 0 | 1 |
| EPS reported | 0.08 | 0.07 | 0.06 | 0.04 | 0.05 | (0.01) | 0.03 | 0.06 |
| EPS adjusted | 0.08 | 0.07 | 0.06 | 0.04 | 0.05 | (0.01) | 0.03 | 0.06 |
| DPS | - | 0.39 | - | - | - | - | - | - |
| BALANCE SHEET (EURm) | 1Q'19 | 2Q'19 | 3Q'19 | 4Q'19 | 1Q'20e | 2Q'20e | 3Q'20e | 4Q'20e |
| Tangible non current assets | 27 | 32 | 35 | 32 | 31 | 31 | 31 | 31 |
| Other non-current assets | 59 | 58 | 58 | 61 | 61 | 61 | 61 | 61 |
| Other current assets | 37 | 27 | 25 | 25 | 24 | 25 | 25 | 25 |
| Cash & equivalents | 0 | 5 | 4 | 1 | 6 | (4) | (3) | (2) |
| Total assets | 123 | 122 | 122 | 119 | 123 | 114 | 114 | 115 |
| Total equity | 56 | 51 | 51 | 53 | 54 | 48 | 49 | 50 |
| Interest-bearing non-current debt | 39 | 42 | 44 | 36 | 35 | 34 | 34 | 33 |
| Interest-bearing current debt | - | - | - | - | - | - | - | - |
| Other Debt | 29 | 30 | 27 | 31 | 33 | 31 | 32 | 32 |
| Total liabilities & equity | 123 | 122 | 122 | 119 | 123 | 114 | 114 | 115 |
| CASH FLOW (EURm) | 1Q'19 | 2Q'19 | 3Q'19 | 4Q'19 | 1Q'20e | 2Q'20e | 3Q'20e | 4Q'20e |
| Cash earnings | 2 | 1 | 2 | 5 | 3 | 1 | 2 | 3 |
| Change in working capital | (11) | 2 | (2) | (3) | 3 | (2) | 1 | 1 |
| Cash flow from investments | (2) | 8 | (0) | (2) | (0) | (3) | (1) | (1) |
| Cash flow from financing | (0) | (6) | (1) | (3) | (1) | (6) | (1) | (1) |
| Net cash flow | (11) | 5 | (1) | (3) | 5 | (10) | 0 | 1 |
| CAPITALIZATION & VALUATION (EURm) | 1Q'19 | 2Q'19 | 3Q'19 | 4Q'19 | 1Q'20e | 2Q'20e | 3Q'20e | 4Q'20e |
| Share price (EUR end) | 9.1 | 9.7 | 9.4 | 7.3 | 5.2 | 5.9 | 5.9 | 5.9 |
| Number of shares end period | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Net interest bearing debt | 26 | 34 | 36 | 31 | 26 | 34 | 33 | 31 |
| P/E reported | 25.0 | 28.6 | 31.0 | 28.2 | 22.7 | 40.4 | 53.9 | 44.5 |
| P/E adjusted | 25.0 | 28.6 | 31.0 | 28.2 | 22.7 | 40.4 | 53.9 | 44.5 |
| P/B | 2.2 | 2.5 | 2.4 | 1.8 | 1.3 | 1.6 | 1.6 | 1.6 |
| FINANCIAL ANALYSIS & CREDIT METRICS | 1Q'19 | 2Q'19 | 3Q'19 | 4Q'19 | 1Q'20e | 2Q'20e | 3Q'20e | 4Q'20e |
| Dividend yield (%) | 4.2 | 4.0 | 4.1 | 5.4 | 7.5 | - | - | - |
| EBITDA margin (%) | 16.9 | 16.5 | 17.0 | 20.9 | 16.0 | 11.0 | 15.2 | 19.3 |
| EBIT margin (%) | 9.2 | 8.6 | 8.4 | 8.0 | 7.4 | - | 5.2 | 8.5 |
| NIBD/EBITDA | 0.77 | 1.49 | 2.27 | 2.79 | 2.86 | 3.26 | 3.43 | 3.68 |
| EBITDA/Net interest | - | - | - | 37.88 | 37.99 | 34.57 | 50.24 | - |

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| | | |
|-----------------|--------|---|
| Equity ratings: | "Buy" | Pareto Securities Research expects this financial instrument's total return to exceed 10% over the next 12 months |
| | "Hold" | Pareto Securities Research expects this financial instrument's total return to be between -10% and 10% over the next 12 months |
| | "Sell" | Pareto Securities Research expects this financial instrument's total return to be negative by more than 10% over the next 12 months |

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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 lists 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 1 Østfold Akershus | 1,140,010 | 9.20% |
| Pareto Bank ASA | 14,902,985 | 21.34% | Sparebanken Vest | 6,111,796 | 5.69% |

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 1 SMN | 1,885,567 | 1.45% |
| Pareto Bank ASA | 14,902,985 | 21.34% | SpareBank 1 Østfold Akershus | 1,140,010 | 9.20% |
| Selvaag Bolig ASA | 2,171,147 | 2.32% | Sparebanken Møre | 305,239 | 3.09% |
| SpareBank 1 BV | 1,655,920 | 2.63% | Sparebanken Sør | 433,149 | 2.77% |
| SpareBank 1 Nord-Norge | 3,246,880 | 3.23% | Sparebanken Vest | 6,111,796 | 5.69% |

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 | 18,535 | Helgeland Sparebank | 0 | 4,127 | Schibsted ASA B Aksjer | 0 | 597 |
| Aker | 0 | 791 | Ice Group | 0 | 96,891 | Seadrill | 0 | 8,689 |
| Aker BP | 0 | 14,269 | Jæren Sparebank | 0 | 500 | Selvaag Bolig | 0 | 2,000 |
| American Shipping Company | 0 | 3,500 | Komplett Bank | 0 | 104,079 | SpareBank 1 BV | 0 | 22,700 |
| Atlantic Sapphire | 0 | 1,105 | Kongsberg Gruppen | 0 | 34,118 | SpareBank 1 Nord-Norge | 0 | 27,325 |
| Avance Gas | 0 | 4,580 | KWS | 75 | 75 | SpareBank 1 Ringerike Hadeland | 0 | 500 |
| Axactor | 0 | 8,709 | Lerøy Seafood | 0 | 2,050 | SpareBank 1 SMN | 0 | 22,865 |
| BASF | 270 | 270 | Mowi | 0 | 1,904 | SpareBank 1 SR-Bank | 0 | 30,040 |
| Bonheur | 0 | 46,615 | Nordic Semiconductor | 0 | 6,000 | Sparebank 1 Østfold Akershus | 0 | 450 |
| BRABank | 0 | 1,371,000 | Norsk Hydro | 0 | 96,736 | SpareBank 1 Østlandet | 0 | 2,161 |
| DNB | 0 | 29,705 | Norwegian Air Shuttle | 0 | 49,491 | Sparebanken Sør | 0 | 15,840 |
| DNO | 0 | 457,388 | Ocean Yield | 0 | 39,037 | Sparebanken Vest | 0 | 5,869 |
| DNO Bull ETN | 0 | 7,000 | Okeanis Eco Tankers | 0 | 2,728 | Sparebanken Øst | 0 | 1,500 |
| Entra | 0 | 8,837 | Orkla | 0 | 18,644 | Stolt-Nielsen | 0 | 42,426 |
| Equinor | 0 | 5,002 | Pareto Bank | 0 | 1,279,375 | Storebrand | 0 | 6,165 |
| Europpris | 0 | 14,750 | PGS | 0 | 11,656 | Subsea 7 | 0 | 1,139 |
| Fjord1 | 0 | 50,000 | Pioneer Property | 0 | 2,050 | Telenor | 0 | 2,731 |
| Fjordkraft Holding | 0 | 8,000 | Protector Forsikring | 0 | 14,785 | TGS-NOPEC | 0 | 2,000 |
| Frontline | 0 | 11,730 | REC Silicon | 0 | 32,708 | VOW ASA | 0 | 4,781 |
| Gjensidige Forsikring | 0 | 7,280 | SalMar | 0 | 200 | XXL | 0 | 9,279 |
| Golden Ocean Group | 0 | 1,744 | Sandnes Sparebank | 0 | 27,532 | Yara International | 0 | 14,253 |
| Grieg Seafood | 0 | 770 | Scatec Solar | 0 | 35,000 | Zenterio | 0 | 78,865 |
| Hafnia Limited | 0 | 10,000 | | | | | | |

This overview is updated monthly (last updated 17.03.2020).

*Analyst holdings refers 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 | GG. St. Kongensgade 100 og 106 | Ocean Yield |
| Avanzia Bank | Hafnia Limited | Odjell SE |
| Africa Energy | Hafslund E-CO | OKEA |
| African Petroleum Corporation | Hunter Group ASA | Oliga Group |
| Agder Energi | Hörmann Industries | Pareto Bank |
| Aker ASA | Ice Group | Petroleum Geo- Services |
| American Tanker | ICW Holding | PetroTal |
| Belships | Kingfish Zeeland | Pinewood Laboratories |
| BRABank | Klaveness Combination Carriers ASA | Pioneer Property Group |
| BW Energi | LifeFit | Providences Inv. Mngmt Pty |
| Cabonline Group Holding AB | Luxaviation Holding | Questerre Energy |
| CentralNic Group | Monobank ASA | Sandnes Sparebank |
| DNO | Mutarex SE & Co. KGaA | Seadrill |
| Erwe Immobilien | Navig8 | Shamaran Petroleum |
| Euro micron AG | Navigator Holdings | Sparebanken Vest |
| Exmar NV | Norbit ASA | Stolt Nilsen |
| Filo Mining Corp | Northern Ocean | TEMPTON Dienstleistungen |
| Flex LNG | Norwegian Air Shuttle | United Camping AB |
| Floatef | Nouveau Monde Graphite | Vantage Drilling |
| Genel Energy | | |

This overview is updated monthly (this overview is for the period 28.02.2019 – 29.02.2020).

Appendix C

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

Distribution of recommendations

| Recommendation | % distribution |
|----------------|----------------|
| Buy | 56% |
| Hold | 39% |
| Sell | 5% |

Distribution of recommendations (transactions*)

| Recommendation | % distribution |
|----------------|----------------|
| Buy | 87% |
| Hold | 13% |
| 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 17.03.2020).

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

| | | | |
|----------|---------------------------|------------------|--------------------|
| Azelio | Green Landscaping Holding | Mentice AB | Sedana Medical |
| Bionvent | IRRAS AB | Pledpharma AB | ShaMaran Petroleum |
| Climeon | Jetpak Top Holding AB | QleanAir Holding | |

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:

| | | | |
|-------------------------------|---------------------------|--------------------|-------------------------|
| ByggPartner i Dalarna Holding | Magnolia Bostad | Sedana Medical | Tethys Oil |
| Cibus Nordic Real Estate | Saltängen Property Invest | ShaMaran Petroleum | Vostok Emerging Finance |
| Isfof Medical | SciBase Holding | | |

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Member of the Pareto Group is providing Business Management services to the following companies:

| | | | |
|----------------------|-------------------|-------------|----------------|
| Bosjö Fastigheter AB | Bråviken Logistik | Halmslätten | Mälåråsen |
| Bonäsudden | Delarka | Logistri | Sydsvenska Hem |

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
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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

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| | | | |
|--------------------------------|-----------------------------|---------------------|-------------------------|
| 2G Energy * | Gigaset * | MLP * | Siemens Healthineers AG |
| Baywa | Heidelberg Pharma * | MOBOTIX AG | SMT Scharf AG * |
| Biotest * | Hypoport AG | mutares | Surteco Group * |
| Brenntag | Intershop Communications AG | OVB Holding AG | Syzygy AG * |
| CORESTATE Capital Holding S.A. | ISRA Vision | Procredit Holding * | TAKKT AG |
| Daldrup & Söhne | Leifheit | PSI SOFTWARE AG * | Vapiano |
| Demire | Logwin * | PWO * | va-Q-tec * |
| Epigenomics AG* | Manz AG * | RIB Software * | Viscom * |
| Gesco * | MAX Automation SE | S&T AG * | |
| GFT Technologies * | Merkur Bank | SCOUT24 | |

* 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 | Daldrup & Söhne | Intershop Communications AG | mutares |
| Baywa | Dermapharm Holding SE | Leifheit | OHB SE |
| BB Biotech | First Sensor | MAX Automation SE | OVB Holding AG |
| B.R.A.I.N. | Godewind Immobilien AG | Merkur Bank | Siegfried Holding AG |
| comdirect | Hypoport AG | MOBOTIX AG | |

This overview is updated monthly (last updated 16.04.2020).