



## Q2 data flags robust performance

**Preliminary H1-20e sales down 15% indicates Q2e -24% (vs. Pareto -30%e) with domestic operations (-17% in Q2e) holding-up better than anticipated. The latter generated an operational margin of c8.3% (vs. 12.2% in Q2-19) highlighting the strength of Syzygy's German base. FY-20 guidance is repeated, calling for a 10-20% drop in revenue, with a mid-single digit EBIT margin, confirming the view that the impact from Covid-19 measures on clients' spending peaked in Q2-20. Ahead of the detailed report (30 July) we make only minor changes to estimates and confirm our Buy rating with EUR 8.5 TP.**

### Robust German revenue cannot compensate for international drop

Group revenues decreased by 24% in Q2-20e to EUR 12.0m, nearly EUR 1m above our expectations, as measures to stem the spread of Covid-19 were at their peak. Full details have yet to be disclosed, but domestic business appears to have held-up well dropping c17%, whilst international operations (US and UK) declined by over 40%. Confirming the view that conditions are expected to improve from Q3, FY guidance is repeated calling for a sales decline of 10% to 20%.

### Reasonable domestic profitability mitigates international loss

The indicated Q2e EBIT is EUR 0.5m, down 67%, for a margin of 3.8% (from 8.6% in Q2-19). We estimate German EBIT at EUR 0.8m (for 8.3% margin) which we view as reasonable, although there was a disappointing EUR 0.3m loss in the international operations. Going forward, sales recovery and cost control should trigger profit bounce.

### DCF price target of EUR 8.5 and Buy rating are both confirmed

Ahead of the detailed report, we make only minor revisions to our model, confirming our EUR 8.5 TP and retain a Buy rating.

EURm	2018	2019	2020e	2021e	2022e
Revenues	66	64	55	61	68
EBITDA	8	8	9	12	13
EBIT	6	5	3	6	7
EPS	0.35	0.26	0.12	0.27	0.35
EPS adj	0.35	0.26	0.12	0.27	0.35
DPS	0.39	0.20	0.20	0.23	0.25
EV/EBITDA	12.6	17.2	10.5	7.5	6.8
EV/EBIT	16.9	23.5	31.2	15.6	12.9
P/E adj	22.9	28.2	40.6	18.8	14.6
P/B	2.00	1.84	1.32	1.27	1.15
ROE (%)	8.5	6.4	3.2	6.9	8.3
Div yield (%)	4.9	2.7	4.0	4.6	5.0
Net debt	(5)	31	27	22	23

Source: Pareto

Target price (EUR)	8.5
Share price (EUR)	5.1

### Forecast changes

%	2020e	2021e	2022e
Revenues	0	0	0
EBITDA	6	4	4
EBIT adj	2	1	2
EPS reported	(5)	(2)	(1)
EPS adj	(5)	(2)	(1)

Source: Pareto

Ticker	SYZG.DE, SYZ GY
Sector	Media
Shares fully diluted (m)	13.5
Market cap (EURm)	68
Net debt (EURm)	27
Minority interests (EURm)	-1
Enterprise value 20e (EURm)	95
Free float (%)	49

### Performance



Source: Factset

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

### Analysts

Mark Josefson  
+49 69 58997 437, mark.josefson@paretosec.com

## Preliminary headlines OK in the face of peak disruptions from the Covid-19 pandemic

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

- ▶ Q2-20 group revenues down 24% at EUR 12.0m
- ▶ 17% decline in core German market and with c8.3% EBIT margin
- ▶ Recovery in international operations deferred with cEUR 0.3m loss
- ▶ Consequent fall in operating income to EUR 0.45 (-67%)
- ▶ Net income of EUR 0.2m (from EUR 1.0m in Q2-19)
- ▶ 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 although we believe that Q2-20 represented the low point.

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. H1-20e preliminary sales are indicated down just 6% with a 10.8% margin (-3-%points yoy) 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 originally optimistic that it could turn the corner in the current year. However, new accounts find it easier to cancel and it seems that the UK has continued to see significant sales decline in H1-20e and the US operations have also struggled. Together these international operations loss EUR 0.5m in H1.

**Exhibit 1: Pareto estimates post preliminary data for the segmental Q2-20 performance and group P&L forecasts for 2020**

EUR m	Q2-19	Q2-20e	yoy	H1-19	H1-20e	yoy	FY-19	FY-20e	yoy
Revenues	15.88	12.02	-24.3%	31.57	26.95	-14.6%	64.24	60.59	124.8%
<i>of which: Germany</i>	12.1	10.0	-17%	23.6	22.3	-6%	49.7	50.6	127%
<i>of which: United Kingdom</i>	2.5	1.5	-40%	5.3	3.2	-41%	9.9	7.1	123%
<i>of which: Other segments</i>	1.9	1.1	-41%	3.5	2.4	-34%	6.3	4.8	102%
<i>Corporate &amp; Consolidation</i>	-0.5	-0.5	5%	-0.9	-0.8	-7%	-1.6	-1.8	n.m.
EBITDA	2.62	1.87	-28%	5.27	4.44	-16%	7.54	11.83	167%
EBITDA margin (%)	16.5%	15.6%	-88bp	16.7%	16.5%	-23bp	11.7%	19.5%	305bp
EBIT	1.37	0.45	-67%	2.81	1.55	-45%	5.50	5.71	269%
EBIT margin (%)	8.6%	3.8%	-485bp	8.9%	5.7%	-315bp	8.6%	9.4%	367bp
<i>of which: Germany</i>	1.5	0.8	-44%	3.2	2.4	-26%	7.7	7.0	189%
<i>of which: United Kingdom</i>	-0.5	-0.2	n.m.	-0.5	-0.3	-51%	-1.0	0.3	n.m.
<i>of which: Other segments</i>	0.4	-0.1	n.m.	0.4	-0.3	-167%	0.4	0.2	n.m.
<i>Corporate &amp; Consolidation</i>	0.0	0.0	n.m.	-0.3	-0.4	25%	-1.6	-1.8	n.m.
Pretax	1.36	0.20	-85%	2.79	1.16	-58%	5.19	5.26	353%
Pretax margin (%)	8.5%	1.7%	-686bp	8.8%	4.3%	-453bp	8.1%	8.7%	437bp
Net income	0.99	0.12	-88%	2.05	0.77	-63%	3.47	3.63	373%
EPS (EUR)	0.07	0.01	-88%	0.15	0.06	-63%	0.26	0.27	373%

Source: Pareto

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 the current year.

The more traditional media operations in the US had seen some major account losses at the end of last year and even without Covid-19 that would have anyway impacted the current year's results which has been compounded by budget cutbacks following the pandemic.

Preliminary group data for H1 show group sales down 15% at EUR 26.9m with EBIT down 45% at EUR 1.5m implying 5.7% margin (down from 8.9% in H1-19). 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 Q2-20 has marked 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, we believe that Syzygy will generate profit at the EBIT level in both of the remaining quarters of the current year, 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%. Following the preliminary Q2 data we leave our forecasts 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 maintain existing estimates for in looking for (11%) sales recovery in 2021, with 12% growth in 2022.

The guidance continues to call for an EBIT margin in the mid-single digit percentage range for 2020. In modelling 5.6% margin (a slight improvement over our estimate prior to the release of preliminary data), 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 5.7m. For 2022 we now model EBIT of EUR 7.0m (10.3% margin) before moving up to 10.7% in the following years.

We continue to refer to the DCF model in setting our EUR 8.5 TP. 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: With only minor adjustments to our near-term forecasts, our DCF continues to point to EUR 8.5 TP

EUR m	Phase I					Phase II					Phase III	
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e		
Revenues	54.6	60.6	67.7	73.6	79.2	84.5	89.9	97.3	103.4	108.4		
<i>growth rate</i>	-15.0%	11.0%	11.7%	8.7%	7.5%	6.8%	6.2%	5.7%	5.2%	4.8%		
EBIT	3.0	5.7	7.0	7.9	8.5	9.2	9.8	10.6	11.3	11.4		
<i>EBIT margin</i>	5.6%	9.4%	10.3%	10.7%	10.8%	10.9%	10.9%	10.9%	10.9%	10.5%		
Tax	-0.7	-1.5	-1.8	-2.0	-2.3	-2.5	-2.6	-2.9	-3.0	-3.1		
<i>Tax rate</i>	29%	28%	28%	27%	27%	27%	27%	27%	27%	27%		
Depr. & Amort.	6.0	6.1	6.3	6.4	6.5	6.5	6.6	6.6	6.7	6.7		
<i>% of sales</i>	10.9%	10.1%	9.3%	8.7%	8.2%	7.7%	7.3%	6.8%	6.4%	6.2%		
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%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.0%		
Change in WC	1.3	0.5	-0.8	-1.1	-1.5	-1.8	-2.1	-2.5	-3.0	-3.0		
<i>% of sales</i>	-2.3%	-0.8%	1.1%	1.4%	1.9%	2.1%	2.3%	2.6%	2.9%	2.7%		
Free Cash Flow	7.7	8.8	8.5	8.9	8.8	8.9	8.9	8.8	8.8	8.8	165	
<i>growth rate</i>	nm	15.0%	-3.8%	4.5%	-0.9%	0.9%	0.4%	-0.9%	-0.8%	0.2%	2.0%	
Present Value FCF	7.4	8.0	7.1	6.9	6.4	6.0	5.6	5.2	4.8	4.5	84	
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		84				Premium Debt	2.00%		WACC		7.4%	
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%
							6.7%	8.7	9.4	10.1	11.1	12.3
							7.1%	8.1	8.6	9.3	10.1	11.1
						WACC	7.4%	7.5	8.0	8.5	9.2	10.0
							7.8%	7.0	7.4	7.9	8.4	9.1
Equity value		115					8.2%	6.5	6.9	7.3	7.8	8.3
Number of shares		13.5										
Value per share (€)		8.5										
Current Price (€)		5.2										
Upside		66%										

Source: Pareto

<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
<b>Revenues</b>	<b>57</b>	<b>64</b>	<b>61</b>	<b>66</b>	<b>64</b>	<b>55</b>	<b>61</b>	<b>68</b>
<b>EBITDA</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>12</b>	<b>13</b>
Depreciation & amortisation	(2)	(2)	(2)	(2)	(5)	(6)	(6)	(6)
<b>EBIT</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>6</b>	<b>7</b>
Net interest	2	1	1	0	(0)	(1)	(0)	(0)
Other financial items	1	1	1	0	-	-	-	-
<b>Profit before taxes</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>7</b>
Taxes	(2)	(2)	(1)	(2)	(2)	(1)	(1)	(2)
Minority interest	(0)	(0)	1	(0)	(0)	(0)	(0)	(0)
<b>Net profit</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>5</b>
EPS reported	0.37	0.39	0.39	0.35	0.26	0.12	0.27	0.35
<b>EPS adjusted</b>	<b>0.37</b>	<b>0.39</b>	<b>0.39</b>	<b>0.35</b>	<b>0.26</b>	<b>0.12</b>	<b>0.27</b>	<b>0.35</b>
DPS	0.37	0.38	0.38	0.39	0.20	0.20	0.23	0.25
<b>BALANCE SHEET (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Tangible non current assets	3	3	8	7	32	32	28	35
Other non-current assets	27	35	59	59	61	61	61	61
Other current assets	43	36	31	32	25	24	24	23
Cash & equivalents	4	7	7	12	1	4	7	2
<b>Total assets</b>	<b>102</b>	<b>81</b>	<b>105</b>	<b>110</b>	<b>119</b>	<b>121</b>	<b>120</b>	<b>121</b>
Total equity	51	50	56	54	53	51	52	58
Interest-bearing non-current debt	2	7	22	17	36	35	32	29
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	49	24	27	39	31	35	35	34
<b>Total liabilities &amp; equity</b>	<b>102</b>	<b>81</b>	<b>105</b>	<b>110</b>	<b>119</b>	<b>121</b>	<b>120</b>	<b>121</b>
<b>CASH FLOW (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Cash earnings	7	5	2	6	10	9	11	12
Change in working capital	(9)	1	3	11	(15)	1	1	(1)
Cash flow from investments	(3)	2	(4)	(5)	4	(6)	(3)	(10)
Cash flow from financing	(4)	(5)	(0)	(7)	(10)	(1)	(6)	(7)
Net cash flow	(9)	3	0	5	(11)	3	2	(5)
<b>CAPITALIZATION &amp; VALUATION (EURm)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
<b>Share price (EUR end)</b>	<b>8.8</b>	<b>11.6</b>	<b>11.3</b>	<b>8.0</b>	<b>7.3</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>
Number of shares end period	13	13	14	14	14	14	14	14
Net interest bearing debt	(20)	(15)	6	(5)	31	27	22	23
<b>Enterprise value</b>	<b>92</b>	<b>132</b>	<b>158</b>	<b>103</b>	<b>129</b>	<b>95</b>	<b>89</b>	<b>90</b>
EV/Sales	1.6	2.1	2.6	1.6	2.0	1.7	1.5	1.3
<b>EV/EBITDA</b>	<b>12.5</b>	<b>18.0</b>	<b>25.5</b>	<b>12.6</b>	<b>17.2</b>	<b>10.5</b>	<b>7.5</b>	<b>6.8</b>
EV/EBIT	17.5	23.7	38.5	16.9	23.5	31.2	15.6	12.9
P/E reported	24.1	29.7	29.2	22.9	28.2	40.6	18.8	14.6
<b>P/E adjusted</b>	<b>24.1</b>	<b>29.7</b>	<b>29.2</b>	<b>22.9</b>	<b>28.2</b>	<b>40.6</b>	<b>18.8</b>	<b>14.6</b>
P/B	2.2	3.0	2.7	2.0	1.8	1.3	1.3	1.2
<b>FINANCIAL ANALYSIS &amp; CREDIT METRICS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
ROE adjusted (%)	9.1	9.9	9.4	8.6	6.5	3.2	7.0	8.5
Dividend yield (%)	4.2	3.3	3.4	4.9	2.7	4.0	4.6	5.0
EBITDA margin (%)	12.9	11.5	10.2	12.4	11.7	16.5	19.5	19.6
EBIT margin (%)	9.2	8.7	6.8	9.2	8.6	5.6	9.4	10.3
NIBD/EBITDA	(2.72)	(2.07)	0.95	(0.66)	4.17	3.02	1.83	1.76
EBITDA/Net interest	-	-	-	-	24.87	15.01	26.28	44.20

<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20e</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
<b>Revenues</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>15</b>	<b>12</b>	<b>13</b>	<b>14</b>
<b>EBITDA</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>
Depreciation & amortisation	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(2)
<b>EBIT</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>
Net interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
<b>Profit before taxes</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>
Taxes	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)
Minority interest	(0)	(0)	(0)	0	(0)	(0)	(0)	0
<b>Net profit</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
EPS reported	0.08	0.07	0.06	0.04	0.05	0.01	0.03	0.03
<b>EPS adjusted</b>	<b>0.08</b>	<b>0.07</b>	<b>0.06</b>	<b>0.04</b>	<b>0.05</b>	<b>0.01</b>	<b>0.03</b>	<b>0.03</b>
DPS	-	0.39	-	-	-	0.20	-	-
<b>BALANCE SHEET (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20e</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
Tangible non current assets	27	32	35	32	33	32	32	32
Other non-current assets	59	58	58	61	61	61	61	61
Other current assets	37	27	25	25	26	25	24	24
Cash & equivalents	0	5	4	1	4	4	4	4
<b>Total assets</b>	<b>123</b>	<b>122</b>	<b>122</b>	<b>119</b>	<b>123</b>	<b>121</b>	<b>121</b>	<b>121</b>
Total equity	56	51	51	53	52	50	51	51
Interest-bearing non-current debt	39	42	44	36	37	36	36	35
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	29	30	27	31	34	35	35	35
<b>Total liabilities &amp; equity</b>	<b>123</b>	<b>122</b>	<b>122</b>	<b>119</b>	<b>123</b>	<b>121</b>	<b>121</b>	<b>121</b>
<b>CASH FLOW (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20e</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
Cash earnings	2	1	2	5	2	2	2	2
Change in working capital	(11)	2	(2)	(3)	0	(0)	1	0
Cash flow from investments	(2)	8	(0)	(2)	(3)	1	(2)	(2)
Cash flow from financing	(0)	(6)	(1)	(3)	4	(4)	(1)	(1)
Net cash flow	(11)	5	(1)	(3)	3	(0)	1	(0)
<b>CAPITALIZATION &amp; VALUATION (EURm)</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20e</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
<b>Share price (EUR end)</b>	<b>9.1</b>	<b>9.7</b>	<b>9.4</b>	<b>7.3</b>	<b>5.2</b>	<b>5.5</b>	<b>5.1</b>	<b>5.1</b>
Number of shares end period	13	13	13	13	13	13	13	13
Net interest bearing debt	26	34	36	31	28	30	28	27
P/E reported	25.0	28.6	31.0	28.2	22.8	33.8	38.3	40.3
<b>P/E adjusted</b>	<b>25.0</b>	<b>28.6</b>	<b>31.0</b>	<b>28.2</b>	<b>22.8</b>	<b>33.8</b>	<b>38.3</b>	<b>40.3</b>
P/B	2.2	2.5	2.4	1.8	1.3	1.5	1.3	1.3
<b>FINANCIAL ANALYSIS &amp; CREDIT METRICS</b>	<b>1Q'19</b>	<b>2Q'19</b>	<b>3Q'19</b>	<b>4Q'19</b>	<b>1Q'20</b>	<b>2Q'20e</b>	<b>3Q'20e</b>	<b>4Q'20e</b>
Dividend yield (%)	4.2	4.0	4.1	5.4	7.5	3.6	4.0	4.0
EBITDA margin (%)	16.9	16.5	17.0	13.5	17.2	15.6	17.0	16.1
EBIT margin (%)	9.2	8.6	8.4	8.0	7.4	3.8	6.0	4.8
NIBD/EBITDA	0.77	1.49	2.27	3.13	3.19	3.33	3.28	3.13
EBITDA/Net interest	-	-	-	33.83	23.41	13.99	13.09	15.01

## Disclaimer and legal disclosures

### Origin of the publication or report

This publication or report originates from Pareto Securities AS ("Pareto Securities"), reg. no. 956 632 374 (Norway), Pareto Securities AB, reg. no. 556206-8956 (Sweden) or Pareto Securities Limited, reg. no. 3994976, (United Kingdom) (together the Group Companies or the "Pareto Securities Group") acting through their common unit Pareto Securities Research. The Group Companies are supervised by the Financial Supervisory Authority of their respective home countries.

### Content of the publication or report

This publication or report has been prepared solely by Pareto Securities Research.

Opinions or suggestions from Pareto Securities Research may deviate from recommendations or opinions presented by other departments or companies in the Pareto Securities Group. The reason may typically be the result of differing time horizons, methodologies, contexts or other factors.

### Sponsored research

Please note that if this report is labelled as "sponsored research" on the front page, Pareto Securities has entered into an agreement with the company about the preparation of research reports and receives compensation from the company for this service. Sponsored research is prepared by the Research Department of Pareto Securities without any instruction rights by the company. Sponsored research is however commissioned for and paid by the company and such material is considered by Pareto Securities to qualify as an acceptable min or non-monetary benefit according to the EU MiFID II Directive.

### Basis and methods for assessment

Opinions and price targets are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioral technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts, price targets and projections in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the publication or report, provided that the relevant company/issuer is treated anew in such later versions of the publication or report.

Pareto Securities Research may provide credit research with more specific price targets based on different valuation methods, including the analysis of key credit ratios and other factors describing the securities creditworthiness, peer group analysis of securities with similar creditworthiness and different DCF-valuations. All descriptions of loan agreement structures and loan agreement features are obtained from sources which Pareto Securities Research believes to be reliable, but Pareto Securities Research does not represent or warrant their accuracy. Be aware that investors should go through the specific complete loan agreement before investing in any bonds and not base an investment decision based solely on information contained in this publication or report.

Pareto Securities Research has no fixed schedule for updating publications or reports.

Unless otherwise stated on the first page, the publication or report has not been reviewed by the issuer before dissemination. In instances where all or part of a report is presented to the issuer prior to publication, the purpose is to ensure that facts are correct.

### Validity of the publication or report

All opinions and estimates in this publication or report are, regardless of source, given in good faith and may only be valid as of the stated date of this publication or report and are subject to change without notice.

### No individual investment or tax advice

The publication or report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This publication or report has been prepared by Pareto Securities Research as general information for private use of investors to whom the publication or report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this publication or report, we recommend consulting your financial advisor.

The information contained in this publication or report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

### Sources

This publication or report may be based on or contain information, such as opinions, recommendations, estimates, price targets and valuations which emanate from Pareto Securities Research' analysts or representatives, publicly available information, information from other units or companies in the Group Companies, or other named sources.

To the extent this publication or report is based on or contains information emanating from other sources ("Other Sources") than Pareto Securities Research ("External Information"), Pareto Securities Research has deemed the Other Sources to be reliable but neither the companies in the Pareto Securities Group, others associated or affiliated with said companies nor any other person, guarantee the accuracy, adequacy or completeness of the External Information.

### Ratings

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

### Analysts Certification

The research analyst(s) whose name(s) appear on research reports prepared by Pareto Securities Research certify that: (i) all of the views expressed in the research report accurately reflect their personal views about the subject security or issuer, and (ii) no part of the research analysts' compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analysts in research reports that are prepared by Pareto Securities Research.

The research analysts whose names appears on research reports prepared by Pareto Securities Research received compensation that is based upon various factors including Pareto Securities' total revenues, a portion of which are generated by Pareto Securities' investment banking activities.

### Limitation of liability

Pareto Securities Group or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this publication or report. In no event will entities of the Pareto Securities Group or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages resulting from the information in this publication or report.

Neither the information nor any opinion which may be expressed herein constitutes a solicitation by Pareto Securities Research of purchase or sale of any securities nor does it constitute a solicitation to any person in any jurisdiction where solicitation would be unlawful. All information contained in this research report has been compiled from sources believed to be reliable. However, no representation or warranty, express or implied, is made with respect to the completeness or accuracy of its contents, and it is not to be relied upon as authoritative.

**Risk information**

The risk of investing in certain financial instruments, including those mentioned in this document, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

**Conflicts of interest**

Companies in the Pareto Securities Group, affiliates or staff of companies in the Pareto Securities Group, may perform services for, solicit business from, make a market in, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

In addition Pareto Securities Group, or affiliates, may from time to time have a broking, advisory or other relationship with a company which is the subject of or referred to in the relevant Research, including acting as that company's official or sponsoring broker and providing investment banking or other financial services. It is the policy of Pareto to seek to act as corporate adviser or broker to some of the companies which are covered by Pareto Securities Research. Accordingly companies covered in any Research may be the subject of marketing initiatives by the Investment Banking Department.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Pareto Securities Research are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of the Group Companies and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Pareto Securities Research that no link exists between revenues from capital markets activities and individual analyst remuneration. The Group Companies are members of national stockbrokers' associations in each of the countries in which the Group Companies have their head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Pareto Securities Conflict of Interest Policy.

The guidelines in the policy include rules and measures aimed at achieving a sufficient degree of independence between various departments, business areas and sub-business areas within the Pareto Securities Group in order to, as far as possible, avoid conflicts of interest from arising between such departments, business areas and sub-business areas as well as their customers. One purpose of such measures is to restrict the flow of information between certain business areas and sub-business areas within the Pareto Securities Group, where conflicts of interest may arise and to safeguard the impartiality of the employees. For example, the Investment Banking departments and certain other departments included in the Pareto Securities Group are surrounded by arrangements, so-called Chinese Walls, to restrict the flows of sensitive information from such departments. The internal guidelines also include, without limitation, rules aimed at securing the impartiality of, e.g., analysts working in the Pareto Securities Research departments, restrictions with regard to the remuneration paid to such analysts, requirements with respect to the independence of analysts from other departments within the Pareto Securities Group rules concerning contacts with covered companies and rules concerning personal account trading carried out by analysts.

**Distribution restriction**

The securities referred to in this publication or report may not be eligible for sale in some jurisdictions and persons into whose possession this document comes should inform themselves about and observe any such restrictions. This publication or report is not intended for and must not be distributed to private customers in the US, or retail clients in the United Kingdom, as defined by the Financial Conduct Authority (FCA).

This research is only intended for and may only be distributed to institutional investors in the United States and U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Pareto Securities Inc. at 150 East 52nd Street, New York, NY 10022, Tel. 212 829 4200.

Pareto Securities Inc. is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of FINRA & SIPC. U.S. To the extent required by applicable U.S. laws and regulations, Pareto Securities Inc. accepts responsibility for the contents of this publication. Investment products provided by or through Pareto Securities Inc. or Pareto Securities Research are not FDIC insured, may lose value and are not guaranteed by Pareto Securities Inc. or Pareto Securities Research. Investing in non-U.S. securities may entail certain risks. This document does not constitute or form part of any offer for sale or subscription, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Market rules, conventions and practices may differ from U.S. markets, adding to transaction costs or causing delays in the purchase or sale of securities. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Fluctuations in the values of national currencies, as well as the potential for governmental restrictions on currency movements, can significantly erode principal and investment returns.

Pareto Securities Research may have material conflicts of interest related to the production or distribution of this research report which, with regard to Pareto Securities Research, are disclosed herein.

**Distribution in Singapore**

Pareto Securities Pte Ltd holds a Capital Markets Services License is an exempt financial advisor under Financial Advisers Act, Chapter 110 ("FAA") of Singapore and a subsidiary of Pareto Securities AS.

This report is directed solely to persons who qualify as "accredited investors", "expert investors" and "institutional investors" as defined in section 4A(1) Securities and Futures Act, Chapter 289 ("SFA") of Singapore. This report is intended for general circulation amongst such investors and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. You should seek advice from a financial adviser regarding the suitability of any product referred to in this report, taking into account your specific financial objectives, financial situation or particular needs before making a commitment to purchase any such product. Please contact Pareto Securities Pte Ltd, 16 Collyer Quay, #27-02 Income at Raffles, Singapore 049318, at +65 6408 9800 in matters arising from, or in connection with this report.

**Additional provisions on Recommendations distributed in the Canada**

Canadian recipients of this research report are advised that this research report is not, and under no circumstances is it to be construed as an offer to sell or a solicitation of or an offer to buy any securities that may be described herein. This research report is not, and under no circumstances is it to be construed as, a prospectus, offering memorandum, advertisement or a public offering in Canada of such securities. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this research report or the merits of any securities described or discussed herein and any representation to the contrary is an offence. Any securities described or discussed within this research report may only be distributed in Canada in accordance with applicable provincial and territorial securities laws. Any offer or sale in Canada of the securities described or discussed herein will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that Pareto Securities AS, its affiliates and its authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.

**Distribution in United Kingdom**

This publication is issued for the benefit of persons who qualify as eligible counterparties or professional clients and should be made available only to such persons and is exempt from the restriction on financial promotion in s21 of the Financial Services and Markets Act 2000 in reliance on provision in the FPO.

**Copyright**

This publication or report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws. Any infringement of Pareto Securities Research's copyright can be pursued legally whereby the infringer will be held liable for any and all losses and expenses incurred by the infringement.

## 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	2,009,280	9.63%	SpareBank 1 Østfold Akershus	1,139,560	9.20%
Pareto Bank ASA	14,901,908	21.33%	Sparebanken Vest	6,370,851	5.94%

Pareto Securities AS or its affiliates own as determined in accordance with FINRA Rule 2241, 1% or more of the equity securities of:

Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	2,009,280	9.63%	SpareBank 1 SMN	1,881,442	1.45%
NHST Media Group AS	17,900	1.39%	SpareBank 1 Østfold Akershus	1,139,560	9.20%
Pareto Bank ASA	14,901,908	21.33%	Sparebanken Møre	305,239	3.09%
Selvaag Bolig ASA	2,177,497	2.32%	Sparebanken Sør	433,444	2.77%
SpareBank 1 BV	1,655,220	2.62%	Sparebanken Vest	6,370,851	5.94%
SpareBank 1 Nord-Norge	3,245,605	3.23%	Totens Sparebank	78,246	1.28%

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
Adevinta	0	574	Golden Ocean Group	0	1,744	Quantafuel	0	2,540
AF Gruppen	0	19,185	Grieg Seafood	0	6,258	REC Silicon	0	32,708
Aker	0	791	Hafnia Limited	0	30,000	SalMar	0	385
Aker BP	0	23,126	Helgeland Sparebank	0	2,777	Sandnes Sparebank	0	25,782
American Shipping Company	0	3,500	Ice Group	0	104,391	Sbanken	0	4,520
Atlantic Sapphire	0	1,105	Jæren Sparebank	0	500	Scatec Solar	0	35,000
Austevoll Seafood	0	635	Komplett Bank	0	94,300	Schibsted ASA A Aksjer	0	232
Avance Gas	0	4,456	Kongsberg Gruppen	0	34,274	Schibsted ASA B Aksjer	0	607
Axactor	0	11,376	KWS	75	75	Selvaag Bolig	0	2,350
Bakkafrost	0	204	Lerøy Seafood	0	3,814	SpareBank 1 BV	0	22,000
BASF	270	270	Mowi	0	3,779	SpareBank 1 Nord-Norge	0	26,050
Bonheur	0	37,076	NORBIT	0	8,155	SpareBank 1 SMN	0	18,740
BRABank	0	1,371,000	Nordic Semiconductor	0	6,765	SpareBank 1 SR-Bank	0	42,601
BW Energy Limited	0	43,075	Norsk Hydro	0	102,321	SpareBank 1 Østlandet	0	7,921
BW Offshore	0	8,326	Norske Skog	0	3,550	Sparebanken Sør	0	16,135
DNB	0	31,464	Norwegian Air Shuttle	0	40,028	Sparebanken Vest	0	14,924
DNO	0	499,263	Norwegian Finans Holding	0	3,310	Sparebanken Øst	0	1,500
Elkem	0	5,218	NTS	0	2,172	Stolt-Nielsen	0	41,317
Entra	0	10,537	Ocean Yield	0	46,005	Storebrand	0	7,552
Equinor	0	5,002	Okeanis Eco Tankers	0	2,000	Subsea 7	0	3,198
Europis	0	13,469	Orkla	0	18,699	Telenor	0	2,076
Fjord1	0	50,000	Panoro Energy	0	9,285	TGS-NOPEC	0	2,000
Fjordkraft Holding	0	12,000	Pareto Bank	0	1,278,298	VOW ASA	0	6,281
Frontline	0	28,710	Pexip Holding	0	7,000	XXL	0	12,573
Gjensidige Forsikring	0	7,280	Protector Forsikring	0	14,000	Yara International	0	14,175

This overview is updated monthly (last updated 10.07.2020).

\*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:

24SevenOffice Scandinavia AB	Hafnia Limited	Pexip Holding ASA	
Acconer AB	Helgeland Sparebank	Pinewood Laboratories	
Advanzia Bank	HKN Energy Ltd	Pioneer Property Group	
Africa Energy	Ice Group	Pioneer Property Group ASA	
African Petroleum Corporation	ICW Holding	Providences Inv. Mngmt Pty	
Aker ASA	Kingfish Zeeland	Salmon Evolution AS	
American Tanker, Inc.	Klaveness Combination Carriers ASA	Sandnes Sparebank	
Aprila Bank ASA	Komplett Bank ASA	Scorpio Bulkers Inc.	
Belships	Kongsberg Automotive	Seadrill	
Boreal Holding AS	LifeFit	Sparebanken Vest	
Borr Drilling Ltd.	Luxaviation Holding	Stolt Nilsen	
BRABank	Mercell Holding AS	TEMPTON Dienstleistungen	
BRABank ASA	Monobank ASA	United Camping AB	
BW Energy	Mutares SE & Co. KGaA		-
Cabonline Group Holding AB	Navigator Holdings		-
Cibus Nordic Real Estate AB	Next Biometrics Group ASA ("NEXT")		-
Digiplex	Northern Ocean		-
DOF ASA	Norwegian Air Shuttle		-
DOF Subsea AS	Nouveau Monde Graphite		-
Erwe Immobilien	Ocean Yield		-
Euromicron AG	Odffjell SE		-
Filo Mining Corp	Pareto Bank		-
Floatel	Petroleum Geo- Services		-

*This overview is updated monthly (this overview is for the period 30.06.2019 – 30.06.2020).*

## Appendix C

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

### Distribution of recommendations

Recommendation	% distribution
Buy	64%
Hold	31%
Sell	4%

### Distribution of recommendations (transactions\*)

Recommendation	% distribution
Buy	75%
Hold	25%
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 10.07.2020).

## 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	Jetpak Top Holding AB	Pexip Holding	Sedana Medical
Bionvent	Mentice AB	Pledpharma AB	ShaMaran Petroleum
IRRAS AB	Minesto	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	SciBase Holding	Surgical Science
Cibus Nordic Real Estate	Minesto	Sedana Medical	Tethys Oil
Isofol Medical	Saltängen Property Invest	ShaMaran Petroleum	Vostok Emerging Finance

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:

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  
This overview is updated monthly (last updated 15.07.2020).

## 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 *	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 15.07.2020).