

Earnings will remain in the black despite higher R&D expenses

Intershop reported preliminary full year numbers on February 16th. Cloud order entry in Q4 clearly surpassed our expectations, which speaks for the product acceptance by customers and bodes well for the coming quarters. Mainly because Intershop will have to invest more into R&D in the coming years than we had anticipated, we nevertheless cut the fair value per share from EUR 5.90 to EUR 5.50. Still, we see significant upside of more than 30% for the Intershop share, and our recommendation remains "buy".

Strong cloud order entry

Intershop reported preliminary full year numbers on February 16th. Cloud order entry in Q4 clearly surpassed our expectations, which speaks for the product acceptance by customers and bodes well for the coming quarters. EBIT was below our expectation mainly because Intershop increased the R&D expenditures from EUR 3.8m to EUR 5.1m in 2021. For 2022, the company already indicated a further rise of the R&D budget to around EUR 6m.

2022 guidance looks achievable

Regarding 2022, Intershop expects incoming cloud orders to rise by 20% and a 10% increase in Net New ARR. This means that Intershop expects a cloud order entry of EUR 22m and Net New ARR of EUR 3.1m. Moreover, Intershop expects revenues to grow by 10% to EUR 40m and a positive EBIT of at least EUR 1.0m. All targets have been slightly below our previous estimates. In our view, this is partially due to the conservative guidance policy under the new CEO. Regarding the earnings guidance, this is also the result of Intershop's declared intention to increase the R&D spending for the cloud platform.

Fair value of EUR 5.50

Mainly because Intershop will have to invest more into R&D in the coming years than we had anticipated, we cut the fair value per share from EUR 5.90 to EUR 5.50. Still, we see significant upside of more than 30% for the Intershop share, and our recommendation remains "buy".

EURm	2020	2021	2022e	2023e	2024e
Revenues	34	36	40	44	49
EBITDA	4	4	6	7	9
EBIT	1	1	1	2	3
EPS	0.06	0.06	0.08	0.14	0.22
EPS adj	0.06	0.06	0.08	0.14	0.22
DPS	-	-	-	-	-
EV/EBITDA	8.4	11.5	9.1	7.3	5.7
EV/EBIT	37.5	38.8	34.9	22.0	14.3
P/E adj	55.7	71.5	49.2	28.9	18.4
P/B	2.70	3.30	3.09	2.79	2.42
ROE (%)	5.0	4.7	6.5	10.1	14.1
Div yield (%)	-	-	-	-	-
Net debt	(7)	(7)	(7)	(7)	(9)

Source: Pareto Securities

Target price (EUR) 5.5 ▲ BUY
Share price (EUR) 4.0 — HOLD
▼ SELL

Forecast changes

%	2022e	2023e	2024e
Revenues	(13)	(10)	NM
EBITDA	(18)	(17)	NM
EBIT adj	(38)	(29)	NM
EPS reported	(44)	(33)	NM
EPS adj	(44)	(33)	NM

Source: Pareto Securities

Ticker	ISHG.DE, ISH2 GY
Sector	Software & Services
Shares fully diluted (m)	14.2
Market cap (EURm)	57
Net debt (EURm)	-7
Minority interests (EURm)	0
Enterprise value 22e (EURm)	50
Free float (%)	0

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

Knud Hinkel
+49 69 58997 419, knud.hinkel@paretosec.com

2021 wrap up

Exhibit 1: Preliminary 2021 numbers

Intershop		2020	Actual		Pareto	
			2021	yoy (%)	2021	Delta
Revenues	EURm	33.6	36.0	7	37.7	-5
<i>of which: Licenses</i>	"	4.2	2.3	-46	1.8	23
<i>of which: Maintenance</i>	"	8.0	7.6	-6	7.5	1
<i>of which: Cloud / Subscription</i>	"	7.3	11.1	52	12.4	-10
<i>of which: Services</i>	"	14.1	15.1	7	16.0	-6
Gross profit	"	15.7	17.4	11	17.7	-2
<i>margin</i>	%	46.7%	48.3%	161 BP	46.9%	140 BP
EBIT	EURm	1.0	1.3	30	1.6	-19
<i>margin</i>	%	3.0%	3.6%	0 BP	4.3%	-67 BP
Other cloud-related KPI						
Incoming cloud orders	EURm	15.8	18.3	16	17.5	4
ARR from cloud	"	9.3	12.2	31	12.6	-4
New ARR	"	2.6	3.1	20	3.3	-5
Net new ARR	"	2.3	2.8	23	3.3	-14
Implied churn	"	0.3	0.3	-11	(0.0)	nm

Source: Pareto Securities

Intershop reported preliminary full year numbers on February 16th. Cloud order entry clearly surpassed our expectations, which speaks for the product acceptance by customers and bodes well for the coming quarters.

Group revenues and all ARR-related KPI were a bit light, as it obviously takes more time to convert the strong order entry into revenues than anticipated. Gross profit was very strong, which we trace back to a higher share of licenses in the product mix than anticipated and a cloud margin that improved to 51% in 2021. Intershop believes that license revenues will never go to zero although the company has ceased to actively promote them. However, existing legacy customers are expected to keep this revenue source existent in the foreseeable future.

EBIT was below our expectation mainly because Intershop increased the R&D expenditures from EUR 3.8m to EUR 5.1m in 2021. The company indicated an R&D budget of around EUR 6m in 2022.

Despite Intershop's good growth prospects, the number of employees is down from 299 to 288 people. This is not entirely by intention, and Intershop plans to hire new personnel in 2022. The labor market is tight at present and Intershop begins to spot first signs of wage inflation. However, now that Intershop is in the black for 2 years recruitment efforts have become easier, according to the company.

Regarding 2022, Intershop expects incoming cloud orders to rise by 20% and a 10% increase in Net New ARR. This means that Intershop expects a cloud order entry of EUR 22m and Net New ARR of EUR 3.1m. Moreover, Intershop expects revenues to grow by 10% to EUR 40m and a positive EBIT of at least EUR 1.0m. All numbers are slightly below our previous estimates. In our view, this is partially due to the conservative guidance policy under the new CEO. Regarding the earnings guidance, this is also the result of Intershop's declared intention to increase the R&D spending for the product suite.

During the CC in the afternoon, the company made clear that also acquisitions might be a growth option going forward, without getting more specific.

Estimates update

Exhibit 2: Our updated scenario for the cloud business

Cloud business (EURm)	2019	2020	2021	2022e	2023e	2024e	2025e
Order Entry	13.1	15.8	18.3	22.8	28.5	35.7	44.6
% yoy	81%	21%	16%	25%	25%	25%	25%
New ARR	2.6	2.6	3.1	3.9	4.9	6.1	7.6
% yoy	53%	0%	20%	25%	25%	25%	25%
Average contract length (years)	5.0	6.1	5.9	5.9	5.9	5.9	5.9
% yoy	19%	21%	-3%	0%	0%	0%	0%
Churn	0.9	0.3	0.3	0.5	0.6	0.8	1.0
% yoy	200%	-67%	-11%	85%	28%	27%	27%
Net new ARR	1.7	2.3	2.8	3.4	4.2	5.3	6.6
% yoy	21%	36%	23%	19%	25%	25%	25%
ARR	6.8	9.3	12.2	15.6	19.8	25.1	31.7
% yoy	32%	38%	31%	28%	27%	27%	26%
Cloud revenues	6.4	7.3	11.1	14.5	18.7	24.0	30.6
% yoy	18%	14%	52%	31%	29%	28%	27%

Source: Pareto Securities

If Intershop will be actually able to increase order entry by 20% in 2022, all other cloud related KPI will follow, and the guided set of numbers should be in reach. On the other hand, cloud order entry is lumpy and grew only by 16% on 2021, so that a 20% increase is not a done deal. We forecast a 25% growth rate in the next couple of years, but this should be understood as our expectation for the long-term average.

Regarding the P&L, we needed to finetune our assumptions regarding the R&D budget as Intershop spent more in 2021 than expected by us and also announced to keep investing into the product in order to remain competitive in the years to come. As a result, we now anticipate Intershop to spend EUR 6m on R&D in 2022 and assume an annual increase of 5% p.a. thereafter. As a reminder, Intershop regularly capitalizes roughly one third of its R&D expenses on the balance sheet.

Exhibit 3: P&L

Profit & Loss	2019	2020	2021	2022e	2023e	2024e	2025e
Revenue	31.6	33.6	36.0	39.8	44.1	49.4	56.0
% yoy	1.4%	6.2%	7.1%	10.7%	10.7%	12.0%	13.4%
Gross Profit	11.1	15.7	17.4	20.3	22.8	26.0	29.9
% of sales	35.0%	46.6%	48.3%	51.0%	51.8%	52.6%	53.4%
R&D	4.6	3.8	5.1	6.0	6.3	6.6	6.9
% of sales	14.4%	11.2%	14.2%	15.1%	14.3%	13.4%	12.4%
EBITDA	-2.3	4.5	4.4	5.5	6.8	8.5	10.6
% of sales	-7.4%	13.2%	12.2%	13.9%	15.5%	17.2%	19.0%
EBIT	-6.5	1.0	1.3	1.4	2.3	3.4	4.9
% of sales	-20.4%	3.0%	3.6%	3.6%	5.1%	6.8%	8.7%
Pretax Profit	-6.6	0.9	1.0	1.2	2.0	3.1	4.6
% of sales	-21.0%	2.6%	2.9%	3.0%	4.6%	6.3%	8.2%
Net Profit	-6.8	0.8	0.8	1.2	2.0	3.1	4.6
% of sales	-21.4%	2.4%	2.2%	2.9%	4.5%	6.3%	8.2%
EPS (EUR)	-0.48	0.06	0.06	0.08	0.14	0.22	0.32
% yoy	138.4%	-111.8%	0.0%	45.1%	70.1%	57.1%	48.7%
DPS (EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio	0%	0%	0%	0%	0%	0%	0%

Source: Pareto Securities

As a result, earnings will not grow as quickly in the coming years as we had anticipated before. Notwithstanding, we still believe that Intershop has good chances to remain comfortably above the guided minimum level of EUR 1m for the EBIT line in 2022.

The changes to our estimates can be found in the table below. The percentage changes might look huge, but this is mainly because the earnings numbers are close to zero, so every small absolute change has a big impact on percentage changes.

Exhibit 4: Estimate changes

Intershop		2022e			2023e			2024e		
		Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
Revenues	EURm	42.4	39.8	-6%	45.8	44.1	-4%	51.0	49.4	-3%
EBIT	"	2.5	1.4	-41%	3.3	2.3	-31%	4.3	3.4	-21%
Net result	"	2.2	1.2	-47%	3.0	2.0	-34%	4.0	3.1	-23%
EPS	EUR	0.15	0.08	-47%	0.21	0.14	-34%	0.28	0.22	-23%

Source: Pareto Securities

Valuation update

Exhibit 5: DCF

EUR m	Phase I					Phase II					Phase III
	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Revenues	39.8	44.1	49.4	56.0	64.0	71.9	79.5	86.3	92.1	96.6	
<i>growth rate</i>	10.7%	10.7%	12.0%	13.4%	14.2%	12.4%	10.5%	8.6%	6.7%	4.9%	
EBIT	1.4	2.3	3.4	4.9	6.7	7.8	8.8	9.8	10.8	11.6	
<i>EBIT margin</i>	3.6%	5.1%	6.8%	8.7%	10.5%	10.8%	11.1%	11.4%	11.7%	12.0%	
Tax	(0.5)	(0.7)	(1.1)	(1.5)	(2.1)	(2.4)	(2.8)	(3.1)	(3.4)	(3.7)	
<i>Tax rate</i>	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	
Depr. & Amort.	2.2	2.5	2.8	3.1	3.5	4.6	5.4	6.1	6.6	7.0	
<i>% of sales</i>	5.5%	5.6%	5.6%	5.6%	5.5%	6.4%	6.8%	7.0%	7.1%	7.2%	
Capex	(3.0)	(3.3)	(3.7)	(4.2)	(4.8)	(5.4)	(6.0)	(6.6)	(7.0)	(7.3)	
<i>% of sales</i>	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	
Change in NWC	(0.5)	(0.5)	(0.7)	(0.8)	(1.0)	(1.0)	(0.9)	(0.8)	(0.7)	(0.5)	
<i>% of sales</i>	1.2%	1.2%	1.3%	1.5%	1.5%	1.3%	1.1%	0.9%	0.7%	0.5%	
Free Cash Flow	(0.3)	0.2	0.7	1.4	2.3	3.5	4.5	5.5	6.3	7.1	127.3
<i>growth rate</i>		nm	nm	97%	65%	52%	30%	21%	15%	13%	3%
Present Value FCF	(0.3)	0.2	0.6	1.0	1.5	2.1	2.5	2.8	3.0	3.1	55.6
PV Phase I		3.0									
PV Phase II		13.6									
PV Phase III		55.6									
Risk free rate						3.5%					100%
Premium Equity						5.0%					1.1
Premium Debt						0.5%					8.8%
Targ. equity ratio											
Beta											
WACC											
Enterprise value		72.2									
- Net Debt (Cash)		(12.2)									
- Leasing Liabilities		10.1									
- Minorities & Peripherals		0.0									
- Short call position		3.4									
+ Tax loss carryforwards (NPV)		6.6									
Equity value		77.4									
Number of shares		14.2									
Value per share (€)		5.50									
Current Price (€)		4.18									
Upside		32%									

Source: Pareto Securities

The fair value per share is a down from EUR 5.90 to EUR 5.50, mainly because Intershop will have to invest more into R&D in the coming years than we had anticipated. Still, we see a significant upside of more than 30% for the share, and our recommendation remains "buy".

Intershop has not yet provided the full set of numbers for the past FY. However, it already provided the numbers for net cash and for leasing liabilities, which we included into our DCF framework depicted above, thus. The latter position is significantly up yoy because Intershop moved into a new office building.

As a reminder, Intershop has issued a convertible bond, which gives the buyer the right to buy 1.42m Intershop shares at a strike price of EUR 2.19 per share. This option, which expires in July 2025, is worth around EUR 2.40, according to our calculations. Thus, we deduct EUR 3.4m (1.42m x EUR 2.40) from the fair value. All other things being equal, this number gets smaller over time because of the diminishing time value of the option.

Exhibit 6: Peer group analysis

Company	Country	Market Cap in mEUR	EV/Sales 2022e	EV/Sales 2023e	EV/EBITDA 2022e	EV/EBITDA 2023e	EV/EBIT 2022e	EV/EBIT 2023e
Fabasoft AG	D	355	4.9	4.4	13.8	12.4	20.1	18.0
Mercell Holding AS	NOR	224	4.5	3.8	15.4	11.2	77.8	26.9
USU Software AG	D	220	1.9	1.7	14.6	12.5	19.4	15.2
Sidetrade SA	F	169	5.0	4.1	58.7	32.6	94.4	42.7
Generix Group SA	F	152	1.9	1.7	14.5	12.0	19.8	16.0
D4t4 Solutions plc	UK	125	3.7	3.3	19.5	14.2	21.2	15.0
LeadDesk Oyj	FIN	87	3.2	2.6	18.2	13.1	37.9	20.5
Access Intelligence Plc	UK	53	1.9	1.8	68.9	16.0	-20.3	1160.3
House of Control Group AS	NOR	46	2.0	1.8	-132.0	33.6	-8.9	-13.2
Efecte Oyj	FIN	71	3.7	3.1	93.5	25.1	249.4	30.3
Median peers		138.2	3.4	2.8	16.8	13.6	20.6	19.2
Intershop (Pareto estimate)		57.1	1.3	1.2	9.4	7.5	35.9	22.7
relative		41.3%	37.8%	40.9%	55.7%	54.8%	174.0%	117.8%

Source: Pareto Securities

The peer group analysis supports our view that the Intershop share offers further upside: Compared to a broad set of European software providers with a similar size, the Intershop share does not look expensive regarding EV / Sales and EV / EBITDA multiples.

At a glance

Exhibit 7: At a glance

Business units	Licenses		Maintenance	Cloud / Subscription	Services				
Products & services	<p>Intershop Commerce Suite builds the core of the product offering. The commerce platform can be employed "ready-to-use" or on a modular basis according to customers' needs. Intershop's solutions contain commerce management, product information management, experience management as well as omni-channel order management. Deployment modes are either on-premise, per private cloud or as CaaS (Commerce-as-a-Service). Services include strategic digital consulting, project management, complete or partly operation of the commerce business (Full Service Commerce), as well as training and support.</p>								
Customers	<p>Globally, more than 300 customers, which are mainly active in the manufacturing, retail / wholesale, automotive, and energy industries.</p> <p>Top 25 customers account for c. 66% of revenue.</p>								
Market share & positioning	<p>In its relevant market segment, Intershop accounts for c. 5% of market share, while in the total e-commerce software market Intershop solutions are implemented in less than 2% of all online shops. Intershop is an engineering-driven company, with a focus on a strong performance and a reliable system, thus a quality-oriented company.</p>								
Drivers	<p>Increasing internet penetration (+) Underlying growth in e-commerce business and associated shift from brick-and-mortar retail to e-commerce / omni-channel commerce (+) Changing B2B buyer demographics towards a more digital native buyer group (+) Amazon move into B2B e-commerce business (substitution via marketplaces and strong independent online shops) (-)</p>								
Main competitors	<p><u>Main competitors:</u> Hybris (by SAP), WebSphere Commerce (by IBM), Oracle NetSuiteCommerce (B2B solution by Oracle), Oracle Commerce Platform (by Oracle), CloudCraze (B2B solution recently acquired by salesforce.com), Salesforce Commerce (formerly Demandware, B2C solution by salesforce.com), Magento Commerce (recently acquired by Adobe)</p> <p><u>Non-listed competitors:</u> Insite Software (B2B solution), OROCommerce (B2B solution), Shopware (strong German presence), OXID eSales (strong German presence)</p>								
Strategy, guidance & consensus	<p>Strategy: (I) "Cloud first" (II) B2B Focus, tilted towards SMB via CaaS offering (III) Extending technological functionalities and sales channels via Microsoft partnership (IV) Strengthening marketing capabilities</p>		<p>Guidance Revenue +10% yoy EBIT at least EUR 1m</p>			<p>Pareto Revenue EUR 40m EBIT EUR 1.4m EBIT margin 10.7%</p>		<p>Consensus Revenue EUR 46m EBIT EUR 2.3m EBIT margin 26.7%</p>	
2021	Sales (EURm) y/y	36.0 7.1%	EBITDA Margin	4.4 12.2%	EBIT (EURm) Margin	1.3 3.6%	5Y sales CAGR Organic growth y/y	1.4% 4.7%	
Sales & EBIT split	<p>Sales split by product / service</p>		<p>Sales split by region</p>		<p>Group financial development</p>				
Management & shareholder structure	<p>Markus Klahn Chief Executive Officer (since 2021)</p> <ul style="list-style-type: none"> • With Intershop since 2018, first as Chief Sales Officer • >20 years experience in the software industry • Responsibilities: Corporate Strategy • Prior to joining Intershop, Mr Klahn was active in the ERP and SaaS business after having been on the management board of proALPHA Consulting AG. 			<p>Shareholder structure</p>					
# of employees FY 2021	288								

Source: Pareto Securities

PROFIT & LOSS (fiscal year) (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	36	31	32	34	36	40	44	49
EBITDA	3	(4)	(2)	4	4	6	7	9
Depreciation & amortisation	(2)	(2)	(4)	(3)	(3)	(4)	(5)	(5)
EBIT	0	(6)	(6)	1	1	1	2	3
Net interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	0	(6)	(7)	1	1	1	2	3
Taxes	(1)	(1)	(0)	(0)	(0)	(0)	(0)	(0)
Minority interest	-	-	-	-	-	-	-	-
Net profit	(1)	(7)	(7)	1	1	1	2	3
EPS reported	(0.06)	(0.20)	(0.48)	0.06	0.06	0.08	0.14	0.22
EPS adjusted	(0.06)	(0.19)	(0.44)	0.06	0.06	0.08	0.14	0.22
DPS	-	-	-	-	-	-	-	-
BALANCE SHEET (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Tangible non current assets	1	1	1	1	1	1	2	2
Other non-current assets	10	10	12	11	11	12	12	13
Other current assets	6	5	7	7	7	8	8	9
Cash & equivalents	9	7	8	12	11	11	12	13
Total assets	25	23	28	29	30	32	34	37
Total equity	15	14	16	17	17	18	20	24
Interest-bearing non-current debt	2	2	0	5	5	5	5	5
Interest-bearing current debt	1	2	1	-	-	-	-	-
Other Debt	7	6	10	8	8	9	9	9
Total liabilities & equity	25	23	28	29	30	32	34	37
CASH FLOW (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Cash earnings	2	(5)	(0)	5	3	3	4	6
Change in working capital	(0)	1	(1)	(0)	(0)	(0)	(1)	(1)
Cash flow from investments	(3)	(3)	(3)	(2)	(3)	(3)	(3)	(4)
Cash flow from financing	(1)	5	6	1	-	-	-	-
Net cash flow	(2)	(2)	0	4	(0)	(0)	1	1
VALUATION (EURm)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Share price (EUR end)	5.2	3.94	3.00	3.14	4.03	4.02	4.02	4.02
Number of shares end period	11	35	14	14	14	14	14	14
Net interest bearing debt	(6)	(4)	(6)	(7)	(7)	(7)	(7)	(9)
Enterprise value	50	133	36	37	50	50	50	48
EV/Sales	1.4	4.3	1.2	1.1	1.4	1.3	1.1	1.0
EV/EBITDA	17.7	-	-	8.4	11.5	9.1	7.3	5.7
EV/EBIT	-	-	-	37.5	38.8	34.9	22.0	14.3
P/E reported	-	-	-	55.7	71.5	49.2	28.9	18.4
P/E adjusted	-	-	-	55.7	71.5	49.2	28.9	18.4
P/B	3.7	10.1	2.7	2.7	3.3	3.1	2.8	2.4
FINANCIAL ANALYSIS	2017	2018	2019	2020	2021	2022e	2023e	2024e
ROE adjusted (%)	-	-	-	5.0	4.7	6.5	10.1	14.1
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	7.9	-	-	13.2	12.2	13.9	15.5	17.2
EBIT margin (%)	1.2	-	-	3.0	3.6	3.6	5.1	6.8
NIBD/EBITDA	(2.18)	1.13	2.64	(1.60)	(1.55)	(1.21)	(1.07)	(1.04)
EBITDA/Net interest	8.53	-	-	35.60	17.58	22.12	27.30	34.04

Disclaimer and legal disclosures

Origin of the publication or report

This publication or report originates from Pareto Securities AS, reg. no. 956 632 374 (Norway), Pareto Securities AS, Frankfurt branch, reg. no. DE 320 965 513 / HR B 109177 (Germany) or Pareto Securities AB, reg. no. 556206-8956 (Sweden) (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 minor 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 impartialness 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 impartialness 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 in accordance with Commission Delegated Regulation (EU) 2016/958 and the FINRA Rule 2241

The below list shows companies where Pareto Securities AS - together with affiliated companies and/or persons – owns a net long position of the shares exceeding 0,5 % of the total issued share capital in any company where a recommendation has been produced or distributed by Pareto Securities AS.

Companies	No. of shares	Holdings in %
Bonheur	240,358	0.57%
Pareto Bank	15,311,030	21.92%
Selvaag Bolig	4,289,865	4.58%
Sparebank 1 Nord-Norge	4,287,282	4.27%
SpareBank 1 Ringerike Hadeland	100,000	0.64%
Sparebank 1 SMN	1,970,442	1.52%
Sparebank 1 SR-Bank	1,857,563	0.73%
SpareBank 1 Østfold Akerhus	1,232,229	9.95%
SpareBank 1 Østlandet	3,833,163	3.61%
Sparebanken Møre	290,038	2.94%
Sparebanken Sør	433,744	2.77%
Sparebanken Vest	6,862,344	6.39%
NEXT Biometrics	710,901	0.78%
SpareBank 1 Sør-Øst-Norge	1,771,308	2.81%

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
AF Gruppen	0	1,825
Aker ASA	500	3,102
Aker BP	0	20,377
Aker Carbon Capture	0	5,481
Aker Clean Hydrogen	0	140,540
Aker Horizons	0	125,848
Aker Offshore Wind	0	165,118
Aprilia Bank ASA	0	22,675
Archer	0	30,170
ArcticZymes Technologies	0	684
Austevoll Seafood	0	3,600
AutoStore	0	2,085
B2Holding AS	0	13,940
Bonheur	0	32,088
Borregaard ASA	0	650
Bouvet	0	2,940
BRABank	0	31,499
BW Energy	0	97,965
BW Offshore	0	16,076
Circa Group	0	16,550
CloudBerry Clean Energy	0	100,250
DNB	0	48,805
DNO	0	151,978
Eikem	0	39,367
ELOP	0	130,000
Equinor	0	2,690
Europris	0	13,208
Fjordkraft Holding	0	15,313
Flex LNG	0	1,317
Frontline	0	87,635

Company	Analyst holdings*	Total holdings
Gaming Innovation Group	0	25,912
Gjensidige Forsikring	0	7,746
Grieg Seafood	0	9,003
Hafslia Ltd.	0	5,000
Huddly	0	906,173
HydrogenPro	0	39,777
Ice Fish Farm	0	2,000
Ice Group ASA	0	200,000
Kalera	0	26,752
Kitron	0	18,386
Komplett Bank	0	209,400
Kongsberg Gruppen	0	34,001
KWS	75	75
Lerøy Seafood Group	0	39,363
Meltwater	0	30,700
Mer cell	0	24,863
Mowi	0	486
MPC Container Ships	0	45,902
NEXT Biometrics	0	710,901
Nordic Semiconductor	0	5,336
Norco	0	790
Norse Atlantic	0	25,000
Norsk Hydro	0	84,189
Norske Skog	0	98,499
Northern Drilling Ltd.	0	95,238
Okeanis Eco Tankers	0	2,000
Orkla	0	22,683
Panoro Energy	0	28,441
Pareto Bank	0	1,340,684
Pexip Holding	0	108,046
Protector Forsikring	0	14,000
Primo	0	5,000
Quantafuel	0	5,797
REC Silicon	0	37,281
Sailor	0	2,799
Sandnes Sparebank	0	4,013
Scatec	0	30,456
Seaway 7	0	4,000
Selvaag Bolig	0	3,093
Sparebank 1 Nord-Norge	0	3,350
Sparebank 1 SMN	0	12,740
Sparebank 1 SR-Bank	0	16,054
SpareBank 1 Østfold Akerhus	0	1,252
SpareBank 1 Østlandet	0	9,621
Sparebanken Sør	0	16,435
Sparebanken Vest	0	17,463
Sparebanken Øst	0	1,500
Stolt-Nielsen	0	1,817
Storbrand	0	25,698
Subsea 7	0	12,893
Telenor	0	15,752
TGS	0	600
Vow	0	5,681
Vow Green Metals	0	19,681
Wallenius Wilhelmsen	0	15,800
XXL	0	20,923
Yara	0	15,911
Zaptec	0	14,000
XXL	0	20,923
Yara	0	15,681
Zaptec	0	14,000

This overview is updated monthly (last updated 15.02.2022).

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

Appendix B

Disclosure requirements in accordance with Article 6(1)(c)(iii) of Commission Delegated Regulation (EU) 2016/958

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

2G Energy	Next Biometrics Group
Avanzia Bank S.A.	Nordic Halibut
Aker ASA	Noroco
Aker Clean Hydrogen	Norlandia Health & Care Group AS
Aker Horizons	Norsea Atlantic
Aprilia Bank ASA	Norske Skog
Arca Crypto	Norwegian Block Exchange
Arctic Fish	Odyssey Oceanwind
Arndals Fossekompagni	Ottelo Corporation
Attensi	Panoro Energy
Bartramundi Group Pte. Ltd.	PetroNor E&P
Belships	PetroTAL
Biomega Group AS	PHM Group
Bonheur	Ping Petroleum UK Limited
Boreal Holding AS	polight
BW LPG	Pronofa AS
BW Offshore	Protector Forsikring
Cavai AS	Prym Innovations
Centralnic Group PLC	Quantafuel
Circa Group	Saga Robotics
Cloudberry Clean Energy	Salmon Evolution
Dampskibsselskabet NORDEN A/S	Seafire AB
DLT	Seagems Norway
DNO	Seajacks
Documaster AS	SFL Corporation Ltd
EcoOnline	SGL TransGroup International A/S
ELOP	Shamaran Petroleum
Enapter AG	Siccar Point Energy
Energy Israel Finance Ltd.	State European Holdings
Enviv AS (Bookis)	Smart Wires Inc.
Esmailzadeh Holding	Strandline Resources Limited
First Camp Group AB	Swedencare
Flex LNG	TEMPTON GmbH
FREYR Battery	Tender Energi AS
Funkwerk AG	Veglians AS
Gjensidige Forsikring	Vestby Logistikk Holding
Global Agrajes (Ferrieria group)	Viking ACQ1 AS, SPAC
Golar LNG	Vow
Golden Ocean Group	Waldorf Production UK Ltd
Goliath Offshore	wheel.me
Gramcar Carriers	Xeneta AS
Green Transition Holding	Ymber AS
Greentood	ZTL Payment Solution AS
Grontvedt AS	ØrnSoftwar
Hagal AS	
Halodi Robotics AS	
Heimdall Power	
HKN Energy Ltd	
HMH Holding	
Huddly	
Ice Group Scandinavia Holdings AS	
Immunopharma	
InoBat Auto	
International Petroleum Corporation	
JP/ Politiken's Forlag	
Kalera	
Kebony	
Kentech Global Plc	
Keppel FELS Limited	
Kistos plc.	
KMC Properties	
Komplett ASA	
Komplett Bank	
Kruse Smith	
Kvitbjørn Varme	
Lakers Holding AS	
Lerøy Seafood Group	
Lumaine AS	
Maha Energy	
Malorama Holding AB	
Mathesa Bostadsbolaget AB	
Mer cell	
Mime Petroleum	
Modex AS	
Mutaras SE & Co. KGaA	
Müller Medien GmbH (United Vertical Media GmbH)	
Navios Maritime Acquisitions	
Navios Maritime Holdings	

This overview is updated monthly (this overview is for the period 31.01.2021 – 31.01.2022).

Appendix C

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

Distribution of recommendations	
Recommendation	% distribution
Buy	74%
Hold	24%
Sell	3%

Distribution of recommendations (transactions*)	
Recommendation	% distribution
Buy	88%
Hold	12%
Sell	0%

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

This overview is updated monthly (last updated 15.02.2022).

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:

Bionvent	Josemaria Resources	Sedana Medical
Biovica International	Implantica	Studentbostäder i Norden
Cibus Nordic Real Estate AB	Isol Medical AB	Surge Science
Green Landscaping Group AB	Maha Energy	Vicor Pharma
Hexatronic	Media & Games Invest plc.	VNV Global
Hexicon		

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:

Africa Energy Corp.	Media & Games Invest plc.	Shamaran Petroleum
ByggPartner i Dalarne Holding	Mentice AB	Surgical Science
Cibus Nordic Real Estate	Minesto	Tethys Oil
Isol Medical	Sällängen Property Invest	Vostok Emerging Finance
Logistri Fastighets AB	SciBase Holding	
Magnolia Bostad	Sedana Medical	

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

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

Aarhus Residential Denmark AB	Delarka	Logistri Fastighets AB
Backaheden Fastighets AB	Fleming Properties AB	Mälarsen AB
Bonäsudden Holding AB (publ)	Halmälåten Fastighets AB (publ)	One Publicus Fastighets AB
Borglunda Fastighets AB	Korsängen Fastighets AB (publ)	Origa Care AB (publ)
Bosjö Fastigheter AB	Krona Public Real Estate AB	Præservium Property AB

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

This overview is updated monthly (last updated 15.02.2022).

Appendix E

Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the

2G Energy *	Heidelberg Pharma *	OVB Holding AG
Biotech *	Inter shop Communications AG	Procredit Holding *
CORESTATE Capital Holding S.A.	Leifheit	PSI SOFTWARE AG *
Daldrup & Söhne	Logwin *	PWO *
Demi re	Manz AG *	S&T AG *
EpiGenomics AG *	MAX Automation SE	SMT Scharf AG *
Gesco *	Merkur Bank	Surteco Group *
Ger ry Weber	MLP *	Szygy AG *
GFT Technologies *	mutaras	TAKKT AG
Gigaset *	Northern Data AG	Viscom *

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

Appendix F

Disclosure requirements in accordance with Article 6(1)(c)(iv) of Commission Delegated Regulation (EU) 2016/958

Sponsored Research

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

Baywa	Ger ry Weber	Mynaric
BB Biotech	Hypoport AG	mutaras
CLIQ Digital	Inter shop Communications AG	Northern Data AG
Daldrup & Söhne	Leifheit	OHB SE
Dermapharm Holding SE	MAX Automation SE	OVB Holding AG
Enapter	Merkur Bank	Segfried Holding AG
Exprès2ion Biotechnologies		

This overview is updated monthly (last updated 15.02.2022).