

## Needs to fix the service business, but the cloud segment remains on track

After the profit warning published on the 30th of September, Interhop published 9M numbers that were broadly in-line with our downward-revised expectations. Our new PT of EUR 4.00 assumes that the challenges in the Service segment can be fixed over the course of 2023. On the other hand, we lowered our expectations regarding the cloud order entry in the next two years in order to account for the clouded macroeconomic environment. Our recommendation remains buy.

### 9M numbers in-line with lowered expectations

After the profit warning published on the 30th of September, Interhop reported 9M numbers that were broadly in-line with our downward-revised expectations. As anticipated, the gross profit contribution of the Service segment, which is the main cause for Intershop's softening results, was around zero. After nine months, EBIT stood at minus EUR 1.1m. Intershop believes that the segment profitability can be restored until mid-2023 through several measures, including a management change.

### Cloud business remains on track

In contrast, the cloud business continues to exhibit positive momentum. Cloud order entry was much better than during last year's Q3. ARR and new ARR were in line with expectations. Churn was positive again after a couple of quarters with almost no churn. Notwithstanding, the number is still at very modest levels.

### New PT EUR 4.00

Going forward, we believe that Intershop will be back in the black in 2023, but still below the levels witnessed in 2021. This is because Intershop estimates that it will take until Q2 / 2023 until the problems of the Service segment will be fully resolved. Regarding the cloud business, we cautiously assume only 10% order growth for the next two years to account for the clouded macroeconomic outlook. From 2025 onwards, we expect order entry to pick up again to 25% p.a. As result, we lower our PT from EUR 4.80 to EUR 4.00; the recommendation remains buy.

EURm	2020	2021	2022e	2023e	2024e
Revenues	34	36	38	41	46
EBITDA	4	4	2	4	7
EBIT	1	1	(2)	0	4
EPS	0.06	0.06	(0.12)	0.01	0.19
EPS adj	0.06	0.06	(0.12)	0.01	0.19
DPS	-	-	-	-	-
EV/EBITDA	8.1	10.9	20.9	8.8	4.6
EV/EBIT	36.0	37.0	-	72.7	9.5
P/E adj	55.7	71.5	-	-	15.7
P/B	2.70	3.29	2.71	2.69	2.30
ROE (%)	5.0	4.7	-	0.5	15.8
Div yield (%)	-	-	-	-	-
Net debt	(9)	(9)	(7)	(7)	(9)

Source: Pareto Securities

Target price (EUR)	4.0	▲	BUY
Share price (EUR)	3.0	—	HOLD
		▼	SELL

### Forecast changes

%	2022e	2023e	2024e
Revenues	(4)	(2)	(3)
EBITDA	(59)	(31)	1
EBIT adj	NM	(78)	6
EPS reported	NM	(95)	7
EPS adj	NM	(95)	7

Source: Pareto Securities

Ticker	ISHG.DE, ISH2 GY
Sector	Software & Services
Shares fully diluted (m)	14.2
Market cap (EURm)	42
Net debt (EURm)	-7
Minority interests (EURm)	0
Enterprise value 22e (EURm)	35
Free float (%)	0

### Performance



Source: FactSet

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## Q3 wrap up

### Q3 numbers

Intershop		Actual			Pareto	
		Q3 2021	Q3 2022	yoy (%)	Q3 2022	Delta (%)
<b>Revenues</b>	EURm	<b>8.3</b>	<b>9.0</b>	<b>9</b>	<b>9.2</b>	<b>-2</b>
of which: Licenses	"	0.1	0.4	220	0.3	37
of which: Maintenance	"	1.7	1.9	6	1.9	-4
of which: Cloud / Subscription	"	3.0	3.7	22	4.2	-14
of which: Services	"	3.4	3.1	-9	2.7	15
<b>Gross profit</b>	"	<b>3.9</b>	<b>3.7</b>	<b>-5</b>	<b>4.0</b>	<b>-8</b>
margin	%	46.7%	40.6%	-610 BP	43.6%	-305 BP
<b>EBIT</b>	EURm	<b>0.2</b>	<b>(0.6)</b>	<b>nm</b>	<b>(0.5)</b>	<b>3</b>
margin	%	1.9%	-6.2%	0 BP	(5.9)%	-30 BP
<b>Other cloud-related KPI</b>						
Incoming cloud orders	EURm	1.7	4.4	159	3.0	46
ARR from cloud	"	11.4	15.1	32	15.1	0
New ARR	"	0.5	0.9	69	0.7	40
Net new ARR	"	0.6	0.6	10	0.7	-4
Implied churn	"	(0.0)	0.3	nm	0.0	nm

Source: Pareto Securities

After the [profit warning](#) published on the 30<sup>th</sup> of September, Intershop reported 9M numbers. The result was broadly in-line with our downward-revised expectations. As anticipated, the gross profit contribution of the Service segment, which is the main cause for Intershop's softening results, was around zero. The lower-than-expected group gross profit was compensated by lower other opex, so that our EBIT estimate was met. After nine months, EBIT stands at minus EUR 1.1m.

Regarding the Service segment, Intershop said that some service projects turned out to be more demanding than projected and thus required more time and resources, which were not charged to the customer. In Q3, the utilization rate (billable divided by available hours) stood only at 66% and the aim is to get back to around 80%.

Intershop also said that another reason for the decline in service revenue is the large number of incoming orders from outside the DACH region, which has been serviced by partners in the region. On the one hand, the expansion of the partner business is a declared strategic aim of Intershop to improve the scalability of the business; on the other hand, this shift seems to affect Intershop's segment profitability negatively, so Intershop obviously needs to improve the balance between these two goals.

The company said it had implemented restructuring measures to turn the segment around including the appointment of an interim manager but does not expect segment results to improve before Q2 2023, which is due to the necessity to complete ongoing non-profitable service projects. As a positive side-effect, these restructuring measures might decrease the time from order intake to implementation in the mid-term, which has always appeared rather long for a cloud-hosted product suite (~9 months). Importantly, these measures will not result in one-off restructuring expenses, from today's perspective.

In contrast, the cloud business continues to exhibit positive momentum. Cloud order entry was much better than in last year's Q3. ARR and new ARR were in line with expectations. Churn was positive again after a couple of quarters with almost no churn. Notwithstanding, the number is still at very modest levels. Another setback was that industry consultant Gartner does not include Intershop's product suite in the "magic quadrant" anymore because Intershop does not exceed the required minimum revenue threshold. Whether this negatively affects future sourcing decisions of customers' needs to be seen.

The number of employees was up from 223 at the end of 2021 to 229, most of which in the sales and marketing department.

Intershop stuck to the lowered forecast for FY 2022 given in September. It expects revenues at prior year's level (was +10% compared to prior year before) and a negative operating income in the lower digit million EUR range (was at least EUR 1m before). The outlook for the cloud business remained unchanged, i.e., a 20% increase of incoming cloud orders and a 10% increase of net new ARR. Given that a 20% increase implies a cloud order intake of

EUR 3.2m in the final quarter, which would represent a yoy decline of more than 50%, we believe that Intershop has consciously provided a conservative outlook to account for the dampened macro-economic outlook.

Finally, Intershop announced the change of the head of the supervisory board. Frank Fischer, CEO of Intershop's largest shareholder Shareholder Value Management AG, will take over from Christian Oecking. We cannot rule out that this change has been triggered by Interhop sliding back in the red in the last two quarters.

## Estimates update

### Our updated scenario for the cloud business

Cloud business (EURm)	2019	2020	2021	2022e	2023e	2024e	2025e
<b>Order Entry</b>	13.1	15.8	18.3	22.8	25.1	27.6	34.5
% yoy	81%	21%	16%	25%	10%	10%	25%
<b>New ARR</b>	2.6	2.6	3.1	4.2	4.5	4.9	5.7
% yoy	53%	0%	20%	35%	6%	10%	16%
<b>Average contract length (years)</b>	5.0	6.1	5.3	5.3	5.3	5.3	5.3
% yoy	19%	21%	-13%	1%	0%	0%	0%
<b>Churn</b>	0.9	0.3	0.3	0.4	0.5	0.6	1.0
% yoy	200%	-67%	-11%	33%	37%	25%	62%
<b>Net new ARR</b>	1.7	2.3	2.8	3.9	4.0	4.3	4.7
% yoy	21%	36%	23%	36%	3%	8%	10%
<b>ARR</b>	6.8	9.3	12.2	16.0	20.0	24.3	29.0
% yoy	32%	38%	31%	32%	25%	22%	19%
<b>Cloud revenues</b>	6.4	7.3	11.1	15.0	18.9	23.2	28.0
% yoy	18%	14%	52%	35%	27%	23%	20%

Source: Pareto Securities

In our view, Intershop will be able to meet its guidance regarding cloud order entry and Net New ARR (+10% each) in 2022 after the decent development of the cloud business in the first nine months of 2022. For the next two years, we cautiously assume only 10% cloud order growth to account for the clouded macroeconomic outlook. From 2025 onwards, we expect order entry to pick up again to 25% p.a.

In the light of the mediocre group results in the first 9 months of 2022, we cut back our estimates for Q4 (see below) and for the full FY 2022. We believe that the Service segment will deliver a gross profit around zero in Q4 like in Q3. Moreover, we cautiously assume a soft cloud order entry in Q4. ARR should nevertheless be strong given that this number is more dependent on the order entry three quarters ago than on present sales successes because of the long implementation time of Intershop's cloud solutions.

### Q4 preview

Intershop		Actual Q4 2021	Pareto Q4 2022e yoy (%)	
<b>Revenues</b>	EURm	<b>9.4</b>	<b>10.1</b>	<b>7</b>
of which: Licenses	"	1.1	1.0	-12
of which: Maintenance	"	1.9	1.8	-7
of which: Cloud / Subscription	"	3.0	4.6	56
of which: Services	"	3.4	2.7	-21
<b>Gross profit</b>	"	<b>4.9</b>	<b>4.1</b>	<b>-16</b>
margin	%	52.0%	41.0%	-1098 BP
<b>EBIT</b>	EURm	<b>0.2</b>	<b>(0.5)</b>	<b>-433</b>
margin	%	1.6%	nm	nm
<b>Other cloud-related KPI</b>				
Incoming cloud orders	EURm	6.9	4.1	-40
ARR from cloud	"	12.2	16.0	32
New ARR	"	1.1	1.2	9
Net new ARR	"	0.8	1.0	24
Implied churn	"	0.3	0.2	-30

Source: Pareto Securities

Going forward, we believe that Intershop will be back in the black in 2023, but still below the levels witnessed in 2021. This is because Intershop estimates that it will take until Q2 / 2023 until the problems of the Service segment will be fully resolved. On the other hand, we remain optimistic on the longer-term outlook for the cloud business at the backdrop of the constantly strong order entry in 2022. Therefore, we now expect a slightly higher EBIT for 2024e than before.

## P&L

Profit & Loss	2019	2020	2021	2022e	2023e	2024e	2025e
<b>Revenue</b>	31.6	33.6	36.0	37.5	41.4	45.6	50.3
% yoy	1.4%	6.2%	7.1%	4.2%	10.4%	10.2%	10.2%
<b>Gross Profit</b>	11.1	15.7	17.7	16.4	20.9	25.6	28.4
% of sales	35.0%	46.6%	49.2%	43.6%	50.4%	56.0%	56.5%
<b>R&amp;D</b>	4.6	3.8	5.7	7.3	7.7	8.1	8.5
% of sales	14.4%	11.2%	15.8%	19.5%	18.6%	17.7%	16.8%
<b>EBITDA</b>	-2.3	4.5	4.4	1.7	4.0	7.3	8.6
% of sales	-7.4%	13.2%	12.3%	4.5%	9.8%	16.0%	17.1%
<b>EBIT</b>	-6.5	1.0	1.3	-1.6	0.5	3.5	4.5
% of sales	-20.4%	3.0%	3.6%	-4.2%	1.2%	7.7%	9.0%
<b>Pretax Profit</b>	-6.6	0.9	0.9	-2.0	0.1	3.1	4.1
% of sales	-21.0%	2.6%	2.5%	-5.3%	0.2%	6.8%	8.2%
<b>Net Profit</b>	-6.8	0.8	0.8	-1.7	0.1	2.7	3.6
% of sales	-21.4%	2.4%	2.2%	-4.6%	0.2%	5.9%	7.1%
<b>EPS (EUR)</b>	-0.48	0.06	0.06	-0.12	0.01	0.19	0.25
% yoy	138.4%	-111.8%	0.0%	-314.7%	-104.7%	3243.1%	32.2%
<b>DPS (EUR)</b>	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

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.

## Estimate changes

Intershop		2022e			2023e			2024e		
		Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
<b>Revenues</b>	EURm	39.8	37.5	-6%	44.1	41.4	-6%	49.4	45.6	-8%
<b>EBIT</b>	"	1.4	-1.6	-213%	2.3	0.5	-79%	3.4	3.5	3%
<b>Net result</b>	"	1.2	-1.7	-243%	2.0	0.1	-96%	3.1	2.7	-12%
<b>EPS</b>	EUR	0.08	-0.12	-251%	0.14	0.01	-96%	0.22	0.19	-13%

Source: Pareto Securities

## Valuation update

### DCF

EUR m	2022e	2023e	Phase I 2024e	2025e	2026e	2027e	2028e	Phase II 2029e	2030e	2031e	Phase III
<b>Revenues</b>	<b>37.5</b>	<b>41.4</b>	<b>45.6</b>	<b>50.3</b>	<b>55.9</b>	<b>61.4</b>	<b>66.6</b>	<b>71.2</b>	<b>75.2</b>	<b>78.4</b>	
growth rate	4.2%	10.4%	10.2%	10.2%	11.2%	9.8%	8.4%	7.0%	5.6%	4.2%	
<b>EBIT</b>	<b>(1.6)</b>	<b>0.5</b>	<b>3.5</b>	<b>4.5</b>	<b>5.8</b>	<b>6.6</b>	<b>7.3</b>	<b>8.1</b>	<b>8.8</b>	<b>9.4</b>	
EBIT margin	nm	1.2%	7.7%	9.0%	10.4%	10.7%	11.0%	11.3%	11.7%	12.0%	
<b>Tax</b>	<b>0.5</b>	<b>(0.2)</b>	<b>(1.1)</b>	<b>(1.4)</b>	<b>(1.8)</b>	<b>(2.1)</b>	<b>(2.3)</b>	<b>(2.5)</b>	<b>(2.8)</b>	<b>(3.0)</b>	
Tax rate	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	
<b>Depr. &amp; Amort.</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.2</b>	<b>2.4</b>	<b>2.8</b>	<b>3.1</b>	<b>3.4</b>	<b>3.6</b>	<b>3.8</b>	
% of sales	5.5%	4.8%	4.5%	4.3%	4.2%	4.5%	4.7%	4.8%	4.8%	4.9%	
<b>Capex</b>	<b>(1.9)</b>	<b>(2.1)</b>	<b>(2.3)</b>	<b>(2.6)</b>	<b>(2.9)</b>	<b>(3.1)</b>	<b>(3.4)</b>	<b>(3.6)</b>	<b>(3.8)</b>	<b>(4.0)</b>	
% of sales	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	
<b>Change in NWC</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.4)</b>	<b>(0.4)</b>	
% of sales	0.4%	0.9%	0.9%	0.9%	0.9%	0.9%	0.8%	0.7%	0.6%	0.5%	
<b>Free Cash Flow</b>	<b>(1.1)</b>	<b>(0.2)</b>	<b>1.7</b>	<b>2.3</b>	<b>2.9</b>	<b>3.6</b>	<b>4.2</b>	<b>4.8</b>	<b>5.4</b>	<b>5.9</b>	<b>90.7</b>
growth rate	nm	nm	nm	31%	30%	23%	17%	14%	11%	9%	3%
<b>Present Value FCF</b>	<b>(1.1)</b>	<b>(0.1)</b>	<b>1.4</b>	<b>1.7</b>	<b>2.0</b>	<b>2.3</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>39.4</b>

PV Phase I	3.9	Risk free rate	3.5%	Targ. equity ratio	100%			
PV Phase II	12.3	Premium Equity	5.0%	Beta	1.2			
PV Phase III	39.4	Premium Debt	0.5%	WACC	9.5%			
Enterprise value	55.6	Sensitivity	Growth in phase III					
- Net Debt (Cash)	(9.1)		1.9%	2.4%	2.9%	3.4%	3.9%	
- Leasing Liabilities	10.2		8.6%	4.29	4.54	4.84	5.20	5.63
- Minorities & Peripherals	0.0		9.0%	3.95	4.16	4.41	4.70	5.05
- Short call position	2.0		9.5%	3.65	3.83	4.04	4.28	4.56
+ Tax loss carryforwards (NPV)	4.8		10.0%	3.40	3.55	3.72	3.92	4.16
			10.5%	3.17	3.30	3.45	3.62	3.81
Equity value	57.4							
Number of shares	14.2							
Value per share (€)	4.00							
Current Price (€)	2.99							
Upside	34%							

Source: Pareto Securities

Due to the more modest short-and midterm outlook, we lower our fair value of EUR 4.00. This is slightly compensated by the fact that the value of the short call has decreased because of the lower share price and because of the diminishing time value of the option. 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 1.40, according to our calculations. Thus, we deduct EUR 2.0m (1.42m x EUR 1.40) from the fair value.

All in, we still see a significant upside of more than 30% for the share, and our recommendation remains “buy”. The critical underlying assumption is that Intershop’s cloud business will be a long-term success story, of course.

### Peer group analysis






Company	Country	Market Cap in mEUR	EV/Sales 2023e	EV/Sales 2024e	EV/EBITDA 2023e	EV/EBITDA 2024e	EV/EBIT 2023e	EV/EBIT 2024e
Fabasoft AG	D	198	2.2	2.0	7.1	6.2	10.8	9.3
USU Software AG	D	184	1.2	1.2	8.5	7.4	11.2	9.3
Sidetrade SA	F	182	4.1	3.4	29.5	19.5	37.5	23.4
Generix Group SA	F	221	2.3	nm	20.5	nm	28.1	nm
D4t4 Solutions plc	UK	111	2.3	2.3	13.0	nm	14.0	nm
LeadDesk Oyj	FIN	29	1.0	0.9	8.0	6.1	-28.4	21.7
House of Control Group AS	NOR	60	2.6	2.3	15.3	12.2	234.4	67.6
Efecte Oyj	FIN	53	2.1	1.8	101.9	27.6	254.8	51.1
<b>Median peers</b>		<b>146.7</b>	<b>2.2</b>	<b>2.0</b>	<b>14.2</b>	<b>9.8</b>	<b>21.0</b>	<b>22.5</b>
<b>Intershop (Pareto estimate)</b>		<b>42.5</b>	<b>1.1</b>	<b>0.9</b>	<b>11.1</b>	<b>5.6</b>	<b>80.7</b>	<b>11.1</b>

Source: Factset, Pareto Securities

The peer group analysis supports our view that the Intershop share is cheap if its cloud business remains on the growth trajectory: Compared to a broad set of European software providers with a similar size, the Intershop share looks attractive, especially regarding EV / Sales and EV / EBITDA multiples beyond 2023.

## At a glance

### At a glance

Business units	Licenses	Maintenance	Cloud / Subscription	Services				
								
Products & services	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.							
Customers	Globally, more than 300 customers, which are mainly active in the manufacturing, retail / wholesale, automotive, and energy industries.							
	Top 25 customers account for c. 66% of revenue.							
Market share & positioning	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.							
Drivers	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) (-)							
Main competitors	Main competitors: 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)							
	Non-listed competitors: Insite Software (B2B solution), OROCommerce (B2B solution), Shopware (strong German presence), OXID eSales (strong German presence)							
Strategy, guidance & consensus	<div><div>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</div><div><div>Guidance</div><div>Revenue flat yoy</div><div>EBIT low single digit losses</div></div><div><div>Revenue yoy</div><div>EBIT</div><div>EBIT margin</div></div><div><div>Pareto</div><div>EUR 38m</div><div>4.2%</div><div>EUR -1.6m</div><div>-4.2%</div></div><div><div>Consensus</div><div>EUR 38m</div><div>4.3%</div><div>EUR -1.1m</div><div>-2.9%</div></div></div>							
2021	Sales (EURm)	36.0	EBITDA	4.4	EBIT (EURm)	1.3	5Y sales CAGR	1.4%
	y/y	7.1%	Margin	12.3%	Margin	3.6%	Org. growth y/y	4.7%
Sales & EBIT split	<div><div>Sales split by product / service</div><div>■ License Sales ■ Maintenance Sales ■ Cloud &amp; Subscription Sales ■ Service Sales</div></div> <div><div>Sales split by region</div><div>■ Europe ■ U.S.A. ■ Asia/Pacific</div></div>				<div><div>Group financial development</div><div>■ Group Sales ■ EBIT margin (rhs)</div></div>			
Management & shareholder structure	<div><div><div><b>Markus Klahn</b> Chief Executive Officer (since 2021)</div></div><div><ul style="list-style-type: none"><li>• With Intershop since 2018, first as Chief Sales Officer</li><li>• &gt;20 years experience in the software industry</li><li>• Responsibilities: Corporate Strategy</li><li>• 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.</li></ul></div></div> <div><div>Shareholder structure</div><div>■ Shareholder Value Management AG / Shareholder Value Beteiligungen AG ■ Frankfurter Inv.-ges. m. var. Kapital (SICAV) ■ Free Float</div></div>							
# of employees FY 2021	288							

Source: Company, Pareto Securities



<b>PROFIT &amp; LOSS (fiscal year) (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Revenues</b>	<b>36</b>	<b>31</b>	<b>32</b>	<b>34</b>	<b>36</b>	<b>38</b>	<b>41</b>	<b>46</b>
<b>EBITDA</b>	<b>3</b>	<b>(4)</b>	<b>(2)</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>7</b>
Depreciation & amortisation	(2)	(2)	(4)	(3)	(3)	(3)	(4)	(4)
<b>EBIT</b>	<b>0</b>	<b>(6)</b>	<b>(6)</b>	<b>1</b>	<b>1</b>	<b>(2)</b>	<b>0</b>	<b>4</b>
Net interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
<b>Profit before taxes</b>	<b>0</b>	<b>(6)</b>	<b>(7)</b>	<b>1</b>	<b>1</b>	<b>(2)</b>	<b>0</b>	<b>3</b>
Taxes	(1)	(1)	(0)	(0)	(0)	0	(0)	(0)
Minority interest	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>(1)</b>	<b>(7)</b>	<b>(7)</b>	<b>1</b>	<b>1</b>	<b>(2)</b>	<b>0</b>	<b>3</b>
EPS reported	(0.06)	(0.20)	(0.48)	0.06	0.06	(0.12)	0.01	0.19
<b>EPS adjusted</b>	<b>(0.06)</b>	<b>(0.19)</b>	<b>(0.44)</b>	<b>0.06</b>	<b>0.06</b>	<b>(0.12)</b>	<b>0.01</b>	<b>0.19</b>
DPS	-	-	-	-	-	-	-	-
<b>BALANCE SHEET (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Tangible non current assets	1	1	1	1	1	1	1	1
Other non-current assets	10	10	12	12	21	21	21	21
Other current assets	6	5	7	5	6	6	7	7
Cash & equivalents	9	7	8	12	12	10	10	12
<b>Total assets</b>	<b>25</b>	<b>23</b>	<b>28</b>	<b>29</b>	<b>40</b>	<b>38</b>	<b>38</b>	<b>41</b>
Total equity	15	14	16	17	17	16	16	18
Interest-bearing non-current debt	2	2	0	3	3	3	3	3
Interest-bearing current debt	1	2	1	-	-	-	-	-
Other Debt	7	6	10	10	19	19	19	20
<b>Total liabilities &amp; equity</b>	<b>25</b>	<b>23</b>	<b>28</b>	<b>29</b>	<b>40</b>	<b>38</b>	<b>38</b>	<b>41</b>
<b>CASH FLOW (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Cash earnings	2	(5)	(0)	3	6	0	2	5
Change in working capital	(0)	1	(1)	1	(1)	(0)	(0)	(0)
Cash flow from investments	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)
Cash flow from financing	(1)	5	6	1	(3)	-	-	-
Net cash flow	(2)	(2)	0	4	0	(2)	(0)	2
<b>VALUATION (EURm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Share price (EUR end)</b>	<b>5.2</b>	<b>3.94</b>	<b>3.00</b>	<b>3.14</b>	<b>4.03</b>	<b>2.99</b>	<b>2.99</b>	<b>2.99</b>
Number of shares end period	11	35	14	14	14	14	14	14
Net interest bearing debt	(6)	(4)	(6)	(9)	(9)	(7)	(7)	(9)
<b>Enterprise value</b>	<b>50</b>	<b>133</b>	<b>36</b>	<b>36</b>	<b>48</b>	<b>35</b>	<b>36</b>	<b>33</b>
EV/Sales	1.4	4.3	1.2	1.1	1.3	0.9	0.9	0.7
<b>EV/EBITDA</b>	<b>17.7</b>	-	-	<b>8.1</b>	<b>10.9</b>	<b>20.9</b>	<b>8.8</b>	<b>4.6</b>
EV/EBIT	-	-	-	36.0	37.0	-	72.7	9.5
P/E reported	-	-	-	55.7	71.5	-	-	15.7
<b>P/E adjusted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55.7</b>	<b>71.5</b>	<b>-</b>	<b>-</b>	<b>15.7</b>
P/B	3.7	10.1	2.7	2.7	3.3	2.7	2.7	2.3
<b>FINANCIAL ANALYSIS</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
ROE adjusted (%)	-	-	-	5.0	4.7	-	0.5	15.8
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	7.9	-	-	13.2	12.3	4.5	9.8	16.0
EBIT margin (%)	1.2	-	-	3.0	3.6	-	1.2	7.7
NIBD/EBITDA	(2.18)	1.13	2.64	(1.93)	(2.06)	(4.39)	(1.72)	(1.23)
EBITDA/Net interest	8.53	-	-	35.60	11.49	4.27	10.22	18.41

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## Appendix A

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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	239,445	0.56%
Huddly	1,070,395	0.51%
Pareto Bank	14,732,219	21.09%
Selvaag Bolig	4,361,772	4.65%
Sparebank 1 Nord-Norge	4,472,477	4.45%
Sparebank 1 SMN	2,348,960	1.81%
Sparebank 1 SR-Bank	2,375,835	0.93%
SpareBank 1 Østfold Akerhus	1,233,804	9.96%
SpareBank 1 Østlandet	4,458,934	4.20%
Sparebanken Møre	566,833	1.15%
Sparebanken Sør	333,249	2.13%
Sparebanken Vest	7,279,243	6.78%
NEXT Biometrics	700,000	0.76%
SpareBank 1 Sør-øst-Norge	2,553,659	4.05%

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Company	Analyst holdings*	Total holdings
AAC Clyde Space	0	72,700
Adevinta	0	2,000
Aker ASA	500	2,329
Aker BP	0	13,315
Aker Horizons	0	170,761
AMSC ASA	0	4,860
Atlantic Sapphire	0	7,500
Austevoll Seafood	0	2,348
AutoStore	0	3,525
Avance Gas	0	4,280
Awilco LNG	0	30,000
Belships	0	40,000
BiolInvent	0	15,000
Bonheur	0	30,575
Borregaard ASA	0	515
Bouvet	0	980
BW Energy	0	81,325
BW Offshore	0	4,900
CloudBerry Clean Energy	0	100,000
Crayon	0	2,380
Desert Control	0	28,000
DNB	0	34,030
DNO	0	30,391
Elkem	0	65,376
Elmer Group ASA	0	29,405
Embracer Group	0	6,600
Equinor	0	1,616
Europris	0	17,208
Flex LNG	0	1,135
Frontline	0	17,100

Company	Analyst holdings*	Total holdings
Gaming Innovation Group	0	15,000
Gjensidige Forsikring	519	1,160
Grieg Seafood	0	14,374
Hafnia Ltd.	0	126,000
Huddly	0	1,070,395
Hunter Group	0	53,996
HydrogenPro	0	34,922
International Petroleum Corp	0	5,511
Kiiron	0	9,226
Komplett Bank	0	153,800
Kongsberg Gruppen	0	270
KWS	75	75
Lea bank	0	16,355
Lerøy Seafood Group	0	38,631
Media and Games Invest	0	5,000
Meltwater	0	24,000
Mowi	0	1,488
NEXT Biometrics	0	700,000
NORBIT ASA	0	3,656
Nordic Semiconductor	0	13,019
Norco	0	500
Norsk Hydro	0	83,711
Norske Skog	0	79,949
Northern Drilling Ltd.	0	188,000
Odjell Drilling	0	30,381
Orkla	0	11,016
Panoro Energy	0	12,733
Pareto Bank	0	761,873
PetroTal	0	74,000
Pexip Holding	0	430,795
Protector Forsikring	0	10,300
Pyrum Innovations	0	100
Quantafuel	0	17,665
REC Silicon	0	31,990
Sandnes Sparebank	0	2,500
Sandvik	0	1,000
Scatec	0	30,129
Seadrill Ltd	0	7,850
SigntUp Software	0	1,264
Sparebank 1 Nord-Norge	0	5,000
Sparebank 1 SMN	0	10,164
Sparebank 1 SR-Bank	0	7,445
Sparebanken Møre	0	1,080
Sparebanken Sør	0	15,940
Sparebanken Vest	0	3,294
Stolt-Nielsen	0	2,233
Storebrand	100	1,750
Storlytel	0	4,390
Subsea 7	0	24,640
Telenor	0	1,954
TGS	0	600
TORM	0	2,500
Transocean	0	13,000
Valaris	0	2,000
Vestas Wind Systems	0	1,235
Vow	0	3,281
Vår Energi	0	95,937
Yara	0	15,914
Zaptec	0	14,010

This overview is updated monthly (last updated 17.10.2022).

\*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:

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Aker Clean Hydrogen	Tier klinik Hofheim GbR
Aker Offshore Wind	Tise AS
Akershus Energi Varme AS	Trønderenergi AS
Alva Industries AS	Vestby Logistikk Holding
American Shipping Company	Viking Venture 27 AS
Aprila Bank ASA	Vår Energi
B2Holding AS	Waldorf Production UK Ltd
Bekk og Strøms AS, SV Vattenkraft AB	Waste Plastic Upcycling
Biolnvent	Wattif EV
Biomega Group AS	wheel.me
Boreal Holding AS	Ymber AS
Borrr Drilling	Ørn Softwar e
Brooge Petroleum and Gas	
BWLPG	
BW Offshore	
Cabonline Group Holding AB	
Cavai AS	
Cloudberry Clean Energy	
DNO	
Dolphin Drilling	
ELOP	
Enapter AG	
Ensurge Micropower	
Esmælszadeh Holding	
First Camp Group AB	
Flex LNG	
Global Agrarjes (Fertiberia group)	
Golar LNG	
GramCar Carriers	
Green Transition Holding	
Greentood	
Hal slund Eco	
HMH Holding	
Hospitality Invest	
House of Control	
Ice Group	
Idavang A/S	
InoBat Auto	
International Petroleum Corporation	
Island Green Power Ltd	
Kalera	
Kebony	
KMC Properties	
Kruse Smith	
Kvitbjørn Energi AS	
Magnora	
Memmo Family	
Mime Petroleum	
Modex AS	
Multitude SE	
Navios Maritime Holdings	
NorAm Drilling	
Nordic Hallbut	
Norske Skog	
Norwegian Block Exchange	
Odyssey Oceanwind	
Okeas AS	
Otell Corporation	
Pandion Energy	
Pareto Bank	
PHM Group	
polight	
Polight ASA	
Prønfø AS	
Protector Forsikring	
Pryme	
Pyrum Innovations	
Qred Holding	
Quantafuel	
Saga Robotics	
Salmon Evolution	
Sartorius-Herbst	
Schletter International B.V	
Seagems Norway	
Shamaran Petroleum	
Slate European Holdings	

This overview is updated monthly (this overview is for the period 30.09.2021 – 31.10.2022).

## Appendix C

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

### Distribution of recommendations

Recommendation	% distribution
Buy	78%
Hold	21%
Sell	1%

### 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 17.10.2022).

## 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:

ADDVise	Media & Games Invest plc.	Swedencare
Cibus Nordic Real Estate AB	Oscar Properties	VEF
Egetis Therapeutics	Shamaran Petroleum Corp	VNV Global
Mentice	Studentbåstider i Norden	

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 Dalarna Holding	Mentice AB	Signup Software
Implantica	SciBase Holding	Tethys Oil
Isol Medical	Sedana Medical	VEF
Linkfire		

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	Fleming Properties AB	Mälarsen AB
Backaheden Fastighets AB	Halmelätten Fastighets AB (publ)	One Publicus Fastighets AB
Bonäsudden Holding AB (publ)	Korsängen Fastighets AB (publ)	Origa Car AB (publ)
Borglunda Fastighets AB	Krona Public Real Estate AB	Preservium Property AB
Bosjö Fastigheter AB	Logistr Fastighets 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 17.10.2022).

## 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 provision of the designated sponsor services.

2G Energy AG	IVU Traffic AG	PSI AG
adpepper media International N.V.	Kontron AG	Pyrum Innovations AG
Biotest AG	Leifheit AG	Questback Group AS
Biotest AG Pf.d.	Logwin AG	Salmones Camanchaca S.A.
Corstate Capital Holding S.A.	manz AG	Seven Principles AG
Daldrup & Söhne AG	MAX Automation SE	SHOP APOTHEKE EUROPE N.V.
DEMIRE AG	Merkur Privatbank AG	SMT Scharf AG
DF Deutsche Fortfalt AG	Meta Wolf AG	Stratec SE
epigenomics AG	MPL SE	Surteco AG
Foris AG	MPC Container Ships ASA	Szygy AG
GERRY WEBER International AG	Muehlhahn AG	TTL Beteiligungs- und Grundbesitz AG
Gesco AG	Mutares SE & Co. KGaA	Uzin Utz SE
GFT Technologies SE	OVB Holding AG	VERIANOS SE
Gigaset AG	ProCredit Holding AG	Viscom AG
Heidelberg Pharma AG	Progress-Werk Oberkirch AG	windeln.de SE
INTERSHOP Communications AG	Pryme B.V.	WPU - Waste Plastic Upcycling AS

## Appendix F

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

### Sponsored Research

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

2G Energy AG	Gesco AG	Mutares SE & Co. KGaA
BayWa AG	GFT Technologies SE	Mynaric AG
BB Biotech AG	Gigaset AG	OHB SE
Biotest AG	Heidelberg Pharma AG	ProCredit Holding AG
Biotest AG Pf.d.	Hypoport SE	Progress-Werk Oberkirch AG
Clig Digital AG	INTERSHOP Communications AG	PSI AG
Daldrup & Söhne AG	Kontron AG	Segfried Holding AG
Dermapharma Holding SE	Leifheit AG	SMT Scharf AG
Enapter AG	Logwin AG	Surteco AG
epigenomics AG	MAX Automation SE	Szygy AG
Express2ion Biotech Holding AB	Merkur Privatbank AG	Viscom AG
GERRY WEBER International AG	MPL SE	

This overview is updated monthly (last updated 12.10.2022).