



## Strong cloud order entry in Q4 raises hopes

After a significant share price decline in the last 12 months, we upgrade our recommendation to “Buy”. Notwithstanding, Intershop remains a risky stock for investors with appetite for a binary investment case and sufficient confidence in the success of Intershop’s cloud solutions.

### Strong finish in 2019

Although earnings remained in the red in 2019, Intershop made substantial progress regarding the transformation of the formerly on premise-focused business model into a cloud business. Especially the cloud order entry in Q4 2019 was remarkable.

### Break-even unlikely in 2020

Against the backdrop of the full-blown corona pandemic, we think it is fair to assume that the aspired break-even in 2020 will hardly be achieved. While the current crisis might incentivize many customers to drive forward the digitalization of their business processes in the long run, the short-term business will suffer from the global recession that has become very likely now.

### Target price EUR 2.50, upgrade to “Buy”

Based on DCF framework, we arrive at a fair value per share of EUR 2.50 per share. Thus, we upgrade our recommendation to “Buy”. Notwithstanding, this is clearly a risky stock for investors with an appetite for a binary investment case and enough confidence in the success of Intershop’s cloud solutions.

EURm	2018	2019	2020e	2021e	2022e
Revenues	31	32	32	34	38
EBITDA	(4)	(2)	2	3	5
EBIT	(6)	(6)	(2)	(1)	1
EPS	(0.20)	(0.48)	(0.12)	(0.07)	0.04
EPS adj	(0.19)	(0.44)	(0.12)	(0.07)	0.04
DPS	-	-	-	-	-
EV/EBITDA	-	-	8.2	7.0	4.5
EV/EBIT	-	-	-	-	38.6
P/E adj	-	-	-	-	46.8
P/B	10.06	2.71	1.80	1.95	1.87
ROE (%)	-	-	-	-	4.1
Div yield (%)	-	-	-	-	-
Net debt	(4)	(6)	(5)	(4)	(4)

Source: Pareto

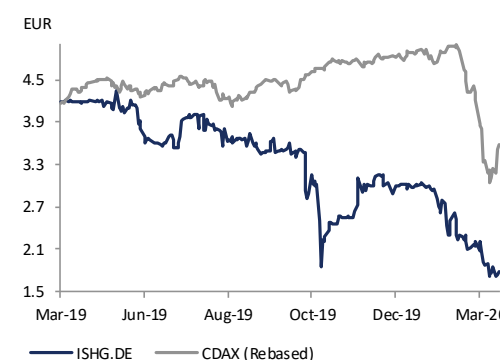
Target price (EUR)	2.5
Share price (EUR)	1.8

Forecast changes	2020e	2021e	2022e
%			
Revenues	(17)	(22)	NM
EBITDA	NM	NM	NM
EBIT adj	NM	NM	NM
EPS reported	NM	NM	NM
EPS adj	NM	NM	NM

Source: Pareto

Ticker	ISHG.DE, ISH2 GY
Sector	Software & Services
Shares fully diluted (m)	14.2
Market cap (EURm)	25
Net debt (EURm)	-5
Minority interests (EURm)	0
Enterprise value 20e (EURm)	20
Free float (%)	51

### Performance



Source: Factset

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### Analysts

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

## What to infer from 2019 numbers?

Exhibit 1: Overview 2019

Intershop		2018	Actual 2019	yoy
<b>Revenues</b>	EURm	<b>31.2</b>	<b>31.6</b>	<b>1%</b>
of which: Licenses		2.4	2.6	8%
of which: Maintenance		8.1	8.1	-1%
of which: Cloud / Subscription		5.4	6.4	18%
of which: Services		15.2	14.6	-4%
<b>EBIT</b>	"	<b>(5.9)</b>	<b>(6.5)</b>	<b>nm</b>
<b>Other KPI</b>				
New customers		15	23	53%
Incoming cloud orders	EURm	7.2	13.1	81%
ARR from cloud	"	5.1	6.8	33%
New ARR	"	1.7	2.6	53%
Net new ARR	"	1.4	1.7	21%
Implied churn	"	0.3	0.9	200%
Cash / cash burn	years	1.0	1.5	45%

Source: Pareto Securities Research

Although earnings remained in the red in 2019, Intershop made substantial progress regarding the transformation of the on premise-focused business model into a cloud business. We recognise that many respective indicators point in the right direction: Intershop secured 23 new customers, including prominent names like Atlas Copco. Cloud revenues were up 18% in 2019. Incoming cloud orders were even up 81% to EUR 13.1m, of which 56% (=EUR 7.35m) were secured in the 4<sup>th</sup> quarter. Annual recurring revenues (ARR) from cloud customers were up by 33%. The only fly in the ointment in that regard was that the implied churn (new ARR less net new ARR) was up from EUR 0.3m to EUR 0.9m in 2019. According to the company, this resulted from the insolvency of one customer and the mutually agreed termination of the contract with another.

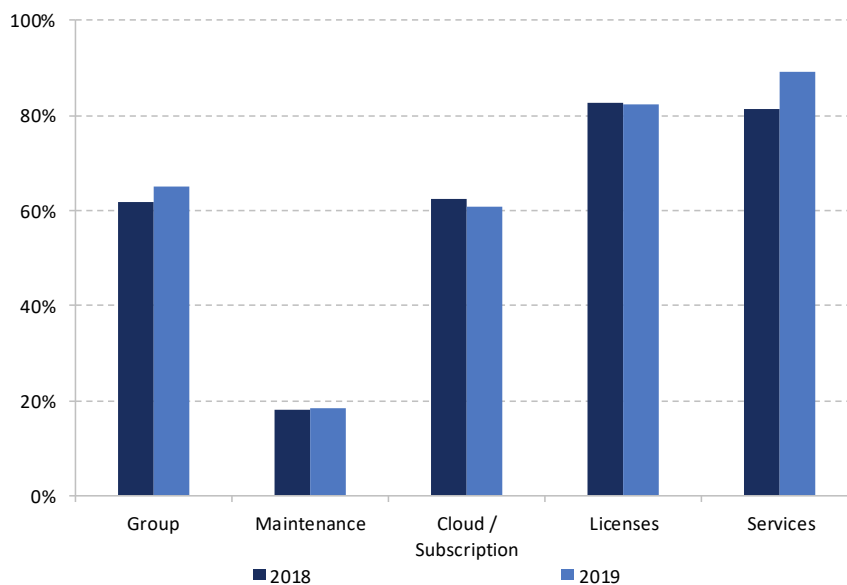
Exhibit 2: New customer secured in 2019



Source: Pareto Securities Research

Notwithstanding, consolidated group numbers made little progress in 2019. Revenues remained at EUR 31m, the loss at the EBIT level widened from EUR 5.9 to 6.5m. Besides the slight increase of exceptional items that were up from EUR 0.6m to EUR 0.8m in 2019, this was entirely due to higher cost of revenues that went up from 61.8% to 65.0% of revenues on group level, which mainly resulted from a significant deterioration of the profitability of the services segment profitability from 81.4% to 89.3% (see below).

### Exhibit 3: Cost of revenues evolution



Source: Pareto Securities Research

According to Intershop, this was due to a profitable large project which ended in 2018 and some unprofitable smaller projects in Services in 2019.

Regarding all other cost drivers (R&D, sales & marketing, general and administrative) Intershop exhibited good cost control in our view, as all categories were down by a single percentage number. In-line with that observation, the number of employees is down from 339 to 314 in 2019.

According to Intershop, the transformation of the business model from a license-driven to a cloud-based company has been completed to a large extent and Intershop strives for profitable growth from 2019 onwards. Accordingly, the company expects a slight increase of revenues in the current year and slightly positive EBIT. This guidance was provided before the current crises around the coronavirus fully unfolded. Insofar, it is reassuring to note that cash stands at EUR 7.7m which amounts to 1.5 x the full year cash consumption in 2019. The equity stood at EUR 15.7m at the end of 2019, the company is debt free.

## Outlook for 2020 and beyond

There is no doubt that Intershop in principle operates in the right market: The B2B commerce market is poised to grow by 10%-15% growth annually, according to industry consultants like Forrester Research. Also, Intershop's B2B solutions regularly receive good grades from industry consultants in terms of technological performance. For Intershop to make progress, (1) the cloud product needs to gain further traction in the marketplace and (2) Intershop needs to get profitable as soon as possible so that potential customers get more and more confident that the product and related services will be around in the years to come. To us, this as a self-reinforcing process. In that sense, the strong cloud order entry in the 4<sup>th</sup> quarter 2019 is an encouraging signal, in our view.

At February 19<sup>th</sup>, Intershop has guided for incoming cloud orders of EUR 14m in 2020, net new ARR of EUR 4.3m and a significant increase of cloud and subscription sales. At the backdrop of the full-blown corona pandemic, we think it is fair to assume that this guidance is probably outdated. While the current crisis might incentivize many customers to drive forward the digitalization of their business processes in the long run, the short-term business will suffer from the global recession that has become very likely now. Based on these considerations, we believe it would be a huge success in the current situation to achieve a similar cloud order entry in 2020 as in 2019, net new ARR of EUR 1.9m and an increase of cloud revenues by 30%. Going forward, we assume 50% annual growth of cloud order entry and 10% churn of existing ARR, which translates into cloud revenues of EUR 23m in 2023e (see below).

### Exhibit 4: Our scenario for the cloud business

Cloud business (EURm)	2017	2018	2019	2020e	2021e	2022e	2023e
<b>Order Entry</b>	2.1	7.2	13.1	13.0	19.5	29.3	43.9
% yoy		244%	81%	-1%	50%	50%	50%
<b>New ARR</b>	0.6	1.7	2.6	2.6	3.9	5.8	8.7
% yoy		183%	53%	-1%	50%	50%	50%
<b>Average contract length (years)</b>	3.5	4.3	5.0	5.0	5.0	5.0	5.0
% yoy		21%	19%	0%	0%	0%	0%
<b>Churn</b>	-0.1	0.3	0.9	0.7	0.9	1.2	1.6
% yoy		nm	200%	-24%	28%	34%	40%
<b>Net new ARR</b>	0.7	1.4	1.7	1.9	3.0	4.6	7.1
% yoy		100%	21%	12%	58%	54%	53%
<b>ARR</b>	3.7	5.1	6.8	8.7	11.7	16.3	23.4
% yoy		38%	33%	28%	34%	40%	43%
<b>Cloud revenues</b>	4.5	5.4	6.4	8.3	11.3	15.9	23.0
% yoy		20%	18%	30%	36%	41%	44%

Source: Pareto Securities Research

This is clearly an optimistic scenario, but it will be imaginable if Intershop can keep up the nice sales success realized in the 4<sup>th</sup> quarter 2019.

For the license / maintenance and services business, we left our assumptions largely untouched and still expect a slight decline of all categories going forward as the respective businesses will in our view be "cannibalized" by Intershop's cloud business. Due to the expected increase of cloud revenues, we expect gross profit to grow by EUR 1m in 2020. With view to the envisaged cost savings, we think that Intershop might be able to reduce operating losses substantially in the running year, but we think the breakeven can only be achieved at EBITDA level in 2020, while at EBIT level, this will likely be pushed out to 2021 or 2022.

## Exhibit 5: P&amp;L forecast

Profit & Loss	2017	2018	2019	2020e	2021e	2022e	2023e
<b>Revenue</b>	35.8	31.2	31.6	31.8	34.0	37.9	44.2
% yoy	4.7%	-12.9%	1.4%	0.4%	7.1%	11.3%	16.6%
<b>EBITDA</b>	2.8	-3.7	-2.3	2.5	3.1	4.8	6.0
% of sales	7.9%	-11.9%	-7.4%	7.8%	9.0%	12.6%	13.5%
<b>EBIT</b>	0.4	-5.9	-6.5	-1.6	-1.0	0.6	1.5
% of sales	1.2%	-19.0%	-20.4%	-5.2%	-3.1%	1.5%	3.4%
<b>Pretax Profit</b>	0.1	-6.1	-6.6	-1.7	-1.0	0.5	1.5
% of sales	0.2%	-19.4%	-21.0%	-5.4%	-3.1%	1.4%	3.4%
<b>Net Profit</b>	-0.7	-6.7	-6.8	-1.7	-1.0	0.5	1.5
% of sales	-1.9%	-21.6%	-21.4%	-5.4%	-3.1%	1.4%	3.3%
<b>EPS (EUR)</b>	-0.06	-0.20	-0.48	-0.12	-0.07	0.04	0.10
% yoy	-77.8%	226.2%	138.4%	-74.5%	-39.3%	-151.4%	174.4%
<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 Research

This results in the following forecast for the balance sheet:

## Exhibit 6: Balance sheet forecast

Balance Sheet	2017	2018	2019	2020e	2021e	2022e	2023e
<b>Total assets / liabilities</b>	25.0	22.7	27.6	24.6	23.6	24.4	26.2
% of sales	70%	73%	87%	77%	69%	64%	59%
<b>Capital employed</b>	13.2	12.7	14.4	14.1	14.2	14.5	15.5
% of sales	37%	41%	46%	44%	42%	38%	35%
<b>Net Working Capital</b>	3.6	2.4	3.9	3.9	4.2	4.7	5.4
% of sales	10%	8%	12%	12%	12%	12%	12%
<b>Net Debt + Pension Prov.</b>	-6.2	-4.2	-6.2	-4.7	-3.6	-3.8	-4.3
Gearing	-67%	-44%	-64%	-51%	-38%	-39%	-40%
<b>Equity</b>	15.3	13.6	15.7	14.0	13.0	13.5	15.0
Equity ratio	61%	60%	57%	57%	55%	55%	57%
<b>No. Shares</b>	10.8	33.7	14.2	14.2	14.2	14.2	14.2
% yoy	0%	211%	-58%	0%	0%	0%	0%
<b>Book Value per Share</b>	1.4	0.4	1.1	1.0	0.9	1.0	1.1
% yoy	-5%	-71%	173%	-11%	-7%	4%	11%

Source: Pareto Securities Research

The table below compares our estimates with the company guidance given in February:

## Exhibit 7: Balance sheet forecast

Intershop		Actual 2019	Management guidance 2020e (currently)	Pareto 2020e	yoy
<b>Revenues</b>	EUR m	32	slight increase	32	0%
of which: Licenses / Maintenance	"	11	slight decline	10	-7%
of which: Cloud / Subscription	"	6	significant increase	8	30%
of which: Services	"	15	slight increase	14	-7%
<b>EBIT</b>	"	(6.5)	slightly positive	(1.6)	nm
Incoming cloud orders	"	13	14	13	-1%
Net new ARR	"	1.7	4.3	1.9	11.8%

Source: Pareto Securities Research

## Valuation

### Exhibit 8: DCF

EUR m	Phase I					Phase II					Phase III	
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e		
<b>Revenues</b>	<b>32</b>	<b>34</b>	<b>38</b>	<b>44</b>	<b>54</b>	<b>64</b>	<b>75</b>	<b>84</b>	<b>92</b>	<b>98</b>		
<i>growth rate</i>	0.4%	7.1%	11.3%	16.6%	22.4%	19.2%	15.9%	12.7%	9.5%	6.2%		
<b>EBIT</b>	<b>(1.6)</b>	<b>(1.0)</b>	<b>0.6</b>	<b>1.5</b>	<b>3.6</b>	<b>4.3</b>	<b>5.1</b>	<b>5.8</b>	<b>6.4</b>	<b>6.9</b>		
<i>EBIT margin</i>	<i>nm</i>	<i>nm</i>	1.5%	3.4%	6.7%	6.7%	6.8%	6.9%	6.9%	7.0%		
<b>Tax</b>	<b>0.0</b>	<b>0.3</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(1.1)</b>	<b>(1.4)</b>	<b>(1.6)</b>	<b>(1.8)</b>	<b>(2.0)</b>	<b>(2.2)</b>		
<i>Tax rate</i>	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%		
<b>Depr. &amp; Amort.</b>	<b>2.5</b>	<b>2.3</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>	<b>2.6</b>	<b>2.9</b>	<b>3.3</b>	<b>3.5</b>	<b>3.7</b>		
<i>% of sales</i>	8%	7%	6%	5%	4%	4%	4%	4%	4%	4%		
<b>Capex</b>	<b>(2.2)</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(2.4)</b>	<b>(3.0)</b>	<b>(3.1)</b>	<b>(3.3)</b>	<b>(3.5)</b>	<b>(3.8)</b>	<b>(3.9)</b>		
<i>% of sales</i>	6.8%	6.3%	5.5%	5.5%	5.5%	4.8%	4.4%	4.2%	4.1%	4.0%		
<b>Change in NWC</b>	<b>(0.0)</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.8)</b>	<b>(1.2)</b>	<b>(1.2)</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>(0.5)</b>		
<i>% of sales</i>	0.1%	0.8%	1.3%	1.8%	2.3%	1.9%	1.6%	1.2%	0.9%	0.5%		
<b>Free Cash Flow</b>	<b>(1.3)</b>	<b>(0.8)</b>	<b>0.1</b>	<b>(0.0)</b>	<b>0.6</b>	<b>1.3</b>	<b>2.0</b>	<b>2.7</b>	<b>3.4</b>	<b>4.0</b>	<b>55.1</b>	
<i>growth rate</i>		<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	55%	35%	25%	20%	3%	
<b>Present Value FCF</b>	<b>(1.3)</b>	<b>(0.7)</b>	<b>0.1</b>	<b>(0.0)</b>	<b>0.4</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>	<b>1.4</b>	<b>1.5</b>	<b>20.8</b>	
<b>PV Phase I</b>		<b>(1.5)</b>				<b>Risk free rate</b>	3.5%	<b>Targ. equity ratio</b>	95%			
<b>PV Phase II</b>		<b>5.9</b>				<b>Premium Equity</b>	5.0%	<b>Beta</b>	1.5			
<b>PV Phase III</b>		<b>20.8</b>				<b>Premium Debt</b>	5.0%	<b>WACC</b>	10.5%			
<b>Enterprise value</b>	<b>25.1</b>					<b>Sensitivity</b>		<b>Growth in phase III</b>				
- Net Debt (Cash)	<b>(6.2)</b>							<b>2.0%</b>	<b>2.5%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>4.0%</b>
- Leasing Liabilities	<b>1.8</b>					<b>9.5%</b>	2.7	2.8	3.0	3.1	3.3	
- Minorities & Peripherals	<b>0.0</b>					<b>10.0%</b>	2.5	2.6	2.7	2.9	3.0	
+ MV of financial assets	<b>0.0</b>					<b>WACC 10.5%</b>	2.3	2.4	<b>2.5</b>	2.6	2.8	
- Paid-out dividends for last FY	<b>0.0</b>					<b>11.0%</b>	2.2	2.3	2.4	2.5	2.6	
+/- Other EV items	<b>6.4</b>					<b>11.6%</b>	2.1	2.1	2.2	2.3	2.4	
<b>Equity value</b>	<b>35.9</b>											
<b>Number of shares</b>	<b>14.2</b>											
<b>Value per share (€)</b>	<b>2.50</b>											
<b>Current Price (€)</b>	<b>1.77</b>											
<b>Upside</b>	<b>41%</b>											

Source: Pareto Securities Research

Due to the first-time application of IFRS 16, the company has recognized EUR 1.7m right of use assets and a corresponding liability of EUR 1.8m on the 2019 balance sheet. Also, the depreciation for 2019 included an amount of EUR 1.7m referring to right of use assets. Interest payments on recognized lease liabilities will not be reported any more as operational expenses but as part of the financial result in 2019.

For valuation purposes, we will only add back depreciation to EBIT in our DCF framework that do not refer to rights of use assets. Correspondingly, we will only deduct capex for fixed assets other than right of use assets from free cash flow. We will however account for the move of the interest component of the leasing arrangements into the financial result by deducting the leasing liabilities from the enterprise value from now on, treating them in analogy to interest bearing net debt and pension liabilities. Lastly, we add the present value of the tax loss carry forwards to the EV, the value of which is clearly dependent on Intershop's ability to turn sustainably profitable in the future.

All in, we arrive at a fair value per share of EUR 2.50 per share under the optimistic assumptions described above. Thus, we upgrade our recommendation to “Buy”. Notwithstanding, this is clearly a risky stock for investors with appetite for a binary investment case and enough confidence in the success of Intershop’s cloud solutions.

# At a glance

Exhibit 9: 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><b>Strategy:</b>                      (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><b>Guidance</b>                      Revenue slight increase                      EBIT slightly positive</p>	
			<p>Revenue yoy 0.4%                      EBIT EUR -1.6m                      EBIT margin -5.2%</p>	
			<p>equinet EUR 32m                      Consensus EUR 35m                      11.0%                      EUR 0.1m                      0.2%</p>	
2019	Sales (EURm) 31.6 y/y 1.4%	EBITDA Margin -2.3 -7.4%	EBIT (EURm) Margin -6.5 -20.4%	5Y sales CAGR Organic growth y/y 0.3% 4.7%
Sales & EBIT split	<p><b>Sales split by product / service</b></p>		<p><b>Sales split by region</b></p>	
	<p><b>Group financial development</b></p>			
Management & shareholder structure	<p><b>Dr. Jochen Wiechen</b>                      Chief Executive Officer (since 2015)</p> <ul style="list-style-type: none"> <li>• With Intershop since 2013 (first as CTO)</li> <li>• &gt;20 years experience in the software industry and at venture capital funds</li> <li>• Prior to joining Intershop, Dr. Wiechen was Vice President at SAP and held board roles at datango AG and Martlet Venture Management Ltd.</li> <li>• Dr. Wiechen started his career in 1994 at PSI Software AG (Berlin)</li> </ul>		<p><b>Markus Klahn</b>                      Chief Sales Officer (since 2018)</p> <ul style="list-style-type: none"> <li>• With Intershop since 2018</li> <li>• &gt;20 years experience in the software industry</li> <li>• Responsibilities: service portfolio</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>	
	<p><b>Shareholder structure</b></p>			
# of employees FY 2019	314			

Source: Pareto Securities Research



<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>43</b>	<b>34</b>	<b>36</b>	<b>31</b>	<b>32</b>	<b>32</b>	<b>34</b>	<b>38</b>
<b>EBITDA</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>(4)</b>	<b>(2)</b>	<b>2</b>	<b>3</b>	<b>5</b>
Depreciation & amortisation	(3)	(2)	(2)	(2)	(4)	(4)	(4)	(4)
<b>EBIT</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>(6)</b>	<b>(6)</b>	<b>(2)</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>0</b>	<b>(3)</b>	<b>0</b>	<b>(6)</b>	<b>(7)</b>	<b>(2)</b>	<b>(1)</b>	<b>1</b>
Taxes	(0)	(0)	(1)	(1)	(0)	-	-	(0)
Minority interest	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>0</b>	<b>(3)</b>	<b>(1)</b>	<b>(7)</b>	<b>(7)</b>	<b>(2)</b>	<b>(1)</b>	<b>1</b>
EPS reported	0.00	(0.28)	(0.06)	(0.20)	(0.48)	(0.12)	(0.07)	0.04
<b>EPS adjusted</b>	<b>0.00</b>	<b>(0.21)</b>	<b>(0.06)</b>	<b>(0.19)</b>	<b>(0.44)</b>	<b>(0.12)</b>	<b>(0.07)</b>	<b>0.04</b>
DPS	-	-	-	-	-	-	-	-
<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	0	1	1	1	1	0	0	0
Other non-current assets	11	10	10	10	12	12	12	12
Other current assets	6	6	6	5	7	7	7	8
Cash & equivalents	15	11	9	7	8	5	4	4
<b>Total assets</b>	<b>33</b>	<b>27</b>	<b>25</b>	<b>23</b>	<b>28</b>	<b>25</b>	<b>24</b>	<b>24</b>
Total equity	19	16	15	14	16	14	13	13
Interest-bearing non-current debt	5	3	2	2	0	0	0	0
Interest-bearing current debt	1	1	1	2	1	-	-	-
Other Debt	8	7	7	6	10	10	10	11
<b>Total liabilities &amp; equity</b>	<b>33</b>	<b>27</b>	<b>25</b>	<b>23</b>	<b>28</b>	<b>25</b>	<b>24</b>	<b>24</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	3	(0)	2	(5)	(0)	1	1	3
Change in working capital	2	(0)	(0)	1	(1)	(0)	(0)	(0)
Cash flow from investments	(2)	(2)	(3)	(3)	(3)	(2)	(2)	(2)
Cash flow from financing	6	(1)	(1)	5	6	(1)	-	-
Net cash flow	9	(4)	(2)	(2)	1	(3)	(1)	0
<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>3.63</b>	<b>3.21</b>	<b>5.2</b>	<b>3.94</b>	<b>3.00</b>	<b>1.78</b>	<b>1.78</b>	<b>1.78</b>
Number of shares end period	10	11	11	35	14	14	14	14
Net interest bearing debt	(9)	(7)	(6)	(4)	(6)	(5)	(4)	(4)
<b>Enterprise value</b>	<b>29</b>	<b>28</b>	<b>50</b>	<b>133</b>	<b>36</b>	<b>20</b>	<b>22</b>	<b>21</b>
EV/Sales	0.7	0.8	1.4	4.3	1.2	0.6	0.6	0.6
<b>EV/EBITDA</b>	<b>8.3</b>	-	<b>17.7</b>	-	-	<b>8.2</b>	<b>7.0</b>	<b>4.5</b>
EV/EBIT	-	-	-	-	-	-	-	38.6
P/E reported	-	-	-	-	-	-	-	46.8
<b>P/E adjusted</b>	-	-	-	-	-	-	-	<b>46.8</b>
P/B	2.0	2.2	3.7	10.1	2.7	1.8	1.9	1.9
<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 (%)	0.0	-	-	-	-	-	-	4.1
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	8.1	0.3	7.9	-	-	7.8	9.0	12.6
EBIT margin (%)	0.4	-	1.2	-	-	-	-	1.5
NIBD/EBITDA	(2.68)	(63.06)	(2.18)	1.13	2.64	(1.90)	(1.17)	(0.80)
EBITDA/Net interest	23.25	4.30	8.53	-	-	30.58	-	-

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Pareto Bank ASA	14,902,985	2134%	Sparebanken Vest	6,111,796	5.69%

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Pareto Bank ASA	14,902,985	2134%	SpareBank 1Østfold Akersl	1,140,010	9.20%
Selvaag Bolig ASA	2,171,147	2.32%	Sparebanken Møre	305,239	3.09%
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SpareBank 1Nord-Norge	3,246,880	3.23%	Sparebanken Vest	6,111,796	5.69%

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Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings
AF Gruppen	0	18,535	Helgeland Sparebank	0	4,127	Schibsted ASA B Aksjer	0	597
Aker	0	791	Ice Group	0	96,891	Seadrill	0	8,689
Aker BP	0	14,269	Jæren Sparebank	0	500	Selvaag Bolig	0	2,000
American Shipping Compar	0	3,500	Komplett Bank	0	104,079	SpareBank 1BV	0	22,700
Atlantic Sapphire	0	1,105	Kongsberg Gruppen	0	34,118	SpareBank 1Nord-Norge	0	27,325
Avance Gas	0	4,580	KWS	75	75	SpareBank 1Ringerike Had	0	500
Axactor	0	8,709	Lerøy Seafood	0	2,050	SpareBank 1SMN	0	22,865
BASF	270	270	Mowi	0	1,904	SpareBank 1SR-Bank	0	30,040
Bonheur	0	46,615	Nordic Semiconductor	0	6,000	Sparebank 1Østfold Akersl	0	450
BRABank	0	1,371,000	Norsk Hydro	0	96,736	SpareBank 1Østlandet	0	2,111
DNB	0	29,705	Norwegian Air Shuttle	0	49,491	Sparebanken Sør	0	15,840
DNO	0	457,388	Ocean Yield	0	39,037	Sparebanken Vest	0	5,869
DNO Bull ETN	0	7,000	Okeanis Eco Tankers	0	2,728	Sparebanken Øst	0	1,500
Entra	0	8,837	Orkla	0	18,644	Stolt-Nielsen	0	42,426
Equinor	0	5,002	Pareto Bank	0	1,279,375	Storebrand	0	6,115
Europris	0	14,750	PGS	0	11,656	Subsea 7	0	1,139
Fjord1	0	50,000	Pioneer Property	0	2,050	Telenor	0	2,731
Fjordkraft Holding	0	8,000	Protector Forsikring	0	14,785	TGS-NOPEC	0	2,000
Frontline	0	11,730	REC Silicon	0	32,708	VOWASA	0	4,781
Gjensidige Forsikring	0	7,280	SalMar	0	200	XXL	0	9,279
Golden Ocean Group	0	1,744	Sandnes Sparebank	0	27,532	Yara International	0	14,253
Grieg Seafood	0	770	Scatec Solar	0	35,000	Zenterio	0	78,865
Hafnia Limited	0	10,000						

This overview is updated monthly (last updated 17.03.2020).

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## Appendix B

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

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Africa Energy	Hafslund E-CO	OKEA
African Petroleum Corporation	Hunter Group ASA	Otliga Group
Agder Energi	Hörmann Industries	Pareto Bank
Aker ASA	Ice Group	Petroleum Geo-Services
American Tanker	ICWHolding	PetroTal
Belships	Kingfish Zeeland	Pinewood Laboratories
BRABank	Klavness Combination Carriers ASA	Pioneer Property Group
BWEnergi	LifeFit	Providences Inv. Mngmt Pty
Cabonline Group Holding AB	Luxaviation Holding	Qesterre Energy
CentralNic Group	Monobank ASA	Sandnes Sparebank
DNO	Mutares SE & Co. KGaA	Seadrill
Erwe Immobilien	Navig8	Shamaran Petroleum
Euromicron AG	Navigator Holdings	Sparebanken Vest
Exmar NV	Norbit ASA	Stolt Nilsen
Filo Mining Corp	Northern Ocean	TEMPTON Dienstleistungen
Flex LNG	Norwegian Air Shuttle	United Camping AB
Floatel	Nouveau Monde Graphite	Vantage Drilling
Genel Energy		

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

## Appendix C

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

### Distribution of recommendations

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

### Distribution of recommendations (transactions\*)

Recommendation	% distribution
Buy	87%
Hold	13%
Sell	0%

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

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

## Appendix F

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

### Sponsored Research

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

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

*This overview is updated monthly (last updated 17.03.2020).*