



Q1 shows first signs of COVID-19 – but the worst is still to come

Max Automation reported a set of Q1 2020 results, which showed first signs of the COVID-19 pandemic. While the decline in revenue, which was down 8.2%, was mainly related to non-continued business in the None-Core segment, order intake was down 23.1%, which is in our view an indicator for what to expect in the next months. We have cut our estimates for FY 2020 core business EBITDA by 24% to better reflect the developments in recent months. However, the target price remains unchanged at EUR 4.70 as peer multiples have increased significantly in recent weeks. We remain convinced that the company provides an attractive investment opportunity and thus confirm our Buy recommendation. With this note we are transferring coverage from Stefan Augustin to Tim Schuldt.

Revenues down 8.2% in Q1 2020

Revenues declined by 8.2% to EUR 80.2m in Q1 2020. This development was however mainly driven by planned lower revenue in the Non-Core segment, where plant closures at IWM Automation negatively impacted the revenue development. Adjusted for the Non-Core segment, revenue was down 2% to EUR 68.2m. Nonetheless, this was clearly weaker than originally expected as the company suffered from COVID-19 related slower progress in projects and delayed project approvals.

| EURm | 2018 | 2019 | 2020e | 2021e | 2022e |
|---------------|--------|--------|--------|-------|-------|
| Revenues | 277 | 425 | 337 | 326 | 344 |
| EBITDA | 24 | (1) | 8 | 27 | 33 |
| EBIT | 12 | (31) | (4) | 18 | 25 |
| EPS | (1.05) | (1.18) | (0.38) | 0.42 | 0.55 |
| EPS adj | (0.92) | (0.25) | (0.20) | 0.42 | 0.55 |
| DPS | - | - | 0.15 | 0.15 | 0.15 |
| EV/EBITDA | 7.6 | - | 18.5 | 5.6 | 4.2 |
| EV/EBIT | 14.9 | - | - | 8.3 | 5.7 |
| P/E adj | - | - | - | 6.7 | 5.2 |
| P/B | 1.47 | 2.00 | 1.49 | 1.30 | 1.10 |
| ROE (%) | - | - | - | 20.7 | 23.0 |
| Div yield (%) | - | - | 5.3 | 5.3 | 5.3 |
| Net debt | 46 | 76 | 72 | 64 | 56 |

Source: Pareto

| | |
|--------------------|-----|
| Target price (EUR) | 4.7 |
| Share price (EUR) | 2.9 |

| Forecast changes | | | |
|------------------|-------|-------|-------|
| % | 2020e | 2021e | 2022e |
| Revenues | (4) | - | - |
| EBITDA | (40) | (11) | (4) |
| EBIT adj | (76) | (16) | (6) |
| EPS reported | NM | (11) | (6) |
| EPS adj | NM | (11) | (6) |

Source: Pareto

| | |
|-----------------------------|-----------------|
| Ticker | MAXG.DE, MXH GR |
| Sector | Industrials |
| Shares fully diluted (m) | 29.5 |
| Market cap (EURm) | 84 |
| Net debt (EURm) | 73 |
| Minority interests (EURm) | 0 |
| Enterprise value 20e (EURm) | 157 |
| Free float (%) | 44 |

Performance



Source: Factset

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Order intake declined by 23.1% in Q1 2020

Order intake in Q1 2020 declined by 23.1% to EUR 74.9m. Adjusted for Non-Core, order intake declined by 19% to EUR 67.6m.

This weak development was partly related to a high comparison base in Q1 2019, when order intake in the core business segments had increased by 42% yoy.

However, MAX Automation entered the year with a very promising order pipeline and under normal circumstances one should have expected a book-to-bill ratio clearly ahead of 1. Instead, book-to-bill ratio in the Core business segments was slightly below 1.0x.

Profitability burdened by higher costs and the absence of growth

EBITDA in Q1 2020 amounted to EUR 0.6m, which marked an improvement of EUR 1.1m relative to the prior year level, when the company reported a slight EBITDA loss of EUR 0.6m.

However, this positive development was exclusively related to lower losses in the Non-Core segment, where losses were reduced from EUR 6.6m in Q1 2019 to now EUR 3.8m. In the Core business segments EBITDA declined by 26% to EUR 4.5m, which implies an EBITDA margin of 6.5% (down 240bp yoy).

This weaker result was mainly related to higher costs as the company had prepared for growth. Also, we suspect that the result might have been somewhat positively influenced by the release of provisions as the other operating income in the period increased by EUR 2.2m yoy, while short term provisions declined by EUR 3.4m to EUR 12.2m in Q1 2020. It is unclear however, if this effect is related to the Core business or the Non-Core business segments.

Process Technology

Process Technology showed as expected a relatively weak Q1 2020, with revenue down 12.3% to EUR 12.0m. EBITDA declined by 58% yoy to EUR 1.1m or 9.2% of revenue. Op. Leverage on EBITDA level was at 91% very high. The main driver behind this development was on the one hand side lower revenues, which were driven by a temporary shut down of the plant in Italy, delays in project acceptance due to reduced travel as well as a weaker order intake in FY 2019. On the other hand, fixed costs increased as the company has been preparing for future growth.

Order intake in Q1 2020 amounted to EUR 12.4m, which implies a yoy reduction against a high prior year level of 44% or a book-to-bill ratio of 1.0x. The order pipeline continues to be well filled, according to the company, and orders were mainly delayed and not cancelled.

Environmental Technologies

Driven by the strong order book, revenue in the Environment Technologies segment increased by 2.7% yoy in Q1 2020. While the Covid-19 pandemic did not have a significant impact on revenue yet, the result was nonetheless burdened by start up investments in future growth. EBITDA thus declined by 17% yoy to EUR 2.9m or 9.9% of sales.

Order intake was down by 27% yoy to EUR 29m or 1.0 book-to-bill. The reduction was mainly driven by a high prior-year level, when order intake had been boosted by one large scale order as well as a general weaker order activity in the industry.

Evolving Technologies

Evolving Technologies reported flat revenue of EUR 27.1m, with the development being slightly burdened by a delayed project approval. Order intake improved by 17% yoy to EUR 26.1m, implying a book-to-bill ratio shortly below 1.0x. EBITDA improved by 49% yoy to EUR 2.6m, which implies an EBITDA margin of 9.6%.

Exhibit 1: Review Q1 2020 and divisional estimates

| MAX Automation SE (EUR m) | Q1 2019 reported * | Q1 2020 reported * | yoy | Pareto estimates | | |
|------------------------------|-----------------------|-----------------------|----------------|------------------|--------------|--------------|
| | | | | 2020e | 2021e | 2022e |
| Process Technologies | 22.0 | 12.4 | -43.5% | 65 | 75 | 81 |
| Environmental Technologies | 39.5 | 29.0 | -26.5% | 122 | 145 | 152 |
| Evolving Technologies | 22.3 | 26.1 | 17.1% | 127 | 138 | 145 |
| Group Order intake | 97.3 | 74.9 | -23.1% | 344.5 | 358.1 | 378.8 |
| Process Technologies | 13.7 | 12.0 | -12.3% | 60.1 | 68.5 | 74.0 |
| Environmental Technologies | 28.8 | 29.6 | 2.7% | 120.0 | 126.0 | 132.3 |
| Evolving Technologies | 27.1 | 27.1 | -0.1% | 121.4 | 128.7 | 135.8 |
| Group Revenue | 87.4 | 80.2 | -8.1% | 336.5 | 326.5 | 344.1 |
| Process Technologies | 2.6 | 1.1 | -58.4% | 5.4 | 11.7 | 14.8 |
| Environmental Technologies | 3.5 | 2.9 | -16.9% | 8.5 | 10.7 | 12.8 |
| Evolving Technologies | 1.7 | 2.6 | 48.8% | 11.5 | 14.2 | 15.6 |
| Holding/consolidation | -1.8 | -2.2 | 25.2% | -9.0 | -9.6 | -9.9 |
| Group EBITDA | -0.5 | 0.6 | -230.5% | 8.5 | 26.9 | 33.4 |
| DOP | -6.6 | -3.8 | -43.2% | -8.00 | 0.00 | 0 |
| Net income | -9.5 | -10.0 | | -11.3 | 12.5 | |
| ANALYSIS GROUP | | | | | | |
| Book-to-bill-ratio (x) | 1.11 | 0.93 | | | | |
| Group EBITDA-margin (%) | -0.6% | 0.8% | | | | |

Source: Company data, Pareto Securities Research

Guidance withdrawn as expected

Due to the COVID-19 pandemic, MAX Automation has as expected withdrawn its guidance for FY 2020, which had foreseen revenue in a range of EUR 380m to EUR 410m as well as an EBITDA of EUR 16m to EUR 20m. A new guidance was not yet given as the development in the next months continues to be highly uncertain.

We expect the main burden to be seen in the coming two quarters. Q2 2020 is likely to be hit by very weak order activity as well as lower revenues as the lock-down should result in supply shortages and the new social distancing rules should temporarily affect production capacity in some areas. The remainder of the year is also expected to be negatively affected by the weak macro-economic environment.

Consequently, we have further reduced our estimates, which had already been materially below the company's guidance. However, given that the impact we are modelling is mainly related to the COVID-19 pandemic, the impact on the mid-term estimates is negligible. Consequently, we are expecting a strong earnings dynamic for the next two years, with the positive sequential momentum likely to start in Q3 2020.

Exhibit 2: MAX Automation SE - Changes to our estimates

| | 2020e | | | 2021e | | | 2022e | | |
|-----------------|-------|-------|-------|-------|-------|------|-------|-------|------|
| | Old | New | Chg. | Old | New | Chg. | Old | New | Chg. |
| Revenues | 349.2 | 336.5 | -4% | 326.5 | 326.5 | 0% | 344.1 | 344.1 | 0% |
| EBITDA | 14.1 | 8.5 | -40% | 30.4 | 26.9 | -11% | 34.9 | 33.4 | -4% |
| EBITDA - margin | 4.0% | 2.5% | | 9.3% | 8.2% | | 10.1% | 9.7% | |
| EBIT | 5.3 | -4.5 | -184% | 21.6 | 18.1 | -16% | 26.2 | 24.7 | -6% |
| Net result adj | 7.1 | -6.0 | -184% | 14.0 | 12.5 | -11% | 17.2 | 16.1 | -6% |
| EPS | 0.06 | -0.38 | n.m. | 0.48 | 0.42 | -11% | 0.58 | 0.55 | -6% |

Source: Pareto Securities Research

Exhibit 3: MAX Automation SE - Changes to our estimates – Core Business

| | 2020e | | | 2021e | | | 2022e | | |
|-----------------|-------|-------|--------|-------|-------|--------|-------|-------|-------|
| | Old | New | Chg. | Old | New | Chg. | Old | New | Chg. |
| Revenues | 314.2 | 301.5 | -4.0% | 326.5 | 326.5 | 0.0% | 344.1 | 344.1 | 0.0% |
| EBITDA | 21.7 | 16.5 | -24.0% | 30.4 | 26.9 | -11.3% | 34.9 | 33.4 | -4.3% |
| EBITDA - margin | 0.07 | 0.05 | -21% | 0.09 | 0.08 | -11% | 0.10 | 0.10 | -4% |

Source: Pareto Securities Research

Financing should be secured for the moment

In 2017, Max Automation has renewed a syndicated loan facility with an increased volume of EUR 190m and a maturity in 2022 (including two renewal option 2024). The facility covers debt as well as guarantees. It includes covenants, which are related to equity ratio, interest coverage ratio and gearing, which could theoretically result in the right of the banks to terminate the agreement.

Since Q3 2019, the covenant review is suspended and in Q1 2020 the company managed to renegotiate the existing agreement. While no details have been published, we would assume that this agreement should have resulted in a wider headroom regarding covenants.

At the end of Q1 2020, MAX Automation had bank debt of EUR 127m vs cash of EUR 37.7m. While the amount used for guarantees is not known, we would argue that MAX is sufficiently financed for the moment – even though the net debt / EBITDA leverage looks ambitious for FY 2020e (PAS: 8.6x). Phasing out of the Non-Core activities should release a significant amount of working capital (NWC at the end of Q1 2020: EUR 24m), which should in our view result in a slightly positive FCF in FY 2020. In FY 2021 the net debt / EBITDA leverage ratio should normalize to a level of roughly 2.4x, according to our estimates as EBITDA is expected to recover.

Valuation – the investment story remains intact

We stick to our previous valuation methodology to derive a fair value for MAX Automation by combining a peer group approach with a DCF model. We use two different peer groups: one consisting of other German holding companies with mainly small cap holdings, the other consisting of companies that have a similarity to the operation business model of MAX Automation.

Based on this approach we derive an updated target price of EUR 4.60, which is slightly below our previous target price of EUR 4.70.

Exhibit 4: Valuation summary

| Method | Fair value, EUR | Weight |
|----------------------------------|-----------------|-------------|
| Discounted Cash flow | 4.9 | 75% |
| Peer-group multiples | 4.0 | 25% |
| Fair value per share, EUR | 4.7 | 100% |

Source: Pareto Securities Research

The investment case for MAX Automation remain in our view fully intact. MAX Automation is currently in the final stage of exiting its Non-Core businesses, which have resulted in significant losses in the last years.

Once this process is over, the company will be focussed on businesses with good strategic growth potential and significantly higher margins than in the recent years.

The fact, that the COVID-19 pandemic is making 2020 a difficult year for MAX Automation, does in our view not change this situation. We thus re-iterate our Buy recommendation with a new target price of EUR 4.60.

Exhibit 5: Peer Group – other German Holding companies

| Company | PE 2021e | PE 2022e | EV/EBIT 2021e | EV/EBIT 2022e |
|--|-------------|-------------|------------------|------------------|
| GESCO AG | 8.8 | 6.9 | 9.2 | 7.1 |
| INDUS Holding AG | 7.2 | 6.0 | 8.3 | 7.0 |
| MBB SE | 20.5 | 16.9 | 5.3 | 4.1 |
| MS Industrie AG | 8.5 | 5.4 | 16.5 | 8.6 |
| Median | 8.7 | 6.5 | 8.8 | 7.1 |
| Forecasts Adjusted EPS / Adjusted EBIT | 0.42 | 0.55 | 18.1 | 24.7 |
| Forecasts Net debt (incl. pensions) | | | 65.3 | 57.2 |
| No. Shares at year end | 29.5 | 29.5 | 29.5 | 29.5 |
| Fair value per share at peer median | 3.7 | 3.5 | 3.2 | 4.0 |
| Fair value / share (av.) | 3.6 | | | |

Source: Factset, Pareto Securities Research

All prices and estimates as of 5.5.2020

Exhibit 6: Peer Group – similar business characteristics

| Company | PE 2021e | PE 2022e | EV/EBIT 2021e | EV/EBIT 2022e |
|---|-------------|-------------|------------------|------------------|
| ANDRITZ AG | 8.6 | 7.6 | 7.9 | 6.3 |
| ATS Automation Tooling Systems Inc. | 13.9 | 12.2 | 7.9 | 6.6 |
| Durr AG | 7.6 | 6.6 | 5.6 | 4.8 |
| I.M.A. Industria Macchine Automatiche S.p.A. | 14.6 | 13.2 | 11.0 | 10.0 |
| Krones AG | 13.6 | 9.6 | 11.1 | 7.8 |
| Metso Oyj | 9.5 | 8.9 | 7.4 | 7.0 |
| Micro-Mechanics (Holdings) Ltd | 13.4 | 12.1 | 9.5 | 8.6 |
| Median | 13.4 | 9.6 | 7.9 | 7.0 |
| Forecasts Adjusted EPS / Adjusted EBIT | 0.42 | 0.55 | 18.1 | 24.7 |
| Forecasts Net debt (incl. pensions) | | | 65.3 | 57.2 |
| No. Shares at year end | 29.46 | 29.46 | 29.46 | 29.46 |
| Fair value per share at peer median, EUR | 5.65 | 5.26 | 2.63 | 3.91 |
| Fair value / share (av.), EUR | 4.4 | | | |

Source: Factset, Pareto Securities Research

All prices and estimates as of 5.6.2020

Exhibit 7: DCF model

| EUR m | Phase I | | | | | Phase II | | | | | Phase III |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020e | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | |
| Revenues | 336.5 | 326.5 | 344.1 | 357.8 | 372.0 | 385.6 | 398.4 | 410.3 | 421.2 | 431.0 | |
| <i>growth rate</i> | -20.9% | -3.0% | 5.4% | 4.0% | 4.0% | 3.6% | 3.3% | 3.0% | 2.7% | 2.3% | |
| EBIT | -4.5 | 18.1 | 24.7 | 26.5 | 28.0 | 28.2 | 28.4 | 28.4 | 28.2 | 28.0 | |
| <i>EBIT margin</i> | -13% | 5.5% | 7.2% | 7.4% | 7.5% | 7.3% | 7.1% | 6.9% | 6.7% | 6.5% | |
| Tax | -0.5 | -4.5 | -7.4 | -8.0 | -8.4 | -8.5 | -8.5 | -8.5 | -8.5 | -8.4 | |
| <i>Tax rate</i> | -12% | 25% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | |
| Depr. & Amort. (ex IFRS 16) | 12.9 | 8.8 | 8.7 | 8.8 | 8.8 | 9.2 | 9.5 | 9.8 | 10.0 | 10.3 | |
| <i>% of sales</i> | 3.8% | 2.7% | 2.5% | 2.5% | 2.4% | 2.4% | 2.4% | 2.4% | 2.4% | 2.4% | |
| Capex | -9.7 | -9.3 | -9.3 | -9.1 | -9.3 | -9.6 | -10.0 | -10.3 | -10.5 | -10.8 | |
| <i>% of sales</i> | 2.9% | 2.9% | 2.7% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Change in WC & P | 13.1 | 0.1 | -3.2 | -2.5 | -2.6 | -2.7 | -2.7 | -2.8 | -2.9 | -3.0 | |
| <i>% of sales</i> | -3.9% | 0.0% | 0.9% | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% | |
| Free Cash Flow | 11.4 | 13.2 | 13.5 | 15.8 | 16.5 | 16.6 | 16.6 | 16.5 | 16.4 | 16.1 | 258.3 |
| <i>growth rate</i> | nm | 15.9% | 2.3% | 17.3% | 4.7% | 0.5% | 0.0% | -0.5% | -1.0% | -1.4% | 2.0% |
| Present Value FCF | 10.8 | 11.6 | 10.9 | 11.8 | 11.4 | 10.6 | 9.8 | 9.0 | 8.2 | 7.5 | 119.5 |

| | | | | | | | | |
|----------------------------------|--------------|-----------------------|----------------------------|---------------------------|-------------|-------------|-------------|-----|
| PV Phase I | 56.6 | Risk free rate | 3.50% | Targ. equity ratio | 80% | | | |
| PV Phase II | 45.0 | Premium Equity | 5.00% | Beta | 1.2 | | | |
| PV Phase III | 119.5 | Premium Debt | 2.00% | WACC | 8.37% | | | |
| Enterprise value | 221.1 | Sensitivity | Growth in phase III | | | | | |
| - Net Debt (Cash) | 76.0 | | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% | |
| - Pension Provisions | 1.0 | 7.53% | 5.2 | 5.5 | 6.0 | 6.5 | 7.2 | |
| - Minorities & Peripherals | 0.3 | 7.95% | 4.7 | 5.0 | 5.4 | 5.8 | 6.4 | |
| + MV of financial assets | | WACC | 8.37% | 4.3 | 4.6 | 4.9 | 5.2 | 5.7 |
| - Paid-out dividends for last FY | 0.0 | | 8.79% | 3.9 | 4.2 | 4.4 | 4.7 | 5.1 |
| +/- Other EV items | | | 9.21% | 3.6 | 3.8 | 4.0 | 4.3 | 4.6 |
| Equity value | 143.8 | | | | | | | |
| Number of shares | 29.5 | | | | | | | |
| Value per share (€) | 4.9 | | | | | | | |
| Current Price (€) | 2.9 | | | | | | | |
| Upside | 71% | | | | | | | |

Source: Pareto Securities Research

| PROFIT & LOSS (fiscal year) (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|--|-------------|-------------|-------------|---------------|---------------|---------------|--------------|--------------|
| Revenues | 384 | 337 | 376 | 277 | 425 | 337 | 326 | 344 |
| EBITDA | 32 | 24 | 29 | 24 | (1) | 8 | 27 | 33 |
| Depreciation & amortisation | (12) | (12) | (9) | (10) | (15) | (13) | (9) | (9) |
| EBIT | 20 | 12 | 20 | 12 | (31) | (4) | 18 | 25 |
| Net interest | (4) | (3) | (3) | (3) | (4) | (6) | (2) | (2) |
| Other financial items | - | - | - | - | - | - | - | - |
| Profit before taxes | 16 | 10 | 17 | 10 | (34) | (10) | 17 | 23 |
| Taxes | (6) | (1) | (3) | 2 | (1) | (1) | (4) | (7) |
| Minority interest | - | (0) | (0) | 5 | 1 | - | - | - |
| Net profit | 10 | 8 | 14 | (31) | (35) | (11) | 12 | 16 |
| EPS reported | 0.38 | 0.31 | 0.51 | (1.05) | (1.18) | (0.38) | 0.42 | 0.55 |
| EPS adjusted | 0.52 | 0.44 | 0.54 | (0.92) | (0.25) | (0.20) | 0.42 | 0.55 |
| DPS | 0.15 | 0.15 | 0.15 | - | - | 0.15 | 0.15 | 0.15 |
| BALANCE SHEET (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| Tangible non current assets | 33 | 32 | 32 | 25 | 64 | 60 | 61 | 62 |
| Other non-current assets | 85 | 79 | 80 | 63 | 72 | 72 | 72 | 72 |
| Other current assets | 144 | 173 | 186 | 245 | 184 | 156 | 154 | 160 |
| Cash & equivalents | 21 | 23 | 26 | 32 | 41 | 45 | 52 | 60 |
| Total assets | 283 | 306 | 323 | 364 | 360 | 333 | 340 | 354 |
| Total equity | 107 | 111 | 139 | 92 | 68 | 57 | 65 | 76 |
| Interest-bearing non-current debt | 61 | 93 | 73 | 78 | 117 | 117 | 117 | 117 |
| Interest-bearing current debt | - | - | - | - | - | - | - | - |
| Other Debt | 114 | 101 | 110 | 194 | 174 | 159 | 157 | 160 |
| Total liabilities & equity | 283 | 306 | 323 | 364 | 360 | 333 | 340 | 354 |
| CASH FLOW (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| Cash earnings | 41 | (0) | 26 | (59) | 23 | 1 | 21 | 25 |
| Change in working capital | (7) | (16) | (7) | 80 | (44) | 13 | 0 | (3) |
| Cash flow from investments | (16) | (9) | (7) | (13) | (10) | (10) | (9) | (9) |
| Cash flow from financing | (50) | 26 | (8) | 0 | 39 | - | (4) | (4) |
| Net cash flow | (31) | 2 | 3 | 7 | 7 | 4 | 8 | 8 |
| CAPITALIZATION & VALUATION (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| Share price (EUR end) | 5.6 | 5.6 | 8.1 | 4.80 | 4.59 | 2.85 | 2.85 | 2.85 |
| Number of shares end period | 27 | 27 | 28 | 29 | 29 | 29 | 29 | 29 |
| Net interest bearing debt | 40 | 70 | 47 | 46 | 76 | 72 | 64 | 56 |
| Enterprise value | 191 | 221 | 276 | 184 | 213 | 157 | 150 | 141 |
| EV/Sales | 0.5 | 0.7 | 0.7 | 0.7 | 0.5 | 0.5 | 0.5 | 0.4 |
| EV/EBITDA | 6.0 | 9.1 | 9.6 | 7.6 | - | 18.5 | 5.6 | 4.2 |
| EV/EBIT | 9.6 | 17.9 | 13.8 | 14.9 | - | - | 8.3 | 5.7 |
| P/E reported | 14.7 | 18.0 | 16.1 | - | - | - | 6.7 | 5.2 |
| P/E adjusted | 10.8 | 12.7 | 15.2 | - | - | - | 6.7 | 5.2 |
| P/B | 1.4 | 1.4 | 1.6 | 1.5 | 2.0 | 1.5 | 1.3 | 1.1 |
| FINANCIAL ANALYSIS & CREDIT METRICS | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| ROE adjusted (%) | 13.4 | 10.8 | 12.0 | - | - | - | 20.6 | 22.9 |
| Dividend yield (%) | 2.7 | 2.7 | 1.8 | - | - | 5.3 | 5.3 | 5.3 |
| EBITDA margin (%) | 8.3 | 7.2 | 7.7 | 8.7 | - | 2.5 | 8.2 | 9.7 |
| EBIT margin (%) | 5.2 | 3.7 | 5.3 | 4.4 | - | - | 5.5 | 7.2 |
| NIBD/EBITDA | 1.25 | 2.86 | 1.63 | 1.91 | (85.10) | 8.46 | 2.39 | 1.68 |
| EBITDA/Net interest | 8.78 | 8.56 | 9.75 | 8.93 | - | 1.51 | 17.95 | 20.85 |

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

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Appendix A

Disclosure requirements pursuant to the Norwegian Securities Trading Regulations section 3-10 (2) and section 3-11 (1), letters a-b

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

| Companies | No. of shares | Holdings in % | Companies | No. of shares | Holdings in % |
|---------------------|---------------|---------------|---------------------------|---------------|---------------|
| Helgeland Sparebank | 2,009,280 | 9.63% | SpareBank 1Østfold Akersl | 1,139,852 | 9.20% |
| Pareto Bank ASA | 14,903,587 | 2134% | Sparebanken Vest | 6,360,821 | 5.93% |

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

| Companies | No. of shares | Holdings in % | Companies | No. of shares | Holdings in % |
|-----------------------|---------------|---------------|---------------------------|---------------|---------------|
| Helgeland Sparebank | 2,009,280 | 9.63% | SpareBank 1Østfold Akersl | 1,139,852 | 9.20% |
| Pareto Bank ASA | 14,903,587 | 2134% | Sparebanken Møre | 305,239 | 3.09% |
| Selvaag Bolig ASA | 2,175,147 | 2.32% | Sparebanken Sør | 433,444 | 2.77% |
| SpareBank 1BV | 1655,220 | 2.63% | Sparebanken Vest | 6,360,821 | 5.93% |
| SpareBank 1Nord-Norge | 3,245,605 | 3.23% | Totens Sparebank | 78,246 | 128% |
| SpareBank 1SMN | 1880,442 | 145% | | | |

Pareto Securities AS may hold financial instruments in companies where a recommendation has been produced or distributed by Pareto Securities AS in connection with rendering investment services, including Market Making.

Please find below an overview of material interests in shares held by employees in Pareto Securities AS, in companies where a recommendation has been produced or distributed by Pareto Securities AS. "By material interest" means holdings exceeding a value of NOK 50 000.

| Company | Analyst holdings* | Total holdings | Company | Analyst holdings* | Total holdings | Company | Analyst holdings* | Total holdings |
|--------------------------|-------------------|----------------|-----------------------|-------------------|----------------|---------------------------|-------------------|----------------|
| Adevinta | 0 | 574 | Golden Ocean Group | 0 | 1744 | SailMar | 0 | 385 |
| AF Gruppen | 0 | 18,785 | Grieg Seafood | 0 | 4,071 | Sandnes Sparebank | 0 | 25,782 |
| Aker | 0 | 791 | Hafnia Limited | 0 | 31,869 | Sbanken | 0 | 4,755 |
| Aker BP | 0 | 23,376 | Helgeland Sparebank | 0 | 2,777 | Scatec Solar | 0 | 35,000 |
| American Shipping Compar | 0 | 3,500 | Ice Group | 0 | 104,391 | Schibsted ASA A Aksjer | 0 | 232 |
| Atlantic Sapphire | 0 | 1,105 | Jæren Sparebank | 0 | 500 | Schibsted ASA B Aksjer | 0 | 597 |
| Avance Gas | 0 | 4,456 | Komplett Bank | 0 | 93,100 | SpareBank 1BV | 0 | 22,000 |
| Axactor | 0 | 11,376 | Kongsberg Gruppen | 0 | 34,274 | SpareBank 1Nord-Norge | 0 | 26,050 |
| Bakkafrost | 0 | 144 | KWS | 75 | 75 | SpareBank 1SMN | 0 | 17,740 |
| BASF | 270 | 270 | Lerøy Seafood | 0 | 3,350 | SpareBank 1SR-Bank | 0 | 42,415 |
| Bonheur | 0 | 39,376 | Mowi | 0 | 3,604 | Sparebank 1Østfold Akersl | 0 | 292 |
| BRABank | 0 | 1,371,000 | NORBIT | 0 | 4,955 | SpareBank 1Østlandet | 0 | 10,021 |
| BW Energy Limited | 0 | 43,075 | Nordic Semiconductor | 0 | 6,590 | Sparebanken Sør | 0 | 16,135 |
| BW Offshore | 0 | 8,326 | Norsk Hydro | 0 | 99,821 | Sparebanken Vest | 0 | 4,894 |
| DNB | 0 | 32,584 | Norwegian Air Shuttle | 0 | 31214 | Sparebanken Øst | 0 | 1,500 |
| DNO | 0 | 489,853 | Norwegian Finans | 0 | 3,310 | Stolt-Nielsen | 0 | 42,217 |
| Elkem | 0 | 3,730 | Ocean Yield | 0 | 42,905 | Storebrand | 0 | 6,395 |
| Entra | 0 | 10,237 | Okeanis Eco Tankers | 0 | 3,835 | Subsea 7 | 0 | 1,198 |
| Equinor | 0 | 5,132 | Orkla | 0 | 18,699 | Telenor | 0 | 2,731 |
| Europris | 0 | 17,169 | Panoro Energy | 0 | 7,285 | TGS-NOPEC | 0 | 2,000 |
| Fjord1 | 0 | 50,000 | Pareto Bank | 0 | 1,279,977 | VOWASA | 0 | 4,781 |
| Fjordkraft Holding | 0 | 12,000 | Pioneer Property | 0 | 2,050 | XXL | 0 | 8,679 |
| Frontline | 0 | 11,730 | Protector Forsikring | 0 | 14,785 | Yara International | 0 | 13,998 |
| Gjensidige Forsikring | 0 | 7,430 | REC Silicon | 0 | 32,708 | | | |

This overview is updated monthly (last updated 19.05.2020).

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

Appendix B

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

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

| | | |
|-------------------------------|---------------------------------|------------------------------|
| 2020Bulkers | Genel Energy | Norwegian Air Shuttle |
| Avanzia Bank | GG. St. Kongensgade 100 og 106 | Nouveau Monde Graphite |
| Africa Energy | Hafnia Limited | Ocean Yield |
| African Petroleum Corporation | Hafslund E-CO | Odfjell SE |
| Agder Energi | Helgeland Sparebank | OKEA |
| Aker ASA | Hunter Group | Oliga Group |
| Belships | Hörmann Industries | Pareto Bank |
| BRABank | Ice Group | Petroleum Geo-Services |
| BRABank ASA | ICWHolding | PetroTal |
| BWEnergy | Kingfish Zeeland | Pinewood Laboratories |
| Cabonline Group Holding AB | KlavnessCombination CarriersASA | Pioneer Property Group |
| CentralNic Group | LifeFit | Pioneer Property Group ASA |
| Digiplex | Luxaviation Holding | Providences Inv. Mngmt Pty |
| DNOASA | Monobank ASA | Questerre Energy Corporation |
| Erwe Immobilien | Mutares SE & Co. KGaA | Salmon Evolution AS |
| Euromicron AG | Navig8 | Sandnes Sparebank |
| Exmar NV | Navigator Holdings | Seadrill |
| Filo Mining Corp | Norbit Group | Sparebanken Vest |
| Flex LNG | Northern Ocean | Stolt Nilsen |
| Floatel | | |

This overview is updated monthly (this overview is for the period 30.04.2019 – 30.04.2020).

Appendix C

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

Distribution of recommendations

| Recommendation | % distribution |
|----------------|----------------|
| Buy | 67% |
| Hold | 30% |
| Sell | 4% |

Distribution of recommendations (transactions*)

| Recommendation | % distribution |
|----------------|----------------|
| Buy | 82% |
| Hold | 18% |
| Sell | 0% |

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

This overview is updated monthly (last updated 18.05.2020).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

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

| | | | |
|----------|-----------------------|------------------|---------------------|
| Azelio | Jetpak Top Holding AB | Pledpharma AB | ShaM aran Petroleum |
| Bionvent | Mentice AB | QleanAir Holding | |
| IRRAS AB | Minesto | Sedana Medical | |

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

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

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

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

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

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

Designated Sponsor

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

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

Appendix F

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

Sponsored Research

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

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

This overview is updated monthly (last updated 18.05.2020).