Securing investor confidence

Management is implementing a 2023 Strategic Roadmap with milestones set for investors to monitor progress: so far, the merchandise offer has been improved, a new store presentation is being tested, and the group is clearly on-track to meet refinancing commitments outlined. With the 9M'21 results current year guidance is confirmed, and fresh targets set for 2022 which has gotten us to positively revise future estimates. Our EUR 52 TP (equal weighting DCF and peer company) indicates further substantial upside, and we confirm our Buy rating.

Successfully adapting store presentation to the new retail world

The recently opened Muenster store is a testbed for several new ideas including fitting room for friends, a new service counter around which staff can offer advice to customers and replaces the traditional cashier bank, removing the barrier between staff and customers. There are complimentary new collaborations with third-party brands and the store is trialing innovative digital ideas. It is already trading with superior sales densities to the group average and is very profitable.

Despite continued restriction on European retail 2021 guidance confirmed

9M'21results show e-commerce revenues up 30%, with Q3 sales through own retail units increasing 8% (like-for-like growth of 6%). At EUR -4.0m operating profit has improved from EUR -14.8m and management confirm annual guidance calling for group revenue in the EUR 260m-280m corridor and normalized EBITDA improving to a negative low double-digit million figure (from EUR -40.8m).

Meeting 2021 guidance and fresh milestones set, supporting EUR 52 TP

Continuing to meet milestones set in the 2023 Strategic Roadmap, the disposal of the Ravenna Park distribution facility was completed in Q3, generating EUR 25m proceeds pre-allocated for meeting insolvency obligations. First guidance for 2022, calling for sales to be in the EUR 360m–EUR 390m range and normalised EBITDA profit in the low double-digit range, has got us to positive revise estimates. Our EUR 52 TP (equal weighting DCF and peer company) indicates further substantial upside, and we confirm our Buy rating.

EURm	2019	2020	2021e	2022e	2023e
Revenues	331	278	262	360	426
EBITDA	177	(3)	17	44	71
EBIT	130	(52)	(27)	0	26
EPS	97.78	(58.12)	(34.91)	(11.13)	9.29
EPS adj	119.53	(34.32)	(16.84)	6.36	26.50
DPS	-	-	-	-	1.00
EV/EBITDA	1.5	-	13.6	5.3	3.1
EV/EBIT	2.0	-	-	-	8.5
P/E adj	0.0	-	-	6.2	1.5
P/B	0.02	0.40	2.38	6.51	2.50
ROE (%)	65.0	-	-	-	85.2
Div yield (%)	-	-	-	-	2.5
Net debt	259	237	176	187	175

Source: Pareto Securities

Target price (EUR)	**52**	▲ **BUY**
Share price (EUR)	39	HOLD
		SELL

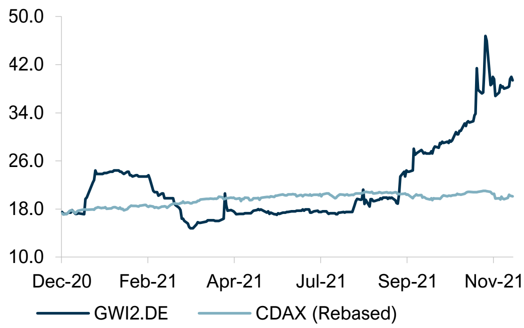
Forecast changes

%	2021e	2022e	2023e
Revenues	-	-	-
EBITDA	-	-	-
EPS reported	-	-	-
EPS adj	-	-	-

Source: Pareto Securities

Ticker	GWI2G.DE, GWI1 GY
Sector	Diversified Consumer
Shares fully diluted (m)	1.1
Market cap (EURm)	44
Net debt (EURm)	176
Minority interests (EURm)	0
Enterprise value 21e (EURm)	224
Free float (%)	0

Performance



Source: FactSet

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

Successfully hitting milestones to secure continuing investor confidence

So far, so good for new investors and remaining creditors

Returning from insolvency in 2019, new management is implementing a 2023 Strategic Roadmap with milestones set for investors to monitor progress. Despite a national lockdown imposed at the end of 2020, annual guidance (both sales and profit) was achieved.

Clear brand differentiation, innovative product performance and ongoing operational initiatives are key for successful repositioning. Furthermore, and despite a very challenging background, 2021 has continued to provide further visible signs that these targets are being met. This early progress has been rewarded by a very strong share price development, nearly doubling year-to-date, albeit with low transaction volumes given the limited free float.

We view the group as being on-track to meet refinancing commitments. At each investor update in 2021, management has referred to the business repositioning strategy highlighted in the chart below with an update of the management's view on how things are progressing.

Business repositioning strategy milestones

Source: Company investor presentation, Nov. 2021, Pareto Securities

Through the year the group has been gently testing a refined range, including third-party brands to supplement the Gerry Weber merchandise offer, with additional services in a more modern store environment. This is still in test phase but can be seen in the recent opening of a new store concept in Muenster which according to management and press reports has been very well received.

August saw the launch of the purpose-developed online platform for the TAIFUN brand (previously a sub-segment on the Gerry Weber shop) to further differentiate the group's brands given a different, younger target customer. The recent period also saw the launch of the internally developed "WE ARE GERRY" communication campaign to support the new brand positioning.

Meanwhile the 9M'21 results show e-commerce sales up 30% (a yearly target of 20% pa has been set). Specifically, in Q3 - the first quarter during which all stores were allowed to open throughout, sales through the group's own retail units increased 8% (with like-for-like growth of 6%).

With the results management confirmed 2021 guidance, calling for sales in the EUR 260-280m range, with an improvement in normalised EBITDA to a low double-digit million loss (from EUR -40m last year). At the same time, management has indicated that new collections have been well perceived by wholesale partners, with a double-digit plus in wholesale orders for delivery in spring 2022.

Perhaps most importantly, the disposal of the Ravenna Park distribution facility was completed in Q3, generating EUR 25m proceeds pre-allocated for meeting insolvency obligations. Together with strong cash flow from current operating activities of EUR 21.3m in 9M'21, liquidity increased to over EUR 90m, suggesting that the group is on target to meet the refinancing plans scheduled by end 2023.

Successfully adapting presentation to the new retail world

Having closed around 150 units over the past three years, the group has steadily reduced the number of company-managed House of Gerry Weber stores (to currently 290). However, Q3’21 marked a turning point with the opening of two new House of Gerry Weber stores, plus five new factory outlets (to 38).

Together with 15 monolabel units, trading as TAIFUN or SAMOON, and also controlling 222 GERRY WEBER concession units within department stores, the Retail segment directly operates 565 points of sale, covering over 91,000m² of selling space. Company data show that the group generated sales of EUR 2,237 per square metre in 2019, but this dropped to EUR 1,387 psm in the Covid-impacted 2020 year. The goal is to return to the 2019 level in 2022 and for double-digit productivity growth in the years thereafter.

A new House of Gerry Weber store concept

On 16 September the group opened a 114m² store in the Bavarian city of Rosenheim, a new market for the group. One week later, the group opened the Muenster, unit of 210m². There had previously been an unprofitable shop in Munster which closed during the insolvency process, but this new store is in a better-positioned location. Both mark exciting developments for GWI2, but especially the latter store given that it is testing several components of the new store concept that is expected to be rolled-out from next year.

Located on Prinzipalmarkt, the new Muenster store claims a 1A site in a well frequented shopping street. It has light, but warm, almost upmarket feel with clothing presented at one level in an uncluttered layout (see photo gallery, below). It is the testbed for the group’s “fitting room for friends” which has also space for a trusted companion to sit with the customer whilst trying-on different outfits.

It also is the testbed for Gerry Weber’s new service counter (top right in the gallery below), around which staff can offer advice to customers (in non-Covid times, several people can be seated) and is used for the new customer feedback tool. This service counter replaces the traditional cashier bank, removing the barrier between staff and customers and during busy trading periods customers can also pay staff using tablets around the store.

The new store concept is clearly a step forward in terms of attracting custom away from online and back to the high street. The service counter incorporates both a fridge and a coffee machine, allowing customers to enjoy an expresso (or prosecco) whilst reviewing Gerry Weber merchandise with staff. It is an added service attraction that adds to the fun in live shopping for clothes.

New store concept currently in test phase

Source: Company investor presentation, Nov. 2021, Pareto Securities

Increased digital and "Window Shopping 3.0"

Most graphics in the Muenster store are digital and can be quickly changed to suit the circumstances or to promote part of the collection that might be appropriate on that day, for example if an outfit is highlighted in the press or in the customer newsletter.

On the main window of this store is a QR code which represents the "Window Shopping 3.0" concept. By scanning this QR code, a potential customer can quickly download the highlighted outfit to her smartphone without even going into the shop. She can move this to her virtual shopping cart and can easily add complimentary products. If she decides to purchase, she can have these sent to home, or can try them on instore and then buy.

We view the window QR code as a very useful tool, both in busy trading periods and outside shopping hours (or during enforced future retail lockdown). We can imagine that the group will be quickly rolling out this idea given further restrictions announced with respect to customer entry into stores.

Video shopping and "Live Shopping Events"

In October 2020, the group began an experiment with video shopping to feature the key attributes of a particular outfit with fashion influencers encouraged to promote broader parts of the range. This can be viewed akin to the HSE/QVC tv shopping channel in Europe and is a popular concept in Asia currently.

This was experiment extended during the lockdown period (December 2020 through March 2021) when the stores were closed to the public. With a designer, a model, and a person from marketing, these "Events" normally involved three people with the purpose to portray the shopping ambience that normally can only be experienced instore, by providing advice to the customer and giving styling tips, etc. The customer sees how the garments look on the live model and how they can be combined.

Although all stores have been allowed to open since the summer, the group has continued with these "Live Shopping Events." Rather than filmed in a studio, videoing takes place instore, typically for 30 minutes, on a monthly basis. Again, this brings back some of the traditional joys of shopping by adding a little bit of theatre. Customers can also communicate with the Gerry Weber host via chat, ask questions and order directly.

We believe that this concept could be extended further if the stores were forced to lockdown again. It is not just as a means for selling, but also for broader communication, for example in promoting the sustainability source of the raw materials often used, or the environmentally friendly method of production, etc.

Complimentary new collaborations with third-party brands

The Muenster store is one of eleven House of Gerry Weber units that have introduced a collaborative range of natural cosmetics from Berlin-based group Und Gretel. All products from Und Gretel comply with the BDIH "certified natural cosmetics" standards and carry the Cosmos Natural or Cosmos Organic signature certification.

Last month saw the launch of another collaboration when the group began to offer customers with an appropriate range of bodywear from lingerie brand Triumph. The latter are presented in a shop-in-shop format, currently in four House of Gerry Weber stores.

We understand that further talks are ongoing for the possible sub-leasing of retail space in House of Gerry Weber units to other partners whose product ranges compliment the group's collections. Each of these developments will serve to complement and support the Gerry Weber merchandise offer.

We view Muenster as being symbolic with the new Gerry Weber International AG. Prior to insolvency, there had been a smaller unit in the Arkaden shopping centre, trading alongside H&M, s.Olivier and Zara among other retail brands. However, the younger clientele some of these rivals are not typical Gerry Weber's customer, and the store was loss-making, given relatively low sales per square meter but high rental cost.

It is early days, but Muenster is already operating at a profit. To begin with, and despite the better location, the Prinzipalmarkt store carries a lower rent than was the case in the Arkaden shopping centre. More importantly, productivity is far higher with sales already running significantly above EUR 2,000 psm.

Ensuring a good supply of merchandise is delivered to store

Retailers have not avoided the supply chain issues that have afflicted many other industry sectors. The Covid-19 pandemic has led to the closure of production facilities and thus to a shortage of production capacities in several of Gerry Weber's sourcing countries, including Turkey, Bangladesh, Vietnam and China, interrupting the supply of available merchandise.

Once produced, the availability of containers in which to ship garments and other articles to Europe has been limited and even when available shipping costs have been extremely high. Then once docked, there have been reports of several European ports being slow in feeding supplies to retailers given a lack of lorry drivers to transfer the merchandise away from the docks.

Slowly, the supply situation has been improving, but bottlenecks remain. In a recent survey by the German retail association, the HDE, three-quarters of the companies surveyed indicated that supply chain issues could yet impact during the key Christmas trading season. We suspect that most affected are those companies where the semi-conductor chip shortage plays a vital role, such as car dealers or consumer electronic goods. Nonetheless, the clothing sector needs to constantly monitor its supply chain and in Gerry Weber's case there is a task force that screens the current situation on a daily basis.

This will be extended into 2022, but at the same time, a new threat is emerging. Higher production costs and logistical increases are already feeding through to retailers in the form of higher input prices and this is now also being seen with clothing merchandise. Several retailers have indicated that price increases will be passed-on to the end consumer, although we suspect that this may be more difficult with the clothing retailers than in other sectors.

Selling Ravenna Park in a "win-win situation"

Serving as a group-wide hub for incoming and outgoing logistics since 2016, the Ravenna Park logistics centre was owned by Gerry Weber International AG. Under the insolvency plan, the group undertook to sell this facility by the end of 2021 and then make the sale proceeds available to the insolvency creditors.

Earlier this year Gerry Weber agreed terms with WB Logistik GmbH, a company of Christian Busch, majority shareholder of fashion company Walbusch Walter Busch GmbH & Co KG. The Walbusch Group is a family-owned company whose brands include Walbusch, Avena, Mey & Edlich and LaShoe. The disposal was completed in Q3, with cash proceeds amounting to EUR 25m.

WB Logistik GmbH has taken control of the distribution facility, including all employees. The Walbusch Group will use the logistics centre jointly with Gerry Weber. In our view, this deal appears a good solution to all concerned. Not only does this secure the jobs of 147 employed, but in retaining their expertise, the private company can now service Gerry Weber from a Ravenna park – a facility purpose built for the logistics of the quoted group. Walbusch plans further investments at this site.

Quick review of Q3/9M'21 financial developments

Although Covid-19 restrictions continued to dampen the top line, Gerry Weber International was successful in improving profitability in 9M'21 with normalized EBITDA at EUR -4.0m from EUR -14.8m. Management was able to confirm annual guidance calling for group revenue in the EUR 260m-280m corridor and normalized EBITDA improving to a negative low double-digit million figure (from EUR -40.8m).

Signs of slow consumer recovery despite impact of low store footfall

Although all stores were again open during Q3'21, the quarter continued to be affected by social restrictions arising from the pandemic: footfall is improving but remains clearly below pre-pandemic levels. Sales eased 3% to EUR 83.9m (missing PAS EUR 102mE), bringing 9M'21 revenues to EUR 191.5m a cumulative decline of 16% (from EUR 227.1m).

We were pleased to read that the positive momentum with the online business has continued, even after physical stores reopened, with Q3 e-commerce up 15% at EUR 9.7m and bringing the year-to-date total to EUR 30.5m (+30%). It means that online revenues accounted for 15.9% (from 10.3%) of nine-month's group sales.

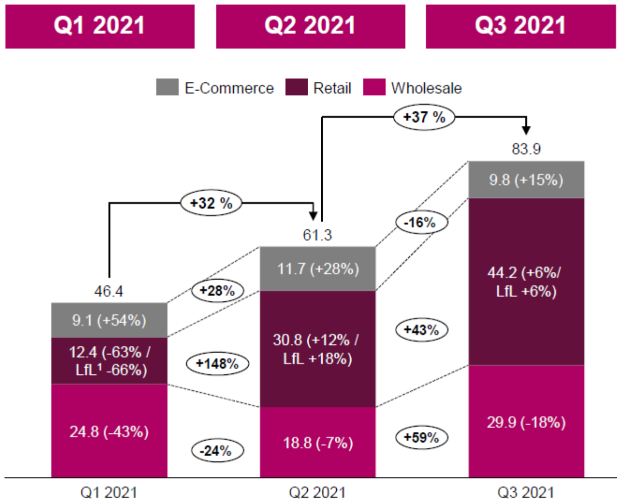
By channel, own retail sales increased 8% in Q3 to EUR 52.3m, including 23% jump in online revenues to EUR 8.1m (accounting for 16% of the segment total). Cumulative sales from segment Retail eased by 8% to EUR 113.2m after 9M'21. Wholesale revenues dropped 17% in Q3 to EUR 31.6m, (9M'21 -25%) reflecting a reluctance from the trade to order fresh merchandise at a time during lockdown when there was broader uncertainty in the traditional retail trade with high-street footfall still significantly below pre-pandemic levels.

Broadly stable domestic sales (EUR 46.0m) in Q3 were unable to compensate for the 6% decline in international revenues (EUR 37.9m). Cumulative 9M sales in Germany were thus down 20% at EUR 99.7m with international revenue down 10% at EUR 91.8m. Within the latter only Russia / CIS recorded a noticeable improvement, following a strategic repositioning last year.

Group financial highlights after nine-months 2021

Source: Q3'21 investor presentation, November 2021

Gradual signs of sales recovery



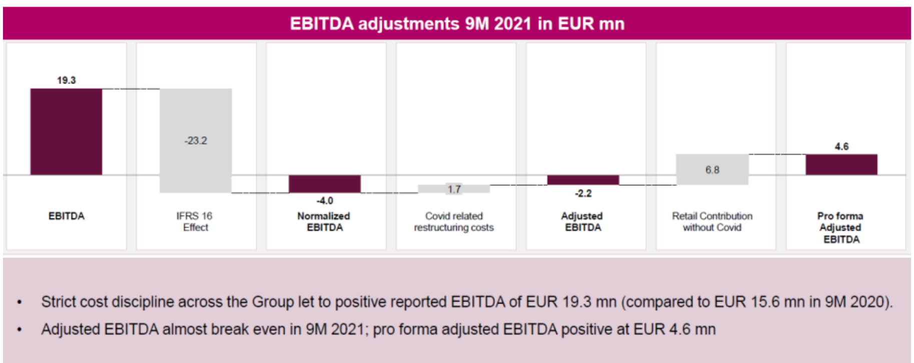
Source: Q3'21 investor presentation, November 2021

Good cost control almost compensates for the lower gross profit

Q3 reported EBITDA eased to EUR 14.0m from EUR 16.6m (PAS EUR 15.7mE). Adjusting for IFRS 16 lease accounting, "normalised EBITDA" was EUR 6.3m from EUR 8.0m indicating that Q3 adjusted margin fell to 7.5% (9.3%). That means that normalised EBITDA has improved by over EUR 10m in the nine-months period to EUR -4.0m (vs. EUR -14.8m) for a negative margin of -2.1% (-6.5%).

A 140bp deterioration in the Q3'21 gross margin to 62.5% was almost compensated by continued cost control with personnel expenses (-8%) and other operating costs (+1%). After EUR 10.2m D&A (EUR 11.4m) EBIT was EUR 3.8m (EUR 5.1m) and Q3 net income EUR -0.2m (vs. EUR 2.0m profit).

EBITDA bridge after nine-months 2021



Source: Q3'21 investor presentation, November 2021

Across the nine-months period, a reduced need for marking-down of inventory meant that 9M'21 gross margin rose 220bp to 62.5%. The adoption of short-term working ("Kurzarbeit") in Q1'21 meant that personnel expenses were cut 31% in 9M'21 whilst other operating costs were 7% lower. EBIT was EUR -24.3m (vs. EUR-32.3m in 9M'20) and a similar development was recorded with net income given minimal tax payments in both periods.

A great deal of uncertainty arises from the rising incidence rate of Covid-19 and there still may be tougher retail restrictions imposed for the important Christmas trading period. Indeed, in Austria and the Netherlands, two important markets for Gerry Weber, lockdowns and shortened opening hours currently prevail in the retail trade.

Nonetheless, management has confirmed annual guidance calling for sales in the EUR 260m-280m range with normalised EBITDA in the low double digit million loss.

Improving cash flows allows repayment of the revolving credit facility

Following EUR 21.3m positive operating cash flow in 9M'21 (a EUR 10m yoy improvement), September cash resources increased by EUR 5.1m to EUR 90.4m. Cash flow from investing activities was also positive a (EUR 22.7m vs EUR -2.4m) given the EUR 25m proceeds from the sale of Ravenna Park distribution facility to the major shareholder of Walbusch Walter Busch GmbH & Co KG. The entire disposal proceeds have been pledged as partial payment to the insolvency creditors of Gerry Weber International AG.

Total assets per September 2021 stood at EUR 399m (Dec. 2020 EUR 433m). This included EUR 182m current assets with EUR 53m inventory, EUR 16m trade receivables, EUR 22m other short-term assets plus the EUR 90m cash resources. Non-current assets amounted to EUR 217m of which EUR 159m relates to rights-of-use assets, EUR 41m PPE and EUR 11m of intangibles.

Equity has declined from EUR 56.1m last December to EUR 32.2m per September. Non-current liabilities of EUR 238m mainly relate to IFRS 16 rental and lease agreements of EUR 135m, long-term loans of EUR 36m, non-current liabilities resulting from the insolvency of EUR 59m and EUR 8m other provisions.

Current liabilities of EUR 129m include EUR 32m financial liabilities after the revolving credit facility of EUR 17.5m was repaid. Current insolvency liabilities amounted to EUR 31m and there are EUR 29m short-term liabilities from rights-of-use. Other current liabilities amounted to EUR 24m and includes some government stop-gap aid (Überbrueckungshilfe III) of EUR 12m which may not have to be repaid.

Updating the Pareto financial model

Although there was a slight miss to our Q3 estimates, we were pleased to hear management confirm 2021 guidance as outlined first in March. The period subsequently has been undermined by phases of poor consumer sentiment both in Germany and abroad, as well as supply chain issues across many industries, particularly those securing inputs from the Far East.

Confirmed guidance is thus viewed this as a pretty impressive accomplishment and would be seen in the light as continuing to hit milestones set by management. During the 9M'21 conference call and subsequently during a presentation to institutional investors at the German Equity Capital Forum (EKF), management have expressed confidence in hitting the EUR 260m-280m sales target for 2021.

Our sales estimate lies near the bottom end of that guidance range, but even this requires a 38% yoy jump for Q4'21E. However, it should be noted that the quarter does compare to a weak period last year, with lockdown in Germany from 16 December and at a time when the group's online presence was still relatively undeveloped.

Given the progress to date, we feel comfortable in maintaining our EUR -15m forecast for normalised EBITDA (vs. guidance of "low double digit million loss"). After 9M'21 there was already a EUR 10m yoy improvement (to EUR -4.0m) and we do not anticipate a significant loss in Q4.

Segmental sales forecasts: Q4 and 2021E

For the Wholesale segment, the fourth quarter is the least important. Most retail partners would normally receive autumn / winter merchandise during Q3 and October, with November and December more used to topping-up delivery of items flagged as "never-out-of-stock."

With current "2G" restrictions on store access in Germany (only with vaccination, or certified recovery), we do not anticipate too much top-up orders this season, although the shift from five to four delivery seasons will likely benefit Q4 Wholesale at the expense of Q3. We model EUR 18m revenues for the segment for Q4'21 which would be 22% yoy increase. It would mean EUR 96.4m (-19%) annual revenue for Wholesale in 2021E.

By contrast, Q4 would normally be the busiest quarter for the Retail segment given both the importance of Christmas trading for apparel retailers and the generally higher price points on winter and party merchandise compared to summer clothing. In our model, we forecast EUR 52m revenues for the Retail segment for Q4'21 which would be 44% yoy jump. It would mean EUR 166m (+4%) annual revenue for the segment in 2021E.

The above mentioned "2G" retail restrictions in Germany are of course a concern since, for the important December month, 20% of the adult population (the non-vaccinated) are not allowed entrance to non-essential shops, including fashion. However, we point out that in the comparative quarter, the shops were closed to everybody from 16 December 2020 – for two of the busiest weeks of the year.

Margin and costs assumptions: Q4 and 2021E

We model 58.5% gross margin in Q4'21, nearly 400bp below the 9M'21 level of 62.5%, given the high level of inventory within the trade and the need to shift stock. We also factor-in higher logistical expense to bring the merchandise to Europe with supply issues from Asia.

Pareto model: Q4'21E and 2021-2023E group forecasts including revenue growth by segment

EUR m	Q4'20	Q4'21E	% yoy	2020	2021E	% yoy	2022E	% yoy	2023E	% yoy
Revenues	**51.1**	**70.4**	***38%***	**278.2**	**262.0**	***-6%***	**360.0**	***37%***	**425.6**	***18%***
By segment										
GW Wholesale	15	18	*22%*	119	96	*-19%*	128	*33%*	147	*15%*
GW Retail	36	52	*44%*	159	166	*4%*	232	*40%*	278	*20%*
of which: Online	4	6	*49%*	27	36	*33%*	49	*34%*	61	*24%*
By brand										
GERRY WEBER	37	51	*36%*	198	188	*-5%*	257	*37%*	304	*18%*
TAIFUN	10	15	*45%*	60	55	*-8%*	76	*39%*	90	*18%*
SAMOON	4	5	*31%*	20	19	*-5%*	26	*37%*	31	*18%*
Gross profit	**19.1**	**41.2**	***116%***	**156.1**	**160.9**	***3%***	**212.4**	***32%***	**253.2**	***19%***
Gross profit margin (%)	37.4%	58.5%		56.1%	61.4%		59.0%		59.5%	
Personnel expenses	-14.7	-19.2	*31%*	-85.6	-68.1	*-20%*	-89.1	*31%*	-95.8	*7%*
Expense ratio (%)	-28.7%	-27.3%		-30.8%	-26.0%		-24.8%		-22.5%	
Other oprating expenses	-27.0	-28.2	*4%*	-86.0	-83.2	*-3%*	-84.6	*2%*	-93.6	*11%*
Expense ratio (%)	-52.9%	-40.0%		-30.9%	-31.8%		-23.5%		-22.0%	
Other oprating income	4.6	3.6	*-23%*	13.3	7.5	*-44%*	6.0	*-20%*	8.0	*33%*
Other items	-0.1	-0.1	*16%*	-0.4	-0.7	*63%*	-0.5	*-23%*	-0.5	*0%*
EBITDA	**-18.1**	**-2.8**	***n.a***	**-2.5**	**16.5**	***n.a***	**44.2**	***168%***	**71.3**	***61%***
EBITDA margin (%)	-35.4%	-3.9%		-0.9%	6.3%		12.3%		16.8%	
By segment										
GW Wholesale	-6	1		-1	9		20		26	
GW Retail	-13	-3		-3	8		24		45	
IRFS 16 adjustments	7.9	8.3		38.3	31.5		30.5		30.0	
Normalised EBITDA	**-26.0**	**-11.0**		**-40.8**	**-15.0**		**13.7**		**41.3**	*202%*
Norm. EBITDA margin (%)	-50.9%	-15.7%		-14.7%	-5.7%		3.8%		9.7%	
EBIT	**-29.5**	**-14.4**		**-51.7**	**-27.0**		**0.2**		**26.3**	
Net financing	-4.2	-5.3		-14.3	-17.0		-14.5		-13.0	
Pretax profit	**-33.7**	**-19.7**		**-66.0**	**-44.0**		**-14.3**		**13.3**	
Tax	0.4	1.4		0.5	1.4		0.7		-2.0	
Minority interests	0.0	0.0		0.0	0.0		0.0		0.0	
Net income attributable	**-33.3**	**-18.2**		**-65.5**	**-42.6**		**-13.6**		**11.3**	
EPS (EUR)	**-31.74**	**-14.94**		**-58.12**	**-34.91**		**-11.13**		**9.29**	

Source: Pareto Securities

We model EUR 19.2m (+31%) personnel expenses and EUR 28.2m (+4%) other operating expenses for Q4'21E. The comparatives are shown in the table above, but today's circumstances (lockdown period, hygiene regulation, etc) are quite different to Q4'20. In the current quarter, our estimates represent 27.3% and 40.0% ratio-to-sales respectively for these two cost items.

These assumptions result in an EBITDA loss of EUR -2.8m, much improved on the EUR -18.1m loss in Q4'20. We would normally anticipate a profit to be generated in the final quarter, but the additional costs (store hygiene measures, additional logistical expenses, etc) together with a still sub-normal sales base all serve to depress the result.

It means that we confirm our previous EBITDA forecast of EUR 16.5m for 2021E. In assessing the underlying operating profitability, management targets "normalised EBITDA" (before the effects of lease accounting to IFRS 16) as a performance indicator. Since March guidance has called for a low double-digit sum and after deducting EUR 31.5m IFRS 16 items, we forecast EUR -15m normalised EBITDA, in line with repeated guidance.

Deducting the full EUR 43.5m P&L charge for depreciation & amortisation, we model an EBIT loss of EUR -27m for 2021E, much improved over the EUR -52m loss in 2020. After EUR -17m net financial expenses, pretax would-be EUR -44m (EUR -66m) and with a minor tax credit, net income of EUR -42.6m is forecast.

Initial guidance for 2022 supports model upgrades

Fresh with the nine-months results, management introduced first guidance for 2022, calling for sales to be in the EUR 360m–EUR 390m range and for a normalised EBITDA profit in the low double-digit range. Both of these are a touch higher than our previous estimates.

Given the proven track record of delivering to challenging targets, we see guidance as being achievable and have modified our forecasts slightly, despite a lack of visibility as to what the background to demand might be with respect to future restriction on shop openings and how the supply chain may develop. It means that we raise sales estimates by 3%/4% for 2022 and 2023 and increasing EBITDA / normalised EBITDA by EUR 4m/5m in both years.

Changes to Pareto estimates: 2021-2023E

	2021E			2022E			2023E		
	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
Revenues	**270.3**	**262.0**	**-3%**	**349.2**	**360.0**	**3%**	**410.1**	**425.6**	**4%**
EBITDA	16.5	16.5	0%	40.4	44.2	9%	65.9	71.3	8%
Norm. EBITDA	**-15.0**	**-15.0**	**0%**	**9.4**	**13.7**	**46%**	**36.0**	**41.3**	**15%**
EBIT	-28.5	-27.0	5%	-4.6	0.2	n.a	20.9	26.3	26%
Pretax	-44.0	-44.0	0%	-16.1	-14.3	11%	10.9	13.3	22%
Net result	-42.5	-42.6	0%	-15.3	-13.6	11%	9.3	11.3	22%
EPS	-34.86	-34.91	0%	-12.52	-11.13	11%	7.62	9.29	22%

Source: Pareto Securities

Sticking to the Gerry Weber 2023 Strategic Roadmap

The insolvency proceedings with debtor-in-possession had been concluded by the court at the end of 2019 and the new GWI2 started 2020 implementing the strategic initiatives agreed with new investors. From March 2020 however, group operations were heavily influenced by restrictions around Europe imposed on businesses and consumers to combat the spread of the coronavirus pandemic.

Ten strategic initiatives that had been defined in 2019 as part of the review of operations and refinancing by the new investors were refined in October 2020 to take account the new corona-affected environment. The results are presented as a "Gerry Weber 2023 Strategic Roadmap" with short and medium-term targets established for investors to monitor performance.

The goal is to manage GWI2 in a progressive manner enabling the repayment of creditors by end 2023, but to be clearly in a strong position to grow on a profitable basis thereafter. In pursuing the Strategic Roadmap management target to be in a position to repay debt, with EUR 32m scheduled for the current year and EUR 87m scheduled for end 2023 (below right).

To help better explain the debt structure, management provide a useful Waterfall Capital Structure slide which we reproduce below (left). Thus, within EUR 90m cash equivalents per September 30, some EUR 41m was held in escrow accounts and thus restricted for use in servicing insolvency liabilities.

Within EUR 54.8m of senior debt, a total of EUR 7.2m were insolvency liabilities. Within EUR 34.8m of unsecured debt, most related to insolvency liabilities. Of the EUR 36.7m net financial debt per 30 Sept, a balance of EUR 0.8m was secured by escrow accounts.

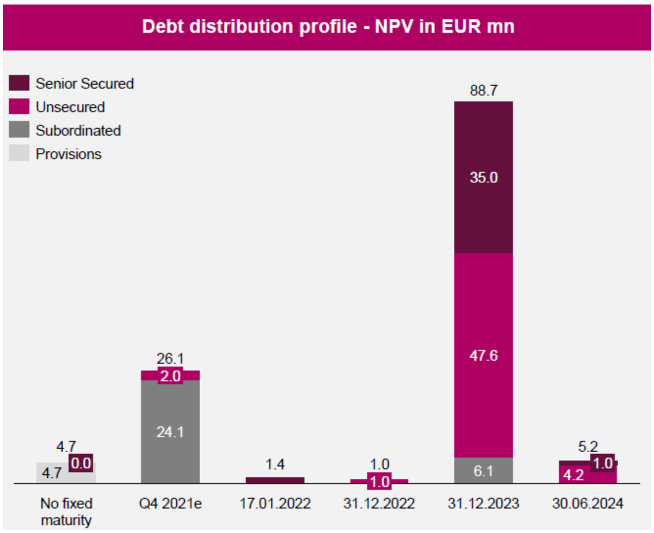
Current capital debt structure

Debt waterfall

Net Debt in EUR mn	Sep 2021	Secured by escrow accouts/ liquidation of Ravenna Park	Founded by liquidity of the company		
			Total	Thereof non-contingent	Thereof contingent
Cash[1]	-90,4	-41,1	-49,2	-49,2	-
Revolving Credit Facility[2]	0,7	-	0,7	0,7	-
Principal Term Loans[3]	36,7	-	36,7	35,7	1,0
Net Senior Debt	-53,0	-41,1	-11,8	-12,8	1,0
Straight Bonds	34,5	-	34,5	25,4	9,1
Convertible Bonds	1,9	-	1,9	1,2	0,7
Insolvency Cash Quota[4]	7,0	7,0	-	-	-
GWR Quota[4]	1,7	0,2	1,5	1,5	-
Excess Liquidity Quota[4]	9,7	-	9,7	-	9,7
Net Unsecured Debt	1,8	-33,9	35,8	15,4	20,4
Additional quota	30,1	30,1	-	-	-
Provisions and Adjustments	4,7	4,6	0,1	0,1	-
Net Debt	**36,7**	**0,8**	**35,9**	**15,5**	**20,4**
Allocation of EUSt Risk to PLUTA		-4,1			
Net Debt corrected		**-3,3**			

Source: Q3'21 investor presentation, November 2021

Debt repayment profile



Source: Q3'21 investor presentation, November 2021

The above (right slide) flags the timing schedule of debt repayment, with EUR 26.1m repayment of debt scheduled across the remainder of the year. With Ravenna Park proceeds of EUR 25m being paid to creditors according to the insolvency plan, net financial debt should be broadly reduced by that amount per the December balance sheet. At the same time the assets will also be reduced by the selling of Ravenna Park and thus the size of the balance sheet will shrink by a similar amount. That means that another milestone in the CFO Agenda would have been met by the end of the year end.

Therefore, just as important as the P&L forecasts, we believe it useful to show our cash flow assumptions for the next few years, given the demanding debt repayment schedule laid down by the 2023 Strategic Roadmap. This is reproduced below for the period and, again, we view the management as being fully on track with these plans.

Cash flow forecasts through 2023

EUR m	9M'20	9M'21		2020	2021E		2022E	2023E
CF Operating activities	11.0	21.3		9.2	29.2		19.2	42.8
CF Investing activities	-2.4	22.7		-4.7	19.0		-9.0	-12.0
Free Cash Flow	**8.6**	**44.0**		**4.6**	**48.2**		**10.2**	**30.8**
CF Financing activities	-60.1	-21.7		-62.8	-52.4		-23.0	-78.0
Exchange / other	-1.1	0.3		-0.9	0.0		0.0	0.0
Net change liquidity	**-52.6**	**22.6**		**-59.2**	**-4.3**		**-12.8**	**-47.2**
Cash at period start	126.9	67.7		126.9	67.7		63.5	50.7
Cash at period end	**74.3**	**90.4**		**67.7**	**63.5**		**50.7**	**3.5**
Financial debt	122.0	127.1		140.9	101.0		99.0	40.0
Right-of-use liabilities	185.6	163.6		181.4	138.6		138.6	138.6
Net debt. at period end	**233.4**	**200.3**		**237.1**	**176.1**		**186.9**	**175.1**

Source: Pareto Securities

Valuation remains difficult to assess

We find it very difficult to establish a fair price for shares in Gerry Weber International AG. A peer company valuation points to a much higher level, albeit there is greater risk with an investment in GWI2. The DCF would also point to a valuation far in excess of the current level in our view, particularly if we factor-in a target EBIT margin above (currently assumed) 10%, albeit there are good reasons for new investors focussing on short-term issues rather than value that might accrue over a DCF timespan.

Despite a very challenging background, 2021 has continued to provide investors with further visible signs that the 2023 Strategic Roadmap targets are being met. Clear brand differentiation, innovative product performance and ongoing operational initiatives are key for successful repositioning. This progress and maintained guidance has been rewarded by a very strong share price development, nearly doubling year-to-date, albeit with low transaction volumes given the limited free float.

Strong share price performance

Source: FactSet, Pareto Securities

We view the group as being on-track to meet refinancing commitments and believe that GWI2 management is doing a good job at adapting to the new norm. Based on the DCF scenario presented below we view EUR 45 as fair value, some 12% above last Friday's closing price. Based on the peer company multiples below we view EUR 59 as fair value, some 51% above last night's closing price.

Our new target price of EUR 52 gives equal weighting to these two valuation measures. We thus continue to rate Gerry Weber International with a "Buy" rating.

Target price of EUR 52 based on equal weighting peer multiple and DCF valuations

Fair value peers / share (2022E)	**59.1**	+	**Fair value DCF**	**44.9**
Target Price (equal weighting)	**52.0**			

Source: Pareto Securities

Peer company valuation yields wide range of values

To begin with, fashion retailing is proving to be very difficult currently and traditional incumbents are facing many challenges. Several groups that we would have referred to as peers just a couple of years ago have disappeared whilst several more businesses are currently attempting to merely survive: why should new investors be tempted to invest in the sector?

Notwithstanding the issues mentioned, the table below provides consensus Factset data for peer companies. However, we have had to eliminate several groups previously identified as peers given that many well-known retail groups are in the midst of restructuring plans fighting for survival which has made inclusion meaningless.

Thus, any valuation guide provided is likely to be crude and subject to wide variation, indicating a prospective range from EUR 86 based on peer EV/EBITDA median for 2022, to nil based on peer 2022 yield. We note however, that management has indicated that it intends to resume dividend payments, once the creditors have been paid back in 2023.

The average of valuations based on four criteria points to EUR 59 as fair value for Gerry Weber International AG, which we view as conservative given our inclusion of the yield criteria.

We highlight peer company multiples on PE, EV/EBITDA, EV/sales, and dividend yield (all 2022 basis)

Company	Share Price EUR	Mkt. Cap. EUR bn	PE 2022E	EV/EBITDA 2022E	EV/Sales 2022E	Div.Yield 2022E
Abercrombie & Fitch Co. Class A	35.9	2.0	8.9	2.3	0.31	1.9
HUGO BOSS AG	52.4	3.6	21.1	6.7	1.45	2.2
N Brown Group plc	0.4	0.2	4.9	4.5	0.60	5.5
Gap, Inc.	17.2	6.4	8.7	3.9	0.37	3.8
H&M Hennes & Mauritz AB Class B	165.9	274.5	18.5	6.5	1.24	4.8
Industria de Diseno Textil, S.A.	28.3	88.0	21.6	9.7	2.66	4.1
Kohl's Corporation	50.7	7.0	7.5	3.7	0.44	3.1
Marks and Spencer Group plc	2.4	4.7	13.1	6.4	0.69	3.2
Next plc	84.3	10.7	15.0	9.5	2.20	2.5
PVH Corp.	102.6	7.3	10.2	6.6	0.85	0.1
Stockmann Oyj Abp Class B	2.0	0.3	8.6	4.5	0.78	0.0
Median			**10.2**	**6.4**	**0.78**	**3.1**
Gerry Weber International AG	**40.00**	**0.05**	**6.3**	**5.3**	**0.65**	**0.0**
relative			*61%*	*84%*	*84%*	*0%*
Est. EPS / EBITDA / Sales / DPS			6.36	44.2	360.0	0.00
Forecasts Net debt (incl. pensions)				176	176	
No. Shares at year end				1.2	1.2	
Fair value per share at peer median			**65.14**	**85.77**	**85.38**	**0.00**
Fair value peers / share (equal weighting 2022 basis)			**59.1**			

Source: FactSet, Pareto Securities

DCF model points to EUR 45 target price

Applying IFRS 16, GWI2 AG recognises substantial rights of use assets on its balance sheet, amounting to EUR 179m at the end of last year as well as EUR 181m lease liabilities. Also, the EUR 49m depreciation charge for 2020 included an amount of EUR 33m referring to right-of-use assets, which was counterbalanced in the cash flow statement by the “repayment” of recognized lease liabilities of EUR 32m.

For valuation purposes, we will only add back depreciation to EBIT in our DCF framework that does not refer to rights of use assets. Correspondingly, we only deduct capex for fixed assets other than rights of use assets from free cash flow. We deduct the leasing liabilities from the enterprise value, treating them in analogy to interest bearing net debt and pension liabilities.

We apply a WACC of 8.6% by adopting a beta of 2.0 to reflect the recent background of going through insolvency. We model the normal parameters of 3.5% risk free rate, 5.0% equity premium and apply 30% normalised tax rate. We also assume a return to 50% equity ratio.

Otherwise within the DCF, we apply our detailed forecasts through 2025E for phase I, apply trend analysis for phase II, and provide conservative estimates phase III and terminal value. Our model assumes 21% p.a. CAGR in sales to 2025 reflecting a strong recovery from the coronavirus pandemic that continues to heavily impact the current year. For phase II we model 5.8% growth, which matches the progress recorded (5.6%) in the 15 years to 2018 (the last year of the old GWI prior to insolvency). We presume just 1% perpetual growth with exposure to the slow growing apparel market.

We expect GWI2’s EBIT margin to approach 10.5% in 2025, still some 40bp below the 10.9% average margin achieved in the 2003-15 period (prior to incurring significant restructuring charges from 2016). We model with 10% terminal margin although we believe that management is targeting EBIT margins clearly in the double-digit range (as was consistently the case for the period 2007-14).

We note in passing that applying just 11% terminal margin and leaving all other assumptions unchanged would nearly double the derived fair value above EUR 80.

Given the need for liquidity preservation in the past year, we suspect that there is a need to rebuild inventories, and this will also be the case if our high-top line expansion targets are met. Thus, we model a 3.3% investment in working capital to sales ratio for next year and accelerating a little thereafter. Mid-term, there will also be the need to spend more on capex, with 2.5% ratio to sales a realistic target.

Thus, based on the DCF scenario presented here derives EUR 45 as fair value, some 12% above last Friday’s closing price.

DCF model

	Phase I					Phase II					Phase III
EUR m	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
Revenues	**262**	**360**	**426**	**489**	**555**	**615**	**669**	**715**	**750**	**772**	
growth rate		*37.4%*	*18.2%*	*15.0%*	*12.7%*	*10.7%*	*8.8%*	*6.8%*	*4.9%*	*2.9%*	
EBIT	**-27**	**0**	**26**	**47**	**58**	**64**	**69**	**73**	**76**	**77**	
EBIT margin	*n.a*	*0.1%*	*6.2%*	*9.5%*	*10.5%*	*10.4%*	*10.3%*	*10.2%*	*10.1%*	*10.0%*	
Tax	8	0	-8	-14	-17	-19	-21	-22	-23	-23	
Tax rate	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	
Depr. & Amort.	12	14	15	17	18	17	18	18	19	18	
% of sales	*4.6%*	*3.8%*	*3.5%*	*3.4%*	*2.9%*	*2.8%*	*2.7%*	*2.6%*	*2.5%*	*2.4%*	
Capex	-6	-9	-12	-15	-18	-16	-17	-18	-19	-19	
% of sales	*2.3%*	*2.5%*	*2.8%*	*3.1%*	*2.8%*	*2.6%*	*2.6%*	*2.5%*	*2.5%*	*2.5%*	
Change in WC & P	3	-12	-14	-19	-22	-22	-23	-23	-23	-22	
% of sales	*-1.1%*	*3.3%*	*3.3%*	*3.8%*	*3.8%*	*3.6%*	*3.4%*	*3.2%*	*3.0%*	*2.8%*	
Free Cash Flow	-10	-7	7	16	19	23	26	28	30	31	418
growth rate	*nm*	*-26%*	*nm*	*nm*	*23%*	*20.5%*	*11.7%*	*8.7%*	*6.2%*	*4.2%*	*1.0%*
Present Value FCF	**-10**	**-7**	**6**	**12**	**14**	**15**	**16**	**16**	**15**	**15**	**199**

PV Phase I	16
PV Phase II	77
PV Phase III	199
Enterprise value	**292**
- Net Financial Debt	56
- Leasing Liabilities	181
- Minorities & Peripherals	0
Equity value	**55**
Number of shares	1.2
Value per share (€)	45
Current Price (€)	40
Upside	12%

Risk free rate	3.5%	Target equity	50%
Premium Equity	5.0%	Beta	2.00
Premium Debt	1.7%	WACC	8.6%

Sensitivity		**Growth in phase III**				
		0.0%	**0.5%**	**1.0%**	**1.5%**	**2.0%**
	7.7%	56.3	69.0	83.7	100.6	120.6
	8.1%	39.5	50.5	63.1	77.6	94.4
WACC	**8.6%**	24.5	34.1	**44.9**	57.3	71.7
	9.0%	10.9	19.3	28.8	39.5	51.8
	9.4%	-1.4	6.0	14.3	23.6	34.2

Source: Pareto Securities Research

PROFIT & LOSS (fiscal year) (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Revenues	**901**	**881**	**795**	**331**	**278**	**262**	**360**	**426**
EBITDA	**77**	**58**	**(96)**	**177**	**(3)**	**17**	**44**	**71**
Depreciation & amortisation	(48)	(44)	(96)	(47)	(49)	(44)	(44)	(45)
EBIT	**29**	**14**	**(192)**	**130**	**(52)**	**(27)**	**0**	**26**
Net interest	(9)	(8)	(6)	(8)	(14)	(17)	(15)	(13)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	**20**	**6**	**(198)**	**122**	**(66)**	**(44)**	**(14)**	**13**
Taxes	(5)	(3)	26	(2)	1	1	1	(2)
Minority interest	-	-	-	-	-	-	-	-
Net profit	**16**	**3**	**(172)**	**119**	**(65)**	**(43)**	**(14)**	**11**
EPS reported	0.34	0.06	(3.75)	97.78	(58.12)	(34.91)	(11.13)	9.29
EPS adjusted	**0.55**	**0.34**	**(6.44)**	**119.53**	**(34.32)**	**(16.84)**	**6.36**	**26.50**
DPS	0.25	-	-	-	-	-	-	1.00

BALANCE SHEET (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Tangible non current assets	288	273	205	316	253	174	149	127
Other non-current assets	236	240	179	22	16	14	17	20
Other current assets	326	240	223	115	78	79	92	108
Cash & equivalents	51	37	35	127	85	63	51	4
Total assets	**901**	**790**	**641**	**581**	**433**	**330**	**308**	**258**
Total equity	446	413	246	121	56	20	7	19
Interest-bearing non-current debt	221	218	169	269	261	179	177	118
Interest-bearing current debt	34	11	58	117	62	61	61	61
Other Debt	199	148	169	73	55	70	63	60
Total liabilites & equity	**901**	**790**	**641**	**581**	**433**	**330**	**308**	**258**

CASH FLOW (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Cash earnings	60	22	(82)	(5)	(13)	26	31	57
Change in working capital	(12)	19	48	61	22	3	(12)	(14)
Cash flow from investments	(59)	(38)	32	(8)	(5)	19	(9)	(12)
Cash flow from financing	(14)	(42)	(2)	59	(121)	(57)	(36)	(125)
Net cash flow	(26)	(39)	(3)	107	(117)	(9)	(26)	(94)

VALUATION (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price (EUR end)	**11.0**	**9.5**	**2.28**	**1.70**	**19.9**	**39.4**	**39.4**	**39.4**
Number of shares end period	46	46	46	1	1	1	1	1
Net interest bearing debt	204	193	192	259	237	176	187	175
Enterprise value	**709**	**631**	**297**	**261**	**259**	**224**	**235**	**223**
EV/Sales	0.8	0.7	0.4	0.8	0.9	0.9	0.7	0.5
EV/EBITDA	**9.2**	**10.8**	**-**	**1.5**	**-**	**13.6**	**5.3**	**3.1**
EV/EBIT	24.6	46.0	-	2.0	-	-	-	8.5
P/E reported	32.5	-	-	0.0	-	-	-	4.2
P/E adjusted	**20.0**	**28.1**	**-**	**0.0**	**-**	**-**	**6.2**	**1.5**
P/B	1.1	1.1	0.4	0.0	0.4	2.4	6.5	2.5

FINANCIAL ANALYSIS	2016	2017	2018	2019	2020	2021e	2022e	2023e
ROE adjusted (%)	5.4	3.6	-	79.5	-	-	56.3	243.2
Dividend yield (%)	2.3	-	-	-	-	-	-	2.5
EBITDA margin (%)	8.6	6.6	-	53.5	-	6.3	12.3	16.8
EBIT margin (%)	3.2	1.6	-	39.3	-	-	0.1	6.2
NIBD/EBITDA	2.64	3.32	(2.00)	1.46	(94.15)	10.67	4.23	2.45
EBITDA/Net interest	8.28	8.32	13.00	16.41	-	-	0.94	3.18

PROFIT & LOSS (fiscal year) (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21e
Revenues	**84**	**57**	**87**	**51**	**46**	**61**	**84**	**70**
EBITDA	**8**	**(9)**	**17**	**(18)**	**5**	**1**	**14**	**(3)**
Depreciation & amortisation	(14)	(12)	(11)	(11)	(11)	(10)	(10)	(12)
EBIT	**(7)**	**(20)**	**5**	**(29)**	**(7)**	**(10)**	**4**	**(14)**
Net interest	(2)	(5)	(3)	(4)	(4)	(4)	(4)	(5)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	**(9)**	**(25)**	**2**	**(34)**	**(10)**	**(14)**	**(0)**	**(20)**
Taxes	(0)	0	(0)	0	(0)	(0)	0	1
Minority interest	-	-	-	-	-	-	-	-
Net profit	**(9)**	**(25)**	**2**	**(33)**	**(10)**	**(14)**	**(0)**	**(18)**
EPS reported	(7.75)	(20.26)	1.63	(27.26)	(8.29)	(11.50)	(0.17)	(14.94)
EPS adjusted	**(1.40)**	**(14.10)**	**6.54**	**(22.71)**	**(3.82)**	**(7.07)**	**4.25**	**(10.20)**
DPS	-	-	-	-	-	-	-	-

BALANCE SHEET (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21e
Tangible non current assets	298	298	257	253	238	231	203	174
Other non-current assets	20	20	19	16	15	14	14	14
Other current assets	108	108	108	78	102	84	91	79
Cash & equivalents	91	91	74	85	79	87	90	63
Total assets	**518**	**518**	**458**	**433**	**435**	**416**	**399**	**330**
Total equity	88	88	89	56	46	32	32	20
Interest-bearing non-current debt	291	291	262	261	256	228	230	179
Interest-bearing current debt	70	70	45	62	61	79	61	61
Other Debt	69	69	61	55	72	77	76	70
Total liabilites & equity	**518**	**518**	**458**	**433**	**435**	**416**	**399**	**330**

CASH FLOW (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21e
Cash earnings	(29)	(22)	(7)	(53)	(9)	(17)	(10)	(24)
Change in working capital	(17)	17	(7)	29	(17)	17	(6)	9
Cash flow from investments	(1)	(1)	(0)	(2)	(1)	(1)	24	(4)
Cash flow from financing	(37)	(52)	(23)	(10)	(8)	(5)	13	(57)
Net cash flow	(83)	(58)	(37)	(37)	(35)	(5)	22	(77)

VALUATION (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21e
Share price (EUR end)	**4.80**	**4.80**	**19.8**	**19.9**	**15.7**	**17.4**	**27.4**	**39.4**
Number of shares end period	1	1	1	1	1	1	1	1
Net interest bearing debt	270	270	233	237	237	220	200	176
P/E reported	0.0	0.0	0.1	-	-	-	-	-
P/E adjusted	**0.0**	**0.0**	**0.1**	**-**	**-**	**-**	**-**	**-**
P/B	0.1	0.1	0.3	0.4	0.4	0.7	1.0	2.4

FINANCIAL ANALYSIS	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21e
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	9.1	-	19.2	-	10.4	0.8	16.6	-
EBIT margin (%)	-	-	6.0	-	-	-	4.5	-
NIBD/EBITDA	1.00	1.87	1.73	(100.41)	(46.00)	60.12	186.96	12.64
EBITDA/Net interest	52.55	12.86	12.10	-	-	-	-	-

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Appendix A

Disclosure requirements in accordance with Commission Delegated Regulation (EU) 2016/958 and the FINRA Rule 2241

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Companies	No. of shares	Holdings in %
Bonheur	240,945	0.57%
Pareto Bank	15,311,980	21.92%
Selvaag Bolig	3,729,704	3.98%
Sparebank 1 Nord-Norge	4,287,282	4.27%
SpareBank 1 Ringerike Hadeland	100,000	0.64%
Sparebank 1 SMN	1,970,442	1.52%
Sparebank 1 SR-Bank	1,856,679	0.73%
SpareBank 1 Østfold Akershus	1,232,229	9.95%
SpareBank 1 Østlandet	3,833,163	3.61%
Sparebanken Møre	305,239	3.09%
Sparebanken Sør	433,744	2.77%
Sparebanken Vest	6,861,616	6.39%
NEXT Biometrics	510,901	0.56%
SpareBank 1 Sørøst-Norge	1,771,308	2.81%

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Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,825
Aker ASA	500	3,075
Aker BP	0	17,942
Aker Carbon Capture	0	10,721
Aker Clean Hydrogen	0	133,500
Aker Horizons	0	125,848
Aker Offshore Wind	0	164,028
American Shipping Co.	0	13,300
Aprila Bank ASA	0	22,675
Archer	0	30,170
ArcticZymes Technologies	0	684
Austevoll Seafood	0	3,600
AutoStore	0	1,685
B2Holding AS	0	13,940
Bonheur	0	32,075
Borregaard ASA	0	650
Bouvet	0	2,940
BRAbank	0	31,499
BW Energy	0	56,765
BW Offshore	0	16,076
Circa Group	0	11,250
Cloudberry Clean Energy	0	100,000
DNB	0	48,639
DNO	0	151,978
Elkem	0	39,047
ELOP	0	130,000
Entra	0	9,806
Equinor	0	2,589
Europris	0	13,208
Fjordkraft Holding	0	21,317
Flex LNG	0	4,817
Frontline	0	79,748
Gjensidige Forsikring	0	7,734
Grieg Seafood	0	9,127
Hafnia Ltd.	0	10,000
Huddly	0	908,173
HydrogenPro	0	37,552
Ice Fish Farm	0	2,000
ice Group ASA	0	200,000
Kalera	0	26,752
Kitron	0	18,386
Komplett Bank	0	209,400
Kongsberg Gruppen	0	36,023
KWS	75	75
Lerøy Seafood Group	0	39,328
Meltwater	0	24,000
Mercell	0	24,863
Mowi	0	486
MPC Container Ships	0	84,164
NEXT Biometrics	0	510,901
NORBIT ASA	0	1,656
Nordic Semiconductor	0	5,391
Noreco	0	790
Norse Atlantic	0	25,000
Norsk Hydro	0	94,189
Norske Skog	0	98,499
Northern Drilling Ltd.	0	77,319
NTS	0	2,172
Ocean Yield	0	32,650
Okeanis Eco Tankers	0	2,000
Orkla	0	20,983
Panoro Energy	0	29,844
Pareto Bank	0	1,341,634
Pexip Holding	0	85,707
Protector Forsikring	0	14,000
Pryme	0	4,000
Quantafuel	0	5,797
REC Silicon	0	39,716
SalMar	0	2,799
Sandnes Sparebank	0	4,013
Scatec	0	30,412
Seaway 7	0	4,000
Sparebank 1 Nord-Norge	0	3,350
Sparebank 1 SMN	0	12,740
Sparebank 1 SR-Bank	0	15,170
SpareBank 1 Østfold Akershus	0	1,252
SpareBank 1 Østlandet	0	9,621
Sparebanken Sør	0	16,435
Sparebanken Vest	0	16,735
Sparebanken Øst	0	1,500
Stolt-Nielsen	0	1,817
Storebrand	0	25,698
Subsea 7	0	12,493
Telenor	0	12,052
TGS-NOPEC	0	600
Vow	0	8,681
Wallenius Wilhemsen	0	17,800
XXL	0	20,923
Yara	0	15,428
Zaptec	0	14,000

This overview is updated monthly (last updated 19.11.2021).

*Analyst holdings refers 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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2G Energy	Komplett Bank
Advanzia Bank S.A.	Kraft Bank
Aker ASA	Lakers Holding AS
Aker Clean Hydrogen	Lerøy Seafood Group
Aker Horizons	Lumarine AS
Akershus Energi	Maha Energy
Akva Group	Malorama Holding AS
Arcane Crypto	Mathesa Bostadsbolaget AB
Arctic Fish	Meltwater
Arendals Fossekompani	Mercell
Attensi	Modex AS
Barramundi Group Pte. Ltd.	Mutares SE & Co. KGaA
Belships	Müller Medien GmbH (United Vertical Media GmbH)
BioInvent	Navios Maritime Aquisitions
Biomega Group AS	Next Biometrics Group
Bonheur	Nordic Halibut
Bulk Infrastructure Holding	Noreco
BW Energy	Norlandia Health & Care Group AS
BW LPG	Norse Atlantic
Cavai AS	Norske Skog
CentralNic Group PLC	Norwegian Block Exchange
Circa Group	Panoro Energy
Cloudberry Clean Energy	Pelagia Holding AS
Dampskibsselskabet NORDEN A/S	PetroNor E&P
DLT	PetroTal
DNO	PHM Group
Documaster AS	Ping Petroleum UK Limited
EcoOnline	poLight
ELOP	Pronofa AS
Endur ASA	Proximar Seafood
Energean Israel Finance Ltd.	Pryme
Enviv AS (Bookis)	Pyrum Innovations
Fertiberia S.A.R.L.	REC Silicon
Flexistore AS	Saga Robotics
FREYR Battery	Salmon Evolution
Funkwerk AG	Seafire AB
Gjensidige Forsikring	Seajacks
Golden Ocean Group	SFL Corporation Ltd
Goliath Offshore	SGL TransGroup International A/S
Grøntvedt AS	Shamaran Petroleum
Hagal AS	Siccar Point Energy
Halodi Robotics AS	Skitude
Heimdall Power	Smart Wires Inc.
HKN Energy Ltd	Strandline Resources Limited
Hofseth BioCare	Talos Energy Inc
House of Control	Tise AS
Huddly	Trønderenergi AS
Ice Group Scandinavia Holdings AS	Vegfinans AS
Idavang A/S	Viking ACQ 1 AS, SPAC
Immunopharma	Vow
JP/Politiken's Forlag	Waldorf Production UK Ltd
Kalera	Watercircles Forsikring
Kentech Global Plc	West Coast Salmon
Keppel FELS Limited	Wheel.me
Kistos plc.	Xeneta AS
KLP	ZTL Payment Solution AS
KMC Properties	Ørn Software

This overview is updated monthly (this overview is for the period 31.10.2020 – 31.10.2021).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buy	70%
Hold	28%
Sell	3%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	95%
Hold	5%
Sell	0%

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

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Appendix D

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AAC Clyde Space	Hexatronic	Media & Games Invest plc.
Azelio	Hexicon	Re:NewCell
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Biovica International	Implantica	Surgical Science
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Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

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Epigenomics AG*	MAX Automation SE	Surteco Group *
Gesco *	Merkur Bank	Syzygy AG *
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GFT Technologies *	mutares	Viscom *
Gigaset *	OVB Holding AG	

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Appendix F

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

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Dermapharm Holding SE	MAX Automation SE	
Enapter	Merkur Bank	

This overview is updated monthly (last updated 15.11.2021).