Continuing to meet the goals outlined in the Strategic Roadmap

Target price (EUR)	**40**	▲ **BUY**
Share price (EUR)	15	HOLD
		SELL

Against the background of declining European consumer confidence and despite a presence in Russia, Gerry Weber has been able to report reassuring H1 results and confirm FY'22 guidance. A turnaround in profitability has also allowed for an improvement with the group's balance sheet. The macro environment will continue to provide many challenges, but management has repeatedly been successful in meeting targets outlined in its 2023 Strategic Roadmap. With this update, we adjust our model to the new basis of presentation outlined with the restated 2021 Accounts. We thus lower our TP to EUR 40 (from EUR 52) in reflecting new challenges but retain a BUY rating.

Reassuring results posted for H1'22 with FY guidance confirmed

Gerry Weber reported reassuring H1 results in the face of a difficult environment facing European consumers. Admittedly against a period last year when social restrictions were impacting business, revenues increase 48% to EUR 157m and there was a positive EUR 11m swing in normalized EBITDA to EUR 2.2m. Recently specified guidance has been confirmed and looks reasonable post these results.

Turnaround in profitability has improved the group balance sheet

Following EUR 11.7m positive operating cash flow in H1, June cash resources remained at a healthy level and amounted to EUR 63.8m (up from EUR 50m at the start of the year). Cash flow from investing activities in the half was EUR -4.9m and cash flow from financing activities was just EUR -3.0m. Thus, net debt (incl finance leases) was EUR 131m in June (vs. EUR 127m at Dec, from EUR 182m in H1'21).

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 trailing innovative digital ideas. It is already trading with superior sales densities to the group average and is very profitable.

EURm	2019	2020	2021	2022e	2023e
Revenues	331	278	263	330	380
EBITDA	177	(2)	63	36	51
EBIT	130	(59)	18	(3)	11
EPS	97.78	(76.33)	18.71	(22.82)	(10.41)
EPS adj	119.53	(53.13)	38.39	(3.16)	9.25
DPS	-	-	-	-	-
EV/EBITDA	1.5	-	2.8	4.2	3.1
EV/EBIT	2.0	-	9.6	-	14.8
P/E adj	0.0	-	1.0	-	1.6
P/B	0.02	0.59	0.77	0.52	0.66
ROE (%)	65.0	-	46.0	-	-
Div yield (%)	-	-	-	-	-
Net debt	259	196	127	134	139

Pareto Securities

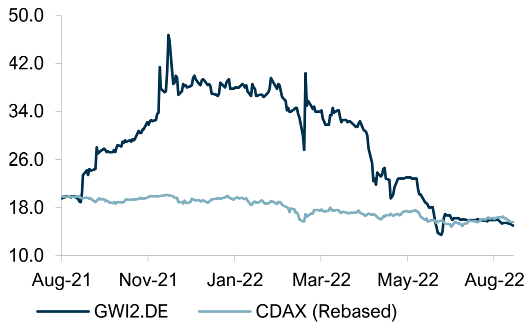
Forecast changes

%	2022e	2023e	2024e
Revenues	(8)	(11)	NM
EBITDA	(18)	(29)	NM
EBIT adj	(26)	NM	NM
EPS reported	NM	NM	NM
EPS adj	NM	(65)	NM

Source: Pareto Securities

Ticker	GWI2G.DE, GWI1 GY
Sector	Diversified Consumer
Shares fully diluted (m)	1.2
Market cap (EURm)	19
Net debt (EURm)	134
Minority interests (EURm)	0
Enterprise value 22e (EURm)	152
Free float (%)	5

Performance



Source: FactSet

Pareto Securities AS has been paid by the issuer to produce this research report. This material is considered by Pareto Securities to qualify as an acceptable minor non-monetary benefit according to the EU MIFID 2 directive.

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H1'22: progress seen on many fronts

Given the error corrections highlighted with the 2021 accounts (see appendix p.14 for simple overview) figures for 2021 have been restated. With this update, we adjust our model to the new basis of presentation. That is not the only point that makes analysis of the current year figures difficult to interpret, but our conclusion is that clear progress is being recorded.

Both the first halves of last year and 2022 were impacted by the pandemic, but more so H1'21 since lockdowns meant that German stores were closed for around 55 days (mainly Q1'21), whereas in H1'22 most stores were allowed to open, albeit that entry was often limited due to hygiene restrictions. Expansion of Gerry Weber's online operations has at least been able to partially compensate for the disruption experienced by the group's retail operations.

Retailers could not avoid the supply chain issues that have afflicted many other industry sectors. The Covid-19 pandemic 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. At an early-stage Gerry Weber established a task force to ensure that there has been a timely delivery of seasonal inventory as required.

Some 7% of group sales in 2021 were generated in Russia and the Ukraine. The war has negatively impacted consumer sentiment across Europe and Gerry Weber International also has an important direct presence in the affected countries, with 18 POS operated by the group in the Ukraine and 64 stores and shop-in-shops run by franchisees in Russia. Management believe that the impact of the war has so far been minimal, but could prove more problematical going forward, particularly with respect to achieved gross margin.

Sales development by operating segment

As a reminder, Gerry Weber reported an especially strong first quarter, beating at each line in the P&L. There was a significant jump in Q1 revenue, increasing 60% to EUR 72.9m, with growth in Gerry Weber's own Retail increasing by 162% to EUR 31.7m, albeit against a comparative period which suffered enforced store closures. Revenue at Gerry Weber Wholesale also recorded a good recovery at EUR 31.0m (+27%), with Online (the newly separated third segment) at EUR 9.7m (+19%).

The pace slowed in Q2, but clearly positive momentum remains with group sales increasing 39% to EUR 84.1m, bringing cumulative revenue to EUR 157m after six months (+48%). Recently raised guidance calling for annual sales in the EUR 315-340m region was repeated and requires only 9% growth for the rest of the year to meet the mid-point of 2022 guidance.

Gerry Weber International revenue development analysis

EUR m	Q1'21	Q1'22	% yoy	Q2'21	Q2'22	% yoy	H1'21	H1'22	% yoy
Revenues	**45.4**	**72.9**	60%	**60.3**	**84.1**	39%	**105.8**	**157.0**	48%
By segment									
Own Retail	12	32	162%	30	44	45%	42	76	79%
E-Commerce	8	10	19%	13	17	33%	21	27	27%
Wholesale	24	31	27%	19	23	26%	43	54	26%
Central / HQ	1	1	-29%	-1	0	-75%	-1	0	-124%
By brand									
GERRY WEBER	32	52	65%	43	60	39%	75	113	50%
TAIFUN	10	15	44%	12	17	33%	23	31	38%
SAMOON	4	6	71%	4	7	62%	8	13	66%
By country									
Domestic	19	35	86%	27	42	54%	46	77	67%
International	27	38	43%	33	42	28%	60	80	34%

Source: Pareto Securities

With all stores allowed to open again, Gerry Weber's Retail segment was the key driver during Q2'22 with an increase of 45% to EUR 44.1m (making for a jump of 79% ytd). On a like-for-like basis, stores sales jumped 89% and a comparison with industry data from

TextilWirtschaft and retail sales data supplied by the FSO (+69%) leads us to believe that Gerry Weber stores are recovering revenues quicker than the German fashion industry at large. The presentation indicates LTM sales per square meter at EUR 1,800, with the target to get back above the 2019 level of EUR 2,200 psm.

With the publication of the 2021 Annual Report, E-Commerce has been a separate reporting segment (previously online sales were included within Retail or Wholesale respectively). The segment markets collections of GERRY WEBER, TAIFUN and SAMOON brands online both through the group's own shops as well as external platforms, including about you, Amazon, Boozt, Otto or Zalando.

E-Commerce development accelerated in Q2'22, with sales growth of 33% to EUR 16.8m, making an increase of 27% to EUR 26.5m in H1. Not only is this above the mid-term guidance calling for 20% growth each year, but the acceleration was won in the face of declining online sales by other fashion retailers (given the expected switch-back to instore shopping). The segment accounted for 16.9% of total group sales in H1, down from 19.7% (an inflated proportion given the coronavirus-enforced store closures last year).

The Wholesale segment has been experiencing a steady recovery as retail partners win confidence in the improved GWI product offering. In Q2 sales increased 26% to EUR 23.5m, making also for 26% growth ytd (to EUR 54.5m). At the last year end, there were 210 House of Gerry Weber stores operated by franchisees (three-quarters outside of Germany) plus 1,400 shop-in-shops which are POS operated by trade partners (who buy the inventory and carry associated write-down risk).

Sales development by brand and region

The **GERRY WEBER** brand targets to be the leading lifestyle provider in the modern classic mainstream segment and stands for a no-fuss, self-confident and feminine look. In the past, it could authentically claim such a position within German fashion, so it is sitting in a good position as it attempts to win back the confidence from its over 50-year target customer.

With its latest collections GERRY WEBER is about providing everyday favourites, with high-quality fashion suitable for every moment, internally referred to "alteslose Mode" or "ageless fashion". It accounted for cEUR113m revenues, or 71.7% of H1'22 group sales (vs. 71.1%).

The recently opened Hose of Gerry Weber store in Muenster 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 trailing innovative digital ideas. It is already trading with superior sales densities to the group average and is very profitable.

Targeting the modern mainstream with brand differentiation

	GERRY WEBER	TAIFUN	SAMOON
CUSTOMER	50+ years Best Ager	45 + years Modern women	Self-confident plus size women
FOCUS	**Inspiration in fashion & lifestyle**	**Smart casual look**	**Modern plus size fashion**
POSITIONING	**Category leader** Modern classic mainstream	**Relevant** Modern Casual	**Category leader** Modern Mainstream
FASHION STYLE	**Uncomplicated fashion for real women**	**Modern women's fashion**	**Plus size collection**
STANDS FOR	**Femininity, self-confidence, inspiration, desirability**	**Dynamics, passion, courage, independence,**	**Self-confidence, happiness, femininity, coolness**
PURPOSE	**WE ARE GERRY**	**WE LOVE TO MOVE**	**BECAUSE I AM HAPPY**

Source: FY'20 investor presentation, May 2021

There has been a relaunch of the **TAIFUN** brand within the modern casual market. With relevance for every moment during the day for the active woman, it offers sportive designs with combinations in diverse bold colours, but still with an important focus on a good fit. Via independent distribution partners, it offers the relevant collection for every moment for the active woman from age 45 onwards. In H1'22 it accounted for cEUR31m revenues, or 19.8% of group sales (vs. 21.3%).

SAMOON is targeting to be the leading curvy womenswear brand in the modern mainstream segment regardless of age. It offers individual plus-size styles that radiate self-confident joie de vivre approach by its wearers and promoted by influencers. With fit and comfort of upmost relevance, its goal is to move from being a top-3 brand in the DACH region, to being top-3 across Europe.

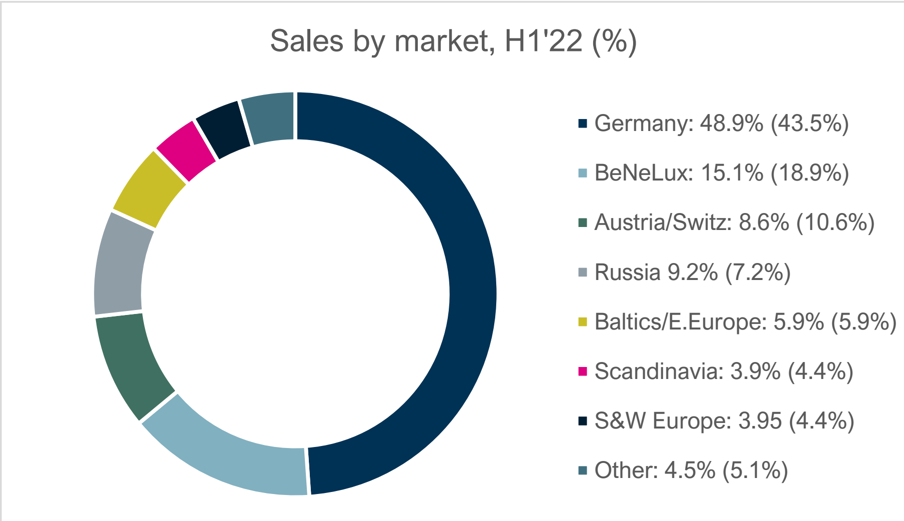
In addition to independent distribution, the plan is to develop a successful online business, as seen with the relaunch of samoon.com, which is viewed as an important avenue for the target customer. It accounted for cEUR13m revenues, or 8.5% of H1'22 sales (vs. 7.6%).

Still recovering from the challenges of the coronavirus pandemic, the market environment for retailers across Europe faces new difficulties in the form of higher food, fuel and energy prices that are forcing consumers to restrict discretionary spending, including on fashion. Nonetheless, the re-opening of stores has allowed spending on clothing, shoes, and textiles to increase compared to 2021 when engagement restrictions were at their worst.

Since German retailers faced some of the toughest restrictions, it is not surprising that retail sales have rebounded more strongly there, with data from the Federal Statistical Office (FSO) indicating retail sales growth of 69% in the first six months of 2022 for textiles, clothing, shoes and leather goods.

Gerry Weber has matched this performance: following a jump of 86% in Q1, domestic sales increased 54% in Q2. That made for reported German revenue of EUR 77m (+67%) for H1'22, meaning that domestic operations accounted for 49% of the group total.

Regional spread of H1'22 sales



Source: company data; Pareto Securities

International revenue jumped by 43% in Q1 and 28% in Q2 making for growth of 34% in H1. Totalling EUR 80m, that meant that international operations accounted for 51% of group sales, slightly dropping in importance compared to 56.5% in H1'21 (when foreign lockdowns had been less restrictive than was the case with stores in Germany).

The most important foreign markets include Belgium, the Netherlands and Luxemburg which together accounted for PASe cEUR 24m (up 19% yoy), or 15.1% of the H1'22 total. Russia was the next most important at cEUR 14m (jumping 90%) accounting for 9.2% of group sales. Austria and Switzerland together accounted for cEUR 14m (+20% yoy) in the first half.

Comment on operating costs and profit development

Following a slight easing in the gross profit margin (-145bp at 65.7%) in Q1, there was stabilization in Q2 (+15bp at 57.0%). This made for 61.0% in H1'22 (-25bp) which we view as a healthy level, particularly in the face of supply chain issues stemming from the closure of production facilities and thus to a shortage of production capacities. Several countries from which Gerry Weber sources merchandise, including Turkey, Bangladesh, Vietnam and China, experienced interruptions to the supply of available fashion merchandise.

For the 2021 year, personnel expenses of EUR 71m benefited by having EUR 7m costs covered by state short time working aid. We are unsure how this was apportioned during the year but suspect that a high part related to the enforced store closures in Q1. Against that background, the current year saw +49% yoy increase in personnel expenses in Q1, followed by +19% in Q2. For the six months, the EUR 38.6m personnel expenses represented a marked improvement (390bp decline) in the ratio to sales to 24.6%.

Throughout the first six months, other operating expenses were steadily rising at a rate of 40% yoy and amounted to EUR 42.8m. Of the EUR 12m increase in OOE, over half can be attributed to an increase in outbound freight, which partly reflect global shipping rates rather than company inefficiencies. There was also EUR 1.4m higher advertising costs in the current year. Despite the absolute increase, total OOE accounted for 27.3% ratio to sales, an improvement of 160bp from H1'21.

Thus, EBITDA of EUR 10.3m in Q1 was followed by EUR 9.3m in Q2, making for EUR 19.6m for the six month, up from a restated EUR 7.5m on the restated accounting basis for H1'21. The EBITDA margin improved 530bp to 12.5% (from 7.1%) with better sales leverage seen as the key driver.

We view the significant improvement in profitability as confirmation that Gerry Weber is well on-track to generate good profits in the years ahead and to be in a position to allow a successful refinancing in 2023.

Costs and margin analysis Q1 / Q2 / H1 2022 vs. previous year

EUR m	Q1'21	Q1'22	% yoy	Q2'21	Q2'22	% yoy	H1'21	H1'22	% yoy
Revenues	**45.4**	**72.9**	60%	**60.3**	**84.1**	39%	**105.8**	**157.0**	48%
Gross profit	**31.3**	**49.2**	57%	**35.1**	**49.2**	40%	**66.4**	**98.3**	48%
Gross profit margin (%)	68.9%	67.4%		58.2%	58.5%		62.8%	62.6%	
Personnel expenses	-12.6	-18.8	49%	-17.5	-19.8	13%	-30.1	-38.6	28%
Expense ratio (%)	-27.8%	-25.8%		-29.0%	-23.5%		-28.5%	-24.6%	
Other oprating expenses	-15.0	-21.1	40%	-15.5	-21.7	40%	-30.5	-42.8	40%
Expense ratio (%)	-33.1%	-28.9%		-25.6%	-25.8%		-28.8%	-27.3%	
Other oprating income	1.2	1.0	-13%	0.8	1.7	124%	1.9	2.8	42%
Other items	-0.1	0.0	-54%	-0.1	-0.1	11%	-0.2	-0.2	-21%
EBITDA	4.7	10.3	118%	2.8	9.3	229%	7.5	19.6	160%
IRFS 16 adjustments	8.2	8.6		8.5	8.8		16.7	17.4	
Normalised EBITDA	**-3.5**	**1.7**		**-5.7**	**0.5**		**-9.2**	**2.2**	
Norm. EBITDA margin (%)	-7.7%	2.3%		-9.5%	0.6%		-8.7%	1.4%	
EBIT	-5.2	0.9	n.a	-9.1	0.0	n.a	-14.2	0.9	n.a
Net financing	-5.5	-5.9		-4.7	-6.5		-10.3	-12.4	
Pretax profit	-10.7	-5.0		-13.8	-6.5		-24.5	-11.5	
Tax	-0.2	-0.2		-0.1	-0.7		-0.2	-0.9	
Net income attributable	**-10.9**	**-5.2**	n.a	**-13.9**	**-7.2**	n.a	**-24.7**	**-12.4**	n.a
EPS (EUR)	-8.89	-4.30		-11.39	-5.84		-20.28	-10.04	

Source: Pareto Securities

Adjusted for EUR 17.4m (from EUR 16.7m) IFRS 16 lease accounting effects, normalized EBITDA (a key group KPI) was positive EUR 2.2m, representing a swing of EUR 11.4m from the EUR -9.2m loss indicated for H1'21. The normalized EBITDA margin reached 1.4% (previous year -8.7%).

Total depreciation was reduced EUR 2m yoy and amounted to EUR -18.7m (EUR -21.8m), meaning that there was also a small positive at the EBIT level at EUR 0.9m. The financial result declined by EUR 2.1m in H1'22 to EUR -12.4m (EUR -10.3m), which was mainly attributed to the lower value of embedded derivatives measured at fair value through the P&L account. Following EUR -0.9m (EUR -0.2m) assigned to taxation, profit after tax amounted to EUR -12.3m about half the loss that was given for H1'21 on the restated basis.

Comment on financing

Before changes in working capital, H1'22 cash from operations increased to EUR 28.8m (from EUR 19.7m) with the higher net income plus EUR 17m (up from EUR 12m) support from state aid being the key influence here. In the current year however, working capital absorbed EUR 17.2m whereas it was just EUR -3.0m last year. Following EUR 11.7m positive operating cash flow in H1 (a EUR 5m yoy deterioration), June cash resources remained at a healthy level and amounted to EUR 63.8m (up from EUR 50m at the start of the year).
Cash flow from investing activities in the half was EUR -4.9m (vs EUR -3.3m). Supported by the drawing down of EUR 10.0m new credit facilities, cash flow from financing activities was just EUR -3.0m this year compared to EUR -12.2m in H1'21.

Total assets per 30 June 2022 stood at EUR 319m (Dec. 2021 EUR 310m). This included EUR 185m current assets with EUR 79m inventory, EUR 16m trade receivables, EUR 27m other short-term assets plus the EUR 64m cash resources. Non-current assets amounted to EUR 134m of which EUR 86m relates to rights-of-use assets, EUR 37m PPE and EUR 10m of intangibles.

Equity has declined from EUR 61.6m last December to EUR 51.6m per June 2022. Thus, the equity ratio declined from 19.8 last December to 16.2 per Jun 2022.

Just over half of non-current liabilities of EUR 161m relate to IFRS 16 rental and lease agreements of EUR 83m, whilst long-term loans of EUR 73m, include non-current liabilities resulting from the insolvency of EUR 25m and there were EUR 5m of provisions.

Current liabilities of EUR 106m include EUR 11m financial debt after the revolving credit facility of EUR 17.5m was repaid and then partially refinanced by a new EUR 10m loan. Current insolvency liabilities amounted to EUR 3m and there are EUR 27m short-term liabilities from rights-of-use. Other current liabilities amounted to EUR 25m, and provisions amounted to EUR 16m.

Current year guidance and Pareto forecasts

Gerry Weber recently increased current year guidance attributing this to successful integration of optimization measures within the business. The latter include the planned introduction of new software in Q4 to support inventory replenishment across all channels, allowing a better optimization of working capital needs. Consolidated sales are now forecast to be in the EUR 315m-340m range (prev. 310-335m), which looks reasonable post H1.

Normalised EBITDA should be in around break-even (prev. guidance called for a single-digit loss) but, reflecting the higher uncertainty with both risks and opportunities, there is a wide corridor which extends between "negative single digit Euro million range to positive single-digit Euro million range." At a time when several consumer discretionary businesses are lowering current year budgets, we view this as clearly a positive statement from GWI2.

As we mentioned above, the group has restated the 2020 Accounts and since the start of this year there has been a new segmental presentation. Although the published 2021 Accounts confer with the new approach, the group has yet to publish restated figures for Q3 / 9M 2021. Since our model builds on a quarterly basis, that adds a little additional risk to forecasts, although out full year estimates do comply with new guidance.

PASe sales forecast

We model EUR 330m group revenue in 2022 which implies an increase of 26% above the depressed 2021 level. Following the strong H1, this requires only 10% growth in H2'22 (to EUR 173m sales), but management (realistic in our view) point to wider than normal range of risks and opportunities given the deteriorating consumer climate across Europe.

The main contributor should be the group's own Retail division where we model EUR 159m in 2022 (+29%), although that requires only EUR 83m (+3%) for H2. We do not envisage another lockdown of stores due to the coronavirus although higher incidence could make consumers wary of actively visiting stores. Our forecast assumes a further recovery in sales per square meter towards EUR 2,000 for 2022 (+47%) for the 2022 year.

In line with the current experience of pure play online retailers, we model a slowing with the E-Commerce segment through the remainder of the year (H2: EUR 24m +14%) in generating EUR 51m sales, or (+21%) for 2022. This is would still be above guidance calling for >20% pa and it highlights the positive moment experienced by GWI.

The Turkish web-shop went live in H1 whilst samoon.com was relaunched in March and both are expected to support growth. Per June, the number of users was said to be up 12.5% yoy and there was a good conversion rate of 4.0%. At EUR 166, the average order value in H1'22 was 6.1% ahead of last year and we also expect that trend to continue.

Supported by strong pre-orders, we model steady development with the Wholesale segment (+27% in H2 to EUR 65m). It is clear that the new merchandise is resonating well with retail partners which are again increasing pre-order volumes and that could have been enhanced by the group's presence for the first time at the Berlin PREMIUM fashion trade fair which proved to be a great success in terms of brand attention. That would make segmental revenue of EUR 120m in 2022 (+27%).

Geographically, we believe that the momentum is likely to switch from Germany to the International operations, where we model 15% sales growth in H2 or EUR 85m. That would mean that foreign sales could account for EUR 165m (+24%) or precisely 50% share of the group total in 2022. Within this we view the key downside risk as being future sanctions on supplying Russia retailers with Gerry Weber merchandise.

To get to the EUR 165m (+28%) sales total that is also anticipated in Germany requires just 6% growth in H2, to EUR 88m. Within this we view the key downside risk as being tightening consumer disposable spending in the face of high inflation, plus possible opening or hygiene restrictions imposed on stores in the face of a renewed spike in the coronavirus.

PASe profit forecast

So far in 2022 Gerry Weber has successfully preserved gross margins (at 61% in H1) and its supply chain task force achieved an impressive delivery deadline rate between 85-95% in the period. However, pandemic or economic-related shortages (for example from Far East suppliers), together with higher costs of materials could put pressure on future margins. In addition, we already note several fashion retailers heavily discounting summer lines in the face of recent consumer restraint, and it is likely that H2 will see lower achieved gross margin across the industry.

Exacerbated by adverse FX and by additional logistical issues, the war between Russia and the Ukraine is likely to add to further burden on gross margin, especially given that these countries account for c10% of Gerry Weber's forecast revenue. For the year in total, we model 61.9% gross margin, down 50bp from the inflated level of 62.4% in 2021.

The 2021 Accounts recorded EUR 43.7m of other operating income, EUR 39.7m of which was attributed to Q4 and included a total of EUR 30.4m in grants and other state subsidies, predominantly as compensation for measures enforced during the pandemic. This year has seen a further EUR 2.5m received in August and in total OOI is forecast as contributing just EUR 6m in 2022.

The group continues to generate additional cost savings in personnel expenses; indeed, this was one reason supporting the recent specification of current year EBITDA guidance. For example, the outsourcing of the Ravenna Park distribution centre reduces the group's employment bill, albeit it has shifted costs into other operating expenses. Nonetheless, based on our assumption of no enforced coronavirus lockdown for the remainder of the year, the absolute level of personnel expenses will increase, and we model EUR 79.3m for the year (H2 flat, FY +12%).

As mentioned, other operating expenses include additional freight costs now that distribution is outsourced (we model +EUR 12m yoy) and we assume additional advertising and IT expenses compared to last year, but lower consulting fees. In sum, we model OOE to total EUR 97.5m in 2022 (H2 +18%, FY +27%).

Our EBITDA forecast of EUR 36.2m would be a reduction of some EUR 27m yoy but considering that 2021 included EUR 30.4m of state aid, this forecast implies about EUR 3.5m organic growth (+10%). The implied EBITDA margin would be 11.0%.

Management provides guidance for normalised EBITDA around break-even (specifically to be between a single digit loss and single digit profit). So, deducting EUR 35m of IFRS 16 lease accounting benefits from reported EBITDA would mean EUR 1.3m normalised EBITDA for a positive normalised margin of 0.4%.

Assuming EUR 39.5m depreciation and amortisation, we model a modest operating loss of EUR -3.3m for the current year, which increases to EUR -27.6m loss at the pretax level following EUR 24.4m net financial expenses. We model EUR -28.4m net income, implying EPS of EUR -22.8.

Our detailed forecast for 2022 through 2024E are presented below.

Pareto estimates for 2022-2023E

EUR m	H1'21	H1'22		2021	2022E	2023E	2024E
Revenues	**105.8**	**157.0**		**263**	**330**	**380**	**430**
Gross profit	**66.4**	**98.3**		**168**	**207**	**234**	**263**
Gross profit margin (%)	62.8%	62.6%		64%	63%	62%	61%
Personnel expenses	-30.1	-38.6		-71	-79	-87	-96
Expense ratio (%)	-28.5%	-24.6%		-27%	-24%	-23%	-22%
Other oprating expenses	-30.5	-42.8		-77	-97	-99	-106
Expense ratio (%)	-28.8%	-27.3%		-29%	-30%	-26%	-25%
Other oprating income	1.9	2.8		44	6	4	5
Other items	-0.2	-0.2		-1	-1	-1	-1
EBITDA	7.5	19.6		63	36	51	65
IRFS 16 adjustments	16.7	17.4		34	35	35	35
Normalised EBITDA	**-9.2**	**2.2**		**29**	**1**	**16**	**30**
Norm. EBITDA margin (%)	-8.7%	1.4%		11%	0%	4%	7%
EBIT	-14.2	0.9		18.3	-3	11	25
Net financing	-10.3	-12.4		5.7	-24	-23	-22
Pretax profit	-24.5	-11.5		24.0	-28	-12	3
Tax	-0.2	-0.9		-1.0	-1	-1	0
Net income attributable	**-24.7**	**-12.4**		**23.0**	**-28**	**-13**	**2**
EPS (EUR)	-20.28	-10.04		18.7	-22.8	-10.4	1.7

Source: Pareto Securities

PASe 2023 forecast

Of course, there are many uncertainties particularly in the light of persistently high energy prices, supply chain issues and future developments in Russia, but our current thoughts on 2023 estimates assume that there should be a recovery in consumer sentiment and thus recovery in European retail sales. We would expect Gerry Weber to continue to outperform the market at large.

Our current sales estimate of EUR 380m would represent 15% increase over PASe 2022. The recent pre-order figures bode well for Wholesale, where we model EUR 142m (+19%) whilst the current momentum could mean that E-Commerce again exceeds the 20% annual growth target (EUR 62m, +22%). Although management has flagged soft store closures of underperforming units, we understand that management continue to have high expectations for the Retail division where the target is to clearly improve sales densities above EUR 2,200 and we model EUR 175m segmental sales (+10%).

If those sales expectations are met, there will clearly be an improvement in profitability. Risks remain with supply chain and the level of gross margin (PASe 61.6%). Additionally, we can imagine that Gerry Weber may have to increase staff tariffs if the scarcity of labour remains. Against that, we would anticipate the other operating expenses ratio to see a nice improvement on the back of the rising sales base.

We model EUR 51m in EBITDA (+40%) or 13.3% margin. After deducting EUR 35m of IFRS 16 lease accounting benefits from reported EBITDA would mean EUR 16m normalised EBITDA for a positive normalised margin of 4.1%. This would also mean that the group would report a positive EBIT (PASe EUR 11m) for 2023, although we forecast EUR -13m loss at the net income level.

Group cash flows and balance sheet financials

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 creditors by end 2023 and the group is progressing well with respect to milestones set.

Given the error corrections highlighted with the 2021 accounts (see appendix p.14 for simple overview) figures for 2020 have been restated. Taking the restated figures, the group' balance sheet total per end 2020 was EUR 373m.

Within that EUR 373m, non-current liabilities amounted to EUR 225m, including EUR 109m rights-of-use leases. Long-tern financial debt of EUR 111m included EUR 23.5m loan from Plan sponsors with a final maturity of 31 December 2023 and EUR 88m liabilities to insolvency creditors, including EUR 36m bonds also due for repayment by 31 December 2023.

Current liabilities at the time of EUR 110m included EUR 30m short-term rights-of use-leases with EUR 31m financial debt, comprising, EUR 17.5m RCF facility and EUR 13.8m relating to insolvency liabilities. Shareholder equity stood at EUR 38m (10.3 equity ratio).

The Strategic Roadmap called for the disposal of the group's Ravenna Park distribution centre against which much of the insolvency liabilities were tied. With the successful selling of this facility in 2021, the balance sheet was heavily reduced (EUR 310m per Dec 2021) and so too there was a significant reduction with insolvency liabilities which amounted to EUR 54m at the end of last year.

As per end June 2022, group financial debt amounted to EUR 84.3m, with EUR 10.9m current borrowings and EUR 73.4m long-term financial debt. After deducting EUR 63.8m cash, the net financial debt was EUR 20.6m. In addition, there were EUR 110m right-of-use liabilities, so net debt for EV purposes was EUR 130.6m.

To help better explain the debt structure, management provide a useful Waterfall Capital Structure slide which we reproduce below. Looking at the left-hand table, we begin with EUR 63.8m cash equivalents per 30 June, against which the different lines of financial credit are deducted in arriving at the EUR 20.6m net financial debt.

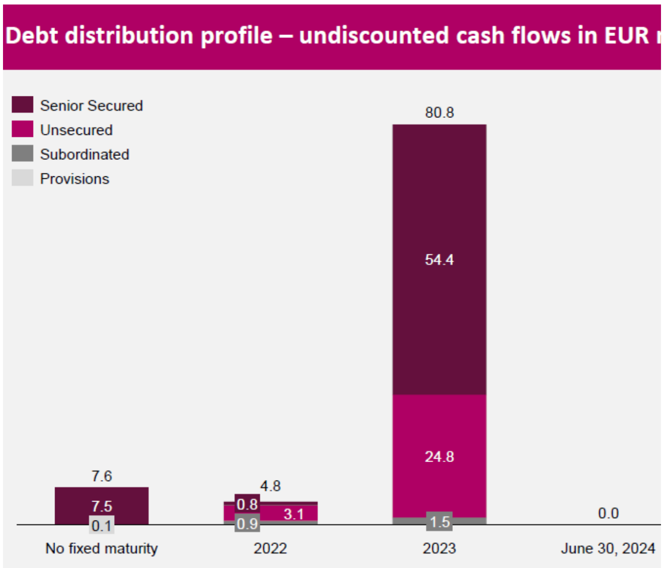
Current capital debt structure

Debt waterfall as of June 30, 2022

Net Debt in EUR mn	Book values	Un-discounted cash outflows	Secured by escrow accounts	Founded by liquidity of the company		
				Total	Thereof non-contingent	Thereof contingent
Cash[1]	-63,8					
Revolving Credit Facility[2]	7,5	7,5	-	7,5	7,5	-
Other Credit Facility[3]	10,0	10,0	-	10,0	10,0	-
Principal Term Loans[4]	38,2	45,2	-	45,2	45,2	-
Net Senior Debt	-8,1					
Straight Bonds	22,5	24,0	-	24,0	24,0	-
Convertible Bonds	1,2	1,2	-	1,2	1,2	-
Insolvency Cash Quota	0,8	1,0	-	1,0	1,0	-
GWR Quota	1,6	1,6	1,6	-	-	-
Excess Liquidity Quota	-	-	-	-	-	-
Net Unsecured Debt	18,1					
Additional quota	2,4	2,4	2,4	-	-	-
Provisions and Adjustments	0,1	0,1	-	0,1	0,1	-
Net Debt	**20,6**					

Source: H1'22 investor presentation, August 2022

Debt repayment profile



Source: H1'22 investor presentation, August 2022

Within EUR 26.1m book value of senior debt, undiscounted cash flows amount to EUR 27.8m most of which were insolvency liabilities (including the EUR 24m straight bond, EUR 1.0m cash quota, plus EUR 1.6m GWR quota), and EUR 1.6m of this was secured by escrow accounts.

Within EUR 2.5m of unsecured debt, most related to insolvency liabilities, with EUR 2.4m in escrow. Including accrued interest, the EUR 38.2m book value Principal Term loans have undiscounted cash flows amounting to EUR 45.2m and is owed to the original Plan sponsors.

The bar chart on the right flags the timing schedule of debt repayment. Our model assumes that EUR 4.8m repayment of unsecured will be completed in the current year, but the major refinancing remains as planned for 2023 when a total of EUR 80.8m of financial debt is scheduled for repayment, most due 31 December 2023.

Our model assumes a slight increase to EUR 23m net financial debt by the end of the current year, based on EUR 32m positive cash flow from operation and EUR 11m investing activities, or EUR 21m free cash flow. Including EUR 110m right-of-use liabilities, net debt may amount to EUR 134m.

PASe cash flow forecast 2023-2024E

EUR m	H1'21	H1'22		2021	2022E	2023E	2024E
Group net profit / (loss)	-25	-12		23	-28	-13	2
Depreciation & amortisation	22	19		45	40	40	41
Other non-cash items	23	23		-44	23	2	3
	20	29		24	34	29	46
Ch. in working capital	-3	-17		-9	-2	-7	-8
CF Operating activities	**17**	**12**		**14**	**32**	**22**	**38**
CF Investing activities	**-3**	**-5**		**15**	**-11**	**-8**	**-12**
Free Cash Flow	13	7		29	21	14	26
Proceeds from borrowings	5	10		0	10	30	0
Repayment insolvency liabilitie	-6	-2		0	-5	-81	0
Repayment financing leases	23	23		-45	23	2	3
CF Financing activities	**-12**	**-3**		**-47**	**-16**	**-70**	**-23**
Exchange / other	0	2		0	2	0	0
Net change liquidity	**1**	**6**		**-18**	**8**	**-56**	**3**
Cash at period start	68	50		68	50	58	2
Cash at period end	**86**	**64**		**50**	**58**	**2**	**5**
Financial debt	145	84		69	81	31	25
Right-of-use liabilities	123	110		108	110	110	110
Net debt. at period end	**182**	**131**		**127**	**134**	**139**	**129**

Source: Pareto Securities

The assumptions for cash flows through 2024 are presented in the table above. Although we model a good rise in profitability next year (EBITDA EUR 51m, +40%) the group will not receive additional state support (EUR 20m in 2022, found in other items) so we anticipate 2023 cash flow from operating activities to be only EUR 22m. A slight reduction in capex should allow for EUR 14m FCF.

Thus, the group will not be in a position to repay EUR 81m total financing liabilities from cash resources at the end of 2023 and will need to take on some additional fresh debt. In our model we assume some EUR 30m new financial debt arranged in 2023.

Valuation

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)

8.5%, 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 through 2021, Gerry Weber was able to meet guidance outlined at the start of the year and provide investors with other visible signs that the 2023 Strategic Roadmap targets were being met. Clear brand differentiation, innovative product performance, successful development of the online platforms and ongoing operational initiatives key for successful repositioning are all viewed as highlights during 2021. This progress was initially rewarded by a strong share price development, doubling through the year, albeit with low transaction volumes given the limited free float.

However, much of this share price development has been lost in the current year. The first point was the delaying of the 2021 Accounts and then the error adjustment with the reported numbers. This was unfortunate but has been explained to investors and in our view lies in the past. More pressing currently is the negative consumer sentiment and the continued top line exposure to Russia / Ukraine and how these factors impact GWI2 going forward, which adds greater risk to forecasts.

Strong share price performance

Source: FactSet, Pareto Securities

Based on the DCF scenario presented below we view EUR 51 as fair value, nearly 200% above last night's closing price. Based on peer company multiples below we view EUR 29 as fair value, twice the level of last night's closing price. We set our target price of EUR 40 (down from EUR 52) giving equal weighting to these two valuation measures. We thus continue to rate Gerry Weber International with a "Buy" rating.

Target price of EUR 40 based on equal weighting peer multiple and DCF valuations

Fair value peers / share (2022E)	**29.3**	+	**Fair value DCF**	**50.9**
Target Price (equal weighting)	**40.1**			

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 seen necessary to recover from the pandemic / current consumer reluctance which has made inclusion meaningless.

This provides quite a wide variation, indicating a prospective range from negative EUR 29 based on peer PEs for 2022 (given that we now forecast a net loss for GWI2), up to EUR 47

EV/sales median for 2022. For comparison purposes, we ignore the negative value as an outlier in the current year, although we include the nil valuation 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 three criteria (EV/sales, EV/ EBITDA and dividend yield) points to EUR 29 as fair value for Gerry Weber International AG, which we view as conservative given our inclusion of the yield criteria. The valuation would be higher still based on 2023 forecasts, but we believe that there is too much uncertainty (with GWI2 and the peers) to give attention to 2023 at this stage.

We highlight peer company multiples on 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	19.8	1.0	10.1	2.3	0.21	2.7
HUGO BOSS AG	55.9	3.9	19.7	6.3	1.27	2.0
N Brown Group plc	0.3	0.1	4.6	4.5	0.52	2.1
Gap, Inc.	10.1	3.7	-263.5	8.6	0.29	5.0
H&M Hennes & Mauritz AB Class B	124.3	205.7	18.3	5.2	0.85	5.5
Industria de Diseno Textil, S.A.	23.7	73.7	19.3	7.9	2.09	4.7
Kohl's Corporation	28.8	3.7	9.3	4.3	0.41	7.0
Marks and Spencer Group plc	1.3	2.5	7.9	4.7	0.47	3.9
Next plc	59.4	7.4	10.8	7.2	1.59	3.4
PVH Corp.	65.4	4.4	7.6	4.7	0.61	0.1
Stockmann Oyj Abp Class B	2.7	0.4	3.6	nm	nm	0.0
Median			**9.3**	**4.9**	**0.56**	**3.4**
Gerry Weber International AG	**15.10**	**0.02**	-4.8	**4.2**	**0.47**	**0.0**
relative			*-52%*	*86%*	*83%*	*0%*
Est. EPS / EBITDA / Sales / DPS			-3.16	36.2	330.3	0.00
Forecasts Net debt (incl. pensions)				127	127	
No. Shares at year end				1.2	1.2	
Fair value per share at peer median			-29.3	**41.0**	**46.9**	**0.0**
Fair value peers / share (equal weighting 2022 basis)			**29.3**			

Source: FactSet, Pareto Securities

DCF model points to EUR 51 target price

Applying IFRS 16, GWI2 AG recognises substantial rights-of-use assets on its balance sheet, amounting to EUR 85m at the end of last year as well as EUR 108m lease liabilities. Also, the EUR 45m depreciation charge for 2021 included EUR 34m relating to right-of-use assets, which was counterbalanced in the cash flow statement by the “repayment” of recognized lease liabilities of EUR 18m.

For valuation purposes, we 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 relatively high WACC of 11.0% by adopting a beta of 2.0 to reflect the recent background of going through insolvency and the additional uncertainty with respect to the group’s operations in Russia / the Ukraine.

Otherwise, we model the normal parameters of 3.5% risk free rate, 5.0% equity premium, apply 30% normalised tax rate and target 75% equity ratio.

Within the DCF, we apply our detailed forecasts through 2026E for phase I, apply trend analysis for phase II, and provide conservative estimates phase III and terminal value.

Our model assumes 12% p.a. CAGR in sales to 2026 reflecting a strong recovery from the coronavirus pandemic that continues to heavily influence the current year. For phase II we model 4.5% growth, which is clearly below 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 8.3% in 2026, still some 260bp below the 10.9% average margin achieved in the 2003-15 period (prior to incurring significant restructuring charges from 2016). We model with 8.5% 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).

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 near-2% investment in working capital to sales ratio for next year and the year thereafter, before easing down slightly as a ratio to sales. Mid-term, there will also be the need to spend more on capex, with 3% ratio to sales a realistic target.

Thus, based on the DCF scenario presented here derives EUR 51 as fair value.

DCF model

	Phase I					Phase II					Phase III
EUR m	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
Revenues	**330**	**380**	**430**	**477**	**517**	**558**	**594**	**625**	**648**	**663**	
growth rate		*14.9%*	*13.2%*	*10.9%*	*9.3%*	*7.9%*	*6.5%*	*5.1%*	*3.8%*	*2.4%*	
EBIT	**-3**	**11**	**25**	**36**	**43**	**46**	**50**	**53**	**55**	**56**	
EBIT margin	*n.a*	*2.8%*	*5.7%*	*7.5%*	*8.3%*	*8.3%*	*8.4%*	*8.4%*	*8.5%*	*8.5%*	
Tax	1	-3	-7	-11	-13	-14	-15	-16	-16	-17	
Tax rate	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	
Depr. & Amort.	5	5	6	6	7	12	14	16	17	19	
% of sales	*1.4%*	*1.3%*	*1.3%*	*1.3%*	*2.1%*	*2.2%*	*2.4%*	*2.5%*	*2.7%*	*2.9%*	
Capex	-11	-8	-12	-16	-18	-17	-18	-19	-20	-20	
% of sales	*3.3%*	*2.1%*	*2.8%*	*3.4%*	*3.2%*	*3.1%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	
Change in WC & P	-2	-7	-8	-8	-7	-8	-8	-7	-6	-5	
% of sales	*0.6%*	*1.9%*	*1.8%*	*1.7%*	*1.7%*	*1.5%*	*1.3%*	*1.1%*	*0.9%*	*0.7%*	
Free Cash Flow	-11	-3	3	7	12	19	23	27	30	34	341
growth rate	*nm*	*-75%*	*nm*	*nm*	*66%*	*59.7%*	*19.9%*	*16.3%*	*13.4%*	*11.1%*	*1.0%*
Present Value FCF	**-10**	**-2**	**2**	**5**	**8**	**11**	**12**	**12**	**13**	**13**	**128**

PV Phase I	-7
PV Phase II	61
PV Phase III	128
Enterprise value	**182**
- Net Financial Debt	19
- Leasing Liabilities	108
- Minorities & Peripherals	0
Equity value	**54**
Number of shares	1.2
Value per share (€)	44
Current Price (€)	15
Upside	188%

Risk free rate	3.5%	Target equity	75%
Premium Equity	5.0%	Beta	2.00
Premium Debt	1.7%	WACC	11.0%

Sensitivity		**Growth in phase III**				
		0.0%	**0.5%**	**1.0%**	**1.5%**	**2.0%**
	9.9%	65.2	71.8	79.1	87.3	96.5
	10.5%	52.2	57.9	64.1	71.1	78.8
WACC	**11.0%**	40.7	45.6	**50.9**	56.9	63.5
	11.6%	30.4	34.6	39.2	44.3	50.0
	12.1%	21.0	24.7	28.8	33.2	38.0

Source: Pareto Securities Research

Appendix: Error corrections for previous years

The 2021 audited accounts made several error adjustments for historical financial statements which had no impact on overall cash flows but made for restatements of previously published income statement and balance sheet. With respect to FY'2020, the restated EBIT loss was EUR -59.4m (a EUR 7.8m higher loss v. the originally published EUR -51.7m) implying a negative margin of -21.45 restated (from -18.6%). The net loss increased by EUR 24.5m, whilst the total balance sheet sum was lowered EUR 61.9m. There were several items affected, but the key changes include: -

Inventory adjustment: Until 2020 inventories were measured at average manufacturing cost (on the premise that GWI2 controls the manufacture) but this is no longer seen as applicable, and inventories are now accounted for at cost. As a result, the previous capitalisation of collection development costs is now recognised as an intangible asset. Thus, EUR 3.7m cash outflows were retrospectively allocated to cash flow from investing activities (as opposed to cash flow from current operating activities).

Lease adjustment: A stricter interpretation of IFRS 16 for the accounting of right-of-use assets and the associated lease liabilities results in the carrying amounts of both being reduced on the balance sheet by EUR 48.4m. Cash flow from operating activities decreased by EUR 16.1m whilst cash flow from financing activities increased by the same amount.

Impairment test for cash generating units (CGU): Since each store within the Retail segment represents a CGU, their respective right-of-use are subject to impairment test. With the enforced closure of stores during the Covid-19 pandemic (leading to deviation from budget) an impairment test resulted in EUR 7.9m higher amortisation being charged in the restated 2020 income statement and the balance sheet per 31 December 2020 reduced EUR 13.2m.

PROFIT & LOSS (fiscal year) (EURm)	2016	2017	2018	2019	2020	2021	2022e	2023e
Revenues	**901**	**881**	**795**	**331**	**278**	**263**	**330**	**380**
EBITDA	**77**	**58**	**(96)**	**177**	**(2)**	**63**	**36**	**51**
Depreciation & amortisation	(48)	(44)	(96)	(47)	(57)	(45)	(40)	(40)
EBIT	**29**	**14**	**(192)**	**130**	**(59)**	**18**	**(3)**	**11**
Net interest	(9)	(8)	(6)	(8)	(26)	6	(24)	(23)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	**20**	**6**	**(198)**	**122**	**(85)**	**24**	**(28)**	**(12)**
Taxes	(5)	(3)	26	(2)	(1)	(1)	(1)	(1)
Minority interest	-	-	-	-	-	-	-	-
Net profit	**16**	**3**	**(172)**	**119**	**(86)**	**23**	**(28)**	**(13)**
EPS reported	0.34	0.06	(3.75)	97.78	(76.33)	18.71	(22.82)	(10.41)
EPS adjusted	**0.55**	**0.34**	**(6.44)**	**119.53**	**(53.13)**	**38.39**	**(3.16)**	**9.25**
DPS	0.25	-	-	-	-	-	-	-

BALANCE SHEET (EURm)	2016	2017	2018	2019	2020	2021	2022e	2023e
Tangible non current assets	288	273	205	316	192	124	123	113
Other non-current assets	236	240	179	22	16	14	12	12
Other current assets	326	240	223	115	80	122	112	124
Cash & equivalents	51	37	35	127	85	50	58	2
Total assets	**901**	**790**	**641**	**581**	**373**	**310**	**304**	**250**
Total equity	446	413	246	121	38	62	36	28
Interest-bearing non-current debt	221	218	169	269	220	142	153	102
Interest-bearing current debt	34	11	58	117	61	35	38	38
Other Debt	199	148	169	73	53	71	77	81
Total liabilites & equity	**901**	**790**	**641**	**581**	**373**	**310**	**304**	**250**

CASH FLOW (EURm)	2016	2017	2018	2019	2020	2021	2022e	2023e
Cash earnings	60	22	(82)	(6)	(26)	24	33	28
Change in working capital	(12)	19	48	61	22	(9)	(2)	(7)
Cash flow from investments	(59)	(38)	32	(8)	(8)	15	(11)	(8)
Cash flow from financing	(14)	(42)	(2)	59	(106)	(65)	(11)	(126)
Net cash flow	(26)	(39)	(3)	106	(118)	(36)	11	(111)

VALUATION (EURm)	2016	2017	2018	2019	2020	2021	2022e	2023e
Share price (EUR end)	**11.0**	**9.5**	**2.28**	**1.70**	**19.9**	**38.8**	**15.0**	**15.0**
Number of shares end period	46	46	46	1	1	1	1	1
Net interest bearing debt	204	193	192	259	196	127	134	139
Enterprise value	**709**	**631**	**297**	**261**	**219**	**175**	**152**	**157**
EV/Sales	0.8	0.7	0.4	0.8	0.8	0.7	0.5	0.4
EV/EBITDA	**9.2**	**10.8**	**-**	**1.5**	**-**	**2.8**	**4.2**	**3.1**
EV/EBIT	24.6	46.0	-	2.0	-	9.6	-	14.8
P/E reported	32.5	-	-	0.0	-	2.1	-	-
P/E adjusted	**20.0**	**28.1**	**-**	**0.0**	**-**	**1.0**	**-**	**1.6**
P/B	1.1	1.1	0.4	0.0	0.6	0.8	0.5	0.7

FINANCIAL ANALYSIS	2016	2017	2018	2019	2020	2021	2022e	2023e
ROE adjusted (%)	5.4	3.6	-	79.5	-	94.3	-	35.9
Dividend yield (%)	2.3	-	-	-	-	-	-	-
EBITDA margin (%)	8.6	6.6	-	53.5	-	24.1	11.0	13.3
EBIT margin (%)	3.2	1.6	-	39.3	-	7.0	-	2.8
NIBD/EBITDA	2.64	3.32	(2.00)	1.46	(82.68)	2.02	3.69	2.74
EBITDA/Net interest	8.28	8.32	13.00	16.41	-	-	0.05	0.68

PROFIT & LOSS (fiscal year) (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22e	4Q'22e
Revenues	**45**	**60**	**82**	**75**	**73**	**84**	**94**	**80**
EBITDA	**5**	**3**	**15**	**41**	**10**	**9**	**9**	**8**
Depreciation & amortisation	(10)	(12)	(10)	(13)	(9)	(9)	(9)	(12)
EBIT	**(5)**	**(9)**	**5**	**28**	**1**	**(0)**	**(1)**	**(3)**
Net interest	(6)	(5)	(5)	21	(6)	(6)	(6)	(6)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	**(11)**	**(14)**	**(0)**	**49**	**(5)**	**(7)**	**(7)**	**(9)**
Taxes	(0)	(0)	(0)	(1)	(0)	(1)	2	(2)
Minority interest	-	-	-	-	-	-	-	-
Net profit	**(11)**	**(14)**	**(0)**	**48**	**(5)**	**(7)**	**(5)**	**(11)**
EPS reported	(8.89)	(11.39)	(0.34)	39.33	(4.30)	(5.84)	(3.97)	(8.88)
EPS adjusted	**(4.19)**	**(6.50)**	**4.70**	**44.45**	**0.64**	**(0.83)**	**0.86**	**(3.83)**
DPS	-	-	-	-	-	-	-	-

BALANCE SHEET (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22e	4Q'22e
Tangible non current assets	238	170	203	124	117	123	124	123
Other non-current assets	15	14	14	14	14	11	12	12
Other current assets	102	87	91	122	121	122	118	112
Cash & equivalents	79	87	90	50	64	64	57	58
Total assets	**435**	**358**	**399**	**310**	**316**	**319**	**311**	**304**
Total equity	46	14	32	62	56	52	45	36
Interest-bearing non-current debt	256	189	230	142	138	156	156	153
Interest-bearing current debt	61	79	61	35	48	38	38	38
Other Debt	72	76	76	71	73	73	71	77
Total liabilites & equity	**435**	**358**	**399**	**310**	**316**	**319**	**311**	**304**

CASH FLOW (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22e	4Q'22e
Cash earnings	9	11	7	(3)	8	20	4	0
Change in working capital	(17)	14	(3)	(3)	(24)	7	3	12
Cash flow from investments	(1)	(3)	26	(8)	(3)	(2)	(2)	(4)
Cash flow from financing	(12)	1	11	(65)	(29)	30	(4)	(7)
Net cash flow	(22)	24	41	(79)	(48)	55	2	1

VALUATION (EURm)	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22e	4Q'22e
Share price (EUR end)	**15.7**	**17.4**	**27.4**	**38.8**	**34.6**	**16.9**	**15.0**	**15.0**
Number of shares end period	1	1	1	1	1	1	1	1
Net interest bearing debt	237	182	200	127	123	131	137	134
P/E reported	-	-	-	2.1	1.5	0.6	0.6	-
P/E adjusted	**-**	**-**	**-**	**1.0**	**0.8**	**0.3**	**0.3**	**-**
P/B	0.4	1.6	1.0	0.8	0.7	0.4	0.4	0.5

FINANCIAL ANALYSIS	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22e	4Q'22e
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	10.4	4.7	18.3	54.5	14.1	11.0	9.1	10.3
EBIT margin (%)	-	-	5.8	37.2	1.2	-	-	-
NIBD/EBITDA	(43.54)	35.24	45.95	2.95	2.30	1.93	1.88	3.61
EBITDA/Net interest	-	-	-	-	-	-	-	0.05

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Appendix A

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

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

Companies	No. of shares	Holdings in %
Bonheur	241,318	0.57%
Pareto Bank	15,300,077	21.90%
Selvaag Bolig	4,311,865	4.60%
Sparebank 1 Nord-Norge	4,421,827	4.40%
Sparebank 1 SMN	2,177,355	1.68%
Sparebank 1 SR-Bank	2,071,099	0.81%
SpareBank 1 Østfold Akershus	1,232,429	9.95%
SpareBank 1 Østlandet	3,836,463	3.61%
Sparebanken Møre	566,003	1.14%
Sparebanken Sør	433,449	2.77%
Sparebanken Vest	6,862,469	6.39%
NEXT Biometrics	710,901	0.78%
SpareBank 1 Sørøst-Norge	1,986,463	3.15%

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

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

Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,675
Aker ASA	500	2,694
Aker BP	0	28,838
Aker Carbon Capture	0	4,926
Aker Horizons	0	180,838
Aprila Bank ASA	0	22,675
ArcticZymes Technologies	0	684
Austevoll Seafood	0	2,523
Avance Gas	0	4,000
Awilco LNG	0	30,000
Belships	0	4,500
Bonheur	0	32,448
Borregaard ASA	0	500
Bouvet	0	1,240
BW Energy	0	116,561
BW Offshore	0	9,650
Circa Group	0	6,550
Cloudberry Clean Energy	0	100,250
Crayon	0	1,080
Desert Control	0	32,500
DNB	0	49,534
DNO	0	70,258
Elkem	0	96,317
Elmera Group ASA	0	10,119
ELOP	0	140,000
Equinor	0	2,623
Europris	0	17,208
Flex LNG	0	717
Frontline	0	11,615
Gaming Innovation Group	0	25,912
Gjensidige Forsikring	0	7,671
Gram Car Carriers	0	3,000
Grieg Seafood	0	5,334
Hafnia Ltd.	0	149,195
Huddly	0	929,514
HydrogenPro	0	36,641
Kitron	0	18,536
Komplett Bank	0	197,800
Kongsberg Gruppen	0	281
KWS	75	75
Lea bank	0	31,499
Lerøy Seafood Group	0	35,021
Meltwater	0	24,000
Mercell	0	24,863
Mowi	0	399
MPC Container Ships	0	7,545
NEXT Biometrics	0	710,901
Nordic Semiconductor	0	10,532
Noreco	0	500
Norse Atlantic	0	40,000
Norsk Hydro	0	87,189
Norske Skog	0	74,249
Northern Drilling Ltd.	0	181,419
Norwegian Air Shuttle	0	5,402
Odfjell Drilling	0	28,581
Okeanis Eco Tankers	0	1,420
Orkla	0	24,336
Panoro Energy	0	28,373
Pareto Bank	0	1,329,731
Pexip Holding	0	335,883
Protector Forsikring	0	15,300
Pryme	0	7,401
Pyrum Innovations	0	100
Quantafuel	0	8,797
REC Silicon	0	31,391
SalMar	0	104
Sandnes Sparebank	0	3,731
Scatec	0	31,009
Seadrill Ltd	0	2,171
Sparebank 1 Nord-Norge	0	4,350
Sparebank 1 SMN	0	18,584
Sparebank 1 SR-Bank	0	17,509
SpareBank 1 Østfold Akershus	0	1,252
SpareBank 1 Østlandet	0	12,921
Sparebanken Sør	0	16,140
Sparebanken Vest	0	17,588
Stolt-Nielsen	0	2,000
Storebrand	0	7,277
Subsea 7	0	35,132
Telenor	0	10,284
TGS	0	600
Vow	0	10,931
Vow Green Metals	0	19,681
Vår Energi	0	60,415
Wallenius Wilhemsen	0	2,000
Yara	0	18,708
Zaptec	0	11,610

This overview is updated monthly (last updated 15.08.2022).

*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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Aker ASA
Aker Clean Hydrogen
Aker Offshore Wind
Akershus Energi Varme AS
Alva Industries AS
Aprila Bank ASA
Barramundi Group Pte. Ltd.
Bekk og Strøm AS, SV Vattenkraft AB
BioInvent
Biomega Group AS
Boreal Holding AS
Borr Drilling
Brooge Petroleum and Gas
BW LPG
BW Offshore
Cabonline Group Holding AB
Cavai AS
Cloudberry Clean Energy
DNO
ELOP
Enapter AG
Ensurge Micropower
Esmaeilzadeh Holding
First Camp Group AB
Flex LNG
Global Agrajes (Fertiberia group)
Golar LNG
Gram Car Carriers
Green Transition Holding
Greenfood
Grøntvedt AS
Hafslund Eco
Hagal AS
HMH Holding
Ice Group
Immunopharma
InoBat Auto
International Petroleum Corporation
Island Green Power Ltd
JP/Politiken's Forlag
Kalera
Kebony
Keppel FELS Limited
KMC Properties
Kruse Smith
Kvitebjørn Varme
Lerøy Seafood Group
Memmo Family
Mime Petroleum
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Okea AS
Otello Corporation
Pandion Energy
Pareto Bank
PetroNor E&P
PHM Group
poLight
Polight ASA
Pronofa AS
Protector Forsikring
Pryme
Pyrum Innovations
Qred Holding
Quantafuel
Saga Robotics
Salmon Evolution
Sartorius-Herbst
Seagems Norway
Seajacks
Shamaran Petroleum
Slate European Holdings
Swedencare
TEMPTON GmbH
Tierklinik Hofheim GbR
Tise AS
Trønderenergi AS
Vestby Logistikk Holding
Vår Energi
Waldorf Production UK Ltd
Waste Plastic Upcycling
Wattif EV
wheel.me
Ymber AS
Ørn Software

This overview is updated monthly (this overview is for the period 31.07.2021 – 31.07.2022).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buy	80%
Hold	19%
Sell	1%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	96%
Hold	4%
Sell	0%

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BioInvent	Media & Games Invest plc.	Swedencare
Cibus Nordic Real Estate AB	Oscar Properties	VEF
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Borglanda Fastighets AB	Krona Public Real Estate AB	Preservium Property AB
Bosjö Fastigheter AB	Logistri Fastighets AB	

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Appendix E

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Demire	Manz AG *	PWO *
Epigenomics AG*	MAX Automation SE	S&T AG *
Gesco *	Merkur Bank	SMT Scharf AG *
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GFT Technologies *	Mühl Produkt & Service AG	Syzygy AG *
Gigaset *	mutares	Viscom *

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

Appendix F

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

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

Baywa	Gerry Weber	Mynaric
BB Biotech	Hypoport AG	mutares
CLIQ Digital	Intershop Communications AG	Northern Data AG
Daldrup & Söhne	Leifheit	OHB SE
Dermapharm Holding SE	MAX Automation SE	OVB Holding AG
Enapter	Merkur Bank	Siegfried Holding AG
Expres2ion Biotechnologies		

This overview is updated monthly (last updated 15.08.2022).