Gerry Weber International

Sponsored Research Initiating Coverage

29 June 2021

Aiming to secure investor confidence

Returning from insolvency, new management is implementing a 2023 Strategic Roadmap with milestones set for investors to monitor progress and Q1'21 provides visible signs that these are already being met. At the current share price, the market is pricing-in an overly pessimistic view on management's prospects of returning the group to profitability and meeting the debt refinancing commitments. We re-initiate our coverage on Gerry Weber International with a Buy rating and a TP of EUR 25.

Well established fashion brands operating in Germany and Europe

GWI2 is a manufacturer and distributor of womenswear with its three core brands of GERRY WEBER, TAIFUN and SAMOON. It runs a vertical business model encompassing the entire value chain. The fashion brands are well established in Germany and other European markets.

Targeting >20% online sales growth in the coming years

A highly fragmented but only modestly growing fashion market with a clear trend to online has proven to be an obstacle for the group. With a tight focus on improving its digital presence (expanding the online offering, better presentation, utilising CRM data to target its customer base) GWI2 targets >20% growth in online sales each year.

On schedule for meeting 2023 Strategic Roadmap

A 2023 Strategic Roadmap highlights milestones to monitor progress and Q1'21 provides visible signs that these are already being met. Online sales growth of 54% reflects a positive response to strategic focus; the pre-contract for the disposal of the Ravenna Park facility has been signed meeting insolvency obligations; whilst the early response from the trade to new collections is also encouraging.

EURm	2019	2020	2021e	2022e	2023e
Revenues	331	278	270	349	410
EBITDA	177	(3)	17	40	66
EBIT	130	(52)	(30)	(5)	21
EPS	97.78	(58.12)	(34.88)	(12.52)	7.62
EPS adj	119.53	(34.32)	(16.81)	5.26	24.83
DPS	-	-	-	-	-
EV/EBITDA	1.5	-	15.0	6.1	3.4
EV/EBIT	2.0	-	-	-	10.8
P/E adj	0.0	-	-	3.4	0.7
P/B	0.02	0.40	0.96	1.26	0.61
ROE (%)	65.0	-	-	-	35.2
Div yield (%)	-	-	-	-	-
Net debt	259	237	226	226	205

Source: Pareto

Buy
Hold
Sell

Target price (EUR)	**25**
Share price (EUR)	18

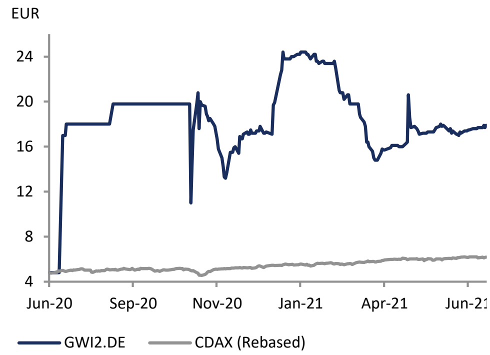
Forecast changes

%	2021e	2022e	2023e
Revenues	NM	NM	NM
EBITDA	NM	NM	NM
EBIT adj	NM	NM	NM
EPS reported	NM	NM	NM
EPS adj	NM	NM	NM

Source: Pareto

Ticker	GWI2G.DE, GWI1 GY
Sector	Personal Goods
Shares fully diluted (m)	1.1
Market cap (EURm)	20
Net debt (EURm)	226
Minority interests (EURm)	0
Enterprise value 21e (EURm)	248
Free float (%)	0

Performance



Source: Factset

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Investment Case

Gerry Weber International AG (GWI2) is a German manufacturer and distributor of womenswear with its three core brands of GERRY WEBER, TAIFUN and SAMOON. It runs a vertical business model encompassing the entire value chain from collection design, product development & management, production & procurement, to logistics and distribution. The brands are well established in the German and other European women's fashion markets.

Recent years have witnessed many changes with several rounds of restructuring. Now under new management, the group is sharpening the differentiation between the positioning of its three core brands. There is a very clear signature with each, but the common attributes are high quality, good fitting clothing, with an increasing important focus on adopting sustainable materials and ethical production methods. Targeting the “Best Ager” category, it operates in in a market that is both highly fragmented and has a low degree of price sensitivity.

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.

The industry background suggests a highly fragmented market with modest growth, although the mega trend from offline to online is very clear within global fashion markets. To begin with, this has proven to be an obstacle for the group, given that its target customer base is less internet savvy than younger age groups. Now with a stronger focus on improving its digital capabilities, including expanding the online offering, improving the presentation, and utilising CRM data tools and social media to target its customer base, the group targets consistent 20%-plus growth with online sales each year.

Following years of (far too) optimistic store expansion, the group has been heavily ridding its store base of unprofitable units (to 569 from a peak of close to 1,000). The insolvency Plan has got new management to prioritise store productivity and target a significant improvement in Retail profitability with a renewed focus on KPIs such as sales per square meter and customer conversion rates. The upside potential is huge, we estimate a peak above EUR 3,700 sales per square meter compared to just EUR 2,237 prior to the pandemic (LTM 2019).

Sales and profit guidance for 2020 was fully met, despite additional store lockdowns in the final quarter. There is a timeline of milestones to monitor progress and with the Q1’21 results there were again visible signs that these are being met. Online sales growth of 54% reflects a positive response to strategic focus on digital operations. The pre-contract for the disposal of the Ravenna Park facility has been signed meeting insolvency obligations. Meanwhile, the early response from the trade to new collections is also encouraging with 84% of targeted 2021 Wholesale revenues already in the order book.

We believe that GWI2 management is doing a good job at adapting to the new norm, but even this group is having to constantly review and realign operations, not always with the success first targeted. Nonetheless based on the DCF scenario presented in this update, we view EUR 25 as fair value, some 40% above last night’s closing price. At the current share price, the market is pricing-in an overly pessimistic view on management’s prospects of returning the group to profitability and meeting the debt refinancing commitments. We thus initiate coverage of Gerry Weber International with a “Buy” rating, TP EUR 25.

Gerry Weber 2023 Strategic Roadmap

Coming out of insolvency in self-administration, Gerry Weber International AG (GWI2) is not the same group that once was. Yes, the business structures are similar and there are two main segments, Wholesale and Retail, but it operates on a much-reduced scale. In addition, the Hallhuber vertical fashion retailer has been sold, as have some distribution and logistics assets.

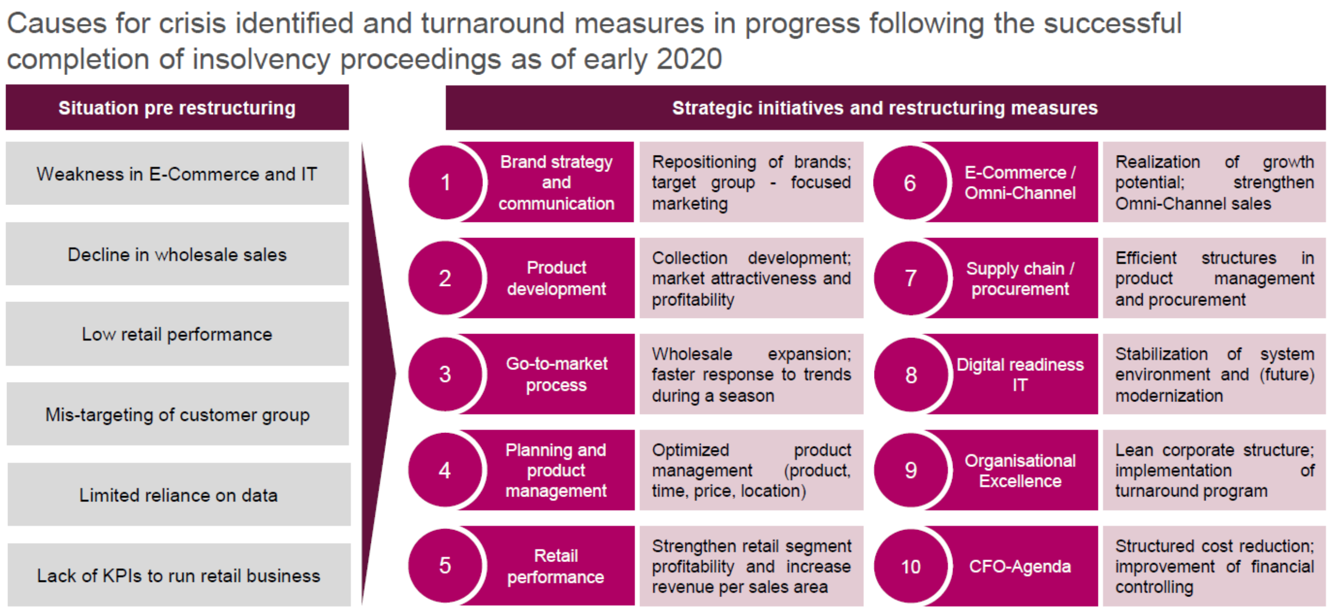
The insolvency proceedings with debtor-in-possession had been concluded by the court at the end of 2019 and the new GWI2 started 2020 implementing the strategic initiatives agreed with new investors. From March 2020 however, group operations were heavily influenced by restrictions around Europe imposed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

The overall framework envisages Gerry Weber International as a fashion group being clearly focussed on serving the needs of women over 40 but especially in the growing over 50-years age segment. It plans to have clearly positioned brands, each targeting the specific requirements of their customers’ interests. There will be more cohesive marketing with greater use of CRM and digital tools with stronger presentation the of the individual brands to the target customer.

The key elements of the strategy are discussed later in this review, but it is useful to highlight here the findings as to the causes behind the woes of GWI AG before insolvency along with the measures outlined as being required to return to a viable position. Together with new investors and creditors, management have presented a strategic roadmap that includes ten objectives that will allow GWI2 to refinance by the end of 2023 and emerge as a stronger group thereafter.

Exhibit 1: Need for restructuring and the presentation of a Gerry Weber 2023 Strategic Roadmap



Source: Company investor presentation, October 2020

Management

CEO of the Managing Board: Angelika Schindler-Obenhaus (58)

It is proposed that Angelika Schindler-Obenhaus shall became the new CEO at Gerry Weber International AG post the 2021 AGM (August), appointed for a three-year term. She was promoted to the role from her former position of Chief Operating Officer which she has held since August 2020. In her role as the COO, she has been responsible for the design, production, procurement, and marketing/communication and now as CEO also takes on responsibility for sales from Alexander Gedat.

Ms Schindler-Obenhaus has been working in the fashion industry for almost 40 years. Prior to GWI AG she oversaw purchasing, marketing and IT as Member of the Managing Board of Katag AG in Bielefeld. She was appointed a member of the Katag AG Management Board in 2010 and previously headed, among other things, the strategic coordination of purchasing and sales as well as the company's expansion management. She started her career at the German department store group Horten AG.

CFO and Management Board Member: Florian Frank (48)

Florian Frank became the new CFO at Gerry Weber International AG effective January 2021, appointed for a three-year term (to March 2024). He had previously been Chief Restructuring Officer, first appointed to the GWI AG Board at the end of 2018. As CFO he is responsible for finance & controlling, human resources, outbound logistics, corporate sourcing, capital markets and IR.

Together with Alexander Gedat, not only did Frank oversee the group through insolvency in self-administration but has subsequently initiated all the necessary measures to secure GWI AG's future when the coronavirus pandemic started. The latter included a new secured credit facility with bondholders that provided an additional EUR 5m in February 2021.

Exhibit 2: Angelika Schindler-Obenhaus, CEO

Source: Company website

Exhibit 3: Florian Frank, CFO

Source: Company website

Chairman-elect of the Supervisory Board: Alexander Gedat (56)

With the conclusion of the self-administration proceedings of GWI AG at the end of 2019, the then Spokesman of the Managing Board Johannes Ehling, and the Chief Product Officer Urun Gursu, both resigned. Effectively it was mutually agreed that the New Gerry Weber should be led by fresh management.

The Head of the Supervisory Board Alexander Gedat became the Interim CEO and Chairman of the Managing Board on 21 February 2020. It was a role to which he was accustomed: from 1995 to 2017 he was a Director of the Board of Management at Marc O'Polo, employed in various functions, including CEO from 2012. His role on the Supervisory Board was assumed by Dr Tobias Moser.

Gedat will remain CEO until the end of the group's Annual General Meeting, set for 19 August 2021, at which stage the designated new CEO (Ms Schindler-Obenhaus) is officially elected. Gedat will return to the Supervisory Board and he targets to re-assume the role of Chairman.

Exhibit 4: Alexander Gedat, Chairman-elect of the SB

Source: Company website

Exhibit 5: Business repositioning strategy milestones

Source: Q1'21 investor presentation, May 2021

More settled, but also experienced management hierarchy

Recent years have witnessed many changes at senior levels of management within Gerry Weber International, as well as on the Supervisory Board. There have been several rounds of restructuring and different plans on how to reduce the costs base and take the group forward on a more profitable basis. With hindsight some of these changes proved more a distraction.

In our view, the new structure and composition of management, with its profound professional experience within the fashion industry, is well positioned to return the group to a viable future that will allow it to profitably grow again.

Within the 2023 Strategic Roadmap there is a timeline of milestones to monitor progress (Exhibit 5) and with the Q1'21 results there are visible signs that these are already being met. Online sales growth of 54% reflects a positive response to strategic focus on digital operations; the pre-contract for the disposal of the Ravenna Park facility has been signed meeting insolvency obligations; whilst the early response from the trade to new collections is also encouraging.

(New) company profile

The new Gerry Weber International AG (GWI2)

On 31 December 2019, the insolvency proceedings over GWI AG were terminated based on the insolvency plan that was approved on 25 October 2019. Thus, FY 2020 represents a 12-months calendar year, whereas FY 2019 was a stub-year of nine months (March – Dec. 2019). Our following comments refer to the scaled-back business operations of the new Gerry Weber International AG (GWI2).

Established in 1973, Gerry Weber is a German manufacturer and distributor of womenswear with its three core brands of GERRY WEBER, TAIFUN and SAMOON (see pages 8-10 for more details). According to Media-Plus Insights, GERRY WEBER is one of the best-known fashion names with 91% brand awareness.

It runs a vertical business model encompassing the entire value chain from collection design, product development & management, production & procurement, to logistics and distribution. The brands are well established in the German and other European women's fashion markets as well as having a growing presence in Russia and the Middle East.

It reports on two segments, namely Gerry Weber Retail (GWR) and Gerry Weber Wholesale (GWW). Consolidated revenue in 2020 amounted EUR 278m, with an EBITDA loss of EUR 2.5m. Reference is made to "normalised EBITDA", being EBITDA prior to IFRS 16 lease adjustments and amounted to EUR-40.8m last year. In the context of the restructuring program, which is to be implemented by 2023, leverage (net financial debt / normalised EBITDA) is also monitored by creditors.

Collection development and its positioning in fashion markets

With its three main brands, GWI2 strives to serve a broad target group of women in the "Best Ager" (or over 50 years old) segment. The strategical focal points remain a clear defining and differentiation of the individual brands GERRY WEBER, TAIFUN and SAMOON with ongoing development and extension of the respective fashion collections.

It predominantly targets the ladieswear apparel segment, including trousers, skirts, jackets, coats, t-shirts, blouses, and blazers as the core range. It also offers complimentary accessories like scarves, hats, & gloves, and leatherwear (shoes and bags). It has further developed a sub-brand targeting a more focused collection of knitwear, pants, and outerwear with Gerry Weber EDITION capsules.

Exhibit 6: Focussed product strategy in women's fashion driven by KPIs

Source: Company investor presentation, Oct. 2020

Under the direction of Angelika Schindler-Obenhaus within her role as the COO responsible for the design, procurement and brand communication, the group has been attempting to further sharpen the differentiation between the positioning of the group's three core brands. There is now a very clear signature with each, but the common attributes are high quality, good fitting clothing, with an increasing important focus on adopting sustainable materials and ethical production methods:

- GERRY WEBER strives to be leading womenswear lifestyle brand in the **modern classic** mainstream market. In the past, it could authentically claim such a position, so it is sitting in a good position as it attempts to win back the confidence from its over 50-year target customer.
- TAIFUN is being relaunched and targets to become the relevant brand in the **modern casual** mainstream market. Going forward, it will be bolder in attributes in offering the relevant collection for every moment of the day for the active woman from age 45 onwards.
- SAMOON is set to become the leading **curvy womenswear** brand in the modern mainstream segment for plus-size woman regardless of age. 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.

Exhibit 7: Targeting the modern mainstream with brand differentiation

Strong brand name with 3 diversified brands

	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

GERRY WEBER is the core brand, accounting for 71% of 2020 sales revenues. The high-quality fashion products target women in their fifties and older, who prefer modern classic but still feminine mainstream fashion, which is designed and manufactured to high standards. Using the ***"We are Gerry"*** slogan in future communications to attract new customers from the baby boomer generation, this is a target group that is expected to increase by 4 million by 2025 and the customer has more income to spend today than her predecessors.

The current intention is to re-invent the sub-brand Gerry Weber **EDITION** increasing the differentiation from GERRY WEBER Collection (with its total look offering) and GERRY WEBER Edition will aim to provide more competence in knitwear, pants, and outerwear categories. The group targets to be a top-5 European brand in these categories, which we view as challenging but a realistic goal with the correct management.

Exhibit 8: Evolution of the collections over time: GERRY WEBER

Source: Q1'21 investor presentation, May 2021

Representing 22% of group sales, **TAIFUN** has become the second important brand within the group, but the intention is to reposition it still further to become the relevant brand in the modern casual mainstream market. The typical customer is a confident dresser and knows what she wants and will combine pieces to create her own styles for daily pleasure or any special occasion. At 65% the TAIFUN brand awareness lacks that of GERRY WEBER (91%) and other international fashion names command and is likely to require a step-up in marketing spend which lies behind the ***"We love to move"*** slogan.

Exhibit 9: Evolution of the collections over time: TAIFUN

Source: Q1'21 investor presentation, May 2021

Accounting for just over 7% of group sales last year, **SAMOON** provides fashionable styles in large sizes, so 42 to 54 / 14 to 24, a category that is often poorly provided-for by many women's fashion lines. Using the **"*Because I'm happy*"** slogan in communication with customers, the strategic goal is to develop SAMOON to become the leading European curvy brand by 2025 by focusing on their specific requirements regarding materials, fit and quality.

E-commerce is now seen as a strategically important growth area (+20% per annum is targeted at a group level). However, online communication is more relevant for plus sizes than is the case with standard fit and e-commerce has thus a more important role for the SAMOON brand than with the group's other labels.

Exhibit 10: Evolution of the collections over time: SAMOON

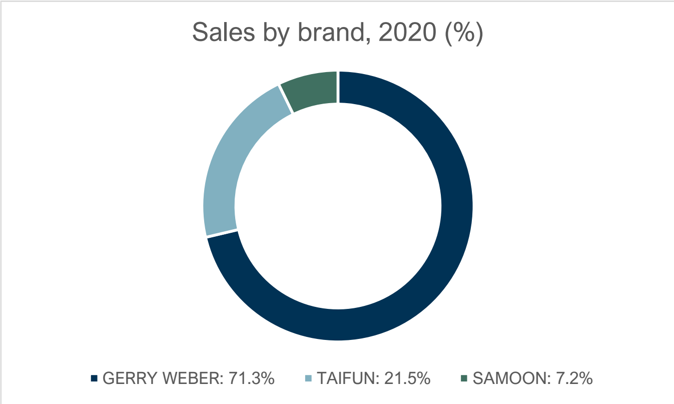
Source: Q1'21 investor presentation, May 2021

The group has identified sustainable action along the value chain as a central part of its new identity. An even greater focus with the development of all three brands is the expansion in the adoption of sustainably used articles within the collections.

Raw materials such as certified organic cotton (GOTS), as well as products that are manufactured with high resource efficiency (e.g. Dry Indigo jeans, manufactured using reduced water and chemical in their production) are being increasingly sort-after by customers. Similarly, there is greater demand for recycled materials like polyester. In 2020 the group launched its first completely sustainable collection under the "I wear I care" label introducing articles with fabrics made from linen and cellulose-based lyocell.

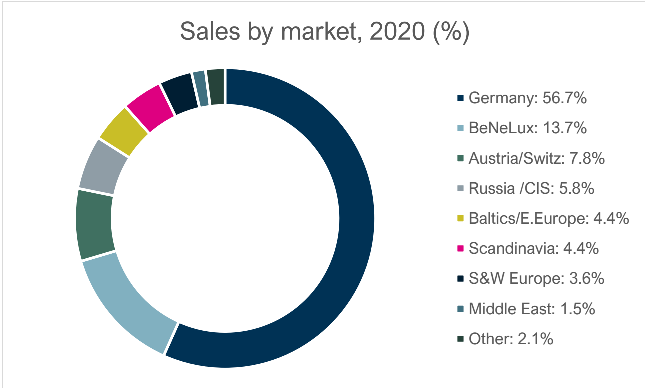
Gerry Weber is rightly seen as a preferred partner for many multi-label stores in Germany (where 57% of revenues are generated) and increasingly abroad (43%). Relevant international markets for GWI2 are the Benelux countries, which accounted for 14% of the group total last year with Austria / Switzerland at 7.8% and Russia / CIS at 5.8%. The remaining 16% was broadly generated across the Baltic States, Scandinavia, Southern / Western Europe, and rest of the world.

Exhibit 11: Gerry Weber's sales importance by brand (2020)



Source: Pareto Securities Research

Exhibit 12: Gerry Weber's sales by market (2020)



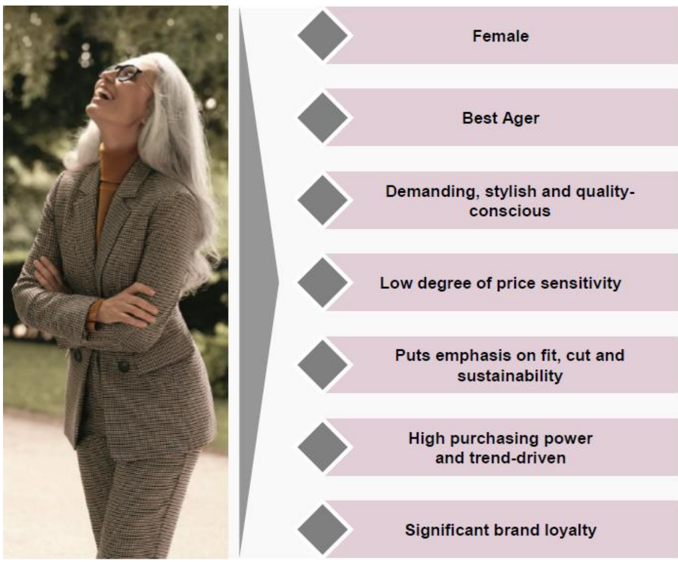
Source: Pareto Securities Research

The BTE (Bundesverband des Deutsche Textileinzelhandels) estimated the VAT-inclusive volume of the German textile and clothing retail trade at EUR 65.5bn in 2018. This volume was some EUR 10bn higher than ten years earlier, representing CAGR of 1.7% growth p.a. Clothing specialist accounted for EUR 31.35bn gross sales, or 48% of the sector's trade. Just over half of the German fashion market is accounted for by womenswear, implying a current market around EUR 30bn (VAT-exclusive). This is the market volume that GWI2 targets, plus shoes and accessories.

Targeting the "Best Ager" we view Gerry Weber as being in a relative strong segment. In terms of customer demographics, the monthly expenditure on fashion per households with customers in the 55-70 age group (GWI2 target customer) amounts to EUR 115. Not only is this amount rising, as the Baby-boomer generation increasingly look to spend more on clothing, but it is an age segment that is set to rise by 4m consumers by 2025.

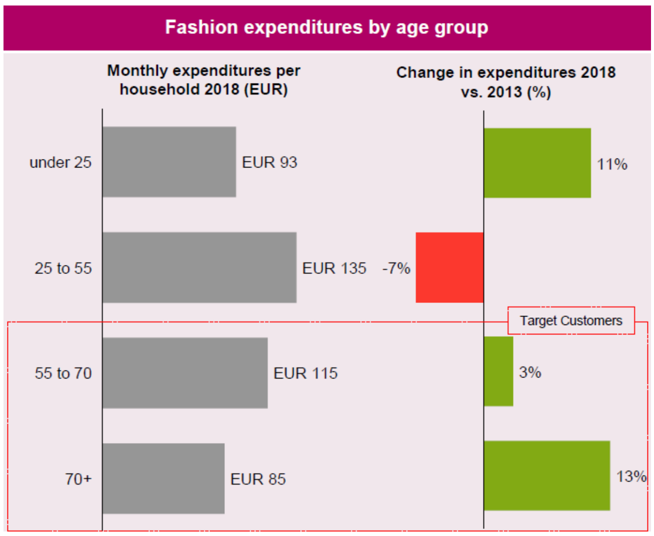
By contrast the 25-50 age group currently spends more at EUR 135 per household although the average is declining, and this age category will decrease slightly.

Exhibit 13: Key pointers regarding the target customer



Source: Company investor presentation, Oct. 2020

Exhibit 14: Overview of age demographics in fashion



Source: Company investor presentation, Oct. 2020

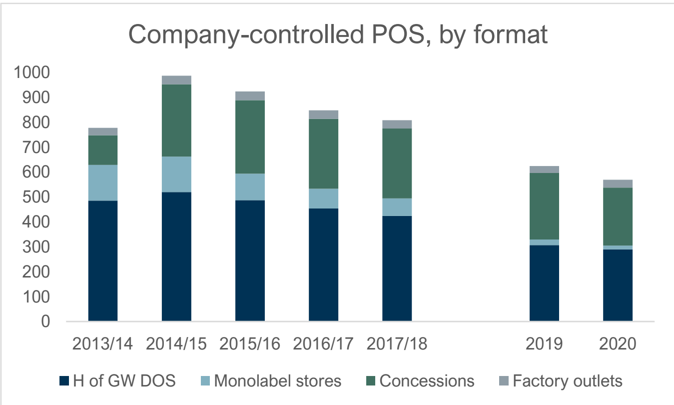
Company-managed stores and Gerry Weber Retail (GWR)

Within the GWR segment, the group manages 569 stores (per December 2020) comprising the company-managed and concession stores of the GWI2 brands (GERRY WEBER, TAIFUN and SAMOON), including 290 House of GERRY WEBER (HoGW), 15 mono-label shops and 31 factory outlets, plus 233 concession spaces.

Following years of (far too) optimistic store expansion, GWI AG had been heavily ridding its store base of unprofitable units, even before entering insolvency in self-administration which encouraged the group to scale-back much more significantly. In FY 2019 the group relinquished 174 non-economic units, followed by a net 55 units in 2020. Putting it into perspective, the current 569 store base compares with close to 1,000 company-managed POS at the peak.

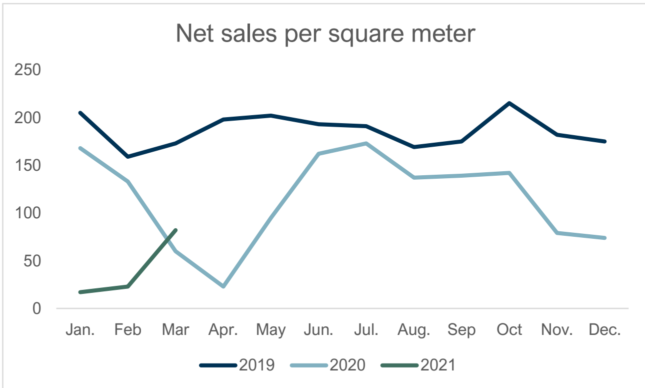
In 2020 the Retail segment recorded EUR 159m sales, a substantial drop from the EUR 210m recorded in the 9-months 2019 stub year, with the enforced closure of stores due to coronavirus health restrictions the key negative factor, although the store closure program obviously had a negative influence too. Like-for-like sales dropped 33% in the pandemic year. On the figures presented for the two years, GWR accounted for 57% of group revenues, down from 64% in 2019.

Exhibit 15: Development of GWR store base (FY 2014-2020)



Source: Pareto Securities Research

Exhibit 16: GWR monthly sales development in 2019-20



Source: Company investor presentation, May 2021

Our model assumes the following controlled space by format with estimated selling at each: -

- 290 HoGW units with average selling area of 220m²
- 15 mono-label stores (typically 115m²)
- 31 factory shops (averaging 175m²)
- 233 concession units (around 85m²)

The insolvency Plan has got new management to prioritise store productivity and thus significantly improve GWR profitability. There is renewed focus on KPIs such as sales per square meter and customer conversion rates. Looking back at old files, we estimate a peak above EUR 3,700 sales per square meter (psm) in FY 2009/10, albeit from just 225 company-managed POS with selling space of just 49,350m² per October of that year.

The 569 stores in the portfolio at the end of 2020 covered 90,690m² (from 96,664m² per Dec. 2019) and (in obviously a heavily depressed pandemic year) according to management calculations generated only EUR 1,385 sales psm. This was a massive 38% drop compared to EUR 2,237 sales psm in 2019 (LTM basis), but even the latter was (Pareto estimates) close to 40% below peak trading densities seen in 2009/10, highlighting the decline in store productivity over the previous ten years.

In the short-term, we understand that management target a return to the 2019 level of productivity level by the end of 2023. Given the further 44% drop in Q1’21, that implies a very rapid bounce back planned for GWR although we view it as being achievable across that time horizon. Going forward, higher investment at store level could see the group get back to historical sales per square meter clearly above EUR 3,000.

Growing importance of being digital and E-commerce

A key objective of the new GWI2 is to improve the brands’ digital exposure and significantly increase revenues generated online. The coronavirus pandemic (and the forced closure of non-essential shops around Europe) was a wake-up call for many traditional “bricks and mortar” retailers that had previously neglected the digital opportunities provided. This was particularly so for fashion retailers.

During the numerous lockdowns of “non-essential” shops, those business models that are predominantly focused with the online channel were not only allowed to continue trading as before, but were inundated by a flow of new customers that may not have even previously considered e-commerce as a main provider for goods and services. Consequently, several of these groups have indicated record business in 2020, in Germany and elsewhere.

This was also the case with numerous food retailers, particularly large space operators that could continue to provide non-food items. Stationary retailers of most other forms of consumer goods typically fell into the “non-essential” category. Without doubt fashion retailers have been one of the worse affected categories in Germany, not only impacted with two periods of complete store closures, but typically financially burdened with surplus supplies of both summer and then winter merchandise.

In the case of GWI2, the group is represented by its own online shops as well as external platforms like Amazon, Zalando, Boozt, About You and Otto. Going forward, an accelerated expansion of the group’s brands across these platforms is planned with greater attention to collections offered thereon.

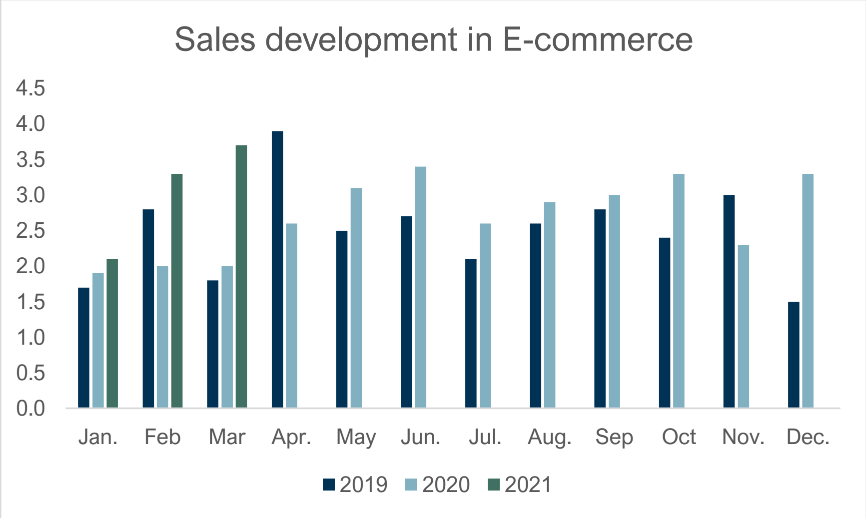
During the lockdowns, GWI2 began developing a stronger integration between its own store base and various digital points of sale. Both *“Click and Collect”* and *“Click and Reserve”* systems were implemented, whereby goods ordered online could be picked by customers at a point close to a designated store.

Nonetheless only EUR 23m of own online business was generated in 2020, equivalent to 14.4% of GWR segment sales, whilst total e-commerce (EUR 27m) represented 8.3% of the group’s sales base, which compares to 11.5% at Hugo Boss, or >15% at other fashion brands. Of course, we need to mention here that many in Gerry Weber’s 50-plus target group had never ordered online before.

Although these amounts are rather modest, their positive development is seen as an encouraging step, particularly in the context of a customer base just learning to order online. Exhibit 17 highlights the monthly development of e-commerce through 2019 and 2022, with all months in 2020 (bar February and April) recording higher online sales than the comparative month in 2019.

Especially during the enforced store lockdown at the end of 2020, GWI2 was able to convert clients to order online for the very first time. Moreover, recently released figures for Q1 2021 (EUR 9.1m online) shows a 54% jump over the Q1’20 level (EUR 5.9m).

Exhibit 17: Monthly development of GWR online sales (2019-21)



Source: Company investor presentation, May 2021

For the future, GWI2 plans to develop e-commerce more aggressively and has set a minimum target of 20% growth per year. It is planned to introduce instore return options (for goods purchased online, but not required) as well as order instore, but sent to home (e.g. for goods out of stock) to promote its omni-channel business. Management will further increase its marketing budget and staff capacity as well as extend the stock of merchandise available online.

There are also plans to use predictive technology (CRM database) to increase the conversion rate. Likewise, by utilising CRM it will offer more personalized content for account holders with a higher conversion probability, particularly for the TAIFUN and SAMOON labels. There will be special online promotions and targeted discounts across all three brands.

Gerry Weber Wholesale (GWW)

In the GWW segment, the group accounts for all revenues generated by the Gerry Weber brands sold via the group's fashion retail partners. It has distribution structures in 59 countries including 241 franchise-run GERRY WEBER stores and 1,754 shop-in-shop spaces in stores of retail partners (data per December 2020).

The 241 House of GERRY WEBER stores managed by franchisees are slightly smaller (below 200m²) than company-run HoGW units (c.220m²) but feature identical branding and shop fittings, so there is little for customers to know whether they are in a company-managed shop or not. The group is now actively seeking to win-back "lighthouse partners" which might serve as role models for other wholesale partners and whose retail presentation may be adopted by other GWW accounts.

Some 40 of the franchised stores are in Germany, although this is actually the preferred way in establishing a Gerry Weber brand presence in international markets. Some 69 HoGW are located across Russia (but mainly Moscow and St Petersburg), with 34 in Southern and Eastern Europe, 30 in the Middle East, 15 in Switzerland, 15 the Baltics and 38 stores are located elsewhere.

Shop-in-shops (SIS) are sales spaces at retail partners whereby the immediate fixtures/fittings and design logos clearly identify merchandise sold as GERRY WEBER, TAIFUN or SAMOON, albeit that the units are operated by the third-party retailers. This means that the retail partners employ the personnel and bear the risk of unsold merchandise. Of the 1,754 SIS spaces, 511 were located outside Germany.

The high extent of the confidence placed in Gerry Weber is reflected in the “maximum order limit” arrangements whereby third-party retailers only specify an absolute order limit but leave the precise breakdown of the orders to GWI2 itself, which compiles the collection items depending on the retailer’s specific customer structure and retail space.

We see this as a very important control over the distribution of the group’s collections in different markets, made easier by the daily retrieval of sales data from point of sales EDI interfaces. Moreover, it provides a solid basis as a starting point for the next season’s collections. The new ranges are developed, taking account of historical sell-through data and regarding global fashion trends. Individual lines are designed within the framework of each the brand’s product range and the intended pricing hierarchy.

At an early stage, it is decided just how many of each SKU will be produced and in what sizes and for which points of sale. A stronger connection with fashion partners should help existing and new wholesale customers understand the direction that GWI2 collections are developing.

In 2019 product development underwent a major overhaul in terms of concept of design, with a much-streamlined collection framework allowing the introduction of a more-timely “go to market” concept. It planned that the collection development processes become much closer to the customers’ needs. By utilising analytical tools that monitor consumer preferences, a shorter response time during the season allows more timely adjustment of order volumes.

During the Q1’21 conference call it was flagged that the pre-order system had already at that stage (late May 2021) identified 84% of sales planned for 2021 delivery. This includes collections from early summer 2021 (delivered in Jan.’21) through to spring 2022 merchandise (delivered to the trade in late Dec.’21), see Exhibit 18 for additional background on this year’s order process.

Exhibit 18: Pre-order system in Wholesale leads to good visibility (2021)

84% of total wholesale sales for FY 2021 are already secured in May 2021

Order	Deadline for Preorder	Delivered and invoiced to our wholesale customers	In % of total wholesale 2021 (cum)
Spring Summer O2	Aug 18, 2020	Jan 2021	27%
Summer O3	Oct 29, 2020	Apr - May 2021	42%
Autumn Winter O4	Feb 23, 2021	Jul - Sep 2021	71%
Winter O5	May 11, 2021	Oct - Nov 2021	84%
Spring O1	Aug 17, 2021	Dec 2021	86%e

Comments

Preorder leads to high visibility in our wholesale business:

- 27% of wholesale sales for FY 2021 secured in Aug 2020
- 42% of wholesale sales for FY 2021 secured in Oct 2020
- 71% of wholesale sales for FY 2021 secured in Feb 2021
- 84% of wholesale sales for FY 2021 secured in May 2021

Reorders of in store collections and depot business lead to additional sales

Source: Q1’21 investor presentation, May 2021

Recent plans communicated for GWW include the separation of the sales organisations with bespoke teams established for the individual collections of GERRY WEBER, TAIFUN and SAMOON sold by third-party retail partners. It is hoped that moving away from “one team does all” will allow more effective brand management and allow better penetration of GWI2 products with these accounts.

Industry background

2020: a bad year for GDP development in Germany and elsewhere

For a retailer, a key economic determinant is the general level of consumer demand in the country of operation. With 57% of 2020 sales generated within Germany, domestic consumer behaviour is therefore a key influence on GWI2 business operations. A further 29% was recorded in the EU countries, with Russia also an important market accounting for 5% of 2020 sales.

According to data released by the Federal Statistical Office (Destatis) German domestic product amounted to EUR 3,332 billion in 2020, a decline of 3.4% compared to 2019 in terms of current prices. On a seasonally and price-adjusted basis, the drop was 4.9% decline in real terms. According to the IMF, the GDP drop across the EU was 6.6%, whilst the data for Russia was down 3.1% in 2020.

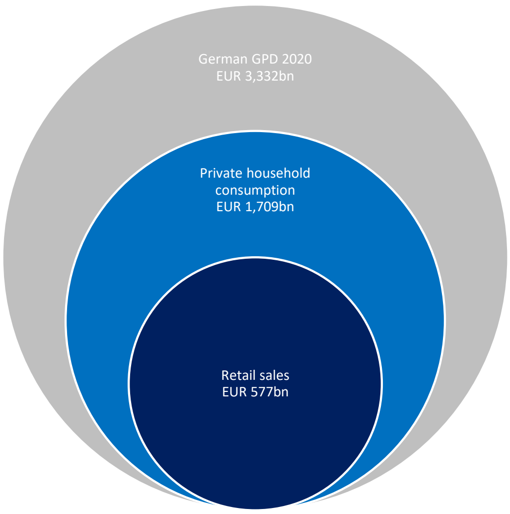
Clearly the fallout from measures taken to stem the spread of Covid-19 was the key determinant in this development, which was the second most severe decline in domestic GDP since the reunification of the former East and West Germany. Whilst a nationwide lockdown in Germany was limited, the promotion of short-term working ("Kurzarbeit") had 0.5m companies sending employees home in spring 2020, before working from home took off more generally in the summer. Within Germany, the restrictions on non-essential retail amounted to seven weeks including eight Saturdays.

By contrast, several large economies had been more severely affected by the coronavirus outbreak and consequently faced much longer shutdowns. For example, France, Italy, Spain, and the UK each imposed retail lockdown varying between 9 and 13 weeks (March – July) before easing restrictions, only to impose additional closure periods of 4-7 weeks towards the year end. Each of these countries suffered declines in GDP between 8% and 11%.

The retail trade in the context of German domestic product

In total, German GDP in 2020 represented a reduction of EUR 120 billion of which "final consumption" accounted for EUR 2,460bn (private household was EUR 1,709bn and government consumption EUR 751bn). The decline in private consumption was 5.4% from the 2019 level (EUR 1,807bn). Thus, private consumption was 51.3% of German GDP in 2020, (2019: 52.8%).

Exhibit 19: Retailers accounts for just 34% of spending, or 17% of GDP (2020)



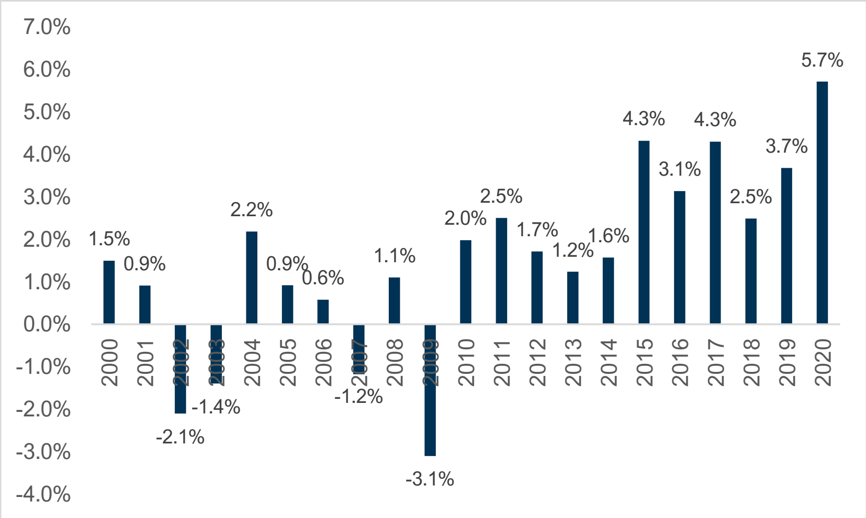
Source: HDE; Pareto Securities Research

In addition to traditional retail sales, private consumption data includes purchases of cars, eating out in restaurants and spending on travel and holidays, all of which were heavily impacted by measures imposed to encourage social distancing. More significant for Gerry Weber International, there was a big reduction in the importance of clothing and footwear within household consumption in 2020, accounting for just 4.0% (2019: 4.4%).

Data provided by the German Retail Federation, (HDE) suggests that turnover in the retail trade amounted to EUR 577bn in 2020 some 5.7% higher than in 2019. Thus, retailers accounted for 33.7% of private consumption in 2020, or just 17.3% German GDP last year. Given the disruptions from social distancing measures imposed to restrict the spread of the coronavirus, a major casualty of which were large elements of the retail trade, investor intuition would have assumed a decline in retail sales. Instead, 2020 marked the highest rate of growth this century!

Since 2000, there have been four years for which the HDE has indicated a decline in turnover for the retail trade, the biggest fall being 3.1% in 2009 following the Financial Crisis. Across this period growth has averaged just 1.5% with the 4.3% jump in 2015 and in 2017 being by far the biggest year-on-year increase – until the 5.7% figure indicated for 2020, as demonstrated below in Exhibit 20.

Exhibit 20: Year-on-year development in the German retail trade since 2000



Source: HDE; Pareto Securities Research

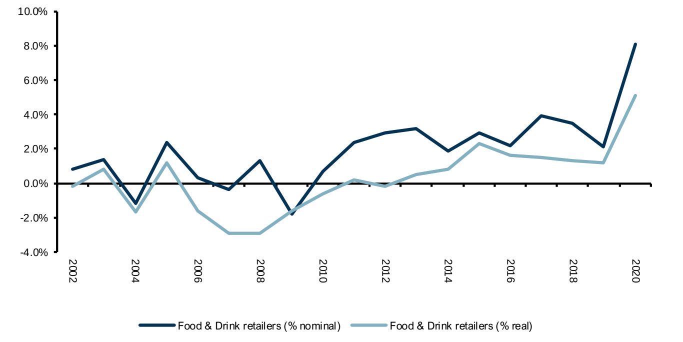
Like many countries across Europe, German retailers were last year randomly either dealt “an ace card” or delivered a heavy “detrimental blow” to their business operations. Just which side of the divide each retailer fell depended on whether their operations were deemed by authorities as “essential”, in which case they could continue to trade as before, or even extend their operations in new and often lucrative fields. Food retail and chemists fell into this group.

By contrast, those businesses that were deemed “non-essential” had to partially close or even shutdown completely their retail operations for many weeks, some of which will not survive the loss of cashflow.

Destatis data, based on a review of 20,000 companies (all forms of retailers excluding car dealers and petrol stations), allocates turnover by categories according to the predominant product sold by retailers, the main distinction being food, drink and tobacco (FD&T) outlets and non-food (N-F) outlets. Thus, a food hypermarket which might also sell clothing or electrical goods would have all revenues counted within the FD&T category, whereas confectionary products sold in a DIY shed would be included in N-F.

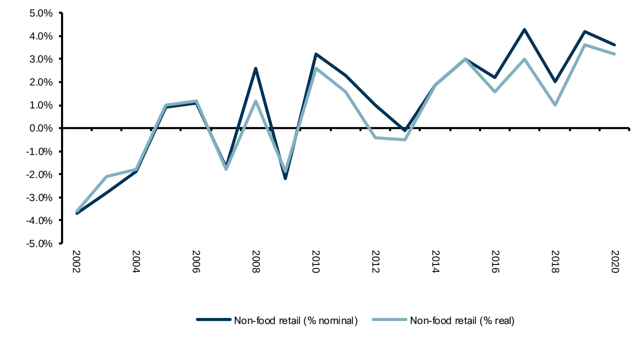
Both main categories recorded turnover growth in 2020, but the increase with FD&T retailers was a massive 8.1% which was over 500bp higher than the previous highest yoy development on record, (which had been 3.9% growth in 2017). However, given relatively few restrictions last year on many of this type of retailers, an increasing share of retail distribution is entirely logical. For non-food retailers the improvement was a more modest 3.6% increase, being only the third highest yoy improvement (with 4.3% in 2017 and 4.2% in 2019).

Exhibit 21: Development by food, drink, tobacco retailers



Source: Destatis; Pareto Securities Research

Exhibit 22: Development by non-food retailers

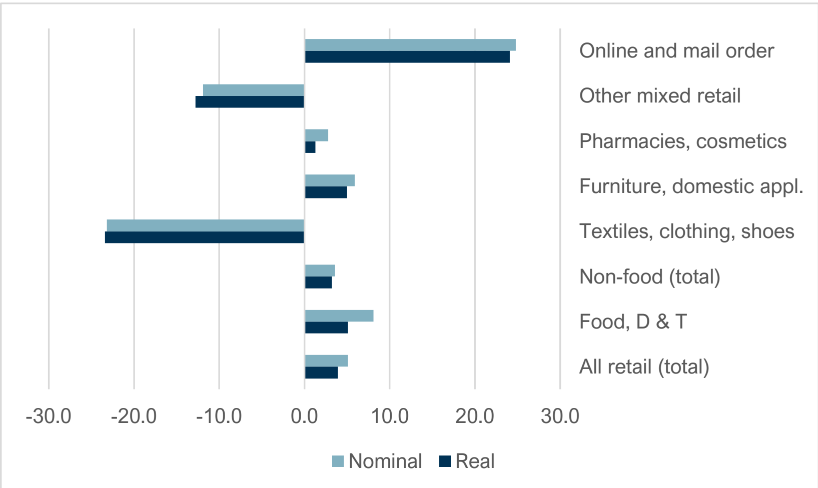


Source: Destatis; Pareto Securities Research

According to Destatis, (highlighted in Exhibit 23), the year-on-year sales development in N-F during 2020 was markedly varied across these categories. By far the worst performing sector was "*Textiles, clothing, shoes and leatherwear"* which collapsed by 23% in 2020 (nominal and in real terms) compared to 2019.

The next worse sector was *"Other retail mixed product range"* which includes, for example department stores, falling 12% nominal / 13% in real terms. We note that this branch is also a significant distributor of clothing and a key distribution channel for GWI2 within Germany.

Exhibit 23: Year-on-year change in the German retail trade by sector 2020



Source: Federal Statistical Office (Destatis); Pareto Securities Research

Just to confirm the sorry situation, poll data provided by the TW-Testclub of the trade magazine TextilWirtschaft suggests that retail sales across stationary fashion retailers collapsed 30% in 2020 (following a 2% decline in 2019). Furthermore, every single month last year registered a negative year-on-year development, particularly severe during the spring and winter store lockdowns.

Exhibit 24: Monthly development of sales through German fashion shops

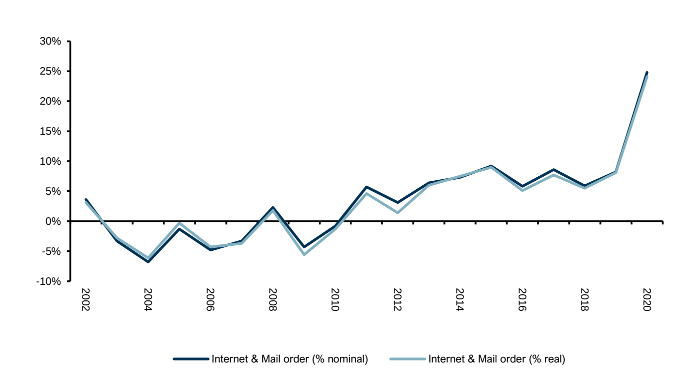
Source: TextilWirtschaft, TW Testclub

Pandemic accelerates structural changes in distribution channels

Similar to "essential" retailers, those business models that are predominantly focused with the online channel were not only allowed to continue trading as before but were inundated by a flow of new customers that may not have considered e-commerce as a main provider of goods and services. Consequently, several of these groups have also indicated record business in 2020 – now we refer to Exhibit 25.

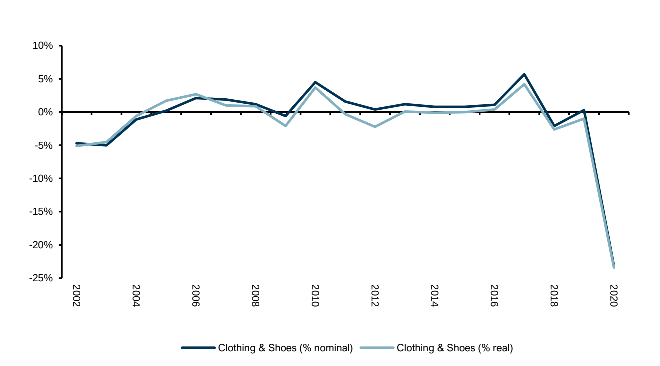
Stationary retailers of most other non-food goods typically fell into the non-essential category. Without doubt fashion retailers have been one of the worse affected categories, not only impacted with two periods of complete store closures, but typically financially burdened with surplus supplies of both summer and then winter merchandise – see Exhibit 26 for the sector in Germany.

Exhibit 25: Development by internet / mail order retailers



Source: Destatis; Pareto Securities Research

Exhibit 26: Development by textiles, clothing, shoes retail



Source: Destatis; Pareto Securities Research

Measures to combat the spread of the coronavirus had a significant negative impact on the trading performance of traditional (or "stationary") clothing retailers, contrary to "pure play" online retailers that were allowed to trade as normal. Thus, the pandemic has served to accelerate an ongoing structural change within global retail, namely the shift from traditional stationary retail to the online channel. Estimates vary from country to country, although global e°commerce has likely grown by a high-teen percentage over the five years to 2019. Within Germany the HDE estimates 11% growth across this period.

However, online penetration in the European fashion retail market made a significant step change during 2020. In 2019, penetration was around 17%, up from 15% in 2018 (source: Euromonitor). The effects of lockdowns and store closures during 2020 boosted demand for online channels, raising the penetration level to above 25%. New online customers (ordering for the first time during the initial lockdowns) have continued to shop online, even when stores reopened during the second half of 2020.

Data calculated by Statista in November 2020 (Digital Market Outlook) assumed that the coronavirus pandemic added an extra ten percentage -points to the rate of global e-commerce. Based on data from 150 countries, this assumed that growth would have been 15% in 2020E, increasing to USD 2,222bn. Given the pandemic-induced online acceleration, it predicted 25% growth in global e°commerce to USD 2,438bn last year.

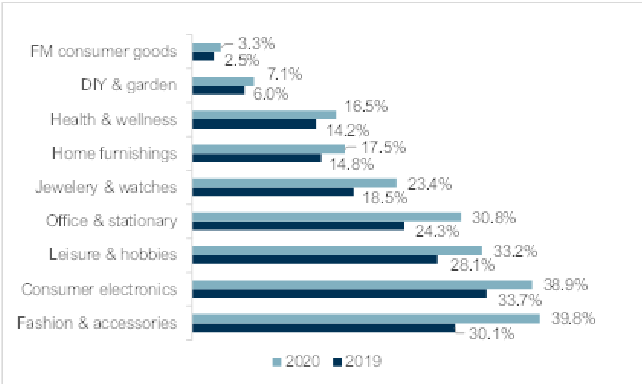
Referring back to the HDE's estimate of EUR 577bn (+5.7%) sales by the German retail trade in 2020, it attributed 3.9% growth to stationary retail formats (at EUR 505.9bn) with online sales jumping by 20.7% (to EUR 71.5bn). Thus, the online penetration increased to 12.4% of German retail sales in 2020, up from 10.8% in 2019 (see Exhibit 27). Most commentators expect this trend to continue, albeit at a slower pace: c.15% is anticipated for 2021E.

Within the German market for fashion & accessories, the HDE estimates that the importance of online increased from 30.1% in 2019, up to 39.8% in 2020. We currently presume that there will be some easing back from this inflated growth level in the current year, providing the recent ending of store lockdowns continues through the key Christmas trading period.

Exhibit 27: Online importance in Germany (2010 - 2020)

Source: HDE Online Monitor 2020; Pareto Securities Research

Exhibit 28: Online penetration by sector (2019-20)



Source: HDE Online Monitor 2020; Pareto Securities Research

Fashion markets remain heavily fragmented

At EUR 420bn (per Euromonitor) the European fashion market is both huge and highly fragmented with the two largest incumbents (Inditex and H&M) each accounting for just over 4%. These two groups can claim over 12% market share in their respective home markets, but even with significant investment in developing appropriate store infrastructures both manage to claim only modest shares of international markets.

This highlights the difficulty in addressing the numerous varying needs of the fashion market across different countries and the importance of winning international retail partners in order to support GWI2's expansion plans. Nonetheless, the huge but fragmented nature of the European fashion market does highlight the expansion potential for Gerry Weber and its brands when it succeeds in winning additional international consumers.

The most comprehensive provider of data regarding the broader textile and clothing market in Germany is supplied by the BTE (Bundesverband des Deutsche Textileinzelhandels) which is affiliated to the HDE. This association estimated the VAT-inclusive volume of the German textile and clothing retail trade at EUR 65.5bn in 2018. This volume was some EUR 10bn higher than ten years earlier, representing CAGR of 1.7% growth p.a. see Exhibit 29 for the ten-year performance.

Exhibit 29: German textile & clothing trade (2008 - 2019)

Source: BTE Statistik Report 2019; Pareto Securities Research

Exhibit 30: Relevance of clothing specialist (2008 - 2019)

Source: BTE Statistik Report 2019; Pareto Securities Research

The BTE association data further apportions distribution of the German textile and clothing trade between sales made by specialist clothing retailers, textile specialists, and non-specialists.

Clothing specialist (the largest outlet channel) accounted for EUR 31.35bn gross sales in 2018. This represented 48% of the sector's trade that year, a slight reduction on the share of ten years earlier (2008: 50%), although the clothing specialists still recorded 1.3% CAGR growth across the period.

Slightly faster growing were non-specialists accounting for 44% of the retail trade in German textiles and clothing in 2018. Most of Gerry Weber's revenues will be captured by the BTE data, although we believe that it excludes sales of shoes and fashion accessories.

Just over half of the German fashion market is accounted for by womenswear, implying a current market around EUR 30bn (VAT-exclusive). This is the market volume that GWI2 targets, plus shoes and accessories, although its current exposure in these latter segments is more limited at less than 8% of 2019 group revenues.

In terms of customer demographics, sample data published by Destatis estimates that the monthly expenditure on fashion per households with customers in the 55-70 age group (GWI2 target customer) amounts to EUR 115. Not only is this amount rising, as the Baby-boomer generation increasingly look to spend more on clothing, but this age segment is set to increase by 4m consumers through 2025.

By contrast the 25-50 bracket currently spends more at EUR 135 per household although the average is declining, and this age category will decrease slightly.

Forecasts: building the model

A difficult starting point

Gerry Weber International AG (GWI2) operates a vertical business model encompassing the entire women's fashion value chain from collection design, product development & management, production & procurement to logistics and distribution (to both Wholesale accounts and the end customer).

Coming out of insolvency in self-administration, GWI2 is not the same group that once was. The business structures are similar and there are two main segments, Wholesale and Retail, but it operates on a much-reduced scale. In addition, the Hallhuber vertical fashion retailer (acquired 2014) has been sold, as have some distribution assets. More importantly, the new GWI2 is now run by new, highly competent and well experienced management, with a much greater focus on group profitability.

For the outside investor therefore, building a model on GWI2 with sound forecasts inevitably to a degree remains work-in-progress. Furthermore, historical quarterly data represented different monthly periods to the current calendar fiscal year: the old GWI fiscal year had been to October. The accounts prior to 2018 constitute a different business entity that was larger in size than the new GWI2 AG, but more importantly was heavily loss-making.

Moreover, the FY 2020 represents a 12-months calendar year, whereas FY 2019 was a stub-year of nine-months (April – Dec. 2019) and no comparable detailed figures for the Q4'19 performance are available.

The insolvency proceedings with debtor-in-possession had been concluded by the end of 2019 and the fresh GWI2 started 2020 beginning to implement the strategic initiatives that been agreed with new investors.

From March however, the group was heavily influenced by restrictions around Europe imposed on businesses and consumers as a means to combat the spread of the coronavirus pandemic. Management at GWI2 have estimated that these measures negatively impacted group sales by EUR 100m and gross profit by maybe EUR 60m.

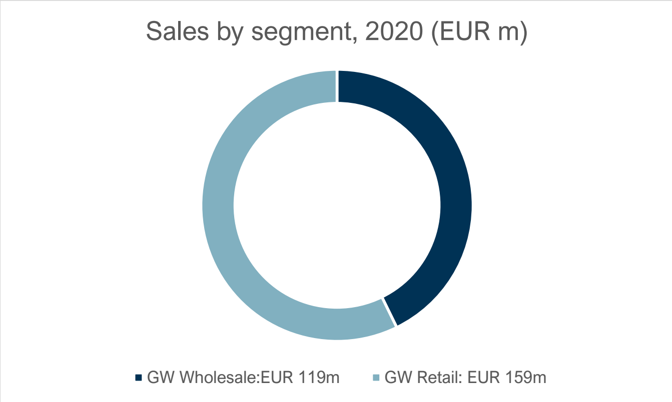
The group was able to negotiate partial deferrals of insolvency liabilities until 2023 and a further 200 redundancies were implemented. The owners provided additional credit for working capital which, together with measures adopted by the Insolvency Plan, is seen as sufficient to cover group's funding requirement through to the end of 2023 when the main credit lines need to be repaid.

A review of FY 2020: sales development

Consolidated revenue in 2020 was EUR 278m, with an EBITDA loss of EUR -2.5m and net loss reported of EUR 65m. Guidance had called for revenues in the range EUR 260-280m and to hit the top end of this despite additional store lockdowns imposed in December is viewed as a very credible achievement. Management estimate that 40 days of stores being closed (including 8 Saturdays) impacted group sales by around EUR 100m.

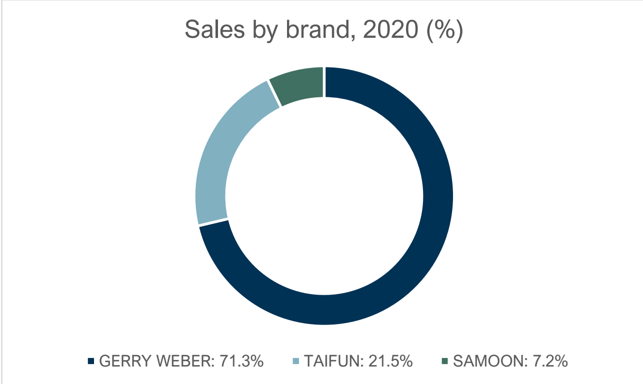
Despite the group's heritage being in wholesale, the Gerry Weber Retail (GWR) division has become the more important segment, accounting for 57.2% of consolidated revenues in 2020, or EUR 159m. This compares to the EUR 210m indicated for 9-months 2019, which was 63.7% of that stub year. The Wholesale (GWW) segment accounted for 42.8% of 2020 revenues, or EUR 119m, compared to EUR 120m indicated for 9-months 2019, which then represented 36.3%.

Exhibit 31: Gerry Weber's sales by segment (2020)



Source: Pareto Securities Research

Exhibit 32: Gerry Weber's importance by brand (2020)



Source: Pareto Securities Research

We believe that the GWR segment was relatively more impacted in 2020 by the coronavirus pandemic given that Gerry Weber Wholesale (GWW) had already delivered some of the spring / summer collection to the trade before the pandemic struck. The group indicated a drop of 37% in like-for-like sales at GWR, based on LTM calculations. Poll-collected data provided by the TextilWirtschaft magazine indicated that German fashion retailers saw a 30% drop in 2020 sales.

In addition, there was a net closure of 55 points of sale controlled by GWR during 2020 resulting in 569 shops at the year end, compared to 624 (-9% POS) per December 2019. Although these were poor performing units, their closure also impacted on the segment's sales base. Management figures show store trading densities declining 38% from EUR 2,237 psm (a LTM to Dec. 2019 basis) to EUR 1,387 psm in 2020.

The bulk (71%) of the group's revenues was generated with the GERY WEBER brand. This is sold through both GWR with 307 House of Gerry Weber stores operated by the group (2019: 424 stores), as well via GWW to retail partners. The latter operate 241 (2019:243) HoGW stores run on a franchise basis, plus third-party shop-in-shops, or multi-label business totalling 1,754 (2019: 2,036) POS.

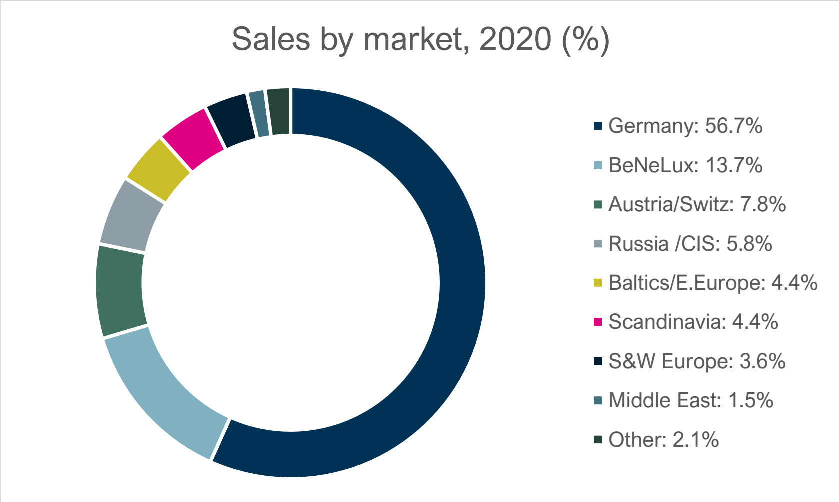
TAIFUN and SAMOON were both able to slightly increase their relative importance in 2020, but of course their absolute sales levels also fell significantly. TAIFUN accounted for 21.5% (2019: 21.2%) the group's 2020 revenues whereas SAMOON contributed 7.2% (2019: 6.3%).

Domestic revenues amounted to EUR 158m representing 56.7% of the 2020 consolidated total. In the 9-month 2019 period, sales in Germany were EUR 195m or 59.0%. Again, the decline in the absolute volume reflects measures imposed to combat the pandemic, although it would seem that the store closure programme had less of an impact in the home market than abroad.

Thus, international markets accounted 43.3% of 2020 revenues (2019: 41%). With 13.7% share, BeNeLux was the largest foreign market (see Exhibit 33) maintaining its relevance within the group. Austria & Switzerland accounted for 7.8% (from 5.2%) but there was also an above average presence in Russia at 5.8% in 2020 (from 4.4%).

Most other markets declined in importance for GWI2 and we partially attribute this to the group's withdrawal from several markets, such as the UK, as well to shop restrictions imposed in Southern European markets.

Exhibit 33: Distribution of sales by market (2020)



Source: 2021 Pareto Securities Research

A review of FY 2020: earnings development

Aside from the drop in reported sales volumes, the biggest influence of the group's development in earnings was the decline in other operating income from an inflated EUR 177m in FY 2019 (with EUR 167m of that related to the pro-rata derecognition of insolvency liabilities) down to a more normal level of EUR 13m in 2020.

Inventory reductions of EUR -15.7m were also recorded (2019: EUR -19.8m). At EUR 106m (FY 2019: EUR 117m) the cost of materials represented 43.9% of 2020 sales including changes in inventories (vs. 41.4%) and thus the indicated gross profit margin was 56.1% in 2020.

Personnel expenses amounted to EUR 85.6m in 2020 and included Board members severance payments of EUR 5m. Although this was similar to the 9-months total of EUR 83m in 2019, as a ratio-to-sales personnel expenses increased substantially to 30.8% from 25.1% on account of the much-reduced revenue base. During the 2020 year, the average headcount was reduced to 2,497 (from 3,361).

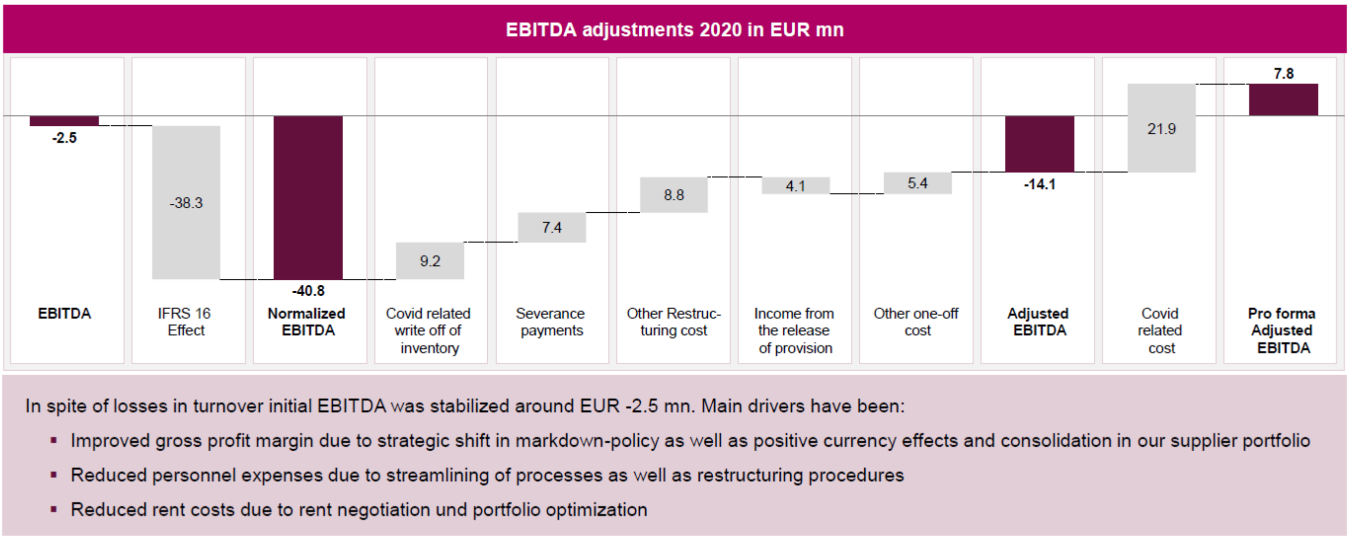
Other operating expenses totalled EUR 86m (vs. EUR 110m) with just EUR 4m expended on restructuring compared to EUR 24m in the previous year. However, the past year included EUR 14m consulting expenses (2019 stub: EUR 2.9m). As a ratio-to-sales, freight costs amounted to 4.3% (vs. 3.0%) whilst marketing declined to 4.0% (5.3%) and space costs dropped to 3.9% from 6.7%.

Reported EBITDA amounted to EUR -2.5m loss in 2020, compared to a profit of EUR 177m in the 2019 stub year, with the much-reduced level of other operating income being influential here.

Guidance had called for "normalised EBITDA" adjusted for IFRS 16 lease accounting to be in the "medium negative double-digit million range." Deducting EUR 38.3m of IFRS effects from the EUR -2.5m reported EBITDA, the normalised loss was EUR -40.8m (previous year EUR 139m). Again, in meeting guidance despite additional store lockdowns represents another milestone achieved and is viewed as a very credible performance.

Management have provided a bridge from reported to normalised which we reproduce in Exhibit 34. It has further provided estimates for additional exceptional items in 2020 in arriving at pro-forma adjusted EBITDA of EUR 7.8m.

Exhibit 34: Normalisation of restructuring expenses and additional coronavirus effects suggest a positive EBITDA



Source: FY 2020 investor presentation, May 2021

Including EUR 38.3m (EUR 37.9m) of IFRS 16 adjustments, total depreciation amounted to EUR 49.1m in 2020, compared to EUR 46.8m in FY 2019. Reported EBIT amounted to a loss of EUR -51.7m in 2020, (FY 2019: EUR 130m profit). After EUR -14.3m net financing charges (vs. EUR -8.5m) the pre-tax loss was EUR -166m (vs. EUR 121m profit) with net consolidated loss of EUR -65.4m (from EUR 119m income in FY 2019).

Pareto sales forecasts for 2021-23E

The group has also presented results for Q1'2021 which is viewed as a quarter completely overshadowed by numerous state-imposed measures targeting the coronavirus pandemic. That meant that most fashion shops in Germany and across many European markets were again subject to substantial lockdowns. The group has indicated that its own stores in Germany Q1 were closed for 55 days including 10 Saturdays during the quarter.

It was thus no surprise to hear that revenues fell 45% (to EUR 46m) although cost-cutting measures meant that normalised EBITDA improved slightly to EUR -3.0m. Nonetheless management was able flag some positive highlights, including a marked acceleration in e-commerce, a favourable response to the new collections with improving orders by wholesale clients, and continued progress with insolvency commitments.

It was also able to confirm annual 2021 guidance which calls for consolidated revenues in the EUR 260-280m (a similar level to 2020, despite a more prolonged period of store lockdowns) with normalised EBITDA likely in the low double-digit loss region (an improvement of over EUR 10m vs. 2020).

While a few company-controlled stores were allowed to open outside of Germany, Q1'21 saw most domestic shops closed for 10 weeks. Thus, the GWR segment recorded a 49% decline in sales to EUR 20m, including -66% LFL space development. Against this background, online sales could partially make good some of the deficit, with over 60% growth in the Retail segment to EUR 9.1m, meaning that the online share was 37% of the GWR segment in Q1'21.

Exhibit 35: Key P&L lines for Q1’21

EUR m	Q1'20	Q1'21	% yoy
Revenues	**83.7**	**46.4**	*-45%*
By segment			
GW Wholesale	45	26	*-41%*
GW Retail	39	20	*-49%*
of which: Online	6	9	*54%*
Gross profit	**51.7**	**31.7**	*-39%*
Gross profit margin (%)	61.8%	68.3%	
EBITDA	7.6	4.8	*-37%*
IRFS 16 adjustments	11.1	7.8	
Normalised EBITDA	**-3.5**	**-3.0**	
EBIT	-6.9	-6.5	*n.a*
Net financing	-2.5	-3.6	
Pretax profit	-9.3	-10.1	
Net income attributable	**-9.5**	**-10.1**	*n.a*
EPS (EUR)	-7.75	-8.29	

Source: Pareto Securities Research

The GWW segment recorded EUR 26.3m revenues, down 41% with most of the group’s wholesale clients facing the same restrictions as GWR: in Germany the Federal Statistical Office calculated that sales of textiles, clothing, shoes and leatherware dropped 54% across the first three months. Nonetheless, management could share positive feedback to the new collections and referred to orders already secured by May that cover 84% of planned 2021 sales.

Since the end of the quarter, Click & Meet (ordering online, but picking up merchandise instore) has and again been allowed throughout Germany and increasingly the store base has been re-opening. To begin with customers were only allowed with proof of a negative Covid-19 test result but press reports have pointed to a resurgence in high street footfall in recent weeks.

In our model, we assume a modest recovery in year-on-year sales development from Q2’21E, although from the summer it will likely be much more marked: across the group we forecast 9%, 16% and 20% respectively through Q4’21E. This would result in group consolidated revenues of EUR 270.3m, nicely within the EUR 260-280m guidance range.

In the Retail division we model 11%, 21% and 21% growth for the remaining three quarters, bringing us to forecast FY 2021E sales of EUR 162m (+2%). Some 18% of this (EUR 30m, +30%) of this is anticipated via-e-commerce within GWR given the very strong development recorded in the first five months. In the Wholesale division we model 6%, 11% and 16% growth for the remaining three quarters, bringing us to forecast FY 2021E sales of EUR 108m (-9%).

With the major store rationalisation program now largely behind it – indeed a couple of new factory outlets are planned - GWR will be the key driver to the group’s top line over the coming years. Management target to recover store productivity to the 2019 level, which we model in FY 2023E before improving to new levels in the following years.

Several of GWI2 wholesale customers are unlikely to come through the pandemic, or maybe only in a scaled-down form. Thus, we model GWW only returning to growth next year, but even then, FY 2022E targeted divisional sales may only match the LTM 2019 level. Beyond that we would anticipate that the changes to product development currently being implemented will trigger higher wholesale order volumes from the international fashion trade.

Exhibit 36: Pareto sales forecasts: Q2'21E and 2021-2023E annual estimates growth by segment and brand

EUR m	Q2'20	Q2'21E	% yoy	H1'20	H1'21E	% yoy	2020	2021E	% yoy	2022E	% yoy	2023E	% yoy
Revenues	**56.9**	**62.1**	***9.2%***	**140.5**	**108.5**	***-23%***	**278.2**	**270.3**	***-2.8%***	**349.2**	***29%***	**410.1**	**17%**
By segment													
GW Wholesale	21	22	*6%*	66	49	*-26%*	119	108	*-9%*	135	*25%*	*156*	*15%*
GW Retail	36	40	*11%*	75	60	*-20%*	159	162	*2%*	214	*32%*	*254*	*19%*
of which: Online	7	9	*30%*	13	18	*41%*	27	35	*28%*	44	*24%*	*54*	*23%*
By brand													
GERRY WEBER	39	44	*13%*	99	76	*-23%*	198	192	*-3%*	250	*30%*	*293*	*17%*
TAIFUN	13	13	*4%*	31	24	*-23%*	60	59	*-1%*	74	*25%*	*87*	*17%*
SAMOON	5	5	*-7%*	10	8	*-21%*	20	19	*-6%*	25	*34%*	*30*	*17%*

Source: Pareto Securities Research

Pareto earnings forecasts for 2021-23E

The gross profit margin improved 650bp in Q1'21 to 68.3%, although that was largely due to a positive change in inventories. Nonetheless, management refer to a positive sell-through of merchandise at full price and aims to continue to mitigate raw material price increases by costs savings elsewhere.

In our model, we assume that the remainder of 2021E could see a positive gross margin trend, not least with the absence of further write-downs due to excess inventory arising from the pandemic. Further progress could be more difficult going forward, not least as greater online presence (and the resulting visibility) will make price increases more difficult.

Both in 2020 and Q1'21 (and most likely in Q2'21E), the group made use of state aid in the form of short working payments ("Kurzarbeit") whilst stores were shut. We believe it correct to assume a sharp rise in personnel expenses across the remainder of 2021 and again next year with a full period of opened stores. However, the rising sales volumes should more than compensate and we see the personnel costs ratio declining to 25% in 2022E and 22.3% in 2023E.

Other operating expenses dropped 23% in Q1'21 which had much to do with the shutdown regulations, although management stress that it continues to make good progress with its specific costs savings initiatives. Details are not published on a quarterly basis, although for 2021E we model good reductions in space costs and consulting fees / restructuring expenses. Again, the rising sales mean OOE ratio declining substantially in 2022 (23.5%E) and thereafter gradually improving.

At EUR -3.0m normalised EBITDA in Q1'21 was a slight yoy improvement on the EUR -3.5m shown in the comparative. Given it was during Q2'20 that the group felt the first full impact of the coronavirus pandemic, we believe it likely that there will be a more marked improvement EBITDA in Q2'21E and anticipate full year loss around EUR -15m for normalised EBITDA – again in line with guidance calling for a "low double-digit million loss."

Exhibit 37: Pareto quarterly forecasts: Q2'21E and 2021-2023E annual estimates

EUR m	Q2'20	Q2'21E	% yoy	H1'20	H1'21E	% yoy	2020	2021E	% yoy	2022E	% yoy	2023E	% yoy
Revenues	**56.9**	**62.1**	***9.2%***	**140.5**	**108.5**	***-23%***	**278.2**	**270.3**	***-2.8%***	**349.2**	***29%***	**410.1**	**17%**
Gross profit	**30.0**	**37.8**	***26%***	**81.6**	**69.5**	***-15%***	**156.1**	**164.1**	***5%***	**204.3**	***25%***	***244.0***	***19%***
Gross profit margin (%)	52.7%	60.9%		58.1%	64.1%		56.1%	60.7%		58.5%		*59.5%*	
Personnel expenses	-24.7	-18.8	*-24%*	-50.5	-31.5	*-38%*	-85.6	-74.3	*-13%*	-87.3	*17%*	*-91.2*	*5%*
Expense ratio (%)	-43.4%	-30.3%		-35.9%	-29.0%		-30.8%	-27.5%		-25.0%		*-22.3%*	
Other oprating expenses	-17.8	-17.8	*0%*	-37.7	-33.1	*-12%*	-86.0	-79.7	*-7%*	-82.1	*3%*	*-94.3*	*15%*
Expense ratio (%)	-31.3%	-28.7%		-26.8%	-30.5%		-30.9%	-29.5%		-23.5%		*-23.0%*	
Other oprating income	4.0	1.8	*-54%*	5.7	3.0	*-47%*	13.3	7.0	*-47%*	6.0	*-14%*	*8.0*	*33%*
Other items	-0.1	-0.1	*58%*	-0.2	-0.3	*34%*	-0.4	-0.5	*26%*	-0.5	*0%*	*-0.5*	*0%*
EBITDA	**-8.7**	**2.9**	***n.a***	**-1.1**	**7.7**	***n.a***	**-2.5**	**16.5**	***n.a***	**40.4**	***145%***	***65.9***	***63%***
EBITDA margin (%)	-15.2%	4.7%		-0.7%	7.1%		-0.9%	6.1%		11.6%		*16.1%*	
By segment													
GW Wholesale	-6	3		1	9		-1	11		22		*27*	
GW Retail	-3	0		-2	-1		-3	6		19		*39*	
IRFS 16 adjustments	9.9	7.7		21.0	15.5		38.3	31.5		31.0		*30.0*	
Normalised EBITDA	**-18.6**	**-4.8**		**-22.1**	**-7.8**		**-40.8**	**-15.0**		**9.4**		***35.9***	
Norm. EBITDA margin (%)	-32.7%	-7.7%		-15.7%	-7.2%		-14.7%	-5.6%		2.7%		*8.8%*	
EBIT	**-20.5**	**-8.8**		**-27.3**	**-15.3**		**-51.7**	**-29.5**		**-4.6**		***20.9***	
Net financing	-4.5	-3.0		-7.0	-6.6		-14.3	-13.6		-11.5		*-10.0*	
Pretax profit	**-25.0**	**-11.8**		**-34.3**	**-21.9**		**-66.0**	**-43.1**		**-16.1**		***10.9***	
Tax	0.3	0.3		0.2	0.2		0.5	0.5		0.8		*-1.6*	
Net income attributable	**-24.7**	**-11.5**		**-34.2**	**-21.7**		**-65.5**	**-42.6**		**-15.3**		***9.3***	
EPS (EUR)	**-20.26**	**-9.46**		**-28.01**	**-17.75**		**-58.12**	**-34.88**		**-12.52**		***7.62***	

Source: Pareto Securities Research

Group cash flows and balance sheet financials

GWI2 ended 2020 with total assets amounting to EUR 433m, including rights of use assets of EUR 179m pursuant to IFRS 16. The latter leases, together with EUR 74m of the group's own property assets and EUR 14m intangibles constitute the bulk of non-current assets.

Current assets included EUR 47m of inventories and EUR 12m trade receivables. Cash and equivalents amounted to EUR 85m and included some EUR 21m held in restricted trust accounts to settle insolvency liabilities.

Non-current liabilities amounted to EUR 268m, including EUR 151m rights of use leases. Long-tern financial debt of EUR 110m includes EUR 23.5m loan from Plan sponsors with a final maturity of 31 December 2023 and EUR 86m liabilities to insolvency creditors, including EUR 36m bonds due for repayment at the same time.

Current liabilities of EUR 108m include EUR 62m financial debt, comprising EUR 30m short-term rights of use leases, EUR 17.5m RCF facility and EUR 13.8m relating to insolvency liabilities. Otherwise there was EUR 25m provisions and EUR 15m trade payable.

As at 31 December 2020, GWI2's equity totalled EUR 56m and the equity ratio was 13.0%. Also, with EUR 141m financial debt and EUR 85m cash, the net debt to equity ratio was 1.0x. The NIBD to normalised EBITDA (EUR 40m) was -1.4x. Including EUR 179m rights of use liabilities with bank debt totals EUR 322m gross or EUR 237m net of cash equivalents.

With the ongoing shop restrictions imposed during Q1'21, the focus remained on securing group liquidity. In February a new EUR 5m credit facility (exchange offer) was agreed with the main investors and in March GWI2 was granted with EUR 12m aid ("Überbrückungshilfe III") by the German government.

Despite the lockdowns, the quarterly cash flow from operations was limited to EUR -4.1m (Q1’20: EUR -16.4m) including EUR 17.4m absorbed by working capital (16.7m). Cash flow from investing activities was EUR -0.8m (EUR -1.1m).

Cash flow from financing activities was EUR -1.5m (EUR -9.7m) with the EUR 5m exchange offer proceeds nearly offsetting EUR -6.5m repayment of rights of use liabilities. Thus, the Q1’21 change in net cash was EUR -6.4m (vs. EUR -27.2m in Q1’20) with cash on the balance sheet per 31 March at EUR 61.5m

Other than the EUR 6m reduction in cash, the main changes were EUR 16m increase of inventories and EUR 8m rise in trade payables within current assets of EUR 181m, as well as a EUR 14m reduction in rights of use assets within non-current assets of EUR 253m.

Equity was reduced some EUR 10m during Q1’21 to EUR 46m. At EUR 264m, non-current liabilities were down EUR 4m from the December level, with rights of use leases reduced by EUR 11m, financial loans up EUR 11m and long-term insolvency liabilities reduced EUR 4m. The EUR 16m increase with current liabilities to EUR 125m largely reflects the EUR 12m state aid, EUR 5m higher trade payables and EUR 1m reduction in rights of use liabilities.

Exhibit 38: Cash Flow Forecasts

EUR m	Q1'20	Q1'21	2020	2021E	2022E	2023E
CF Operating activities	-16.4	-4.1	9.2	1.0	17.4	40.9
CF Investing activities	-1.1	-0.8	-4.7	13.2	-6.0	-8.0
Free Cash Flow	**-17.6**	**-4.9**	**4.3**	**-4.0**	**11.4**	**32.9**
CF Financing activities	-9.7	-1.5	-62.8	-30.7	-14.0	-77.0
Exchange / other	-0.2	0.1	-0.9	0.0	0.0	0.0
Cash at period start	126.9	67.8	126.9	67.8	51.3	48.7
RCF	0.0	17.5	17.5	17.5	17.5	17.5
Cash at period end	**99.6**	**61.5**	**67.8**	**51.3**	**48.7**	**4.7**

Source: Pareto Securities Research

To help better explain the debt structure, management provide a useful *Waterfall Capital Structure* slide which we reproduce below in Exhibit 39. Thus, within EUR 79m cash equivalents per March 31, some EUR 22m was held in escrow accounts and thus restricted for use in servicing insolvency liabilities.

Within EUR 60.7m of senior debt, a total of EUR 13.9m were insolvency liabilities (EUR 8.1m cash quota plus EUR 5.8m GWR quota). Within EUR 34.8m of unsecured debt, most related to insolvency liabilities (EUR 29.5m cash quota plus EUR 5.2m provisions).

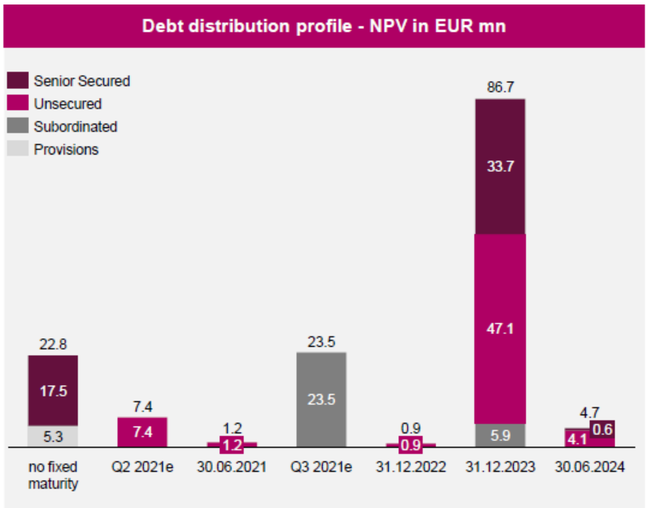
Thus, of the EUR 68.3m net financial debt per 31 March, a balance of EUR 26.4m was secured by escrow accounts. Moreover, some EUR 23.3m of the latter is expected to be covered by proceeds from the disposal of the Ravenna Park distribution centre, the contract for which has been signed and will be completed shortly. This means that of the EUR 68.3m net financial debt just EUR 41.8m will remain with the group once the transaction goes through.

Exhibit 39: Current capital debt structure

Debt Waterfall					
Net Debt in EUR mn	March 2021	Secured by escrow accouts/ liquidation of Ravenna Park	Founded by liquidity of the company		
			Total	Thereof non-contingent	Thereof contingent
Cash[1]	-79,0	-22,2	-56,8	-56,8	-
Revolving Credit Facility[2]	17,5	-	17,5	17,5	-
Principal Term Loans[3]	34,3	-	34,3	33,7	0,6
Net Senior Debt	-27,2	-22,2	-5,0	-5,6	0,6
Straight Bonds	33,9	-	33,9	25,1	8,8
Convertible Bonds	1,8	-	1,8	1,2	0,7
Insolvency Cash Quota[4]	8,1	8,1	-	-	-
GWR Quota[4]	7,4	5,8	1,5	1,5	-
Excess Liquidity Quota[4]	9,5	-	9,5	-	9,5
Net Unsecured Debt	33,5	-8,3	41,8	22,3	19,5
Additional quota	29,5	29,5	-	-	-
Provisions and Adjustments	5,3	5,2	0,1	0,1	-
Net Debt	**68,3**	**26,4[5]**	**41,9**	**22,4**	**19,5**
expected cash from Ravenna Park		-23,3			
Allocation of EUSt Risk to PLUTA		-4,6			
Net Debt corrected		-1,6			

Source: Q1'21 investor presentation, May 2021

Exhibit 40: Debt repayment profile



Source: Q1'21 investor presentation, May 2021

Exhibit 40 flags the timing schedule of debt repayment. Our model assumes that EUR 7.4m repayment of unsecured debt has taken place in Q2'21E and that the disposal of the Ravenna Park distribution centre is likely in Q3 with proceeds be paid to creditors according to the insolvency plan.

Management has confirmed that the signed agreement matches the expected proceeds and thus net financial debt should be broadly reduced by that amount per the September balance sheet. At the same time the assets will 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 summer.

Valuation difficult to assess

We find it very difficult to establish a fair price for shares in Gerry Weber International AG. The DCF would point to a valuation far in excess of the current level in our view, particularly if we factor-in a target EBIT margin above 10%, albeit there are good reasons for new investors focussing on short-term issues rather than value that might accrue over a DCF timespan.

We believe that GWI2 management is doing a good job at adapting to the new norm, but even this group is having to constantly review and realign operations, not always with the success first targeted. Based on the DCF scenario presented below we view EUR 25 as fair value, some 40% above last night's closing price. We thus initiate coverage of Gerry Weber International with a "Buy" rating.

Peer company valuation is not helpful

To begin with, fashion retailing is proving to be very difficult at the moment 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, Exhibit 41 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 and we show the peer company data for reference only.

Exhibit 41: For reference only, we highlight peer company multiples

Company	PE 2021E	PE 2022E	PE 2023E	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/Sales 2021E	EV/Sales 2022E	EV/Sales 2023E	DivYield 2021E	DivYield 2022E
Abercrombie & Fitch Co. Class A	13.0	14.5	15.9	3.6	3.3	3.6	0.5	0.4	0.4	0.3%	1.6%
adidas AG	37.5	29.0	24.4	17.1	14.2	12.8	2.6	2.4	2.2	1.1%	1.4%
HUGO BOSS AG	42.5	23.3	18.9	8.8	7.1	5.6	1.8	1.6	1.3	2.0%	3.3%
N Brown Group plc	8.0	6.4	6.0	5.7	5.0	4.5	0.7	0.7	0.6	1.9%	3.1%
Gap, Inc.	18.8	15.1	12.0	7.8	6.3	5.6	0.7	0.7	0.6	1.9%	2.2%
H&M Hennes & Mauritz AB Class B	33.2	22.4	19.9	9.0	7.5	7.1	1.7	1.5	1.4	2.9%	3.7%
Industria de Diseno Textil, S.A.	28.0	24.5	22.2	12.2	11.1	10.3	3.3	3.0	2.8	3.0%	3.5%
Marks and Spencer Group plc	11.5	9.7	9.2	5.9	5.5	4.8	0.6	0.6	0.5	0.8%	4.3%
Next plc	16.9	15.0	14.5	10.2	9.3	9.0	2.4	2.2	2.0	2.3%	2.8%
PUMA SE	51.7	35.2	28.3	19.2	14.9	12.5	2.3	2.0	1.8	0.5%	0.8%
PVH Corp.	16.1	12.8	11.0	8.7	7.8	7.3	1.0	0.9	0.9	0.0%	0.1%
V.F. Corporation	26.4	22.1	19.3	18.2	16.1	15.0	2.9	2.7	2.5	2.4%	2.5%
Median	**22.6**	**18.6**	**17.4**	**8.9**	**7.6**	**7.2**	**1.74**	**1.56**	**1.37**	**1.9%**	**2.7%**
Gerry Weber International AG	**-0.5**	**-1.4**	**2.3**	**15.0**	**6.1**	**3.4**	**0.92**	**0.71**	**0.55**	**0.0%**	**0.0%**
relative	*n.m*	*n.m*	*-87%*	*169%*	*81%*	*48%*	*52%*	*46%*	*40%*	*0%*	*0%*

Source: FactSet

DCF model points to EUR 25 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

Exhibit 42: DCF model

EUR m	Phase I 2021E	2022E	2023E	2024E	2025E	Phase II 2026E	2027E	2028E	2029E	2030E	Phase III
Revenues	**270**	**349**	**410**	**472**	**535**	**592**	**644**	**688**	**722**	**743**	
growth rate		*29.2%*	*17.4%*	*15.0%*	*12.7%*	*10.7%*	*8.8%*	*6.8%*	*4.9%*	*2.9%*	
EBIT	**-30**	**-5**	**21**	**39**	**55**	**61**	**66**	**70**	**73**	**74**	
EBIT margin	*n.a*	*-1.3%*	*5.1%*	*8.3%*	*10.4%*	*10.3%*	*10.2%*	*10.1%*	*10.1%*	*10.0%*	
Tax	9	1	-6	-12	-17	-18	-20	-21	-22	-22	
Tax rate	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	
Depr. & Amort.	15	14	15	17	18	17	18	18	18	18	
% of sales	*5.4%*	*4.0%*	*3.7%*	*3.6%*	*3.0%*	*2.9%*	*2.7%*	*2.6%*	*2.5%*	*2.4%*	
Capex	-5	-6	-8	-11	-14	-15	-16	-17	-18	-19	
% of sales	*1.9%*	*1.7%*	*2.0%*	*2.3%*	*2.4%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	
Change in WC & P	-16	-17	-17	-17	-17	-21	-21	-21	-20	-20	
% of sales	*5.9%*	*4.9%*	*4.1%*	*3.7%*	*3.7%*	*3.5%*	*3.2%*	*3.0%*	*2.8%*	*2.6%*	
Free Cash Flow	-27	-12	5	16	26	25	27	29	31	32	423
growth rate	*nm*	*-55%*	*nm*	*nm*	*63%*	*-5.1%*	*10.2%*	*7.2%*	*5.4%*	*3.5%*	*1.0%*
Present Value FCF	**-26**	**-11**	**4**	**12**	**18**	**16**	**16**	**16**	**15**	**14**	**194**

PV Phase I	-3	Risk free rate	3.5%	Target equity	50%
PV Phase II	77	Premium Equity	5.0%	Beta	2.00
PV Phase III	194	Premium Debt	1.7%	WACC	8.6%

Enterprise value	**268**
- Net Financial Debt	56
- Leasing Liabilities	181
- Minorities & Peripherals	0
Equity value	**31**
Number of shares	1.2
Value per share (€)	25
Current Price (€)	18
Upside	40%

Sensitivity		**Growth in phase III**				
		0.0%	**0.5%**	**1.0%**	**1.5%**	**2.0%**
	7.7%	37.1	49.5	63.8	80.5	100.0
	8.1%	20.2	31.0	43.2	57.4	73.8
WACC	**8.6%**	5.1	14.4	**25.1**	37.2	51.1
	9.0%	-8.5	-0.3	8.9	19.3	31.3
	9.4%	-20.9	-13.7	-5.6	3.5	13.8

Source: Pareto Securities Research

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% 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 18.6% 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.

We expect GWI2's EBIT margin to approach 10.4% in 2025, still some 50bp 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 more than double the derived fair value above EUR 50.

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 5.9% investment in working capital to sales ratio in the current year and a still high 4.9% ratio for 2022E before easing back towards 3.7% in 2024E.

Mid-term, there will also be the need to spend more on capex, with 2.5% ratio to sales a realistic target, although we suspect that the next couple of years (ahead of the refinancing planned for 2023) will continue to witness some restrictions on capex.

Thus, we rely on the DCF scenario presented here in deriving fair value. In calculating EUR 25 as fair value, some 40% above last night's closing price. We initiate coverage of Gerry Weber International with a "Buy" rating.

Appendix: Insolvency and Restructuring

Sorry saga of the need for insolvency under self-administration

The origins of Gerry Weber stem from 1973 when Gerhard Weber and Udo Hardieck founded Hatex KG as a manufacturer of women's trousers. Based in Halle, Westphalia, the same year saw the creation of the GERRY WEBER brand, promoted by the then 17-year old tennis professional Steffi Graf.

As GERRY WEBER developed into a broader fashion collection, the TAIFUN brand was launched in 1986 as younger, fun-orientated brand. The transformation of Hatex KG into Gerry Weber International AG followed the Frankfurt IPO listing in 1989. The SAMOON brand of "plus sizes" was launched to the specialist trade in 1994. The first company-managed "House of GERRY WEBER" (HoGW) store opened in 1999 as the basis for Gerry Weber Retail (GWR division).

Nonetheless, for 20 years the group remained largely a manufacturer of women's fashion, sold predominantly through third-party retail. Still in 2005, Production & Wholesale generated 90% of group turnover, with the Retail division contributing just 10%. Then began a period of store expansion, with strong double-digit growth in sales by GWR driving the top line and accounting for 28% of group total revenues in 2010.

At that stage (FY 2009/10, October 2010) the group managed 225 retail spaces consisting of 160 House of GERRY WEBER multi-brand stores (138 of which were in Germany), 18 mono-label stores (TAIFUN or SAMOON), 10 factory outlet shops, plus it controlled 37 concession spaces within third-party department stores. These covered 49,350m² and with EUR 173.6m sales meant that space productivity was approximately EUR 3,700 per square metre in that year.

Perhaps inspired by the potential of higher retail margins, or quite possibly seeing that global brand sales of GERRY WEBER were already beginning to plateaux, management turned full attention to expansion of GWR.

Five years later, in FY 2014/15, the group controlled 987 retail spaces consisting of 520 HoGW multi-brand units, 142 mono-label stores (TAIFUN, SAMOON or EDITION), 34 factory outlet shops, plus it controlled 291 concession spaces. These covered 156,300m² and with EUR 440.3m sales meant that space productivity had declined to approximately EUR 3,035 per square metre in 2015.

Not only had space productivity declined close to 20% in the five years to FY 2014/15, but the rental bill had become a major burden on the group's cost structure. In the above period, between 2010 and 2015, group rents had risen from EUR 37m (representing 5.9% of consolidated sales) to EUR 132m or 14.2% of group sales. By our calculation, the later included EUR 33m rents with the recently acquired Hallhuber fashion chain and EUR 18m within Wholesale & Production, but that still indicated over EUR 80m rental bill for GWR.

Similarly, personnel expenses doubled from EUR 91m (14.7% of group sales) in FY 2010, up to EUR 187m (20.3%) in FY 2015, with some 65% of this expended in the GWR segment. Furthermore, the larger store base brought much higher depreciation expenses: from EUR 4m (2.4% of GWR sales) in FY 2010 to over EUR°19m (4.4% of GWR) in FY 2015. The inevitable consequence was a dramatic decline of segment profitability, with GWR EBIT of EUR 6.3m (3.6% margin) moving to EUR 12.2m (2.8%) across the highlighted five years.

As a late response (with hindsight), the Fit4Growth realignment programme impacted the 2015/16 and 2016/17 years with EUR 41m of extraordinary costs. Within F4G, a total of 143 unprofitable stores were closed (from a starting base above 980) and the labour force was reduced by 230 (3%).

At the same time, operational changes were made to improve the relationship with wholesale clients; and some failings in the core GERRY WEBER collection were said to have been addressed. At the end of FY 2016/17 management confirmed that F4G was on-track to deliver EUR 25m-30m of annualised cost savings. However, with the publication of the 2017 Annual Accounts it was clear that additional measures would be required to move profits ahead.

With the publication of poor H1-18 results, details for a new Performance Programme were announced, intended to “rebuild the Gerry Weber business model from scratch." Going forward the new business model was to be more customer-orientated and digitally compliant, allowing the group to respond more quickly to short term developments and fashion trends.

This involved changing business structures to a “go-to-market” approach characterised by vertical integration. Rather than pushing product into the supply channel, Gerry Weber should be in a better position to create collections more suitable to prevailing demand. This involved shortening the design-production-sell process and introducing smaller collections, albeit introducing these on a more frequent basis, to the benefit of sales productivity for both the group’s own retail operations as well as wholesale customers.

At the same time, Gerry Weber also adopted the motto “Digital first” and intended to pursue a more comprehensive omni-channel strategy. Online sales accounted for 5.5% of retail revenues in 2017, but higher targets meant that group IT needed to be adopted to allow instore ordering/home delivery, click & collect, etc, intended to open-up more selling opportunities. Collectively these new Performance Measures were supposed to burden FY 2017/18 with EUR 15m of extraordinary costs but increase the pace of future sales development whilst also generating costs savings in the “medium double digit million range.”

With hindsight, these targets were way too ambitious. Post the October 2018 fiscal year end, the group had to lower sales and profit expectations flagging EUR°192m reported EBIT loss after EUR 177m (!) write-down and restructuring measures. Investors had voiced negative sentiment given fears about the group’s ability to re-finance its debt burden particularly against the backdrop of difficult trading conditions for traditional retailers with a large property portfolio suffering declining footfall.

Against this background the lending banks refused to extend new credit. At the time, the last published net debt amounted to EUR 204m per July 2018, including a EUR 31m loan which had been due November 2018, whereby the creditors agreed to deferment until end January 2019. Thereafter the debt profile extended to EUR 40m (repayable March 2020), EUR 24m (Nov. 2020), EUR 60m (March 2022) and EUR 40m due 2025.

GWI2, with a credible recovery plan has emerged from insolvency

On 25 January 2019, Gerry Weber International AG (GWI AG) applied to the local court for an order of preliminary insolvency proceedings under self-administration. The goal was to reorganize the group through the ongoing restructuring program and secure additional liquidity. The existing Managing Board would remain in office with all powers and responsibilities allowing continued trading of operations. The court order application was triggered by failed negotiations of the group with its financing partners to agree new financing terms that would have provided a more sustainable financial structure.

Then on 7 February, the main retail subsidiary, Gerry Weber Retail GmbH & Co. KG, a 100% subsidiary of GWI AG but not part of the initial 25 Jan. application, followed similar actions of the quoted parent group and applied for the court order of preliminary insolvency proceedings under own administration.

Within the scope of the ongoing restructuring, GWI AG had arranged a bridging loan of EUR 10m for subsidiary Hallhuber GmbH with one investor which was also granted a purchase option. This was exercised on 8 July with a fund managed by Robus Capital Management taking a majority stake, leaving GWI AG at that stage with a 12% share in Hallhuber plus EUR 500k cash payment.

The next milestone was the 5 April announcement that the group had reached an agreement with employee representatives with respect to a restructuring plan (the Plan). This included redundancy for 140 full time equivalent (FTE) employees at GWI AG; the closure of a further 120 stores and POS in Germany (making 146 following the initial closures) at the Retail subsidiary with the loss of an additional 309 FTE employees in domestic stores (making 330); and the closure of 180 stores across Europe with a corresponding reduction of staff employed therein.

On 15 July 2019, Gerry Weber International AG concluded a binding investment agreement on the financial restructuring of the company within the scope of an insolvency plan with funds managed by Robus Capital Management Ltd. and Whitebox Advisors LLP. The two investors agreed to provide EUR 49m for the sustainable financial restructuring of the group (to fund the insolvency ratio and provide working capital for ongoing operations).

Creditors of GWI AG, waiving parts of their receivables, could choose between a cash compensation and various financial instruments for value recovery. Depending on the creditor, the insolvency ratio consisted of a fixed cash ratio (12% for large creditors, up to 27% for smaller claimants), plus additional funds from future disinvestments (like the Ravenna Park logistic centre, or the 12% remaining share in Hallhuber).

A further key element of the insolvency plan presented to the creditors, was a capital reduction to prospectively zero Euro as well as a subsequent cash capital increase. The new shares were acquired by Robus and Whitebox in a first step. Some of the shares were then used as part of convertible bonds, provided to those creditors, opting for financial instruments. Following these measures, all prevailing existing AGI AG shareholders left the company.

On 18 September 2019, a majority of creditors approved the plan which thus allowed the local court to approve the insolvency plan for Gerry Weber International AG on 25 October 2019. Therefore, self-administration proceedings of GWI AG concluded on 31 December 2019.

One year later on 15 October 2020, the German Federal Financial Supervisory Authority (BaFin) approved the prospectus for the admission to trading of the new shares of Gerry Weber International AG. The shares admitted to trading consisted of 1,211,861 new shares, which were issued within the scope of the restructuring of GWI AG by two ordinary capital increases, as well as 40,000 new shares partially utilizing the company's conditional capital, which may be issued in case of conversions of convertible bonds of GWI AG.

On 19 October 2020, the shares of Gerry Weber International AG were again admitted for trading on the Regulated Market (General Standard) of the Frankfurt and Düsseldorf stock exchanges. With a total of 1.22m shares, the new ticker is GWI2, with WKN: A255G3 and ISIN: DE000A255G36. From an initial price of EUR 3.40, the share price rose to EUR 11.00 at the end of the first day’s trade. The Plan Sponsors, Whitebox Advisors holds 42%, Robus Capital Management 41.8%, with J.P. Morgan Securities owning 16%.

There is 0.4% free float, but the Plan Sponsors have individually indicated “a willingness to offer shares on the capital markets, given appropriate market conditions, to widen the shareholder base and further increase stock market liquidity.” (source 15 October company press release).

PROFIT & LOSS (fiscal year) (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Revenues	**901**	**881**	**795**	**331**	**278**	**270**	**349**	**410**
EBITDA	**77**	**58**	**(96)**	**177**	**(3)**	**17**	**40**	**66**
Depreciation & amortisation	(48)	(44)	(96)	(47)	(49)	(46)	(45)	(45)
EBIT	**29**	**14**	**(192)**	**130**	**(52)**	**(30)**	**(5)**	**21**
Net interest	(9)	(8)	(6)	(8)	(14)	(14)	(12)	(10)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	**20**	**6**	**(198)**	**122**	**(66)**	**(43)**	**(16)**	**11**
Taxes	(5)	(3)	26	(2)	1	1	1	(2)
Minority interest	-	-	-	-	-	-	-	-
Net profit	**16**	**3**	**(172)**	**119**	**(65)**	**(43)**	**(15)**	**9**
EPS reported	0.34	0.06	(3.75)	97.78	(58.12)	(34.88)	(12.52)	7.62
EPS adjusted	**0.55**	**0.34**	**(6.44)**	**119.53**	**(34.32)**	**(16.81)**	**5.26**	**24.83**
DPS	0.25	-	-	-	-	-	-	-

BALANCE SHEET (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Tangible non current assets	288	273	205	316	253	223	201	181
Other non-current assets	236	240	179	22	16	(3)	(3)	(3)
Other current assets	326	240	223	115	78	74	92	110
Cash & equivalents	51	37	35	127	85	69	66	22
Total assets	**901**	**790**	**641**	**581**	**433**	**362**	**356**	**311**
Total equity	446	413	246	121	56	23	17	36
Interest-bearing non-current debt	221	218	169	269	261	252	250	185
Interest-bearing current debt	34	11	58	117	62	42	42	42
Other Debt	199	148	169	73	55	45	46	48
Total liabilites & equity	**901**	**790**	**641**	**581**	**433**	**362**	**356**	**311**

CASH FLOW (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Cash earnings	60	22	(82)	(5)	(13)	17	34	58
Change in working capital	(12)	19	48	61	22	(16)	(17)	(17)
Cash flow from investments	(59)	(38)	(4)	(8)	(5)	(5)	(6)	(8)
Cash flow from financing	(14)	(42)	(2)	59	(121)	(47)	(17)	(121)
Net cash flow	(26)	(39)	(39)	106	(117)	(51)	(5)	(88)

CAPITALIZATION & VALUATION (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price (EUR end)	**11.0**	**9.5**	**2.28**	**1.70**	**19.9**	**17.9**	**17.9**	**17.9**
Number of shares end period	46	46	46	1	1	1	1	1
Net interest bearing debt	204	193	192	259	237	226	226	205
Enterprise value	**709**	**631**	**297**	**261**	**259**	**248**	**248**	**227**
EV/Sales	0.8	0.7	0.4	0.8	0.9	0.9	0.7	0.6
EV/EBITDA	**9.2**	**10.8**	**-**	**1.5**	**-**	**15.0**	**6.1**	**3.4**
EV/EBIT	24.6	46.0	-	2.0	-	-	-	10.8
P/E reported	32.5	-	-	0.0	-	-	-	2.3
P/E adjusted	**20.0**	**28.1**	**-**	**0.0**	**-**	**-**	**3.4**	**0.7**
P/B	1.1	1.1	0.4	0.0	0.4	1.0	1.3	0.6

FINANCIAL ANALYSIS & CREDIT METRICS	2016	2017	2018	2019	2020	2021e	2022e	2023e
ROE adjusted (%)	5.4	3.6	-	79.5	-	-	32.1	114.7
Dividend yield (%)	2.3	-	-	-	-	-	-	-
EBITDA margin (%)	8.6	6.6	-	53.5	-	6.1	11.6	16.1
EBIT margin (%)	3.2	1.6	-	39.3	-	-	-	5.1
NIBD/EBITDA	2.64	3.32	(2.00)	1.46	(94.15)	13.69	5.60	3.11
EBITDA/Net interest	8.28	8.32	13.00	16.41	-	-	0.82	3.59

PROFIT & LOSS (fiscal year) (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21e	3Q'21e	4Q'21e
Revenues	**84**	**57**	**87**	**51**	**46**	**62**	**101**	**61**
EBITDA	**8**	**(9)**	**17**	**(18)**	**5**	**3**	**11**	**(2)**
Depreciation & amortisation	(14)	(12)	(11)	(11)	(11)	(12)	(12)	(12)
EBIT	**(7)**	**(20)**	**5**	**(29)**	**(7)**	**(9)**	**(0)**	**(14)**
Net interest	(2)	(5)	(3)	(4)	(4)	(3)	(3)	(4)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	**(9)**	**(25)**	**2**	**(34)**	**(10)**	**(12)**	**(3)**	**(18)**
Taxes	(0)	0	(0)	0	(0)	0	0	0
Minority interest	-	-	-	-	-	-	-	-
Net profit	**(9)**	**(25)**	**2**	**(33)**	**(10)**	**(12)**	**(3)**	**(18)**
EPS reported	(7.75)	(20.26)	1.63	(27.26)	(8.29)	(9.46)	(2.68)	(14.45)
EPS adjusted	**(1.40)**	**(14.57)**	**6.80**	**(22.50)**	**(3.82)**	**(5.04)**	**1.63**	**(9.57)**
DPS	-	-	-	-	-	-	-	-

BALANCE SHEET (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21e	3Q'21e	4Q'21e
Tangible non current assets	298	298	257	253	238	232	227	223
Other non-current assets	20	20	19	16	15	15	(3)	(3)
Other current assets	108	108	108	78	102	90	70	74
Cash & equivalents	91	91	74	85	79	83	89	69
Total assets	**518**	**518**	**458**	**433**	**435**	**420**	**382**	**362**
Total equity	88	88	89	56	46	35	36	23
Interest-bearing non-current debt	291	291	262	261	256	254	254	252
Interest-bearing current debt	70	70	45	62	61	61	42	42
Other Debt	69	69	61	55	72	70	50	45
Total liabilites & equity	**518**	**518**	**458**	**433**	**435**	**420**	**382**	**362**

CASH FLOW (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21e	3Q'21e	4Q'21e
Cash earnings	(29)	(22)	(7)	(53)	(9)	(23)	(14)	(28)
Change in working capital	(17)	17	(7)	29	(17)	10	-	(9)
Cash flow from investments	(1)	(1)	(0)	(2)	(1)	(1)	17	(2)
Cash flow from financing	(37)	(52)	(23)	(10)	(8)	(1)	(15)	(23)
Net cash flow	(83)	(58)	(37)	(37)	(35)	(15)	(12)	(63)

CAPITALIZATION & VALUATION (EURm)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21e	3Q'21e	4Q'21e
Share price (EUR end)	**4.80**	**4.80**	**19.8**	**19.9**	**15.7**	**17.9**	**17.9**	**17.9**
Number of shares end period	1	1	1	1	1	1	1	1
Net interest bearing debt	270	270	233	237	237	231	207	226
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	0.6	0.6	1.0

FINANCIAL ANALYSIS & CREDIT METRICS	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21e	3Q'21e	4Q'21e
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	9.1	-	19.2	-	10.4	4.7	11.1	-
EBIT margin (%)	-	-	6.0	-	-	-	-	-
NIBD/EBITDA	1.00	1.87	1.73	(100.41)	(46.00)	37.65	302.48	13.66
EBITDA/Net interest	52.55	12.94	12.14	-	-	-	-	-

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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 %	Companies	No. of shares	Holdings in %
ArcticZymes Technologies	598,575	1.24%	SpareBank 1 Ringerike Hade	100,000	0.64%
Bonheur	241,145	0.57%	Sparebank 1 SMN	1,875,442	1.44%
DOF	2,366,346	0.75%	Sparebank 1 SR-Bank	1,850,014	0.72%
Pareto Bank	16,235,830	23.38%	SpareBank 1 Østfold Akersh	1,205,116	9.73%
Quantafuel	1,119,887	0.89%	SpareBank 1 Østlandet	3,825,292	3.60%
Sandnes Sparebank	126,013	0.55%	Sparebanken Møre	305,239	3.09%
Selvaag Bolig	3,087,135	3.29%	Sparebanken Sør	433,744	2.77%
SpareBank 1 BV	1,771,308	2.81%	Sparebanken Vest	6,805,073	6.34%
Sparebank 1 Nord-Norge	4,125,317	4.11%			

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

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

Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,825	Fjordkraft Holding	0	12,855	Panoro Energy	0	30,344
Aker ASA	500	2,405	Flex LNG	0	3,532	Pareto Bank	0	2,412,220
Aker BP	0	23,471	Frontline	0	78,708	Pexip Holding	0	62,433
Aker Carbon Capture	0	122,771	Gjensidige Forsikring	0	7,723	PGS	0	11,676
Aker Offshore Wind	0	168,028	Golden Ocean Group	0	1,433	Protector Forsikring	0	12,000
Aker Solutions	0	3,678	Grieg Seafood	0	9,453	Quantafuel	0	1,119,887
American Shipping Co.	0	13,300	Hafnia Ltd.	0	10,000	REC Silicon	0	36,816
Aprila Bank ASA	0	22,675	Huddly	0	988,324	SalMar	0	2,709
Archer	0	30,170	Hunter Group ASA	0	308,500	Sandnes Sparebank	0	126,013
ArcticZymes Technologies	0	598,575	HydrogenPro	0	37,552	Scatec	0	20,412
Atlantic Sapphire	0	13,610	Ice Fish Farm	0	2,000	Selvaag Bolig	0	52,050
Austevoll Seafood	0	29,235	ice Group ASA	0	200,000	Skitude	0	12,695
Avance Gas	0	3,362	Kalera	0	53,027	Sparebank 1 Nord-Norge	0	3,350
B2Holding AS	0	14,075	Kitron	0	18,386	Sparebank 1 SMN	0	12,740
BASF	270	270	Komplett Bank	0	99,300	Sparebank 1 SR-Bank	0	8,505
Belships	0	18,020	Kongsberg Gruppen	0	36,023	SpareBank 1 Østfold Akershus	0	1,252
Bonheur	0	32,275	KWS	75	75	SpareBank 1 Østlandet	0	8,621
Borregaard ASA	0	650	Lerøy Seafood Group	0	40,378	Sparebanken Sør	0	16,435
Bouvet	0	2,940	Mercell	0	23,038	Sparebanken Vest	0	16,735
BRAbank	0	74,607	Mowi	0	4,661	Sparebanken Øst	0	1,500
BW Energy	0	55,050	MPC Container Ships	0	33,987	Stolt-Nielsen	0	1,817
BW Offshore	0	16,076	Nordic Semiconductor	0	4,681	Storebrand	0	25,178
Cloudberry Clean Energy	0	50,000	Noreco	0	790	Subsea 7	0	9,226
DNB	0	45,055	Norsk Hydro	0	111,219	Telenor	0	9,752
DNO	0	151,978	Norske Skog	0	98,225	Vow	0	8,681
DOF	0	2,366,346	NTS	0	2,272	Wallenius Wilhemsen	0	56,050
Elkem	0	35,426	Ocean Yield	0	104,370	XXL	0	17,823
Entra	0	9,977	OHT	0	6,650	Yara	0	14,133
Equinor	0	2,900	Okeanis Eco Tankers	0	22,000	Zaptec	0	4,000
Europris	0	11,414	Orkla	0	20,540			

This overview is updated monthly (last updated 25.06.2021).

*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

24SevenOffice Scandinavia	DLT	Komplett Bank	REC Silicon
2G Energy	EcoOnline	Kraft Bank	Saga Robotics
Advanzia Bank S.A.	ELOP	Lakers Holding AS	Salmon Evolution
Africa Energy Corp Corp	Endur ASA	Maha Energy	Scorpio Bulkers
Aker ASA	Energean Israel Finance Ltd.	Malorama Holding AS	Seafire AB
Aker Clean Hydrogen	Enviv AS (Bookis)	Meltwater	SFL Corporation Ltd
Aker Horizons	Fertiberia S.A.R.L.	Mercell	SGL TransGroup International A/S
Akershus Energi	Fjordkraft Holding	Mintra Group	Siccar Point Energy
Akva Group	Flexistore AS	Modex AS	Skitude
Alussa Energy Acquisition Corp (Freyr)	Genel Energy	MPC Container Ships	Smart Wires Inc.
American Tanker, Inc.	Gjensidige Forsikring	Mutares SE & Co. KGaA	Strandline Resources Limited
Arctic Fish	Golden Ocean Group	Müller Medien GmbH (United Vertical Mec	Talos Energy Inc
Arendals Fossekompani	Goliath Offshore	Navigator Holdings Ltd.	Tise AS
Attensi	Halodi Robotics AS	Navios	Trønderenergi AS
Belships	Heimdall Power	Next Biometrics Group	Vegfinans AS
BioInvent	HKN Energy Ltd	Nordic Halibut	Viking ACQ 1AS, SPAC
Biomega Group AS	Hofseth BioCare	Norlandia Health & Care Group AS	Vow
Boreal Holding AS	House of Control	Norse Atlantic	Watercircles Forsikring
Borr Drilling Limited	Huddly	Norske Skog	West Coast Salmon
Brooge Energy Limited	HydrogenPro	Norwegian Block Exchange	Wheel.me
Bulk Infrastructure Holding	Ice Group Scandinavia Holdings AS	OHT	Ørn Software (View Software AS)
BW Energy	Idavang A/S	Panoro Energy	
BW LPG	Instabank ASA	Pelagia Holding AS	
CentralNic Group PLC	Kalera	PetroNor E&P	
Circa Group	Keppel FELS Limited	PetroTal	
Cloudberry Clean Energy	Kistos plc.	Proximar Seafood	
CrayoNano AS	Klaveness Combination Carriers ASA	Pryme	
DigiPlex	KLP	Quantafuel	

This overview is updated monthly (this overview is for the period 31.05.2020 – 31.05.2021).

Appendix C

Disclosure requirements in accordance with Article 6(3) of Commission Delegated Regulation (EU) 2016/958

Distribution of recommendations

Recommendation	% distribution
Buy	67%
Hold	30%
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 investment banking services in the previous 12 months.

This overview is updated monthly (last updated 15.06.2021).

Appendix D

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

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

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

Disclosure of assignments and mandates
Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or

24SevenOffice Scandinavia AB	Climeon AB	Isofol Medical AB	Surgical Science
Azelio	Egetis Therapeutics	LMK Group	Swedencare AB
Bionvent	Implantica	Media & Games Invest plc.	Vicore Pharma
Biovica International	Green Landscaping Group AB	Re:NewCell	VNV Global
Cibus Nordic Real Estate AB			

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

Africa Energy Corp.	Logistri Fastighets AB	Minesto	ShaMaran Petroleum
ByggPartner i Dalarna Holding	Magnolia Bostad	Saltängen Property Invest	Surgical Science
Cibus Nordic Real Estate	Media & Games Invest plc.	SciBase Holding	Tethys Oil
Isofol Medical	Mentice AB	Sedana Medical	Vostok Emerging Finance

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
Member of the Pareto Group is providing Business Management services to the following companies:

Bosjö Fastigheter AB	Bråviken Logistik	Halmslätten	Mälaråsen
Bonäsudden	Delarka	Logistri	Sydsvenska Hem

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
This overview is updated monthly (last updated 15.06.2021).

Appendix E

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

Designated Sponsor
Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

2G Energy *	GFT Technologies *	Merkur Bank	SMT Scharf AG *
Biotest *	Gigaset *	MLP *	Surteco Group *
CORESTATE Capital Holding S.A.	Heidelberg Pharma *	mutares	Syzygy AG *
Daldrup & Söhne	Intershop Communications AG	OVB Holding AG	TAKKT AG
Demire	Leifheit	Procredit Holding *	Viscom *
Epigenomics AG*	Logwin *	PSI SOFTWARE AG *	
Gesco *	Manz AG *	PWO *	
Gerry Weber	MAX Automation SE	S&T AG *	

* 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.

Adler Modemaerkte	Dermapharm Holding SE	Intershop Communications AG	mutares
Baywa	Expres2ion Biotechnologies	Leifheit	OHB SE
BB Biotech	Gerry Weber	MAX Automation SE	OVB Holding AG
Daldrup & Söhne	Hypoport AG	Merkur Bank	Siegfried Holding AG

This overview is updated monthly (last updated 15.06.2021).