

Bong

Sector: Industrial Goods & Services

Packaging making further progress

Redeye remains cautiously optimistic following Bong's full year report. The Q4-numbers included better gross margins and Light Packaging revenues than expected. Packaging's share of group sales is gradually increasing, paving the way for better profitability. We are only making minor changes to our forecasts and reiterate our base case valuation of SEK 0.8 per share.

Q4: All in all in line

Sales and earnings came in basically in line with our expectations, adjusted for the SEK 31m goodwill write-down. Sales declined by 11% Y/Y, while adjusted EBIT was on par with Q4'19. Gross margins improved from 17% to 19%, which is reassuring. Bong probably has some tailwind from lower paper prices compared to last year and also some impact from structural cost savings. Sales and admin costs were however higher than we anticipated. Bong is expecting to see further positive impact from its cost savings initiatives in 2021.

Packaging robust while Envelopes still sluggish

Envelope sales declined by 15% Y/Y in the quarter, which is certainly better than the drop of ~25% seen in Q2-Q3. According to Bong the European market improved in Q4; "Especially the month of December was showing sales and earnings at moderate reduced levels".

Light Packaging showed yet again higher sales numbers than we anticipated. 4% growth Y/Y (Fx adjusted), driven by strong performance from the usual suspects: Paper carrier bags +99% and Bubble mailers for e-commerce packaging +41%. Retail gift bags are of course still down compared to pre-Corona levels. More investments to support the expansion in Packaging are planned for 2021 and beyond.

Estimates and valuation unchanged

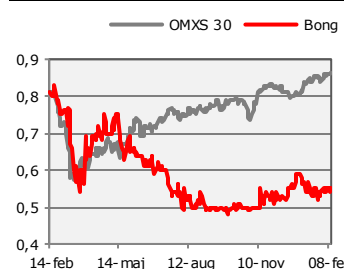
Our financial forecasts are virtually unchanged. With a gradual recovery in the market we believe Bong is able to post black numbers on the bottom line in 2021. Our **Base case fair value is unchanged at SEK 0.83 per share**, with a fair value range of SEK 0.2-1.8 per share. The range is wide due to high operational and financial leverage, and admittedly, a fair amount of uncertainty.

| KEY FINANCIALS (SEKm) | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E |
|-----------------------|------|-------|-------|-------|-------|-------|
| Net sales | 2166 | 1843 | 1894 | 1855 | 1824 | 1788 |
| EBITDA | 121 | 96 | 110 | 118 | 127 | 116 |
| EBIT | 32 | -19 | 38 | 52 | 63 | 54 |
| EPS (adj.) | -0.1 | -0.1 | 0.0 | 0.1 | 0.2 | 0.1 |
| EV/Sales | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 5.5 | 6.1 | 5.4 | 4.7 | 4.0 | 4.1 |
| EV/EBIT | 20.8 | -30.6 | 15.6 | 10.7 | 8.1 | 8.9 |
| P/E | -6.4 | -1.7 | -89.4 | 5.3 | 3.4 | 4.5 |

FAIR VALUE RANGE

| BEAR | BASE | BULL |
|------|------|------|
| 0.2 | 0.8 | 1.8 |

VERSUS OMXS30



REDEYE RATING



KEY STATS

| | |
|--------------------------|--------|
| Ticker | BONG |
| Market | Nasdaq |
| Share Price (SEK) | 0.6 |
| Market Cap (MSEK) | 116 |
| Net Debt 21E (MSEK) | 472 |
| Free Float | 70 % |
| Avg. daily volume ('000) | 400 |

ANALYSTS

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Packaging 30% of group sales in Q4

On group level, and adjusted for the SEK 31m write-down, earnings came in very much in line with our estimates. Sales and gross margins were better than expected. Higher gross profit was however offset by higher SG&A cost. EBIT included one-off items of SEK -31m in goodwill write-downs and SEK 9m in capital gains from sales of machines and release of restructuring provisions. Our estimates included no one-off items.

| Bong: Expected vs. Actual | | | | |
|---------------------------|-------|---------------|--------|------|
| (SEKm) | Q4'19 | Q4' 20 Actual | Q4'20E | Diff |
| Net sales | 568 | 505 | 490 | 3% |
| Whereof Light Packaging | 155 | 156 | 150 | 4% |
| Gross profit | 96 | 97 | 88 | 10% |
| EBITDA | 36 | 40 | 44 | -9% |
| EBIT, adjusted * | 22 | 23 | 22 | 5% |
| EBIT | 14 | -8 | 22 | n.m. |
| Pre-tax profit | -14 | -17 | 12 | n.m. |
| Sales growth Y/Y | -6% | -11% | -14% | |
| Gross margin | 16.9% | 19.1% | 18.0% | |
| EBITDA margin | 6.3% | 7.9% | 9.0% | |
| EBIT margin | 2.5% | -1.6% | 4.5% | |

* EBIT adjusted for SEK 31m goodwill write-down in Q4-20

Source: Bong, Redeye Research

Envelope sales were down across the board with UK and Sweden showing the biggest declines in Q4. South and Central Europe were not as bad. Bong saw some improvement in demand during Q4 and particularly in December.

Light Packaging continues to perform well and especially in region South Europe, which was the main contributor to growth in Q4. Retail gift bags are still struggling since many of the retail chains in Europe are affected by restrictions. On the other hand, Paper carrier bags and e-commerce products continue to do extremely well.

| Quarterly performance | | | | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| (SEK m) | Q1'19 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 | Q3'20 | Q4'20 |
| Revenues | 571 | 507 | 520 | 568 | 518 | 399 | 421 | 505 |
| whereof Light Packaging | 106 | 105 | 124 | 155 | 116 | 99 | 122 | 156 |
| Gross profit | 100 | 82 | 87 | 96 | 96 | 50 | 73 | 97 |
| EBITDA * | 21 | 4 | 14 | 21 | 22 | -14 | 11 | 22 |
| EBIT | 15 | -3 | 7 | 14 | 5 | -20 | 3 | -8 |
| Net financial items | -11 | -11 | -12 | -8 | -8 | -10 | -9 | -9 |
| Pre tax profit | 5 | -15 | -6 | 6 | -3 | -30 | -6 | -17 |
| Revenue growth, Y/Y | 6% | -7% | -3% | -6% | -9% | -21% | -19% | -11% |
| Gross-margin | 17.5% | 16.1% | 16.8% | 16.9% | 18.5% | 12.4% | 17.3% | 19.1% |
| EBITDA-margin * | 3.7% | 0.8% | 2.7% | 3.7% | 4.1% | -3.5% | 2.5% | 4.4% |
| Cash flow after investments | 42 | -11 | -7 | 55 | 14 | 1 | 4 | 12 |
| Net debt, excl leasing debt | 326 | 360 | 394 | 346 | 338 | 351 | 366 | 365 |

* Excluding non-recurring items and IFRS 16

Source: Bong, Redeye Research

Forecasts & Valuation

Envelopes

2020 was the worst year on record, in terms of declining volumes in the European envelope market. We haven't seen the statistics yet, but we believe the drop was around 20%. Bongs envelope sales decreased 18% Y/Y, Fx adjusted. The long-term trend over the last decade has been minus 5-8% annually. We expect at least some temporary rebound in 2021. Particularly in the market segment Direct Mail Marketing, which is sensitive to the business climate and suffered a lot during last year. This is a significant part of Bongs envelope business.

Some rebound in 2021

We also expect to see further impact from Bongs cost savings measures that are already implemented. But our estimates also include the need for future restructuring costs of SEK 20m per year, related to downsizing the envelop business. Goodwill impairment is also quite likely but we chose to ignore it since it has no cash flow impact (no impact on valuation).

Light Packaging

Light Packaging continues to perform extremely well in its two main growth segments: e-commerce products and paper carrier bags. Retail gift bags have had a tough year, for obvious reasons. In 2021 we believe this segment will recover and return to a pre-Corona growth path. Bongs expansion has primarily been in South Europe and this is probably where they still have the best opportunities. More investments are planned for 2021 and beyond.

Strong growth in Paper carrier bags and e-commerce products

Light packaging accounted for 30% of group sales in Q4, which is admittedly a seasonally strong quarter for packaging. But gradually Bongs sales mix will improve (more packaging, less envelopes). This should allow for better profitability, since it's reasonable to assume that Light Packaging is much more profitable than Envelopes.

| P&L, historic and forecast | | | | | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| SEK m | 2019 | 2020 | 2021E | 2022E | 2023E |
| Envelopes | | | | | |
| Revenues | 1 676 | 1 351 | 1 363 | 1 281 | 1 204 |
| Growth, Y/Y | -5% | -19% | 1% | -6% | -6% |
| EBIT * | 14 | -10 | 21 | 26 | 27 |
| EBIT-margin | 0.8% | -0.7% | 1.5% | 2.0% | 2.3% |
| Light Packaging | | | | | |
| Revenues | 490 | 492 | 531 | 574 | 620 |
| Growth, Y/Y | 8% | 0% | 8% | 8% | 8% |
| EBIT * | 29 | 31 | 37 | 46 | 56 |
| EBIT-margin | 6.0% | 6.3% | 7.0% | 8.0% | 9.0% |
| Non-recurring items | -11 | -40 | -20 | -20 | -20 |
| Total revenues | 2 166 | 1 843 | 1 894 | 1 855 | 1 824 |
| Growth, Y/Y | -2% | -15% | 3% | -2% | -2% |
| Gross profit | 364 | 315 | 341 | 343 | 347 |
| Gross-margin | 16.8% | 17.1% | 18.0% | 18.5% | 19.0% |
| EBITDA ** | 132 | 101 | 130 | 138 | 147 |
| D.o. marginal | 6.1% | 5.5% | 6.8% | 7.4% | 8.1% |
| EBIT | 32 | -19 | 38 | 52 | 63 |
| Net financial items | -42 | -37 | -34 | -27 | -25 |
| Pre tax profit | -10 | -56 | 4 | 24 | 38 |

* Redeyes assessment regarding previous years.

** Excluding non-recurring items.

Source: Bong, Redeye Research

Valuation

Fair value: ~SEK
0.83 per share

Our DCF-model indicates an enterprise value of around SEK 540 million. After deducting net debt of SEK 365 m (excluding lease liabilities) our fair value of equity is around SEK 180 million, or **SEK 0.83 per share**, which is basically unchanged compared to before.

No changes have been made in our assumptions for long term growth or profitability:

- Years 2024-28: zero growth, 3% EBIT margin
- Terminal year (2029): 2 percent growth, 3% EBIT margin
- WACC: 12% (derived from our Redeye Rating model)

Long term assumptions for growth and profitability

As Bongs packaging business expands, the negative growth on group level will abate. For the period 2024-28 we assume zero growth and thereafter 2% annually. We expect sustainable average EBIT-margins of 3.0%. This is based on packaging making up for a larger part of group total, recurring costs for downsizing the envelope business, a general down-turn in the economy or other potential problems during this period.

| DCF-value, SEK per share | | | | | |
|--------------------------|------|------|-------------|------|------|
| Sustainable EBIT-margins | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% |
| WACC | | | | | |
| 11.0% | 0.57 | 0.81 | 1.05 | 1.30 | 1.54 |
| 12.0% | 0.40 | 0.62 | 0.83 | 1.05 | 1.26 |
| 13.0% | 0.26 | 0.44 | 0.64 | 0.82 | 1.01 |

Source: Redeye Research

Multiples still rather attractive

EV/EBITDA is the most useful key ratio to track, since it takes both the high net debt into account and the fact that depreciations are much higher than Capex. Note that we have excluded the impact from IFRS 16 on this key ration, since these items distort the comparison. Bongs forward looking EV/EBITDA multiples are now a bit lower than in the previous years.

| Earnings multiples | | | | | | |
|------------------------|------|------|------|-------|-------|-------|
| Share price, SEK: 0.55 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E |
| P/E | neg | neg | neg | 55.9 | 5.9 | 4.2 |
| EV/EBITDA * | 7.6 | 8.1 | neg | 7.6 | 6.8 | 6.2 |
| EV/EBIT | neg | 20.8 | neg | 14.3 | 10.7 | 9.3 |

* Excl impact from IFRS 16 as of 2019

Source: Redeye Research

Scenarios

Our Base case scenario, which is outlined on the previous page, is what we believe a probable scenario that corresponds to a fair value of approximately **SEK 0.83 per share**. There is certainly a possibility that the company will develop better than we anticipate, but also worse. We have drafted two scenarios that illustrate this down below.

Bull case is based on sales returning to sustainable growth and improving profitability. If the expansion within packaging is really strong Bong may be able to show positive top-line growth on group level and higher margins than we anticipate. The green area in the table below shows the impact on DCF-value for different levels of sustainable margins and growth (all else being equal). These do not appear completely unrealistic, yet quite optimistic. Fair value would then be around **SEK 1.84 SEK per share**.

Bear case could potentially materialize if the negative trend in the envelope market accelerates causing even tougher squeeze on margins and recurring costs for capacity adjustments. It could also happen as a combination of Bongs packaging business stalling in terms of growth and profitability. The orange colored area indicates possible outcomes in this scenario. Fair value would then be only approximately **SEK 0.2 per share**.

| DCF-value, SEK per share | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Sustainable EBIT-margins: | 1.0% | 2.0% | 3.0% | 4.0% | 5.0% |
| Annual growth rate 2023-28 | | | | | |
| -3.0% | -0.02 | 0.34 | 0.71 | 1.07 | 1.46 |
| 0.0% | -0.02 | 0.40 | 0.83 | 1.26 | 1.72 |
| 3.0% | -0.02 | 0.46 | 0.96 | 1.45 | 1.98 |
| 6.0% | -0.03 | 0.52 | 1.08 | 1.64 | 2.24 |

Source: Redeye Research

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report: No changes

People: 3

Management has several years of experience and knows its markets very well. CEO Kai Steigleder has been with Bong since 2007. Most recently, before taking the position as CEO, he was managing director of the largest business unit, Central Europe. The last few years have been characterized by heavy restructuring measures which have been well managed. On the other hand we cannot assess whether management has the ability to create long-term growth within the Packaging segment, which they have an ambition to do. The public quarterly reports are quite brief in terms of numbers and information. Hence transparency is limited which makes it more difficult to review and understand the company.

Business: 3

All-and-all Bong is a little below average in this category. Primarily because of the negative market trend for envelopes where volumes are going down, products are standardized and competition is tough. Bong has economies of scale and probably better stamina than most of its peers. The envelope business will hardly attract new players, but with shrinking volumes and over capacity, price pressure will remain. For Light Packaging the prospects are clearly better and Bong has a good position with a couple of growing market segments.

Financials: 2

Profitability has been weak during the past several years. In spite of substantial cost-cutting programs margins and earnings are very thin. Since depreciation is substantially higher than capex, cash flows are generally stronger than reported earnings. Bong's financial gearing is relatively high but manageable and the debt is primarily long term. The business is diversified in terms of products and customers but to some extent cyclical. Also, for the longer term there is a recurring need for restructuring measures as the envelope market is declining.

| INCOME STATEMENT | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------|--------|--------|--------|--------|--------|
| Net sales | 2,166 | 1,843 | 1,894 | 1,855 | 1,824 |
| Total operating costs | -2,046 | -1,747 | -1,785 | -1,737 | -1,697 |
| EBITDA | 121 | 96 | 110 | 118 | 127 |
| Depreciation | -28 | -25 | -22 | -17 | -16 |
| Amortization | -61 | -55 | -50 | -49 | -48 |
| Impairment charges | 0 | -35 | 0 | 0 | 0 |
| EBIT | 32 | -19 | 38 | 52 | 63 |
| Share in profits | 0 | 0 | 0 | 0 | 0 |
| Net financial items | -42 | -37 | -34 | -27 | -25 |
| Exchange rate dif. | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | -10 | -56 | 4 | 24 | 38 |
| Tax | -14 | -9 | -5 | -2 | -4 |
| Net earnings | -24 | -65 | -1 | 22 | 34 |

| BALANCE SHEET | 2019 | 2020 | 2021E | 2022E | 2023E |
|----------------------------|-------|-------|-------|-------|-------|
| Assets | | | | | |
| <i>Current assets</i> | | | | | |
| Cash in banks | 100 | 110 | 113 | 111 | 109 |
| Receivables | 223 | 207 | 213 | 208 | 205 |
| Inventories | 200 | 182 | 187 | 183 | 180 |
| Other current assets | 94 | 78 | 78 | 78 | 78 |
| Current assets | 617 | 577 | 590 | 580 | 571 |
| <i>Fixed assets</i> | | | | | |
| Tangible assets | 151 | 124 | 112 | 105 | 99 |
| Associated comp. | 0 | 0 | 0 | 0 | 0 |
| Investments | 1 | 0 | 0 | 0 | 0 |
| Goodwill | 530 | 463 | 463 | 463 | 463 |
| Cap. exp. for dev. | 0 | 0 | 0 | 0 | 0 |
| 0 intangible rights | 9 | 5 | 6 | 7 | 8 |
| 0 non-current assets | 24 | 1 | 1 | 1 | 1 |
| Total fixed assets | 855 | 713 | 705 | 697 | 690 |
| Deferred tax assets | 113 | 103 | 103 | 103 | 103 |
| Total (assets) | 1,585 | 1,393 | 1,399 | 1,380 | 1,365 |
| Liabilities | | | | | |
| <i>Current liabilities</i> | | | | | |
| Short-term debt | 0 | 0 | 0 | 0 | 0 |
| Accounts payable | 211 | 151 | 155 | 152 | 149 |
| 0 current liabilities | 216 | 234 | 234 | 234 | 234 |
| Current liabilities | 427 | 385 | 389 | 386 | 383 |
| Long-term debt | 446 | 475 | 462 | 427 | 382 |
| 0 long-term liabilities | 11 | 7 | 7 | 7 | 7 |
| Convertibles | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 884 | 867 | 858 | 820 | 772 |
| Deferred tax liab | 10 | 8 | 8 | 8 | 8 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 529 | 411 | 410 | 432 | 466 |
| Minority interest (BS) | 0 | 0 | 0 | 0 | 0 |
| Minority & equity | 529 | 411 | 410 | 432 | 466 |
| Total liab & SE | 1,585 | 1,393 | 1,399 | 1,380 | 1,365 |

| FREE CASH FLOW | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------|--------|--------|--------|--------|--------|
| Net sales | 2,166 | 1,843 | 1,894 | 1,855 | 1,824 |
| Total operating costs | -2,046 | -1,747 | -1,785 | -1,737 | -1,697 |
| Depreciations total | -89 | -115 | -72 | -66 | -64 |
| EBIT | 32 | -19 | 38 | 52 | 63 |
| Taxes on EBIT | -7 | 4 | -8 | -5 | -6 |
| NOPLAT | 25 | -23 | 29 | 46 | 57 |
| Depreciation | 89 | 115 | 72 | 66 | 64 |
| Gross cash flow | 114 | 92 | 101 | 113 | 121 |
| Change in WC | 14 | 9 | -7 | 5 | 4 |
| Gross CAPEX | -23 | -3 | -11 | -11 | -11 |

| CAPITAL STRUCTURE | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------|------|------|-------|-------|-------|
| Equity ratio | 33% | 30% | 29% | 31% | 34% |
| Debt/equity ratio | 115% | 142% | 143% | 127% | 108% |
| Net debt | 509 | 472 | 472 | 437 | 392 |
| Capital employed | 875 | 776 | 759 | 748 | 739 |
| Capital turnover rate | 1.4 | 1.3 | 1.4 | 1.3 | 1.3 |

| GROWTH | 2019 | 2020 | 2021E | 2022E | 2023E |
|------------------|------|------|-------|---------|-------|
| Sales growth | -2% | -15% | 3% | -2% | -2% |
| EPS growth (adj) | -84% | 176% | -98% | -1,786% | 55% |

| DCF VALUATION | | CASH FLOW, MSEK | |
|---------------|-------|--------------------------|------|
| WACC (%) | 12.0% | NPV FCF (2020-2021) | 131 |
| | | NPV FCF (2022-2028) | 236 |
| | | NPV FCF (2029-) | 280 |
| | | Non-operating assets | 110 |
| | | Interest-bearing debt | -582 |
| | | Fair value estimate MSEK | 174 |

| Assumptions 2024-2028 (%) | | | |
|---------------------------|----|------------------------------|-----|
| Average sales growth | 0% | Fair value e. per share, SEK | 0.8 |
| EBIT margin | 3% | Share price, SEK | 0.6 |

| PROFITABILITY | 2019 | 2020 | 2021E | 2022E | 2023E |
|---------------|------|------|-------|-------|-------|
| ROE | -4% | -14% | 0% | 5% | 8% |
| ROCE | 3% | -2% | 4% | 5% | 7% |
| ROIC | 3% | -3% | 4% | 6% | 8% |
| EBITDA margin | 6% | 5% | 6% | 6% | 7% |
| EBIT margin | 1% | -1% | 2% | 3% | 3% |
| Net margin | -1% | -4% | 0% | 1% | 2% |

| DATA PER SHARE | 2019 | 2020 | 2021E | 2022E | 2023E |
|----------------|-------|-------|-------|-------|-------|
| EPS | -0.11 | -0.31 | -0.01 | 0.10 | 0.16 |
| EPS adj | -0.11 | -0.14 | -0.01 | 0.10 | 0.16 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net debt | 2.41 | 2.23 | 2.24 | 2.07 | 1.86 |
| Total shares | 21125 | 21125 | 21125 | 21125 | 21125 |

| VALUATION | 2019 | 2020 | 2021E | 2022E | 2023E |
|-------------|-------|-------|-------|-------|-------|
| EV | 660.7 | 581.8 | 588.6 | 553.2 | 508.5 |
| P/E | -6.4 | -1.7 | -89.4 | 5.3 | 3.4 |
| P/E diluted | -6.4 | -1.7 | -89.4 | 5.3 | 3.4 |
| P/Sales | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| EV/Sales | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 5.5 | 6.1 | 5.4 | 4.7 | 4.0 |
| EV/EBIT | 20.8 | -30.6 | 15.6 | 10.7 | 8.1 |
| P/BV | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |

| SHARE PERFORMANCE | GROWTH/YEAR | | 18/20 |
|-------------------------|-------------|----------------------|---------|
| 1 month | 0.0 % | Net sales | -6.5 % |
| 3 month | 5.8 % | Operating profit adj | 9.1 % |
| 12 month | -32.1 % | EPS, just | -76.5 % |
| Since start of the year | -6.8 % | Equity | -12.0 % |

| SHAREHOLDER STRUCTURE % | CAPITAL | VOTES |
|-------------------------|---------|--------|
| Stéphane Hamelin | 25.0 % | 25.0 % |
| Per-Arne Åhlgren | 14.9 % | 14.9 % |
| Avanza Pension | 5.3 % | 5.3 % |
| Svolder | 4.9 % | 4.9 % |
| Theodor Jeansson | 4.7 % | 4.7 % |
| Christian Paulsson | 4.3 % | 4.3 % |
| John Elvesjö | 2.6 % | 2.6 % |
| Dan Drottman | 2.4 % | 2.4 % |
| Aktiebolaget Cydonia | 1.8 % | 1.8 % |
| Mattias Cramby | 1.8 % | 1.8 % |

| SHARE INFORMATION | |
|-----------------------|------------------|
| Reuters code | BONGST |
| List | Nasdaq Small Cap |
| Share price | 0.6 |
| Total shares, million | 2112 |
| Market Cap, MSEK | 1162 |

| MANAGEMENT & BOARD | |
|--------------------|--------------------|
| CEO | Kai Steigleder |
| CFO | Carsten Grimmer |
| IR | |
| Chairman | Christian Paulsson |

| FINANCIAL INFORMATION | |
|-----------------------|--------------|
| Q1 report | May 12, 2021 |

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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

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Redeye Rating (2021-02-14)

| Rating | People | Business | Financials |
|-----------|--------|----------|------------|
| 5p | 23 | 18 | 3 |
| 3p - 4p | 107 | 88 | 40 |
| 0p - 2p | 5 | 29 | 92 |
| Company N | 135 | 135 | 135 |

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Viktor Westman owns shares in the company : No

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