

CLIQ Digital – full Stream ahead

CLIQ Digital offers digital streaming services such as movies, series, music and games to value oriented customers. We expect the company to continue its strong growth trajectory in the coming years, driven by a strong market growth, geographical expansion, greater sales densities and market share growth. Scale effects, improving payment terms and optimized ad buying should result in a >3x increase in the EPS until FY 2023. We are initiating coverage on CLIQ Digital with a Buy recommendation and a target price of EUR 70.

Strong growth ahead

Driven by geographic expansion, market share growth and an expansion of marketing expenses, we expect the company to clearly outperform market growth, which is around 10% p.a. Revenue should thus grow with a CAGR of 24% until FY 2023.

Margin improvements

Scale effects, improving payment terms and optimized media buying should in our view have a positive effect on margins and earnings. We expect the EBITDA margin to improve from 15% in FY 2020 to 20% in FY 2023, while the EPS should more than triple from EUR 1.16 to EUR 4.17 over the same period.

M&A as an option to further accelerate growth

Given its strong balance sheet, acquisitions are clearly in the cards and could further boost growth and earnings. Likely targets are in our view streaming service providers, which either add new geographies or new content type (e.g. more kids' content or fitness) to CLIQ Digital's portfolio.

EURm	2019	2020	2021e	2022e	2023e
Revenues	63	107	140	171	203
EBITDA	6	16	23	32	40
EBIT	5	15	22	31	40
EPS	0.36	1.16	2.26	3.22	4.17
EPS adj	0.36	1.16	2.26	3.22	4.17
DPS	0.14	0.46	0.90	1.29	1.67
EV/EBITDA	5.2	6.8	6.0	4.0	2.8
EV/EBIT	6.2	7.1	6.2	4.1	2.8
P/E adj	8.1	14.4	9.3	6.5	5.1
P/B	0.40	2.02	2.19	1.76	1.42
ROE (%)	4.8	15.0	26.0	29.9	31.2
Div yield (%)	4.8	2.8	4.3	6.1	7.9
Net debt	10	1	(1)	(13)	(28)

Source: Pareto



Target price (EUR)	70
Share price (EUR)	21

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	CLIQ.DE, Cliq
Sector	Media
Shares fully diluted (m)	6.5
Market cap (EURm)	137
Net debt (EURm)	-1
Minority interests (EURm)	0
Enterprise value 21e (EURm)	136
Free float (%)	83

Performance



Source: Factset

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Investment Case

Roots as a digital marketing company

CLIQ Digital was founded as a direct marketing company, which sold different types of digital content, which it licensed from content producers. While this marketing focus and the insourcing of content remain the DNA of CLIQ Digital, the company is today much more focused on its multi content streaming offering.

Niche player in a strongly growing market

CLIQ Digital's product offering positions the company in the value-for-money niche of the growing streaming services market. Driven by geographic expansion, market share growth, greater sales densities and an expansion of marketing expenses, we expect the company to clearly outperform market growth. According to our estimate, revenue should grow with a CAGR of 24% until FY 2023. The asset light business model should allow the company to finance this growth from its own cash flow.

Margin improvements

Scale effects, improving payment terms and optimized media buying should in our view have a positive effect on margins and earnings. We expect the EBITDA margin to improve from 15% in FY 2020 to 20% in FY 2023, while the EPS should more than triple from EUR 1.16 to EUR 4.17 over the same period.

M&A as an option to further accelerate growth

In April 2021, CLIQ Digital acquired the remaining 20% in Hype Ventures, which bundles the streaming business of CLIQ Digital. The deal, which will cost the company roughly EUR 18m in cash and shares, will be highly EPS accretive as it would have eliminated EUR 2.5m in minority interest in FY 2020.

Given its strong balance sheet – the company is almost net debt free – further acquisitions are clearly in the cards and could further boost growth and earnings. Likely targets are in our view streaming service providers, which either add new geographies or new content type (e.g. more kids content or fitness) to CLIQ Digital's portfolio.

Valuation

We base our valuation on a peer group model as well as a DCF model. The DCF model is in our view best suited to account for the long-term growth potential of CLIQ-Digital as well as its high level of cash generation. The peer group model on the other hand bodes well to assess the fair value of CLIQ Digital relative to other companies with a similar business model, without having to make long-term assumptions, which are difficult to make for the highly dynamic business environment in which CLIQ Digital operates.

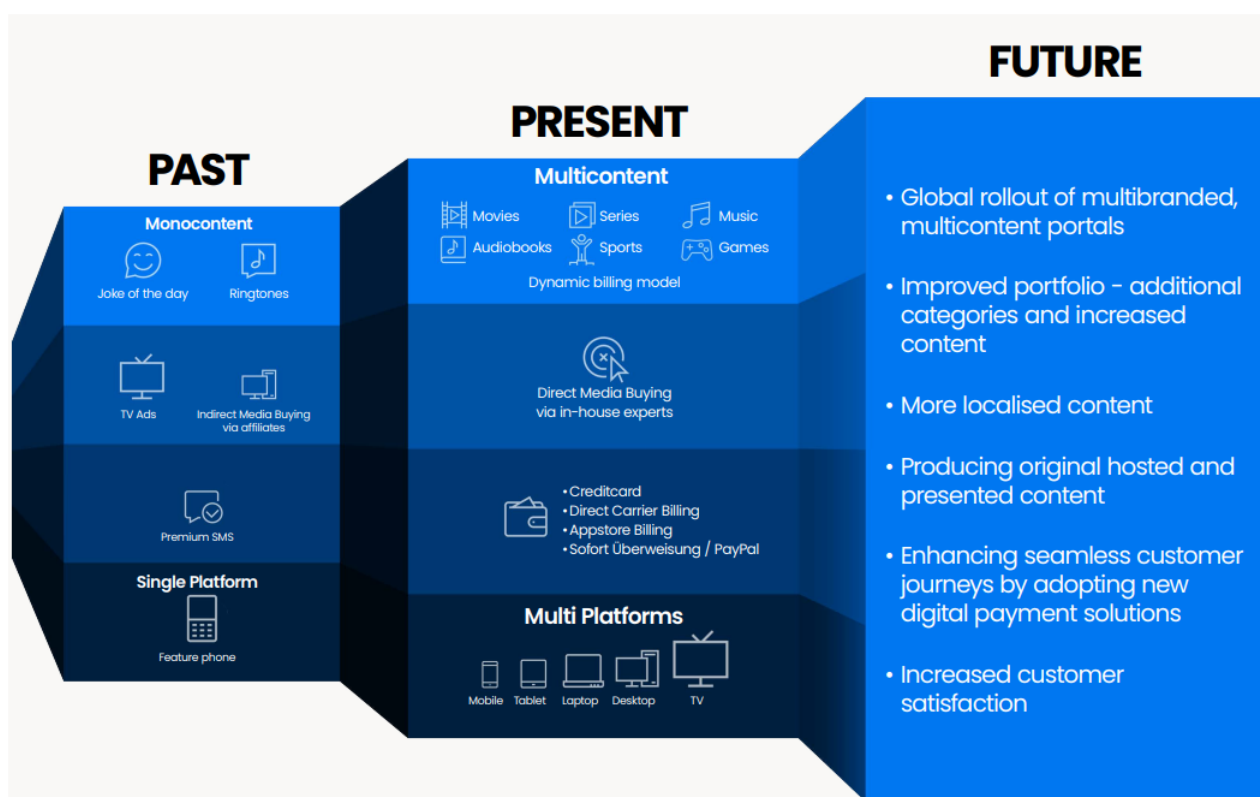
By applying an equal weight to both models, we have derived a target price of EUR 70, which is based on a fair value of EUR 72 from the DCF model as well as EUR 68 from the peer group model.

Company overview

CLIQ Digital started as a direct marketing company, which would sell digital goods and services directly via the internet. In the early days, the company sold mainly simple content such as the joke of the day or ring tones, mainly for mobile phone users. The services were marketed via TV advertisements or by using online marketing through affiliates. Payments were conducted mainly through premium SMS services, meaning that the user ordered the product by sending an SMS to a specific number and was then billed by its mobile operator.

Over time and through several acquisitions this has evolved into today's business model, where CLIQ Digital sells mainly a digital media streaming bundle, which includes movies, series, sports, music, audiobooks and games content. Credit card payments today account for more than two thirds of total revenue.

Exhibit 1: Evolution of CLIQ Digital's business model



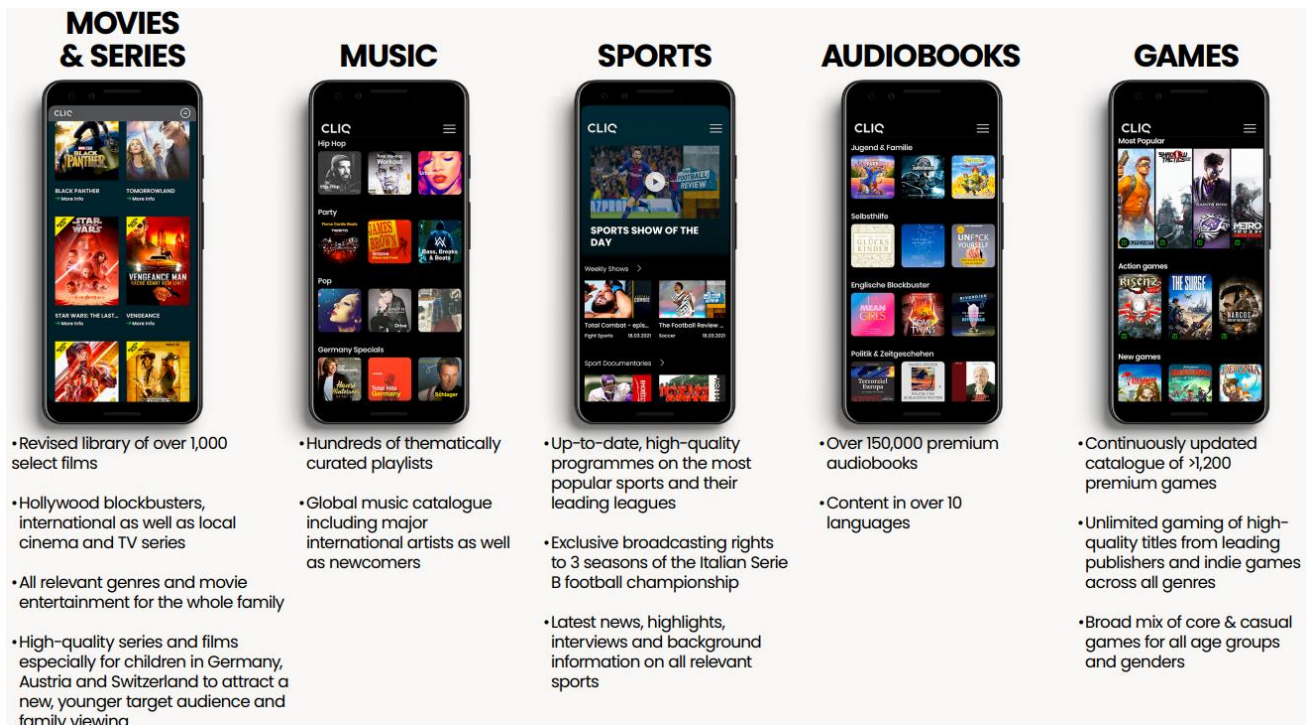
Source: CLIQ Digital, Pareto Securities Research

Product

CLIQ Digital's main product categories are multi content streaming bundles. Products are a combination of various services, that are packaged together to different offerings. This differentiates CLIQ from its competitors, which typically concentrate on one or two categories.

The company's main offering that is available on its website under its own company / brand name combines several services. It combines a video streaming services, a sports offering, music and audiobooks as well as games and is sold for EUR 14.99 per month including VAT.

Exhibit 2: CLIQ Digital's All-in-one product



Source: CLIQ Digital, Pareto Securities Research

However, CLIQ is not mainly a company which will sell its product based on brand awareness. In fact, CLIQ uses many different brands and the end users are typically unaware that they use a CLIQ product.

These product bundles vary locally in pricing and offering. Typically, the CLIQ team will pick up a hot current theme (e.g. the European Football Championship) and then design a marketing campaign that fits that theme out of the existing content portfolio. Pricing of this product offering will also depend very much on the existing experience with similar bundles.

The content that CLIQ is offering is typically licensed from external partners. For their games content, CLIQ is e.g. currently using Utomic, a specialised game offering. For videos, CLIQ has amongst others access to the Pantaflix library, for music they work together with Stingray.

On top of this, CLIQ also licenses country specific content for regional offers, especially on the video content. For example, CLIQ has acquired a portfolio of local movies for the Italian market and offers a "Schlager" playlist for the German market.

Generally, the product offering is less deep than the specialised services such as Netflix, Spotify, Audible etc. In music, e.g. one can only chose between specific streams, but it is not possible to generate own playlists or to rewind or fast forward. For movies and series, the content portfolio is much more limited than what you could get on Netflix or Disney Plus, or the number of movies you can watch per month for free is limited.

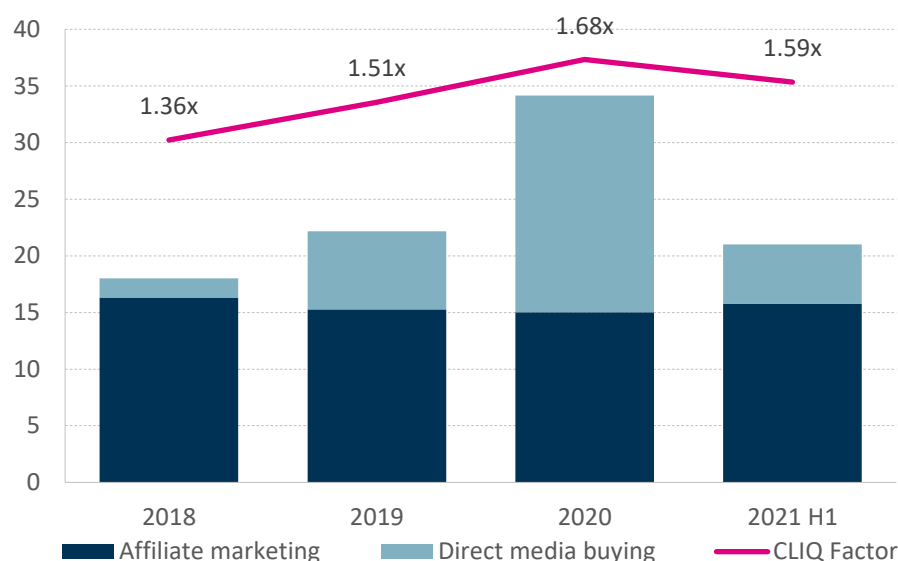
Also, the offering is mainly designed to be consumed via websites, on your smart phone or laptop/PC, but currently has no App that is available directly on a smart TV.

Marketing

CLIQ Digital is using a direct response marketing approach to sell its products. Marketing is done mainly through search engines and social media but big publishers and selected other channels are also targeted directly.

Historically, the largest share of marketing was done through affiliates, which would book the advertisements for CLIQ and get paid a success fee for new customers. However, while this sounds like a pretty low risk marketing approach at first glance, it is also more expensive as the middleman must be paid as well. Also, historically there had been issues with unreliable affiliate partners, which resulted in a higher than usual churn. The share of marketing through affiliate partners has thus been reduced significantly over the last years and direct buying now accounts for more than 75% of the total marketing spend.

Exhibit 3: Marketing and CLIQ Factor development



Source: CLIQ Digital, Pareto Securities Research

Generally, the approach is to find a good trigger, that can be used to connect a search keyword or interest on social media with a matching digital media product, which is based on their broad portfolio of possible services. This is then branded as a unique service with an own brand identity.

A user that is looking for football content on a search engine might for example be shown ads that promote a specialised offering for a sports product, which shows summary clips from football matches from all over the world.

CLIQ is successful with this approach as they have their own know-how in house - their business intelligence unit, that helps them to measure, analyse and adapt the success of their online marketing strategies. This business intelligence department is constantly analysing all data related to their campaigns, which allows them to react early if a campaign is not as successful as expected. Also, this allows the company to make very precise forecasts if customers, which subscribed after a specific campaign, will be profitable or not.

Important for a high conversion rate – and thus lower average customer acquisition costs – is a seamless process that allows a regular payment to be booked, without the need for any future customer interaction. Depending on the country, CLIQ Digital can use different payment options. The option with the

lowest effort for the user in the acquisition phase is Direct Carrier Billing, in which the telephone company will charge the fee for the subscription as part of the monthly telephone bill. This option thus has a high conversion rate – but is also the most expensive one, costing between 30% to 70% of revenue.

On the other end of the spectrum are payments via credit card, which cost typically between 10% and 20% of revenue. But credit cards are not always available anywhere to all customers in certain markets. The decision which payment option to offer is thus also part of the marketing process.

The profitability of new customers is measured via an internal KPI named CLIQ Factor. This factor is calculated by dividing the average revenue per user (adjusted for payment costs) in the first six months through the cost per member acquisition.

The CLIQ factor helps to combine different conditions in several countries into one universal KPI. Customer acquisitions costs may vary as do payment costs and ARPU. But the CLIQ Factor provides a good indication how effective the marketing campaigns are working.

The target for the marketing team is to reach a CLIQ factor greater than 1.4x in each campaign, which translates into a gross margin of c. 30% and guarantees that a customer is profitable already after 6 months.

Customer profile

To have a strong conversion ratio, CLIQ typically requires customers to input as little information as possible. This means, however, that the amount of data CLIQ has about its customers is limited.

Nonetheless, it should be safe to assume that the average consumer is price conscious and wishes to get a basic coverage over all different types of streaming services. This might be due to limited financial resources, but other users will combine this with specialised products in areas they care about mostly.

According to CLIQ, typical customers are men between 35 and 54 years old as well as women older than 25.

With the ability to watch on 5 screens simultaneously and more kids content planned to be added, families are likely to gain in importance in the future.

Market & Competitive environment

CLIQ Digital is active mainly in the market for digital media, which can be divided into 4 broader segments and 12 sub-segments:

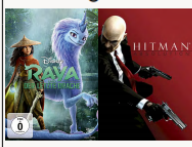
Exhibit 4: Digital Media Market overview



Source: Statista Digital Media Report 2020, Pareto Securities Research

While most market participants specialise in one or two segments of the market, CLIQ is offering an All-in-One solution, which covers all categories. While their offering in each category is less comprehensive than that of the specialised competitors, CLIQ is offering a value oriented product, which is highly attractive in terms of price.

Exhibit 5: Digital Media market overview (Germany)

												
Movies & Series	✓	✓			✓				✓	✓	✓	✓
Music					✓	✓	✓	✓		✓		✓
Audiobooks			✓		✓	✓	✓	✓				✓
Sports	✓			✓	✓						✓	✓
Games					✓					✓		✓
PRICE IN €	6.99	8.99	14.99	14.99	14.99	14.99	14.99	14.99	17.99	19.95	29.99	7.99
PRICE IN € Exemplary price including 	n/a	n/a	n/a	n/a	14.99	n/a	n/a	n/a	n/a	24.94	n/a	42.72

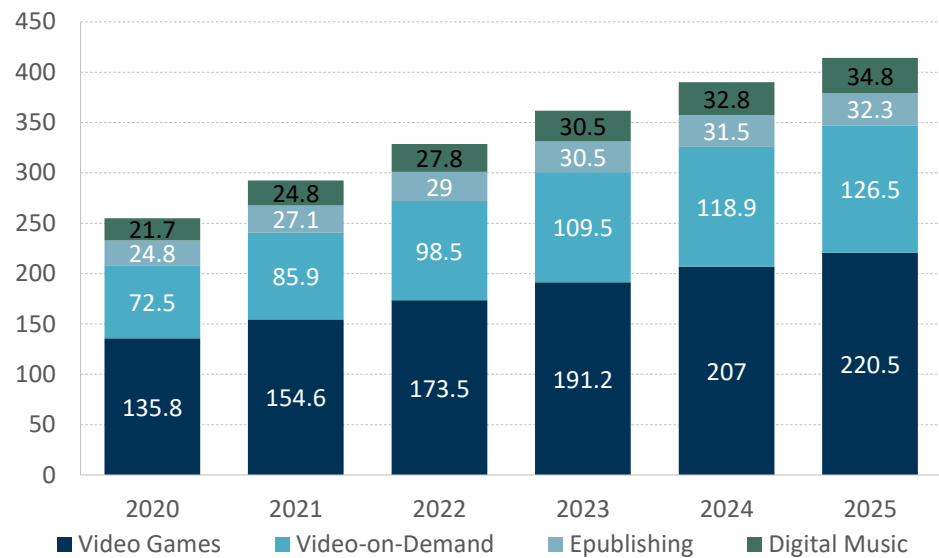
Source: CLIQ Digital, Pareto Securities Research

As of June 2021

CLIQ does thus not compete directly against the likes of Netflix or Spotify. Instead, their offering is targeting customers that cannot or do not want to afford a full price product in each category. The CLIQ product can then be combined with specialised products in categories which are of specific interest for the customer.

The market for digital media and streaming services has grown massively in the last decade. Driven by the abundant availability of broadband internet services, the digital media market today comprises a market volume of more than USD 250bn per year.

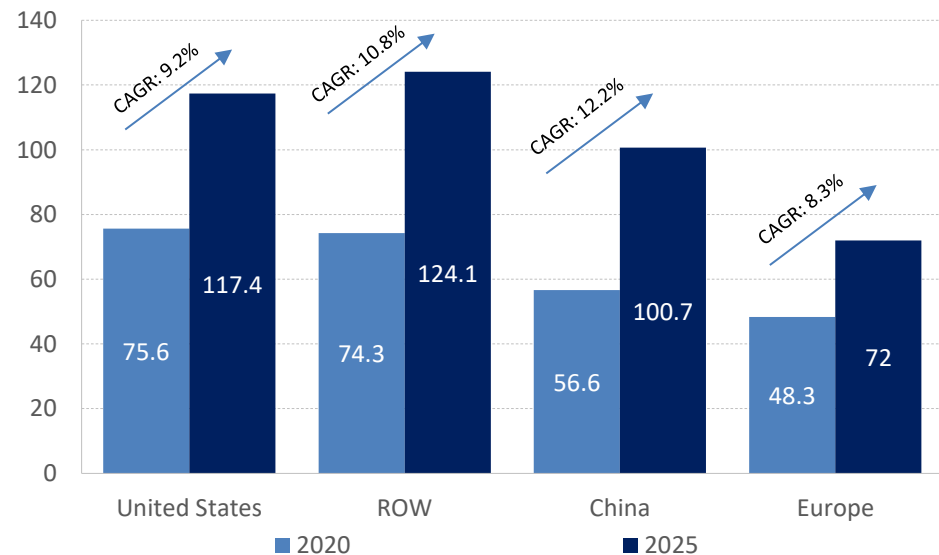
Exhibit 6: Global Digital Media Market (USD bn)



Source: Statista Digital Media Report 2020, Pareto Securities Research

Over the course of the next five years, the digital media market is expected to grow by a CAGR of 10.2% to USD 414bn in 2025.

Exhibit 7: Expected Digital Media market development by region



Source: Statista Digital Media Report 2020, Pareto Securities Research

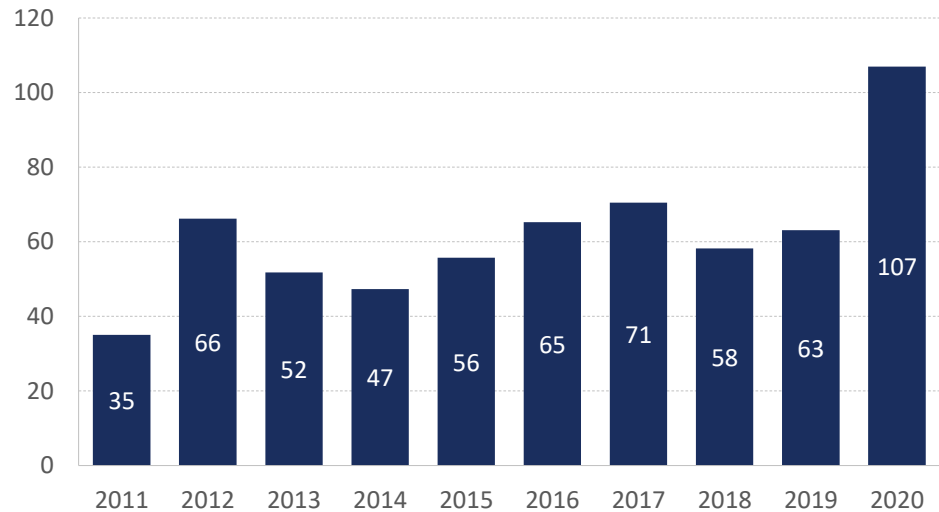
Strongest growth is expected for the less mature markets, which are still lacking behind in terms of penetration and average revenue per user. However, also the more mature markets such the US and Europe are still expected to grow with a CAGR of 8% to 10%.

Given that CLIQ Digital has its main presence today in Europe and North America, we would argue that the company should be able to outgrow by regional expansion. The example of North America, where CLIQ multiplies its revenue by 5x in FY 2020, shows that this is possible with the right marketing strategy. Also, the fact that the CLIQ Factor, i.e. the efficiency of CLIQ Digital's marketing spending, has continuously improved over the last years is in our view a sign that the growth potential for CLIQ could be further improved without having to compromise on profitability.

Financials

The revenue development has been volatile over the last years – but the overall long-term growth trend has been clearly visible. Since 2011, revenue has increased by a CAGR of c. 13% p.a.

Exhibit 8: Historical revenue development



Source: CLIQ Digital, Pareto Securities Research

However, in our view the historical development has only limited value for forecasting as it has been characterized by several strategy adjustments, both on the product side as well as on the marketing side. Additionally, legislative changes and acquisitions have influenced the development.

CLIQ as we know it today is in our view no longer the CLIQ Digital it was a few years back.

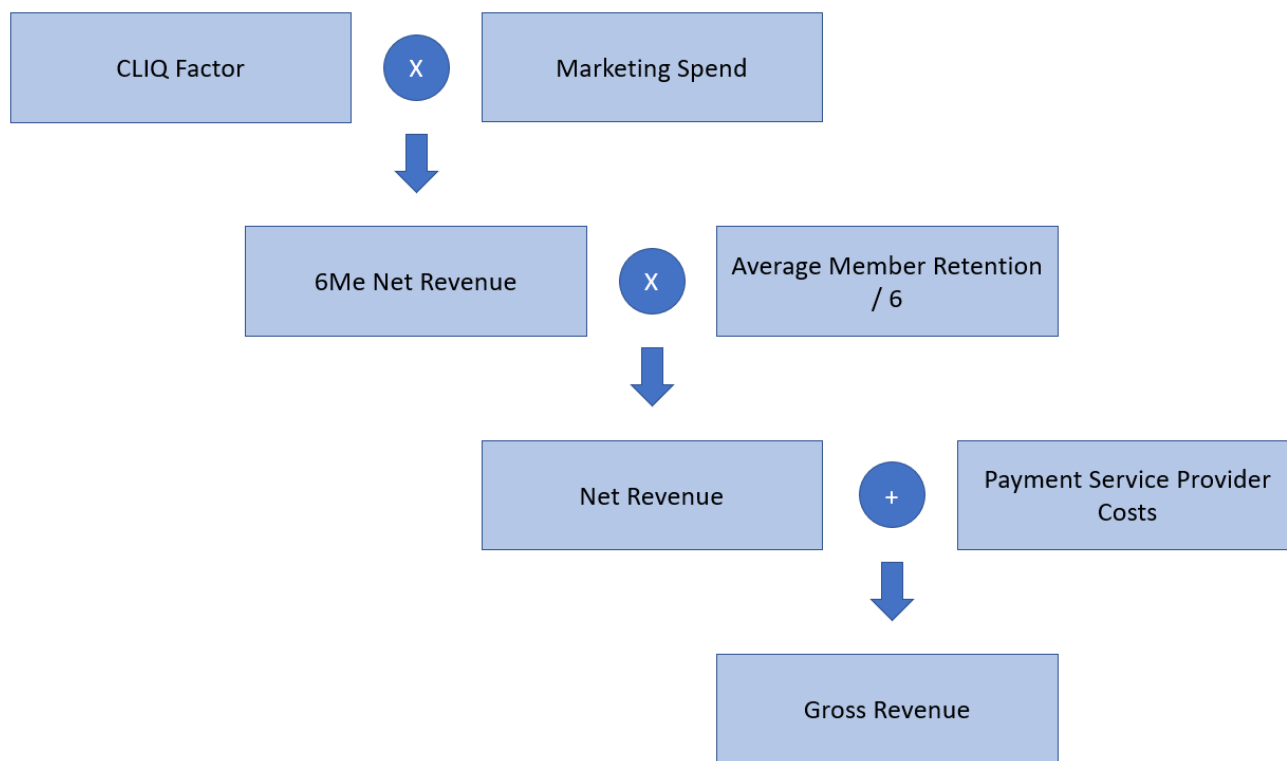
Results before 2013 are hardly comparable. This is due to the fact that legislation changes resulted in a different market environment for digital marketing companies such as CLIQ. Additionally, CLIQ started to concentrate its product portfolio on digital media products and streaming services. The browser games business was sold in 2013 and over the next years the product portfolio was further streamlined.

The second significant strategic change was related to the marketing strategy. Historically, CLIQ has relied heavily on affiliate marketing, which in essence means that the company pays its affiliate marketing partners directly for each new customer. What sounds like a low risk option at first glance, can however be risky if the quality of the newly won customer relationship is weak and retention is low. To avoid this risk – which seems to have materialized in some cases – CLIQ decided to massively reduce the share of affiliate marketing in 2018 and built a team to do the media buying internally (“direct media buying”).

While this had burdened the revenue development initially, the strategy shift paid out massively. The CLIQ Factor improved from a weak 1.36 in 2018 to a record high value of 1.68 in 2020.

To better understand the various influencing factors, the following chart displays how the different KPIs which CLIQ Digital uses to steer the business work together:

Exhibit 9: CLIQ Digital's KPI system



Source: CLIQ Digital, Pareto Securities Research

As can be seen in the chart, there are three main influencing factors, which drive the development of net revenue:

- CLIQ Factor
- The amount of marketing spent
- The average member retention

CLIQ Factor

Mathematically, the CLIQ Factor is defined as the expected average revenue per member (net of payment costs) over the first six months divided by the cost per user acquisition. The idea behind this KPI is easy – new customers are profitable for a company once they generate enough revenue to cover the costs of their acquisition.

Digital content can be produced at almost no additional costs in unlimited quantity after they have been developed. Development costs can of course be massive, but this is not CLIQ's concern as they do not invest in the development of digital media, but instead acquire the license to sell this content from the original content producers or license owners.

Generally, license costs for CLIQ are relatively low. In 2020 these costs including also an amount of fixed fees for payment service providers and customer care costs, amounted to only 17% of net revenue, which was already a significant increase to the historical level of around 10%. This means that after some other – rather fixed – costs related to personnel and other operating expenses, CLIQ can live relatively well with a CLIQ factor of 1.4 or more.

The CLIQ Factor is influenced by a number of marketing related factors:

- The effectiveness of the marketing campaigns
- Costs for external affiliate partners
- Prices for advertising campaigns
- Consumer confidence
- The attractiveness of the product that is marketed
- Competition
- The ease of conversion from a click on a link to buying a product

As stated above, the switch in strategy to increasingly use direct media buying vs affiliate marketing has paid off and helped to significantly improve the CLIQ Factor. Given that this strategy was started initially in North America, where it turned into a huge success, and is only now rolled out in Europe, we would expect to see further improvements in this respect.

Another positive factor in 2020 were prices for advertisement campaigns, which had been cheaper due to the COVID-19 pandemic. Given that the pandemic is (hopefully) coming to an end and that the economy has picked up again, we would expect this is likely to get more expensive again going forward, thus burdening the CLIQ Factor.

A clear positive factor since 2020 was the fact that CLIQ is investing massively into additional content, which makes the product more attractive – thus improving the CLIQ Factor. As discussed previously, this came at the expense of an increase of content related costs. Going forward, we believe that CLIQ will be able to further improve their content offering, without having to further increase content costs as a percentage of sales as growth should level out these increases.

The ease of conversion is a function that is at least partially related to the use of payment method. Some payment methods such as Direct Carrier Billing or Appstore Payments are easier to integrate and tend to offer higher conversion ratio than e.g. credit card payments, but the fees that are charged for these (Direct Carrier Billing: 30-40%, Appstore Payments: c. 30%) are also considerably higher. The impact of different payment options on the CLIQ Factor can thus vary significantly in different countries as fees and the availability of payment options vary as well.

Marketing Expenses

As outlaid above, the amount of marketing expenses spend has a direct impact on future sales. The more CLIQ Digital spends on marketing, the higher will be the future revenue. Given that the majority of the positive return from spending on marketing will have a pay-back period of less than 1 year, the decision to spend more on marketing should be an easy one – as long as it creates a marginal CLIQ ratio of greater than 1.4x.

In other words, the target for CLIQ Digital should not be to maximise its CLIQ Factor. Instead, the profit maximising strategy would be to increase the marketing spending as long as the marginal CLIQ ratio is still above the internal hurdle rate.

In a given market, one should expect the effectiveness of a marketing campaign to deteriorate at some point as most lucrative campaigns have already been done.

However, this does not mean that the CLIQ ratio goes down over time. New – so far untapped – locations and target audiences can be penetrated, market demand will likely grow over time, experience will lead to better results and the product can become more attractive.

Still, it is important to understand that marketing expenses cannot be expanded unlimitedly.

In our view, a CLIQ ratio of roughly 1.45 is an indication that the company has used the full marketing potential in its markets.

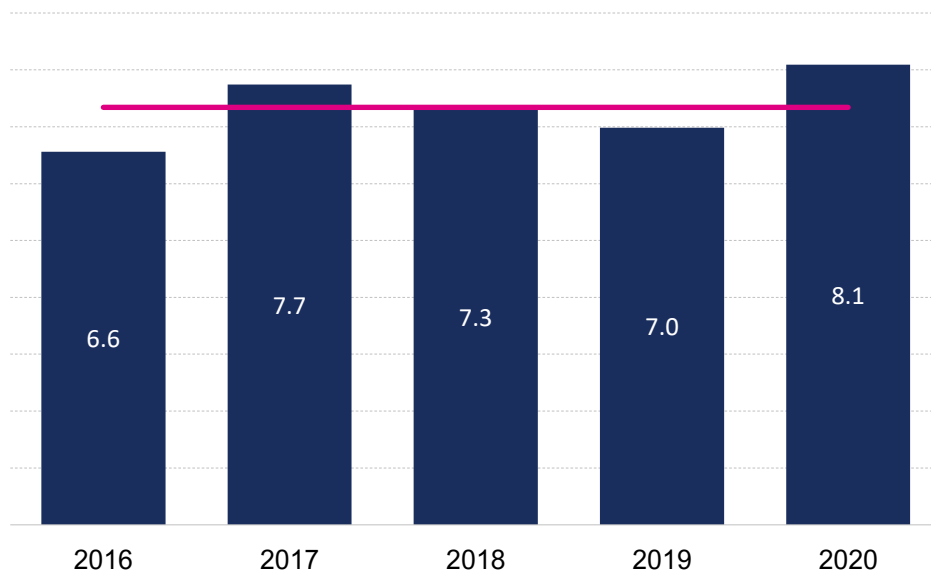
The good news is, that in 2020 – despite a strong increase of the marketing expenses of more than 50%, the CLIQ ratio amounted to 1.68. This indicates in our view that there is actually potential for another significant increase of marketing expenses, which goes clearly beyond the long-term market growth.

Average User Retention

A long user retention is obviously positive as it allows to monetize the one-time costs of a new customer over a longer period of time.

The CLIQ-Factor as CLIQs Digital's main KPI uses an assumption for the expected user retention of a 6 months period. This means that member profitability is to be achieved within the first six months – if the hurdle rate is exceeded. However, this does not mean that this is also the actual number. Retention numbers fluctuate and 6 months is typically a conservative target. Consequently, the average user retention of CLIQ Digital is somewhat higher than these anticipated 6 months.

Exhibit 10: Estimated average user retention in months



Source: Pareto Securities Research

We have tried to reconcile the average user retention in the past and arrived at an average of 7.3 months. This is in line with the indication of 7 to 8 months that CLIQ Digital has given. Please note, that the individual annual numbers are not necessarily accurate as the marketing expenses will not always be booked in the same year in which the related revenue is recorded. However, the average numbers should be able to provide a pretty good picture of CLIQ's average user retention.

The most important driver is in our view the attractiveness of the product. This includes the individual attractiveness of the product – a customer that is happy might not start looking for an alternative – as well as the attractiveness relative to competing products and their pricing.

While it would thus be too early to call for a trend towards a longer customer retention based on the historic numbers, we would nonetheless consider it likely that average user retention should increase going forwards:

CLIQ Digital has significantly increased their content related costs in FY 2020 – both in absolute as well as relative terms. This should be a clear improvement of the product offering – which helps not only in the marketing process but also to keep customers happy and stay subscribed for longer.

Given that some parts of the content costs are fixed, growth in revenue should allow for further increasing the content offering, while at least keeping the ratio of content costs to net revenue stable. We would thus expect CLIQ to further increase the average user retention in the coming years.

Content costs

Despite a strong increase in FY 2020, content related costs are still a relatively minor cost position. We estimate that at 2-3% of gross revenue they are significantly less important than marketing costs as well as payment related costs.

The majority of CLIQ Digital's content costs should be variable. We estimate that less than 10% of these costs are fixed, which significantly reduces the risk for the company and improves the predictability.

While we would not rule out that CLIQ might increase the share of fixed content costs in the future, e.g. to buy local content for specific markets, the overall picture should not change materially.

Currently, all content is licensed from content producers or license holders. This has the advantage that CLIQ can license only content that has already proven to be successful or niche content that is attractively priced. Risk is thus considerably lower than for a content producing company. On the other hand, this means that CLIQ's content is not unique and customers will typically have a choice to get the content somewhere else as well. What does make it unique, however, is the combination of different content, which will be unique to CLIQ and its offerings.

As the company typically faces large studios or large license libraries that produce the main content, the question might be asked if this does not pose a risk that the content providers put pressure on CLIQ by increasing prices. We see this as a relatively limited risk, however. Firstly, CLIQ buys licenses from many different content providers. There is thus choice and it is unlikely that all content sources would collude to increase their price. Additionally, especially the major studios have an interest not to let the market leading streaming services such as Netflix get too dominant, as otherwise they could get fully dependant on them. It is therefore in their best interest to support competition amongst streaming services.

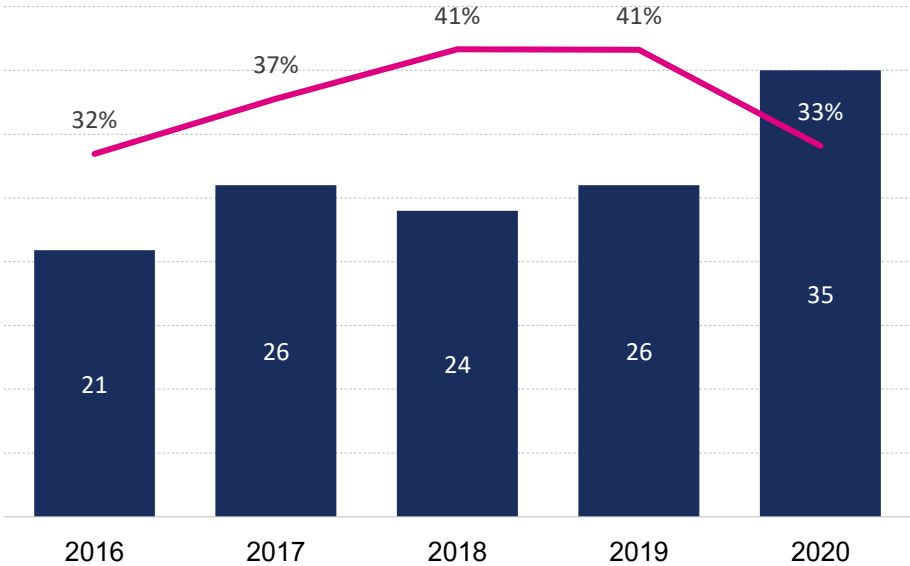
Customer Base Value

Another KPI that CLIQ uses to assess the development of their business is the Customer Base Value. It represents the expected net revenue that CLIQ should be able to extract from its existing customer base. The higher this number is, the more secure is the revenue - independent of further marketing – that CLIQ should be able to generate in the future.

In recent years, CLIQ has always managed to generate a customer base value that secures at least one third of the prior year's revenue. Indeed, this ratio tended to go up – but then came down again to 33% in FY 2020.

While this can be interpreted as a negative factor in the sense that CLIQ might need to spend more on marketing in the next year, it might also be related to a bit more cautious assessment of future revenues from the existing clients. One should keep in mind that the US market increased by a factor of 5x in FY 2020 – it thus needs to be seen how sticky these customers tend to be.

Exhibit 11: Customer Base Value



Source: Pareto Securities Research

Balance sheet

The business model of CLIQ is generally very asset light. It requires very limited investments in fixed assets, knows no inventory and generally has a low working capital need.

Exhibit 12: Balance sheet – Asset side

EURm	2015	2016	2017	2018	2019	2020
Goodwill	43.2	43.2	47.3	47.9	48.1	47.8
<i>% of total assets</i>	<i>69%</i>	<i>69%</i>	<i>72%</i>	<i>73%</i>	<i>71%</i>	<i>62%</i>
Other intangible Assets	6.4	6.3	5.2	0.9	0.7	0.8
<i>% of total assets</i>	<i>10%</i>	<i>10%</i>	<i>8%</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>
Fixed Assets	0.5	0.4	0.3	1.3	0.7	2.2
<i>% of total assets</i>	<i>1%</i>	<i>1%</i>	<i>0%</i>	<i>2%</i>	<i>1%</i>	<i>3%</i>
Non-current Assets	50.1	49.9	52.8	50.1	49.5	50.8
<i>% of total assets</i>	<i>80%</i>	<i>80%</i>	<i>80%</i>	<i>76%</i>	<i>73%</i>	<i>66%</i>
Inventory	0.0	0.0	0.0	0.0	0.0	0.0
<i>% of total assets</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
Receivables	4.7	10.4	10.2	5.5	7.9	8.8
<i>% of total assets</i>	<i>7%</i>	<i>17%</i>	<i>15%</i>	<i>8%</i>	<i>12%</i>	<i>11%</i>
Contract assets	0.0	0.0	0.0	4.8	5.8	7.5
<i>% of total assets</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>7%</i>	<i>9%</i>	<i>10%</i>
Other current assets	7.6	2.3	2.9	8.8	9.9	12.4
<i>% of total assets</i>	<i>12%</i>	<i>4%</i>	<i>4%</i>	<i>13%</i>	<i>15%</i>	<i>16%</i>
Cash & Cash equivalents	0.1	0.0	0.2	1.3	0.7	4.9
<i>% of total assets</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>2%</i>	<i>1%</i>	<i>6%</i>
Current Assets	12.4	12.7	13.2	15.7	18.6	26.2
<i>% of total assets</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>24%</i>	<i>27%</i>	<i>34%</i>
Total Assets	62.4	62.6	66.1	65.7	68.1	77.0

Source: CLIQ Digital, Pareto Securities Research

The dominant position on the asset side of the balance sheet is the goodwill, which amounted to EUR 47.8m. This is mainly related to two acquisitions: the acquisition of CLIQ AG and CLIQ BV in 2012 (goodwill: EUR 43.2m) as well as the UK activities, which were acquired in 2017 (EUR 4.1m).

Contract assets accounted for EUR 7.5m at the end of FY 2020. This is related to capitalised marketing costs, which are then amortised monthly based on the historic customer churn in each month after customer acquisitions. Due to the relatively short average customer retention of less than 1 year, the majority of all capitalised marketing costs are amortized in the same year they are capitalised.

Other current assets of EUR 4.7m are mainly related to deferred tax assets, of which roughly EUR 3.7m consists of tax losses carry forwards.

The liabilities side of the balance sheet is characterized by the equity position. Equity including minorities amounted to EUR 55.6m, implying an equity ratio of 72%. Adjusting the equity ratio for goodwill, the equity ratio would amount to 27%.

Exhibit 13: Balance sheet – Liabilities side

EUR m	2015	2016	2017	2018	2019	2020
Shareholder equity	40.7	43.4	46.5	47.0	44.7	50.8
<i>% of total assets</i>	<i>65%</i>	<i>69%</i>	<i>70%</i>	<i>71%</i>	<i>66%</i>	<i>66%</i>
Minority interest	0.0	0.0	0.1	0.8	2.0	4.8
<i>% of total assets</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>1%</i>	<i>3%</i>	<i>6%</i>
Total equity	40.7	43.4	46.6	47.8	46.7	55.6
<i>% of total assets</i>	<i>65%</i>	<i>69%</i>	<i>70%</i>	<i>73%</i>	<i>69%</i>	<i>72%</i>
Other provisions	0.0	0.3	0.0	0.0	0.0	0.4
<i>% of total assets</i>	<i>0%</i>	<i>1%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
Provisions	0.0	0.3	0.0	0.0	0.0	0.4
<i>% of total assets</i>	<i>0%</i>	<i>1%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
Other interest bearing debt	15.0	10.7	5.7	9.2	10.6	5.8
<i>% of total assets</i>	<i>24%</i>	<i>17%</i>	<i>9%</i>	<i>14%</i>	<i>15%</i>	<i>7%</i>
Payables	2.4	2.9	2.1	2.3	2.0	2.0
<i>% of total assets</i>	<i>4%</i>	<i>5%</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>
Other liabilities	4.3	5.3	11.7	6.5	8.8	13.2
<i>% of total assets</i>	<i>7%</i>	<i>9%</i>	<i>18%</i>	<i>10%</i>	<i>13%</i>	<i>17%</i>
Liabilities	21.7	18.9	19.5	17.9	21.4	20.9
<i>% of total assets</i>	<i>35%</i>	<i>30%</i>	<i>29%</i>	<i>27%</i>	<i>31%</i>	<i>27%</i>
Total Equity & Liabilities	62.4	62.6	66.1	65.7	68.1	77.0

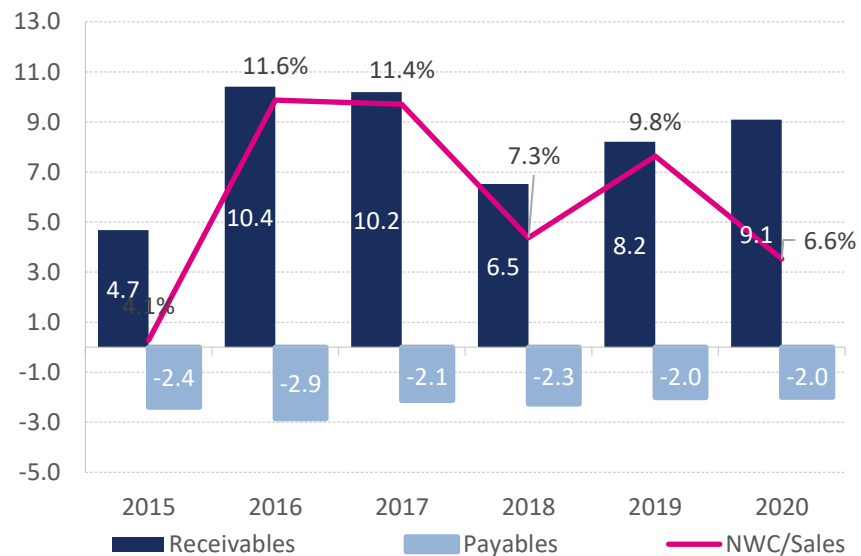
Source: CLIQ Digital, Pareto Securities Research

Minority interest accounts for EUR 4.8m or 8.7% of the total equity. This is mainly related to a 20% minority share in the UK activities, which were acquired in 2017 as well as a 20% minority share in Hype Ventures, which basically comprises the streaming services business.

In Q2 2021, CLIQ acquired the remaining 20% in Hype Ventures for roughly EUR 18m in cash and equity, which will reduce the minority interest significantly.

Net working capital amounted to EUR 9.1m at the end of FY 2020 or 6.6% of revenue. This ratio has varied quite a bit over the last years, as the payment terms depend on the country and payment style. While credit card companies pay with relatively short terms, direct carrier billing can take considerably longer – especially in less developed markets.

Given that CLIQ is currently shifting its payment terms more towards credit card payments, we would expect the NWC ratio to stay at least stable at the current level, with some potential also for a further reduction.

Exhibit 14: Net working capital development

Source: CLIQ Digital, Pareto Securities Research

Net financial debt amounted to just EUR 0.8m at the end of FY 2020, implying a net debt / EBITDA ratio of only 0.1x. Adjusting for leasing debt which is related to rents, CLIQ would already be running in net cash territory.

Our forecast

We base our forecast on the assumption, that the market for digital media will grow with a CAGR of 10% p.a. over the next 5 years.

On top of this, we expect CLIQ Digital to win market share, driven both by the entry into new markets as well as market share gains in the existing markets.

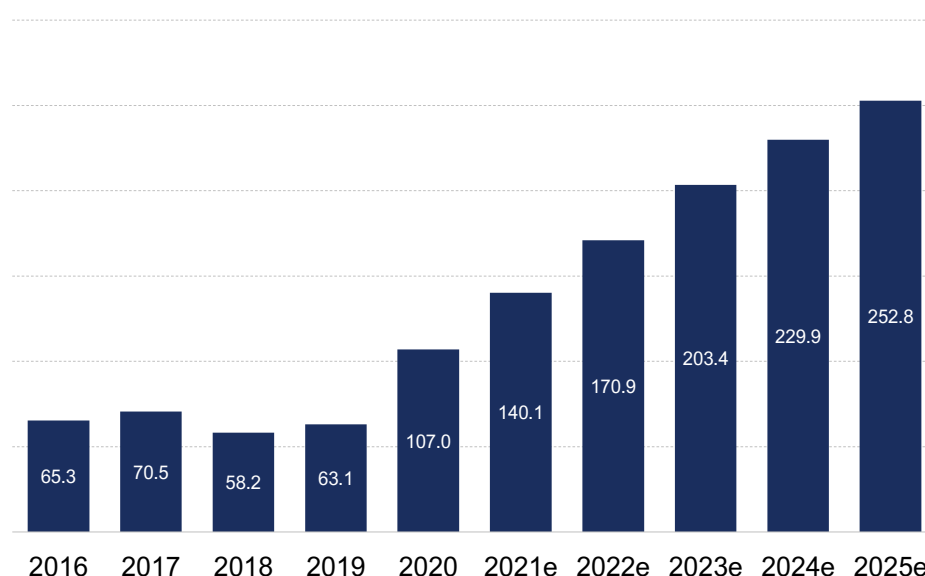
The example of the US market in 2020 showed very impressively, how CLIQ is able to win significant – profitable – market share, when it has the right product and the right marketing initiatives in place. Consequently, CLIQ Digital grew its revenue in North America from a mere EUR 8.9m in FY 2019 to EUR 51.6m in FY 2020 – an increase of c. 480% yoy.

In the short term, a clear indicator is the CLIQ ratio, which amounted to 1.68x in FY 2020. As stated previously, the company targets to reach a CLIQ ratio above 1.4x. A CLIQ ratio of more than 1.6x in our view clearly indicates that the company could have significantly increased its marketing spend, which would have led to further growth.

For FY 2021, CLIQ guides for an increase of the marketing expenses to EUR 46m as well as a CLIQ ratio, which is expected to weaken slightly to 1.6x. This seems realistic in our view and would likely indicate further growth potential also in FY 2022.

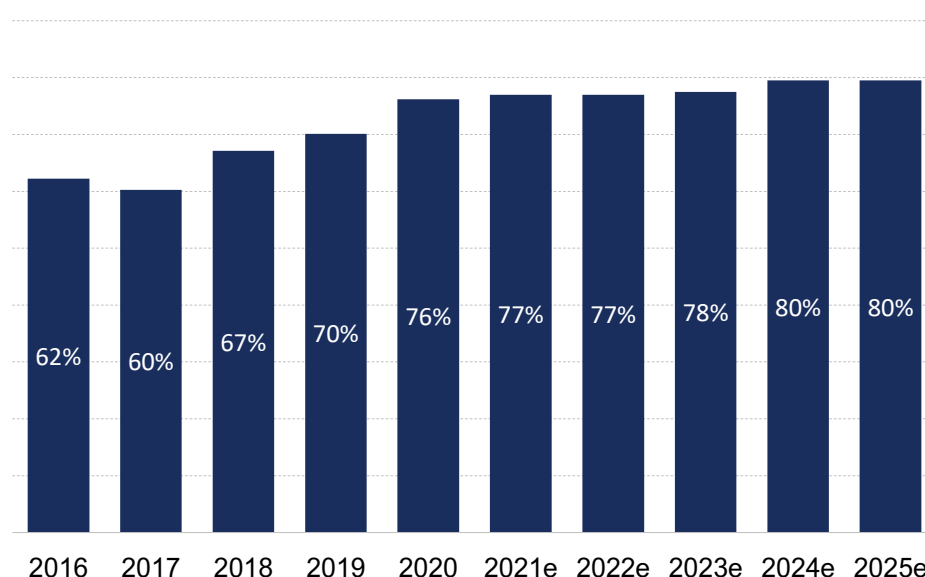
Going forward, we expect further growth to be also driven by an increase of the average user retention. With the improving content offering, we expect user retention to grow from around 8 months to 10 months over the course of the next years.

Overall, we thus expect a CAGR based on the expected FY 2021 revenue of 15.9% until FY 2025.

Exhibit 15: Expected revenue development (EURm)

Source: CLIQ Digital, Pareto Securities Research

Net revenue should improve slightly more than proportionately. Payment terms are likely to improve as direct carrier billing is losing in importance and credit card payments, which are characterized by lower transaction costs, are growing. We thus expect the net revenue ratio (net revenue as a percentage of gross revenue) to further improve from currently 76% to 80% in FY 2025.

Exhibit 16: Net revenue ratio

Source: CLIQ Digital, Pareto Securities Research

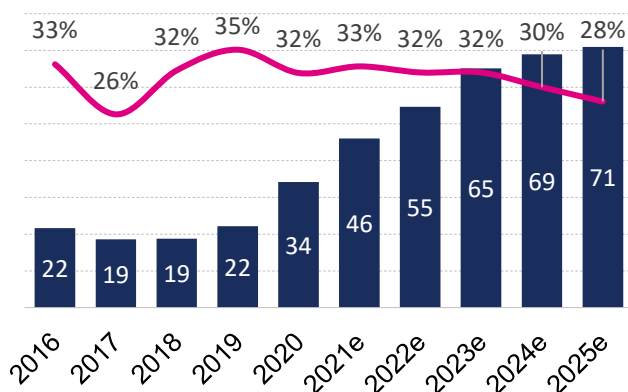
As growth is expected to come down over time, this should also result in a reduction of the marketing expense ratio. We estimate that 10 percentage points of additional top-line growth result in an increase of the marketing expense ratio of roughly 4 percentage points.

Consequently, marketing expenses should come down from 32% of revenue in FY 2020 to 28% of revenue in FY 2025e.

Other costs of sales consist mainly of content costs as well as costs related to payment service providers and customer support.

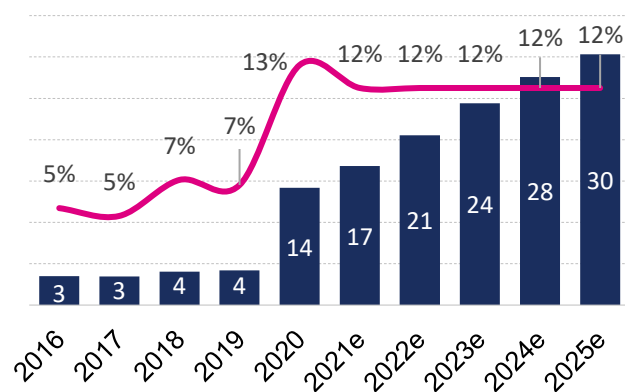
While the majority of content costs are variable, there is also a fixed component included, which would allow for the costs as a percentage of revenue to scale down with further growth. However, we consider it likely that CLIQ will use this effect to add further content, which will then result in a stronger product and thus growth potential.

Exhibit 17: Marketing costs



Source: CLIQ Digital, Pareto Securities Research

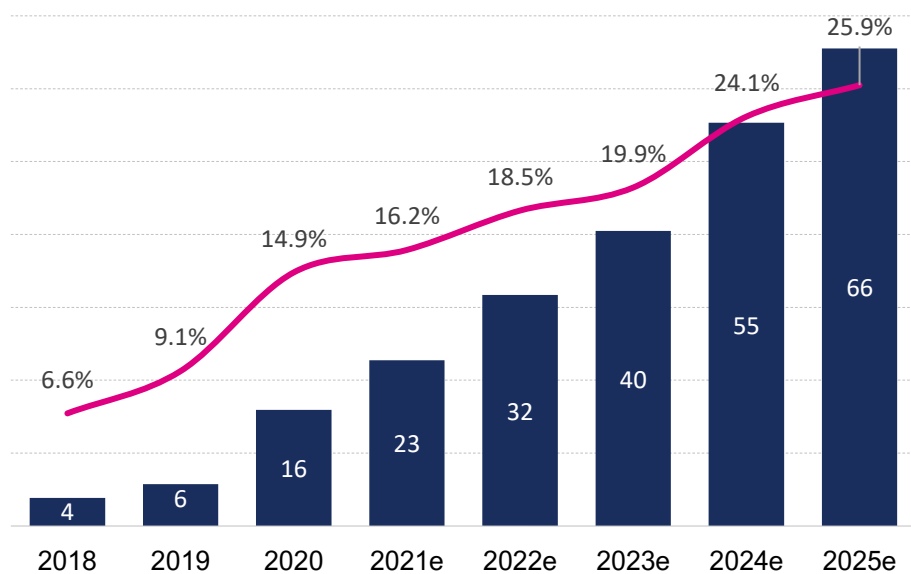
Exhibit 18: Other costs of sales



Source: CLIQ Digital, Pareto Securities Research

Overall, we thus expect the EBITDA to increase from EUR 15.9m in FY 2020 to EUR 65.5m in FY 2025, which implies a CAGR of 33%. The EBITDA margin should improve from 14.9% in FY 2020 to 25.9% in FY 2025.

Exhibit 19: EBITDA and EBITDA margin development



Source: CLIQ Digital, Pareto Securities Research

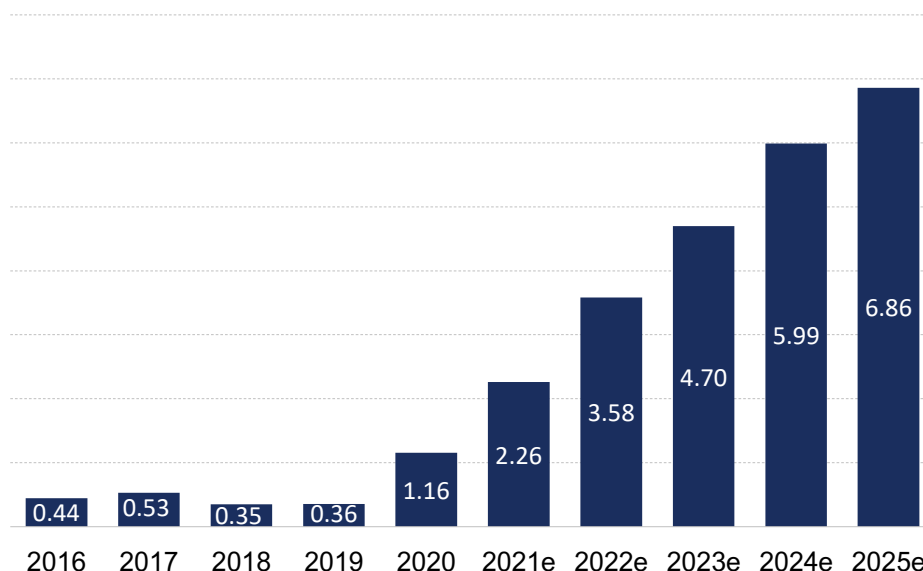
EPS is expected to grow with a CAGR of almost 43% from EUR 1.16 in FY 2020 to EUR 6.86 until FY 2025. Besides a smaller effect from an improving financial result, this is mainly related to a reduction in the share of earnings going to the minority interest.

This effect is related to the acquisition of the remaining 20% minority stake of Hype Ventures in April 2021, which comprises the streaming business of CLIQ Digital. CLIQ paid EUR 6m in cash and 320k new CLIQ shares, which at the time of the transaction implied a transaction price of EUR 18m or a valuation of Hype Ventures of c. EUR 90m.

In FY 2020, the minority share of the net profit related to Hype Ventures amounted to EUR 2.5m, which was 24% of the company's total net profit. In other words, Hype Ventures was responsible for more than the total profit of CLIQ Digital in FY 2020. The acquisition of the remaining 20% stake will thus result in a 35% increase in net profit to shareholders. Given that the increase of shares outstanding was just 5% and that the cash price can be funded from the operating cashflow, this transaction is thus highly EPS accretive.

Additionally, this acquisition also related to a positive effect on the tax rate.

Exhibit 20: EPS development



Source: CLIQ Digital, Pareto Securities Research

Exhibit 21: P&L forecast

EURm	2018	2019	2020	2021e	2022e	2023e	2024e	2025e
Revenue	58.2	63.1	107.0	140.1	170.9	203.4	229.9	252.8
% yoy	-17.5%	8.5%	69.4%	31.0%	22.0%	19.0%	13.0%	10.0%
Third party costs	-19.1	-18.9	-25.5	-32.2	-37.6	-43.7	-47.1	-51.8
Net Revenue	39.1	44.3	81.5	107.9	133.3	159.7	182.7	201.0
% yoy	-8.1%	13.3%	84.1%	32.4%	23.6%	19.8%	14.4%	10.0%
% of revenue	67.1%	70.1%	76.2%	77.0%	78.0%	78.5%	79.5%	79.5%
Net Marketing Costs	-18.9	-21.3	-32.4	-43.6	-50.2	-58.8	-63.3	-67.2
% of revenue	32%	34%	30%	31%	29%	29%	28%	27%
Other COS	-4.0	-4.2	-14.2	-16.8	-20.5	-24.4	-27.6	-30.3
% of revenue	7%	7%	13%	12%	12%	12%	12%	12%
Gross Profit	16.2	18.8	34.9	47.5	62.6	76.5	91.9	103.5
% yoy	-58.1%	16.4%	85.9%	35.9%	31.8%	22.2%	20.1%	12.6%
% of revenue	27.8%	29.8%	32.7%	33.9%	36.6%	37.6%	40.0%	40.9%
Personnel expenses	-8.4	-8.5	-13.7	-17.5	-19.3	-21.2	-23.3	-25.6
% of revenue	-14%	-13%	-13%	-13%	-11%	-10%	-10%	-10%
Other operating expenses	-3.7	-3.9	-4.5	-6.3	-7.2	-8.5	-9.7	-10.6
% of revenue	-6%	-6%	-4%	-5%	-4%	-4%	-4%	-4%
Impairment losses	-0.2	-0.6	-0.8	-0.9	-1.1	-1.4	-1.5	-1.7
% of revenue	0%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
EBITDA	3.9	5.8	15.9	22.7	35.0	45.4	57.4	65.5
% of revenue	6.6%	9.1%	14.9%	16.2%	20.5%	22.3%	25.0%	25.9%
Depreciation / Amortisation	-0.9	-1.0	-0.7	-0.8	-0.8	-0.9	-0.9	-1.0
EBIT	3.0	4.8	15.2	21.9	34.2	44.5	56.5	64.6
% of revenue	5.2%	7.6%	14.2%	15.7%	20.0%	21.9%	24.6%	25.5%
Financial result	0.4	-0.9	-0.8	-1.0	-1.0	-1.0	-1.0	-1.0
% yoy	-154%	-359%	-12%	21%	0%	0%	0%	0%
EBT	3.4	3.9	14.4	20.9	33.2	43.5	55.5	63.6
% of revenue	5.8%	6.1%	13.4%	14.9%	19.4%	21.4%	24.1%	25.1%
Income taxes	-0.4	0.0	-4.0	-5.2	-8.3	-10.9	-13.9	-15.9
Tax rate	10.9%	-0.7%	27.5%	25.0%	25.0%	25.0%	25.0%	25.0%
Minority interest	-0.8	-1.7	-3.3	-1.0	-1.6	-2.1	-2.6	-3.0
Net profit	2.2	2.2	7.2	14.7	23.3	30.6	39.0	44.6

Source: Pareto Securities Research

Dividend policy

CLIQ current policy is to pay out 40% of its net income as a dividend. At first glance, this might appear unusual for a company that grows as quickly as CLIQ does. However, given the low capital requirements, CLIQ is basically not limited in its organic growth by any funding needs. Therefore, a dividend payout ratio of 40% helps to avoid that the company's balance sheet becomes too inefficient.

M&A strategy

CLIQ Digital as we know it today is the result of several larger acquisitions. However, in recent years CLIQ has concentrated more on its organic development with the target to set the company back on a sustainable growth path.

Now that this target has been successfully reached in our view, we consider it likely that CLIQ will look more intensely for acquisitions.

In the two most recent transactions from April 2021 and April 2019, the company acquired minority shares in companies that they already owned a majority in. This was in our view a smart decision, as they knew well what they were getting and managed to acquire the stakes in our view at attractive prices. However, this strategy cannot be continued as the amount of minority shareholding has been reduced significantly.

We would thus expect CLIQ Digital to look for companies that are also operating in streaming services. This could be companies that add a new geography to CLIQ – preferably in Europe – or which specialise in a content area in which the company is not yet present. Interesting for CLIQ would be especially fitness or more kids' content.

Generally, we consider it likely that acquisitions can add significant value for CLIQ Digital shareholders as smaller acquisitions should allow for significant synergies with the CLIQ group.

Valuation

We base our valuation on a peer group model as well as a DCF model. The DCF model is in our view best suited to account for the long-term growth potential of CLIQ-Digital as well as its high level of cash generation. The peer group model on the other hand bodes well to assess the fair value of CLIQ Digital relative to other companies with a similar business model, without having to make long-term assumptions, which are difficult to make for the highly dynamic business environment in which CLIQ Digital operates.

By applying an equal weight to both models, we have derived a target price of EUR 70, which is based on a fair value of EUR 72 from the DCF model as well as EUR 68 from the peer group model.

DCF Valuation

We are using a 3 phase DCF model. In Phase I we have made detailed forecasts of the future free cash flows. In Phase II we are continuously reducing our main parameters to transition smoothly towards the perpetual growth rate (Phase III).

Exhibit 22: DCF valuation

	Phase I					Phase II					Phase III
EUR m	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Revenues	140	171	203	230	253	274	292	307	317	322	
growth rate	310%	22.0%	19.0%	13.0%	10.0%	8.3%	6.7%	5.0%	3.3%	17%	
EBIT	22	31	40	54	65	70	75	78	81	82	
EBIT margin	15.7%	18.1%	19.5%	23.7%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	
Tax	-6.0	-7.7	-9.9	-13.6	-16.1	-17.5	-18.7	-19.6	-20.2	-20.6	
Tax rate	28%	25%	25%	25%	25%	25%	25%	25%	25%	25%	
Depr. & Amort.	0.8	0.8	0.9	0.9	1.0	1.6	2.0	2.2	2.3	2.5	
% of sales	0.6%	0.5%	0.4%	0.4%	0.4%	0.6%	0.7%	0.7%	0.7%	0.8%	
Capex	-1.1	-1.4	-1.6	-1.8	-2.0	-2.2	-2.3	-2.5	-2.5	-2.6	
% of sales	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	
Change in WC & P	-4.4	-4.1	-4.3	-3.5	-3.1	-2.8	-2.4	-1.9	-1.4	-0.7	
% of sales	3.2%	2.4%	2.1%	15%	12%	10%	0.8%	0.6%	0.4%	0.2%	
Free Cash Flow	11.2	18.5	24.6	36.4	44.3	49.0	53.1	56.5	59.2	60.9	586.2
growth rate	nm	65.8%	33.0%	47.7%	218%	10.7%	8.4%	6.4%	4.6%	2.9%	0.0%
Present Value FCF	10.7	16.1	19.4	26.0	28.7	28.8	28.3	27.2	25.8	24.1	231.7
PV Phase I	101		Risk free rate			3.50%		Targ. equity ratio		90%	
PV Phase II	134		Premium Equity			5.00%		Beta		1.5	
PV Phase III	232		Premium Debt			2.00%		WACC		10.39%	
Enterprise value	467		Sensitivity			Growth in phase III					
- Net Debt (Cash)	1					-1.0%	-0.5%	0.0%	0.5%	1.0%	
- Pension Provisions	0		9.35%			78	80	83	85	88	
- Minorities & Peripherals	15		9.87%			73	75	77	80	82	
+ MV of financial assets			WACC 10.39%			69	71	72	75	77	
- Paid-out dividends for last FY	3		10.91%			65	67	68	70	72	
			11.43%			62	63	64	66	68	
Equity value	448										
Number of shares	6.2										
Value per share (€)	72										

Source: Pareto Securities Research

Given the dynamic nature of CLIQ-Digital's business model we have chosen a relatively high Beta of 1.5x. Together with a high target equity ratio of 90%, this results in a WACC of over 10%.

Despite the strong growth dynamic which we foresee for the coming years, we have conservatively assumed a perpetual growth rate of 0%, way below what we would use even for mature industries. This should account for potentially disruptive industry trends or legislative change risks – but could well be far too conservative.

We derive a fair value of EUR 72 from our DCF model, which implies an upside potential of more than 150% to the current share price.

Based on our estimates for the next years, it is in our view hard to justify the current share price. The expected FCFs until 2028 are in our view already sufficient to justify the current share price level – even if we would assume no more cashflows afterwards.

Peer Group valuation

None of the listed companies are directly comparable with CLIQ Digital. Peers such as Netflix or Spotify are market leaders in their segments and have different content cost characteristics as most of their content costs are fixed in nature – which allows for higher margins once sufficient scale is reached and growth slows down. Other companies such as Amazon offer similar services – but this comprises only a small portion of their business portfolio.

Exhibit 23: Peer Group overview

Company	EBIT Margin 2021e	EBIT Margin 2022e	EBITDA Margin 2021e	EBITDA Margin 2022e	Sales growth 20-23e	EBITDA growth 20-23e
Nordic Entertainment Group AB Class B	6.4%	5.9%	8.6%	7.3%	14.2%	5.7%
Stingray Group, Inc.	27.8%	30.8%	40.5%	40.4%	7.2%	1.9%
Alchimie	nm	nm	nm	nm	43.0%	nm
Spotify Technology SA	nm	nm	nm	nm	18.6%	nm
Storytel AB Class B	nm	nm	nm	nm	27.0%	nm
Sirius XM Holdings, Inc.	21.7%	23.4%	31.3%	31.6%	4.9%	5.1%
Netflix, Inc.	20.7%	22.7%	22.7%	24.3%	15.9%	26.5%
Rakuten Group, Inc.	nm	nm	0.2%	7.8%	12.4%	70.7%
DISH Network Corporation Class A	15.4%	12.7%	20.7%	18.5%	4.3%	nm
Electronic Arts Inc.	31.5%	32.6%	34.9%	35.1%	11.3%	10.7%
Tencent Music Entertainment Group Spor	11.9%	14.1%	12.4%	14.3%	18.6%	17.6%
LiveXLive Media Inc	nm	nm	6.5%	9.3%	54.7%	nm
Chicken Soup for the Soul Entertainment,	nm	nm	22.6%	24.6%	42.0%	59.4%
Median	19.3%	20.3%	20.0%	21.3%	21.1%	24.7%
Clq Digital AG	15.7%	20.0%	16.2%	20.5%	22.5%	41.4%
relativ	81.0%	98.5%	81.0%	96.1%	106.6%	167.5%

Source: Factset, Pareto Securities Research

We have thus put together a list of peers which share the same market dynamics and in combination also resemble the growth and margin characteristics of CLIQ Digital. In fact, while the companies in this group tend to be larger on average, their expected revenue growth and margins matches those of CLIQ Digital well.

In terms of valuation, we can observe a trend that the earnings-based multiples result in higher theoretical fair values than the revenue-based multiples. This is related to the fact that CLIQ Digital is somewhat more profitable than the rest of the peer group.

Exhibit 24: Peer Group Valuation

Company	EV/EBIT 2022e	EV/EBIT 2023e	EV/EBITDA 2022e	EV/EBITDA 2023e	EV/Sales 2022e	EV/Sales 2023e
Nordic Entertainment Group AB Class B	39.5	26.0	31.9	22.0	2.3	2.0
Stingray Group, Inc.	8.6	9.9	6.6	6.6	2.7	2.6
Alchimie	nm	nm	nm	20.0	1.4	0.8
Spotify Technology SA	nm	nm	nm	nm	2.9	2.4
Storytel AB Class B	nm	nm	nm	nm	3.7	3.0
Sirius XM Holdings, Inc.	17.1	15.7	12.7	11.9	4.0	3.8
Netflix, Inc.	30.9	24.1	28.8	22.9	nm	nm
Rakuten Group, Inc.	nm	nm	13.7	7.7	1.1	1.0
DISH Network Corporation Class A	15.5	16.2	10.6	11.2	2.0	2.0
Electronic Arts Inc.	14.4	12.2	13.3	11.6	4.7	4.2
Tencent Music Entertainment Group Spor	6.3	nm	6.2	nm	0.9	0.6
LiveXLive Media Inc	nm	nm	20.1	9.5	1.9	1.0
Chicken Soup for the Soul Entertainment,	nm	nm	12.4	9.8	3.1	2.5
Median	18.9	17.3	15.6	13.3	2.5	2.2
Clq Digital AG	4.2	2.9	4.1	2.9	0.8	0.6
relativ	22.3%	17.0%	26.3%	21.6%	30.0%	26.6%
Fair value per share at peer median	89	108	76	85	66.3	69.3

Source: Factset, Pareto Securities Research

All price data and estimates as of 11.8.21

Normally, we would argue that EV/Sales is not the ideal ratio when the companies in the peer group have a lower level of profitability than the company we are analysing. However, in this case we consider it likely that at least some companies in the peer group tend to have lower variable costs levels than CLIQ, which means that their margin potential once sufficient scale is reached, will potentially be higher. We thus concentrate in our valuation EV/Sales ratios, which results in a target price of EUR 68 per share. On all other metrics we would come out with even significantly higher fair values.

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PROFIT & LOSS (fiscal year) (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Revenues	65	71	58	63	107	140	171	203
EBITDA	26	26	4	6	16	23	32	40
Depreciation & amortisation	(22)	(21)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	5	5	3	5	15	22	31	40
Net interest	(1)	(1)	0	(1)	(1)	(1)	(1)	(1)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	4	5	3	4	14	21	30	39
Taxes	(1)	(1)	(0)	0	(4)	(5)	(7)	(10)
Minority interest	(0)	(0)	(1)	(2)	(3)	(1)	(1)	(2)
Net profit	3	3	2	2	7	15	21	27
EPS reported	0.44	0.53	0.35	0.36	1.16	2.26	3.22	4.17
EPS adjusted	0.44	0.53	0.35	0.36	1.16	2.26	3.22	4.17
DPS	-	-	-	0.14	0.46	0.90	1.29	1.67
BALANCE SHEET (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Tangible non current assets	0	0	1	1	2	3	3	4
Other non-current assets	49	53	49	49	49	49	49	49
Other current assets	13	13	14	18	21	26	31	36
Cash & equivalents	0	0	1	1	5	7	18	34
Total assets	63	66	66	68	77	84	101	122
Total equity	43	47	48	47	56	63	79	100
Interest-bearing non-current debt	11	6	9	11	6	6	6	6
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	8	14	9	11	16	16	16	17
Total liabilities & equity	63	66	66	68	77	84	101	122
CASH FLOW (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Cash earnings	20	25	4	(1)	12	7	15	21
Change in working capital	5	1	0	4	2	4	4	4
Cash flow from investments	(0)	(0)	(0)	(0)	(1)	(7)	(1)	(2)
Cash flow from financing	(4)	(5)	4	1	(7)	(3)	(6)	(8)
Net cash flow	(0)	0	1	(1)	4	2	12	15
CAPITALIZATION & VALUATION (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price (EUR end)	5.1	8.1	1.71	2.90	16.6	21.1	21.1	21.1
Number of shares end period	6	6	6	6	6	7	7	7
Net interest bearing debt	11	6	8	10	1	(1)	(13)	(28)
Enterprise value	42	56	19	30	108	136	126	112
EV/Sales	0.6	0.8	0.3	0.5	1.0	1.0	0.7	0.6
EV/EBITDA	1.6	2.1	5.0	5.2	6.8	6.0	4.0	2.8
EV/EBIT	9.4	10.7	6.4	6.2	7.1	6.2	4.1	2.8
P/E reported	11.5	15.3	4.9	8.1	14.3	9.3	6.5	5.1
P/E adjusted	11.5	15.3	4.9	8.1	14.4	9.3	6.5	5.1
P/B	0.7	1.1	0.2	0.4	2.0	2.2	1.8	1.4
FINANCIAL ANALYSIS & CREDIT METRICS	2016	2017	2018	2019	2020	2021e	2022e	2023e
ROE adjusted (%)	6.5	7.3	4.6	4.7	14.0	24.9	29.6	30.3
Dividend yield (%)	-	-	-	4.8	2.8	4.3	6.1	7.9
EBITDA margin (%)	39.8	37.3	6.6	9.1	14.9	16.2	18.5	19.9
EBIT margin (%)	6.9	7.4	5.2	7.6	14.2	15.7	18.1	19.5
NIBD/EBITDA	0.41	0.21	2.04	1.71	0.05	(0.03)	(0.40)	(0.69)
EBITDA/Net interest	28.97	39.04	-	6.14	19.34	22.74	31.71	40.48

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Appendix A

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Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
ArcticZymes Technologies	598,575	124%	SpareBank 1 Ringerike Hadeland	100,000	0.64%
Bonheur	241,145	0.57%	Sparebank 1 SMN	1,875,442	144%
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 Akershus	125,116	9.81%
Quantafuel	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	3,176,925	3.39%	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	4,144,124	4.13%			

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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	23,631	Frontline	0	78,708	Pexip Holding	0	62,433
Aker Carbon Capture	0	120,621	Gjensidige Forsikring	0	7,723	PGS	0	11,676
Aker Offshore Wind	0	165,278	Golden Ocean Group	0	1,433	Protector Forsikring	0	12,000
Aker Solutions	0	3,728	Grieg Seafood	0	8,907	Quantafuel	0	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	988,874	SalMar	0	2,709
Archer	0	30,170	Hunter Group ASA	0	308,500	Salmon Evolution	0	100,000
ArcticZymes Technologies	0	598,575	HydrogenPro	0	37,552	Sandnes Sparebank	0	124,013
Atlantic Sapphire	0	13,610	Ice Fish Farm	0	2,000	Scatec	0	20,412
Austevoll Seafood	0	29,235	Ice Group ASA	0	200,000	Seadrill Ltd	0	6,215
Avance Gas	0	3,362	Kalera	0	53,027	Selvaag Bolig	0	52,050
B2 Holding AS	0	20,075	Kitron	0	18,386	Sparebank 1 Nord-Norge	0	3,350
BASF	270	270	Komplett Bank	0	101,400	Sparebank 1 SMN	0	12,740
Belships	0	17,965	Kongsberg Gruppen	0	36,023	Sparebank 1 SR-Bank	0	8,505
Bonheur	0	32,275	KWS	75	75	SpareBank 1 Østfold Akershus	0	1,252
Borregaard ASA	0	650	Lerøy Seafood Group	0	40,478	SpareBank 1 Østlandet	0	8,621
Bouvet	0	2,940	Mercell	0	23,038	Sparebanken Sør	0	16,435
BRABank	0	74,607	Mowi	0	3,761	Sparebanken Vest	0	16,735
BW Energy	0	55,050	MPC Container Ships	0	39,437	Sparebanken Øst	0	1,500
BW Offshore	0	16,076	Nordic Semiconductor	0	4,681	Stolt-Nielsen	0	18,17
Cloudberry Clean Energy	0	52,031	Noreco	0	790	Storebrand	0	25,698
DNB	0	45,115	Norsk Hydro	0	113,219	Subsea 7	0	9,226
DNO	0	151,978	Norske Skog	0	98,225	Telenor	0	9,752
DOF	0	2,366,346	NTS	0	2,272	Vow	0	8,681
Elkem	0	35,426	Ocean Yield	0	104,370	Wallenius Wilhelmsen	0	57,570
Entra	0	9,977	OHT	0	6,650	XXL	0	18,823
Equinor	0	2,900	Okeanis Eco Tankers	0	22,000	Yara	0	14,133
Europriis	0	114,14	Orkla	0	20,540	Zaptec	0	4,000

This overview is updated monthly (last updated 15.07.2021).

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

Appendix B

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

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

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2G Energy	EcoOnline	KLP	PHM Group
Advanzia Bank S.A.	ELOP	Komplett ASA	Pronofa AS
Africa Energy Corp Corp	Endur ASA	Komplett Bank	Proximar Seafood
Aker ASA	Energie Israel Finance Ltd.	Kraft Bank	Pryme
Aker Clean Hydrogen	Enviv AS (Bookis)	Lakers Holding AS	Quantafuel
Aker Horizons	Fertiberia S.A.R.L.	Lumarine AS	REC Silicon
Akershus Energi	Fjordkraft Holding	Maha Energy	Saga Robotics
Akva Group	Flexistore AS	Malorama Holding AS	Salmon Evolution
Alussa Energy Acquisition Corp (Freyr)	Funkwerk AG	Meltwater	Scorpio Bulkers
Arcane Crypto	Genel Energy	Mercell	Seafire AB
Arctic Fish	Gjensidige Forsikring	Mintra Group	SFL Corporation Ltd
Arendals Fossekompani	Golden Ocean Group	Modex AS	SGL TransGroup International
Attensi	Goliath Offshore	MPC Container Ships	Siccar Point Energy
Belships	Halodi Robotics AS	Mutares SE & Co. KGaA	Skitude
BioInvent	Heimdall Power	Müller Medien GmbH (United Vertica)	Smart Wires Inc.
Biomega Group AS	HKM Energy Ltd	Navigator Holdings Ltd.	Strandline Resources Limited
Bonheur	Hofseth BioCare	Navios	Talos Energy Inc
Brooge Energy Limited	House of Control	Next Biometrics Group	Tise AS
Bulk Infrastructure Holding	Huddly	Nordic Halibut	Trønderenergi AS
BW Energy	HydrogenPro	Norlandia Health & Care Group AS	Vegfinans AS
BWLPG	Ice Group Scandinavia Holdings AS	Norse Atlantic	Viking ACQ1 AS, SPAC
CentralNic Group PLC	Idavang A/S	Norske Skog	Vow
Circa Group	Instabank ASA	Norwegian Block Exchange	Watercircles Forsikring
Cloudberry Clean Energy	Kalera	OHT	West Coast Salmon
Crayo Nano AS	Kentech Global Plc	Panoro Energy	Wheel.me
Dampskibsselskabet NORDEN A/S	Keppel FELS Limited	Pelagia Holding AS	Xeneta AS
DigiPlex	Kistopslc.	PetroNor E&P	Ørn Software (View Software)

This overview is updated monthly (this overview is for the period 31.06.2020 – 31.06.2021).

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	31%
Sell	2%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	93%
Hold	7%
Sell	0%

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

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Azelio	Egetis Therapeutics	Linkfire A/S	Swedencare AB
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Member of the Pareto Group is providing Business Management services to the following companies:

Bosjö Fastigheter AB	Bråviken Logistik	Halmslätten	Målaråsen
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 03.08.2021).

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	OVH 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	Enapter	Leifheit	OHB SE
BB Biotech	Expres2ion Biotechnologies	MAX Automation SE	OVH Holding AG
CLIQ Digital	Gerry Weber	Merkur Bank	Siegfried Holding AG
Daldrup & Söhne	Hypoport AG	Mynaric	

This overview is updated monthly (last updated 15.07.2021).