Surfing the sustainable wave with the beech boys – Initiate with Buy

Delignit, whose roots date back to the 18th century, is a globally leading manufacturer of wood-based cargo bay protection and security systems for light commercial vehicles and various other applications in adjacent markets. With beech as the main processing material, Delignit uses a renewable and sustainable raw material, that provides the company a very ecological footprint. On the back of its high order backlog (PASe: c.EUR 900m) and its unique market position, we forecast a revenue CAGR of c.10% until FY 2027e. The constantly increasing revenue per vehicle and emerging business areas such as motor caravan are to be key drivers. On the back of an estimated 2022-27e EPS CAGR of c.15%, we initiate our coverage with a TP of EUR 12 and a Buy rating.

Ecological and sustainable business model

Delignit's main raw material beech is renewable and sustainable. Beech enjoys a strong distribution across Europe. Despite the fact, that only as much beech can be used for industrial processing as grows in the forests, resources are available in abundance, so that Delignit sources its beech within a radius of <130km. Delignit's emission free products have a recycling quota of up to 100%.

Strong track record set to continue at even accelerated pace

Driven by its internationalization strategy and constantly increasing revenue per vehicle, Delignit had an impressive growth track record by outperforming the European LCV market by factor 5x in recent past. Backed on its high order backlog of close to EUR 900m Delignit has a good visibility for future development and promising growth prospects (PASe FY 2022-27e revenue CAGR of c.10%). The company's strong market position allowed Delignit to operate with protected margins, which has potential for further upside and should trigger EPS growth (PASe FY 2022-27e CAGR of c.15%).

Current share price level offers attractive entry level

On current consensus estimates, the shares are trading at a 12m fwd EV/EBITDA of 8.1x, which is c.27% below the five-year average. Considering the acceleration in earnings growth (2022-27e EPS CAGR of c.15% compared to 5% from 2017-22), the shares are currently cheap and offer investors an attractive entry level.

EURm	2020	2021	2022p	2023e	2024e
Revenues	59	68	75	88	99
EBITDA	6	6	7	8	9
EBIT	3	3	4	5	6
EPS	0.25	0.29	0.35	0.43	0.50
EPS adj	0.25	0.29	0.35	0.43	0.50
DPS	-	0.03	0.03	0.03	0.03
EV/EBITDA	10.1	14.3	9.0	7.0	5.7
EV/EBIT	18.8	24.4	14.8	11.3	9.0
P/E adj	27.1	33.0	20.0	15.9	13.4
P/B	2.61	3.24	2.14	1.87	1.65
ROE (%)	10.1	10.3	11.3	12.4	13.1
Div yield (%)	-	0.3	0.4	0.4	0.4
Net debt	0	4	2	1	(2)

ource: Pareto Securities

Target price (EUR)	**12.0**	▲ **BUY**
Share price (EUR)	6.8	▬ HOLD
		▼ SELL

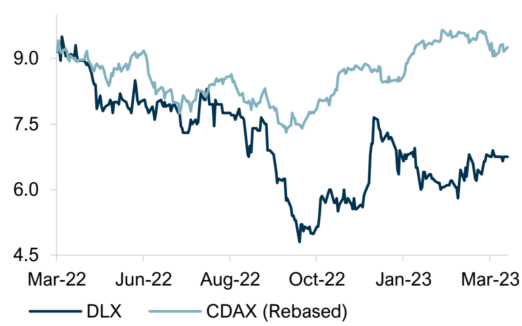
Forecast changes

%	2023e	2024e	2025e
Revenues	-	-	-
EBITDA	-	-	-
EPS reported	-	-	-
EPS adj	-	-	-

Source: Pareto Securities

Ticker	DLXG.DE, DLX GY
Sector	Automobiles & parts
Shares fully diluted (m)	8.2
Market cap (EURm)	55
Net debt (EURm)	1
Minority interests (EURm)	0
Enterprise value 23e (EURm)	56
Free float (%)	25

Performance



Source: FactSet

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Executive Summary

Global market leader for cargo bay protection and securing systems for LCVs
Blomberger Holzindustrie GmbH from which Delignit has developed has been founded in 1799. It is the oldest beech-plywood manufacturer in the world and today world market leader for supplying the automotive industry with cargo bay protection and securing systems for light commercial vehicles (LCV).

Positive market environment set to continue
Delignit is mainly active in two end-markets, the market for LCVs and for leisure vehicles. The LCV market in Europe is forecasted to grow by 2-4% in the next years, the expected further growth in e-commerce being the key driver as it requires additional transport capacities for the "last mile". The market for leisure vehicles is expected to grow by 9% in the next years, driven by the expected growth of the leisure vehicles' main user group, people older than 40 years. Furthermore, caravanning has become more popular among younger people which should also positively impact demand for leisure vehicles.

Wood-based products with very good ecological footprint
Delignit's products are made of wood which has the key advantage that the trees during its growth phase absorb CO^2 which has a positive effect on the overall climate. For every cubic metre of wood, a tree has filtered about 900 kilograms of CO^2 from the air and stored about 250 kilograms of CO^2. Furthermore, Delignit's products can reach a recycling quota of close to 100%, which also contributes positively to the high sustainability of the company's products.

E-mobility as a so far untapped opportunity
So far, E-mobility does not play such an important role for LCVs as for passenger cars. In the next years electrification of LCVs should, however, accelerate. For e-vehicles low weights play an even more important role and as Delignit's solutions have comparably lower weights, Delignit should be a clear beneficiary of the electrification of LCVs. Note, that Delignit has already won its first contract for fitting an e-van.

Revenue CAGR 2022-2027e should accelerate to c.10%
Delignit has a solid growth track record with a revenue CAGR of >5% over the past five years. More important, Delignit outperformed the European LCV market by the factor 5x. The persistent regional expansion (c.60% of revenues outside of Germany), mainly to Poland and the US, as well as the continuously increase of revenue per vehicle were the main driving forces. Furthermore, Delignit has successfully entered the market for motor caravans, which should continue to perform well in the coming years (PASe: 2022-2027e revenue CAGR of c.16%). In Delignit's LCV business we expect the previous driving factors to also remain decisive for the near-term future. We estimate for the LCV related business a 2022-2027e revenue CAGR of c.10%. In total, we forecast group revenues to grow by an average of c.10% p.a. to EUR 122m in FY 2027e.

Higher revenues per vehicle as important driver
We expect the recent broadening of the company's product portfolio which led to an increase of maximum revenues per vehicle to more than EUR 1,300 during the last twelve years to continue in the next years. Our sensitivity analysis shows that revenues in the LCV business could be ~50% higher, if the average value per vehicle increased to EUR 500, compared to EUR 330 in our base case scenario.

Mid-term EBITDA margin is forecasted to improve by 100bps to 9.6%
On the back of the topline development, we foresee an EBITDA CAGR of c.13% until FY 2027e, resulting in an EBITDA of EUR 11.6m in absolute terms. However, we remain cautious with respect to the profitability and assume that the EBITDA margin should stay below 10% in the current set-up.

Valuation and Recommendation
Based on our DCF valuation we derive a TP of EUR 12, which implies a significant upside potential for the share of close to 80%. On current consensus estimates, the shares are trading at a 12m fwd EV/EBITDA of 8.1x, which is c.27% below the five-year average. Considering the acceleration in EPS growth CAGR (2022-27e of c.15%, compared to 5% over the past five years), we believe the shares are currently cheap and offer investors a very attractive entry level.

SWOT Analysis

Strengths

Extensive process know-how

Delignit has gained extensive process know-how over many years how to refine wood plyboards. Beech is a very reliant and robust wood species, but it is not easy to process. Delignit has shown that it can deliver high-quality wood-based products for various applications. The recent successful build-up of the motor caravan business has shown that it can use this process know-how also for other wood species, in this case poplar.

Market leader for cargo bay protection and securing systems for LCVs

According to the company Delignit is the market leader in Europe for cargo bay protection and securing systems for LCVs. The company has reached this position not only by delivering high quality and reliable products but also by receiving various certificates to comply with European regulation.

Good ecological footprint

Wood as a product component has many advantages versus e.g. plastic regarding its robustness and reliability. An important advantage is in our view, its much better ecological footprint as it stores CO2 when growing and is 100% recyclable. With the growing popularity of e-mobility we expect the ecological footprint of the vehicle components to become more important as well. Such a development would be very positive for Delignit.

Weaknesses

High customer concentration

Delignit generates around 70% of its revenues with two large OEMs, divided into various brands and models. Such a high customer concentration looks very negative at first glance, but we think that it is important to know that this is a mutual dependence. Having become a system provider for the automobile industry, its customers need Delignit as well and would not be able to quickly replace it with other suppliers. Furthermore, Delignit has long-lasting contracts with its customers.

Relatively low profitability

Given its European market leadership for cargo bay protection and securing systems for LCVs, Delignit's profitability is with an average EBITDA margin of around 9% during the last five years, relatively low. Presumably, the high pressure in the automotive supplier industry prevents Delignit from increasing its prices to levels which would result in higher margins.

Opportunities

Motor caravan business remains on the growth track

Delignit has successfully built up the motor caravan business in recent years. With a revenue share of 18% it is, however, still relatively small. We see a good chance that Delignit will win additional customers and increase business with existing and new customers in the next years. The overall expected market development should support the company in this respect.

Electrification of LCVs happens faster than today expected

Electrification of LCVs is lagging that of passenger cars by around 75%. In case of a faster than today expected electrification of LCVs this would clearly create business opportunities for Delignit in our view. On the one hand the replacement of ICE based LCVs with e-LCVs would lead to extra demand for LCVs and on the other hand we think that Delignit's light ecological products are particularly interesting for e-LCVs.

Threats

New competitors entering the market

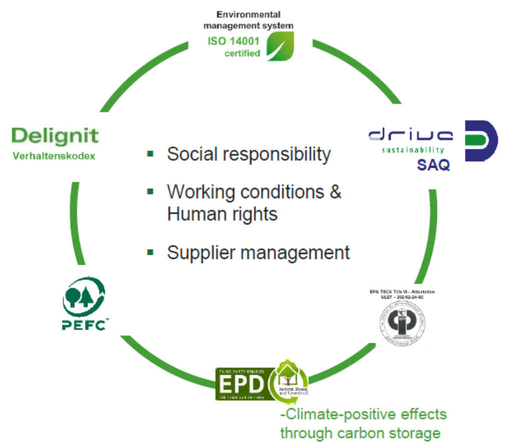
In case of new competitors entering the market price pressure in the market would be likely to increase which would be clearly not good news for Delignit.

Long-lasting recession leads to decline in new registrations of LCVs

New registrations of LCVs are quite cyclical as they depend to a large extent on the economic development. In case of a long-lasting recession new registration of LCVs is likely to decline which would be negative for Delignit as it generates roughly 60% of total revenues with LCVs.

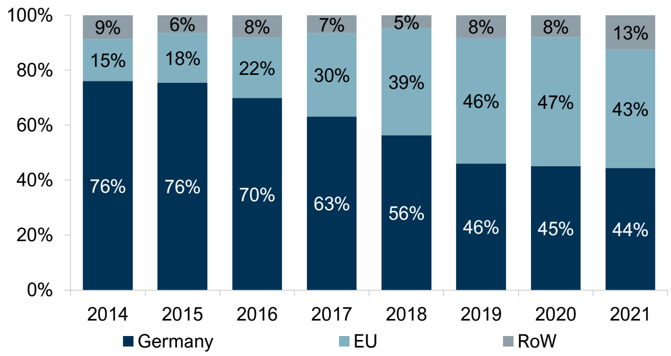
Investment case in charts

Ecological and sustainable business model



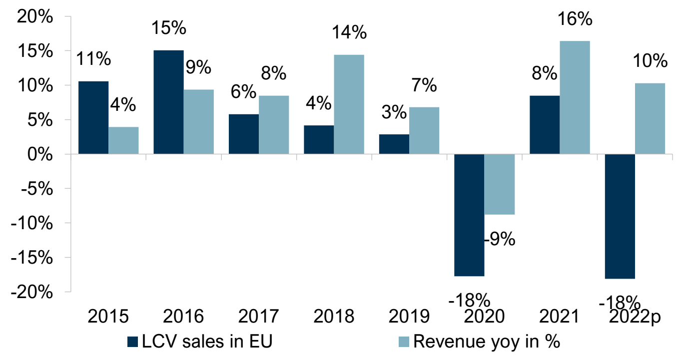
Source: Delignit

Internationalization as a growth driver will continue



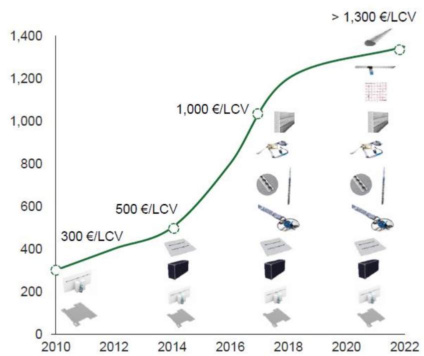
Source: Pareto Securities, Delignit

Impressive track record and outperformance of LCV market



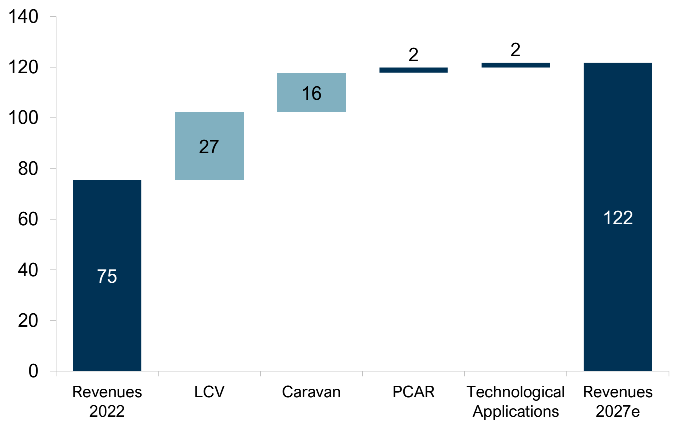
Source: Pareto Securities, Delignit

Product portfolio provides significant upside for value per vehicle



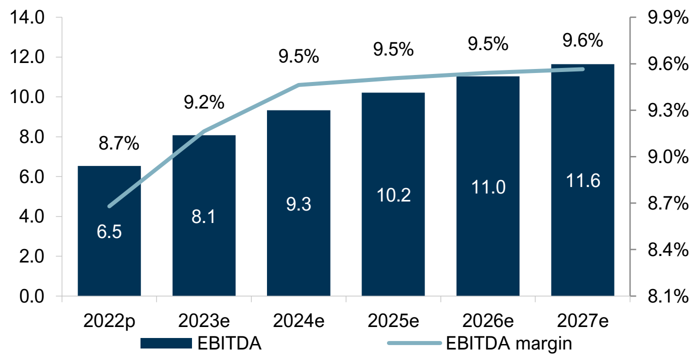
Source: Delignit

We forecast a FY 2022-27e revenue CAGR of 10%



Source: Pareto Securities

Even moderate margin increase will trigger c.15% EPS CAGR



Source: Pareto Securities

Business overview

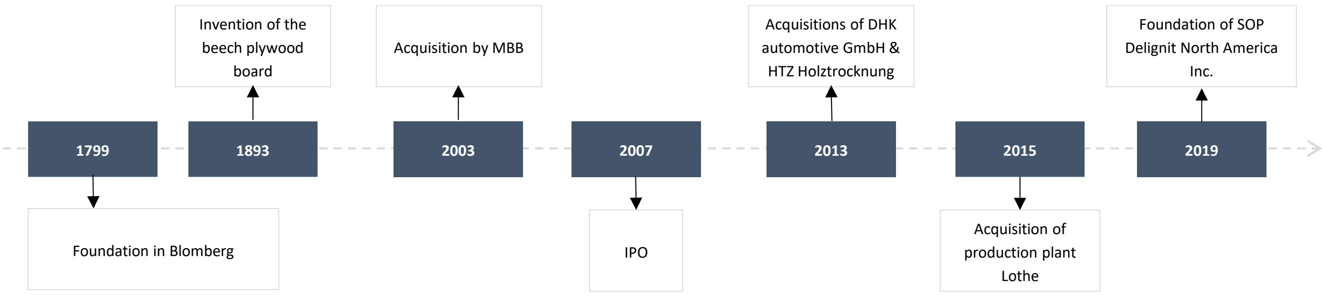
Historical development and current set-up

Blomberger Holzindustrie GmbH – Headquarter & plywood board production

Source: Delignit

History
Blomberger Holzindustrie GmbH from which Delignit has emerged has been founded in 1799. It is the oldest plywood manufacturer in the world and today world market leader for supplying the automotive industry with cargo bay protection and securing systems for commercial vehicles.

Historical development



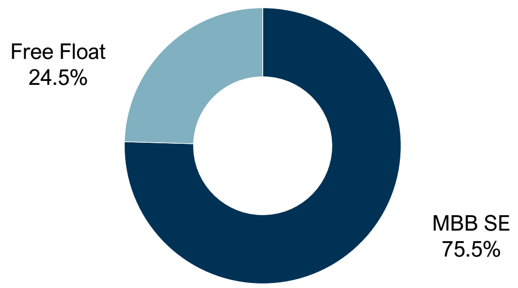
Source: Pareto Securities, Delignit

Management
Markus Büscher (CEO): Markus Büscher has joined Delignit as managing director in 2007. Before, he worked for klr-mediapartner and Freund Victoria Gartengeräte. He is responsible for Strategic Development, Controlling, HR, Legal, Purchasing, IT, Production, R&D and Investor Relations.
Thorsten Duray (CSO): Thorsten Duray has joined the company in 1991 and has since then worked in various positions. In 2007 he became a managing director of the Blomberger Holzindustrie GmbH, in 2007 he became a board member. He is responsible for Marketing and Sales.

Shareholder Structure
MBB, an investment company focusing on the German Mittelstand, is the company's major shareholder with a stake of 76%. MBB is stock-market listed company with a current market capitalization of EUR 450m. It has acquired its stake from the founding families of Blomberger Holzindustrie GmbH (Hausmann and Telemann families) in 2003. The Hausmann family is still a minority shareholder of Delignit AG.

Corporate structure
Delignit has mainly two important manufacturing subsidiary companies, Blomberger Holzindustrie GmbH (100% stake; based in Blomberg) and DHK automotive GmbH (100% stake, based in Oberlungwitz). While the former focuses on the production of products for light commercial vehicles (LCV) and technological applications the latter is mainly active in producing products for passenger cars. Furthermore, Delignit holds a 100% stake in Delignit North America Inc. which is a pure distribution company. Last but not least, it holds a minority stake (17.9%; combined stake) in S.C. Cildro S.A. / S.C Cildro Services S.R.L. and a 24% stake in S.C. Cildro Plywood S.R.L. These companies are all located in Romania and are production sites for plywood and sliced veneer, respectively.

Shareholder structure of Delignit AG

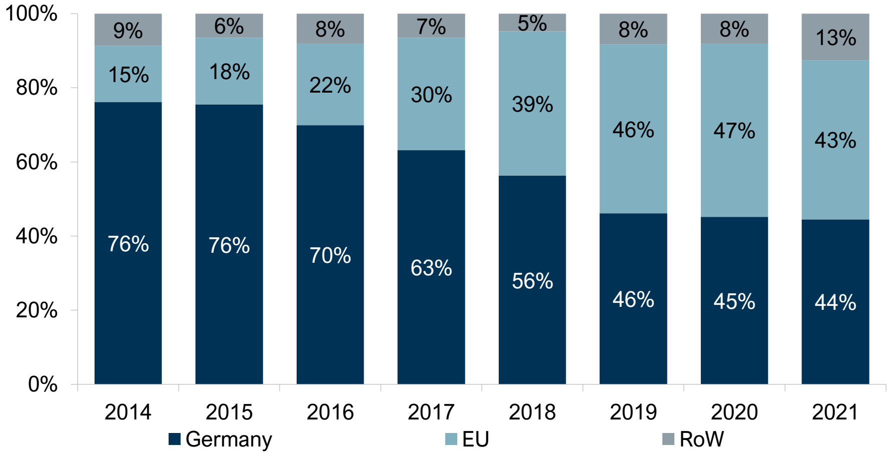


Source: Pareto Securities, Delignit

Business model

Delignit, which has 391 employees (31.12.2021), offers different usually wood-based products for the automotive and other industries. The beech-based material is characterized by special technical and mechanical features like e.g. abrasion- and wear-proof, dimensionally stable and high breaking loads. This is due to the fact that beech is one of the toughest and strongest types of wood. Delignit's products are mainly used in the automobile industry but are also used for other technological applications like trains or production facilities. Typically, Delignit uses beech wood for its products which is harvested after a growth period of around 120 years. For motor caravans Delignit also acts a system provider; for these customers it sources, however, the plywood boards which it refines further.

Revenue breakdown by regions



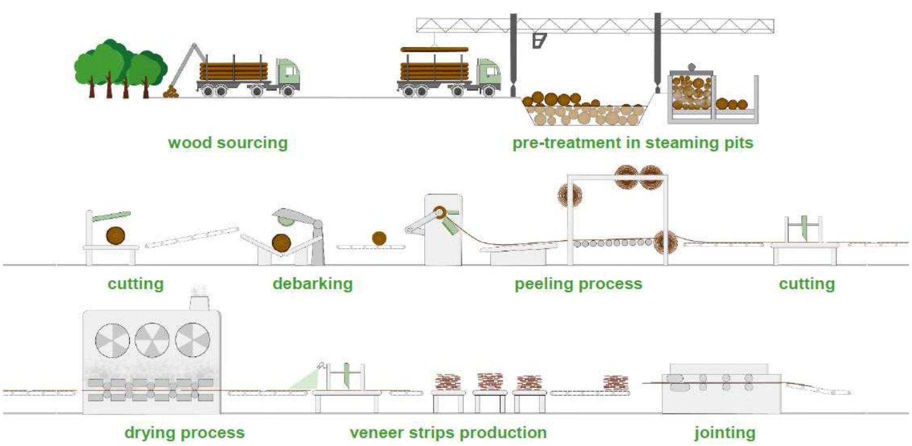
Source: Pareto Securities, Delignit

Customer concentration
Delignit's has a relatively high dependence on its two largest customers, two OEMs (presumably Volkswagen Group and Mercedes Benz), which stand for 74% of total revenues, the company's TOP 10 customers stand for around 90% of total revenues. The high dependence on a few large customers can be partially explained in our view by the industry structure, which is relatively consolidated.
We see, however, only a minor risk of Delignit losing one of its two top customers in the short term for the following reasons:

- Supplier for a range of models: Delignit's revenues with the two OEMs are distributed among a large number of models, i.e. even if Delignit lost one model, the revenue impact would be not that significant.
- Long lasting contracts: Generally, Delignit has contracts with a term of around ten years, which give the company a high planning security. Normally, Delignit supplies the securing and packaging systems for a certain model, which means that a switch of the supplier during the lifetime of the model is more or less impossible.
- Mutually dependency: Having become a system supplier for the manufacturers of LCVs Delignit has clearly strengthened its competitive situation. According to the company it is the leading supplier in Europe for load compartment equipment for LCVs that complies with regulation. That means that the OEMs depend to a certain extent on Delignit and cannot easily replace it.

Production process
Delignit's production process is similar to that of other wood processors like Steico which produces wood-based insulation material for the housing industry. The production process is relatively simple, starting with the sourcing of the wood. As already mentioned, Delignit uses beech wood which it sources from forests in a perimeter of 130km of Blomberg. It has long lasting contracts with different forest owners. Before cutting, debarking and peeling the trunks they are treated in steaming pits to soft boil the lignin so that the wood can be further processed. Following a drying process, the veneer stripes are produced.

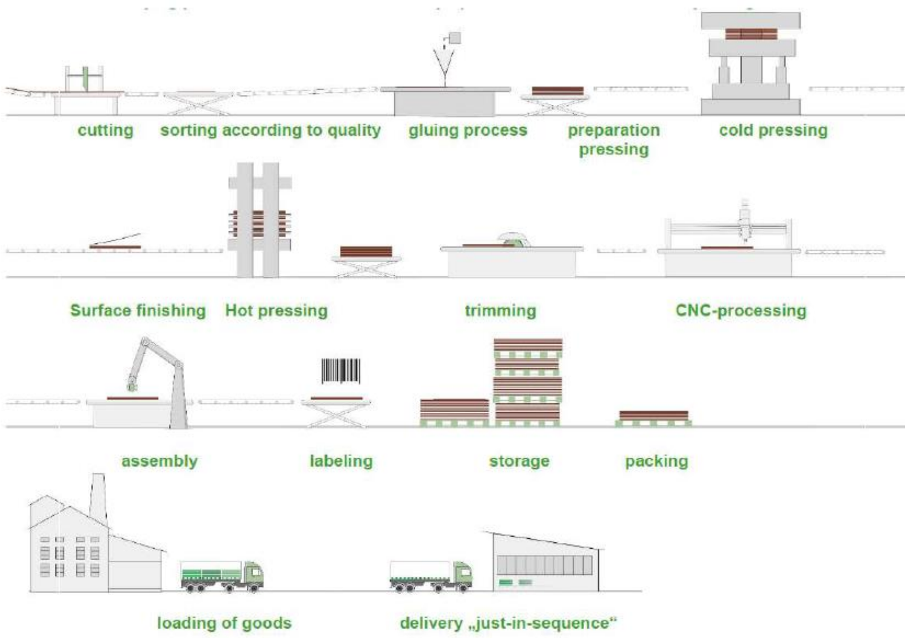
Delignit's manufacturing process (I)



Source: Delignit

The stripes are cut and sorted according to quality before they are pressed (cold and hot). The last production steps comprise the surface finishing, the trimming and very importantly the customized CNC processing. Finally, the products are labelled, packed and delivered to the customers. The customized CNC processing is an important step in our view, as it enables Delignit to produce 100% fitting products for its customers. As these come from different sectors and have different demands it is clearly a competitive advantage that Delignit's customers can rely on high quality and 100% fitting products.
In our view, Delignit's key strength is its know-how to process and refine the veneer stripes and manufacture mass-customized products / systems for different applications. The successful entry of the interieur fitting market for motor caravans has shown, in our view, how Delignit can apply its know-how to new use cases.

Delignit's manufacturing process (II)



Source: Delignit

Delignit has two production sites, one in Blomberg and one in Oberlungwitz. The plywood board production is located in Blomberg, the processing of the plywood boards is located both in Blomberg and Oberlungwitz in altogether three plants.

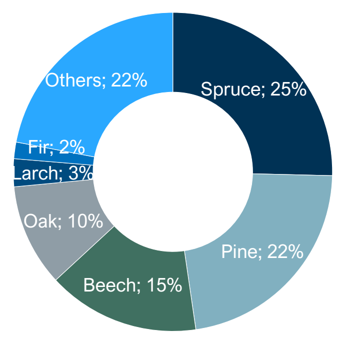
Competitive environment

In the Automotive segment Delignit's competitors can be divided into plywood / wood-based materials manufacturers and system providers. The former group of competitors cannot offer its customers, like Delignit can, mass-customized products but rather manufactures standardized wood-based products. Competitors are mainly small carpentries which can, however, not offer certified products like Delignit does. Furthermore, they cannot produce as efficient as Delignit, i.e. not benefit from economies of scale to the same extent, due to small batch production processes. Other system providers offer similar comprehensive product solutions like Delignit, but these use mostly other material and if they offer beech-based product the beech plywood is externally sourced. Quite often the competitors use birch for its products. Unlike beech, birch is less resilient / robust and thus fulfils only partially the OEM's needs. In the market for industrial floors Westag & Getalit AG is e.g. a competitor.

Why beech? Because it is renewable and sustainable

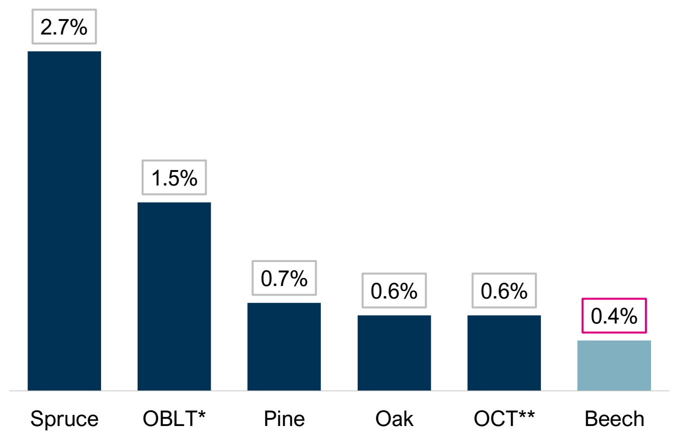
Beech (Latin: Fagus Sylvatica) has several advantages compared to other wood types. Firstly, it is very robust and resilient as it is among the strongest types of wood. The so-called Brinell hardness, which is given in Newton per square millimetre (abbreviation HB or HBW) indicates how high the compressive strength is. A hardness of 34 N/mm^2 (beech) indicates that a square millimetre can be loaded with 3.4 kilograms without being damaged. Other tree species like spruce (12 N/mm^2), oak (32 N/mm^2), pine (19 N/mm^2) or poplar (20 N/mm^2) have a lower HB. Delignit's beech-based load floor has e.g., to pass the following test: a grid box weighing one ton is 1,000 times pushed back and forth over the load floor. The test is passed if the floor rail does not show any appreciable compressions. Secondly, beech seems to be better able to cope with the climate change. Compared to other tree species in German forests, beech has a much lower mortality rate as can be seen from the graph below. In 2021, beech had a mortality rate of 0.4% which compares to 2.7% of spruce or 0.6% of oaks. Different experts are quite optimistic that beech will be able to survive in a world of changing climate conditions. Some findings point to the conclusion that young beeches are even better able to adapt to periods of draught than initially thought. Nevertheless, the climate change is also a challenge for beeches as can be seen by the strong increase in the crown thinning ratio over the last twenty years which has not been best in class in 2021. Beech has a share of 15% of all tree species in Germany. Beech, which has a particularly strong distribution in large parts of Europe, recorded an increase in stocks of 13% between 2012 and 2017. According to the management, the procurement of beech takes places within a radius of less than 130km. Thus, we think it is fair to draw the conclusion that there should not be a sourcing problem for Delignit.

Distribution of tree species in Germany



Source: Federal Ministry of Food and Agriculture, Pareto Securities

Mortality rate of tree species in Germany



** Other broad-leaved trees, ** Other coniferous trees*

Source: Federal Ministry of Food and Agriculture, Pareto Securities

Delignit offers a wide range of products and brands which have different applications. The following products/brands are the most important ones being currently offered:

Delignit®: Delignit® is the oldest product/brand within Delignit's portfolio. It has been developed in 1893 and is marketed as an ecological material for the most demanding technological applications since the beginning of the 1930s. Beech-based Delignit® materials feature special technical and mechanical properties (e.g. friction wear and resistance, dimensional stability, breaking load). Beech is one of the toughest and hardest types of wood. It weighs only 10% of construction steel but possesses 33% of its strength. Today, the Delignit® brand stands more than ever as a synonym for application and customer-specific products and system solutions for leading branches of industry. A large number of further subsidiary brands such as Feinholz®, Festholz® and Panzerholz® exist in addition to Delignit®. Delignit® is basically used for most of Delignit's products (except for the motor caravans).

Delignit® Floor Professional

Source: Delignit

Delignit® Festholz

Source: Delignit

Dunastrand: Dunastrand, which is also a beech-based product, is characterized in particular by its high load-bearing capacity, its flexible application options and its very good insulating properties. It is e.g. used for loading floors in passenger cars.
Festholz®: This is a high-quality DIN 7707-compliant phenolic resin plywood. The basic components of this laminated material are beech veneers and harder phenolic resin which are compressed to form a high-strength plastic. It is used e.g. for industrial floors.
Panzerholz®: A DIN 7707-compliant hardened panel material made of a combination of phenolic resin and hardwood with a hardened structure. It is also e.g. used for industrial floors.
VANYCARE®: Under the VANYCARE brand Delignit offers different solutions/products in the aftersales market for retrofitting light commercial vehicles with cargo space protection and safety equipment. Customers, who are interested in fitting its vehicles after the purchase with protection and safety equipment, can do this via VANYCARE. VANYCARE offers its protection and safety system for common LCV models (i.e. Dacia, Fiat, Ford, Mercedes, Peugeot, Renault, Volkswagen), orders can be placed through an online shop or via telephone.

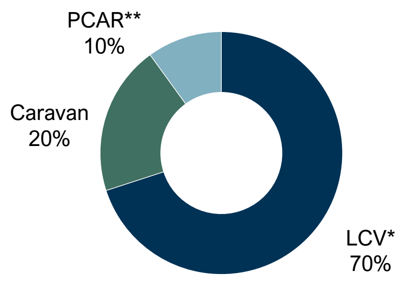
The wide range of products, which are more than just a plywood board, but rather wood-based refined products for various applications show that Delignit is not just a sawmill supplying the automobile industry with wood-based products but rather an important system supplier. Delignit has successfully positioned itself as a supplier for protection and securing systems for the automotive industry. By not only offering one single product (e.g. a load floor) but rather being able to provide the complete interieur fitting of a transporter Delignit has gained a higher part of the value chain and has become a more valuable partner for its customers. An OEM does not have to look for ten different suppliers to fit a transporter with the necessary protection and securing system but rather gets the whole package from Delignit. This does not only lead to higher revenues for Delignit but also makes it more difficult for the OEM to replace Delignit.

Customer groups
Delignit products are mainly used in the automotive sector or for different technological applications such as an industrial floor or a rail floor, the revenue split is roughly 90:10 between these two groups (2021).

Segment Automotive

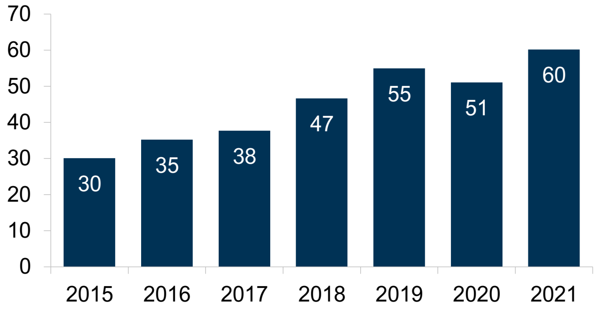
In the Automotive segment Delignit's main customers are producers of light commercial vehicles and motor caravans. For commercial light vehicles Delignit produces e.g. the wooden load floor, partition walls, side walls and different kind of rails and wheel arch covers.

Revenue split of Automotive segment



* Light Commercial Vehicle, ** Passenger Car
Source: Pareto Securities, Delignit

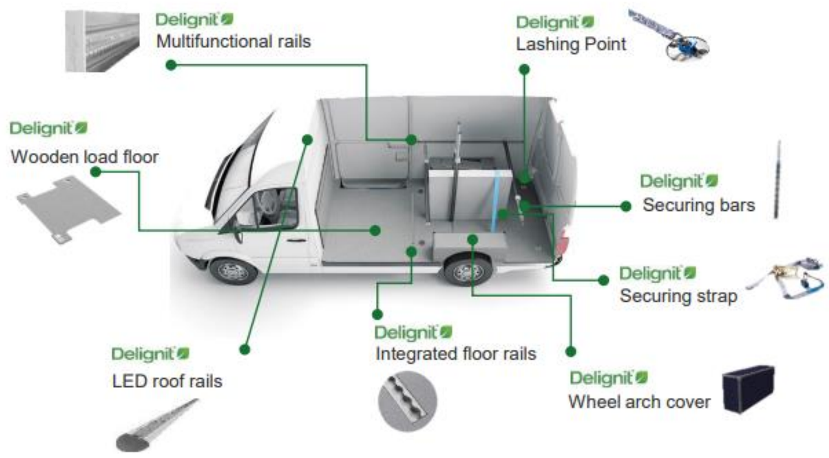
Revenue development over past years (EURm)



Source: Pareto Securities, Delignit

Delignit's products have the relevant certificates like e.g. the ISO 9001:2015. Thus, its customers fulfil all legal safety requirements for transporters. According to the company, Delignit is the leading supplier in Europe for load compartment equipment that complies with regulation.

Delignit offers a vast range of products for transporters



Source: Delignit

Importantly, Delignit does not only offer only single parts like a wooden load floor or a wheel arch cover but the complete system for securing load in a transporter. This includes also multifunctional rails, lashing points, securing bars and straps. Delignit's customers can do one-stop shopping.

Delignit wheel arch cover and rail systems for a transporter

Source: Delignit

Delignit load floor for a transporter

Source: Delignit

For motor caravans Delignit provides all kind of interieur fitting, i.e. cupboards for the kitchen or general storage. These products are not beech-based products but based upon poplar as poplar is lighter than beech and easier to process. Delignit does, however, not process the poplar logs (like in the case of the beech-based products) but sources the poplar plywood boards from suppliers. Delignit focuses on designing and manufacturing the cupboards for the OEM on the basis of the respective CAD designs. This business is relatively young, Delignit has started in 2019 with the first prototypes and booked first revenue with an OEM in H2 2019. Delignit has been awarded this contract based on its long-lasting experience and know-how in processing and refining wood for the automobile industry. This successful expansion shows how Delignit's process know-how can be used for other applications. We see good growth prospects for Delignit in the motor caravan business as it has so far only one OEM as a customer with a relatively small market share, while the large players still use other solutions. Despite being a newcomer in this market segment, Delignit's products have been well received as shows the awards it has received from promobil, one of the leading caravanning online portals.
Finally, Delignit produces also loading floors or trunk mats for passenger cars.

Example of Delignit's interieur fitting of a motor camper*

*Source: Delignit; *the green parts are manufactured by Delignit*

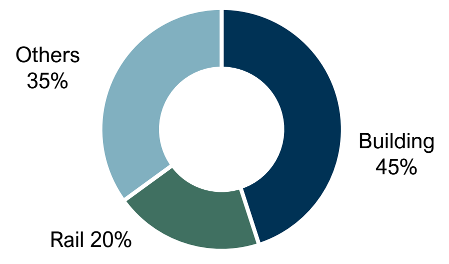
Example of Delignit's interieur fitting of a motor caravan*

*Source: Delignit; * the green parts are manufactured by Delignit*

Additionally, Delignit offers different trailer floor products for heavy commercial vehicles.

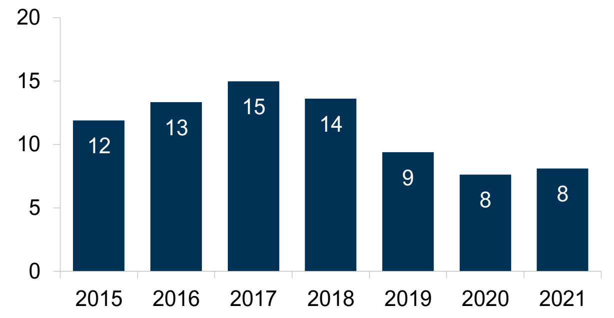
Segment Technological Applications

Revenue split of Technological Applications segment



Source: Pareto Securities, Delignit

Revenue development over past years (EURm)

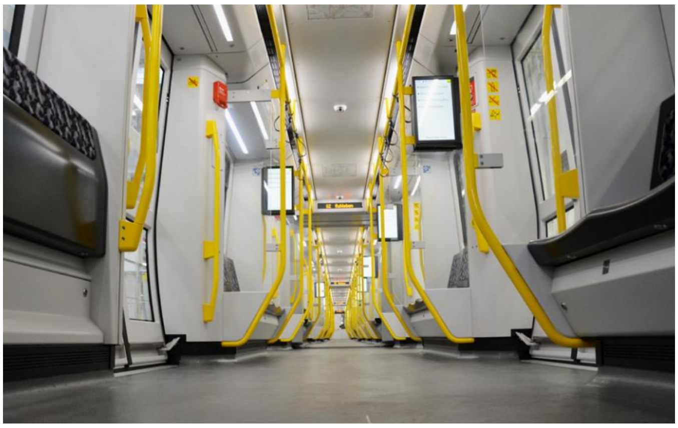


Source: Pareto Securities, Delignit

Interior fitting solutions: Delignit offers different high-quality interior fitting solutions which provide e.g. fire protection, security, bullet resistance, protection against burglary or improve room acoustics. Applications can e.g. be interior construction, shopfitting or staircase construction or floors/ceiling which offer fire protection. Most of the revenues are generated with floors for industrial usage. Delignit's industrial floors replace e.g. creed or grating and serve, among others, as floor and stage covering.

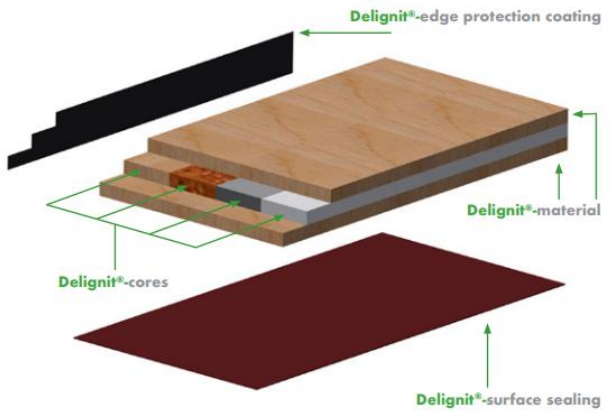
Railway: Delignit offers different floor solutions for rail vehicles. Delignit's floor solutions offer fire, fungal and humidity protection and are weight and sound-optimized. Delignit works in close cooperation with its customers from the project start and arranges the right specification and processing. Together with its customers it finds the optimal variant and offers cost-efficient optimized solutions.

Delignit's railfloor – installed in a city train



Source: Delignit

Delignit's modular principle for its railfloor program



Source: Delignit

Promising strategy is already paying off

Key elements of Delignit's strategy

Source: Pareto Securities, Delignit

Delignit's growth strategy is based upon the following four pillars:

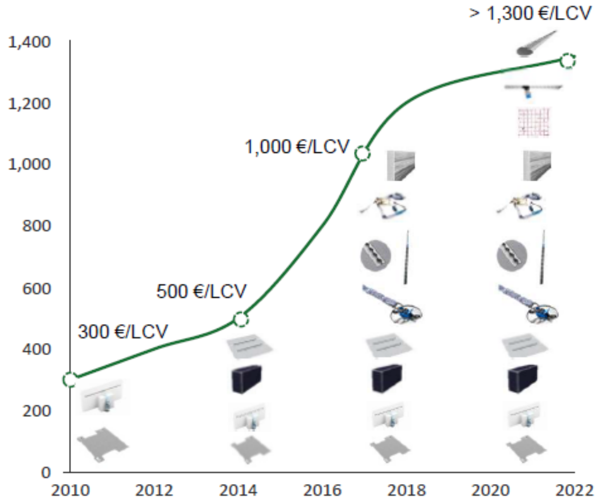
1. **Technology leadership:** Delignit aims to reach technology leadership by introducing innovative solutions and new products to the markets. Its light-weight products are a good example as they enable the company to better compete with other products. With the growing popularity of e-mobility light-weight products should even gain more than proportionately in importance. Delignit's latest success in this area is, that it has been chosen as system provider for a new e-van from a large German OEM.

2. **Product diversification:** In recent years Delignit has focused on increasing revenues per vehicle by selling additional products, i.e. by increasing its cross-selling ratio. In 2010 maximum revenue per light commercial vehicle amounted to EUR 300, which came mainly from two products, the wooden load floor, and the side panel. In 2022 maximum revenues per vehicle has increased to over EUR 1,300, which came from around ten products. We see this development positively as it helps Delignit to make use of existing customer relationships and to improve its competitive position. It is clearly much more difficult to replace a supplier who provides ten different parts than one who only provides two products. Finally, this development had a positive impact on the company's revenues. As the average revenues per vehicle stood at around expected EUR 250 to EUR 300 per vehicle in 2022, we see a further increase in the cross-selling ratio as the key revenue driver in the next years. We expect the average revenue per vehicle to gradually increase. This process should, however, take some years as Delignit can better persuade the OEMs to order additional Delignit products when a new model type or a model facelift is planned. As new LCV models are normally only introduced every ten years and not every OEM has regular facelifts of its models, average revenue per vehicle should increase only gradually over the next years.

3. **Geographic diversification:** Delignit has successfully increased its international revenues in recent years. In 2011, domestic revenues had a share of 86% of total revenues, in 2021 the domestic share stood at 44%. Outside of Germany, Delignit has generated revenues mainly in Poland, USA, England, and Spain; China played a minor role. This shows, that Delignit has been able to successfully expand internationally and win customers outside of Germany. A milestone in this respect has been clearly the successful expansion into the US by winning the first LCV manufacturer as a customer in South Carolina. We see further good growth potential in international markets in the next years for Delignit based on its attractive product portfolio.

4. **M&A strategy:** Delignit is interested in acquiring companies with annual revenues of more than EUR 10m to further internationalize its business and/or to get access to new technologies. We see an acquisition in the US and/or in the area technological applications as most interesting for Delignit, but do not expect any major transactions. The last significant transaction was the acquisitions of DHK automotive GmbH and HTZ Holztrocknung (combined revenue of around EUR 5m) in 2013.

Potential revenue per vehicle based on product portfolio

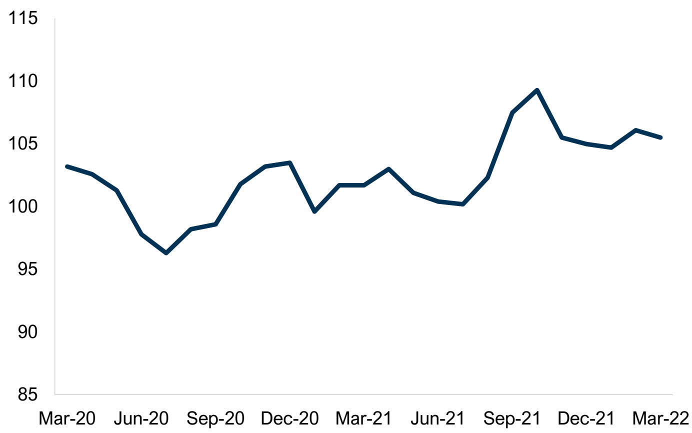


Source: Delignit

Inflation a challenge but manageable

Delignit's main input cost factors in the production process are the costs for the wood and energy, other important input factors are logistic costs. Delignit has yearly price negotiations with its beech suppliers to set the price for the following year. As can be seen from the graphs both the wood price (note that the shown wood price development is only a proxy for the price development of the beech wood that Delignit purchases, as wood prices differ quite significantly depending on quantity purchased and quality) and the gas price have increased in 2022. Delignit is able to pass on the higher input costs to its customer to a large extent, but this is only possible with a time lag of between eight to ten months, which means that Delignit's earnings temporarily suffer from inflationary effects.

Development of the wood price in Germany*



*Source: Statista, Pareto Securities; * Producer price index for beech logs (2015=100)*

Development of the gas price in Europe*

*Source: Bloomberg, Pareto Securities; *Dutch TTF Natural Gas Futures contract*

ESG – lies in the nature of Delignit

At first glance Delignit does not come to one's mind when thinking about environmentally friendly companies as Delignit's products are still mainly used in internal combustion engine vehicles. However, its products have a positive effect on CO^2 emissions if comparing it to comparable products which are not made from wood, like e.g. a PVC load floor. Delignit's products are made of wood which has the key advantage that the trees during its growth phase absorb CO^2 which has a positive effect on the overall climate. For every cubic metre of wood, a tree has filtered about 900 kilograms of CO^2 from the air and stored about 250 kilograms of CO^2. During the lifetime of the product, which can last up to 20 or 30 years, the CO^2 remains stored in the product. Finally Delignit's products have a recycling quota of close to 100%, which also contributes positively to the high sustainability of the company's products. Hence, we think it is fair to say that Delignit makes a meaningful contribution to fight climate change by reducing CO^2 emissions through manufacturing wood-based products for the automobile industry.

ESG plays an important role Delignit

Source: Delignit

In the next years e-mobility will become more and more popular and grow in importance. We see Delignit's products as a perfect match for e-vehicles as they, unlike non-wood based products, contribute positively to the e-vehicles' ecological footprint. We think that in the next years the overall ecological footprint of cars / LCVs will become more important, i.e. more and more potential buyers will not only look at the CO^2 emissions of the vehicles but will also look at the manufacturing process of the vehicles and the raw material of which the vehicles are built. Delignit's wood-based products have in this respect clearly a competitive advantage versus other products made e.g. of plastics. Hence, we see Delignit well positioned for the e-mobility age and see even the chance that its relative market position will further improve. The fact that it has won a contract with a large German OEM for its new e-van shows in our view, that Delignit is well prepared for the e-mobility age.

Environmental aspects are of high importance for Delignit as can be seen from the fact that it supports initiatives like "Holz Pro Klima" or "Holz verantwortungsvoll Nutzen" and also belongs to the drive sustainability initiative and has received a positive company ranking (on the basis of a self-assessment-questionnaire). Furthermore, it has different certificates like the PEFC (this is a transparent and independent system for ensuring sustainable forest management), ISO 9001/14001/50001, DVS Zert Welding and the CARB certificate.

Looking at Delignit's energy consumption we think it is worth mentioning that the company's manufacturing process is quite energy intensive, but the company can use its wood waste to generate energy by burning the waste. It still needs external energy but by using its wood waste it has reduced its dependence on external energy suppliers. According to the management, the company can generate twice the amount of electricity needed for its whole production process in all four plants.

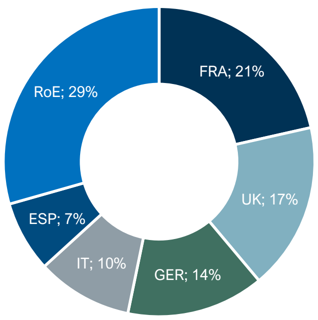
Market

Delignit services customers which operate in different end-markets. When analysing Delignit's market environment we focus on the three markets, which we see as most relevant for Delignit. These markets are light commercial vehicles, leisure vehicles and the rail market.

Light commercial vehicles

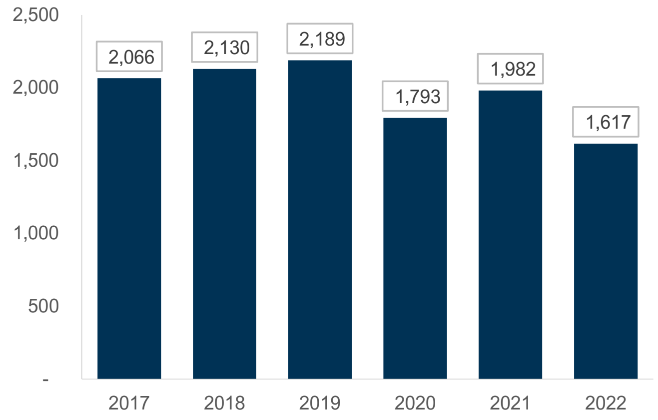
Light commercial vehicles (LCV) are commercial carrier vehicles with a maximum gross vehicle weight of 3.5t (sometimes the vehicles with a maximum weight of 5t are also considered LCVs). LCVs are mainly used for intracity freight transportation and deliveries over short distance (up to 100km on average). The global market of light commercial vehicles has increased by 6% yoy to USD 540bn in 2022. Globally, the market is dominated by North America, Europe and Asia. The reason for the dominance of the North American market is due to the fact that pick-up trucks (which are considered LCVs) are very popular in North America.

Distribution of LCVs (new registrations) in Europe by country



Source: ACEA, Pareto Securities

Development of new registrations (LCVs) in Europe (in '000)

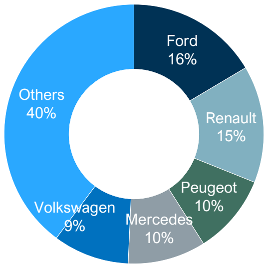


Source: ACEA, Pareto Securities

In Europe LCVs are mainly used for commercial purposes. The largest markets (in terms of new registrations) are France, UK and Germany. New registrations in Europe have fallen sharply in 2020 and 2021 due to Covid 19 and supply chain issues. As the sale of LCVs is closely linked to the economic climate, i.e. GDP growth, it has been no surprise that the sale of LCVs, parallel to the economic contraction, fell sharply in 2020. In 2021 sale of LCVs remained on a relatively low level. In 2022 new registration of LCVs in Europe declined by 18% yoy due to supply chain issues, mainly scarcity of chips, which negatively impacted the production of LCVs.

Looking at the market shares of the OEMs, Ford is the market leader in the European LCV market with a market share of 16% (2021, based upon number of sold new vehicles), followed by Renault and Peugeot. Mercedes and Volkswagen follow on place four and five. The market is relatively consolidated with the TOP 3 OEMs holding a market share of 41%. The best-selling model in 2021 was the Ford Transit custom, followed by the Mercedes Sprinter and the VW Transporter.

Market shares by OEM in the European LCV market*



Source: Statista, Pareto Securities

Market shares by model in European LCV market

Model type	# new registrations	market share
Ford Transit Custom	125	6%
Mercedes Sprinter	116	6%
VW Transporter	94	5%
Ford Transit	92	5%
Fiat Ducato	87	4%
Renault Master	85	4%
Renault Trafic	78	4%
Iveco Daily	73	4%
Peugeot Partner	63	3%
Others	1,231	62%

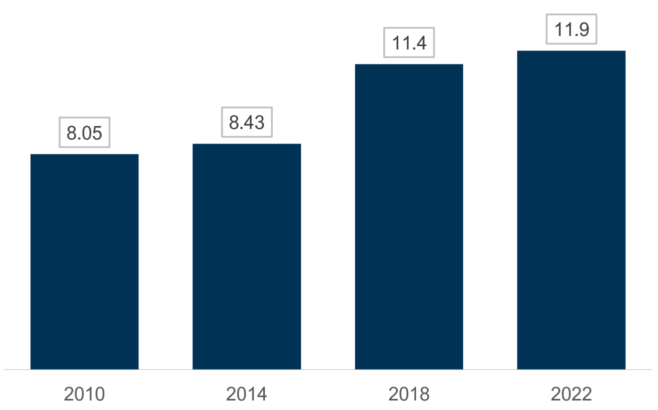
Source: Statista, Pareto Securities

For the next years the number of LCVs registrations in Europe (Delignit's main market) is forecasted to grow by 2% p.a. on average (CAGR 2022-2028), commercial pick-up tracks slightly outgrowing light commercial vehicles. Within Europe growth rates should be the highest in France, Spain and UK while Germany and Italy should only grow in line with the market.

Main driver should be the growing importance of e-commerce which should recover strongly after a weak 2022 resulting from a base effect as 2020 and 2021 had been extremely strong due to Covid 19. A further growth in e-commerce does not only affect the stationery retail shops and requires the build-up of large logistics centres but should also lead to a growing number of delivery trucks as the goods have to be delivered to the customer. For the so-called "last mile delivery", which makes up estimated 53% of the total delivery costs, LCVs are the most popular vehicles as they are most efficient.

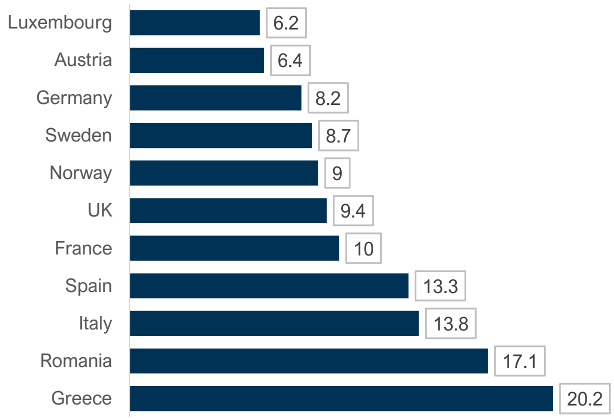
Another important driver for new LCV registrations should be, in our view, the continuous increase of the average age of the European LCV fleet in recent years. Currently, the average age of LCVs in Europe stands at 11.9 years with wide differences over the various countries in Europe. In Southern and Eastern Europe, the average age is significantly higher with e.g. 20 years in Greece or 17 years in Romania, compared to ten years in France or eight years in Germany. More importantly, the average fleet has increased from on average eight years in 2010 to twelve years in 2022. This increases c.p. clearly the pressure to renew the fleet in the next years. This means that future growth in new registrations should be also fuelled by replacement business, i.e. owners of older LCVs buy new LCVs to replace the old ones because they cannot be used anymore.

Historical development of the average LCV fleet age in Europe



Source: ACEA, European Environment Agency, Pareto Securities

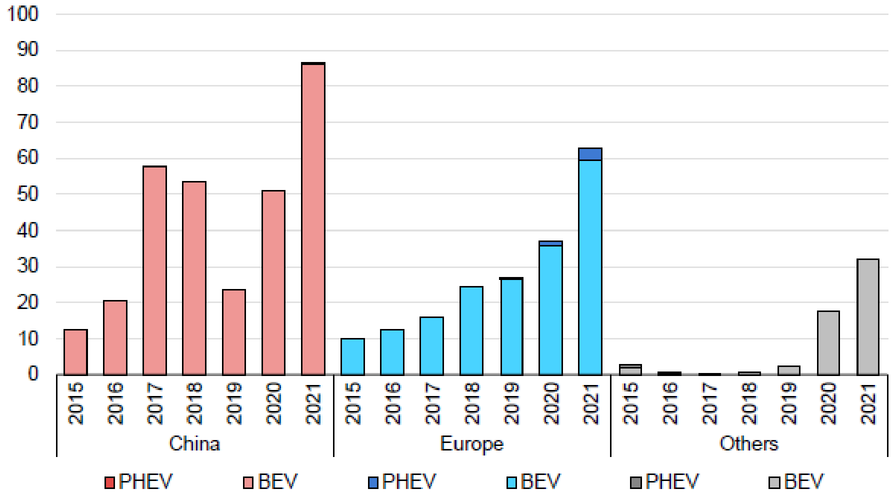
Average LCV fleet age by country in Europe in 2020 (in years)



Source: Statista, Pareto Securities

There have been pilot projects in different regions to test new transport forms like drones which we however do not expect to play a significant role in the short to mid-term.
Currently, e-mobility does not play an important role for LCVs, electrification is clearly lagging behind that of passenger cars. This is however, likely to change in the coming years. Amazon has e.g. announced to spend EUR 1bn on electric trucks and delivery vans over the next five years and the Royal Mail (UK) ordered another 2,000 electric vans. E-mobility should not be a threat for Delignit as e-LCVs need equipment for protection and securing loads in the vehicles as well. For e-LCVs low weights are of higher importance than for ICE based LCVs. As Delignit's products offer lower weights than other solutions we see e-mobility rather as an opportunity than a threat. Delignit has won its first large contract from a German OEM for an e-transporter, which shows, in our view, that its products are also competitive in the e-mobility age.

Electric LCV registrations in '000 by type and market*

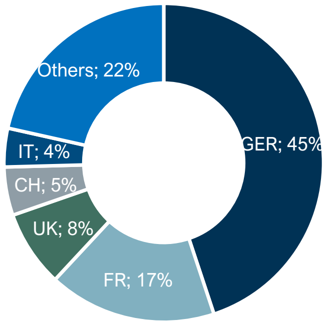


*Source: IEA analysis; * PHEV: plug-in hybrid vehicle, BEV: battery electric vehicle*

Leisure vehicles

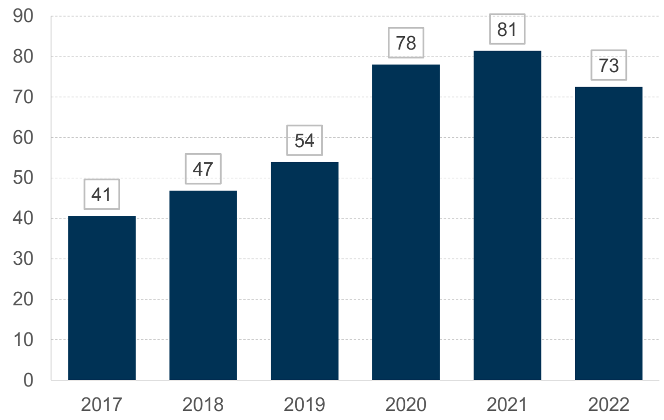
The market for leisure vehicles consists of two sub-markets, the market for caravans and the market for motor caravans, the former being one third larger (in terms of number of units) than the former. The European market for motor caravans has grown strongly in recent years, Covid 19 having been one important driver. The number of new motor caravan registrations has increased by 63% to 181k between 2017 and 2021. Germany is not only the country with the highest number of new registrations (Germany has a share of 45% of total new registrations) but has also shown the highest growth rates between 2017 and 2021 with +100%. The market for caravans has declined between 2017 and 2021, in 2021 growth amounted to 4% yoy. Here, Germany is also the largest market with a share of 31% of total European new registrations. Germany, for which 2022 figures have already been published, reported a decline by 11% yoy for motor caravans for 2022.

Distribution of new registrations of motor caravans in Europe



Source: Pareto Securities, CVID

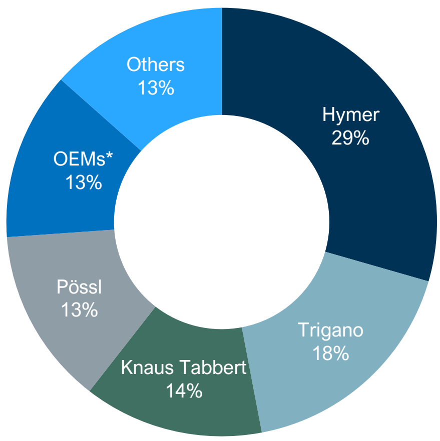
Development of new registrations of motor caravans in Germany



Source: Pareto Securities, CVID

The German market (based upon 2020 new registration figures) for motor caravans is dominated by four players, which hold a combined market share of almost 75%. Erwin Hymer (which is part of Thor Industries) is the clear No. 1 with a market share of 30%, followed by the French Trigano (18%) and the German Knaus-Tabbert (14%). The automobile OEMs (Ford, Mercedes, Volkwagen) hold a combined market share of 13%.

Market share overview in the European motor caravan market



*Source: promobil, Pareto Securities; * Ford, Mercedes, Volkswagen*

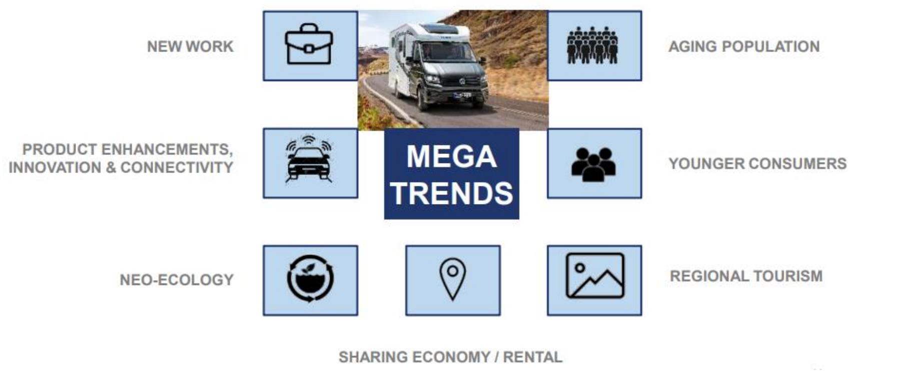
Generally, we think that Covid 19 was an important catalyst for the market development as it made many people to try out caravanning holidays for the first time. If looking at the figures, the 21% yoy increase in Europe in the number of new registrations of motor caravans (Germany: +45% yoy) in 2020 underlines our assumption that the pandemic played an important role for the market development. Due to the pandemic many people were hesitant to make a normal vacation, i.e. fly to some place in Southern Europe and spend two weeks in a crowded large hotel. Many people looked at other holiday options like staying in the country, staying in an apartment rather than in a hotel or doing a caravanning holiday. Particularly, caravanning holidays have become an option for people which would have otherwise not chosen this holiday form or only at a later point in time ("someday we will have to try this out"). This has led to a strong increase in leisure vehicle rentals but ultimately also in a strong increase in new registrations. Clearly, not all people who tried out caravanning holidays liked it and bought a leisure vehicle afterwards. However, we think that many people realized that caravanning holidays are an attractive option to other holiday forms and may go on caravanning holidays again in the future. Thus, we think that the pandemic increased the pool of potential caravanning holidaymakers which is good news for the industry. Apart from this factor, the caravanning industry players have identified several factors which are expected to positively impact the market development in the next years. We see the following factors as key drivers:

Aging Population: The key group of leisure vehicle users is aged 45 years and older; in Germany more than 50% of German leisure vehicle owners were older than 40 years. The average age of the EU-28 population stands at 44.1 years (2021) and is expected to grow to 47.3 years by 2050. This is clearly good news for the caravanning industry as it will lead to a bigger target group.

Potential among younger people: Caravanning seems to become more popular among younger people (< 39 years of age). Based upon a study by the “Gesellschaft für Konsumforschung” (GfK) younger people deem leisure vehicles trendy; they prefer the freedom and flexibility of travel that can be achieved with a leisure vehicle. This is clearly good news for the industry as is it will lead to a larger target group which should ultimately result in a higher number of new registrations.

Environmental aspect of holidaymaking plays a more important role: Climate protection, which was only a topic for few people ten years ago, has become mainstream. Today, climate protection plays an important role for more and more people when making decisions. Compared to air travel, caravanning holidays result in lower average CO^2 emissions, particularly if the destinations are rather domestic or not too far away (travelling with the motor caravan from Berlin to Maroc is not particularly environmentally friendly). The growing importance of ecological aspects should therefore also have a positive effect on the demand for caravanning holidays.
Other factors like new work concepts, growing popularity of the sharing economy, product enhancements and the recent trend towards regional tourism should c.p. also have a positive impact but in our view less so than the other factors described in more detail above.

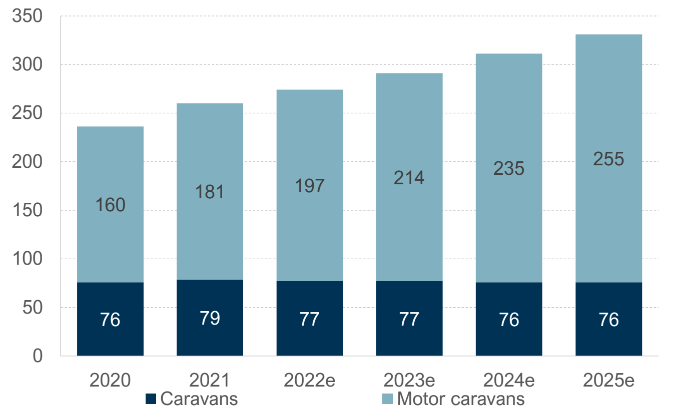
Megatrends in the caravanning industry



Source: Knaus Tabbert

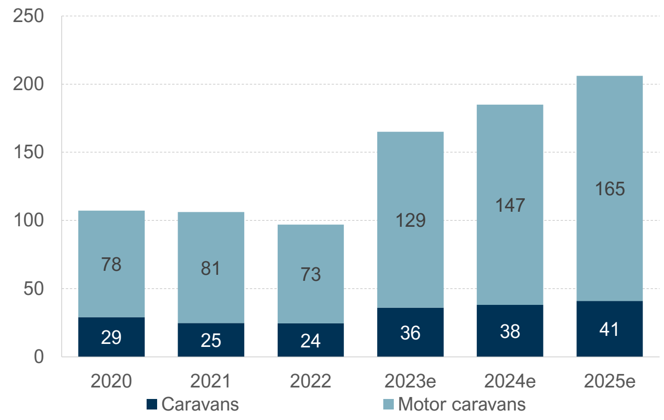
Market development
The CIVD forecasts the number of motor caravans to grow to 331k by 2025 in Europe which is equivalent to a CAGR of 9% between 2022e and 2025e. For the German market growth is forecasted to amount to 13% (CAGR 2023e-2025e). These forecasts were, however, made two years ago and the actual development has been not as strong as expected. Hence, we think that somewhat lower growth rates, particularly for Germany are more realistic.
Current analyst revenues forecasts for Trigano translate into a 2022e-‘25e revenue CAGR of 7% and 17% for Knaus Tabbert (2022e-‘24e), two listed manufacturers of leisure vehicles. This shows in our view, that the growth prospective for the caravanning industry seems to be quite positive.

Growth forecast for leisure vehicles in Europe



Source: Pareto Securities, CIVD

Growth forecast for leisure vehicles in Germany

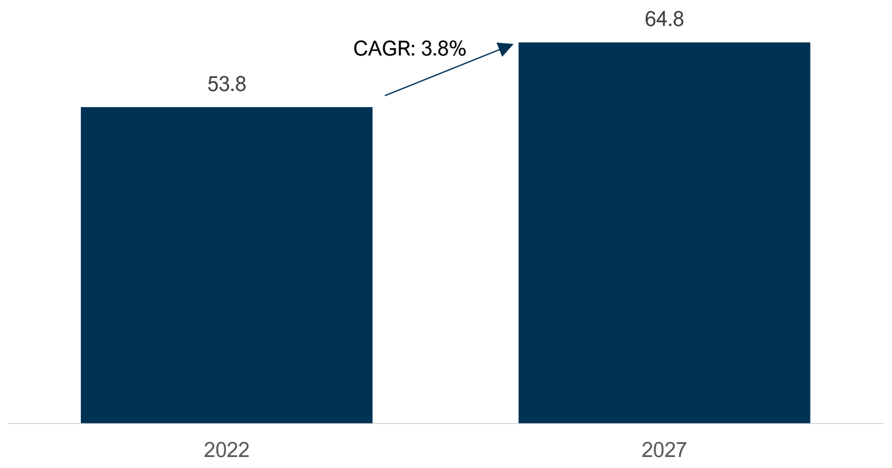


Source: Pareto Securities, CIVD

Rail

The global rolling stock market, which includes both freight and passenger transportation, is forecasted to grow with a CAGR of 4% between 2022 and 2027. In Germany, Europe's largest market, the number of users is forecasted to grow to 52.8m by 2027 (2022-'27 CAGR of 3%). While the market was negatively impacted by the pandemic which led to a sharp decline of generated revenues in 2020, the market has slowly recovered since then. The solid growth outlook for the global market confirms our positive view. We think that the growing environmental awareness should lead to a higher usage of public transport. This will however only be achieved if the offering is improved, i.e. additional train connections, new and more convenient trains and more attractive pricing. This means that the providers of public transport have to invest in order to be able to compete with other transport means, mainly cars. Key driver in the mid- to long-term should, however, be the need to reduce CO^2 emissions to reach the Paris Climate targets (limit the temperate increase to 2 degrees by 2050). Among other a higher usage of public transport is clearly an important driver. This will only be possible with significant investments not only in the network but also in trains. All in all, we see also a positive market environment for Delignit's rail unit.

Global rolling stock market in terms of revenues (USD bn)



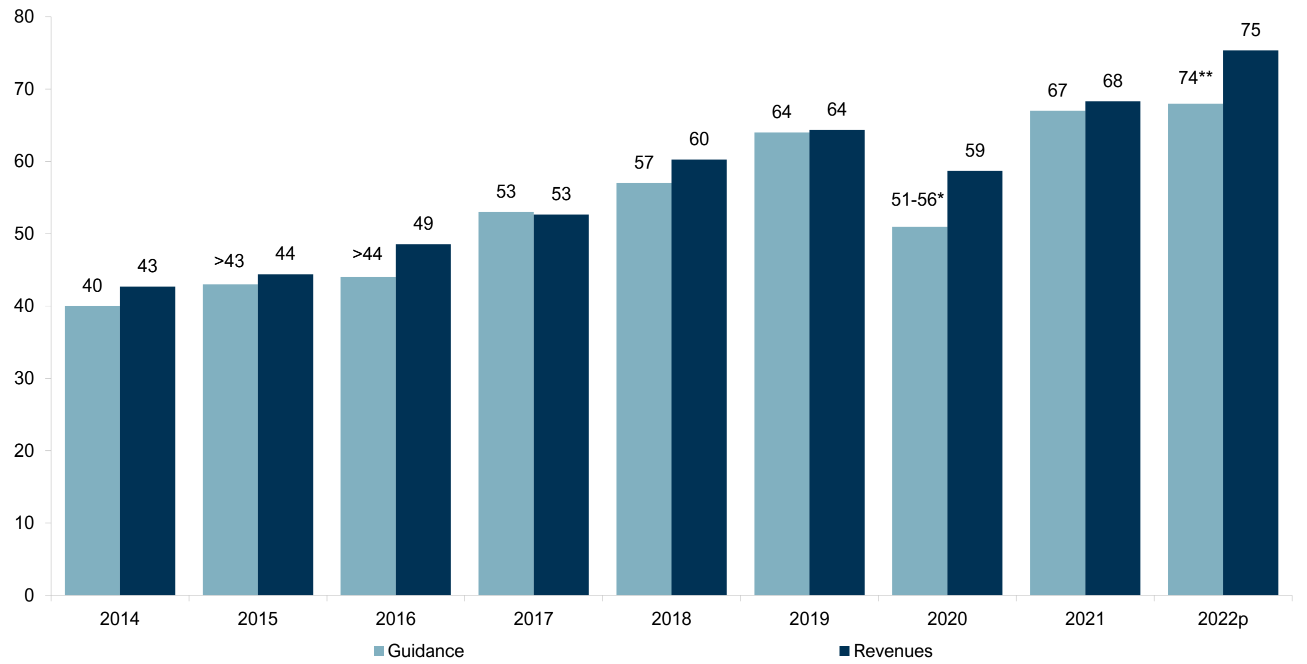
Source: Pareto Securities, marketsandmarkets.com

Financials

Backed by a very comfortable order backlog of close to EUR 900m, we forecast revenues to grow by a CAGR of 10% until FY 2027e and surpassing the EUR 100m threshold already in FY 2025. Main drivers should be the LCV business, because of again increasing demand after years of rather subdued development, as well as the regional expansion and the increasing revenue per vehicle. In particular the revenue per vehicle can unlock hidden growth potential. The newly established caravan business also contributes to the expected growth acceleration in the coming years. On the back of the topline development, we foresee an EBITDA CAGR of c.13% until FY 2027e, resulting in an EBITDA of EUR 11.6m in absolute terms. However, we remain cautious with respect to the profitability and assume that the EBITDA margin should stay below 10%.

Impressive revenue development over the past years

Proven track record and good visibility of management – Guidance vs actual revenues (EURm)

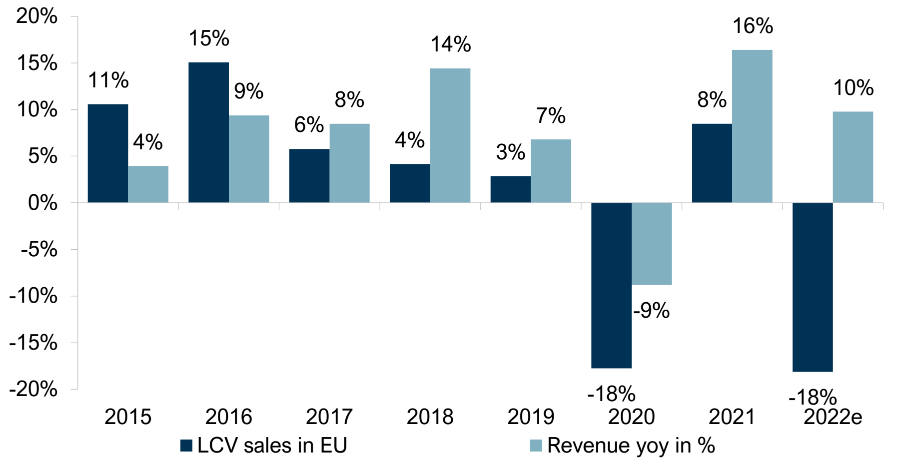


* Guidance cut after H1 from >EUR 70m, due to Covid-19 related production stops at OEMs
** Guidance upgrade from previously announced >EUR 68m

Source: Pareto Securities, Delignit

Delignit has an impressive growth track record over the past years. The revenue development depicted in the above graph implies a CAGR of 7.3%, since 2010 even 9.4%. Despite the fact, that the light commercial vehicle market (relevant for ~65% of total revenues) is exposed to cycles and therefore also affected by setbacks, Delignit has managed to increase revenues in every year, except for the Covid-19 impacted year 2020. Main growth driver was the internationalization, which has accelerated since 2017 and the increased revenue per vehicle. The positive impact of the international business becomes clearer when one looks at the following graph. Since 2017 Delignit was able to outperform the European market for LCV sales, which was even more visible in the recent past. M&A played a minor role in the past years.
Also important to mention is that Delignit's management delivers on promises. As shown in the above graph, Delignit has achieved in every year its growth targets. The only exception was in 2020, when the entire automotive industry was affected by production stops triggered by strict Covid-19 measures. However, even in 2020 the company was able to overachieve its revised revenue target. From our point of view, the main reason for this very comforting track record is the high visibility the company has due its long-term customer relationships and contracted orders on hand. Furthermore, we see Delignit as a classical German SME which follows a rather cautious but solid business policy which is also reflected in the company's guidance communication.

Delignit outperformed the light commercial vehicle (LCV) market in recent years



Source: Pareto Securities, Delignit, ACEA

Construction of our topline forecasts

With c.65% of revenues, the light commercial vehicle market segment is by far the most important of Delignit's business segments. Intuitively, we apply the mid-term growth expectations for the LCV market, supplied by e.g. S&P Global Mobility or the global research house Research and Markets. The expected market growth in the range of 2% to 4% until the period of 2026 represents our base case scenario. We expect that Delignit's historical outperformance of the LCV market (by factor ~5x) will also continue in the future. However, we are somewhat cautious and assume an outperformance of only 1.5x, which is still enough to gain further market share. Furthermore, we assume that Delignit should still be able to pass on the cost inflation to its customers, even with a certain time lag. Based on that, we expect a moderate price increase of ~3% on average until FY 2027e. While we acknowledge that this might be somewhat cautious in the current inflationary environment, we see the revenue per vehicle factor as one of the key drivers for future growth and further upside, which we, however, do not include in our estimates.

For our revenue estimates in the caravan business (~17-20% share of total revenues), we forecast a growth CAGR of ~16% in the period under review, which compares to market growth expectations in the range of 9-13%.

For the revenue development in the passenger cars business, we apply the market forecast of research institutes and S&P Global Mobility, which leads us to an estimated growth CAGR of ~5% until FY 2027e.

The revenue development in the Technological Applications segment (~12% of revenues) is somewhat more difficult to estimate, as this business has partly the character of project business and is less determined by regular call-offs of end customers. In our forecast period, we estimate for the Technological Applications segment a moderate growth CAGR of 5%.

Our key assumptions for the topline development

Key assumptions for our estimates	2023e	2024e	2025e	2026e	2027e
Light Commercial Vehicles	18%	9%	8%	7%	6%
Market growth	8%	4%	3%	3%	2%
Delignit growth	12%	6%	5%	5%	3%
Price increases	5%	3%	3%	3%	3%
Caravan business	**25%**	**25%**	**15%**	**10%**	**5%**
Passenger cars	**9%**	**6%**	**6%**	**2%**	**2%**
Segment Automotive	**18%**	**12%**	**9%**	**8%**	**5%**
Segment Technological Applications	**5%**	**5%**	**5%**	**5%**	**5%**

Source: Pareto Securities

Our revenue estimates for business segments (EURm)

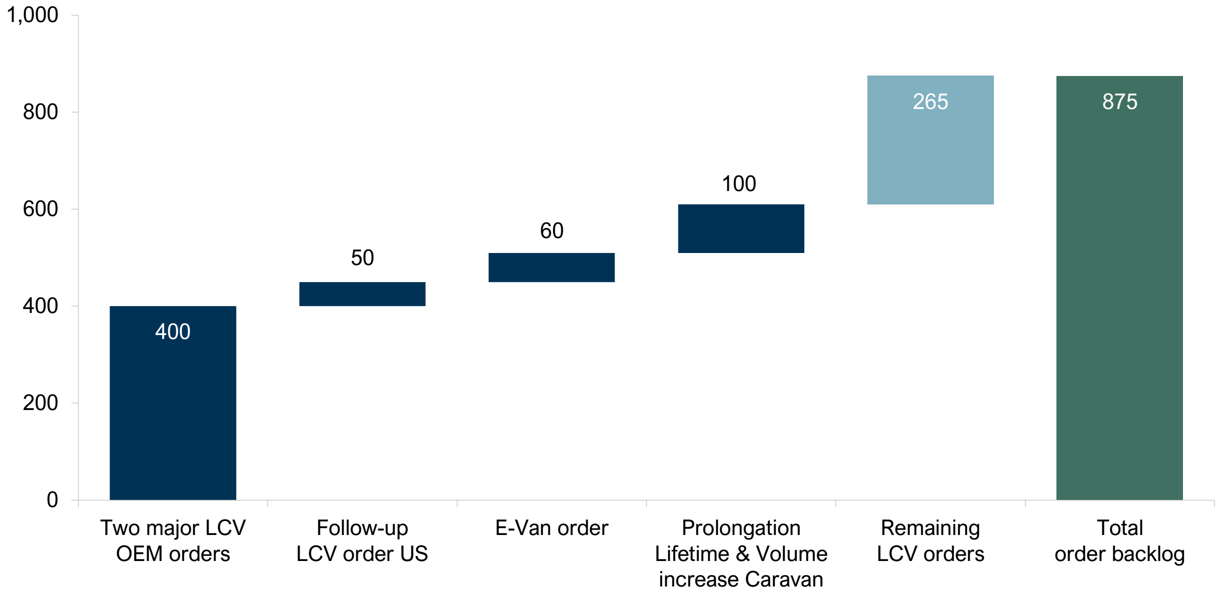
Our estimates for business segments	2023e	2024e	2025e	2026e	2027e
Light Commercial Vehicles	55.3	60.4	65.0	69.9	74.0
Caravan business	18.1	22.6	26.0	28.6	30.0
Passenger cars	7.3	7.7	8.1	8.5	8.7
Segment Automotive	**80.7**	**90.7**	**99.1**	**106.9**	**112.7**
Segment Technological Applications	**7.5**	**7.9**	**8.3**	**8.7**	**9.1**

Source: Pareto Securities

Secured business based on already booked business

Delignit has a long-standing relationship with its OEM customers, in particular with customers in the light commercial vehicles business. As already described, the high dependence on two major customers might pose some risks, however, we are more relaxed about that. We believe, that triggered by the oligopolistic market structure, there is a relationship with customers that can be described by mutual dependence.
According to the management most of their series supply contracts are signed for more than 10 years, while 90% of the current models foresee end of production (EOP) after 2030. Product lifecycles in the light commercial vehicle business of more than 10 years are not unusual. We also know from past developments, that loyal OEMs take Delignit into account in new vehicle lifecycles and even involve them in the development process at an early stage. This provides a pretty good visibility for Delignit's future growth, as a change of a supplier during the product cycle is rather unlikely. Based on the announced major new contracts and our discussions with the management, we derive the following already contracted orders bridge for the coming years.

Breakdown of order book, already awarded contracts and our estimates (EURm)



Source: Pareto Securities, Delignit

Over the recent past, Delignit has announced contracted orders, of which according to our calculations, the unprocessed part with the additions in the meantime is likely to be >EUR 600m. However, we know from discussions with the management that the final call-offs and revenues can end up significantly higher in the end. According to the company, 90% of LCV models equipped by Delignit will have end of production only after 2030, which ensures continued high capacity utilization of existing production. Thus, based on the current running production periods of the related LCV models, we estimate the total current order backlog to be at close to EUR 900m, which is more than 11x our estimated FY 2023e revenue for the Automotive segment (EUR 81m).
With this number of orders on hand, Delignit has a pretty good visibility for future growth. Nevertheless, unexpected production stops at OEMs like in 2020 (triggered by COVID-19) and supply chain disruptions can have a negative impact on sales development. However, we also believe that for the order pipeline the upside potential outweighs the downside risks due to following reasons: 1) Significant potential to increase value per vehicle, 2) Accelerating demand for light commercial vehicles after years of sideways movement, 3) Further internationalization efforts mainly in the US and 4) Caravan and E-mobility businesses are still at a very early stage.
In addition to the market driven demand and higher sales numbers of light commercial vehicles, we believe that the increase of the value per vehicle to have the potential to drive sales significantly above current levels and our estimates. In our base case calculation, we assumed an increase of the value per vehicle from currently estimated EUR 280 to EUR 330 by 2027e. However, as already depicted on page 16 of this report, the already offered products in total could end up at a value of more than EUR 1,300 per vehicle. Major drivers for a higher penetration of Delignit's solutions are an increasing awareness of sustainable materials as well as higher requirements for quality and safety standards in commercial

vehicles. Furthermore, Delignit is increasingly involved at a very early stage in the development of the vehicles and can thus influence the extended use of its solutions. This process will, however, take some time as Delignit can normally only increase its share of wallet when new vehicle models are introduced or at model facelifts.
In order to reflect the additional potential from an increase of the value per vehicle, we have run a sensitivity analysis. In our base case scenario, we apply an annual growth rate of c.3% on average until FY 2027e for the vehicles equipped by Delignit. This growth rate implies a market outperformance of Delignit by 1.5x. Furthermore, we assume a value per vehicle of EUR 330 by 2027e. Assuming an increase of revenues per vehicle to EUR 500 would result in ~50% higher revenues for the LCV business, implying a growth CAGR of ~19%. We believe that EUR 500 revenues per vehicle is still a reasonable number if considering that Delignit has already today products available which enable it to generate revenues of more than EUR 1,300 per vehicle.

Impact on FY 2027e LCV revenues (EURm)

		Value per vehicle				
		160	245	330	415	500
Growth rate	2.0%	35.5	54.4	73.2	92.1	111.0
	2.5%	35.6	54.6	73.6	92.6	111.6
	3.0%	35.8	54.9	74.0	93.0	112.1
	3.5%	36.0	55.2	74.3	93.5	112.7
	4.0%	36.2	55.4	74.7	93.9	113.2

Source: Pareto Securities

2022-2027e growth CAGR of LCV revenues

		Value per vehicle				
		160	245	330	415	500
Growth rate	2.0%	-5.5%	2.9%	9.3%	14.4%	18.7%
	2.5%	-5.4%	3.0%	9.4%	14.5%	18.8%
	3.0%	-5.3%	3.1%	9.5%	14.6%	19.0%
	3.5%	-5.2%	3.2%	9.6%	14.7%	19.1%
	4.0%	-5.1%	3.3%	9.7%	14.8%	19.2%

Source: Pareto Securities

On group level, an increase of the value per vehicle to EUR 500 would, ceteris paribus, result in revenues of EUR 160m (~30% above our forecast), implying a growth CAGR of ~16%.

Impact on FY 2027e Group revenues (EURm)

		Value per vehicle				
		160	245	330	415	500
Growth rate	2.0%	83.3	102.2	121.1	140.0	158.9
	2.5%	83.5	102.5	121.4	140.4	159.4
	3.0%	83.7	102.7	121.8	140.9	160.0
	3.5%	83.8	103.0	122.2	141.3	160.5
	4.0%	84.0	103.3	122.5	141.8	161.0

Source: Pareto Securities

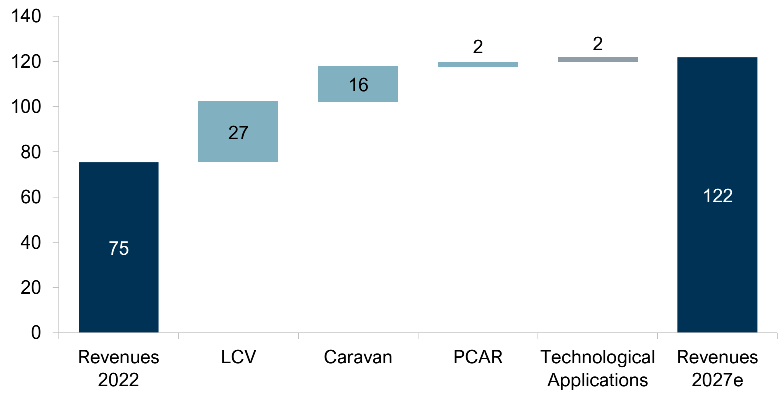
2022-2027e growth CAGR of Group revenues

		Value per vehicle				
		160	245	330	415	500
Growth rate	2.0%	2.0%	6.3%	10.0%	13.2%	16.1%
	2.5%	2.1%	6.3%	10.0%	13.3%	16.2%
	3.0%	2.1%	6.4%	10.1%	13.3%	16.2%
	3.5%	2.2%	6.5%	10.1%	13.4%	16.3%
	4.0%	2.2%	6.5%	10.2%	13.5%	16.4%

Source: Pareto Securities

From the graph below you see that we expect the LCV business to be the main driver in the coming years, contributing 58% to the expected revenue growth, followed by the caravan business (33%). For the passenger car business (4%) and for the Technological Applications business (4%) we forecast moderate growth, which must be seen as quite conservatively.

Group revenue bridge FY 2022-2027e (EURm)

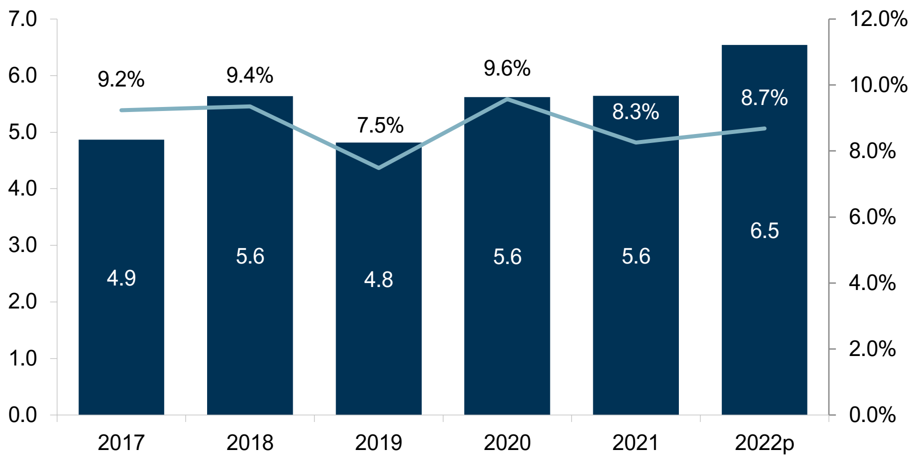


Source: Pareto Securities

Margin discussions and our forecasts

Over the past years, Delignit reported well protected EBITDA margins of close to 9% on average. Delignit does not report earnings and margin figures on segment level. However, we believe that profitability in the Automotive segment should be higher than in the Technological Applications segment.

Historic EBITDA (EURm) and EBITDA margin



Source: Pareto Securities, Delignit

The EBITDA and margin decline in FY 2019 was due to investments and ramp-up costs in the then new Caravan business. Adjusted for these burdens, the EBITDA margin in FY 2019 is likely to have been >9%.

The slightly softer EBITDA margin in FY 2021 of 8.3% is in our view due to a somewhat weaker revenue mix (increasing share of caravan business) and supply chain related impacts. In FY 2022p, backed by a strong topline development and price increases, Delignit was able to improve the EBITDA to EUR 6.5m, implying a margin increase of 40bps to 8.7%.

Looking forward, for our EBITDA and margin forecast we apply an operating leverage of 10-12% (FY 2022p: 12.8%) on additional revenues. We believe, that for a producing company like Delignit with extensive know-how in the processing of sustainable raw materials an operating leverage of 10-12% is not demanding.

We estimate cost of materials to be in the range of 60% to 62%. The increasing share of the caravan business should have a slightly burdening impact on the gross margin, at least in the near-term future. Given its well-protected market position, Delignit can pass through higher input costs. However, this only occurs with a certain time lag and therefore seems burdensome at first.

The increase in the personnel expenses is expected to be driven by higher staff and also wage increases, which we assume to be at least at 5% for the current year and then to normalize towards 3.5% per year in the mid-term.

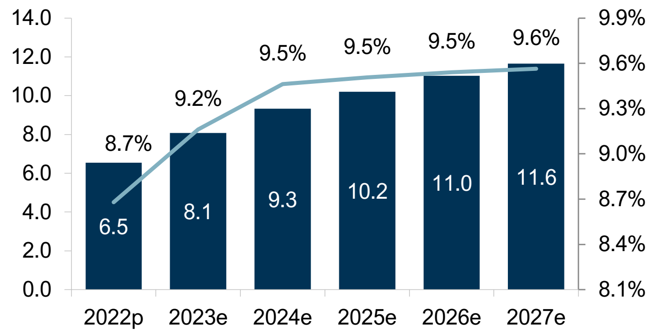
Key assumptions for P&L cost items

EURm	2020	2021	2022p	2023e	2024e	2025e	2026e	2027e
Cost of materials	(31)	(41)	(46)	(52)	(60)	(66)	(72)	(76)
% of sales	-53%	-59%	-61%	-59%	-61%	-61%	-62%	-62%
Personel expenses	(15)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
% of sales	-26%	-26%	-25%	-23%	-21%	-20%	-19%	-19%
Employees	379	386	391	395	399	403	407	411
Cost per employee	(41)	(46)	(48)	(51)	(52)	(54)	(55)	(57)
Other operating expenses	(5)	(7)	(7)	(9)	(10)	(11)	(12)	(12)
% of sales	-9%	-10%	-10%	-10%	-10%	-10%	-10%	-10%
Depreciation	(3)	(2)	(3)	(3)	(3)	(4)	(3)	(4)
Depreciation of sales	-4%	-3%	-3%	-4%	-4%	-4%	-3%	-3%

Source: Pareto Securities

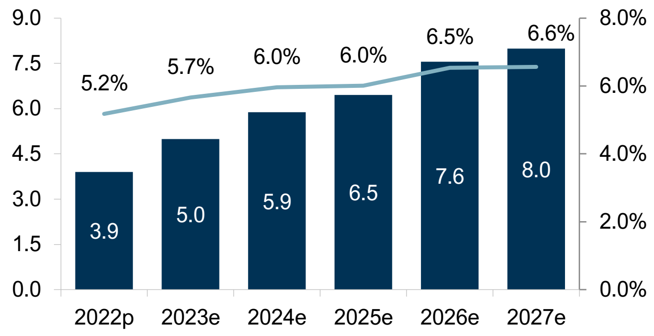
Backed by the topline development, we forecast the mid-term EBITDA margin to improve towards ~9.5%. For the time being, we are somewhat cautious with our mid-term margin expectations as cost inflation and potential pricing pressure from OEMs should weigh on profitability. However, we also believe that a likely increase of the value per vehicle as well as efficiency improving measures could raise the EBITDA margin to above 10%.

EBITDA (EURm)/EBITDA margin estimates



Source: Pareto Securities, Delignit

EBIT (EURm)/EBIT margin estimates



Source: Pareto Securities, Delignit

Delignit has not yet published any guidance for FY 2023e, which is expected to be issued with the publication of the full year report in April.

Delignit P&L statement and our forecasts - FY 2022 with already published prelims for revenue and EBITDA

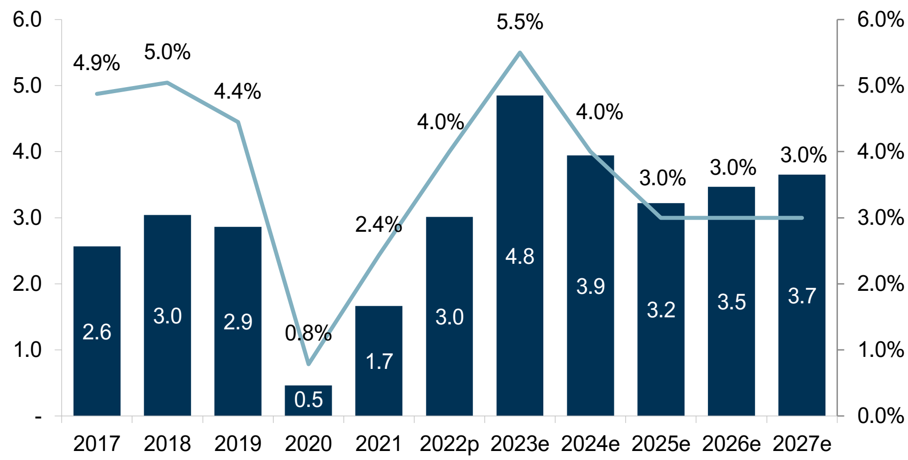
EURm	2020	2021	2022p	2023e	2024e	2025e	2026e	2027e	CAGR 21-27
Revenue	**59**	**68**	**75**	**88**	**99**	**107**	**116**	**122**	**10.1%**
Other operating income	1	1	1	1	1	1	1	1	
% of sales	1.0%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
Change in inventories	(2)	2	2	-	-	-	-	-	
% of sales	-3.2%	2.6%	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	
Cost of materials	(31)	(41)	(46)	(52)	(60)	(66)	(72)	(76)	
% of sales	-53.0%	-59.5%	-60.8%	-59.1%	-60.6%	-61.4%	-62.0%	-62.1%	
Gross Profit	**28**	**28**	**32**	**37**	**40**	**43**	**45**	**47**	**9.4%**
Gross margin	**47.0%**	**40.5%**	**42.9%**	**41.9%**	**40.4%**	**39.6%**	**39.0%**	**38.9%**	-161bps
Personel expenses	(15)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
% of sales	-26.2%	-26.0%	-24.7%	-22.7%	-20.9%	-20.1%	-19.5%	-19.3%	
Other operating expenses	(5)	(7)	(7)	(9)	(10)	(11)	(12)	(12)	
% of sales	-9.0%	-9.8%	-9.5%	-10.0%	-10.0%	-10.0%	-10.0%	-10.0%	
EBITDA	**5.6**	**5.6**	**6.5**	**8.1**	**9.3**	**10.2**	**11.0**	**11.6**	**12.8%**
EBITDA margin	**9.6%**	**8.3%**	**8.7%**	**9.2%**	**9.5%**	**9.5%**	**9.5%**	**9.6%**	131bps
Depreciation	(3)	(2)	(3)	(3)	(3)	(4)	(3)	(4)	
Depreciation of sales	-4.4%	-3.4%	-3.4%	-3.5%	-3.5%	-3.5%	-3.0%	-3.0%	
EBIT	**3.0**	**3.3**	**4.0**	**5.0**	**5.9**	**6.5**	**7.6**	**8.0**	**15.8%**
EBIT margin	**5.2%**	**4.9%**	**5.3%**	**5.7%**	**6.0%**	**6.0%**	**6.5%**	**6.6%**	171bps
Financial Result	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
EBT	**2.8**	**3.2**	**3.8**	**4.8**	**5.7**	**6.3**	**7.4**	**7.8**	
EBT margin	**4.7%**	**4.6%**	**5.1%**	**5.5%**	**5.8%**	**5.9%**	**6.4%**	**6.4%**	
Taxes	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	
Tax rate	25.0%	26.2%	26.0%	28.0%	28.0%	28.0%	28.0%	28.0%	
Net Profit	**2.1**	**2.3**	**2.8**	**3.5**	**4.1**	**4.5**	**5.3**	**5.6**	**15.8%**
Net profit % of sales	**3.5%**	**3.4%**	**3.8%**	**4.0%**	**4.2%**	**4.2%**	**4.6%**	**4.6%**	122bps
EPS	**0.25**	**0.29**	**0.35**	**0.43**	**0.50**	**0.55**	**0.65**	**0.69**	**15.8%**

Source: Pareto Securities, Delignit

Clear intention to increase capacities

In the near-term future, Delignit has the intention to increase its production capacities, due to higher demand from the LCV business but as well as from the caravan business. At the equity forum conference in November 2022, the company showed a presentation slide with a planned FY 2023e CAPEX of ~EUR 5m, which would mean a substantial increase compared to its historical average. The expected increase in spending is mainly for the purpose of capacity expansion. We modelled for FY 2023e a CAPEX of EUR 4.8m, implying a ratio of 5.5%. However, over the mid-term this should normalize again towards a ratio of 3%. While it is expected that investments are also done to improve efficiency and thus also the earnings quality, we have not yet modelled any additional impact from the CAPEX planning in our forecasts for reasons of prudence.

CAPEX – Historical development and our forecasts



Source: Pareto Securities, Delignit

Even if the higher CAPEX is expected to burden cash flow in the near-term, we expect an improvement of the FCF from FY 2024e onwards. In addition to the higher earnings base, a reduction of the WC ratio back to a normalized level 20-21% should be the key pillar for higher cash flows. In the past, in years with positive FCF, the conversion rate was at 60% on average. Going forward, our FCF estimates imply a conversion rate in the range of 40-50%.

Cash flow summary

EURm	2020	2021	2022p	2023e	2024e	2025e	2026e	2027e
Operating Cash Flow	6	(1)	5	6	8	8	9	9
% of sales	11%	-2%	7%	7%	8%	7%	8%	8%
Net Working Capital	12	17	20	22	23	25	25	26
NWC as a % of sales	21%	26%	26%	25%	24%	23%	22%	22%
Capex	**(0)**	**(2)**	**(3)**	**(5)**	**(4)**	**(3)**	**(3)**	**(4)**
% of sales	-1%	-2%	-4%	-6%	-4%	-3%	-3%	-3%
Operating FCF	6	(3)	2	1	4	4	5	6
% of sales	10%	-4%	3%	2%	4%	4%	5%	5%
FCF	**6**	**(3)**	**2**	**1**	**4**	**4**	**5**	**6**
Conversion rate	103%	-49%	31%	17%	39%	44%	50%	48%

Source: Pareto Securities, Delignit

The increasing FCF should allow Delignit some leeway to make add-on acquisitions. As already explained in this report, M&A is a key pillar of Delignit's strategy. However, considering an acquisition with revenues of >EUR 10m could require additional external funding if we would apply Delignit's valuation multiples to potential targets. We believe the primary objective would be to improve its footprint in the US market as well as in the Technological Applications segments, and here in particular the rail related business.

Quite strong balance sheet

We believe Delignit that has a quite strong balance sheet with a FY 2021 equity ratio of 60% and net debt of only EUR 4.8m, implying a net leverage of <1x. We do not model any potential acquisition that may come in the future. However, we think that the balance structure offers room to lever future inorganic growth. The dominant position on the asset side of Delignit's balance sheet are the fixed assets with EUR 16.4m, or 41% of total assets. Taking into account higher CAPEX for FY 2023e and FY 2024e, we also expect the fixed assets to further slightly increase in absolute terms.

Balance sheet – Asset side

EURm	2020	2021	2022p	2023e	2024e	2025e	2026e	2027e
Total assets / liabilities	**38**	**40**	**45**	**51**	**56**	**62**	**68**	**74**
% of sales	64%	58%	60%	58%	57%	58%	59%	61%
Goodwill	2	2	2	2	2	2	2	2
% of total assets	6%	6%	5%	4%	4%	4%	3%	3%
Other intangible assets	1	1	1	1	1	1	1	1
% of total assets	3%	2%	2%	2%	2%	2%	2%	1%
Fixed Assets	14	13	14	15	16	15	15	15
% of total assets	37%	34%	30%	30%	28%	25%	23%	21%
Financial Investments	1	1	1	1	1	1	1	1
% of total assets	2%	2%	2%	1%	1%	1%	1%	1%
Non-current assets	**18**	**17**	**18**	**19**	**20**	**19**	**19**	**19**
% of total assets	47%	43%	39%	38%	35%	31%	28%	26%
Inventory	11	16	18	20	21	23	23	24
% of sales	19%	23%	24%	23%	21%	21%	20%	20%
Receivables	3	5	6	7	7	7	8	8
% of sales	5%	8%	8%	7%	7%	7%	7%	6%
Other Assets	1	1	2	2	2	2	2	2
% of total assets	2%	3%	4%	4%	4%	3%	3%	3%
Cash and equivalents	5	0	2	3	7	11	16	21
% of total assets	13%	1%	5%	6%	12%	17%	23%	29%
Current assets	**20**	**22**	**28**	**32**	**37**	**43**	**49**	**55**
% of total assets	53%	57%	61%	62%	65%	69%	72%	74%

Source: Pareto Securities, Delignit

Balance sheet – Liabilities side

EURm	2020	2021	2022p	2023e	2024e	2025e	2026e	2027e
Equity	**22**	**24**	**26**	**30**	**34**	**38**	**43**	**48**
% of total liabilities	57%	60%	58%	58%	59%	61%	63%	65%
Minorities	-	-	-	-	-	-	-	-
% of total liabilities	0%	0%	0%	0%	0%	0%	0%	0%
Total equity	**22**	**24**	**26**	**30**	**34**	**38**	**43**	**48**
Equity ratio	57%	60%	58%	58%	59%	61%	63%	65%
Financial Debt	5	4	4	4	4	4	4	4
% of total liabilities	14%	10%	9%	8%	8%	7%	6%	6%
Pension provisions	1	1	1	1	1	1	1	1
% of total liabilities	3%	3%	2%	2%	1%	1%	1%	1%
Other non-current liabilities	1	1	3	4	4	5	5	5
% of total liabilities	3%	2%	6%	8%	8%	8%	8%	7%
Non-current liabilities	**7**	**6**	**8**	**9**	**10**	**10**	**10**	**11**
% of total liabilities	20%	15%	17%	18%	17%	16%	15%	14%
Payables	2	4	4	5	5	5	5	5
% of sales	4%	5%	5%	5%	5%	5%	5%	4%
Other Provisions	2	3	3	3	3	4	4	4
% of total liabilities	4%	4%	4%	4%	4%	4%	4%	4%
Other current Liabilities	1	1	2	2	2	3	3	3
% of total liabilities	3%	3%	4%	4%	4%	4%	4%	4%
Current liabilities	**6**	**7**	**9**	**10**	**11**	**12**	**12**	**13**
% of total liabilities	15%	18%	19%	19%	19%	19%	18%	17%
Total assets / liabilities	**38**	**40**	**45**	**51**	**56**	**62**	**68**	**74**

Source: Pareto Securities, Delignit

Valuation

We value Delignit based our valuation upon a DCF valuation as there are no suitable listed peers. Given the company's unique solutions offering as well as the long-term growth potential as well as its high level of cash generation, we believe that the DCF method is the best suited valuation method.
However, we show with Steico a potential peer to give an idea how the shares are trading in comparison with similar companies which are either automobile suppliers or are wood processors with different end markets. From our DCF valuation, we derive a TP of EUR 12, implying a share price upside potential of 78%.

PAS estimates versus consensus

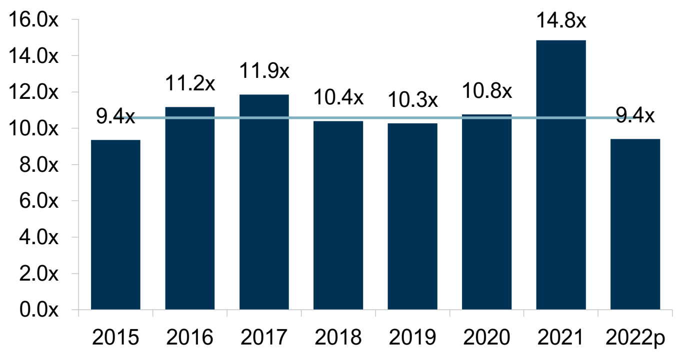
	2022p			2023e			2024e		
	Pareto	Cons.	Delta	Pareto	Cons.	Delta	Pareto	Cons.	Delta
Revenues	**75.4**	**74.0**	**1.8%**	**88.2**	**84.2**	**4.7%**	**98.6**	**95.9**	**2.8%**
EBITDA	**6.5**	**5.3**	**23.4%**	**8.1**	**7.2**	**12.2%**	**9.3**	**9.0**	**3.7%**
EBITDA margin	8.7%	7.2%	152 BP	9.2%	8.6%	61 BP	9.5%	9.4%	8 BP
EBIT	**4.0**	**2.8**	**42.1%**	**5.0**	**4.5**	**11.0%**	**5.9**	**6.2**	**-5.2%**
EBIT margin	5.3%	3.8%	150 BP	5.7%	5.3%	32 BP	6.0%	6.5%	-50 BP
EBT	**3.8**	**2.6**	**47.2%**	**4.8**	**4.3**	**12.6%**	**5.7**	**5.9**	**-2.9%**
Net result	**2.8**	**1.8**	**57.4%**	**3.5**	**3.0**	**16.2%**	**4.1**	**4.1**	**0.6%**
EPS	**0.35**	**0.22**	**57.1%**	**0.43**	**0.37**	**15.0%**	**0.50**	**0.51**	**-1.3%**

Source: Pareto Securities, FactSet

Delignit is not included in any of the major indices, shares are trading on the scale segment. Share price performance has been relatively volatile during the last two years, the shares having reached a high in January 2022 at EUR 11.00 Since then, the share price has fallen to its current level (c.25% below their 52-week high), thus slightly underperforming the market (CDAX) on a two-year basis with a slightly negative performance.

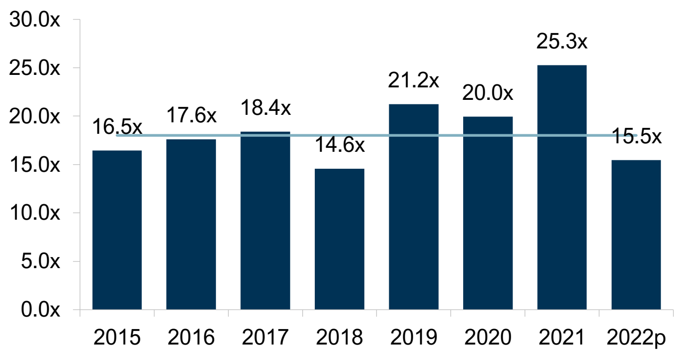
Currently, shares are trading at a 12m fwd EV/EBITDA of 8.1x (based on consensus estimates) and EV/EBIT of 12.5x, respectively. Both multiples are well below the five years average of 11.1x and 19.3x, respectively.
Note, that the historical average looks, however, somewhat distorted due to a spike in the fiscal year 2021 multiples, which was presumably linked to the high uncertainty following the outbreak of Covid-19 and general concerns about the automotive sector.

Historical EV/EBITDA multiples and median



Source: Pareto Securities, FactSet

Historical EV/EBIT multiples and median



Source: Pareto Securities, FactSet

DCF valuation

We have taken into account three different forecast periods for our DCF model. The first forecast period comprises the years 2023e until 2027e for which we take our detailed earnings estimates as a basis. In phase II, the years 2028e until 2032e we have made forecasts for revenues, EBIT, D&A charges and working capital, taking 2027e as the starting point. Thus, we have calculated cash flows for the different years. From 2032e onwards we have assumed a stable annual 2.0% growth rate for free cash flow.
We have calculated a WACC of 6.8% (assumed Beta of 1.05x) which we see as justified given the company's high equity ratio (60%) and the low leverage of well below 1x.
Thus we have derived a DCF based fair value of EUR 12.22 per share, which translates into a rounded TP of EUR 12 per share. With a share price upside potential of 78% we initiate Delignit with a Buy.

DCF valuation

	Phase I					Phase II					Phase III
EURm	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**	**2031e**	**2032e**	
Revenues	**88**	**99**	**107**	**116**	**122**	**128**	**133**	**139**	**143**	**148**	
growth rate	17.0%	11.8%	9.0%	7.6%	5.4%	4.9%	4.4%	3.9%	3.5%	3.0%	
EBIT	**5.0**	**5.9**	**6.5**	**7.6**	**8.0**	**8.6**	**9.3**	**9.9**	**10.5**	**11.1**	
EBIT margin	5.7%	6.0%	6.0%	6.5%	6.6%	6.8%	6.9%	7.1%	7.3%	7.5%	
Tax	**(1.4)**	**(1.6)**	**(1.8)**	**(2.1)**	**(2.2)**	**(2.4)**	**(2.6)**	**(2.8)**	**(2.9)**	**(3.1)**	
Tax rate	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	
D&A	**3.1**	**3.5**	**3.8**	**3.5**	**3.7**	**3.8**	**3.9**	**4.1**	**4.2**	**4.3**	
% of sales	3.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	2.9%	2.9%	2.9%	
Capex	**(4.8)**	**(3.9)**	**(3.2)**	**(3.5)**	**(3.7)**	**(3.8)**	**(4.0)**	**(4.2)**	**(4.3)**	**(4.4)**	
% of sales	5.5%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Change in WC & P	**(2.5)**	**(1.1)**	**(1.5)**	**(0.7)**	**(0.8)**	**(0.8)**	**(0.8)**	**(0.9)**	**(0.9)**	**(0.9)**	
% of sales	2.8%	1.1%	1.4%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
Free Cash Flow	**(0.6)**	**2.6**	**3.6**	**4.7**	**5.0**	**5.4**	**5.8**	**6.2**	**6.6**	**7.0**	**147**
growth rate	nm	nm	39.2%	29.7%	5.9%	7.6%	7.4%	7.0%	6.5%	5.9%	2.0%
Present Value FCF	**-0.6**	**2.3**	**3.0**	**3.7**	**3.6**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**77**

PV Phase I	**12**
PV Phase II	**18**
PV Phase III	**77**
Enterprise value	**108**
- Net Debt (Cash)	**6**
- Pension Provisions	**1**
- Minorities & Peripherals	**-**
+ MV of financial assets	
- Paid-out dividends for last FY	**-**
+/- Other EV items	
Equity value	**100**
Number of shares	8.2
Value per share (€)	**12.22**
Current Price (€)	6.75
Upside	**81%**

Risk free rate	3.5%	**Targ. equity ratic**	60%
Premium Equity	5.0%	**Beta**	1.05
Premium Debt	2.0%	**WACC**	6.8%

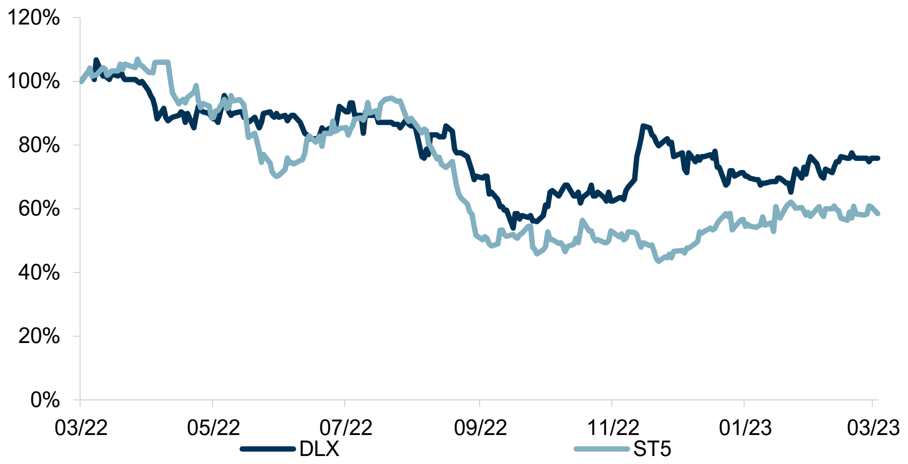
Sensitivity		Growth in phase III				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3.0%**
WACC	**6.2%**	12.3	13.3	14.6	16.3	18.5
	6.5%	11.3	12.2	13.3	14.7	16.5
	6.8%	10.5	11.3	**12.2**	13.4	14.8
	7.2%	9.8	10.5	11.3	12.2	13.4
	7.5%	9.2	9.7	10.4	11.2	12.2

Source: Pareto Securities

Peer group consideration

We have not valued Delignit shares on the basis of a peer group valuation as there are not sufficient peers available. We have identified a few companies which are to a certain active in the same business, i.e. wood processing (e.g. Stora Enso (STEAV FI), Bergs (BRG.B SE)), or who service similar customer groups like automotive OEMs or manufacturers of motor caravans (LCI Industries LCII US).
These companies are, in our view, only partially comparable as they either sell other products than Delignit to the same end-customer or their products are also made of wood but are sold to a completely other customer group.
The only company that we have identified as a suitable peer is the German company Steico (ST5 DE). Steico is the global market leader in wood-fibre insulation materials for the housing industry. Steico's production process is very similar to that of Delignit but Steico services completely different customers as their wood-based products are used for the housing industry. We do not think that it makes sense to derive a fair value from one peer, and therefore, we show Steico's valuation multiples only to give an idea how Delignit's valuation is in relation to a peer company. Steico is currently trading with a FY 2023e P/E of 19.9x (Delignit: 15.9x) and a FY 2024e EV/EBITDA of 8.6x (Delignit: 6.0x).
Note, that Steico is seen positively by analysts (Steico shares are covered by four analysts, including Pareto Securities (Buy, TP of EUR 88), which all have a Buy rating for the shares) which have an average target price of EUR 80, which is roughly 50% above the current share price level.

Share performance - Delignit vs Steico



Source: Pareto Securities, FactSet

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PROFIT & LOSS (fiscal year) (EURm)	2017	2018	2019	2020	2021	2022p	2023e	2024e
Revenues	**53**	**60**	**64**	**59**	**68**	**75**	**88**	**99**
EBITDA	**5**	**6**	**5**	**6**	**6**	**7**	**8**	**9**
Depreciation & amortisation	(2)	(2)	(2)	(3)	(2)	(3)	(3)	(3)
EBIT	**3**	**4**	**2**	**3**	**3**	**4**	**5**	**6**
Net interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	**3**	**4**	**2**	**3**	**3**	**4**	**5**	**6**
Taxes	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Minority interest	-	-	-	-	-	-	-	-
Net profit	**2**	**3**	**1**	**2**	**2**	**3**	**3**	**4**
EPS reported	0.24	0.32	0.17	0.25	0.29	0.35	0.43	0.50
EPS adjusted	**0.24**	**0.32**	**0.17**	**0.25**	**0.29**	**0.35**	**0.43**	**0.50**
DPS	0.03	0.05	0.05	-	0.03	0.03	0.03	0.03

BALANCE SHEET (EURm)	2017	2018	2019	2020	2021	2022p	2023e	2024e
Tangible non current assets	13	14	16	14	13	14	15	16
Other non-current assets	4	4	5	4	4	4	4	4
Other current assets	15	20	18	15	22	26	29	30
Cash & equivalents	1	0	1	5	0	2	3	7
Total assets	**33**	**38**	**40**	**38**	**40**	**45**	**51**	**56**
Total equity	17	19	20	22	24	26	30	34
Interest-bearing non-current debt	5	8	7	5	4	4	4	4
Interest-bearing current debt	-	-	5	4	3	-	-	-
Other Debt	11	12	8	7	9	15	17	19
Total liabilites & equity	**33**	**38**	**40**	**38**	**40**	**45**	**51**	**56**

CASH FLOW (EURm)	2017	2018	2019	2020	2021	2022p	2023e	2024e
Cash earnings	2	(2)	4	7	(6)	3	4	6
Change in working capital	1	2	2	(1)	5	2	2	1
Cash flow from investments	(3)	(3)	(3)	(0)	(2)	(3)	(5)	(4)
Cash flow from financing	(1)	3	(2)	(2)	(2)	(0)	(0)	(0)
Net cash flow	(1)	(1)	1	3	(5)	2	1	3

VALUATION (EURm)	2017	2018	2019	2020	2021	2022p	2023e	2024e
Share price (EUR end)		**6.2**	**5.3**	**6.9**	**9.4**	**6.9**	**6.8**	**6.8**
Number of shares end period	8	8	8	8	8	8	8	8
Net interest bearing debt	4	8	6	0	4	2	1	(2)
Enterprise value		**59**	**50**	**57**	**81**	**59**	**56**	**53**
EV/Sales		1.0	0.8	1.0	1.2	0.8	0.6	0.5
EV/EBITDA		**10.4**	**10.3**	**10.1**	**14.3**	**9.0**	**7.0**	**5.7**
EV/EBIT		14.6	21.3	18.8	24.4	14.8	11.3	9.0
P/E reported		19.6	31.2	27.1	33.0	20.0	15.9	13.4
P/E adjusted		**19.6**	**31.2**	**27.1**	**33.0**	**20.0**	**15.9**	**13.4**
P/B		2.7	2.2	2.6	3.2	2.1	1.9	1.7

FINANCIAL ANALYSIS	2017	2018	2019	2020	2021	2022p	2023e	2024e
ROE adjusted (%)	12.5	14.8	7.3	10.1	10.3	11.3	12.4	13.1
Dividend yield (%)		0.8	0.9	-	0.3	0.4	0.4	0.4
EBITDA margin (%)	9.2	9.4	7.5	9.6	8.3	8.7	9.2	9.5
EBIT margin (%)	5.9	6.7	3.6	5.2	4.9	5.3	5.7	6.0
NIBD/EBITDA	0.83	1.39	1.19	0.08	0.68	0.34	0.14	(0.24)
EBITDA/Net interest	29.66	35.69	16.96	22.39	38.11	43.60	53.87	62.19

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Appendix A

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

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

Companies	No. of shares	Holdings in %
Bonheur	239,220	0.56%
Huddly	1,188,823	0.56%
Pareto Bank	14,732,232	21.09%
Pexip Holding	732,095	0.70%
Sparebank 1 Nord-Norge	5,012,452	4.99%
Sparebank 1 SMN	2,800,224	2.16%
Sparebank 1 SR-Bank	2,406,375	0.94%
SpareBank 1 Østfold Akershus	1,237,140	9.99%
SpareBank 1 Østlandet	5,772,206	5.44%
Sparebanken Møre	566,833	1.15%
Sparebanken Sør	333,149	0.80%
Sparebanken Vest	7,801,795	7.11%
NEXT Biometrics	700,000	0.76%
SpareBank 1 Sørøst-Norge	2,746,539	4.35%

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
Adevinta	0	950
Aker ASA	500	2,288
Aker BP	0	9,713
Aker Horizons	0	170,767
Aker Solutions	0	1,388
AMSC ASA	0	3,600
Aprila Bank ASA	0	22,675
AURELIUS Equity Opportunities	0	500
Austevoll Seafood	0	3,548
Awilco LNG	0	30,000
Belships	0	40,000
BioInvent	0	15,000
Bonheur	0	30,350
Borregaard ASA	0	518
Bouvet	0	980
BW Energy	0	94,381
BW Offshore	0	4,900
Cool Company	0	5,000
DNB	0	33,084
DNO	0	71,391
Edda Wind	0	5,000
Elkem	0	29,520
Elmera Group ASA	0	37,305
Embracer Group	0	8,600
Equinor	0	1,616
Europris	0	17,745
Flex LNG	0	895
Frontline	0	8,000
Gaming Innovation Group	0	25,000
Gjensidige Forsikring	519	1,960
Grieg Seafood	0	13,491
Hafnia Ltd.	0	125,220
Huddly	0	1,188,823
HydrogenPro	0	34,922
International Petroleum Corp	0	5,511
Kahoot	0	36,118
Kambi Group plc	0	430
Kitron	0	2,314
Komplett ASA	0	21,754
Komplett Bank	0	153,800
Kongsberg Gruppen	0	500
Lea bank	0	16,355
Lerøy Seafood Group	0	38,951
Media and Games Invest	0	5,000
Meltwater	0	24,000
Mowi	0	2,742
Multitude	0	2,443
NEXT Biometrics	0	700,000
NorAm Drilling	0	6,883
NORBIT ASA	0	1,706
Nordic Semiconductor	0	12,305
Noreco	0	1,000
Norsk Hydro	0	80,711
Norske Skog	0	83,449
Odfjell Drilling	0	2,081
Okeanis Eco Tankers	0	290
Orkla	0	8,526
Panoro Energy	0	14,733
Pareto Bank	0	761,886
PetroTal	0	74,000
Pexip Holding	0	732,095
Protector Forsikring	0	7,300
Pyrum Innovations	0	100
Quantafuel	0	23,665
REC Silicon	0	32,539
SalMar	0	3,724
Sandnes Sparebank	0	2,500
Scatec	0	20,129
Seadrill Ltd	0	10,300
SignUp Software	0	1,264
Solstad Offshore	0	107,500
Sparebank 1 Nord-Norge	725	6,775
Sparebank 1 SMN	0	9,421
Sparebank 1 SR-Bank	0	8,545
SpareBank 1 Østlandet	1,100	11,100
Sparebanken Møre	0	1,080
Sparebanken Sør	0	15,840
Sparebanken Vest	0	3,494
Stolt-Nielsen	0	3,800
Storebrand	100	3,110
Storytel	0	5,390
Subsea 7	0	21,470
Teekay Tankers	0	208
Telenor	0	3,004
TGS	0	10,830
Transocean	0	10,000
Valaris	0	3,000
Vestas Wind Systems	0	1,235
Vow	0	3,281
Vår Energi	0	82,479
Webstep	0	2,000
Wilh. Wilhelmsen Holding	0	229
Yara	0	16,014
Zaptec	0	6,200
AAC Clyde Space	0	52,700

This overview is updated monthly (last updated 16.03.2023).

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

Appendix B

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

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

Add Energy	Wattif EV
Aker Clean Hydrogen	Ørn Software
Aker Offshore Wind	
Akershus Energi Varme AS	
Alva Industries AS	
American Shipping Company	
B2Holding AS	
Bekk og Strøm AS, SV Vattenkraft AB	
Benchmark Holdings	
BioInvent	
Bluewater Holding	
Borr Drilling	
Brooge Petroleum and Gas	
BW LPG	
Cabonline Group Holding AB	
Cadeler	
CCS Finansiering AS	
CERAFILTEC	
Cloudberry Clean Energy	
COOL Company	
DNO	
Dolphin Drilling	
EdR Certified Origin Physical Gold Plc	
Endur ASA	
First Camp Group	
Floatel International	
Hafnia Ltd.	
Hafslund Eco	
Hospitality Invest	
House of Control	
HydrogenPro	
Ice Group	
Idavang A/S	
Island Green Power Ltd	
KMC Properties	
Komplett Bank	
Kraft Bank	
Kron AS	
Kruse Smith	
Kvitebjørn Energi AS	
Magnora	
Maha Energy	
Memmo Family	
Mime Petroleum	
Multitude SE	
NorAm Drilling	
Nordic Unmanned	
Noreco	
Norlandia Health & Care Group	
Norse Atlantic	
Norske Skog	
Northern Ocean	
Okea AS	
Pandion Energy	
Pareto Bank	
PGS	
PHM Group Holding Holding	
Polight ASA	
Proximar Seafood	
Pryme	
PulPac AB	
Qred Holding	
Salmon Evolution	
Scala Eiendom	
Schletter International B.V	
Seacrest Petroleo Bermuda Limited	
Shamaran Petroleum	
Skandia GreenPower	
Standard Supply AS	
Tierklinik Hofheim GbR	
Tise AS	
Trønderenergi AS	
Vantage Drilling International	
Vestby Logistikk Holding	
Viking Venture 27 AS	
Viking Venture 28 AS	
Waldorf Production Ltd.	
Waste Plastic Upcycling	

This overview is updated monthly (this overview is for the period 01.03.2022 – 28.02.2023).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buy	72%
Hold	24%
Sell	4%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	91%
Hold	9%
Sell	0%

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

This overview is updated monthly (last updated 16.03.2023).

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 co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

ADDvise Group AB	Egetis Therapeutics AB	Renewcell AB
Adtraction Group AB	Hanza AB	Sedana Medical
Azelio AB	Hexicon AB	SignUp Software AB
Biovica International AB	Linkfire A/S	Xbrane Biopharma AB
Boule Diagnostics AB	Mentice AB	VEF AB
Cibus Nordic Real Estate AB	Media & Games Invest plc	Vicore Pharma Holding AB
Cinis Fertilizer AB	NGEx Minerals Ltd	

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:

Implantica	Mentice AB	Signup Software
Linkfire	Modelon AB	VEF
Media & Games Invest plc.	Sedana Medical	

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:

Aarhus Rssidentials	Fleming Properties AB	Logistri Fastighets AB
Backaheden Fastighets AB	Hallsell Property Invest AB	Mälaråsen AB
Bonäsudden Holding AB (publ)	Halmslätten Fastighets AB (publ)	One Publicus Fastighets AB
Borglanda Fastighets AB	Korsängen Fastighets AB (publ)	Origa Care AB (publ)
Bosjö Fastigheter AB	Krona Public Real Estate AB	Preservium Property AB

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 23.03.2023).

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 AG	INTERSHOP Communications AG	Progress-Werk Oberkirch AG
ad pepper media International N.V.	IVU Traffic AG	Pryme B.V.
Biotest AG	Kontron AG	PSI AG
Biotest AG Pfd.	Leifheit AG	Pyrum Innovations AG
Corestate Capital Holding S.A.	Logwin AG	Salmones Camanchaca S.A.
Daldrup & Söhne AG	manz AG	Seven Principles AG
DEMIRE AG	MAX Automation SE	SHOP APOTHEKE EUROPE N.V.
DF Deutsche Forfait AG	Merkur Privatbank AG	SMT Scharf AG
epigenomics AG	Meta Wolf AG	Surteco AG
Foris AG	MLP SE	Syzygy AG
GERRY WEBER International AG	MPC Container Ships ASA	TTL Beteiligungs- und Grundbesitz AG
Gesco AG	Muehlhahn AG	Uzin Utz SE
GFT Technologies SE	Mutares SE & Co. KGaA	VERIANOS SE
Gigaset AG	OVB Holding AG	Viscom AG
Heidelberg Pharma AG	ProCredit Holding AG	WPU - Waste Plastic Upcycling AS

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.

2G Energy AG	Gesco AG	Mutares SE & Co. KGaA
BayWa AG	GFT Technologies SE	Mynaric AG
BB Biotech AG	Gigaset AG	OHB SE
Biotest AG	Heidelberg Pharma AG	ProCredit Holding AG
Biotest AG Pfd.	Hypoport SE	Progress-Werk Oberkirch AG
Cliq Digital AG	INTERSHOP Communications AG	PSI AG
Daldrup & Söhne AG	Kontron AG	Siegfried Holding AG
Dermapharm Holding SE	Leifheit AG	SMT Scharf AG
Enapter AG	Logwin AG	Surteco AG
epigenomics AG	MAX Automation SE	Syzygy AG
Expres2ion Biotech Holding AB	Merkur Privatbank AG	Viscom AG
GERRY WEBER International AG	MLP SE	

This overview is updated monthly (last updated 16.03.2023).