

# NELLY

## Profitability has to wait

Nelly issued a profit warning for Q2 last week. Despite a higher gross margin and lower warehousing costs, operating profit has been decreasing in Q2, mainly due to lower revenues. Nelly expects sales growth to decline by a double-digit percentage and operating profit is expected to be negative or close to zero in Q2. Accordingly, we have reduced our 2022–2024e sales and EBIT, and in turn lowered our fair value to SEK15–25/share (35–45/share).

**Nelly issued a Q2 profit warning.** Its expectations of weaker sales are primarily driven by fewer visits to its websites, and e-commerce saw weaker than expected trends during the spring, which is increasing the competition to drive traffic and attract customers online. Despite a higher gross margin and lower warehousing costs, the operating profit is decreasing in Q2, mainly as a result of the lower revenues. Sales growth is expected to decline by a double-digit percentage and the operating profit is expected to be negative or close to zero. We estimate that EBIT of zero in Q2 would also imply an end to consensus' expectation of profitability in 2022.

**CEO change.** Nelly announced today that CEO Kristina Lukes has resigned from her position in the company with immediate effect. Helena Karlinder-Östlundh, the Chief People, Communications & Sustainability Officer, will be the acting interim CEO.

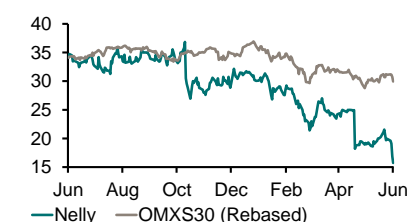
**2022 outlook.** We believe the market and company had underestimated the impact from: the return to a normalisation of consumer behaviour (i.e. in-store purchases); shoppers downtrading; and weaker consumer sentiment. We have lowered our sales and EBIT expectations for 2022–2024. We believe cost savings should start to filter through towards end-2022, but this will not be enough to offset the weaker sales and consequent EBIT pressure we expect near-term. In our view, the focus on profitability over sales growth should become more apparent now and going forward than what we have seen previously.

**Fair value lowered to SEK15–25/share,** based on a c34–50% discount on 12-month forward EV/sales to global peer multiples, and a DCF. Nelly is trading at a 12-month forward EV/sales of 0.3–0.4x.

| Year-end Dec        | 2018  | 2019  | 2020  | 2021  | 2022e | 2023e | 2024e |
|---------------------|-------|-------|-------|-------|-------|-------|-------|
| Revenue (SEKm)      | 1,385 | 1,452 | 1,394 | 1,428 | 1,325 | 1,365 | 1,412 |
| EBIT adj (SEKm)     | -6    | -62   | -46   | -39   | -7    | 22    | 40    |
| PTP (SEKm)          | -20   | -73   | -48   | -47   | -27   | 5     | 25    |
| EPS rep (SEK)       | 0.00  | -5.80 | -4.44 | -2.60 | -1.44 | 0.26  | 1.35  |
| EPS adj (SEK)       | 0.00  | -5.80 | -4.44 | -2.60 | -1.44 | 0.26  | 1.35  |
| DPS (SEK)           | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  |
| Revenue growth (%)  | 14.0  | 4.9   | -4.0  | 2.5   | -7.3  | 3.0   | 3.5   |
| EBIT growth adj (%) | nm    | nm    | nm    | nm    | nm    | nm    | 81.1  |
| EPS growth adj (%)  | nm    | nm    | nm    | nm    | nm    | nm    | 418.3 |
| EBIT margin adj (%) | -0.5  | -4.2  | -3.3  | -2.7  | -0.5  | 1.6   | 2.8   |
| EV/Sales adj (x)    | 0.71  | 1.39  | 0.27  | 0.49  | 0.32  | 0.32  | 0.31  |
| EV/EBIT adj (x)     | nm    | nm    | nm    | nm    | nm    | 20.0  | 11.1  |
| P/E adj (x)         | nm    | nm    | nm    | nm    | nm    | 60.2  | 11.6  |
| Net debt/EBITDA (x) | 66.1  | -70.5 | 10.8  | -34.0 | 4.5   | 2.5   | 1.9   |
| ROE (%)             | nm    | nm    | nm    | nm    | nm    | 2.7   | 13.7  |
| ROCE (%)            | nm    | nm    | nm    | nm    | nm    | 4.7   | 7.8   |
| Dividend yield (%)  | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| FCF yield (%)       | nm    | 4.1   | 3.2   | -0.7  | -2.8  | 3.7   | 18.1  |

Source: Company (historical figures), DNB Markets (estimates)

NELLY versus OMXS30 (12m)



Source: Factset

### SUMMARY

|                   |          |
|-------------------|----------|
| Share price (SEK) | 15.7     |
| Tickers           | NELLY SS |

### CAPITAL STRUCTURE

|                              |      |
|------------------------------|------|
| No. of shares (m)            | 18.5 |
| No. of shares fully dil. (m) | 18.5 |
| Market cap. (SEKm)           | 291  |
| NIBD adj end-2022e (SEKm)    | 127  |
| Enterprise value adj (SEKm)  | 418  |
| Net debt/EBITDA adj (x)      | 4.46 |
| Free float (%)               | 61   |

Source: Company, DNB Markets (estimates)

### NEXT EVENT

|                 |            |
|-----------------|------------|
| Q2 2022 Results | 16/07/2022 |
|-----------------|------------|

### ESTIMATE CHANGES (SEK)

| Year-end Dec  | 2022e | 2023e | 2024e |
|---------------|-------|-------|-------|
| Sales (old)   | 1,451 | 1,528 | 1,592 |
| Sales (new)   | 1,325 | 1,365 | 1,412 |
| Change (%)    | -8.7  | -10.7 | -11.3 |
| EPS adj (old) | -0.30 | 1.48  | 2.14  |
| EPS adj (new) | -1.44 | 0.26  | 1.35  |
| Change (%)    | nm    | -82.3 | -36.8 |

Source: DNB Markets,

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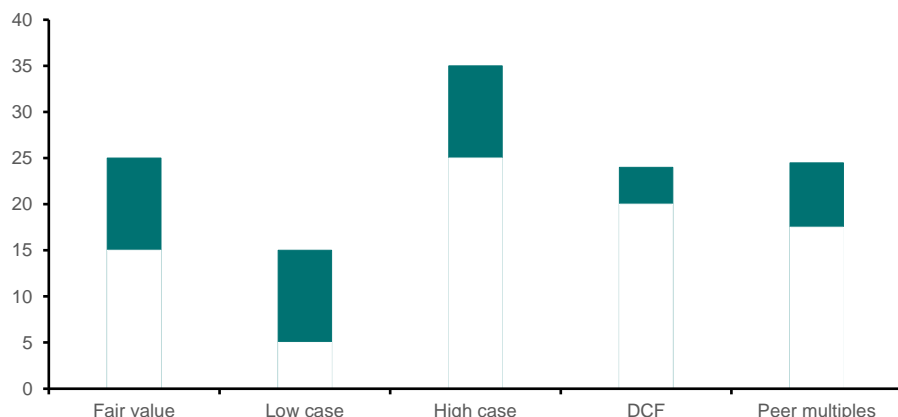
### ANALYSTS

Ebba Björklid

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# Overview

## Valuation (SEK/share)



Source: DNB Markets

## Downside risks to our fair value

- Rapid structural decline in end-market demand from a lower customer retention rate than expected in the online channel post-pandemic.
- Slower Nordic GDP growth than expected due to the pandemic.
- Slower customer uptake following the brand relaunch weighing on Nelly's financial performance.
- Lower consumer demand and sentiment due to the high inflationary environment.

Source: DNB Markets

## DNB Markets estimates

- Key near-term trigger: 1) a return to profitability in 2023e; 2) accelerating top-line momentum; and 3) the success of the ongoing relaunch. We forecast a 2022–2024 sales CAGR of 3.2% and a 330bp EBIT margin gain.

Source: DNB Markets

## Valuation methodology

- Our fair value of SEK15–25 (previously 35–45)/share continues to be based on peer multiples and a DCF. On our estimates, the stock is trading at a 12-month EV/sales of 0.3–0.4x.
- Our high-case fair value of SEK25–35/share assumes a 2022–2024 sales CAGR of 3.2%+ and an EBIT margin of 2.8%+ by 2024.
- Our low-case fair value of SEK5–15/share assumes <3.2% sales growth over 2022–2024, and an EBIT margin below 2.8% by 2024.

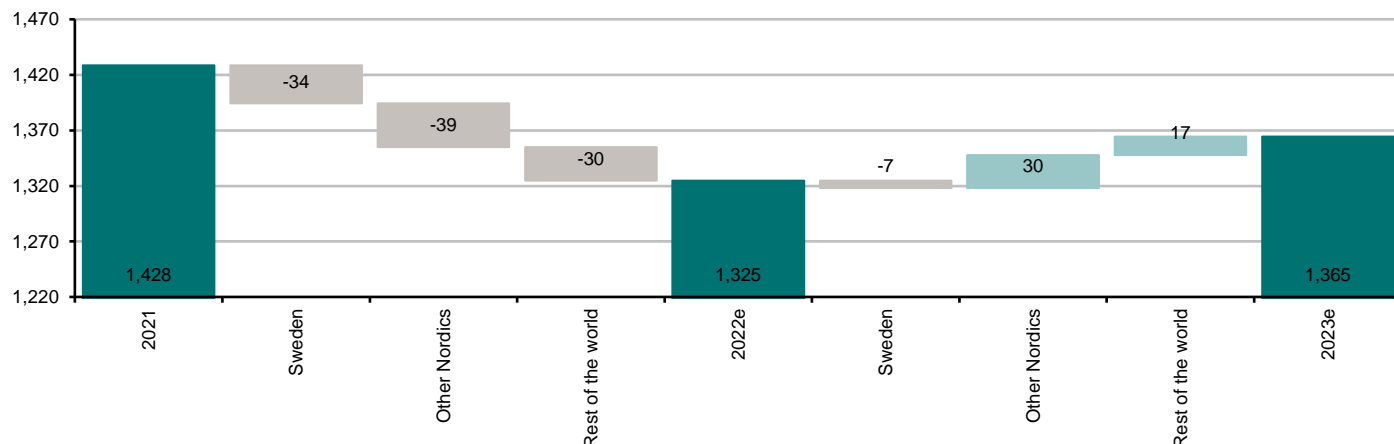
Source: DNB Markets

## Upside risks to our fair value

- Faster top-line growth than we expect, driven by stronger demand and/or a more meaningful relaunch.
- Faster increase in profitability than we forecast, supported by the mix shift, strong end-market demand, and better profitability enhancements than expected from the new automated warehouse.
- Bigger step-up in large-scale investments than expected.

Source: DNB Markets

## Revenues bridge 2021–2023e (SEKm)



Source: DNB Markets (forecasts), company (historical data)

# ESG overview

## Sustainability assessment

|                                | Positive   | Negative  |
|--------------------------------|--|---|
| Conclusions                    | <ul style="list-style-type: none"> <li>■ Nelly has a comprehensive sustainability strategy to improve its carbon footprint and encourage suppliers in the supply chain to follow suit.</li> <li>■ Nelly implemented a new sustainability strategy in 2020 that has three focus areas: the planet; products; and people.</li> </ul>   | <ul style="list-style-type: none"> <li>■ Nelly currently has limited insight into the full supply chain of external brands, which represent over 50% of sales.</li> <li>■ The clothing industry has a multi-faceted carbon footprint.</li> <li>■ Clothing represents 2–10% of carbon emissions in the EU. Per capita, clothing purchases in the EU have increased by 40% in just a few decades (European Parliamentary Research Service).</li> </ul>                          |
| Actions being taken by company | <ul style="list-style-type: none"> <li>■ The company has aligned its business with six of the UN's SDGs: 3 (good health and wellbeing), 5 (gender equality), 8 (decent work and economic growth) 12 (responsible consumption and production), 13 (climate action), and 17 (partnership for the goals).</li> <li>■ Nelly's work to broaden its product mix, cutting the share of women's occasion wear, has reduced return rates, in turn lowering the company's carbon emissions.</li> </ul> | <ul style="list-style-type: none"> <li>■ The fashion industry faces major challenges with working conditions in garment production; for many textile workers in Asia, the EU has qualified their working conditions as slave labour. Nelly has limited insight into the entire supply chain.</li> <li>■ Textile manufacturing requires significant amounts of water – up to 200 tons for one ton of dyed fabric, and up to 20,000 litres to produce 1kg of cotton.</li> </ul> |

## Key ESG drivers

### Short-term

- By end-2021, Nelly had increased the proportion of sustainable materials in its range to 20% (18% in Q2 2021).
- Nelly is aiming for 100% of packaging materials in customer orders to be recycled, reusable or compostable by 2022 (roughly 61% of e-commerce boxes and bags sent to customers were made of recycled material in 2020).
- Nelly is continuously working to enhance its knowledge of diversity, gender equality, ensuring there is no discrimination, as well as focusing on safety at work and psychological issues. 60% of its board and 50% of its management team are women, and 62% of employees.
- Risk of reputational damage from partners failing to deliver on ESG factors, potentially limiting its product offering.
- Potential serious incidents (e.g. in the supply chain or directly related to Nelly's production) that could harm the company's reputation, workers or its sustainability profile.
- Risk of missing its own sustainability goal deadlines (e.g. become climate-neutral by 2023).

### Long-term

- Nelly is targeting to be climate-neutral (Scope 1 & 2 emissions) by 2023 (it cut Scope 1 & 2 emissions by 47% YOY in 2020), and to halve Scope 3 emissions by 2023.
- It is targeting 50% of textile products in its assortment being made of more sustainable materials by 2025 (18% in Q2 2021).
- We see a risk of increased costs from new sustainability regulations or taxes in its markets given Nelly's lack of sustainability measures along the value chain.
- Risk of Nelly failing to keep up with growing consumer ESG demands.

## Summary of positives

### Expecting relaunch to improve financial performance and positioning

In 2020, the group embarked on a relaunch of Nelly, focusing on: 1) a new operating platform to support future growth; 2) a new, cost-efficient, data-driven and customer-centric organisation based in Borås (Sweden); and 3) streamlined, more targeted brand positioning. Alongside expanded product categories, we believe these are prerequisites to take the company to the next stage in its journey of creating more value for the customer. The relaunch is ongoing, but ultimately we expect it to improve Nelly's financial performance and market positioning.

Three core pillars to relaunch

### Strong profitability momentum; we expect a return to profitability in 2022

We expect Nelly to be profitable in 2022, and the adj. EBIT margin to go from -2.6% in 2021 to 3.2% in 2023, improving further thereafter, underpinned by the new automated warehouse (itself driving SEK35m in savings, with the full effect in 2022, according to management), an improving top line, a higher share of own-brand sales and more full-price sales.

Management's key financial focus is returning to profitability

### Improving growth trajectory

Near-term, we expect strong underlying market growth, driven by the steady migration to online – c25–30% of the total market for Nelly's product categories is online today, but longer-term we believe the online contribution looks set to approach 50%+. We expect sales growth to be supported by its broader offering post-pandemic, new customer intake and increased penetration of the target customer group.

We expect the steady migration to online to continue – tying in with Nelly's ongoing refocusing efforts

However, we see the strongest driver of growth from increased frequency of shopping online generally and at Nelly in particular (according to Nelly, its most profitable and key target customers shop online an average of ~18 times a year – but only 2–3 times a year with Nelly). We expect Nelly to increase the frequency of purchases over time based on: the underlying market channel shift to online; an increased number of orders; its expanded offering and wider assortment; more full-price sales; and improved relative relevance to customers through brand enhancements.

Increased frequency of online shopping set to underpin growth

### Improving sustainability profile

In light of the growing importance of sustainability and ESG alignment to consumers and other stakeholders, Nelly is stepping up sustainability efforts to improve its environmental credentials and competitiveness. We believe the pandemic has served as a platform to strengthen sustainability commitments and accelerate industry-wide changes, such as reduced seasonality of offerings and scaling of circular business models. We also believe a strong sustainability profile will be key for relative outperformance.

We believe 'green' credentials will become of even greater relevance to shoppers and investors alike

## Summary of negatives

### Distinct and outdated websites reduce scale benefits and hamper improvements in sales and profitability

Nelly's business and online platform comprises two totally separate brands/websites – Nelly.com (we estimate c91% of 2021 sales) and NLYman.com (we estimate c9% of 2021 sales). While in terms of branding this might be beneficial, financially we see several negatives, namely reduced cross-selling and growth opportunities, particularly at NLYman.com, limiting potential scale benefits, capping AOV growth potential versus a combined platform, and potentially leaving Nelly trailing peers.

More cons than pros in having totally separate brands/platforms

### Narrowly focused portfolio and customer base increases financial risks

We believe focusing solely on getting back to profitability is the right path for Nelly at this stage, even at the expense of peers pulling farther ahead in terms of geographical exposure, customer base and product category expansion and diversification. However, we see increased financial risk from its narrow customer group, product categories and geographical focus versus peers, as demonstrated during the pandemic when Nelly materially underperformed the online fashion retail market (2.5% sales growth in 2021, while the market grew by 14%), and we expect it to continue to underperform the market, even with a return to profitability in 2022e.

On the right course...

### Relative growth and profitability underperformance expected versus key peers (but largely priced in)

Even though we expect sales growth to improve during 2022 and thereafter, given Nelly is prioritising a return to profitability over growth (unlike peers Boozt and Lyko) and its target customer market (girls/women aged 15–25) already shop online more than other age groups, we believe its peer group is on a higher growth trajectory. In addition, we expect European markets outside the Nordics to outperform the Nordics. Finally, we believe peers will remain ahead on EBIT margins.

...but even with a return to profitability in its sights, Nelly is unlikely to keep up with peers

However, we believe these fundamentals are already priced in, with Nelly trading at 50% below the 12-month forward P/E to its peer group.

### Relaunch and reliance on influencers increase financial risk

We believe Nelly is exposed to higher financial risk (both on the upside and downside) than peers from its ongoing rebranding and its marketing strategy. Given its target audience of fashion-conscious 15- to 25-year-old girls and women, the company actively uses high-profile influencers to help drive customer traffic and sales in its marketing campaigns, all of which are entirely online. It works closely with those influencers to build the brand and engage with its customer base, but we see a risk here with Nelly being so closely associated with specific influencer brands, particularly as social media is so fluid and the group has no control over the popularity of influencers, as well as the possibility of influencers withdrawing from a collaboration.

Business decision to use high-profile influencers brings risks – on both sides of the coin

Some investors we have spoken to see heightened integration and organisational risks short-term following the move to Borås, given the many organisational moving parts, with a large number of new employees, new teams, functions and organisational structures. Fundamentally, they see these increasing Nelly's financial risk near-term, as they wait to see how the relaunch pans out.

# Company overview

## Company history

Since its launch in 2004, Nelly has expanded its offering from purely underwear and swimwear to focusing on partywear, and now also accessories (including beauty products) and everyday wear (including sportswear).

### Establishment of Nelly.com

In 2007, Qliro Group acquired Nelly, which was followed by rapid expansion and a broadening of the product offering to clothing and accessories. In 2008, the first in-house brands, 'NLY Trend' and 'NLY Shoes', were launched (and are still offered today).

### Expansion to new markets

Nelly expanded outside the Nordics in 2010 with pilot launches in the Netherlands and Germany, followed by a roll-out to other countries in Europe in the following years, including Austria, the UK, France, Belgium and Poland. However, in 2012, the decision was made to shift focus back to the Nordics, and it wound down its other operations, before entering a partnership with Zalando in 2018 to sell its products elsewhere in Europe in a more cost-efficient way.

Expansion outside the Nordics on its own platform proved short-lived

### Launch of NLY Man as a separate store

In 2014, menswear was separated from Nelly and relaunched on its own platform, NLYman.com.

### Group split

In 2018, Qliro group announced its plans to split the group consisting of Qliro, CDON and Nelly into three separate companies, which was completed in H2 2020; CDON and Qliro were listed on First North and Nasdaq Stockholm, respectively. Still part of the Qliro group, the business was renamed Nelly Group and appointed a new CEO (Kristina Lukes) and CFO (John Afzelius). Nelly Group AB is the same listed company as Qliro Group AB, previously the parent of Nelly. After a share dividend (shares in CDON and Qliro) was given to Qliro shareholders in Q3 and Q4 2020, the name was changed from Qliro Group AB to Nelly Group AB.

### Relaunch of Nelly

In 2020, Nelly relaunched its brand to strengthen its core business in the Nordics and to lay the foundations for its next growth phase, including initiatives to improve profitability and efficiency.

In 2021, major organisational changes were implemented. For example, the automated warehouse was established.

### Figure 1: Nelly – key events

| Date | Event  |
|------|--|
| 2004 | Nelly established  |
| 2007 | Acquired by Qliro Group  |
| 2008 | Nelly launches its first own brands: 'Nelly Trend' and 'Nelly Shoes'         |
| 2010 | Expands outside the Nordics  |
| 2014 | Menswear separated from Nelly and relaunched as NLYman.com                   |
| 2018 | Enters partnership with Zalando  |
| 2019 | Takes the decision to focus solely on the Nordics and exit its other markets |
| 2020 | Qliro group split and renamed Nelly Group<br>Nelly relaunch                  |
| 2021 | Major organisational changes (e.g. automated warehouse established)          |

Source: Company

## Business overview

Operating in the Nordic online fashion sector, Nelly's offering comprises clothing and accessories (including beauty products and sportswear). With operations and marketing entirely online, it connects with customers through social media, using high-profile influencers to promote the brand. However, while it intends to continue to focus on developing its own brand, third-party products remain a key revenue stream (42% of 2020 sales came from its own brands).

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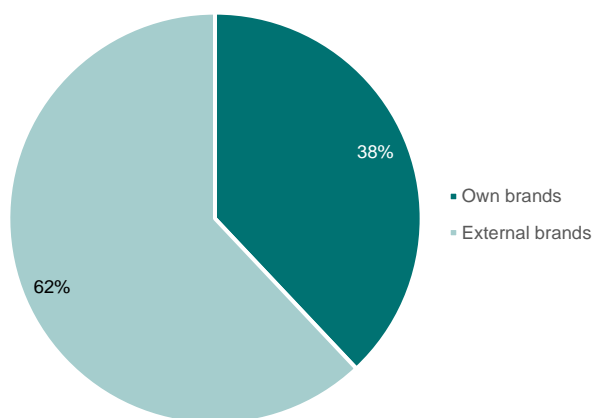
## Portfolio overview

Partywear remains Nelly's core offering, but the pandemic forced it to diversify as shopping habits changed drastically with lockdowns, and Nelly saw sales of partywear halve in 2020. By contrast, sales of everyday wear grew and, according to management, should be a strong future focus, as should accessories, leveraging on its knowledge of the partywear segment. In 2021, we estimate that sales of party fashion grew YOY but were still significantly lower than before the pandemic.

The core pillar of Nelly's business is selling its own brand to Nordic customers through its own channel. Out of Nelly's total sales, 38% were own-brand in 2021, and overall less than 10% from NLYman.com. Under its partnership with Zalando, Nelly offers own-brand products, which made up less than 10% of group sales in 2020.

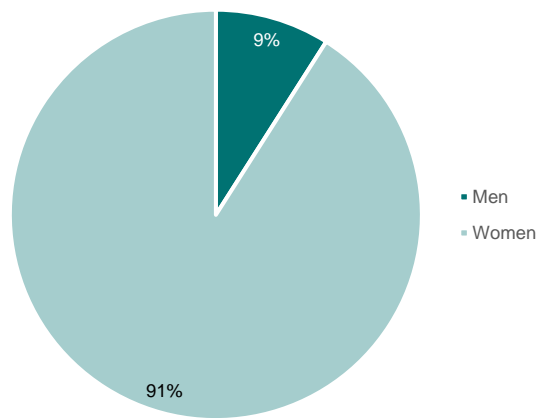
Management is looking to leverage on its knowledge in partywear in its expansion

**Figure 2: Nelly – own brand and third-party brand split of net sales (2021)**



Source: Company (underlying data), DNB Markets (graph structuring)

**Figure 3: Nelly – estimated womenswear and menswear sales split (2021)**



Source: DNB Markets (estimates)

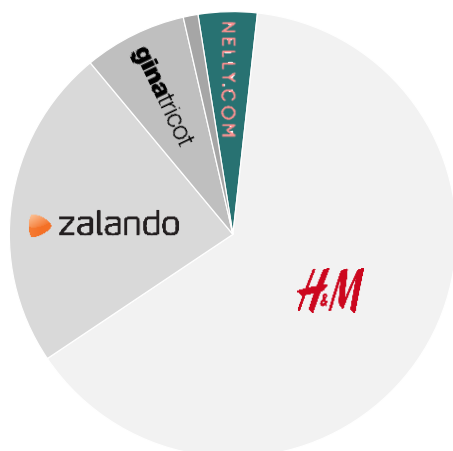
## Customer overview

Nelly's brand is targeted at fashion-conscious girls/women aged 15–25, and aims to be on-trend, marketing solely through social media. Central to its marketing strategy is collaborating with social media influencers to connect with its customers. According to Nelly, its most profitable and key target customers are typically very fashion-conscious, and shop online an average of ~18 times a year – but only 2–3 times a year with Nelly. According to data from Meniga NEPA, Nelly ranks higher on brand awareness than its actual market share.

According to Nelly, its most profitable and key target customers typically shop online an average of ~18 times a year – but only order 2–3 times a year from its website



**Figure 4: Sweden – market shares (April 2021, rolling-12-month)**



Source: Meniga card data Sweden (April 2021, rolling 12-month)

**Figure 5: Nelly – brand awareness (Sweden, April 2021)**

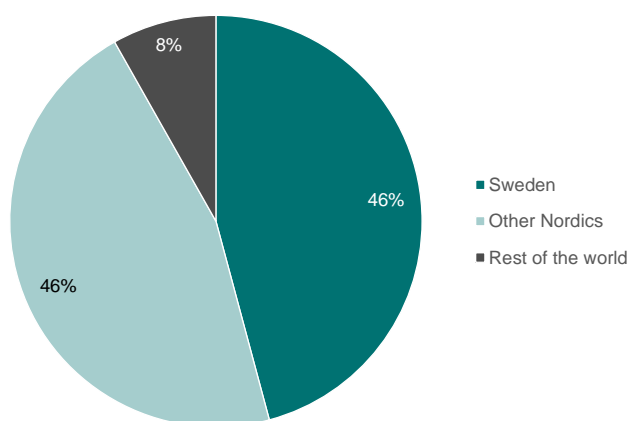


Source: Meniga NEPA consumer tracking (April 2021, Sweden)

## Operations

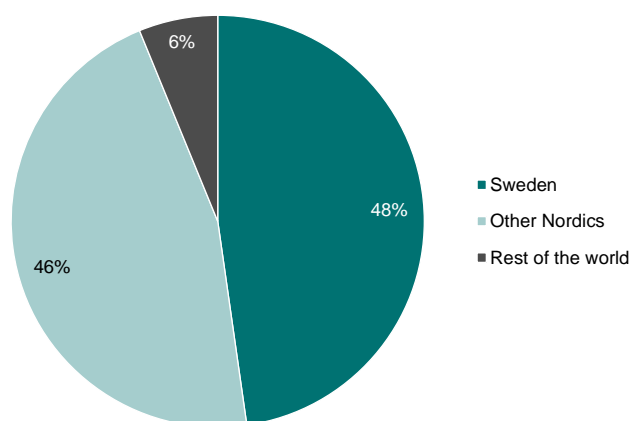
After launching in countries outside the Nordics in 2010 but subsequently signing the deal with Zalando in 2018, Nelly took the decision in late 2019 to focus solely on its Nordic markets. However, its website is still available for other European countries such as Germany, the Netherlands, Austria, Belgium, France, the UK and Poland, as well as countries outside Europe. As part of that, its website now has five language options (English, Swedish, Norwegian, Danish and Finnish). In 2021, Sweden represented 48% of total net sales, other Nordic countries 46% and the rest of the world 6%.

**Figure 6: Nelly – net sales geographical breakdown (2020)**



Source: Company (underlying data), DNB Markets (graph structuring)

**Figure 7: Nelly – net sales geographical breakdown (2021)**



Source: Company (underlying data), DNB Markets (graph structuring)

## Strategy

Among management's key focus areas are the relaunch of Nelly, customer commitment, the core geographical market, and logistics/efficiency improvements from the new automated warehouse.

### Relaunch of the Nelly brand

In 2020, management embarked on a relaunch of Nelly, specifically in terms of the product mix. While management has said partywear will remain Nelly's core offering, it will also increase focus on everyday wear (including sportswear). According to Nelly, its most profitable and key target customers shop online an average of ~18 times a year – but only 2–3 times a year with

Looking to capture a larger share of the customer wallet



13 June 2022

Nelly. By expanding into more product categories, it is aiming to increase its share of the customer wallet.

#### Customer commitment

Nelly has 1.3m followers and a 96% completion rate on Instagram, with 19% of its target group visiting its website on a weekly basis. Management believes strong engagement with its customers allows Nelly to influence their fashion decisions and trends, and to push new purchases and thereby increase sales.

Social media is a key strategic pillar

#### Focus on core geographical market

Having signed the deal with Zalando in 2018, Nelly took the decision in late-2019 to focus solely on its Nordic markets, the rationale being relationship-building, narrowing its target group and strengthening its customer relevance/loyalty.

#### Improve logistics

To increase logistical and operational efficiency, Nelly also took the decision to build an automated warehouse in Borås (Sweden), which was fully operational in Q3 2021. The location was chosen to streamline distribution, with access to more transport options and therefore scope to offer faster deliveries. The old warehouse was decommissioned on 30 September 2021. Management estimates the new warehouse will generate annual cost savings of SEK35m, with full effect from 2022 (some savings materialised in Q4 2021 and Q1 2022), broadly reflecting personnel reductions (down from 150 to ~70) in the warehouse, improved logistics and operating efficiency gains. Extrapolating the 2022 targeted savings would equate to a c250bp improvement versus the 2020 EBIT margin.

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## Forecast changes – P&amp;L

| (SEKm)                       | 2022e | New<br>2023e | 2024e | 2022e  | Old<br>2023e | 2024e | 2022e | Change<br>2023e | 2024e |
|------------------------------|-------|--------------|-------|--------|--------------|-------|-------|-----------------|-------|
| Revenues                     | 1,325 | 1,365        | 1,412 | 1,451  | 1,528        | 1,592 | -126  | -163            | -179  |
| Cost of sales                | -699  | -718         | -741  | -766   | -802         | -834  | 66    | 84              | 93    |
| Gross profit                 | 625   | 647          | 671   | 685    | 726          | 758   | -59   | -79             | -87   |
| Operating expenses           | -632  | -625         | -631  | -670   | -681         | -704  | 38    | 56              | 72    |
| EBITDA                       | 28    | 58           | 77    | 53     | 85           | 96    | -24   | -27             | -19   |
| EBITDA adj                   | 28    | 58           | 77    | 53     | 85           | 96    | -24   | -27             | -19   |
| EBITDA margin (%)            | 2.2   | 4.3          | 5.5   | 3.7    | 5.6          | 6.1   | -1.5  | -1.3            | -0.6  |
| Depreciation                 | -35   | -36          | -37   | -38    | -40          | -42   | 3     | 4               | 5     |
| Impairment of PPE            | 0     | 0            | 0     | 0      | 0            | 0     | 0     | 0               | 0     |
| EBITA                        | -7    | 22           | 40    | 15     | 44           | 54    | -21   | -22             | -15   |
| Amortisation                 | 0     | 0            | 0     | 0      | 0            | 0     | 0     | 0               | 0     |
| Impairment of intangibles    | 0     | 0            | 0     | 0      | 0            | 0     | 0     | 0               | 0     |
| EBIT                         | -7    | 22           | 40    | 15     | 44           | 54    | -21   | -22             | -15   |
| EBIT adj                     | -7    | 22           | 40    | 15     | 44           | 54    | -21   | -22             | -15   |
| Net interest                 | -20   | -17          | -15   | -20    | -17          | -15   | 0     | 0               | 0     |
| Net financial items          | -20   | -17          | -15   | -20    | -17          | -15   | 0     | 0               | 0     |
| PBT                          | -27   | 5            | 25    | -5     | 27           | 40    | -21   | -22             | -15   |
| Taxes                        | 0     | 0            | 0     | 0      | 0            | 0     | 0     | 0               | 0     |
| Minorities                   | 0     | 0            | 0     | 0      | 0            | 0     | 0     | 0               | 0     |
| Discontinued operations      | 0     | 0            | 0     | 0      | 0            | 0     | 0     | 0               | 0     |
| Net profit                   | -27   | 5            | 25    | -5     | 27           | 40    | -21   | -22             | -15   |
| Adjustments to net profit    | 0     | 0            | 0     | 0      | 0            | 0     | 0     | 0               | 0     |
| Net profit adj               | -27   | 5            | 25    | -5     | 27           | 40    | -21   | -22             | -15   |
| <i>Per share data (SEK)</i>  |       |              |       |        |              |       |       |                 |       |
| EPS                          | -1.44 | 0.26         | 1.35  | -0.30  | 1.48         | 2.14  | -1.14 | -1.21           | -0.79 |
| EPS adj                      | -1.44 | 0.26         | 1.35  | -0.30  | 1.48         | 2.14  | -1.14 | -1.21           | -0.79 |
| DPS                          | 0.00  | 0.00         | 0.00  | 0.00   | 0.00         | 0.00  | 0.00  | 0.00            | 0.00  |
| <i>Other key metrics (%)</i> |       |              |       |        |              |       |       |                 |       |
| Revenue growth               | -7.3  | 3.0          | 3.5   | 1.6    | 5.3          | 4.2   | -8.8  | -2.3            | -0.7  |
| EBIT adj growth              | nm    | nm           | 81.1  | -137.6 | 205.4        | 22.2  | nm    | nm              | 59.0  |
| EPS adj growth               | nm    | nm           | 418.3 | -88.6  | -596.9       | 45.1  | nm    | nm              | 373.1 |
| Avg. number of shares (m)    | 18    | 18           | 18    | 18     | 18           | 18    | 0     | 0               | 0     |
| Capex                        | -10   | -10          | -9    | -10    | -10          | -9    | 0     | 0               | 0     |
| OpFCF                        | 18    | 48           | 68    | 43     | 75           | 87    | -24   | -27             | -19   |
| Working capital              | 59    | 82           | 85    | 78     | 93           | 96    | -18   | -12             | -11   |
| NIBD adj                     | 127   | 146          | 149   | 113    | 97           | 93    | 14    | 49              | 55    |

Source: DNB Markets

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## Quarterly numbers

| (SEKm)                        | Q4 2020    | Q1 2021    | Q2 2021    | Q3 2021    | Q4 2021    | Q1 2022    | Q2 2022e   | Q3 2022e   | Q4 2022e   | Q1 2023e   |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Revenues</b>               | <b>394</b> | <b>312</b> | <b>397</b> | <b>313</b> | <b>407</b> | <b>288</b> | <b>335</b> | <b>301</b> | <b>400</b> | <b>273</b> |
| Cost of sales                 | -226       | -176       | -214       | -169       | -231       | -161       | -174       | -157       | -209       | -151       |
| <b>Gross profit</b>           | <b>168</b> | <b>136</b> | <b>182</b> | <b>143</b> | <b>177</b> | <b>128</b> | <b>162</b> | <b>145</b> | <b>192</b> | <b>122</b> |
| Operating expenses            | -168       | -151       | -175       | -171       | -180       | -151       | -173       | -148       | -160       | -136       |
| <b>EBITDA</b>                 | <b>8</b>   | <b>-8</b>  | <b>14</b>  | <b>-17</b> | <b>7</b>   | <b>-13</b> | <b>-3</b>  | <b>6</b>   | <b>39</b>  | <b>-6</b>  |
| Depreciation                  | -8         | -8         | -7         | -10        | -11        | -11        | -8         | -9         | -8         | -8         |
| <b>EBITA</b>                  | <b>0</b>   | <b>-15</b> | <b>7</b>   | <b>-27</b> | <b>-3</b>  | <b>-24</b> | <b>-11</b> | <b>-3</b>  | <b>31</b>  | <b>-14</b> |
| <b>EBIT</b>                   | <b>0</b>   | <b>-15</b> | <b>7</b>   | <b>-27</b> | <b>-3</b>  | <b>-24</b> | <b>-11</b> | <b>-3</b>  | <b>31</b>  | <b>-14</b> |
| Net interest                  | 0          | -2         | 1          | -2         | -5         | -5         | -5         | -5         | -5         | -4         |
| Net financial items           | 0          | -2         | 1          | -2         | -5         | -5         | -5         | -5         | -5         | -4         |
| <b>PBT</b>                    | <b>0</b>   | <b>-17</b> | <b>8</b>   | <b>-30</b> | <b>-8</b>  | <b>-29</b> | <b>-16</b> | <b>-8</b>  | <b>26</b>  | <b>-18</b> |
| Taxes                         | -10        | 0          | 0          | 0          | -1         | 0          | 0          | 0          | 0          | 0          |
| <b>Net profit</b>             | <b>504</b> | <b>-18</b> | <b>8</b>   | <b>-29</b> | <b>-8</b>  | <b>-29</b> | <b>-16</b> | <b>-8</b>  | <b>26</b>  | <b>-18</b> |
| Adjustments to net profit     | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Net profit adj                | 504        | -18        | 8          | -29        | -8         | -29        | -16        | -8         | 26         | -18        |
| <i>Per share data (SEK)</i>   |            |            |            |            |            |            |            |            |            |            |
| <i>Growth and margins (%)</i> |            |            |            |            |            |            |            |            |            |            |
| Revenues, QOQ growth          | 28.6       | -20.8      | 27.2       | -21.2      | 30.3       | -29.3      | 16.3       | -10.1      | 32.9       | -31.8      |
| Revenues, YOY growth          | -1.4       | 3.0        | 1.4        | 2.1        | 3.4        | -7.6       | -15.5      | -3.6       | -1.7       | -5.3       |
| EPS adj, YOY growth           | nm         | nm         | nm         | nm         | nm         | nm         | nm         | nm         | nm         | nm         |
| Gross margin                  | 42.7       | 43.7       | 46.0       | 45.9       | 43.4       | 44.3       | 48.2       | 48.0       | 47.9       | 44.8       |
| EBITDA adj margin             | 2.0        | nm         | 3.5        | nm         | 1.8        | nm         | nm         | 2.1        | 9.7        | nm         |
| Depreciation/revenues         | -1.9       | -2.4       | -1.8       | -3.2       | -2.6       | -3.7       | -2.3       | -3.1       | -1.9       | -3.0       |
| EBIT adj margin               | 0.1        | -4.8       | 1.8        | -8.7       | -0.8       | -8.3       | -3.3       | -1.0       | 7.8        | -5.2       |
| Net profit margin             | nm         | nm         | nm         | nm         | nm         | nm         | nm         | nm         | nm         | nm         |

Source: Company (historical figures), DNB Markets (estimates)

## Adjustments to quarterly numbers

| (SEKm)            | Q4 2020    | Q1 2021    | Q2 2021   | Q3 2021    | Q4 2021   | Q1 2022    | Q2 2022e   | Q3 2022e  | Q4 2022e  | Q1 2023e   |
|-------------------|------------|------------|-----------|------------|-----------|------------|------------|-----------|-----------|------------|
| <b>EBITDA</b>     | <b>8</b>   | <b>-8</b>  | <b>14</b> | <b>-17</b> | <b>7</b>  | <b>-13</b> | <b>-3</b>  | <b>6</b>  | <b>39</b> | <b>-6</b>  |
| EBITDA adj        | 8          | -8         | 14        | -17        | 7         | -13        | -3         | 6         | 39        | -6         |
| <b>EBITA</b>      | <b>0</b>   | <b>-15</b> | <b>7</b>  | <b>-27</b> | <b>-3</b> | <b>-24</b> | <b>-11</b> | <b>-3</b> | <b>31</b> | <b>-14</b> |
| EBITA adj         | 0          | -15        | 7         | -27        | -3        | -24        | -11        | -3        | 31        | -14        |
| <b>EBIT</b>       | <b>0</b>   | <b>-15</b> | <b>7</b>  | <b>-27</b> | <b>-3</b> | <b>-24</b> | <b>-11</b> | <b>-3</b> | <b>31</b> | <b>-14</b> |
| EBIT adj          | 0          | -15        | 7         | -27        | -3        | -24        | -11        | -3        | 31        | -14        |
| <b>Net profit</b> | <b>504</b> | <b>-18</b> | <b>8</b>  | <b>-29</b> | <b>-8</b> | <b>-29</b> | <b>-16</b> | <b>-8</b> | <b>26</b> | <b>-18</b> |
| Net profit adj    | 504        | -18        | 8         | -29        | -8        | -29        | -16        | -8        | 26        | -18        |

Source: Company (historical figures), DNB Markets (estimates)

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## Annual P&amp;L

| (SEKm)                        | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022e        | 2023e        | 2024e        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenues</b>               | <b>1,083</b> | <b>1,215</b> | <b>1,385</b> | <b>1,452</b> | <b>1,394</b> | <b>1,428</b> | <b>1,325</b> | <b>1,365</b> | <b>1,412</b> |
| Cost of sales                 | -820         | -822         | -1,015       | -768         | -782         | -790         | -699         | -718         | -741         |
| <b>Gross profit</b>           | <b>263</b>   | <b>393</b>   | <b>369</b>   | <b>685</b>   | <b>612</b>   | <b>639</b>   | <b>625</b>   | <b>647</b>   | <b>671</b>   |
| Operating expenses            | -270         | -315         | -354         | -746         | -658         | -677         | -632         | -625         | -631         |
| <b>EBITDA</b>                 | <b>-7</b>    | <b>78</b>    | <b>15</b>    | <b>-25</b>   | <b>-18</b>   | <b>-4</b>    | <b>28</b>    | <b>58</b>    | <b>77</b>    |
| Depreciation                  | -20          | -15          | -21          | -37          | -28          | -35          | -35          | -36          | -37          |
| Impairment of PPE             | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>EBITA</b>                  | <b>-27</b>   | <b>63</b>    | <b>-6</b>    | <b>-62</b>   | <b>-46</b>   | <b>-39</b>   | <b>-7</b>    | <b>22</b>    | <b>40</b>    |
| Amortisation                  | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Impairment of intangibles     | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>EBIT</b>                   | <b>-27</b>   | <b>63</b>    | <b>-6</b>    | <b>-62</b>   | <b>-46</b>   | <b>-39</b>   | <b>-7</b>    | <b>22</b>    | <b>40</b>    |
| Net interest                  | -69          | 33           | -20          | -11          | -2           | -9           | -20          | -17          | -15          |
| Net financial items           | -69          | 33           | -20          | -11          | -2           | -9           | -20          | -17          | -15          |
| <b>PBT</b>                    | <b>-69</b>   | <b>33</b>    | <b>-20</b>   | <b>-73</b>   | <b>-48</b>   | <b>-47</b>   | <b>-27</b>   | <b>5</b>     | <b>25</b>    |
| Taxes                         | 12           | -12          | 3            | -14          | -24          | -1           | 0            | 0            | 0            |
| Effective tax rate (%)        | 18           | 35           | 13           | -19          | -50          | -1           | 0            | 0            | 0            |
| Minorities                    | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Discontinued operations       | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Net profit</b>             | <b>-57</b>   | <b>22</b>    | <b>-17</b>   | <b>-110</b>  | <b>-71</b>   | <b>-48</b>   | <b>-27</b>   | <b>5</b>     | <b>25</b>    |
| Adjustments to net profit     | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Net profit adj                | -57          | 22           | -17          | -110         | -71          | -48          | -27          | 5            | 25           |
| Dividend paid                 | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Avg. number of shares         |              |              |              | 15           | 16           | 18           | 18           | 18           | 18           |
| <i>Per share data (SEK)</i>   |              |              |              |              |              |              |              |              |              |
| EPS                           | 0.00         | 0.00         | 0.00         | -5.80        | -4.44        | -2.60        | -1.44        | 0.26         | 1.35         |
| <b>EPS adj</b>                | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>-5.80</b> | <b>-4.44</b> | <b>-2.60</b> | <b>-1.44</b> | <b>0.26</b>  | <b>1.35</b>  |
| DPS                           | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| <i>Growth and margins (%)</i> |              |              |              |              |              |              |              |              |              |
| Revenue growth                | nm           | 12.1         | 14.0         | 4.9          | -4.0         | 2.5          | -7.3         | 3.0          | 3.5          |
| EPS adj growth                | nm           | nm           | nm           | nm           | nm           | nm           | nm           | nm           | 418.3        |
| Gross margin                  | 24.3         | 32.3         | 26.7         | 47.1         | 43.9         | 44.7         | 47.2         | 47.4         | 47.5         |
| EBITDA margin                 | nm           | 6.4          | 1.1          | nm           | nm           | nm           | 2.2          | 4.3          | 5.5          |
| EBITDA adj margin             | nm           | 6.4          | 1.1          | nm           | nm           | nm           | 2.2          | 4.3          | 5.5          |
| Depreciation/revenues         | -1.8         | -1.3         | -1.5         | -2.5         | -2.0         | -2.5         | -2.7         | -2.7         | -2.7         |
| EBIT margin                   | nm           | 5.2          | nm           | nm           | nm           | nm           | nm           | 1.6          | 2.8          |
| EBIT adj margin               | -2.4         | 5.2          | -0.5         | -4.2         | -3.3         | -2.7         | -0.5         | 1.6          | 2.8          |
| PBT margin                    | nm           | 2.7          | nm           | nm           | nm           | nm           | nm           | 0.4          | 1.8          |
| <b>Net profit margin</b>      | <b>nm</b>    | <b>1.8</b>   | <b>nm</b>    | <b>nm</b>    | <b>nm</b>    | <b>nm</b>    | <b>nm</b>    | <b>0.4</b>   | <b>1.8</b>   |

Source: Company (historical figures), DNB Markets (estimates)

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## Adjustments to annual P&amp;L

| (SEKm)                      | 2016       | 2017      | 2018       | 2019        | 2020       | 2021       | 2022e      | 2023e     | 2024e     |
|-----------------------------|------------|-----------|------------|-------------|------------|------------|------------|-----------|-----------|
| <b>EBITDA</b>               | <b>-7</b>  | <b>78</b> | <b>15</b>  | <b>-25</b>  | <b>-18</b> | <b>-4</b>  | <b>28</b>  | <b>58</b> | <b>77</b> |
| Other EBITDA adjustments    | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| EBITDA adj                  | -7         | 78        | 15         | -25         | -18        | -4         | 28         | 58        | 77        |
| <b>EBITA</b>                | <b>-27</b> | <b>63</b> | <b>-6</b>  | <b>-62</b>  | <b>-46</b> | <b>-39</b> | <b>-7</b>  | <b>22</b> | <b>40</b> |
| Other EBITA adjustments     | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Impairment of intangibles   | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| EBITA adj                   | -27        | 63        | -6         | -62         | -46        | -39        | -7         | 22        | 40        |
| <b>EBIT</b>                 | <b>-27</b> | <b>63</b> | <b>-6</b>  | <b>-62</b>  | <b>-46</b> | <b>-39</b> | <b>-7</b>  | <b>22</b> | <b>40</b> |
| Other EBIT adjustments      | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Impairment of intangibles   | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Amortisation, adjustments   | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| EBIT adj                    | -27        | 63        | -6         | -62         | -46        | -39        | -7         | 22        | 40        |
| <b>Net profit</b>           | <b>-57</b> | <b>22</b> | <b>-17</b> | <b>-110</b> | <b>-71</b> | <b>-48</b> | <b>-27</b> | <b>5</b>  | <b>25</b> |
| Other EBIT adjustments      | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Impairment of intangibles   | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Amortisation, adjustments   | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Tax adjustments             | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Other adjustments           | 0          | 0         | 0          | 0           | 0          | 0          | 0          | 0         | 0         |
| Net profit adj              | -57        | 22        | -17        | -110        | -71        | -48        | -27        | 5         | 25        |
| <i>Per share data (SEK)</i> |            |           |            |             |            |            |            |           |           |
| EPS                         | 0.00       | 0.00      | 0.00       | -5.80       | -4.44      | -2.60      | -1.44      | 0.26      | 1.35      |
| Recommended adjustment      | 0.00       | 0.00      | 0.00       | 0.00        | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      |
| EPS adj                     | 0.00       | 0.00      | 0.00       | -5.80       | -4.44      | -2.60      | -1.44      | 0.26      | 1.35      |

Source: Company (historical figures), DNB Markets (estimates)

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## Cash flow

| (SEKm)                                 | 2016       | 2017      | 2018      | 2019        | 2020       | 2021       | 2022e      | 2023e      | 2024e     |
|--|------------|-----------|-----------|-------------|------------|------------|------------|------------|-----------|
| Net profit                             | -57        | 22        | -17       | -110        | -71        | -48        | -27        | 5          | 25        |
| Depreciation and amortisation          | 20         | 15        | 21        | 37          | 28         | 35         | 35         | 36         | 37        |
| Other non-cash adjustments             |            |           | 0         | -2          | -1         | 1          | 0          | 0          | 0         |
| Change in net working capital          | 0          | 0         | 0         | 54          | 70         | 25         | -7         | -20        | -1        |
| <b>Cash flow from operations (CFO)</b> | <b>-37</b> | <b>37</b> | <b>4</b>  | <b>24</b>   | <b>24</b>  | <b>19</b>  | <b>2</b>   | <b>21</b>  | <b>62</b> |
| Capital expenditure                    | 0          | 0         | 0         | -3          | 0          | -11        | -10        | -10        | -9        |
| Acquisitions/Investments               | 0          | 0         | 0         | -10         | -6         | -12        | 0          | 0          | 0         |
| Divestments                            | 0          | 0         | 0         | 0           | 0          | 0          | 0          | 0          | 0         |
| <b>Cash flow from investing (CFI)</b>  | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>-13</b>  | <b>-6</b>  | <b>-23</b> | <b>-10</b> | <b>-10</b> | <b>-9</b> |
| <b>Free cash flow (FCF)</b>            | <b>-37</b> | <b>37</b> | <b>4</b>  | <b>11</b>   | <b>18</b>  | <b>-4</b>  | <b>-8</b>  | <b>11</b>  | <b>53</b> |
| Net change in debt                     | 0          | 0         | 0         | -206        | -50        | 0          | 0          | 0          | 0         |
| Dividends paid                         | 0          | 0         | 0         | 0           | 0          | 0          | 0          | 0          | 0         |
| Share issue (repurchase)               |            |           | 0         |             |            |            |            |            |           |
| Other                                  | 0          | 0         | 0         | -155        | -57        | -29        | 0          | 0          | 0         |
| <b>Cash flow from financing (CFF)</b>  | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>-361</b> | <b>96</b>  | <b>-29</b> | <b>0</b>   | <b>0</b>   | <b>0</b>  |
| <b>Total cash flow (CFO+CFI+CFF)</b>   | <b>-37</b> | <b>37</b> | <b>4</b>  | <b>-350</b> | <b>114</b> | <b>-33</b> | <b>-8</b>  | <b>11</b>  | <b>53</b> |
| <i>FCFF calculation</i>                |            |           |           |             |            |            |            |            |           |
| Free cash flow                         | -37        | 37        | 4         | 11          | 18         | -4         | -8         | 11         | 53        |
| Less: net interest                     | 69         | -33       | 20        | 11          | 2          | 9          | 20         | 17         | 15        |
| Less: tax shields/other                | 0          | 0         | 0         | 0           | 0          | 0          | 0          | 0          | 0         |
| Less: acquisitions                     | 0          | 0         | 0         | 10          | 6          | 12         | 0          | 0          | 0         |
| Less: divestments                      | 0          | 0         | 0         | 0           | 0          | 0          | 0          | 0          | 0         |
| <b>Free cash flow to the firm</b>      | <b>32</b>  | <b>4</b>  | <b>24</b> | <b>33</b>   | <b>26</b>  | <b>16</b>  | <b>12</b>  | <b>28</b>  | <b>67</b> |
| <i>Growth (%)</i>                      |            |           |           |             |            |            |            |            |           |
| CFO                                    | nm         | 199.7     | -88.9     | 490.2       | 0.0        | -22.7      | -89.5      | 960.2      | 195.6     |
| CFI                                    | nm         | nm        | nm        | nm          | 51.6       | -269.4     | 56.3       | 0.0        | 10.0      |
| FCF                                    | nm         | 199.7     | -88.9     | 178.0       | 57.9       | -123.3     | -91.3      | 234.8      | 385.5     |
| CFF                                    | nm         | nm        | nm        | nm          | 126.5      | -130.5     | 100.0      | nm         | nm        |
| FCFF                                   | nm         | -88.3     | 543.2     | 38.2        | -21.9      | -36.6      | -26.6      | 132.6      | 141.0     |

Source: Company (historical figures), DNB Markets (estimates)

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## Balance sheet

| (SEKm)                               | 2016         | 2017         | 2018         | 2019         | 2020       | 2021       | 2022e      | 2023e      | 2024e      |
|--------------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|
| <b>Assets</b>                        | <b>2,546</b> | <b>3,244</b> | <b>3,440</b> | <b>4,010</b> | <b>655</b> | <b>900</b> | <b>863</b> | <b>853</b> | <b>885</b> |
| Inventories                          | 548          | 448          | 418          | 350          | 166        | 180        | 178        | 183        | 189        |
| Trade receivables                    | 91           | 61           | 55           | 78           | 47         | 28         | 26         | 27         | 28         |
| Other receivables                    | 27           | 142          | 82           | 41           | 15         | 4          | 26         | 27         | 28         |
| Current financial assets             | 825          | 1,193        | 1,733        | 2,433        | 20         | 22         | 22         | 22         | 22         |
| Cash and cash equivalents            | 435          | 625          | 692          | 554          | 230        | 198        | 189        | 200        | 253        |
| <b>Current assets</b>                | <b>1,926</b> | <b>2,468</b> | <b>2,980</b> | <b>3,456</b> | <b>478</b> | <b>431</b> | <b>419</b> | <b>435</b> | <b>495</b> |
| Property, plant and equipment        | 28           | 24           | 25           | 110          | 47         | 329        | 304        | 277        | 249        |
| Goodwill                             | 266          | 63           | 64           | 64           | 40         | 40         | 40         | 40         | 40         |
| Other intangible assets              | 137          | 139          | 157          | 246          | 16         | 16         | 16         | 16         | 16         |
| Other tangible assets                | 0            | 1            | 1            | 0            | 4          | 0          | 0          | 0          | 0          |
| Investments in associates            | 0            | 0            | 25           | 0            | 0          | 6          | 6          | 6          | 6          |
| Deferred tax assets                  | 122          | 108          | 113          | 111          | 74         | 74         | 74         | 74         | 74         |
| Pension assets                       | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 1          |
| Non-current financial assets         | 67           | 76           | 76           | 24           | -3         | 5          | 5          | 5          | 4          |
| <b>Non-current assets</b>            | <b>620</b>   | <b>410</b>   | <b>460</b>   | <b>554</b>   | <b>177</b> | <b>469</b> | <b>444</b> | <b>418</b> | <b>390</b> |
| <b>Total assets</b>                  | <b>2,546</b> | <b>3,244</b> | <b>3,440</b> | <b>4,010</b> | <b>655</b> | <b>900</b> | <b>863</b> | <b>853</b> | <b>885</b> |
| <b>Equity and liabilities</b>        | <b>2,546</b> | <b>3,244</b> | <b>3,440</b> | <b>4,010</b> | <b>655</b> | <b>900</b> | <b>863</b> | <b>853</b> | <b>885</b> |
| Total equity to the parent           | 301          | 301          | 310          | 155          | 185        | 185        | 185        | 185        | 185        |
| Minority interests                   | 725          | 709          | 685          | 734          | 65         | 19         | -7         | -2         | -2         |
| <b>Total equity</b>                  | <b>1,026</b> | <b>1,010</b> | <b>995</b>   | <b>889</b>   | <b>250</b> | <b>204</b> | <b>178</b> | <b>183</b> | <b>183</b> |
| Trade payables                       | 549          | 486          | 360          | 316          | 144        | 144        | 144        | 128        | 131        |
| Other payables and accruals          | 285          | 265          | 237          | 320          | 153        | 145        | 145        | 115        | 85         |
| Short-term debt                      | 668          | 739          | 1,138        | 2,039        | 90         | 140        | 130        | 132        | 135        |
| <b>Total current liabilities</b>     | <b>1,502</b> | <b>1,489</b> | <b>1,736</b> | <b>2,675</b> | <b>386</b> | <b>429</b> | <b>419</b> | <b>375</b> | <b>351</b> |
| Long-term debt                       | 0            | 575          | 708          | 392          | 0          | 0          | 0          | 0          | 0          |
| Deferred tax liabilities             | 12           | 1            | 0            | 0            | 0          | 0          | 0          | 0          | 0          |
| Pension liabilities                  | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 0          |
| Other non-current liabilities        | 6            | 169          | 2            | 54           | 19         | 266        | 266        | 296        | 351        |
| <b>Total non-current liabilities</b> | <b>18</b>    | <b>745</b>   | <b>710</b>   | <b>447</b>   | <b>19</b>  | <b>266</b> | <b>266</b> | <b>296</b> | <b>351</b> |
| <b>Total liabilities</b>             | <b>1,520</b> | <b>2,234</b> | <b>2,446</b> | <b>3,122</b> | <b>405</b> | <b>696</b> | <b>685</b> | <b>671</b> | <b>702</b> |
| <b>Total equity and liabilities</b>  | <b>2,546</b> | <b>3,244</b> | <b>3,440</b> | <b>4,010</b> | <b>655</b> | <b>900</b> | <b>863</b> | <b>853</b> | <b>885</b> |
| <i>Key metrics</i>                   |              |              |              |              |            |            |            |            |            |
| Net interest bearing debt            | 78           | 567          | 985          | 1,740        | -191       | 119        | 127        | 146        | 149        |
| Invested capital                     | 444          | 369          | 509          | 602          | 208        | 493        | 464        | 460        | 435        |

Source: Company (historical figures), DNB Markets (estimates)



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## Valuation ratios

| (SEKm)                        | 2016        | 2017        | 2018        | 2019         | 2020         | 2021         | 2022e        | 2023e       | 2024e       |
|-------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|-------------|-------------|
| <i>Enterprise value</i>       |             |             |             |              |              |              |              |             |             |
| Share price (SEK)             | 22.85       | 47.82       | 24.25       | 18.44        | 35.37        | 31.60        | 15.72        | 15.72       | 15.72       |
| Number of shares (m)          | 0.00        | 0.00        | 0.00        | 15.00        | 16.00        | 18.36        | 18.50        | 18.50       | 18.50       |
| Market capitalisation         | 0           | 0           | 0           | 277          | 566          | 580          | 291          | 291         | 291         |
| Net interest bearing debt     | 78          | 567         | 985         | 1,740        | -191         | 119          | 127          | 146         | 149         |
| Adjustments to NIBD           | 0           | 0           | 0           | 0            | 0            | 0            | 0            | 0           | 0           |
| Net interest bearing debt adj | 78          | 567         | 985         | 1,740        | -191         | 119          | 127          | 146         | 149         |
| EV                            | 78          | 567         | 985         | 2,017        | 375          | 699          | 418          | 437         | 439         |
| EV adj                        | 78          | 567         | 985         | 2,017        | 375          | 699          | 418          | 437         | 439         |
| <i>Valuation</i>              |             |             |             |              |              |              |              |             |             |
| EPS                           | 0.00        | 0.00        | 0.00        | -5.80        | -4.44        | -2.60        | -1.44        | 0.26        | 1.35        |
| <b>EPS adj</b>                | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>-5.80</b> | <b>-4.44</b> | <b>-2.60</b> | <b>-1.44</b> | <b>0.26</b> | <b>1.35</b> |
| DPS                           | 0.00        | 0.00        | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00        | 0.00        |
| P/E                           |             |             |             | -3.2         | -8.0         | -12.1        | -10.9        | 60.2        | 11.6        |
| P/E adj                       |             |             |             | -3.2         | -8.0         | -12.1        | -10.9        | 60.2        | 11.6        |
| P/B                           |             |             |             | 0.31         | 2.26         | 2.84         | 1.64         | 1.59        | 1.59        |
| Average ROE                   |             | 2.1%        | -1.7%       | -11.7%       | -12.5%       | -21.0%       | -13.9%       | 2.7%        | 13.7%       |
| Earnings yield adj            |             |             |             | -31.5%       | -12.6%       | -8.2%        | -9.2%        | 1.7%        | 8.6%        |
| Dividend yield                | 0.0%        | 0.0%        | 0.0%        | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%        | 0.0%        |
| EV/SALES                      | 0.07        | 0.47        | 0.71        | 1.39         | 0.27         | 0.49         | 0.32         | 0.32        | 0.31        |
| EV/SALES adj                  | 0.07        | 0.47        | 0.71        | 1.39         | 0.27         | 0.49         | 0.32         | 0.32        | 0.31        |
| EV/EBITDA                     | -11.1       | 7.3         | 66.1        | -81.7        | -21.3        | -199.8       | 14.7         | 7.5         | 5.7         |
| EV/EBITDA adj                 | -11.1       | 7.3         | 66.1        | -81.7        | -21.3        | -199.8       | 14.7         | 7.5         | 5.7         |
| EV/EBIT                       | -2.9        | 9.1         | -153.9      | -32.7        | -8.2         | -18.1        | -63.1        | 20.0        | 11.1        |
| EV/EBIT adj                   | -2.9        | 9.1         | -153.9      | -32.7        | -8.2         | -18.1        | -63.1        | 20.0        | 11.1        |
| EV/capital employed           | 0.1         | 0.3         | 0.6         | 1.5          | 1.4          | 1.5          | 0.9          | 0.9         | 0.8         |
| EV/NOPLAT                     | -2.9        | 9.1         | -153.9      | -32.7        | -8.2         | -18.1        | -63.1        | 20.0        | 11.1        |
| EV/OpFCF (taxed)              | -11.1       | 7.3         | 66.1        | -73.6        | -21.2        | -47.6        | 22.6         | 9.1         | 6.5         |

Source: Company (historical figures), DNB Markets (estimates)

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## Key accounting ratios

|                                       | 2016   | 2017  | 2018  | 2019   | 2020    | 2021   | 2022e | 2023e | 2024e |
|---------------------------------------|--------|-------|-------|--------|---------|--------|-------|-------|-------|
| <i>Profitability (%)</i>              |        |       |       |        |         |        |       |       |       |
| ROA                                   |        | 0.8   | -0.5  | -3.0   | -3.0    | -6.1   | -3.0  | 0.6   | 2.9   |
| ROCE                                  |        | 4.5   | -0.4  | -4.1   | -5.7    | -10.4  | -1.4  | 4.7   | 7.8   |
| ROCE after tax                        |        | 4.5   | -0.4  | -4.1   | -5.7    | -10.4  | -1.4  | 4.7   | 7.8   |
| <i>Return on invested capital (%)</i> |        |       |       |        |         |        |       |       |       |
| Net PPE/revenues                      | 2.6    | 1.9   | 1.8   | 7.5    | 3.3     | 23.0   | 22.9  | 20.3  | 17.6  |
| Working capital/revenues              | 8.2    | 1.9   | 8.2   | 7.7    | 5.0     | 4.4    | 4.5   | 6.0   | 6.0   |
| Revenues/invested capital (pre-GW)    | 244.1  | 328.8 | 272.0 | 241.3  | 671.9   | 289.8  | 285.5 | 296.6 | 324.4 |
| Pre-tax ROIC (pre-goodwill)           |        | 25.8  | -1.7  | -12.6  | -13.0   | -12.4  | -1.5  | 5.2   | 9.7   |
| Pre-tax ROIC (incl. goodwill)         |        | 15.4  | -1.5  | -11.1  | -11.3   | -11.0  | -1.4  | 4.7   | 8.8   |
| After-tax ROIC (pre-goodwill)         |        | 25.8  | -1.7  | -12.6  | -13.0   | -12.4  | -1.5  | 5.2   | 9.7   |
| After-tax ROIC (incl. goodwill)       |        | 15.4  | -1.5  | -11.1  | -11.3   | -11.0  | -1.4  | 4.7   | 8.8   |
| <i>Cash flow ratios (%)</i>           |        |       |       |        |         |        |       |       |       |
| FCF/revenues                          | -3.4   | 3.1   | 0.3   | 0.8    | 1.3     | -0.3   | -0.6  | 0.8   | 3.7   |
| FCF yield (%)                         | nm     | nm    | nm    | 7.8    | 4.3     | 1.3    | -2.8  | 3.7   | 18.1  |
| CFO/revenues                          | -3.4   | 3.1   | 0.3   | 1.7    | 1.7     | 1.3    | 0.1   | 1.5   | 4.4   |
| CFO/market capitalisation             |        |       |       | 8.7    | 4.3     | 3.2    | 0.7   | 7.2   | 21.2  |
| CFO/capex                             |        |       |       | 896.3  | 24200.0 | 167.0  | 19.6  | 208.3 | 684.1 |
| CFO/current liabilities               | -2.5   | 2.5   | 0.2   | 0.9    | 6.3     | 4.4    | 0.5   | 5.6   | 17.6  |
| Cash conversion ratio                 | 65.6   | 170.2 | -23.8 | -10.3  | -25.3   | 8.8    | 30.2  | 224.1 | 209.9 |
| Capex/revenues                        | 0.0    | 0.0   | 0.0   | 0.2    | 0.0     | 0.8    | 0.8   | 0.7   | 0.6   |
| Capex/depreciation                    | 0.0    | 0.0   | 0.0   | 7.3    | 0.4     | 31.9   | 28.5  | 27.7  | 24.0  |
| OpFCF margin                          | -0.6   | 6.4   | 1.1   | -1.9   | -1.3    | -1.0   | 1.4   | 3.5   | 4.8   |
| Total payout ratio                    |        |       |       | 0.0    | 0.0     | 0.0    | 0.0   | 0.0   | 0.0   |
| <i>Leverage and solvency (x)</i>      |        |       |       |        |         |        |       |       |       |
| Cash coverage                         | -0.10  | -2.33 | 0.76  | -2.17  | -11.00  | -0.41  | 1.42  | 3.41  | 5.31  |
| Net debt/EBITDA                       | -11.14 | 7.27  | 66.11 | -70.46 | 10.83   | -33.97 | 4.46  | 2.52  | 1.93  |
| Total debt/total capital (BV)         | 0.26   | 0.41  | 0.54  | 0.61   | 0.14    | 0.16   | 0.15  | 0.15  | 0.15  |
| LTD / (LTD + equity (MV))             |        | 1.00  | 1.00  | 0.59   | 0.00    | 0.00   | 0.00  | 0.00  | 0.00  |
| <i>Cash conversion cycle</i>          |        |       |       |        |         |        |       |       |       |
| Inventory turnover days               | 243.8  | 198.8 | 150.4 | 166.2  | 77.6    | 83.0   | 92.8  | 92.9  | 92.9  |
| Receivables turnover days             | 39.5   | 61.0  | 36.1  | 30.1   | 16.3    | 8.1    | 14.3  | 14.3  | 14.3  |
| Credit period                         | 244.5  | 215.6 | 129.5 | 150.4  | 67.1    | 66.7   | 75.3  | 65.0  | 64.6  |
| Cash conversion cycle                 | 38.9   | 44.2  | 57.0  | 45.9   | 26.8    | 24.3   | 31.8  | 42.2  | 42.7  |

Source: Company (historical figures), DNB Markets (estimates)

13 June 2022

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Company: Nelly  
 Coverage by Analyst: Ebba Bjorklid  
 Date: 13/06/2022

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- 3) There may be difficulty enforcing legal rights against DNB Bank ASA (DNB Markets) and DNB Markets, Inc. because all or substantially all of their assets may be situated outside of Canada.
- 4) The name and address of the agent for service of process for DNB Bank ASA (DNB Markets) and DNB Markets, Inc. in the local jurisdiction is:  
 Alberta: Blake, Cassels & Graydon LLP, 855 - 2nd Street S.W., Suite 3500, Bankers Hall East Tower, Calgary, AB T2P 4J8. British Columbia: Blakes Vancouver Services Inc., 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, BC V7X 1L3. Manitoba: MLT Aikins, 30th Floor, Commodity Exchange Tower, 360 Main Street, Winnipeg, MB R3C 4G1. New Brunswick: Stewart McKelvey, Suite 1000, Brunswick House, 44 Chipman Hill, PO Box 7289, Station A, Saint John, NB E2L 2A9. Newfoundland and Labrador: Stewart McKelvey, Suite 1100, Cabot Place, 100 New Gower Street, P.O. Box 5038, St. John's, NL A1C 5V3. Nova Scotia: Stewart McKelvey, Purdy's Wharf Tower One, 1959 Upper Water Street, Suite 900, P.O. Box 997, Halifax, NS B3J 2X2. Northwest Territories: Field LLP, 601, 4920 52nd Street, Yellowknife, NT X1A 3T1. Nunavut: Field LLP, P.O. Box 1734, House 2436, Iqaluit, NU X0A 0H0. Ontario: Blakes Extra-Provincial Services Inc., Suite 4000, 199 Bay Street, Toronto, ON M5L 1A9. Prince Edward Island: Stewart McKelvey, 65 Grafton Street, Charlottetown, PE C1A 1K8. Québec: Services Blakes Québec Inc., 1 Place Ville Marie, Suite 3000, Montréal, QC H3B 4N8. Saskatchewan: MLT Aikins, 1500 Hill Centre I, 1874 Scarth Street, Regina, SK S4P 4E9. Yukon: Macdonald & Company, Suite 200, Financial Plaza, 204 Lambert Street, Whitehorse, YK Y1A 3T2.

13 June 2022

**In Brazil**

The analyst or any close associates do not hold nor do they have any direct/indirect involvement in the acquisition, sale, or intermediation of the securities discussed herein.

Any financial interests, not disclosed above, that the analyst or any close associates holds in the issuer discussed in the report is limited to investment funds that do not mainly invest in the issuer or industry discussed in the report and the management of which these persons cannot influence.