A structural growth story

HANZA, a Sweden-based contract manufacturer, has been growing by a CAGR of 19% since 2008 and grew by 28% organically in 2022 alone. As a contract manufacturer with a unique strategy, the company is well positioned to continue growing towards its new sales target of SEK 5bn by 2025 (a CAGR of 13%). Its strategy is unique as it takes full responsibility for the whole production process at one geographical site (through so-called manufacturing clusters) as well as product development and consulting. We initiate coverage of HANZA with a Buy rating and target price of SEK 85.

Sales CAGR of 18% since 2017 based on the cluster strategy

HANZA has grown organically by 9% since 2017 but has added some 9% annual growth from acquisitions, giving, in total, sales growth of 18%. Versus seven Nordic large-cap industrials (our proxy for demand), HANZA exceeded growth of these companies by c.15pp in 2022, and despite slowing demand in 2023E, we expect structural growth above its large-cap clients of c.6-7pp per year through to 2025, in line with HANZA's sales target of SEK 5bn by 2025. Structural growth drivers are increased outsourcing, more local sourcing from Europe versus Asia (near-sourcing) and, not least, HANZA penetrating new geographical markets such as Germany. We expect HANZA to follow its global Nordic and European clients and the next market could be the US or some other European market.

Margins improving in line with growth

Every expansion step causes lower margins but over time HANZA will recover its profitability potential, which we estimate is around 10%. After investing heavily in Germany, the Nordics and especially Eastern Europe, we see room for improved margins up to the next large expansion phase. HANZA's target is to deliver an EBITA margin of at least 8% by 2025 (increased from its previous target of 6%).

Still cautious valuations for Nordic contract manufacturers

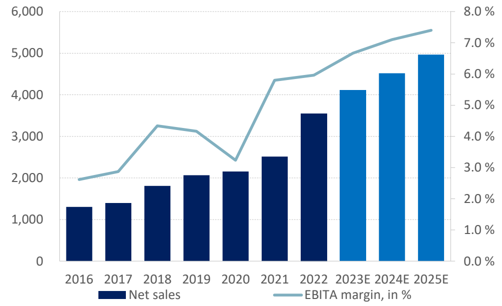
Despite the recent strong share price performance, we see room for not only a share price performance in line with annual sales growth of 13% through to 2025E but also a revaluation in line with higher structural growth. We calculate a DCF valuation of SEK 125 per share but due to slowing growth in 2023E we initiate coverage with a target price of SEK 85, reflecting a relatively low peer group valuation for 2023E. We also believe that, in relative terms, HANZA will benefit from better exposure to late-cyclical capex demand among its core clients in energy, security, defence, mining etc.

SEKm	2021	2022	2023e	2024e	2025e
Revenues	2,515	3,549	4,107	4,517	4,967
EBITDA	232	315	393	464	533
EBIT adj	130	193	257	304	350
EBIT margin ad	5.2%	5.4%	6.3%	6.7%	7.1%
EPS	2.24	3.30	4.39	5.19	6.03
EPS adj	2.30	3.30	4.39	5.19	6.03
DPS	0.50	0.75	1.35	1.60	1.85
EV/EBITDA	12.0	7.7	9.0	7.6	6.5
EV/EBIT adj	21.4	12.6	13.7	11.6	9.9
P/E adj	28.1	15.5	16.6	14.1	12.1
P/B	3.94	2.09	2.74	2.36	2.02
ROE (%)	15.1	16.3	17.8	18.1	18.0
Div yield (%)	0.8	1.5	1.8	2.2	2.5
Net debt	473	556	620	607	545

Source: Pareto Securities

Target price (SEK)	**85**	▲ **BUY**
Share price (SEK)	73	– HOLD
		▼ SELL

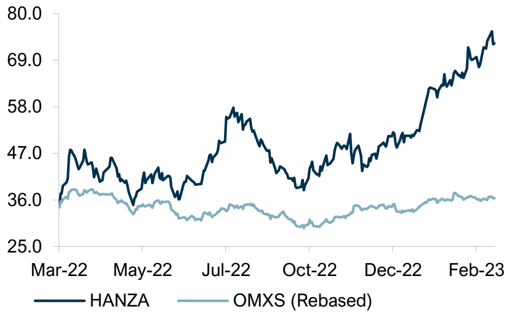
Sales (SEKm) and adj. EBITA margin 2016-2025E



Source: Pareto Securities, company data

Ticker	HANZA.ST, HANZA SS
Sector	Industrials
Shares fully diluted (m)	39.7
Market cap (SEKm)	2,897
Net debt (SEKm)	620
Minority interests (SEKm)	0
Enterprise value 23e (SEKm)	3,517
Free float (%)	84

Performance



Source: FactSet

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Investment summary

Structural growth trends, a clear ESG agenda and a customer-value strategy form the winning concept of HANZA

Strong growth since being founded in 2008 with a sales CAGR of 19% based on a unique cluster strategy

HANZA was founded in 2008 and has grown into a business with SEK 3.5bn in sales in 2022, a CAGR of 19%, of which organic growth represents the major part (~60% organic and ~40% acquisitions). The strong growth has taken place within the framework of the company's three-phase programme, which kicked off in 2009 and ended in 2022 with the aim of grouping factories into manufacturing clusters in specific geographical areas. Phase 1, the build-up phase in 2009-2013, was to create global manufacturing technologies in machining, thin sheet, circuit boards and cabling and to add advanced assembly on top of this. The aim of Phase 2, 2014-2017, was to relocate and group factories in select geographical areas known as clusters, to create a rational manufacturing environment. The aim of Phase 3, 2018-2022, was to shift from build-up to streamlining the manufacturing clusters, but also to expand geographically into Germany by acquiring RITTER in 2019 Budelmann Electronik in 2022. In November 2022, HANZA launched Phase 4, "HANZA 2025", which stipulates:

- Sales to reach at least SEK 5bn by 2025 (CAGR of 13% versus the previous target of growing at least 10% over a business cycle).
- The EBITA margin shall be at least 8% by the end of 2025 (previous target an average of 6% over a business cycle).
- The equity ratio should be at least 30% (unchanged target).
- Net debt/EBITDA shall not exceed 2.5x (new target).
- The dividend should represent 30% of profit after tax when taking into consideration the company's financial position (unchanged policy).

Near-sourcing, start-ups in the Nordics and capacity restraints have supported contract manufacturing since 2021 in particular

The pandemic, the global shortage of components, the geopolitical disruptions between China and the US and the war in Ukraine continue to create bottlenecks and challenges in global markets. As a result, companies have been mitigating risks that strain the supply chain, resulting in increasing trends towards "near-sourcing", "back-sourcing" and contract manufacturing. Other trends include a boom in the Nordics of new start-ups relying entirely on outsourcing the whole production process. In addition, manufacturing companies with capacity restraints since 2021 in particular have increased capacity by using an efficient contract manufacturer.

A cost-effective, flexible and environmentally responsible solution

The basis of HANZA's strategy is to create additional customer value compared with traditional contract manufacturers. The company does this in a number of specific ways such as manufacturing clusters, product development and advisory services. Consequently, in the event of dampened economic growth and possible recession, we predict that HANZA's business model will be more robust than that of its competitors. Today, HANZA's customer portfolio consists of diversified leading industrials such as ABB, Epiroc, Getinge, SAAB Defence, Sandvik, Getinge, 3M and Tomra. Furthermore, the business model incorporates a clear ESG agenda, and the overall goal is to exclusively use green, fossil-free, energy sources in its factories.

A significant take-off above underlying market demand since 2021 for all Nordic contract manufacturers

HANZA grew strongly through to 2020, but a significant ramp-up in demand, not only for HANZA but also for other contract manufacturers, came in 2021 and 2022. We have measured organic growth of seven capex-dependent Nordic companies (ABB, Atlas Copco, Alfa Laval, Epiroc, Sandvik, MetsoOutotec and Wärtsilä) from 2019 to 2022 and note a relatively strong correlation in growth between HANZA and these seven companies between 2019 and Q3 2021 but a significant take-off in demand for HANZA in late 2021 and 2022, where its structural growth has been some 15pp higher than the underlying organic market growth, as measured by the seven global Nordic industrials, and we see no signs of this trend slowing looking into 2023.

HANZA is growing in new geographical markets such as Germany and will open new markets in 2024/25E

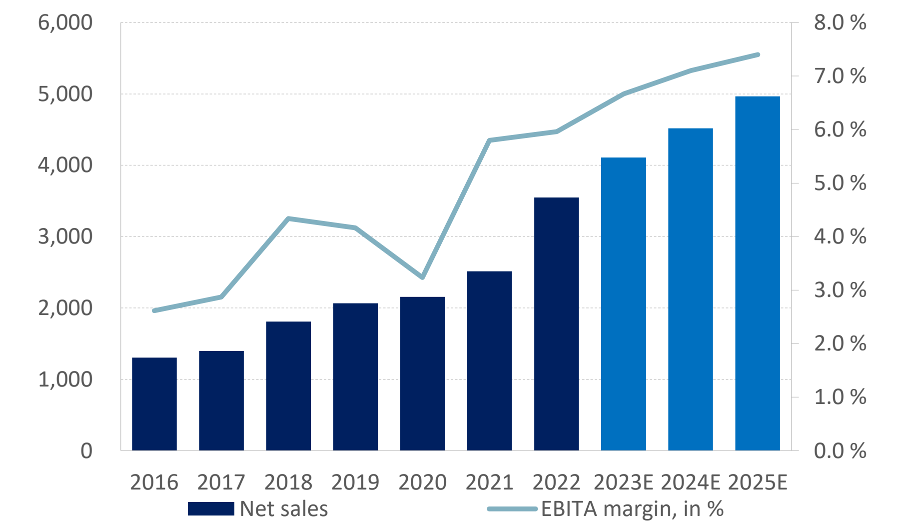
HANZA's client base is more focused on attractive global capex trends such as energy, defence and industrial automation, supporting growth more than for the average industrial client

We have used our estimates of organic growth for the seven Nordic industrials as a proxy for underlying growth and added structural growth for HANZA based not only on near-sourcing and new clients and products but also on geographical expansion in Germany through to 2025. After organic sales growth of 28% in 2022, we expect 12% in 2023, followed by 10% in both 2024 and 2025, reaching slightly below the target sales level of SEK 5bn in 2025. While we expect slowing demand in 2023, we believe the 2025 target of SEK 5bn is relatively easy for HANZA to reach, especially if the company continues to make acquisitions (not included in our estimates). We believe that HANZA's client base is more exposed to global capex trends that have a better-than-average industrial growth outlook for 2023/2024 than sections of electronics business, for example, which its peers are more exposed to.

Significant capacity increases in 2021/2022 and new acquisitions have dragged down margins temporarily but will lead to better margins in the coming years

Both organic and acquired growth are needed for HANZA's long-term profitability. However, all expansion is costly, both in the form of investments in new capacity and acquisitions, and also drag down margins short term, although will support margins long term as the new capacity is filled with orders. This can clearly be seen by comparing the existing business in Sweden, which is a more mature market and already has a margin (in 2022) of around 10%, with the expansion in other areas such as in Eastern Europe and the recently acquired German operations (2021), which are reporting margins below the group average. Expanding on this, the German acquisition in 2021, Helmut Beyers (SEK 180m), was lossmaking at the beginning of 2022, broke even in Q3 and was profitable in Q4. The new EBITA margin target of 8% (by 2025) reflects that the mature business is achieving a margin of around 10%, offset by capacity increases and acquisitions temporarily dragging down margins. We believe that with the existing set-up, margins will be on the rise due to the significant ramp-up of capacity in 2021/2022 and the recently acquired companies (Germany), despite some short-term negative effects from cost increases. Unless some extraordinarily negative events happen, we believe the EBITA margin target of at least 8% should be relatively easy to achieve by 2025.

Net sales and EBITA margin 2016-2025E



Source: Pareto Securities, company data

Our DCF indicates a valuation of SEK 125 per share, but a peer group comparison indicates a lower valuation – hence, our TP is SEK 85

In total, our estimates are in line with HANZA's growth target of reaching SEK 5bn in sales by 2025 (13% CAGR), and based on our expectations that growth will come down from 10% in 2025 to 3% in 2035 with an average EBITA margin target of 8%, we reach a DCF valuation of SEK 125 per share with the elevated risk premium of 7% reflecting a small-cap risk premium of 2.5%.

Initiating coverage with a Buy recommendation

However, if we compare HANZA with the peer group of other Nordic contract manufacturers with about the same strong organic growth through to 2022, we can see that HANZA is valued slightly below the group median for 2022 on EV/EBIT but that our estimates for the company are more aggressive for 2023-2024. It should be noted that all competitors are more directed towards electronics, such as NOTE, which has enjoyed even stronger organic growth than HANZA, but we regard HANZA's business model with stable manufacturing clients and its unique cluster strategy as more protected in a weaker market scenario than some of the other peers that are more exposed to one technology. We also believe that HANZA is entering 2023 in a better growth mode than ever due to its late-cyclical capex-dependent client base. Hence, we initiate coverage with a Buy rating.

In general, the valuation of most contract manufacturers is attractive and very cautious

In general, we see the valuation of most contract manufacturers as attractive and very cautious – we also cover Kitron, on which we have a Buy rating and target price of NOK 35.

Regarding the peer group valuation, we base it on the actual outcome for 2022 as not all companies have consensus estimates, such as NOTE, or have only one or two contributors. Another point is that the Finnish companies Incap and Scanfil are valued lower than their other Nordic peers such as the Norwegian company Kitron and Swedish companies HANZA, NOTE and Inission. This is also in line with how industrials in general are valued, i.e., lower in Finland than in Norway and Sweden.

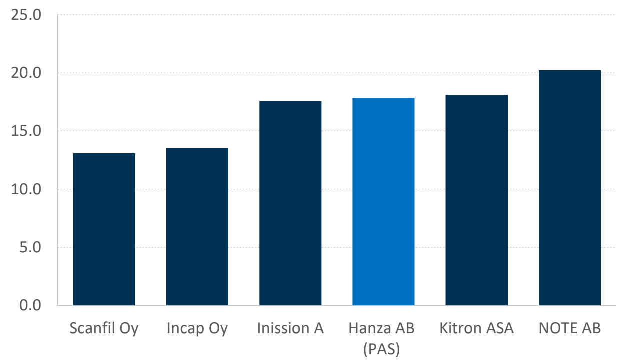
Peer group valuation

	M Cap			2021-2024E CAGR %			EV/Sales				EV/EBIT				P/E adj.				FCF yield %				Div yield %			
Company	(SEKm)	Price	Fx	Sales	EBITDA	EBIT	'21	'22	'23E	'24E	'21	'22	'23E	'24E	'21	'22	'23E	'24E	'21	'22	'23E	'24E	'21	'22	'23E	'24E
Hanza AB (PAS)	2,889	73	SEK	21.5	26.0	33.5	1.4	1.0	0.9	0.8	27.0	17.9	13.7	11.5	31.7	22.1	16.6	14.0	na	na	4.4	3.9	0.7	1.0	1.9	2.2
Hanza AB	2,889	73	SEK	18.3	22.2	30.2	1.4	1.0	0.9	0.8	26.9	17.3	14.7	12.5	31.7	22.1	17.1	14.1	na	na	na	na	0.7	0.9	1.1	1.4
Contract manufacturers																										
Inission A	1,084	52	SEK	32.9	29.0	46.4	1.0	0.8	0.7	0.6	23.7	17.6	12.1	10.8	33.0	18.0	14.5	11.7	na	1.8	7.7	12.2	0.6	0.9	2.1	2.6
Incap Oy	5,636	18	EUR	26.3	23.8	24.0	3.1	2.0	1.6	1.4	19.5	13.5	10.9	9.4	24.1	18.1	15.3	13.8	na	na	5.8	7.4	0.9	0.0	0.8	1.1
Kitron ASA	6,845	34	NOK	30.1	33.7	38.9	2.2	1.3	1.1	1.0	34.4	18.1	14.0	12.2	27.7	19.2	17.0	14.7	na	na	5.0	4.7	0.7	1.4	2.1	2.7
NOTE AB	6,608	232	SEK	na	na	na	2.7	1.9	na	na	27.5	20.2	na	na	34.0	20.4	na	na	na	na	na	na	0.0	0.0	na	na
Scanfil Oy	5,599	8	EUR	7.9	9.7	11.3	0.8	0.7	0.6	0.6	14.8	13.1	10.4	9.1	16.2	14.6	13.0	12.0	na	na	11.5	8.0	2.4	2.6	2.9	3.1
Average				**24.3**	**24.0**	**30.1**	**2.0**	**1.3**	**1.0**	**0.9**	**24.0**	**16.5**	**11.8**	**10.4**	**27.0**	**18.1**	**14.9**	**13.0**	**na**	**1.8**	**7.5**	**8.1**	**0.9**	**1.0**	**2.0**	**2.4**
Median				**28.2**	**26.4**	**31.4**	**2.2**	**1.3**	**0.9**	**0.8**	**23.7**	**17.6**	**11.5**	**10.1**	**27.7**	**18.1**	**14.9**	**12.9**	**na**	**1.8**	**6.7**	**7.7**	**0.7**	**0.9**	**2.1**	**2.6**

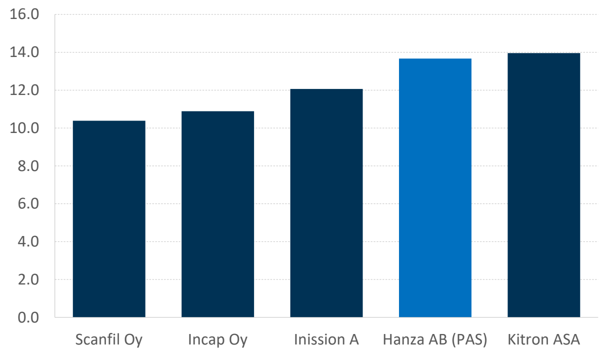
Source: Pareto Securities, FactSet

When looking at the valuation based on 2022 EV/EBIT, NOTE has the highest valuation followed by Inission HANZA and Kitron. Next is the Finnish peers Incap and Scanfil. However, when looking at existing estimates for 2023, we see that HANZA is valued below Kitron but slightly above Inission and clearly higher than Scanfil and Incap.

EV/EBIT for 2022



EV/EBIT 2023E



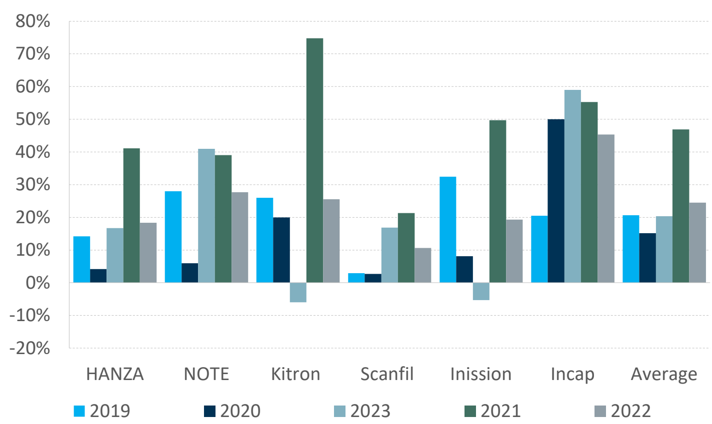
Source: Pareto Securities, FactSet

A CAGR 2019 to 2022 of 26% for all contract manufacturers should support a strong share price performance in the coming years

When considering our DCF valuation (SEK 125 per share) it is easy to see that all contract manufacturers are cautiously valued and that the market still remains unsure about how to value these companies. Our conclusion is that HANZA is reasonably valued relative to its peers but in absolute terms we view the valuation as cautious. We definitely see a possibility for all contract manufacturers to surprise on the upside in the coming years due to the strong structural growth expected supporting a robust share price performance. Our target price of SEK 85 reflects a slightly higher valuation for HANZA relative to its Finnish peers and more in line with Kitron or NOTE but not at all of the long-term potential we see.

Between 2019 and 2022 all contract manufacturers reported an average CAGR of 26% and even if this level were to come down we still believe in stronger structural growth in this sector relative to underlying global manufacturing growth.

Total sales growth 2019 to 2022 (CAGR of 26% for the whole group)



Source: Pareto Securities, FactSet

Company description and market

A resilient business model built on a diverse customer base

HANZA was founded in 2008 and offers advisory services and complete manufacturing services with a strong presence in Northern Europe and a growing global footprint.

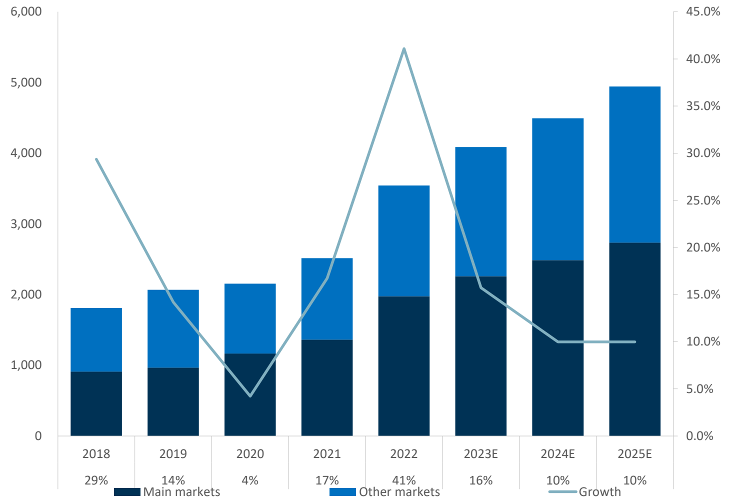
HANZA's customers only need to use one contract manufacturer with integrated operations

The company operates in local clusters of multiple facilities across Europe and Asia that are equipped with state-of-the-art technology and manufacturing processes. HANZA is known for its unique cluster structure – by grouping different manufacturing technologies locally, the firm creates shorter lead times, uses environmentally friendly techniques and increases profitability for its customers. HANZA's cluster strategy is more flexible and cost-efficient than traditional manufacturing methods that involve outsourcing production to multiple partners. As a result, in the event of an economic slowdown or recession, we believe that HANZA's business model is more resilient than that of its competitors. HANZA has a clear competitive advantage as the customer only needs to use one contract manufacturer with integrated operations.

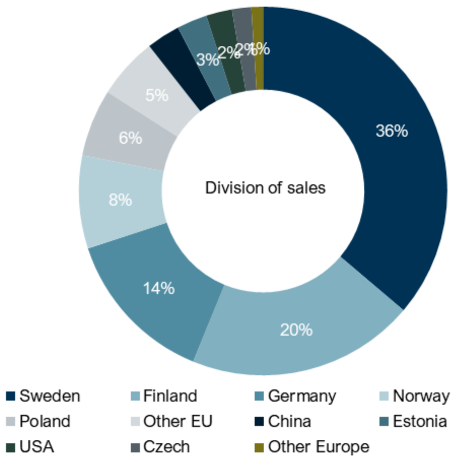
Currently operating 18 factories across six manufacturing clusters

HANZA is a well-diversified manufacturer with a broad portfolio of technologies, including for mechanics, electronics, cable harnessing and final assembly services. The company currently operates 18 factories across six manufacturing clusters. The majority of net sales come from Sweden, Finland and Germany, which together make up 70% of total sales (2021).

Sales per division and sales growth 2018-20525e



Geographical sales 2021

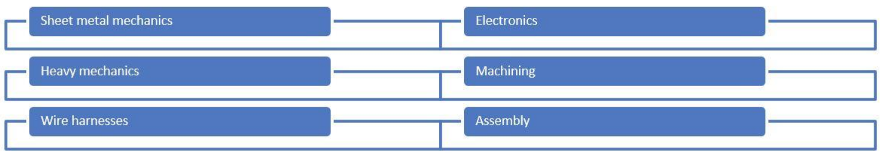


Source: Pareto Securities, company data

Operations divided into Main markets and Other markets…

HANZA operates six clusters – in Sweden, Finland, Germany, the Baltics, Central Europe (Poland and Czech Republic) and China. These operations are divided into two segments – Main markets and Other markets.

The cluster structure – six production processes clustered together



Source: Pareto Securities, company data

Main markets: HANZA's manufacturing clusters are located near its primary geographical customer markets of Sweden, Finland, Norway and Germany. These operations are characterised by proximity to customer factories and strong collaboration with customer development departments.

Other markets: HANZA's manufacturing clusters outside its primary customer markets, including the Baltics, Central Europe and China. These operations have a high level of complexity, with extensive assembly and proximity to crucial end-customer areas.

…with Business development and services making up a small share

Business development and services: This segment encompasses qualified advisory services, or a service product within manufacturing solutions called Manufacturing Solutions for Increased Growth and Earnings ("MIG").

HANZA is committed to being a valuable business partner and offers advisory services to analyse its customers' manufacturing strategy and suggests profitable and sustainable changes in their supply chain. With a wide range of products, HANZA has attracted leading industrial companies and has the potential to attract even more customers as it continues to search for new business opportunities.

HANZA's manufacturing clusters

Source: Company data (Annual report 2021)

Preparing for growth and acquisitions in a fragmented market

"HANZA 2025" should help the company continue to perform strongly

Due to favourable trends and its unique cluster strategy, HANZA has achieved strong growth since its beginnings 14 years ago with an impressive CAGR of 19%, of which the major part is organic (some 60% with 40% inorganic). Going forward, we believe that HANZA will be able to continue to perform strongly with the help of the company`s next phase "HANZA 2025", which targets specific initiatives in three expansion directions: manufacturing technologies, geographies and larger customer volumes.

Significant growth initiatives in 2021 and 2022 from both acquisitions and capacity increases…

Working in a fragmented and competitive market, strategic acquisitions and expansion plans are crucial to gain access to new customers and geographical segments. In 2021, HANZA implemented its largest expansion yet, with the focus on both acquiring new factories as well as changing the composition of the current ones. The expansion included, for example, the construction of a 12,000 sqm production facility in Estonia, factory expansion in China and the acquisition of two manufacturers in Europe. In 2022, HANZA initiated important capacity increases in the Baltics and Eastern Europe and a significant ramp-up of production in Germany. Total capex increased to SEK 187m in 2022 (5.3% of sales), up from SEK 154m in 2021 (6.2% of sales).

…a directed share issue of SEK 147m was carried out in Q4 2022 to finance further growth initiatives

The contract manufacturing market is quite fragmented, with many local players but few big European competitors. Therefore, HANZA can expand its market shares via acquisitions, with the German market, for example, including many small players that are having difficulties in increasing their market shares because of the increasing demand for sustainable solutions, quality and digitalisation. In 2021, Main markets were expanded materially with the acquisition of a high-quality Finnish manufacturer (Suomen Levyprofiili) and a German electronics manufacturer (Helmut Beyers), which together generated sales of approximately SEK 330m. To finance further growth initiatives, a directed share issue of SEK 147m was made at the end of 2022. In December 2022, HANZA decided on additional machine investments of SEK 100m and started expansion of a sheet metal plant in Estonia.

Expansion into Germany in 2019

Since 2017, HANZA has added some 9% annual sales from acquisitions and since 2019 it also comprises companies in Germany (RITTER was the first) where we have seen three acquisitions adding in total SEK 625m in sales.

HANZA refrains from high volume products, for example to be found in automotive and telecom. Therefore, the company has phased out volumes that was brought into HANZA by acquisitions. HANZA has stated that turnover in hundreds of MSEK has been phased out in this way. If this was to be included in the calculations, the organic growth would be higher.

Acquisitions since 2017

Company	*Country*	*Sales mSEK*	*Acquisition year*
Wermland Mechanics	*Sweden*	360	2017
Toolfac	*Finland*	80	2019
RITTER	*Germany*	430	2019
Suomen Levyprofiili	*Finland*	150	2021
Helmut Beyers	*Gerrmany*	180	2021
Budelmann Elektronik	*Germany*	15	2022

Source: Company data

Partnering with industry leaders for steady growth

A broad customer base

HANZA serves a diverse customer base, including international companies such as ABB, Epiroc, Getinge, SAAB Defence, Sandvik, 3M and Tomra, with a focus on the Nordic and German regions. Having a broad customer base minimises the impact of changes in demand from individual customers and supports stable growth and margins. In 2021, the top ten customers accounted for nearly half (47%) of HANZA's total revenue.

Customer portfolio

Source: Company data

Market overview

A growing market

HANZA's overall market comprises contract manufacturers operating in various segments and manufacturers of proprietary products, which makes it difficult to estimate the market size. Although no information about the overall market size is available, there is reliable information about the existing market for contract manufacturing of electronics, and as electronics is included in all products, it serves as a relevant indicator of growth and trends within the overall contract manufacturing market predominantly electronics and mechanics.

The total market for the contract manufacturing of electronics has grown rapidly, and in Europe alone it was estimated at approximately EUR 32bn in 2021 and is expected to grow to EUR 38bn by 2025 (a CAGR of 5%).

Competitors in the European and Nordic markets

The main competition comes from a client's own production

According to HANZA, the main competition comes from a client's own production, i.e., the focus for HANZA is to find the rationale for a company to use a contract manufacturer and HANZA specifically and for it to avoid being used as a subcontractor for just a specific item. HANZA is also not interested in doing business based on large volumes such as in the automotive sector who search for suppliers by sending out annual requests to find the lowest price per product. While such a deal can fill capacity, they are often not very attractive longer term. HANZA claims not to have lost any client deals to other contract manufacturers, but some examples of lost business are when clients take back production due to that client acquiring a company with additional production capacity and/or those that decide they prefer to have their own in-house production. To avoid this happening, it is important that HANZA understands the rationale behind the client's choice of HANZA as a supplier in the first place.

Some large Asian and American companies are active in the European electronics contract manufacturing market, such as Foxconn and Sanmina.

In the Nordic market for contract manufacturing, there are six listed companies: the Swedish companies HANZA, NOTE, and Inission, the Norwegian company Kitron and the Finnish company Scanfil and Incap. All competitors are involved in contract manufacturing mainly in electronics (or EMS – electronics manufacturing services) while HANZA has a strong focus on mechanics and full responsibility for the whole product.

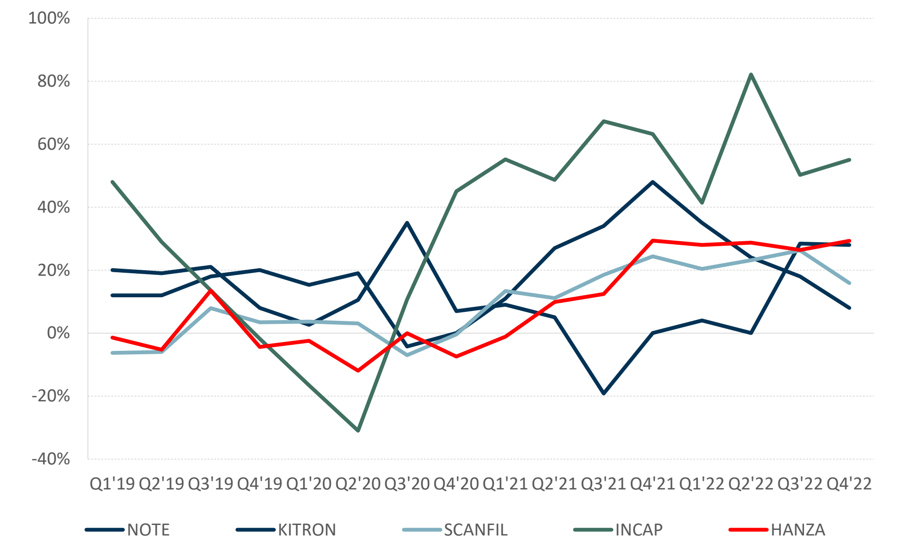
Incap had the highest CAGR (organic) of 33% between 2019-2022, followed by NOTE at 20% and HANZA, Kitron and Scanfil at 8-10%

Compared with most of its competitors, HANZA's performance was mixed between 2019-2022. Incap achieved by far the highest organic growth rate among all the companies analysed with a CAGR over the period of 33%. However, it's worth noting that Incap has significant growth attributable to its Indian operations, whereas the other contract manufacturers have their bases in Northern Europe. NOTE also outperformed HANZA in terms of organic sales growth with a CAGR of 20% versus HANZA's 8% although Kitron and Scanfil performed in line with HANZA with CAGRs of 9-10%.

HANZA is more dependent on global late-cyclical manufacturing companies than its competitors' stronger focus on electronics

As touched on above, during 2019-2022, there were significant differences between the peer companies –we can see that HANZA and Scanfil took the biggest hits in 2019 and 2020 due to a higher dependence on cyclical manufacturing companies while NOTE reported around 15-30% growth every year with a minor dip in 2020. However, it is obvious that high comparison quarters in 2021 hit NOTE, resulting in slowing growth towards the end of 2022. Maybe HANZA's strong correlation with global late-cyclical capex-dependent companies such as ABB, Epiroc, Sandvik etc indicates a better market in 2023 versus the more electronics-dependent NOTE. The demand pattern for Kitron does not seem to correlate that well with the other companies even though it also had a strong ending to 2022. However, Scanfil and HANZA have a relatively strong correlation, indicating similar client demand.

Nordic contract manufacturers' quarterly organic sales growth 2019-2022



Source: Company data

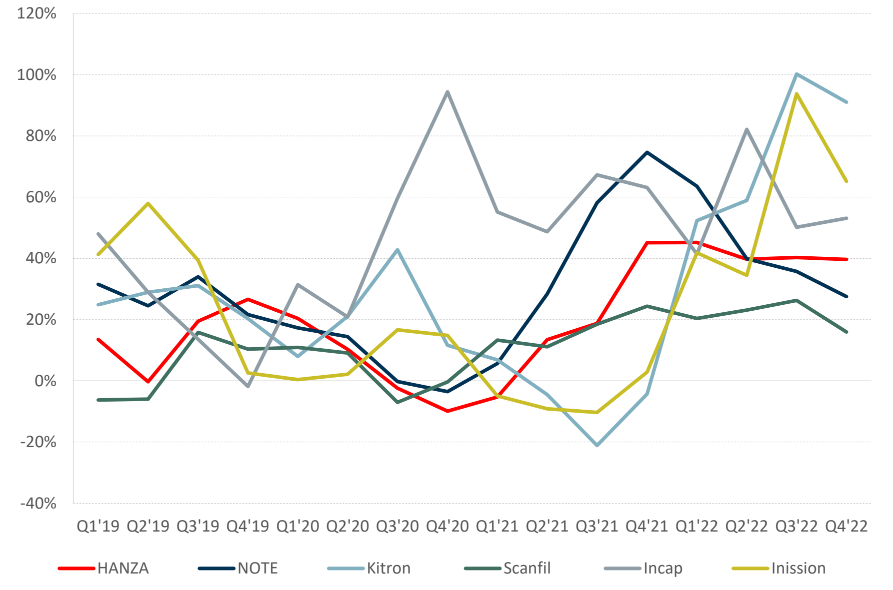
Organic growth comparison Q1 2019 to Q4 2022, annually 2019-2022 and CAGRs 2019-2022

Company	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	'19	'20	'21	'22	'19-22
HANZA	-1%	-5%	14%	-4%	-2%	-12%	0%	-7%	-1%	10%	12%	29%	28%	29%	26%	29%	1%	-5%	13%	28%	8%
NOTE AB	12%	12%	18%	20%	15%	19%	-4%	0%	11%	27%	34%	48%	35%	24%	18%	8%	16%	8%	30%	27%	20%
Kitron ASA	20%	19%	21%	8%	3%	11%	35%	7%	9%	5%	-19%	0%	4%	0%	28%	28%	17%	14%	-1%	12%	10%
Scanfil Oy	-6%	-6%	8%	3%	4%	3%	-7%	0%	13%	11%	19%	24%	20%	23%	26%	16%	0%	0%	17%	22%	9%
Incap Oy	48%	29%	14%	-2%	-17%	-31%	11%	45%	55%	49%	67%	63%	41%	82%	50%	55%	22%	2%	59%	58%	33%
Average	14%	10%	15%	5%	1%	-2%	7%	9%	17%	20%	23%	33%	26%	32%	30%	27%	11%	4%	23%	29%	16%
Median	12%	12%	14%	3%	3%	3%	0%	0%	11%	11%	19%	29%	28%	24%	26%	28%	16%	2%	17%	27%	10%

Source: Company data

When looking at total sales growth, we get about the same ranking but with significantly higher figures as all companies are growing briskly through acquisitions and FX also supported Swedish reporting companies in 2022 (Inission Incap remains in the lead with a CAGR of 45%, followed by NOTE with 28%, Kitron with 26%, Inission with 19%, HANZA with 18% and Scanfil with 11%, and in this comparison we can see that 2022 was the best year for most companies (not NOTE and Incap).

Nordic contract manufacturers' total sales growth 2019-2022



Source: Company data

Total sales growth comparison Q1 2019 to Q4 2022, annually 2019-2022 and CAGRs 2019-2022

Company	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	'19	'20	'21	'22	'19-22
HANZA	13%	0%	19%	27%	20%	10%	-2%	-10%	-5%	13%	19%	45%	45%	40%	40%	40%	14%	4%	17%	41%	18%
NOTE	31%	25%	34%	22%	17%	14%	0%	-4%	6%	28%	58%	75%	64%	40%	36%	28%	28%	6%	41%	39%	28%
Kitron	25%	29%	31%	20%	8%	21%	43%	12%	7%	-5%	-21%	-4%	52%	59%	100%	91%	26%	20%	-6%	75%	26%
Scanfil	-6%	-6%	16%	10%	11%	9%	-7%	0%	13%	11%	19%	24%	20%	23%	26%	16%	3%	3%	17%	21%	11%
Inission	41%	58%	39%	3%	0%	2%	17%	15%	-5%	-9%	-10%	3%	42%	34%	94%	51%	32%	8%	-5%	50%	19%
Incap	48%	29%	14%	-2%	31%	21%	60%	94%	55%	49%	67%	63%	41%	82%	50%	53%	21%	50%	59%	55%	45%
Average	25%	22%	26%	13%	15%	13%	18%	18%	12%	15%	22%	34%	44%	46%	58%	46%	21%	15%	20%	47%	24%
Median	28%	27%	25%	15%	14%	12%	8%	6%	6%	12%	19%	35%	44%	40%	45%	46%	23%	7%	17%	45%	22%

Source: Company data

ESG targets

HANZA's gradual shift to a fossil-free future

A value creating ESG strategy has been a cornerstone since the company's beginning. By creating a safe and positive workplace with a prioritized environmental approach, three goals are achieved: the company contributes to the international ESG agenda, profitability is increased, and recruitment is made easier. The strategy focuses on grouping manufacturing operations within regional clusters to minimise freight costs and reduce the carbon footprint. The company minimises lead times and reduces its carbon emissions by lessening the distances that products must travel.

In addition, HANZA's cluster strategy enhances its flexibility in adapting to changes in demand, which is a critical challenge in the traditional supply chain set-up. The consolidation of transport to and from the cluster further contributes to reducing the carbon footprint. HANZA adopts a bulk purchasing strategy from a limited number of suppliers, further streamlining its supply chain operations.

A long-term goal to exclusively use green, fossil-free, energy sources at its factories

HANZA has a long-term goal to exclusively use green, fossil-free, energy sources at its factories, and in 2021, a total of 8% of its overall energy supplies originated from green energy sources. In 2020, the factory in Hainanese, Finland, was the first to completely switch to green energy, and its newest plant located in Tartu, Estonia, covering 12,000 sqm, is about 25% powered by green energy. HANZA's business operations require significant energy usage, but the company has taken steps to reduce its carbon footprint by utilising renewable sources, such as solar power at the Tartu factory, and by constructing new factories to reduce energy leakage.

HANZA’s sustainability targets 2021 (an updated version will come March 31, 2023)

Long-term target	Reduce CO_2 emissions	Reduce other emissions	Reduce consumption of natural resources and energy
Target year 2022	More factories to switch to using green energy exclusively	Cost of waste management: 2022≤2021	To reduce HANZA’s energy consumption in relation to sales
Target year 2021		Cost of waste management: 2021≤2020	
Results for 2021	**Green energy usage**: 8% **Scope 1:** 122 tons (leased cars) **Scope 2:** 16,239 tons (purchased energy) **Total:** 16,361 tonnes of CO_2 emissions	**Cost of waste management as % of sales** **2021:** 0.15% **2020:** 0.11% Generated waste, tonnes **2021:** 2,887 **2020:** 1,127 Of which hazardous waste, tonnes **2021:** 449 **2020:** 495	**Energy consumption, MWh** **2021:** 38,451 **2020:** 29,201 Metal, tonnes **2021:** 17,087 Water, m^3 **2021:** 40,784 **2020:** 39,084
Value generation	**Customers:** End products with smaller climate footprint. **Society:** Reduced climate impact, modernized industry.	**Customers:** End products with lower environmental impact. **Society:** Increased environmental gains (biodiversity, etc.), modernized industry.	**Customers:** End products with lower environmental impact. **Society:** Increased environmental gains, lower resource consumption, modernized industry.

Source: Company data

Forecasts

The Covid outbreak triggered accelerated growth for all contract manufacturers from 2021

HANZA's growth track record has been impressive from any starting point, but there was an acceleration of growth from 2021, which we see continuing going forward. It seems that the Covid outbreak supported several trends that we believe will be relevant in the future also. However, the basis of HANZA's track record was laid long ago, back in 2008. Phase 1, the build-up phase in 2009-2013, was to create global manufacturing technologies in machining, thin sheet, circuit boards and cabling and to add advanced assembly on top of this. The aim of Phase 2, 2014-2017, was to relocate and group factories in select geographical areas known as clusters, to create a rational manufacturing environment. The aim of Phase 3, 2018-2022, was to shift from build-up to streamlining the manufacturing clusters, but also to expand geographically into Germany. In November 2022, HANZA initiated Phase 4, "HANZA 2025", with the aim of growing sales to SEK 5bn through to 2025, representing a CAGR of 13%.

Acquisitions

Some 9% annual sales added from acquisitions since 2017

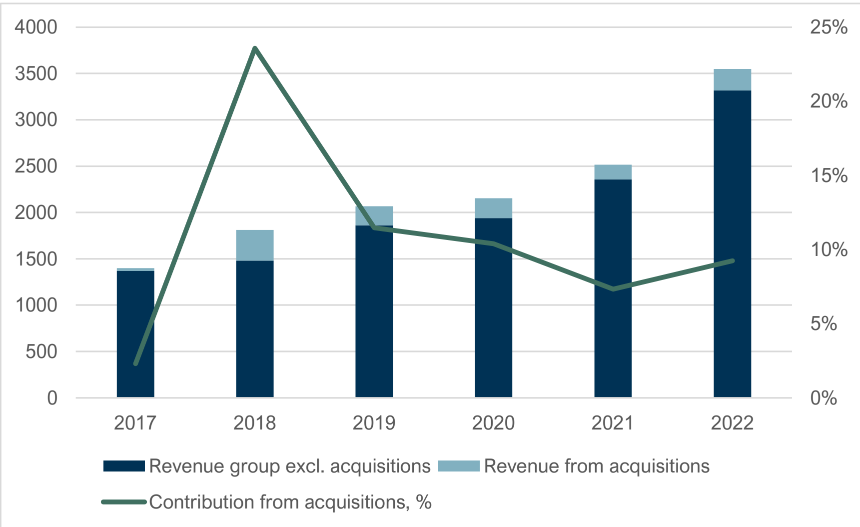
Since 2017, HANZA has added some 10% annual sales from acquisitions and since 2019 it also comprises companies in Germany (RITTER was the first) where we have seen three acquisitions adding in total SEK 625m in sales.

Acquisitions since 2017

Company	Country	Sales mSEK	Acquisition year
Wermland Mechanics	Sweden	360	2017
Toolfac	Finland	80	2019
RITTER	Germany	430	2019
Suomen Levyprofiili	Finland	150	2021
Helmut Beyers	Gerrmany	180	2021
Budelmann Elektronik	Germany	15	2022

Source: Company data

Organic revenues and from acquisitions (SEKm)



Source: Company data

Due to significant capacity increases in 2021/22 and the launch into Germany in 2019, HANZA may wait until 2024 before launching in new geographical markets

The "HANZA 2025" strategy also includes launching in new geographical markets as well as a couple of acquisitions. However, due to the currently strong organic growth and the heavy capacity investments taking place we get the impression that HANZA will focus on growing its presence in Germany before taking on a new geographical market. We believe that such a decision may come in 2024 and do not rule out that the US could be the next step in utilising its existing global client base and following them into the US market.

HANZA is more exposed to relatively strong global industrial capex demand than weak consumer demand in the coming years

Organic sales growth

During 2017, HANZA phased out production equivalent to sales of SEK 150m and it also made a final cut to the remaining production to the telecom sector that had a sales volumes of SEK 100m in 2014.

Regarding organic sales growth, we could look at different market perspectives such as industrial production in the Nordics and Germany to determine the underlying market potential, but we can also see that HANZA has chosen clients with a global market presence and with higher exposure to global industrial capex trends rather than consumer-related markets. We have therefore taken a few global Nordic capital goods companies such as ABB, Atlas Copco, Alfa Laval, Epiroc, Sandvik, MetsoOutotec and Wärtsilä and looked at the combined organic sales of these companies versus HANZA's organic growth. Our conclusion is that there has been a better fit with these companies' growth rates than local industrial production, which indicates that it is global capex demand that is the best proxy of the underlying market potential. This is important, not only when analysing the historical track record but also when calculating our scenario for HANZA in 2023-2025.

We are relatively bullish about global industrial capex trends for the coming years and especially for capex in electrification, energy savings and industrial automation, while we see the most dramatic volume falls in consumer and construction-related sectors where HANZA has little exposure. Therefore, our demand scenario for HANZA is relatively bright for the coming years.

HANZA has so far not seen any downturn in demand and reported its strongest organic growth quarter in Q4 2022 of almost 30% versus total organic growth of 28% for full-year 2022. This means that HANZA has entered 2023 without seeing any risk of a downturn so far.

On top of the underlying growth, we add the structural growth from near-sourcing or back-sourcing and new products and geographical markets

We have taken our relatively flattening sales estimates for our proxy industrial group as a base for HANZA's growth potential in 2023-2025 and on top of that we have added the structural growth that has characterised not only HANZA but also other contract manufacturing companies since 2021.

We look more carefully at these structural growth trends below:

- **Near-sourcing or back-sourcing:** That is, companies moving production from Asia or other parts of the world closer to the end market. It is difficult to say how long this near-sourcing trend will last but it took off more clearly in relation to the Covid outbreak and the following lockdowns in China and has been further supported by rising political crises, not only between Russia and the Western world but also from China's more nationalistic policy. We are also seeing this trend in the US with more production being brought back to the US and Mexico but also a relocation from China to other suppliers like India and Southeast Asia.

An ABB survey (2022) reports that 74% of European companies and 70% of US companies plan to re- or near-shore their operations

  According to a press release from ABB (27 February), demand for robots will be particularly strong in countries where companies are seeking to re- or near-shore their operations to help improve their supply chain resilience in the face of global events. In a survey of 1,610 US and European companies carried out by ABB Robotics in 2022, 74% of European and 70% of US businesses said they are planning to re- or near-shore their operations, with 75% of those respondents in Europe and 62% in the USA indicating they would be investing in robotic automation in the next three years.

- **Start-ups and new companies:** In the Nordics but also elsewhere, we have seen a rapid increase in new companies and start-ups in several fields like electrification, not only in the automotive sector but also in other transport areas like trucks, buses, boats, electric cycles and motorcycles and in EV charging. New technologies are feeding several start-ups that often outsource the whole production to contract manufacturers.

- **Capacity restraints:** Another trend linked to the Covid outbreak and war situation in Europe is general capacity restraints supporting a need for more production capacity, boosting growth for well-equipped contract manufacturers like HANZA.

- **Outsourcing long term:** A long-term trend is that companies are focusing on their core business and outsourcing most of the production in areas where other suppliers have a better cost situation, a trend that has been supporting contract manufacturing companies for the past 20 years.

- **Geographical expansion:** Many of HANZA's clients have a global production set-up and consequently we expect HANZA not only to find new clients in new markets like Germany but also to use its existing client base to take on production of more products in local markets. We are therefore optimistic that if HANZA launches in new markets such as the US, there could be good growth opportunities also from HANZA's global network of clients.

- **New clients and new business from existing clients:** These are not only the result of market trends but also a specific focus of HANZA's cluster strategy. In line with the "HANZA 2025" plan to expand capacity in its current clusters, the company has been highly selective of the customers it adds to its current portfolio. Furthermore, its growing Business development and services segment, which entails R&D and design for its clients, provides its prospective customers with shorter lead times, competitive pricing and outsourcing parts of their business, enhancing the growth of its customers.

Sales growth forecasts 2023-2025

We expect the future growth of HANZA to be solid and outperform the underlying market growth. HANZA's strong customer base and reputation for quality give it significant opportunities to attract new customers.

Strong correlation between our industrial proxy group and HANZA's organic growth in 2019 to Q2 2021 but a strong structural growth boom for HANZA in 2022

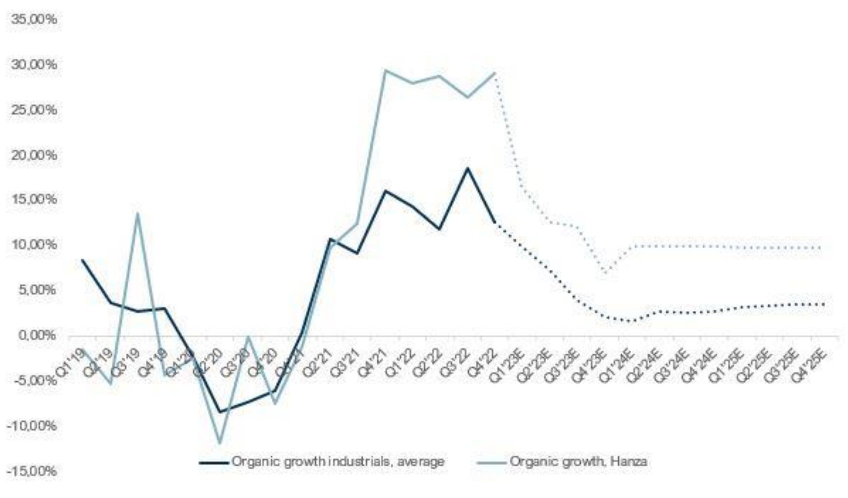
We have used our global Nordic proxy group not only for tracking the historical correlation but also to make forecasts for HANZA for the coming three years. In the chart below, we can see that from 2019 through to Q2 2021, there was a relatively strong correlation between our global industrial proxy group and HANZA's organic sales growth. However, from Q4 2021 through to Q4 2022, HANZA outperformed the proxy group by some 15pp per quarter. HANZA seems to have a seasonal dip in demand in Q3 due to the summer holidays in the Nordics but otherwise there is a reasonably strong correlation in demand between our proxy group and HANZA's organic growth when subtracting HANZA's additional structural growth of some 15pp.

We believe that part of the strong growth seen in HANZA and in other contract manufacturers since end 2021 is related to Covid and the political crises, which will eventually weaken in importance over time, although we also believe that several trends are probably here to stay. The near-sourcing trend will certainly continue for years and the shift into new technologies and start-ups, but also in the case of HANZA the geographical expansion firstly in Germany (through to 2025) and later in new geographical areas. It is also worth mentioning that HANZA has lifted its sales growth target from 10% annually to a CAGR of 13% through to 2025 (SEK 5bn in sales).

Structural outperformance in 2022 of 15pp above underlying growth is expected to decrease to c. 6-7pp in 2023-25

We anticipate that HANZA's strong outperformance of some 15pp relative to our proxy group will shrink to some 7pp during 2023 and remain at that level until the end of our forecast period of 2025. We have a relatively bullish growth scenario for late-cyclical capex-dependent companies such as ABB, Atlas Copco, Alfa Laval etc due to them having record-strong order books that were taken in 2021 and 2022 for delivery in 2023 and 2024, which will protect sales and probably also the demand scenario for HANZA. The reason why HANZA does not see any risk of falling demand in the short term is probably because its clients are busy through to at least the end of this year.

Organic sales growth HANZA vs 7 Nordic Industrials 2019-2022 and forecasts 2023-25



Organic growth	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23E	Q2'23E	Q3'23E	Q4'23E	Q1'24E	Q2'24E	Q3'24E	Q4'24E	Q1'25E	Q2'25E	Q3'25E	Q4'25E
Industrial proxy group	8%	4%	3%	3%	-2%	-8%	-7%	-6%	0%	11%	9%	16%	14%	12%	19%	13%	10%	7%	4%	2%	2%	3%	3%	3%	3%	3%	3%	4%
Yearly changes				4%				-6%				9%				14%				6%				2%				3%
Hanza	-1%	-5%	14%	-4%	-2%	-12%	0%	-7%	-1%	10%	12%	29%	28%	29%	26%	29%	17%	13%	12%	7%	10%	10%	10%	10%	10%	10%	10%	10%
Yearly changes				1%				-5%				13%				28%				12%				10%				10%
Difference per quarter	-10%	-9%	11%	-7%	0%	-3%	7%	-1%	-1%	-1%	3%	13%	14%	17%	8%	17%	7%	5%	8%	5%	8%	7%	7%	7%	7%	7%	6%	6%
Differnce per year				-4%				1%				4%				14%				6%				7%				6%

Source: Pareto Securities, company data

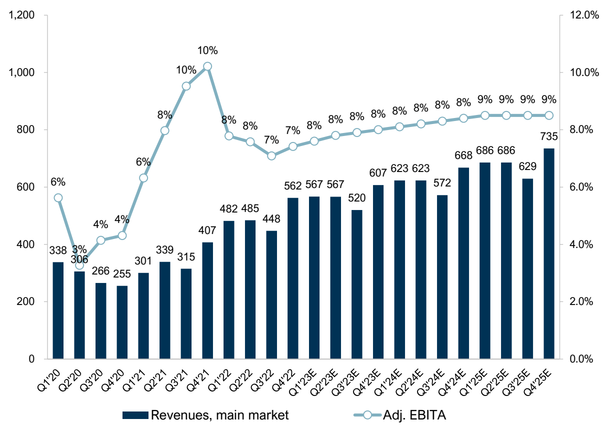
Margin forecasts

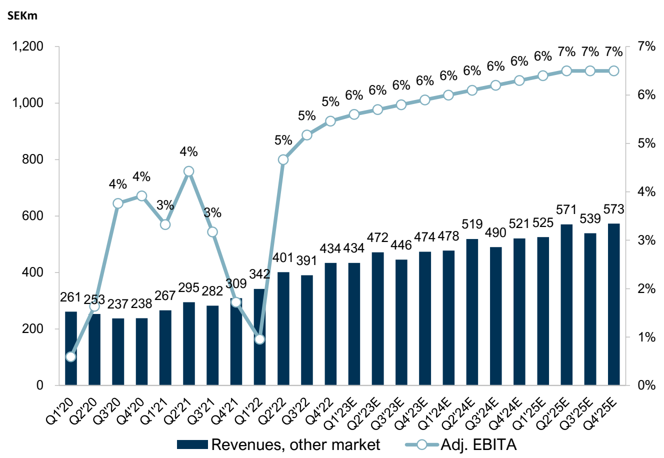
New EBITA margin target is at least 8% by 2025 – mature markets like Sweden are already at 10% while other markets will catch up when capacity is filled

Regarding margins, we are relatively optimistic that HANZA will gradually lift margins towards its target level of at least 8% from 2025. The main reason is that HANZA succeeded in lifting margins in 2021 and 2022, despite several large capacity increases and German acquisitions that temporarily lowered margins. We can clearly see this development when looking at the two divisions of Main markets and Other markets. Main markets' EBITA margin climbed to almost 10% in Q4 2021 even though the German company Helmut Beyers was acquired with sales of SEK 180m and was lossmaking in Q1 2022, although it broke even in Q3 2022 and reported a small positive margin in Q4 2022. HANZA claims that the mature Swedish operations had already achieved a 10% margin in 2022.

We expect that a gradual recovery of margins in Germany and other markets will lift margins in Main markets to close to 9% by 2025. Other markets has been characterised by heavy capacity increases in the Baltics and Eastern Europe during 2021 and 2022, which explains why margins are lower than in Main markets. Long term, there is no reason why Other markets should have a lower margin than Main markets unless capacity increases continue to put pressure on margins. It appears that HANZA prefers to make the large capacity increases in Eastern Europe rather than in the Nordics and Germany.

Main markets and Other markets – sales and adjusted EBITA margins 2020-2025E





Source: Pareto Securities, company data

Despite being bullish on long-term margins, we prefer to be cautious through to 2025 due to a significant ramp-up of capacity in the coming years. This development takes down margins when large capacity increases are coming on-stream while margins increase when capacity is filled. In total, we expect the margin differential between Main markets and Other markets to remain, and that Main markets will achieve an EBITA margin of 8.5% by 2025E while Other markets is expected to remain at a lower margin of 6.5%.

We expect taxes of 20% (below Swedish and German taxes but higher than in Eastern Europe)

Regarding taxes, we expect a level of 20%, which is below the Swedish tax rate of 22% and significantly lower than in Germany but higher than the level in Eastern Europe. While it depends on where the major part of future profits will be generated, we take the 20% level as the most probable long-term outcome, although it could be on the high side for the coming years. HANZA is taking advantage of taxes being zero in Estonia as long as the company keeps the profit in the country while companies get taxed when distributing dividends outside Estonia. As HANZA is investing heavily in Estonia, we believe that taxes could continue to be below 20% for several years.

Capital allocation, cash flow and capital efficiency

Capex will come down from 5% to 4% of sales

The strong growth in 2021-2022 gave rise to significant capex increases from a level of around 2.5% of sales in 2017-2020 to the new level of 5% of sales. However, HANZA believes that it will be able to achieve long-term sales growth of 10-15% with a capex level of 4% of sales. We keep the new level of 5% for 2023 but lower the capex level somewhat for 2024 and 2025 towards the 4% level.

Elevated levels of net working capital will also come down

Also, net working capital as a proportion of sales has increased due to the supply chain disruptions, new capacity increases and higher production demands. However, HANZA expects to reduce the level of net working capital from 16-17% of sales in 2022 to the historically lower levels. Despite the supply chain disruptions easing in 2023E, HANZA expects a lower but still elevated level in 2023 also but continued improvements in 2024 and 2025. We expect a level of 12.4% by 2025.

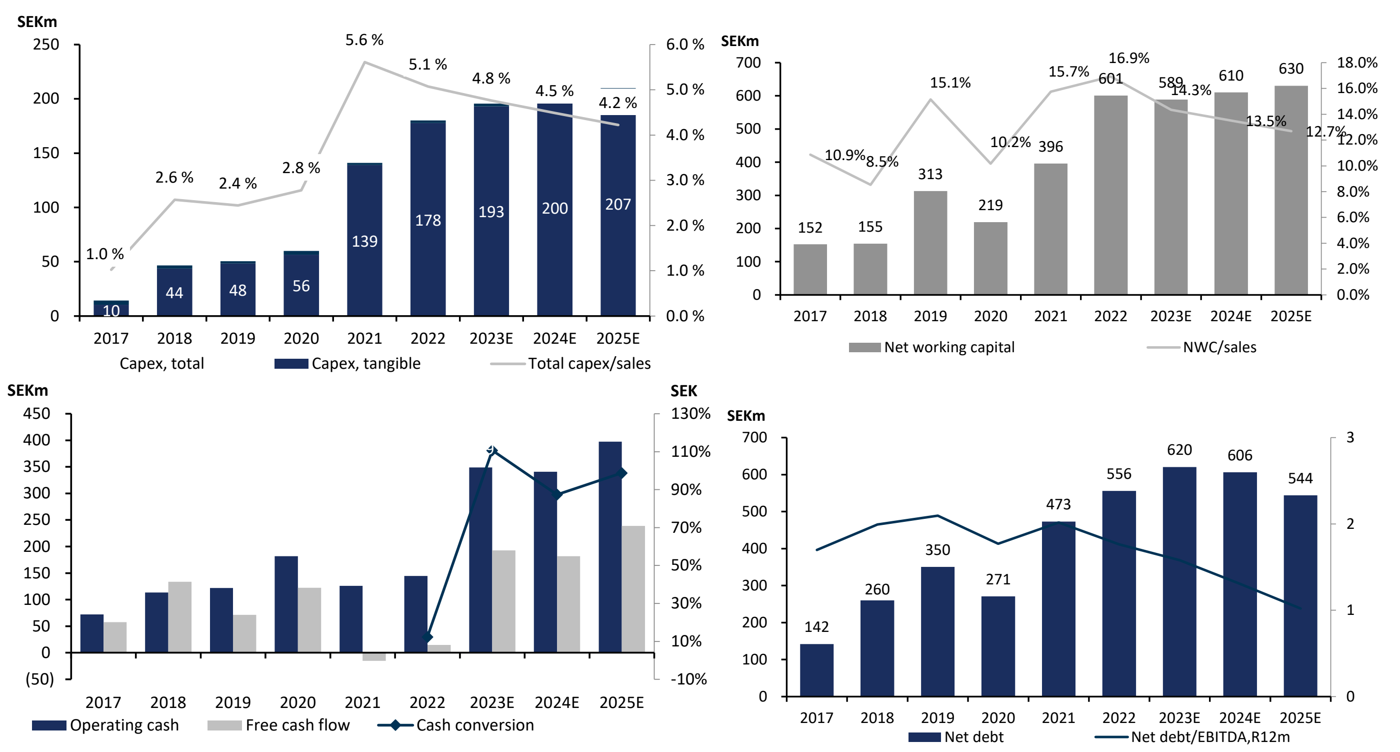
Free cash flow has been burdened by the higher capex but also from a higher net working capital requirement than usual in 2022, resulting in cash conversion being only 12% in 2022 (free cash flow/EBIT). However, net debt to EBITDA is around 2x, below the target level of 2.5x, but as cash conversion has been weaker and also due to HANZA expecting to make more acquisitions, the company carried out a directed share issue of SEK 147m in November 2022. We expect the net working capital/sales ratio to improve already in 2023, increasing the cash conversion rate further.

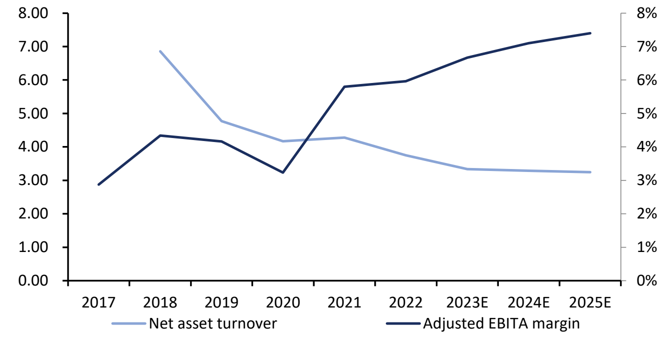
Cash conversion was erratic through to 2021 and it was a low 12% in 2022, but with the improved cash flow from the reduction of net working capital, we expect a level of above 100% in 2023, albeit slightly below 100% in 2024 and 2025.

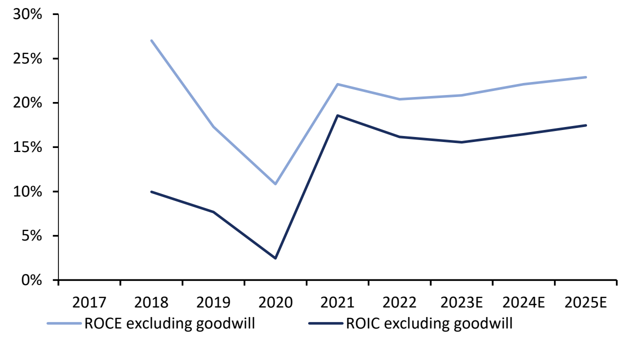
HANZA reported net debt of SEK 556m at the end of 2022, which included pension liabilities but not IFRS-related leasing debts of SEK 165m.

ROCE is hovering around 20-25% (22% in 2022) and ROIC is about 15-20% (17% in 2022).

Capex, net working capital, cash flow, net debt and ROCE and ROIC 2017-2022







Source: Pareto Securities, company data

P&L – annual 2021-2025E and quarterly Q1 2022-Q4 2023E

SEKm	2021	2022	2023e	2024e	2025e	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23e	Q2'23e	Q3'23e	Q4'23e
Net sales	2,515	3,549	4,107	4,517	4,967	824	886	838	1,001	1,006	1,044	971	1,087
COGS	(1,531)	(2,171)	(2,474)	(2,710)	(2,980)	(505)	(554)	(522)	(590)	(614)	(626)	(583)	(652)
Gross profit	**985**	**1,378**	**1,633**	**1,807**	**1,987**	**319**	**332**	**316**	**411**	**392**	**417**	**388**	**435**
Selling expenses	(133)	(300)	(308)	(316)	(348)	(59)	(53)	(75)	(113)	(75)	(78)	(73)	(81)
Administrative expenses	(634)	(781)	(852)	(903)	(957)	(197)	(197)	(177)	(211)	(208)	(209)	(201)	(234)
Other operating expenses	(91)	(104)	(216)	(284)	(332)	(26)	(29)	(19)	(30)	(47)	(66)	(54)	(49)
EBIT	**128**	**193**	**257**	**304**	**350**	**37**	**53**	**46**	**57**	**61**	**65**	**61**	**70**
Amortisation	(16)	(19)	(17)	(17)	(17)	(4)	(4)	(4)	(6)	(4)	(4)	(4)	(4)
EBITA	**143**	**212**	**274**	**321**	**368**	**41**	**57**	**50**	**63**	**65**	**69**	**65**	**75**
Non-recurring items	(2)	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted EBITA	**146**	**212**	**274**	**321**	**368**	**41**	**57**	**50**	**63**	**65**	**69**	**65**	**75**
Adjusted EBIT	**130**	**193**	**257**	**304**	**350**	**37**	**53**	**46**	**57**	**61**	**65**	**61**	**70**
Depreciation & amortisation	(105)	(122)	(136)	(161)	(183)	(30)	(29)	(30)	(34)	(34)	(34)	(34)	(34)
Adjusted EBITDA	**235**	**315**	**393**	**464**	**533**	**66**	**82**	**76**	**91**	**95**	**99**	**95**	**104**
Net interest expense/income	(28)	(50)	(39)	(44)	(48)	(12)	(13)	(16)	(10)	(9)	(10)	(10)	(10)
Pretax profit	**100**	**143**	**218**	**260**	**302**	**25**	**40**	**29**	**48**	**52**	**55**	**51**	**60**
Taxes	(20)	(22)	(44)	(52)	(60)	(6)	(4)	(4)	(8)	(10)	(11)	(10)	(12)
Net income	**80**	**121**	**174**	**208**	**242**	**19**	**36**	**26**	**40**	**41**	**44**	**41**	**48**
EPS	2.24	3.30	4.39	5.19	6.03	0.54	1.01	0.72	1.04	1.05	1.12	1.01	1.20
EPS, adjusted	2.30	3.30	4.39	5.19	6.03	0.53	1.01	0.72	1.04	1.05	1.12	1.01	1.20
DPS	0.50	0.75	1.35	1.60	1.85	0.00	0.38	0.00	0.00	0.00	0.68	0.00	0.00
Net sales by segment	**2,515**	**3,549**	**4,107**	**4,517**	**4,967**	**824**	**886**	**838**	**1,001**	**1,006**	**1,044**	**971**	**1,087**
Main markets	1,362	1,976	2,261	2,487	2,735	482	485	448	562	567	567	520	607
Other markets	1,153	1,568	1,825	2,008	2,209	342	401	391	434	434	472	446	474
Business development		5	21	22	23				5	5	5	5	6
Total sales growth	**16.7%**	**41.1%**	**15.7%**	**10.0%**	**10.0%**	**45.2%**	**39.8%**	**40.3%**	**39.7%**	**22.1%**	**17.8%**	**15.9%**	**8.6%**
Main markets	17.0%	45.1%	14.4%	10.0%	10.0%	60.1%	43.0%	42.0%	38.0%	17.6%	16.9%	16.2%	8.0%
Other markets	16.5%	36.0%	16.4%	10.0%	10.0%	28.4%	36.1%	38.3%	40.3%	26.9%	17.6%	14.1%	9.2%
Organic growth by segment	**11.9%**	**27.6%**	**11.8%**	**10.1%**	**10.0%**	**26.0%**	**28.7%**	**26.4%**	**29.3%**	**16.5%**	**12.6%**	**12.1%**	**7.0%**
Main markets	5.2%	25.2%	12.0%	10.0%	10.0%	27.2%	25.8%	20.2%	27.3%	14.0%	14.0%	14.0%	7.0%
Other Markets	19.3%	30.6%	11.6%	10.0%	10.0%	24.2%	32.1%	33.3%	32.0%	20.0%	11.0%	10.0%	7.0%
Acquired growth by segments	**7.3%**	**9.2%**	**0.1%**	**0.0%**	**0.0%**	**16.2%**	**7.9%**	**9.9%**	**4.2%**	**0.5%**	**0.0%**	**0.0%**	**0.0%**
Main markets	13.6%	16.7%	0.2%	0.0%	0.0%	30.9%	14.8%	18.7%	6.3%	0.8%	0.0%	0.0%	0.0%
Other Markets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FX by segments	**-2.5%**	**4.2%**	**3.8%**	**-0.1%**	**0.0%**	**3.0%**	**3.1%**	**4.0%**	**6.2%**	**3.6%**	**3.6%**	**2.3%**	**1.0%**
Main markets	-1.8%	3.1%	2.2%	0.0%	0.0%	2.0%	2.4%	3.1%	4.5%	2.8%	2.9%	2.2%	1.0%
Other Markets	-2.9%	5.4%	4.8%	0.0%	0.0%	4.1%	4.0%	5.0%	8.3%	6.9%	6.6%	4.1%	2.2%
Adj. EBITA by segment	**146**	**212**	**274**	**321**	**368**	**41**	**57**	**50**	**63**	**65**	**69**	**65**	**75**
Main markets	118	148	177	205	232	38	37	32	42	43	44	41	49
Other markets	42	71	105	124	143	5	23	20	24	24	27	26	28
Group items	(14)	(7)	(8)	(8)	(8)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Adj. EBITA margin by segment	**5.8%**	**6.0%**	**6.7%**	**7.1%**	**7.4%**	**5.0%**	**6.5%**	**5.9%**	**6.3%**	**6.5%**	**6.6%**	**6.7%**	**6.9%**
Main markets	8.6%	7.5%	7.8%	8.3%	8.5%	7.8%	7.6%	7.1%	7.4%	7.6%	7.8%	7.9%	8.0%
Other markets	3.6%	4.5%	5.8%	6.2%	6.5%	1.3%	5.6%	5.2%	5.5%	5.6%	5.7%	5.8%	5.9%

Source: Pareto Securities, company data

Valuation

When looking at a valuation for HANZA we believe it best to compare it with other Nordic contract manufacturers that have been growing briskly in the same extraordinarily strong way as HANZA since 2021. All companies in the chart below have reported strong sales CAGRs of around 11-45% between 2019-2022, with a particularly strong ending to 2022.

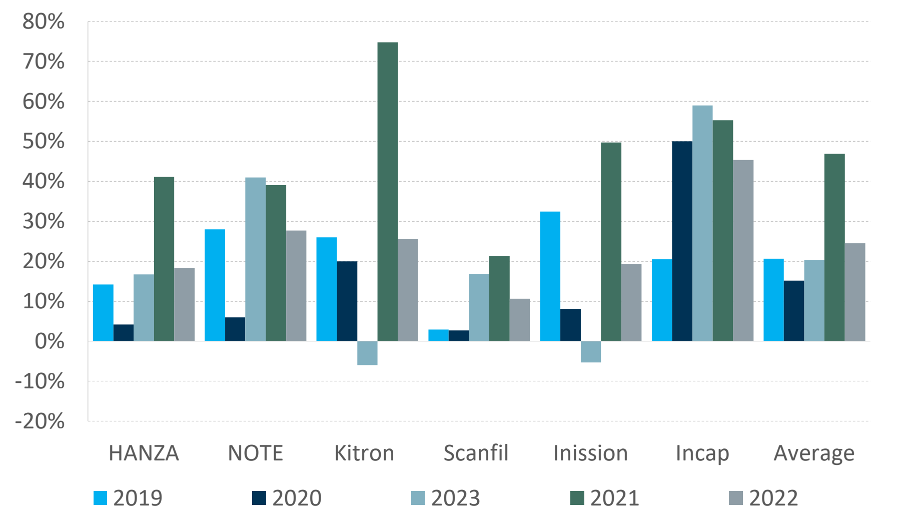
Compared with most of its competitors, HANZA's performance was mixed between 2019-2022. Incap achieved by far the highest growth rate among all the companies analysed with a CAGR over the period of 45%. However, it's worth noting that Incap has significant growth attributable to its Indian operations, whereas the other contract manufacturers have their bases in Northern Europe.

HANZA is more dependent on global late-cyclical manufacturing companies than peers' larger focus on electronics

As touched on above, during 2019-2022, there were significant differences between the peer companies –we can see that HANZA and Scanfil took the biggest hits in 2019 and 2020 due to a higher dependence on cyclical manufacturing companies while NOTE reported around 28-41% growth every year with a Covid-related dip in 2020. Maybe HANZA's strong correlation with global late-cyclical capex-dependent companies such as ABB, Epiroc, Sandvik etc indicates a better market in 2023 versus the more electronics-dependent NOTE.

Between 2019 and 2022 all contract manufacturers reported an average CAGR of 24% and even if this level were to come down we still believe in stronger structural growth in this sector relative to underlying global manufacturing growth.

Total sales growth 2019 to 2022 (CAGR of 24% for the whole group)



Source: Pareto Securities, FactSet

Total sales growth of Nordic contract manufacturers

Company	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	'19	'20	'21	'22	'19-22
HANZA	13%	0%	19%	27%	20%	10%	-2%	-10%	-5%	13%	19%	45%	45%	40%	40%	40%	14%	4%	17%	41%	18%
NOTE	31%	25%	34%	22%	17%	14%	0%	-4%	6%	28%	58%	75%	64%	40%	36%	28%	28%	6%	41%	39%	28%
Kitron	25%	29%	31%	20%	8%	21%	43%	12%	7%	-5%	-21%	-4%	52%	59%	100%	91%	26%	20%	-6%	75%	26%
Scanfil	-6%	-6%	16%	10%	11%	9%	-7%	0%	13%	11%	19%	24%	20%	23%	26%	16%	3%	3%	17%	21%	11%
Inission	41%	58%	39%	3%	0%	2%	17%	15%	-5%	-9%	-10%	3%	42%	34%	94%	51%	32%	8%	-5%	50%	19%
Incap	48%	29%	14%	-2%	31%	21%	60%	94%	55%	49%	67%	63%	41%	82%	50%	53%	21%	50%	59%	55%	45%
Average	25%	22%	26%	13%	15%	13%	18%	18%	12%	15%	22%	34%	44%	46%	58%	46%	21%	15%	20%	47%	24%
Median	28%	27%	25%	15%	14%	12%	8%	6%	6%	12%	19%	35%	44%	40%	45%	46%	23%	7%	17%	45%	22%

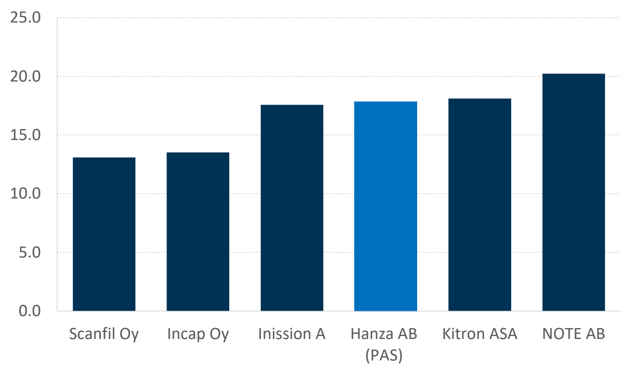
Source: Company data

Regarding the peer group valuation, we base it on the actual outcome for 2022 as not all companies have consensus estimates, such as NOTE, or have only one or two contributors. Another point is that the Finnish companies Incap and Scanfil are valued lower than their other Nordic peers such as the Norwegian company Kitron and Swedish companies HANZA, NOTE and Inission. This is also in line with how industrials in general are valued, i.e., lower in Finland than in Norway and Sweden.

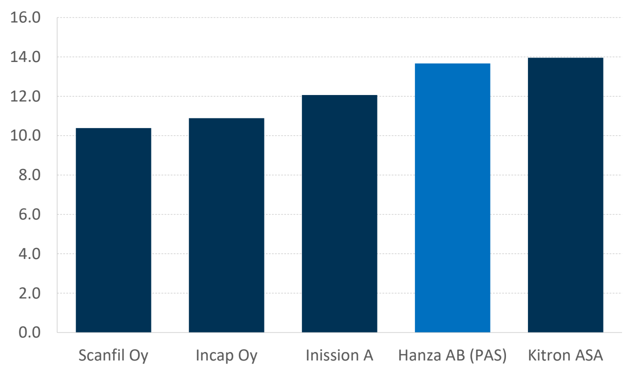
NOTE has the highest EV/EBIT valuation of 20x for 2022, followed by Kitron, HANZA, Inission at c.18x, Incap at 14x and Scanfil at 13x

In the following table, we use FactSet estimates even though we do cover Kitron, on which we have a Buy rating and target price of NOK 35. In conclusion, based on EV/EBIT for 2022, we see the highest valuation for NOTE at 20x followed by Kitron, HANZA and Inission at c.18x and Incap at 14x with the lowest valuation for Scanfil at 13x. When looking at existing estimates for 2023, we see that HANZA is valued below Kitron but slightly above Inission and clearly higher than Scanfil and Incap.

Peer group: EV/EBIT for 2022



Peer group: EV/EBIT 2023E



Source: Pareto Securities, FactSet

Peer group comparison

	M Cap			2021-2024E CAGR %			EV/Sales				EV/EBIT				P/E adj.				FCF yield %				Div yield %			
Company	**(SEKm)**	**Price**	**Fx**	**Sales**	**EBITDA**	**EBIT**	**'21**	**'22**	**'23E**	**'24E**	**'21**	**'22**	**'23E**	**'24E**	**'21**	**'22**	**'23E**	**'24E**	**'21**	**'22**	**'23E**	**'24E**	**'21**	**'22**	**'23E**	**'24E**
Hanza AB (PAS)	2,889	73	SEK	21.5	26.0	33.5	1.4	1.0	0.9	0.8	27.0	17.9	13.7	11.5	31.7	22.1	16.6	14.0	na	na	4.4	3.9	0.7	1.0	1.9	2.2
Hanza AB	2,889	73	SEK	18.3	22.2	30.2	1.4	1.0	0.9	0.8	26.9	17.3	14.7	12.5	31.7	22.1	17.1	14.1	na	na	na	na	0.7	0.9	1.1	1.4
Contract manufacturers																										
Inission A	1,084	52	SEK	32.9	29.0	46.4	1.0	0.8	0.7	0.6	23.7	17.6	12.1	10.8	33.0	18.0	14.5	11.7	na	1.8	7.7	12.2	0.6	0.9	2.1	2.6
Incap Oy	5,636	18	EUR	26.3	23.8	24.0	3.1	2.0	1.6	1.4	19.5	13.5	10.9	9.4	24.1	18.1	15.3	13.8	na	na	5.8	7.4	0.9	0.0	0.8	1.1
Kitron ASA	6,845	34	NOK	30.1	33.7	38.9	2.2	1.3	1.1	1.0	34.4	18.1	14.0	12.2	27.7	19.2	17.0	14.7	na	na	5.0	4.7	0.7	1.4	2.1	2.7
NOTE AB	6,608	232	SEK	na	na	na	2.7	1.9	na	na	27.5	20.2	na	na	34.0	20.4	na	na	na	na	na	na	0.0	0.0	na	na
Scanfil Oy	5,599	8	EUR	7.9	9.7	11.3	0.8	0.7	0.6	0.6	14.8	13.1	10.4	9.1	16.2	14.6	13.0	12.0	na	na	11.5	8.0	2.4	2.6	2.9	3.1
Average				**24.3**	**24.0**	**30.1**	**2.0**	**1.3**	**1.0**	**0.9**	**24.0**	**16.5**	**11.8**	**10.4**	**27.0**	**18.1**	**14.9**	**13.0**	**na**	**1.8**	**7.5**	**8.1**	**0.9**	**1.0**	**2.0**	**2.4**
Median				**28.2**	**26.4**	**31.4**	**2.2**	**1.3**	**0.9**	**0.8**	**23.7**	**17.6**	**11.5**	**10.1**	**27.7**	**18.1**	**14.9**	**12.9**	**na**	**1.8**	**6.7**	**7.7**	**0.7**	**0.9**	**2.1**	**2.6**

Source: Pareto Securities, FactSet

Contract manufacturers are cautiously valued in general

In total, we could see higher long-term valuations for all contract manufacturers if we could have a better visibility into the future. In summary, we don't see the valuation of contract manufacturers as excessive in general given the relatively bright structural growth trends we expect to last for a relatively long time. Our target price for HANZA is based on a target EV/EBIT multiple of 16x for 2023E, which is slightly above Kitron's present valuation of 14x but probably in line with a valuation for NOTE for 2023E and it reflects that we believe valuations are attractive but very cautious for all contract manufacturers.

HANZA delivered a record-high sales outcome in Q4 2022 and based on that level we expect the company to reach SEK 4bn in sales for 2023

We are relatively confident about our 2023 estimates as HANZA had one of the strongest y/y organic growth rates among the contract manufacturers in Q4 2022 and consequently entered 2023 at a higher level. A simple calculation of taking the SEK 1bn in sales achieved in Q4 2022 without any sequential growth means that we have locked in a level of SEK 4bn for full-year 2023, equivalent to organic growth of 12%.

A CAGR 2019 to 2022 of 24% for all contract manufacturers should support a strong share price performance in the coming years

When considering our DCF valuation (SEK 125 per share) it is easy to see that all contract manufacturers are cautiously valued and that the market still remains unsure about how to value these companies. Our conclusion is that HANZA is reasonably valued relative to its peers but in absolute terms we view the valuation as cautious. We definitely see a possibility for all contract manufacturers to surprise on the upside in the coming years due to the strong structural growth expected supporting a robust share price performance. Our target price of SEK 85 reflects a higher valuation for HANZA relative to its Finnish peers and slightly above Kitron but in line with NOTE but not at all of the long-term potential we see.

Our DCF indicates a valuation of SEK 125 per share, but a peer group comparison indicates a lower valuation – hence our TP is SEK 85

Regarding our DCF valuation, we arrive at a value of SEK 125 per share based on a WACC of 10.6% given a risk premium of 7% (we have used a risk premium of 4.5% and an additional small-cap risk premium of 2.5%), risk-free rate of 3.5% and Beta of 1.2.

DCF valuation

Valuation summary			DCF Input	
EV (2023-25E)	555	SEKm	Sales CAGR 2021-24E	11.9%
EV (2025-34E)	1,855	SEKm	Sales CAGR 2023-34E	6.8%
Terminal value	1,931	SEKm	Steady state EBIT margin	8.0%
Enterprise value	**4,341**	**SEKm**	Terminal growth	3.0%
			Tax rate (%)	20.0%
Net debt 2024Q4	607	SEKm	Risk premium (%)	7.0%
Equity value	4,947	SEKm	Risk Free Rate (%)	3.5%
NOSH, diluted	40	m	Beta (company specific)	1.20
Equity value per share	**125**	**SEK**	**WACC (%)**	**10.6%**

WACC			
Risk premium (%)	7.0%	Equity weight	86.0%
Risk Free Rate (%)	3.5%	Debt weight	14.0%
Beta (company specific)	1.20		
Equity risk premium	**11.9%**	**WACC**	**10.6%**
Cost of debt	3.5%		
Cost of debt after tax	**2.8%**		

Source: Pareto Securities

Looking at our sales growth profile, we estimate 12%, 10% and 10% organic sales growth for HANZA for 2023, 2024 and 2025, respectively. From 2026 through to 2035, we expect falling sales growth until we reach the long-term steady state of 3% (normally we use 2% but with higher expected inflation and a higher risk-free interest rate of 3.5%, we believe that long-term growth of 3% should be sustainable).

However, if we use 10% sales growth through to 2035 but keep the same steady state of 3% as before, we arrive at an 8% higher DCF value of SEK 135. If we keep our base-case assumption of a peak growth level in 2025 falling to 3% in 2035 but lift the eternal growth rate by 1pp to 4% from 3%, we also end up with a 8% higher DCF value of SEK 135.

DCF valuation

		Explicit forecast			Normalisation period									
DCF (SEKm)	**2022**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**	**2035E**
Net sales	3,549	4,107	4,517	4,967	5,464	5,972	6,486	6,999	7,504	7,992	8,457	8,890	9,283	9,561
Growth	*41.1%*	*15.7%*	*10.0%*	*10.0%*	*10.0%*	*9.3%*	*8.6%*	*7.9%*	*7.2%*	*6.5%*	*5.8%*	*5.1%*	*4.4%*	*3.0%*
EBITDA	315	393	464	533	620	679	739	799	859	917	973	1,025	1,073	1,052
margin	*8.9%*	*9.6%*	*10.3%*	*10.7%*	*11.3%*	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*11.5%*	*11.5%*	*11.5%*	*11.6%*	*11.0%*
Depreciation & amortisation	(122)	(136)	(161)	(183)	(201)	(216)	(230)	(243)	(256)	(267)	(277)	(285)	(291)	(287)
D&A/sales	*-3.4%*	*-3.3%*	*-3.6%*	*-3.7%*	*-3.7%*	*-3.6%*	*-3.5%*	*-3.5%*	*-3.4%*	*-3.3%*	*-3.3%*	*-3.2%*	*-3.1%*	*-3.0%*
EBIT	**193**	**257**	**304**	**350**	**419**	**463**	**509**	**556**	**604**	**650**	**696**	**740**	**782**	**765**
Tax on EBIT (taxes paid)	(23)	(44)	(52)	(60)	(84)	(93)	(102)	(111)	(121)	(130)	(139)	(148)	(156)	(153)
Tax rate	*11.7%*	*17.0%*	*17.1%*	*17.2%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
NOPLAT	**170**	**213**	**252**	**290**	**335**	**371**	**408**	**445**	**483**	**520**	**557**	**592**	**625**	**612**
Depreciation & amortisation	122	136	161	183	201	216	230	243	256	267	277	285	291	287
Changes in NWC	(89)	39	(28)	(27)	0	(69)	(72)	(74)	(75)	(74)	(73)	(71)	(67)	(181)
NWC	*601*	*589*	*610*	*630*	*630*	*700*	*772*	*845*	*920*	*994*	*1,068*	*1,138*	*1,205*	*1,386*
NWC/sales	*16.9%*	*14.3%*	*13.5%*	*12.7%*	*11.5%*	*11.7%*	*11.9%*	*12.1%*	*12.3%*	*12.4%*	*12.6%*	*12.8%*	*13.0%*	*14.5%*
Capex	(180)	(196)	(203)	(210)	(231)	(245)	(258)	(270)	(280)	(289)	(295)	(299)	(301)	(287)
Capex/sales	*5.1%*	*4.8%*	*4.5%*	*4.2%*	*4.2%*	*4.1%*	*4.0%*	*3.9%*	*3.7%*	*3.6%*	*3.5%*	*3.4%*	*3.2%*	*3.0%*
Lease payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other adjustments	(9)	0	0	3	0	0	0	0	0	0	0	0	0	0
Free cash flow	**15**	**193**	**182**	**239**	**305**	**272**	**307**	**345**	**384**	**424**	**465**	**507**	**548**	**431**

Source: Pareto Securities, company data

A change to the WACC of 1pp changes our DCF value by -10% to SEK 112 or by +13% to SEK 143.

A change to the terminal growth rate of 1pp lowers our DCF value by 6% to SEK 118 or increases the valuation by 10% to SEK 137.

Sensitivity analysis

Terminal growth	WACC 9.6%	10.1%	10.6%	11.1%	11.6%
2.0%	132	124	118	112	107
2.5%	136	128	121	115	110
3.0%	142	133	**125**	118	112
3.5%	148	138	129	122	115
4.0%	155	144	134	126	119

Steady state EBIT margin	WACC 9.6%	10.1%	10.6%	11.1%	11.6%
7.0%	127	120	113	108	102
7.5%	134	126	119	113	107
8.0%	142	133	**125**	118	112
8.5%	149	139	131	124	117
9.0%	156	146	137	129	122

Source: Pareto Securities

Risks

HANZA is clearly impacted by end customers' underlying demand, which we consider comprises the company's most tangible operational risk. This can be seen in the financials of the company during the pandemic year of 2020. An important aspect is that the industries in which HANZA's customers can be found are cyclical. Both the recent years' coronavirus pandemic and the war in Ukraine have shown to be a factor of uncertainty and will continue to be a risk factor for HANZA. However, due to HANZA's diversified customer portfolio, the company will manage to control its margins and maintain sales more easily than some of its competitors.

The client bears the full responsibility for input costs such as raw materials and components while HANZA is responsible for wages and production costs

In a high inflation environment, earnings could be at potential risk if HANZA fails to transfer the increased costs to the end customers. However, HANZA is relatively well hedged for raw material and component price increases as the end client bears the full responsibility for all input costs and has full visibility into HANZA's cost structure. Wages and internal production costs are entirely the responsibility of HANZA.

Component shortages are also something that have proven to have a major negative impact on companies' revenue growth and cash flow. However, we expect the supply chain disruptions to ease gradually in 2023, thus further shortening lead times.

HANZA claims to have never lost any existing business to other competitors

Another risk is clients cancelling their business with HANZA, either by taking back production to their own operations or changing suppliers. However, HANZA claims to have never lost any existing business to competitors but only to have lost business from clients taking back production in-house. The latter could happen if the client uses contract manufacturers for peak demand and when demand falls back again the contract with HANZA is cancelled due to the company entirely using its own production facilities.

PROFIT & LOSS (fiscal year) (SEKm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Revenues	**1,811**	**2,068**	**2,155**	**2,515**	**3,549**	**4,107**	**4,517**	**4,967**
Growth Revenues	29.4%	14.2%	4.2%	16.7%	41.1%	15.7%	10.0%	10.0%
EBITDA	**113**	**149**	**128**	**232**	**315**	**393**	**464**	**533**
Depreciation & amortisation	(59)	(92)	(97)	(105)	(122)	(136)	(161)	(183)
EBIT	**54**	**57**	**31**	**128**	**193**	**257**	**304**	**350**
EBIT adjusted	71	75	56	130	193	257	304	350
Net interest	(25)	(25)	(22)	(28)	(50)	(39)	(44)	(48)
Profit before taxes	**29**	**32**	**9**	**100**	**143**	**218**	**260**	**302**
Taxes	(8)	(9)	(10)	(20)	(22)	(44)	(52)	(60)
Net profit	**21**	**24**	**(1)**	**80**	**121**	**174**	**208**	**242**
EPS reported	0.75	0.69	(0.04)	2.24	3.30	4.39	5.19	6.03
EPS adjusted	**1.19**	**1.09**	**(0.16)**	**2.30**	**3.30**	**4.39**	**5.19**	**6.03**
Growth EPS adjusted	42.1%	(8.5%)	-chg	+chg	43.7%	33.0%	18.2%	16.3%
DPS	0.25	-	0.25	0.50	0.75	1.35	1.60	1.85

BALANCE SHEET (SEKm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Tangible non current assets	270	422	407	595	732	904	1,055	1,189
Other non-current assets	347	449	423	487	494	479	467	454
Other current assets	402	590	463	825	1,179	1,192	1,273	1,359
Cash & equivalents	78	67	121	46	137	275	385	544
Total assets	**1,096**	**1,528**	**1,414**	**1,951**	**2,541**	**2,849**	**3,180**	**3,546**
Total equity	411	498	475	586	898	1,057	1,238	1,447
Interest-bearing non-current debt	207	303	256	377	348	445	542	639
Interest-bearing current debt	68	143	125	149	348	348	348	348
Other Debt	410	584	559	839	948	1,000	1,054	1,113
Total liabilites & equity	**1,096**	**1,528**	**1,414**	**1,951**	**2,541**	**2,849**	**3,181**	**3,547**

CASH FLOW (SEKm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Cash earnings	86	128	106	194	233	310	369	424
Change in working capital	28	(6)	76	(67)	(89)	39	(28)	(27)
Cash flow from investments	(189)	(137)	(60)	(186)	(184)	(196)	(203)	(207)
Cash flow from financing	95	5	(63)	(22)	120	(15)	(27)	(32)
Net cash flow	20	(10)	59	(81)	81	139	111	158

VALUATION (SEKm)	2018	2019	2020	2021	2022	2023e	2024e	2025e
Share price (SEK end)	**13.9**	**15.7**	**14.0**	**64.4**	**51.1**	**73.0**	**73.0**	**73.0**
Number of shares end period	28	34	34	36	37	40	40	40
Net interest bearing debt	260	350	271	473	556	620	607	545
Enterprise value	**647**	**882**	**745**	**2,777**	**2,429**	**3,517**	**3,532**	**3,471**
EV/Sales	0.4	0.4	0.3	1.1	0.7	0.9	0.8	0.7
EV/EBITDA	**5.7**	**5.9**	**5.8**	**12.0**	**7.7**	**9.0**	**7.6**	**6.5**
EV/EBIT	12.0	15.5	23.8	21.8	12.6	13.7	11.6	9.9
EV/EBIT adjusted	9.1	11.8	13.3	21.4	12.6	13.7	11.6	9.9
P/E reported	18.6	22.5	-	28.7	15.5	16.6	14.1	12.1
P/E adjusted	**11.7**	**14.4**	**-**	**28.1**	**15.5**	**16.6**	**14.1**	**12.1**
P/B	0.9	1.1	1.0	3.9	2.1	2.7	2.4	2.0

FINANCIAL ANALYSIS	2018	2019	2020	2021	2022	2023e	2024e	2025e
ROE adjusted (%)	9.2	8.1	-	15.5	16.3	17.8	18.1	18.0
Dividend yield (%)	1.8	-	1.8	0.8	1.5	1.8	2.2	2.5
EBITDA margin (%)	6.3	7.2	6.0	9.2	8.9	9.6	10.3	10.7
EBIT margin (%)	3.0	2.7	1.5	5.1	5.4	6.3	6.7	7.1
EBIT margin adj(%)	3.9	3.6	2.6	5.2	5.4	6.3	6.7	7.1
NIBD/EBITDA	2.30	2.35	2.11	2.04	1.76	1.58	1.31	1.02

PROFIT & LOSS (fiscal year) (SEKm)	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23e	2Q'23e	3Q'23e	4Q'23e
Revenues	**824**	**886**	**838**	**1,001**	**1,006**	**1,044**	**971**	**1,087**
EBITDA	**66**	**82**	**76**	**91**	**95**	**99**	**95**	**104**
Depreciation & amortisation	(30)	(29)	(30)	(34)	(34)	(34)	(34)	(34)
EBIT	**37**	**53**	**46**	**57**	**61**	**65**	**61**	**70**
Net interest	(12)	(13)	(16)	(10)	(9)	(10)	(10)	(10)
Profit before taxes	**25**	**40**	**29**	**48**	**52**	**55**	**51**	**60**
Taxes	(6)	(4)	(4)	(8)	(10)	(11)	(10)	(12)
Net profit	**19**	**36**	**26**	**40**	**41**	**44**	**41**	**48**
EPS reported	0.54	1.01	0.72	1.01	1.05	1.12	1.01	1.20
EPS adjusted	**0.54**	**1.01**	**0.72**	**1.01**	**1.05**	**1.12**	**1.01**	**1.20**

BALANCE SHEET (SEKm)	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23e	2Q'23e	3Q'23e	4Q'23e
Tangible non current assets	183	190	188	180	205	229	253	277
Other non-current assets	909	933	969	1,046	1,060	1,075	1,090	1,105
Other current assets	1,044	1,186	1,312	1,330	1,296	1,358	1,288	1,355
Cash & equivalents	17	46	99	137	209	214	257	275
Total assets	**2,038**	**2,218**	**2,396**	**2,541**	**2,609**	**2,688**	**2,721**	**2,849**
Total equity	618	665	710	898	939	968	1,009	1,057
Interest-bearing non-current debt	483	479	474	499	523	547	572	596
Interest-bearing current debt	130	187	356	307	307	307	307	307
Other Debt	1,084	1,210	1,347	1,296	1,299	1,324	1,293	1,348
Total liabilites & equity	**2,038**	**2,218**	**2,396**	**2,541**	**2,608**	**2,688**	**2,721**	**2,848**

CASH FLOW (SEKm)	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23e	2Q'23e	3Q'23e	4Q'23e
Cash earnings	51	58	42	82	75	78	75	82
Change in working capital	(38)	-	-	-	47	(10)	18	(16)
Cash flow from investments	(33)	(32)	(41)	(78)	(49)	(49)	(49)	(49)
Cash flow from financing	(10)	27	9	94	-	(15)	-	-
Net cash flow	(29)	24	51	35	74	4	44	17

VALUATION (SEKm)	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23e	2Q'23e	3Q'23e	4Q'23e
Share price (SEK end)	**44.9**	**39.7**	**39.5**	**51.1**	**73.0**	**73.0**	**73.0**	**73.0**
Number of shares end period	36	36	36	39	39	39	40	40
Net interest bearing debt	617	645	603	556	613	633	613	620
P/E reported	17.8	14.1	13.3	15.6	19.2	18.7	17.4	16.6
P/E adjusted	**18.4**	**14.6**	**13.6**	**15.6**	**19.2**	**18.7**	**17.4**	**16.6**
P/B	2.6	2.1	2.0	2.2	3.1	3.0	2.9	2.8

FINANCIAL ANALYSIS	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23e	2Q'23e	3Q'23e	4Q'23e
EBITDA margin (%)	8.1	9.3	9.0	9.1	9.5	9.5	9.7	9.6
EBIT margin (%)	4.5	6.0	5.4	5.7	6.1	6.2	6.2	6.5
NIBD/EBITDA	2.40	2.33	2.21	1.92	1.76	1.67	1.59	1.58
EBITDA/Net interest	7.83	6.86	5.99	6.27	7.16	8.05	9.88	10.04

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Selvaag Bolig	4,671,772	4.98%
Sparebank 1 Nord-Norge	5,011,402	4.99%
Sparebank 1 SMN	2,800,974	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	2.13%
Sparebanken Vest	7,801,295	7.27%
NEXT Biometrics	700,000	0.76%
SpareBank 1 Sørøst-Norge	2,746,539	4.35%

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Aker Horizons	0	170,767
Aker Solutions	0	1,388
AMSC ASA	0	3,600
Aprila Bank ASA	0	22,675
ArcticZymes Technologies	0	1,434
Atlantic Sapphire	0	7,500
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	98,336
BW Offshore	0	4,900
Cloudberry Clean Energy	0	100,000
DNB	0	33,577
DNO	0	71,391
Edda Wind	0	5,000
Elkem	0	44,876
Elmera Group ASA	0	21,305
Embracer Group	0	8,600
Equinor	0	1,616
Europris	0	18,103
Flex LNG	0	935
Frontline	0	10,500
Gaming Innovation Group	0	25,000
Gjensidige Forsikring	519	1,960
Grieg Seafood	0	13,491
Hafnia Ltd.	0	110,220
Huddly	0	1,038,823
HydrogenPro	0	34,922
International Petroleum Corp	0	5,511
Kahoot	0	36,577
Kambi Group plc	0	430
Kinnevik AB	0	315
Kitron	0	2,314
Komplett ASA	0	20,000
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	3,706
Nordic Semiconductor	0	12,133
Norsk Hydro	0	80,711
Norske Skog	0	83,449
Northern Drilling Ltd.	0	238,550
Odfjell Drilling	0	2,081
Okeanis Eco Tankers	0	290
Orkla	0	8,526
Panoro Energy	0	12,733
Pareto Bank	0	732,481
PetroTal	0	74,000
Pexip Holding	0	507,095
Protector Forsikring	0	7,300
Pyrum Innovations	0	100
Quantafuel	0	23,665
REC Silicon	0	32,490
SalMar	0	3,724
Sandnes Sparebank	0	2,500
Scatec	0	30,129
Seadrill Ltd	0	10,300
SignUp Software	0	1,264
Sparebank 1 Nord-Norge	725	5,725
Sparebank 1 SMN	0	10,171
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	2,994
Stolt-Nielsen	0	3,800
Storebrand	100	3,110
Storytel	0	5,390
Subsea 7	0	28,470
Telenor	0	3,004
TGS	0	10,830
TORM	0	2,500
Transocean	0	10,000
Valaris	0	3,000
Vestas Wind Systems	0	1,235
Vow	0	3,281
Vår Energi	0	92,943
Webstep	0	2,000
Yara	0	16,014
Zaptec	0	2,400
AAC Clyde Space	0	52,700

This overview is updated monthly (last updated 15.02.2023).

*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
Aker Clean Hydrogen
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
Hafnia Ltd.
Hafslund Eco
Hospitality Invest
House of Control
HydrogenPro
Ice Group
Idavang A/S
Island Green Power Ltd
KMC Properties
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
Shamaran Petroleum
Standard Supply AS
Tierklinik Hofheim GbR
Tise AS
Trønderenergi AS
Vestby Logistikk Holding
Viking Venture 27 AS
Viking Venture 28 AS
Waste Plastic Upcycling
Wattif EV
Ørn Software

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This overview is updated monthly (this overview is for the period 01.02.2022 – 31.01.2023).

Appendix C

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

Distribution of recommendations

Recommendation	% distribution
Buy	70%
Hold	25%
Sell	4%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	90%
Hold	10%
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 15.02.2023).

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

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

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

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 15.02.2023).

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 15.02.2023).