



## ERIK PENSER BANK

Penser Access | Industrial Specialties | Sweden | 23 March 2021

# Optifreeze

## Merger brings appealing synergies

### Merger creates a company in sustainability

OptiFreeze has announced that its merger with ArcAroma has been approved at both AGMs. This forms a food and plant tech company with broader expertise and a shorter path to the market for several of its revenue streams. We see attractive synergies related to both revenues and costs, while we assess that the management and the wider company have extensive knowledge of their respective addressable markets.

### Revenues brought forward

An attractive aspect of the merger is that OptiFreeze can bring forward the roll-out of its systems. Also, there are synergies in reduced costs as OptiFreeze does not have to spend the same resources on the expansion of a larger organization as the products move towards commercial breakthrough. We have previously identified attractive synergies, and the confirmed merger means that we are updating our forecasts.

### Synergies

We are bringing forward our before-merger revenue estimates for OptiFreeze by one year, and adjusting our cost projections to reflect the synergies we anticipate. Because the new valuation takes into account the merger it therefore includes a total of 18.3 million shares. The valuation section deals with this assessment in more detail. We see a fair value of SEK 136 - 138 per share and a high level of risk.

Estimate Changes (SEK)			Estimates (SEK)					Risk and Potential			
	Now	Before		20	21e	22e	23e	Motivated value	136.00 - 138.00		
EPS, adj 21e	3.45	2.62	31.9%	Sales,m	0	153	486	843	Current price	51.40	
EPS, adj 22e	12.58	6.73	86.8%	Sales Growth	(92.1)%	30.6	43.7%	217.2%	73.5%	Risk level	High
EPS, adj 23e	21.94	13.24	65.7%	EBITDA, m	(10.4)	80	305	525			
				EBIT, m	(11.9)	63.9	288.0	507.8			
				EPS, adj	(0.98)	3.45	12.58	21.94			
				EPS Growth	21.0%	30.0%	2.6%	0.7%			
				Equity/Share	2.0	26.1	37.7	58.3			
				Dividend	0.00	0.00	0.00	0.00			
				EBIT Marginal	(192.0)%	41.7%	59.3%	60.2%			
				ROE (%)	(27.0)%	13.2%	33.4%	37.6%			
				ROCE	(34.2)%	47.7%	67.7%	66.2%			
				EV/Sales	--x	5.93x	1.87x	1.08x			
				EV/EBITDA	(87.6)x	11.3x	3.0x	1.7x			
				EV/EBIT	(76.5)x	14.2x	3.2x	1.8x			
				P/E, adj	(52.4)x	14.9x	4.1x	2.3x			
				P/Equity	25.7x	2.0x	1.4x	0.9x			
				Dividend yield	0.0%	0.0%	0.0%	0.0%			
				FCF yield	(3.6)%	5.0%	21.7%	0.0%			
				Net Debt/EBITDA	2.1g	(0.9)g	(0.7)g	(1.0)g			

Calendar Events	
Q1 2021	2021-05-06
Annual report 2020	2021-04-13

Key Figures (mkr)	
Number of Shares	18.3m
Market cap	941
Net Debt	(32)
EV	909
Free Float	90.21%
Avg. No. of Daily Traded Sh.	73.7(k)
Reuters/Bloomberg	OPTI.ST/OPTI:SS

### One Year Performance Chart

### Analysts

hjalmar.jernstrom@penser.se



# ERIK PENSER BANK

Penser Access | Industrial Specialties | Sweden | 23 March 2021

## Overview

---

### Merger brings appealing synergies

#### Investment Case

---

OptiFreeze's patented CEPT technology has great market potential for applications in both food and plants. We see it as attractive that the company has a technology with well-documented efficacy, broad industry knowledge in each market, and attractive pricing models with recurring revenues. In 2020, OptiFreeze established agreements with important reference customers APH and Dagab. The additions from ArcAroma now provide exposure to new and attractive markets. Within oliveCept, the company has extended an existing evaluation agreement with an olive oil producer in China, and is conducting evaluations in the dairy industry with a leading Swedish dairy. OptiFreeze's management has extensive experience from each sector, and we regard the industry knowledge of individuals like CEO Ulf Hagman as a significant asset.

OptiFreeze and ArcAroma communicated several identified benefits of their merger. OptiFreeze will be able to make use of ArcAroma's organization, which has extensive experience in the market. This provides two benefits. Firstly, OptiFreeze will be able to reduce costs by leveraging ArcAroma's expertise in supply chain management, administration and sales channels. And secondly, ArcAroma's organization creates better conditions for a faster roll-out of machines like OptiBoost. ArcAroma's sales are focused around the olive season, which means the company has a sales force during the summer months that is not fully utilized. This capacity can be used for sales of other systems. For ArcAroma, the merger was motivated by the use of OptiFreeze's knowledge in research and development. This capacity can be employed for further development of the projects that were previously in the separate company ArcAroma.

#### Company Profile

---

OptiFreeze is a tech company with a patented technology applied in areas such as preservation that provides properties such as extended shelf life and retained aroma for raw materials in the plant and food industry. The technology is called CEPT and has a number of applications at various stages of commercialization. In 2020, OptiFreeze focused a lot on OptiBoost, its system for cut flowers. The main focus of the previously independent ArcAroma was on food, primarily food oils and freshly squeezed juices through its oliveCEPT and juiceCEPT. ArcAroma has also worked with applications in whey protein and oat drinks as well as evaluations in a number of other potential markets.

The companies share the technology that forms the basis of the CEPT system. This uses a process called electroporation, a biological process that leads to increased extraction capacity from the raw material, and higher quality and longer shelf life for the end product. The effects of the process are well documented, and the systems provide efficiency and savings for the company's customers. The process is largely patented, and the company has extensive industry knowledge and insights into fine-tuning systems and processes for different applications. This means that potential competitors would have to handle protracted product development cycles that create large entry barriers in OptiFreeze's markets.

#### Valuation approach

---

We believe that OptiFreeze could grow strongly in the coming years. In 2022, we estimate the company could have a gross margin of 70% after royalty-share, while the operating margin could strengthen to 59%. In 2023, we project that OptiFreeze could have an operating margin of 60%. The consolidated pro forma balance sheet for 2020 suggests that the joint cash reserves of the company amount to SEK 52 million, and we assess that it will not need to raise additional capital before it is able to generate a positive annualized cash flow.



## ERIK PENSER BANK

Penser Access | Industrial Specialties | Sweden | 23 March 2021

# Overview

---

## Merger brings appealing synergies

Our valuation approach is a DCF model for the period 2021-2030. We believe that a DCF valuation best reflects the value of the company's growth potential, while its new growth potential following the merger makes it challenging to conduct a valuation against relevant peers. The merger involves the issue of 6,205,494 new shares, taking the total number of shares from 12.1 million to 18.3 million, and the valuation is based on the new number. Our model assumes that OptiFreeze will continue its commercial rollout and achieve a CAGR corresponding to 37% for the period 2023-2030. We assume growth beyond the forecast period of 1%, and apply a WACC of 16%. This generates a fair value of SEK 136-138 per share after the merger has been completed.

The risk profile remains high. We believe the company is attractively positioned with unique products and a great deal of industry knowledge, but we note that the growth in our forecasts, and those of OptiFreeze, leave limited room for setbacks. The expansion going forward requires establishment in new markets and additions to the customer book.

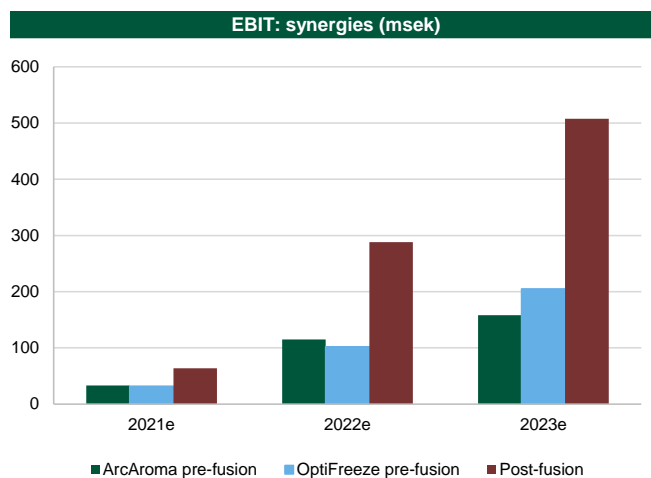
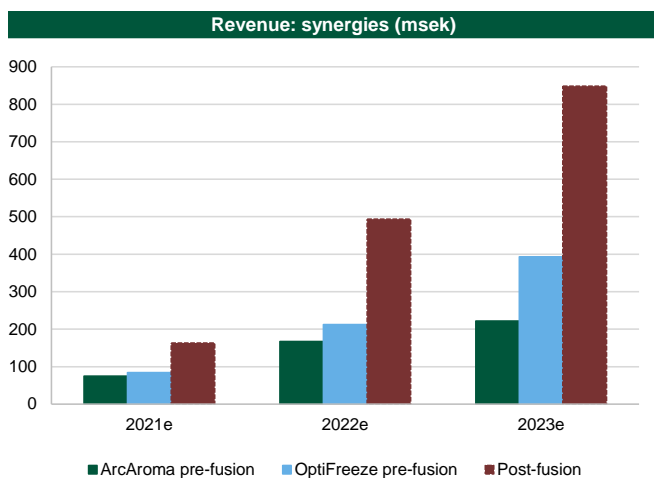
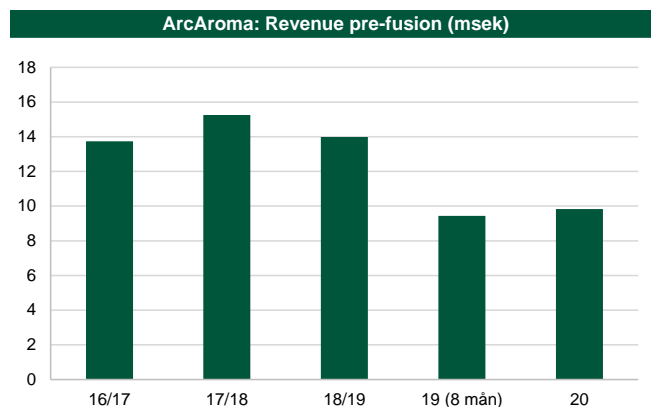
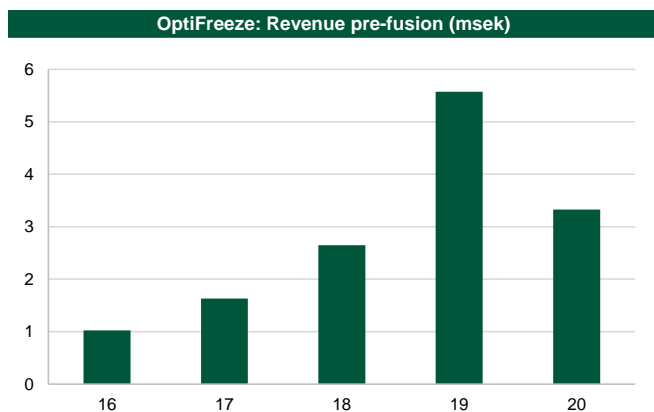
### Target Price

---

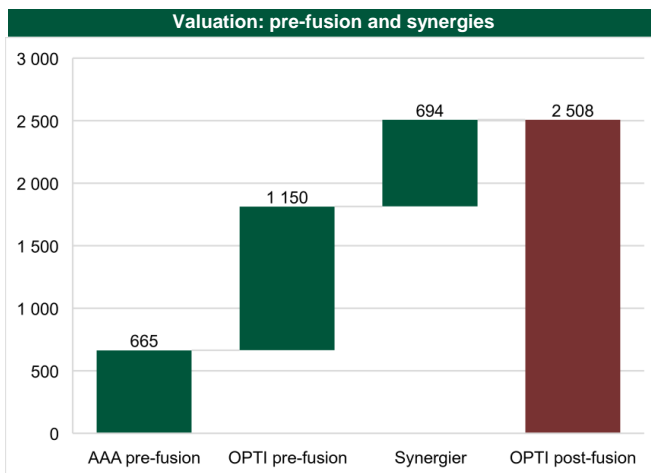
136 - 138 kr

## Synergies

Below are our estimates of the synergies from the merger with ArcAroma. We note that the transition to IFRS16 for OptiFreeze has an impact on depreciation and amortization during the forecast period. We estimate that most of the synergies will be visible in 2022, and that the advancement of revenues corresponds to about one year. The graphs also illustrate the revenues for OptiFreeze and ArcAroma for the period 2016-2020.



The graph below illustrates our pre-merger valuations and the additions that come from the merger, and shows how attractive the collaboration could be with revenues brought forward by one year. The calculations are based on our previous target prices of SEK 50-55 for ArcAroma and SEK 93-97 for OptiFreeze. We note that the synergies for the coming years will be realized provided the company succeeds in achieving the ambitious goals of 45 machines by 2022. We therefore believe it is essential that the company succeeds in establishing new customer relationships and expanding into new markets.



## Estimates and business model

Our sales estimates are based mainly on continued commercialization of machines for applications in cut flowers, propagation cuttings, olive oil, and fruit and vegetable juices. OptiFreeze has previously raised its forecasts as a result of increased interest from the market and thanks to the synergies from the collaboration with ArcAroma. The latest forecast is sales of 45 machines through 2022, based on OptiFreeze in its previous structure. We estimate that these machines are almost exclusively in the market for cut flowers and cuttings. The revenue from the 45 machines thus consists to a very large extent of royalties. The revenue thus depends on the number of machines installed, the capacity per machine, and the degree of utilization. Our estimates are based on complete fulfilment of the sales target of 45 machines. For the cut flower segment, we expect a capacity that may reach up to 40 million treated flowers per machine and year, as well as 50-60 million treated cuttings per machine and year.

In addition to the cut flower and propagation cutting segments, we see potential in oliveCEPT and juiceCEPT as strong contributors to revenues in our forecasts until 2023. The machines previously sold within ArcAroma have an initial cost with subsequent aftermarket revenues. We calculate broadly on a selling price of about SEK 4 million and a service life of about 10 years. On top of this are aftermarket revenues, which according to our estimates amount to approximately 0.9x the selling price distributed over the life of the machine. Our estimates are based on sales that will gradually increase to 50 machines by 2023.

As previously communicated, OptiFreeze has completely switched to a royalty-based revenue model for the cut flower segment. The model means that the royalty is worked out to cover machine costs, royalties and payments for the OptiCap solution. According to OptiFreeze, the compensation is estimated to amount to SEK 0.25-1 per treated unit before the division of royalty for cut flowers. The agreement that OptiFreeze has with Syngenta means that it shares royalty revenues for applications in both cut flowers and cuttings. According to OptiFreeze's calculations, a machine that generates around SEK 10 million in annual revenue will give OptiFreeze SEK 6 million, which means a gross margin of 60%. We believe that OptiFreeze intends to apply a royalty-based revenue model in cut flowers, propagation cuttings and the dry segment.

## **New organization facilitates commercialization**

OptiFreeze and ArcAroma have similarities that allow the new company to benefit from different types of synergies. Although the new OptiFreeze will be able to gain synergies in cost items, we see the biggest gains on the revenue side. The strong growth and the fact that the company raised its sales forecast by 50% recently also indicates strong optimism about the collaboration.

### **Revenue synergies through faster expansion**

OptiFreeze is in a phase where it is working towards a commercial breakthrough in the cut flower segment, and the company has recently entered into its first commercial agreement with APH Svenska AB. OptiFreeze has a sales target of 45 machines during the period 2020-2022. To achieve this goal, the company will have to enter into agreements beyond those already communicated, and sales must also be expanded to involve global counterparties. We believe that ArcAroma's sales organization will be able to make a strong contribution to any expansion. ArcAroma also has extensive experience of working with the distribution chain, which could be a useful competence in the continued expansion.

We believe that the CEPT systems are in high demand and that commercial breakthrough is more likely to hinge on being able to handle aspects related to the distribution, installation and maintenance of the systems. We therefore envisage that the synergies from a merger will shorten the time to a commercial breakthrough since the merger brings additional resources in areas such as marketing and distribution.

## **The new company's business areas**

Through the merger, OptiFreeze will gain a larger addressable market and a wider product range. The various products are at different commercial phases, but we believe the merger means that OptiFreeze will be able to prioritize some of the product segments that have so far been of a secondary nature. We believe that the business model for the segments within what was the previously independent OptiFreeze will to a large extent be royalty-based, which reduces the need for large investments by customers.

### **Cut flower segment – OptiBoost**

OptiBoost experienced a high level of activity during 2020. We note that in 2020 the company entered into an agreement with De Tulp, which received the first OptiBoost machine. It also has agreements with APH and Dagab, which are reference customers so new customers can use insights and knowledge from these users to facilitate their own evaluations. The machine is available in a number of different designs intended to handle different volumes, and APH currently has the new modular machine Freja. The company has a product patent on the application for roses. In terms of volume, OptiFreeze estimates that the market sells about 40-60 billion roses annually. Holidays that drive these sales include Mother's Day and Valentine's Day.

### **Ornamental flower cuttings**

Since the spring of 2019, OptiFreeze has collaborated with Syngenta, which is one of the largest global players in agricultural science and technology products. These evaluations aim to extend the shelf life and improve the rooting of cuttings from ornamental plants. The evaluations were initially carried out in Kenya, but Covid-19 restrictions have impacted the ability to continue the evaluations there. In 2020, OptiFreeze instead installed a plant in De Lier in the Netherlands. We estimate that the project is of great interest and importance to OptiFreeze and that further information about commercialization may come during the second half of 2021. The market is very large, and OptiFreeze estimates that in terms of volume it is about 2.5 billion processed cuttings annually.

### **Forestry cuttings**

The segment for arboriculture cuttings is relatively new and began through a collaboration with BCC in early 2020. In February 2021, OptiFreeze reported that it had entered into an agreement with Mondi South Africa for evaluation

of the CEPT system for application with cuttings. Mondi is a major global player in paper and packaging and focuses on producing sustainable packaging solutions. The company had sales of EUR 6.7 billion in 2020 and is therefore a very attractive counterparty. The purpose of the evaluation is to reduce the loss of eucalyptus cuttings and plants, products that today have a lot of wastage. In terms of treated volumes, about 8 billion forestry cuttings are produced annually. This means that the market for forestry cuttings is larger than the market for ornamental flower cuttings. We believe the company will be able to commercialize this application in 2022.

### **OptiDry**

OptiFreeze has conducted evaluations in Germany together with Steinicke, one of Europe's largest producers of dried vegetables and herbs. In connection with the publication of its Q4 2020 interim report, OptiFreeze announced that it is currently evaluating the next step together with Steinicke. The segment for dried vegetables and spices is particularly interesting as the new company structure can utilize ArcAroma's knowledge of the market, especially with its geographical focus on Asia. The value of this market was USD 22 billion in 2016 and it is growing at around 8%. We believe that OptiFreeze will be able to approach a commercial breakthrough in 2021.

### **OptiFresh**

OptiFresh is a revenue stream that has not had the same priority as OptiBoost in 2020. This application is in freshly cut fruit and vegetables, and allows extended shelf life by maintaining the nutritional value. We estimate that OptiFreeze will be able to invest new resources in this segment in connection with the ArcAroma merger. As it stands, we project that the company will be able to reach breakthrough within 6-18 months. The market for processing fruit and vegetables in 2019 amounted to USD 260 billion. Increased demand for health food is driving market growth, which is expected to be around 7% until 2026.

### **OliveCEPT - olive oil and other edible oils**

Olive oil has been the largest segment for the former ArcAroma. The segment has long had a proven effect on extra virgin olive oil, with an increased extraction volume of 5%. A total of 15 oliveCEPT systems were already installed at customers in 2020, and we estimate that several could be sold and delivered in 2021. The market for olive oil amounts to approximately USD 11 billion per year and is dominated by the Mediterranean countries. The areas that were previously ArcAroma's are focused on players in Greece, Spain, Portugal, Italy and Morocco, where the company has distributors, but also China. OptiFreeze (ArcAroma) has 15 oliveCEPTs with producers, of which 13 in Europe and 2 in China, and these provide a good basis for future growth in this segment. ArcAroma has identified approximately 7,500 production lines in Europe, which could potentially mean sales of a value of SEK 14 billion, not including any potential aftermarket. The fact that China is also investing in olive oil production will probably drive product development in the industry as a whole, and ArcAroma is well placed.

### **JuiceCEPT**

JuiceCEPT is the company's system for the juice industry, which includes fruit, berry and vegetable juices. The juiceCEPT application increases the amount of juice extracted, while juiceCEPT+ adds greater extraction volume (up to 20%) as well as increased presence of nutrients. On January 4, 2021, the former ArcAroma announced that it had entered into a strategic partnership in China with ZhongWu aiming at selling at least 40 CEPT systems over the next three years. ZhongWu is a Chinese company focusing on research and development of products in the treatment of food, beverages and pharmaceuticals. The company is a subsidiary of ZhongYa Group, and together has over 300 customers active in these fields. High-profile customers include Nestlé and Coca-Cola. The collaboration concerns the production of premium juices, but also gives OptiFreeze a stronger foothold in China ahead of further possible applications for the CEPT concept in the long term.

The total market for juice is huge, and is estimated to total close to USD 100 billion per year. The segments that are not from concentrate make up about 12% of the volume, and this is where OptiFreeze (ArcAroma) is initially focusing with juiceCEPT+ in terms of extended shelf life. This means a total market potential of approximately 7,500 units for this application and segment alone. If juiceCEPT is also used for enhanced extraction, however, in principle the entire market can be addressed, which could potentially mean an additional 17,800 units. This means very large potential, and if ArcAroma is able to penetrate just a small part, there is great upside and it will likely be a question of the pace at which ArcAroma can deliver in the long term.

### **Other application areas**

In other application areas, we see the CEPT system being used for products such as wine, beer, dairy products and avocado oil. In the dairy segment, an evaluation agreement has been extended with a Swedish dairy regarding an adapted juiceCEPT+ as a result of positive outcomes, and the contract now runs until the end of Q1 2021 when the customer has an option to buy the unit. During Q4 2020, successful evaluations of wineCEPT were also communicated at INRAE in Montpellier, a wine institute. Two wine producers will in future evaluate wineCEPT in their production.

## **Enhanced ESG profile**

The ESG profile is based on a large number of aspects, with the environmental aspect taking into account, among other things, how products contribute to reduced emissions. The ESG profile becomes strengthened as the product range is developed to include more outputs that are used for reduced wastage and longer shelf life for plants and food. This means that the merger contributes to further strengthening the ESG profile of OptiFreeze.



**Income statement**

	2018A	2019A	2020A	2021E	2022E	2023E
Net sales	1	3	0	153	486	843
Other income	1	2	3	10	7	5
Cost of goods sold	0	-4	-1	-44	-148	-278
Gross profit	2	2	2	109	338	565
Cost of sales	-4,2	-4,5	-3,8	-22	-24	-27
Other external expenses	-4,6	-4,9	-8,5	-16	-17	-18
<b>EBITDA</b>	<b>-6</b>	<b>-8</b>	<b>-10</b>	<b>80</b>	<b>305</b>	<b>525</b>
Depreciation/amortisation	-0,6	-0,6	-1,5	-17	-17	-17
Goodwill impairments						
<b>EBIT</b>	<b>-6,8</b>	<b>-8,3</b>	<b>-11,9</b>	<b>64</b>	<b>288</b>	<b>508</b>
Extraordinary items						
<b>Adjusted EBIT</b>	<b>-6,8</b>	<b>-8,3</b>	<b>-11,9</b>	<b>64</b>	<b>288</b>	<b>508</b>
Net financial items	0,0	0,0	0,0	-1	-1	-1
<b>Profit before tax (EBT)</b>	<b>-6,8</b>	<b>-8,3</b>	<b>-11,9</b>	<b>63</b>	<b>287</b>	<b>507</b>
Tax	0,0	0,0	0,0	-13	-59	-104
Minority interest						
<b>Net Income</b>	<b>-6,8</b>	<b>-8,3</b>	<b>-11,9</b>	<b>63</b>	<b>230</b>	<b>402</b>
<b>Net Income (Adjusted)</b>	<b>-7</b>	<b>-8</b>	<b>-12</b>	<b>63</b>	<b>230</b>	<b>402</b>

**Cash Flow Statement**

	2018A	2019A	2020A	2021E	2022E	2023E
EBIT	-7	-8	-12	64	288	508
Changes in working capital	-1	-1	0	-42	-90	-90
Adjustments for items that are not included in cash flow	0	0	1	16	-41	-89
<b>Cash flow from operating activities</b>	<b>-7</b>	<b>-9</b>	<b>-10</b>	<b>38</b>	<b>157</b>	<b>329</b>
Investments	-2,1	-2,5	-5,2	-3	-3	-3
<b>Free Cash Flow</b>	<b>-9,2</b>	<b>-11,3</b>	<b>-15,3</b>	<b>34,5</b>	<b>153,9</b>	<b>326,3</b>
Debt financing and other adjustments	0,3	18,2	23,8	-8,2	-18,3	-24,3
<b>Cash Flow</b>	<b>-9</b>	<b>7</b>	<b>8</b>	<b>26</b>	<b>136</b>	<b>302</b>
<b>Cash end of period</b>	<b>7</b>	<b>14</b>	<b>22</b>	<b>78</b>	<b>214</b>	<b>516</b>

**Balance sheet**

	2018A	2019A	2020A	2021E	2022E	2023E
<b>Assets</b>						
Other intangible assets	6	7	12,2	49	32	15
Tangible fixed assets	2	1	2	11	14	17
Other fixed assets	0	2	1	0	0	0
Goodwill	0	0	0	298	298	298
<b>Total fixed assets</b>	<b>8</b>	<b>10</b>	<b>15</b>	<b>359</b>	<b>345</b>	<b>330</b>
Inventory	2,1	0,6	0,6	42	129	208
Accounts receivable	1	1	1	49	140	229
Cash and cash equivalents	7	14	22	78	214	516
<b>Total current assets</b>	<b>10</b>	<b>15</b>	<b>23</b>	<b>169</b>	<b>482</b>	<b>952</b>
<b>TOTAL ASSETS</b>	<b>18</b>	<b>25</b>	<b>39</b>	<b>528</b>	<b>827</b>	<b>1283</b>
<b>Equity and liabilities</b>						
Equity	15	23	35	478	690	1 067
<b>Total equity</b>	<b>15</b>	<b>23</b>	<b>35</b>	<b>478</b>	<b>690</b>	<b>1 067</b>
Non-current financial liabilities	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0	0
Non-current liabilities	0	0	2	8	8	8
Current liabilities	3	2	2	42	129	208
<b>Total Equity and Liabilities</b>	<b>18</b>	<b>25</b>	<b>39</b>	<b>528</b>	<b>827</b>	<b>1 283</b>

This publication (“the Publication”) has been compiled by Erik Penser Bank (“the Bank”) exclusively for clients of the Bank. The contents are based on information from publicly available sources which have been deemed reliable. No guarantee is extended as to the accuracy and completeness of the contents of the document or the forecasts and recommendations provided therein. The Bank may permit employees of another department or analysed company (“the company”) to read facts or series of facts in order to verify the same. The Bank does not disclose conclusions or assessments included in the Publication in advance. Opinions stated in the Publication are those of the analyst at the time the Publication was prepared and such opinions are subject to change. No assurance is provided that future events will be in accordance with opinions stated in the Publication.

The information in the Publication must not be understood as encouragement or recommendation to enter into transactions. The information does not take into account an individual recipient’s investment knowledge and experience, financial situation, or investment goals. The information thus does not constitute a personal recommendation or investment advice.

The Bank disclaims all liability for direct or indirect loss that may be based upon the Publication. Investments in financial instruments are associated with financial risk. The investment may go up or down in value or become entirely worthless. Past favourable performance of an investment is not a guarantee of future performance.

#### **Fair value and risk**

The fair value reflects a value for the share on the day the analysis is published in a range corresponding to approximately 5-10%. The Bank uses several different valuation models to value financial instruments, such as cash flow models, valuation of multiples and breakup value analysis.

The valuation method and the approach for determining the fair value should be apparent in the analysis and may vary from company to company. Significant assumptions used in valuations are based on currently available market data and a scenario for the company’s future development that we consider reasonable. As regards risk, the share is classified on a High-Medium-Low scale based on a number of known parameters relevant to the company. A general guideline for being classified as low risk is that the company has positive cash flow and that no individual factor affects net sales by more than 20%. The corresponding general description of high risk is that the company has not achieved positive cash flow or that an individual factor affects net sales by more than 50%.

The research presented in the Publication was performed in accordance with the terms and conditions of the “Penser Access” service that the Bank performs on behalf of analysed companies. The analysed company remunerates the Bank for the aforementioned service. The fair value and risk classifications are continuously updated. Click here <https://www.penser.se/historiska-analysrekommendationer/> to view the history of investment recommendations issued by the Bank.

#### **General**

The Bank’s consent is required to copy or disseminate the Publication in whole or in part. The Publication must not be disseminated or made available to any natural or legal person in the United States of America (other than as provided under Rule 15a–16, Securities Exchange Act of 1934), Canada, or any other country that imposes statutory restrictions on the dissemination and availability of the contents of the material.

The Bank has prepared an Ethics Policy and a Conflicts of Interest Policy. The aim of these policies is to protect against and prevent conflicts between the interests of clients and departments within the Bank. The approach used by the Bank to prevent conflicts of interest includes restrictions on communications (Chinese Walls). The Research Department is physically separated from the Corporate Finance department, which occupies separate premises. The Corporate Finance department is not permitted to participate in the production of a Publication or to express opinions on a Publication. However, there may from time to time exist a client relationship or advisory situation between a company covered in a Publication and a department of the Bank other than the Research Department. The Bank has drawn up internal restrictions concerning when employees are permitted to conduct trades in a financial instrument that is the subject of an Investment Recommendation.

From time to time, the Bank performs assignments for a company that is mentioned in a Publication. The Bank may, for example, be acting as an advisor or issuer agent to the company or as the liquidity guarantor for one of the company’s securities. If such is the case, this has been stated in the Publication. The Bank, its owners, directors, or employees may own shares in companies mentioned in the Publication. All employees of the Bank must report their holdings in securities and must report all transactions. The Bank and its employees comply with guidelines issued by the Swedish Securities Dealers Association concerning employee transactions. The analyst who has prepared Investment Research as referred to in Chapter 11, section 8 of the Swedish Financial Supervisory Authority’s Regulations regarding securities (FFFS 2007:16) and others involved in this work are not permitted to trade on their own account in the covered Financial Instrument or related Financial Instruments in contravention of the applicable recommendation. The Bank’s Compliance Department monitors all employee transactions.

The Bank pays salaries to analysts, which may also consist of a share of the Bank’s profits but which is never linked to the financial performance of another department. Neither the Bank nor the individuals who compiled the Publication have holdings (long or short) in the financial instruments issued by the analysed company that exceed 0.5% of the analysed company’s share capital.

For the company in question, the Bank also conducts research in accordance with the terms of the “Penser Access” paid-for service. Click here <https://epaccess.penser.se/> for more information about this service.

Erik Penser Bank is authorised to conduct securities operations and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen)

---

Erik Penser Bank (*publ.*)

Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 [www.penser.se](http://www.penser.se)