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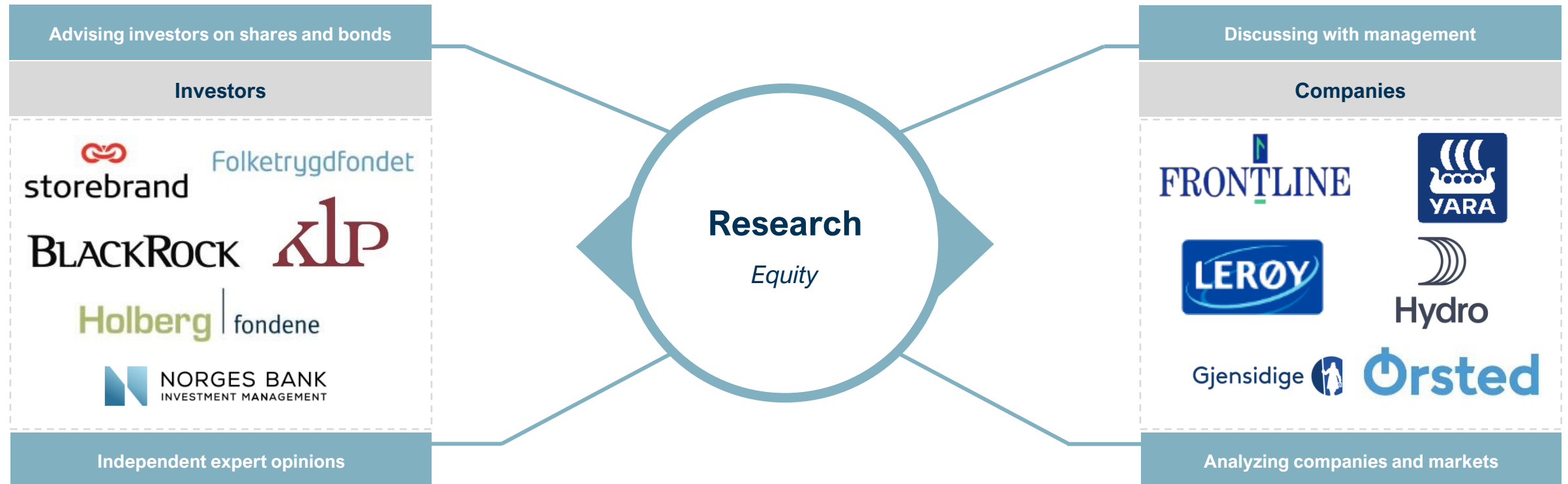
# Equity Research in an IPO process

Eirik Haavaldsen, Pareto Securities

3 May 2022



# Research is the 'Hub' of an Investment Bank





Source: Pareto Securities



# Daily life of a research analyst

Build and maintain a coverage universe

Take lead on new companies

AutoStore

TOMRA

Borregaard

Kitron

ZAPTEC

circa

DESERT CONTROL



Stay up to speed on existing companies and industries

Discuss and educate sales force and investors

YARA

Hydro

KONGSBERG

Elkem

Norske Skog



Support IB in ECM transactions (case examples)

Circa Group

Supporting slides made in relation to the ongoing private placement of equity in Circa Group where Pareto Securities acts as manager

These slides are not meant as investment recommendations. Please refer to important disclosures and disclaimers in the last pages of the presentation. This material is considered by Pareto Securities to qualify as

MARCH 2021

Norse Atlantic Airways

Supporting slides made in relation to the ongoing private placement of equity in Norse Atlantic Airways where Pareto Securities acts as manager

These slides are not meant as investment recommendations. Please refer to important disclosures and disclaimers in the last pages of the presentation. This material is considered by Pareto Securities to qualify as an acceptable minor non-monetary benefit according to Directive 2014/65/EU Article 24 (7)(8) and Commission Delegated Regulation (EU) 2017/593

NOVEMBER 2021

Pre-IPO report

Corvus Energy

Research summary – draft

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Gram Car Carriers

Supporting slides made in relation to the contemplated Equity Private Placement and Euronext Growth Listing of Gram Car Carriers where Pareto Securities acts as Joint Global Coordinator

These slides are not meant as investment recommendations but should be regarded as marketing material. This report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and does not constitute an investment recommendation. This material is considered by Pareto Securities to qualify as an acceptable minor non-monetary benefit according to Directive 2014/65/EU Article 24 (7)(8) and Commission Delegated Directive 2017/593.

Only for distribution to Qualified Institutional Buyers (QIBs) in the US

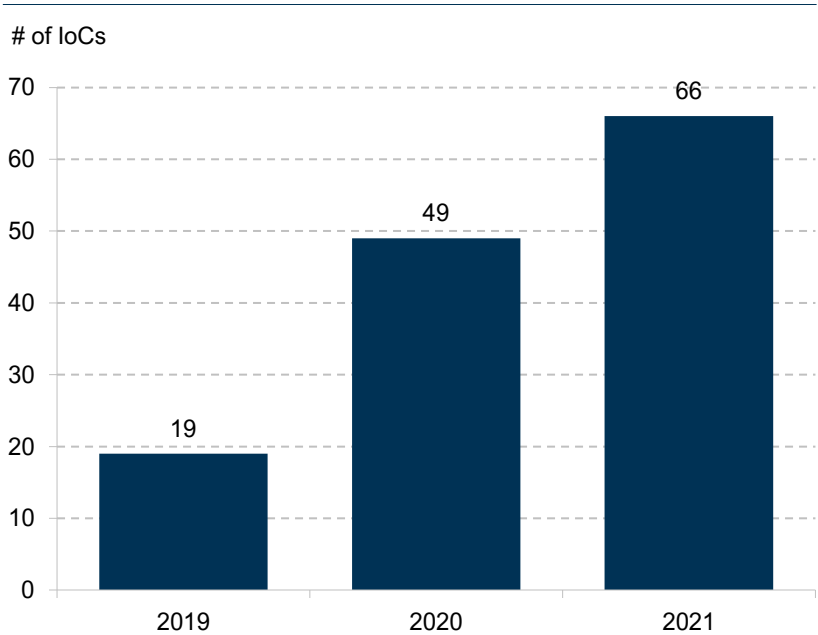
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Pareto Securities | Pareto Securities AS  
Equity Research

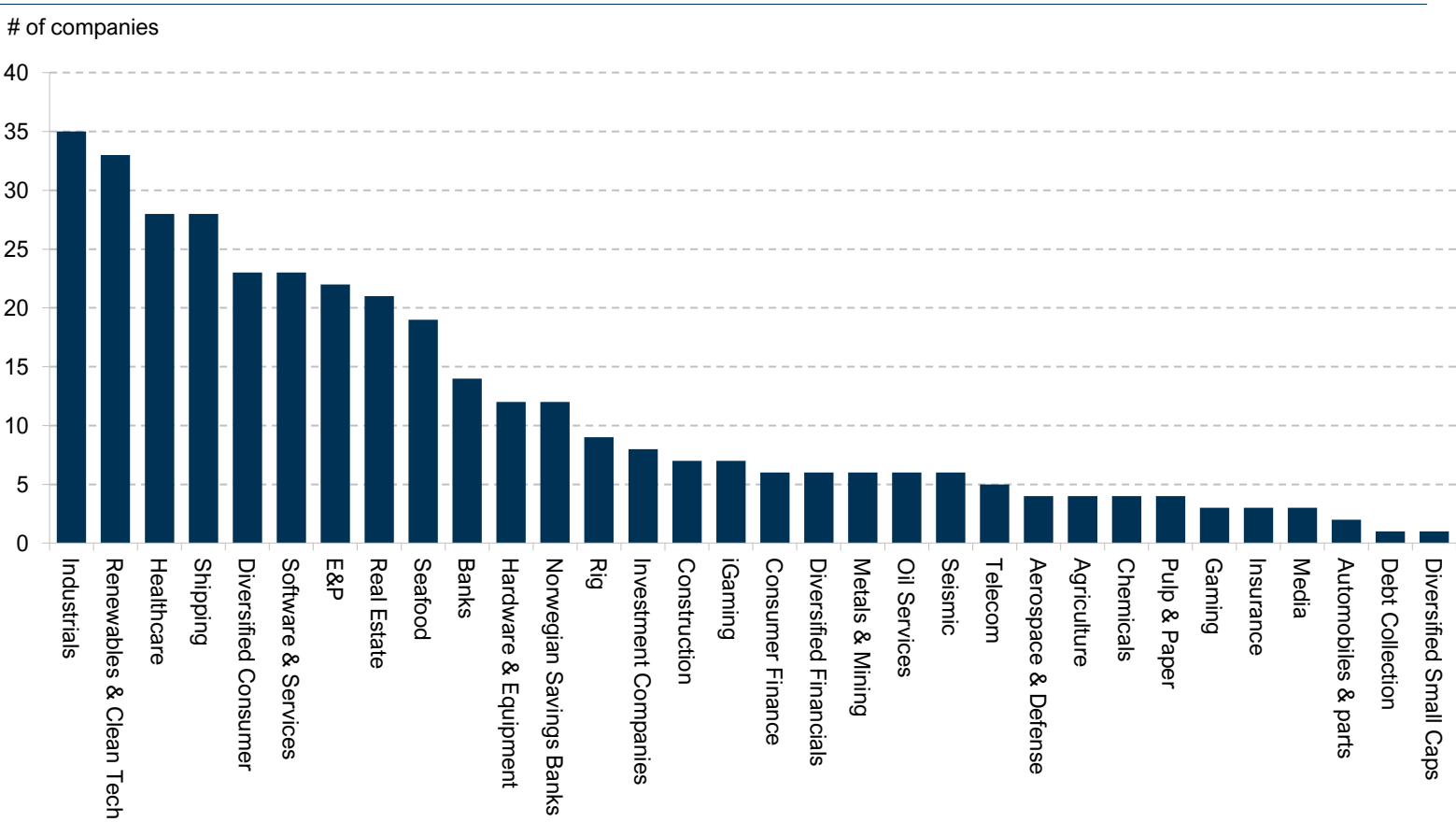
August Klump  
Direct: +47 22 87 87 86  
Email: august.klump@pareto.no  
Eirik Hovland  
Direct: +47 24 12 12 20  
Email: eirik.hovland@pareto.no

# An avalanche of new listings in recent years

# of new Initiations per year, Pareto Research



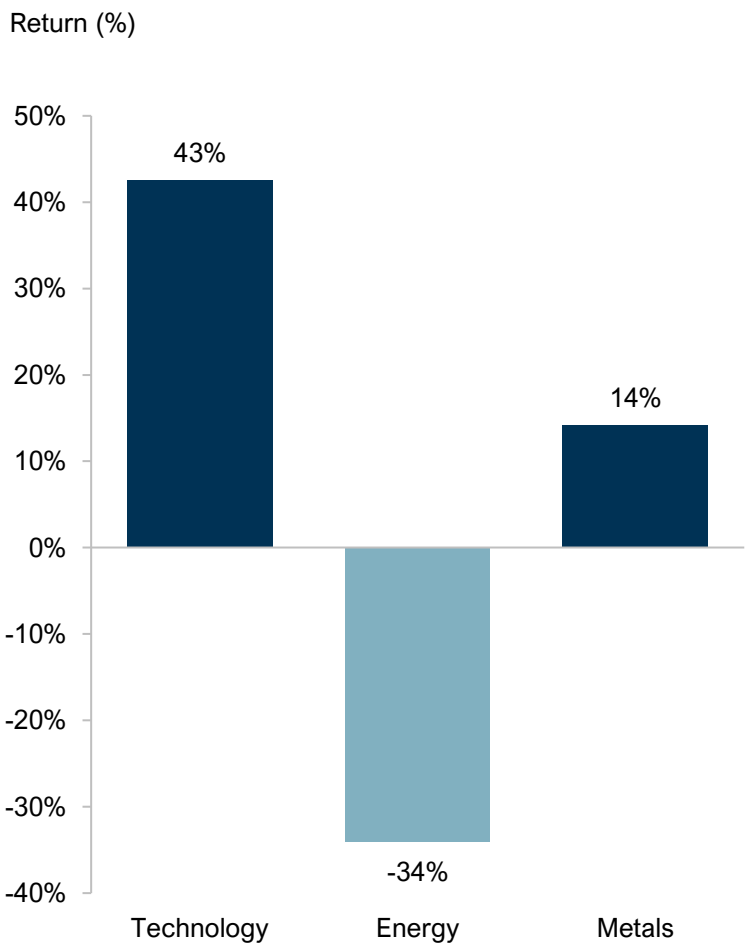
Sector coverage



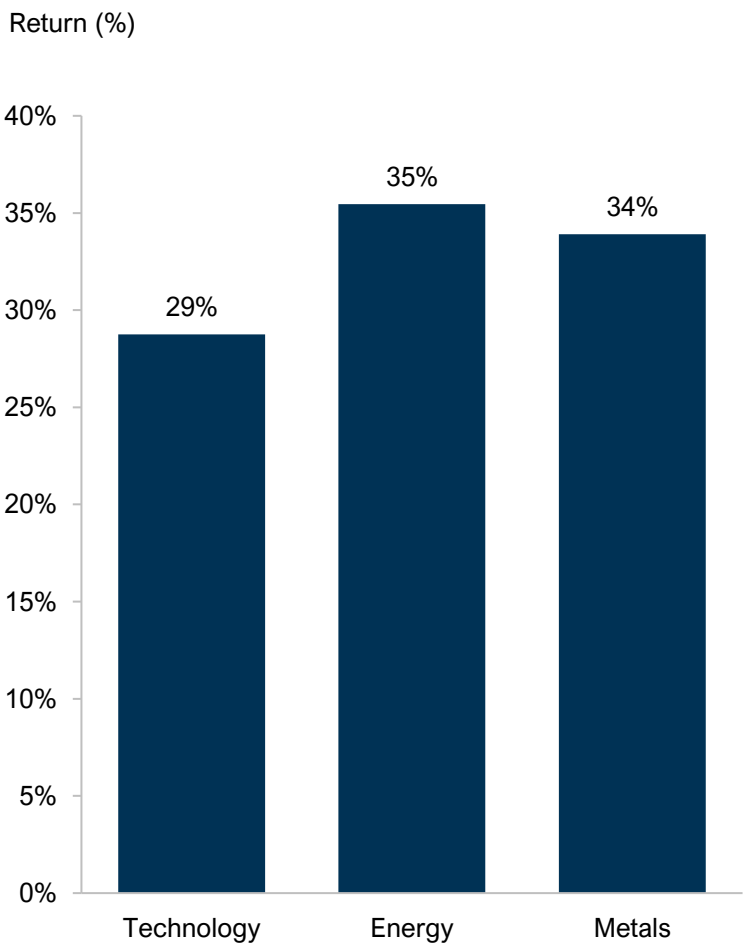
# Sectors will be IN AND OUT of investors scope...

...but research analysts need to be there for the long run

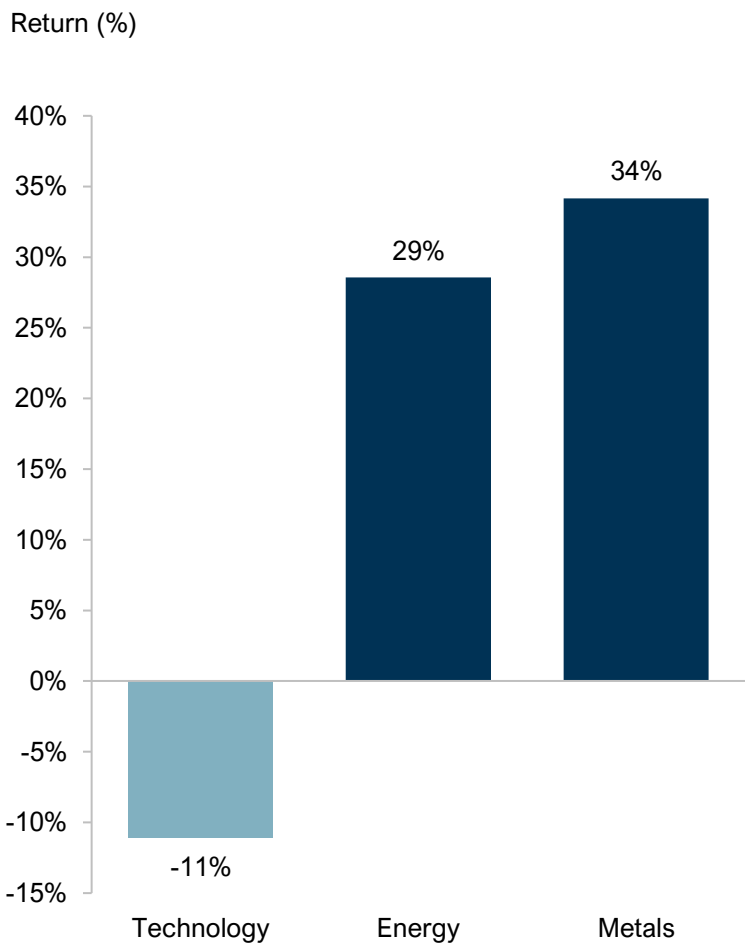
Equity returns (Global ETFs) – 2020



Equity returns (Global ETFs) – 2021



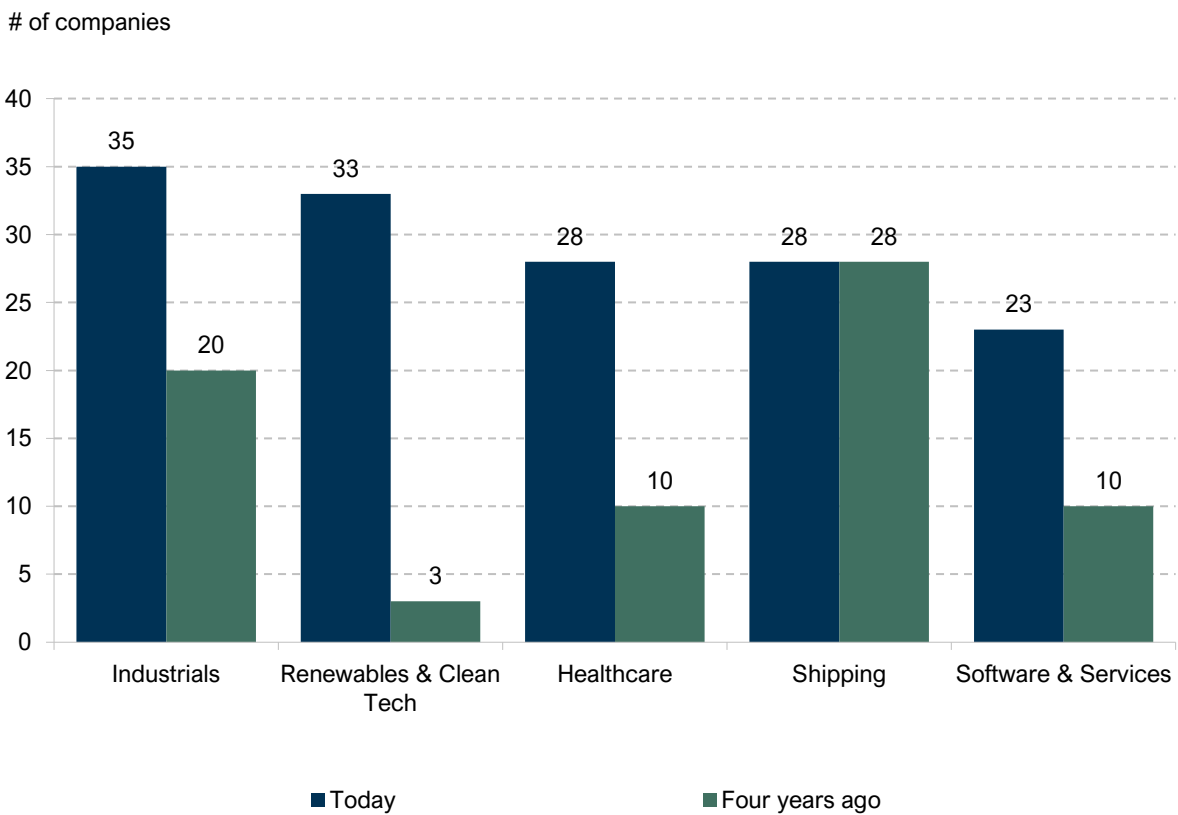
Equity returns (Global ETFs) – 2022



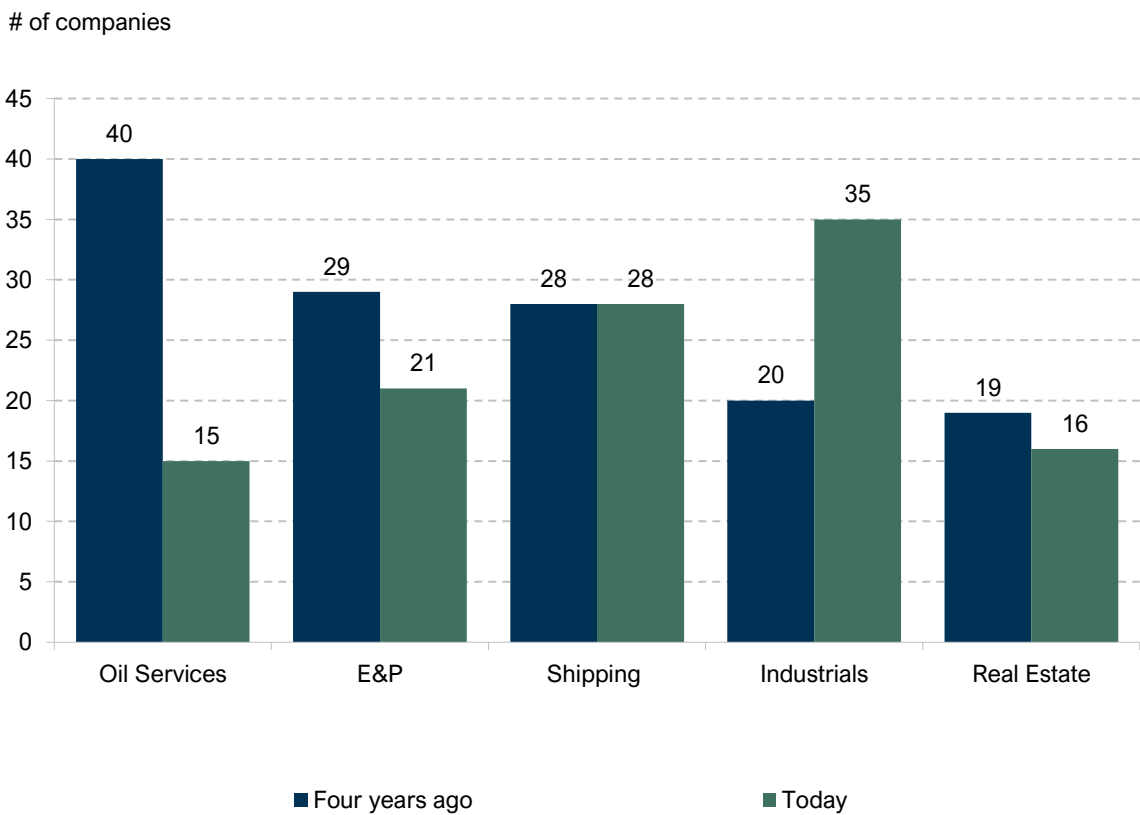
Source: Factset, Pareto Securities

# Research evolution...

Our five largest sectors 2022 vs. 2018

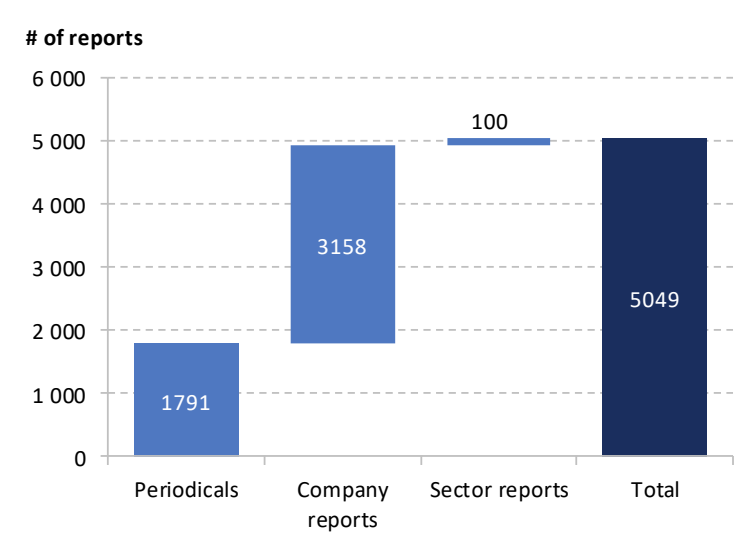


Our five largest sectors 2018 vs. today

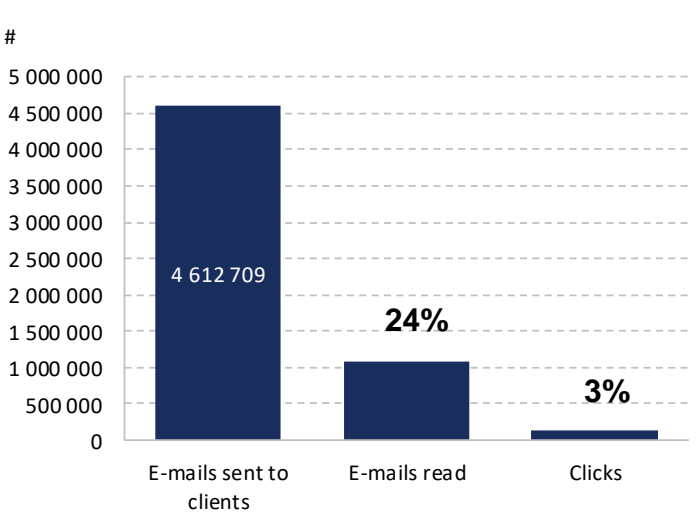


# A lot of the research is never read...

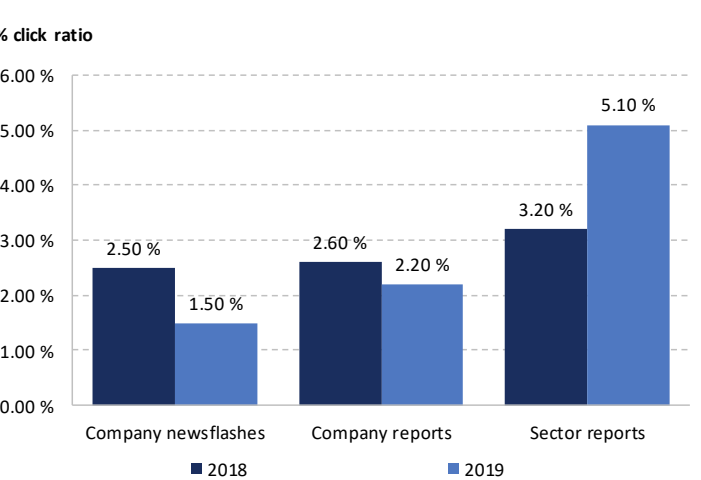
## Research production in 2019



## ...what clients do



## Click ratio



**Marketing is important – clients receive several hundred reports every single day...**



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During an IPO process, Research will act as the ‘middle-man’



- **Make it possible for investors to form an educated opinion on whether this is a transaction that suits them (or not)**

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# First step is information gathering...

Vital to have RELIABLE INFORMATION from early on

## Gain access to information...

- Preparations
  - Start to model the company using available information
  - Public data
  - Early drafts of investor presentation
  - Access to historical numbers
- Meeting with management
  - Workshop for several hours
  - Thorough Q&A session
- **Q&A follow-up**

# ...the second step is to form an opinion and fully understand the transaction...

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## ...in order to form an opinion...

- Financial model
  - Revenue estimates
  - Guiding
- Valuation
  - Range
  - Using normal valuation metrics
  - And peer data
- Understand the rationale for the IPO
  - Use of proceeds?
- How is the company positioned within its industry/sector
- Premium vs. discount
- **Write a pre-IPO report/slide deck**
- Legal team and management will review report for factual errors (not valuation range)

# ...in order to educate prospective investors

## Gain access to information...

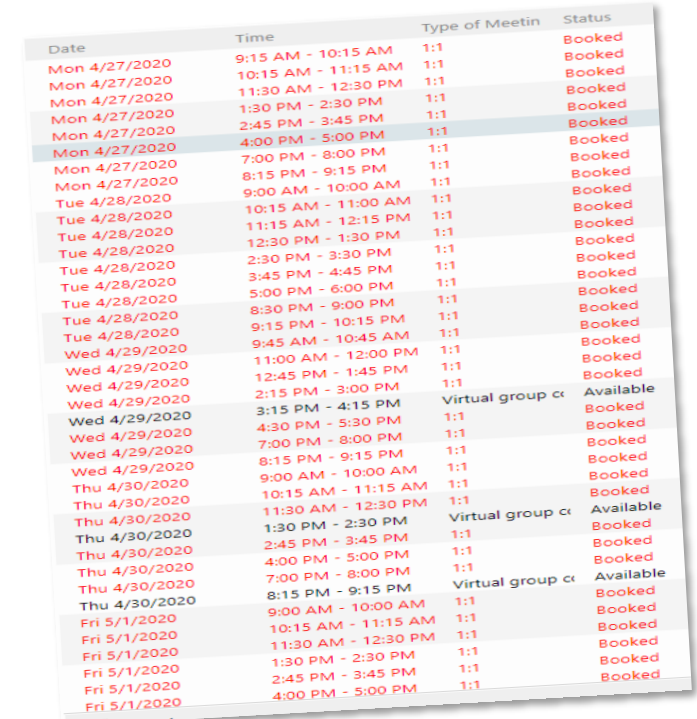
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## ...and then discuss with investors

- Roadshow
- Virtual meetings
- Provide valuable feedback to Investment Banking/IPO prospect



Date	Time	Type of Meetin	Status
Mon 4/27/2020	9:15 AM - 10:15 AM	1:1	Booked
Mon 4/27/2020	10:15 AM - 11:15 AM	1:1	Booked
Mon 4/27/2020	11:30 AM - 12:30 PM	1:1	Booked
Mon 4/27/2020	1:30 PM - 2:30 PM	1:1	Booked
Mon 4/27/2020	2:45 PM - 3:45 PM	1:1	Booked
Mon 4/27/2020	4:00 PM - 5:00 PM	1:1	Booked
Mon 4/27/2020	7:00 PM - 8:00 PM	1:1	Booked
Mon 4/27/2020	8:15 PM - 9:15 PM	1:1	Booked
Tue 4/28/2020	9:00 AM - 10:00 AM	1:1	Booked
Tue 4/28/2020	10:15 AM - 11:00 AM	1:1	Booked
Tue 4/28/2020	11:15 AM - 12:15 PM	1:1	Booked
Tue 4/28/2020	12:30 PM - 1:30 PM	1:1	Booked
Tue 4/28/2020	2:30 PM - 3:30 PM	1:1	Booked
Tue 4/28/2020	3:45 PM - 4:45 PM	1:1	Booked
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Tue 4/28/2020	9:15 PM - 10:15 PM	1:1	Booked
Tue 4/28/2020	9:45 AM - 10:45 AM	1:1	Booked
Wed 4/29/2020	11:00 AM - 12:00 PM	1:1	Booked
Wed 4/29/2020	12:45 PM - 1:45 PM	1:1	Booked
Wed 4/29/2020	2:15 PM - 3:00 PM	1:1	Booked
Wed 4/29/2020	3:15 PM - 4:15 PM	Virtual group c	Available
Wed 4/29/2020	4:30 PM - 5:30 PM	1:1	Booked
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Thu 4/30/2020	11:30 AM - 12:30 PM	1:1	Available
Thu 4/30/2020	1:30 PM - 2:30 PM	Virtual group c	Available
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Fri 5/1/2020	9:00 AM - 10:00 AM	1:1	Booked
Fri 5/1/2020	10:15 AM - 11:15 AM	1:1	Booked
Fri 5/1/2020	11:30 AM - 12:30 PM	1:1	Booked
Fri 5/1/2020	1:30 PM - 2:30 PM	1:1	Booked
Fri 5/1/2020	2:45 PM - 3:45 PM	1:1	Booked
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# Two examples of ‘valuation ranges’

The slide the most discussed with the prospective investors

## Gram Car Carriers (2021)

VALUATION

SUPPORTING SLIDES

### Mid-range of USD 90m equals 2023e EV/EBITDA and P/E of 3.8x

Pre-money equity range of USD 80-100m equals ~20-40% discount compared to current broker values

GCC: Valuation overview

Implied multiples on pre-money equity value of USD 80m and PAS estimates				
Multiple	2022e	2023e	2024e	2025e
EV/EBITDA	6.1x	3.7x	2.6x	1.8x
EV/EBIT	10.0x	5.3x	3.6x	2.5x
P/E (post-money)	6.3x	3.6x	3.1x	3.1x
FCF yield	12%	23%	33%	49%
Div. yield (post-money)	6%	13%	15%	16%

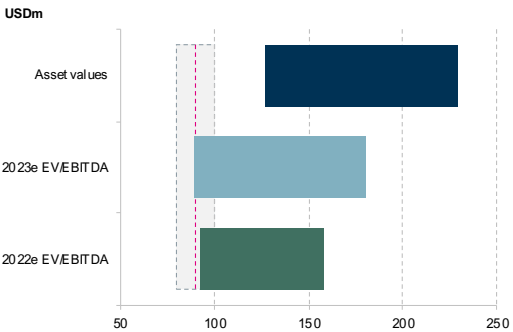
Implied multiples on pre-money equity value of USD 100m and PAS estimates				
Multiple	2022e	2023e	2024e	2025e
EV/EBITDA	6.4x	3.9x	2.8x	2.0x
EV/EBIT	10.5x	5.6x	3.9x	2.8x
P/E (post-money)	7.0x	4.0x	3.5x	3.5x
FCF yield	11%	21%	30%	44%
Div. yield (post-money)	6%	11%	14%	14%

Rate estimates	2022e	2023e	2024e	2025e
Avg. realized rates	18,200	22,100	23,300	23,300

Company	Multiple	2021e	2022e	2023e
GCC at mid-range (USD 90m) and PAS est.	EV/EBITDA	na	6.2x	3.8x
	P/E	na	6.7x	3.8x
	Div. yield	na	6%	12%
Wallenius Wilhelmsen (consensus est.)	EV/EBITDA	8.2x	6.3x	7.0x
	P/E	18.3x	6.1x	6.0x
	Div. yield	na	na	na

Source: Pareto Securities

GCC: Pre-money equity range of USD 80-100m



- Mid-range (USD 90m) equals 2023e EV/EBITDA and P/E of 3.8x
  - Wallenius Wilhelmsen trades at 7x and 6x, respectively
- A pre-money equity range of USD 80-100m equals a ~20-40% discount compared to current broker values
  - Asset values are from mid-September and could thus be lagging
- Mid-range 2023e dividend yield of 12% and 18% with payout ratio of 50% and 75%, respectively – with 15% of days fixed

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21

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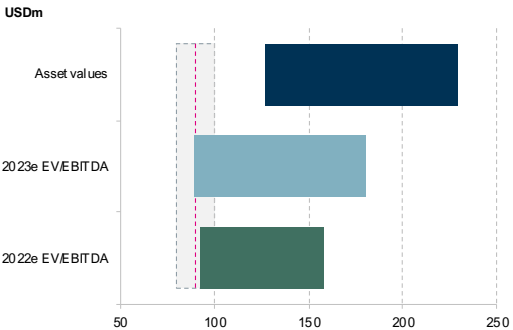
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Source: Pareto Securities

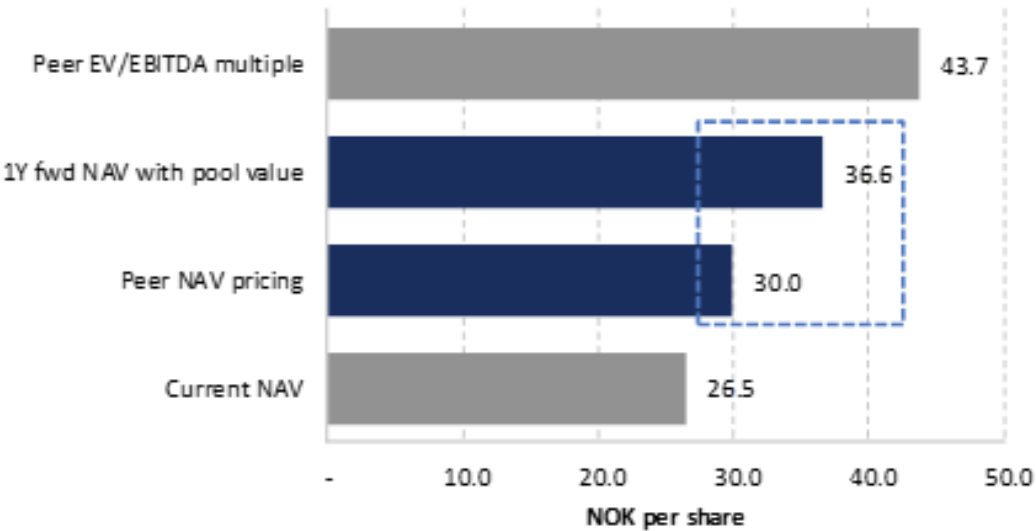
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## Hafnia Ltd. (2019)

### Hafnia: Fair valuation range



Source: Pareto Securities Equity Research



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# Thank you for your attention

- Questions?
- Break-out session will commence soon