

Medical Equipment & Services

Zenitor

Slow short-term outlook, long-term outlook intact

The coronavirus crisis is set to delay new sales over the year but we continue to see significant long-term potential for Zenitor's EKG solution and expect sales to recover and reaccelerate towards the end of 2020 and in 2021.

- Transitioning to a new sales model.** Sales reached SEK5.9m (+5% y/y) in Q1 and were SEK21m (-2% y/y) on a rolling 12M basis. EBIT was SEK1m, or SEK0.5m excluding a positive one-off. Zenitor is currently transitioning from its traditional sales model to a recurring revenue model based on pay-per-use. This will slow down sales growth in the short term but we view the strategy change as supportive as it will increase the share of recurring revenue.
- Cash flow.** Cash flow is still poor due to working capital (FCF SEK-3.8m), and the cash position was SEK1m as of end-Q1. The company expects the recurring revenue stream and lower costs to be sufficient to support cash flow in 2020 and expects a positive EBIT in 2020. Longer term, we do not view cash flow as an issue, as we expect growth and margins to be strong within a couple of years. New equity could be needed in order to accelerate growth.
- Pressure near term, long-term outlook intact.** Healthcare providers use Zenitor's EKG solution for early detection of atrial fibrillation (which is closely correlated with stroke) and we find it positive that customers have continued to use this solution during the coronavirus crisis. The majority of Zenitor's revenue is recurring. However, we expect the current crisis will postpone new sales during the year and hold back growth temporarily.
- Estimates and valuation.** We adjust our sales estimates for the forecast period by -15 to -20%, as we expect the coronavirus to slow down growth. We adjust our valuation range to SEK27-31 from SEK34-40 previously, due to our lowered sales forecasts.

Key data

Price (SEK)*	9.60
Country	Sweden
Bloomberg	ZENI.SS
Reuters	ZENI.TE
Free float	70.9%
Market cap (SEKm)	54
Net debt (current Y/E) (SEKm)	7
No. of shares (m)	5.6
Next event	Q2: 21-Aug

* Price as at close on 18 May 2020

CEO	Mats Palerius
CFO	Mats Palerius

Company description

Zenitor offers a complete system including a thumb EKG and a software backbone used for spontaneous and systematic screening for atrial fibrillation, the single most significant indicator for stroke. Zenitor's thumb EKG has been validated by several large scientific studies. These studies show that systematic screening using Zenitor's product is more efficient than the prevailing method, Holter EKG. Several countries are considering national screening programmes for atrial fibrillation but are awaiting additional scientific support. Conclusions from the large Swedish Strokestop study could provide such scientific support in the next couple of years.

Ownership structure

Sonny Norström & co (co owner)	14.9%
Mats Palerius (CEO & co owner)	14.2%
Ydrehall AS	12.4%
Humble Fonder	8.9%
Handelsbanken Fonder	7.3%

Source: Company data (18 May 2020)

Estimate changes

	20E	21E	22E
Sales	-14.9%	-21.0%	-21.0%
EBITDA	-96.4%	-61.3%	-42.3%
EBIT (adj.)	-98.9%	11.3%	-30.4%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Siri Ladow
Carolina Elvind

Find our research here:
<https://research.danskebank.com>

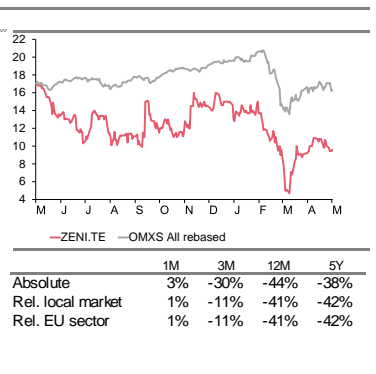
Important disclosures and certifications are contained from page 9 of this report

Key financials

Year-end Dec (SEK)	2018	2019	2020E	2021E	2022E
Revenues (m)	21	21	21	27	39
Revenues growth	12.7%	-0.3%	0.9%	30.0%	45.0%
EBITDA (m)	-2	-1	0	1	7
EBIT adj. (m)	-2	-1	0	1	7
EBIT growth	14.5%	44.3%	n.m.	n.m.	n.m.
Pre-tax profit (m)	-3	-2	0	1	7
EPS adj.	-0.53	-0.30	0.00	0.16	1.04
DPS	0.00	0.00	0.00	0.00	0.34
Dividend yield					3.6%
FCFE yield (pre-IFRS16)	-11.0%	-7.8%	-5.4%	1.0%	1.2%
EBIT margin (adj.)	-11.5%	-6.4%	0.0%	3.7%	16.6%
Net debt/EBITDA (x)	1.3	-3.6	87.1	6.0	0.9
ROIC	-21.6%	-7.7%	0.0%	3.9%	22.6%
EV/sales (x)	5.4	4.2	2.9	2.2	1.5
EV/EBITDA (adj.) (x)	n.m.	n.m.	n.m.	56.0	9.0
EV/EBITA (adj.) (x)	n.m.	n.m.	n.m.	56.0	9.0
EV/EBIT (adj.) (x)	n.m.	n.m.	n.m.	60.6	9.1
P/E (adj.) (x)	n.m.	n.m.	n.m.	60.8	9.3

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

Not for US distribution

Q1 post results summary

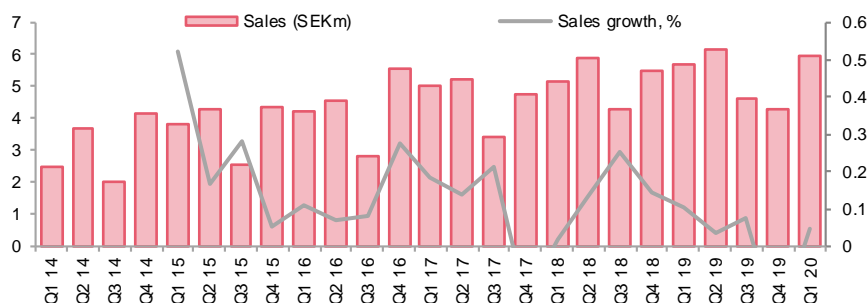
Sales growth of 5% in Q1 20 was in line with our estimates. Sales reached SEK5.9m and were SEK21m on a rolling 12M basis. Zenicor is currently transitioning from its traditional sales model to a recurring revenue model based on pay-per-use. This will slow down sales growth in the short term but we view the strategy change as supportive, as it will increase the share of recurring revenues.

Adjusted EBIT was SEK1m versus our estimate of SEK0.36m and SEK-0.38m in the same period last year. EBIT was boosted by a SEK0.56 NRI. Cash flow is still poor due to working capital (FCF SEK-3.8m). However, cash was supported by new bank loans, and the cash position was SEK1m by the end of the first quarter.

Zenicor plans to reduce costs and expects cash on hand and the recurring revenue streams to be sufficient to support cash flow in 2020. However, we believe it is reasonable to expect that Zenicor may need to raise more equity at some point in order to accelerate growth.

The company reiterated its longer-term guidance, with sales growth accelerating from around 10% on average to 30%, driven by new, and a higher share of, pay-per-use contracts. We do not see the coronavirus permanently impacting the business but expect the sales ramp-up to be postponed, hence we have lowered our estimates for the forecast period by 15-20%. The majority of sales on a R12M basis is recurring.

Chart 1. Sales and growth by quarter



Source: Company data, Danske Bank Equity Research

Table 1. Quarterly key figures (SEKm)

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20E	Q3 20E	Q4 20E
Sales	5.7	6.1	4.6	4.3	5.9	5.2	4.6	5.2
Sales growth	11%	4%	8%	-22%	5%	-15%	0%	20%
EBITDA	-0.4	0.3	0.1	-1.2	1.1	-0.3	-0.3	-0.4
EBIT	-0.4	0.2	0.1	-1.3	1.1	-0.3	-0.3	-0.5
EBIT margin	-6.7%	4.0%	1.4%	-29.2%	18.0%	-5.7%	-6.8%	-8.8%
PTP	-0.5	0.2	0.0	-1.4	1.0	1.6	2.6	3.5
Net profit	-0.5	0.2	0.0	-1.4	1.0	1.6	2.6	3.5
EPS (SEK)	-0.09	0.03	0.00	-0.25	0.17	0.29	0.46	0.62
Net debt (cash)	0.4	2.0	2.8	4.1	8.0	6.6	5.1	2.8

Source: Company data, Danske Bank Equity Research estimates

Not for US distribution

Table 2. Annual key figures (SEKm)

	2018	2019	2020E	2021E	2022E
Sales	20.8	20.7	20.9	27.2	39.4
Sales growth	13%	0%	1%	30%	45%
EBITDA	-2.3	-1.2	0.1	1.1	6.6
EBIT	-2.4	-1.3	0.0	1.0	6.6
EBIT margin	-11.5%	-6.4%	0.0%	3.7%	16.6%
PTP	-2.7	-1.7	0.0	1.0	6.6
Net profit	-2.7	-1.7	0.0	0.9	5.8
EPS (SEK)	-0.49	-0.30	0.00	0.16	1.04
Net debt (cash)	-3.1	4.1	7.0	6.5	5.8

Source: Company data, Danske Bank Equity Research estimates

Valuation

Zenikor operates in an attractive market with solid structural growth drivers, such as an ageing population and efficiency needs within the healthcare chain. We see a high need for Zenikor's thumb ECG and a high probability of market penetration and good growth. In addition, Zenikor has an established position in terms of scientific support from several studies. The company has improved, and we expect will continue to improve, its position in the market. We argue that recent large deals add to its validity and indicate that the company's method of marketing works, reducing the risk when valuing the company.

Relative multiple valuation and scenario analysis

We have chosen a relative multiple valuation as our basis for valuing the Zenikor shares, backed by a risk-weighted DCF. However, as the latter method has inherent uncertainty when valuing high-growth companies with a short history, we currently see it as secondary in assessing the value of the shares and more for the purposes of comparison until the company has matured.

Zenikor currently trades at a price/sales multiple of 1.9x. The mid-point of our valuation range for Zenikor gives a 2022E price/sales multiple of 6x, implying a discount of 15% to the peer group average of 7x. The discount is currently warranted, we argue, as Zenikor is at an earlier stage than most peers are and will have to show accelerated growth rates and achieve scale on the product. Note that Zenikor's larger US peer iRhythm Technologies, which also has a challenger role in its home market, with a longer history than Zenikor but a less attractive position in our view, trades on price/sales of 7.6x.

Table 3. Healthcare peer group summary - EV/sales

Healthcare peers	Ccy	Price* (lcl ccy)	Ticker (Bloomberg)	Mkt cap (lcl ccy m)	P/S (x)		
					2020E	2021E	2022E
Biotage AB	SEK	126.4	BIOT SS	8,228	7.5	6.2	5.5
Vitrolife AB	SEK	172.7	VITR SS	18,747	13.0	11.5	10.5
Sectra AB Class B	SEK	461	SECTB SS	17,751	9.9	9.0	n.m.
Ambu A/S Class B	DKK	202.5	AMBUB DC	49,701	13.7	11.3	9.2
Boule Diagnostics AB	SEK	62.6	BOUL SS	1,215	2.6	2.3	2.2
Xívivo Perfusion AB	SEK	131.8	XVIVO SS	3,506	15.4	11.0	7.8
iRhythm Technologies, Inc.	USD	125.77	IRTC US	3,401	14.2	10.0	7.6
Median (excl. iRhythm & Zenikor)					11.5	10.0	7.8
Average (excl. iRhythm & Zenikor)					10.4	8.5	7.0

*Prices as at 14:40 CEST on 15 May 2020

Source: FactSet, Danske Bank Equity Research estimates

Our price/sales multiple of 6x implies a value of SEK29. Applying our bear and bull scenarios, we reach a range of SEK27-31. This range is revised down from our previous SEK34-40 valuation estimate, due to our lowered sales forecasts. In the longer term and with a proven growth capability, we believe that a valuation in line with peers would be justified given the company's asset-light model, scientific validation of the product and expected growth above that of peers over the forecast period. Our DCF model, which indicates a fair value of SEK60, supports this reasoning, but in light of the inherent uncertainty in the DCF valuations of new high-growth companies, we find the relative multiple valuation more relevant.

Table 4. Scenario valuation summary

2022E	EV/Sales (x)	2021E		
		Mkt cap (SEKm)	Per share (SEK)	Upside
Bear	5.5	149.6	26.5	176%
Base	6.0	163.2	29.0	202%
Bull	6.5	176.8	31.4	227%
Current share price		53.0	9.6	

Source: Danske Bank Equity Research estimates

Not for US distribution

Risks

Zenikor operates in a competitive industry, with several potential competing products and technologies. The technology is proven and superior to most prevailing methods for atrial fibrillation screening and is supported by several independent studies. Having said that, there is always a risk of new entrants, or existing players developing stronger propositions. There are several global players with strong financial resources, which could increase their marketing efforts to expand their shares in Zenikor's home markets.

The company needs to continue investing in marketing in order to drive volumes, while trimming costs in order to remain competitive. There is a risk increased spending will not result in the expected top-line growth, requiring additional capital injections. In addition, the strain on working capital increases the risk that Zenikor needs additional capital.

A potential upside for Zenikor is preventive screening for atrial fibrillation. We see a high likelihood of more broad-based screening but these decisions lie outside the company's control. National healthcare systems tend to be slow in adopting new technology and medical professionals can be slow in implementing new technical solutions.

There is a currency risk as Zenikor reports in Swedish krona but sales, to an increasing extent (30% of total sales but 50% of sales growth), are outside of Sweden. Costs are predominantly in Swedish krona. The 30% of revenues not in Swedish krona are mainly in euro and British pound (with, we believe, minor exposure to Norwegian krone and Swiss franc).

Not for US distribution

Company summary

Sales breakdown by geographical area

N.A.

Sales breakdown by division

N.A.

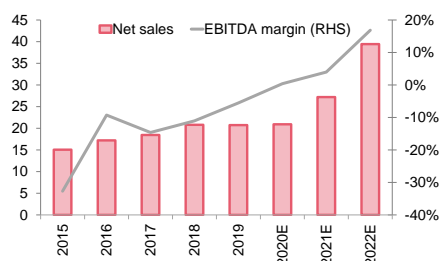
Company information

Zenikor
Saltmätargatan 8, 113 59 STOCKHOLM
Sweden
www.zenikor.se

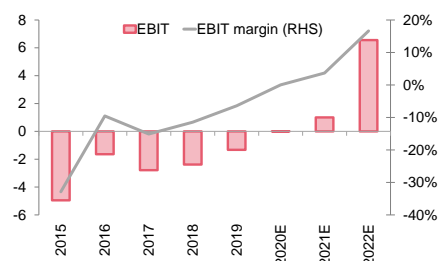
Main shareholders

Name	Votes (%)	Capital (%)
Sonny Norström & co (co owner)	14.9%	14.9%
Mats Palerius (CEO & co owner)	14.2%	14.2%
Ydrehall AS	12.4%	12.4%
Humle Fonder	8.9%	8.9%
Handelsbanken Fonder	7.3%	7.3%

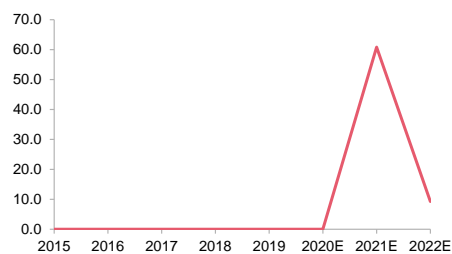
Net sales and EBITDA margin (SEKm)



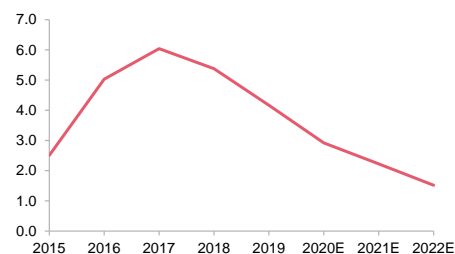
EBIT and EBIT margin (SEKm)



P/E NTM (x)



EV/sales NTM (x)



Source: FactSet, Company data, Danske Bank Equity Research estimates

Not for US distribution

Summary tables

INCOME STATEMENT										
Year end Dec, SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net sales		12	15	17	18	21	21	21	27	39
Cost of sales & operating costs		-15	-20	-19	-21	-27	-26	-24	-26	-33
EBITDA		-2	-5	-2	-3	-2	-1	0	1	7
EBITDA, adj.		-2	-5	-2	-3	-2	-1	0	1	7
Depreciation		-1	-0	-0	-0	-0	-0			
EBITA		-3	-5	-2	-3	-2	-1	0	1	7
EBIT incl. EO, bef. ass.		-3	-5	-2	-3	-2	-1	0	1	7
EBIT, adj.		-3	-5	-2	-3	-2	-1	0	1	7
Financial items, net	0	-0	-0	-0	1	-0	-0	0	0	0
Pre-tax profit		-3	-5	-2	-2	-3	-2	0	1	7
Taxes								-0	-0	-1
Net profit, rep.		-3	-5	-2	-2	-3	-2	0	1	6
Net profit, adj.		-3	-5	-2	-2	-3	-2	0	1	6
CASH FLOW										
SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA		-2	-5	-2	-3	-2	-1	0	1	7
Change in working capital		1	-1	-5	2	-5	-1	1	5	
Net interest paid		-0	-0	-0	1	-0	-0			
Taxes paid		-0	-0			0	0	-0	-0	-1
Other operating cash items							-0			
Cash flow from operations		-2	-6	-7	-0	-7	-2	1	6	6
Capex		-0	-0	-0	-0	-4	-4	-4	-5	-5
Div to min										
Free cash flow		-2	-6	-7	-0	-12	-6	-3	1	1
Disposals/(acquisitions)										
Free cash flow to equity		-2	-6	-7	-0	-12	-6	-3	1	1
Dividend paid										
Share buybacks										
New issue common stock		11				18				
Incr./(decr.) in debt						-2	3	3		
Minorities & other financing CF		-10	-0	4	-0	2	-0			
Cash flow from financing		11	-0	4	-0	18	3	3	0	0
Disc. ops & other										
Incr./(decr.) in cash		10	-6	-3	-1	6	-4	-0	1	1
BALANCE SHEET										
SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash & cash equivalents		10	4	1	0	6	3	2	3	3
Inventory		2	1	3	4	4	4	4	4	4
Trade receivables		2	3	4	4	4	5	5	6	6
Other current assets		1	1	2	3	7	9	9	2	2
Goodwill		1								
Other intangible assets						4	8	12	11	11
Fixed tangible assets			0	0	0	0	0	0	5	11
Associated companies		0	0	0	0	0	0	0	0	0
Other non-current assets		0	0	0	0	0	0	0	0	0
Total assets		15	9	11	12	26	29	31	32	38
Shareholders' equity		12	7	5	3	18	16	16	17	23
Of which minority interests										
Current liabilities		3	2	3	4	5	6	6	6	6
Interest-bearing debt		1	0	3	5	3	7	9	9	9
Pension liabilities										
Oth non-curr. liabilities										
Total liabilities		4	3	6	9	8	13	15	15	15
Total liabilities and equity		15	9	11	12	26	29	31	32	38
Net debt		-9	-3	2	5	-3	4	7	6	6

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No. of shares, fully diluted (y.e.) (m)			4.5	4.5	4.6	5.6	5.6	5.6	5.6	5.6
No. of shares, fully diluted (avg.) (m)			4.5	4.5	4.5	5.1	5.6	5.6	5.6	5.6
EPS (SEK)			-1.12	-0.38	-0.46	-0.53	-0.30	0.00	0.16	1.04
EPS adj. (SEK)			-1.12	-0.38	-0.46	-0.53	-0.30	0.00	0.16	1.04
DPS (SEK)			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.34
CFFO/share (SEK)			-1.4	-1.6	-0.1	-1.4	-0.4	0.1	1.0	1.1
Book value/share (SEK)			1.51	1.11	0.61	3.14	2.84	2.84	3.00	4.03
MARGINS AND GROWTH	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA margin		-17.6%	-32.7%	-9.3%	-14.6%	-11.0%	-5.5%	0.4%	4.0%	16.9%
EBITA margin		-21.8%	-32.9%	-9.5%	-15.1%	-11.5%	-6.0%	0.4%	4.0%	16.9%
EBIT margin		-21.8%	-32.9%	-9.5%	-15.1%	-11.5%	-6.4%	0.0%	3.7%	16.6%
EBIT adj margin		-21.8%	-32.9%	-9.5%	-15.1%	-11.5%	-6.4%	0.0%	3.7%	16.6%
Sales growth			22.0%	14.2%	7.3%	12.7%	-0.3%	0.9%	30.0%	45.0%
EBITDA growth			n.m.	67.6%	-69.3%	14.9%	50.0%	n.m.	n.m.	n.m.
EBITA growth			-84.4%	66.8%	-69.8%	14.5%	48.1%	n.m.	n.m.	n.m.
EPS adj growth				65.9%	-21.1%	-13.9%	42.1%	n.m.	n.m.	n.m.
PROFITABILITY	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
ROIC (after tax, incl. GW, adj.)		-199.8%	-164.2%	-31.3%	-37.9%	-21.6%	-7.7%	0.0%	3.9%	22.6%
ROIC (after tax, excl. GW, adj.)		-246.1%	-179.2%	-31.3%	-37.9%	-21.6%	-7.7%	0.0%	3.9%	22.6%
ROE (adj.)		-47.9%	-54.2%	-29.2%	-54.1%	-26.3%	-10.2%	0.0%	5.4%	29.5%
ROIC (adj.) - WACC		-208.2%	-172.6%	-39.8%	-46.4%	-30.1%	-16.2%	-8.4%	-4.6%	14.1%
MARKET VALUE	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share price (SEK)		10.2	9.20	18.9	23.0	20.4	14.6	9.60	9.60	9.60
No. shares reduced by buybacks (m)			4.5	4.5	4.6	5.6	5.6	5.6	5.6	5.6
Mkt cap used in EV (m)			41	84	107	115	82	54	54	54
Net debt, year-end (m)	#BadRatio	#BadRatio	#BadRatio	#BadRatio	#BadRatio	#BadRatio	#BadRatio	#BadRatio	#BadRatio	#BadRatio
MV of min/ass and oth (m)		-0	-0	-0	-0	-0	-0	-0	-0	-0
Enterprise value (m)			38	86	111	112	86	61	61	60
VALUATION	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EV/sales (x)			2.51	5.03	6.04	5.38	4.17	2.92	2.23	1.52
EV/EBITDA (x)			n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	56.0	9.0
EV/EBITA (x)			n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	56.0	9.0
EV/EBIT (x)			n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	60.6	9.1
P/E (reported) (x)			n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	60.8	9.3
P/E (adj.) (x)			n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	60.8	9.3
P/BV (x)			6.10	17.1	37.6	6.49	5.15	3.38	3.20	2.38
EV/invested capital (x)			11.3	12.1	14.7	7.7	4.3	2.7	2.6	2.1
Dividend yield										3.56%
Total yield (incl. buybacks)										3.56%
FCFE-yield			-15.04%	-8.27%	-0.46%	-10.05%	-7.82%	-5.39%	0.98%	1.20%
FINANCIAL RATIOS	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net debt/EBITDA (x)		4.1	0.6	-1.5	-1.8	1.3	-3.6	87.1	6.0	0.9
Net debt/equity (x), year-end		-0.8	-0.5	0.5	1.7	-0.2	0.3	0.4	0.4	0.3
Dividend payout ratio			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.0%
Interest coverage (x)		-22.7	n.m.	-28.0	-6.0					
Cash conversion (FCF/net profit)		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	59.5%	11.1%
Capex/sales		0.4%	0.5%	0.3%	0.7%	19.8%	19.8%	17.3%	19.1%	13.4%
NWC/sales		17.3%	21.4%	40.6%	39.8%	49.1%	56.5%	52.9%	23.3%	16.0%
QUARTERLY P&L			Q1 19	Q2 19	Q3 19	Q4 19	Q1 20E	Q2 20E	Q3 20E	Q4 20E
Sales (m)			6	6	5	4	6	5	5	5
EBITDA (m)			-0	0	0	-1	1	-0	-0	-0
EBIT before non-recurring items (m)			-0	0	0	-1	1	-0	-0	-0
Net profit (adj.) (m)			-1	0	0	-1	1	-0	-0	-0
EPS (adj.) (SEK)			-0.43	0.14	0.01	-1.17	0.90	-0.25	-0.27	-0.38
EBITDA margin			-6.7%	4.0%	1.4%	-25.1%	18.0%	-5.7%	-6.8%	-7.3%
EBIT margin (adj.)			-6.7%	4.0%	1.4%	-29.2%	18.0%	-5.7%	-6.8%	-8.8%

Source: Company data, Danske Bank Equity Research estimates

Disclosures

This commissioned research report has been prepared by Equity Research, a division of Danske Bank A/S ('Danske Bank'). The authors of this research report are Siri Ladow and Carolina Elvind.

This commissioned research report should be considered marketing material, as it has been requested and paid for by Zenicor and has therefore not been prepared in accordance with the legal requirements designed to promote the independence of investment research. However, the report is still subject to prohibition on dealing ahead of the dissemination of the report.

Analyst certification

Each research analyst responsible for the content of this commissioned research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's commissioned research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence from outside influences. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity of research and independence from outside influence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank, its affiliates, subsidiaries and staff may perform services for or solicit business from Zenicor and may hold long or short positions in, or otherwise be interested in, the financial instruments mentioned in this research report. The Equity and Corporate Bonds analysts of Danske Bank and undertakings with which the Equity and Corporate Bonds analysts have close links are, however, not permitted to invest in financial instruments that are covered by the relevant Equity or Corporate Bonds analyst or the research sector to which the analyst is linked.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to Zenicor and have whatever rights as are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding Zenicor that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

Danske Bank is a market maker and a liquidity provider and may hold positions in the financial instruments of the issuer(s) mentioned in this research report.

Parts of this research report have been disclosed to Zenicor for factual check.

As an investment bank, Danske Bank, its affiliates and subsidiaries provide a variety of financial services, including investment banking services. It is possible that Danske Bank and/or its affiliates and/or its subsidiaries might seek to become engaged to provide such services to Zenicor in the next three months.

Financial models and/or methodology used in this research report

Investment views and opinions in this research report are formed on the basis of a combined selection of discounted cash flow analysis, industry knowledge, peer group analysis and company-specific and market technical elements (events affecting both the financial and operational profile of the company). Forecasting of company sales and earnings is based on segmented bottom-up models using subjective views of relevant future market developments. In addition, the expected macroeconomic environment is taken into account. The output is aggregated into models for group profit and loss, balance sheets and cash flow estimates – all taking into account the recent development in historical research reports.

More information about the valuation and/or methodology and the underlying assumptions is accessible via www.danskebank.com/equityresearch.

Risk warning

Major risks connected with investment views or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

This research product will be updated on a semi-annual basis as a minimum.

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the back page of this research report for the date and time of first dissemination.

Recommendation structure

This report does not have a target price or a buy/sell recommendation but it does include a valuation discussion and a suggested valuation range.

Not for US distribution

Validity time period

This communication as well as previous communications referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

General disclaimer

This commissioned research report has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This commissioned research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this commissioned research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this commissioned research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this commissioned research report.

This commissioned research is not intended for, and may not be redistributed to, retail customers in the United Kingdom and may under no circumstances be distributed in the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 19 May 2020 at 11:19 CEST
Report disseminated: 19 May 2020 at 15:30 CEST

Not for US distribution