



# PARAGON

**paragon GmbH & Co. KGaA**  
**2022 Annual Report & Q1/2023 Results**

Delbrück | May 24, 2023

"paragon's revenue increases by 18.4%  
in 2022"

"paragon's revenue increases by 14.6%  
in the first three months 2023"







"Sale of paragon semvox to CARIAD  
closed"

# paragon in a Nutshell

<p>&gt;20% of 1,000 employees in R&amp;D</p>	<p>85% Single-Source share</p>	<p>Pure Automotive!</p>	
<p>Market Leader &gt; 300 different electronic and electromechanical systems and products</p>		<p>Every 7th vehicle is equipped with paragon technology Globally</p>	<p>10 Locations worldwide</p>
<p>35yrs Experience founded 1988</p>	<p>&gt;30 OEMs served as Tier 1</p>	<p>&gt; 220 Vehicle Types with paragon technology</p>	<p>1st Tier Supplier</p>



# 35 Years of Automotive Experience

<p><b>1988</b></p>  <p>Founded as electronics manufacturer in Delbrueck</p>	<p><b>1993</b></p> <p>Launch of sensor development and production</p> 	<p><b>2000s</b></p> <p>paragon's IPO and various acquisitions</p> 	<p><b>2011</b></p> <p>Development of modular system for electromobility</p> 	<p><b>2017</b></p> <p>Voltabox IPO</p>  	<p><b>2019 -2021</b></p> <p>Voltabox's losses burdened the consolidated report of paragon heavily</p>	<p><b>2021</b></p> <p>Sale of all shares in</p>  <p>New business unit: Power</p>	
	<p><b>1991</b></p> <p>Plant in Zella-Mehlis</p>	<p><b>1995</b></p> <p>New production plant in Suhl</p> 	<p><b>2012</b></p> <p>New business unit: kinematics</p> 	<p><b>2015</b></p> <p>Opening of paragon Kunshan in China</p> 	<p><b>2017</b></p> <p>Acquisition of HS Genion</p>	<p><b>2018</b></p> <p>Acquisition of SemVox and LPG</p>  	<p><b>2023</b></p> <p>Business Unit Digital Assistance sold to CARIAD SE</p>

# Seasoned Management Team



**Klaus Dieter Frers**  
CEO and Founder

**Education:**

- Degree in mechanical engineering from the University of Stuttgart, majoring in motor vehicles

**Previous experience:**

- Various industry patents granted and awards received for his entrepreneurial activities
- 45 years industry experience
- Founder of sports car manufacturer Artega in 2006 (sold in 2022)
- 1983-1987: Nixdorf Computer AG
- 1978-1983: AEG-Telefunken



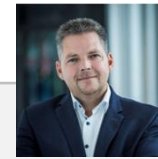
**Dr. Martin Esser**  
CFO

**Education:**

- Doctorate in business administration at HHU Dusseldorf
- Degree in business administration from the HHU Dusseldorf
- German CPA and Tax Advisor

**Previous experience:**

- Since 2020, CFO and member of paragon's executive board
- 2010-2020: CFO of Neapco Europe (automotive supplier)
- 2000-2010: Auditor at Warth & Klein and Susat & Partner



**Carsten Roch**  
CTO

**Education:**

- Degree in computer science from the University of Dortmund

**Previous experience:**

- Since 2023, CTO and member of paragon's executive board
- 2003-2023: Hella GmbH & Co. KGaA, most recently senior vice president automated driving / driving assistance systems
- 1994-2003: Process / project manager / head of technology in the telecommunications industry



**Norbert Nadrowski**  
COO

**Education:**

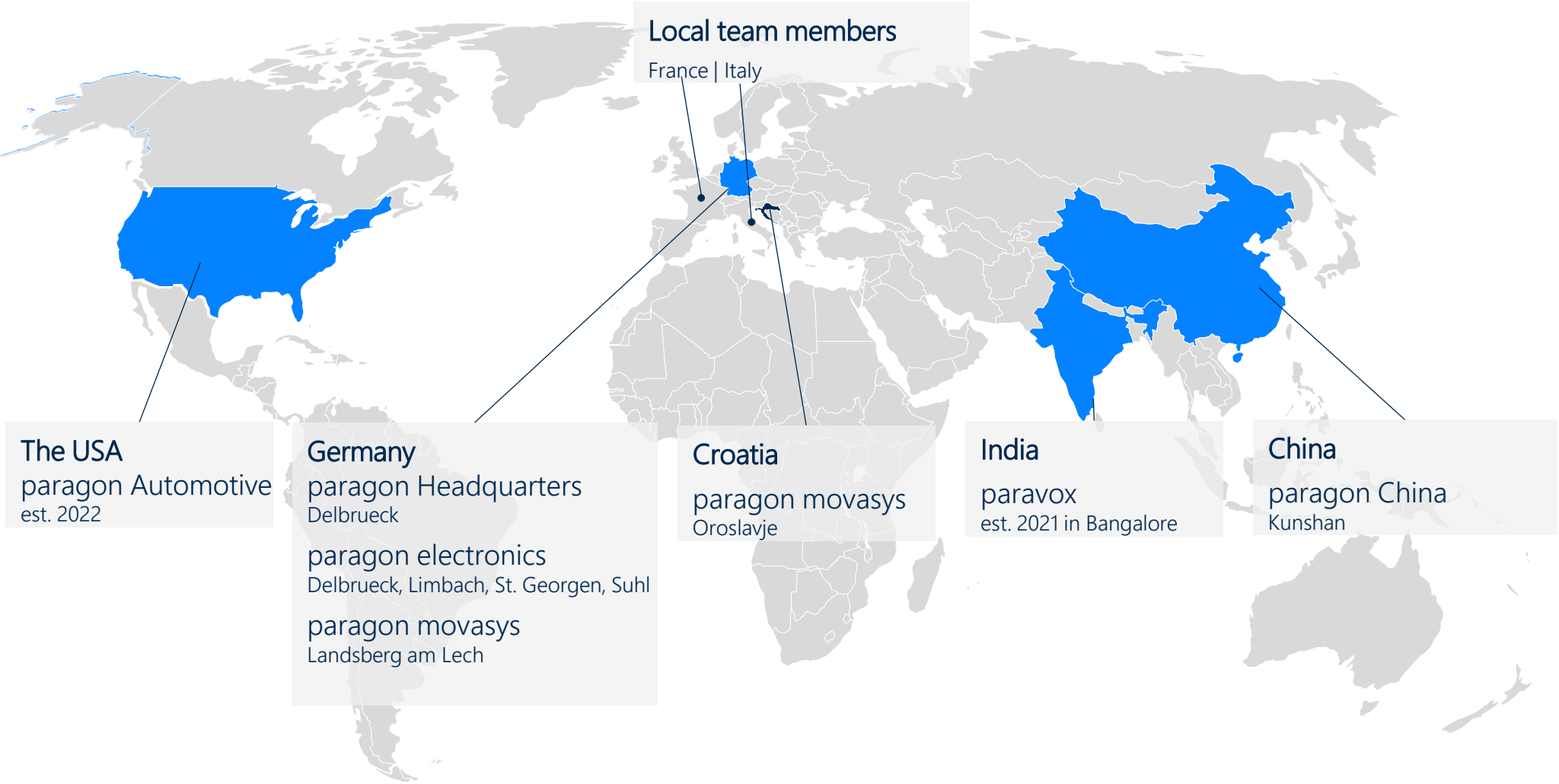
- Degree in business administration from VWA Dortmund

**Previous experience:**

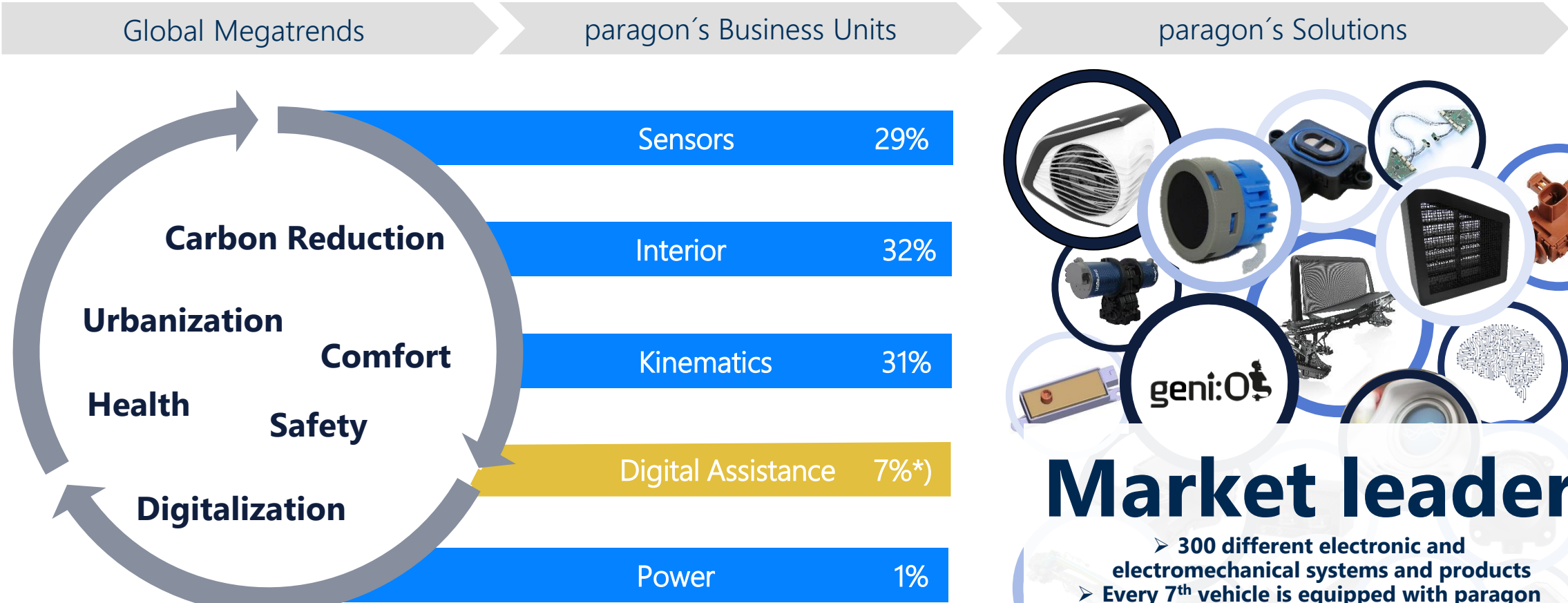
- Since 2008, head of operations and member of paragon's executive board
- 1980-2008: AB electronic, most recently head of purchasing / materials management



# Global Footprint



# paragon addresses Global Megatrends

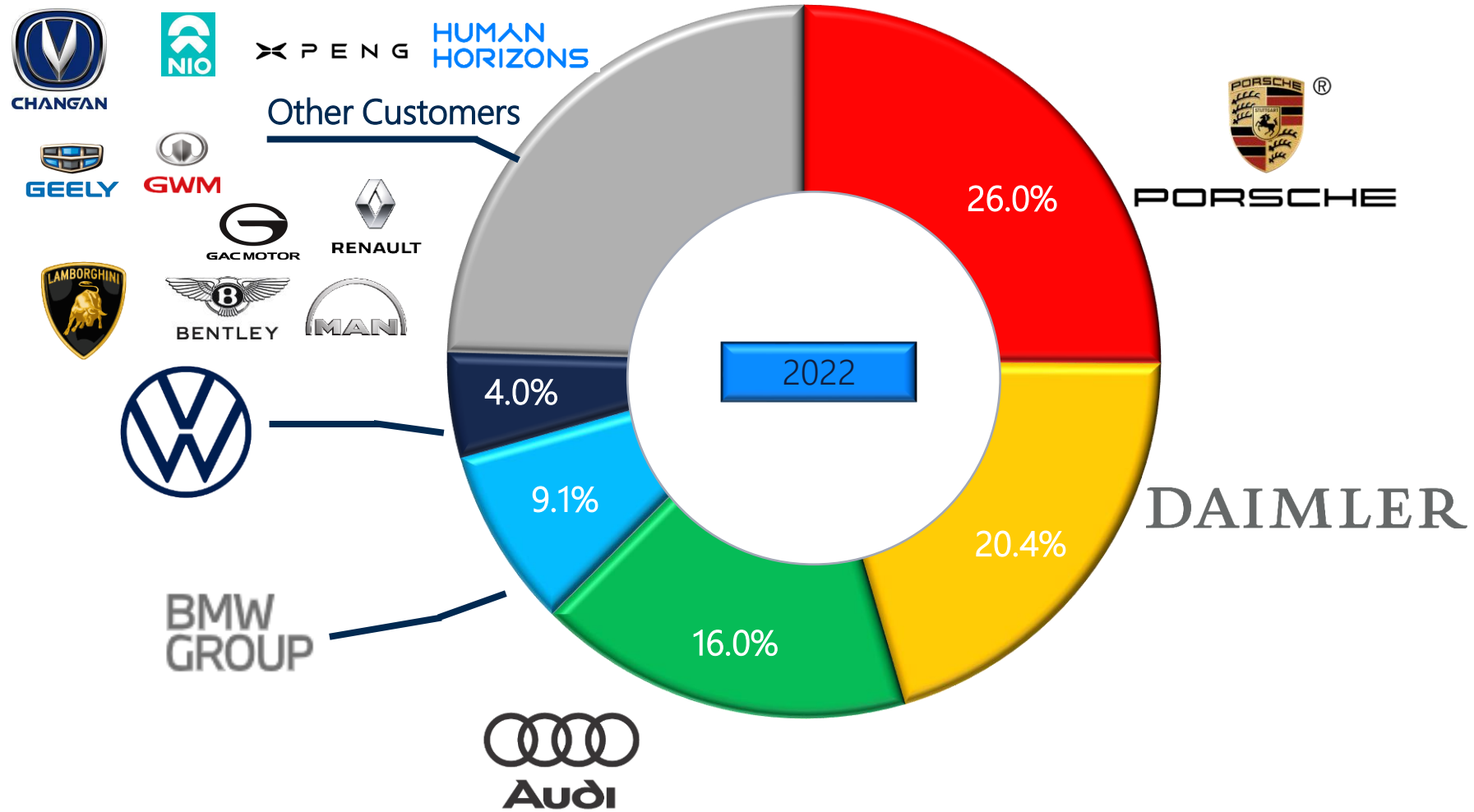


\*) Discontinued operations

**Market leader**

- 300 different electronic and electromechanical systems and products
- Every 7<sup>th</sup> vehicle is equipped with paragon technology globally

# paragon's Premium Automotive Customers 2022





## P&L Development paragon – Full Year 2022

<b>Income Statement in EURm</b>	<b>2021</b>	<b>2022</b>
Revenues	135,4	160,3
Other own work capitalized	4,8	5,1
Change of finished goods	0,4	0,4
Other operating income	4,3	4,6
<b>Total operating performance</b>	<b>144,9</b>	<b>170,4</b>
Costs of materials	-72,5	-94,6
Personnel expenses	-37,7	-41
Other operating expenses	-19,6	-23,2
<b>EBITDA</b>	<b>15,1</b>	<b>11,6</b>
Depreciation & amortization	-16,8	-14,6
<b>EBIT</b>	<b>-1,7</b>	<b>-3,0</b>
EBITDA paragon semvox	4,9	4,7
<b>Group EBITDA</b>	<b>20,0</b>	<b>16,3</b>

Increase of revenues (+18.4%) in 2022

Top line does not include revenues of paragon semvox GmbH amounting to EUR 12.9m

EBITDA at group level at EUR 16.3m influenced by various one time non cash effects (as already communicated in the quarterly results):

- unrealized currency losses: EUR 1.1m
- sale of Aachen activities EUR 0.5m,
- sale of a vacant production facility EUR 1.8m

## P&L Development paragon Automotive

<b>Income Statement in EURm</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>semvox</b>	<b>w/o semvox</b>
Revenues	127,2	146,9	173,0	12,7	160,3
Other own work capitalized	4,9	7,4	9,5	4,4	5,1
Change of finished goods	-8,5	0,4	0,5	0,1	0,4
Other operating income	2,7	4,8	4,9	0,3	4,6
<b>Total operating performance</b>	<b>126,4</b>	<b>159,5</b>	<b>187,9</b>	<b>17,5</b>	<b>170,4</b>
Costs of materials	-61,6	-72,9	-94,9	-0,3	-94,6
Personnel expenses	-34,3	-44,6	-51,1	-10,1	-41
Other operating expenses	-16,7	-22	-25,6	-2,4	-23,2
<b>EBITDA</b>	<b>13,8</b>	<b>20</b>	<b>16,3</b>	<b>4,7</b>	<b>11,6</b>
Depreciation & amortization	-24,4	-19,2	-16,6	-2,0	-14,6
<b>EBIT</b>	<b>-10,6</b>	<b>0,8</b>	<b>-0,3</b>	<b>2,7</b>	<b>-3</b>

paragon semvox GmbH = discontinued business operation in acc. IFRS 5

Increase of revenues (+17.7%) in 2022

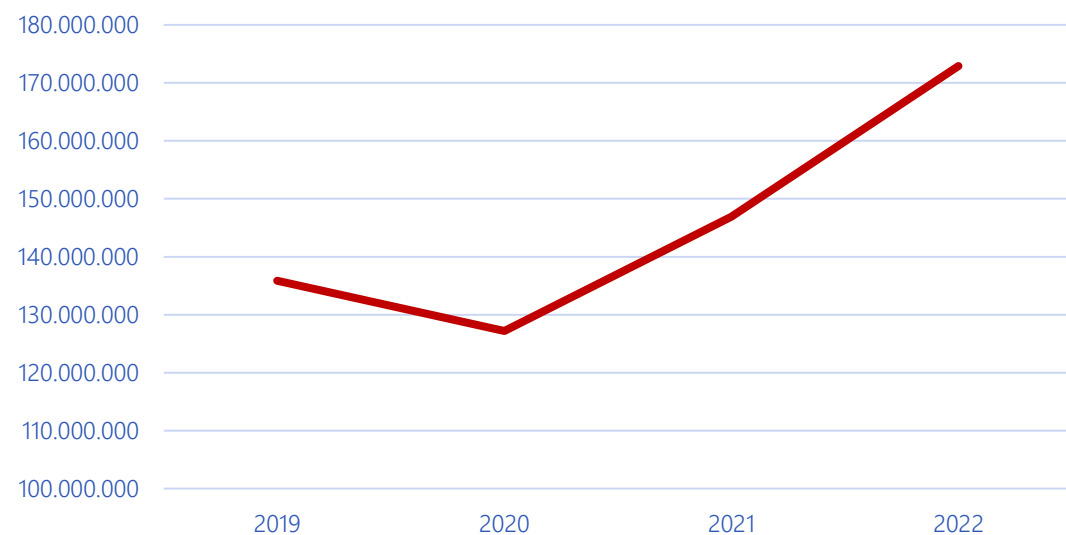
EBITDA in 2022 impacted by one-time effects..

# Impressive Revenue Growth since 2017

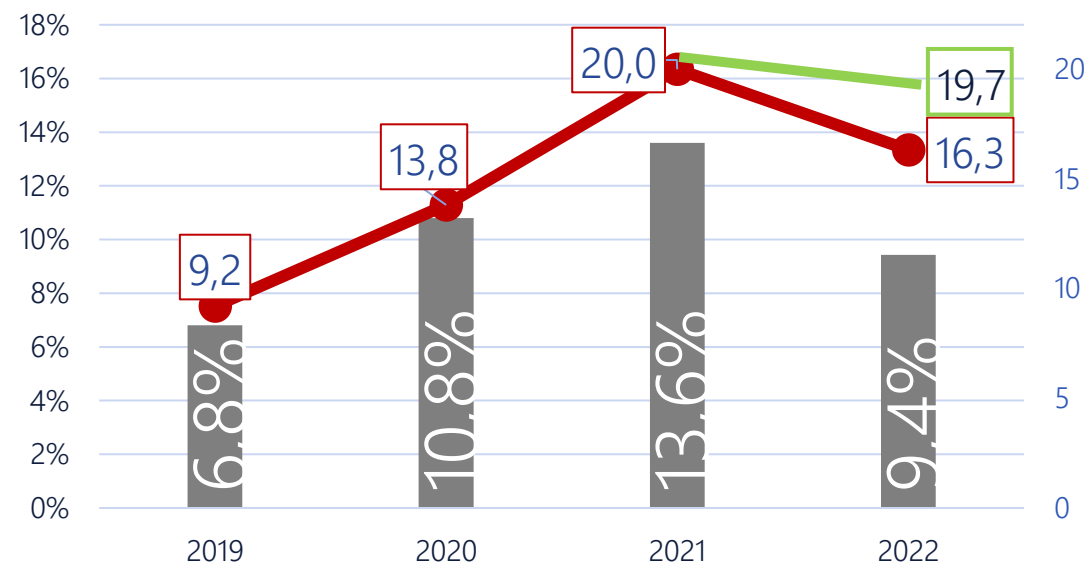


# paragon's Growth Path since Corona

**Revenues 2022: +27.2% compared to 2019**



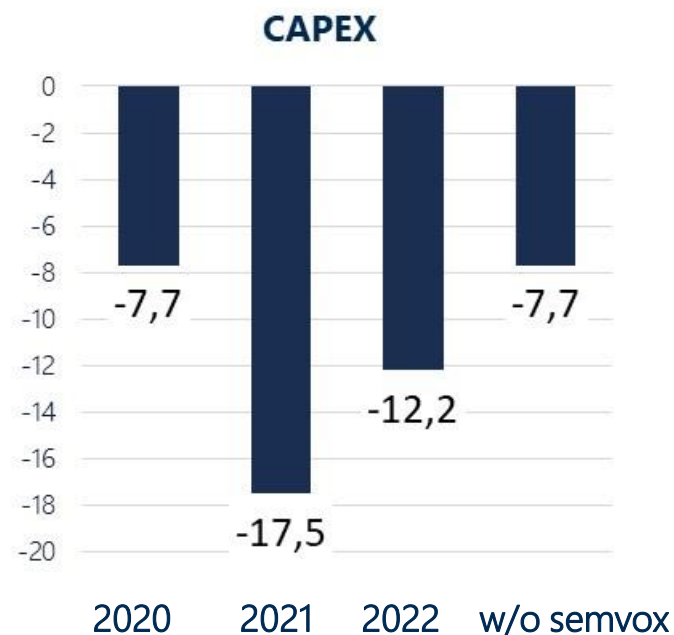
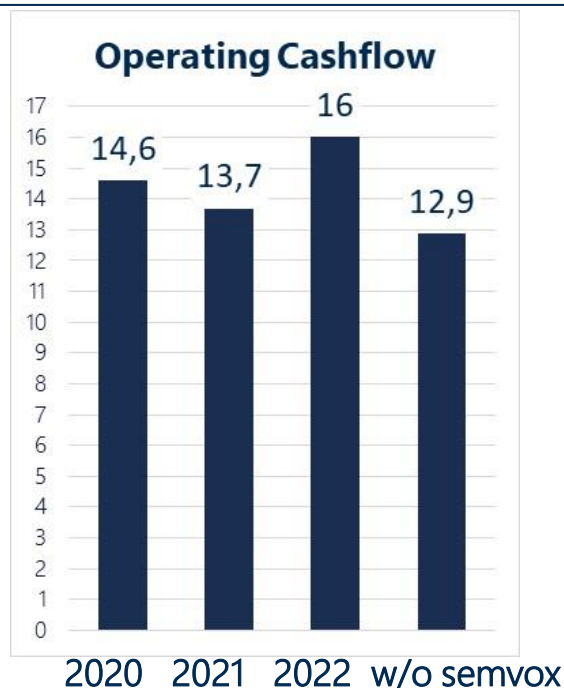
**EBITDA margin (one time effects in 2022)**



Plus one time effects amounting to EUR 3.4m

# Cost Reductions and Efficiency Increases show Effect

Free cashflow amounting to EUR 5.2m in 2022. Prior year impacted by acquisition of FSD technology (EUR 7.8m).



## 2022: Headcount Development

Distribution of permanent employees at Group sites:

	Dec. 31, 2022	Dec. 31, 2021	Change in %
Delbrück (corporate headquarters, North Rhine-Westphalia)	160	187	-14.4%
Aachen (North Rhine-Westphalia)	0	7	-100.0%
Landsberg am Lech (Bavaria)	122	102	19.6%
Nuremberg (Bavaria)	2	2	0.0%
Limbach (Saarland)	60	63	-4.8%
St. Georgen (Baden-Württemberg)	39	34	14.7%
Suhl (Thuringia)	259	256	1.2%
<b>Total in Germany</b>	<b>642</b>	<b>651</b>	<b>-1.4%</b>
Kunshan (China)	51	43	18.6%
Oroslavje (Croatia)	16	15	6.7%
Bangalore (India)	20	11	81.8%
<b>Total abroad</b>	<b>87</b>	<b>69</b>	<b>26.1%</b>
<b>Total continuing operations</b>	<b>729</b>	<b>720</b>	<b>1.3%</b>
Limbach (Saarland)	132	106	24.5%
Nuremberg (Bavaria)	17	9	88.9%
<b>Total in Germany</b>	<b>149</b>	<b>115</b>	<b>29.6%</b>
Other European Countries(France, Austria, Italy, Netherlands)	4	4	0.0%
<b>Total abroad</b>	<b>4</b>	<b>4</b>	<b>0.0%</b>
<b>Total discontinued operations</b>	<b>153</b>	<b>119</b>	<b>28.6%</b>
<b>Total Group</b>	<b>882</b>	<b>839</b>	<b>5%</b>

▶ Activities in Aachen were sold

▶ Number of employees working in Landsberg increased due to concentrating of all kinematics products in Landsberg

▶ Number of employees working in the business unit digital assistance increased by 28.6%

▶ Permanent employees increased only by 5.0% despite an increase in revenue of 17.7% at group level

# Q1/2023: Financial Highlights in a Nutshell

Robust business model

Further work on refinancing / debt reduction

Revenues up by  
14.6% compared  
to Q1/2022

Group EBITDA at  
EUR 5.1m

Revenue forecast  
for 2023  
confirmed at  
EUR 170m

Repayment of CHF-  
bond in April 2023

Sale of paragon  
semvox to CARIAD  
closed

## P&L Development paragon – First Quarter

<b>Income Statement in MEUR</b>	<b>Q1/2022</b>	<b>Q1/2023</b>
Revenues	39,0	44,7
Other own work capitalized	1,8	0,1
Change of finished goods	0,2	-0,8
Other operating income	1,0	1,7
<b>Total operating performance</b>	<b>42,0</b>	<b>45,7</b>
Costs of materials	-22,7	-25,4
Personnel expenses	-10,3	-11,1
Other operating expenses	-5,2	-5,4
<b>EBITDA</b>	<b>3,8</b>	<b>3,8</b>
Depreciation & amortization	-3,4	-3,3
<b>EBIT</b>	<b>0,4</b>	<b>0,5</b>
EBITDA paragon semvox	1,1	1,2
<b>Group EBITDA</b>	<b>5,0</b>	<b>5,1</b>

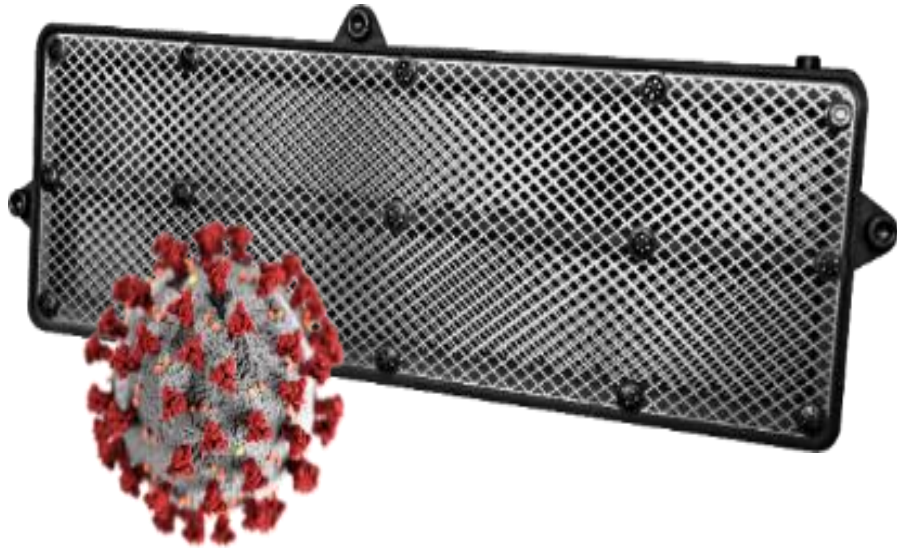
Increase of revenues (+14.6%) in Q1/2023

Top line does not include revenues of paragon semvox GmbH

EBITDA at group level at EUR 5.1m



## Recent Business Wins



### Sensoric

- Anti-Virus-Filter DUSTPROTECT
- 3<sup>rd</sup> order in the last 12 months
- Lifetime revenue for this 3<sup>rd</sup> order > EUR 10m

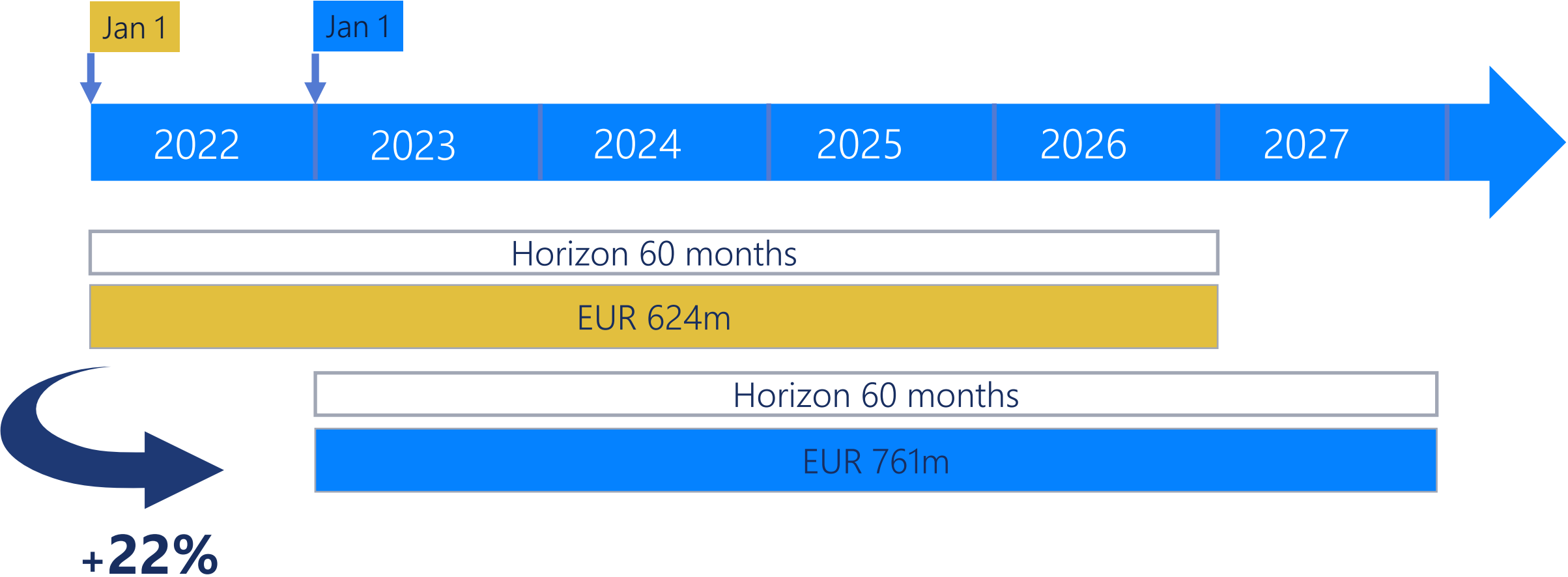
## Recent Business Wins



### Power

- Lithium Ion battery for an European Premium OEM
- LIN-Bus-Interface
- Start of production in our Delbrück plant in Summer 2023
- Lifetime revenues > EUR 40m

# Booked Business for the next five Years



## Update paragon

# Sale of paragon semvox GmbH to CARIAD SE

- Notary deed signed on December 1, 2022
- All anti-trust approvals received until end of April 2023
- Closing on May 12, 2023
- Purchase price is EUR 43m
- Agreement with CARIAD SE is “cash and debt free”
- Main deduction is the bank loan from Bank 1 Saar amounting to EUR 3m
- First instalment of EUR 34.5m was paid on May 12, 2023
- Remaining funds will be received end of June / beginning of July after agreement on the “closing accounts”
- Conservative assumption: EUR 40m purchase price

# Acquisitions in 2017 and 2018 were financed via Debt

THIS GLOBAL NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS GLOBAL NOTE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA (INCLUDING THE STATES AND THE DISTRICT OF COLUMBIA) OR ITS TERRITORIES OR POSSESSIONS AND OTHER AREAS SUBJECT TO ITS JURISDICTION OR TO U.S. PERSONS, UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA) WHO HOLDS THIS OBLIGATION, DIRECTLY OR INDIRECTLY, WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA.

**DAUER-GLOBALURKUNDE**

ISIN: DE000A2GSB86 / WKN: A2GSB8

der

**paragon GmbH & Co. KGaA**  
(die „Emittentin“)

über

**EUR 50.000.000,00**  
(in Worten: Euro fünfzig Millionen)

**Inhaberschuldverschreibung von 2017/2027**  
eingeteilt in 50.000 Inhaberteilschuldverschreibungen zu je EUR 1.000,00.

Diese Globalurkunde verbrieft die Inhaberschuldverschreibung der paragon GmbH & Co. KGaA, Delbrück/Deutschland, gemäß den beigefügten Anleihebedingungen (in der Fassung der Beschlüsse der Gläubigerversammlung vom 10. März 2022).

Die Emittentin verpflichtet sich, nach Maßgabe der Anleihebedingungen an den Inhaber dieser Globalurkunde die hierauf nach den Anleihebedingungen zahlbaren Beträge zu zahlen. Die in dieser Globalurkunde verwendeten Begriffe haben die gleiche Bedeutung wie in den Anleihebedingungen.

Die jeweilige Valutierung der Global-Inhaberschuldverschreibung ergibt sich aus der jeweils aktuellen EDV-Dokumentation der Clearstream Banking AG, Frankfurt am Main.

Für die jeweilige Zinszahlung ist kein Sammel-(Global-)Zinsschein beigefügt. Der Inhaber dieser Urkunde ist berechtigt, die sich aus der Urkunde ergebenden Zinsansprüche zum jeweiligen Fälligkeitstermin geltend zu machen.

Die Gläubiger haben lediglich Miteigentumsanteile an dieser Globalurkunde über EUR 1.000,00 oder einem Mehrfachen davon.

Diese Globalurkunde unterliegt deutschem Recht.

Die Globalurkunde dient ausschließlich der Hinterlegung bei der Clearstream Banking AG, Frankfurt am Main. Ansprüche auf Lieferung von Einzelurkunden können für die gesamte Dauer der Laufzeit nicht geltend gemacht werden.

Delbrück, im Juni 2022

paragon GmbH & Co. KGaA  
(vertreten durch ihre persönlich haftende Gesellschafterin paragon GmbH)  
Klaus Dieter Frers  
(Geschäftsführer)

EU-#484678399-v1

Prospekt vom 4. April 2019

**PARAGON®**

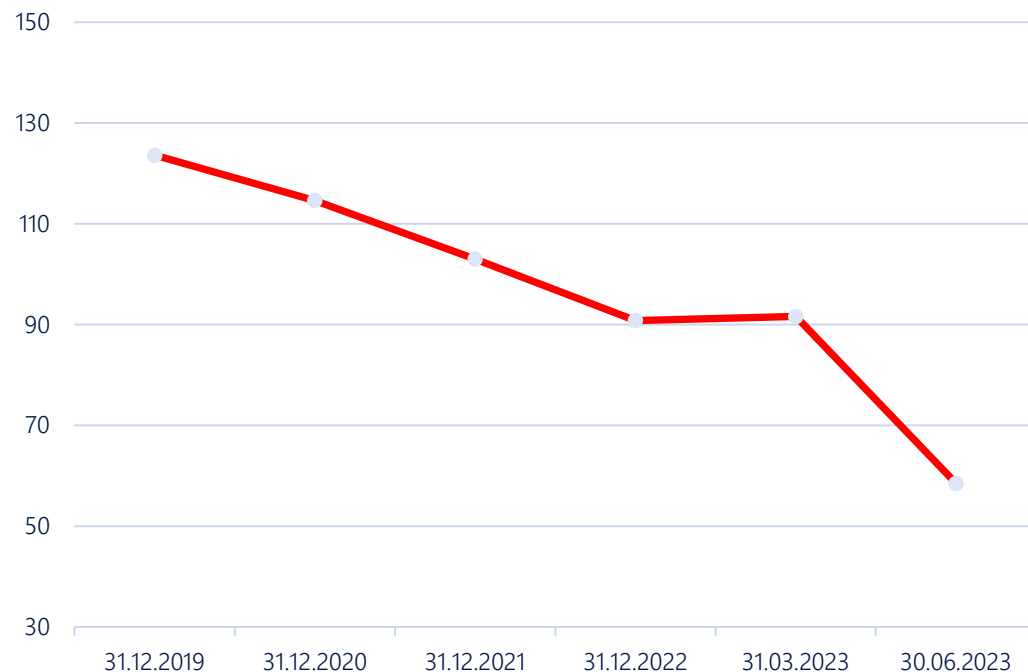
**paragon GmbH & Co. KGaA**  
Delbrück, Bundesrepublik Deutschland

**4 % Anleihe 2019 – 2024 von CHF 35'000'000**

<b>Name und Sitz der Emittentin</b>	paragon GmbH & Co. KGaA, Artegastr. 1, 33129 Delbrück, Deutschland
<b>Emissionsbetrag</b>	CHF 35'000'000
<b>Coupon</b>	4 % p.a., zahlbar jährlich am 23. April, erstmals am 23. April 2020
<b>Emissions- und Platzierungspreis</b>	100,00 %. Der Lead Manager hat die Anleihe zum Preis von 100,00 % des Nennwertes (abzüglich Kommissionen) fest übernommen.
<b>Laufzeit</b>	5 Jahre, fest
<b>Liberierung</b>	23. April 2019
<b>Rückzahlung</b>	23. April 2024, zum Nennwert
<b>Vorzeltige Rückzahlung</b>	Issuer Call zu 102 % per 23. April 2022 und zu 101 % per 23. April 2023, sowie jederzeit zu 100 % aus Steuergründen, Clean-up Call zu 100 % (falls 20 % oder weniger als 20 % des Nominalwerts ausstehend).
<b>Definitive Konditionen</b>	Die definitiven Konditionen dieser Anleihe (Emissionsbetrag und Coupon) werden spätestens am 5. April 2019 festgelegt.
<b>Zusicherungen</b>	Pari-Passu-Klausel, Negativklausel (mit Ausnahmen), Verzugsklausel einschliesslich Cross-Default-Klausel (mit Ausnahmen), Kontrollwechselklausel, Financial Covenants (Mindesteigenkapitalquote, Ausschüttungsbeschränkung)
<b>Stückelung</b>	CHF 5'000 Nennwert und ein Mehrfaches davon
<b>Verbriefung</b>	Die Obligationen und alle damit verbundenen Rechte werden in einer Globalurkunde auf Dauer im Sinne von Art. 973c OR verbrieft. Dem Obligationär wird während der ganzen Laufzeit der Anleihe kein Recht auf Aushandigung einer Einzelurkunde eingeräumt.
<b>Aufstockung</b>	Die Emittentin behält sich das Recht vor, den Betrag dieser Anleihe jederzeit ohne Zustimmung der Obligationäre aufzustocken, durch Ausgabe weiterer mit dieser Basistranche fungibler Obligationen.
<b>Kotierung / Handel</b>	Die Zulassung der Obligationen dieser Anleihe zur offiziellen Kotierung an der SIX Swiss Exchange AG wird beantragt. Die provisorische Zulassung erfolgt am 23. April 2019. Letzter Handelstag ist vorbehaltlich einer vorzeitigen Rückzahlung der Anleihe der 19. April 2024.
<b>Risiken</b>	<b>Potenzielle Investoren sollten sämtliche in diesem Prospekt enthaltenen Informationen und insbesondere die ab S. 7 dieses Prospektes aufgeführten Risikoinhalte unter Berücksichtigung ihrer finanziellen Situation, ihrer Anlagestrategie und -ziele sowie der weiteren relevanten Umstände sorgfältig prüfen.</b>
<b>Anwendbares Recht / Gerichtsstand</b>	Schweizer Recht / Zürich
<b>Verkaufsbeschränkungen</b>	Insbesondere USA, U.S. Personen, Vereinigtes Königreich und Europäischer Wirtschaftsraum
<b>Valor / ISIN / Ticker</b>	41904110 / CH0419041105 / PAR19

**Lead Manager**  
**Helvetische Bank AG**

# Clear Strategy to Reduce Debt Burden



Net Debt in EURm

1

Net debt reduced from EUR 123.6m end of 2019 by 26% to EUR 91.6m end Q1/2023

2

Further reduction of net debt burden to EUR 58.5m as of today via full **repayment of CHF-bond** (net debt reduced by 53% compared to end of 2019)

3

Remaining net debt as of today consists of app.

- EUR 45.2m EUR-bond
- EUR 6.0m Credit facility
- EUR 7.3m Long term bank loan

paragon will use the improved gearing to restructure the net debt in the upcoming months incl. bond repurchasing programs

**Rödl & Partner**







# Rödl & Partner

## Angebot für die Jahres- und Konzern- abschlussprüfung

paragon GmbH & Co. KGaA  
Geschäftsjahr 2023

**PARAGON®**

# Business Units addressing Megatrends

<p>Business Unit</p> <h2>Sensors</h2> 	<p>Business Unit</p> <h2>Interior</h2> 	<p>Business Unit</p> <h2>Kinematics</h2> 
<p>Business Unit</p> <h2>Digital Assistance</h2> <p>Sold to CARIAD SE Closing May 2023</p> 	<p>Business Unit</p> <h2>Power</h2> 	<h2>China</h2> 



## paragon in China

- Located in the German Industrial Park in Kunshan (45 min from Shanghai)
- Awarded as Innovation Company from Kunshan Government
- 4,000 m<sup>2</sup> with cleanroom production area
- Certificate: IATF 16949, ISO 14001
- Local R&D and industrialization team
- In house laboratory for product analysis and environmental tests



### USPs

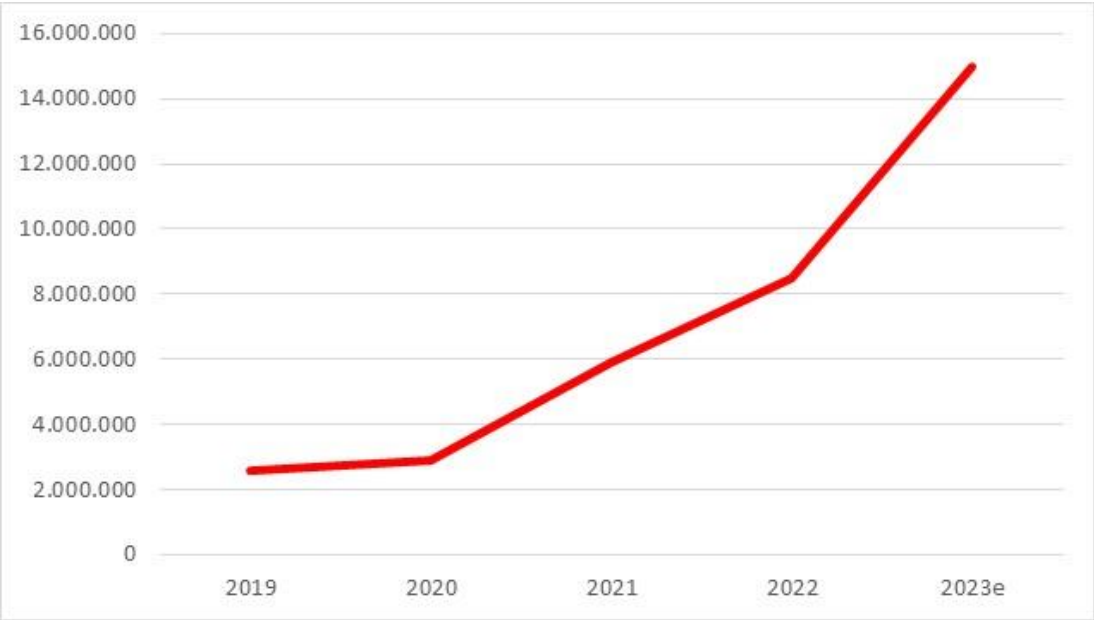
- + Innovative State of the Art Product portfolio
- + Competence of world market leader
- + Partnership with Customer

### History/Status/Timeline:

- |      |   |
|------|---|
| 2015 | Facility foundation                                 |
| 2021 | Nomination of 1. Spoiler & Electronic Filter System |
| 2022 | Nomination of three more Spoiler Systems            |
| 2023 | Movement to new Factory                             |

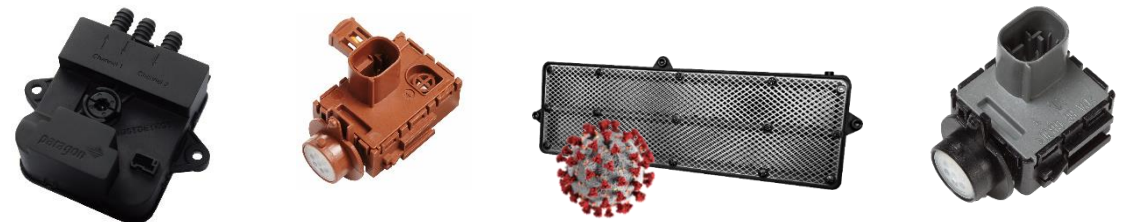
# China Strategy: Local for Local

## Growth path with Chinese Customers



## Clean Cabin Air

- ▶ **Air Quality Sensors (AQS)**  
Detects harmful gases such as diesel vapors and prevents, that these gases pass the air conditioning system and get into the vehicle.
- ▶ **Air Quality Improver (AQI)**  
Fine dusts, gases and smells are bound by oxygen ions – the system contributes to the wellbeing and safety of the vehicle’s passengers.
- ▶ **Particulate Matter Sensor DUSTDETECT**  
Measures the ultra fine dust particles in the vehicle interior and exterior. This input is shared with the HV Plasma Filter and allows a clean vehicle interior for a better passenger’s health.
- ▶ **Electronic Filter DUSTPROTECT**  
Reduction of the fine dust particle upto 95% in the vehicle interior by (de)activating the HV plasma filter – also effective against corona viruses

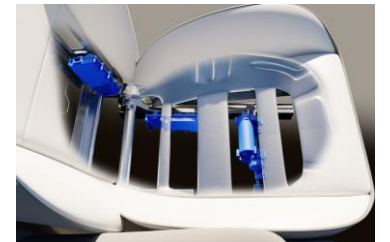


## Range Extension by Optimized Aero

- ▶ **Spoilers**  
Steplessly adjustable spoiler kinematics reduce air resistance and thus CO2 emissions of vehicles with combustion engines, or increase the range of electric cars through aerodynamically optimised driving behaviour.
- ▶ **Special Mechanics**  
Seat Components  
Ergonomic enhancement through electric seat depth adjustment, seat backrest adjustment, seat adjustment, seat height adjustment and neckrest height adjustment

Automatically adjustable 3D Wind Deflector and linkage flaps for windshots and side panels.

LiDAR Kinematics for roof and side to drive inside & outside new LiDAR sensors



## Recent Business Wins with local Chinese Customers



**Nio Model EC7**



**Human Horizons Hiphi Z**

# Actual Research Reports show High Upside Potential

## paragon Group

Auto Parts / Germany

### Integrating the sale of semvox

German automotive group with a Chinese focus - 08/12/2022

**Change in Target Price**

€ 15.4 vs 15.2 **+0.88%**

paragon announced the sale of its AI subsidiary paragon semvox to VW's software company CARIAD for €40m (i.e. 1.3x the market cap of paragon at the time of the announcement, while the business unit accounted for c.8% of group revenues).

The divestment comes as a surprise, as AI represented huge growth potential for the group. Positively, the proceeds from the sale should help to alleviate the tight financial situation. Up until now, we had assumed that paragon would resort to a recapitalisation by the end of the year, as the group had said that it was considering a capital increase of €20-30m in its March 2022 presentation. The sale of semvox, although unexpected, should meet the upcoming debt maturities.

All in all, our update resulted in a modest increase in the target price, as the positive effect of the suppression of the previously planned capital increase was virtually offset by the negative effect of the loss in value linked to the sale of paragon semvox (huge growth potential).

**Change in EPS**

2022 : € 0.80 vs 0.64 **+24.6%**  
2023 : € 1.13 vs 1.16 **-2.64%**

Our EPS forecast for FY22e increased on the back of a lower number of shares, as we have suppressed the planned capital increase in our forecasts and replaced it with the proceeds from the sale of semvox.

We have re-adjusted our FY23e margin estimate on a lower revenue basis. EBITDA margin is now 16.0% (vs 15.5% previously), while EBITDA margin is 16.0% (vs 15.5% previously). The FY23e EBITDA margin is now 16.0% (vs 15.5% previously).

**Change in DCF**

€ 28.0 vs 27.0 **+3.57%**

Our DCF increased as the €40m cash inflow from the sale of paragon semvox replaced the previously planned capital increase in our forecasts. Thus, the valuation is now based on a lower number of shares. The FCF in connection with the afore-mentioned divestment should generate sufficient funds to repay the upcoming debt maturities (the April 2023 repayment of the CHF21m bond and the €5m partial repayment of the EUR bond).

## Baader Europe

**Buy** Upside : **196%**

Target Price (6 months) € 15.4  
Share Price € 5.20  
Market Cap: €M 23.5  
Price Momentum **GOOD**  
Extremes 12Months 3.74 ▶ 8.26  
Fundamental Strength 0  
Bloomberg PGN GY Equity  
Reuters PCNG.DE

[Download Full Analysis](#) [Company Page](#)

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PERF	1w	1m	3m	12m
paragon Group	10.4%	27.8%	-5.1%	-34.8%
Autos	-1.78%	3.76%	7.13%	-12.1%
Stoxx Index	-0.84%	4.43%	6.19%	-8.82%

**Sector Opinion** **Overweight**

Strongest upside paragon Group  
Worst potential Renault

[Complete Sector Analysis](#)

Last updated: 08/12/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	-15.0	6.48	4.59	2.61
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	8.08	5.30	3.03	2.18
Adjusted EPS (€)	-0.66	0.80	1.13	1.99
Growth in EPS (%)	n/a	n/a	41.2	75.9
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	147	157	170	190
EBITDA margin (%)	13.6	15.1	15.0	16.0
Attributable net profit (€M)	-11.4	1.83	3.13	7.01
ROE (after tax) (%)	-138	66.6	72.3	68.0
Gearing (%)	3,703	6,696	1,065	335

[Company Valuation](#) [Company Financials](#)

Target: EUR 15.4/share

## EDISON

### paragon

Risk reduction should relieve the equity rating

paragon appears to be progressively de-risking its investment proposition. The agreed sale of Semvox crystallises an enterprise value (EV) that highlights the depressed market cap due to the debt burden. The accelerated redemption of the entire Swiss franc (CHF) bond issue and half the Eurobond reduces debt metrics to typical industrial levels, and we expect improving cash flows to facilitate final redemption in 2027. The result is an apparently anomalous rating for paragon compared to its estimated cash valuations and peers. Assuming the disposal completes and the bonds are redeemed as anticipated, the crushed equity value of recent years should finally be relieved.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20**	127.2	(8.0)	0.79	0.0	5.8	N/A
12/21	146.9	1.2	0.27	0.0	16.9	N/A
12/22***	160.1	(1.9)	(0.38)	0.0	NM	N/A
12/23e	173.5	4.6	0.74	0.0	7.1	N/A
12/24e	195.6	9.1	1.22	0.0	4.3	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. \*\*Restated following Voltabox sale. \*\*\*paragon semvox discontinued from FY22e.

**Trading momentum remains positive**

paragon has announced that FY22 revenues for continuing activities rose 18% to €160.1m, ahead of guidance for €156.5m. paragon semvox (Semvox), the Digital Assistance business unit that is being sold and is to be treated as discontinued in FY22 accounts, generated sales of €12.8m. The positive sales momentum ahead of the prior year suspect that Semvox is contributing to the FY22 EBITDA margin was management guidance.

**Semvox sale facilitates early bond repayments**

The €40m sale of Semvox announced in December should complete in Q223. The proceeds should be applied to fully redeeming the CHF21m 4% bond maturing on 23 April 2023, as well as early redemption of half the €50m 6.75% 2027 Eurobond in line with the extension terms agreed last year. Management has already bought back CHF8.4m through a tender offer in January, and on 6 February 2023 launched a repurchase programme for up to €5m of the Eurobond. The resulting reduction in debt to more typical levels should reduce finance charges by over €3m annually and allow management to focus on the growth plan for the ongoing activities.

**Valuation: Risk discounts should moderate**

The debt retirement should alleviate much of the risk discount applied to paragon. Even before the EPS enhancement from the interest savings, the low single-digit FY24 P/E multiple looks anomalous. In addition, the disposal should generate a c.€15m profit while crystallising a substantial proportion of group EV. The lower financial risk bolsters cash-based valuations.

Disposal and early bond redemptions

Automobiles and parts

10 February 2023

**Price** €5.26  
**Market cap** €24m

Adjusted net debt (€m) at 30 September 2022 (excludes leases €12.7m) 89.6

Shares in issue 4.5m  
Free float 50.7%  
Code PGN  
Primary exchange Frankfurt Xetra  
Secondary exchange N/A

**Share price performance**

% 1m 3m 12m  
Abs 22.3 17.4 (16.2)  
Rel (local) 16.6 3.4 (16.5)  
52-week high/low €6.24 €3.65

**Business description**

Based in Delbrück, Germany, paragon designs and supplies automotive electronics and solutions, selling directly to OEMs, including sensors, interior, body kinematics and power. It has production facilities in Germany, Croatia and China.

**Next events**

Swiss bond final 23 April 2023  
FY22 results 26 April 2023  
Q123 results 12 May 2023

**Analysts**

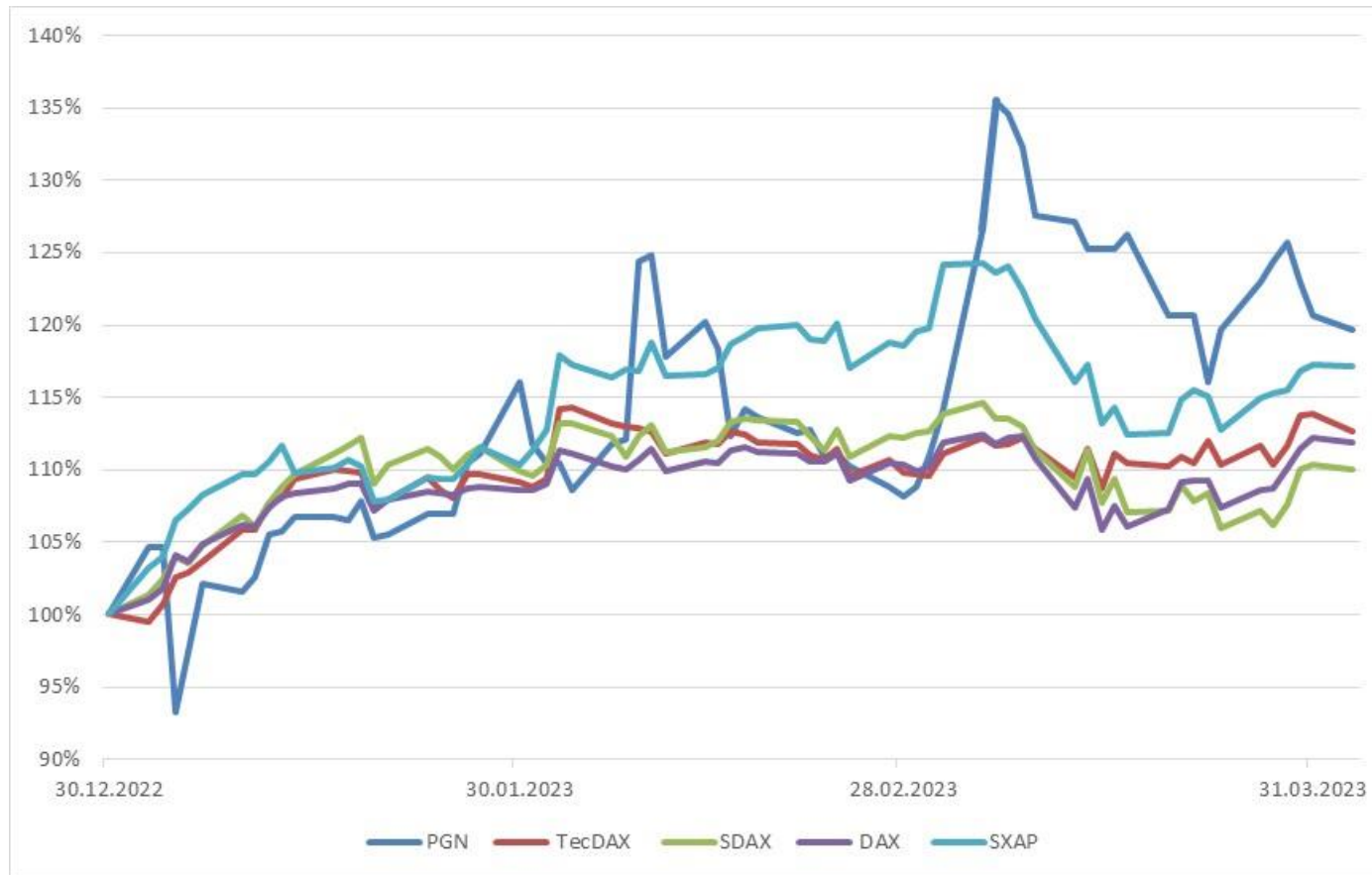
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**paragon is a research client of Edison Investment Research Limited**

Target: EUR 26.6/share

# Share Performance



## Highlights

- Closing price March 31, 2023: 5.20 EUR
- Market capitalization: EUR 23.54m
- +20.6% in first quarter 2023
- Further increase necessary

## Forecast for 2023 confirmed

### Revenues 2023e

EUR 170m

(comparable revenues 2022: EUR 160m)





+6,3%

### EBITDA 2023e

EUR 20 to 25m



## **Biggest Milestones accomplished!**

- \_ Desinvestments (Votabox AG, Aachen-location, paragon semvox GmbH, var. buildings) 
- \_ Repayment CHF-bond 
- \_ Part-buyback EUR-bond 
- \_ Reduction of debt since December 2019 by over 50% - simultaneously increasing revenues by 27% 

## Summary

1. Revenues Q1/2023 up by 14.6% => Forecast confirmed
2. Complete Swiss bond incl. 10% of EUR-bond paid back => Substantial debt reduction
3. Sale of paragon semvox GmbH to CARIAD SE closed => Improved financial profile
4. semvox-revenues are replaced already in 2023 due to growth of remaining business units => stable organic growth
5. New orders => 5 year-orderbook up by 22%

## **Thank you for your attention.**

Please do not hesitate to directly contact Dr. Martin Esser or Klaus Frers in case of further questions.

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