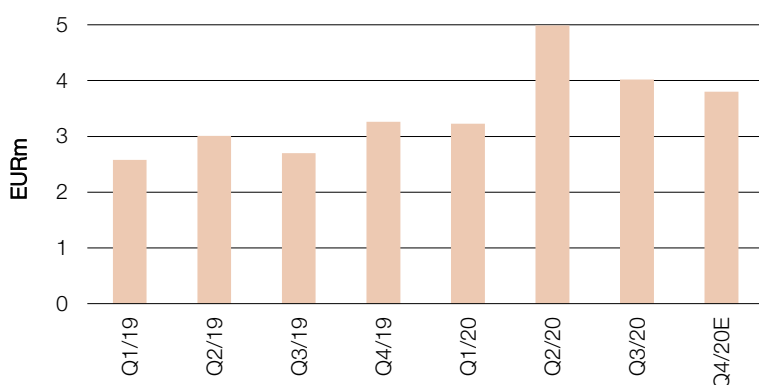


MADARA: Updated Revenue Guidance

The management expects strong growth over the next three years

MADARA Cosmetics AS (hereafter 'MADARA' or the 'Company'), a leading Latvian producer of natural cosmetics and beauty products, announced its updated revenue guidance for the full year 2020 as well as for the next three years. According to the management, MADARA should end the current year on a strong note, generating total sales of c.a. EUR 16m, comfortably surpassing its earlier revenue guidance of EUR 15m for the year, while the new guidance for 2020 would mark nearly 40% annual growth in comparison with 2019. As a reminder, the Company is listed on the alternative market, Nasdaq Baltic First North, and therefore publishes its full financial statements semi-annually. However, MADARA has started quite progressive investor relation practices and normally also reports its quarterly revenues. The latest quarterly sales announcement revealed that the Company's Q3 2020 revenues increased by nearly 50% y-o-y to EUR 4.02m. The latest quarterly figures bring the total for the first nine months of 2020 to EUR 12.24m, corresponding to a solid 48% y-o-y expansion in sales. Although the Company has maintained strong sales growth throughout 2020, we should note that MADARA seems to experience somewhat larger quarterly volatility in its revenues this year compared to the previous year. Following a 25% y-o-y increase in sales in Q1 this year to EUR 3.2m, the top-line figure expanded sharply by 66% y-o-y in Q2 2020, to reach EUR 5.0m, presenting a new historic high. Considering the Q3 2020 number, following a 55% q-o-q rise recorded in Q2 2020, the Company's sales declined nearly 20% q-o-q in Q3 this year. Taking into account the reported 2020 quarterly revenue

MADARA's Quarterly Sales



Source: MADARA

Key Numbers (EURm)	2017	2018	2019	2020E	2021E	2022E
Sales (EURm)	7.4	9.5	11.5			
Sales growth (%)	26.3	28.7	21.2			
Net profit (EURm)	1.2	1.5	1.6			
EPS (EUR)	0.33	0.40	0.42			
P/E (x)	22.5	19.6	18.8			
Payout per share (EUR)#	0.05	0.09	0.12			
Payout yield (%)	0.7	1.1	1.5		Under review	
P/B (x)	3.9	3.5	3.1			
EV/Sales (x)	3.2	2.7	2.3			
EV/EBITDA (x)	13.5	13.0	12.0			
EV/EBIT (x)	17.7	17.6	17.8			
ROE (%)	24.6	19.3	17.4			

Source: MDARA

#Payout per share include dividends and share capital reduction.

Company Profile

Listing Market:	First North Baltic Share List
Bloomberg Ticker:	MDARA LR
ISIN:	LV0000101624
Industry:	Consumer Goods
Sector:	Personal & Household Goods
No. of Employees:	148
Website:	www.madaracosmetics.com

Share Data, as of 21st Dec 2020

Current Share Price (EUR):	16.0
Fair Value Range (FVR), EUR:	U.R.
Downside, % (to mid-point of FVR):	n.a.
52-week High/Low (EUR):	19.50/6.50
3m Avg. Daily Volume (th):	0.27
Market Cap (EURm):	60.31
Ordinary Shares (m):	3.77

Key Shareholders, as of 30th June 2020

Uldis Iltners	24.08%
Lote Tisenkopfa-Iltnere	23.92%
Oy Transmeri Group AB	23.09%
Zane Tamane	7.61%
Liene Drāzniece	6.83%

12-Month Price Performance



LHV Fair Value Range:

Under review*

* Effective from 22nd Dec 2020

numbers, the full-year sales target of EUR 16m would require Q4 2020 revenues of just EUR 3.8m, which is quite achievable, following the recent strong performance. We assume that Q4 2020 sales are negatively impacted by the new strong uptrend in COVID-19 infections and related movement restrictions imposed in Latvia and many other countries, considerably reducing footfall in physical stores. The Q4 2020 revenue guidance of EUR 3.8m would mean recording “only” c.a. 17% growth y-o-y, with the decline of c.a. 5% from the previous quarter.

The management also updated its longer-term view on the Company’s sales dynamics. Considering MADARA’s planned development activities and the growing brand recognition in the most important European markets, as well as the development potential of the natural cosmetics industry in general, the management targets to continue achieving growth of around 20% per year over the next

three years, with the total revenues reaching EUR 27m by 2023. The management indicated that rapidly expanding online sales play an important role in the Company’s long-term strategy and developments. The proposed annual growth rate for 2021-2023 is much more ambitious than our latest projections for MADARA, but, considering the dynamics recorded in recent years, we believe such growth rates are not overly optimistic and should be quite achievable. Overall, we treat the Company’s 2020 sales results and the new revenue guidance as encouraging signs about MADARA’s ability to avoid any major setbacks due to the COVID-19 pandemic and successfully pursue its growth strategy with a stronger focus on e-commerce and finding new resellers in the Western Europe countries. Considering the recent news, we plan to review our financial projections and update the valuation.

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Date and time of sign-off: Tuesday 22nd Dec, 17:00**Disclaimer**

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The fair value range has been issued for a 12-18 month period and has been derived from a weighted approach combining both DCF valuation and relative multiple comparisons. The relative multiple comparisons further incorporate additional weighting considerations relating to the underlying metrics and time forecast periods. Company specific inputs have been forecast and a list of peer companies has been compiled by the LHV analyst(s) writing this research commentary, whereas the consensus peer data has been obtained from Bloomberg. For more detailed information about the valuation methods please contact the analyst(s) using the contact details provided above.

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- Buy- Expected return of more than 10% within 12-18 months (including dividends)
- Neutral- Expected return from -5% to 10% within 12-18 months (including dividends)
- Sell- Expected return less than -5% within 12-18 months (including dividends)

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