

April 21st, 2022
Research update

SMC Research

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The Grounds AG

Intel factory in Magdeburg could provide strong tailwind

Rating: Buy (unchanged) | **Price:** 2.48 € | **Price target:** 3.60 € (prev.: 3.90 €)

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Recent business development



Basic data

Based in:	Berlin
Sector:	Residential properties
Headcount:	13
Accounting:	IFRS
ISIN:	DE000A2GSVV5
Ticker:	AMMN:GR
Price:	2.48 Euro
Market segment:	Düsseldorf
Number of shares:	17.8 m
Market Cap:	44.2 m Euro
Enterprise Value:	100.5 m Euro
Free Float:	26.9 %
Price high/low (12M):	2.68 / 1.95 Euro
Ø turnover (Xetra, 12 M):	8,400 Euro / day

After The Grounds was able to report a clear surpassing of the original forecast for 2021 on the basis of the preliminary figures at the beginning of February, the final figures have turned out to be even better. With sales of EUR 31.6 m (preliminary: EUR 30 m, forecast: EUR 23 m), EBIT rose by half to EUR 9.2 m (preliminary: over EUR 8 m, forecast: EUR 6.1 m), which enabled net income to rise by 42 percent to EUR 5.1 m. In addition, the company reports that project developments are proceeding according to plan and that demand remains brisk. The recent decision by chip giant Intel to locate its new European gigafactory in Magdeburg could give the city and the local property market a strong boost and thus provide additional tailwind for the development projects there. Against this background, The Grounds is considering keeping some of the development projects in the portfolio longer than originally planned and managing a higher proportion of the development in-house in order to participate more strongly in the expected boom.

FY ends: 31.12.	2019	2020	2021	2022e	2023e	2024e
Sales (m Euro)	13.9	31.3	31.6	37.5	66.4	61.4
EBIT (m Euro)*	2.0	6.0	9.1	8.1	25.7	19.6
Net profit*	0.0	3.6	5.1	4.1	15.8	11.1
EpS*	0.00	0.22	0.29	0.23	0.89	0.63
Dividend per share	0.00	0.00	0.00	0.00	0.15	0.17
Sales growth	-55.2%	124.3%	1.0%	18.7%	77.1%	-7.5%
Profit growth	-	-	41.6%	-20.2%	289.5%	-29.8%
PSR	3.17	1.41	1.40	1.18	0.66	0.72
PER	-	12.3	8.7	10.9	2.8	4.0
PCR	51.0	16.8	11.0	12.5	3.9	5.1
EV / EBIT	0.0%	0.0%	0.0%	0.0%	6.0%	6.9%

* up to 2021 with valuation result, from 2022 without

Successful sales activities

The Grounds generated sales of EUR 31.6 m last year, slightly exceeding the previous year's figure. However, since half of the latter came from the sale of a logistics property, the figure achieved means a doubling of revenues in the core business "residential properties". Once again, a major transaction made a significant contribution to revenues, namely the sale of a majority stake in the Börde Bogen project in Magdeburg, the largest single project in The Grounds' portfolio, which is now being continued as a joint venture. In addition, further revenues were realised in step with the construction progress of the LennéQuartier building project, which has already been fully sold and whose shell was completed at the beginning of 2022. The sales of existing individual flats from inventories were also continued, so that a total of 27 of the 96 units in the privatisation portfolio were sold by the end of the year with an impact on revenues. In total, revenues from the sale of properties amounted to EUR 29.3 m.

Rental revenues grow by 64 percent

Rental revenues amounted to EUR 1.6 m and were thus 64 percent above the previous year's figure. The increase reflects the growth of the investment portfolio, which increased during the year by 148 units to 410 units with a rentable area of 26,300 m² or by 122 percent to EUR 31.1 m. In addition, properties from the privatisation portfolio contributed about one third of the rental revenues. The remaining revenues were generated from the operation of the logistics property sold at the end of 2020 and from construction management for a project already sold and now under construction.

High margin on disposals

While revenues from the sale of property remained at the previous year's level, the related expenses (disposal of book values recognised as cost of materials) decreased by 21 percent to EUR 18.9 m, so that the result from disposals was almost doubled to EUR 10.4 m. There were two main reasons for this. On the one hand, a large part of the revenues from the sale of property in the previous year resulted from the sale of

the logistics property, which initially had a relatively low margin, but was linked to a debtor warrant from which The Grounds could receive a further EUR 9.75 m in the current or the next year. On the other hand, last year's revenues from the sale of property also included a gain of EUR 2.7 m from the adjustment of the balance sheet value of the remaining 49 percent of the Börse Bogen project to the valuation used for the sale of the 51 percent. Since this income was not offset by a book value disposal, it was reflected one-to-one in the result.

Positive valuation result

Adding rental income, which The Grounds puts on enquiry at EUR 1.1 m, and plus other operating income (EUR 0.8 m) and the inventory change of EUR +0.6 m, this resulted in a gross profit of EUR 11.6 m. In addition, The Grounds recorded a valuation gain of EUR 2.2 m (previous year: EUR 2.8 m), which resulted from the purchase of additional properties for the investment portfolio and from the higher valuation of properties already in the portfolio.

Business figures	FY 20	FY 21	Change
Revenues	31.26	31.59	+1.0%
<i>Of which sales</i>	29.31	29.27	-0.2%
<i>Of which lettings</i>	0.97	1.59	+64.4%
Gross profit	6.26	11.56	+84.8%
<i>Gross margin</i>	20.0%	36.6%	
Valuation result	2.75	2.24	-18.6%
EBIT	6.10	9.17	+50.2%
<i>EBIT margin</i>	19.5%	29.0%	
EBT	5.12	7.05	+37.6%
<i>EBT margin</i>	16.4%	22.3%	
Net profit	3.60	5.10	+41.6%
<i>Net margin</i>	11.5%	16.1%	
Free cash flow	-36.64	-7.72	-

In m Euro and percent; source: Company

Significant cost increase

At the same time, the expansion of the organisation and the business model have left clear traces in the cost structure, although the pace has slowed considerably compared to the first half of the year. Personnel expenses, which had almost tripled in the first half of the year, "only" almost doubled (to EUR 2.0 m) in the entire year. This primarily reflects the 44 percent headcount increase on average over the year (to 13) and the expansion of the management team to two board members in the course of 2020. In addition, the amount includes almost EUR 0.23 m from the non-cash expense from the valuation of stock options. Other operating expenses also increased significantly, exceeding the previous year's level by 36 percent at EUR 2.5 m.

EBIT and net profit improved

Overall, The Grounds was able to improve EBIT by half last year to EUR 9.2 m, clearly exceeding both the original forecast (EUR 6.2 m) and the preliminary figure reported in February (more than EUR 8 m). Although interest expenses more than doubled due to the additional borrowing used to finance the portfolio expansion, the pre-tax profit also increased significantly, by 38 percent, to EUR 7.0 m. After income taxes, which climbed by 78 percent to almost EUR 2 m, a net profit of EUR 5.1 m remained, 42 percent more than in 2020.

Free cash flow shows portfolio expansion

Despite intensive sales activities, inventories increased slightly by 18 percent to EUR 38.0 m in 2021, helped by the acquisition of the 28 units in Dallgow-Döberitz and continued investments in project developments. The investment portfolio grew significantly faster, with its balance sheet value more than doubling to EUR 31.1 million in 2021. The strategic growth of the portfolio was the main reason why the free cash flow remained negative at EUR -7.7 m. Compared to the previous year, however, when the acquisitions of the development projects and several properties for individual sale had resulted in a free cash flow of EUR -36.6 m, the cash outflow was significantly reduced. The free cash flow was financed by the inflows from

the issuance of the convertible bond (a total of EUR 16.8 m), which, less the repayment of other loans and interest payments, resulted in a cash flow surplus from financing activities of EUR 9.5 m. Overall, balance sheet liquidity increased by EUR 1.8 m to EUR 2.4 m in the last financial year.

Loan to Value unchanged

On the debt side of the balance sheet, financial liabilities amounted to EUR 57.3 m, 17 percent more than twelve months earlier. However, since the real estate assets have also increased accordingly, The Grounds reports the debt ratio LTV unchanged at 65 percent. The equity position has even improved significantly. In absolute terms, equity grew by 40 percent to EUR 28.5 m due to the net profit and the equity component of the convertible bond, which corresponds to an equity ratio improved by 4.4 percentage points to 27.7 percent in relation to the balance sheet total of EUR 102.9 m (+18 percent).

Dynamic start in 2022

In the current year, The Grounds has already reported two important transactions. On the one hand, a further purchase was made for the investment portfolio in Fehrbellin in the Berlin area, increasing it by 24 to 434 units with annual rental revenues of EUR 1.6 m. On the other hand, the company sold the project development in Erkner, not far from the new Tesla factory, as a forward sale for EUR 18.5 m. The revenue effect of the transaction will begin with the start of construction of the 24 semi-detached houses planned in the project and is expected to extend in step with the progress of construction until the beginning of 2024.

Intensive sales and construction activities

Further revenues are to be expected this year from the sale of the remaining condominiums in Berlin Pankow and in Meppen. In addition, the 28 terraced houses in Dallgow-Döberitz, of which the first fifth had already been sold by notary by the end of March, are to be further marketed. The (almost) completely sold project developments LennéQuartier and Property Garden will also have an impact on revenues this

year: While the shell of the 181 micro-apartments in the LennéQuartier has already been completed and the property is scheduled for completion by the end of the year, construction of the 64 flats in the Property Garden project is scheduled to begin in the summer, after completion of the ongoing demolition and development work.

Magdeburg faces revaluation

No significant contributions are expected for 2022 from the largest project Börde Bogen. As this is now only accounted for "at equity", the central P&L link will in future only exist via the at-equity result. How quickly earnings contributions can be expected here also depends on which part of the 655-unit residential project the two joint-venture partners will develop and build themselves. Originally, the planning here envisaged a relatively rapid sale of a large part of the space, but this is being reconsidered following the announcement by chip giant Intel that it wants to build a huge chip factory in Magdeburg for an investment sum of up to EUR 17 billion (in the final expansion stage). The same considerations now also apply to the planned Central Offices office building in a central location of Saxony-Anhalt's state capital, for which the building permit is expected soon and which The Grounds could now develop further on its own account (despite the type of use outside the strategic focus on residential properties) in order to profit more from the expected Intel boom in Magdeburg.

Stable EBIT expected

Based on the overall developments, The Grounds expects revenues growth of EUR 35 to 38 m and EBIT of between EUR 8 and 9 m for this year. While revenues are thus expected to increase slightly, the operating result is likely to remain slightly below or at best at the previous year's level. The forecast explicitly does not include the contribution of the debtor warrant from the sale of the logistics property at the end of 2020, from which The Grounds could still receive up to EUR 9.75 m. The Executive Board now expects this income for 2023.

Estimates adjusted

The sale of the majority stake in the largest development project Börde Bogen and the possibly change in planning regarding the office building in the centre of Magdeburg cause shifts within the business development we have modelled. The same applies to the already well-advanced sale of the privatisation portfolio, whose lack of replenishment is expected to leave a gap in this type of revenue from 2023 onwards. Overall, this has resulted in revenues figures that have changed not only in terms of amount, but also in terms of composition, which has also been reflected in adjusted margin assumptions. The latter have also been influenced by continued price increases in the market for residential property in the Berlin environs (both for purchase and sale) as well as the already noticeable and still feared further price increases in the construction sector.

Slight revenues growth in 2022

For the current year we have lowered our revenues estimate from EUR 55.0 m to EUR 37.5 m, mainly reflecting the sale of the Börse Bogen project. In relation to the revenue forecast of the Executive Board, however, our estimate is still at the upper end. For next year, we expect a strong increase to EUR 66.4 m due to project planning, of which, however, almost EUR 10 m are accounted for by the debtor warrant. Against the backdrop of the very dynamic real estate market development in the vicinity of the new Tesla factory, we have now set this at the maximum amount, whereas we had previously calculated with only half of it out of caution. In the following years, the revenue level remains between EUR 60 and 68 m, with the share of rental revenues steadily increasing.

Margins changed by several effects

The changes we have made to the margin estimates are the result of several, partly opposing effects. These include shifts within the revenue structure, adjusted assumptions about the project margin and margin on the sale of property, and the changed consideration of special revenues such as the debtor warrant. We have made a downward reduction in the margin on disposals because we interpret the fact that the purchase of

m Euro	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029
Sales	37.5	66.4	61.4	64.4	62.4	60.6	64.3	68.4
Sales growth		77.1%	-7.5%	4.9%	-3.2%	-2.8%	6.0%	6.4%
EBIT margin	21.5%	38.7%	31.9%	19.4%	15.5%	16.4%	17.1%	17.8%
EBIT*	8.1	25.7	19.6	12.5	9.7	9.9	11.0	12.2
Tax rate	25.0%	27.0%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%
Adjusted tax payments	2.0	6.9	5.4	3.4	2.7	2.7	3.0	3.3
NOPAT	6.0	18.8	14.2	9.1	7.0	7.2	8.0	8.8
+ Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others*	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	6.3	19.0	14.5	9.1	7.0	7.2	8.0	8.9
- Increase Net Working Capital	-3.9	-3.9	-3.9	-3.9	-3.9	-3.9	-2.9	-2.9
- Investments in fixed assets	-15.0	-15.1	-15.1	-15.1	-15.1	-15.1	-15.1	-15.1
Free cash flows	-12.6	0.1	-4.5	-9.9	-11.9	-11.7	-9.9	-9.1

SMC estimation model

**without valuation results*

residential units for the privatisation portfolio has been slower than we had previously expected as a sign of supply bottlenecks, which are reflected in correspondingly high prices. Upon enquiry, The Grounds confirms this impression, but is confident that it will soon be able to acquire attractive properties for privatisation again. An adverse price effect cannot be ruled out for project development either, where especially significant material surcharges in the construction phase of properties already sold could impact the margin. For projects that are still being marketed, on the other hand, this risk can be absorbed by making appropriate adjustments to the company's own prices. This is only possible until demand suffers, but in this respect The Grounds should not yet reach its own limits thanks to the focus on Magdeburg and the Intel boom expected there. The last changes regarding margins concern the EBIT, which now also includes the at-equity contributions. We are thus taking into account the greater importance of this P&L item, which is likely to result from the Börde Bogen project in the next few years.

EBIT 2022 below previous year

Overall, our EBIT estimate for 2022 has been reduced from EUR 11.9 m to EUR 8.1 m as a result of the changes. In contrast to revenues, we are therefore at the lower end of the company's guidance in terms of earnings. However, our EBIT estimate does not yet include any valuation effects that have noticeably supported the profit development in recent years and could do so again in 2022. But since they are irrelevant for our cash flow-based valuation model, we have not yet integrated them into the estimates. We will do this as soon as they can be foreseen with any accuracy. Below EBIT, we expect a pre-tax result of EUR 5.8 m for the current year and a net profit after taxes and minorities of EUR 4.1 m. The table above summarises the model business development for the next eight years resulting from our assumptions. Further details are to be found in the Annex.

Framework data unchanged

The basic data of the model remain unchanged. We discount the cash flows resulting from our estimates at a WACC rate of 4.6 percent, based on a cost of equity of 9.1 percent (consisting of: risk-free interest rate

1.0 percent, risk premium 5.8 percent, beta factor 1.4), borrowing costs of 4.5 percent, a target debt ratio of 78 percent and a tax rate for the tax shield of 27.5 percent.

Price target: EUR 3.60 per share

The model results in a fair market value of equity of EUR 63.4 m or EUR 3.56 per share, from which we

derive the new price target of EUR 3.60 (previously: EUR 3.90; a sensitivity analysis for price target determination can be found in the Annex). The reduction is due to the changes made to the revenues and margin estimates. We have left the rating of the estimation risk unchanged, for which we continue to assign four points on a scale of 1 (low) to 6 (high).

Conclusion

The Grounds reported very strong figures for last year, exceeding both its own guidance and our estimates. At EUR 9.2 m, EBIT was even significantly higher than provisionally reported at the beginning of February (more than EUR 8.0 m).

Last year's development was also satisfying apart from the figures. The project developments are progressing according to plan, the sale of the privatisation portfolio can be continued at the targeted conditions and the investment portfolio was further expanded.

An additional major opportunity for The Grounds could arise from chip giant Intel's decision to build its planned European gigafactory in Magdeburg. Given the large number of new jobs that are expected to result from this, demand for high-quality housing and for modern office space in the city is likely to continue

to grow, further increasing the potential of The Grounds' project developments there.

However, it could have the effect that the company increases its own value creation in these projects and only sells them at a later stage, which would result in later revenue recognition. This is one reason why the forecast for 2022 is below our expectations. In addition, the income from the debtor warrant, which we had previously estimated for the end of 2022, is likely to be postponed until next year. Accordingly, we have reduced our estimates for the current year and also adjusted the assumptions for subsequent years.

All in all, this results in a new price target of EUR 3.60, on the basis of which we confirm our "Buy" rating.

Annex I: SWOT analysis

Strengths

- With its focus on residential real estate, The Grounds addresses a very attractive market that is characterised by a noticeable excess demand.
- In the future, the combination of the three business areas of development, investment portfolio management and privatisation offers an attractive risk-reward profile that fuses the advantages of each area.
- Last year, the planned figures were clearly exceeded and the EBIT increased by more than 50 percent.
- The management team has a strong track record in building and managing large, listed real estate companies.

Opportunities

- The existing development pipeline offers great earnings potential that can be realised gradually over the next few years.
- The announced construction of a chip gigafactory in Magdeburg is likely to significantly increase the potential of project developments there.
- A high profit of a maximum of almost EUR 10 m could accrue to The Grounds from the debtor warrant.
- The area surrounding Berlin, which is currently the main focus, is showing strong price dynamics, indicating a great potential for valuation gains in the portfolio.
- A successful implementation of the growth plans should quickly bring The Grounds into another order of magnitude. Together with the stronger capital market presence, this should also noticeably improve the perception of the share by investors.

Weaknesses

- Because of their dependence on individual projects and sale deals, revenues and earnings are highly volatile and difficult to forecast.
- The expansion of the investment portfolio, which is intended to achieve greater stability of earnings, is only beginning.
- The privatisation portfolio is also still small. It still needs to be increased significantly to ensure a continuous flow of privatisation proceeds.
- Due to the high capital intensity of the business model, the planned strong growth requires access to external sources of financing.
- The realisation of the current development pipeline still requires financing as well.

Threats

- The demand for real estate is highly sensitive to interest rates. A noticeable rise in interest rates is likely to have a dampening effect on demand. At the same time, a higher interest rate level would burden the profitability of the business model and especially of investment portfolio management.
- Real estate development is one of the riskier business models. Potential risks include political and regulatory interference, legacy issues, planning errors, and financial and/or time budget overruns.
- Currently, supply and capacity bottlenecks in the construction sector are causing increased cost and time risks, which are being exacerbated by the war in Ukraine.
- Interventionist housing policies could be further intensified.
- A continued investor rush for residential properties could make purchasing even more difficult or at least significantly more expensive.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
ASSETS									
I. Total non-current assets	41.1	56.1	71.1	86.2	101.2	116.2	131.3	146.3	161.3
1. Intangible assets	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
2. Tangible assets	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9
3. Properties held as investment	31.1	46.1	61.1	76.1	91.1	106.1	121.1	136.1	151.1
II. Total current assets	61.8	67.6	86.0	89.1	93.1	96.4	100.1	104.3	108.8
1. Inventories	38.0	43.0	48.0	53.0	58.0	63.0	68.0	72.0	76.0
LIABILITIES									
I. Equity	28.5	32.8	49.4	56.0	58.6	60.4	62.8	65.6	68.7
II. Accruals	0.9	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7
III. Liabilities									
1. Long-term liabilities	43.0	58.0	73.0	80.0	90.5	99.5	108.5	116.0	123.5
2. Short-term liabilities	30.5	32.0	33.5	38.1	43.9	51.2	58.5	67.4	76.2
TOTAL	102.9	123.7	157.1	175.3	194.3	212.6	231.4	250.6	270.1

P&L estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Sales	31.6	37.5	66.4	61.4	64.4	62.4	60.6	64.3	68.4
Gross profit	10.7	8.8	29.6	20.5	13.5	13.7	14.1	15.3	16.6
EBITDA	7.0	5.1	25.7	16.7	9.5	9.7	10.0	11.0	12.2
EBIT	9.1	8.1	25.7	19.6	12.5	9.7	9.9	11.0	12.2
EBT	7.0	5.8	22.9	16.2	8.6	5.2	4.9	5.4	5.9
EAT (before minorities)	5.1	4.3	16.7	11.7	6.3	3.8	3.5	3.9	4.3
EAT	5.1	4.1	15.8	11.1	5.9	3.6	3.3	3.7	4.1
EPS	0.29	0.23	0.89	0.63	0.33	0.20	0.19	0.21	0.23

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
CF operating	7.0	0.7	13.1	8.1	2.4	-0.1	-0.3	1.0	1.4
CF from investments	-14.7	-15.0	-15.1	-15.1	-15.1	-15.1	-15.1	-15.1	-15.1
CF financing	9.5	15.0	15.0	4.8	11.4	13.1	13.8	13.9	13.8
Liquidity beginning of year	0.6	2.4	3.0	16.0	13.9	12.6	10.5	8.9	8.8
Liquidity end of year	2.4	3.0	16.0	13.9	12.6	10.5	8.9	8.8	8.9

Key figures

percent	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Sales growth	1.0%	18.7%	77.1%	-7.5%	4.9%	-3.2%	-2.8%	6.0%	6.4%
Gross margin	33.8%	23.5%	44.6%	33.3%	20.9%	22.0%	23.3%	23.8%	24.2%
EBITDA margin	22.3%	13.5%	38.8%	27.1%	14.8%	15.5%	16.4%	17.2%	17.8%
EBIT margin	28.8%	21.5%	38.7%	31.9%	19.4%	15.5%	16.4%	17.1%	17.8%
EBT margin	22.3%	15.4%	34.4%	26.3%	13.4%	8.3%	8.0%	8.3%	8.6%
Net margin (after minorities)	16.1%	10.8%	23.9%	18.1%	9.2%	5.7%	5.5%	5.7%	6.0%

Annex IV: Sensitivity analysis

WACC	Perpetual cash flows growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
3.6%	17.92	11.98	8.36	5.93	4.19
4.1%	11.37	7.89	5.55	3.87	2.60
4.6%	7.44	5.18	3.56	2.34	1.39
5.1%	4.83	3.27	2.09	1.17	0.44
5.6%	2.99	1.85	0.97	0.26	-

Disclaimer

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Charts

The charts were made with Tai-Pan (www.lp-software.de).

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- 10) sc-consult GmbH has included the company's shares in a virtual portfolio managed by sc-consult GmbH

Following conflicts of interests occurred in this report: 1), 3)

Within the framework of compliance regulations, sc-consult GmbH has established structures and processes for the identification and disclosure of conflicts of interests. The responsible compliance representative is currently managing director Dipl.-Kfm. Holger Steffen (e-mail: holger.steffen@sc-consult.com).

II) Preparation and updating

The present financial analysis was prepared by: Dipl. Volkswirt Dr. Adam Jakubowski

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 21.04.2022 at 7:40 and published on 21.04.2022 at 8:15.

For the preparation of its financial analyses, the sc-consult GmbH uses a five-tier rating scheme with regard to price expectation in the next twelve months. Additionally, estimation risk is quantified on a scale from 1 (low) to 6 (high). The ratings are as follows:

Strong Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as below average (1 to 2 points).
Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points).
Speculative Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as above average (5 to 6 points).

Hold	We expect that the price of the analysed financial instrument will remain stable (between -10 and +10 percent). The forecast risk (1 to 6 points) has no further impact on the rating. The rating “hold” is also used in cases where we perceive a price potential of more than 10 percent, but explicitly mentioned temporary factors prevent a short-term realization of the price potential.
Sell	We expect that the price of the analysed financial instrument will drop by at least 10 percent. The forecast risk (1 to 6 points) has no further impact on the rating.

The expected change in price refers to the current share price of the analyzed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

The rating resulting from these methods reflects current expectations and can change anytime subject to company-specific or economic changes.

More detailed explanations of the models used by SMC Research can be found at:

<http://www.smc-research.com/impressum/modellerlaeuterungen>

An overview of the recommendations prepared and distributed by SMC Research in the last 12 months can be found at: <http://www.smc-research.com/publikationsuebersicht>

In the past 24 months, sc-consult GmbH has published the following financial analyses for the company:

Date	Investment recomm.	Price target	Conflict of interests
07.02.2022	Buy	3.90 Euro	1), 3)
08.10.2021	Buy	3.60 Euro	1), 3), 4)
09.07.2021	Buy	3.60 Euro	1), 3), 4)

In the course of the next twelve months, sc-consult GmbH will presumably prepare the following financial analyses for the company: two updates.

The publishing dates for the financial analyses are not yet fixed at the present moment.

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