October 17th, 2023
Research update

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The Grounds AG

Investor deal could enable new growth spurt

Rating: Buy (unchanged) | **Price:** 0.90 € | **Price target:** 2.60 € (prev.: 2.80 €)

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Current development

Basic data

Based in:	Berlin
Sector:	Residential properties
Headcount:	14
Accounting:	IFRS
ISIN:	DE000A2GSVV5
Ticker:	AMMN:GR
Price:	0.90 Euro
Market segment:	Düsseldorf
Number of shares:	17.8 m
Market Cap:	16.0 m Euro
Enterprise Value:	103.1 m Euro
Free Float:	25.8 %
Price high/low (12M):	2.12 / 0.70 Euro
Ø turnover (Xetra,12M):	4,500 Euro / Tag

Strategic investor about to enter

On Friday 13 October, The Grounds announced plans to significantly strengthen its financial position. The core of the announcement is the agreement with the investment company H.I.G., which could take over the majority of The Grounds in the course of a capital increase if the project is completed as planned. For this purpose, a capital increase of EUR 40 to 75 m is to be proposed to the Annual General Meeting. The main shareholders, who together hold 73 percent of the shares, have already indicated their consent and have agreed to transfer their subscription rights to H.I.G. Before that, however, the outstanding convertible bond is to be restructured. Here, the term is to be extended and the interest rate increased, while at the same time the conversion right and the clause on the change of control are to be dropped. Corresponding negotiations with the creditors of the bond are now to follow immediately, but The Grounds is confident about the prospects of success due to the creditor structure and the growth prospects shown with the H.I.G. entry. Independently of this, H.I.G. has acquired another bond issued by The Grounds with a volume of EUR 10 m, which is to be used to continue the ongoing projects. The company refers to this as

FY ends: 31.12.	2020	2021	2022	2023e	2024e	2025e
Sales (m Euro)	31.3	31.6	36.8	40.3	75.4	98.6
EBIT (m Euro)*	6.0	9.1	3.3	4.6	7.3	10.7
Net profit*	3.6	4.9	1.2	0.3	2.2	4.5
EpS*	0.22	0.28	0.07	0.02	0.12	0.25
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.05
Sales growth	124.3%	1.0%	16.3%	9.6%	87.2%	30.8%
Profit growth	158,933.6%	36.9%	-76.3%	-71.0%	552.6%	102.0%
PSR	0.51	0.51	0.44	0.40	0.21	0.16
PER	4.5	3.3	13.7	47.3	8.0	3.8
EV / EBIT	17.3	11.3	30.8	22.6	14.2	9.6
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%

** up to and incl. 2022 with valuation result, from 2023 without* bridge financing until the planned capital increase has been implemented.

Significant decline in revenue

The H.I.G. announcement and the resulting outlook have somewhat eclipsed the half-year report published at the end of September, which showed a significant weakening of business momentum that was not unexpected given the market situation. In the first half of 2023 The Grounds achieved a revenue of over EUR 16.2 m, a 24 percent decrease on the same period last year. Most of the revenue (EUR 13 m) was achieved with the realisation of sales in step with the progress of construction of new buildings already sold. As in the previous year, construction work on the LennéQuartier and Property Garden projects in Magdeburg and the construction of the terraced houses in Erkner (Terra Homes project) contributed to this. In addition, the Maggie construction project in Berlin Lichtenberg, in which the existing buildings are being extended and densified with a further 27 units, has also started. Another EUR 1.8 m were realised with the classic privatisation of existing flats (in Meppen and Dallgow-Döberitz), while rental revenue remained stable at EUR 0.9 m.

Gross profit falls by 44 percent

With the decline in revenue, the cost of materials has also decreased, although this decrease is only disproportionately low at 17 percent (to EUR 14.4 m). The discrepancy is due to the change in the revenue mix and, above all, to different construction phases that were billed last year and this year (e.g., the land component of a project is often associated with a higher margin than the subsequent construction phase). Also, last year's price increases on current projects, limited as they have remained in total at The Grounds, have impacted the margin shown this year. Less the cost of materials and plus other operating income (EUR 0.2 m) and the positive change in inventories (EUR 0.6 m), a gross profit of EUR 2.6 m was thus achieved, 44 percent less than a year ago. In contrast to the previous year (+EUR 0.2 m), no valuation effects were recognised in the income statement in the first half of the year.

Business figures	HY 22	HY 23	*Change*
Revenue	21.38	16.22	*-24.2%*
Of which sales	20.32	15.32	*-24.6%*
Of which lettings	0.89	0.90	*+0.9%*
Gross profit	4.61	2.59	*-43.9%*
Gross margin	*21.6%*	*16.0%*	
Valuation result	0.25	0.00	*-100.0%*
EBIT	2.87	0.35	*-87.7%*
EBIT margin	*13.4%*	*2.2%*	
Financial result	-0.97	-1.96	-
EBT	1.89	-1.61	-
EBT margin	*8.9%*	*-9.9%*	
Net profit	1.44	-0.84	-
Net margin	*6.7%*	*-5.2%*	
Free cash flow	10.77	-7.79	-

In m Euro and percent; source: Company

Costs further increased

In terms of costs, the development remained uneven. While personnel expenses fell slightly to EUR 1.0 m, other operating expenses increased by 36 percent to EUR 1.1 m. Upon enquiry, the company explains this with widely spread effects as a result of general inflation. In total, overhead costs increased by 12 percent.

EBIT down, EBT in the red

The combination of lower gross profit and further increased overhead costs resulted in a sharp decline in EBIT of 88 percent to only EUR 0.4 m. Since at the same time the negative financial result doubled to EUR -2.0 m due to higher loans and interest rates on the one hand and lower interest income on the other, the pre-tax result slipped into the red at EUR -1.6 m, after EUR +1.9 m in the previous year. After taxes and minorities, which this time had a positive effect on earnings thanks to the capitalisation of loss carryforwards, and the share of the non-Group shareholders in the loss, a half-year loss of EUR -0.8 m remained.

High cash outflow

The lower volume of flat sales was also noticeably reflected in the operating cash flow, which deteriorated from EUR +13.1 m to EUR -8.4 m. The biggest shift here was in the change in receivables, inventories and other current assets, which contributed to the cash flow with EUR +8.7 m last year and with EUR -8.2 m in the first half of the current year. The increase in the first half of the year was mainly in contract assets, which reflect the construction progress not yet invoiced (EUR +3.9 m to EUR 4.8 m), as well as in trade receivables (EUR +2.3 m to EUR 4.1 m) and other receivables (EUR +1.5 m to EUR 8.0 m), which include loan receivables, capitalised commissions for purchases and restricted liquidity from customer prepayments.

Liquidity significantly decreased

In the absence of major disbursements for the investment portfolio, the investment cash flow developed in the opposite direction and improved from EUR -2.3 m to EUR +0.6 m, mainly thanks to the inflow from the sale of some non-strategic properties in Stendal. Overall, however, the free cash flow for the first half of the year was clearly negative at EUR -7.8 m (previous year: EUR +10.8 m), which was partly covered by additional borrowing and partly from existing liquidity. As a result, it has decreased from EUR 3.8 m to EUR 0.6 m since the turn of the year. However, the company does not see this as a problem because the increase in receivables was only a short-term reporting date effect that was already corrected in July when payments were received. Also, the balance sheet liquidity does not include around EUR 2 m of restricted funds from customer down payments, which are booked under other receivables and can be used to finance further construction measures.

Real estate assets barely changed

Apart from the current asset items mentioned above, there was little change on the asset side of the balance sheet in the first half of the year. It continues to be clearly dominated by real estate assets, which are divided between inventories (privatisation properties and new construction projects) in the amount of EUR 83.5 m, real estate held as investment (investment portfolio) in the amount of EUR 35.9 m and minority interests in two real estate projects (EUR 2.3 m). Together, these three items account for 84 percent of the balance sheet total of EUR 144.9 m.

Equity ratio down

On the liabilities side, financial liabilities (bank loans and bond) account for the majority of the balance sheet total with of EUR 84.3 m. Compared to the turn of the year, they have thus increased by 5 percent. Nevertheless, The Grounds reports an improved LTV (as a ratio of net financial debt and gross asset value) from 67 to 65 percent. In contrast, the equity ratio fell by 1.8 percentage points to 21.8 percent in the first six months due to the half-year loss and the slightly higher balance sheet total; compared to the previous year, the decline amounts to 5.6 percentage points.

Growth forecast confirmed

Despite the weak half-year figures, The Grounds has confirmed its growth forecast for 2023. Accordingly, revenue is to increase to between EUR 40 and 45 m (previous year: EUR 36.8 m), enabling an EBIT improvement to between EUR 4 to 5 m (previous year: EUR 3.4 m). Central for this forecast is the expectation that the debtor warrant for the logistics property sold at the end of 2020, for which the building permit is now expected in the second half of the year, will be recognised in income this year. This is a potential yield of up to EUR 10 m.

Limited valuation risk

However, the forecast does not include any valuation effects which, in view of the market situation and the development at many other real estate companies, could also burden the result at The Grounds. Nevertheless, the company sees a stabilising effect from the continuing clear upward trend in rents for new lettings in the Greater Berlin area. In addition, the strategic readjustment to sell the portfolio properties in the long term by way of individual privatisation and, for this reason, to initiate the subdivision process for the first properties this year could, ceteris paribus, ensure higher valuation levels and thus at least partially compensate for the negative influence of the higher interest rates.

Projects largely on track

In operating terms, especially the three ongoing construction projects are expected to contribute to revenue in the second half of the year. Two of these (Erkner and Property Garden) have already been completely sold, while the extension and densification project in Berlin Lichtenberg is still partially in the sales process. Despite the difficult market situation, The Grounds is satisfied with the demand for the new flats. Currently, more than 60 percent of the units have already been sold and all but one of the remaining units have been reserved. For two further housing projects (first section Börde Bogen in Magdeburg and Blankenfelde-Mahlow) building permits had already been expected for the first half of the year; these are now to be granted in the near future, which would allow sales to start from the beginning of 2024. For Blankenfelde-Mahlow, however, talks are currently still taking place regarding the adjustment of the JV structure. According to the management, The Grounds intends to continue with the project. The company has not yet been able to announce the completion of the search for a buyer for the Central Office building in Magdeburg, for which planning permission has already been granted at the end of 2022. However, upon enquiry, The Grounds reports promising talks and considers a sale in the near future and a start of construction in early 2024 to be possible.

Project timeline adjusted

After extensively revising our estimates in our last update in response to the 2022 figures, the deteriorated general conditions and the reconsolidation of the EUR 250 m Börde Bogen project, the adjustments after the half-year report were significantly smaller. They mainly concern the revenue composition for this year. We have now assumed that the complete sale of the current privatisation portfolio will be delayed until next year, and we have also postponed the assumed timing of some of the projects. We have slightly increased the assumed contribution from the income from the debtor warrant in response to the Board's confirmed confidence in this regard. Of the H.I.G. announcement, we have so far only integrated the new EUR 10 m bond into the model. We had already assumed an extension for the old convertible bond and are sticking to this, but it is still too early for the planned capital increase. We will only incorporate it into the model when the measure itself and the growth initiatives it is meant to enable have reached a greater degree of concretisation.

Revenue 2023 and 2024 lower

Overall, the adjustments have resulted in slightly lower revenue estimates for 2023 and 2024 (EUR 40.3 m and EUR 75.4 m instead of EUR 42.1 m and EUR 82.1 m), but the increase in 2025 is now much stronger (to EUR 98.6 m instead of EUR 84.7 m). For the following years, for which we work with more generalised assumptions, especially regarding future construction projects, the estimates have remained unchanged. We still see the target revenue for 2030 at EUR 64 m.

Margin higher in 2023, lower thereafter

Due to the increase in the assumed contribution of the income from the debtor warrant to this year's revenue and profit, the EBIT estimate for 2023 has even increased minimally (to EUR 4.6 m) despite the lower revenue, but this is levelled out again by slightly increased interest expenses at the level of net profit. Accordingly, we continue to expect EUR 0.3 m here. With regard to the following years, the shifts in revenue from the development projects and the – slight – adjustment of the expense ratios have also led to somewhat reduced margin estimates overall. We now see the EBIT margin at the end of the detailed forecast period at 13.6 percent, 0.8 percentage points lower than before. The model business development for the next eight years, which results from all these assumptions and which we assume for determining the fair value, is summarised in the table on the next page; further details can be found in the Annex.

Framework data unchanged

The basic data of the model remain unchanged. The cost of equity is calculated according to CAPM on the basis of a safe interest rate of 2.5 percent, a market risk premium of 5.8 percent and a beta factor of 1.4 and amounts to 10.6 percent. The assumed interest rate on borrowed capital is 6.5 percent, which, in conjunc-

m Euro	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030
Sales	40.3	75.4	98.6	104.9	105.0	63.9	64.0	64.1
Sales growth		87.2%	30.8%	6.4%	0.1%	-39.2%	0.2%	0.1%
EBIT margin	11.3%	9.6%	10.9%	11.7%	12.5%	11.9%	12.8%	13.6%
EBIT*	**4.6**	**7.3**	**10.7**	**12.3**	**13.2**	**7.6**	**8.2**	**8.7**
Tax rate	25.0%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%
Adjusted tax payments	1.1	2.0	2.9	3.4	3.6	2.1	2.3	2.4
NOPAT	**3.4**	**5.3**	**7.8**	**8.9**	**9.5**	**5.5**	**5.9**	**6.3**
+ Depreciation & Amortisation	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
+ 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	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	3.8	5.6	7.9	9.0	9.6	5.6	6.0	6.4
- Increase Net Working Capital	10.0	11.5	11.5	11.6	1.6	1.6	1.6	1.6
- Investments in fixed assets	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Free cash flows	**13.8**	**17.1**	**19.3**	**20.5**	**11.1**	**7.1**	**7.5**	**7.9**

SMC estimation model
**without valuation results*

tion with a debt ratio on the target capital structure of 55 percent and a tax rate for the tax shield of 27.5 percent, results in a total cost of capital (WACC) of 7.4 percent. The basic parameters for determining the terminal value, which continues to be based on EBIT at the end of the detailed forecast period and on a "perpetual" cash flow growth rate of 1.0 percent, have also remained unchanged.

Price target now EUR 2.60

The changes in estimates and the discounting effect (since May) have resulted in a new fair value after minority interests of EUR 46.4 m or EUR 2.59 per share, from which we derive the new price target of EUR 2.60 (previously: EUR 2.80, a sensitivity analysis for determining the price target can be found in the Annex). The assessment of the forecast risk of our estimates remained unchanged and we continue to award four points on a scale of 1 (low) to 6 (high).

Conclusion

The Grounds had to pay tribute to the difficult market environment in the first half of the year and suffered a significant decline in revenue and earnings. In particular, the sales of existing apartments (privatisation) remained behind the schedule, while the four ongoing construction projects were largely able to continue as planned. Thus, the revenue realised in step with the construction progress accounted for the majority of the half-year revenue of EUR 16.2 m and is also expected to provide the bulk of the revenue for the entire year, for which The Grounds is still aiming at a range of EUR 40 m to EUR 45 m. The EBIT forecast (EUR 4 to 5 m) was also confirmed.

For both goals, the expectation that the debtor warrant received at the end of 2020 on the sales price of a logistics property can still generate a significant seven-figure income in 2023 plays a central role. Explicitly not included in the forecast, however, are any valuation effects, which this time, unlike in previous years, are expected to make (if anything) a negative contribution. However, it is likely to be below average in industry comparison, if at all, because The Grounds continues to report a significant increase in rents in the portfolio. Also, the strategic commitment to future individual sales of the flats held in the investment portfolio should result in higher valuation multiples being awarded to the properties concerned.

Due to the initial lack of cash effect, we have, as usual, refrained from recognising any valuation effects in our model anyway. Instead, however, we have adjusted our estimates in several places in response to the half-year figures, while remaining in line with the company's forecast with regard to 2023. The changes result in a new price target of EUR 2.60, which indicates a tripling potential compared to the current price. In our opinion, the very high discrepancy can be explained by investors' concerns about the success of the refinancing due by April 2024.

However, with the recent news about the planned entry of H.I.G. as a new majority shareholder, the likelihood of a successful maturity extension of the bond may have increased significantly, because it shows creditors a promising growth perspective that could even allow The Grounds to benefit from the current crisis in the real estate sector. Based on the expectation that the targeted restructuring of the outstanding convertible bond will succeed in the coming weeks, we leave our rating unchanged at “Buy”.

Annex I: SWOT analysis

Strengths

- With its focus on residential real estate, The Grounds addresses a very attractive market that is fundamentally characterised by a noticeable excess demand.
- The combination of the business areas of development, investment portfolio management and privatisation offers in principle an attractive risk-reward profile that fuses the advantages of the three areas.
- Since focusing on the current business model, high and profitable growth has been achieved.
- The sole director and his team have a strong track record in building and managing large, listed real estate companies.

Weaknesses

- Because of their dependence on individual projects and sale deals, revenue and earnings are highly volatile and difficult to forecast.
- Currently and in the coming years, the business is clearly dominated by project development, which limits the diversification effect of the three-pillar strategy.
- In 2022, the EBIT target was missed. EBIT also declined significantly in the first half of the year, while EBT and the net profit slipped into the red.
- With the departure of Mr Krienen, The Grounds has lost a defining figure.
- The real estate business is capital-intensive and requires a stable financing environment.

Opportunities

- The successful completion of the announced H.I.G. entry would significantly strengthen the financial power and enable a dynamic expansion course.
- The existing development portfolio offers very high earnings potential.
- The announced construction of a chip gigafactory in Magdeburg is likely to significantly increase the potential of project developments there.
- The Grounds can expect a high profit of a maximum of almost EUR 10 m from the debtor warrant.
- The average rents in the investment portfolio are in part significantly below the market level, which offers considerable potential for rising rental revenue and for appreciation gains.
- The current share price seems to be significantly affected by concerns about the upcoming refinancing of the convertible bond. The solution to this question could provide a powerful jump upwards.

Threats

- The successful restructuring of the convertible bond maturing in 2024 is still just as uncertain as the H.I.G. entry.
- The current weakness in the demand to buy real estate could last longer.
- In the current environment, significant valuation corrections in the portfolio are possible.
- This year's revenue and earnings forecast is highly dependent on the earnings impact of the debtor warrant.
- Real estate development involves a variety of risks such as political and regulatory interference, legacy issues, planning errors, and financial and/or time budget overruns.
- Interventionist housing policies could be further intensified.
- Insufficient or too expensive acquisitions could hamper further development.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
ASSETS									
I. Total non-current assets	43.2	43.1	43.1	43.0	43.0	43.0	43.0	43.0	43.0
1. Intangible assets	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
2. Tangible assets	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2
3. Properties held as investment	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8
II. Total current assets	94.4	96.8	91.1	87.2	84.1	81.6	79.7	85.0	90.5
1. Inventories	82.8	74.3	64.3	54.3	44.3	44.3	44.3	44.3	44.3
LIABILITIES									
I. Equity	32.6	32.9	34.9	39.0	43.8	49.2	50.4	53.8	57.4
II. Accruals	1.4	1.9	2.5	3.0	3.6	4.1	4.7	5.3	5.9
III. Liabilities									
1. Long-term liabilities	50.7	50.7	40.7	33.7	26.7	20.7	17.7	17.7	17.7
2. Short-term liabilities	53.6	55.1	56.7	55.2	53.7	51.2	50.5	51.9	53.2
TOTAL	**138.3**	**140.6**	**134.8**	**130.9**	**127.8**	**125.3**	**123.3**	**128.6**	**134.2**

P&L estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales	36.8	40.3	75.4	98.6	104.9	105.0	63.9	64.0	64.1
Gross profit	5.8	8.5	11.1	14.7	16.3	17.2	11.6	12.2	12.7
EBITDA*	2.7	4.7	7.4	10.8	12.4	13.3	7.7	8.3	8.8
EBIT*	3.3	4.6	7.3	10.7	12.3	13.2	7.6	8.2	8.7
EBT	1.6	0.5	2.8	6.5	8.7	10.4	5.6	6.6	7.3
EAT (before minorities)*	1.2	0.3	2.0	4.7	6.3	7.5	4.1	4.8	5.3
EAT*	1.2	0.3	2.0	4.3	4.9	4.5	3.1	3.7	5.3
EPS*	0.07	0.02	0.11	0.24	0.28	0.26	0.17	0.21	0.30

** 2022 with valuation result, from 2023 without*

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
CF operating	-12.5	10.8	13.9	16.4	18.0	9.2	5.7	6.5	7.0
CF from investments	-4.4	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
CF financing	16.7	0.0	-10.0	-10.6	-11.5	-12.2	-7.9	-1.4	-1.7
Liquidity beginning of year	2.4	2.3	13.0	16.9	22.5	28.9	25.8	23.6	28.6
Liquidity end of year	2.3	13.0	16.9	22.5	28.9	25.8	23.6	28.6	33.8

Key figures

percent	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales growth	16.3%	9.6%	87.2%	30.8%	6.4%	0.1%	-39.2%	0.2%	0.1%
Gross margin	15.8%	21.2%	14.7%	14.9%	15.6%	16.4%	18.2%	19.0%	19.8%
EBITDA margin	7.3%	11.8%	9.8%	11.0%	11.8%	12.6%	12.1%	12.9%	13.8%
EBIT margin	9.1%	11.3%	9.6%	10.9%	11.7%	12.5%	11.9%	12.8%	13.6%
EBT margin	4.3%	1.2%	3.7%	6.6%	8.3%	9.9%	8.8%	10.3%	11.5%
Net margin (after minorities)	3.2%	0.8%	2.6%	4.3%	4.7%	4.3%	4.8%	5.8%	8.3%

Annex IV: Sensitivity analysis

	Perpetual cash flows growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
6.4%	4.10	3.70	3.37	3.10	2.87
6.9%	3.53	3.21	2.95	2.73	2.54
7.4%	3.06	2.81	**2.59**	2.41	2.25
7.9%	2.67	2.46	2.29	2.13	2.00
8.4%	2.34	2.17	2.02	1.89	1.78

Disclaimer

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

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7) At the time of the publication of the report, sc-consult GmbH or persons involved in the preparation of the report are in the possession of a net short position exceeding a threshold 0.5% of the total issued share capital of the issuer, which was calculated in accordance with the article 3 of the regulation (EU) No. 236/2012 and with chapters III and IV of the Commission Delegated Regulation (EU) No. 918/2012 (6).

8) At the time of the publication of the report, sc-consult GmbH or persons involved in the preparation of the report are in the possession of a net long position exceeding a threshold 0.5% of the total issued share capital of the issuer, which was calculated in accordance with the article 3 of the regulation (EU) No. 236/2012 and with chapters III and IV of the Commission Delegated Regulation (EU) No. 918/2012 (6).

9) At the time of the publication of the report, the issuer holds holdings exceeding 5 % of its total issued share capital in the sc-consult GmbH

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 17.10.2023 at 7:40 and published on 17.10.2023 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 analysed 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
23.05.2022	Buy	2.80 Euro	1), 3)
30.09.2022	Buy	3.10 Euro	1), 3), 4)
21.04.2022	Buy	3.60 Euro	1), 3)
07.02.2022	Buy	3.90 Euro	1), 3)

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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