August 14th, 2020
Research update

SMC Research
Small and Mid Cap Research

THOMSON REUTERS ANALYST AWARDS 2018 WINNER
THOMSON REUTERS ANALYST AWARDS 2017 WINNER

STS Group

Changing course in stormy seas

Rating: Hold (prev.: Speculative Buy) | **Price:** 3.09 € | **Price target:** 4.30 € (prev.: 7,00 €)

Analyst: Dr. Bastian Brand, Dipl.-Kfm. Holger Steffen
sc-consult GmbH, Alter Steinweg 46, 48143 Münster

Phone: +49 (0) 251-13476-93
Telefax: +49 (0) 251-13476-92
E-Mail: kontakt@sc-consult.com
Internet: www.sc-consult.com

Please take notice of the disclaimer at the end of the document!

Recent business development

Basic data

Based in:	Hallbergmoos
Sector:	Automotive technology
Headcount:	2,500
Accounting:	IFRS
Bloomberg:	SF3:GR
ISIN:	DE000A1TNU68
Price:	3.09 Euro
Market segment:	Prime Standard
Number of shares:	6.0 m
Market Cap:	18.5 m Euro
Enterprise Value:	82.1 m Euro
Free Float:	approx. 27 %
Price high/low (12 M):	6.95 / 1.73 Euro
Øturnover (12 M Xetra):	50,400 Euro

In recent weeks, nothing stayed as it was at the STS Group. The change from the Prime to the General Standard was announced, the group headquarters was greatly reduced in size and the management was replaced. The reason for these serious changes were two mutually dependent developments. On the one hand, the economic effect of the Covid-19 crisis was very noticeable in the second quarter. The Q2 sales announced on 3 August were again down 17 percent compared to the first quarter, while the operating profit (adjusted EBITDA) was again negative. On the other hand, the surprising decision to sell the chronically low-margin Acoustics segment was announced on 7 August, at a negative price (in the low single-digit million range).

With this change in strategy, the company is entering a new phase. After the strategic focus of recent years had been on leveraging synergies at Group level, the topics of the moment are now optimisation and cost-cutting. In addition, the equity capital is largely depleted due to special write-offs, so a capital increase appears necessary.

FY ends: 31.12.	2017	2018	2019	2020e	2021e	2022e
Sales (m Euro)	310.0	401.2	362.8	257.5	250.9	283.7
EBIT (m Euro)	46.9*	-1.3*	-6.5*	-31.8*	3.5	11.3
Net profit	47.0*	-4.8*	-12.1*	-37.6*	-2.8	5.1
EpS	9.39*	-0.80*	-2.02*	-6.26*	-0.47	0.84
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Sales growth	127.7%	29.4%	-9.6%	-29.0%	-2.6%	13.1%
Profit growth	525.9%	-	-	-	-	-
PSR	0.06	0.05	0.05	0.07	0.07	0.07
PER	0.4	-	-	-	-	3.7
PCR	-	2.6	0.5	-	1.5	1.1
EV / EBIT	1.8	-	-	-	23.7	7.2
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**including one-off effects, in 2020 from second HY without Acoustics*

Announcement of a restructuring programme

The last two months have seen dramatic changes at STS Group. In mid-May, management announced the change from the Prime Standard to the General Standard of the Frankfurt Stock Exchange. Especially quarterly reports are therefore unlikely to be published in the future. According to management, the cost savings resulting from these lower publication requirements are only one component of a larger cost reduction programme. This programme, consisting mainly of the decentralisation of staff functions and a significant reduction in the size of the company headquarters, was officially announced shortly afterwards.

Resignation of the former Management Board

On 22 June there were also major personnel changes. The replacement of two members of the Supervisory Board took place as planned; the resignations of the Chief Financial Officer Dr. Ulrich Hauck and the Chief Production Officer Mr. Patrick Oschust came as a surprise. Things came to a head on 30 June with the immediate resignation of the only remaining member of the Management Board and Chairman of the Management Board, Andreas Becker. Regarding the reasons of the personnel changes, the company did not provide any official information, not even in the aftermath. There was only the obligatory indication that an attempt would be made to find a new chairman as soon as possible.

Mathieu Purrey now sole director

In fact, a new director for three years was appointed with Mathieu Purrey just a few days later, on 3 July. The new French sole director has extensive experience in various management functions in the automotive industry. Mr. Purrey has previously worked for STS's major shareholder, the investment company Mutares, and also for STS itself. In particular, he can look back on nine months of experience as Chief Purchasing Officer (CPO) during a transition phase in 2017 and 2018. Mr. Purrey is an expert in cost reduction, optimisation and restructuring and sees precisely these areas, as well as the securing of liquidity, as his main tasks in the coming months.

Sale of the Acoustics segment

The above-mentioned decisions indicate already that the major downsizing of the Group headquarters will also shift the emphasis on cooperation between the individual segments. What exactly this means, and the context in which the previous decisions regarding the management and reduction of the company headquarters are to be considered, became clear at the beginning of August. On 7 August, it was announced in an ad hoc announcement that a buyer had been found for Acoustics and that the disposal of the segment was to be expected in the third quarter of 2020 − further details followed on 10 August. The buyer is the company Adler Pelzer, which intends to use this purchase to strategically expand its position in the field of acoustics. This step means a radical change of course for the entire portfolio of activities and products of the STS Group. As the new director explained, the company intends to focus on optimising the plants in France, on growth in China, market entry in the USA and the e-mobility trend. In contrast, the exploitation of further synergies across the Group will now have less importance. According to Mr Purrey, this decision will return the company to its origins. With regard to the departure of numerous employees from the Group headquarters in the coming months, management expects a smooth transfer of responsibilities and resources concerning processes and does not see any complications in terms of a loss of skills or business contacts.

No change in overall strategy

As far as the long-term strategy is concerned, the new management sees no need for change for the time being. In China, the company is operating at full capacity and continues to expand, and the move into the USA is to take place − under the leadership of the Plastics segment − in a manner similar to that planned under the old management. The current focus is on securing liquidity; nevertheless, the new management does not want to rule out opportunistic acquisitions of faltering competitors.

Impact on the balance sheet ...

The sale of Acoustics will have various effects on the earnings situation, liquidity and balance sheet. According to the notification, the sale was effected at a negative purchase price in the low single-digit million range. In the run-up, a high special write-off was already made in the second quarter, which will be followed by another in Q3 due to the sale below book value. As a result, the balance sheet equity of the parent company, STS Group AG, falls below 50 percent (EUR 3 m) of the company's nominal share capital. According to the German Stock Corporation Act (§ 92 (1) AktG), this requires the convening of an extraordinary general meeting. A capital increase and a resulting dilution of the shares appear likely.

... and profitability

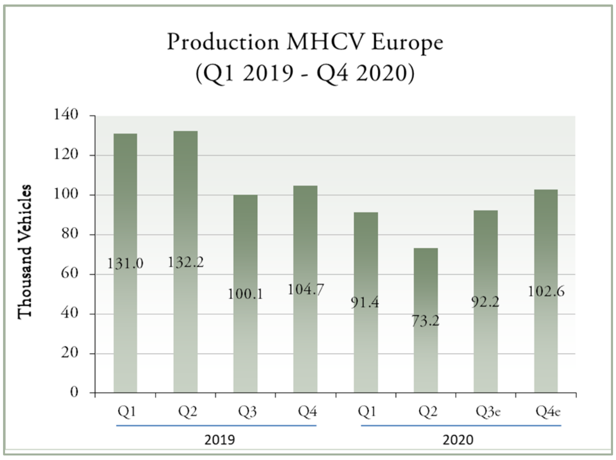
In terms of earnings, the sale will significantly relieve the company. As described below and as known from previous analyses, the Acoustics segment is currently the company's main loss-maker. Accordingly, the press release of 10 August emphasizes: "Without the Acoustics segment, STS Group would have generated a positive operating result in the first half of 2020".

Covid-19 development

Compared to the situation at the time of the last quarterly report (May 2020), the infection situation in Europe and China has eased considerably. Accordingly, all material restrictions on the commercial vehicles business have been lifted. However, the virus problem has not yet been solved. It is not yet possible to foresee when a low-risk and effective vaccine will be available. At the same time, in many countries outside the EU, such as the USA, Brazil, India and Russia, infection rates are still increasing at a rapid pace rate. For STS, however, these regions have so far been of little relevance in terms of sales. Nevertheless, there is a risk of the virus being re-imported to Europe and China, followed by a second major wave of infections.

Negative global economic environment

The effects of the Covid 19 crisis on the world economy are massively negative. In April, the IMF initially assessed the collapse in global GDP growth in the current year at -3.0 percent and revised its estimate downwards to -4.9 percent in the June update. Forecasts for the EU have also become more pessimistic. In July, the EU Commission changed the growth target for 2020 as a whole from -7.4 percent to -8.3 percent (European Economic Forecast Summer 2020 − Institutional Paper 132). In China, on the other hand, the outlook is more positive, as restrictions there were already relaxed towards the end of the first quarter. According to the Chinese National Bureau of Statistics, this resulted in economic growth of 3.2 percent already in the second quarter of 2020.



In thousand vehicles, source: IHS Markit

Slump in truck production

With regard to truck production in Europe, the situation is, as expected, much more dramatic than the gross domestic product situation. The number of trucks declined by 45 percent to 73,200 vehicles from Q2 2019 to Q2 2020, or -37.4 percent over the first half of the year (see diagram). This is not surprising, given that commercial vehicles are long-term capital goods whose purchase can usually be postponed by a few months or years in times of crisis, even in the case of replacement investments. In addition, many factories were closed in Q2, so that production would not even have been possible at all. However, the forecasting company IHS Market expects a recovery to the previous year's level in Europe in Q4 2020, which would greatly relieve the STS Group.

Declining call-off figures

Against this background, the sales performance of STS Group has recently declined very sharply – as management had already forecast at the investor presentation on the occasion of the Q1 figures. The reason for this contraction, which affects all business units except China, is on the one hand the decline in the number of call-offs from customers and on the other hand the closures or capacity reductions at the STS facilities due to Covid-19.

Plant closures at STS Group

The following list shows the duration of plant closures in the individual business areas. The lockdown in the Acoustics segment lasted particularly long. Not included in the table are the shutdowns of the Acoustics plants in Poland and Brazil, which had to remain closed until 4 May and 11 May, respectively.

Segment	Start Lockdown	End Lockdown	*Number of weeks*
Acoustics	16 March	27 April	*6*
Plastics	16 March	14 April	*4*
China	3 February	16 March	*2-6*
Materials	16 March	14 April	*4*

Source: Company

Revenues down sharply

In total, Group sales in the first half of 2020 fell by 29.8 percent to EUR 136.0 m. If the China segment (which delivered an excellent performance with a sales increase of 58.3 percent, is working at its capacity limit and has thus increased its importance for the Group), is deducted from the overall result, the sales of the other segments even show a decline of no less than 41.2 percent. This is slightly higher than the 37.4 percent decline in production estimated by IHS Markit.

Revenues	H1 2019	H1 2020	*Change*
Acoustics	60.1	37.5	-37.6%
Plastics	94.1	53.4	-43.3%
China	23.0	36.4	58.3%
Materials	21.3	11.5	-46.0%
Consolidated	-4.7	-2.9	N.A.
Total	***193.8***	***136.0***	***-29.8%***

In m Euro and percent; source: Company

Complete slump in the Materials segment

In a period comparison between the first and second quarters of 2020, all segments except China experienced a sharp slowdown due to the above-mentioned reasons. Sales fell by 17 percent from EUR 74.3 m to EUR 61.7 m. While the China segment was able to exceed expectations with a doubling of sales, the Materials segment, by far the smallest business unit, was particularly weak with sales declining by almost 70 percent during the quarter.

Revenues	Q1 2020	Q2 2020	*Change*
Acoustics	22.5	15.0	-33.5%
Plastics	33.1	20.3	-38.7%
China	11.6	24.8	112.4%
Materials	8.8	2.7	-69.0%
Consolidated	-1.7	-1.2	N.A.
Total	***74.3***	***61.7***	***-17.0%***

In m Euro and percent; source: Company

Operating result negative for the first time ...

Half-year profit developed in line with sales. While in the first half of 2019 an Adjusted EBITDA of EUR 10.1 m was generated, STS Group suffered a loss of EUR 2.2 m in the first half of 2020. As was the case with sales, there had been an opposite development between China and the other segments. The China segment improved its earnings from EUR 3.0 m to EUR 7.6 m and achieved an adjusted EBITDA margin of 20.9 percent. In contrast, all other segments turned negative, with Acoustics being the main loss-maker with EUR -5.0 m.

Adjusted EBITDA	H1 2019	H1 2020	*Change*
Acoustics	0.7	-5.0	N.A.
Plastics	7.6	-3.0	N.A.
China	3.0	7.6	153.3%
Materials	0.9	-0.1	N.A.
Consolidated	-2.2	-1.7	N.A.
Total	***10.1***	***-2.2***	***N.A.***

In m Euro and percent; source: Company

... even though China is booming

On a positive note, however, Adjusted EBITDA at Group level did not deteriorate further from Q1 to Q2. After the adjusted loss before interest, taxes, depreciation and amortisation had been EUR -1.23 m in the first quarter, it actually improved to just EUR -1.01 m between April and June. The profit increase in the China segment was able to offset the higher losses in the Plastics and Materials segments, and the Acoustics segment succeeded in keeping earnings more or less constant despite the further decline in sales due to cost-cutting measures.

Adjusted EBITDA	Q1 2020	Q2 2020	*Change*
Acoustics	-2.5	-2.6	N.A.
Plastics	-0.6	-2.4	N.A.
China	2.4	5.2	153.3%
Materials	0.5	-0.6	N.A.
Consolidated	-1.0	-0.7	N.A.
Total	***-1.2***	***-1.0***	***N.A.***

Expense ratios	H1 2019	H1 2020	*Change*
Sales	**193.8**	**136.0**	**-29.8%**
Material costs	113.9	79.1	-30.6%
Ratio	*58.8%*	*58.2%*	*-0.6 pp.*
Personnel costs	54.0	44.7	-17.2%
Ratio	*27.9%*	*32.9%*	*+5.0 pp.*
Other operating expenses	24.9	19.9	-20.1%
Ratio	*12.9%*	*14.6%*	*1.8 pp.*

Expense ratios increase

In times of declining sales, cost management and especially a reduction of operating costs as proportionally as possible is of great importance. The STS Group has succeeded in this in an exemplary manner in terms of material costs. Personnel expenses, on the other hand, only shrank in line with sales with an elasticity factor of 0.56. As a result, the personnel expenses ratio increased by 5 percentage points from 27.9 to 32.9 percent. This is not surprising, given that the companies also make a contribution to the costs of short-time working and that fixed costs are incurred by staff functions both at Group headquarters and in the segments. In our previous estimates we had reckoned with an elasticity factor of 0.66 for 2020, so we have to make a moderate upward adjustment to the expected personnel expenses. Other operating expenses decreased by EUR 5 m and the expense ratio increased by 1.8 percentage points.

High net loss for the period

While the decline in sales and operating result was to be expected, the net loss for the first half of 2020 of EUR -27.7 m is a real surprise. In addition to the weak operating performance, this was mainly due to the impairment loss on intangible assets in the Acoustics segment in the amount of EUR 11.0 m, which was made due to the losses in connection with Covid-19.

Transition year 2020

Without wanting to commit itself to specific figures, the company is expecting significantly lower sales and operating earnings for the full year 2020. As the date of the final sale of the Acoustics segment (closing) has not yet been determined, an estimate is currently difficult. We are lowering our sales estimate for 2020 for the entire company (including Acoustics) from EUR 327.6 m to EUR 302.2 m. We are thus following up the slump in the Acoustics and Plastics segments, but we still expect a slight recovery in the second half of the year (2020 H2 sales estimated at EUR 166.3 m). Based on the expense ratios for the first half of the year, we are also reassessing the operating profit and, on this basis, expect an adjusted EBITDA margin of

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	**257.5**	**250.9**	**283.7**	**302.7**	**321.6**	**342.4**	**365.1**	**390.3**
Sales growth	-29.0%	-2.6%	13.1%	6.7%	6.3%	6.4%	6.7%	6.9%
EBIT margin	-12.4%	1.4%	4.0%	4.3%	4.5%	4.8%	5.0%	5.3%
EBIT	**-31.8**	**3.5**	**11.3**	**13.0**	**14.6**	**16.4**	**18.4**	**20.6**
Tax rate	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
Adjusted tax payments	1.5	1.5	3.3	3.8	4.2	4.8	5.3	6.0
NOPAT	**-33.3**	**2.0**	**8.0**	**9.2**	**10.4**	**11.7**	**13.1**	**14.6**
+ Depreciation & Amortisation	29.1	15.1	13.3	13.3	13.3	13.3	13.3	13.3
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	**-4.3**	**17.0**	**21.3**	**22.5**	**23.7**	**24.9**	**26.3**	**27.9**
- Increase Net Working Capital	4.5	0.4	-2.1	-1.2	-1.2	-1.3	-1.5	-1.6
- Investments in fixed assets	-11.5	-13.0	-11.2	-11.8	-12.3	-12.9	-13.6	-14.3
Free cash flow	**-11.2**	**4.5**	**8.0**	**9.5**	**10.1**	**10.7**	**11.3**	**11.9**

SMC valuation model

0.3 percent for the year as a whole instead of the previous 4.0 percent. We estimate the volume of cumulative adjusted special charges at EUR 8 m. A drop-out of the Acoustics segment would improve the margin situation. We estimate that the adjusted EBITDA margin for 2020 will increase to 2.0 percent in the event of a hypothetical split-off of the segment as of 1 July, based on a sales estimate of EUR 257.5 m and an adjusted EBITDA of EUR 5.2 m.

Without Acoustics from 2021

We have adjusted our sales and margin expectations for the following years in line with the drop-out of the Acoustics segment, leaving our assumptions regarding the recovery and expansion of the remaining business unchanged. In 2021, reported consolidated revenues will therefore fall to EUR 250.9 m, which, however, when adjusted for the Acoustics sales still recorded for six months in 2020, represents a significant sales increase. This increase is also reflected in the key earnings figures: EBITDA and EBIT margins rise to 8.2 and 1.4 percent, respectively.

Target margin increases

Overall, the adjustments lead to a lower revenue series on the one hand, but also to a higher EBITDA margin on the other hand, as a segment with (in our model) disproportionately low profitability has dropped out. Accordingly, the Group EBIT margin is also benefiting: we now expect it at 5.3 percent at the end of the detailed forecast period in 2027 (previously: 4.0 percent). The estimated sales for the year are now only around EUR 390 m instead of the previous EUR 490 m. The table on this page shows the development of the key cash flow data resulting from these assumptions in the detailed forecast period up to 2027; further details of the balance sheet, income statement and cash flow statement can be found in the Annex.

Liquidity and solvency

As of 30 June 2020, cash and cash equivalents amounted to EUR 22.8 m. It was thus higher than the corresponding figures as of 31 December 2019 (EUR 17.2 m) and 31 March 2020 (EUR 17.3 m). The reason for the growing cash reserves in the second quarter is the raising of government-backed emergency loans in France (borrowing of EUR 12.0 m, net financial cash flow of EUR 7.3 m), the deferral of government social security payments and tax payments (increase of EUR 9.7 m in "other liabilities") and reduced investments in net working capital. With a current operating free cash flow of EUR -3.6 m (extrapolation of the sum of the half-yearly operating cash flow and investment cash flow), no liquidity problems are apparent in the near future. However, the upcoming sale of the Acoustics segment means that the already approved additional loan from Italy in the amount of EUR 15.0 m will not benefit STS Group's liquidity cushion. In return, the company will also be relieved of the pretax loss contribution (adj. EBITDA) of the Acoustics segment, which recently amounted to EUR 5.0 m per half-year. Nevertheless, we still believe it is quite possible that the company will decide on a capital increase in order to create a safety buffer for the sharply reduced equity of the AG. At the moment, however, we have not yet included a share issue in our calculations.

Framework data adjusted

We have significantly adjusted the model's framework data in response to recent developments. Since the company's operating situation has deteriorated sharply and the level of indebtedness has increased considerably, we now estimate the cost of debt at 11 percent as a precaution (instead of 6 percent previously). However, these are not actual credit costs, but a hypothetical and (presumably) temporary level of interest claims in acute crisis situations. In addition, we have increased the target debt ratio from 40 to 65 percent. We have left the remaining basic data of the model unchanged. Thus, we now discount the cash flows resulting from our estimates at a WACC rate of 8.8 percent (previously 8.2 percent), based on a cost of equity of 10.75 percent (consisting of: beta factor: 1.5, risk-free interest rate: 1.0 percent, risk premium 6.5 percent), borrowing costs of now 11 percent and a target debt ratio of now 65 percent. The assumptions used to determine the terminal value have remained unchanged. Therefore, we continue to work with a 25 percent safety discount on the target margin of the detailed forecast period and a "perpetual" cash flows growth of 1.0 percent.

Target price: EUR 4.30 per share

The model results in a market value of equity of EUR 26 m or around EUR 4.30 per share, which we set as a new price target. The reduction in the price target is due in particular to the recent very weak operating performance and the resulting sharp increase in debt. We rate the forecast risk of our estimates as very high at six points (on a scale of 1 to 6).

Sensitivity analysis

When the input parameters are varied for our sensitivity analysis (WACC between 7.8 and 9.8 percent and perpetual cash flows growth between 0 and 2 percent), the fair value of the share lies between EUR 1.10 and EUR 9.60.

Sensitivity analysis	Perpetual cash flows growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
7.8%	9.60	8.40	7.40	6.60	5.90
8.3%	7.50	6.60	5.80	5.10	4.50
8.8%	5.80	5.00	**4.30**	3.70	3.20
9.3%	4.30	3.60	3.10	2.60	2.10
9.8%	2.90	2.40	1.90	1.50	1.10

Conclusion

The STS Supervisory Board has reacted to the further deterioration of the economic environment and the continuing losses in the Acoustics segment with a radical change of course. Under the leadership of the new sole director Mathieu Purrey, a now leaner company is to be led back into the black with increased speed after the agreed sale of the Acoustics segment.

Although the sale of the loss-maker has the potential for significant stabilisation and notably improved business figures, there are still considerable risks in the short term. As a result of the high losses and the agreed negative purchase price in the low single-digit million range, the equity of the parent company, STS Group AG, has melted so much that it now only amounts to less than half the share capital (EUR 6 m). An extraordinary general meeting must therefore be convened. In our opinion, a capital increase may be necessary.

Ultimately, the new management must show that it is able to successfully cope with the organizational realignment under difficult conditions. This transitional phase is fraught with considerable uncertainty. Although the company is very favourably valued and our valuation model, adapted to the split-off of the Acoustics segment, signals clear potential for recovery with a price target of EUR 4.30, we are lowering our investment recommendation to "Hold" for the time being until the company has succeeded in stabilising its operations and its balance sheet.

Annex I: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
ASSETS									
I. Total non-current	136.4	98.9	96.8	94.8	93.3	92.3	92.0	92.3	93.3
1. Intangible assets	23.8	11.0	9.2	9.2	9.2	9.2	9.2	9.2	9.2
2. Tangible assets	102.9	78.2	77.9	75.8	74.3	73.4	73.0	73.3	74.4
II. Total current assets	120.0	106.9	105.6	115.5	125.0	135.3	146.5	158.8	172.2
LIABILITIES									
I. Equity	68.6	31.0	28.2	33.3	39.6	47.3	56.4	66.9	79.2
II. Accruals	21.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8
III. Liabilities									
1. Long-term liabilities	33.3	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7
2. Short-term liabilities	132.8	129.3	128.7	131.5	133.2	134.9	136.7	138.7	140.8
TOTAL	**256.5**	**205.7**	**202.4**	**210.3**	**218.3**	**227.6**	**238.5**	**251.0**	**265.5**

P&L estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	362.8	257.5	250.9	283.7	302.7	321.6	342.4	365.1	390.3
Total operating revenues	369.6	257.5	250.9	283.7	302.7	321.6	342.4	365.1	390.3
Gross profit	160.3	114.1	110.4	124.8	133.2	141.5	150.6	160.7	171.7
EBITDA	17.6	5.2	20.5	24.6	26.3	27.9	29.7	31.7	33.9
EBIT	-6.5	-31.8	3.5	11.3	13.0	14.6	16.4	18.4	20.6
EBT	-9.9	-35.6	-0.8	7.1	8.9	10.8	12.7	14.9	17.2
EAT (before minorities)	-12.1	-37.6	-2.8	5.1	6.3	7.7	9.1	10.6	12.2
EAT	-12.1	-37.6	-2.8	5.1	6.3	7.7	9.1	10.6	12.2
EPS	-2.02	-6.26	-0.47	0.84	1.06	1.28	1.51	1.76	2.04

Annex II: Cash flows estimation and key figures

Cash flows estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
CF operating	36.6	-4.0	12.7	16.2	18.4	19.7	21.0	22.4	23.9
CF from investments	-15.0	-11.5	-13.0	-11.2	-11.8	-12.3	-12.9	-13.6	-14.3
CF financing	-35.6	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity beginning of year	33.2	17.2	14.8	14.4	19.5	26.1	33.5	41.5	50.3
Liquidity end of year	17.2	14.8	14.4	19.5	26.1	33.5	41.5	50.3	59.9

Key figures

percent	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales growth	-9.6%	-29.0%	-2.6%	13.1%	6.7%	6.3%	6.4%	6.7%	6.9%
Adj. EBITDA margin	4.9%	2.0%	8.2%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
EBIT margin	-1.8%	-12.4%	1.4%	4.0%	4.3%	4.5%	4.8%	5.0%	5.3%
EBT margin	-2.7%	-13.8%	-0.1%	2.7%	3.1%	3.4%	3.8%	4.2%	4.5%
Net margin (after minorities)	-3.3%	-14.6%	-1.1%	1.8%	2.1%	2.4%	2.6%	2.9%	3.1%

Disclaimer

Editor
sc-consult GmbH
Alter Steinweg 46
48143 Münster
Internet: www.sc-consult.com

Phone: +49 (0) 251-13476-94
Telefax: +49 (0) 251-13476-92
E-Mail: kontakt@sc-consult.com

Responsible analyst
Dr. Bastian Brand

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

Disclaimer

Legal disclosures (§85 of the German Securities Trading Act (WHPG), MAR, Commission Delegated Regulation (EU) 2016/958 supplementing Regulation (EU) No 596/2014)

The company responsible for the preparation of the financial analysis is sc-consult GmbH based in Münster, currently represented by its managing directors Dr. Adam Jakubowski and Holger Steffen, Dipl.-Kfm. The sc-consult GmbH is subject to supervision and regulation by Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, D-60439 Frankfurt and Graurheindorfer Strasse 108, D-53117 Bonn.

I) Conflicts of interests

Conflicts of interests, which can arise during the preparation of a financial analysis, are presented in detail below:

1) sc-consult GmbH has prepared this report against payment on behalf of the company

2) sc-consult GmbH has prepared this report against payment on behalf of a third party

3) sc-consult GmbH has submitted this report to the customer or the company before publishing

4) sc-consult GmbH has altered the content of the report before publication due to a suggestion of the customer or the company (with sc-consult GmbH being prepared to carry out such an alteration only in case of reasoned objections concerning the quality of the report)

5) sc-consult GmbH maintains business relationships other than research with the analysed company (e.g. investor-relations services)

6) sc-consult GmbH or persons involved in the preparation of the report hold shares of the company or derivatives directly related

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), 4)

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: Dr. Bastian Brand

Participants in the preparation of the present financial analysis: Dipl.-Kfm. Holger Steffen

The present analysis was finished on14.08.2020 at 7:30 and published on 14.08.2020 at 7:40.

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	Rating	Target price	Conflict of interests
14.05.2020	Speculative Buy	7.00 Euro	1), 3), 4)
04.05.2020	Speculative Buy	7.00 Euro	1), 3), 4)
12.03.2020	Speculative Buy	7.50 Euro	1), 3), 4)
13.01.2020	Speculative Buy	10.00 Euro	1), 3), 4)
19.11.2019	Speculative Buy	10.00 Euro	1), 3), 4)
10.10.2019	Speculative Buy	10.00 Euro	1), 3), 4)
14.08.2019	Speculative Buy	10.00 Euro	1), 3), 4)
21.05.2019	Speculative Buy	14.10 Euro	1), 3)
15.04.2019	Speculative Buy	15.10 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: one report, one update, two comments

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

Exclusion of liability

Publisher of this report is sc-consult GmbH. The publisher does not represent that the information and data contained herein is accurate, complete and correct and does not take the responsibility for it. This report has been prepared under compliance of the German capital market rules and is therefore exclusively destined for German market participants; foreign capital market rules were not considered and are in no way relevant. Furthermore, this report is only for the reader's independent and autonomous information and does not constitute or form part of an offer or invitation to purchase or sale of the discussed share. Neither this publication nor any part of it form the basis for any contract or commitment whatsoever with respect to an offering or otherwise. Investing in shares, bonds or options always involves a risk. If necessary, seek professional advice.

This report has been prepared using sources believed to be reliable and accurate. However, the publisher does not represent that the information and data contained herein is accurate, complete and correct and does not take the responsibility for it. The opinions and projections contained in this document are entirely the personal opinions of the author at a specific time and are subject to change at any time without prior notice. Neither the author nor publisher accept any responsibility whatsoever for any loss however arising from any use of this report or its contents. By accepting this document, you agree to being bound by the foregoing instructions.

Copyright