

Buy (old: Buy)

03.08.2023

EUR 21.00 (old: EUR 21.00)

## Paving the way for promising business combination

fashionette scheduled an extraordinary AGM on September 6, which should pave the way for a **business combination between fashionette as well as online platform and major shareholder The Platform Group** by ways of a capital increase of € 11.07m against a contribution in kind. The resulting entity is set to be renamed into "The Platform Group AG". CEO Benner who currently owns 43% in fashionette will hold c. 80% of the combined group. Neither an exclusion of minority shareholders nor a withdrawal from the stock exchange are planned.

The volume of the proposed capital increase corresponds to the **value ratio of fashionette and TPG of 1:1.79**. The ratio has been derived from an external auditor opinion, which values fashionette at € 87.1m and TPG at € 155.6m. In FY 22, TPG generated c. € 173m revenue and € 15m adj. EBITDA. Hence, the combined entity generated pro-forma revenues of € 338m and € 15.4m adj. EBITDA in FY22. Given fashionette's MCap of € 32.5m, **TPG should be valued at c. € 59m and c. € 80m EV, which would translate into an attractive c. 5x EV/EBITDA '22**, representing more than 50% discount to online peers.

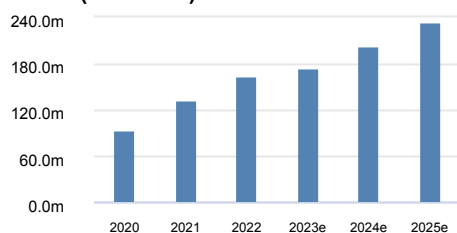
In our view, a business combination would be highly beneficial. With fashionette's **exposure to the structurally growing and highly profitable luxury fashion vertical**, the company should be poised for profitable growth in the coming years. fashionette looks set to capitalise on TPG's know-how with regards to tech, data, marketing and logistics. The business combination should also offer cross-selling opportunities. CEO Benner aims to transform fashionette into a true luxury eCommerce platform in the mid-term. In August 2023, first B2B partners will be connected to the ecosystem and the number should rise to 150 until year-end.

Considering TPG's sound profitability, the platform transition should also improve FSNT's margins and efficiency measures have already started to gain traction. In FY 23e, **adj. EBITDA is expected in the range of € 2-3m** (eNuW: € 2.8m, eCons: € 3.0m), **implying a margin of 1.4% at mid-point**. This represents an improvement of c. 1.2pp yoy even though one-off **restructuring expenses to the tune of € 1.8-2.8m** should weigh on the bottom-line in FY 23e. To this end, management started to review internal processes and identified cost savings in marketing and admin functions (i.e. personnel). Cost saving measures are being implemented in FY23e and **should yield first positive results from H2 onwards**. **BUY with an unchanged PT of € 21.00, based on DCF.**

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	94.8	133.8	164.7	176.0	204.8	235.5
Sales growth	29.6%	41.1%	23.1%	6.8%	16.3%	15.0%
EBITDA	8.9	4.4	0.4	2.8	6.4	11.1
Net debt (if net cash=0)	-31.8	9.1	9.9	6.4	5.9	3.4
FCF	4.5	-15.4	1.1	3.5	0.6	2.5
Net Debt/EBITDA	0.0	2.0	24.9	2.3	0.9	0.3
EPS pro forma	0.15	-0.27	-1.01	-0.26	0.13	0.74
EBITDA margin	9.4%	3.3%	0.2%	1.6%	3.1%	4.7%
ROCE	15.0%	3.5%	-3.4%	1.1%	7.4%	14.4%
EV/sales	1.8	1.4	0.3	0.2	0.2	0.2
EV/EBITDA	19.1	41.4	108.4	14.1	6.1	3.3
PER	220.2	-104.4	-5.3	-20.8	40.2	7.2
Adjusted FCF yield	2.5%	0.7%	-3.8%	2.9%	9.2%	20.5%

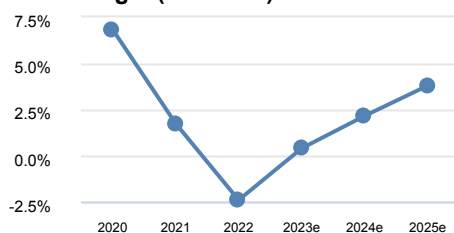
Source: Company data, NuWays, Close price as of 02.08.2023

### Sales (2020-25e)



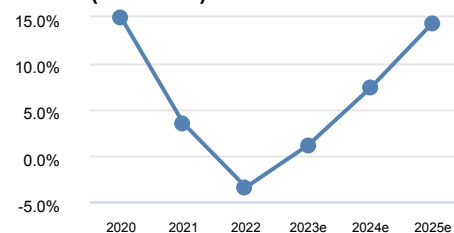
Source: NuWays Research

### EBIT margin (2020-25e)



Source: NuWays Research

### ROCE (2020-25e)



Source: NuWays Research

## Company description

fashionette is a growing e-commerce company for high-quality and luxury fashion accessories. In addition to a variety of products and brands, the company uses a data platform and artificial intelligence to create a personalized shopping experience.

## Share Performance



High/low 52 weeks (€)	6.17 / 3.59
3m rel. performance	9.9%
6m rel. performance	-12.8%
12m rel. performance	12.2%

## Market data

Share price (in €)	5.26
Market cap (in € m)	33.2
Number of shares (in m pcs)	6.2
Enterprise value (in € m)	39.6
Ø trading volume (6 months)	23,000

## Identifier

Bloomberg	FSNT GR
Reuters	FSNT
WKN	A2QEFA
ISIN	DE000A2QEFA1

## Key shareholders

The Platform Group	43.8%
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## Estimates changes

	2023e	2024e	2025e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	-1%	-0%

## Comment on changes

## Guidance

- Sales: € 173-178m
- Adj. EBITDA: €2-3m

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>94.8</b>	<b>133.8</b>	<b>164.7</b>	<b>176.0</b>	<b>204.8</b>	<b>235.5</b>
Sales growth	29.6%	41.1%	23.1%	6.8%	16.3%	15.0%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total sales</b>	<b>94.8</b>	<b>133.8</b>	<b>164.7</b>	<b>176.0</b>	<b>204.8</b>	<b>235.5</b>
Other operating income	1.7	2.4	2.3	2.6	3.1	3.5
Material expenses	57.3	82.3	102.3	105.8	122.0	139.4
Personnel expenses	7.5	9.9	12.8	14.3	16.3	17.6
Other operating expenses	25.8	42.4	53.9	55.8	63.1	70.9
<b>Total operating expenses</b>	<b>88.9</b>	<b>132.2</b>	<b>166.7</b>	<b>173.2</b>	<b>198.3</b>	<b>224.3</b>
<b>EBITDA</b>	<b>8.9</b>	<b>4.4</b>	<b>0.4</b>	<b>2.8</b>	<b>6.4</b>	<b>11.1</b>
Depreciation	0.2	0.3	1.0	0.3	0.3	0.4
<b>EBITA</b>	<b>8.7</b>	<b>4.1</b>	<b>-0.6</b>	<b>2.5</b>	<b>6.1</b>	<b>10.7</b>
Amortisation of goodwill	1.4	0.0	1.8	0.0	0.0	0.0
Amortisation of intangible assets	0.8	1.8	1.6	1.8	1.7	1.8
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>6.5</b>	<b>2.3</b>	<b>-4.0</b>	<b>0.7</b>	<b>4.4</b>	<b>8.9</b>
Interest income	0.0	0.0	0.0	0.2	0.1	0.2
Interest expenses	1.5	1.4	1.7	2.3	2.3	2.3
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.4	-1.4	-1.7	-2.0	-2.2	-2.1
<b>Recurring pretax income from continuing operations</b>	<b>5.1</b>	<b>0.9</b>	<b>-5.7</b>	<b>-1.4</b>	<b>2.2</b>	<b>6.8</b>
Extraordinary income/loss	-3.0	-2.8	-2.4	-1.0	-1.0	0.0
<b>Earnings before taxes</b>	<b>2.0</b>	<b>-1.9</b>	<b>-8.1</b>	<b>-2.4</b>	<b>1.2</b>	<b>6.8</b>
Income tax expense	1.1	-0.2	-1.8	-0.8	0.4	2.2
<b>Net income from continuing operations</b>	<b>0.9</b>	<b>-1.7</b>	<b>-6.3</b>	<b>-1.6</b>	<b>0.8</b>	<b>4.6</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>0.9</b>	<b>-1.7</b>	<b>-6.3</b>	<b>-1.6</b>	<b>0.8</b>	<b>4.6</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>0.9</b>	<b>-1.7</b>	<b>-6.3</b>	<b>-1.6</b>	<b>0.8</b>	<b>4.6</b>
Average number of shares	6.2	6.2	6.2	6.2	6.2	6.2
<b>EPS reported</b>	<b>0.15</b>	<b>-0.27</b>	<b>-1.01</b>	<b>-0.26</b>	<b>0.13</b>	<b>0.74</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Sales growth	29.6%	41.1%	23.1%	6.8%	16.3%	15.0%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	1.8%	1.8%	1.4%	1.5%	1.5%	1.5%
Material expenses	60.4%	61.5%	62.1%	60.1%	59.6%	59.2%
Personnel expenses	7.9%	7.4%	7.8%	8.1%	8.0%	7.5%
Other operating expenses	27.3%	31.7%	32.7%	31.7%	30.8%	30.1%
<b>Total operating expenses</b>	<b>93.8%</b>	<b>98.8%</b>	<b>101.2%</b>	<b>98.4%</b>	<b>96.9%</b>	<b>95.3%</b>
<b>EBITDA</b>	<b>9.4%</b>	<b>3.3%</b>	<b>0.2%</b>	<b>1.6%</b>	<b>3.1%</b>	<b>4.7%</b>
Depreciation	0.2%	0.2%	0.6%	0.2%	0.1%	0.2%
<b>EBITA</b>	<b>9.2%</b>	<b>3.1%</b>	<b>-0.4%</b>	<b>1.4%</b>	<b>3.0%</b>	<b>4.6%</b>
Amortisation of goodwill	1.5%	0.0%	1.1%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.8%	1.3%	1.0%	1.0%	0.8%	0.8%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>6.8%</b>	<b>1.7%</b>	<b>-2.4%</b>	<b>0.4%</b>	<b>2.2%</b>	<b>3.8%</b>
Interest income	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Interest expenses	1.5%	1.1%	1.0%	1.3%	1.1%	1.0%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>5.3%</b>	<b>0.7%</b>	<b>-3.4%</b>	<b>-0.8%</b>	<b>1.1%</b>	<b>2.9%</b>
Extraordinary income/loss	-3.2%	-2.1%	-1.5%	-0.6%	-0.5%	0.0%
<b>Earnings before taxes</b>	<b>2.2%</b>	<b>-1.4%</b>	<b>-4.9%</b>	<b>-1.3%</b>	<b>0.6%</b>	<b>2.9%</b>
Tax rate	55.1%	12.4%	22.2%	32.5%	32.5%	32.5%
<b>Net income from continuing operations</b>	<b>1.0%</b>	<b>-1.2%</b>	<b>-3.8%</b>	<b>-0.9%</b>	<b>0.4%</b>	<b>1.9%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>1.0%</b>	<b>-1.2%</b>	<b>-3.8%</b>	<b>-0.9%</b>	<b>0.4%</b>	<b>1.9%</b>
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>1.0%</b>	<b>-1.2%</b>	<b>-3.8%</b>	<b>-0.9%</b>	<b>0.4%</b>	<b>1.9%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	16.0	17.9	15.3	14.5	13.8	13.4
Property, plant and equipment	0.3	4.6	4.1	4.0	3.9	3.9
Financial assets	0.0	0.0	0.3	0.3	0.3	0.3
<b>FIXED ASSETS</b>	<b>16.3</b>	<b>22.4</b>	<b>19.7</b>	<b>18.8</b>	<b>18.0</b>	<b>17.6</b>
Inventories	21.9	44.3	36.7	37.4	41.0	46.2
Accounts receivable	7.6	17.9	19.0	20.1	22.8	26.2
Other assets and short-term financial assets	0.8	3.9	4.9	9.2	9.2	9.2
Liquid assets	31.8	6.8	5.1	8.6	9.1	11.6
Deferred taxes	0.0	0.3	1.6	1.6	1.6	1.6
Deferred charges and prepaid expenses	0.7	0.7	0.7	1.0	1.0	1.0
<b>CURRENT ASSETS</b>	<b>62.8</b>	<b>74.0</b>	<b>67.9</b>	<b>77.9</b>	<b>84.6</b>	<b>95.7</b>
<b>TOTAL ASSETS</b>	<b>79.1</b>	<b>96.4</b>	<b>87.6</b>	<b>96.6</b>	<b>102.6</b>	<b>113.3</b>

<b>SHAREHOLDERS EQUITY</b>	<b>66.4</b>	<b>51.0</b>	<b>45.5</b>	<b>44.0</b>	<b>44.9</b>	<b>48.2</b>
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	1.1	0.4	0.4	0.4	0.4	0.4
Short-term liabilities to banks	0.0	2.5	3.9	3.9	3.9	3.9
Accounts payable	7.8	27.1	25.1	31.0	36.1	41.5
Advance payments received on orders	0.2	0.2	0.2	0.2	0.2	0.2
Other liabilities (incl. from lease and rental contracts)	3.7	0.2	0.1	4.6	4.6	6.6
Deferred taxes	0.0	1.7	1.5	1.5	1.5	1.5
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>11.6</b>	<b>27.5</b>	<b>25.4</b>	<b>35.8</b>	<b>40.9</b>	<b>48.3</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>79.1</b>	<b>96.4</b>	<b>87.7</b>	<b>96.6</b>	<b>102.6</b>	<b>113.3</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	20.2%	18.5%	17.5%	15.0%	13.4%	11.8%
Property, plant and equipment	0.4%	4.7%	4.7%	4.1%	3.8%	3.5%
Financial assets	0.0%	0.0%	0.3%	0.3%	0.3%	0.3%
<b>FIXED ASSETS</b>	<b>20.6%</b>	<b>23.3%</b>	<b>22.5%</b>	<b>19.4%</b>	<b>17.5%</b>	<b>15.5%</b>
Inventories	27.6%	45.9%	41.9%	38.7%	39.9%	40.7%
Accounts receivable	9.7%	18.6%	21.7%	20.8%	22.2%	23.1%
Other assets and short-term financial assets	1.0%	4.1%	5.6%	9.5%	9.0%	8.1%
Liquid assets	40.3%	7.1%	5.8%	8.9%	8.9%	10.2%
Deferred taxes	0.0%	0.4%	1.8%	1.6%	1.5%	1.4%
Deferred charges and prepaid expenses	0.9%	0.7%	0.8%	1.0%	1.0%	0.9%
<b>CURRENT ASSETS</b>	<b>79.4%</b>	<b>76.7%</b>	<b>77.5%</b>	<b>80.6%</b>	<b>82.5%</b>	<b>84.5%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>83.9%</b>	<b>52.9%</b>	<b>51.9%</b>	<b>45.5%</b>	<b>43.8%</b>	<b>42.5%</b>
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	1.4%	0.4%	0.4%	0.4%	0.4%	0.3%
Short-term liabilities to banks	0.0%	2.6%	4.4%	4.0%	3.8%	3.4%
Accounts payable	9.9%	28.1%	28.6%	32.1%	35.2%	36.6%
Advance payments received on orders	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Other liabilities (incl. from lease and rental contracts)	4.6%	0.2%	0.1%	4.8%	4.5%	5.8%
Deferred taxes	0.0%	1.7%	1.7%	1.5%	1.4%	1.3%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>14.7%</b>	<b>28.5%</b>	<b>29.0%</b>	<b>37.1%</b>	<b>39.8%</b>	<b>42.6%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	0.9	-1.7	-6.3	-1.6	0.8	4.6
Depreciation of fixed assets (incl. leases)	0.2	0.3	1.0	0.3	0.3	0.4
Amortisation of goodwill & intangible assets	2.2	1.8	3.4	1.8	1.7	1.8
Others	-3.6	-1.8	-2.4	0.0	0.0	0.0
Cash flow from operating activities	4.7	-14.7	1.8	4.2	1.2	3.1
Increase/decrease in inventory	-5.9	-22.4	7.6	-0.8	-3.5	-5.2
Increase/decrease in accounts receivable	0.9	-10.3	-1.1	-1.1	-2.7	-3.4
Increase/decrease in accounts payable	2.5	19.4	-2.0	5.9	5.1	5.4
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-2.5	-13.3	4.4	4.1	-1.2	-3.2
<b>Cash flow from operating activities</b>	<b>5.2</b>	<b>-14.2</b>	<b>2.2</b>	<b>4.6</b>	<b>1.7</b>	<b>3.6</b>
CAPEX	0.7	1.2	1.1	1.1	1.1	1.1
Payments for acquisitions	0.0	17.0	0.0	0.0	0.0	0.0
Financial investments	-0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-0.7</b>	<b>-18.2</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>	<b>-1.1</b>
Cash flow before financing	4.6	-32.4	1.1	3.5	0.6	2.5
Increase/decrease in debt position	0.0	9.1	-0.4	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	37.2	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-3.6	-1.8	-2.4	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.0	0.1	-0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>33.6</b>	<b>7.3</b>	<b>-2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	38.1	-25.0	-1.8	3.5	0.6	2.5
<b>Liquid assets at end of period</b>	<b>31.8</b>	<b>6.8</b>	<b>5.1</b>	<b>8.6</b>	<b>9.1</b>	<b>11.6</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	29.6%	41.1%	23.1%	6.8%	16.3%	15.0%
EBITDA growth	24.5%	-50.2%	-91.0%	607.5%	127.6%	73.8%
EBIT growth	39.9%	-64.1%	-270.8%	-117.2%	542.7%	102.7%
EPS growth	-34.5%	-282.6%	275.4%	-74.6%	-151.8%	454.3%
<b>Efficiency</b>						
Sales per employee	707.6	998.5	1,229.4	1,313.4	1,528.0	1,757.2
EBITDA per employee	66.4	33.1	3.0	21.0	47.8	83.1
No. employees (average)	134	134	134	134	134	134
<b>Balance sheet analysis</b>						
Avg. working capital / sales	21.4%	21.1%	19.8%	16.1%	13.1%	12.4%
Inventory turnover (sales/inventory)	4.3	3.0	4.5	4.7	5.0	5.1
Accounts receivable turnover	29.4	48.8	42.1	41.6	40.6	40.6
Accounts payable turnover	30.0	74.0	55.6	64.3	64.3	64.3
<b>Cash flow analysis</b>						
Free cash flow	4.5	-15.4	1.1	3.5	0.6	2.5
Free cash flow/sales	4.8%	-11.5%	0.7%	2.0%	0.3%	1.0%
FCF / net profit	496.0%	923.5%	neg.	neg.	69.2%	53.6%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	-31.8	9.1	9.9	6.4	5.9	3.4
Net Debt/EBITDA	0.0	2.0	24.9	2.3	0.9	0.3
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	34.1%	18.2%	10.9%	15.3%	15.5%	15.5%
<b>Returns</b>						
ROCE	15.0%	3.5%	-3.4%	1.1%	7.4%	14.4%
ROE	1.4%	-3.3%	-13.8%	-3.6%	1.8%	9.5%
Adjusted FCF yield	2.5%	0.7%	-3.8%	2.9%	9.2%	20.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	0.15	-0.27	-1.01	-0.26	0.13	0.74
Average number of shares	6.2	6.2	6.2	6.2	6.2	6.2
<b>Valuation ratios</b>						
P/BV	3.0	3.4	0.7	0.8	0.7	0.7
EV/sales	1.8	1.4	0.3	0.2	0.2	0.2
EV/EBITDA	19.1	41.4	108.4	14.1	6.1	3.3
EV/EBIT	26.1	78.7	-10.8	57.7	8.9	4.1

Source: Company data, NuWays

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Company	Disclosures
fashionette AG	1,2,3

### Historical target price and rating changes for fashionette AG

Company	Date	Analyst	Rating	Target Price	Close
fashionette AG	02.12.2022	Sandherr, Christian	Buy	EUR 22.00	EUR 3.72

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:

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