April 12th, 2024
Research update

SMC Research
Small and Mid Cap Research

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STS Group AG

Strong figures and optimistic forecast

Rating: Buy (unchanged) | **Price:** 5.70 € | **Price target:** 20.30 € (prev.: 19.80 €)

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Current development

Basic data

Based in:	Hagen
Sector:	Automotive supplier
Headcount:	1,392
Accounting:	IFRS
Ticker:	SF3:GR
ISIN:	DE000A1TNU68
Kurs:	5.70 Euro
Market segment:	General Standard
Number of shares:	6.5 m
Market Cap:	37.1 m Euro
Enterprise Value:	71.4 m Euro
Free Float:	25.6 %
Price high/low (12 M):	7.25 / 4.10 Euro
Øturnover (12 M Xetra):	15,600 Euro

Significant increase in sales

STS felt a strong tailwind from market developments last year. After a slump of just over 50 percent in 2022, total sales of heavy trucks in China recorded a strong recovery in the past period with growth of 35 percent (source: cvworld.cn/SteelOrbis). At the same time, in Europe, the upward trend from the previous year (+6.5 percent) for heavy and medium-duty commercial vehicles accelerated with an increase of 16.3 percent (source: ACEA), while there was an increase of 7 percent in the USA (source: YCharts). The company had not fully adjusted its structures in China to the difficult market conditions in 2022, thus maintaining capacity for the expected market recovery. This paid off very clearly in the last financial year with a 67.5 percent increase in the China segment revenue to EUR 51.0 m. But the Plastics Division, which covers business with truck components in Europe and Central and North America, increased its sales as well, by 12.9 percent to EUR 203.1 m. There was also growth in semi-finished products (Materials segment), although the growth rate here was comparatively low at 6.2 percent (to EUR 38.5 m). Overall, STS was able to increase group sales by 18.2 percent to EUR 277.9

FY ends: 31.12.	2021	2022	2023	2024e	2025e	2026e
Sales (m Euro)	242.0	235.1	277.9	290.3	312.2	324.7
EBITDA (m Euro)	19.2	9.6	20.5	25.6	28.1	29.5
Net profit	1.8	-9.9	-1.2	2.8	5.4	7.3
EpS	0.28	-1.53	-0.18	0.43	0.83	1.12
Dividend per share	0.04	0.00	0.04	0.04	0.04	0.04
Sales growth	3.0%	-2.9%	18.2%	4.5%	7.6%	4.0%
Profit growth	-	-	-	-	93.1%	34.8%
PSR	0.15	0.16	0.13	0.13	0.12	0.11
PER	20.6	-	-	13.3	6.9	5.1
PCR	1.0	5.7	1.2	3.1	1.9	1.6
EV / EBITDA	3.7	7.4	3.5	2.8	2.5	2.4
Dividend yield	0.7%	0.0%	0.7%	0.7%	0.7%	0.7%

m in 2023, while total output (excluding other operating income) increased even slightly more, by 18.4 percent to EUR 286.8 m, because of a slightly higher inventory build-up. This means that the company's revenue forecast, which was raised in November following strong Q3 figures from an expected slight increase in sales to an increase in the low double-digit percentage range, was met, and our estimate (+16.2 percent to EUR 273.2 m) was slightly exceeded.

Business figures	**2022**	**2023**	***Change***
Sales	235.1	277.9	*+18.2%*
- Plastics	*179.9*	*203.1*	*+12.9%*
- China	*30.4*	*51.0*	*+67.5%*
- Materials	*36.3*	*38.5*	*+6.2%*
- consolidation	*-11.5*	*-14.7*	*-*
EBITDA	9.6	20.5	*+113.5%*
- Plastics	*12.8*	*14.9*	*+16.4%*
- China	*-0.9*	*7.0*	*-*
- Materials	*1.2*	*2.1*	*+75.0%*
- consolidation	*-3.5*	*-3.4*	*-*
EBITDA margin	*4.1%*	*7.4%*	*+3.3Pp.*
EBIT	-6.6	6.8	*-*
EBIT margin	*-2.8%*	*2.4%*	*+5.2Pp.*
Period result	-9.9	-1.2	*-*

In m Euro and percent; source: Company

Margin greatly improved

The surge in sales was accompanied by significantly higher cost of materials: the increased energy and raw material costs, which were only partially passed on to customers, led to a disproportionately high increase of 23.6 percent to EUR 186.3 m. As a result, the cost of materials ratio deteriorated from 64.1 percent to 67.0 percent. There was also a slight downward shift in the ratio of other operating expenses, which rose from 11.3 percent to 11.7 percent. However, this was compensated for by efficiency improvement measures that had already been launched in 2022, which led, among other things, to the merger of two plants in France and to a reduction and flexibilisation of the workforce in China, thanks to which personnel expenses were kept constant at EUR 58.8 m and the personnel cost ratio was reduced from 25.0 to 21.2 percent. An additional positive effect resulted from the sharp rise in other operating income (from EUR 3.3 m to EUR 11.3 m), which benefited significantly, among other things, from government energy cost subsidies. On balance, STS more than doubled its EBITDA from EUR 9.6 m to EUR 20.5 m, improving the EBITDA margin from 4.1 percent to 7.4 percent. We had expected earnings before interest, taxes, depreciation and amortisation of EUR 20.0 m.

Net result still negative

Despite the construction of the new U.S. plant, which was reflected in higher write-downs on right-of-use assets, total depreciation and amortisation fell from EUR 16.2 m to EUR 13.8 m, as the scheduled depreciation and amortisation from previously higher investment activities is slowly being phased out. As a result, EBIT in 2023 improved even more than EBITDA, from EUR -6.6 m to EUR +6.8 m. Nevertheless, net income remained slightly negative at EUR -1.2 m (previous year: EUR -9.9 m). In addition to higher tax expenses (EUR -1.7 m, previous year: EUR -0.9 m), this was mainly due to the significant deterioration in the financial result (EUR -6.3 m, previous year: EUR -2.5 m). The higher level of interest rates on capital markets has made itself felt here, although the effect was further intensified by the expansion of factoring associated with the increase in sales (interest expense EUR -2.3 m, previous year: EUR -0.7 m), and a significant increase in leasing volume due to the new plant in the USA (interest expense EUR -1.5 m, previous year: EUR -0.6 m). Despite the loss for the period, the company intends to distribute the statutory minimum dividend (assuming sufficient retained profit) of 4 percent of the share capital, corresponding to 4 cents per share.

FCF now clearly positive

The strong improvement in the operating result was also accompanied by a sharp increase in operating cash flow from EUR 6.5 m to EUR 30.5 m. In addition to the effect from earnings, this was due in particular to a significantly positive balance from the change in net working capital (EUR +20.2 m, previous year: EUR -20.6 m) that resulted mainly from lower trade receivables and advance payments received for tools (primarily for the new US plant), which led to higher contract liabilities. Although this was offset by higher investments last year (CF: EUR -14.3 m, previous year: EUR -8.7 m), the free cash flow improved greatly overall from EUR -2.2 m to EUR +16.2 m. Part of this was used for outflows in financing (CF balance: EUR -2.9 m), where net borrowing (EUR +6.9 m) was exceeded by payments for interest (EUR -6.1 m taking into account interest received) and the repayment of lease liabilities (EUR -3.8 m). Overall, however, liquidity in the last financial year increased from EUR 25.6 m to EUR 39.3 m.

Equity ratio now at 17.5 percent

Despite this increase in liquidity, net debt rose from EUR 15.0 m to EUR 29.3 m in the last financial year. The reason for this is the sharp increase in lease liabilities from EUR 9.6 m to EUR 33.1 m, which in turn is primarily attributable to the new US plant and, in particular, the long-term lease of the factory building. Adjusted for lease liabilities, the company thus had net liquidity of almost EUR 4 m at the end of the year. In addition to lease liabilities, the significant increase in contract liabilities (from EUR 31.7 m to EUR 48.6 m) also led to an increase in total assets (from EUR 211.6 m to EUR 266.5 m) – this item is primarily due to the tools for the US plant, which will be derecognised this year and next year with the customer acceptance (see paragraph "Additional tool sales"). Since equity fell from EUR 49.5 m to EUR 46.6 m at the same time, partly due to the loss for the period, the equity ratio fell from 23.4 to 17.5 percent within a year. The management considers this level to be sufficient. If the figure is adjusted for contract liabilities, the ratio would be significantly higher at 21.4 percent.

Growth impulses from the USA

The new US plant was not only completed in the course of 2023, but also started up, with 90 percent of the machines already in operation by the end of the year. This means that the start of series production for the major order secured in 2019, which alone will ensure sufficient capacity utilisation at the plant, is expected to take place on schedule in the first half of 2024. The US business will therefore provide positive impetus for growth. This is also likely for China, as the recovery in the truck market is expected to continue (VDA forecast: +8 percent). In contrast, STS sees the business in Europe as "more challenging": the VDA expects here a market decline of 10 percent. Overall, the management anticipates sales growth in the high single-digit percentage range and a high single-digit EBITDA margin for 2024.

Additional tool sales

Extraordinary revenue from the sale of tools to the US customer, which will be generated one-off in 2024 and 2025 each when operations start, is not included here, and for good reason, as it is effectively a transitory item: Production was carried out by suppliers, resulting in high contract liabilities, which are offset on the assets side of the balance sheet by inventories or advance payments on inventories, depending on the stage of completion. These items are derecognised upon acceptance by the customer; in the income statement, the additional sales are then offset by a reduction in inventories of a similar amount. With regard to these transactions, the company has forecast a realisation of EUR 21.6 m in 2024 and EUR 27.0 m in 2025. Recognising this together with sales from ongoing business would dilute the margin and thus distort the view of ongoing activities. We have therefore recognised the income (in the amount stated in the report) as a special item in our revenue model (see below), but have not integrated it into the DCF model due to its character as a transitory item (the advance payments received to date have already been forwarded to suppliers, and the final payment is likely to be made to the suppliers in a similar amount).

Estimates for 2024 raised

We have also adjusted the revenue estimates for the current business. While the Plastics segment was able to fulfil our expectations last year (sales EUR 203.1 m, estimate: EUR 203.2 m), the Materials segment performed slightly weaker than we had expected (EUR 38.5 m, estimate: EUR 40.0 m). The China business, on the other hand, performed significantly better (EUR 51.0 m, estimate: EUR 46.0 m). At the same time, the outlook for the Plastics segment is cautious due to the economic situation in Europe. We had already anticipated a 2 percent decline in sales for this segment and are now forecasting a drop of 4 percent (to EUR 195 m, previously: EUR 199.2 m). Nevertheless, we assume that the delayed passing on of cost increases to customers should somewhat dampen the volume effect of the weak market. At the same time, we have significantly raised our estimate for the Chinese business from EUR 49 m to EUR 61 m and continue to expect the US plant (which we list separately in the revenue model) to contribute EUR 10 m to sales. Together with slightly higher growth in the Materials segment (from 0.8 to 2.5 percent), we now expect group revenue to increase by 4.5 percent to EUR 290.3 m in 2024 (previously: +3.2 percent to EUR 282 m). In view of the management forecast of growth in the high single-digit percentage range, we consider this to be a conservative estimate. After the model update, we now see the EBITDA margin at 8.8 percent (previously: 7.9 percent) due to the positive economies of scale, which corresponds to EBITDA of EUR 25.6 m. Despite the simultaneous increase in assumed financing expenses, this should be sufficient for a net profit of EUR 2.8 m (as previously estimated).

Promising growth prospects

For 2025, we expect group sales growth to accelerate to 7.6 percent (to EUR 312.2 m), driven mainly by significantly higher revenue from the US plant (series production over a full twelve months) and further growth in China (+8 percent thanks to continued market normalisation). We have also assumed a moderate increase for the Materials division, while we are only expecting stagnation for the Plastics business as a precautionary measure. The EBITDA margin should therefore improve moderately to 9 percent and EBITDA should rise to EUR 28.1 m, resulting in a net profit of EUR 5.4 m according to our calculations. We are also positive about STS's growth prospects beyond this. On the one hand, the new plant in the USA and the support of majority shareholder Adler Pelzer offer good opportunities for acquiring further orders from North America, while on the other hand, the continuous tightening of emissions standards is leading to a continuing trend towards lightweight construction, from which the company is benefiting. We therefore consider our assumed compound annual growth rate (CAGR) of 3.8 percent for the period 2025 to 2031 to be very conservative, and our target EBITDA margin of 9.2 percent is only slightly higher than the level we expect for 2024. The table on the next page shows the development of the key cash flow figures up to 2031 resulting from these assumptions; further details of the estimates are provided in the Annex.

Frame parameters unchanged

Subsequently, we continue to calculate the terminal value with a 25-percent discount to the target margin of 2031 and a "perpetual" cash flow growth of 1 percent p.a. The discount rate (WACC) also remains unchanged at 6.7 percent. We have assumed here a CAPM cost of equity of 11.2 percent (with a safe interest rate of 2.5 percent, a market risk premium of 5.8 percent and a beta factor of 1.5). With a target capital structure of 65 percent debt capital, we continue to expect an interest rate on borrowed capital of 6 percent and a tax rate for the tax shield of 29 percent.

Revenue model (m Euro)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Plastics	195.0	195.0	198.1	204.2	210.4	215.6	221.0	226.5
China	61.0	67.1	71.1	75.4	79.9	83.9	88.1	92.5
Materials	39.5	39.7	40.3	41.5	42.8	43.9	45.0	46.1
USA	10.0	26.0	31.2	36.0	37.8	39.7	41.7	43.8
consolidation	-15.1	-15.6	-16.1	-16.5	-17.0	-17.6	-18.1	-18.6
Sales ongoing business	**290.3**	**312.2**	**324.7**	**340.6**	**353.8**	**365.5**	**377.7**	**390.3**
Tools sales*	21.6	27.0						
Total sales	**311.9**	**339.2**	**324.7**	**340.6**	**353.8**	**365.5**	**377.7**	**390.3**

*Estimates SMC-Research; *one-off business mainly for the start of the US plant*

m Euro	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031
Sales	290.3	312.2	324.7	340.6	353.8	365.5	377.7	390.3
Sales growth		7.6%	4.0%	4.9%	3.9%	3.3%	3.3%	3.3%
EBITDA	**25.6**	**28.1**	**29.5**	**31.3**	**32.6**	**33.6**	**34.7**	**35.9**
EBIT	10.4	13.5	15.1	17.2	18.5	19.7	20.8	21.9
Tax rate	30.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
Adjusted tax payments	3.1	3.9	4.4	5.0	5.4	5.7	6.0	6.4
NOPAT	**7.3**	**9.6**	**10.8**	**12.2**	**13.2**	**14.0**	**14.8**	**15.6**
+ Depreciation & Amortisation	15.2	14.6	14.4	14.2	14.0	14.0	13.9	14.0
+ 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	22.5	24.2	25.2	26.4	27.2	27.9	28.7	29.5
- Increase Net Working Capital	-11.5	-5.5	-4.4	-3.3	-3.4	-3.5	-3.7	-3.8
- Investments in fixed assets	-10.9	-13.0	-12.7	-13.1	-13.5	-13.8	-14.2	-14.5
Free Cashflow	**0.2**	**5.7**	**8.0**	**9.9**	**10.2**	**10.5**	**10.9**	**11.2**

SMC estimation model

New price target: EUR 20.30

With the model adjustments, the fair value we determined is now EUR 132.1m or EUR 20.32 per share, from which we derive EUR 20.30 as the new price target (a sensitivity analysis for the price target determination can be found in the Annex). The increase compared to our last estimate (EUR 19.80) is due to the slightly higher estimates and the effect from the roll-over of the model to the new base year 2024. On a scale of 1 (low) to 6 (high), we continue to classify the forecast risk as slightly above average at 4 points, which is primarily due to the influence of the highly cyclical nature of the truck market.

Conclusion

Last year, STS increased sales by 18.2 percent to EUR 277.9 m and more than doubled EBITDA from EUR 9.6 m to EUR 20.5 m, which equates to an increase in the margin from 4.1 percent to 7.4 percent. The company thus performed significantly better than originally expected and even slightly exceeded our last estimates. This was helped by the strong tailwind from the development of the market for heavy commercial vehicles in China and Europe.

In the current year, however, the environment is more heterogeneous. While the market recovery in China is expected to continue, volumes in Europe are likely to decline. Nevertheless, the management expects sales growth in the high single-digit percentage range for 2024, which should correspond to a high single-digit EBITDA margin. Support comes from the new US plant, which was completed in 2023 and will start series production in the first half of the year, with a major order won in 2019 directly ensuring sufficient capacity utilisation.

In response to the figures, we have raised our estimates slightly, particularly for the current financial period. Together with the roll-over of the model to the new base year 2024, this has led to an increase in the target price from EUR 19.80 to EUR 20.30.

We therefore continue to rate the STS share as significantly undervalued, which is also reflected in an estimated P/E ratio25 of 6.9 and an EV/EBITDA multiple25 of just 2.5. And this despite the fact that the company has strong medium-term growth drivers thanks to the new capacities in the USA, which represent a good basis for acquiring further orders, and the general trend towards lightweight truck construction, which promise growth rates above the industry average. We are therefore reiterating our “Buy” rating.

Annex I: SWOT analysis

Strengths

- STS has established itself as a global tier-one truck supplier for plastic parts.
- The company has expertise and flexibility in the application of a wide range of manufacturing techniques (SMC, thermocompression and injection moulding), materials and batch sizes, and is increasingly becoming a system supplier.
- Successful international expansion with a strong market position in China and the acquisition of a major order from the USA.
- Proved competence in acquisition and integration of companies as well as in the implementation of efficiency enhancement measures.
- With Adler Pelzer, the company has a strong parent company.

Weaknesses

- Despite the recent improvement, the EBITDA margin is still low at 7.4 percent. The net result was thus still negative in 2023, and further progress is needed to achieve a profit.
- The balance sheet debt is fairly high (equity ratio 17.5 percent). However, the multiple of net financial debt to EBITDA was only a moderate 1.4 in 2023.
- Due to the long lead time from order placement to revenue generation, sales initiatives only show up in group revenue with a significant delay.
- Structural growth dynamics in the still important European commercial vehicle market are low.
- In the wake of the takeover by Adler Pelzer, the liquidity of the share has decreased.

Opportunities

- The launch of the new US plant in 2024 will provide important growth impetus, which is why management is forecasting an increase in revenue in the high single-digit percentage range.
- Despite the plant start-up, the forecast EBITDA margin in the high single-digit range offers potential for further margin improvement.
- Together with Adler Pelzer, there are good opportunities for order acquisition in the USA and further market share gains in China.
- Electromobility and new emission regulations act as growth drivers.
- The STS share is very low-priced and offers very high upside potential as soon as investors gain confidence in STS's sustainable growth prospects.

Threats

- The difficult economic situation is likely to lead to a further decline in the truck market in Europe.
- There are also high economic risks in China, which could have a stronger impact on the commercial vehicle market again.
- Increasing headwinds from the markets could delay the leap into the profit zone in terms of net income.
- The start of series production in the USA could incur higher costs than expected.
- International conflicts (especially with China) could make business development more difficult.
- Adler Pelzer could decide to delist the share.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
ASSETS									
I. Total non-current	111.7	107.3	105.7	104.0	102.9	102.4	102.3	102.5	103.1
1. Intangible assets	19.1	19.6	20.1	20.5	20.8	21.1	21.3	21.5	21.7
2. Tangible assets	86.9	82.0	79.9	77.8	76.4	75.6	75.3	75.3	75.7
II. Total current assets	154.8	141.2	122.1	132.2	143.8	156.1	169.1	182.7	197.0
LIABILITIES									
I. Equity	46.6	49.1	54.3	61.3	69.6	79.0	89.3	100.6	112.8
II. Accruals	10.0	10.1	10.2	10.3	10.4	10.6	10.7	10.8	10.9
III. Liabilities									
1. Long-term liabilities	80.6	71.9	65.6	64.7	64.2	63.6	63.0	62.5	61.9
2. Short-term liabilities	129.3	117.4	97.7	99.9	102.6	105.4	108.4	111.4	114.6
TOTAL	**266.5**	**248.5**	**227.8**	**236.1**	**246.8**	**258.6**	**271.4**	**285.2**	**300.1**

P&L estimation

m Euro	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Sales (current)	277.9	290.3	312.2	324.7	340.6	353.8	365.5	377.7	390.3
Total output	286.8	293.3	312.2	324.7	340.6	353.8	365.5	377.7	390.3
Gross profit	100.5	109.0	115.5	120.1	126.0	130.9	135.2	139.7	144.4
EBITDA	20.5	25.6	28.1	29.5	31.3	32.6	33.6	34.7	35.9
EBIT	6.8	10.4	13.5	15.1	17.2	18.5	19.7	20.8	21.9
EBT	0.5	5.1	8.3	10.2	12.1	13.6	14.9	16.2	17.6
EAT (before minorities)	-1.2	2.8	5.4	7.3	8.6	9.7	10.6	11.5	12.5
EAT	-1.2	2.8	5.4	7.3	8.6	9.7	10.6	11.5	12.5
EPS	-0.18	0.43	0.83	1.12	1.32	1.49	1.63	1.77	1.92

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
CF operating	30.5	12.1	20.0	22.6	25.2	26.0	26.6	27.4	28.1
CF from investments	-14.3	-10.9	-13.0	-12.7	-13.1	-13.5	-13.8	-14.2	-14.5
CF financing	-2.9	-7.8	-7.9	-7.7	-7.2	-7.2	-7.2	-7.1	-7.1
Liquidity beginning of year	25.6	39.3	32.8	31.9	34.2	39.1	44.3	49.9	56.0
Liquidity end of year	39.3	32.8	31.9	34.2	39.1	44.3	49.9	56.0	62.5

Key figures

percent	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Sales growth	18.2%	4.5%	7.6%	4.0%	4.9%	3.9%	3.3%	3.3%	3.3%
Gross margin	36.2%	37.5%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%
EBITDA margin	7.4%	8.8%	9.0%	9.1%	9.2%	9.2%	9.2%	9.2%	9.2%
EBIT margin	2.4%	3.6%	4.3%	4.7%	5.0%	5.2%	5.4%	5.5%	5.6%
EBT margin	0.2%	1.7%	2.7%	3.1%	3.5%	3.8%	4.1%	4.3%	4.5%
Net margin	-0.4%	1.0%	1.7%	2.2%	2.5%	2.7%	2.9%	3.1%	3.2%

Annex IV: Sensitivity analysis

	Perpetual cash flow growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
5.7%	33.26	29.48	26.50	24.10	22.12
6.2%	28.30	25.43	23.11	21.20	19.60
6.7%	24.40	22.16	**20.32**	18.78	17.47
7.2%	21.25	19.48	17.99	16.72	15.63
7.7%	18.66	17.23	16.00	14.95	14.04

Disclaimer

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

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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), 10)

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.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 11.04.2024 at 19:00 and published on 12.04.2024 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 realisation 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.	Target price	Conflict of interests
15.11.2023	Buy	19.80 Euro	1), 3), 10)
02.10.2023	Buy	19.50 Euro	1), 3), 10)
09.08.2023	Buy	19.50 Euro	1), 3), 4), 10)
30.05.2023	Buy	16.00 Euro	1), 3), 10)
26.04.2023	Buy	16.00 Euro	1), 3), 10)
07.12.2022	Buy	12.60 Euro	1), 3), 4), 10)
17.08.2022	Hold	11.80 Euro	1), 3), 10)
02.06.2022	Speculative Buy	12.90 Euro	1), 3), 10)
19.04.2022	Speculative Buy	10.90 Euro	1), 3), 10)

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

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

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