ecotel

(CDAX, Telecom/Internet, E4C GR)

WARBURG RESEARCH

Buy	
EUR **42.00**	
Price	EUR 28.30
Upside	**48.4 %**

Value Indicators:	EUR
DCF:	42.79
SotP:	40.56

Warburg ESG Risk Score:	**2.5**
ESG Score (MSCI based):	3.0
Balance Sheet Score:	4.0
Market Liquidity Score:	0.5

Description:

ecotel is a German IT and telecommunication solutions provider

Market Snapshot:	EUR m
Market cap:	99.3
No. of shares (m):	3.5
EV:	98.8
Freefloat MC:	19.6
Ø Trad. Vol. (30d):	27.30 th

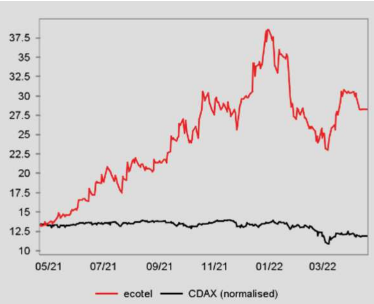
Shareholders:	
Freefloat	19.76 %
Peter Zils	29.91 %
Andrey Morozov	29.99 %
PVM Private Values Media AG	9.31 %
CBOSS Orient FZ-LLC	7.83 %

Key Figures (WRe):	2022e
Beta:	1.3
Price / Book:	4.2 x
Equity Ratio:	48 %

Defensive earnings & FCF growth in unprecedented times; Initiation with Buy

ecotel is a German provider of IT and telecommunications solutions with a broad product portfolio spanning classic internet and voice, modern cloud and web conferencing solutions, as well as VPN, housing and hosting services. The company's competitive edge lies in its multi-carrier approach combined with its strong service and quality focus for SME clients. The service proposition makes ecotel the preferred choice for B2B customers seeking high-quality service and a business relationship with only one ICT provider for multiple business locations.

- **Appealing structural growth trends:** ecotel's multi-carrier concept allows the company to offer a competitive price-performance ratio with its ability to access >1m km of fibre in Germany via several carriers. The company thus directly benefits from the increasing fibre penetration (WRe: >30% CAGR over the next five years) and rising broadband data consumption in Germany. In addition, an underpenetrated cloud telephony market and the increasing usage of web conference tools in Germany will bolster the company's growth prospects both in terms of data lines and voice solutions. We therefore estimate a sales CAGR of 7.5% until FY24.
- **Quality leadership sets ecotel apart:** The company's ambition to become the leading quality provider of IT and telecommunications solutions in Germany will not only support competitive differentiation but should, in our view, also allow the company to further expand its market share.
- **Scalable business will drive margins even further:** ecotel's business is sufficiently scalable and requires limited capital spend. Combined with the recent broadening of its value chain, we estimate the company's EBIT will surge by a CAGR of 24.2% until FY24 while its FCF after leases is set to double (WRe: FY24 FCF of EUR 13.1m / +108% vs. FY21).
- **Finalised transformation eliminates operational risks:** The finalised migration of ecotel's ISDN customers to its next generation (NGN) network has eliminated operational risks and implies no further camouflaging of underlying growth dynamics. At the same time, the company transformed its business from a pure ISDN reseller to a next generation network operator, which consequently broadened its value chain and significantly improved its margin profile.
- **Current valuation offers additional upside:** ecotel shares have posted a negative YTD performance of about 20% as the current market uncertainty is weighing heavily on smaller capitalised companies (SDAX -10% YTD). Nevertheless, we believe that ecotel's attractive and non-cyclical growth prospects and its resulting strong margin and FCF improvement are not fully reflected in the current valuation. Our **price target of EUR 42.0 per share** indicates considerable upside and is backed by fair value indications based on a DCF and SotP-valuation model. Given the upside to our price target, we initiate coverage with **Buy**.



Rel. Performance vs CDAX:	
1 month:	5.3 %
6 months:	5.4 %
Year to date:	-14.1 %
Trailing 12 months:	123.3 %

Company events:	
10.05.22	Q1
08.07.22	AGM
16.08.22	Q2
08.11.22	Q3

FY End: 31.12. in EUR m	CAGR (21-24e)	2018	2019	2020	2021	2022e	2023e	2024e
Sales	7.5 %	98.9	82.7	98.3	95.9	102.9	111.2	119.1
Change Sales yoy		-18.0 %	-16.3 %	18.8 %	-2.5 %	7.4 %	8.0 %	7.1 %
Gross profit margin		*32.8 %*	*41.1 %*	*38.7 %*	*48.8 %*	*48.9 %*	*49.9 %*	*50.5 %*
EBITDA	15.7 %	7.4	8.7	11.6	18.1	21.4	24.7	28.0
Margin		*7.5 %*	*10.5 %*	*11.8 %*	*18.9 %*	*20.7 %*	*22.3 %*	*23.5 %*
EBIT	24.2 %	2.2	1.5	4.0	10.6	14.2	17.3	20.3
Margin		*2.2 %*	*1.8 %*	*4.1 %*	*11.1 %*	*13.8 %*	*15.6 %*	*17.1 %*
Net income	26.4 %	0.5	-0.2	1.0	4.8	6.5	8.2	9.7
EPS	24.7 %	0.13	-0.05	0.28	1.36	1.86	2.33	2.64
EPS adj.	24.7 %	0.13	-0.05	0.28	1.36	1.86	2.33	2.64
DPS	-16.3 %	0.13	0.00	0.14	2.25	0.93	1.17	1.32
Dividend Yield		1.5 %	n.a.	1.9 %	11.6 %	3.3 %	4.1 %	4.7 %
FCFPS		0.25	0.63	0.83	1.79	2.59	3.19	3.59
FCF / Market cap		2.8 %	8.4 %	11.5 %	9.2 %	9.1 %	11.3 %	12.7 %
EV / Sales		0.3 x	0.5 x	0.3 x	0.7 x	1.0 x	0.8 x	0.7 x
EV / EBITDA		4.4 x	4.4 x	3.0 x	3.8 x	4.6 x	3.7 x	3.1 x
EV / EBIT		15.1 x	25.6 x	8.5 x	6.5 x	7.0 x	5.2 x	4.2 x
P / E		68.9 x	n.a.	25.7 x	14.3 x	15.2 x	12.1 x	10.7 x
P / E adj.		68.9 x	n.a.	25.7 x	14.3 x	15.2 x	12.1 x	10.7 x
FCF Potential Yield		17.8 %	19.5 %	27.6 %	20.1 %	16.1 %	20.1 %	23.9 %
Net Debt		1.2	11.3	8.9	0.6	-0.5	-8.5	-17.4
ROCE adj.		6.3 %	3.7 %	8.5 %	23.7 %	31.1 %	38.0 %	44.7 %
Guidance:	2022: Sales EUR 94.5-106.5m; EBITDA EUR 20-22m							

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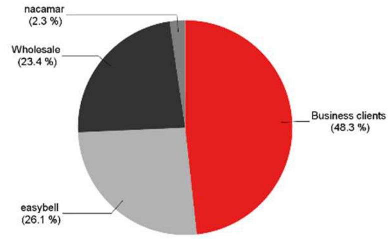
Sales development
in EUR m

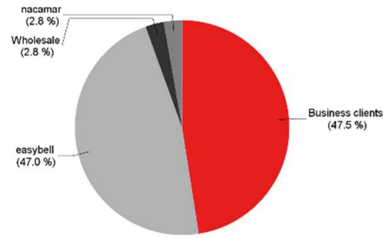
Source: Warburg Research

Sales by segments
2021; in %



Source: Warburg Research

EBITDA by segments
2021; in %



Source: Warburg Research

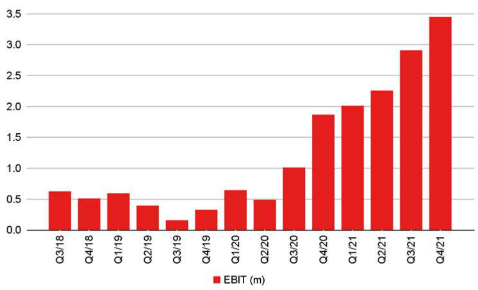
Company Background

- Founded in 1998, ecotel is a German provider of integrated telecommunication and data service solutions.
- The company is based in Düsseldorf and, including it's subsidiaries, employs around 300 people.
- Currently, ecotel serves more than 50,000 customers nationwide, provides 50,000 data connections and more than 360,000 voice channels.
- The company operates the following segments: ecotel Business Clients, easybell, ecotel Wholesale, nacamar

Competitive Quality

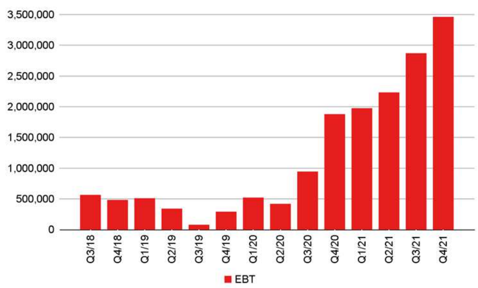
- In contrast to large telecommunications companies, ecotel primarily focuses on about 50,000 medium-sized companies in the B2B market.
- Multi-carrier concept: ecotel combines a strong service proposition with the largest fibre footprint in Germany (>1m km in line length)
- Geo-redundant voice platform: ecotel operates two data centres and thus secures high operational reliability
- Highly automated customer onboarding: ecotel can connect voice channels within 7.5 minutes (high scalability).
- Product innovations: The constant adoption of new technology and services (i.e. RingCentral, SD-WAN, MS Teams) in order to anticipate and generate customer demand

EBIT development
in EUR m



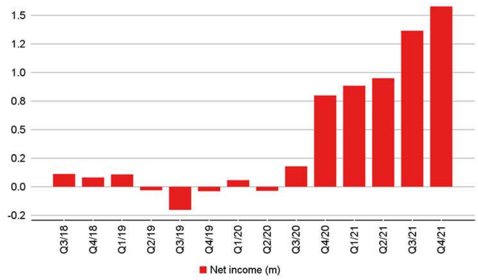
Source: Warburg Research

EBT development
in EUR m



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

Summary of Investment Case

Investment triggers

- **Transformation process finalised.** The finalisation of the migration of ecotel's ISDN customers to its next generation (NGN) network implies no further camouflaging of underlying growth dynamics and has eliminated operational risks. Consequently, the company is able to focus on new customer acquisitions and will inevitably benefit from structural growth trends.
- **Growth trends remain robust.** Mounting fibre line connections in Germany, an underpenetrated cloud telephony market and rising usage of web conference tools should pave the way for further attractive growth in ecotel's Business Clients and easybell segments.
- **Scalable business drives margins and FCF.** ecotel's scalable business model combined with its limited capital intensity should ultimately fuel margins and FCF for the next years. We are expecting a 15.7% CAGR for the company's EBITDA (WRe: FY24 EV/EBITDA of 3.3x) and a doubling of its FCF after leases by FY24 (WRe: FY24 FCF yield of 11.8%) on the back of a net-cash balance sheet. The company's share price should therefore re-rate accordingly.

Valuation

- DCF & Sum-of-the-Parts model suggest a fair value per share of EUR 42.0 – taken as our initial price target.
- A Relative Valuation confirms our derived price target.

Growth

- A finalised transformation and expiring regulatory hurdles will lead to a sales CAGR of 7.5% until FY24e.
- Scalable business model estimated to drive net income by 26.4% CAGR until FY24e.
- Robust underlying structural growth drivers based on low penetration of fibre connections and cloud telephony as well as the rising usage of web conference tools highlight attractive market potential in future.
- FCF after leases set to double by FY24e based on ecotel's limited capital requirements and rising margins.

Competitive quality

- **Multi-carrier concept** enables service propositions with a competitive price-performance ratio and an exhaustive >1m km fibre footprint at limited capital intensity.
- **Easily scalable business model** based on low capacity utilisation at ecotel's **geo-redundant data centres**.
- **Niche market positioning** with strong service offering for smaller SME clients.
- **Management team** with **extensive industry experience** in more than 120 years of relevant industry know-how combined.

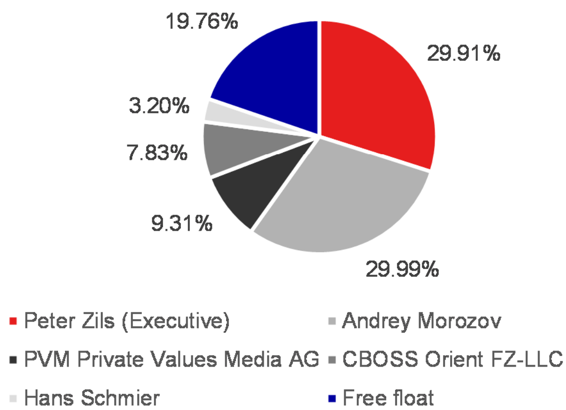
Warburg versus consensus

- Our sales estimates are 2-5% ahead of consensus for FY 22-24.
- Our expectation for FY22 operating income of EUR 14.2m is in line with consensus (+0.1%). We are more optimistic for FY23 and 24, however, as our EBIT estimates are 9.6% and 15.6% above consensus.

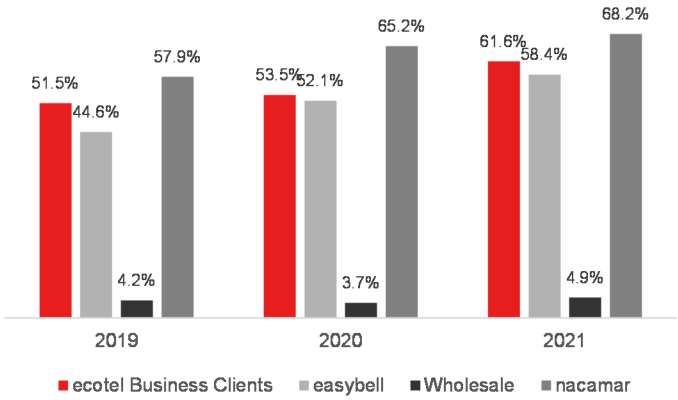
Company Overview

	ecotel Business Clients	easybell	ecotel Wholesale	nacamar
Segments	ecotel Business Clients offers integrated telecommunication and data service solutions primilary for small/medium enterprises with 50 or more employees.	easybell markets broadband internet access as well as VoIP solutions to private and small/medium business customers and also generates revenue by renting out routers.	Wholesale comprises international cross-network trading in telephone minutes and marketing of data lines for national and international carriers.	nacamar is a full-service new media provider. It maintains its own CDN that is hosted via ecotel's data centre. With its product AddRadio, nacamar is the market leader in this segment.
Sales 2021 (mEUR) **% of total**	46.3 48.3%	25.0 26.1%	22.4 23.4%	2.2 2.3%
Gross Profit (mEUR)	28.5	14.6	1.1	1.5
EBITDA (mEUR)	8.6	8.5	0.5	0.5
Market position	As an ITC player focused on small and medium-sized enterprises, ecotel offers an integrated product portfolio of voice and data services with its multi carrier concept nationwide.			
Competitors	Deutsche Telekom, 1&1 Versatel, Telefonica Deutschland, Vodafone, Verizon, EWE, Plusnet, M-net, Colt			
Customers	Allianz, Ritter Sport, Hochtief, Korian, MHK Group, NKD, Onventis, Plaza Hotel Group, Rieber, Rossmann, Sanacorp, Schülerhilfe, Steinel, Tchibo			
Suppliers	Deutsche Telekom, 1&1 Versatel, Telefonica Deutschland, Vodafone, Verizon, EWE, Plusnet, Mnet, Deutsche Glasfaser			

Shareholder Structure



Segment Margin Development



Source: ecotel, Warburg Research

Competitive Quality

- Multi-carrier concept allows for competitive nationwide service proposition
- Product innovation, automated customer onboarding, and strong focus on service lead to high customer satisfaction
- Certified geo-redundant IT infrastructure based in Germany satisfies highest security requirements

ecotel boasts one of the largest fibre footprints in Germany

Multi-carrier concept

ecotel's multi-carrier concept makes the company one of the largest German providers of fibre lines with access to over 1m km fibre footprint within the country. Clients benefit from the best price-performance ratio as the company has access to a choice of several suppliers. As ecotel does not operate its own access network, capital requirements are limited to its own data centres and backbone network. The capability to serve clients nationwide with different carriers at a largely variable cost basis is thus a significant USP in the market. The cooperation with leading infrastructure companies such as Deutsche Telekom, Vodafone, Verizon, 1&1 Versatel, EWE, and Deutsche Glasfaser provides ecotel's customers with multiple locations and the maximum available bandwidth at any site in Germany by contracting with only one supplier. Thus, ecotel is able to provide its business customers with better and cheaper services and search for the best possible/most cost-effective All-IP solution.

Focus on highly scalable product innovations

The company's business is highly scalable with limited capital requirements. In addition to established voice and data technologies, the company is constantly reviewing new product innovations to anticipate future customer demands and redefine existing access solutions.

Recent product innovations include a SIP-Trunk (Session Initiation Protocol / Voice over IP) interface for Microsoft Teams, a Unified Communications-as-a-Service (UCaaS)-platform offering with RingCentral, and an SD-WAN application for swift access to new business sites. Key focus of these innovations is their potential to scale by employing limited capital, which should ultimately drive the company's profitability and cash flows even beyond current levels.

Highly automated customer onboarding

ecotel's automated business support system is able to provide clients with voice channels (SIP- and cloud-based) within 7.5 minutes after placement of an order. This process makes customer onboarding highly efficient and leads to high customer satisfaction. In general, ecotel benefits from the fact that its clients are technology-agnostic meaning they do not actively opt for a certain access technology. Thus, ecotel can proactively determine the best individual offer for its customers.

Geo-redundant IT infrastructure

The operation of two ISO 27001-certified tier 3 (99.98% availability) data centres in Frankfurt am Main and Dusseldorf secure a geo-redundant IT-infrastructure for ecotel's customers. A 1:1 redundancy in provisioned services at each location thus results in high operational security of respective access services for ecotel's clients.

Customer focus

Contrary to larger peers, ecotel's service offering is precisely tailored for its target market of approx. 50k SME clients in Germany. The company's service proposition thus comprises e.g. personal interactions with sales representatives, a timely completion of requests, follow-up quality checks, service availability around the clock in case of trouble.

In conclusion, customers opt for ecotel for the following reasons:

- **Better service proposition** for SME clients (personal contact, availability, processing speed) compared to larger ICT providers.
- **One-stop-shop solution** for SME customers seeking a business relationship with only one ICT provider for their multiple business locations.
- **Fibre availability throughout Germany** as a result of ecotel's multi-carrier approach with access to a fibre footprint of over 1m km.
- **Guaranteed operational security** with two ISO 27001-certified data centres located in Germany.
- **ICT product innovations** that anticipate future B2B demands and are available at almost any location in Germany.

Analysis of Return on Capital

- Balance sheet characterised by a large equity position (48% equity ratio)
- Multi-carrier approach means limited capital intensity
- Scalable business will result in a doubling of ecotel's FCF by FY24

Limited capital intensity and healthy balance sheet

Capital employed

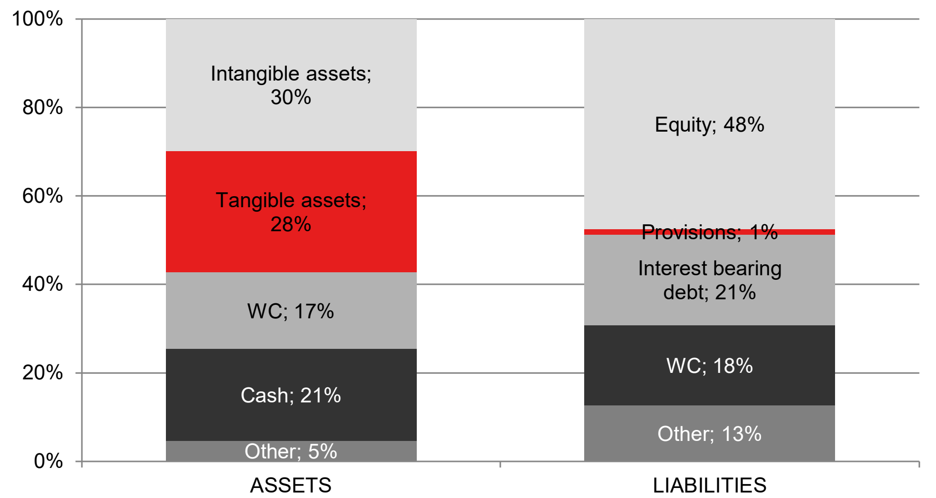
ecotel enjoys a very healthy balance sheet, characterized by a large equity position (48% equity ratio) and almost no short-term debt (4%). Tangible assets, which account for 28% of the balance sheet, play an important role and mainly reflect the company's own data centres and its backbone network (EUR 7.4m book value dedicated to Other equipment, operating and office equipment). Note, however, that ecotel's multi-carrier approach allows the company to boast a >1m fibre footprint with limited capital intensity compared to pure network operators.

IFRS 16 lease assets amounted to EUR 6.5m (11%) and mainly comprise the leasing of buildings, company cars, and network infrastructure.

As the largest asset on ecotel's balance sheet, intangible assets account for 30% of total assets. Goodwill makes up the majority of ecotel's intangibles and is mainly attributable to the company's Business Customers cash-generating unit (98%).

ecotel's liabilities are characterised by a high equity position of EUR 29.1m, which represents an equity ratio of 48%. Note that EUR 4.8m (8%) is dedicated to minority shareholders, which break down into shareholdings in easybell GmbH (EUR 2.5m), sparcall GmbH (EUR 0.6m), carrier-services.de GmbH (EUR 1.4m), and init.voice GmbH (EUR 0.4m).

ecotel's balance sheet (2021)



Source: ecotel, Warburg Research

Equity replaced debt financing

Debt financing is primarily conducted through trade payables (EUR 11.0m) while bank loans (EUR 3.1m) play a minor role and largely consist of short-term financing (77%) with maturities of up to one year. IFRS 16 lease liabilities account for 11% of total liabilities and mainly consist of long-term lease contracts.

Debt mostly consists of trade payables and leasing

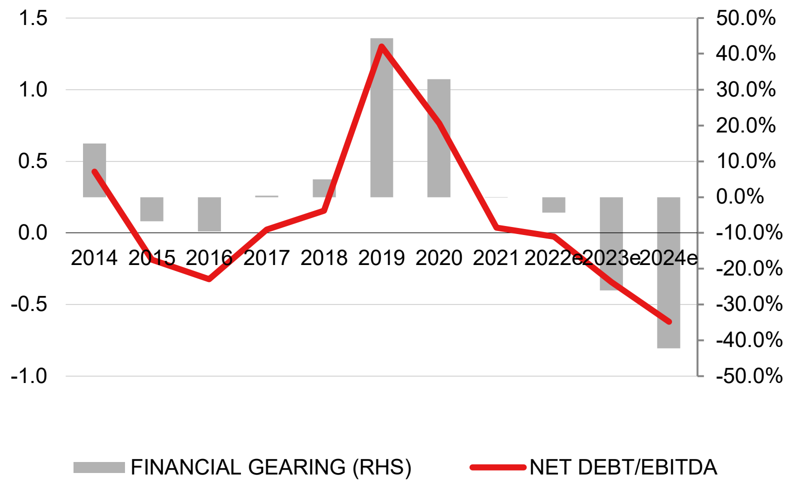
Maturity of liabilities

(in EURm)	Total	up to 1 year	from 1-5 years	over 5 years
Loans	**3.1**	2.4	0.7	
Trade payables	**11.0**	11.0		
IFRS 16 lease liabilities	**7.0**	1.3	4.3	1.4
Other liabilities	**5.6**	4.9	0.7	
Total	**26.7**	**19.6**	**5.7**	**1.4**

Source: ecotel, Warburg Research

ecotel's business transformation also becomes visible when analysing its leverage. After carrying peak leverage in FY19, the company consistently reduced its leverage as a result of its successful transformation and subsequent financial improvement. In conclusion, the company is now carrying a comfortable net cash position of EUR 6.3m excluding IFRS 16 lease liabilities.

Leverage has significantly declined since 2019



Source: ecotel, Warburg Research

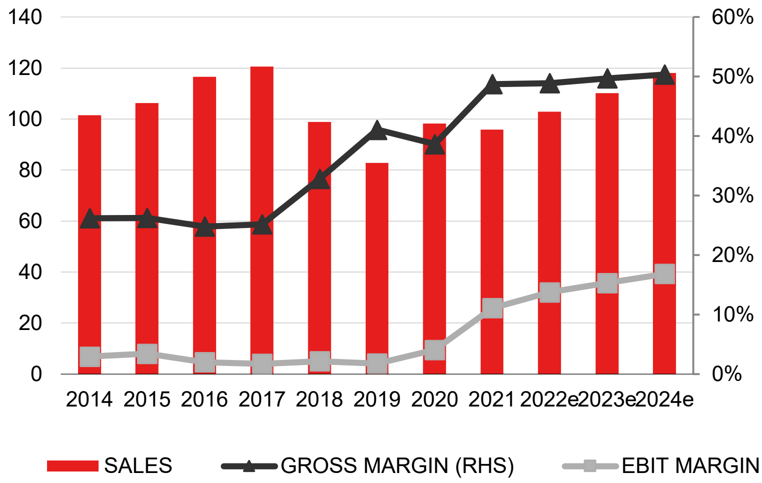
Operating profitability

ecotel's gross-margin track record ranges from 24.8% to its highest ever result achieved in FY21 (48.8%). Resulting EBIT margins ranged from 1.7% with a similar record result registered in FY21 (11.1%). The most recent uptick in its margins is a result of the following:

- ecotel successfully managed to transform its business model and migrate its B2B clients away from the soon-to-be-terminated legacy ISDN towards the future-proof All-IP technology
- The ISDN switch-off changed ecotel's positioning as a pure reseller in this business with gross profit margins of below 50% to an independent network operator with a broader value chain and resulting gross-profit margins of more than 80%
- The company's business is sufficiently scalable
- Low capacity utilisation of the company's platforms (WRe: 50%) allow for additional customer onboarding at marginal incremental cost

However, ecotel's margin expansion is limited, in our view, (WRe: approx. 50% gross profit & 17% EBIT margin; both at group level) since the company is still partly reliant on third-party services.

Sales, gross margins, and EBIT margins



Source: ecotel, Warburg Research

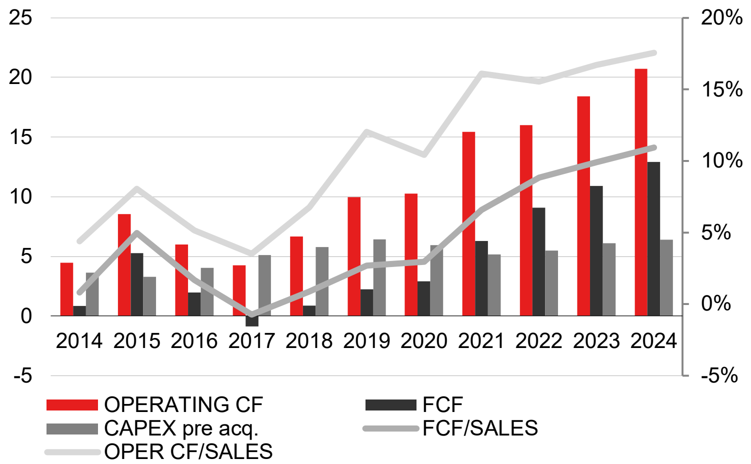
FCF to double by FY24

ecotel's gradual margin expansion on the back of a highly scalable business will inevitably lead to a rising FCF. We are thus expecting ecotel's FCF after leases to reach EUR 13.1m by FY24 (WRe; +108% vs FY21) while its capex requirement should only grow marginally EUR 6.4m (WRe) due to its limited capital requirements.

We note that ecotel's business model does not require participation in costly spectrum auctions, which results in a smooth capex profile without peak cycles. In addition to its low-maintenance backbone infrastructure, the company updated its voice platform in FY19, which implies only marginal maintenance capex for the coming years. Consequently, ecotel will only require meaningful additional capex for router hardware when the company acquires large-scale customers. Those incremental investments will, however, be swiftly offset with additional revenues generated with those key accounts.

The resulting 11.8% FCF yield combined with a net cash balance sheet could either allow the company to increase its shareholder remuneration policy (dividend policy: at least 50% of the company's net income) or to pursue future M&A opportunities.

FCF will strongly benefit from a scaling business

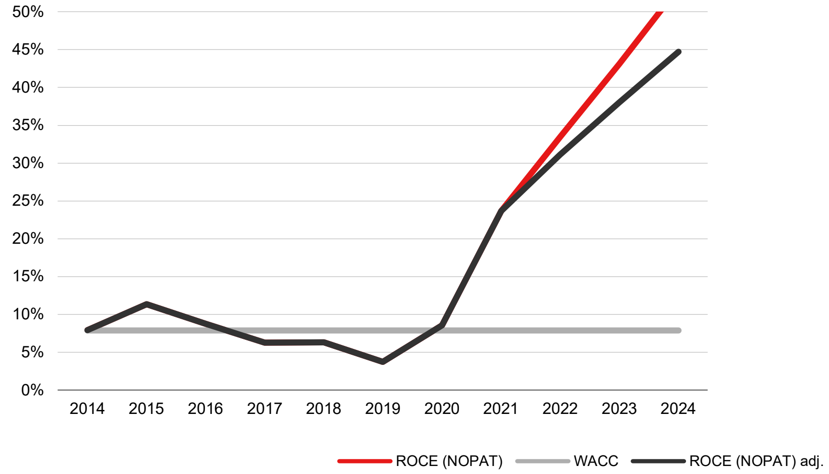


Source: ecotel, Warburg Research

Returns

ecotel's successful business transformation has allowed the company to comfortably cover its cost of capital (WRe: 7.89%) again since 2020. For FY21, the company has already achieved a whopping ROCE of 23.7%. We estimate a strongly improving ROCE trend for the coming years based on ecotel's improving margin outlook combined with limited excess capital needs. We are thus expecting the company's adj. ROCE to exceed 40% by FY24 in line with strong margin improvement. Note that we have introduced an adjusted ROCE KPI from FY21 onwards to account for the otherwise artificially declining asset base resulting from the ongoing application of IFRS 16 to existing lease contracts. For FY 22-24, our calculation is thus based on a fixed EUR 31m of capital employed (average over FY20-21).

ROCE adj. for minorities well above WACC



Source: ecotel, Warburg Research

Conclusion

Ecotel's business is sufficiently scalable and requires limited capital as a result of its multi-carrier approach. Characterised by a successful transformation and a related broadening of its value chain, the company is set to benefit from rising margins while already enjoying a sound financial situation. Consequently, returns on capital are appealing and earnings as well as FCF will strongly improve in the coming years.

Growth

- Growth in the highly competitive and saturated German telco market will mainly be seen in increasing demand for data arising from new applications and industry trends
- Below-average fibre penetration in Germany offers significant catch-up potential for the superior broadband technology
- Cloud telephony, web conferencing, and Unified Communications-as-a-Service will likely shape the future telecommunication landscape

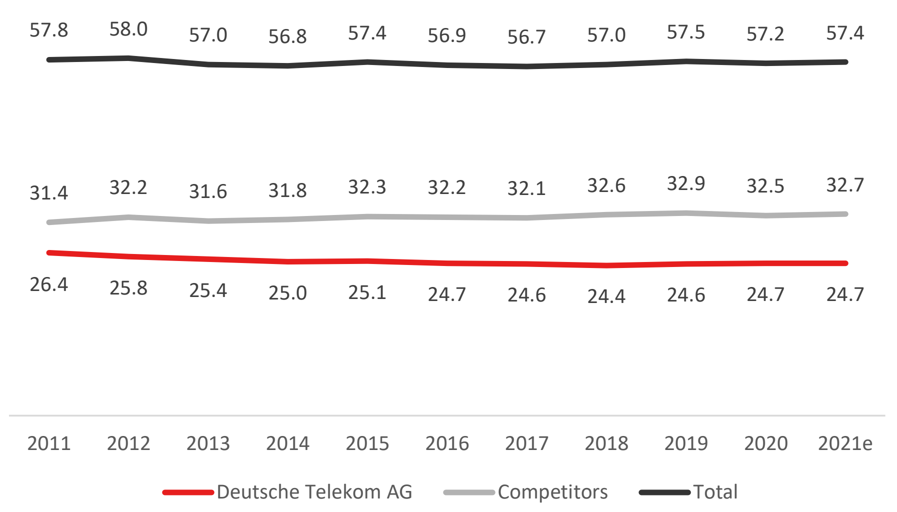
Saturated German telco market characterised by high competition

Market overview

According to the Federal Network Agency (Bundesnetzagentur), external revenues of the telecommunications market are expected to grow by 0.3% yoy to EUR 57.4 billion in 2021. External revenues have thus proved to be broadly stable over the past 10 years, implying a saturated market overall. Mobile telephony (45%) and networks based on the DSL (digital subscriber line) and fibre technology (43%) continue to account for the largest share of these revenues. With around EUR 6 billion in sales, hybrid fibre coax (HFC) networks represent about 10% of external revenues. In general, the entire industry is characterised by strong competition with numerous network operators and resellers competing for market share. According to Bitkom, 2,471 telecommunication hardware and 1,378 telecommunication service providers were actively competing in Germany in 2019. Partially as a result of this competitive landscape, Deutsche Telekom's leading market share declined from 45.7% in 2011 to 43.0% in 2021.

In comparison, ecotel's share in the German B2B market amounts to around 1%.

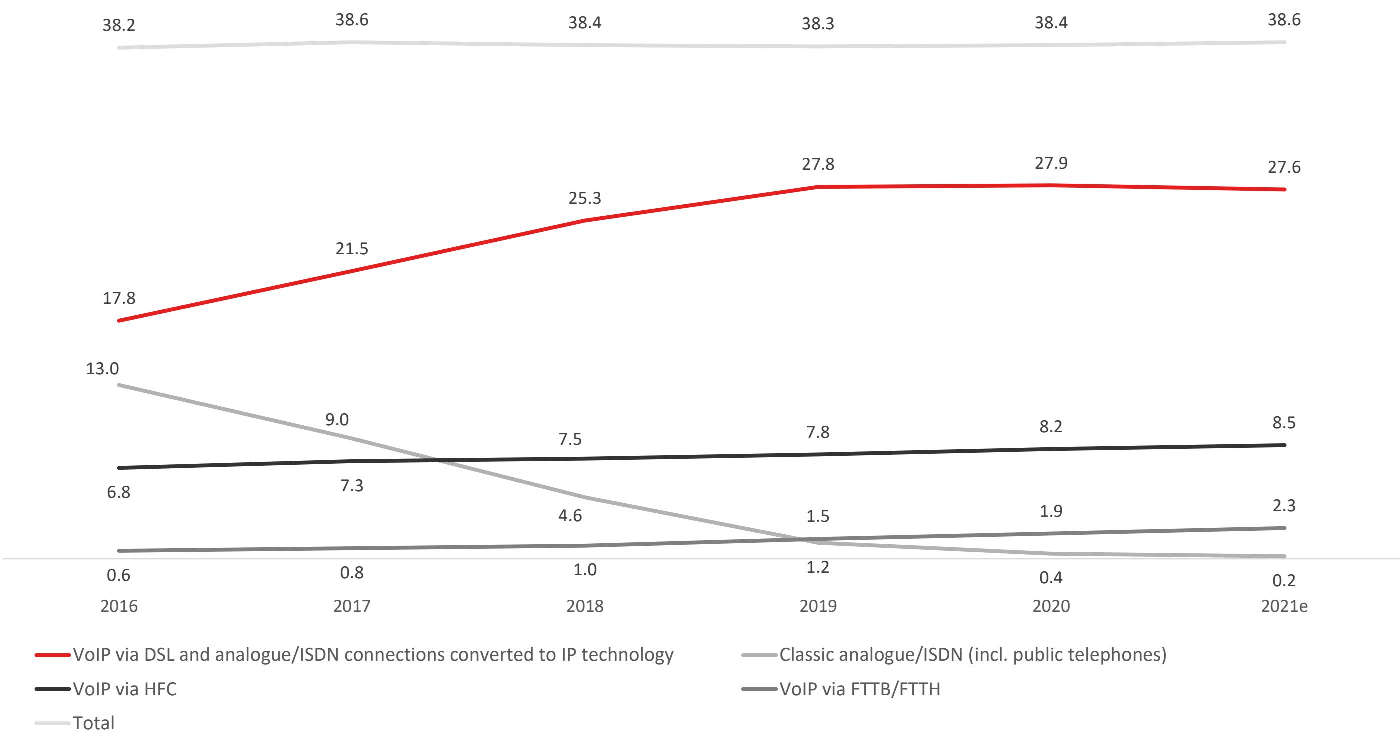
External revenues in the German telco market



Source: Bundesnetzagentur, Warburg Research

In terms of voice technologies, the Federal Network Agency suggests that the switch to Voice over IP (VoIP) in the fixed network is almost complete. This improved technology (VoIP) cannibalised the legacy integrated services digital network (ISDN), which will be terminated by all major German telco providers by the end of 2022 at the latest. Consequently, the number of analogue/ISDN connections in the classic fixed network has fallen to about 0.4m in favour of IP-based telephone access. While VoIP has almost completely replaced ISDN, the fibre optic connections HFC and FTTB/FTTH have recorded a slight but steady increase in numbers since 2016. The total number of telephone connections, however, has remained relatively stable since 2016 ranging between 38.2m and 38.6m.

Total number of telephone connections and telephone accesses (in millions)



Source: Bundesnetzagentur, Warburg Research

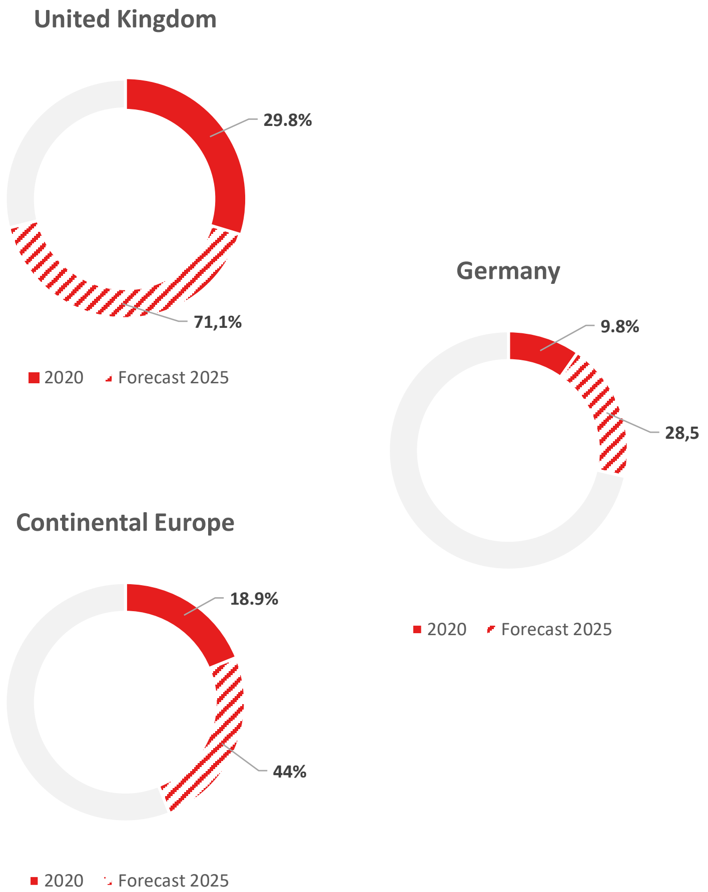
Germany offers significant catch-up potential for cloud phone usage

Cloud telephony

Compared to traditional on-premises VoIP phone systems, users of cloud-based VoIP telephony can avail of significant total cost of ownership benefits by outsourcing software and hardware hosting as well as maintenance to a VoIP provider. In addition, cloud telephone systems offer a simple pay-per-user mechanism, which allows businesses to easily scale up the capacity by purchasing new licenses.

When analysing the adoption of this standard, we note that Germany is clearly lagging behind other European countries. While only 9.8% of people in Germany were using cloud telephony in 2020 according to MZA consultants, adoption in continental Europe as a whole reached 18.9%. The United Kingdom showed an even stronger market penetration of 29.8% and is expected to reach 71.1% by 2025. For Germany, the market researchers forecast the current penetration to almost triple by 2025. Current pandemic-related remote working trends have not only increased the awareness of the technology but also created structural demand for additional voice lines.

Cloud telephony penetration in Germany below EU-average



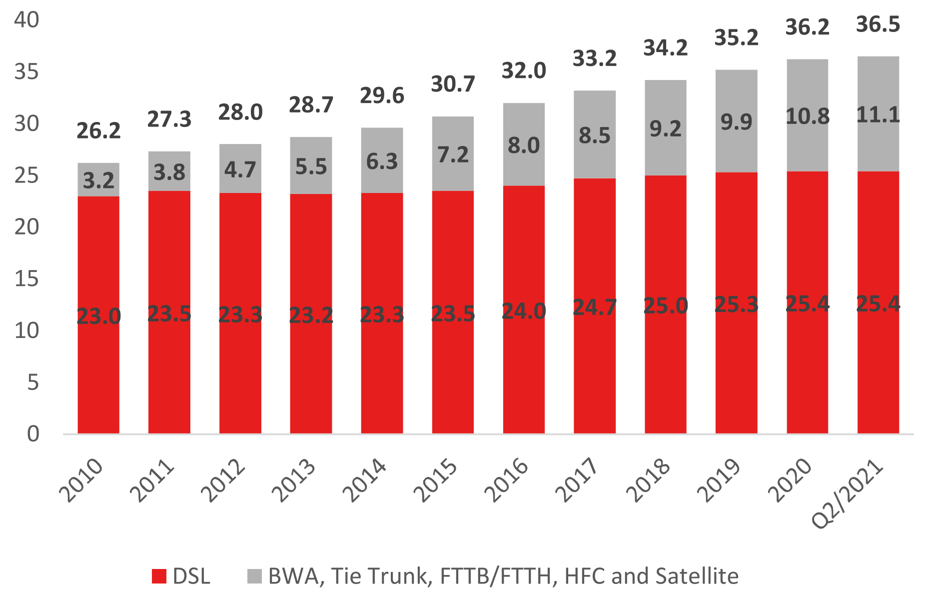
Source: MZA Consultants, Warburg Research

New broadband technologies on the rise

New broadband technologies outpace legacy DSL standard

The number of contractually booked broadband connections increased by 3% year-on-year to a total of around 36.2m by the end of 2020. In Q2/2021, there were already 36.5m active broadband connections according to the Federal Network Agency. DSL accounts for the largest share of active broadband connections in German fixed networks, with around 70% of all active connections in Q2/2021. While the absolute number of DSL connections has hardly grown over the years, a significant increase in alternative lines (BWA, tie trunk, FTTB/FTTH, HFC and satellite) has been observed in recent years. Compared to 2010, the number of these lines increased by 247% to 11.1m by Q2/2021. In the years 2011 to 2016, each year showed an increase of at least 10% over the previous year. In recent years, growth has weakened somewhat to around 6-8%.

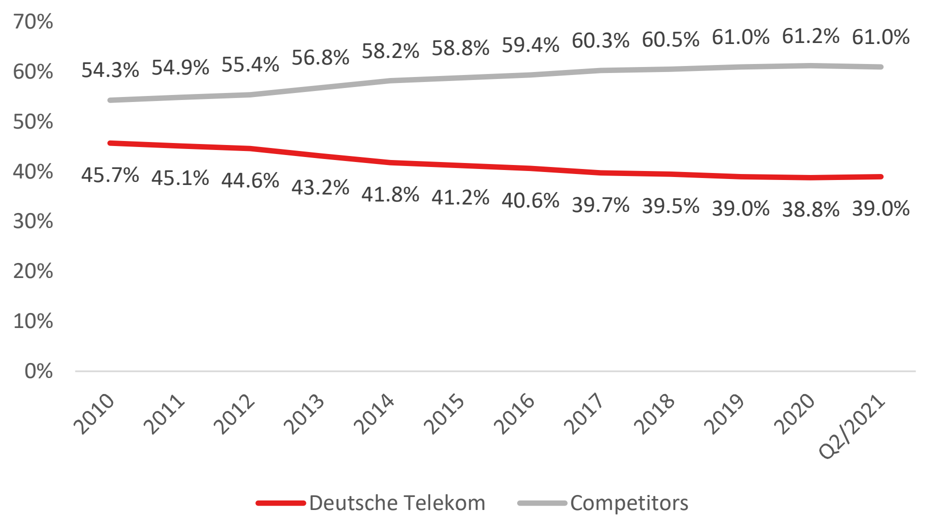
New technologies drive growth in broadband connections



Source: Bundesnetzagentur, Warburg Research

Compared to market leader Deutsche Telekom, there has been a steady increase in the market share of broadband connections in fixed networks of its competitors over the last 10 years. Since 2010, Deutsche Telekom has lost 6.7 percentage points of market share to its competitors. While Deutsche Telekom still had a market share of 45.7% in 2010, this had shrunk to 39% by Q2 2021. As a result, the market share of competitors for broadband connections in German fixed networks rose from 54.3% in 2010 to 61% in Q2/2021. This structural trend was a consequence of regulatory changes, which required former monopoly Deutsche Telekom to grant competitors access to its broadband networks.

Competitors gain market share from incumbent Deutsche Telekom



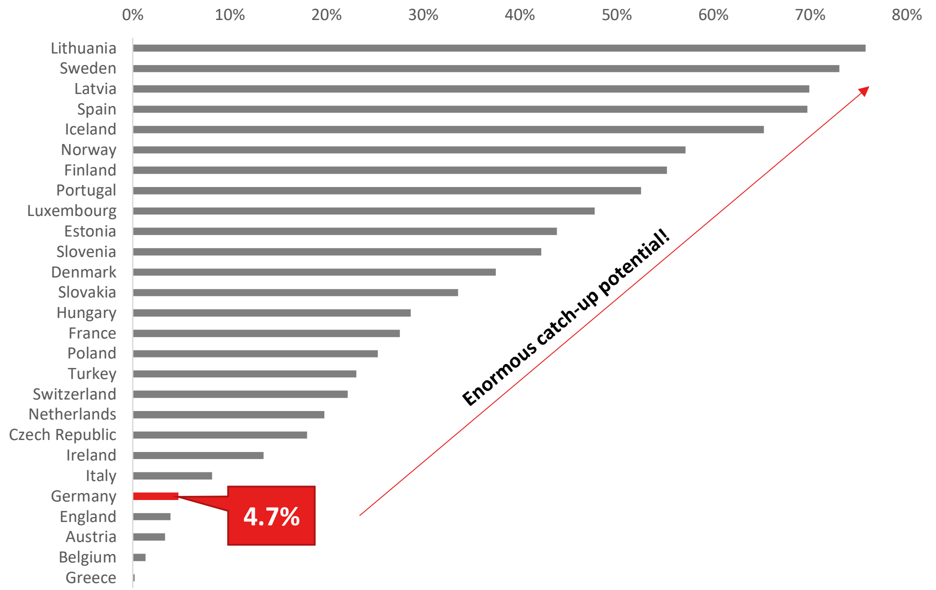
Source: Bundesnetzagentur, Warburg Research

Fibre penetration in Germany below EU-average

Fibre optic expansion in Germany

In terms of fibre optic penetration, Germany significantly lags behind other European countries. With a fibre penetration of only 4.7% in 2020 according to Statista, Germany is one of the weakest countries in Europe in this category. Thus, there is huge catch-up potential to reduce the gap to the leading countries in Europe such as Lithuania, Sweden, Latvia and Spain, all of which have a penetration of around 70%. Reasons for the poor penetration in contrast to neighbouring countries are likely to be found in Deutsche Telekom's superior market position in terms of legacy network ownership and the cumulated 32% stake, held by the Federal Republic of Germany, which probably shielded its monopoly status and prevented external investments. In addition, the distribution of Germany's population density, which is characterised by approx. 25.5% of the total population living in municipalities with up to 10k inhabitants (Source: Statista), makes a nationwide fibre rollout significantly more expensive.

Enormous catch-up potential in terms of fibre penetration

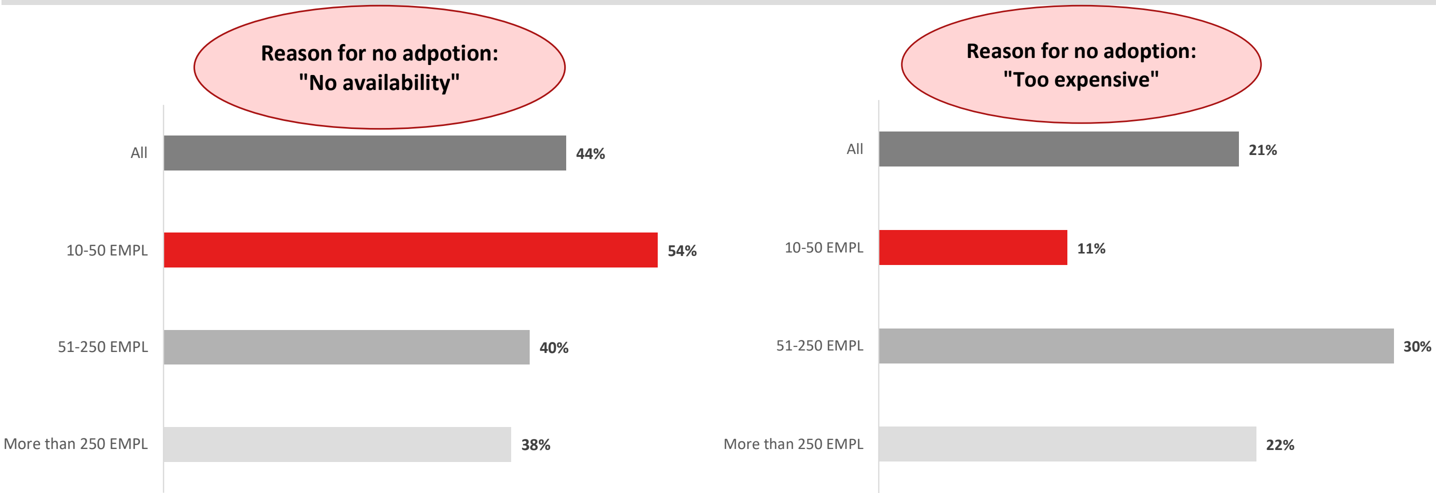


Source: Statista, Warburg Research

Availability hinders fibre adoption by German SMEs

A study by Deloitte examined reasons for the non-use of fibre by companies. 54% of the SMEs surveyed (with between 10 and 50 employees) said they did not use fibre because it was not available to them. And just 11% of these companies regarded the technology as too expensive. This survey suggests that a more widespread fibre offer in Germany and thus better availability would also lead to significantly higher demand for the technology, as only a small proportion of the companies consider fibre to be too expensive. The survey indicates that, with growing availability of fibre optic lines throughout Germany, demand for this technology would increase and, in turn, would generate increasing revenue.

Availability, not price, is holding back fibre adoption by German SMEs



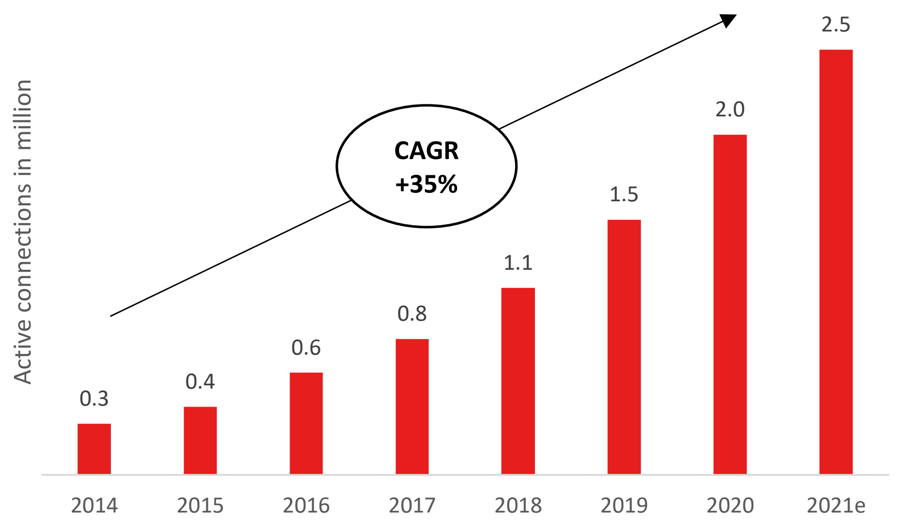
Source: Deloitte, ecotel, Warburg Research

Significant increase in investment in FTTH in coming years

In Germany, the penetration of the access types FTTB (Fibre to the Building) and FTTH (Fibre to the Home) rose to a total of around 2.3m active connections in Q2/2021. If the directly accessible and inactive customer connections are also included, this results in 7.5m fibre connections. The Federal Network Agency recorded an increase of 0.8m lines within only half a year. According to Dialog Consult, fibre lines are forecast to rise to 2.5m for the full year 2021. Deutsche Telekom accounts for around 39% of these fibre connections and intends to add further connections. The incumbent aims to connect 10m households with fibre by the end of 2024 while its recently founded joint venture with Australian IFM Investors will add another 4m FTTH connections. In addition, major competitors such as Deutsche Glasfaser or Unsere Grüne Glasfaser have also announced their intention to significantly increase their fibre footprint by adding 5m and 2.2m lines, respectively, in the coming years. Although no specific targets have yet been presented, 1&1 Versatel is also expected to add a meaningful number of new fibre lines to its second-largest fibre network in Germany as a result of the upcoming 5G rollout of its sister company 1&1.

The observed compound annual growth rate (CAGR) of around 35% over the last seven years for active fibre connections in Germany is therefore likely to continue in the coming years (WRe: >30% CAGR over the next five years).

Strong growth of fibre optic lines in Germany

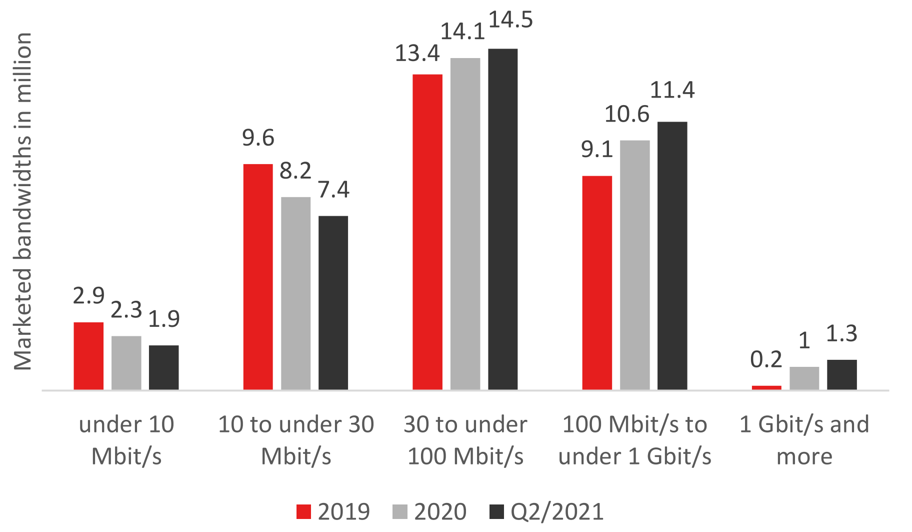


Source: Statista, Warburg Research

Soaring demand for higher bandwidth in Germany

As a result of new applications and their greater data transfer requirements, the demand for higher bandwidths is rising in Germany. Around 12.7m broadband connections had a marketed bandwidth of at least 100 Mbit/s in Q2/2021. The share of connections booked with a minimum bandwidth of 100 Mbit/s increased to around 35% in Q2/2021. Around 1.3m connections had a marketed bandwidth of 1 Gbit/s or more.

Steady uptake of higher bandwidth

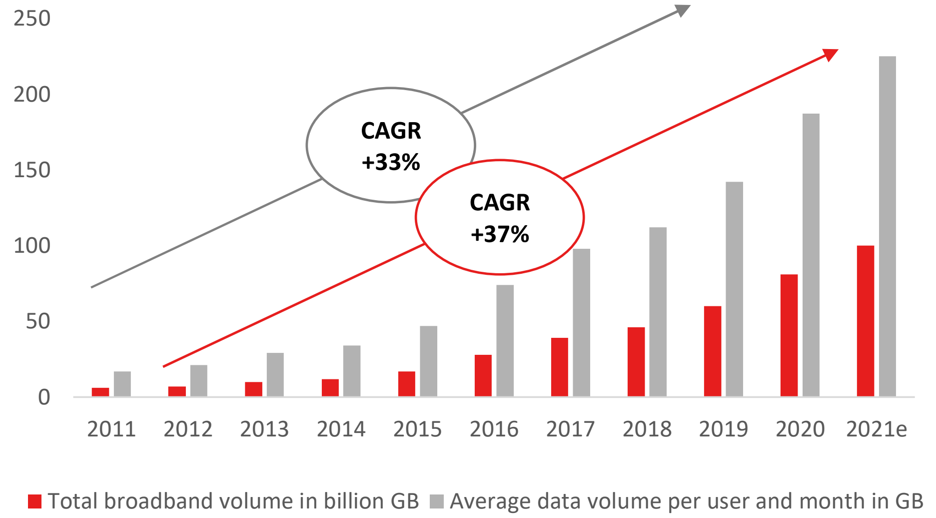


Source: Bundesnetzagentur, Warburg Research

Over the last 10 years, there has been an almost exponential increase in the volume of data used in total and per capita. The volume of data used in 2019 of around 60 billion GB, which corresponded on average to a monthly data volume of around 142 GB per connection at the time, was surpassed by the pandemic-related change in usage behaviour in 2020. The total fixed network-based volume in 2020 increased by 35%

compared to the previous year to 81 billion GB. This corresponded to an average data consumption of about 187 GB per user and thus represents a significant increase of about 32%. For 2021, the Federal Network Agency expects a year-on-year increase of more than 20% for both total broadband data volume and volume per capita.

Exponential growth in broadband data consumption



Source: Bundesnetzagentur, Warburg Research

Remote work is here to stay

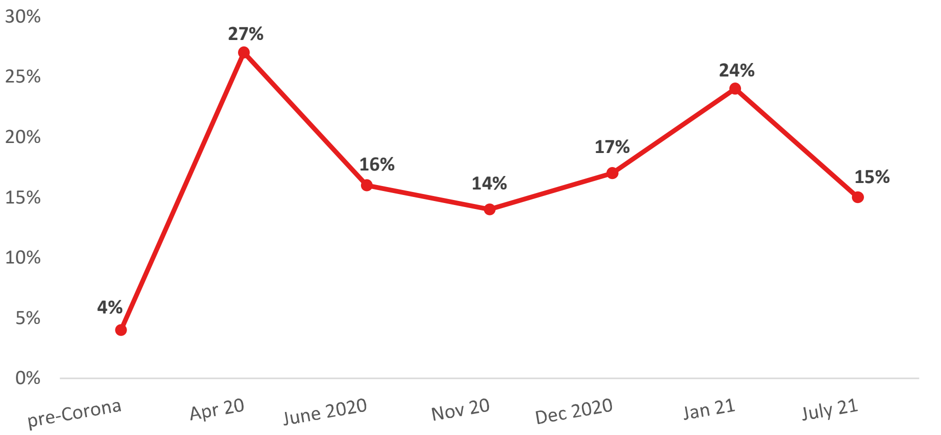
Structural trend of remote work

One of the main drivers of telecommunication systems is the new "work-from-home economy".

In Germany, pandemic-driven remote work adoption peaked at 27% of the total workforce in April 2020 before normalising to levels of around 15%.

Consequently, the share of home-office usage remained about 11 percentage points above pre-pandemic levels, which represents a structural trend in our view. The change in workplace offers a huge range of opportunities for telco providers as demand for fast internet connections, software and cloud solutions can potentially be translated into new business. According to Federal Labour Minister Hubertus Heil (SPD), home office should remain a permanent option for eligible German workers. A survey conducted by the WSI Institute for Social and Economic Research, in Germany, in July 2020 confirmed this trend as around 48% of those surveyed expressed a wish to frequently work from home, even after the pandemic. The majority of those surveyed believed home office made it easier to balance the responsisbilities of family and work.

Remote work in recent years



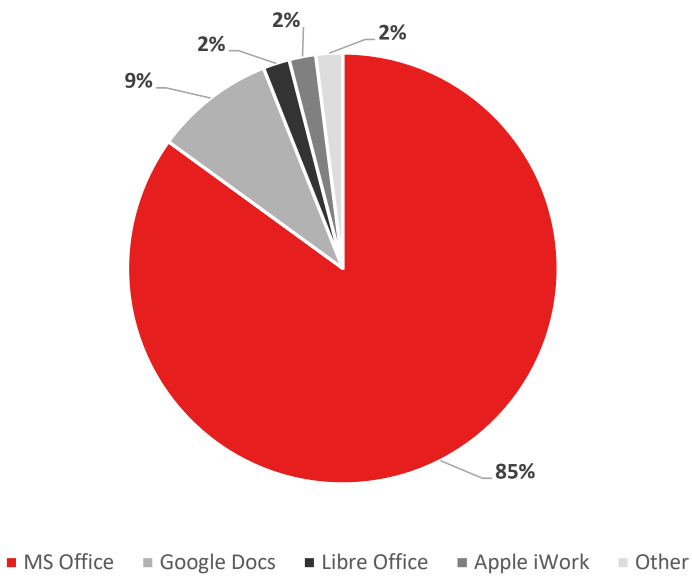
Source: Hans-Böckler-Stiftung, Warburg Research

Web conferencing tools play a major role in supporting the structural remote-work trend.

With a market share of 85%, Microsoft Office is by far the most used programme in Germany. Google Docs, the second most widely used programme, has a market share of just 9%.

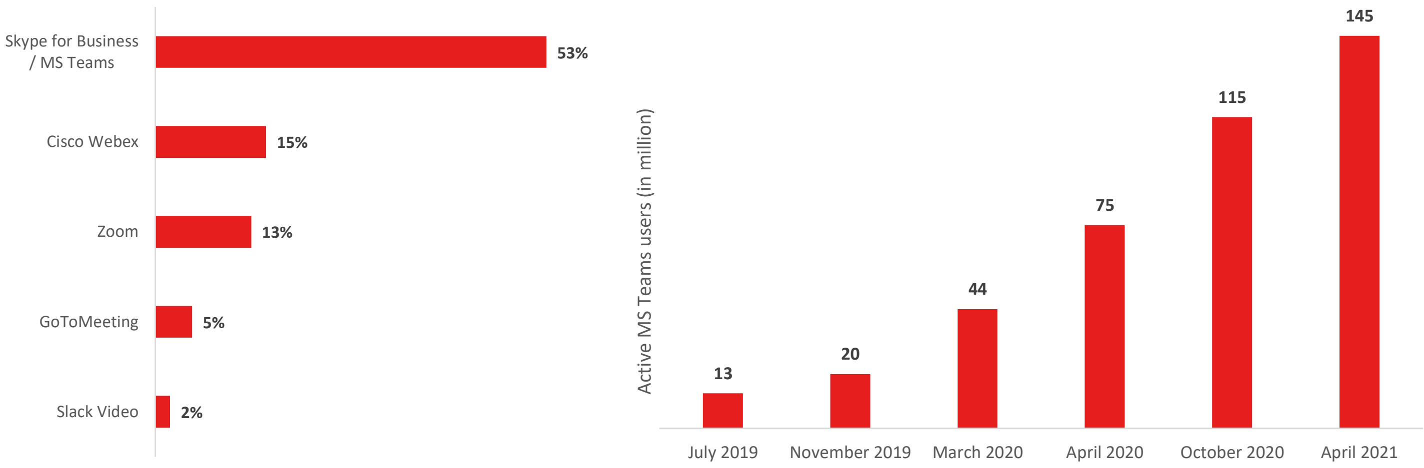
With a more than sevenfold increase in its active users from 20m in November 2019 to 145m worldwide in May 2021, MS Teams is also one of the most popular tools for web conferencing in Germany, together with Skype for Business. Since the start of the pandemic, MS Teams has seen an increase in monthly growth in active users, which can mainly be explained by increasing home-office activity.

Microsoft Office market share in Germany



Source: Statista, Warburg Research

MS Teams as the dominant web conferencing tool experienced an exponential increase in active users



Source: Statista, Warburg Research

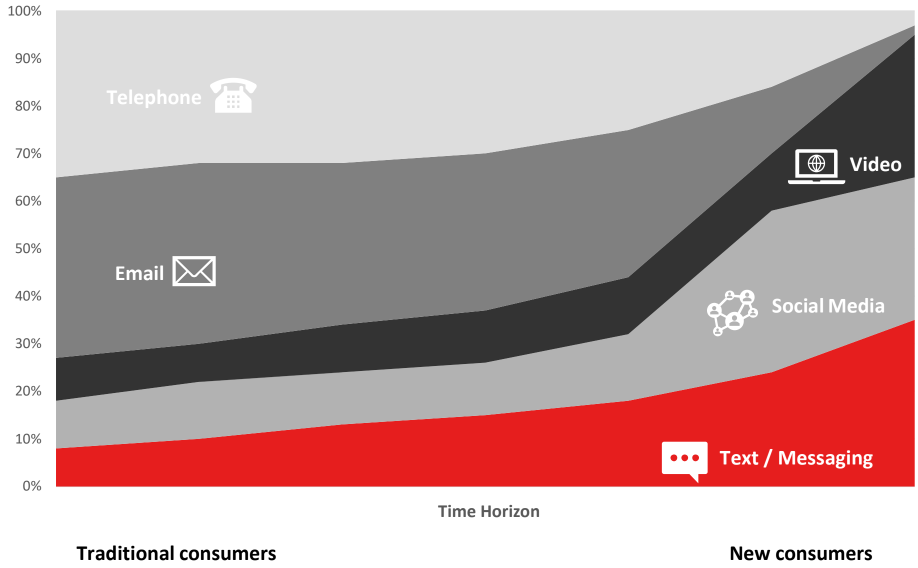
UCaaS anticipates future of customer interaction

Unified Communications-as-a-Service

Unified Communications-as-a-Service (UCaaS) describes a VoIP phone system that integrates a spectrum of communication technologies and methods into a single platform. According to Gartner, the service is typically cloud-delivered and comprises enterprise telephony, meetings, unified messaging, instant messaging, mobility, and communications-enabled business processes.

RingCentral as a leading provider of global enterprise cloud communications, video meetings, collaboration, and contact centre software as a service (SaaS) solutions forecasts a significant change in customer engagement channels in the future. Traditional interaction channels such as telephone and email, which for a long time accounted for more than 60% of all communication, will be gradually replaced by video, social media and messaging. The company predicts that only about 5% of all communication with customers will take place by telephone and email in the future. Telecommunication service providers thus have to adapt to this trend by combining the requested additional services with their existing product portfolio.

Changing trends in customer interaction



Source: RingCentral, Warburg Research

Cloud computing will drive demand for powerful telco services

Cloud computing as an additional market opportunity

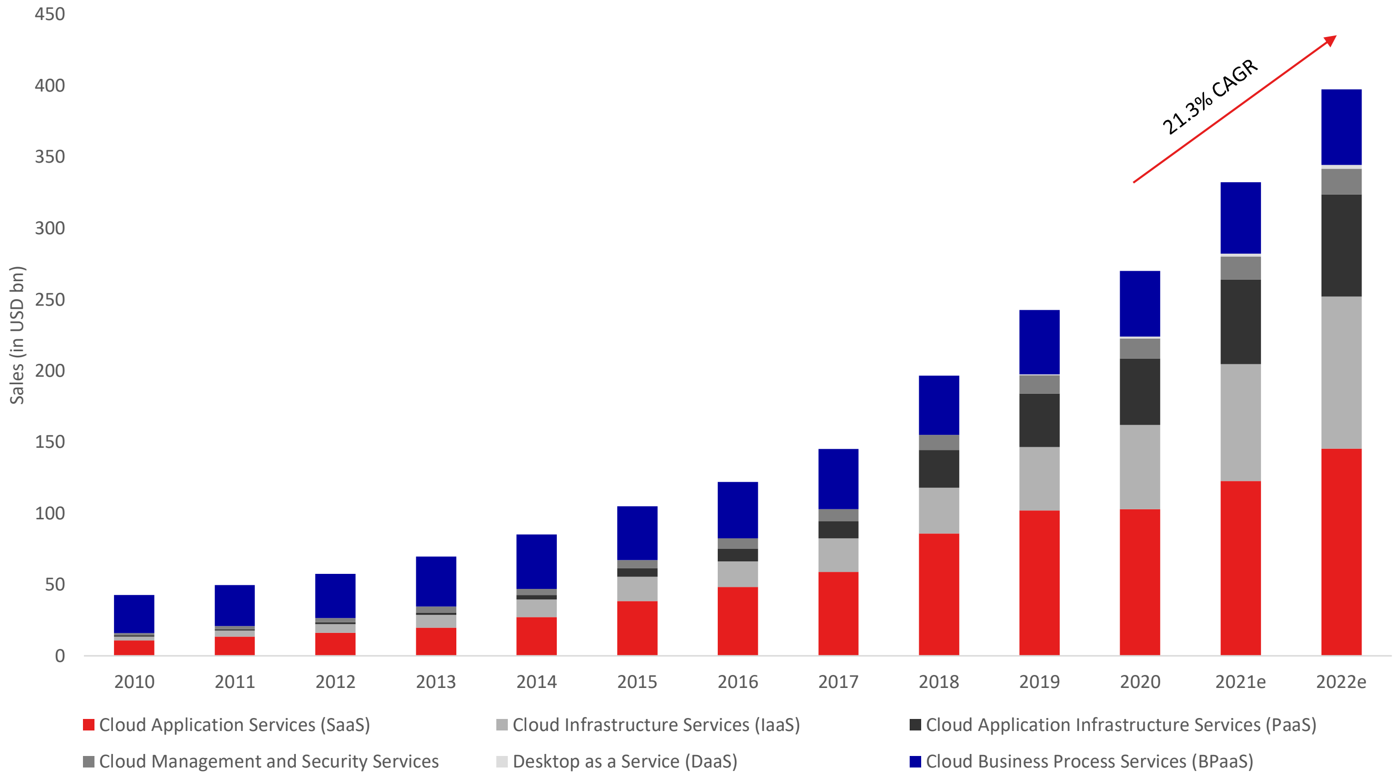
Cloud computing remains one of the most relevant future trends for the internet and telecommunications industry. Three main pillars of this trend are "Infrastructure as a Service" (IaaS), "Platform as a Service" (PaaS) and "Software as a Service" (SaaS). By offering those services, providers make IT resources or applications available on the cloud that can be flexibly accessed by the user on demand. Since the IT resources are provided and used on demand, the user only pays for the cloud services consumed, which helps to reduce operating costs. The provider typically benefits from economies of scale and more efficient capacity utilisation.

Although all three cloud-computing sub-segments have already seen tremendous growth worldwide over the past 10 years (2010-2020 CAGR of 20.2%), growth is unlikely to stall in the coming years. According to Gartner, global cloud sales are poised to grow at a 21.3% CAGR until 2022. Market research house ReportLinker confirmed this trend and predicts a CAGR of 16.3% for the global cloud computing market until 2026.

Of the individual service types, Cloud Application Infrastructure Services (PaaS) and Cloud Infrastructure Services (IaaS) are forecast to show the most dynamic growth rates with sales CAGRs of 48.9% and 35.1%, respectively over the period 2010-2022.

The rapid growth rates imply a drastic transfer of mission-critical workloads from on-premises to cloud. Demands of a hybrid workforce have further supported this trend in recent years. In conclusion, telecommunication companies will likely face a constant rise in data growth in their networks as a result of the soaring adoption of cloud technology.

Steady rise in demand for global cloud computing services



Source: Gartner, Warburg Research

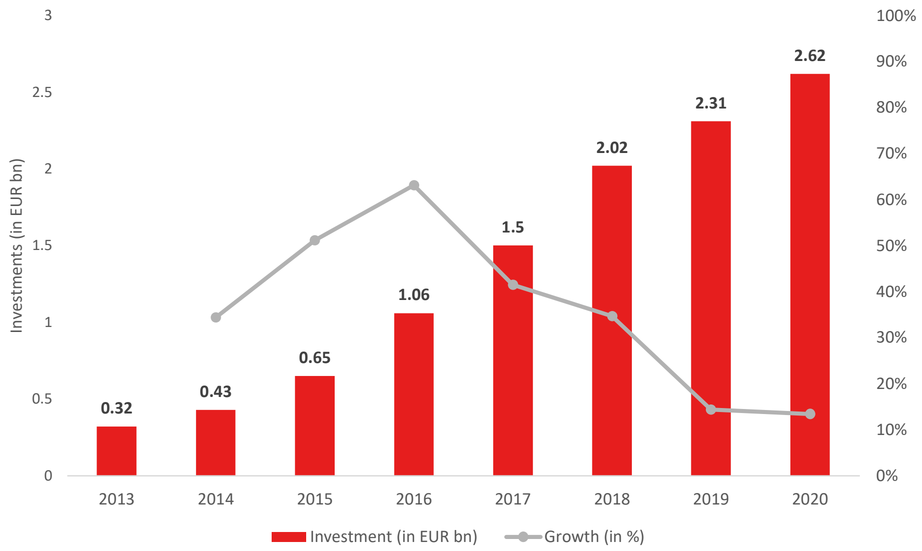
Future IT trends support structural telco demand

Industry 4.0, artificial intelligence, mobile payments

Other important information and communication technology trends include Industry 4.0, AI, big data analytics and mobile payments.

Industry 4.0 refers to the intelligent networking of machines and processes in industry with the help of information and communication technology (also known as the Internet of Things). The goal of this process is the so-called smart factory, which will enable autonomous manufacturing processes. In Germany alone, EUR 2.62 billion was invested in Industry 4.0 in 2020. This represents a CAGR of 35% since 2013 and highlights the importance of Industry 4.0 for developed countries. It goes without saying that the increased connectivity required to implement this technology leads to soaring data consumption by the respective users.

Rising Industry 4.0 investments in Germany



Source: Bitkom, Warburg Research

Artificial intelligence (AI) comprises the theory and development of computer systems with the ability to perform tasks normally requiring human intelligence. Sub-fields such as machine learning and deep learning utilise AI algorithms which seek to create expert systems to make predictions or classifications based on input data. According to GrandViewResearch, the global artificial intelligence market size was valued at USD 62.35 billion in 2020 and is expected to expand at a CAGR of 40.2% from 2021 to 2028. The resulting large amounts of data that will be analysed in order to develop and implement new AI applications will inevitably require new and powerful IT solutions as well as robust telecommunication networks.

Mobile payments describe the ever-increasing importance of secure contactless payment with the help of wireless mobile devices. This technology is increasingly replacing cash or classic credit cards and has been further accelerated by the pandemic owing to an increase in hygiene and speed requirements at the point of sale. FortuneBusinessInsights predicts that the market for mobile payments globally will grow from USD 1.97tn to USD 11.83tn at a CAGR of 29.1% in the 2021-2028 period.

All of these future trends are dependent on powerful telecommunications infrastructure and are associated with increasing demand for greater bandwidths and better connectivity from multiple locations.

Financials

- Finalised transformation eliminates operational risks and paves way for future growth
- Associated broadening of ecotel's value chain allows for future margin expansion
- We estimate a sales CAGR of 7.5% until FY24 based on structural growth trends and a decline in the negative migration-effects

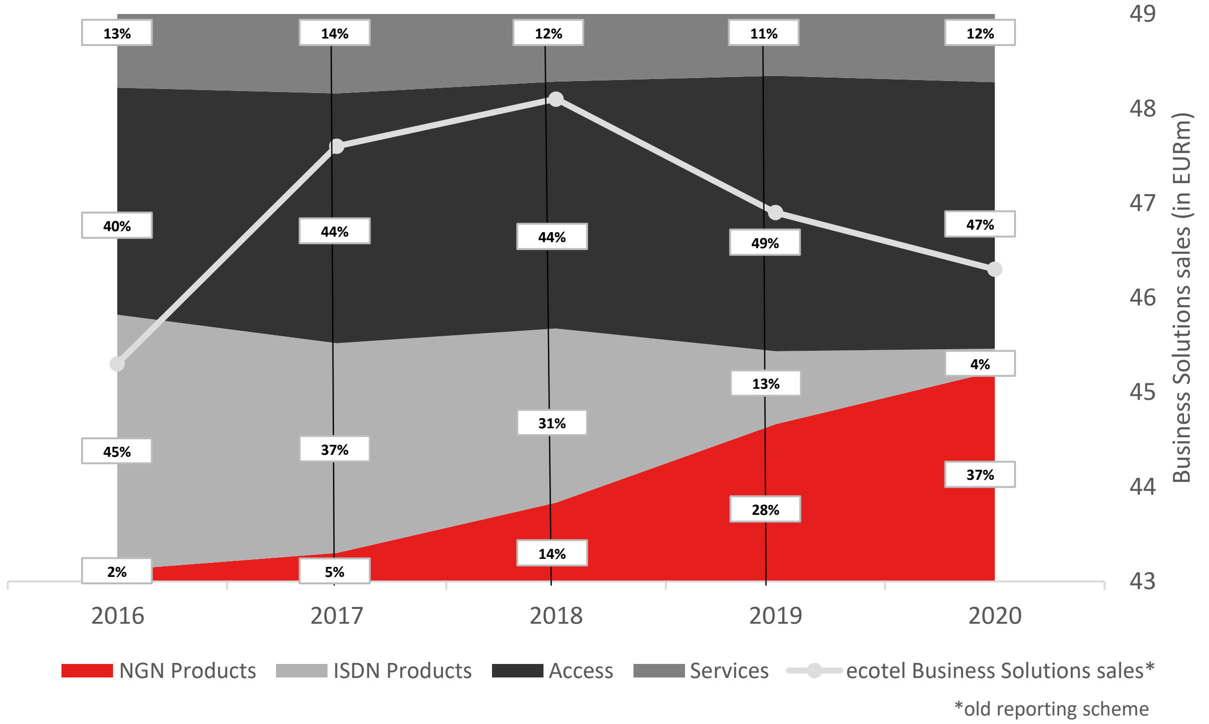
Successful ISDN migration paves the way for future profitable growth

Since 2010, ecotel's business with business clients has been broadly stable while its wholesale business showed a more volatile pattern. The more dynamic easybell segment (13.2% CAGR from 2017-2021), which was included in the company's new business segment, was reported on a more transparent basis from 2017 onwards.

However, in our view, the track record provides only limited value for future projections for the two following reasons:

- **Regulatory changes:** In 2018, the renewal of the Telecommunications Act (Telekommunikationsgesetz) in Germany allowed Deutsche Telekom to retroactively charge higher prices for its telecommunication wholesale services. This law, however, was only applicable to companies with annual sales exceeding EUR 100m, and ecotel actively steered the annual sales of its low-margin wholesale business below this threshold. The regulation is expected to become ineffective from mid-2022 onwards (WRe).
- **Successful transformation:** ecotel effectively managed to transform its B2B business by migrating the majority of its customers from the legacy ISDN technology, which is soon to be terminated, to its NGN-based products. Therefore, the company successfully extended its value chain by moving away from pure reselling and towards self-managed production. The transformation, which started in FY16, was finalised in FY20.

B2B client base successfully migrated to new technologies

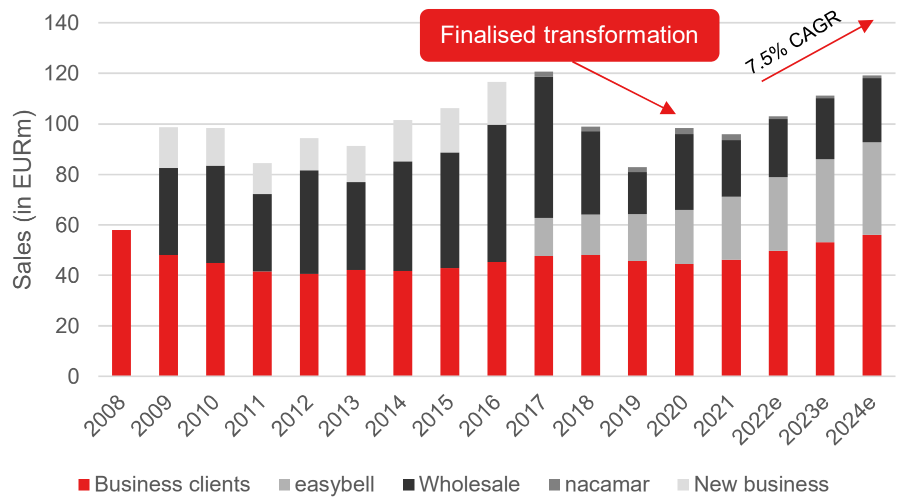


Source: ecotel, Warburg Research

ecotel is set to exceed the EUR 100m sales threshold soon

By considering the expiry of the regulatory revenue ceiling and the finalised business transformation, we are optimistic about the company's future growth prospects and forecast sales in excess of EUR 100m.

Sales development by segments



Source: ecotel, Warburg Research

ecotel is a German provider of telecommunication services with its own infrastructure (backbone network, two data centres) located in Dusseldorf and Frankfurt am Main. Its FY21 sales thus mainly consist of revenues generated in Germany (79.1%) while sales generated abroad primarily result from the company's Wholesale business with international carriers (trading with telephone minutes & terminations).

Based on the increasing availability of fibre lines in Germany, the constant demand for higher bandwidths, and secular growth trends, such as remote workplaces and new applications, we derive a group revenue CAGR of 7.5% until FY24.

Our derived growth and earnings assumptions can be broken down into the following components:

- **Business Clients:** ecotel's Business Clients segment lost approx. EUR 20m in sales from 2017-2021 (WRe) as a result of technology migration while access revenues showed steady growth (WRe: +12m in sales from 2017-2021) in line with new customer acquisitions and existing customers opting for higher bandwidths. Based on the finalisation of the ISDN migration and growing demand for higher bandwidths and voice channels, we are forecasting a sales CAGR of 6.6% until FY24 for the segment. Resulting gross margins are forecast to remain at attractive levels (WRe: approx. 62%) due to ecotel's broader value chain following the finalised migration of its ISDN customers.
- **Easybell:** The company's easybell asset is expected to continue its strong growth (16.2% CAGR from 2018-2021), which started after its successful B2B launch, (WRe: 13.6% CAGR until FY24). Its attractive standardised product portfolio for smaller price-sensitive business clients is assumed to enjoy proportionately greater benefit from underlying growth trends (rising fibre penetration, remote work, higher data usage). Resulting gross margins are forecast to benefit from rising high-margin B2B sales (WRe: FY24 gross margin of 64.5%).
- **Wholesale:** The low-margin Wholesale business is assumed grow by a CAGR of 4.2% until FY24. The expiry of the regulatory annual sales ceiling and the marketing of data lines for national and international carriers will allow ecotel to actively grow this

business again while management's strategic focus will certainly remain on the more profitable B2B and easybell units. Gross margins are predicted to remain at a flattish 5% because of the nature of the Wholesale business which generates limited economies of scale.

- **Nacamar:** With the organisational and operational changes in ecotel's nacamar business, which will lead to declining sales in FY22 (WRe: -55% yoy), we forecast modest growth (WRe: +2% CAGR from FY23 onwards) with an unchanged and attractive margin profile (WRe: 65% gross margin). The asset is therefore assumed to maintain its strategic position as a reliable platform provider for audio streaming and to expand partnerships and service contracts with radio and broadcasting institutions also in the future.

Sales and gross-margin development over time, per segment

(EURm)		2017	2018	2019	2020	2021	2022e	2023e	2024e
Business clients	Sales	47.6	48.1	45.6	44.5	46.3	49.8	53.1	56.1
	change yoy		*1.1%*	*-5.3%*	*-2.4%*	*3.9%*	*7.5%*	*6.7%*	*5.6%*
	Gross profit	22.7	23.6	23.5	23.9	28.5	30.7	32.8	34.6
	margin	*47.7%*	*49.1%*	*51.5%*	*53.7%*	*61.6%*	*61.7%*	*61.8%*	*61.7%*
easybell	Sales	15.2	15.9	18.6	21.5	25.0	29.2	32.9	36.6
	change yoy		*4.6%*	*16.7%*	*15.3%*	*16.4%*	*16.8%*	*12.7%*	*11.3%*
	Gross profit	5.9	6.9	8.3	11.2	14.6	17.9	20.7	23.6
	margin	*38.4%*	*43.1%*	*44.5%*	*52.1%*	*58.5%*	*61.2%*	*63.0%*	*64.5%*
Wholesale	Sales	55.8	32.9	16.7	30.1	22.4	23.0	24.2	25.4
	change yoy		*-41.0%*	*-49.2%*	*80.0%*	*-25.5%*	*2.7%*	*5.0%*	*5.0%*
	Gross profit	0.4	0.4	0.7	1.1	1.1	1.2	1.2	1.3
	margin	*0.7%*	*1.3%*	*4.2%*	*3.7%*	*4.9%*	*5.0%*	*5.0%*	*5.0%*
nacamar	Sales	1.99	1.9	1.9	2.3	2.2	1.0	1.0	1.0
	change yoy		*-5.4%*	*0.1%*	*20.2%*	*-1.5%*	*-55.0%*	*2.0%*	*2.0%*
	Gross profit	0.95	1.0	1.1	1.5	1.5	0.7	0.7	0.7
	margin	*47.4%*	*53.4%*	*58.6%*	*65.6%*	*65.4%*	*65.0%*	*65.0%*	*65.0%*
Group (WRe vs. Consensus)	Sales	120.6	98.9	82.8	98.3	95.9	102.9	111.2	119.1
	Consensus						100.8	106.8	113.4
	Delta WRe vs. Consensus						*2.1%*	*4.1%*	*5.0%*
	Gross profit	30.4	32.5	34.0	38.0	46.7	50.4	55.5	60.1
	Consensus						50.3	53.2	56.1
	Delta WRe vs. Consensus						*0.1%*	*4.3%*	*7.2%*
	EBIT	2.1	2.2	1.5	4.0	10.6	14.2	17.3	20.3
	Consensus						14	15.8	17.6
	Delta WRe vs. Consensus						*1.2%*	*9.6%*	*15.6%*

Source: ecotel, Warburg Research

ecotel boasts a strong track record of overdelivering on its forecasts

Sales and earnings guidance quality

ecotel tends to guide on a very granular basis. Except for 2011, the company's forecasts were published with ranges for both sales and earnings. Detailed forecasts have also been issued at the segment level for three years now, which break down the group guidance into the segments Business Clients, easybell and nacamar.

When comparing actual results with ecotel's initial guidance for the respective year, we find that the company at least met its forecast in eight out of nine cases (89%) and exceeded its forecast in seven out of nine cases (78%).

A closer look at the segments shows a similar picture. Between 2019 and 2021, the revenue guidance was at least met in the Business Clients, easybell and nacamar segments in seven out of nine cases (78%). In two cases it was even exceeded. In terms of group and segment earnings forecasts, we draw similar conclusions. ecotel at least met its forecasts 17 out of 18 (94%) times in the past 12 years and even exceeded its initial targets in seven cases (39%).

In total, 36 forecasts were issued for the Group and the respective segments between 2010 and 2021. ecotel was able to at least meet these forecasts 32 times (89%), which illustrates the high forecasting quality of the company. It was even able to exceed the forecasts a total of 16 times (44%). A tendency to overdeliver is thus evident, especially with regards to the group's sales (78%).

ecotel has a proven guidance track record with a tendency to overdeliver

Group	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales (mEUR)												
Lower bound	90	90	80	80	85	90	95	95	90	-	-	-
Upper bound	95	90	90	90	95	100	105	115	120	-	-	-
Reported result	98.3	84.5	94.1	91.2	101.5	106.3	116.6	120.6	98.9	82.8	98.3	95.9
EBITDA (mEUR)												
Lower bound	5.5	5.5	6	6	6.5	7.5	7	6.5	7	8	8.5	12
Upper bound	6.5	6.5	7	7	7.5	8.5	8.5	7.5	8	9	10.5	14
Reported result	4.9	6.6	6.6	6.6	7.3	7.9	7	7	7.5	8.8	11.7	18.1

Source: ecotel, Warburg Research

Forecast quality breakdown into individual segments

Segments	Business Clients			easybell			nacamar		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Sales (mEUR)									
Lower bound	48	46	47	15	20	24	2	1.5	2
Upper bound	50	49	50	17	21	26	3	2.5	2.5
Reported result	46.9	46.3	48.3	18.6	21.5	25	1.9	2.3	2.2
EBITDA (mEUR)									
Lower bound	-	4	5.5	-	4	6	-	0.2	0.5
Upper bound	-	5	6.5	-	5	7	-	0.5	1
Reported result	4.3	4.8	8.6	4	5.9	8.5	0.4	0.6	0.5

Source: ecotel, Warburg Research

FY22 guidance highlights profitable future growth

Guidance for FY22

For FY22, ecotel is expecting revenues to grow in the Business Clients, Wholesale and easybell segments. Only nacamar is expected to remain below this year's sales level due to a strategic shift of management. As a result of the individual forecasts, the company is expecting a year-on-year increase in both gross profit and group result. Group EBITDA is expected to reach a range of EUR 20-22m (between +10.5% yoy and +21.5% yoy). A breakdown of the forecast into the individual segments confirms the company's profitable growth path with rising margins for the most relevant Business Clients and easybell segments.

Note that ecotel no longer reports data revenues generated with wholesale partners (connections, etc.) in its Business Clients segment. The reallocated EUR 2m in revenues for FY21 are now recorded in the company's Wholesale segment.

The Executive Board is expecting the group's revenues to grow by around 5% p.a. even beyond 2022. This would inevitably exceed the regulatory ceiling of EUR 100m, which is currently used by the company as a guideline. Likewise, a continuous increase in gross profit and EBITDA is expected for the coming years, provided that no new risks arise in the forecast period. The Executive Board thus confirms the following self-imposed sustainable financial targets:

- Capex in FY22/23: at least EUR 6m

- Liquidity reserve incl. credit facility of at least EUR 5m
- >40% equity ratio
- Debt service reduction from EUR 3m in FY22/23 to EUR 0m in the medium term
- FCF per share of at least EUR 2
- Dividend policy: at least 50% of the group's EPS

ecotel's FY22 group & segment guidance

	2021 (mEUR)	Guidance for 2022 (mEUR)
Segment sales	**95.9**	**94.5 - 106.5**
ecotel Business Solutions	46.3	47 - 50
ecotel Wholesale	22.4	20 - 25
easybell	25	27 - 30
nacamar	2.2	0.5 - 1.5
Gross profit	**45.7**	**Increase**
EBITDA	**18.1**	**20 - 22**
ecotel Business Solutions	8.6	8.5 - 10.5
Margin (in %)	*18.6%*	*18.1% - 21%*
ecotel Wholesale	0.5	> 0.5
Margin (in %)	*2.2%*	*>2.0%*
easybell	8.5	9.5 - 11.5
Margin (in %)	*34.0%*	*35.2% - 38.3%*
nacamar	0.5	Positive
Margin (in %)	*22.7%*	*n.a.*
Group result	**4.8**	**Increase**

Source: ecotel, Warburg Research

Valuation

- Our DCF model yields a FV of EUR 43 based on conservative assumptions
- Our SotP model confirms a FV of EUR 41 for ecotel
- The market is currently neglecting ecotel's low capital intensity and its strong margin outlook based on a peer group comparison of key trading multiples

SotP valuation indicates significant upside to current share price

For fundamental valuation purposes, we use our Sum-of-the-Parts model and DCF model. A trading multiple comparison with close peers acts as a verification of our results.

Sum-of-the-Parts valuation

To account for ecotel's group structure with its majority stake in easybell (51%) and its shareholding in mvneco (33%), we have conducted a SotP-based valuation.

For ecotel's Business Clients unit, we have applied a DCF valuation with a conservative terminal value (TV) sales growth assumption of 1% and an EBIT margin assumption of 11%. An underlying WACC of 7.05%, which accounts for the conservative nature of the business, results in a fair value of EUR 87m for the segment.

For ecotel's shareholding in easybell, we have considered a DCF valuation with a conservative terminal value (TV) sales growth assumption of 1% and an EBIT margin assumption of 30%. An underlying WACC of 8.73% results in a fair value of EUR 56m for ecotel's majority ownership in the asset after subtracting the relevant minority interest.

Furthermore, we have valued ecotel's Wholesale business with an 8x EV/EBITDA multiple, similar to peer freenet AG (FY1 EV/EBITDA 8.6x) while we value ecotel's 33% stake in mvneco with a 16x P/E multiple.

For the company's nacamar subsidiary, we have considered a perpetuity valuation (WRe: WACC of 7.9%) considering 1% terminal growth to conservatively account for the company's recurring revenue streams.

In conclusion, we derive a SotP based fair value of EUR 41 per ecotel share.

It has to be noted that we have already anticipated the dilutive effect of 351k additional shares in our calculation, that are likely to be issued in July 2024 as a result of ecotel's share incentive programme for its management.

Our SotP approach thus allows for a swift evaluation of a potential easybell deal and ecotel's equity value excluding its stake in easybell if management decides to sell its stake in easybell.

Sum-of-the-Parts valuation for ecotel

1. Fair value Business Clients (in EUR m)			
Fair equity value (DCF based)		**86.5**	
2. Fair value easybell (in EUR m)			
Fair equity value (DCF based)	**110.0**		
share of minorities	49%		
fair equity value dedicated to minority shareholders	53.9		
Fair equity value dedicated to ecotel shareholders		**56.1**	
3. Fair value Wholesale (in EUR m)			
2022e EBITDA	**0.6**		
EV / EBITDA multiple (WRe)	8x		
Fair enterprise value (multiple based)		**4.4**	
4. Fair value nacamar (in EUR m)			
2022e EBITDA = FCF (WRe)	**0.4**		
WACC (WRe)	7.9%		
Fair equity value (perpetuity with 1% growth based)		**5.1**	
5. Fair value mvneco (in EUR m)			
2022e net income	**0.8**		
P / E multiple (WRe)	16x		
Fair equity value (multiple based)	**13.6**		
ecotel's stake	33%		
Fair equity value dedicated to ecotel shareholders		**4.5**	
6. Fair value calculation ecotel (in EUR m)			**Contribution to EV**
Fair value Business Clients		86.5	55%
Fair value easybell		56.1	36%
Fair value Wholesale		4.4	3%
Fair value nacamar		5.1	3%
Fair value mvneco		4.5	3%
Net Debt (2022e)		-0.5	0%
Fair enterprise value ecotel		**156.1**	**100%**
Fair equity value ecotel		**156.6**	
Fair value per share in EUR		**40.6**	

Source: Warburg Research

DCF model – ecotel Business Clients

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**	**2031e**	**2032e**	**2033e**	**2034e**	
Sales	49.8	53.1	56.1	58.9	61.6	64.0	66.3	68.3	70.0	71.4	72.8	73.9	74.6	
Sales change	*7.5 %*	*6.7 %*	*5.6 %*	*5.0 %*	*4.5 %*	*4.0 %*	*3.5 %*	*3.0 %*	*2.5 %*	*2.0 %*	*2.0 %*	*1.5 %*	*1.0 %*	*1.0 %*
EBIT	4.1	5.3	6.3	6.5	6.8	7.0	7.3	7.5	7.7	7.8	8.0	8.1	8.2	
EBIT-margin	*8.2 %*	*9.9 %*	*11.2 %*	*11.1 %*	*11.0 %*	*11.0 %*	*11.0 %*	*11.0 %*	*11.0 %*	*11.0 %*	*11.0 %*	*11.0 %*	*11.0 %*	
Tax rate (EBT)	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	
NOPAT	2.8	3.6	4.3	4.4	4.6	4.8	5.0	5.1	5.2	5.3	5.4	5.5	5.6	
Depreciation	5.5	5.5	5.6	5.9	6.2	6.4	6.6	6.8	7.0	7.1	7.3	7.4	7.5	
in % of Sales	*11.0 %*	*10.4 %*	*9.9 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	
Change in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in liquidity from														
- Working Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Capex	4.2	4.7	4.9	5.9	6.2	6.4	6.6	6.8	7.0	7.1	7.3	7.4	7.5	
Capex in % of Sales	*8.4 %*	*8.8 %*	*8.7 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	*10.0 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC-model)	4.0	4.4	4.9	4.5	4.6	4.8	5.0	5.1	5.3	5.4	5.5	5.5	5.6	
PV of FCF	3.9	3.9	4.1	3.5	3.4	3.3	3.2	3.0	2.9	2.8	2.6	2.5	2.4	39.4
share of PVs	14.7 %			36.5 %										48.7 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.0 %	Financial Strength	0.50
Cost of debt	6.0 %	Liquidity	2.00
Market return	7.0 %	Cyclicality	1.00
Risk free rate	1.5 %	Transparency	1.00
Risk premium	5.5 %	Others	1.00
Cost of equity	7.6 %		
WACC	**7.05 %**	**Beta**	**1.10**

Valuation (m)

Present values until 2034e	41.4		
Terminal Value	39.4		
Financial liabilities	6.3		
Pension liabilities	0.7		
Hybrid capital	0.0		
Minority interest	0.0		
Market val. of investments	0.0		
Liquidity	12.6	No. of shares (m)	3.9
Equity Value	**86.5**	**Value per share (EUR)**	**22.40**

Sensitivity Value per share (EUR)

		Terminal Growth							**Delta EBIT-margin**						
Beta	(WACC)	0.25 %	0.50 %	0.75 %	**1.00 %**	1.25 %	1.50 %	1.75 %	-1.50 pp	-1.00 pp	-0.50 pp	**0.0**	0.50 pp	1.00 pp	1.50 pp
1.31	(8.0 %)	18.65	18.89	19.13	19.40	19.69	20.00	20.33	17.01	17.81	18.60	19.40	20.20	21.00	21.79
1.21	(7.5 %)	19.87	20.16	20.46	20.79	21.14	21.52	21.94	18.21	19.07	19.93	20.79	21.65	22.51	23.37
1.15	(7.3 %)	20.55	20.86	21.20	21.56	21.96	22.38	22.85	18.88	19.77	20.67	21.56	22.46	23.35	24.25
1.10	(7.0 %)	21.28	21.62	22.00	**22.40**	22.84	23.32	23.85	19.60	20.54	21.47	**22.40**	23.34	24.27	25.21
1.05	(6.8 %)	22.06	22.45	22.86	23.32	23.81	24.35	24.95	20.39	21.37	22.34	23.32	24.29	25.27	26.24
0.99	(6.5 %)	22.91	23.34	23.80	24.31	24.87	25.48	26.16	21.25	22.27	23.29	24.31	25.33	26.35	27.37
0.89	(6.0 %)	24.82	25.36	25.95	26.60	27.32	28.12	29.01	23.23	24.36	25.48	26.60	27.73	28.85	29.98

Source: Warburg Research

DCF model – ecotel's easybell stake

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	
Sales	29.2	32.9	36.6	39.5	41.9	43.6	44.9	45.8	46.5	47.2	47.6	48.1	48.6	
Sales change	*16.8 %*	*12.7 %*	*11.3 %*	*8.0 %*	*6.0 %*	*4.0 %*	*3.0 %*	*2.0 %*	*1.5 %*	*1.5 %*	*1.0 %*	*1.0 %*	*1.0 %*	*1.0 %*
EBIT	9.4	11.4	13.3	14.4	15.1	15.5	15.7	15.6	15.3	15.1	14.8	14.4	14.6	
EBIT-margin	*32.3 %*	*34.5 %*	*36.4 %*	*36.5 %*	*36.0 %*	*35.5 %*	*35.0 %*	*34.0 %*	*33.0 %*	*32.0 %*	*31.0 %*	*30.0 %*	*30.0 %*	
Tax rate (EBT)	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	
NOPAT	6.4	7.7	9.1	9.8	10.3	10.5	10.7	10.6	10.4	10.3	10.0	9.8	9.9	
Depreciation	1.5	1.6	1.8	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.4	2.4	
in % of Sales	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	
Change in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in liquidity from														
- Working Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Capex	1.3	1.4	1.5	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.4	2.4	
Capex in % of Sales	*4.5 %*	*4.3 %*	*4.1 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	*5.0 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC-model)	6.6	8.0	9.4	9.8	10.3	10.5	10.7	10.6	10.4	10.3	10.0	9.8	9.9	
PV of FCF	6.1	6.8	7.4	7.1	6.8	6.4	6.0	5.5	4.9	4.5	4.0	3.6	3.4	43.9
share of PVs	17.4 %			44.8 %										37.8 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.0 %	Financial Strength	1.00
Cost of debt	6.0 %	Liquidity	2.00
Market return	7.0 %	Cyclicality	1.00
Risk free rate	1.5 %	Transparency	1.50
Risk premium	5.5 %	Others	1.80
Cost of equity	9.5 %		
WACC	**8.73 %**	**Beta**	**1.46**

Valuation (m)

Present values until 2034e	72.4		
Terminal Value	43.9		
Financial liabilities	6.3		
Pension liabilities	0.0		
Hybrid capital	0.0		
Minority interest	53.9		
Market val. of investments	0.0		
Liquidity	0.0	No. of shares (m)	3.9
Equity Value	**56.1**	**Value per share (EUR)**	**14.53**

Sensitivity Value per share (EUR)

		Terminal Growth						
Beta	(WACC)	0.25 %	0.50 %	0.75 %	**1.00 %**	1.25 %	1.50 %	1.75 %
1.67	(9.7 %)	10.38	10.60	10.84	11.09	11.35	11.63	11.93
1.57	(9.2 %)	11.86	12.13	12.41	12.71	13.02	13.36	13.72
1.51	(9.0 %)	12.67	12.96	13.26	13.59	13.94	14.30	14.70
1.46	(8.7 %)	13.52	13.84	14.17	**14.53**	14.91	15.32	15.75
1.41	(8.5 %)	14.43	14.77	15.14	15.53	15.95	16.40	16.88
1.35	(8.2 %)	15.39	15.77	16.17	16.60	17.06	17.56	18.10
1.25	(7.7 %)	17.50	17.96	18.45	18.98	19.55	20.16	20.82

Delta EBIT-margin						
-1.50 pp	-1.00 pp	-0.50 pp	**0.0**	0.50 pp	1.00 pp	1.50 pp
9.87	10.27	10.68	11.09	11.50	11.91	12.31
11.40	11.84	12.27	12.71	13.14	13.57	14.01
12.24	12.69	13.14	13.59	14.04	14.49	14.93
13.14	13.60	14.06	**14.53**	14.99	15.46	15.92
14.09	14.57	15.05	15.53	16.01	16.49	16.97
15.11	15.61	16.10	16.60	17.10	17.60	18.09
17.37	17.90	18.44	18.98	19.51	20.05	20.59

Source: Warburg Research

Low capital intensity and scalability not yet reflected vs. peers

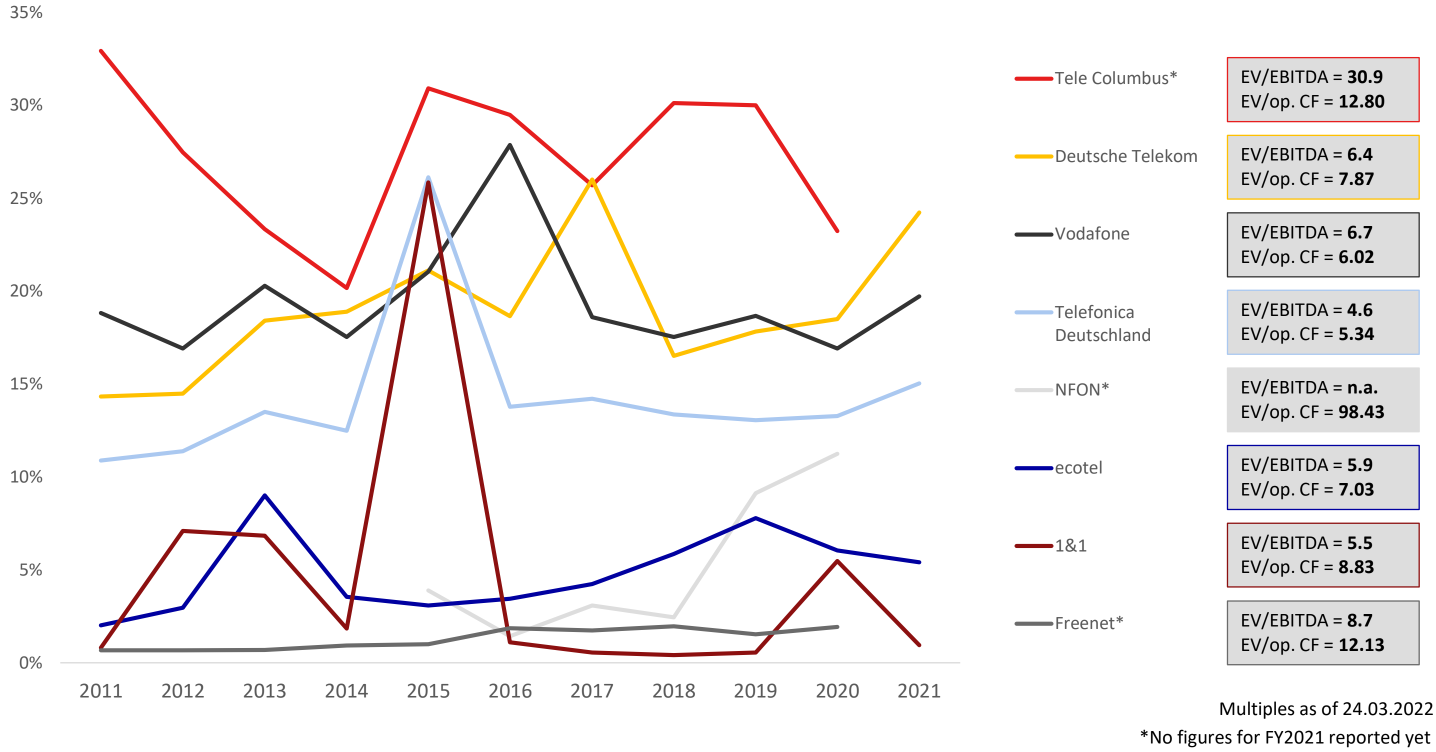
Peer group comparison suggests undervaluation vs. peers

By considering ecotel's peer group in the German telecommunication landscape, we have analysed capital intensity (capex / sales) and the respective trading multiples (EV / operating cash flow; EV / EBITDA).

In general, we draw the conclusion that lower capital intensity leads to higher trading multiples for ecotel's peers. We regard Tele Columbus and 1&1 as outliers in this context. While Tele Columbus' trading multiples are, in our view, likely inflated due to its concentrated fixed-line business model and the recent M&A activity around the asset, we assume 1&1's capex-heavy business model transformation to be the main reason for its low trading multiples despite its currently low capex/sales ratio.

By applying those findings to ecotel's current valuation, we conclude that the market is neglecting the company's light capex profile and therefore, the multiple applied is too low in comparison to peers with similar capital intensity. In addition, we regard ecotel's earnings and FCF growth prospects as superior to its peers due to its more scalable business model.

Peer comparison: EV/EBITDA, EV/op. CF multiples and capex/sales ratio of relevant peers



Source: Bloomberg, FactSet, Warburg Research

DCF valuation yields a fair price per share of EUR 43

DCF valuation

Our DCF model assumptions are summarised below:

- Growth is mainly driven by ecotel's Business Clients and easybell segments. A subsequent decline in growth and a TV growth rate of 1% is conservatively anticipating a saturated telecommunication market in Germany and reflects ecotel's steady state.
- Margins are assumed to rise on the back of ecotel's scalable business model. A conservative TV margin (EBIT) is assumed at approx. 15% to account for the company's partial reliance on third-party services.
- A beta of 1.28 is applied to adequately reflect the company's low liquidity in its share.
- Minorities include the 49.02% minority stake in easybell multiplied with our DCF based fair value of EUR 110m for the entire asset.

Our DCF analysis yields a fair value of EUR 43 per share.

It has to be noted that our calculation already anticipates the dilutive effect of 351k additional shares, that will be issued in July 2024 as a result of ecotel's share incentive programme for its management.

DCF model

Figures in EUR m	Detailed forecast period 2022e	2023e	2024e	Transitional period 2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	Term. Value
Sales	102.9	111.2	119.1	126.3	132.6	137.9	142.0	144.9	147.0	149.2	150.7	152.2	153.8	
Sales change	*7.4 %*	*8.0 %*	*7.1 %*	*6.0 %*	*5.0 %*	*4.0 %*	*3.0 %*	*2.0 %*	*1.5 %*	*1.5 %*	*1.0 %*	*1.0 %*	*1.0 %*	*1.0 %*
EBIT	14.2	17.3	20.3	21.7	22.9	24.0	24.9	25.1	25.0	24.9	24.6	24.4	23.1	
EBIT-margin	*13.8 %*	*15.6 %*	*17.1 %*	*17.2 %*	*17.3 %*	*17.4 %*	*17.5 %*	*17.3 %*	*17.0 %*	*16.7 %*	*16.3 %*	*16.0 %*	*15.0 %*	
Tax rate (EBT)	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	*32.0 %*	
NOPAT	9.6	11.8	13.8	14.8	15.6	16.3	16.9	17.0	17.0	16.9	16.7	16.6	15.7	
Depreciation	7.2	7.4	7.7	8.1	8.5	8.9	9.2	9.3	9.5	9.6	9.7	9.8	6.9	
in % of Sales	*7.0 %*	*6.7 %*	*6.4 %*	*6.4 %*	*6.4 %*	*6.4 %*	*6.4 %*	*6.4 %*	*6.4 %*	*6.4 %*	*6.4 %*	*6.4 %*	*4.5 %*	
Changes in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	0.6	0.3	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Capex	5.5	6.1	6.4	6.6	6.6	6.6	6.5	6.4	6.2	6.0	6.0	6.1	6.2	
Capex in % of Sales	*5.3 %*	*5.5 %*	*5.4 %*	*5.2 %*	*5.0 %*	*4.8 %*	*4.6 %*	*4.4 %*	*4.2 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	
- Other	1.4	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.8	0.0	
Free Cash Flow (WACC Model)	9.3	11.4	13.3	14.8	16.0	17.1	17.9	18.4	18.7	18.9	18.7	18.5	16.4	17
PV of FCF	8.8	10.0	10.9	11.2	11.2	11.1	10.8	10.3	9.7	9.1	8.3	7.6	6.3	97
share of PVs	13.39 %			43.04 %										43.56 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.00 %	Financial Strength	1.00
Cost of debt (after tax)	4.2 %	Liquidity (share)	2.00
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.20
		Others	1.20
WACC	**7.89 %**	**Beta**	**1.28**

Valuation (m)

Present values 2034e	125		
Terminal Value	97		
Financial liabilities	13		
Pension liabilities	1		
Hybrid capital	0		
Minority interest	56		
Market val. of investments	0		
Liquidity	13	No. of shares (m)	3.9
Equity Value	**165**	**Value per share (EUR)**	**42.79**

Sensitivity Value per Share (EUR)

Terminal Growth

Beta	WACC	0.25 %	0.50 %	0.75 %	**1.00 %**	1.25 %	1.50 %	1.75 %
1.49	8.9 %	33.70	34.23	34.79	35.39	36.03	36.71	37.44
1.39	8.4 %	36.81	37.45	38.12	38.84	39.62	40.44	41.33
1.33	8.1 %	38.52	39.21	39.96	40.75	41.60	42.52	43.51
1.28	7.9 %	40.33	41.10	41.92	**42.79**	43.74	44.75	45.85
1.23	7.6 %	42.27	43.11	44.02	44.99	46.04	47.17	48.40
1.17	7.4 %	44.35	45.28	46.28	47.36	48.52	49.79	51.17
1.07	6.9 %	48.97	50.11	51.35	52.69	54.15	55.75	57.51

Delta EBIT-margin

Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.49	8.9 %	30.94	32.42	33.91	35.39	36.88	38.36	39.85
1.39	8.4 %	34.08	35.67	37.26	38.84	40.43	42.02	43.60
1.33	8.1 %	35.82	37.46	39.11	40.75	42.39	44.04	45.68
1.28	7.9 %	37.68	39.38	41.09	**42.79**	44.50	46.20	47.91
1.23	7.6 %	39.68	41.45	43.22	44.99	46.76	48.53	50.30
1.17	7.4 %	41.83	43.68	45.52	47.36	49.20	51.04	52.88
1.07	6.9 %	46.69	48.69	50.69	52.69	54.69	56.69	58.69

- TV growth is set at 1% to reflect the steady state
- TV EBIT margin is set at 15%
- Minorities are calculated using our DCF FV for ecotel's easybell asset

ecotel is a German provider of IT and telecommunications solutions

Company & Products

Business model

ecotel has been active nationwide since 1998 and specialises in the marketing of information and telecommunications solutions in various segments. The Group's core business is represented by the Business Clients segment and offers business customers nationwide an integrated product portfolio of voice and data services. The focus is on medium-sized companies with more than 50 employees.

With its multi-carrier concept, ecotel, as a network-independent information and telecommunications technology provider, is able to provide the maximum available bandwidth countrywide through network coupling. The service proposition is particularly interesting for technology-agnostic SMEs with multiple locations in Germany. For this purpose, ecotel obtains telecommunications feeder services from various pre-suppliers and does not operate its own access network. ecotel purchases the lines on a customer-related basis, which results in a largely variable cost base.

Besides flexible and high-quality voice and data solutions, ecotel offers its customers the management of enterprise site connectivity (SD WAN-, IP- and MPLS-VPNs) as well as the realisation of direct connectivity to the leading cloud service providers (multi-cloud-connect).

Since 2016, ecotel communication AG has been operating as an independent local exchange carrier and, since then, has been able to design completely independent ICT products and tariffs, focusing primarily on future-proof NGN and All-IP services for business customers. In addition, ecotel is independently offering voice switching services, managing number blocks and porting of numbers to its own network. This means that ecotel’s purchase of advance telecommunication services is increasingly limited to pure access to the customer. After Deutsche Telekom decided to switch off the outdated ISDN technology, ecotel adapted its business model and started the migration of an efficient future-oriented IP infrastructure. By 2021, the migration of the company’s existing customers from ISDN to All-IP was complete.

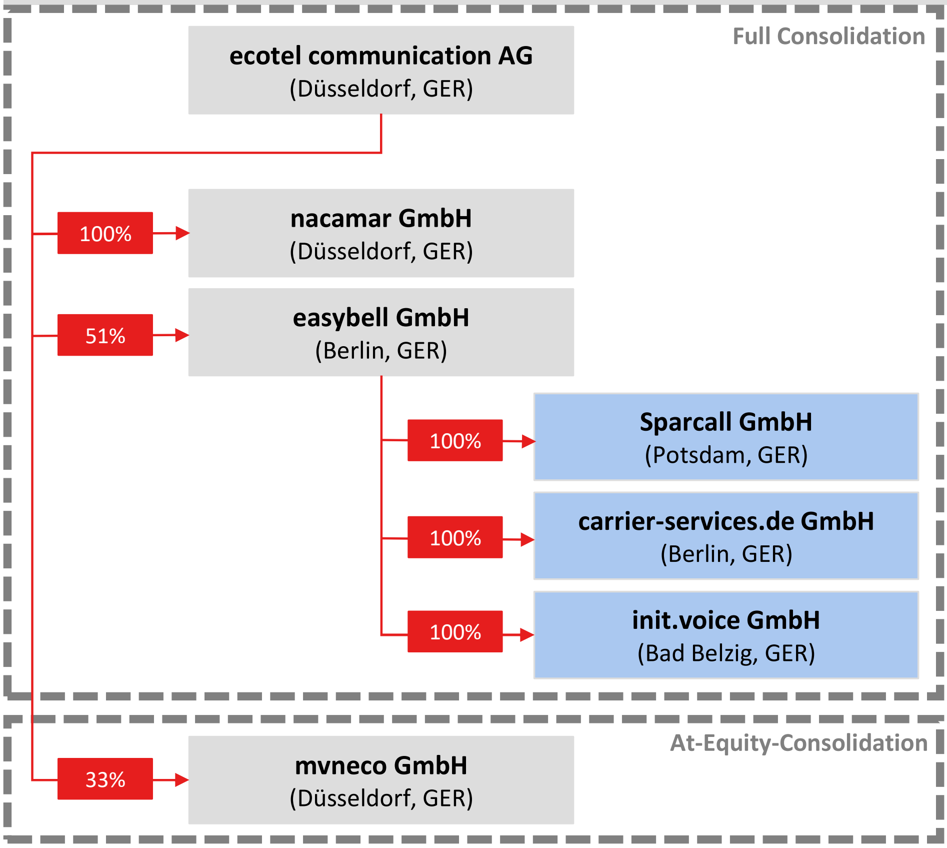
Another focus of the business model is on cloud solutions such as cloud telephony, SIP-Trunk for MS Teams, and a cooperation with RingCentral. For this purpose, ecotel is operating two data centres, which are located in Frankfurt am Main and Düsseldorf. They enable the provision of various housing and hosting services as well as the operation of ecotel’s traditional applications.

Group structure

As the parent company, ecotel communication AG holds three direct investments. These include the audio streaming provider nacamar (shareholding: 100%), the internet and telephone provider easybell (shareholding: 51%; minority shareholder is Consultist GmbH) and mvneco GmbH (shareholding: 33%; other shareholders are Communi5 Technologies GmbH and management). mvneco GmbH is a strategic investment of ecotel and functions as a software developer and consultant for mobile communications solutions and related managed services. Ecotel consolidates this investment by using the equity method.

In addition, ecotel owns three further indirect shareholdings, each of which is wholly owned by easybell GmbH. These are Sparcall GmbH (provider of preselection numbers), carrier-services.de GmbH (provider of value-added services to third-party carriers), and init.voice GmbH (broker for internal voice services between the companies).

ecotel's group structure



Source: ecotel, Warburg Research

Business segments & product overview

ecotel's business segments

Source: ecotel, Warburg Research

ecotel Business Clients

The segment ecotel Business Clients (48.3% of group sales) serves its customers with integrated telecommunication (i.e. 103,461 SIP voice channels) and data service solutions (i.e. 20,984 data lines). The segment's target group is SME customers with 50 or more employees.

The Business Clients segment offers its customers voice and data solutions as well as the management of enterprise site connectivity (SD WAN-, IP- and MPLS-VPNs) and the realisation of direct connectivity to the leading cloud service cloud service providers (multi-cloud-connect). The voice services segment deals with comprehensive IP-based products ranging across connectivity, telephony and other value-added services. In the segment of data services, ecotel's portfolio ranges from ADSL and VDSL connections via Ethernet access and fibre optic lines to secure corporate networking via virtual private network (VPN) / multiprotocol label switching (MPLS). Contract periods in ecotel's Business Clients segment are typically longer-term (42 months) and include all essential hardware components. The customer can opt for additional services such as telecommunication (All-IP) or security features such as VPN. ecotel also serves its customers with minute by minute services or telecommunication flat-rates from other suppliers over its multi-component contracts.

In 2020, the portfolio was expanded to include integrated solutions for connected remote work. The company's own cloud services enable All-IP voice offerings with Microsoft Teams and the connection of ecotel data connections to major cloud providers such as Azure, AWS or Google. The company also provides data centre space for third parties who want to outsource their IT infrastructure (server housing) but keep their data within Germany (ISO 27001, PS951). It offers several data centre service solutions as software as a service (hosting). In addition, cloud telephone systems, which enable encrypted telephone calls over cloud-based solutions (Centrex) are produced and offered by ecotel.

Another offering is the provision of hardware and data centre performance which are usually booked on a month by month basis by ecotel's clients.

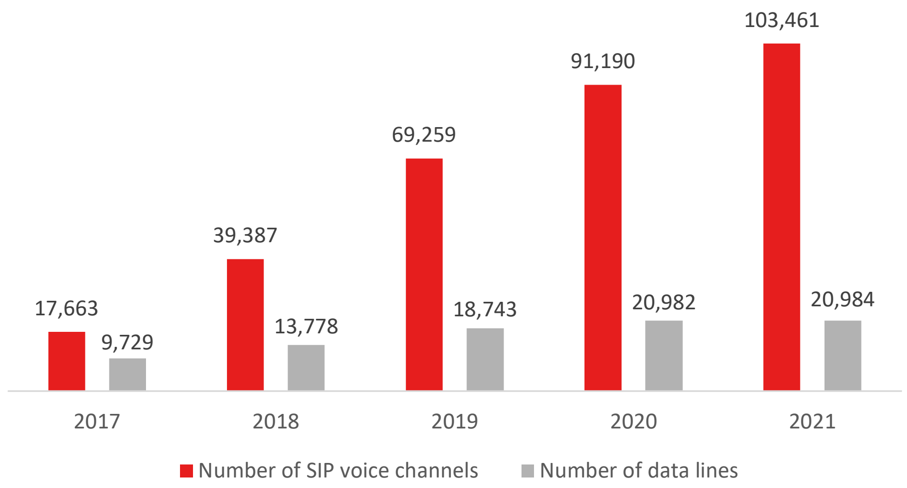
A notable amount of sales in the Business Clients segment is generated by project business (data packages, firewalls, etc.). This is a product that does not have high scalability, but creates strong customer loyalty and is an important pillar for ecotel to strengthen its reputation in the German B2B market.

With its own data centres in Frankfurt and Düsseldorf, ecotel is able to offer comprehensive solutions in the area of voice and data transmission. These enable companies to network several locations through virtual private network and SD-WAN solutions with scalable bandwidths. With its SD-WAN product, ecotel allows customers to bundle different feeder technologies and offers the respective VPN connection while its clients can choose their preferred bandwidths. Development was conducted in-house at limited cost. ecotel's customer receives only one VPN router per location and benefits from central management, which enables the quick and easy connection of new locations while maintaining high security standards. This results in concrete savings in the form of significantly reduced process costs as well as management and service expenses. The entire data exchange between the locations and the corporate headquarters of the customer is encrypted, routed and continuously monitored by ecotel.

In its collaborations with i.e. MS Teams and RingCentral, the company aims to actively anticipate future trends and customer demand in the telecommunication space.

A partnership between ecotel and RingCentral, a leading provider of global enterprise cloud communications, video meeting, collaboration and contact centre solutions, announced in March 2021, offers ecotel's customers an attractive Unified-Communications-as-a-Service (UCaaS) solution. The offered solution bundles several messaging services, video conferencing, and classic telephony services in order to satisfy multi-channel interaction requirements with customers.

Business Clients: voice channel and data line development



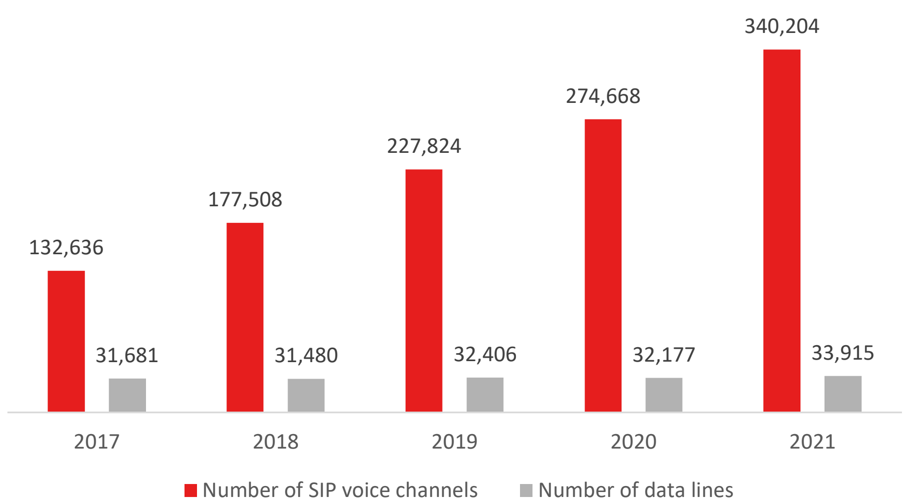
Source: ecotel, Warburg Research

easybell

Easybell (26.1% of group sales) functions similarly to 'ecotel Business Clients' but in a more standardised manner. In this segment, intelligent product bundles with broadband internet connections and VoIP telephony (SIP trunking offers) are marketed online to small/medium businesses as well as private customers. In addition to cloud telephone systems for small and medium-sized business customers, easybell markets individual voice products as well as routers from AVM (FRITZ!-Box) to private customers, which can be rented over the 'www.routermiete.de' platform. In the past business year, easybell also launched the website 'www.easybell.com' to initiate the internationalisation of the business. In the course of the introduction of this website, the first sales were also generated outside Germany in the past business year.

The segment is currently providing 340,204 SIP voice channels and 33,915 data lines to its clients.

easybell: voice channel and data line development



Source: ecotel, Warburg Research

ecotel Wholesale

The segment ‘ecotel Wholesale’ generates sales by trading voice minutes for national and international telecommunication companies. Furthermore, the segment also comprises the data line marketing for national and international carriers. The platform is also used to handle most of the national and international telephone calls of business customers and to drive the growing business of ecotel’s own subscriber network operations. In addition, there are network interconnections with more than 100 international carriers, which are processed over the wholesale platform.

nacamar

The segment ‘nacamar’ serves customers with a content delivery network (CDN) which makes it possible for media firms to host content via ecotel’s data centres. The extended offer of the full-service new media provider includes podcasting and videocasting, online video solutions, shared hosting, professional services, system integration, consulting, encoding, transcoding and the integration of payment systems. Therefore, nacamar's offering works entirely in the sense of a “Software-as-a-Service” concept.

With its product AddRadio, nacamar is the market leader in Germany in this segment. AddRadio is a software that enables the digital transformation of a radio station into a web radio. For FY22, the segment generated EUR 2.2m in sales. Nacamar’s profitability is the best of all ecotel subsidiaries with a segment margin of 68.2% (EUR 1.5m gross profit) in 2021.

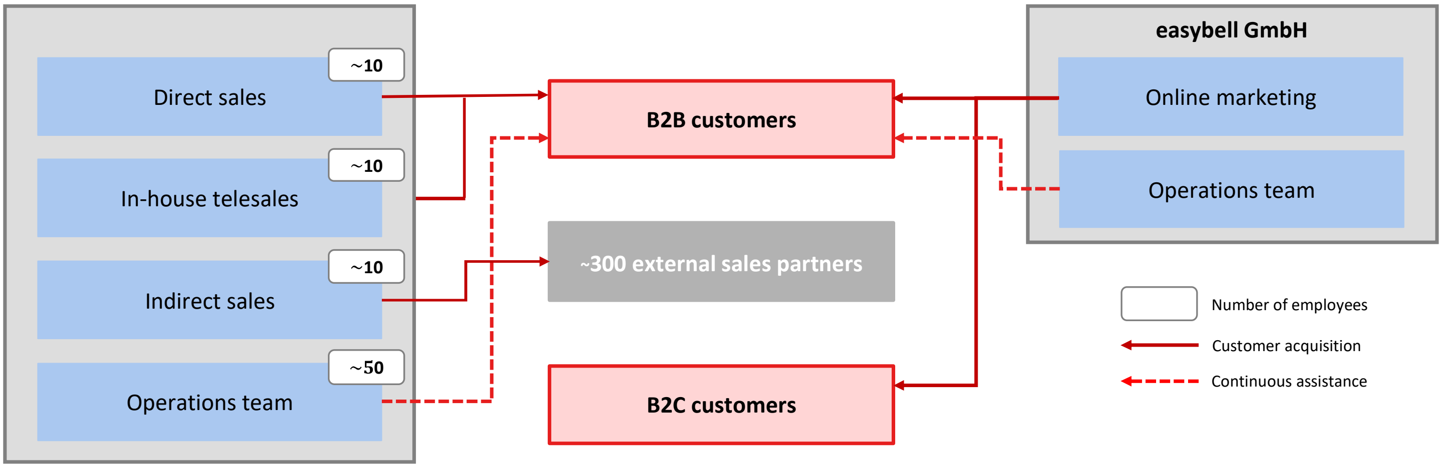
ecotel’s distribution channels

Depending on the target group, sales in the Business Clients segment are managed by direct sales (key accounts), in-house telesales or partner sales, which comprise more than 300 sales partners. These sales partners include IT consultants, telecommunication brokers, telecommunication and IT system houses, other technology providers, call centres as well as telecommunication or IT purchasing and marketing companies. With this network, ecotel maintains broad access to medium-sized customers. This network is complemented by the successful cooperation with more than 100 purchasing cooperatives and association groups.

In the company’s easybell segment, which comprises the entire business of the easybell Group including its four subsidiaries, sales are primarily carried out online via the company's own website or via telecommunications price portals as well as individual partners. The segment mainly focuses on customers who are looking for standardised products and automated ordering processes at a favourable price-performance ratio.

Ecotel thus boasts a broad range of products and distribution channels, which help the company to utilise its ICT infrastructure.

ecotel's distribution channels



Source: ecotel, Warburg Research

Two major shareholders with extensive industry know-how

Shareholder structure

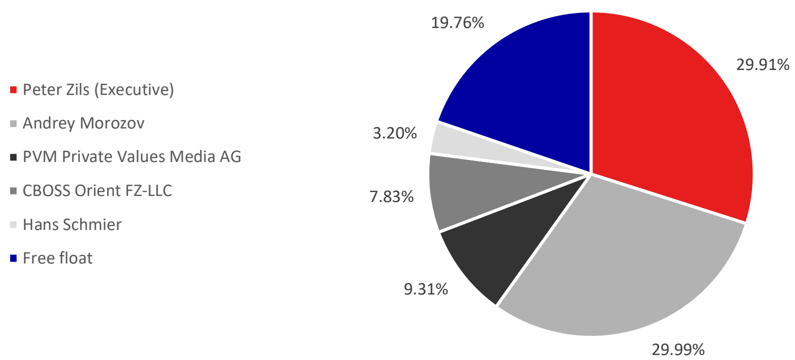
The two largest shareholders, each with a share of approx. 30%, are the Co-Chairman of ecotel communication AG, Peter Zils, and Andrey Morozov. Mr. Morozov is a Russian entrepreneur with extensive ICT industry knowledge.

A further almost 10% of ecotel's shares is held by PVM Private Values Media. This is a family-managed consulting and investment company with a focus on media and viticulture as well as forestry. The company invests in listed companies and invests 25% of the investment funds in the private equity and venture capital sector.

7.8% is attributable to CBOSS Orient FZ LLC, a Dubai-based company that is providing innovative convergent IT-solutions for the telecom market with customers around the world.

In addition to the free float, which amounts to 19.8%, Hans Schmier holds a further 3.2% of the shares as a private individual.

ecotel's shareholder structure



Source: ecotel, Warburg Research

Executive board

Peter Zils, Co-CEO

Peter Zils, born in 1963, is the founder and Co-Chairman of the Management Board of ecotel communication ag and is responsible for strategy, wholesale, finance and investor relations.

He was already active as an independent entrepreneur during his studies at the University of Applied Sciences in Bochum, where he graduated with a degree in communications engineering. In January 1998, Peter Zils founded ecotel communication, headquartered in Düsseldorf, which has since developed into a group of companies with various subsidiaries and holdings.

Peter Zils has been a member of the VATM Executive Board since February 2015. More than 120 telecommunications and service companies active in the German market have joined forces in the most important German telecommunications competitor association. As part of the association's work, Peter Zils works intensively in the regulatory and political environment to improve market and competitive conditions for the telecommunications industry. In particular, he focuses on the interests of B2B providers and their customers.

Markus Hendrich, Co-CEO

Markus Hendrich, born in 1980, has been active in the ICT industry since 2001 and already held various positions in technology, planning, research and development of nationwide telecommunications networks. He first joined ecotel communication ag on July 1, 2020 as Chief Digital Officer (CDO) and later took over the position as Co-CEO. Since Oct. 1, 2021, he has been responsible for the areas of technology, operations, product management, human resources and the digitalization department in his role as Co-Chairman of the Executive Board.

After completing his part-time studies in business psychology, he held various management positions at QSC AG and Plusnet GmbH (EnBW) for more than 10 years, serving as Managing Director for Technology, Product Management and Marketing until June 30, 2020.

Markus Hendrich has also been active in the regulatory environment for 10 years by helping to shape the German TC market both nationally and at the EU level. He is co-author of several broadband standards.

Achim Theis, CCO

Achim Theis, born in 1964, has been with the company since January 1, 1999, initially as Managing Director of ecotel communication GmbH and since June 1, 2001 as a member of the Executive Board. Since September 1, 2016, he has been responsible for sales, marketing and key account management in his role as Chief Commercial Officer (CCO).

After successfully completing his studies in business administration (VWA), he initially held various management positions in sales and marketing in different industries.

Achim Theis has more than 20 years of experience and thus an extensive network and know-how in the telecommunications market.

Supervisory board

Dr. Norbert Bensel, Chairman of the Supervisory Board

Dr. Norbert Bensel, born in 1947, has been a member of the Supervisory Board of ecotel communication ag since July 2010. He became Chairman of the Supervisory Board with effect from 01.05.2014. Dr Norbert Bensel is a self-employed management consultant and board member of EL-Net Consulting AG.

Dr. Bensel has held various functions in human resources development and management support in large German corporations and later became a member of the executive board of debis AG (Daimler-Benz). This was followed by a move to Deutsche

Bahn AG as Chief Human Resources Officer, and subsequently he was a member of the Management Board of DB Mobility Logistics AG with responsibilities for Transport and Logistics.

Dr. Bensel holds a doctorate in chemistry.

Uwe Nickl, Deputy Chairmand of the Supervisory Board

Uwe Nickl, born in 1969, was elected to the ecotel Supervisory Board for the first time in 2021. He started working as a management consultant in 2021 and was previously CEO of the Deutsche Glasfaser Unternehmensgruppe and of Pepcom-Gruppe. Prior to that, Mr. Nickl held various management position in the telecommunication industry. In particular, he is renowned for his extensive telecommunications expertise, both nationally and internationally.

Mr. Nickl holds an MBA degree.

Mirko Mach, Member of the Supervisory Board

Mirko Mach, born in 1976, was elected to the ecotel Supervisory Board for the first time in 2007. Since 1995 he has been managing partner of MPC Service GmbH. During this time, he has built up extensive experience in partner sales as well as long-standing contacts with the main network operators and distributors. Therefore, he is considered a product and sales expert for the German IT and telecommunications market.

Mr. Mach holds a degree in mechanical engineering.

Dr. Thorsten Reinhard, Member of the Supervisory Board

Dr. Thorsten Reinhard, born in 1970, was elected to the ecotel supervisory board for the first time in 2006. Since 2007, he has been a lawyer and partner at Noerr Partnergesellschaft mbB. He provides legal advice to corporate groups, financial investors and family businesses focusing on transaction advisory (mergers & acquisitions), corporate law and contract law. The focus of his transactional practice is corporate acquisitions and disposals.

Dr. Reinhard holds a degree in law.

Brigitte Holzer, Member of the Supervisory Board

Brigitte Holzer, born in 1961, has been a member of the Supervisory Board of ecotel communication ag since January 2006. Since 2009, Mrs. Holzer has filled the position FP&A Manager Emerging Markets at Adobe Systems GmbH. Furthermore, Mrs. Holzer worked in the Finance departments of different companies, e.g. as Director Finance of Cybernet AG for the region of Germany and the entire Holding and as Director Finance for VOICE.TRUST AG.

Mrs. Holzer holds a degree in business.

Alfried Bührdel, Member of the Supervisory Board

Alfried Bührdel, born in 1962, has been a member of the ecotel Supervisory Board since 2021. In addition to being a member of various supervisory and advisory boards in the past years (also in the function of chairman), he held various management positions at Tengelmann, Ströer AG, and Bertelsmann AG.

Mr. Bührdel holds a degree in business.

Valuation

	2018	2019	2020	2021	2022e	2023e	2024e
Price / Book	1.6 x	1.4 x	1.3 x	2.8 x	4.2 x	3.3 x	2.7 x
Book value per share ex intangibles	1.04	0.77	0.82	1.73	1.54	3.28	4.99
EV / Sales	0.3 x	0.5 x	0.3 x	0.7 x	1.0 x	0.8 x	0.7 x
EV / EBITDA	4.4 x	4.4 x	3.0 x	3.8 x	4.6 x	3.7 x	3.1 x
EV / EBIT	15.1 x	25.6 x	8.5 x	6.5 x	7.0 x	5.2 x	4.2 x
EV / EBIT adj.*	15.1 x	25.6 x	8.5 x	6.5 x	7.0 x	5.2 x	4.2 x
P / FCF	36.1 x	12.0 x	8.7 x	10.8 x	10.9 x	8.9 x	7.9 x
P / E	68.9 x	n.a.	25.7 x	14.3 x	15.2 x	12.1 x	10.7 x
P / E adj.*	68.9 x	n.a.	25.7 x	14.3 x	15.2 x	12.1 x	10.7 x
Dividend Yield	1.5 %	n.a.	1.9 %	11.6 %	3.3 %	4.1 %	4.7 %
FCF Potential Yield (on market EV)	17.8 %	19.5 %	27.6 %	20.1 %	16.1 %	20.1 %	23.9 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Sales	**98.9**	**82.7**	**98.3**	**95.9**	**102.9**	**111.2**	**119.1**
Change Sales yoy	-18.0 %	-16.3 %	18.8 %	-2.5 %	7.4 %	8.0 %	7.1 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.5	0.4	0.3	1.0	0.0	0.0	0.0
Total Sales	**99.4**	**83.2**	**98.6**	**96.9**	**102.9**	**111.2**	**119.1**
Material expenses	66.9	49.2	60.6	50.1	52.6	55.7	59.0
Gross profit	**32.5**	**34.0**	**38.0**	**46.7**	**50.4**	**55.5**	**60.1**
Gross profit margin	*32.8 %*	*41.1 %*	*38.7 %*	*48.8 %*	*48.9 %*	*49.9 %*	*50.5 %*
Personnel expenses	14.4	15.6	16.3	17.9	18.6	19.2	19.7
Other operating income	0.3	0.7	0.5	0.7	0.7	0.7	0.7
Other operating expenses	11.0	10.4	10.7	11.5	11.1	12.2	13.1
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**7.4**	**8.7**	**11.6**	**18.1**	**21.4**	**24.7**	**28.0**
Margin	*7.5 %*	*10.5 %*	*11.8 %*	*18.9 %*	*20.7 %*	*22.3 %*	*23.5 %*
Depreciation of fixed assets	4.1	5.8	6.1	5.9	5.8	6.0	6.2
EBITA	**3.3**	**2.9**	**5.4**	**12.2**	**15.5**	**18.7**	**21.8**
Amortisation of intangible assets	1.2	1.4	1.4	1.6	1.4	1.4	1.4
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**2.2**	**1.5**	**4.0**	**10.6**	**14.2**	**17.3**	**20.3**
Margin	*2.2 %*	*1.8 %*	*4.1 %*	*11.1 %*	*13.8 %*	*15.6 %*	*17.1 %*
EBIT adj.	**2.2**	**1.5**	**4.0**	**10.6**	**14.2**	**17.3**	**20.3**
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.2	0.5	0.5	0.3	0.3	0.3	0.3
Other financial income (loss)	0.1	0.2	0.2	0.3	0.0	0.0	0.0
EBT	**2.0**	**1.2**	**3.8**	**10.5**	**13.9**	**17.0**	**20.1**
Margin	*2.1 %*	*1.5 %*	*3.8 %*	*11.0 %*	*13.5 %*	*15.3 %*	*16.8 %*
Total taxes	0.6	0.3	1.1	3.3	4.4	5.5	6.4
Net income from continuing operations	**1.4**	**0.9**	**2.6**	**7.3**	**9.4**	**11.6**	**13.6**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**1.4**	**0.9**	**2.6**	**7.3**	**9.4**	**11.6**	**13.6**
Minority interest	0.9	1.1	1.6	2.5	2.9	3.4	4.0
Net income	**0.5**	**-0.2**	**1.0**	**4.8**	**6.5**	**8.2**	**9.7**
Margin	*0.5 %*	*-0.2 %*	*1.0 %*	*5.0 %*	*6.3 %*	*7.4 %*	*8.1 %*
Number of shares, average	3.5	3.5	3.5	3.5	3.5	3.5	3.7
EPS	**0.13**	**-0.05**	**0.28**	**1.36**	**1.86**	**2.33**	**2.64**
EPS adj.	0.13	-0.05	0.28	1.36	1.86	2.33	2.64

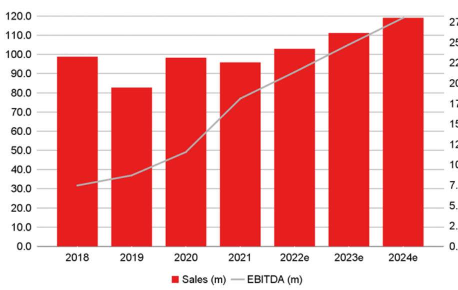
*Adjustments made for:

Guidance: 2022: Sales EUR 94.5-106.5m; EBITDA EUR 20-22m

Financial Ratios

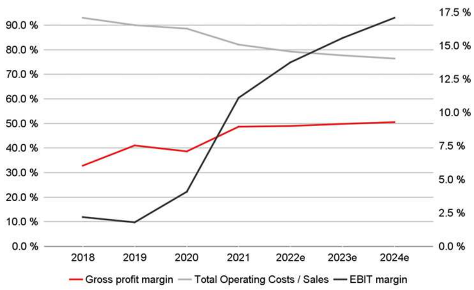
	2018	2019	2020	2021	2022e	2023e	2024e
Total Operating Costs / Sales	93.0 %	90.0 %	88.6 %	82.2 %	79.3 %	77.7 %	76.5 %
Operating Leverage	-0.2 x	1.9 x	9.1 x	-66.6 x	4.5 x	2.8 x	2.5 x
EBITDA / Interest expenses	32.5 x	18.0 x	24.2 x	51.8 x	75.5 x	87.5 x	99.1 x
Tax rate (EBT)	31.7 %	27.5 %	30.2 %	31.1 %	32.0 %	32.0 %	32.0 %
Dividend Payout Ratio	32.9 %	0.0 %	18.7 %	108.7 %	34.6 %	35.3 %	35.4 %
Sales per Employee	400,231	317,049	394,779	367,309	379,250	401,602	421,796

Sales, EBITDA
in EUR m



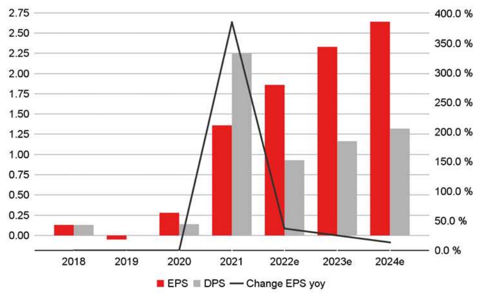
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

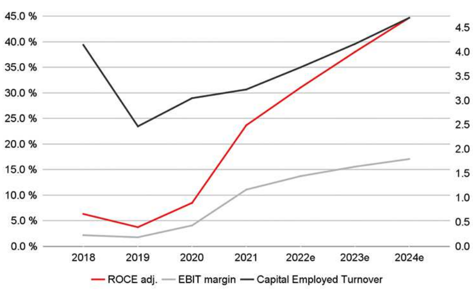
Consolidated balance sheet

In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Assets							
Goodwill and other intangible assets	15.8	16.1	17.0	18.2	18.3	18.9	19.6
thereof other intangible assets	4.1	4.4	4.8	5.9	6.0	6.6	7.4
thereof Goodwill	8.9	8.9	8.9	8.9	8.9	8.9	8.9
Property, plant and equipment	9.0	11.1	10.5	8.5	6.7	4.8	2.7
Financial assets	0.9	1.0	1.1	1.1	1.1	1.1	1.1
Other long-term assets	0.7	9.6	8.8	7.2	7.2	7.2	7.2
Fixed assets	**26.3**	**37.8**	**37.4**	**35.0**	**33.3**	**32.0**	**30.7**
Inventories	0.0	0.0	0.0	0.0	0.1	0.2	0.2
Accounts receivable	7.9	7.4	7.2	10.6	11.4	12.2	13.1
Liquid assets	6.1	8.3	7.8	12.6	11.4	19.4	28.2
Other short-term assets	3.3	3.3	1.5	2.8	2.8	2.8	2.8
Current assets	**17.3**	**19.0**	**16.5**	**26.1**	**25.8**	**34.6**	**44.4**
Total Assets	**43.7**	**56.8**	**53.9**	**61.1**	**59.1**	**66.6**	**75.1**
Liabilities and shareholders' equity							
Subscribed capital	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Capital reserve	1.8	1.8	1.9	2.0	2.0	2.0	2.0
Retained earnings	14.1	13.4	14.4	18.7	17.4	22.3	27.7
Other equity components	0.0	0.0	0.0	0.0	0.8	2.6	4.7
Shareholders' equity	19.4	18.8	19.8	24.2	23.7	30.4	37.9
Minority interest	3.3	3.4	3.6	4.8	4.8	4.8	4.8
Total equity	**22.7**	**22.2**	**23.4**	**29.1**	**28.5**	**35.2**	**42.7**
Provisions	0.0	1.5	1.2	0.7	0.7	0.7	0.7
thereof provisions for pensions and similar obligations	0.0	1.5	1.2	0.7	0.7	0.7	0.7
Financial liabilities (total)	7.2	18.1	15.4	12.6	10.2	10.2	10.2
Short-term financial liabilities	1.6	1.8	2.4	2.4	0.0	0.0	0.0
Accounts payable	9.2	10.5	9.1	11.0	11.3	11.9	12.4
Other liabilities	4.5	4.6	4.8	7.7	8.4	8.6	9.1
Liabilities	**21.0**	**34.6**	**30.5**	**32.0**	**30.6**	**31.4**	**32.4**
Total liabilities and shareholders' equity	**43.7**	**56.8**	**53.9**	**61.1**	**59.1**	**66.6**	**75.1**

Financial Ratios

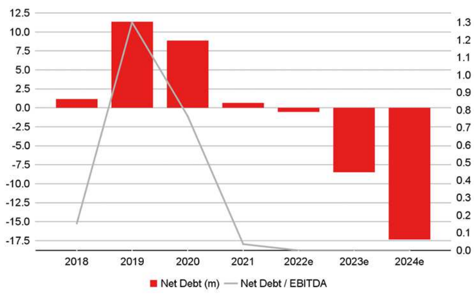
	2018	2019	2020	2021	2022e	2023e	2024e
Efficiency of Capital Employment							
Operating Assets Turnover	12.9 x	10.3 x	11.4 x	11.9 x	15.0 x	21.1 x	32.8 x
Capital Employed Turnover	4.1 x	2.5 x	3.0 x	3.2 x	3.7 x	4.2 x	4.7 x
ROA	1.7 %	-0.4 %	2.7 %	13.7 %	19.6 %	25.6 %	31.4 %
Return on Capital							
ROCE adj.	6.3 %	3.7 %	8.5 %	23.7 %	31.1 %	38.0 %	44.7 %
ROE	2.3 %	-0.9 %	5.2 %	21.7 %	27.2 %	30.3 %	28.3 %
Adj. ROE	2.3 %	-0.9 %	5.2 %	21.7 %	27.2 %	30.3 %	28.3 %
Balance sheet quality							
Net Debt	1.2	11.3	8.9	0.6	-0.5	-8.5	-17.4
Net Financial Debt	1.1	9.8	7.7	0.0	-1.2	-9.2	-18.0
Net Gearing	5.1 %	51.1 %	37.9 %	2.2 %	-1.9 %	-24.1 %	-40.6 %
Net Fin. Debt / EBITDA	15.2 %	112.8 %	66.5 %	n.a.	n.a.	n.a.	n.a.
Book Value / Share	5.5	5.4	5.7	6.9	6.7	8.7	10.4
Book value per share ex intangibles	1.0	0.8	0.8	1.7	1.5	3.3	5.0

ROCE Development



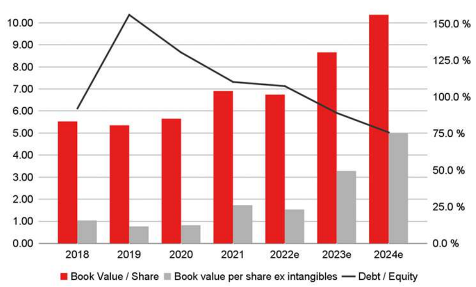
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

Consolidated cash flow statement

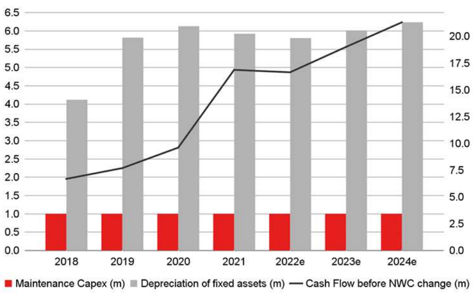
In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Net income	1.4	0.9	2.6	7.3	9.4	11.6	13.6
Depreciation of fixed assets	4.1	5.8	6.1	5.9	5.8	6.0	6.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.2	1.4	1.4	1.6	1.4	1.4	1.4
Increase/decrease in long-term provisions	0.0	0.0	0.0	-0.5	0.0	0.0	0.0
Other non-cash income and expenses	0.0	-0.4	-0.6	2.6	0.0	0.0	0.0
Cash Flow before NWC change	**6.7**	**7.7**	**9.6**	**16.9**	**16.6**	**19.0**	**21.3**
Increase / decrease in inventory	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Increase / decrease in accounts receivable	0.0	0.0	0.0	-3.4	-0.8	-0.8	-0.9
Increase / decrease in accounts payable	0.0	0.0	0.0	1.9	0.3	0.6	0.5
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	0.0	2.3	0.6	-1.4	-0.6	-0.3	-0.4
Net cash provided by operating activities [1]	**6.7**	**10.0**	**10.3**	**15.4**	**16.0**	**18.7**	**20.9**
Investments in intangible assets	0.0	0.0	0.0	0.0	-1.5	-2.0	-2.2
Investments in property, plant and equipment	-5.8	-6.4	-6.0	-5.2	-4.0	-4.1	-4.2
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.1	0.1	0.3	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	**-5.8**	**-6.3**	**-5.9**	**-4.9**	**-5.5**	**-6.1**	**-6.4**
Change in financial liabilities	0.3	1.4	-2.0	-2.6	-2.4	0.0	0.0
Dividends paid	-0.5	-0.5	0.0	-0.5	-7.9	-3.3	-4.3
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-1.0	-2.4	-2.9	-2.6	-1.4	-1.4	-1.4
Net cash provided by financing activities [3]	**-1.2**	**-1.5**	**-4.9**	**-5.6**	**-11.7**	**-4.7**	**-5.7**
Change in liquid funds [1]+[2]+[3]	**-0.3**	**2.2**	**-0.5**	**4.9**	**-1.2**	**7.9**	**8.9**
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	6.1	8.3	7.8	12.6	11.4	19.4	28.2

Financial Ratios

	2018	2019	2020	2021	2022e	2023e	2024e
Cash Flow							
FCF	0.9	2.2	2.9	6.3	9.1	11.2	13.1
Free Cash Flow / Sales	0.9 %	2.7 %	3.0 %	6.6 %	8.8 %	10.1 %	11.0 %
Free Cash Flow Potential	5.8	7.4	9.4	13.8	15.9	18.3	20.6
Free Cash Flow / Net Profit	193.5 %	-1330.3 %	290.7 %	131.8 %	139.2 %	137.0 %	135.9 %
Interest Received / Avg. Cash	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	3.3 %	3.8 %	2.9 %	2.5 %	2.5 %	2.8 %	2.8 %
Management of Funds							
Investment ratio	5.9 %	7.8 %	6.1 %	5.4 %	5.3 %	5.5 %	5.4 %
Maint. Capex / Sales	1.0 %	1.2 %	1.0 %	1.0 %	1.0 %	0.9 %	0.8 %
Capex / Dep	109.6 %	89.1 %	78.9 %	69.3 %	76.5 %	82.1 %	83.4 %
Avg. Working Capital / Sales	-1.2 %	-2.6 %	-2.5 %	-1.2 %	-0.1 %	0.3 %	0.6 %
Trade Debtors / Trade Creditors	85.7 %	70.9 %	79.3 %	96.0 %	100.9 %	102.5 %	105.6 %
Inventory Turnover	n.a.	n.a.	n.a.	n.a.	525.9 x	278.6 x	294.9 x
Receivables collection period (days)	29	33	27	40	40	40	40
Payables payment period (days)	50	78	55	80	78	78	77
Cash conversion cycle (Days)	n.a.	n.a.	n.a.	n.a.	-37	-37	-35

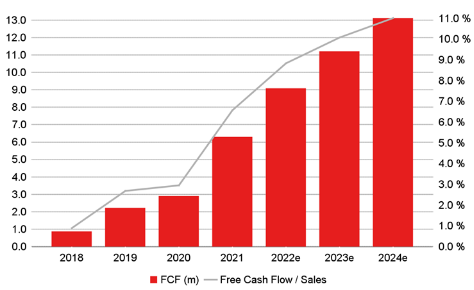
CAPEX and Cash Flow

in EUR m



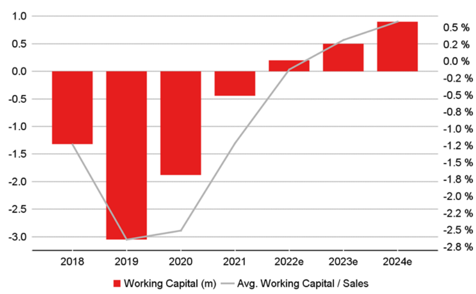
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
ecotel	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005854343.htm

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-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
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"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

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Rating	Number of stocks	% of Universe
Buy	171	81
Hold	35	17
Sell	4	2
Rating suspended	2	1
Total	**212**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	52	87
Hold	5	8
Sell	1	2
Rating suspended	2	3
Total	**60**	**100**

PRICE AND RATING HISTORY ECOTEL AS OF 20.04.2022

Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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