April 19th, 2022
Research update

SMC Research
Small and Mid Cap Research

Platz 1 Europe Industrials (2018) | Platz 2 German Software & IT (2018) | Platz 1 German Software & IT (2017)
Mehrfacher Gewinner der renommierten Refinitiv Analyst Awards

STS Group AG

Subdued prospects for 2022, but high potential in the medium term

Rating: Speculative Buy (prev.: Buy) | **Price:** 5.70 € | **Price target:** 10.90 € (prev.: 11.60 €)

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

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

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

Recent business development

Basic data

Based in:	Hagen
Sector:	Automotive supplier
Headcount:	1,516
Accounting:	IFRS
ISIN:	DE000A1TNU68
Ticker:	SF3:GR
Price:	5.70 Euro
Market segment:	General Standard
Number of shares:	6.5 m
Market Cap:	37.1 m Euro
Enterprise Value:	48.8 m Euro
Free Float:	23.3 %
Price high/low (12 M):	9.20 / 5.32 Euro
Øturnover (12 M Xetra):	63,900 Euro

Last August, Adler Pelzer, the new major shareholder of STS Group, had made a delisting offer under the Securities Acquisition and Takeover Act at a price of €7.31 per share. Ultimately, however, this offer has only met with a limited response, so that Adler Pelzer's stake currently stands at 73.6 percent. There has been no delisting to date, so we are resuming coverage with the publication of the Annual Report for 2021.

In the last financial period, the company increased sales by 3.0 percent to EUR 242.0 m. Originally, growth of around 10 percent had been targeted, but this was not quite achieved, mainly due to weaker business in China in the second half of the year following the end of an exceptional boom. Nevertheless, EBITDA improved by 29.6 percent to EUR 19.1 m and net income from EUR -15.9 m to EUR 1.8 m, reflecting in particular the efficiency gains following the restructuring in 2020, whose effects included − among other things − the sale of a division. For 2022, management expects a slight decline in revenues and a similar decline in EBITDA, unless the market environment deteriorates further.

FY ends: 31.12.	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
Sales (m Euro)	362.8	235.0*	242.0	229.1	245.7	271.4
EBIT (m Euro)	-6.5	-1.4*	3.7	-3.9	1.6	5.5
Net profit	-12.1	-15.9	1.8	-5.2	-0.5	2.4
EpS	-2.03	-2.60	0.28	-0.80	-0.08	0.37
Dividend per share	0.00	0.00	0.04	0.04	0.04	0.04
Sales growth	-9.6%	-35.2%	3.0%	-5.3%	7.3%	10.5%
Profit growth	-	-	-	-	-	-
PSR	0.10	0.16	0.15	0.16	0.15	0.14
PER	-	-	20.6	-	-	15.6
PCR	1.0	-	1.0	2.7	3.5	2.9
EV / EBIT	-	-	13.2	-	31.0	8.8
Dividend yield	0.0%	0.0%	0.6%	0.6%	0.6%	0.6%

**without the sold Acoustics division*

Expired boom in China

In the important Chinese market, STS initially benefited from a special economic situation in the last financial year, which was based on various factors, including a government programme for fleet renewal and significantly stricter controls on the permissibility of transported volumes. The associated wave of investment in the commercial vehicle sector came to an end in the course of 2021, which was clearly reflected in STS's figures. After the company had generated sales of EUR 52.3 m in the first six months in China, which corresponded to a plus of about 44 percent compared to the previous year, the revenues in the second half of the year amounted to only EUR 19.5 m and thus 60.0 percent less than a year earlier. In particular, STS speaks of a weak final quarter.

Business figures	**1. HY 21**	**2. HY 21**
Sales	134.8	107.2
- Plastics	*71.7*	*80.0*
- China	*52.3*	*19.5*
- Materials	*14.4*	*10.8*
- consolidation	*-3.7*	*-3.0*
EBITDA	13.8	5.3
- Plastics	*0.3*	*4.2*
- China	*13.4*	*3.5*
- Materials	*-0.1*	*-1.3*
- consolidation	*0.1*	*-1.1*

In m Euro and percent; source: Company

Plastics with continued recovery

Fortunately, the trend in the largest segment, Plastics, was opposite: here, the recovery continued in the second half of 2021 despite a general economic slowdown and material shortages that also affected the commercial vehicle industry. After an increase of 34 percent to EUR 71.7 m in the first six months, the division's sales continued to grow in the second half of the year and, at EUR 80.0 m, surpassed the already strong figure of the previous year by 4.6 percent. In contrast, the smallest division “Materials”, which had also grown significantly in the first half of 2021 (+25.2 percent to EUR 14.4 m), had to accept a 29 percent decline in revenues (compared to previous year) to EUR 10.8 m between July and December. According to the company, divisional development was hampered by purchasing restraint and consolidation tendencies in the industry.

Slight increase at group level

Cumulated over the entire year, revenues in the Materials division were EUR 25.2 m, 5.6 percent below the previous year's figure. Business in China also declined overall (-15.5 percent to EUR 71.8 m). However, the losses were more than compensated for by the significant growth in the Plastics segment, which expanded by 16.7 percent to EUR 151.7 m, so that group sales in the 2021 financial year increased moderately by 3 percent to EUR 242 m.

Diverging earnings trends

The STS business in China generates generally very high margins, and the exceptional boom was once again accompanied by a significant improvement in earnings – in the first six months of 2021, the division's EBITDA amounted to EUR 13.4 m, equivalent to an EBITDA margin of 25.6 percent. With the decline in revenues in the second half of the year, EBITDA also fell sharply, to EUR 3.5 m, which still results in a comfortable margin of 17.9 percent. Fortunately, in parallel to this development, STS succeeded in significantly improving profitability in the Plastics segment. After only a minimal EBITDA surplus in the first half of the year (EUR 0.3 m), segment profit before interest, taxes, depreciation and amortisation of EUR 4.2 m was achieved in the period from July to December. On the other hand, activities in the Materials division did not generate an operating profit, with the slight EBITDA loss (EUR -0.1 m) for the first six months extending to EUR -1.3 m in the second half of the year.

EBITDA strongly improved

The EBITDA net loss of EUR -1.4 m in the Materials division was thus the largest negative factor for STS's operating result in 2021. However, since earnings before interest, taxes, depreciation and amortisation in

China declined only slightly overall, from EUR 17.4 m to EUR 16.9 m, the Plastics segment increased significantly (from EUR 1.6 m to EUR 4.5 m) and the impact from group structure costs declined sharply after the restructuring (from EUR -5.6 to -1.0 m), group EBITDA was significantly improved, from EUR 14.7 m to EUR 19.1 m. Excluding the one-off charges (which amounted to EUR 3.0 m in 2020 and EUR 0.8 m in 2021), adjusted EBITDA still improved by 12.4 percent to EUR 19.9 m, equivalent to an improvement in the margin from 7.5 to 8.2 percent.

Business figures	2020	2021	*Change*
Sales (cont. activities)	235.0	242.0	*+3.0%*
- Plastics	*129.9*	*151.7*	*+16.7%*
- China	*85.0*	*71.8*	*-15.5%*
- Materials	*26.7*	*25.2*	*-5.6%*
- consolidation	*-6.6*	*-6.7*	-
EBITDA	14.7	19.1	*+29.6%*
- Plastics	*1.6*	*4.5*	*+190.6%*
- China	*17.4*	*16.9*	*-2.8%*
- Materials	*1.4*	*-1.4*	-
- consolidation	*-5.6*	*-1.0*	-
EBIT	-1.4	3.6	-
Net profit	-15.9	1.8	-

In m Euro and percent; source: Company

Efficiency improvements help

The margin improvement conceals very different trends in cost development. For example, the company has felt the effects of the significant increase in raw material prices, which led to a disproportionately high increase in the cost of materials by 12.2 percent to EUR 144.7 m. The cost of materials ratio in relation to total output (excluding other operating income) thus rose from 55.3 percent in the previous year to 58.5 percent. However, this was more than compensated for by efficiency improvements as a result of the restructuring carried out in 2020. The progress made was reflected in a slight decline in personnel expenses of 0.6 percent to EUR 61.4 m (ratio: 24.8 percent after 26.5 percent in the previous year) and in a significant reduction in other operating expenses by 12.3 percent to EUR 27.9 m (ratio: 11.3 percent, previous year: 13.6 percent).

Net result turns positive

With a slight decline in depreciation and amortisation (EUR 15.5 m vs. EUR 16.1 m in the previous year), EBIT improved significantly from EUR -1.4 m to EUR 3.6 m. With a financial result of around EUR -2.5 m and tax income of EUR 0.6 m, this resulted in a net consolidated result of EUR 1.8 m. By contrast, a consolidated net loss of EUR -15.9 m had been recorded in the previous year due to the operating losses and the burdens from the restructuring and the sale of the Acoustics division.

Dividend payment proposed

Earnings in the individual financial statements of the AG also improved considerably, from EUR -8.7 m in the previous year to EUR +1.4 m. The boards have therefore proposed a dividend of 4 cents per share, which corresponds to the minimum dividend required by the German Stock Corporation Act as a result of the control exercised by the majority shareholder Adler Pelzer.

High free cash flow

From a liquidity point of view, the distribution is easily manageable, as the year 2021 has been very satisfactory in terms of cash flow. At group level, the cash surplus from operating activities improved massively from EUR -1.6 m in the previous year to EUR 36.1 m. In addition to earnings growth, this was mainly due to the positive effects of a significant reduction in receivables (+EUR 15.5 m vs. EUR -13.8 m in the previous year) and the netted change in other debts and liabilities (+EUR 16.0 m vs. EUR -7.7 m in the previous year). After deducting the outflows from investment activities (EUR -16.8 m vs. EUR -23.7 m in the previous year), this resulted in a free cash flow of EUR 19.3 m (previous year: EUR -25.3 m). It was partly used for the repayment of loans and leasing liabilities and the payment of interest (financing cash flow: EUR -10.3 m) and also led to an increase in group liquidity from EUR 20.0 m to EUR 28.3 m.

Ratios significantly improved

There were also increases on the assets side of the balance sheet for property, plant and equipment (from EUR 61.2 m to EUR 67.1 m) and inventories (from EUR 23.7 m to EUR 30.0 m), so that total assets rose from EUR 185.7 m to EUR 199.4 m within the year despite the reduction in receivables. However, the sum of liabilities and provisions increased only at a disproportionately low rate (by 4.8 percent to EUR 141.1 m), which is why the increase in equity from EUR 51.1 m to EUR 58.3 m resulted in an improvement in the equity ratio from 27.5 to 29.2 percent. At the same time, net financial debt was reduced from EUR 22.9 m to EUR 12.2 m.

Uncertain situation

After this significant progress, there could be a slight decline in sales in the current year. In the outlook, management emphasizes the existing uncertainties, which result in particular from the Ukraine war and its effects especially on the commodity prices and supply chains, as well as from the problems in China with higher Covid-19 infection numbers (and drastic countermeasures – currently in Shanghai). Should these developments lead to a further deterioration in the sector environment, this could also result in a more significant loss of sales. In terms of earnings, management expects the revenue development to have "the same impact on adjusted EBITDA". We interpret this to mean that the revenue delta will be similarly reflected in the EBITDA delta. As things stand at present, no significant extraordinary expenses are planned, so adjusted earnings before interest, taxes, depreciation and amortisation will be roughly in line with the reported figure.

Respectable performance

We consider the development that STS has taken in the past year to be thoroughly gratifying. It is true that in our last publication (20 April 2021), before the suspension of coverage for 2021, we had expected higher revenues, namely just nearby EUR 260 m. However, given the significant deterioration in the sector environment over the course of the year and the surprisingly strong contraction in China at the end of the year, we consider the growth achieved to be respectable. The company has even succeeded in exceeding our EBITDA forecast, which amounted to EUR 18.7 m, due to significant efficiency improvements.

Estimates for 2022...

In an uncertain environment, one focus of management activities is now likely to be on further optimising cost structures and making them more flexible in order to contain the loss of earnings and cash flow in the event of a declining business volume. In view of the subdued industry outlook, we assume that sales will decline by 5.3 percent to around EUR 229 m in 2022. For the China business, we expect a weak start to the year and a gradual recovery as the year progresses, but overall revenues there are likely to be significantly below the previous year's figure due to the strong first half of 2021. For the Plastics and Materials divisions, we expect moderate losses. According to our calculation, the lower revenues lead to a decline in EBITDA to EUR 11.9 m and EBIT to EUR -3.9 m, despite further efficiency improvements. On balance, we expect a consolidated net loss of EUR -5.2 m.

...and the following years

After the decline in the current year, we expect growth rates in the mid-single digits for the China business (CAGR 2022 to 2029: 5.5 percent) and in the low single digits for the Plastics and Materials divisions (CAGR: 3.2 / 2.9 percent) in the following periods. Positive impulses are expected from a growing business with components and systems for electric and hybrid vehicles. In addition, the company is likely to benefit from its integration into the Adler Pelzer Group, who, along with the announcement of the majority acquisition, had also held out the prospect of selling its own hard-trim business to STS. Above all, the further expansion of the market position in China is likely to be a central strategic goal for the entire group – and also the successful development of the US market for STS components. In 2019, the company had already acquired a major order for the USA for the supply of a complete truck roof system made of fibre-reinforced plastic (SMC). After Covid-19-related delays, the construction of a new plant in the

m Euro	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029
Sales	229.1	245.7	271.4	286.4	301.0	315.5	327.4	338.2
Sales growth		7.3%	10.5%	5.5%	5.1%	4.8%	3.8%	3.3%
EBIT margin	-1.7%	0.6%	2.0%	2.8%	3.5%	4.1%	4.4%	4.6%
EBIT	**-3.9**	**1.6**	**5.5**	**8.0**	**10.6**	**12.9**	**14.4**	**15.7**
Tax rate	0.0%	30.0%	20.0%	29.0%	29.0%	29.0%	29.0%	29.0%
Adjusted tax payments	0.0	0.5	1.1	2.3	3.1	3.7	4.2	4.5
NOPAT	**-3.9**	**1.1**	**4.4**	**5.7**	**7.5**	**9.1**	**10.2**	**11.1**
+ Depreciation & Amortisation	15.8	15.4	15.6	15.8	15.3	14.6	14.1	13.8
+ Increase long-term accruals	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	12.4	16.9	20.5	21.9	23.3	24.2	24.8	25.3
- Increase Net Working Capital	0.0	-7.4	-8.1	-5.7	-4.8	-4.4	-3.9	-4.1
- Investments in fixed assets	-13.6	-16.8	-12.8	-11.9	-11.7	-12.1	-12.5	-12.8
Free cash flow	**-1.3**	**-7.3**	**-0.4**	**4.3**	**6.7**	**7.6**	**8.4**	**8.5**

SMC estimation model

USA for its production will start this year, and next year manufacturing can begin as planned. We subsequently expect US revenues to increase to the equivalent of just under EUR 40 m by 2029. At the end of the detailed forecast period, after updating the model, we now see group sales totalling EUR 338 m and the EBIT margin at 4.6 percent. The table at the top of this page shows the development of the key cash flow indicators in the detailed forecast period up to 2029. Further details on the balance sheet, income statement and cash flow statement can be found in the Annex.

Framework data updated

We have also updated the framework data of the model. We now discount the estimated cash flows with a WACC rate of 6.4 percent (previously: 7.1 percent). The cost of equity estimated according to CAPM remained unchanged at 9.7 percent (with safe interest rate 1.0 percent, market risk premium 5.8 percent, beta 1.5). However, with the integration into the Adler Pelzer Group and the reduced net financial debt, we have lowered the assumed interest rate on borrowed capital from 7.5 percent to 6.0 percent. We continue to see the target capital structure at 40 percent equity and 60 percent debt, and the tax rate for the tax shield remains unchanged at 29 percent. The basic parameters for determining the terminal value have also remained the same: we continue to apply a safety margin of 25 percent to the EBIT at the end of the detailed forecast period and have subsequently assumed perpetual cash flow growth of 1 percent p.a. on the basis of this operating surplus.

Price target: EUR 10.90

The update of the model results in a new fair value of EUR 70.8 m or EUR 10.89 per share, from which we derive a new price target of EUR 10.90. Compared to our assessment in April 2021 before the suspension of coverage (EUR 11.60), the price target has thus been slightly reduced. The reduced net financial debt, the effect from the rollover of the model to the new base year 2022 and the reduced discount rate all had a positive impact. This is offset by a somewhat larger dampening effect of the reduced sales and EBIT estimates, as we have taken the lower growth in 2021 (compared to our old assumptions) and the assumed decline in 2022 as an opportunity to model the development somewhat more cautiously over the entire detailed forecast period. Nevertheless, given the company's promising medium-term prospects, we continue to see significant upside potential for the stock. On a scale of 1 (low) to 6 (high), we currently rate the forecast risk at 5 points and thus above average, since the development of the important US business is still under way and, in addition, the terminal value has a comparatively high share in the company value. A sensitivity analysis for the price target determination can be found in the Annex.

Conclusion

STS's business figures for 2021 show clear progress. The company was able to convert a 3-percent increase in sales to EUR 242 m into an improvement in EBITDA of 29.6 percent to EUR 19.1 m and achieve net income of EUR 1.8 m (previous year: EUR -15.9 m). Thanks to a free cash flow of EUR 19.3 m, net financial debt was also reduced from EUR 22.9 m to EUR 12.2 m.

The outlook for the current year, on the other hand, is somewhat subdued. Provided that the environment does not deteriorate any further, management expects slightly lower sales and an EBITDA decline to the same extent.

This continues to be contrasted by a very positive medium-term outlook. In particular, in cooperation with the new major shareholder Adler Pelzer, STS is likely to further expand the market position in China and to open up the US market.

Overall, we see good expansion opportunities and with the resumption of coverage we establish a price target of EUR 10.90, which offers considerable upside potential. As we also see a fairly high forecast risk, our rating is "Speculative Buy". Another risk factor for investors is the possibility that Adler Pelzer will delist the STS share after all.

Annex I: SWOT analysis

Strengths

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

Weaknesses

- The margin is still low, and in weaker years there is a risk of losses.
- The Materials division has not yet achieved the turnaround and is operating at a loss.
- Due to the long lead time from order placement to revenue generation, sales initiatives only show up in group revenues with a significant delay.
- Structural growth dynamics in the still important European commercial vehicle market are low.
- In the wake of the takeover by Adler Pelzer, the liquidity of the share has reduced.

Opportunities

- With the new major shareholder at its side, STS's chances for further market share gains in China and a successful market entry in the USA have increased significantly.
- The establishment of a new plant in the USA creates high growth potential in the medium term.
- Electromobility and new emission regulations (Europe, China) act as growth drivers.
- Adler Pelzer could transfer its hard-trim activities to STS; further acquisitions to strengthen its market position are conceivable.
- If STS establishes a growth path with rising margins, the share could be revalued.

Threats

- High raw material prices and material bottlenecks could weigh on margins and reduce growth.
- The economic downturn risks have recently increased with the Ukraine war and the Covid-19 problems in China.
- The Chinese commercial vehicle market is undergoing a consolidation that may take longer than expected.
- The cost of building the US plant could exceed the budget.
- Adler Pelzer could decide to delist the share.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
ASSETS									
I. Total non-current	92.7	90.5	92.0	89.1	85.3	81.7	79.2	77.6	76.6
1. Intangible assets	20.4	20.3	20.3	20.2	20.2	20.2	20.1	20.1	20.1
2. Tangible assets	67.1	65.0	66.5	63.7	59.9	56.3	53.9	52.3	51.3
II. Total current assets	106.6	106.0	109.9	117.9	126.2	134.9	144.0	153.3	163.0
LIABILITIES									
I. Equity	58.3	52.9	52.1	54.2	57.8	63.3	70.6	79.0	88.5
II. Accruals	14.1	14.5	15.0	15.4	15.9	16.3	16.7	17.2	17.6
III. Liabilities									
1. Long-term liabilities	30.8	30.8	32.3	32.3	31.0	29.2	27.2	25.0	22.8
2. Short-term liabilities	96.2	98.5	102.6	105.2	106.8	107.8	108.8	109.7	110.7
TOTAL	**199.4**	**196.7**	**202.0**	**207.1**	**211.5**	**216.7**	**223.3**	**231.0**	**239.7**

P&L estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Sales	242.0	229.1	245.7	271.4	286.4	301.0	315.5	327.4	338.2
Total operating revenues	247.5	229.1	245.7	271.4	286.4	301.0	315.5	327.4	338.2
Gross profit	102.8	91.2	99.8	111.3	118.0	124.3	130.3	135.2	139.7
EBITDA	19.2	11.9	17.0	21.2	23.8	25.9	27.4	28.5	29.4
EBIT	3.7	-3.9	1.6	5.5	8.0	10.6	12.9	14.4	15.7
EBT	1.1	-6.5	-0.8	3.0	5.5	8.1	10.5	12.2	13.7
EAT (before minorities)	1.8	-5.2	-0.5	2.4	3.9	5.8	7.5	8.7	9.7
EAT	1.8	-5.2	-0.5	2.4	3.9	5.8	7.5	8.7	9.7
EPS	0.28	-0.80	-0.08	0.37	0.60	0.89	1.15	1.34	1.50

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
CF operating	36.1	13.6	10.5	13.0	17.0	19.2	20.5	21.5	21.9
CF from investments	-16.8	-13.6	-16.8	-12.8	-11.9	-11.7	-12.1	-12.5	-12.8
CF financing	-10.3	-2.9	0.4	-3.0	-5.5	-6.6	-6.8	-7.0	-6.9
Liquidity beginning of year	20.0	28.3	25.4	19.5	16.7	16.3	17.2	18.8	20.8
Liquidity end of year	28.3	25.4	19.5	16.7	16.3	17.2	18.8	20.8	23.1

Key figures

percent	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Sales growth	3.0%	-5.3%	7.3%	10.5%	5.5%	5.1%	4.8%	3.8%	3.3%
Gross margin	42.5%	39.8%	40.6%	41.0%	41.2%	41.3%	41.3%	41.3%	41.3%
EBITDA margin	7.9%	5.2%	6.9%	7.8%	8.3%	8.6%	8.7%	8.7%	8.7%
EBIT margin	1.5%	-1.7%	0.6%	2.0%	2.8%	3.5%	4.1%	4.4%	4.6%
EBT margin	0.5%	-2.8%	-0.3%	1.1%	1.9%	2.7%	3.3%	3.7%	4.1%
Net margin (after minorities)	0.7%	-2.3%	-0.2%	0.9%	1.4%	1.9%	2.4%	2.7%	2.9%

Annex IV: Sensitivity analysis

	Perpetual cash flow growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
5.4%	21.30	18.16	15.72	13.78	12.19
5.9%	17.28	14.93	13.06	11.53	10.26
6.4%	14.17	12.36	**10.89**	9.66	8.63
6.9%	11.70	10.28	9.10	8.10	7.24
7.4%	9.69	8.55	7.59	6.76	6.05

Disclaimer

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

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

Responsible analyst
Dipl.-Kfm. Holger Steffen

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

Disclaimer

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

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

I) Conflicts of interests

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

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

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

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

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

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

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

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

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

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

10) sc-consult GmbH has included the company's shares in a virtual portfolio managed by sc-consult GmbH

Following conflicts of interests occurred in this report: 1), 3),10)

Within the framework of compliance regulations, sc-consult GmbH has established structures and processes for the identification and disclosure of conflicts of interests. The responsible compliance representative is currently managing director Dipl.-Kfm. Holger Steffen (e-mail: holger.steffen@sc-consult.com).

II) Preparation and updating

The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 19.04.2022 at 7:20 and published on 19.04.2022 at 8:30.

For the preparation of its financial analyses, the sc-consult GmbH uses a five-tier rating scheme with regard to price expectation in the next twelve months. Additionally, estimation risk is quantified on a scale from 1 (low) to 6 (high). The ratings are as follows:

Strong Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as below average (1 to 2 points).
Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points).
Speculative Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as above average (5 to 6 points).
Hold	We expect that the price of the analysed financial instrument will remain stable (between -10 and +10 percent). The forecast risk (1 to 6 points) has no further impact on the rating. The rating "hold" is also used in cases where we perceive a price potential of more

	than 10 percent, but explicitly mentioned temporary factors prevent a short-term realization of the price potential.
Sell	We expect that the price of the analysed financial instrument will drop by at least 10 percent. The forecast risk (1 to 6 points) has no further impact on the rating.

The expected change in price refers to the current share price of the analysed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

The rating resulting from these methods reflects current expectations and can change anytime subject to company-specific or economic changes.

More detailed explanations of the models used by SMC Research can be found at:
http://www.smc-research.com/impressum/modellerlaeuterungen

An overview of the recommendations prepared and distributed by SMC Research in the last 12 months can be found at: http://www.smc-research.com/publikationsuebersicht

In the past 24 months, sc-consult GmbH has published the following financial analyses for the company:

Date	Investment recomm.	Target price	Conflict of interests
20.04.2021	Buy	11.60 Euro	1), 3), 4), 10)
17.03.2021	Speculative Buy	10.60 Euro	1), 3), 4)
23.11.2020	Speculative Buy	7.20 Euro	1), 3), 4)
10.11.2020	Speculative Buy	5.70 Euro	1), 3), 4)
14.08.2020	Hold	4.30 Euro	1), 3), 4)
14.05.2020	Speculative Buy	7.00 Euro	1), 3), 4)
04.05.2020	Speculative Buy	7.00 Euro	1), 3), 4)

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

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

Exclusion of liability

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

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