June 7th, 2023
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

Daldrup & Söhne AG

Significant progress in the pipeline

Rating: Buy (prev.: Hold) | **Price:** 9.80 € | **Price target:** 11.80 € (prev.: 11.00 €)

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!

Current development

Basic data

Based in:	Gruenwald
Sector:	Drilling services
Headcount:	125
Accounting:	HGB
ISIN:	DE0007830572
Ticker:	4DS:GR
Price:	9.80 Euro
Market segment:	Scale
Number of shares:	5.99 m
Market Cap:	58.7 m Euro
Enterprise Value:	63.4 m Euro
Free Float:	41.6 %
Price high/low (12 M):	15.00 / 5.26 Euro
Øturnover (12 M Xetra):	35,600 Euro

Three areas of growth

Daldrup & Söhne (D&S) generated sales of EUR 38.2 m in the last financial year, 51 percent less than in the previous period, but also 46 percent more than in 2020. The strong fluctuations of the previous years resulted from a large-scale geothermal project in Munich that lasted several years, was finally billed in the year before last, and was responsible for the sales peak there. In the past financial period, revenue from the Geothermal Energy business has returned to normal at EUR 14.5 m (previous year: EUR 57.1 m). On the other hand, there were increases in the three other business areas of Raw Materials/Exploration (+11 percent to EUR 18.0 m), Water Extraction (+7 percent to EUR 3.6 m) and Environment, Development & Services EDS (+59 percent to EUR 2.1 m). Total output actually reflects business development better than sales, but there was a distorting effect in 2022 here as well. Thus, the proportion of orders for which subcontractor services are directly commissioned by the customers (and not included in D&S' income statement as a largely transitory item) was unexpectedly high. In addition to project delays, this was the main reason for the 19 percent decline in total output to

FY ends: 31.12.	2020	2021	2022	2023e	2024e	2025e
Total output (m Euro)	47.5	44.9	36.9	40.5	41.5	43.5
EBIT (m Euro)	1.9	1.6	1.8	2.1	3.1	4.8
Net profit	-5.2	0.8	0.9	1.0	2.0	3.4
EpS	-0.87	0.13	0.14	0.16	0.33	0.58
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Total output growth	13.7%	-5.5%	-17.8%	9.8%	2.5%	4.8%
Profit growth	-	-	9.3%	14.9%	102.8%	73.6%
PSR	2.24	0.75	1.54	1.53	1.47	1.39
PER	-	75.3	68.9	60.0	29.6	17.0
PCR	36.3	-	35.5	18.4	15.6	12.1
EV / EBIT	33.5	40.0	34.3	30.9	20.3	13.1
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

EUR 36.5 m, which clearly missed the management target of around EUR 42 m.

EBITDA increases by 8 percent

Since the margins for D&S are low when it hires its own subcontractors (there is even a certain cost risk, especially in fixed-price projects), this has hardly had a negative impact on the result. On the contrary, the lower level of external services used led to a disproportionate decrease in material costs by 38 percent to EUR 13.4 m, so that gross profit increased by 3 percent year-on-year to EUR 24.6 m. At the same time, however, the company had to accept a significant increase in personnel costs of 12 percent to EUR 10 m, reflecting, among other things, a greater use of its own staff and wage increases. This cost effect was somewhat dampened by lower other operating expenses (-6 percent to EUR 10.4 m), so that on balance, EBITDA increased by 7.7 percent to EUR 4.2 m. The EBITDA margin in relation to total output has thus leapt up from 8.8 to 11.6 percent, due to the elimination of margin-reducing subcontractor services.

Group figures	2021	2022	*Change*
Sales	78.1	38.2	*-51.1%*
Total output	44.9	36.5	*-18.7%*
EBITDA	3.9	4.2	*+7.7%*
EBITDA margin	*8.8%*	*11.6%*	*+2.8pp.*
EBIT	1.6	1.8	*+12.5%*
EBIT margin	*3.6%*	*5.1%*	*+1.5pp.*
Period net result	0.8	0.9	*+12.5%*

In m Euro and percent, source: Company

Earnings expectations met

With slightly higher depreciation and amortisation (+2 percent to EUR 2.4 m), this resulted in a 12.5 percent increase in EBIT to EUR 1.8 m. Here, too, the positive margin effect was very clear (EBIT margin from 3.6 to 5.1 percent). The management had forecast a margin of 4 to 6 percent for the financial year, which corresponded to an operating result of EUR 1.7 to 2.5 m based on a targeted total output of EUR 42 m. This means that the guidance on this point was met. With a somewhat weaker financial result (EUR -1.0 m after EUR -0.7 m in the previous year), which was additionally burdened by a write-off of EUR 0.3 m on receivables still existing from the sale of the power plant division, and a minor tax expense, this led to a net result of EUR 0.9 m, after EUR 0.8 m in the previous year.

Positive free cash flow again

The improvement in operating cash flow was even more pronounced: it rose from EUR -0.4 m in the previous year to EUR 1.7 m, which was due, in addition to the increase in earnings, to positive effects on various items (in particular higher depreciation and amortisation, lower non-cash income, increase in trade payables and other liabilities). At the same time, the investment cash flow deteriorated from EUR +1.3 to -0.8 m, with the result from 2022 reflecting the normal investment activities, while in the previous year a settlement payment from the buyer of the power plant division had provided the inflow. On balance, however, a positive free cash flow was achieved in the last business year as well, which amounted to EUR 0.9 m, as in the previous period. Liquidity nevertheless remained virtually unchanged at EUR 3.1 m (previous year: EUR 3.0 m), as an expanded use of overdraft facilities (from EUR 4.9 to 5.9 m) was offset by repayments on loans and interest payments of EUR 1.8 m.

Equity ratio increased to 49.7 percent

The total amount of liabilities and provisions increased by 3 percent to EUR 20.2 m. As equity also increased by 5 percent to EUR 20.0 m thanks to the positive annual result, the equity ratio even increased slightly within the year, from 49.3 to 49.7 percent. On the assets side, the balance sheet total is divided into various larger items, in particular tangible assets (EUR 5.7 m), financial assets (EUR 5.0 m), inventories (EUR 10.7 m), trade receivables (EUR 7 m), other assets (EUR 8.1 m) and liquidity. These assets still include larger positions related to the divested power plant business. For example, there is still a claim to a purchase price payment of EUR 1.6 m from the transaction, and there are also receivables from former subsidiaries amounting to around EUR 4.4 m. The potential returns from this depend largely on the performance of the sold power plants in Taufkirchen and Landau (although the updating of the parameters led to the aforementioned write-down of EUR 303,000 in 2022). In addition, D&S has received power plant components which, following a partial sale in 2022 (EUR 0.4 m), were recognised in inventories at the balance sheet date with a value (reconfirmed by an expert) of EUR 4.0 m, and which are to be utilised further.

Increasing demand...

The demand for drilling services from D&S is likely to continue to increase as a trend. The drivers include the intensified exploration of raw materials in Europe and the search for final deposits for radioactive waste, which will be accelerated especially in Germany in the coming years. It is also in Germany that the potential that geothermal energy offers for the heating market is increasingly coming into focus. Especially the area of near-surface solutions (geothermal collectors, wells and probes) is already booming. Nevertheless, 82.6 percent of Germany's total final energy consumption for heating and cooling, which amounted to 1,155 billion kWh last year, was still generated from fossil fuels and only 17.4 per cent or 200.5 billion kWh from renewables (source: Umweltbundesamt and AGEE-Stat). Of the latter, only 22 billion kWh have so far come from environmental energy and geothermal energy, albeit with a clear upward trend – in 2022, generation has increased by 13 percent. However, the potential is many times greater and is estimated at around 300 billion kWh p.a. in a study by Fraunhofer and Helmholtz. In order to promote further development, the German government published a key issues paper in 2022, which lists accelerated approval procedures, buffering against risks regarding the success of the drilling process and intensifying exploration as suitable measures. In total, around 100 additional geothermal projects are to be initiated by 2030. The overarching goal is to increase the share of renewable energies in heat generation to 50 percent by 2030.

...shows in order acquisition

The order situation in the near-surface geothermy is very comfortable, and D&S's capacities are almost fully booked this year. The company is also noticing a markedly increasing interest in the field of deep geothermal energy, which is also reflected in concrete orders. In January, for example, a major contract was won from MTU Aero Engines for the construction of a geothermal doublet (injection well/production well) in Munich, with a volume in the lower double-digit million range. In April, a drilling order from Erdwärme Neustadt-Glewe GmbH in Mecklenburg-Western Pomerania was received for the construction of a so-called sidetrack from an existing geothermal power plant to expand output, at a cost of around EUR 3 m. Overall, D&S's order backlog has increased since March 2022 from EUR 20.2 m to EUR 33.2 m in mid-May of this year, thus ensuring the utilisation of drilling rigs and crews into the year 2024. Even greater are the advances in the "relevant market volume" published by the company, which represents the volume of orders at the negotiation stage weighted by the probability of occurrence. It has almost doubled from EUR 104 m to EUR 203 m in the period from March 2022 to May 2023, which according to the management reflects new projects, but more importantly, higher probabilities of realisation thanks to significant progress in the development and negotiation process.

Measures to improve efficiency

Demand development is therefore positive, but at the same time the company is also facing substantial cost pressure. The shortage of skilled workers is very noticeable in the drilling business, which is why D&S has to make extra efforts to recruit and retain the necessary staff. This is reflected in rising wages, among other things. Furthermore, energy, material and logistics costs increased significantly in the course of 2022, but this was partly passed on to customers. Nevertheless, the company is pushing ahead with various initiatives to improve efficiency. This includes the successive acquisition of new drilling rigs, with which projects can be realised more quickly, which also reduces the need for personnel. In addition, the organisational structures are being expanded, especially to further improve controlling. New software is currently being introduced and is expected to go live next year, offering significantly enhanced capabilities for real-time control of figures and projects.

Conservative earnings forecast

In the current year, the good order situation will lead to a significant increase in total output to EUR 41 m, according to management's forecast. According to CFO Stephan Temming, this includes again slightly higher subcontractor services than were invoiced in 2022, but also substantial organic growth effects. Nevertheless, the EBIT margin outlook of 3 to 5 percent (in relation to total output) is somewhat more cautious than last year (then 4 to 6 percent), which is partly due to the planned substantial expenditure for the new software and IT systems as well as for an extensive overhaul of one of the large drilling rigs. The company describes this earnings forecast as conservative.

Estimates: Higher total output…

In response to the preliminary figures on the development of total output in 2022, we had reduced our estimates for output this year to EUR 38 m in April. In view of the very satisfactory order situation, reflected in the optimistic management forecast, this seems too cautious, which is why we are raising the estimate again, to EUR 40.5 m. The outlook for the next few years is also better due to the increase in the relevant market volume. We have therefore shifted the further development projection upwards as well, albeit only very moderately, as capacities (especially skilled workers) are the limiting factor. At the end of the detailed forecast period, we now expect a total output of EUR 56 m (previously: EUR 55 m).

…and adjusted margin projection

Due to the information on the cost situation, especially this year, and management's fairly cautious margin forecast, we have at the same time lowered our margin expectations for EBIT this year, from 5.5 percent previously to 5.1 percent now. We thus expect the company to slightly exceed its own target range. For the next few years, we continue to expect a significant improvement in margins, partly resulting from expiring write-offs for large drilling rigs, but also from price increases and efficiency improvements. While the margin for 2024 of 7.5 percent is still considerably below our previous estimate (7.9 percent) and thus re-

m Euro	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030
Total output	40.5	41.5	43.5	46.0	48.5	51.0	53.5	56.0
Total output growth	9.8%	2.5%	4.8%	5.7%	5.4%	5.2%	4.9%	4.7%
EBIT margin	5.1%	7.5%	11.1%	11.7%	12.1%	12.9%	13.9%	15.0%
EBIT	**2.1**	**3.1**	**4.8**	**5.4**	**5.9**	**6.6**	**7.4**	**8.4**
Tax rate	5.0%	5.0%	5.0%	5.0%	20.0%	30.0%	30.0%	30.0%
Adjusted tax payments	0.1	0.2	0.2	0.3	1.2	2.0	2.2	2.5
NOPAT	**1.9**	**3.0**	**4.6**	**5.1**	**4.7**	**4.6**	**5.2**	**5.9**
+ Depreciation & Amortisation	2.2	1.4	0.5	0.6	0.7	0.8	1.0	1.1
+ Increase long-term accruals	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flow	4.5	4.7	5.4	6.0	5.7	5.8	6.5	7.3
- Increase Net Working Capital	-1.5	-1.2	-0.6	-0.5	-0.3	-0.3	-0.3	-0.3
- Investments in fixed assets	-0.8	-1.4	-1.6	-1.8	-1.9	-2.1	-2.3	-2.4
Free cash flow	**2.2**	**2.1**	**3.2**	**3.8**	**3.4**	**3.3**	**3.8**	**4.5**

SMC estimation model

flects the effects of the currently more difficult cost situation, the projection from 2025 onwards is almost congruent with the previous course and is still resulting in a target EBIT margin of 15 percent at the end of the detailed forecast period. The table above shows the development of the key cash flow figures in the detailed forecast period to 2030, following our model update. Further details on the estimated development of the balance sheet, income statement and cash flow can also be found in the Annex.

Frame parameters unchanged

Subsequently, we continue to calculate the terminal value with a fifteen percent discount to the target margin of 2030 and a “perpetual” cash flow growth of 1 percent p.a. The discount rate (WACC) also remains unchanged at 6.6 percent. For this, we have assumed a cost of equity according to CAPM of 10.0 percent (with: safe interest rate of 2.5 percent, market risk premium of 5.8 percent and beta factor of 1.3), as well as a target capital structure of 55 percent debt, an interest rate on borrowed capital of 5.5 percent and a tax rate for the tax shield of 30 percent.

New price target: EUR 11.80

Due to the model adjustments, the fair value we determined is now EUR 70,4 m or EUR 11.76 per share, from which we derive EUR 11.80 as a new price target (a sensitivity analysis for price target determination can be found in the Annex). Thus, the positive effect from the increase in total output estimates more than compensated for the dampening effect of the lower margin expectation for 2023 and 2024. We rate the forecast risk on a scale of 1 (very low) to 6 (very high) as slightly above average at four points due to the project nature of the business.

Conclusion

Daldrup & Söhne increased its EBIT by 12.5 percent to EUR 1.8 m last year, despite a decline in total output, thus achieving the management's targets. For the current year, the Executive Board expects total output to increase from EUR 36.5 m to EUR 41 m and an EBIT margin of 3 to 5 percent (after 5.1 percent in 2022), with the earnings forecast being described as conservative. This assessment is based on the comfortable order situation with an order backlog of EUR 33.2 m, which already ensures capacity utilisation until 2024.

We consider the further prospects to be very promising. The sharp increase in the relevant market volume stated by the company, which represents the volume of orders in the initiation or negotiation stage weighted by probability of occurrence, and which has almost doubled since March last year from EUR 104 to 203 m, shows the clear increase in interest in geothermal energy. Especially in Germany, the "Wärmewende" (transition to sustainable energy generation in the heating market) will hardly be possible without a significantly increasing contribution of geothermal energy.

D&S is likely to be one of the winners of this development. We have slightly raised our estimates for the development of total output. Although we are now slightly more cautious about margins at the beginning of the detailed forecast period than before, taking into account the current cost situation, we believe the company can continue to achieve strong margin increases in the medium and long term.

In our valuation model, the positive effect of the increased total output dominates the margin cuts (for 2023 and 2024), so that our price target has increased from EUR 11.00 to EUR 11.80. After the strong correction of the share price, we believe it now offers attractive upside potential of around 18 percent. On this basis, we upgrade the rating again from "Hold" to "Buy".

Annex I: SWOT analysis

Strengths

- Very experienced management team and staff with great expertise.
- The company has a strong market position in the drilling business in its core markets. A large equipment park enables a wide range of services.
- Longstanding track-record in the successful implementation of drilling projects, especially at depths of up to 6 thousand metres.
- D&S is strongly positioned in the field of geothermal energy, which is one of the most promising renewable energies, especially for the heating market.
- The need for investment is manageable for the foreseeable future because of the existing rig portfolio.
- With an equity ratio of around 50 percent, the company has a very solid balance sheet structure.

Weaknesses

- The margins in the drilling business are currently still relatively low. Last year, the EBIT margin was 5.1 percent.
- The project business is volatile; individual drilling projects can have a strong impact on the figures for a financial year.
- D&S still needs to become more efficient, especially in the management of large drilling projects.
- Replacement or supplementary investments in large drilling rigs (for very deep wells) are associated with a high investment volume.

Opportunities

- The good order situation ensures capacity utilisation until 2024. A recent sharp increase in potential orders in the negotiation status also indicates further growth for the period thereafter.
- D&S is working on improving efficiency, which should improve margins in the medium term.
- The envisaged accelerated expansion of renewable energies could further stimulate investments in geothermal energy.
- The search for a final repository for radioactive waste offers great order potential for D&S, especially in Germany.
- In the future, D&S could participate in promising medium-sized geothermal heating plants.

Threats

- Fixed-price contracts in the drilling business carry the risk of losses if there are delays for which the company is responsible.
- Rising material prices as well as energy and labour costs can put pressure on margins. For 2023, D&S has not envisaged any margin improvement.
- The acquisition of qualified personnel is becoming increasingly difficult.
- Possible depreciation of residual items from the sold power plant business (at the end of 2022: approx. EUR 10 m).
- Government attempts to improve geothermal development could fail due, for example, to bureaucratic hurdles (approval processes).

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
ASSETS									
I. Total non-current	10.6	9.2	9.2	10.4	11.5	12.8	14.1	15.4	16.8
1. Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Tangible assets	5.7	4.8	4.8	5.9	7.1	8.3	9.6	11.0	12.3
II. Total current assets	29.3	32.6	35.9	40.4	45.6	50.3	52.8	56.0	59.8
LIABILITIES									
I. Equity	20.0	21.0	22.9	26.4	30.3	33.9	35.3	37.2	39.5
II. Accruals	1.1	1.4	1.7	2.0	2.3	2.7	3.0	3.3	3.6
III. Liabilities									
1. Long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Short-term liabilities	19.1	19.7	20.7	22.6	24.7	26.7	28.8	31.1	33.7
TOTAL	**40.2**	**42.0**	**45.4**	**51.0**	**57.3**	**63.2**	**67.0**	**71.6**	**76.8**

P&L estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales	38.2	38.5	39.8	42.2	45.1	47.5	50.0	52.4	54.9
Total output	36.9	40.5	41.5	43.5	46.0	48.5	51.0	53.5	56.0
Gross profit	23.5	24.5	25.3	26.8	28.5	30.1	31.7	33.4	35.2
EBITDA	4.2	4.3	4.6	5.3	6.0	6.6	7.4	8.4	9.5
EBIT	1.8	2.1	3.1	4.8	5.4	5.9	6.6	7.4	8.4
EBT	0.9	1.1	2.1	3.7	4.1	4.5	5.2	5.9	6.7
EAT (before minorities)	0.9	1.0	2.0	3.4	3.9	3.6	3.6	4.1	4.7
EAT	0.9	1.0	2.0	3.4	3.9	3.6	3.6	4.1	4.7
EPS	0.14	0.16	0.33	0.58	0.65	0.60	0.60	0.68	0.78

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
CF operating	1.7	3.2	3.8	4.8	5.7	5.8	6.0	6.8	7.6
CF from investments	-0.8	-0.8	-1.4	-1.6	-1.8	-1.9	-2.1	-2.3	-2.4
CF financing	-1.8	-1.1	-0.7	0.1	0.2	0.0	-2.2	-2.1	-2.2
Liquidity beginning of year	3.0	3.1	4.4	6.0	9.3	13.4	17.2	18.9	21.3
Liquidity end of year	3.1	4.4	6.0	9.3	13.4	17.2	18.9	21.3	24.3

Key figures

percent	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Total output growth	-17.8%	9.8%	2.5%	4.8%	5.7%	5.4%	5.2%	4.9%	4.7%
Sales growth	-51.1%	0.8%	3.5%	5.9%	6.8%	5.4%	5.2%	4.9%	4.7%
Gross margin	63.7%	60.5%	61.0%	61.6%	62.0%	62.0%	62.2%	62.5%	62.8%
EBITDA margin	11.5%	10.5%	11.0%	12.2%	13.0%	13.6%	14.6%	15.7%	16.9%
EBIT margin	5.0%	5.1%	7.5%	11.1%	11.7%	12.1%	12.9%	13.9%	15.0%
EBT margin	2.4%	2.6%	5.1%	8.4%	9.0%	9.4%	10.1%	11.0%	12.0%
Net margin (after minorities)	2.3%	2.4%	4.8%	7.9%	8.5%	7.4%	7.0%	7.6%	8.4%

Annex IV: Sensitivity analysis

	Perpetual cash flow growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
5.6%	17.81	16.02	14.62	13.49	12.56
6.1%	15.50	14.14	13.05	12.15	11.40
6.6%	13.68	12.63	**11.76**	11.03	10.42
7.1%	12.22	11.38	10.68	10.09	9.58
7.6%	11.02	10.35	9.77	9.28	8.85

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), 4)

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

II) Preparation and updating

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

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 07.06.2023 at 7:30 and published on 07.06.2023 at 8:15.

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

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

	than 10 percent, but explicitly mentioned temporary factors prevent a short-term 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
14.05.2023	Hold	11.00 Euro	1), 3), 4)
07.10.2022	Buy	8.00 Euro	1), 3), 4)
29.08.2022	Buy	8.00 Euro	1), 3), 4)
09.06.2022	Buy	6.70 Euro	1), 3), 4)
08.10.2022	Hold	5.60 Euro	1), 3), 4)
24.06.2021	Hold	5.60 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 update and one comment.

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

Exclusion of liability
Publisher of this report is sc-consult GmbH. The publisher does not represent that the information and data contained herein is accurate, complete, and correct and does not take the responsibility for it. This report has been prepared under compliance of the German capital market rules and is therefore exclusively destined for German market participants; foreign capital market rules were not considered and are in no way relevant. Furthermore, this report is only for the reader's independent and autonomous information and does not constitute or form part of an offer or invitation to purchase or sale of the discussed share. Neither this publication nor any

part of it form the basis for any contract or commitment whatsoever with respect to an offering or otherwise. Investing in shares, bonds or options always involves a risk. If necessary, seek professional advice.

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

Copyright