

Scherzer & Co. AG

WKN 694280 | DE0006942808 | Bloomberg: PZS

Published: 02.08.2022

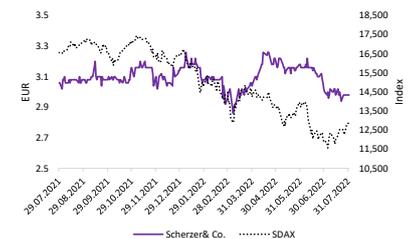
BUY

Before: BUY

Price target **EUR 3.50 (3.80)**
Price* **EUR 2.98 (+17.4%)**

*Last closing price Börse Frankfurt

Change	2022e	2023e	2024e
NIFFI	2.4	4.8	New
EBIT	1.5	2.9	New
EPS, EUR	-0.03	0.04	New



Source: Börse Frankfurt, FMR

Share Data

Shares (millions)	29.94
Free Float (percent)	100%
Market Cap (EURm)	89.2
Daily turnover (€)	5,322
High (EUR, 52 weeks)	3.26
Low (EUR, 52 weeks)	2.86

Shareholders

Free float	100.0 %
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Company events

Supervisory Board Meeting	30.09.2022
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Analyst

Winfried Becker
Senior Equity Analyst

winfried.becker@fmr-research.de
+49 (0) 69 – 247 42 72 76

Contact

FMR Frankfurt Main Research AG
Hausener Weg 29
60489 Frankfurt am Main
Germany

+49 (0) 69 – 247 42 72 70
www.fmr-research.de

Portfolio proves resilient in July

NAV per share in July at EUR 3.46: At EUR 3.46, the NAV per share reported by Scherzer for the end of July is 2.8% lower compared to the end of June '22. In absolute terms, this can be extrapolated to a value of EUR 103.6m. As of the reporting date, the share was trading around 14% below its net asset value. Overall, the Scherzer portfolio shows itself to be pleasingly robust. While the Scherzer NAV fell by 7.0% in the first seven months, the DAX40 had a decline of 15.1% and the SDAX a decline of 22.0%.

News on individual portfolio companies: Allerthal-Werke: In H1/22, net income of EUR 50,000 (previous year: EUR 2.88m) was achieved. **K+S:** After the share price soared to over EUR 35,00 in April, it was quoted at EUR 20.61 as of July 29 (currently at EUR 21.99). Scherzer disposed of parts of his position in the first half of the year and, according to statements made at the AGM, was able to realize a gain of around EUR 4.0m. At 3.77%, the position was the eight-largest at the end of July and, according to our projection, was worth around EUR 4.4m. **Centrotec** has risen to become the fifth most important position, accounting for 4.64% of the total portfolio. With its product range, we believe the company is well positioned to cope with climate change.

FMR: Price target lowered to EUR 3.50: In view of growing economic concerns in Germany, we have become somewhat more cautious for the second half of 2022. Our price target is reduced by just under 8% to now EUR 3.50 per share.

As recently expected, the capital markets remain very volatile. However, the Scherzer portfolio and share price have so far proved to be very resilient. Based on our new price target, the share continues to have significant upside potential and we confirm our "BUY" recommendation.

FY End: 31.12., in EURm	(2021-2024e)	2019	2020	2021	2022e	2023e	2024e
Net inc. from fin. instrum. NIFFI	-0.1%	1.1	12.7	15.1	12.7	14.0	15.1
EBITDA	0.8%	1.5	12.6	12.8	11.3	12.2	13.1
EBITDA-Margin		134.5%	98.1%	84.8%	89.0%	87.0%	87.0%
EBIT	-0.8%	1.5	12.5	12.8	11.0	11.6	12.5
EBIT-Margin		132.9%	98.7%	84.6%	86.3%	82.6%	82.8%
Net result	-1.3%	-2.3	12.5	11.6	9.0	10.2	11.2
EPS, EUR	-1.5%	-0.08	0.42	0.39	0.30	0.34	0.37
Dividend per share, EUR		0.00	0.05	0.05	0.05	0.07	0.07
NAV		68.9	85.3	111.4	104.2	117.7	127.5
Return on NAV		1.6%	14.9%	13.6%	12.2%	11.9%	11.8%
ROE		-4.3%	18.8%	15.1%	10.6%	10.9%	10.9%
ROA		-2.9%	14.6%	11.5%	8.3%	8.8%	9.1%

Source: Scherzer, FMR

Update on selected portfolio companies

Lotto24:

The provider of online lottery products successfully completed fiscal year 2021. With revenues remaining virtually constant at EUR 87.3m, earnings were significantly higher at EUR 15.5m (2020: EUR 5.6m). The AGM at the end of June approved a full distribution of retained earnings, resulting in a dividend of EUR 15.00 per share. According to our own calculation, Scherzer should thus have collected around EUR 0.25m before taxes.

Lotto24 plans to grow further in the current year. Revenues are expected to reach a level of EUR 105m and adjusted EBITDA a level of at least EUR 30m.

Centrotec SE:

The company, based in Brilon in the Sauerland region, offers products and system solutions in the fields of air conditioning, heating and ventilation. The company is in the middle of a transformation process away from products based on fossil fuels to CO₂-friendly products and system solutions. Energy-saving technologies in buildings are a very important future topic in the context of coping with global climate change. Thus Centrotec, like other companies, could also benefit from the German government's program for building renovation. In 2021, the company was able to continue on its growth course. Revenue rose by 21.2% to EUR 871m and the EBIT margin reached a remarkable 9.6%. Nevertheless, at the AGM, with the majority of the major shareholder, it was "only" decided to distribute a minimum dividend of EUR 0.04. We also see this as a signal to minority shareholders. It follows the resolutions of the Extraordinary General Meeting in January 2022 to amend the Articles of Association. According to these, Centrotec is to be transformed into an active financial holding company and concentrate on the Industrial, Real Estate and Financial activities. The impression is that all these measures superficially serve the interests of the major shareholder.

For Scherzer, Centrotec is at the end of July the fifth most important position, with a 4.64% share of the total portfolio. In absolute terms, we see the value according to our own calculation between EUR 5.4 to 5.6m.

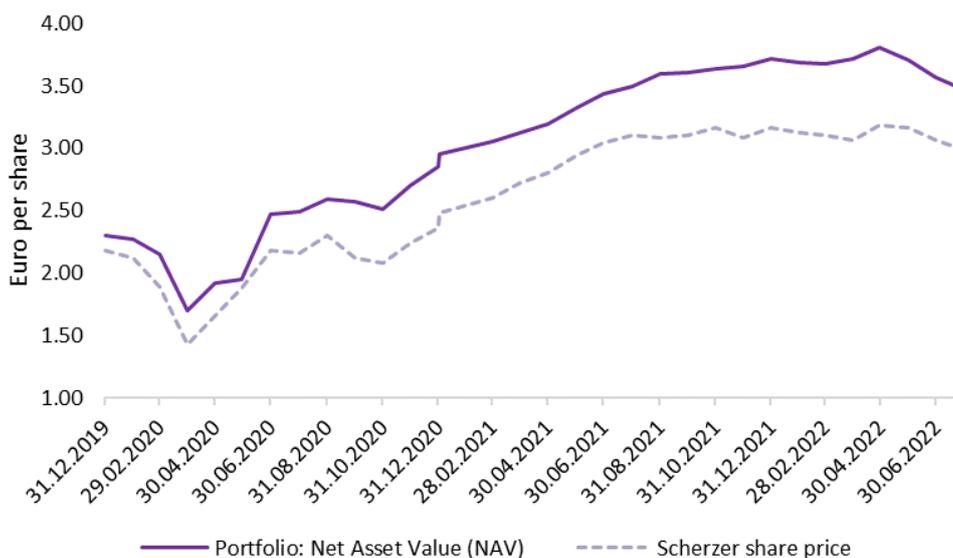
K+S AG:

The company further increased its financial guidance for 2022e on April 13. EBITDA of between EUR 2.3bn and EUR 2.6bn (previously: EUR 1.6bn to EUR 1.9bn) is now expected. A corridor of between EUR 1.0bn and EUR 1.2bn is targeted for free cashflow, including a positive special effect of around EUR 230m. The main reason for the increased optimism is an expected better segment result in the Agriculture segment. The consensus estimates for earnings per share are EUR 7.54 for '22e and EUR 6.29 for '23e. Based on a current share price of EUR 21.99 (02.08.2022) this results in a P/E ratio of only 2.9x for '22e and 3.5x for '23e. The analysts' price targets currently range from EUR 16.00 to EUR 52.00. The average of all estimates is EUR 32.30. The K+S share price has meanwhile ended its high, which peaked at a level of over EUR 35.00, and is currently quoted at EUR 20.61 (20.07.'22).

According to Scherzer, the company has realized part of the price gains and generated around EUR 4.0m in earnings. As of July 31, K+S had a portfolio share of 3.77%, making it the eighth most important position. In March, it was still the second most important position.

The Scherzer portfolio was slightly down in July 2022, while the DAX40 and SDAX developed positively. The NAV reached EUR 3.46 and compares with a Scherzer share price of EUR 2.98. The share price was thus 86.1% of NAV, the highest value in the year to date.

Scherzer: NAV down in July - high resilience



Source: Scherzer, FMR

Scherzer: Development in the year to date 2022

EUR	31.12.2021	31.01.2022	28.02.2022	31.03.2022	29.04.2022	31.05.2022	30.06.2022	31.07.2022
Portfolio: Net Asset Value (NAV) per share	3.72	3.69	3.68	3.72	3.81	3.71	3.56	3.46
% vs. prior month		-0.8%	-0.3%	1.1%	2.4%	-2.6%	-4.0%	-2.8%
% year-to-date								-7.0%
Scherzer share price	3.16	3.12	3.10	3.06	3.18	3.16	3.06	2.98
Price to NAV, %	84.9%	84.6%	84.2%	82.3%	83.5%	85.2%	86.0%	86.1%
FMR estimate: NAV total, EUR m	111.4	110.5	110.2	111.4	114.1	111.1	106.6	103.6
FMR estimate: Net financial debt	16.1	13.3	13.3	13.3	13.3	13.3	13.3	13.3
Market value securities/investments, EUR m	127.5	123.8	123.5	124.7	127.4	124.4	119.9	116.9
% yoy	27.0%	19.8%	16.1%	15.0%	15.2%	8.7%	1.9%	-2.2%
% vs. prior month		-2.9%	-0.2%	1.0%	2.2%	-2.4%	-3.6%	-2.5%
DAX40	15,884.86	15,471.20	14,461.02	14,414.75	14,097.88	14,388.35	12,783.77	13,484.05
% vs. prior month		-2.6%	-6.5%	-0.3%	-2.2%	2.1%	-11.2%	5.5%
% year-to-date								-15.1%
SDAX	16,414.67	15,111.43	14,474.53	14,248.00	13,826.69	13,787.91	11,881.19	12,811.49
% vs. prior month		-7.9%	-4.2%	-1.6%	-3.0%	-0.3%	-13.8%	7.8%
% year-to-date								-22.0%

Source: Scherzer, FMR

Compared to the beginning of the year, the NAV was "only" 7.0% lower, while the DAX40 lost 15.1% and the SDAX even 22.0%. The ten largest portfolio positions represented 49.72% of the total portfolio. Rocket Internet remains the most important single position with 8.08% share of the total portfolio.

In our view, the capital market environment in Germany remains difficult. The DAX40 index is down 15.1% year to date as of July 31, and the SDAX is down as much as 22.0%. From a macro perspective, the risk of a recession in Germany has increased further. Following Nordstream I maintenance, natural gas is flowing through the pipeline again, but has reached a low level of "only" 20% of maximum output. The Kremlin's rhetoric continues to keep uncertainty about future gas supplies high. According to the Federal Network Agency (Bundesnetzagentur), gas storage facilities in Germany are currently 65.9% full.

NAV per share reduced to EUR 3.50

FMR: Estimate of NAV per share development: Target price down slightly

in EURm	Current value, FMR exp.	Scenario 1	Scenario 2	Scenario 3
		Market rises by 5%	Market rises by 0%	Market shrinks by 5%
		End of 2022e	End of 2022e	End of 2022e
Estimate Top 10 positions	58.5	61.5	58.5	55.6
Other holdings	59.0	61.9	59.0	56.0
Market value securities/participations		123.4	117.5	111.6
Financial debt, gross		-16.67	-16.67	-16.67
Cash/-equivalents		3.35	3.35	3.35
NAV		110.1	104.2	98.3
Number of shares, units m		29.94	29.94	29.94
NAV per share, EUR		3.68	3.48	3.28
Scherzer share price, EUR		2.98	2.98	2.98
Upside-/downside potential, %		23.4%	16.8%	10.2%

Source: Scherzer, FMR

We expect continued pressure on corporate earnings in the second half of the year. Among other things, higher energy prices will have to be absorbed. However, following the recent price corrections, the valuation level in the DAX40 and the MDAX has also become more attractive.

For the Scherzer portfolio, we expect that the relative strength may well continue. Nevertheless, Scherzer will not be able to completely escape the expected development. We have therefore reduced the net asset value, which is also our target price, to a rounded EUR 3.50. Compared with the previous value, this is a reduction of 7.9%. Compared to the current price of the Scherzer share, the upside is 17.4% and we confirm our "BUY" recommendation.

The tender volume of the post-emptive rights (Nachbesserungsrechte) as of the end of 2021, including Allerthal and Rheiner Management, had a volume of EUR 132m. This corresponds to a value of EUR 4.41 per Scherzer share. The value is not included in our valuation.

Appendix

Profit and loss account

(HGB) EURm	2019	2020	2021	2022e	2023e	2024e
Net income from financial instruments (NIFFI)	1.1	12.7	15.1	12.7	14.0	15.1
YoY growth	-88.3%	1054.6%	19.1%	-16.0%	10.2%	7.9%
Personnel expenses	-0.7	-0.8	-2.9	-1.5	-2.1	-2.3
as % of NIFFI	62.7%	6.2%	19.3%	12.0%	15.0%	15.0%
Other operating income	1.8	2.2	1.7	1.4	1.7	1.8
as % of NIFFI	160.9%	17.1%	11.2%	11.0%	12.0%	12.0%
Other operating expenses	-0.7	-1.5	-1.1	-1.3	-1.4	-1.5
as % of NIFFI	63.6%	12.0%	7.1%	10.0%	10.0%	10.0%
EBITDA	1.5	12.6	12.8	11.3	12.2	13.1
as % of NIFFI	134.5%	98.1%	84.8%	89.0%	87.0%	87.0%
Depreciation, impairments	0.0	0.0	0.0	-0.3	-0.6	-0.6
as % of NIFFI	1.6%	0.2%	0.2%	2.7%	4.4%	4.2%
EBIT	1.5	12.5	12.8	11.0	11.6	12.5
as % of NIFFI	132.9%	98.7%	84.6%	86.3%	82.6%	82.8%
Net financial result	-3.8	0.0	-1.1	-1.9	-1.3	-1.3
as % of NIFFI	344.2%	-0.1%	7.6%	15.3%	9.2%	8.5%
Earnings before taxes (EBT)	-2.3	12.6	11.7	9.0	10.3	11.2
as % of NIFFI	-211.3%	99.1%	77.4%	71.0%	73.4%	74.3%
Taxes	0.0	0.0	0.0	-0.1	-0.1	-0.1
as % of EBT	-0.3%	0.1%	0.4%	0.6%	0.6%	0.6%
Net result	-2.3	12.5	11.6	9.0	10.2	11.2
Number of shares (units m), weighted	29.94	29.94	29.94	29.94	29.94	29.94
Earnings per share (EPS), EUR	-0.08	0.42	0.39	0.30	0.34	0.37

Source: Scherzer, FMR

Balance sheet

(HGB) EURm	2019	2020	2021	2022e	2023e	2024e
Assets						
Non-current assets	27.3	28.0	43.4	49.8	55.1	60.7
as % of total assets	33.6%	32.6%	42.7%	46.1%	47.7%	49.3%
Financial assets	24.7	24.6	38.7	44.4	49.4	54.6
as % of total assets	30.3%	28.6%	38.1%	41.1%	42.7%	44.3%
Other non-current assets	2.7	3.4	4.7	5.4	5.7	6.1
as % of total assets	3.3%	3.9%	4.6%	5.0%	4.9%	5.0%
Current assets	53.6	57.8	58.2	58.1	60.5	62.5
as % of total assets	65.9%	67.2%	57.3%	53.9%	52.3%	50.7%
Receivables and other current assets	0.3	0.7	0.4	0.4	0.4	0.4
as % of total assets	0.4%	0.8%	0.4%	0.4%	0.3%	0.3%
Current financial assets	52.7	55.9	55.9	54.4	53.7	53.1
as % of total assets	64.6%	65.0%	55.0%	50.4%	46.4%	43.1%
Cash and cash equivalents	0.7	1.2	1.9	3.4	6.4	9.0
as % of total assets	0.9%	1.4%	1.9%	3.1%	5.6%	7.3%
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
as % of total assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accruals and Deferrals	0.5	0.2	0.0	0.0	0.0	0.0
as % of total assets	0.6%	0.3%	0.0%	0.0%	0.0%	0.0%
Total assets	81.5	86.1	101.6	107.9	115.6	123.2
Equity and liabilities						
Shareholders' equity	54.4	67.0	77.1	84.6	93.3	102.4
as % of total assets	66.8%	77.8%	75.9%	78.4%	80.7%	83.1%
Subscribed capital	29.9	29.9	29.9	29.9	29.9	29.9
as % of total assets	36.8%	34.8%	29.5%	27.7%	25.9%	24.3%
Capital reserves	8.8	8.8	8.8	8.8	8.8	8.8
as % of total assets	10.8%	10.2%	8.6%	8.1%	7.6%	7.1%
Retained earnings	18.9	23.6	32.6	32.6	32.6	32.6
as % of total assets	23.2%	27.4%	32.1%	30.2%	28.2%	26.5%
Other equity items	-3.2	4.7	5.8	13.3	22.0	31.1
as % of total assets	-3.9%	5.5%	5.7%	12.3%	19.0%	25.2%
Minority interest on equity	0.0	0.0	0.0	0.0	0.0	0.0
as % of total assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-current liabilities/provisions	14.0	10.0	8.5	8.6	8.5	6.8
as % of total assets	17.2%	11.6%	8.4%	8.0%	7.4%	5.5%
Non-current financial liabilities	14.0	10.0	8.5	8.6	8.5	6.8
as % of total assets	17.2%	11.6%	8.4%	8.0%	7.4%	5.5%
Other non-current liabilities/provisions	0.0	0.0	0.0	0.0	0.0	0.0
as % of total assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current liabilities/provisions	13.0	9.1	16.0	14.7	13.8	14.0
as % of total assets	16.0%	10.5%	15.7%	13.6%	11.9%	11.3%
Current financial liabilities	9.3	6.2	9.5	8.1	7.3	7.3
as % of total assets	11.4%	7.2%	9.4%	7.5%	6.3%	6.0%
Other current liabilities/provisions	3.7	2.8	6.5	6.6	6.5	6.6
as % of total assets	4.6%	3.3%	6.4%	6.1%	5.6%	5.4%
Total equity and liabilities	81.5	86.1	101.6	107.9	115.6	123.2

Source: Scherzer, FMR

Cashflow statement

(HGB) EURm	2019	2020	2021	2022e	2023e	2024e
Net result	-2.3	12.5	11.6	9.0	10.2	11.2
Depreciation, impairments	5.3	3.9	3.0	3.4	3.1	3.2
Other non-cash expenses, income	1.8	3.9	6.9	0.0	0.0	0.0
Change in working capital	0.3	-5.0	-0.5	0.1	-0.1	0.1
Cashflow from Operations	5.1	15.4	21.0	12.5	13.2	14.5
Investments in non-current/current assets	-4.0	-7.8	-20.6	-8.2	-7.7	-8.2
Other changes from investing activities	0.0	0.0	0.0	0.0	0.0	0.0
Cashflow from investing activities	-4.0	-7.8	-20.6	-8.2	-7.7	-8.2
Cash changes in financial debt	-2.4	-7.1	1.8	-1.3	-0.9	-1.6
Dividend payments	0.0	0.0	-1.5	-1.5	-1.5	-2.1
Other changes from financing activities	0.0	0.0	0.0	0.0	0.0	0.0
Cashflow from financing activities	-2.4	-7.1	0.3	-2.8	-2.4	-3.7
Total change in cash/cash equivalents	-1.3	0.5	0.7	1.4	3.1	2.6
Other changes in cash/cash equivalents	0.0	0.0	0.0	0.1	-0.1	0.1
Cash/cash equivalents: Beginning of period	2.1	0.7	1.2	1.9	3.4	6.4
Cash/cash equivalents: End of period	0.7	1.2	1.9	3.4	6.4	9.0

Source: Scherzer, FMR

Declaration of liability (disclaimer) and mandatory details pursuant to Section 85 Securities Trading Act (WpHG), EU Market Abuse Regulation (EU Regulation No. 596/2014), Delegated Regulation 2016/958 and Delegated Regulation 2017/565 including details of possible conflicts of interest (disclosures), the author and the responsible supervisory authority

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
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Scherzer & Co. AG

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(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company Disclosure(s)

Scherzer & Co. AG

iii; vi

Recommendation history for the last 12 months:

Date	Recommendation	Share price at publishing date, EUR	Target price, EUR
07.12.2020	BUY	2.28	2.60
28.01.2021	BUY	2.46	2.90
10.06.2021	BUY	2.96	3.30
27.10.2021	BUY	3.14	3.80
14.02.2022	BUY	3.08	3.80
11.04.2022	BUY	3.12	3.80
02.08.2022	BUY	2.98	3,50

4. Creation and distribution

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Winfried Becker, Senior Equity Analyst

c) This study may only be used for the internal purposes of the addressee within the EEA or Switzerland.

5. Investment recommendation details

Investment recommendation details - stocks:

BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

HOLD: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

6. Sensitivity of the evaluation parameters

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

7. Key sources of information

We have acquired the information upon which this document is based from sources that we consider in principle to be reliable. However, we have not verified all this information. Therefore, we cannot guarantee or ensure the accuracy, completeness or correctness of the information or opinions contained in this document. National and international media and information services (e.g. Factset, Bloomberg etc.), the financial press (e.g. BörsenZeitung, FAZ, Handelsblatt, Wallstreet Journal, etc.), specialist press, published statistics, the internet, as well as publications, details and information of the issuer that is the subject of the analysis.

8. Summary of the basis for evaluation

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

9. Internal organisational and regulatory measures for the prevention or management of conflicts of interest

Employees of FMR Frankfurt Main Research AG who are involved with the compilation and/or presentation of financial analyses are subject to the internal compliance regulations. The internal compliance regulations correspond to the provisions of the directive for the substantiation of the organisational obligations of investment service companies pursuant to Section 80 Securities Trading Act and EU/ESMA legislation on the basis of the Market Abuse Regulation.

The analysts of FMR Frankfurt Main Research AG do not receive any direct or indirect remuneration from the investment banking business of FMR Frankfurt Main Research AG.

On acceptance of the financial analysis, the recipient accepts that the above restrictions are binding.