

May 2nd, 2023  
Research report

# 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

# 3U Holding AG

## Promising prospects even without weclapp

Rating: Buy (unchanged) | Price: 5.44 € | Price target: 6.20 € (prev.: 5.70 €)

**Analyst:** Dipl.-Volksw. Dr. Adam Jakubowski  
sc-consult GmbH, Alter Steinweg 46, 48143 Münster

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

**Phone:** +49 (0) 251-13476-93  
**Telefax:** +49 (0) 251-13476-92  
**E-Mail:** [kontakt@sc-consult.com](mailto:kontakt@sc-consult.com)  
**Internet:** [www.sc-consult.com](http://www.sc-consult.com)

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# Snapshot



## Basic data

Based in:	Marburg
Sector:	Software / E-Commerce
Headcount:	128
Accounting:	IFRS
ISIN:	DE0005167902
Ticker:	UUU:GR
Price:	5.44 Euro
Market segment:	Prime Standard
Number of shares:	36.7 m
Market Cap:	199.6 m Euro
Enterprise Value:	30.2 m Euro
Free Float:	69.9 %
Price high/low (12M):	5.86 / 2.06 Euro
Ø turnover (Xetra, 12 M):	263,300 / day

## Short profile

3U Holding has had a spectacular year. The sale of the weclapp subgroup, previously the group's fastest-growing unit, generated a very high profit that significantly exceeded both the annual revenue of the entire 3U Group and its market capitalisation at the time of sale. As a result, last year's net profit and cash flow reached figures far above the average level of previous years: profit increased by 5,350 percent from EUR 2.9 m to EUR 159.0 m and free cash flow turned positive from EUR -23 m to EUR +164 m. After this enormous inflow of capital, 3U has excellent resources to finance future growth with new investments, even after deducting the announced record dividend of EUR 3.20. However, in our opinion, the existing portfolio, which 3U divides into the three segments ITC, Renewable Energies and SHAC and which had previously been in the shadow of weclapp, already offers good opportunities for strongly increasing sales and earnings. We have mapped this potential in our valuation model and currently see the fair value of the 3U share at EUR 6.20 per share (or EUR 3.00 ex-dividend).

FY ends: 31.12.	2020	2021	2022	2023e	2024e	2025e
Sales (m Euro)	61.1	55.9	62.7	59.1	63.4	74.6
EBIT (m Euro)	5.9	6.8	161.1	2.6	1.2	5.3
Net Profit	3.3	2.9	159.0	3.0	1.5	2.9
EPS	0.09	0.08	4.33	0.08	0.04	0.08
Dividend per share	0.05	0.05	3.20	0.10	0.10	0.09
Sales growth	18.7%	-8.4%	12.0%	-5.6%	7.1%	17.8%
Profit growth	-20.2%	-10.7%	5350.4%	-98.1%	-48.7%	87.9%
PSR	3.27	3.57	3.19	3.38	3.15	2.67
PER	61.1	68.4	1.3	66.3	129.2	68.8
PCR	41.8	-	12.1	29.0	36.8	22.9
EV / EBIT	5.1	4.5	0.2	11.8	24.3	5.7
Dividend yield	0.9%	0.9%	58.8%	1.8%	1.8%	1.7%

# Executive Summary

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- **Investment holding with three segments:** 3U Holding is an investment holding company with currently around 25 companies active in the three business segments ITC (information and telecommunications technology), Renewable Energies and SHAC (sanitary, heating and air conditioning technology). In addition, the parent company generates income from the purchase and sale of assets such as equity interests or real estate.
- **Spectacular success with weclapp:** One such transaction was completed last year with spectacular success. The sale of all shares in the software manufacturer weclapp, which 3U has built up since its foundation and in which around EUR 21 m have been invested over the years, generated EUR 161.6 m, resulting in a profit of EUR 141 m or almost 680 percent of the capital invested.
- **Strong track record:** But even apart from the sensational weclapp deal, 3U's performance in recent years has been satisfactory. Between 2016 and 2022, sales increased by more than 40 percent to EUR 62.7 m. EBIT also increased steadily – with only one interruption – so that on average from 2019 to 2021 (2022 was in a different dimension anyway because of weclapp) the EBIT margin was already in double digits. The result benefited again and again from lucrative asset sales, which have contributed over EUR 15 m to the profit in recent years (without weclapp).
- **Quality leader in e-commerce:** The largest investment in the current portfolio and the central focus of growth is the e-commerce subsidiary Selfio, which sells a growing range of SHAC products to DIY enthusiasts and builders. In competition, Selfio scores with a combination of attractive prices, a high quality of advice and a sophisticated content marketing strategy.
- **Great repowering potential:** The most profitable segment is Renewable Energies, where 3U operates three wind farms and a solar park and benefits from the growing demand for renewable energy. The repowering of wind farms promises great growth potential here, although, for the time being, this is only legally possible for some of them. However, planning there is already well advanced and promises to triple annual electricity production from 2025.
- **Excellent balance sheet:** After the weclapp sale, the balance sheet shows very high equity and liquidity positions. According to our calculations, these are each likely to account for significantly more than half of the balance sheet total, even after payment of the announced dividend of EUR 3.20 per share, and thus offer a very large scope for the planned acquisition course.
- **Attractive valuation:** Although we have not taken the value potential of the planned acquisitions into account in our model and have only mapped the organic further development of the existing portfolio, we see significant price potential for the 3U share up to EUR 6.20. The experienced management, the convincing track record and the excellent balance sheet figures also speak in favour of the share, which is why we confirm our “Buy” rating.

# SWOT analysis

## Strengths

- The 3U Group has been profitable since 2016, and revenue has grown organically every year since 2017.
- With the weclapp sale, a major engagement was concluded with a very high profit far above market expectations.
- This was a continuation of the long series of successfully completed investments.
- Last year was closed with a very high profit of EUR 159 m.
- With the conclusion of attractive PPAs, the Renewable Energies segment is also very soundly positioned for the future.
- After the weclapp sale, 3U has an excellent balance sheet with very high net liquidity.

## Weaknesses

- Margins in the e-commerce segment are very low, and despite the progress made, the SHAC segment's EBIT is still negative.
- The share of repeat purchases is still very low at Selfio due to the business model.
- Adverse weather conditions can reduce earnings in the Renewable Energies segment, whose importance for the group figures has increased following the sale of weclapp.
- The sale of weclapp eliminates the main element of the previous growth story. New focal points still have to be developed and also presented more strongly in the market.
- The telephony business, still the largest part of the ITC segment, is weak in growth.

## Opportunities

- A dividend of EUR 3.20 per share is to be distributed from last year's record profit, which currently corresponds to a dividend yield of over 59 percent.
- Selfio should continue to benefit from the trend towards e-commerce, and the ITC activities are also targeting an attractive market.
- Growth is also to be accelerated through acquisitions, for which a very large capital cushion is now available, despite the high payout.
- The repowering of the wind farms promises further earnings potential.
- After the end of the Brandenburg moratorium on wind turbines, 3U's project portfolio could – at least in part – be successfully developed further after all.

## Threats

- Efforts to improve Selfio's profitability could fail given the intense price competition in e-commerce.
- The slowdown in demand that Selfio felt in the fourth quarter could continue or even worsen. Last year's supply bottlenecks could also continue.
- The planned strong growth in Managed Services could fall short of expectations.
- The levy on above-average electricity profits could continue for a longer period.
- Experience shows that the planned acquisition course entails risks such as the misjudgement of a target or integration problems.
- The high pressure to reinvest could further increase the risks of acquisitions.

# Profile

## Active investment company

3U Holding AG from Marburg is an operative management and investment holding company founded in 1997 as a telecommunications provider and listed on the stock exchange in 1999; its shares are listed in the Prime Standard. The current portfolio comprises 24 companies that are managed in the three business segments ITC (information and telecommunications technology), Renewable Energies and SHAC (sanitary, heating and air conditioning technology). The picture is completed by the activities of the parent company, which, in addition to supporting the subsidiaries, is also active in the purchase, development and resale of assets. This may involve equity investments, wind farms and real estate, and regularly generates high earnings outside the operating segments.

## Excellent track record

Among other things, 3U has repeatedly – and very successfully – engaged in the real estate sector in recent years when opportunities arose. The most successful real estate project was completed in 2022 with a profit of EUR 6.4 m or 172 percent on the capital invested. Under the name InnoHubs, a building com-

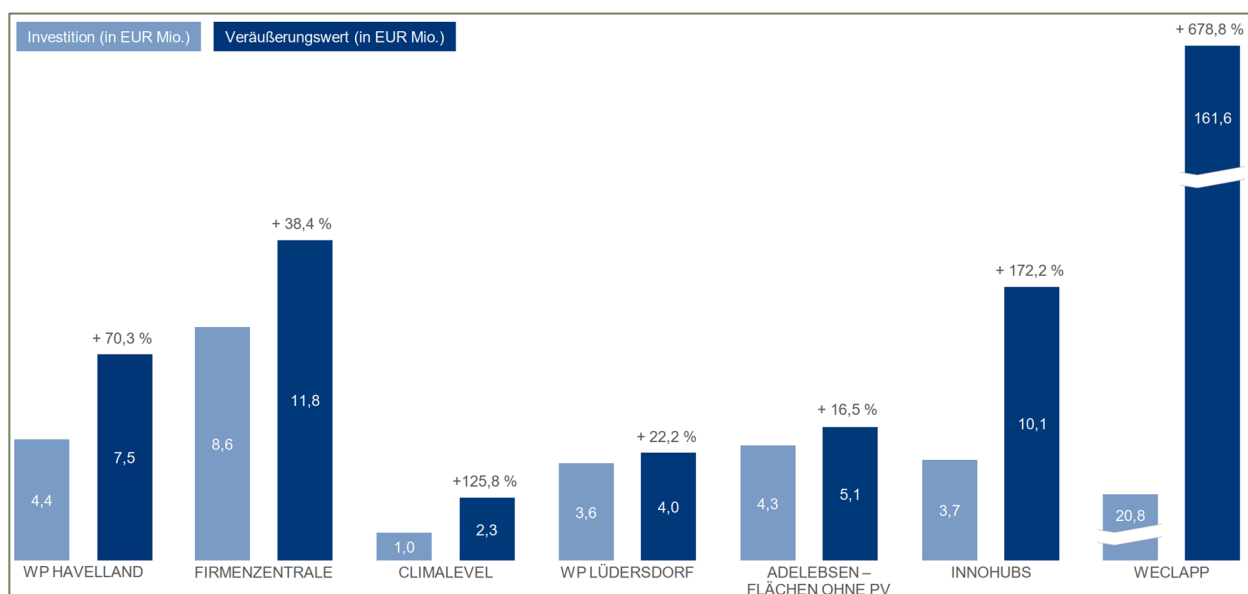
plex with 14.5 thousand sqm was constructed in the immediate vicinity of the University of Würzburg and sold shortly before completion. In addition, in recent years 3U has sold a plot of land and its own company headquarters in Marburg, a subsidiary and two wind farms with profits of between 17 and 126 percent (see figure).

## weclapp deal in a new dimension

However, both the volume and the profit achieved in all these transactions were far eclipsed by last year's successful sale of the software manufacturer weclapp, in which 3U made a profit of EUR 140.8 m on the capital invested in the amount of EUR 20.8 m. weclapp is the provider of a cloud-based ERP platform that 3U has accompanied since its founding 15 years ago and that has grown at a CAGR of almost 100 percent between its market launch in 2013 and 2021.

## Continuity in leadership

In 2022, the sale of weclapp not only led to a very high profit, in which 3U wants its shareholders to partici-



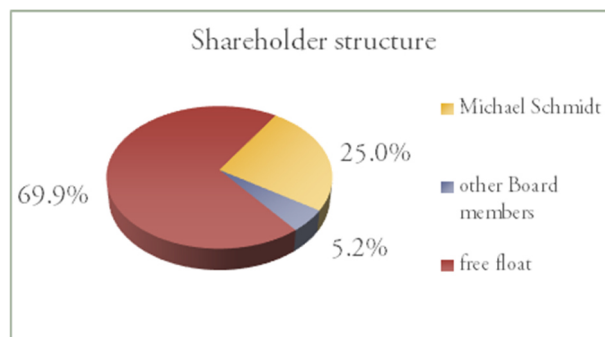
Source: Company

pate with a high distribution of EUR 3.20, but also to a profound change in the group structure. Thus, the number of employees fell from 277 at the end of 2021 (counted as full-time equivalents) to 128. Of these, 27 work for the parent company, where the investment business and central group tasks (legal, human resources, finance) are located. The SHAC segment employs the most people (60), followed by ITC (39), while the ongoing activities of the Renewable Energies division manage with only two employees. After last year's health-related withdrawal of the founder and long-time CEO Michael Schmidt, who subsequently moved to the Supervisory Board, the current Executive Board acts as a collegial body in which the three members Uwe Knoke (Strategy and Business Development), Christoph Hellrung (Finance) and Andreas Odenbreit (Human Resources and Legal) have equal rights. All three board members have held management positions in the group for more than ten years.

### Broad free float

Michael Schmidt also has a formative role as the company's largest single shareholder, whose share currently amounts to 25.0 percent. The other board

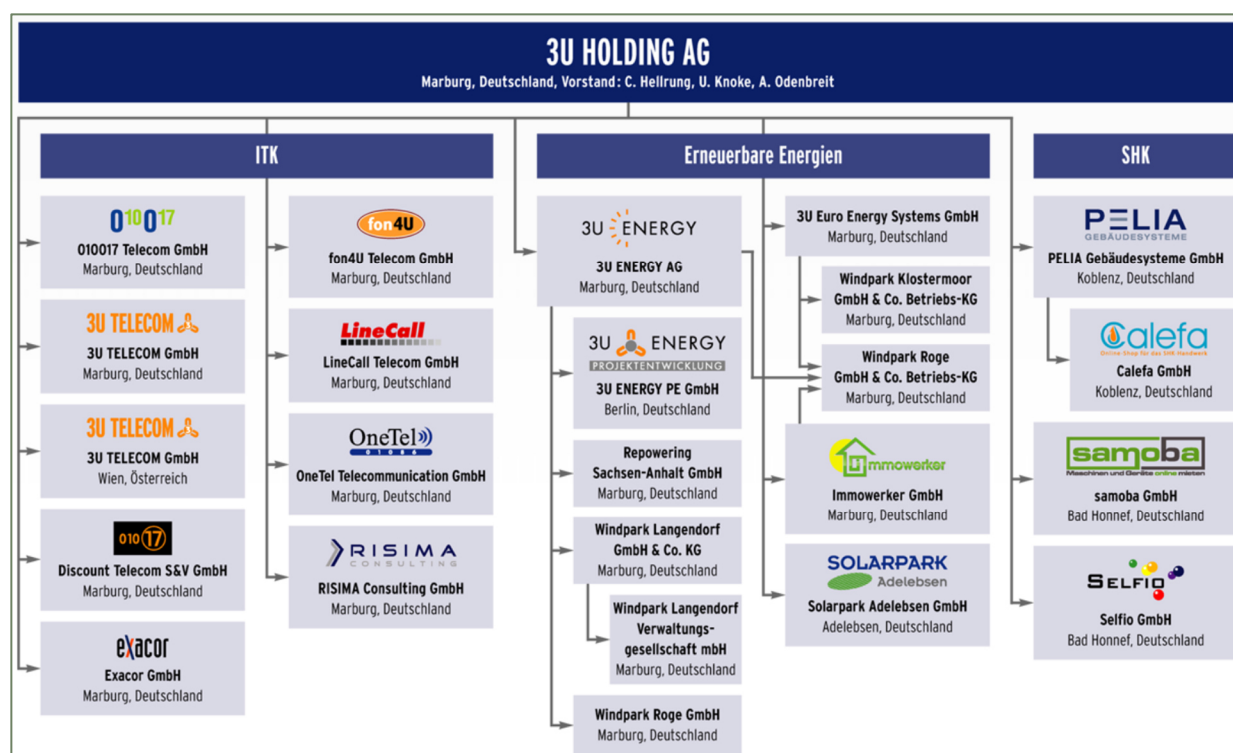
members together hold roughly 5 percent of the shares. The remainder of the shares (69.9 percent) are in free float.



Source: Company (as at: 31.03.2023)

### Three segments

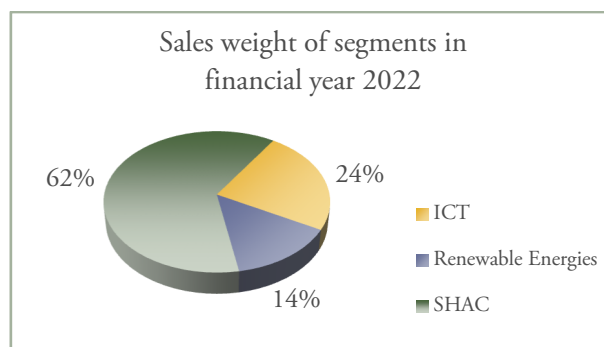
The operating activities are conducted by more than 20 subsidiaries, which, with a few exceptions, are wholly owned by the 3U Group and organised in three segments (see diagram). The origin and nucleus of the group is the ITC segment, which last year generated EUR 12.1 m and thus 24 percent of continued group sales (excluding weclapp). The smallest segment is Renewable Energies, which contributed 14



Source: Company



percent to the group's revenue with annual sales of EUR 7.2 m in 2022. In terms of sales, the 3U Group has been clearly dominated since the sale of weclapp by the SHAC segment (sanitary, heating and air-conditioning technology), whose last year's revenue of EUR 31.5 m was significantly higher than the sum of the other divisions and accounted for more than 60 percent of continued group sales. A more detailed description of the three segments follows in the subsequent chapters.



Source: Company; before consolidation, without weclapp;



# ITC segment

## Shrinking old business

The business with which 3U started at the end of the nineties is now run as Voice Retail. It includes call-by-call and preselection telephony in the fixed network in the end-customer sector and currently still contributes EUR 1.6 m to sales. This represents around 3 percent of total group revenue or 13 percent of sales in the ITC segment. This business, which currently concentrates mainly on international calls, has been shrinking for years, interrupted only in 2020 due to the Covid pandemic. In total, revenue has fallen by more than a third since 2018. A further decline is to be expected, especially as the voluntary agreement between Deutsche Telekom and the competitors, which forms the basis of this business model, is limited until the end of 2024.

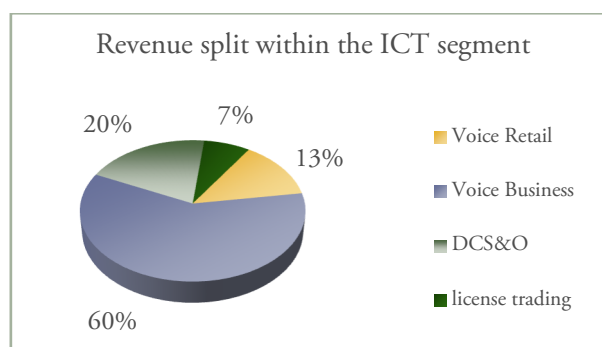
## Stable core business

The telephony business with business customers (Voice Business) is considerably larger and more stable, with 3U primarily marketing its infrastructure for other telecommunications companies in Germany and abroad (termination, i.e., forwarding and addressing) as well as value-added services, with revenue of EUR 7.2 m in the last year. This was slightly less than a year earlier (which was mainly due to lower transmission fees), but in a longer-term view, this business area is growing moderately.

## Growth with data centres

Strong growth in the ITC segment has been achieved in recent years in the DCS&O (Data Center Services & Operation) business, whose sales of EUR 2.4 m last year were 18 percent higher than in the year before and even 41 percent higher than in 2018. In 2022, external sales in this area were even increased by more than half. The core of the offer is physical server space in the three own data centres in Marburg, Hanover and Berlin (colocation); in addition, virtual servers on own hardware are being marketed to an increasing extent. The offer extends to the operation and ongoing

support of IT landscapes (Infrastructure as a Service (IaaS)).



Source: Company (without weclapp); license trading

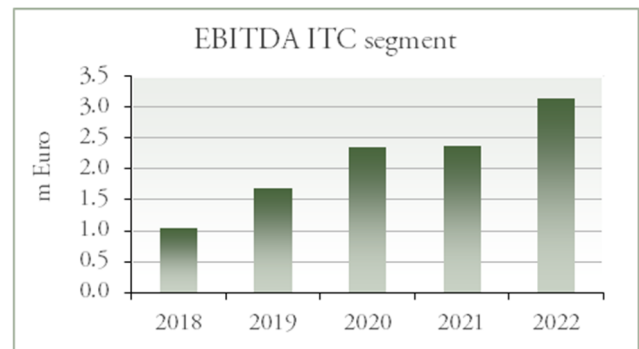
## Managed Services – a hope for the future

As a systematic further development, 3U started offering Managed Services last year. Here 3U positions itself as a digitisation partner, especially for smaller companies, and as such takes over the provision and operation of the entire IT infrastructure. In addition to the server infrastructure, this includes tasks such as private and public cloud, security, networks and, last but not least, desktop solutions for the customer's computer workstations. The new business area is still small, which is why it has not been reported separately for 2022, but as a component of DCS&O, but 3U reports a good market start and great customer interest. Among other things, an order from the system house Portal Systems AG was reported in summer 2022.

## Good profitability

Although the revenue development of the continuing (i.e., excluding weclapp) ITC segment, which also includes marketing and consulting for a third-party software product for document security and integrity (revenue contribution: EUR 0.9 m), has been very restrained overall in recent years (a cumulative increase of 2.9 percent between 2018 and 2022), the earnings situation has improved considerably. In particular, the shift in sales weights towards more profitable activities

has enabled 3U to almost triple the segment EBITDA to EUR 2.8 m since 2018, and thus to achieve a considerable EBITDA margin of 26 percent in 2022 (before consolidation).



Source: Company

# Renewable Energies

## Highly profitable business

Even more profitable is the segment Renewable Energies, whose EBITDA margin has averaged just under 70 percent over the last five years. Even after depreciation, interest and taxes, an average margin of almost 11 percent was generated here.

## Three wind farms and one solar park

This revenue is based on electricity generation capacities of 53 MW (or MWp). Of these, 10.1 MWp is attributable to a solar park consisting of a total of 44,100 solar modules (90 percent of which are on open land and 10 percent on roofs), which is located in Adelebsen near Göttingen and for which a guaranteed feed-in tariff under the EEG still exists until 2032. However, the bulk of the capacity and thus also of the generation is contributed by the three older wind farms in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania, all of which have already outgrown the EEG subsidy. However, since they are still in good technical condition, have high values for technical availability and can market electricity at attractive conditions in the current environment, continued operation is currently highly profitable, all the more so as the corresponding loans have already been repaid and the book values have largely been written off.

## Extensive repowering planned

Nevertheless, the high age of the wind farms offers a very large additional potential through repowering, which 3U initially wants to realise at the site of the

largest wind farm in Langendorf in Saxony-Anhalt. There, if approval and project execution proceed as planned, five new and significantly larger wind turbines are expected to replace seven of the current 15 active turbines from the second quarter of 2025, almost doubling capacity from the current 22.5 to 43 MW and tripling the expected electricity yield to 108,000 MWh.

## Multiple wind farm projects

The replacement of the remaining eight old turbines in Langendorf would also be economically beneficial but is currently not legally possible because they are not located in a wind priority area. Should the legal situation change, which is not unlikely in view of the political expansion targets regarding renewable energies, 3U would replace them as well. The same applies to the repowering of the other two wind farms as well as several wind farm projects that have been in the 3U portfolio for some time but have not been pursued since the beginning of 2019 due to the difficult general conditions. In 2022, 3U reassessed the project portfolio and adjusted the balance sheet for some projects (which had a negative impact on last year's segment result) but has now identified a higher probability of realisation for the others and has reactivated project development. In principle, the project portfolio offers potential for a further 85 to 100 MW, according to the company, although realisation is not expected until the second half of the decade at the earliest.

# SHAC segment

## Online trade in SHAC products

The SHAC segment essentially consists of two companies, both of which are active in online trading with (partly own) SHAC products. Of these, PELIA Gebäudesysteme GmbH is primarily active as an internal purchasing and logistics service provider. For this purpose, PELIA operates a modern production and logistics centre in Koblenz, where products are manufactured, stored, assembled and dispatched on a total area of approx. 14,000 sqm. In earlier years, business with external customers consisted mainly of wholesale distribution of products for floor heating and cooling, which also included a dry screed system developed in-house (ClimaTE 25). By now, however, the PELIA range is being expanded and includes a large selection of other brand products from the fields of air conditioning, ventilation, sanitation and solar technology. Last year, about a quarter of the external segment sales was accounted for by PELIA's B2B trade, which, according to the company's own information, scores points in the competition above all with a good delivery capability and with attractive conditions.

## Leading online retailer

The largest and most promising company, not only in the SHAC segment but also in the group, is Selfio GmbH, founded in 2011, which sells a wide range of SHAC systems and products from the entire sanitary, heating and air-conditioning technology trade under the internet address of the same name. The range, which includes numerous products from well-known manufacturers such as Buderus, Wilo, Grundfos, Biral, Wolf and Junkers, is aimed primarily at private customers such as do-it-yourselfers and self-builders (B2C), but a growing proportion comes from the commercial sector. In total, the customer file contains around 200,000 entries, of which over 100,000 were active last year.

## Growing range of products

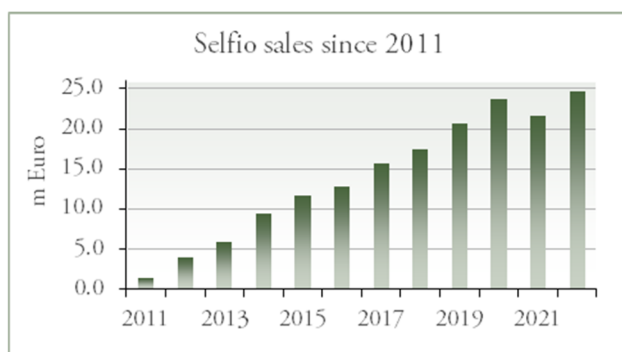
The most important products in the Selfio range are underfloor heating systems and systems for water treatment and ventilation. In addition, the product range has been constantly expanded in recent years and now includes a wide selection of heating systems (incl. solar thermal energy) of various types, pumps, pipe systems and, most recently, photovoltaic balcony power plants. Selfio is increasingly relying on its own brands in several areas in order to improve both its market position and its margin potential. As the latest initiative in this direction, a patent application was filed in March for an innovative heating system, the marketing of which is to start in the middle of the year. Essentially, these are heat pumps that are pre-configured and prefabricated together with the hydraulic and electrical elements as well as the control technology, which, according to 3U, "drastically reduces the planning and installation effort".

## High quality of advice

In view of the range of advice-intensive products and the target group addressed, Selfio scores in competition with its high quality of advice. Customers can take advantage of a free (quick-) planning service for underfloor heating, heating, ventilation, chimneys and solar thermal systems. In addition, the company also offers free advice on existing government support programmes. Last year, the advisory service was also expanded to include an online configurator for underfloor heating systems, which guides customers through the complete planning process and results in a complete shopping list for a given project. The extensive advisory competence is also expressed in a wide and varied range of instructions as well as planning and calculation tools. Among other things, the site has its own YouTube channel (Selfio TV), which currently comprises almost 150 professionally produced videos with assembly instructions and tips, has over 16,000 subscribers and recorded around 1.9 million views last year.

## Numerous awards

The focus on an attractive offer in terms of product range and price, the efforts to ensure a high level of customer friendliness and the emphasis on the quality of its own advisory services are reflected in the numerous awards Selfio has received in recent years. In an annual consumer survey conducted by the German Institute for Service Quality (DISQ) and the news channel n-tv, the portal was selected four times in a row (2017 to 2020) as one of the best online shops in Germany and the best in the category Building & DIY (without branch network). Since 2017, the shop has also continuously carried the Top Shop Seal, which is awarded by the statistics portal Statista and the computer magazine Computer Bild. In February 2023, Selfio even received two awards from the DtGV (Deutsche Gesellschaft für Verbraucherstudien mbH) in an evaluation based on customer surveys: first place among online suppliers for heating technology in the category “customer satisfaction”, and third place for the “price-performance ratio”.



Source: Company

## CAGR of 30 percent

Since its launch in 2011, Selfio has recorded high growth, averaging almost 30 percent p.a., despite the fact that 2021 and the beginning of 2022 were burdened by massive supply problems as a consequence of the Covid-19 pandemic in the industry, which se-

verely slowed down growth. In the course of 2022, however, these problems were largely overcome, which, together with the passing on of increased purchase costs, enabled revenue growth of almost 15 percent to EUR 24.7 m, which also exceeded the previous record figure from 2020 (EUR 21.6 m). Selfio thus contributed almost half of the group's revenue from continued operations last year.

## Low profitability

Unlike the other two segments, the SHAC segment still generates negative contributions to earnings. Although Selfio itself has been profitable at the EBITDA level since its foundation, profitability is still low. Including logistics, which is the responsibility of PELIA, the segment's EBITDA has been around zero in recent years, while EBIT and net figures are still consistently in the red. To change this, 3U has implemented several measures in recent years, including the construction of a new logistics centre in Koblenz, which was moved into in spring 2021, and the improvement of various internal processes.

## Clever online marketing

Customer acquisition costs were addressed as well, with a focus on higher-margin sales channels at the expense of a presence on large Internet marketplaces. While this has reduced the number of active customers, it has also significantly increased the average order size per order and per customer. The strong focus on content marketing is also to ensure an optimal mix of costs and returns. In addition to the extensive range of videos, this includes a broad stream of search engine optimised text content, which is displayed on numerous pages on the German-language Internet. As with the instruction videos, these texts are not explicit advertising, but rather high-quality contributions to individual questions in the SHAC sector, with which the company's advisory competence is conveyed.

# Market environment

## Concentration on three markets

Following the strategic definition of the three segments ITC, Renewable Energies and SHAC, this chapter focuses on the markets addressed by the operating units of these segments. Thus, we do not regard 3U Holding as a holding company with the typical fluctuations of the investment market, but as an integrated group with three growth areas.



Source: HDE; Online Monitor 2022; \* Value for 2022 and forecast for 2023 according to annual press conference January 2023

## Boom in online trade interrupted

The largest portfolio company, which contributed almost half of the continued group sales last year, is the online retailer Selfio, whose business is influenced by the German construction industry and its impact on the SHAC trade. However, the key growth driver is the strong trend towards e-commerce. According to the German Retail Association (HDE), online sales of German retailers have increased almost sevenfold between 2008 and 2022, to EUR 85.0 billion. This means that in 2022, 13.5 percent of all German retail sales were generated online. At the same time, as a result of the crisis (uncertainty due to the war, inflation), German online retail shrank for the first time in 2022 after the rapid growth acceleration in the years of the pandemic. According to the HDE, online sales declined by 2 percent in nominal terms and even by 6.9 percent in price-adjusted terms (source: HDE: Annual Press Conference of the German Retail Asso-

ciation, January 2023). For the current year, however, the HDE expects a return to growth and anticipates an increase in online sales of 8 percent to a new record of EUR 91.8 billion (half of the increase is to be due to price effects).

## Catch-up need in online SHAC trade

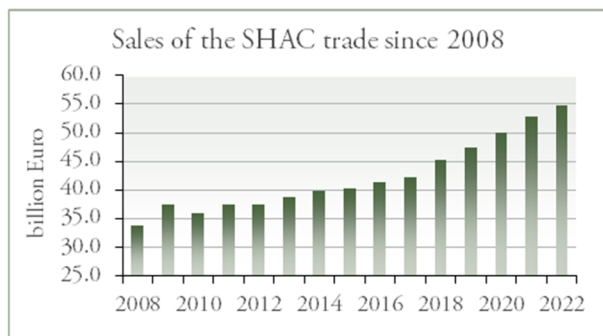
The shift towards e-commerce is particularly advanced in the fashion and consumer electronics/electronics sectors, where 46.5 percent and 44.0 percent of sales are now generated online and which therefore account for almost half of total online sales. In the DIY & garden market segment relevant to Selfio, on the other hand, the online share is only 8.6 percent, equivalent to EUR 3.7 billion generated online. However, the segment was one of the fastest growing areas in e-commerce in the years 2013 to 2021 and was only surpassed by the FMCG (significantly) and Home & Furnishing (just) segments. However, in 2021 itself, Selfio's target market was the slowest growing segment of online retail, due to normalisation and saturation following the pandemic-related DIY boom of 2020. HDE data for 2022 is not yet available, but in principle 3U is convinced that the shift towards online retail will continue at a high pace and expects the – more narrowly defined – online SHAC market to grow by an average of 10 percent through 2032.

## Construction activities shape demand

Regardless of the structural shift in the SHAC trade, its demand side is also determined by the development of the construction activities. In addition to new buildings, a particularly important part is played by repair and modernisation activities due to their usually high emphasis on the renewal of sanitary, heating and air conditioning installations. A good indicator of the dynamics prevailing in the market is the growth of the corresponding trade segment, which has been on an upward trend for years. The SHAC trade has recorded continuous growth since 2013 and has increased sales by over 40 percent during this period. The nominal growth also continued in the pandemic years as well



as in 2022, according to the industry association ZVSHK. For Selfio, however, it should also be noted that the company primarily addresses the end-customer market, which sometimes develops differently than the trade sector. For example, the lockdowns provided strong impulses in the DIY segment because many people used the time for expansion or renovation projects. The strong surge in inflation last year is also likely to have increased the relative attractiveness of DIY.



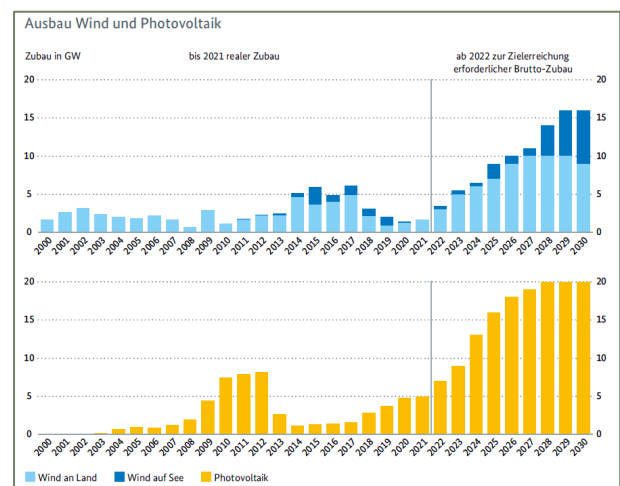
Source: ZVSHK

### Extraordinary boost in heating market

This assessment is also supported by the evaluations of the BHB (Handelsverband Heimwerken, Bauen und Garten), which, in its report on the 2022 financial year, states that the sanitary/heating/accessories product group had clearly above-average dynamics and growth of 24.4 percent to EUR 2.2 billion, while the sales growth of the SHAC trade is estimated by the ZVSHK to have been just under 4 percent. Both the skilled trades and the do-it-yourself sector benefited greatly last year from the massive increase in energy costs, which prompted many property owners to undertake modernisation measures. In addition, the heating sector has always been strongly determined by such aspects as subsidy programmes or regulations for the replacement of heating systems or the installation of energy-efficient cooling and ventilation systems, which is why the politically forced conversion of the heating industry in the direction of CO<sub>2</sub> neutrality creates a great need for action. For example, 500,000 new heat pumps would have to be installed each year to achieve the political goals.

### Political tailwind

Like the heating sector, the expansion of renewable electricity generation capacities is also likely to benefit massively from political efforts for more climate protection in the coming years. Germany, having meanwhile lost its pioneering role in this field, is attempting to revive the expansion momentum with the latest legislative changes and has set itself the goal of replacing 80 percent of fossil fuels in electricity generation with renewable energies by 2030 and completely by 2035. The legal prerequisites for this have recently been improved in planning law, among other things, although the allocation of areas suitable for wind farms still remains an important hurdle. For example, Germany is currently still far from the 2.0 percent area target set for 2032; currently, the areas declared suitable account for only 0.8 percent of the total area on average in Germany, of which, according to the German government, only 0.5 percent can actually be used. In order to accelerate the allocation of areas, a new legal basis was created with the “Onshore Wind Energy Act”.



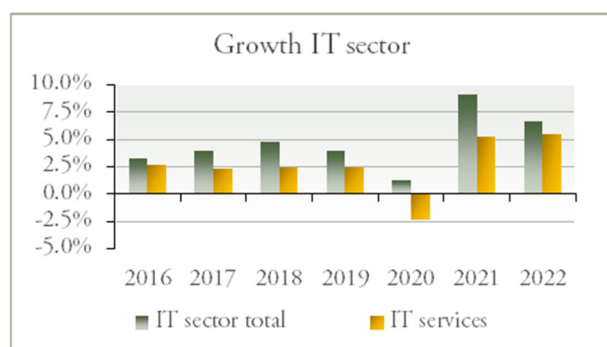
*Planned expansion of wind power and photovoltaics in Germany; Source: Federal Ministry for Economic Affairs and Climate Protection – Opening summary climate protection*

### High expansion targets

By adapting the legal framework, Germany aims to multiply the annual capacity growth to 22 GWp in the solar sector and 10 GW in onshore wind power, bringing capacity to 215 GWp (solar) and more than 115 GW (wind) by 2030 (see figure above). A com-



parison with the actual figures illustrates the increase in the capacity growth that these targets require: In 2022, 2.1 GW of new onshore wind power capacity was installed (net), which was 31 percent more than in 2021, but still only one fifth of the required volume. In the solar sector, the gap is not quite as large: here, the net additions last year were 7.2 GW (+26 percent) and thus one third of the target (source: BMWK: Renewable Energies 2022).

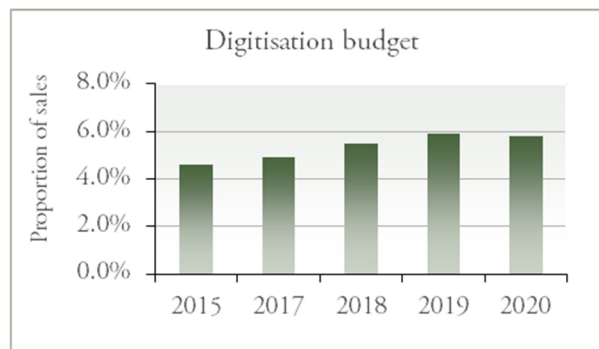


Source: BITKOM

### IT sector as growth engine

While 3U operates in markets with a foreseeable strong increase in demand in the SHAC and Renewable Energies segments, this only applies to a limited extent in the ITC segment. This is because in the telecommunications sector, which currently still generates the majority of the segment's revenue, the dynamics are only moderate overall, and the Voice Retail sub-section is even showing a clear downward trend. The total market for telecommunications services, the volume of which the industry association BITKOM estimates at EUR 49.6 billion for last year, has grown – according to BITKOM – by only 1.1 and 0.3 percent respectively in the last two years, and is expected to almost stagnate (+0.1 percent) this year. In contrast, the dynamics in the IT sector, in which 3U is active through the DCS&O and Managed Services areas, are completely different. It is one of the fastest-growing sectors of the German economy. According to BITKOM, the IT sector has grown by 9.1 and 6.6 percent respectively to EUR 118.9 billion in the last two years. Of this, EUR 48 billion is attributable to the IT services sector, in which the 3U activities mentioned above are located and which, although not quite as strong as the IT sector as a whole (whose dy-

namism benefits from the software industry), is still growing at a rate of 2.5 percent on average over the last ten years, which is above-average in the overall economic context. In the last two years, growth here has also accelerated to 5.3 and 5.5 percent, respectively, and BITKOM also expects growth of 4.7 percent in 2023, well above the long-term average (source: BITKOM).



Source: TCS – Nachhaltig geht nur digital

### Digitisation advancing

An important driver of demand is the digitisation of many areas of business and life, which has received an additional boost from the contact restrictions during the pandemic, because these have made it clear how important the digitisation of products, and much more so of processes, is for the crisis-proofing of business models (source: BITKOM – Corona führt zu einem Digitalisierungsschub). According to an annual survey conducted by BITKOM Research on behalf of the IT service provider Tata Consultancy Services (TCS) among almost 1,000 executives, digitisation is advancing consistently. When asked about the self-assessment of their own company with regard to the degree of digitisation (on a scale of 1 (at the beginning) to 10 (fully digitised)), the average answer in 2021 was 5.9, continuing the increase of around 0.1 p.a. that has been observed for years (source: TCS - Nachhaltig geht nur digital). The development of the budgets that companies spend on digitisation conveys the importance of the topic even more impressively. According to TCS, the average digitisation budgets of the surveyed companies steadily increased from 4.6 percent (of sales) to 5.9 percent between 2016 and 2019, before there was a slight decline to 5.8 percent in 2020 due to Covid-19. However, this is likely to remain

only an episode, as the trend seems to continue upwards. According to Lünendonk, 78 percent of companies are planning higher budgets for IT modernisation in 2023.

# Strategy

## Focus on three megatrends

The core of the group's strategy is to focus on three megatrends, which are addressed by the three segments: digitisation, renewable energies and online trade. The company sees a great need for action in all three areas, especially in Germany, which results from the low level of digitisation, especially in the lower middle class, the climate goals of politics and the planned conversion of the heating infrastructure. Accordingly, the range of products and services offered in the three segments is to be further developed and supplemented in order to meet this demand in a targeted manner.

## Diversified portfolio

From a group perspective, the three-pillar strategy offers a significant diversification advantage. This allows 3U to flexibly shift the focus of its activities and investments depending on market developments and the regulatory framework. For example, the political standstill in recent years led to only restrained strategic momentum in the Renewable Energies segment, but this is currently changing and offers 3U promising options. But also in operating terms, the three-segment structure has a risk-reducing diversification effect. The temporary weakness in online trading was compensated for by high earnings from electricity sales, and the expansion of Managed Services offers potential for further stabilisation of earnings.

## Opportunity-driven portfolio policy

At the same time, however, the current portfolio structure is not set in stone; rather, 3U is pursuing a flexible course in order to maximise added value from the group's perspective. This also explicitly implies the sale of subsidiaries or other assets such as wind farms or real estate. In recent years, 3U has repeatedly made such sales, of which of course the complete divestment of weclapp was by far the most spectacular and lucrative. This transaction in particular illustrates 3U's flexible approach, as a partial exit via IPO or the entry of

a PE investor had previously been planned. An IPO could also be on the cards for Selfio in the future, although the company still has to become bigger and more profitable for this. Overall, however, after last year's sale of weclapp, which ensured very high net liquidity despite the announced high dividend, the focus in the near future is likely to be more on acquisitions. These are possible in the SHAC segment to strengthen Selfio's market position, but also the non-organic expansion of the ITC business and there in particular the Managed Services could be realised when an opportunity arises. However, there are currently no plans for expansion outside the three segments.

## Project development and repowering

In the Renewable Energies segment, 3U intends to take advantage of the opportunities offered by the repowering of existing wind farms. Due to the framework conditions still in place, this is currently only possible for part of the largest wind farm in Langendorf, but this alone should provide an additional wind yield of 72,000 MWh per year after realisation. With a simplified assumption of an electricity price of EUR 100 per megawatt hour, this results in an additional sales potential of EUR 7.2 m per year. But 3U sees a great likelihood that the enormous need for action regarding the expansion of renewable power generation capacities will open up new repowering opportunities for at least some of the remaining wind farms, which would additionally increase the growth opportunities here. The same applies to the existing portfolio of wind energy projects, which, if realised in full, offers potential for additional capacities of 85 to 100 MW and thus for up to double the segment's current capacity.

## Expansion of the product range

For Selfio, a central pillar of its current and future strategy is the continued expansion of its product range. The company has pursued this strategy since its inception and, by gradually adding further products

and manufacturers, has by now been able to significantly reduce the weight of underfloor heating systems, which accounted for more than 75 percent of sales in 2011. The company currently sees an important growth area in heating, but balcony power plants also promise high demand.

### Own brands as a margin driver

The expansion of the product range does not only apply to the range of products on offer, but also the increase in the proportion of own brands. On the one hand, this offers a higher margin potential, and, on the other hand, it also allows Selfio to differentiate itself more strongly from the competition. This applies in particular to innovative solutions such as the innovative heating system recently submitted for patent application. Together with the expansion of the business with own brands, 3U also wants to increase its own depth of value creation and take over other parts of the production itself.

### Strengthening advisory competence

The strategic emphasis on the company's own advisory competence as an important differentiating feature in competition not only with other online retailers but also with stationary retailers (DIY stores) is also to be continued. In addition to the above-mentioned expansion of the range of video instructions, with which the company is also strengthening its online marketing, this also includes the (further) development of powerful configuration, comparison and calculation tools.

### Operating efficiency

Along with sales growth, Selfio also intends to improve its margins, primarily by improving the effi-

ciency of internal processes. After the relocation of the distribution centre to the new logistics property in Koblenz has already enabled noticeable improvements in efficiency and ensured sufficient capacity reserves for future growth, 3U is constantly working on optimising and, if possible, automating internal processes. The structure and design of the marketing and sales measures are also constantly reviewed and adapted. Among other things, Selfio has largely withdrawn from the large online marketplaces in recent years because the business generated through them was extremely fragmented and low-margin.

### Expansion of B2B business

The enlarged range is also intended to further increase the share of repeat buyers, which was naturally very low with the original focus on underfloor heating systems for do-it-yourselfers. This also includes the expansion of B2B online trading at Selfio and especially at PELIA, where 3U still sees great potential for systematic development. Here, the company ranks not so much the quality of advice as the speed of delivery and service as key competitive aspects.

### Reliable dividend policy

With regard to its own shareholders, 3U has positioned itself as a reliable dividend payer since 2017, distributing approximately half of its profit to shareholders. With the exception of 2021, the distribution has increased every year since then. 3U remains true to this course of letting shareholders participate in the company's success, also in view of the very high profit from the sale of weclapp, which is why the dividend for 2022 will reach a completely different dimension at EUR 3.20. Based on the current share price, this corresponds to a dividend yield of 59 percent.

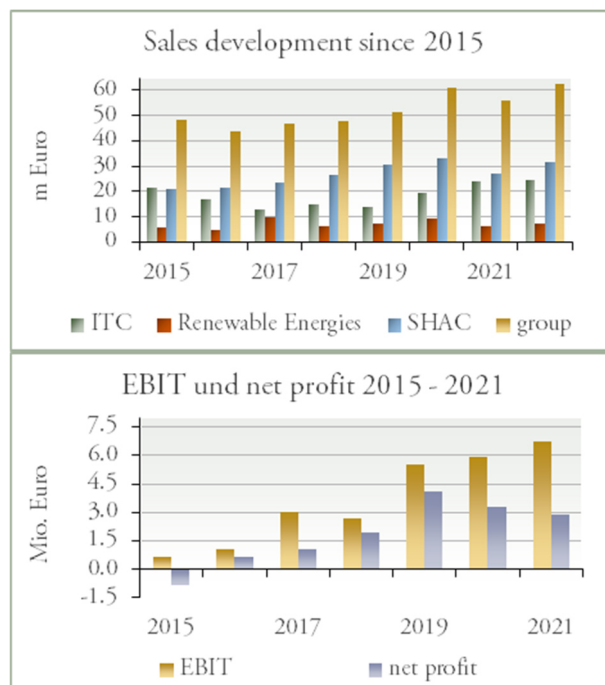
# Financials

## In growth mode since 2017

With the sale of weclapp in autumn 2022, a phase in the development of 3U has come to an end that was characterised by the strategic focus on weclapp and Selfio. This structure had been in place since 2015; prior to that, the separation from unprofitable business areas as well as regulatory changes in the telecommunications market and in the field of renewable energies had caused an overall decline in revenue, which reached its low point in 2016 at EUR 43.7 m. Since then, however, the group's revenue has grown almost continuously, most recently to EUR 62.7 m.

## Alternating growth phases

Although 3U also sold investments and wind farms during this period, and although the weclapp 2022 revenue was only included in the group figures for nine months, last year's revenues for the three segments were each around 45 percent above the level from 2016, but with different temporal patterns. The ITC segment was initially affected by the declining development of the Voice Retail business, which is why its revenue shrank until 2017 and remained below the previous year in 2019 again. Only a Covid-related special boom in the telephony business, combined with the sufficiently increased weight of weclapp, ensured a significant increase in growth momentum from 2020 onwards, so that ITC revenue increased by three quarters to EUR 24.7 m between 2019 and 2022 alone (although an acquisition of weclapp in 2021 also contributed to this). In contrast, due to the aftermath of the Covid pandemic (and due to the sale of an investment), the SHAC segment's most recent figure of EUR 31.5 m has not yet reached the level of 2020 (EUR 33.1 m). The sale of a wind farm and weak wind availability were the reasons that in 2022 the Renewable Energies segment was also unable to mark a new record high despite the higher electricity sales prices. At EUR 7.2 m, however, the previous year's figure was exceeded by 15 percent.



Source: Company;

## Consistently profitable since 2016

After the difficult business situation in the first half of the last decade was also associated with negative results, 3U has been able to report consistently positive EBITDA and EBIT figures since 2015, and since 2016 EBT and net income have also always been positive. Since then, profits have increased almost every year. The EBIT margin, which was still at 1.3 percent in 2015, reached double digits already in 2019 with 10.7 percent, rising further to 12.1 percent by 2021 before entering a completely different dimension last year due to the high profit from the weclapp sale. But even in previous years, the group EBIT and the group result benefited from lucrative transactions at the holding level, such as the sale of real estate, wind farms or subsidiaries. Accordingly, the contribution of other operating income to the result was large; on average over the five years to 2021, its share in gross profit was almost 22 percent.

Business figures	FY 2021	FY 2022	Change
Sales	55.9	62.7	+12.0%
Sales (cont.)	44.8	50.3	+12.4%
ITC*	12.1	12.1	+0.5%
Renewable Energies	6.3	7.2	+14.5%
SHAC	27.0	31.5	+16.9%
Other operating income	17.7	175.7	+894.3%
Gross profit**	45.4	206.6	+355.4%
Gross margin**	81.1%	329.8%	
EBITDA	11.3	165.6	+1,370.0%
ITC*	2.4	3.1	+32.1%
Renewable Energies	4.6	3.4	-26.6%
SHAC	-0.5	0.1	-
EBITDA margin	20.1%	264.3%	
ITC *	19.7%	25.8%	
Renewable Energies	73.6%	47.2%	
SHAC	-2.0%	0.4%	
EBIT	6.8	161.1	+2,282.6%
ITC *	1.9	2.7	+39.3%
Renewable Energies	1.9	1.4	-26.4%
SHAC	-1.1	-0.6	-
EBIT margin	12.1%	257.1%	
Pre-tax result	6.3	161.0	+2,459.6%
Pre-tax margin	11.2%	256.9%	
Net profit	2.9	159.0	+5,350.4%
Net margin	5.2%	253.7%	
Free cash flow	-23.2	164.4	-

m Euro and percent, source: Company; \*continued; \* incl. other operating income

## Exceptional year 2022

The good development of the last few years culminated in the huge jump in results in 2022, which was made possible by the good operating performance, the successful completion of the InnoHubs real estate project and, above all, the extremely lucrative sale of weclapp. As a result, gross profit increased in total by 355 percent to EUR 206.6 m, and the increase in EBITDA and subsequent earnings figures was even in the four-digit percentage range (up to 5,350 percent in net profit). In absolute terms, EBITDA, EBIT and net profit of EUR 165.6 m, EUR 161.1 m and EUR 159.0 m were well above last year's revenue. The decisive figure in last year's income statement was the other operating income, in which the profits from the

two transactions were booked and which therefore increased almost tenfold from EUR 17.7 m to EUR 175.7 m.

## Growth in all three segments

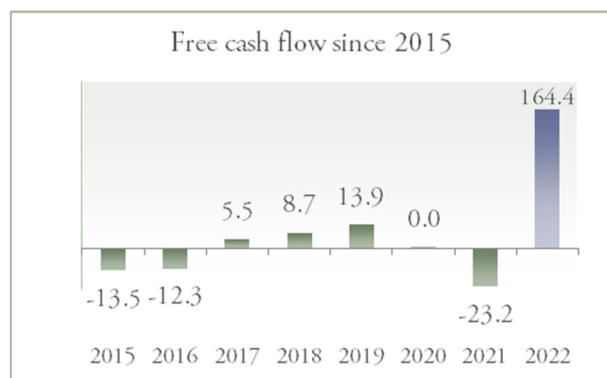
Compared to the earnings, the sales development was far less spectacular, but taken on its own, it was also very satisfactory in 2022. Although weclapp was only consolidated for nine months, the group sales increased by 12 percent to EUR 62.7 m. Even more important for the future, however, was the double-digit increase in revenue from continued operations, which rose by 12.4 percent to EUR 50.3 m. The dynamics were lowest in the continued ITC segment, which grew by only 0.5 percent to EUR 12.1 m due to the further decline in the Voice Retail business. The strongest momentum, on the other hand, was recorded in the SHAC segment, where the difficulties due to supply bottlenecks were overcome in the course of the year and growth for the entire year totalled 17 percent (to EUR 31.5 m). Sales growth in the Renewable Energies segment was also in the double-digit range (+15 percent to EUR 7.2 m), benefiting from higher electricity prices.

## Operating profitability improved

Despite the only very moderate sales growth in the ITC segment, a significant improvement in earnings was achieved there. At the EBITDA level, it amounted to +32 percent (to EUR 3.1 m) and is mainly explained by the shift in the sales structure towards the higher-margin Voice Business and DCS&O. The segment's EBITDA margin consequently increased from 19.7 to 25.8 percent. A significant improvement, albeit still at a lower level, was also achieved in the SHAC segment, whose operating result turned positive from EUR -0.5 m to EUR +0.1 m. This meant that, thanks to efficiency gains and savings in other cost types, 3U was even able to more than compensate for the steep rise in purchase prices, which could not be fully passed on to customers in the reporting year and therefore led to a gross margin reduced by 1.4 percentage points to 20.2 percent. On the other hand, earnings deteriorated despite sales growth in the Renewable Energies segment. Here, EBITDA decreased from EUR 4.6 m to EUR 3.4 m, which was due to



two special effects. On the one hand, 3U 2022 reviewed the fair value of the development projects for new wind farms capitalised in inventories and made value adjustments for a part of the portfolio for which the probability of profitable realisation was classified as low. On the other hand, the preparatory work for the repowering project in Langendorf was reflected in higher other expenses.



Source: Company; 2022 own scale!

## Enormous cash inflow

The extraordinary development of earnings has also left clear traces in the cash flow in 2022. Operating cash flow, which had been burdened in the previous year by the build-up of inventories and receivables in connection with the InnoHubs real estate project sold in 2022, turned from EUR -7.8 m in the previous year to EUR +16.5 m. Even more impressive was the turnaround in the investment cash flow, which had a negative balance of EUR -15.4 m in 2021, partly due to the acquisition of ITscope by weclapp, and in which the sale of weclapp led to a net cash inflow of EUR 147.8 m despite the increase in fixed capital investments from EUR 6.0 to 9.8 m. As a result, free cash flow improved from EUR -23.2 m in 2021 to EUR +164.4 m. Finally, as the financing cash flow also reached a positive balance of EUR 12.6 m due to the borrowing (deconsolidated after the sale) for the InnoHubs project in the first half of the year, the balance sheet liquidity (taking into account restricted funds) increased from EUR 12.7 m to EUR 189.7 m.

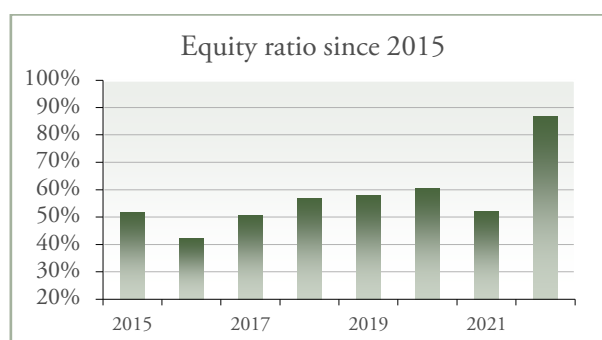
## Balance sheet shaped by liquidity

At the turn of the year, it thus accounted for more than three quarters of the balance sheet total, which

also increased significantly (by 105 percent) to EUR 243.6 m last year. Even less the financial liabilities of EUR 23.5 m still on the balance sheet, net liquidity amounted to EUR 173.2 m, after a net debt of EUR 18.2 m at the end of 2021. The second and third largest items on the assets side are property, plant and equipment worth EUR 28.4 m, which includes in particular the wind farms and the solar park, and inventories of EUR 10.8 m, which include in particular the SHAC segment's merchandise and the capitalised wind farm projects.

## Equity ratio of 87 percent

Thanks to last year's profit, the equity capital has also reached impressive proportions. It increased last year by 240 percent to EUR 211.2 m, which corresponds to an equity ratio of 86.7 percent in relation to the balance sheet total (previous year: 52.2 percent). At the same time, the disposal of weclapp and InnoHubs reduced the share of minority shareholders in equity from EUR 6.9 m to only EUR 0.8 m.



Source: Company

## Record dividend announced

However, the very high level of equity and liquidity will decrease noticeably after the upcoming Annual General Meeting (15 May) because 3U is planning a record dividend of EUR 3.20 per share. This should bring the total payout to EUR 117.5 m or 74 percent of last year's consolidated profit. Ceteris paribus, this will reduce equity to EUR 93.8 m or 74 percent of the balance sheet total, while balance sheet liquidity will fall to EUR 72.3 m or 57 percent of the balance sheet total. Nevertheless, the balance sheet structure remains extremely comfortable even after this very generous payout.



## Growth announced for 2023

After the exceptional year 2022, 3U Holding intends to continue sales growth in 2023. In specific terms, revenue is expected to be between EUR 55 m and EUR 60 m this year, representing organic growth of between 9 and 19 percent over last year's revenue from continued operations (EUR 50.3 m). On this basis, EBITDA is expected to be in the range of EUR 6.0 to 8.0 m and net income between EUR 2.5 and 3.5 m. While revenue growth is expected to come from the Renewable Energies and SHAC segments (in the ITC segment, on the other hand, lower telephony fees, which are largely a transitory item for 3U, will reduce revenue), the improvement in operating results is expected to be achieved in all three segments: in the ITC segment through a higher gross margin and a shift in the revenue mix towards more profitable business areas, in the Energy segment through higher electricity prices and by the absence of last year's special effects and in the SHAC segment through the combination

of economies of scale and product range effects as well as process improvements. The fact that the group's operating profit will nevertheless be below the – continued – comparative figure from 2022 is due to the absence of income from the property development business, which contributed EUR 6.4 m to the result last year through the sale of the InnoHubs project.

## New corporate headquarters planned

A new real estate project was recently announced. 3U plans to build a new company headquarters in Marburg, for which a plot of land has already been acquired for a mid-six-figure amount. A modern and energy-efficient office building is to be erected on it by the end of 2024, which will house both the parent company and all subsidiaries from Marburg. 3U intends to finance the project initially from the abundant liquidity and expects this to lead to rental savings of more than EUR 0.25 m per year.

# Equity story

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## On a profitable growth course

After a difficult phase with declining sales and partly high losses, 3U Holding returned to growth in 2016 and has since generated increasing revenue and positive results.

## Gigantic jump in profits in 2022

This positive development reached its peak last year, when especially the extremely lucrative sale of the most important strategic investment to date, the software subsidiary weclapp, led to a multiplication of earnings from EUR 2.9 m in the previous year to EUR 159.0 m – two and a half times last year's group revenue and more than the entire market capitalisation at the time of sale.

## Very high dividend announced

3U wants its shareholders to participate in this extraordinary profit in the form of a high dividend. The proposal to this year's Annual General Meeting (15 May) is for a distribution of EUR 3.20 per share, after EUR 0.02 in the previous year. Based on the current share price, this corresponds to an impressive dividend yield of 59 percent.

## Convincing track record

Even if the weclapp transaction far eclipses anything else in 3U's history to date, the experienced management team has already proved many times that it is able to identify promising trends or situations, make suitable investments to exploit them, successfully develop subsidiaries as well as other assets such as wind farms or real estate and realise the resulting value creation for the benefit of the shareholders as well. Aside from the weclapp transaction, six sales of real estate, subsidiaries and wind farms with a cumulative profit of more than EUR 15 m have been realised in recent years. The largest of these was the exit from the InnoHubs property development project, also completed in 2022, which generated a return of EUR 10.1 m on an own investment of EUR 3.7 m.

## Focus on three megatrends

However, the current portfolio has also good prospects and offers high growth opportunities. 3U divides its own activities into three segments, each of which addresses global megatrends: digitisation, the energy transition and online trade, with the 3U offering being geared in each case to the resulting demand in Germany. Thus, the company sees its growth opportunities in the ITC segment primarily as a provider of products and services with which SMEs can increase their level of digitisation: modern telecommunications (VoIP) and the outsourcing of IT infrastructure. In the Renewable Energies segment, 3U wants to benefit from the politically driven restructuring of the electricity industry towards regenerative energies, while in the SHAC segment, as the leading online provider in the SHAC sector, it wants to continue to assume a leading role in the shift in trading activities to e-commerce and currently sees great opportunities in the heating sector in particular.

## Proved growth strategy at Selfio

Selfio, the group's largest company, is located in the SHAC segment. The online retailer, which has won numerous awards, has grown at a CAGR of almost 30 percent since its launch in 2011 and contributes almost half of the current group sales. In competition, the company scores not least with its extensive advisory services, with which it can also compete with stationary retailers in the business with high explanation requirements. The advisory services include, among other things, several configuration solutions, free and fee-based planning services and, last but not least, a large number of explanatory videos, which, together with the sophisticated content marketing, ensure a high visibility of the platform on the web.

## Innovative solution for the heat market

A key point of the expansion strategy is also the continuous expansion of the product range, which now also includes balcony power plants and heat pumps

from Selfio. The self-developed and patent-pending concept of an innovative heating system, which is intended to noticeably reduce the planning and installation costs of heat pumps (currently a significant cost driver), also seems promising.

### Acquisition course announced

Organic growth could be complemented and accelerated by acquisitions both at Selfio and in the ITC segment. 3U aims to acquire employees (in the IT area) as well as customer bases with which the market position could be expanded more quickly. At Selfio, on the other hand, this would also allow both the product range and the volume of business to be expanded more rapidly, which would facilitate the achievement of economies of scale in purchasing, overhead and logistics.

### Logistics ready for the future

With regard to logistics, 3U has already created important conditions for further growth in recent years. With the construction and the move to a large, modern distribution centre in Koblenz in the spring of 2021, existing bottlenecks were eliminated, storage capacities created and, above all, a wide range of possibilities for process automation were opened up, from which the company now benefits in the form of lower costs. For example, personnel and material costs in the SHAC segment remained stable last year despite the robust sales growth.

### Great potential in the energy segment

After the segment Renewable Energies had played more the role of a cash cow for the development of other areas (especially weclapp) in previous years, it is now also expected to contribute significantly to earnings growth. The first concrete step has already been taken with the advanced repowering planning for part of the largest wind farm in Langendorf, which is expected to triple the electricity production there when completed in 2025. Further considerable potential could arise if the improvement in the general conditions, which is urgently needed in order to achieve the political goals regarding the expansion of renewable

electricity generation, also enables the repowering of the remaining sites and the development of the wind farm projects in the portfolio. Added together, this offers opportunities for additional generation capacities that would far exceed the ones 3U currently has.

### Excellent balance sheet

For the realisation of the growth plans, 3U has a very comfortable capital base, at the latest since the sale of weclapp. The equity ratio is expected to remain above 70 percent even after the distribution of the announced dividend of EUR 3.20 per share. Liquidity ex-dividend will also continue to account for more than half of the balance sheet total.

### Dynamic growth in 2023 as well

The company's outlook for 2023 shows that 3U has good growth prospects even after the sale of weclapp. It envisages an organic increase in revenue from continued operations of 9 to 19 percent to between EUR 55 and 60 m. The operating profit contributions of the three segments are also expected to increase noticeably, enabling an EBITDA of between EUR 6.0 and 8.0 m and a net result of between EUR 2.5 and 3.5 m. The fact that this falls short of the – continued – comparative figure from 2022 is only due to the absence of income from the property development business, which contributed EUR 6.4 m to the consolidated result last year through the sale of the InnoHubs project.

### Shareholder-friendly dividend policy

As in the past, 3U wants its shareholders to participate in the company's success and intends to continue to pay generous dividends. Even if the dividend amount of EUR 3.20 announced for this year, which currently corresponds to a dividend yield of 59 percent, will certainly remain unique for many years, the continuation of the previous distribution policy (around 50 percent of profits) promises respectable dividend payments for the future as well.

# DCF valuation

## Organic development

Last year's sale of the subsidiary weclapp, which until then had played a formative role in our model, has prompted us to make extensive adjustments to our estimates. Since 3U's business model explicitly includes both acquisitions and the sale of investments to realise the resulting value creation, it is not unlikely that it will always be necessary to make major changes to our model in response to such structural breaks in the future. However, since it is hardly possible to reliably estimate in advance when, which assets and at what conditions will be acquired or sold, we continue to consider it more advantageous to base our valuation on the organic development of the current group and to regard any acquisitions and sales, which according to past experience are predominantly value-enhancing, as an additional upside potential. Nevertheless, we have taken the publication of the annual report as an opportunity to revise our estimation model, which in the past, apart from the two main growth areas weclapp and Selfio, had been comparatively static for reasons of simplification. We had already taken a first step in this direction in autumn after the completion of the weclapp sale, and now we have used the improved database for further development. In particular, we modelled the activities in the ITC segment in more detail and, where it seemed appropriate, more dynamically; in addition, we have integrated the planned repowering project in the Renewable Energies segment and have also slightly dynamised the further electricity price development.

## Minor impact on 2023

Since the adjustments relate in particular to the growth dynamics of the individual sectors and an investment project that is only in the future (repowering), they impact primarily the further years of the detailed estimation period. For 2023, the estimates have therefore remained comparatively unchanged. We now expect consolidated sales of EUR 59.1 m, EBITDA of EUR 6.6 m and EBIT of EUR 2.6 m. So far, the estimates for these key figures have been EUR

56.9 m, EUR 6.9 m and EUR 2.7 m. The fact that the estimate of net profit has nevertheless increased from EUR 2.7 to 3.0 m euros is due to the upward adjustment of the financial income from the high net liquidity.

## Weight shift in the ITC segment

Unlike before, we now expect significant growth in the ITC segment for the next few years. This is supported by the DSC&O data centre activities and, above all, by the Managed Services business still included in it. Based on last year's sales of EUR 2.4 m, which, according to the annual report, represented a growth in external revenue of more than 50 percent, we have assumed growth rates of between 35 and 20 percent for the DSC&O business for the next few years, so that it would become the largest element of the ITC segment from 2028 onwards. For the previous heavyweight, Voice Business, we have also modelled further growth, but only to a moderate extent of 2.5 percent p.a. The telephony business with private customers (Voice Retail), on the other hand, will be completely phased out by 2026. We therefore assume that Deutsche Telekom's agreement with the independent providers will be extended by another two years. Overall, these assumptions result in a growth of the ITC segment from EUR 12.8 m this year to EUR 22.9 m in eight years.

## Repowering leads to sales jump

We now expect significant growth for the Renewable Energies segment as well. Here, sales should increase noticeably already in 2023, because significantly higher electricity prices were agreed for the Roge and Klostermoor wind farms for this year than for 2022. Assuming an average price of EUR 100 per MWh for Langendorf (this wind farm will be marketed variably this year) and the guaranteed feed-in tariff for the solar farm running until 2023, we estimate this year's revenue for the segment at EUR 9.1 m. In view of the growing demand for electricity (electromobility, heat pumps) and the existing or impending supply bottle-

necks (nuclear phase-out, droughts in Southern and Western Europe), we consider the current electricity price level to be sustainable and calculate with it for the next few years, plus a moderate increase of 2 percent p.a. In terms of capacities, we have now incorporated the planned repowering project in Langendorf and increased electricity production there to three times the current year's level from 2026. For 2024, on the other hand, we expect a decline due to the dismantling of seven turbines, which will also have a dampening effect in 2025, because the new turbines will not go into operation until later in the year. Overall, these assumptions result in an increase in revenue for the Renewable Energies segment from EUR 9.1 m to EUR 17.9 m for the period 2023 to 2030.

### Selfio remains portfolio heavyweight

We have adjusted the estimate for the SHAC segment comparatively little. We still assume that Selfio will be able to continue the dynamic organic growth of the past and reach a dimension of around EUR 65 m by 2030. In addition, we expect a strong jump in sales of 20 percent this year, in which the follow-up effects of last year's price increases will still be felt, after which we calculate with growth rates of between 15 and 10 percent. We also expect continued dynamic growth for PELIA but see the achievable pace noticeably below that of Selfio. Together, the SHAC segment is likely to increase sales to EUR 37.2 m this year (from EUR 31.5 m) and to EUR 74.0 m by 2030.

### Stable segment weights

This means that the SHAC segment is likely to account for almost two-thirds of consolidated revenue of EUR 115 m in eight years' time. The shares of the other two segments also remain largely unchanged, so that in our estimates the growth contributions are evenly distributed among the three areas addressed by 3U.

### Significant profitability improvement

As before, we expect 3U to be able to combine organic growth with a continued improvement in profitability, which should be fed by several sources. In the ITC segment, we assume that the expansion of the Managed Services business in particular could also further increase the already high profitability of the segment. However, as before, we expect the largest margin progress in the SHAC segment, where the combination of the increasing proportion of own brands, the introduction of innovative own products (heating systems) and the achievement of further economies of scale in purchasing, marketing and overhead should enable an EBITDA margin of up to 7 percent at the end of the detailed forecast period. We also expect increasing profitability for the segment Renewable Energies, where the decreasing average costs of the – already low – overhead and the assumed trend of moderately rising electricity prices should have a positive effect. At the group level, the relatively declining burden of holding costs over time should also be noticeable. Overall, as shown in our model, we believe that 3U can increase its EBITDA margin from an estimated 11.1 percent in the current year to 20.2 percent by 2030.

### Depreciation is losing weight

The most important investment to achieve these goals is the repowering project in Langendorf, for which we have assumed an investment of EUR 45 m. We have modelled the financing with 80 percent debt capital, which results in an annual interest burden of around EUR 1.8 m. With an assumed technical useful life of 25 years, additional depreciation of EUR 1.8 m p.a. must also be taken into account. We have not assumed any further major investment projects because 3U has already created the capital-intensive prerequisites for the planned growth in the past, both in the ITC segment (modern telecommunications network

Revenue model (m Euro)	2023	2024	2025	2026	2027	2028	2029	2030
ITC	12.8	13.8	14.8	15.9	16.7	18.5	20.5	22.9
Renewable Energies	9.1	7.4	12.5	16.7	17.0	17.3	17.6	17.9
SHAC	37.2	42.2	47.3	52.0	56.8	62.0	67.8	74.0
<b>Total sales</b>	<b>59.1</b>	<b>63.4</b>	<b>74.6</b>	<b>84.6</b>	<b>90.5</b>	<b>97.8</b>	<b>105.9</b>	<b>114.9</b>

*Estimates SMC-Research*



and data centres) and in the SHAC segment (primarily distribution centre). We have assumed an ongoing investment requirement of 1.5 percent of annual revenue. Finally, we have included the recently announced construction of a new corporate headquarters in Marburg as an explicit individual investment. These investment assumptions also result in higher depreciation and amortisation in absolute terms, but the increase remains only moderate in relation to the assumed revenue and EBITDA growth.

### Strong increase in EBIT margin

The combination of the assumed EBITDA and depreciation trends results in a significant growth of the group EBIT of EUR 2.6 m this year to EUR 17.9 m at the end of the detailed forecast period. This corresponds to an increase in the EBIT margin from 4.3 to 15.6 percent.

### Terminal Value with safety discount

The following table shows the model business development resulting from our assumptions for the years 2023 to 2030; detailed overviews of the estimates for balance sheet, income statement and cash flows statement can be found in the Annex. To determine the

terminal value as the present value of the cash flows from 2031 onwards, we have applied a 25 percent safety margin to the target EBIT margin for 2030 and consequently calculate an EBIT margin of 11.7 percent. The safety margin is now higher than before (10 percent), which we consider justified given the somewhat more aggressive margin assumptions in the detailed forecast period compared to previous estimates. We continue to expect a “perpetual” cash flow growth of 1 percent p.a. from 2031.

### Discount rate

We discount the free cash flow resulting from these assumptions with the WACC (Weighted Average Cost of Capital). The cost of equity is determined using the Capital Asset Pricing Model (CAPM). For the safe interest rate, we are guided by the German current yield and use 2.5 percent, and for the market risk premium we use the average value for Germany, which is currently 5.8 percent (source: Survey: Market Risk Premium and Risk-Free Rate used for 81 countries in 2020). Combined with a beta of 1.1, this results in a cost of equity of 8.9 percent. With borrowing costs of 5.0 percent and a target debt ratio increased from 20 to 30 percent due to the repowering project now taken

m Euro	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030
Sales	59.1	63.4	74.6	84.6	90.5	97.8	105.9	114.9
Sales growth		7.1%	17.8%	13.4%	7.0%	8.0%	8.3%	8.5%
EBIT margin	4.3%	2.0%	7.1%	12.1%	12.5%	13.2%	13.8%	15.6%
<b>EBIT</b>	<b>2.6</b>	<b>1.2</b>	<b>5.3</b>	<b>10.3</b>	<b>11.3</b>	<b>12.9</b>	<b>14.6</b>	<b>17.9</b>
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Adjusted tax payments	0.8	0.4	1.6	3.1	3.4	3.9	4.4	5.4
<b>NOPAT</b>	<b>1.8</b>	<b>0.9</b>	<b>3.7</b>	<b>7.2</b>	<b>7.9</b>	<b>9.0</b>	<b>10.3</b>	<b>12.5</b>
+ Depreciation & Amortisation	3.1	3.2	5.2	5.2	5.3	5.4	5.5	4.5
+ 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
<b>Gross operating Cash Flows</b>	<b>5.2</b>	<b>4.3</b>	<b>9.2</b>	<b>12.7</b>	<b>13.5</b>	<b>14.7</b>	<b>16.0</b>	<b>17.3</b>
- Increase Net Working Capital	-0.5	-0.6	-0.7	-0.7	-0.8	-0.9	-0.9	-1.0
- Investments in fixed assets	21.0	-41.5	-11.1	-1.3	-1.4	-1.5	-1.6	-1.7
<b>Free Cash Flows</b>	<b>25.7</b>	<b>-37.7</b>	<b>-2.6</b>	<b>10.7</b>	<b>11.4</b>	<b>12.3</b>	<b>13.5</b>	<b>14.6</b>

*SMC estimation model*

into account, as well as a tax rate for the tax shield of 30 percent, this results in a WACC rate of 7.3 percent (previously: 7.8 percent).

### Price target: EUR 6.20 per share

In our preferred scenario (perpetual growth 1.0 percent, WACC 7.3 percent), these assumptions result in a market value of equity (after minority interests) of EUR 227.4 m or EUR 6.20 per share which we set as the new price target of EUR 6.20. Since a large part of the current value is attributable to the non-operating assets, which will be massively reduced with the announced dividend, we also explicitly state the ex-dividend price target, which we currently see at EUR 3.00. It should be noted that our estimates are based exclusively on the projection of organic development and consequently do not include contributions from the parent company's investment business, which has proved to be extremely value-adding in the past.

### Slightly increased estimation risk

In addition to the fundamental fair value calculation, we assess the estimation risk on a scale from 1 (very low) to 6 (very high). In most of its subsidiaries, 3U pursues established business models, tried and tested for years. However, our model assumes some developments for the future whose probability of occurrence is relatively uncertain. These include the continued

pace of growth and, even more so, the margin development at Selfio, the market success of the new Managed Services activities and the realisation of the re-powering project of the wind farm in Langendorf in line with planning and budget. Overall, we therefore consider it appropriate to classify the forecast uncertainty as slightly increased and award four of a maximum of six possible risk points.

### Sensitivity analysis

For our sensitivity analysis, we have varied the input parameters WACC and perpetual growth. The calculated fair value lies between EUR 5,47 per share in the most restrictive case (WACC of 8.3 percent and perpetual growth of 0 percent) and EUR 7,59 in the most optimistic case.

Sensitivity analysis WACC	Perpetual cash flows growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
6.3%	7.59	7.21	6.89	6.64	6.42
6.8%	7.06	6.76	6.51	6.31	6.13
7.3%	6.64	6.40	6.20	6.02	5.88
7.8%	6.29	6.09	5.93	5.78	5.66
8.3%	5.99	5.83	5.69	5.57	5.47



## Conclusion

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With last year's sale of the software company weclapp, which had significantly determined both the strategy and the external perception of the 3U Group in recent years, 3U ended a phase of corporate development with a sensational success. The transaction generated a profit of over EUR 140 m, which multiplied both consolidated profit and cash flow in 2022. With a net profit of EUR 159 m and a free cash flow of EUR 164 m, the achieved levels were not only well above the averages of previous years, but also well above group sales.

As extraordinary as the weclapp deal was in terms of the amount of profit achieved, it was not the only transaction in recent years that 3U was able to close with a high profit. With sales of wind farms, real estate and subsidiaries, the 3U management has already shown several times that it knows very well how to

identify and take advantage of opportunities that arise for value-creating transactions. We see this proved expertise as the company's most important asset, which is why we are confident that 3U will continue to be able to profitably invest the very high liquidity that will remain with the company even after the distribution of the announced record dividend.

But the current portfolio, which had previously been overshadowed by weclapp, still offers great potential as well. We see good opportunities for strong revenue growth and rising margins in all three segments (ITC, Renewable Energies and SHAC) and have reflected this in our estimation scenario. On this basis, we now see the fair value at EUR 6.20 (or EUR 3.00 ex-dividend) and confirm our previous "Buy" rating.

# Annex I: Balance sheet and P&L estimation

## Balance sheet estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
<b>ASSETS</b>									
I. Total non-current assets	34.1	32.1	69.5	74.6	69.8	64.9	60.2	55.4	51.7
1. Intangible assets	2.3	2.1	1.8	1.7	1.5	1.4	1.3	1.2	1.1
2. Tangible assets	31.0	29.2	66.9	72.1	67.4	62.7	58.1	53.4	49.8
II. Total current assets	209.5	98.3	104.4	99.9	105.5	109.1	112.6	116.1	119.1
<b>LIABILITIES</b>									
I. Equity	211.2	98.7	96.7	96.1	99.0	100.0	101.3	102.8	105.3
II. Accruals	2.0	2.3	2.5	2.8	3.1	3.3	3.6	3.9	4.2
<b>III. Liabilities</b>									
1. Long-term liabilities	18.5	17.3	58.5	59.1	56.4	53.5	50.3	46.8	42.9
2. Short-term liabilities	11.9	12.1	16.1	16.5	16.8	17.2	17.6	18.0	18.5
<b>TOTAL</b>	<b>243.6</b>	<b>130.4</b>	<b>173.9</b>	<b>174.5</b>	<b>175.3</b>	<b>174.0</b>	<b>172.8</b>	<b>171.4</b>	<b>170.8</b>

## P&L estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales	62.7	59.1	63.4	74.6	84.6	90.5	97.8	105.9	114.9
Gross profit	30.9	22.2	22.6	30.1	36.5	39.2	42.5	46.3	50.7
EBITDA	165.6	6.6	5.3	11.4	16.4	17.5	19.1	21.0	23.2
EBIT	161.1	2.6	1.2	5.3	10.3	11.3	12.9	14.6	17.9
EBT	161.0	4.5	2.4	4.4	9.2	10.5	12.2	14.2	17.7
EAT (before minorities)	159.4	3.2	1.7	3.1	6.4	7.3	8.6	9.9	12.4
EAT	159.0	3.0	1.5	2.9	6.3	7.2	8.4	9.8	12.2
EPS	4.33	0.08	0.04	0.08	0.17	0.20	0.23	0.27	0.33

## Annex II: Cash flows estimation and key figures

### Cash flows estimation

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
CF operating	16.5	6.9	5.4	8.7	12.0	13.0	14.2	15.7	17.0
CF from investments	147.8	-2.0	-41.5	-11.1	-1.3	-1.4	-1.5	-1.6	-1.7
CF financing	12.6	-116.8	41.3	-3.0	-6.3	-9.2	-10.5	-12.0	-13.7
Liquidity beginning of year	12.7	189.7	77.8	83.1	77.6	82.2	84.5	86.8	88.9
Liquidity end of year	189.7	77.8	83.1	77.6	82.2	84.5	86.8	88.9	90.5

### Key figures

Percent	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales growth	12.0%	-5.6%	7.1%	17.8%	13.4%	7.0%	8.0%	8.3%	8.5%
Gross margin	49.4%	37.5%	35.7%	40.3%	43.2%	43.3%	43.5%	43.8%	44.1%
EBITDA margin	264.3%	11.1%	8.3%	15.2%	19.4%	19.4%	19.6%	19.9%	20.2%
EBIT margin	257.1%	4.3%	2.0%	7.1%	12.1%	12.5%	13.2%	13.8%	15.6%
EBT margin	256.9%	7.6%	3.8%	5.8%	10.8%	11.6%	12.5%	13.4%	15.4%
Net margin (after minorities)	253.8%	5.1%	2.4%	3.9%	7.4%	7.9%	8.6%	9.3%	10.6%

# Disclaimer

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## *Editor*

sc-consult GmbH

Alter Steinweg 46

48143 Münster

Internet: [www.sc-consult.com](http://www.sc-consult.com)

Phone: +49 (0) 251-13476-94

Telefax: +49 (0) 251-13476-92

E-Mail: [kontakt@sc-consult.com](mailto:kontakt@sc-consult.com)

## *Responsible analyst*

Dipl. Volkswirt Dr. Adam Jakubowski

## *Charts*

The charts were made with Tai-Pan ([www.lp-software.de](http://www.lp-software.de)).

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## *II) Preparation and updating*

The present financial analysis was prepared by: Dipl. Volkswirt Dr. Adam Jakubowski

Participants in the preparation of the present financial analysis:

The present analysis was finished on 02.05.2023 at 7:46 and published on 02.05.2023 at 8:20.

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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.

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Date	Investment recomm.	Price target	Conflict of interests
15.03.2023	Buy	5.70 Euro	1), 3)
02.03.2023	Buy	5.50 Euro	1), 3), 4)
15.11.2022	Buy	5.60 Euro	1), 3), 4)
12.09.2022	Buy	5.50 Euro	1), 3), 4)
18.08.2022	Buy	3.60 Euro	1), 3), 4)
16.05.2022	Buy	3.70 Euro	1), 3)
13.04.2022	Buy	3.70 Euro	1), 3), 4)
17.11.2021	Hold	4.40 Euro	1), 3), 4)
31.08.2021	Buy	3.80 Euro	1), 3), 4)
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In the course of the next twelve months, sc-consult GmbH will presumably prepare the following financial analyses for the company: two updates and two comments.

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