March 31st, 2020
Research update

SMC Research
Small and Mid Cap Research

THOMSON REUTERS ANALYST AWARDS 2018 WINNER
THOMSON REUTERS ANALYST AWARDS 2017 WINNER

3U Holding AG

Growth to continue in 2020 despite coronavirus

Rating: Buy (unchanged) | **Price:** 1.38 € | **Price target:** 1.90 € (prev.: 2.40 €)

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

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

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

Recent business development

Basic data

Based in:	Marburg
Sector:	Software / E-Commerce
Headcount:	205
Accounting:	IFRS
ISIN:	DE0005167902
Ticker:	UUU:GR
Price:	1.38 Euro
Market segment:	Prime Standard
Number of shares:	35.3 m
Market Cap:	48.7 m Euro
Enterprise Value:	51.0 m Euro
Free Float:	63.7 %
Price high/low (12M):	1.79 / 0.85 Euro
Ø turnover (Xetra, 12 M):	39,400 Euro / day

Last year, 3U generated sales of EUR 51.4 m, EBITDA of EUR 10.1 m and net income of EUR 4.1 m. This fulfilled the forecast and continued the positive trend of previous years. The management is also confident about 2020 and, regardless of the corona crisis, intends to continue sales growth and at least maintain stable earnings. 3U bases this confidence on the specifications of the subsidiaries' business models, which make possible at least a stable development in the current environment. This applies especially to the Renewable Energies segment and the B2B telephony business, but positive effects are also conceivable for the two growth drivers Selfio and weclapp due to a shift in demand towards e-commerce and cloud solutions. However, with regard to just these two subsidiaries, their business could be hurt by crisis-related income effects on the demand and customer acquisition could be curbed; moreover, at Selfio, disruptions to the supply chain and logistics cannot be ruled out. We have therefore adopted a more cautious approach and are calculating for 2020 with results below those of the previous year. Our price target was therefore reduced to EUR 1.90, but the rating remains "Buy".

FY ends: 31.12.	2017	2018	2019	2020e	2021e	2022e
Sales (m Euro)	46.9	48.0	51.4	56.8	65.6	76.0
EBIT (m Euro)	3.0	2.7	5.5	2.7	6.6	7.1
Net Profit	1.1	1.9	4.1	0.9	3.5	3.6
EPS	0.03	0.05	0.12	0.03	0.10	0.11
Dividend per share	0.02	0.03	0.04	0.03	0.04	0.04
Sales growth	7.2%	2.3%	7.2%	10.5%	15.4%	15.8%
Profit growth	65.4%	81.5%	111.7%	-76.8%	267.4%	3.3%
PSR	1.00	0.98	0.92	0.83	0.72	0.62
PER	44.2	24.4	11.5	49.6	13.5	13.1
PCR	7.1	79.2	10.1	7.0	5.0	4.8
EV / EBIT	16.5	18.2	9.0	17.9	7.5	6.9
Dividend yield	1.4%	2.2%	2.9%	2.2%	2.9%	2.9%

Renewed sales growth

In 2019, the 3U Group increased sales by 7.2 percent to EUR 51.4 m, thus growing for the third year in a row. The company's own forecast (EUR 51.0 to 55.0 m) was also met. The cloud software specialist weclapp again recorded the highest dynamics, increasing its revenues by 53 percent to EUR 4.6 m. The highest growth in absolute terms, however, achieved the e-commerce subsidiary Selfio, with sales rising by EUR 3.2 m to EUR 20.6 m (+18 percent). Selfio thus made a decisive contribution to the growth of the SHAC segment, whose sales climbed by 14 percent to EUR 30.4 m. Sales in the Renewable Energies segment increased even more strongly, rising by 15 percent to EUR 7.2 m thanks to better wind availability and a small consolidation effect. In contrast, despite the high growth of weclapp, sales of the ITC segment remained below the previous year (-5 percent) at EUR 14.1 m, which was due to the declining revenues in the telephony and data centre business. In the telephony area, this was due on the one hand to the continued structural decline in business with retail customers, and on the other to a price effect resulting from the reduction in transmission fees imposed by the regulatory authority. As a result, despite the stable demand (according to the company), sales in the Voice Business Customer segment also declined by 26 percent to EUR 5.0 m. However, this was offset on the gross profit level by a decrease in the cost of materials.

weclapp's customer structure changed

In line with its strategy, weclapp has succeeded in attracting larger customers in 2019, which is reflected in a significant increase in recurring revenues per month and new customer from EUR 120 in the previous year to EUR 160. This more than compensated for the somewhat lower number of new customers (839 after 865), which the company considers, upon enquiry, to be a snapshot in any case, pointing to strong new customer momentum in January and February. 3U is also satisfied with the development of partner sales, established last year, and expects this sales channel to make a significant contribution to growth for the first time in 2020. Internationalisation is also to be promoted in 2020. Currently, weclapp is working at full speed on the transfer of online marketing to other languages and wants to have a visible online presence in the respective national language in several European countries by the end of the year.

Business figures	FY 2018	FY 2019	*Change*
Sales	-	51.45	*+7.2%*
ITC	14.78	14.06	*-4.8%*
Renewable Energies	6.30	7.22	*+14.7%*
SHAC	26.67	30.38	*+13.9%*
Selfio	17.42	20.61	*+18.3%*
weclapp	3.03	4.65	*+53.2%*
Gross profit*	24.72	30.68	*+24.1%*
*Gross margin**	*51.5%*	*59.6%*	
EBITDA	6.72	10.10	*+50.3%*
ITC	1.90	2.79	*+46.7%*
Renewable Energies	3.98	4.90	*+23.1%*
SHAC	0.41	-0.09	-
EBITDA margin	*14.0%*	*19.6%*	
ITC	*12.9%*	*19.9%*	
Renewable Energies	*63.3%*	*67.9%*	
SHAC	*1.5%*	*-0.3%*	
EBIT	2.71	5.50	*+103.3%*
ITC	1.53	2.09	*+36.8%*
Renewable Energies	1.21	1.95	*+61.1%*
SHAC	0.31	-0.39	-
EBIT margin	*5.6%*	*10.7%*	
Pre-tax result	1.83	4.65	*+153.7%*
Pre-tax margin	*3.8%*	*9.0%*	
Net profit	1.93	4.09	*+111.7%*
Net margin	*4.0%*	*8.0%*	

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

Gross profit grows by a quarter

Consolidated gross profit increased much more strongly than sales, rising by 24 percent to EUR 30.7 m. However, this figure also includes other income, which increased by 68 percent to EUR 8.0 m thanks to property sales. But even adjusted for this effect, the increase in gross profit of just under 14 percent was almost double the sales growth. The gross profit rose particularly strongly in the ITC segment, where weclapp's increasing weight and lower transmission fees resulted in a 20 percentage points increase in the gross margin to 72 percent. But even in the highly competitive SHAC segment, the gross margin improved by one percentage point to 25.3 percent, which the company attributes to the introduction of own brands and volume effects.

EBITDA target achieved

EBITDA increased by 50 percent to EUR 10.0 m, reaching the forecast of EUR 10 to 12 m raised in August (previously: EUR 7 to 9 m) at the lower end. This was made possible especially by the lucrative property sales, without which the company says it would not have achieved its original forecast. 3U explains this primarily with the persistently high logistics costs in the SHAC segment and the expansion of personnel capacities at weclapp. Across the Group, personnel expenses rose thus by 13 percent to EUR 11.7 m, while the growth in other operating expenses was − at 16 percent − even higher than the growth in gross profit adjusted for the development of other operating income. Broken down by segment, EBITDA increased most in the ITC segment (+47 percent to EUR 2.8 m), followed by the Renewable Energies segment (+23 percent to EUR 4.9 m). In contrast, the operating result in the SHAC segment declined and slipped slightly into the red at EUR -0.1 m. The deficit was incurred by Pelia, the subsidiary responsible for logistics, while Selfio itself was able to improve EBITDA by almost a third.

EBIT doubled

With depreciation and amortisation up 15 percent to EUR 4.6 m, reflecting the first-time application of IFRS 16, EBIT doubled to EUR 5.5 m. As the financial result even improved slightly at the same time, profit growth at EBT level amounted to 154 percent (to EUR 4.7 m). After taxes and minority interests, profit amounted to EUR 4.1 m and was thus 112 percent above the previous year's figure and within the target range of EUR 4 to 5 m.

Cash flows at record level

The operating cash flow also developed very satisfactorily. Thanks to higher earnings and a slower build-up of inventories and receivables it multiplied from EUR 0.6 to 4.7 m. Since the investment cash flow was again clearly positive as well (EUR 9.2 m), thanks to the high inflows from the sale of properties, free cash flow totalled EUR 13.9 m, almost 60 percent more than in the previous year. The cash flow from financing activities contained further cash inflow of EUR 1.6 m from the sale of treasury shares and cash outflows of EUR 7.3 m for dividends, repayments and leasing. Overall, balance sheet liquidity improved in the course of 2019 from EUR 12.3 to 20.6 m.

Net liquidity and high equity ratio

As we expected, the combination of increased liquidity and reduced financial liabilities has transformed net debt, which had still amounted to EUR 10.9 m at the end of 2018, into net liquidity of EUR 2.8 m. Equity also improved further and at the turn of the year amounted to EUR 47.2 m or 58.7 percent of the balance sheet total (previous year: EUR 42.4 m or 57.0 percent), which itself increased from EUR 74.5 m to EUR 80.5 m. A large part of the increase in total assets was due to the first-time application of IFRS 16.

Optimistic forecast...

As a target for the current year, 3U has named a sales range of EUR 58 to 63 m, on the basis of which EBITDA of EUR 10 to 12 m and net profit of EUR 2 to 3 m are to be generated. The earnings target includes income in the low single-digit million range, which is to be realised from the disposal of assets. In addition to individual wind farms, this could include further properties and advance sales of parts of the real estate project in Würzburg.

...despite corona

Despite the current corona crisis, 3U has confirmed this forecast, giving several reasons. They include the contribution of the Renewable Energies segment, which is not only almost completely unaffected by current developments, but is also heading for new record figures in the first quarter thanks to the acquisition made in December and the very good wind conditions in the year to date. On this basis, assuming reasonably normal wind availability and solar radiation, 3U expects significant growth in sales and profits in the coming months. 3U also sees positive rather than negative effects of the corona crisis for the telephony area and reports high capacity utilisation. In principle, weclapp and Selfio could also benefit from the fact that companies are increasingly shifting their activities to the home office and need powerful cloud solutions for this (weclapp) or that the restrictions on stationary trade could provide an additional boost for e-commerce (Selfio). Selfio could also benefit from the higher time availability of many do-it-yourselfers. On the other hand, it remains to be seen how strongly the negative income effects will weigh on demand in this area. Corona-related disruptions in the supply chain and logistics cannot be ruled out either, especially at Selfio. Upon enquiry, however, the company was able to confirm that it has not yet been affected. At weclapp, negative effects are also conceivable if companies from the customer base should get into difficulties, but in principle the business is very stable thanks to the focus on recurring revenues.

High investments planned

It also remains to be seen whether the corona crisis will lead to delays in the realisation of current investment plans. 3U plans larger projects in four areas, of which the construction of a new logistics location for the SHAC segment has the highest priority. For this purpose, a building plot near Koblenz was acquired in mid-March, on which a distribution centre is to be built by 2021 for a total of EUR 11 m. On the other hand, it is not yet entirely clear to what extent the real estate development in Würzburg will be included in 3U's accounts. The decision as to which parts of the development 3U will realise itself and which will be sold earlier will probably only be made when the current planning phase is completed. Finally, in its annual report, 3U talks about the purchase of a further wind farm, which was already planned for 2019 and could be finalised this year. Furthermore, 3U is pursuing external growth for weclapp and, according to its own statements, is in an active initiation process. However, the outcome of this process is still open.

Estimates more cautious

Given the characteristics of the business models pursued by 3U, we also assume that the growth course can be continued in 2020 despite the corona crisis. However, we have reduced the growth assumptions compared to the previous approach. Among other things, we have halved the growth rate of weclapp assumed for 2020 from 50 percent to 25 percent, and we have also modelled Selfio's expansion more cautiously at 10 percent. For ClimaLevel, as for the rest of the ITC segment, we assumed a ten percent decline, although this assumption had already existed for the ITC segment. In the Renewable Energy segment, on the other hand, we have raised our revenue expectations somewhat and now expect growth of 24 percent. Overall, we calculate thus with a 10 percent increase in sales to EUR 56.8 m in 2020, which is below the target set by 3U. Subsequently, we assumed a catch-up effect (especially for weclapp, but also for Selfio) and increased the expansion rates for 2021. At Group level, we expect sales of EUR 65.6 m in 2021, which is only just under EUR 1 m below the old estimate. We assume further growth to EUR 156 m by the end of the detailed forecast period, not including any external growth.

Earnings estimate for 2020 lower

The lower sales expectation also results in a reduced profit estimate, which is therefore also below the company guidance. The EBITDA, which we had previously estimated at EUR 9.4 m, we now expect to reach EUR 8.5 m. As before, this figure includes a profit contribution of EUR 2 m from the disposal of assets. For the EBIT we now expect a decline to EUR 2.7 m (previously: EUR 4.8 m), resulting in a net income of EUR 0.9 m after taxes and minorities. As with sales, we assume that margins will subsequently become much more dynamic as well and expect a double-digit EBIT margin again as early as 2021. In contrast to our previous estimates, however, this figure already includes additional income from the Würzburg project, which we initially covered with blanket assumptions in the absence of concrete data. We have estimated the

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	56.8	65.6	76.0	86.3	100.9	117.3	136.3	155.8
Sales growth		15.4%	15.8%	13.6%	17.0%	16.2%	16.2%	14.3%
EBIT margin	4.8%	10.0%	9.4%	8.6%	7.6%	8.5%	9.7%	10.5%
EBIT	**2.7**	**6.6**	**7.1**	**7.5**	**7.7**	**9.9**	**13.2**	**16.4**
Tax rate	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%
Adjusted tax payments	0.8	2.0	2.1	2.2	2.3	3.0	3.9	4.9
NOPAT	**1.9**	**4.6**	**5.0**	**5.2**	**5.4**	**7.0**	**9.2**	**11.5**
+ Depreciation & Amortisation	5.8	6.0	5.9	4.9	4.4	3.9	3.9	3.8
+ Increase long-term accruals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating Cash Flows	7.8	10.7	11.0	10.2	9.9	11.0	13.3	15.3
- Increase Net Working Capital	-0.3	-0.4	-0.4	-0.5	-0.6	-0.7	-0.8	-0.9
- Investments in fixed assets	-12.9	-13.6	-2.6	-2.7	-2.8	-2.8	-2.9	-2.9
Free Cash Flows	**-5.4**	**-3.3**	**8.0**	**7.0**	**6.6**	**7.5**	**9.6**	**11.5**

resulting income at around EUR 10 m for the period 2021 to 2023, but this is offset by additional investments of a comparable amount this year and next. We believe this approach is sufficiently cautious. The model's target EBIT margin for 2027 is now 10.5 percent, which is also slightly below the previous estimate, mainly due to the investment-related higher depreciation. The table on this page shows the model business development resulting from our assumptions for the years 2020 to 2027; detailed overviews of the estimates for balance sheet, income statement and cash flows statement can be found in the Annex.

Framework data unchanged

We have left the basic data of the model unchanged. We continue to discount the cash flows resulting from our estimates at a WACC rate of 7.5 percent, based on a cost of equity of 9.5 percent (consisting of: beta factor: 1.3, risk-free interest rate: 1.0 percent, risk premium 6.5 percent), borrowing costs of 4.0 percent and a target debt ratio of 30 percent. The assumptions used to determine the terminal value have also remained the same: In order to reduce risk, we continue to use a 30 percent safety margin discount on the target EBIT margin for 2027 and a "perpetual" growth rate of 1 percent.

Target price: EUR 1.90 per share

The model leads to a market value of equity of EUR 65.3 m or EUR 1.91 per share, from which we derive our new price target of EUR 1.90. Compared to our last update, the price target has been reduced somewhat due to the now more cautious estimates, but in relation to the current price it still signals a high upside potential of almost 40 percent. We also continue to rate the estimation risk as slightly above average, awarding four out of six possible points.

Sensitivity analysis

When the input parameters are varied for our sensitivity analysis (WACC between 6.5 and 8.5 percent and perpetual cash flows growth between 0 and 2 percent), the fair value of the share lies between EUR 1.41 and EUR 2.85.

Sensitivity analysis	Perpetual cash flows growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
6.5%	2.85	2.60	2.39	2.22	2.07
7.0%	2.50	2.30	2.13	1.99	1.87
7.5%	2.21	2.05	**1.91**	1.80	1.70
8.0%	1.97	1.84	1.72	1.63	1.54
8.5 %	1.76	1.66	1.56	1.48	1.41

Conclusion

Last year, 3U achieved its sales and profit targets, thus continuing the positive development of previous years. Once again, the software specialist weclapp achieved the highest dynamics within the group, increasing its sales by half while remaining highly profitable. The earnings of the Renewable Energies segment also developed very satisfactorily in 2019, while the SHAC segment, even though it has again grown dynamically thanks to the e-commerce subsidiary Selfio, has slipped into the red due to high logistics costs.

To remedy this weakness, 3U recently acquired a building plot on which a new distribution centre is to be built by 2021. However, it remains to be seen whether the plan can be implemented without delay in view of the current corona crisis. This is also true for the other investment plans as well as the company's own targets for 2020, which include further growth and at least stable results.

We have adopted a more cautious approach to our estimates. Although we also expect revenues to rise, we have reduced the pace and assumed that earnings will decline. As a result, the fair value we determined has been reduced to EUR 1.90 per share, which, however, still indicates a high upside potential compared to the current share price. In conjunction with the distinct balance sheet and financial solidity and the promising positioning, we continue to see a convincing overall picture and confirm the "Buy" rating.

Annex I: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
ASSETS									
I. Total non-current assets	45.7	52.7	60.3	57.0	54.8	53.2	52.1	51.1	50.3
1. Intangible assets	2.6	3.0	3.3	3.6	3.9	4.1	4.4	4.6	4.8
2. Tangible assets	38.7	44.1	50.0	45.0	41.1	37.8	35.1	32.3	29.8
II. Total current assets	34.8	33.6	36.2	40.4	43.8	46.9	50.7	55.5	60.9
LIABILITIES									
I. Equity	46.5	45.5	48.4	50.6	53.0	55.3	59.2	64.5	71.1
II. Accruals	1.5	1.5	1.6	1.7	1.8	1.9	2.0	2.0	2.1
III. Liabilities									
1. Long-term liabilities	21.5	27.5	33.9	32.3	30.9	29.6	27.9	25.7	23.0
2. Short-term liabilities	11.0	11.8	12.6	12.8	13.0	13.3	13.8	14.3	14.9
TOTAL	**80.5**	**86.3**	**96.6**	**97.4**	**98.6**	**100.1**	**102.8**	**106.6**	**111.2**

P&L estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	51.4	56.8	65.6	76.0	86.3	100.9	117.3	136.3	155.8
Gross profit	22.6	26.8	30.2	34.0	37.7	45.3	55.0	66.3	77.7
EBITDA	10.1	8.5	12.6	13.1	12.3	12.1	13.8	17.1	20.1
EBIT	5.5	2.7	6.6	7.1	7.5	7.7	9.9	13.2	16.4
EBT	4.7	1.7	5.5	5.9	6.3	6.5	8.7	11.9	15.4
EAT (before minorities)	4.4	1.2	3.8	4.1	4.4	4.6	6.1	8.4	10.8
EAT	4.1	0.9	3.5	3.6	3.6	3.4	4.5	6.2	8.0
EPS	0.12	0.03	0.10	0.11	0.11	0.10	0.13	0.18	0.23

Annex II: Cash flows estimation and key figures

Cash flows estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
CF operating	4.7	6.7	9.5	9.7	8.9	8.5	9.4	11.6	13.7
CF from investments	9.2	-12.9	-13.6	-2.6	-2.7	-2.8	-2.8	-2.9	-2.9
CF financing	-5.6	4.4	6.0	-3.7	-3.6	-3.6	-3.9	-5.2	-6.9
Liquidity beginning of year	12.3	20.6	18.8	20.8	24.2	26.7	28.8	31.5	34.9
Liquidity end of year	20.6	18.8	20.8	24.2	26.7	28.8	31.5	34.9	38.9

Key figures

Percent	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales growth	7.2%	10.5%	15.4%	15.8%	13.6%	17.0%	16.2%	16.2%	14.3%
Gross margin	44.0%	47.2%	46.1%	44.8%	43.7%	44.9%	46.9%	48.6%	49.9%
EBITDA margin	19.6%	15.0%	19.1%	17.2%	14.3%	12.0%	11.8%	12.5%	12.9%
EBIT margin	10.7%	4.8%	10.0%	9.4%	8.6%	7.6%	8.5%	9.7%	10.5%
EBT margin	9.0%	3.0%	8.3%	7.8%	7.3%	6.5%	7.4%	8.7%	9.9%
Net margin (after minorities)	8.0%	1.7%	5.3%	4.7%	4.2%	3.4%	3.8%	4.5%	5.1%

Disclaimer

Editor

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

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

Responsible analyst

Dipl. Volkswirt Dr. Adam Jakubowski

Charts

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

Disclaimer

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

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

I) Conflicts of interests

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

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

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

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

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

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

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

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

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

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

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

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

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

II) Preparation and updating

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

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 31.03.2020 at 8:35 and published on 31.03.2020 at 8:55.

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

Strong Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as below average (1 to 2 points).
Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points).
Speculative Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as above average (5 to 6 points).

Hold	We expect that the price of the analysed financial instrument will remain stable (between -10 and +10 percent). The forecast risk (1 to 6 points) has no further impact on the rating. The rating "hold" is also used in cases where we perceive a price potential of more than 10 percent, but explicitly mentioned temporary factors prevent a short-term realization of the price potential.
Sell	We expect that the price of the analysed financial instrument will drop by at least 10 percent. The forecast risk (1 to 6 points) has no further impact on the rating.

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

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

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

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

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

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

Date	Rating	Target price	Conflict of interests
17.02.2020	Buy	2.40 Euro	1), 3), 4)
13.11.2019	Buy	2.10 Euro	1), 3), 4)
19.09.2019	Buy	2.10 Euro	1), 3), 4)

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

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

Exclusion of liability

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

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