October 26th, 2022
Research update

SMC Research
Small and Mid Cap Research

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

Mensch und Maschine Software SE

Strong figures and unchanged good prospects

Rating: Strong Buy (unchanged) | **Price:** 47.00 € | **Price target:** 66.50 € (prev.: 65.00 €)

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:	Wessling
Sector:	CAD/CAM software
Headcount:	1,028
Accounting:	IFRS
ISIN:	DE0006580806
Ticker:	MUM:GR
Price:	47.00 Euro
Market segment:	Scale / m:access
Number of shares:	17.2 m
Market Cap:	806.0 m Euro
Enterprise Value:	892.1 m Euro
Free Float:	45.1%
Price high/low (12M):	68.40 / 40.25 Euro
Ø turnover (Xetra, 12 M):	423,000 Euro / day

In the third quarter, Mensch und Maschine not only continued the growth of the first six months, but even accelerated it further despite the deteriorating overall economic situation. Following the recent sales growth of almost 24 percent to EUR 71.7 m, revenues for the first nine months totalled EUR 228.2 m, almost 18 percent more than in the same period of the previous year. Once again, EBIT increased even more strongly, rising by 37 percent in the third quarter (to EUR 7.6 m) and by 26 percent to EUR 30.3 m in the nine-month period. Net profit even increased by 29 percent to EUR 18.7 m. On this basis, management has raised its own forecast for the full year. Gross profit is now expected to grow by 12 to 16 percent to between EUR 155 and 161 m (previously: between EUR 150 and 155 m) and net profit by 15 to 23 percent to between 145 and 155 cents per share (previously: between 144 and150 cents). However, M+M emphasises that this is partly a special boom in the Autodesk business, which could be followed by a dip in 2023. M+M therefore speaks of an unchanged two-year forecast with a distribution of growth dynamics shifted in favour of the current year.

FY ends: 31.12.	2019	2020	2021	2022e	2023e	2024e
Sales (m Euro)	245.9	244.0	266.2	310.0	319.1	351.0
EBIT (m Euro)	27.2	31.0	34.7	41.9	46.9	54.3
Net Profit	16.7	18.7	21.3	25.6	28.2	32.8
EPS	0.99	1.11	1.26	1.54	1.69	1.96
Dividend per share	0.85	1.00	1.20	1.40	1.60	1.81
Sales growth	32.7%	-0.8%	9.1%	16.5%	2.9%	10.0%
Profit growth	42.6%	12.3%	13.9%	20.3%	10.1%	16.2%
PSR	3.19	3.21	2.95	2.53	2.46	2.23
PER	47.1	41.9	36.8	30.6	27.8	23.9
PCR	29.8	23.3	21.1	20.7	19.0	16.8
EV / EBIT	31.9	28.0	25.0	20.7	18.5	16.0
Dividend yield	1.8%	2.1%	2.6%	3.0%	3.4%	3.8%

Growth acceleration in Q3

In the third quarter, Mensch und Maschine's revenues of EUR 71.7 m were 24 percent higher than a year ago, significantly accelerating the pace of growth compared to the first half of the year (15 percent). In total, revenues for the first nine months increased by 18 percent to EUR 228.2 m. The software segment expanded at a slightly higher pace, growing by 19 percent to EUR 72.6 m. M+M reports a lively CAM business here; moreover, in the third quarter, the dynamics at the subsidiary SOFiSTiK, slowed down in the first half of the year by the higher comparative basis from the previous year, increased noticeably again. In the VAR business, whose revenues increased by 17 percent to EUR 155.7 m, M+M benefited above all from the special boom in the business with Autodesk subscription contracts (especially the renewal of discounted three-year contracts).

Business figures	9 M 21	9 M 22	*Change*
Sales	193.99	228.25	*+17.7%*
VAR business	133.13	155.66	*+16.9%*
Software	60.86	72.59	*+19.3%*
Gross profit	100.80	116.62	*+15.7%*
VAR business	45.39	50.83	*+12.0%*
Software	55.42	65.79	*+18.7%*
Gross margin	*52.0%*	*51.1%*	
EBIT	24.09	30.34	*+26.0%*
VAR business	8.94	11.49	*+28.5%*
Software	15.14	18.85	*+24.5%*
EBIT margin	*12.4%*	*13.3%*	
VAR business	*6.7%*	*7.4%*	
Software	*24.9%*	*26.0%*	
Pre-tax result	23.51	29.85	*+27.0%*
Pre-tax margin	*12.1%*	*13.1%*	
Net profit	14.48	18.69	*+29.1%*
Net margin	*7.5%*	*8.2%*	
Free cash flow	24.24	30.85	*+27.3%*

In m Euro and percent, source: Company

EBIT up by a quarter

With a slightly disproportionately low increase in gross profit in relation to sales (mainly due to the higher share of the trading business) of almost 16 percent to EUR 116.6 m, the nine-month EBIT increased by 26 percent to EUR 30.3 m, thus improving the EBIT margin from 12.4 to 13.3 percent year-on-year. The margin improvement was achieved in both segments (VAR business: 7.4 after 6.7 percent, Software: 26.0 after 24.9 percent), which was mainly due to the only disproportionately low increase in personnel expenses (+9 percent to EUR 68.7 m) and the largely unchanged depreciation. Other operating expenses, on the other hand, recorded a clearly disproportionately high increase by 39 percent to EUR 13.4 m, which M+M explained upon enquiry with a further normalisation of travel and above all trade fair activities after Covid-19 as well as with high costs in connection with new internal software systems (SAP and Salesforce). In relation to sales (5.9 percent), however, other operating expenses are still significantly below the pre-Covid level (Q1 to Q3 2019: 7.6 percent).

Profit for the period up 13 percent

With a minimal improvement in the financial result (EUR -0.5 m after EUR -0.6 m), the pre-tax profit increased roughly in step with the EBIT to EUR 29.9 m (+27 percent). After taxes and minorities, a profit of EUR 18.7 m was achieved in the nine-month period, which thus increased by 11 percentage points more than the revenue of the same.

Free cash flow remains at a high level

As in the first half of the year, M+M was able to translate its strong earnings performance into a new record operating cash flow after nine months. It increased by 14 percent to EUR 34.4 m, exceeding the previous nine-month record from 2020 by EUR 1.7 m. In relation to revenues, the operating cash flow corresponds to a ratio of 15.1 percent, which impressively underlines the cash flow strength of the business model. Less the outflows for investments (EUR-3.9 m) that decreased by almost 40 percent compared to the same period of the previous year, in which the purchase of the long-standing OpenMind distribution partner in the Benelux region had caused an increase, the free cash flow amounted to EUR 30.9 m. This time, there were significantly larger movements in the financing cash flow, where, among other things, dividend payments (EUR 22.0 m) and the purchase of treasury shares (EUR 14.8 m) caused high outflows, which were offset primarily by inflows from the utilisation of credit lines (EUR 13.2 m) and from the issue of shares as part of the stock dividend (EUR 1.8 m). Overall, the financing cash flow totalled EUR -26.2 m (previous year: EUR -21.1 m), which, netted against the free cash flow, resulted in a net increase in liquidity of EUR 4.9 m to EUR 24.9 m.

Equity ratio noticeably lower

In relation to the balance sheet total, which has increased by 5 percent to EUR 169.2 m since the turn of the year, liquidity has thus increased to 14.7 percent. In contrast, the equity ratio has fallen significantly in the year to date to 46.9 percent (31.12.: 57.7 percent) but remains in a very comfortable range. The decrease in balance sheet equity is due to the combination of the dividend payment and the extensive share buybacks, with which M+M took advantage of the lower share price. Less the shares reissued in the meantime for the stock dividend, 266.6 thousand treasury shares were bought back for EUR 14.8 m in the first nine months, so that as of 30 September 459.5 thousand treasury shares with a book value of EUR 18.9 m or 2.68 percent of the subscribed capital had to be deducted from equity. In economic terms, however, these represent an easily mobilisable equity reserve on a considerable scale.

Forecast for 2022 raised

After M+M had already stated following the half-year figures that it was likely to reach the upper end of the forecast range (gross profit growth of 8 to 12 percent to between EUR 150 and 155 m and an increase in earnings per share of 14 to 19 percent to between 144 and 150 cents per share) for the full year, the target ranges themselves have now been raised after the strong third quarter. The company is now targeting gross profit of between EUR 155 m and EUR 161 m and net profit in the range of 145 to 155 cents per share. The wording that from today's perspective the upper end of the forecast range seems achievable was retained. On this basis, a dividend increase of 12.5 to 16.7 percent to between 135 and 140 cents is still targeted. The absolute targets for 2023, which envisage earnings per share of 164 to 181 cents, were also left unchanged. This keeps M+M in line with the previous two-year forecast, with earnings growth now expected to be steep in 2022 and flatter in 2023. In terms of revenues, there could even be a flat to declining development in 2023 due to the strong special boom in the Autodesk business in the current year, but this should nevertheless be converted into continued profit growth thanks to an improved gross margin and the cost discipline practised for years. This growth is expected to continue beyond 2023, with M+M confident of doubling the net profit within four to five years, as it has done in the past.

Estimates for 2022 increased again

Having already adjusted our estimates towards the upper end of management's − then − forecast range after the half-year report, we are now following the forecast increase and raising them again: We now expect EUR 310 m in revenues (previously: EUR 295.4 m), which, broken down to the fourth quarter, would require growth of 13 percent (compared to the previous year). Given the momentum seen in the third quarter and the typical seasonality with strong year-end business, we believe this is well within reach. In contrast, we have left the revenue estimate for 2023 unchanged at EUR 319.1 m, so that the assumed growth rate would decrease to only 2.9 percent next year. The sales estimates for the following years have also remained unchanged, for which we continue to expect steady growth of 10 percent p.a.

Gross profit at the upper end of the forecast

Although the stronger growth in the Autodesk licence renewal business has been reflected in a reduction of the assumed gross margin, in absolute terms the adjustment has resulted in an increase in the gross profit estimate for 2022 from EUR 154.5 m previously to EUR 160.6 m now. This together with the updated

m Euro	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029
Sales	310.0	319.1	351.0	386.1	424.7	467.2	513.9	565.3
Sales growth		2.9%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIT margin	13.5%	14.7%	15.5%	16.3%	17.0%	17.7%	18.5%	19.1%
EBIT	**41.9**	**46.9**	**54.3**	**62.8**	**72.2**	**82.9**	**94.9**	**107.8**
Tax rate	30.0%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%
Adjusted tax payments	12.6	14.3	16.6	19.1	22.0	25.3	28.9	32.9
NOPAT	**29.4**	**32.6**	**37.8**	**43.6**	**50.2**	**57.6**	**65.9**	**74.9**
+ Depreciation & Amortisation	4.3	4.7	4.8	5.0	5.2	5.5	5.7	5.9
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating Cash Flows	33.7	37.2	42.6	48.6	55.4	63.1	71.6	80.8
- Increase Net Working Capital	-0.8	-0.8	-0.9	-1.0	-1.1	-1.2	-1.3	-1.5
- Investments in fixed assets	-5.6	-4.9	-5.1	-5.4	-5.6	-5.9	-6.1	-6.4
Free Cash Flows	**27.3**	**31.5**	**36.6**	**42.3**	**48.7**	**56.0**	**64.2**	**73.0**

expense estimates result in an EBIT expectation of EUR 41.9 m and an EpS estimate of EUR 1.54 (previously: EUR 41.0 m and EUR 1.49, respectively). The EpS estimate was additionally impacted by the reduced number of shares as a result of the share buybacks.

Target margin unchanged

The new estimates mean a slightly lower EBIT margin for 2022 (13.5 instead of 13.9 percent), but this balances out again over time. At the end of the detailed forecast period, we therefore see the target margin unchanged at 19.1 percent. The resulting model business performance for the next eight years, which we assume for determining the fair value, is summarised in the table above; further details can be found in the Annex. To determine the terminal value, we subsequently calculate, as before, with a ten percent safety discount on the target EBIT margin and, on this basis, with a "perpetual" cash flow growth of 1.0 percent p.a.

Framework data unchanged

The basic data of the model remain unchanged. We discount the free cash flows resulting from our assumptions with WACC (Weighted Average Cost of Capital). The cost of equity is determined using the Capital Asset Pricing Model (CAPM). Our risk-free interest rate is – at 1.5 percent – the long-term average of the German current yield 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). In combination with a beta of 1.2, this results in a cost of equity of 8.2 per cent. With an interest rate on borrowed capital of 4.5 percent and a target debt ratio of 37.5 percent, this corresponds to a WACC rate of 6.2 percent.

Price target: EUR 66.50 per share

Due to the adjustments to the estimates, the fair market value of the equity we determined has increased slightly to EUR 1,110.6 m. This corresponds now to EUR 66.55 per share, from which we derive the new price target of EUR 66.50 (previously: EUR 65.00, a sensitivity analysis can be found in the Annex). The slightly reduced number of shares as a result of the continued share buybacks has also contributed to this increase. On the other hand, the assessment of the forecast risk of our estimates remains unchanged at two out of six possible points.

Conclusion

With the figures for the third quarter and the increased forecast for the full year, Mensch und Maschine has once again presented a satisfying performance.

Despite the deteriorating economic environment, the company increased the pace of growth and improved its profitability during the summer months. In total, sales grew by 18 percent to EUR 228 m in the first three quarters and EBIT rose by 26 percent to EUR 30.3 m. The net profit after taxes and minorities even increased by almost 30 percent to EUR 18.7 m.

Against the backdrop of strong 9M figures reflecting robust momentum across all business areas, M+M has raised its target range for this year: With gross profit growth of 12 to 16 percent to between EUR 155 and EUR 161 m (previously: EUR 150 to EUR 155 m), earnings of 145 to 155 cents per share are now expected to be generated, which would represent an increase of 15 to 23 percent compared to 2021 (previously: 144 to 150 cents). Moreover, the company is currently describing the upper end of each range as achievable.

However, the management emphasises that this strong expansion in the current year is likely to be somewhat at the expense of the pace of growth in the coming year, so in a cumulative view M+M speaks of an unchanged outlook.

We have retraced this forecast change in our model. This and the reduced number of shares as a result of the continued share buybacks have been reflected in a slightly increased price target of EUR 66.50, on the basis of which we reaffirm our previous "Strong Buy" rating. All the more so as the share is currently tempting with an expected dividend yield of 3.0 percent and appears to be hedged downwards by the company's share buybacks.

Annex I: SWOT analysis

Strengths

- Strong position in attractive target markets established for decades.
- A fast-growing, highly profitable software segment with a global market presence and a leading technological position.
- High continuity at management level and very low employee turnover.
- Stable shareholder structure with more than 50 percent of shares in management hands.
- Solid balance sheet structure with a high equity ratio and low debt.
- Growth dynamics above the industry average, with recently a disproportionately high rise in profits.
- Previous forecast accuracy supports the target of further profit increases.

Weaknesses

- The VAR business is largely determined by Autodesk's product and pricing policy.
- The geographic expansion of the VAR business requires the expensive establishment of additional offices.
- Strong dependence on Germany and Europe.
- In both segments, M+M faces the challenge of attracting and retaining suitable employees in a difficult labour market.
- In terms of marketing, technology and personnel, there are at best only minor synergies between the segments.

Opportunities

- There is still considerable potential for margin growth in the VAR business that should allow an above-average profit development in the next few years, if the present trends continue.
- The increasing importance of digitisation projects is likely to further boost the development of the VAR business.
- With its expertise in BIM and bridge and tunnel construction, the SOFiSTiK subsidiary is addressing very promising markets.
- With the new eXs software, M+M has a modern product for an attractive market in which there is nothing comparable on offer.
- The foreseeable profit growth should allow a steady and considerable increase in dividends.

Threats

- A further escalation of the Ukraine conflict or a deep recession in Europe could slow down or interrupt the positive trend.
- High personnel intensity in the VAR business means a high extent of utilisation risk in economically weaker phases.
- The targeted further increase in margins cannot be taken for granted at the level already achieved.
- Should Autodesk fall behind in competition, it could have a perceptibly negative impact on the VAR business.
- The role as technology leader requires intensive development activities in the software segment and carries the risk of technological failures.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
ASSETS									
I. Total non-current assets	100.4	101.7	101.9	102.2	102.6	102.9	103.3	103.8	104.2
1. Intangible assets	65.2	65.2	64.6	64.0	63.5	62.9	62.4	61.9	61.4
2. Tangible assets	33.8	35.1	36.0	36.9	37.8	38.7	39.6	40.5	41.5
II. Total current assets	60.4	68.5	74.0	81.3	90.3	100.5	112.2	125.8	141.0
LIABILITIES									
I. Equity	92.8	94.5	100.8	108.9	118.7	129.6	142.0	156.2	171.9
II. Accruals	12.9	13.0	13.1	13.2	13.3	13.4	13.5	13.6	13.7
III. Liabilities									
1. Long-term liabilities	20.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2	28.2
2. Short-term liabilities	34.9	34.6	33.9	33.3	32.7	32.3	31.9	31.6	31.4
TOTAL	**160.8**	**170.2**	**176.0**	**183.5**	**192.9**	**203.4**	**215.6**	**229.5**	**245.2**

P&L estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Sales	266.2	310.0	319.1	351.0	386.1	424.7	467.2	513.9	565.3
Gross profit	138.4	160.6	168.7	186.4	206.0	227.6	251.4	277.7	306.2
EBITDA	44.4	51.8	57.0	64.7	73.3	83.0	93.9	106.1	119.2
EBIT	34.7	41.9	46.9	54.3	62.8	72.2	82.9	94.9	107.8
EBT	33.8	41.1	45.9	53.6	62.1	71.6	82.2	94.3	107.2
EAT (before minorities)	23.9	28.8	31.9	37.3	43.1	49.7	57.2	65.5	74.5
EAT	21.3	25.6	28.2	32.8	37.7	43.2	49.3	56.1	63.4
EPS	1.26	1.54	1.69	1.96	2.26	2.59	2.95	3.36	3.80

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
CF operating	37.2	37.9	41.3	46.7	52.7	59.4	66.9	75.4	84.5
CF from investments	-8.3	-5.6	-4.9	-5.1	-5.4	-5.6	-5.9	-6.1	-6.4
CF financing	-25.0	-26.9	-33.3	-37.0	-41.1	-46.7	-52.5	-59.2	-66.6
Liquidity beginning of year	16.0	20.3	25.6	28.6	33.2	39.4	46.5	55.0	65.1
Liquidity end of year	20.3	25.6	28.6	33.2	39.4	46.5	55.0	65.1	76.5

Key figures

percent	2021 act.	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Sales growth	9.1%	16.5%	2.9%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Gross profit growth	8.2%	16.0%	5.1%	10.5%	10.5%	10.5%	10.5%	10.5%	10.3%
Gross margin	52.0%	51.8%	52.9%	53.1%	53.3%	53.6%	53.8%	54.0%	54.2%
EBITDA margin	16.7%	16.7%	17.9%	18.4%	19.0%	19.5%	20.1%	20.6%	21.1%
EBIT margin	13.0%	13.5%	14.7%	15.5%	16.3%	17.0%	17.7%	18.5%	19.1%
EBT margin	12.7%	13.3%	14.4%	15.3%	16.1%	16.8%	17.6%	18.3%	19.0%
Net margin (after minorities)	8.0%	8.3%	8.8%	9.3%	9.8%	10.2%	10.6%	10.9%	11.2%

Annex IV: Sensitivity analysis

	Perpetual cash flows growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
5.2%	103.70	92.17	83.36	76.41	70.78
5.7%	89.29	80.77	74.06	68.63	64.14
6.2%	78.29	71.80	**66.55**	62.21	58.57
6.7%	69.62	64.54	60.35	56.83	53.84
7.2%	62.61	58.56	55.16	52.26	49.77

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 analysed company (e.g., investor-relations services)

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

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

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

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

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

Following conflicts of interests occurred in this report: 1), 3), 4)

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

II) Preparation and updating

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

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 26.10.2022 at 8:05 and published on 26.10.2022 at 8:40.

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

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

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

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

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

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

Date	Investment recomm.	Target price	Conflict of interests
27.07.2022	Strong Buy	65.00 Euro	1), 3), 4)
22.04.2022	Strong Buy	71.00 Euro	1), 3)
23.03.2022	Strong Buy	71.00 Euro	1), 3), 4)
11.02.2022	Strong Buy	73.40 Euro	1), 3)
25.10.2021	Strong Buy	70.00 Euro	1), 3), 4)
05.08.2021	Strong Buy	68.00 Euro	1), 3), 4)
23.04.2021	Hold	63.70 Euro	1), 3)
16.03.2021	Strong Buy	63.40 Euro	1), 3)
12.02.2021	Hold	62.70 Euro	1), 3), 4)
22.10.2020	Hold	52.30 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 and two updates.

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

Exclusion of liability

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

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

Copyright