

Enapter AG

Germany / Cleantech
 Primary exchange: Frankfurt
 Bloomberg: H2O GR
 ISIN: DE000A255G02

Update

RATING
BUY

PRICE TARGET
€ 13.00

Return Potential 60.5%
 Risk Rating High

JOINT VENTURE WITH CHINESE WOLONG GROUP

The joint venture (JV) between Enapter and Wolong will acquire AEM stacks from Enapter to manufacture AEM electrolysers in China. Wolong holds 51% of the JV and will finance and establish production. The JV will be granted an exclusive production and sales license for China, and Enapter will receive a royalty of 3% of future sales. The JV should enable Enapter to penetrate the Chinese market quickly without having to invest its own financial resources. We see the JV as a confirmation of our growth forecasts and reiterate our Buy recommendation with an unchanged €13 price target.

Who is Wolong? The Wolong Electric Group is a large, globally active Chinese motor and drive manufacturer. Wolong has developed electrolyser converters for various power ranges and has many years of experience in the pump and fan sector. The company, which has been listed on the Shanghai Stock Exchange since 2002, has more than 18,000 employees and generated annual sales equivalent to over \$2.3bn in 2022.

China is the world's leading electrolyser market According to the IEA's Global Hydrogen Report 2023, China is the world's largest electrolyser market. By the end of 2023, electrolyser capacity in China is expected to have reached approx. 1.2 GW, which is around 50% of global capacity. Electrolyser capacity should increase to 3.3 GW in 2024 and 5.4 GW in 2025. Together with Wolong, China thus offers Enapter great sales opportunities.

What are the advantages for Enapter? Without a major Chinese partner, we believe it is nearly impossible to enter the Chinese market. Enapter has a strong partner in Wolong, with whom a framework agreement for the supply of electrolysers has been in place since August 2023. Both companies already know each other. Wolong will be responsible for setting up electrolyser production, sales and support as well as financing. This means... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

| | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|--------------------|---------|---------|--------|--------|--------|--------|
| Revenue (€m) | 2.07 | 8.44 | 14.67 | 27.11 | 39.36 | 67.37 |
| Y-o-y growth | 122.7% | 307.8% | 73.8% | 84.7% | 45.2% | 71.2% |
| EBIT (€m) | -3.54 | -8.62 | -12.86 | -3.65 | -16.53 | -12.74 |
| EBIT margin | -171.2% | -102.1% | -87.6% | -13.5% | -42.0% | -18.9% |
| Net income (€m) | -3.57 | -8.70 | -12.98 | -6.55 | -21.74 | -18.63 |
| EPS (diluted) (€) | -0.16 | -0.38 | -0.51 | -0.24 | -0.80 | -0.69 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FCF (€m) | -6.17 | -33.05 | -64.89 | -17.92 | -35.38 | -33.21 |
| Net gearing | -32.2% | -33.8% | -2.1% | 17.3% | 80.8% | 196.5% |
| Liquid assets (€m) | 4.25 | 19.60 | 5.07 | 15.58 | 14.39 | 3.68 |

RISKS

The main risks are: financing risk, technological risk, production risk, product risk, increasing competition, innovations.

COMPANY PROFILE

Enapter produces standardised stacks & electrolysers, which are scalable to larger units based on a modular approach. Enapter's patent-protected AEM technology offers high cost reduction potential. Enapter has production sites in Pisa, Italy, & Saerbeck, Germany, and ca. 210 employees.

MARKET DATA

As of 30 Jan 2024

Closing Price € 8.10
 Shares outstanding 27.20m
 Market Capitalisation € 220.28m
 52-week Range € 7.30 / 16.25
 Avg. Volume (12 Months) 12,076

| Multiples | 2022 | 2023E | 2024E |
|------------|------|-------|-------|
| P/E | n.a. | n.a. | n.a. |
| EV/Sales | 14.9 | 8.1 | 5.6 |
| EV/EBIT | n.a. | n.a. | n.a. |
| Div. Yield | 0.0% | 0.0% | 0.0% |

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets € 9.45m
 Current Assets € 35.45m
 Intangible Assets € 11.34m
 Total Assets € 120.61m
 Current Liabilities € 11.17m
 Shareholders' Equity € 77.30m

SHAREHOLDERS

BluGreen 65.1%
 Svelland Global Trading Master 5.0%
 Sergei Storozhenko 4.1%
 Other Investors 6.9%
 Free Float 18.9%



...that Enapter will not incur any investment or other set-up costs, while generating revenue from the stacks sold to the JV. This also means that Enapter's core technology, the Anion Exchange Membrane (AEM) stack, which forms the heart of every AEM electrolyser, so to speak, remains completely under the company's control. Enapter will also receive a licence fee of 3% of the JV's future sales. As a 49% shareholder in the JV, Enapter is entitled to a corresponding share of the profits. Overall, we view the JV terms as favourable for Enapter and regard Wolong's interest in the JV as confirmation of the competitiveness of Enapter's AEM technology in the highly competitive Chinese market.

Buy recommendation confirmed with unchanged €13 price target We are leaving our growth forecasts unchanged. An updated DCF model continues to yield a €13 price target. We confirm our Buy recommendation.



VALUATION MODEL

| DCF valuation model | | | | | | | | |
|--|----------------|----------------|----------------|----------------|---------------|---------------|-------------|------------|
| All figures in EUR '000 | | | | | | | | |
| | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| Net sales | 27,105 | 39,360 | 67,370 | 141,150 | 239,100 | 348,434 | 491,609 | 670,822 |
| NOPLAT | -3,780 | -16,749 | -12,920 | 2,010 | 12,920 | 23,209 | 36,071 | 48,488 |
| + depreciation & amortisation | 3,791 | 4,380 | 5,982 | 7,400 | 7,993 | 8,369 | 9,036 | 10,030 |
| Net operating cash flow | 11 | -12,370 | -6,939 | 9,410 | 20,913 | 31,579 | 45,107 | 58,518 |
| - total investments (CAPEX, WC, Other) | -12,861 | -15,822 | -18,062 | -27,795 | -29,421 | -35,510 | -46,427 | -58,147 |
| <i>Capital expenditures</i> | -8,999 | -20,467 | -15,495 | -15,527 | -11,172 | -15,141 | -19,754 | -24,759 |
| <i>Working capital</i> | -6,162 | 2,445 | -5,067 | -12,269 | -18,248 | -20,369 | -26,674 | -33,388 |
| <i>Other</i> | 2,300 | 2,200 | 2,500 | 0 | 0 | 0 | 0 | 0 |
| Free cash flows (FCF) | -12,850 | -28,192 | -25,000 | -18,385 | -8,508 | -3,932 | -1,320 | 371 |
| PV of FCF's | -12,850 | -25,091 | -19,600 | -12,697 | -5,175 | -2,106 | -623 | 154 |

| All figures in thousands | |
|---|--------------|
| PV of FCFs in explicit period (2023E-2037E) | 43,172 |
| PV of FCFs in terminal period | 318,887 |
| Enterprise value (EV) | 362,059 |
| + Net cash / - net debt | 1,243 |
| + Investments / minority interests | 1 |
| Shareholder value | 363,302 |
| Diluted number of shares | 27,195 |
| Fair value in EUR | 13.36 |

| | Terminal growth | Terminal EBIT margin |
|--|-----------------|----------------------|
| | 4.0% | 13.2% |

| | Terminal growth rate | | | | | | | |
|-------|----------------------|-------|-------|-------|-------|-------|-------|--|
| | 2.5% | 3.0% | 3.5% | 4.0% | 4.5% | 5.0% | 5.5% | |
| 10.5% | 24.04 | 25.19 | 26.52 | 28.05 | 29.83 | 31.93 | 34.45 | |
| 11.5% | 18.96 | 19.74 | 20.62 | 21.62 | 22.76 | 24.07 | 25.60 | |
| 12.5% | 15.09 | 15.63 | 16.23 | 16.91 | 17.67 | 18.52 | 19.51 | |
| 13.5% | 12.08 | 12.47 | 12.89 | 13.36 | 13.88 | 14.46 | 15.11 | |
| 14.5% | 9.71 | 9.99 | 10.29 | 10.62 | 10.99 | 11.39 | 11.84 | |
| 15.5% | 7.81 | 8.02 | 8.24 | 8.48 | 8.74 | 9.02 | 9.34 | |
| 16.5% | 6.28 | 6.43 | 6.59 | 6.76 | 6.95 | 7.16 | 7.39 | |

| WACC | 13.5% |
|-------------------------|--------------|
| Cost of equity | 13.9% |
| Pre-tax cost of debt | 10.0% |
| Tax rate | 30.0% |
| After-tax cost of debt | 7.0% |
| Share of equity capital | 95.0% |
| Share of debt capital | 5.0% |
| Price target | 13.00 |

* for layout purposes the model shows numbers only to 2030, but runs until 2037



INCOME STATEMENT

| All figures in EUR '000 | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E | 2026E |
|---|---------------|---------------|----------------|---------------|----------------|----------------|----------------|
| Revenues | 2,070 | 8,442 | 14,671 | 27,105 | 39,360 | 67,370 | 141,150 |
| Changes in Inventories | 242 | 540 | 525 | 0 | 0 | 0 | 0 |
| Operating performance | 2,312 | 8,982 | 15,197 | 27,105 | 39,360 | 67,370 | 141,150 |
| Cost of goods sold | 2,320 | 7,874 | 12,013 | 9,216 | 30,307 | 48,506 | 98,805 |
| Gross profit (op. performance /. COGS) | -8 | 1,109 | 3,184 | 17,889 | 9,053 | 18,864 | 42,345 |
| Own Work | 2,208 | 3,330 | 6,383 | 3,253 | 2,362 | 1,347 | 988 |
| Personnel costs | 3,356 | 7,596 | 14,300 | 14,100 | 15,500 | 18,207 | 21,173 |
| Other operating income | 605 | 1,367 | 2,799 | 1,897 | 1,378 | 1,347 | 1,412 |
| Other operating expenses | 2,369 | 5,828 | 8,648 | 8,800 | 9,446 | 10,106 | 14,115 |
| EBITDA | -2,920 | -7,619 | -10,582 | 139 | -12,154 | -6,754 | 9,457 |
| Depreciation and amortisation | 625 | 1,002 | 2,276 | 3,791 | 4,380 | 5,982 | 7,400 |
| Operating income (EBIT) | -3,544 | -8,622 | -12,858 | -3,652 | -16,534 | -12,736 | 2,058 |
| Net financial result | -21 | -88 | -97 | -2,772 | -4,991 | -5,710 | -6,781 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax income (EBT) | -3,565 | -8,709 | -12,955 | -6,424 | -21,525 | -18,445 | -4,723 |
| Income taxes | 3 | -8 | 23 | 128 | 215 | 184 | 47 |
| Minority interests | -1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Net income / loss | -3,569 | -8,701 | -12,977 | -6,552 | -21,740 | -18,630 | -4,771 |
| Diluted EPS (in €) | -0.16 | -0.38 | -0.51 | -0.24 | -0.80 | -0.69 | -0.18 |
| Ratios | | | | | | | |
| Gross margin on operating performance | -0.3% | 12.3% | 21.0% | 66.0% | 23.0% | 28.0% | 30.0% |
| EBITDA margin on revenues | -141.0% | -90.3% | -72.1% | 0.5% | -30.9% | -10.0% | 6.7% |
| EBIT margin on revenues | -171.2% | -102.1% | -87.6% | -13.5% | -42.0% | -18.9% | 1.5% |
| Net margin on revenues | -172.4% | -103.1% | -88.4% | -24.2% | -55.2% | -27.7% | -3.4% |
| Tax rate | -0.1% | 0.1% | -0.2% | -2.0% | -1.0% | -1.0% | -1.0% |
| Expenses as % of revenues | | | | | | | |
| Personnel costs | 162.1% | 90.0% | 97.5% | 52.0% | 39.4% | 27.0% | 15.0% |
| Depreciation and amortisation | 30.2% | 11.9% | 15.5% | 14.0% | 11.1% | 8.9% | 5.2% |
| Other operating expenses | 114.4% | 69.0% | 58.9% | 32.5% | 24.0% | 15.0% | 10.0% |
| Y-Y Growth | | | | | | | |
| Revenues | 122.7% | 307.8% | 73.8% | 84.7% | 45.2% | 71.2% | 109.5% |
| Operating income | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| Net income/ loss | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |



BALANCE SHEET

| All figures in EUR '000 | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E | 2026E |
|---|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | |
| Current assets, total | 6,633 | 29,920 | 27,577 | 36,084 | 35,239 | 27,770 | 50,007 |
| Cash and cash equivalents | 4,248 | 19,604 | 5,071 | 15,577 | 14,395 | 3,685 | 9,518 |
| Short-term investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables | 184 | 2,638 | 8,014 | 10,396 | 6,470 | 7,383 | 15,468 |
| Inventories | 1,300 | 3,604 | 8,421 | 4,040 | 8,303 | 10,632 | 18,949 |
| Other current assets | 901 | 4,073 | 6,071 | 6,071 | 6,071 | 6,071 | 6,071 |
| Non-current assets, total | 7,917 | 32,221 | 80,237 | 85,627 | 101,860 | 111,519 | 119,689 |
| Property, plant & equipment | 2,870 | 23,985 | 67,900 | 73,655 | 90,389 | 100,690 | 108,764 |
| Goodwill & other intangibles | 3,977 | 7,110 | 10,272 | 9,907 | 9,406 | 8,763 | 8,860 |
| Right-of-use assets | 1,033 | 1,055 | 909 | 909 | 909 | 909 | 909 |
| Other assets | 72 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 |
| Total assets | 14,550 | 62,141 | 107,814 | 121,711 | 137,099 | 139,289 | 169,696 |
| Shareholders' equity & debt | | | | | | | |
| Current liabilities, total | 4,452 | 10,397 | 16,070 | 9,038 | 23,820 | 11,995 | 20,204 |
| Short-term debt | 1,415 | 1,186 | 871 | 2,000 | 14,000 | 4,000 | 8,075 |
| Leasing liabilities | 109 | 155 | 116 | 116 | 116 | 116 | 116 |
| Accounts payable | 947 | 6,387 | 11,191 | 3,030 | 5,812 | 3,987 | 8,121 |
| Current provisions | 239 | 516 | 1,243 | 1,243 | 1,243 | 1,243 | 1,243 |
| Other current liabilities | 1,851 | 2,309 | 2,765 | 2,765 | 2,765 | 2,765 | 2,765 |
| Long-term liabilities, total | 1,353 | 5,224 | 5,290 | 32,770 | 55,116 | 87,761 | 114,730 |
| Long-term debt | 21 | 2,708 | 2,371 | 27,371 | 47,371 | 77,371 | 104,296 |
| Leasing liabilities | 568 | 575 | 471 | 652 | 798 | 943 | 987 |
| Other liabilities | 278 | 512 | 605 | 2,903 | 5,103 | 7,603 | 7,603 |
| Deferred revenue | 486 | 1,428 | 1,844 | 1,844 | 1,844 | 1,844 | 1,844 |
| Minority interests | 1 | 2 | 1 | 1 | 1 | 1 | 1 |
| Shareholders' equity | 8,744 | 46,518 | 86,454 | 79,902 | 58,162 | 39,532 | 34,762 |
| Share capital | 22,269 | 24,406 | 27,195 | 27,195 | 27,195 | 27,195 | 27,195 |
| Capital reserve | -6,771 | 37,615 | 87,586 | 87,586 | 87,586 | 87,586 | 87,586 |
| Other reserves | -37 | -83 | 69 | 69 | 69 | 69 | 69 |
| Treasury stock | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loss carryforward / retained earnings | -6,716 | -15,418 | -28,396 | -34,948 | -56,688 | -75,318 | -80,089 |
| Total consolidated equity and debt | 14,550 | 62,141 | 107,814 | 121,711 | 137,099 | 139,289 | 169,696 |
| Ratios | | | | | | | |
| Current ratio (x) | 1.49 | 2.88 | 1.72 | 3.99 | 1.48 | 2.32 | 2.48 |
| Quick ratio (x) | 1.20 | 2.53 | 1.19 | 3.55 | 1.13 | 1.43 | 1.54 |
| Equity ratio | 60.1% | 74.9% | 80.2% | 65.6% | 42.4% | 28.4% | 20.5% |
| Net debt | -2,812 | -15,711 | -1,830 | 13,794 | 46,976 | 77,686 | 102,852 |
| Net gearing | -32.2% | -33.8% | -2.1% | 17.3% | 80.8% | 196.5% | 295.9% |
| Return on equity (ROE) | -40.8% | -18.7% | -15.0% | -8.2% | -37.4% | -47.1% | -13.7% |
| Days of sales outstanding (DSO) | 32 | 114 | 199 | 140 | 60 | 40 | 40 |
| Days inventory outstanding | 205 | 167 | 256 | 160 | 100 | 80 | 70 |
| Days in payables (DIP) | 149 | 296 | 340 | 120 | 70 | 30 | 30 |



CASH FLOW STATEMENT

| All figures in EUR '000 | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E | 2026E |
|-------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| EBIT | -3,544 | -8,622 | -12,858 | -3,652 | -16,534 | -12,736 | 2,058 |
| Depreciation and amortisation | 625 | 1,002 | 2,276 | 3,791 | 4,380 | 5,982 | 7,400 |
| EBITDA | -2,920 | -7,619 | -10,582 | 139 | -12,154 | -6,754 | 9,457 |
| Changes in working capital | 528 | -1,136 | -6,476 | -6,162 | 2,445 | -5,067 | -12,269 |
| Other adjustments | 255 | 758 | 1,594 | -2,901 | -5,206 | -5,894 | -6,828 |
| Operating cash flow | -2,137 | -7,997 | -15,464 | -8,923 | -14,915 | -17,715 | -9,640 |
| Investments in PP&E | -1,830 | -21,570 | -44,989 | -8,132 | -19,680 | -14,821 | -14,115 |
| Investments in intangibles | -2,208 | -3,483 | -4,436 | -867 | -787 | -674 | -1,412 |
| Free cash flow | -6,175 | -33,050 | -64,889 | -17,922 | -35,382 | -33,210 | -25,166 |
| Acquisitions & disposals, net | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other investments | 250 | -11 | -65 | 0 | 0 | 0 | 0 |
| Investment cash flow | -3,789 | -25,064 | -49,490 | -8,999 | -20,467 | -15,495 | -15,527 |
| Debt financing, net | 1,240 | 2,463 | -653 | 26,129 | 32,000 | 20,000 | 31,000 |
| Equity financing, net | 6,189 | 48,304 | 52,998 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financing | 1,390 | -2,350 | -1,924 | 2,300 | 2,200 | 2,500 | 0 |
| Financing cash flow | 8,819 | 48,417 | 50,421 | 28,429 | 34,200 | 22,500 | 31,000 |
| FOREX & other effects | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flows | 2,894 | 15,356 | -14,534 | 10,506 | -1,182 | -10,710 | 5,834 |
| Cash, start of the year | 1,354 | 4,248 | 19,604 | 5,071 | 15,577 | 14,395 | 3,685 |
| Cash, end of the year | 4,248 | 19,604 | 5,071 | 15,577 | 14,395 | 3,685 | 9,518 |
| Y-Y Growth | | | | | | | |
| Operating cash flow | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| Free cash flow | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| Financial cash flow | 89.8% | 449.0% | 4.1% | -43.6% | 20.3% | -34.2% | 37.8% |

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Anschrift:

First Berlin Equity Research GmbH
Friedrichstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

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First Berlin Equity Research GmbH

Authored by: Dr. Karsten von Blumenthal, Analyst

All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 31 January 2024 at 15:40

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

| Category | | 1 | 2 |
|--------------------------------------|--|---------------|-------------|
| Current market capitalisation (in €) | | 0 - 2 billion | > 2 billion |
| Strong Buy ¹ | An expected favourable price trend of: | > 50% | > 30% |
| Buy | An expected favourable price trend of: | > 25% | > 15% |
| Add | An expected favourable price trend of: | 0% to 25% | 0% to 15% |
| Reduce | An expected negative price trend of: | 0% to -15% | 0% to -10% |
| Sell | An expected negative price trend of: | < -15% | < -10% |

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

| Report No.: | Date of publication | Previous day closing price | Recommendation | Price target |
|----------------|---------------------|----------------------------|----------------|--------------|
| Initial Report | 21 September 2020 | €6.50 | Buy | €8.90 |
| 2...8 | ↓ | ↓ | ↓ | ↓ |
| 9 | 2 August 2022 | €16.15 | Buy | €28.00 |
| 10 | 13 September 2022 | €15.25 | Buy | €26.00 |
| 11 | 15 December 2022 | €14.60 | Buy | €20.00 |
| 12 | 14 February 2023 | €15.50 | Buy | €20.00 |
| 13 | 29 June 2023 | €11.90 | Buy | €19.00 |
| 14 | 11 September 2023 | €12.50 | Buy | €17.00 |
| 15 | 19 October 2023 | €10.75 | Buy | €17.00 |
| 16 | 12 January 2024 | €7.68 | Buy | €13.00 |
| 17 | Today | €8.10 | Buy | €13.00 |

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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