Research Report (Anno)

Aves One AG

Concentration on high-margin areas after sale of the maritime container segment; business development to be even more stable; target price raised slightly

Target price: € 14.50

Rating: Buy

IMPORTANT NOTE:
Please note the disclaimer/risk warning as well as the disclosure of possible conflicts of interest in accordance with § 85 WpHG and Art. 20 MAR from page 20

Note in accordance with MiFID II regulation for research "Minor non-monetary benefits": The research in question meets the requirements for classification as "Minor non-monetary benefits". For further information, please refer to the disclosure under "I. Research under MiFID II".

Date and time of completion of the research report: 04.06.2021 (01:42 pm)
Date and time of first publication: 07.06.2021 (1:00 pm)
Validity of the price target: until max. 31.12.2021

GBC AG Investment Research

Aves One AG*4,5a,6a,11

Rating: BUY
Target price: € 14.50
(previously: € 13.50)

Current rate: € 9.08
03.06.2021 / XETRA 5:36 pm

Currency: EUR

ISIN: DE000A168114
WKN: A16811
Ticker symbol: AVES

Number of shares³: 13.02
Marketcap³: 118.18
Enterprise Value³: 1,080.75
³ in million / in million EUR

Free float: 34.7%

Level of transparency:
prime standard

market segment:
Regulated market

Accounting:
IFRS

Financial year: 31.12.

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* Catalogue of possible conflicts of interest on page 21

Company profile

Industry: Asset Management

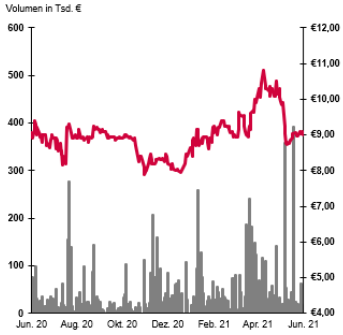
Focus: Rail, Swap-Bodies

Employees: 42 (31.12.2020)

Foundation: 2013

Head office: Hamburg

Executive Board: Tobias Aulich, Sven Meißner



Aves One AG is a fast-growing owner of long-lived rail assets with a modern and profitable freight car portfolio. Aves One is an established player in the European rail freight market. In addition to freight cars, the portfolio also includes swap bodies. The end customers are state-owned railroad companies as well as industrial and logistics companies. The company operates in a rapidly growing market environment. The increasing globalization of goods flows is leading to higher transport volumes. Freight traffic is expected to quadruple by 2050. This will lead to strong demand for rail assets. The liberalization of the rail market, the optimization of logistics chains and the continuing out-sourcing trend offer good market conditions for the leasing of logistics assets in all business areas of Aves One AG.

P&L in EUR million \ FY end	31.12.2020	31.12.2021e	31.12.2022e	31.12.2023e
Sales	123.85	104.88	118.24	127.55
EBITDA	81.80	73.40	83.36	90.34
EBIT	9.64	40.35	45.31	49.45
Net profit	-56.96	0.09	7.72	9.32
Key figures in EUR				
Earnings per share	-4.38	0.01	0.59	0.72
Dividend per share	0.00	0.00	0.00	0.00
Key figures				
EV/Sales	8.73	10.30	9.14	8.47
EV/EBITDA	13.21	14.72	12.96	11.96
EV/EBIT	112.11	26.78	23.85	21.86
P/E RATIO	-2.07	1257.19	15.31	12.67
KBV	8.42			

Financial calendar
17-19.05.21: Equity Forum Frankfurt
July 2021: Annual General Meeting
September 2021: Semi-annual report 2021
07.09.2021: ZKK Zurich
November 2021: Q3 figures
07-08.12.21: MKK Munich

**last research by GBC:
Date: Publication / Target price in EUR / Rating
03.02.2021: RS / 13.50 € / BUY
30.11.2020: RS / 13.50 € / BUY
05.10.2020: RS / 13.50 € / BUY
18.05.2020: RS / 13.60 € / BUY
05.12.2019: RS / 13.60 € / BUY

** the above-mentioned research studies can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg

EXECUTIVE SUMMARY

- On 18 March 2021, Aves One AG announced the sale of its sea container business, which means that the company's focus in future will be on the two business segments „rail“ and „swap bodies“. With the discontinuation of the sea container business, Aves One AG is now in a position to implement an even stronger focus on the high-growth and significantly more profitable rail and swap body segments. At the same time, the reliability of its business development will increase due to, among other things, the elimination of exchange rate effects, and the overall group profitability will increase significantly.

- In the past financial year 2020, which still included the maritime container segment, the company managed to achieve revenue growth of 6.1% to €123.85 million (previous year: €116.78 million) despite pandemic-related burdens. This was driven exclusively by a 10.2% increase in revenue in the Rail segment to €83.90 million (previous year: €76.13 million), which compensated for the -6.1% decline in revenue in the Container segment to €37.05 million (previous year: €39.46 million). The expansion of the wagon fleet and a slight increase in rental rates in the Rail segment contributed to successful development.

- While the EBITDA of €81.80 million (previous year: €84.60 million) was moderately below the previous year's value, in particular due to higher maintenance expenses and in connection with losses from the sale of sea containers, the EBIT fell significantly to €9.64 million (previous year: €51.70 million). This is due to the significantly higher depreciation and amortisation of €72.14 million (previous year: €32.90 million), in which the extraordinary impairment requirement of the sea container business sold in 2021 was booked in advance. The sale of the maritime container portfolio at a purchase price of USD 182.5 million (€ 147.10 million) was below the previous balance sheet valuation, so that an impairment of € 33.04 million was already taken into account as at 31 December 2020.

- For Aves One AG, the current financial year 2021 will also be characterised by the effects of the sale of the maritime container portfolio, which is expected to be completed in the coming months. Taking into account the discontinuation of the sea container sales, the Aves One Board of Directors forecasts sales revenues of more than € 100 million and an EBITDA of more than € 70 million for the current financial year. We base our forecasts on the company's guidance and expect revenues of € 104.88 million and EBITDA of € 73.40 million for 2021. For the coming financial years, we expect further revenue increases of 12.7% (2022e) and 7.9% (2023e), which are based on a further increase in the asset portfolio. For the coming financial years, we conservatively expect only a moderate increase in the EBITDA margin, which should primarily be supported by a slightly disproportionately low development of overhead costs. Higher economies of scale are possible here.

- We have determined a new target price of € 14.50 (previously: € 13.50) within the framework of the DCF valuation model. The price target increase is a result of the estimates for the 2023 financial year included in the concrete estimation period for the first time, which provides a higher basis for the continuity phase of our model. We continue to assign the BUY rating.

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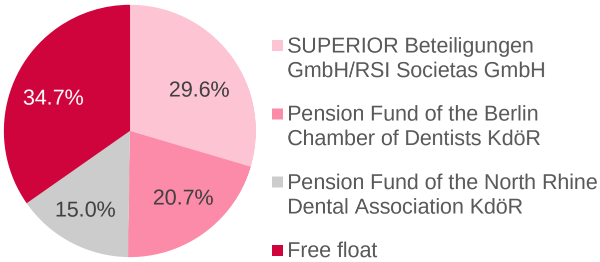
COMPANY

Shareholder structure

Shareholder	in %
SUPERIOR Beteiligungen GmbH/RSI Societas GmbH	29.6%
Pension Fund of the Berlin Chamber of Dentists KdöR	20.7%
Pension Fund of the North Rhine Dental Association KdöR	15.0%
Free float	**34.7%**

Source: Aves One AG; GBC AG



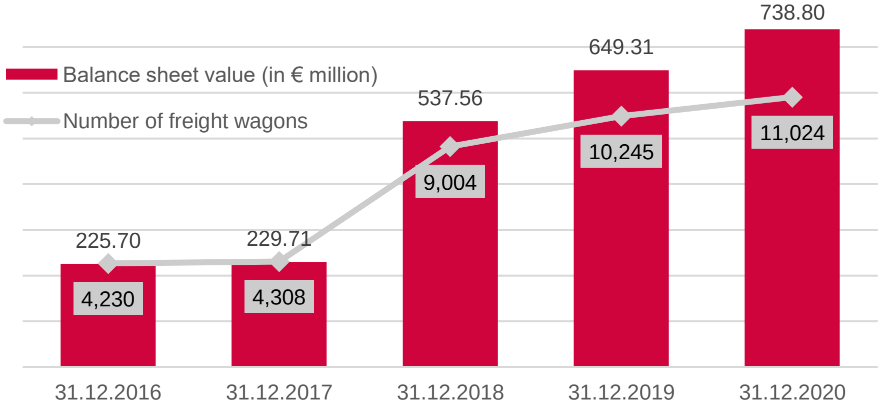
Business model of Aves One AG

On 18 March 2021, Aves One AG announced the complete sale of its maritime container portfolio. Following the completion of this transaction, the future focus of Aves One AG will be on the two business segments Rail and Swap Bodies.

Rail business segment

The Rail segment comprises the maintenance of freight and tank wagons and has a strong regional focus on Central Europe (DACH region and France). Aves One's management has clearly aligned their investment focus on this business segment in the past reporting periods. Between 2017 and 2020, the number of freight wagons in the fleet increased from 4,308 (31 December 2017) to 11,024 (31 December 2020), representing a dynamic CAGR of +36.8%. Despite the burdens associated with the Covid 19 pandemic, the company continued to invest in the expansion of the rail portfolio in the 2020 financial year with the acquisition of 779 freight wagons.

Number of freight wagons and balance sheet value (in € million)



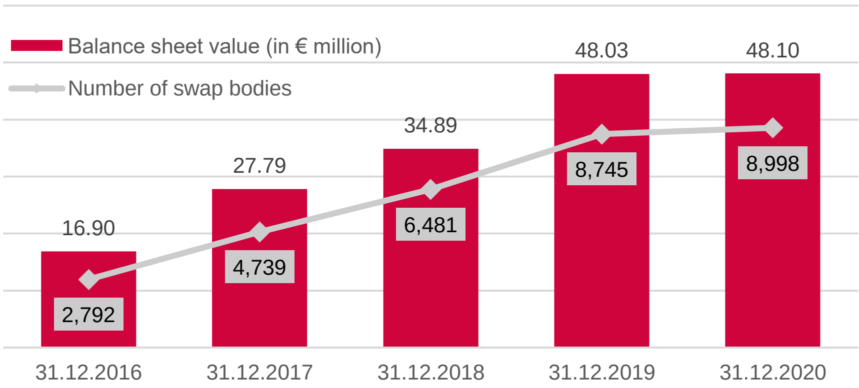
Source: Aves One AG; GBC AG

Aves One's management sees particular growth potential in the rail segment, which is specifically related to the liberalisation of rail transport in Europe. In addition, there is a shift in freight transport to rail, which is also being pushed by the legislature, leading to fundamentally high utilisation rates in this area. In the management of rail assets, Aves One also has extensive know-how as to markets addressed and the goods transported. In contrast to the pure commodity business in the container sector, the wagon types in the freight wagon sector address specific goods markets (e.g. steel, ores, chemicals, etc.). Freight wagons have a useful life of up to 45 years and are therefore extremely durable assets. If necessary, modernisation can be carried out on the old wagons, whereby it should be mentioned that Aves One AG has a comparatively young and modern rail stock. The average age is currently 15.9 years, which is young compared to their total useful life.

Swap bodies

Following the sale of the container portfolio, swap bodies will in future represent the second asset class of Aves One AG. Swap bodies are truck containers that are used in particular for parcel transport by logistics companies. Accordingly, this business area should benefit from the particularly high momentum in online trading. Here, Aves One AG has significantly expanded the number of swap bodies from 4,739 (31 December 2017) to 8,998 (31 December 2020).

Number of swap bodies and balance sheet value (in € million)



Source: Aves One AG; GBC AG

Although the average service life of 12-15 years is below that of the rail sector, Aves One AG also has a young asset portfolio here. The weighted age of the swap bodies is 6.4 years and thus still has about half of its service life ahead of it.

MARKET AND MARKET ENVIRONMENT

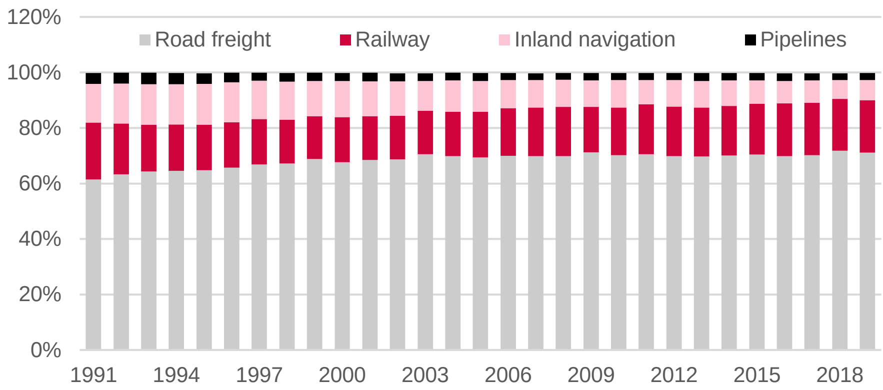
With the two asset groups of rail wagons and swap bodies, Aves One AG is active in different submarkets in each case. Although transport performance is fundamentally dependent on global economic development, there are individual market-specific aspects that must be taken into account.

Market environment Rail

In the Rail segment, Aves One AG has a highly diversified fleet of freight and tank wagons and is active in various freight markets. Even if different market conditions prevail in each case for the goods transported, the general development of transport performance in Europe is a good indicator of the general market environment for Aves One AG. Although no current data on the past year 2020 was available at the time this study was completed, the trend over many years has been a steady increase in the volume of goods transported. In the rail markets relevant to Aves One AG in the DACH region plus France, transport freight volume increased by a total of 14.0% between 2010 and 2019, corresponding to a CAGR of 1.5%.

When looking at Germany separately, the still outstanding position of road freight transport becomes apparent, which even grew disproportionately by 17.3 % in the period mentioned. In contrast, the development of rail freight transport was only disproportionately low with an increase of 2.4 %. The share of rail freight transport in total German freight transport performance amounted to 18.9 % in 2019. This ratio actually declined slightly in recent years due to the increasing importance of the "road". However, in view of the expected growth in traffic and the forecast increase in the volume of goods transported, in conjunction with the ever higher capacity utilisation in road transport, rail transport is likely to play a stronger role in the future. According to the bmwi, an increase in freight transport of around 40 % is expected between 2010 and 2030.

Freight transport performance according to means of transport



Source: Federal Ministry of Transport and Digital Infrastructure

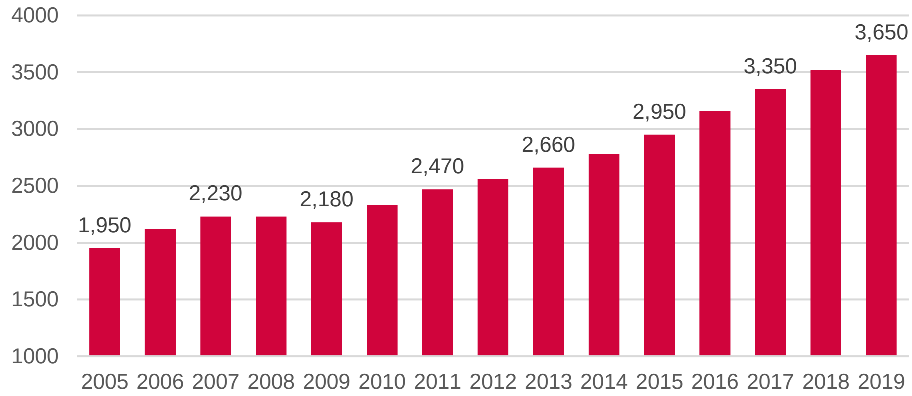
In addition, environmental awareness is playing an increasingly important role in future freight transport development, with rail transport being considered particularly environmentally-friendly today. The high degree of efficiency combined with the high proportion of electromobility on the railways already achieved today are key factors here arguing for the ecological advantage of rail freight transport. The German government has set targets whereby greenhouse gas emissions are to be reduced by 70 % by 2040 and by 80-95 % by 2050, both compared to 1990 levels. A similar target has also been set for the transport sector and its achievement is closely linked to the shift of freight transport towards rail, whose share would have to increase to 30% by 2050 (2019: 18.9%). According to the "Rail Freight Master Plan" adopted by the Federal Government, the infrastructural prerequisites for this are to be created.

Aves One AG is thus part of an industry that is also the focus of future mobility and transport strategy at a European level. In addition, the company is likely to benefit from an increase in the leasing of wagons, as railway companies are focusing more on less investment-intensive transport in the environment of the liberalised rail market. Leasing companies such as Aves One AG generally provide more modern freight wagons. According to company information, the company has one of the youngest and most modern freight wagon portfolios in Europe. With regard to the rail-noise protection law that has been in force in Germany since 2020 and the "quieter routes" regulation that will come into force across Europe from 2024, 95% of Aves One's freight wagons are already equipped with whisper brakes.

Market environment swap bodies

In the swap body segment, Aves One AG's main customers include large industrial and logistics companies such as DHL, Hermes and dpd, which illustrates the dependence that exists in this asset area on the so-called courier, express and parcel market. A particular driver for this area in recent years has been the extremely dynamic development in the e-commerce (B2C) segment, which was again significantly strengthened amid the Covid-19 pandemic. Already at the end of 2019, the increase in shipment volume compared to 2010 amounted to 56.7%, which corresponds to a CAGR of 5.1%. Although no detailed figures are available for 2020, according to the Bundesverband Paket & Logistik (BIEK), a record volume of around 775 million parcel shipments were recorded in the Christmas business (November and December). Compared to the same period last year, 23% more B2C parcels were transported.

Shipment volume in the German CEP market (in million shipments)



Source: Bundesverband Paket & Express Logistik; GBC AG

It can be assumed that the trend of online trade, which will increase again in 2020, will provide a higher basis for the future development of the parcel market. Within the framework of three scenarios for the development of shipment volumes, the BEIK Association forecasts at least an increase to at least 4.3 billion shipments by 2024, which would roughly correspond to a constant dynamic.

CORPORATE DEVELOPMENT

Key figures at a glance

Income statement (in € million)	FY 2019	FY 2020	FY 2021e	FY 2022e	FY 2023e
Revenues	116.78	123.85	104.88	118.24	127.55
Changes in inventories	0.00	-3.06	0.00	0.00	0.00
Other operating income	2.57	1.49	0.00	0.00	0.00
Cost of materials	-20.19	-23.01	-19.98	-21.96	-23.08
Personnel expenses	-4.55	-4.81	-4.60	-4.74	-5.06
Other operating expenses	-10.00	-12.66	-6.90	-8.18	-9.06
Result from companies valued at equity	0.00	0.01	0.00	0.00	0.00
EBITDA	**84.60**	**81.80**	**73.40**	**83.36**	**90.34**
Depreciation	-32.90	-72.16	-33.06	-38.05	-40.90
EBIT	**51.70**	**9.64**	**40.35**	**45.31**	**49.45**
Interest income	0.16	0.08	0.00	0.00	0.00
Interest expenses	-39.41	-43.66	-40.21	-34.29	-36.13
Currency result from financing	3.40	-17.84	0.00	0.00	0.00
Incidental financing costs	-1.27	-2.19	0.00	0.00	0.00
Other financial result	-0.07	-0.16	0.00	0.00	0.00
EBT	**14.50**	**-54.12**	**0.13**	**11.02**	**13.32**
Income taxes	-2.55	-2.84	-0.04	-3.31	-4.00
Net profit for the year	**11.95**	**-56.96**	**0.09**	**7.72**	**9.32**
EBITDA	84.60	81.80	73.40	83.36	90.34
in % of sales revenue	72.4%	67.7%	70.0%	70.5%	70.8%
EBIT	51.70	9.64	40.35	45.31	49.45
in % of sales revenue	44.3%	8.0%	38.5%	38.3%	38.8%
Earnings per share in €	0.92	-4.38	0.01	0.59	0.72

Business development FY 2020

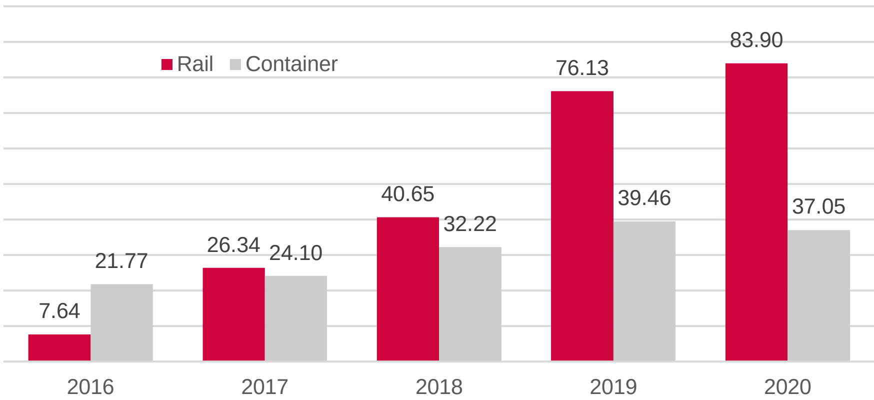
P&L (in € million)	FY 2018	FY 2019	FY 2020
Revenues	77.68	116.78	123.85
EBITDA	52.19	84.60	81.80
EBITDA margin	*67.2%*	*72.4%*	*66.0%*
EBIT	31.17	51.70	9.64
EBIT margin	*40.1%*	*44.3%*	*7.8%*
Net profit for the year	12.08	11.95	-56.96
EPS in €	0.93	0.92	-4.38

Source: Aves One AG; GBC AG

Turnover development 2020

In the financial year 2020, Aves One AG was able to achieve an increase in turnover of 6.1% to €123.85 million (previous year: €116.78 million) despite pandemic-related burdens. Even adjusted for a special effect from the sale of the last logistics property in the amount of € 3.39 million, the company achieved a growth in turnover of 3.1 %. A look at the two segments "Rail" and "Container" reveals a heterogeneous development. While revenue in the Rail segment increased by 10.2 % to € 83.90 million (previous year: € 76.13 million), revenue in the Container segment (sea containers and swap bodies) fell by -6.1 % to € 37.05 million (previous year: € 39.46 million):

Segment-related turnover development (in € million)



Source: Aves One AG; GBC AG

The increase in business volume in the **Rails segment** is primarily based on the further expansion of the Rails portfolio, which was expanded by 13.8% to €738.80 million in 2020 (31.12.2019: €649.31 million). This clearly shows the expansion of the Rails segment, which is at the heart of Aves One’s strategy. By its very nature, the addition of new assets takes place during the year, so that the increase in revenue usually lags somewhat behind the increase in the number of wagons. In addition, due to the pandemic, the company experienced a slight decline in the high-occupancy rate, which was partially offset by a slight increase in the average hire rate. Although the gross yield on the average wagon stock calculated by us fell slightly to 12.1% (previous year: 12.8%), it remains at a high level.

The expansion of the Rail segment is countered by a further strategically induced decline in the **Container segment**. In the meantime, the majority of this segment has been abandoned through the complete sale of the sea container portfolio in 2021. However, Aves One's management had also reduced the maritime container portfolio by around 17,000 in the 2020 financial year, which explains the -6.1% decline in revenue. Together with the reduction of the maritime container portfolio, there were reductions in rental prices and negative currency effects, which also had a negative impact.

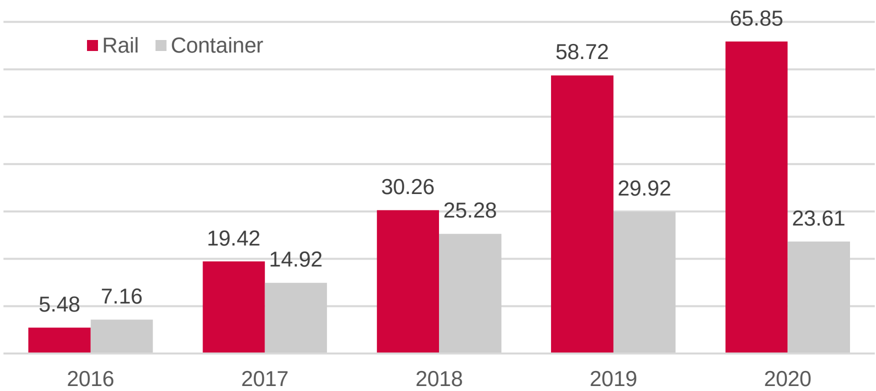
Also included in the container segment is the **swap body** asset class, which will remain the company's investment focus. A separate presentation of turnover for sea containers and swap bodies is not available for the past financial year. However, the company reports an increase in turnover in the swap body segment on the basis of a slightly increased asset portfolio and against the background of only a slight decline in capacity utilisation and a constant rental rate.

Overall, the turnover was above the guidance published by the company, which had envisaged turnover of more than € 117 million. In our estimates, we had previously assumed revenues of € 119.15 million, which were thus also slightly exceeded.

Earnings development 2020

Despite a slight increase in turnover, the EBITDA of €81.80 million (previous year: €84.60 million) and the corresponding EBITA margin of 66.0% (previous year: 72.4%) were below the previous year's level. The segment-related analysis of EBITDA shows that this disproportionately low earnings development can be attributed primarily to the Container segment:

Segment-related EBITDA development (in € million)

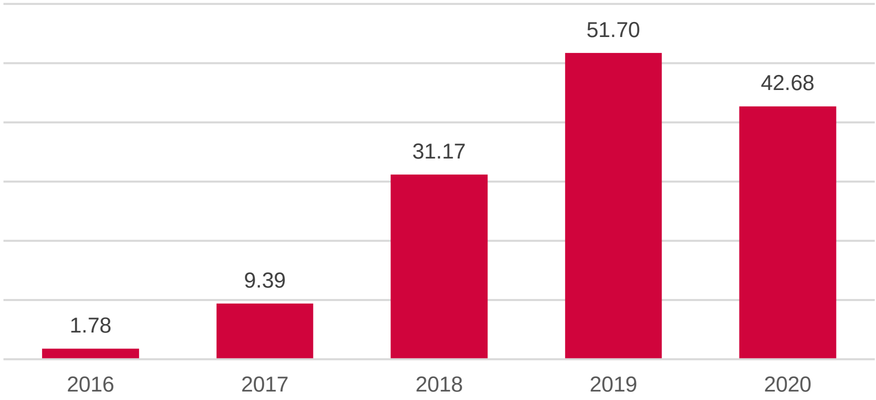


Source: Aves One AG; GBC AG

The -21.1% decline in EBITDA in the Container segment is due in part to increased maintenance measures, which were undertaken in particular to strengthen the swap body portfolio. In addition, losses from the sale of sea containers in the amount of € 5.82 million were incurred due to declining price development. Overall, the EBITDA margin in the Container segment fell to 63.7 % (previous year: 75.8 %). This contrasts with a slight increase in profitability in the Rail segment to 78.5 % (previous year: 77.2 %).

The sale of the maritime container portfolio at a purchase price of USD 182.5 million (€ 147.10 million) was below the previous balance sheet valuation, so that an impairment requirement of € 33.04 million was already taken into account as at 31 December 2020. Together with the higher depreciation resulting from the overall increase in the asset portfolio, Aves One AG recorded a significant increase in depreciation to a total of €72.14 million (previous year: €32.90 million). This visibly reduced EBIT to €9.64 million (previous year: €51.70 million). Adjusted for the impairment of the sea container inventory, Aves One AG would have reported an EBIT of €42.68 million.

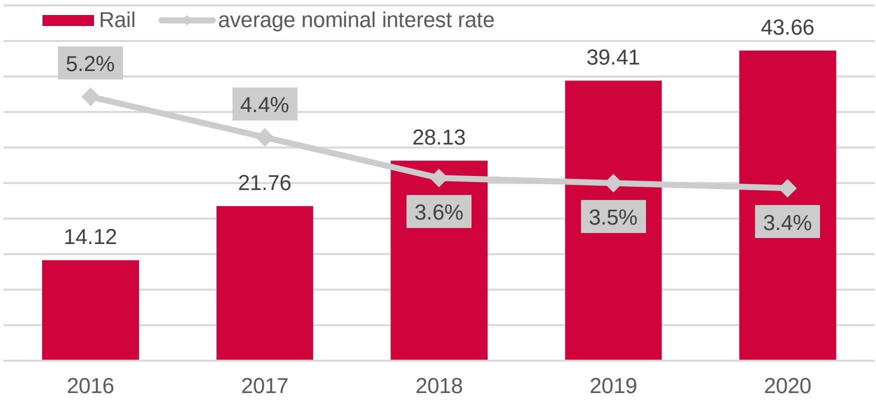
Adjusted* EBIT (in € million)



*Source: Aves One AG; GBC AG; *adjusted for impairment of sea container assets*

The strong decline in the financial result totalling € -63.76 million (previous year: € -37.19 million) was also characterised by extraordinary effects. While financial expenses rose to €43.66 million (previous year: €39.41 million) in connection with the expansion of the asset portfolio and thus due to the assumption of new liabilities, the result was burdened by a negative currency result on loans quoted in US dollars in the amount of €-17.84 million (previous year: €3.40 million). The currency effects on the financial result have no impact on liquidity and should no longer play a major role in the coming reporting periods due to the sale of the sea container business, which is primarily financed with US dollar loans. Alos worth mentioning at this point is the improvement in credit conditions to approximately 3.4 % (previous year: 3.5 %), which was also achieved in 2020. At the end of 2016, the average nominal interest rate was still 5.2%:

Financial expenses (in € million) and average nominal interest rate (in %)



Source: Aves One; GBC AG

Consequently, Aves One AG shows clearly negative values both at the level of the pre-tax result and the net income for the year. The pre-tax result of €-54.12 million (previous year: €14.50 million) would have been slightly negative at €-3.24 million without currency effects and extraordinary impairment.

Balance sheet and financial situation as at 31.12.2020

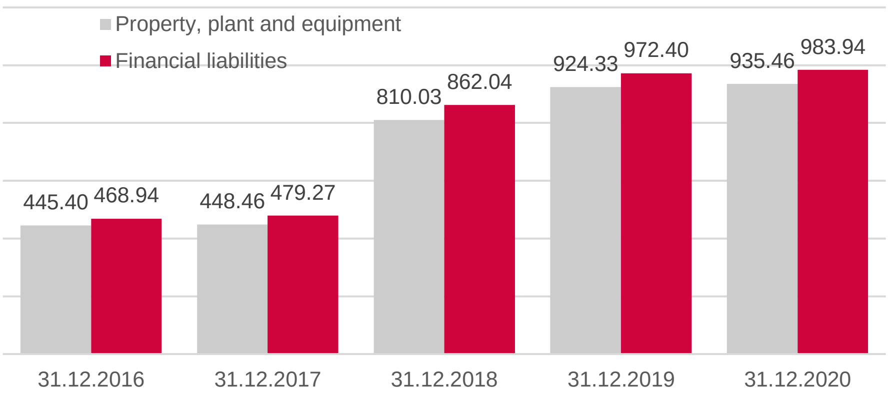
in € m	31.12.2018	31.12.2019	31.12.2020
Equity capital (equity ratio)	32.90 (3.6%)	41.64 (4.0%)	14.04 (1.4 %)
Operating fixed assets	810.03	924.33	935.46
Working capital	40.31	45.53	28.71
Financial liabilities	862.04	972.40	983.94
Cash and cash equivalents	17.15	30.89	17.28
Cash flow (operating)	51.00	80.01	86.96
Cash flow (investment)	-397.97	-130.93	-84.92
Cash flow (financing)	349.12	64.65	-15.52

Source: Aves One AG; GBC AG

The clearly negative after-tax result significantly reduced equity to € 14.04 million (31.12.19: € 41.64 million). With the conversion of an existing loan in the amount of € 24.12 million, this was allocated to equity as hybrid capital, so that the decline in equity was partially offset. The already low equity ratio of the previous financial years had fallen again to 1.4 % (previous year: 4.0 %) as of 31 December 2020. Further measures to strengthen the equity capital and financing strength could still take place in the current financial year. However, with the sale of the sea container assets and the resulting reduction of the balance sheet total by € 147.03 million, Aves One AG should achieve an improvement in its equity ratio in the near future.

Despite further investments in the rail sector and in swap bodies totalling € 115.53 million, the asset portfolio only climbed comparatively moderately to € 935.46 million (31.12.19: € 924.33 million). The extraordinary depreciation on maritime container assets in the amount of € 33.04 million stood in the way of a stronger increase. Compared to previous financial years, the momentum in the expansion of rail wagons and swap bodies has slowed down, which is partly due to delays in connection with the Covid-19 pandemic. The financing of the asset portfolio is covered by a mix of bank loans, direct investments, financing from institutional investors or corporate bonds. In line with new investments, financial liabilities climbed to € 983.94 million (31.12.19: € 972.40 million), mainly due to new bank borrowings and the issuance of new bonds. The average nominal interest rate was further improved to 3.4% (previous year: 3.5%). Further improvements are expected here, in particular through the sale of the comparatively more expensively financed sea container segment.

Asset portfolio and financial liabilities (in € million)

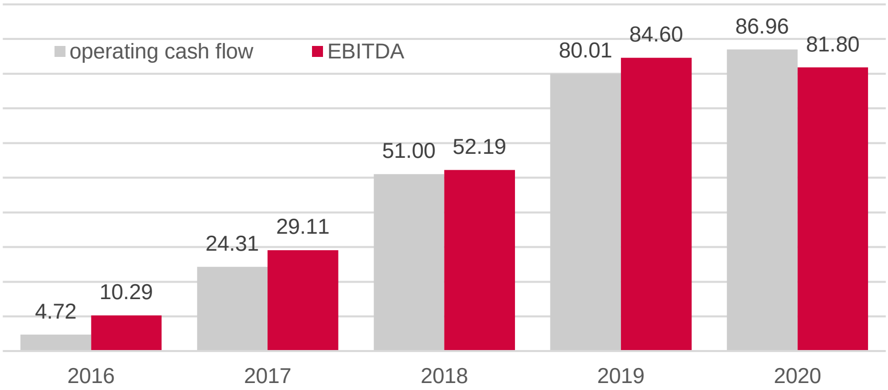


Source: Aves One AG; GBC AG

The fact that the special effects, which led to the clearly negative after-tax result in the 2020 financial year and thus to the sharp decline in equity, had no effect on liquidity can be seen in the unchanged high operating cash flow of € 86.96 million (previous year: €

80.01 million). This is a typical picture for Aves One AG, according to which the operating cash flow is usually very close to the EBITDA:

Operating cash flow and EBITDA (in € million)



Source: Aves One AG; GBC AG

In view of the somewhat lower level of new investment activity, the investment cash flow of € -84.92 million (previous year: € -130.93 million) was above the previous year's figure and at the same level as the operating cash flow. This enabled Aves One AG not to significantly expand its financial liabilities on balance.

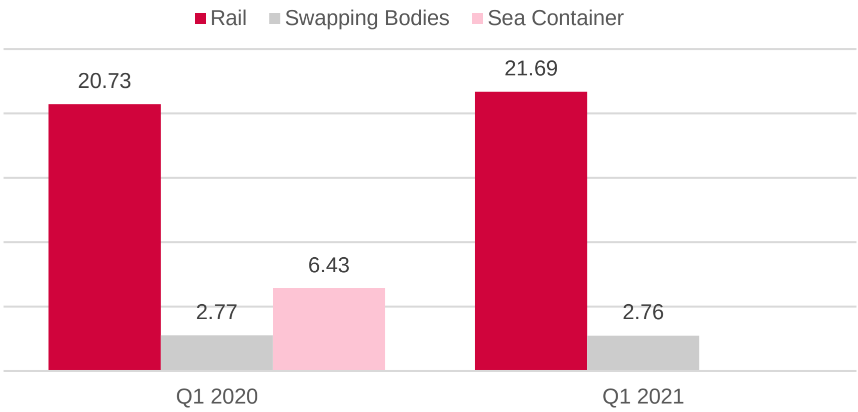
Business development Q1 2021

GuV (in Mio. €)	Q1 2020	Q1 2020*	Q1 2021*
Umsatzerlöse	33,73	27,30	24,64
EBITDA	21,72	17,22	17,79
EBIT	12,68	9,98	9,13
EAT	3,86	1,90	10,26

*Source: Aves One AG; GBC AG; *continuing operations only (excluding maritime container business)*

For the first three months of 2021, Aves One AG has published figures adjusted for the sale of the maritime container business for the first time. At least the revenue, EBITDA and EBIT figures provide a meaningful picture of the continuing asset classes rail and swap bodies. Although revenues fell overall to €24.64 million (previous year: €27.30 million), the previous year's figure included proceeds of €3.39 million from the sale of the storage park. Adjusted for this extraordinary income, Aves One AG reported an increase in turnover of 3.1 %. This was due exclusively to the 4.7 % increase in sales to € 21.69 million (previous year: € 20.73 million) in the core Rail segment, which benefited from the expansion of the Rail portfolio. On the other hand, revenue in the Container segment remained constant.

Q1 turnover development by asset class (in € million)



Source: Aves One AG; GBC AG

In line with the adjusted increase in turnover of 3.1%, EBITDA climbed by 3.3% to € 17.79 million (previous year: € 17.22 million). However, due to the increased asset portfolio and the associated higher depreciation, EBIT fell by -8.5% to €9.13 million (previous year: €9.98 million).

Despite this slight reduction, EBT increased significantly to €10.28 million (previous year: €3.23 million). Although the operating figures of the sold sea containers are allocated to the discontinued operations, the sea container financial liabilities and the related expenses as well as exchange rate effects are still allocated to the continuing operations. The financial result of € 1.15 million (previous year: € -6.75 million) was particularly positively influenced by exchange rate effects of € 9.12 million and a valuation of financial instruments of € 1.69 million. Adjusted for the "sea container effects" in the financial result, Aves One AG would have reported EBT of €1.78 million (previous year: €3.20 million). The decline is due to the higher financial expenses in the continuing operations as a result of the expanded asset portfolio.

Forecast and Evaluation

P&L (in € million)	FY 2020	FY 2021e	FY 2022e	FY 2023e
Revenues	123.85	104.88	118.24	127.55
EBITDA	81.80	73.40	83.36	90.34
EBITDA margin	*66.0%*	70.0%	70.5%	70.8%
EBIT	9.64	40.35	45.31	49.45
EBIT margin	*7.8%*	38.5%	38.3%	38.8%
Net profit for the year	-56.96	0.09	7.72	9.32
EPS in €	-4.38	0.01	0.59	0.72

Source: GBC AG

At Aves One AG, the current financial year 2021 will also be characterised by the effects of the sale of the maritime container portfolio, the winding-up of which is expected to be completed in the coming months. With the economic transfer of the sold assets, which already took place on 1 January 2021, the majority of the revenues of the container segment will cease, which will lead to a decline in revenues for Aves One AG overall. According to our calculations, the lost revenue share should be around € 27 million.

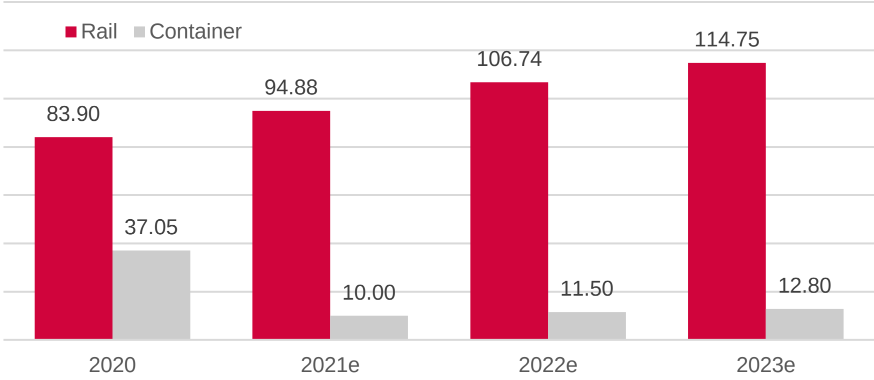
With the discontinuation of the sea container business, Aves One AG is in a position to implement an even stronger focus on the high-growth and significantly more profitable rail segment and swap body segment. At the same time, the reliability of their business development will increase, among other things due to the elimination of exchange rate effects, and the overall Group profitability will increase significantly. In the container segment, which is to be regarded as a pure commodity business, there was a downward trend in yields. An important success factor for the profitable leasing of sea containers is the ability to refinance favourably with US dollar loans. In a portfolio comparison, however, Aves One AG's sea container loans are comparatively high-interest, which is why this business unit was unable to match the yield level of the Rail segment.

Turnover forecasts 2021 - 2023

Taking into account the discontinuation of sea container sales, the Aves One board is forecasting sales revenues of more than € 100 million for the current financial year, of which more than € 92 million will come from the Rail segment and more than € 8 million from the swap body segment. Even though the effects of the Covid-19 pandemic are naturally not foreseeable, the management recognises an increase in utilisation rates in the Rail segment, which were still declining slightly in the previous financial year. A slight improvement in the load factor is also expected in the swap body sector.

For the current financial year 2021, we assume that the company should slightly exceed the targeted revenue mark of at least € 100 million with revenues of € 104.88 million expected by us. The 779 new freight wagons added in 2020 alone, as well as the freight wagons already acquired in 2021 in the amount of € 11.4 million, should cover the majority of the revenue increase to € 94.88 million (+14.9 %) we assume for the Rail segment. From the current financial year onwards, the Container segment will only include the asset class swap bodies and, in line with our expectations, should show a visible decline in revenue to € 10.00 million.

Turnover forecast by segment (in € million)



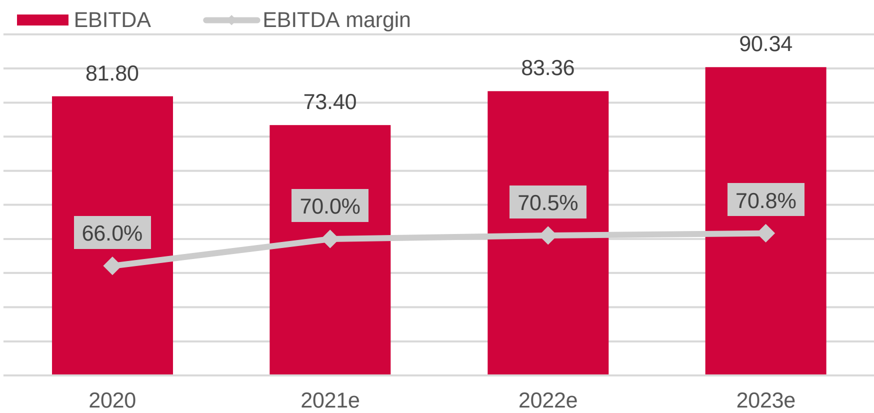
Source: GBC AG

The further increase in revenue we have assumed for the Rail division for 2022 and 2023 of 12.7% (2022e) and 7.9% (2023e) respectively is based on the assumption of a further expansion of the freight wagon fleet. Even though we do not explicitly assume this in the context of this study, Aves One AG should first implement a strengthening of equity. Further asset acquisitions should then be financed again via the classic mix of bank and bond financing, with the focus continuing to be on reducing financing costs. After the repayment of the loans, Aves One AG will generate a cash inflow of USD 23.8 million (€ 19.8 million) from the sea container transaction. Together with an existing financing line of € 75.0 million, the company has the financial means for further asset expansion.

Result forecasts 2021 - 2023

Particularly in terms of earnings, the current financial year 2021 will still be a "transition year". Although the economic transfer of the sold sea containers took place on 1 January 2021, the associated financial expenses will be allocated to Aves One AG until the transfer of the assets. At the level of the pre-tax result and after-tax result, the "steady state" without the sea container segment will therefore only become apparent from the coming financial year 2022. In addition, exchange rate effects of the US dollar loans may also influence the financial result of the current financial year 2021, but we cannot take this into account in our forecasts.

Forecast EBITDA (in € million) and EBITDA margin (in %)



Source: Aves One; GBC AG

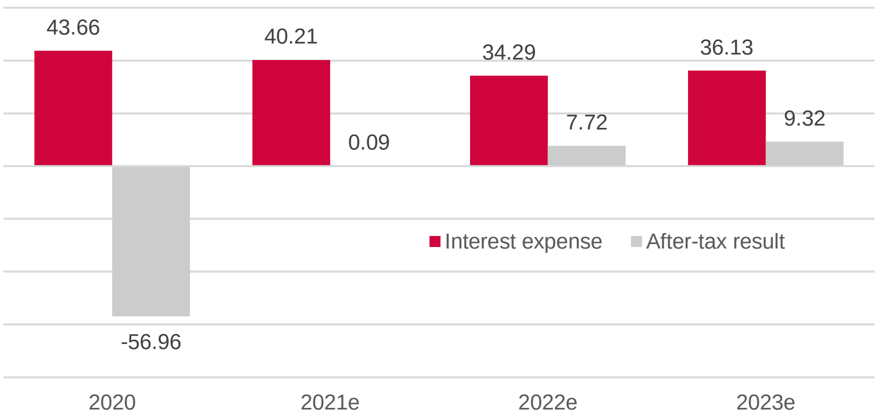
At the EBITDA and EBIT level, however, a meaningful picture of the two business units Rail and Container (swap bodies) will already be available in the current financial year.

According to the company's forecast, EBITDA of over €70 million is expected and thus an improvement in the EBITDA margin to around 70 % (2020: 66.0 %). With a thus visible increase in the profitability level, the absolute EBITDA decline should be partially cushioned. For the Rail segment, the Aves One management expects an EBITDA of more than € 64 million and for the Container segment of more than € 6 million. In the Container segment in particular, there will be a significant increase in margins to approx. 80 % (previous year: 56.0 %) after the sale of the sea container segment.

For the coming financial years, we conservatively expect only a moderate increase in the EBITDA margin, which should be supported primarily by a slightly disproportionately low development of overhead costs. Higher economies of scale are possible here.

For the current financial year 2021, we are still taking into account the proportionate financial expenses of the US dollar loans. Only from the coming financial year 2022 should there be a strong decrease in financial expenses, with a corresponding positive effect on the pre-tax and after-tax results:

Financial expenses and after-tax result (in € million)



Source: Aves One AG; GBC AG

Evaluation

Model assumptions

We valued Aves One AG using a three-stage DCF model. Starting with the concrete estimates for the years 2021 to 2023 in phase 1, the forecast is made from 2024 to 2028 in the second phase by applying value drivers. We expect increases in turnover of 7.5 % (previously: 10.0 %). We have assumed a target EBITDA margin of 70.8%. We have taken the tax rate into account at 30.0 % in phase 2. In the third phase, a residual value is determined after the end of the forecast horizon using the perpetual annuity. In the final value, we assume a growth rate of 2.0 %.

Determination of the cost of capital

The weighted average cost of capital (WACC) of Aves One AG is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate will henceforth be derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. In this context, we have reduced the minimum limit of 1.00% previously used by us to 0.25% in our valuation model since 1 January 2021.

We set the historical market premium of 5.50% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the stock market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.76 is currently determined.

Using the assumptions made, we calculate a cost of equity of 9.95% (previously: 9.95%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 10.0%, we arrive at a weighted average cost of capital (WACC) of 3.20% (previously: 3.20%).

Valuation result

We have determined a new target price of € 14.50 (previously: € 13.50) within the framework of the DCF valuation model. The price target increase is a result of the estimates for the 2023 financial year included in the concrete estimation period for the first time, which means that there is a higher basis for the continuity phase of our model.

GBC AG Investment Research

DCF model

Aves One AG - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after estimate phase:

consistency - phase	
Revenue growth	7.5%
EBITDA margin	70.8%
Depreciation to fixed assets	3.6%
Working Capital to revenue	38.8%

final - phase	
Eternal growth rate	2.0%
Eternal EBITA margin	42.5%
Effective tax rate in final phase	30.0%

Three phase DCF - model:

phase	estimate			consistency					final
in mEUR	FY 19e	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	final value
Revenue	104.88	118.24	127.55	137.11	147.39	158.45	170.33	183.11	
Revenue change	-13.2%	12.7%	7.9%	7.5%	7.5%	7.5%	7.5%	7.5%	2.0%
Revenue to fixed assets	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	
EBITDA	73.40	83.36	90.34	97.12	104.40	112.23	120.65	129.70	
EBITDA margin	70.0%	70.5%	70.8%	70.8%	70.8%	70.8%	70.8%	70.8%	
EBITA	40.35	45.31	49.45	57.28	61.39	66.15	71.61	77.81	
EBITA margin	38.5%	38.3%	38.8%	41.8%	41.6%	41.7%	42.0%	42.5%	42.5%
Taxes on EBITA	-12.10	-13.59	-14.83	-17.19	-18.42	-19.84	-21.48	-23.34	
Taxes to EBITA	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	28.24	31.72	34.61	40.10	42.97	46.30	50.13	54.47	
Return on capital	2.9%	3.4%	3.3%	3.5%	3.5%	3.5%	3.5%	3.6%	3.5%
Working Capital (WC)	35.00	41.00	49.55	53.27	57.26	61.56	66.17	71.14	
WC to Revenue	33.4%	34.7%	38.8%	38.8%	38.8%	38.8%	38.8%	38.8%	
Investment in WC	-6.29	-6.00	-8.55	-3.72	-3.99	-4.29	-4.62	-4.96	
Operating fixed assets (OAV)	888.35	1000.71	1098.08	1185.82	1270.37	1351.86	1430.39	1506.07	
Depreciation on OAV	-33.06	-38.05	-40.90	-39.83	-43.02	-46.08	-49.04	-51.89	
Depreciation to OAV	3.7%	3.8%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%	
Investment in OAV	20.43	-150.42	-138.26	-127.57	-127.57	-127.57	-127.57	-127.57	
Capital employment	923.35	1041.71	1147.63	1239.09	1327.64	1413.42	1496.56	1577.21	
EBITDA	73.40	83.36	90.34	97.12	104.40	112.23	120.65	129.70	
Taxes on EBITA	-12.10	-13.59	-14.83	-17.19	-18.42	-19.84	-21.48	-23.34	
Total investment	14.14	-156.42	-146.81	-131.29	-131.56	-131.86	-132.19	-132.53	
Investment in OAV	20.43	-150.42	-138.26	-127.57	-127.57	-127.57	-127.57	-127.57	
Investment in WC	-6.29	-6.00	-8.55	-3.72	-3.99	-4.29	-4.62	-4.96	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	75.44	-86.65	-71.31	-51.35	-45.58	-39.48	-33.02	-26.18	1804.72

Value operating business (due date)	1116.24	1240.07
Net present value explicit free cashflows	-318.62	-242.58
Net present value of terminal value	1434.86	1482.65
Net debt	927.35	1038.28
Value of equity	188.89	201.78
Minority interests	-0.13	-0.13
Value of share capital	188.76	201.65
Outstanding shares in m	13.02	13.02
Fair value per share in EUR	**14.50**	15.49

Cost of capital:

Risk free rate	0.3%
Market risk premium	5.5%
Beta	1.76
Cost of equity	10.0%
Target weight	10.0%
Cost of debt	3.2%
Taxshield	90.0%
Taxshield	18.9%
WACC	**3.3%**

Return on Capital	WACC				
	3.31%	**3.32%**	**3.33%**	**3.34%**	**3.35%**
3.50%	14.87	13.95	13.06	12.17	11.30
3.51%	15.60	14.68	13.78	12.89	12.01
3.52%	16.34	15.41	**14.50**	13.61	12.72
3.53%	17.07	16.14	15.23	14.33	13.44
3.54%	17.81	16.87	15.95	15.04	14.15

ANNEX

I.
Research under MiFID II
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2. The research report is simultaneously made available to all interested investment services companies.

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A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

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The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10%.

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