Research Report (Initial Coverage)

publity AG

Highly profitable asset manager with proprietary research tool and above-average transaction speed
-
PREOS shareholding to be reduced in the medium term from 93.1% to around 20%.

Target price: EUR 46.50

Rating: BUY

IMPORTANT NOTICE:
Please note the disclaimer/risk notice
and the disclosure of potential conflicts of interest pursuant to Section 85 WpHG and Art. 20 MAR from page 32

Note in accordance with MiFID II regulation for research "Minor Non-Monetary Contribution": The present research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

Date and time of completion of the study: 04.11.2022 (15:15) German version: 04.11.2022 (09:55)
Date and time of the first distribution of the study: 07.11.2022 (10:00) German version: 07.11.2022 (10:00)
Validity of the target price: until max. 31.12.2023

publity AG*5a,11

Rating: BUY
Target price: EUR 46.50

price: € 30.00
03.11.22 17:36 / Xetra

Stock data:

ISIN: DE0006972508
WKN: 697250
Stock exchange symbol: PBY
Number of shares³: 14.88
Market cap³: 446.29
Enterprise value³: 1023.15
³ in million / in € million

Free float: 13%

Market segment:
Scale

Accounting standard:
HGB

Designated Sponsors:
Hauck Aufhaeuser Lampe Privatbank AG, mwb fairtrade Wertpapierhandelsbank AG

Financial year: 31.12.

Analysts:

Matthias Greiffenberger
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Marcel Schaffer
schaffer@gbc-ag.de

* Catalog of possible conflicts of interest on page 33

Company profile

Industry: Real estate

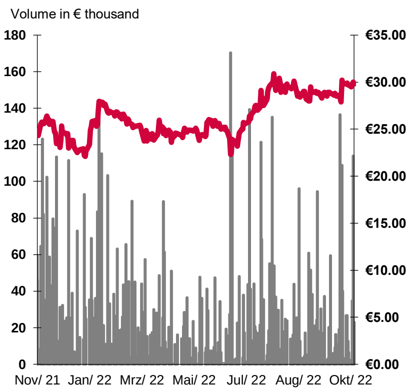
Focus: Asset Management

Employees: 20 as of 31.12.2021

Foundation: 1999

Headquarter: Frankfurt am Main

Executive Management: Frank Schneider, Stephan Kunath



publity AG ("publity") is an asset manager and investor specializing in office real estate in Germany. The company covers the core of the value chain from acquisition to development and disposal of real estate. With over 1,100 transactions in the past seven years, publity is one of the most active players in the real estate market. publity is characterized by a sustainable network in the real estate industry as well as with the work-out departments of financial institutions. With excellent access to investment funds, publity handles transactions swiftly with a highly efficient process and proven partners. On a case-by-case basis, publity participates as a co-investor in joint venture transactions and acquires real estate for its own portfolio.

P&L in € million \ FY-end	31.12.2020	31.12.2021	31.12.2022e	31.12.2023e
Revenue	16.01	28.75	23.20	25.52
EBITDA	6.02	14.60	13.15	14.03
EBIT	5.87	14.15	12.65	13.56
Net income	12.07	-15.43	9.91	5.64
Key figures				
Earnings per share	0.81	-1.04	0.67	0.38
Dividend per share	0.00	0.00	0.00	0.00
Key figures				
EV/Revenue	63.91	35.58	44.10	40.09
EV/EBITDA	170.00	70.07	77.81	72.93
EV/EBIT	174.19	72.30	80.88	75.45
KGV	36.96	-28.93	45.04	79.11
KBV		0.78		

Financial Calendar
November 8, 2022: AGM
November 28-30, 2022: Eigenkapitalforum

**last research from GBC:
Date: Publication / Target price in EUR / Rating

** Research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.

Executive Summary

- publity AG is an asset manager that mainly generates revenues through commissions for finding (finder's fee), managing (basic fee) and selling (exit fee) properties. Managing here refers to the so-called manage-to-core strategy, in which the focus is on improving the rental situation and rental yields. Extensive information on the approximately 9,500 relevant properties in Germany is tracked, maintained and analyzed using a proprietary research tool. The standardized and formalized processes enable very rapid transactions, which represents an important competitive advantage. The company's current focus is on commercial properties in A-locations in the metropolitan areas of the top seven cities (excluding Berlin). The main customer is PREOS Global Office Real Estate & Technology AG (PREOS) in which publity holds a 93.1% stake. PREOS is an active real estate investor whose management acts autonomously and largely independently of publity.

- In the past fiscal year 2021, revenues increased by 79.6% to €28.75 million (previous year: €16.01 million). The increase in revenue is mainly due to finder's fees and basic fees, as well as the procurement of a new major investor for PREOS. Earnings improved disproportionately and EBIT rose by 140.9% to €14.15 million (previous year: €5.87 million). The reason for this is the absence of special costs from the previous year and cost optimization measures. Impairment losses on financial assets, in particular on the PREOS shares held, amounting to €27.47 million, resulted in a clearly negative financial result of €-24.83 million (previous year: €6.17 million). The impairments did not reduce liquidity and are attributable to the general market trend. As a result, the net result for the year was €-15.43 million (previous year: €12.08 million).

- In the first half of 2022, revenues decreased slightly by 14.1% to €9.95 million (PY: €11.59 million). According to the management, revenue mainly consisted of inventory fees and finder's fees. In contrast to the revenue development, EBIT increased by 26.5% to €6.35 million (previous year: €5.02 million). The background to this development was cost optimization. However, additional costs will be incurred in the second half of 2022, e.g. due to the Annual General Meeting and consulting costs in the course of the bond issue. Overall, the result for the period increased by 13.9% to €5.23 million (previous year: €4.59 million).

- The guidance for the current fiscal year is for revenues moderately above the previous year's level, with EBIT of between €11 million and €15 million and net income of €6 million to €10 million. We expect revenues of €23.2 million in the current fiscal year 2022, followed by €25.52 million in 2023. The commercial real estate sector in A-locations should be well positioned and less affected by the interest rate turnaround and rising energy prices than the rest of the real estate sector. In the medium term, we expect broader client diversification with additional mandates outside PREOS. It is also possible that a joint venture with an American hedge fund could be entered into again. It would also be conceivable to acquire further asset managers or to expand the NPL portfolio. It would also be possible to set up a vehicle of our own to make smaller real estate investments. In our opinion, the company has numerous growth opportunities even in the current phase of the interest rate turnaround. With the continuation of the lean management approach, it should also be possible to further increase earnings and we expect EBIT of €12.65 million in the current fiscal year 2022, followed by €13.56 million in 2023. With the issue of the further bond, the interest burden should increase significantly and we forecast net income of €9.91 million in 2022, followed by €5.64 million in 2023.

- publity AG plans to issue a further bond (2022/2027) with a volume of up to €100 million. The coupon is expected to be 6.25%. The proceeds from the issue are to be used to finance further growth and to acquire real estate and equity investments. The terms and conditions of the existing 2020/2025 bond have been adjusted so that the maturity date also falls on December 19, 2027 and the coupon will also be raised from 5.5% to 6.25% from June 19, 2023.

- Furthermore, an extensive transaction is planned in which PREOS will receive a new major shareholder and publity's stake will be reduced from initially 51% to ultimately 20%. For this purpose, capital increases in kind are to be carried out in the PREOS subsidiary GORE and then the new shares of GORE are to be contributed to PREOS. A non-cash capital increase of €480 million and another of €1.75 billion are planned. The capital increase in kind in GORE is to be carried out at €3.00 per share each and the contribution of the GORE shares to PREOS is to be carried out at €5.20 per share each. Extraordinary shareholders' meetings have already been held for the first capital increase in kind and the contribution, but actions for annulment and rescission are still pending. However, this should only slightly delay the schedule. In our forecasts, we still assume the current corporate structure, in which publity holds 93.1% of the PREOS shares.

- **We have valued the company using a DCF model and attributed the investments in affiliated companies and the loans to affiliated companies to net financial assets. This primarily includes the PREOS investment. The net financial assets of €576.86 million as of June 30, 2022 would result in a fair value of €38.78 per share based on the number of shares in publity. Adding the value of the operating business on the basis of the DCF model, we have calculated an overall price target of €46.50 per share and, against the backdrop of the high upside potential, assign a Buy rating.**

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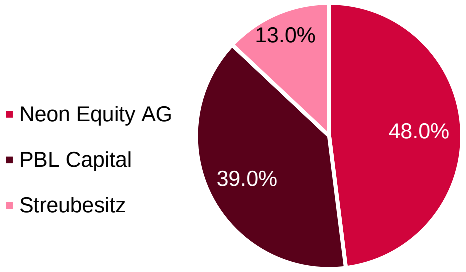
Company overview

Shareholder structure

Shareholders	Share
Neon Equity AG	48.0%
PBL Capital	39.0%
Free float	13.0%

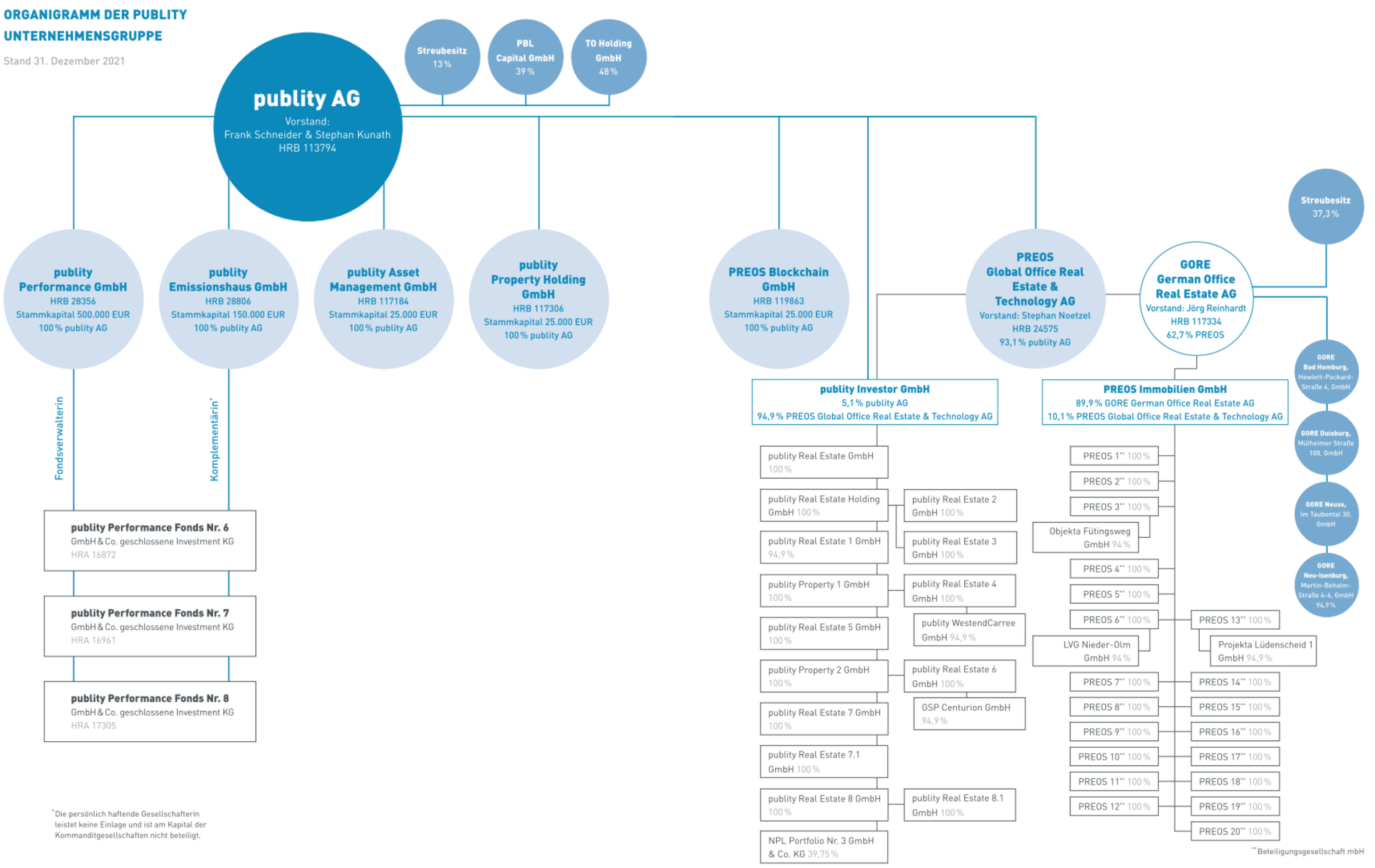
Sources: publity AG; GBC AG



Business activity

publity AG ("publity") is an asset manager and investor specializing in office real estate in Germany. The company covers the core of the value chain, from acquisition to development and disposal of real estate. With over 1,100 transactions in the past seven years, publity is one of the most active players in the real estate market. publity is characterized by a sustainable network in the real estate industry as well as with the work-out departments of financial institutions. With very good access to investment funds, publity handles transactions swiftly with a highly efficient process and proven partners. On a case-by-case basis, publity participates as a co-investor in joint venture transactions and acquires real estate for its own portfolio.

Organizational chart of publity AG as at 31.12.2021



Source: publity AG

Management Team

Chairman of the Board
Frank Schneider
CEO of publity AG since 01.01.2021

Born in August 1963 in Pinneberg (Schleswig-Holstein), lawyer Frank Schneider worked at CMS Hasche Sigle, the largest commercial law firm in Germany, from 1999 to April 2018, specializing in real estate and construction law - as a partner since January 2004. Prior to that, he worked as legal counsel at the HOCHTIEF construction group.
Frank Schneider has many years of experience in legal project management of real estate transactions and has been advising and assisting the public sector in the purchase and sale of real estate for many years. Frank Schneider has been a member of the Executive Board since December 2018.

Board of Directors
Stephan Kunath
CFO of publity AG since 01.10.2020

Stephan Kunath, born in 1986 in Hohenmölsen (Saxony-Anhalt), has held various positions at publity AG since 2010 and thus has many years of professional experience at the company. Since October 2020, he has been responsible for finance as Chief Financial Officer of publity AG.

Business activity

Company history at a glance

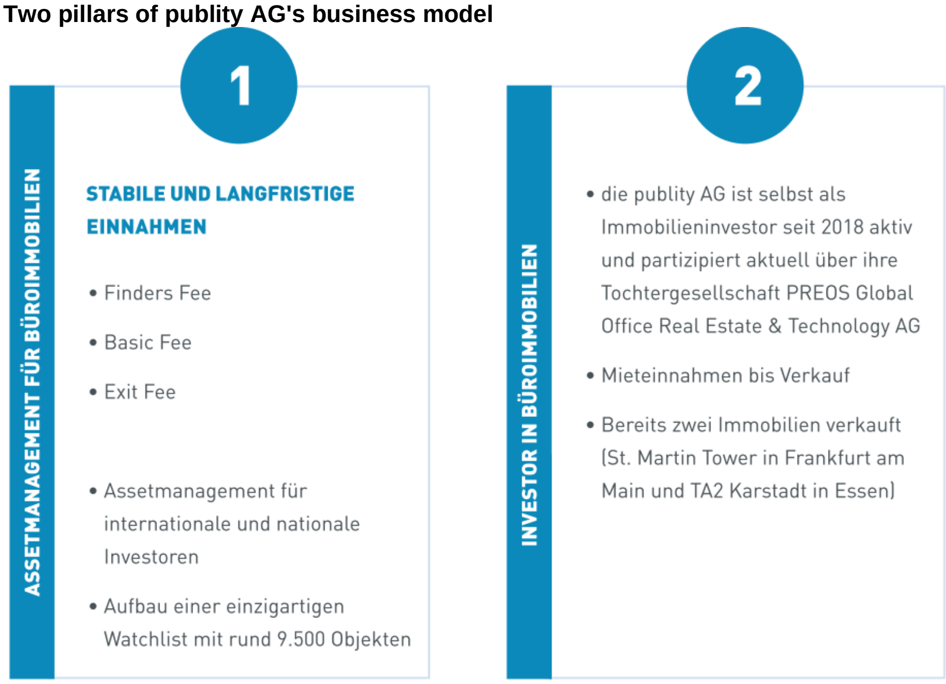
Date	Development
07.1999	Foundation of PROVISTA Siebenundzwanzigste Vermögensverwaltungs-Aktiengesellschaft in Hamburg
03.2000	Relocation of the company headquarters to Leipzig and change of name to akon AG
08.2000	Change of name to publity AG
08.2001	Relocation of the registered office to Berlin
04.2003	Thomas Olek becomes main shareholder of publity AG
10.2003	Thomas Olek appointed Chairman of the Executive Board
04.2008	Relocation of the registered office to Leipzig
05.2008	Merger of TASK FORCE INVESTOR AG into publity AG
11.2018	Relocation of the registered office to Frankfurt am Main

Sources: publity AG; GBC AG

Business model

The business model of publity AG (publity) is built on two pillars. The first pillar is asset management for office properties, whereas the second pillar involves the company investing in office properties through its subsidiary PREOS Global Office Real Estate & Technology AG (PREOS).

Two pillars of publity AG's business model



Source: publity AG

The first pillar comprises the asset management of real estate and the servicing of loan portfolios (NPL portfolios - non-performing loans). The second pillar involves the Group's own investments in real estate and loan portfolios as well as the structuring and management of investment products in the form of limited partnerships and investment limited partnerships for institutional and private investors.

The main business segment is the provision of services in connection with the purchase, management and sale of real estate for third-party customers or for the publity group of companies.

The servicing of NPL portfolios currently plays a minor role. This involves the purchase, management and liquidation of non-performing loans. In the course of winding up NPL fund companies and joint ventures, the publity group has acquired NPL portfolios and only holds a very small number of NPL portfolios in its own portfolio. However, there are currently no plans to expand the NPL business or portfolio.

Since 2018, publity has also been acting as a real estate investor itself via its subsidiaries publity Investor GmbH and PREOS Global Office Real Estate & Technology AG. Since then, their real estate portfolio has grown in importance. In part, the company has also participated as a co-investor in joint venture transactions.

Another business area that now plays a subordinate role is the management of investment products (funds). Most of the NPL funds launched in the past have now been wound up. Two of the three real estate funds launched are currently in liquidation. According to management, there are currently no plans to launch further funds.

Asset Management

publity AG provides asset management services in connection with the (1) purchase, (2) management and (3) sale of real estate. In this context, the company receives corresponding finder's fees, basic fees and exit fees. Customers include external clients, but primarily companies within the company's own group of companies as well as the company's own investment fund companies.

In the area of asset management, publity AG also makes use of external service providers, e.g. real estate appraisers and lawyers. Property management is not part of the services offered and is provided by other external service providers.

1 - Assistance in the acquisition of real estate

In the first step of the acquisition, publity benefits from very good market access to (commercial) real estate and financing. In addition, the company offers structuring and support of the acquisition process, including due diligence and valuation.

The company has a global real estate and banking network from which it regularly receives offers of potential properties for acquisition. In addition, publity has sophisticated investment profiles from its customers and can thus offer particularly interesting properties for the respective customers.

From the identified properties, the most relevant are selected according to their return and risk profile. A business plan is then drawn up on the basis of economic data such as the tenant structure, rental income, vacancy rates and average lease terms, and used as the basis for an indicative purchase price offer that publity submits for the respective customers.

Before suitable properties are purchased, a multi-stage due diligence process is carried out by external service providers, on behalf of publity, for the account of the respective customer. For example, prior to the investment decision, legal due diligence is performed by independent lawyers and real estate due diligence is performed by publicly sworn and appointed experts, which includes both the technical and the economic valuation of the property in question. Furthermore, real estate experts verify the assumptions in the property business plan. The results of this extensive due diligence process are intended to ensure that the customer's previously defined investment criteria are met and that an investment decision can be made.

When selecting suitable properties, the publity Group currently concentrates on commercial real estate in Germany with a focus on office space in metropolitan areas. The age of the properties should generally not exceed 10 or 15 years. Another premise is that the properties should already be operating at break-even at the time of acquisition so that further optimization of the properties can be carried out in the required time without pressure to sell.

2 - Real estate management

According to publity, the main value creation, in addition to purchasing as low as possible, is achieved through the implementation of targeted property strategies and through management using the so-called **manage-to-core approach.** The real estate asset management comprises the marketing of the properties, the support of the tenants, the optimization of the rental situation as well as the commissioning and administration of property and facility management.

The aim is to secure and increase the value of the property. Particularly by reducing vacancies through the optimization of existing leases, the attractiveness for buyers is to be increased. Accordingly, the manage-to-core approach reflects the increase in value of the properties through targeted measures such as technical upgrades, improvements in occupancy rates and the lease situation. In addition, as part of its real estate management activities, publity also provides the necessary portfolio and asset management, development, restructuring, leasing, acquisition, sourcing, sales, marketing and construction services and covers liquidity and risk management.

3 - Real estate exploitation

In the course of selling a property, in the best-case scenario, after its value has increased, publity identifies and screens potential buyers. Publity manages the complete offer for sale process and conducts the sale process in a structured and coordinated manner, including operation of the data room and viewings with interested parties.

The properties are sold via two channels. Firstly, via direct sales to national and international private and institutional investors and, secondly, via portfolio sales to national and international institutional investors.

Depending on the value of the properties and the buyers to be addressed, the properties are sold either as individual transactions or as a portfolio sale. In addition to using the Group's own network of potential buyers, internationally active real estate brokers and service providers are also engaged.

Research database

publity has developed its own research database, which can give it an information edge over the competition. The publity database is comparable to Thomas Daily, one of the leading providers of data and information on the German commercial real estate market. However, the publity solution incorporates other data in addition to Thomas Daily, which means that greater added value can be created overall. For example, the database is constantly maintained by a small team and supplied with information from other Internet portals. In addition, as a well-known real estate player on the German market, publity receives numerous offers from brokers with exposés and tenant lists. This information is also stored in the database. In this way, a total of around 9,500 commercial properties in

Germany were identified that are of interest to publity. The primary focus is on Frankfurt am Main and Munich, as these markets are considered to be particularly stable, with no foreseeable short-term price slumps.

The publity research database is equipped with a wide range of information, such as annual net rents, information on owners and tenants, rental periods and even rental prices. This can also be used to determine local average rents or property prices. In addition, the system shows which leases expire when and the tenant's space requirements. This enables publity to directly approach tenants to let its own space. In addition, concrete rental offers can be made directly, since the previous rental conditions were roughly known. This allows very attractive offers to be made to tenants.

The database should also be very helpful when buying and selling properties. Provided that the interest of certain investors in selected objects exists, these can be mediated promptly.

Overall, publity should save significant brokerage commissions through the research tool, as planned transactions are already foreseeable. In the future, it would also be conceivable to reduce the additional brokerage commissions for tenant referrals.

Investing activities

In 2018, publity invested in real estate through its then wholly-owned subsidiary publity Investor GmbH. The objective for the establishment of the new business unit was to combine the current income from the service business with the high returns from the sale of optimized real estate. In addition, asset management could be carried out directly in-house. In 2019, the real estate business was further expanded through the acquisition of additional properties and the takeover of the young real estate portfolio holder PREOS Global Office Real Estate & Technology AG (previous main shareholder was Thomas Olek). Thus, publity AG first sold 94.9% of publity Investor GmbH to PREOS AG. Subsequently, publity AG became a major shareholder of PREOS AG in the course of a non-cash capital increase. Prior to this, publity AG did not hold any equity interest in PREOS AG. The management of publity does not exert any direct influence on the management of PREOS Global Office Real Estate & Technology AG, so that independent business and strategic decisions can be made.

The real estate strategy is based on three main points: (1) A focus on the German real estate market, in particular commercial and office properties; (2) concentration on properties in preferred locations in Germany, in particular metropolitan regions, as management expects stable value developments in these areas in the future; (3) flexible structuring of property sizes and holding periods.

PREOS token

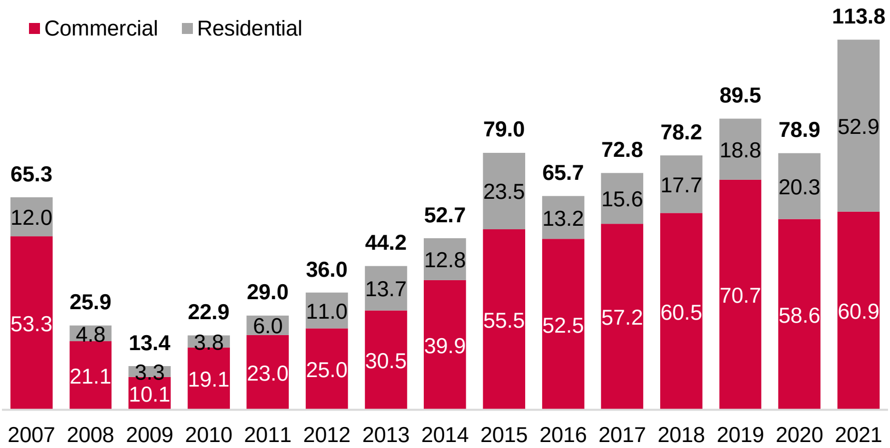
PREOS Global Office Real Estate & Technology AG had securitized its shares through a blockchain-based "digital twin" (token) via its parent publity AG at the end of 2020. In a first step, PREOS "tokenized" securities with a market value of 230 million euros at the end of 2020. However, the token was discontinued again, as there were few takers for the comparatively marketable security of PREOS Global Office Real Estate & Technology AG. According to the management, the know-how for tokenization is still in the company and this could be accessed again if required.

MARKET AND MARKET ENVIRONMENT

publity AG operates primarily in the commercial real estate market. The pandemic that broke out two years ago has challenged and transformed society, the economy and public administration. The supply on the real estate market, especially in the office and retail segments, has been put to the test.

According to DZ Hyp, before the COVID-19 pandemic, it was easier to let even less attractive properties. This is the case because although enough new offices were being built, the supply of office space was not sufficient to supply the growing number of office workers. Flexible working, e.g. from home, could have relieved the tight office market, but was not widespread. Today, working from home is commonplace, which has led to a redefinition of the office. Communication and teamwork, however, remain paramount, requiring redesigned, attractive spaces, while actual desk space is shrinking.

Transaction volumes in billions of euros in Germany



Source: EY

According to EY, a record sum of €113.8 billion was invested in real estate in 2021. In the residential sector, the takeover of Deutsche Wohnen by Vonovia contributed significantly to this (€23.5 billion). EY expects a level comparable to 2018 - 2020 of €80 to €90 billion in 2022. However, major takeovers (comparable with the takeover of Deutsche Wohnen in 2021) could mean a further upward swing.

DZ Hyp also expects the real estate market to continue to develop well. This is supported by the continued high level of investor interest in commercial real estate. However, the market segments are assessed differently. While shopping centers, for example, continue to be viewed with skepticism by investors, interest in contemporary office buildings is likely to be high. This is because modern office space that also meets high sustainability standards is still in short supply.

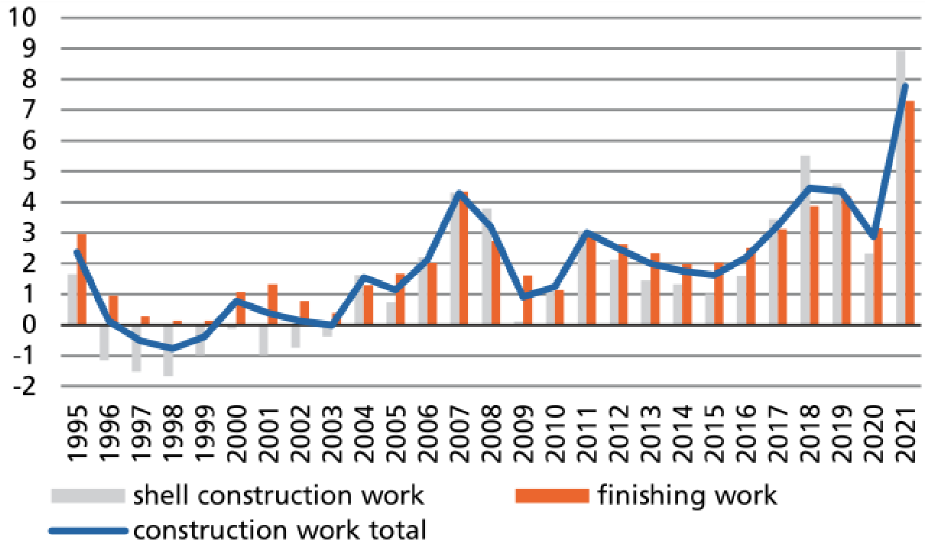
Market conditions

While the outlook for 2021 was still optimistic in the fall of 2020, strong growth in the German economy failed to materialize due to COVID. As a result of a relatively low vaccination coverage rate, the service sector suffered from restrictions such as the "2G rule". The main problem for industry was supply chain disruption. In addition, geopolitical tensions as well as the Ukraine conflict are weighing on global supply chains. In addition to oil and gas, many other materials have also become more expensive. Consumer prices have also skyrocketed. At the end of the year, inflation was over 5%. The ongoing shortage of skilled workers also continues to cause problems for companies. The bottom line is that overall economic production grew by less than 3% - and thus still less strongly than in 2019.

Since the turn of the year, the ongoing shortage of materials and the coronavirus variant Omikron have had a negative impact on the economy. Ongoing constraints in the service sector are exacerbated by the large number of infections spreading among workers or work absences due to quarantine.

The high demand for commercial real estate, apartments, public buildings and infrastructure projects should continue to ensure high demand for construction services.

Construction costs of office buildings rising rapidly in 2021 (construction costs in % yoy)



Sources: Federal Statistical Office, DG Hyp

Since resources - especially skilled labor - are also likely to remain scarce, construction will probably remain expensive. High ESG criteria for buildings could also play a role here.

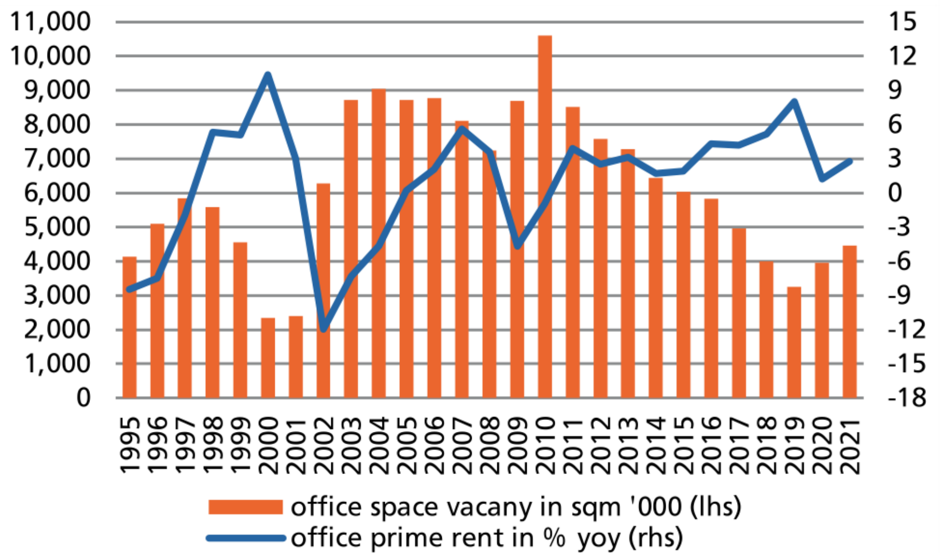
Office properties

Despite the steady decline in vacancy rates prior to COVID, growth in space from 2011 to 2021 was limited, with an increase of 6% in all 19 A and B locations (A locations: Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, and Stuttgart; B locations: Augsburg, Bremen, Darmstadt, Essen, Hanover, Karlsruhe, Leipzig, Dresden, Mainz, Mannheim, Münster, and Nuremberg). In the previous ten years (2001 to 2010), growth was twice as high, although office employment was largely stagnant at the time. This led to high vacancy rates and stable office rents at best. However, with the upturn in the labor market that began in 2010, demand for office space increased, causing vacancy rates to fall and office rents to rise.

At the end of 2019, around 97% of the total office space at the 19 locations was leased. The pandemic initially led to a visible halt in rental growth, while vacancy rates rose moderately. At the end of 2021, the average vacancy rate was 4.5% in the top locations and 4.1% in the regional centers.

The reasons for the higher vacancy rates were a temporarily weak labor market and the widespread introduction of home offices. Thus, demand, as measured by office space turnover, fell sharply in 2020 due to the economic crisis. High demand for office space and strong growth in office rents prior to the COVID pandemic drove the trend toward new office space and speculative office projects. As a result, office supply grew at a slightly faster rate.

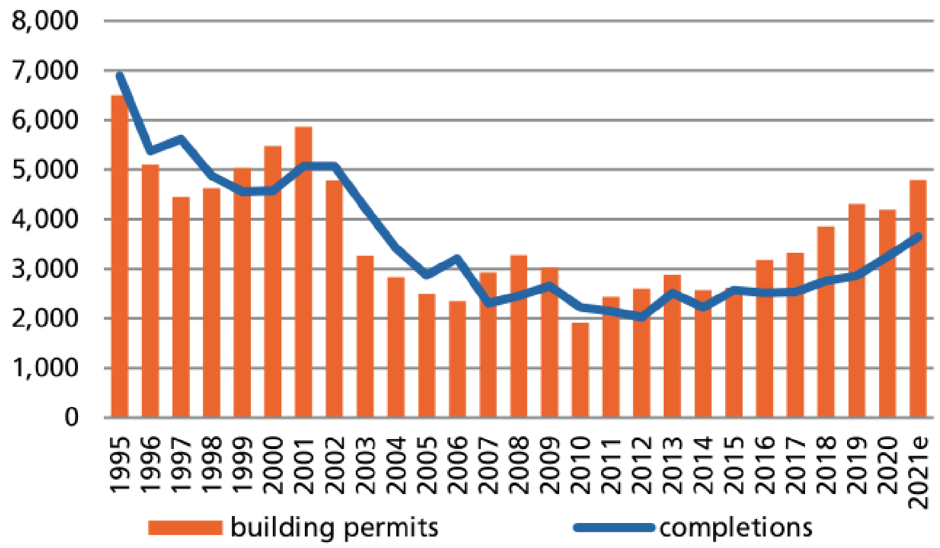
Vacancy rate increased and rents remained stable



Sources: bulwiengesa, DZ Hyp

New office space development is on the rise again. Given the shortage of contemporary office space, new offices are also urgently needed. Most of the office stock is already more than 30 years old and increasingly no longer meets the current requirements of office tenants. It is also more difficult to adapt office space in old buildings to the new office concepts.

Office construction growing significantly (available space in Germany in 1,000 m²)



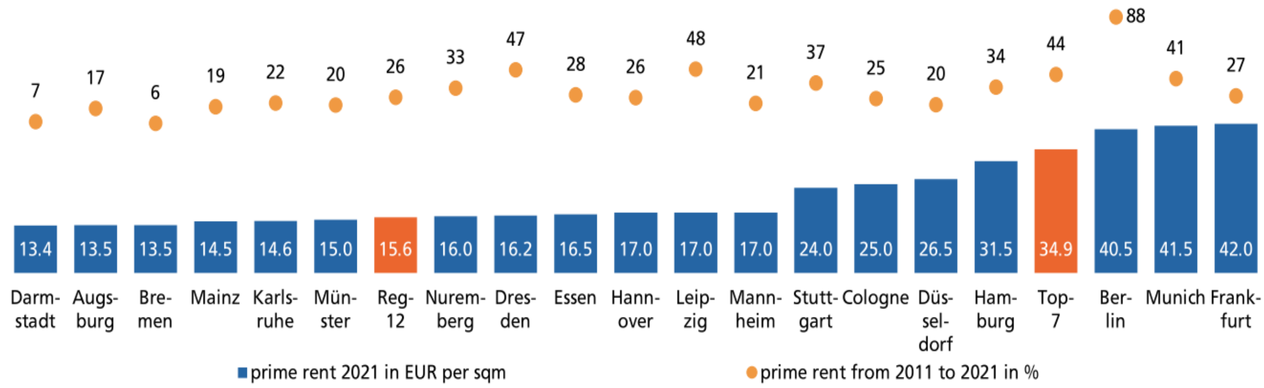
Sources: bulwiengesa, DZ Hyp

In 2020 and 2021, a cumulative 2.7 million m² of new office space will be created in the top locations. Of this, 1.1 million m² or around 40% is attributable to Berlin alone, Germany's largest office location. This sounds more disproportionate than it actually is. For a long time, virtually no office space was created in Berlin, with the result that the vacancy rate fell to just over 1% in 2019. Last year, around 2 million m² of new space was created across all 19 locations, almost twice as much as the annual average from 2005 to 2017. In 2021, the volume of space thus reached its highest level since 2003.

The shortage of space is mainly due to the strong growth in office employment from 2005 to 2019. Growth only slowed with the onset of the COVID pandemic. The shortage of space is particularly evident based on the theoretical volume of office space per office employee. In terms of total office space volume, each office employee had access to about 31 sq. ft. of office space in 2021. In 2005, by contrast, the figure was almost 38 m². However, the informative value of this ratio is limited in view of the increasing importance of home offices. The level is likely to fall further as office workers share the available desks in the coming years.

The lower take-up in 2020 and 2021 was not accompanied by a decline in prime office rents. Rents nevertheless continued to rise in the best locations. This clearly reflects the interest shown by office customers in high-quality office space described above. It is noticeable that top office rents in 2021 rose, above all, in Berlin, Frankfurt and Munich, which were already particularly expensive locations. This means that prime rents in the three office markets now exceed EUR 40 per m².

Prime office rents: Wide divergence in rent levels and rates of increase



Sources: bulwiengesa, DZ Hyp

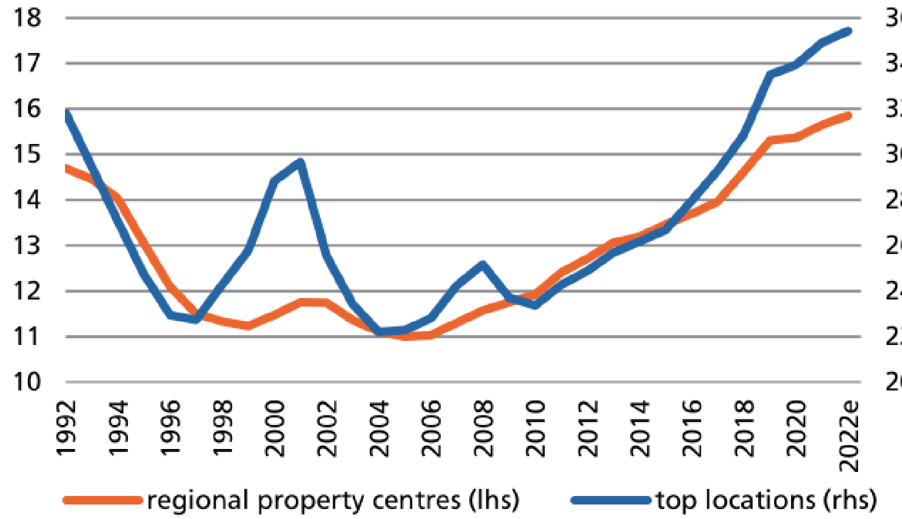
Over the past ten years, office rents in the 12 B locations have risen by around a quarter. The average prime rent here was €15.60 per m² at the end of 2021. Rents per m² ranged from €13.40 in Darmstadt to €17 in the three cities of Hanover, Leipzig and Mannheim. In the top seven locations, rental growth was significantly stronger at over 40%. The higher growth is primarily attributable to the booming Berlin office market, which, due to its high market share, recently pushed up the average prime rent in the top locations to €34.90 per m². Rents per m² range from 24 euros in Stuttgart to 42 euros in Frankfurt, which thus remains the most expensive German office location-with a narrow lead over Munich.

Conclusion and forecast for the office market

According to DZ Hyp, the office market is undergoing a transformation. Many employers and office workers are opting to work from home for a significantly greater proportion of the time than before COVID. However, office buildings, with their advantages in terms of communication and teamwork, are by no means obsolete. The number of desks and the size of office spaces are nevertheless being slightly reduced. Demographics also play a role here. In attractive office locations, however, these effects are likely to be less pronounced due to their appeal.

Demand for modern, high-quality office space could benefit from the hybrid-office concept. Offices with high sustainability standards are particularly in demand. The upward trend in prime rents could continue. The growing supply of office space is unlikely to have a dampening effect, as demand for modern space is correspondingly high after many years of low new construction activity.

Top office rents to rise further in 2021



Sources: bulwiengesa, DZ Hyp

However, high costs and scarce resources could quickly put the brakes on new construction. A prolongation of the pandemic could have a further dampening effect on office markets. However, as the last two years of the pandemic have shown, office locations should be able to come through this largely unscathed again.

Corporate Development

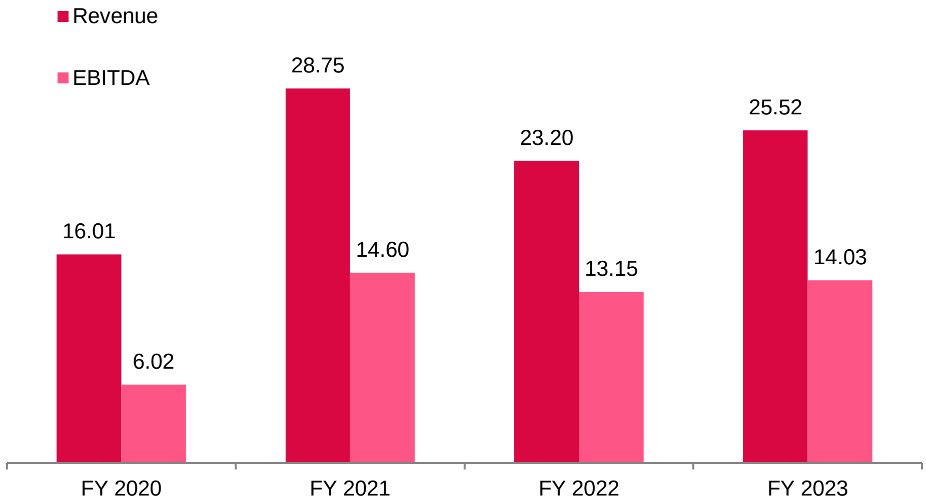
Key figures at a glance

(in € million)	FY 2020	FY 2021	FY 2022e	FY 2023e
Revenue	**16.01**	**28.75**	**23.20**	**25.52**
Other operating income	34.43	4.00	4.35	4.35
Cost of materials	-3.06	-0.87	-1.00	-1.10
Gross profit	47.38	31.88	26.55	28.77
Personnel expenses	-1.90	-1.38	-1.40	-1.54
Other operating expenses	-39.47	-15.90	-12.00	-13.20
EBITDA	**6.02**	**14.60**	**13.15**	**14.03**
Depreciation and amortization	-0.14	-0.45	-0.50	-0.47
EBIT	**5.87**	**14.15**	**12.65**	**13.56**
Income from investments	0.00	0.00	0.00	0.00
Income from profit transfer agreements	0.68	0.31	0.00	0.00
Income from other securities and loans held	8.93	7.13	7.00	7.00
Other interest and similar income	0.68	0.03	0.00	0.00
Write-downs of financial assets	0.00	-27.47	0.00	0.00
Interest and similar expenses	-4.12	-4.84	-4.84	-12.12
Income before income taxes	**12.05**	**-10.68**	**14.81**	**8.44**
Taxes on income and earnings	0.07	-4.73	-4.89	-2.79
Other taxes	-0.04	-0.01	-0.01	-0.01
Net income	**12.07**	**-15.43**	**9.91**	**5.64**

Revenues	16.01	28.75	23.20	25.52
EBITDA	6.02	14.60	13.15	14.03
EBITDA margin	*37.6%*	*50.8%*	*56.7%*	*55.0%*
EBIT	5.87	14.15	12.65	13.56
EBIT margin	*36.7%*	*49.2%*	*54.5%*	*53.1%*
Net result	12.07	-15.43	9.91	5.64
Net margin	*75.4%*	*-53.7%*	*42.7%*	*22.1%*

Sources: GBC AG, publity AG

Development of sales and EBITDA (in € million)



Source: GBC AG

Business performance in FY 20 21

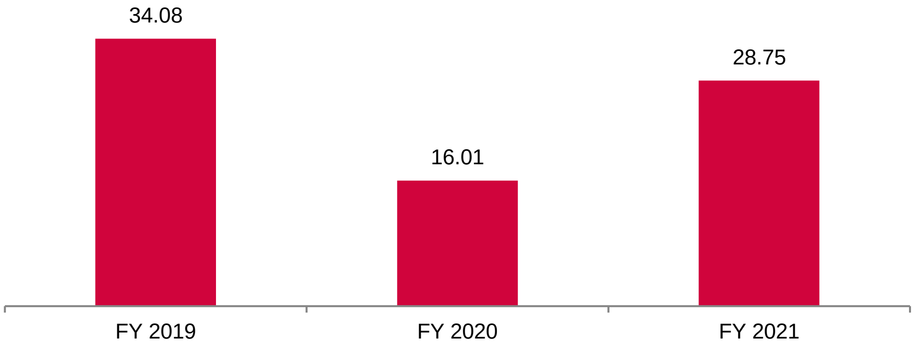
P&L (in € million)	FY 2019	FY 2020	FY 2021
Revenue	34.08	16.01	28.75
EBITDA	306.87	6.02	14.60
EBITDA margin	*900.5%*	*37.6%*	*50.8%*
EBIT	306.79	5.87	14.15
EBIT margin	*900.3%*	*36.7%*	*49.2%*
Net income	304.49	12.07	-15.43
EPS in €	20.47	0.81	-1.04

Sources: publity AG, GBC AG

Revenue development

In the past financial year 2021, publity AG was able to improve revenues by 79.6% to €28.75 million (PY: €16.01 million). The revenue increases are primarily attributable to finder's fees from the asset management business and were primarily generated with affiliated companies (PREOS and GORE). Basic Fee should also have contributed stable revenues. A major exit was the sale of WestendCarree, which was acquired in 2020. In addition, the brokerage of the investor was revenue-relevant for PREOS (transaction description on page 27).

Development of revenues (in € million)

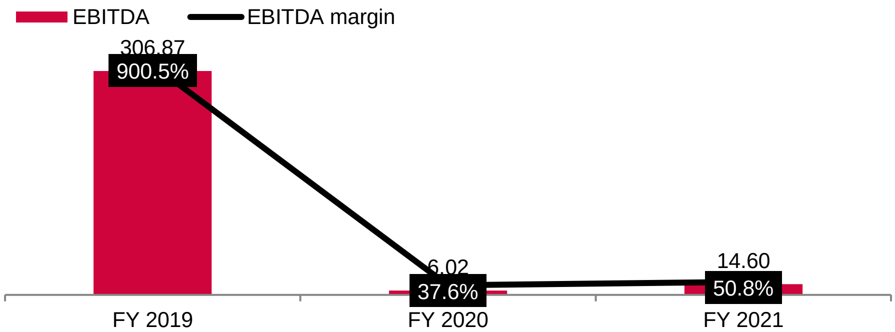


Sources: publity AG, GBC AG

Earnings development

However, gross profit decreased by 32.7% to €31.88 million (previous year: €47.38 million) due to the significant decrease in other operating income of €4.0 million (previous year: €34.43 million). While significant income was generated from securities transactions in the previous year, other operating income in the past financial year 2021 mainly comprises the reduction of an individual value adjustment on receivables.

Development of EBITDA (in € million) and EBITDA margin (in %)



Sources: publity AG, GBC AG

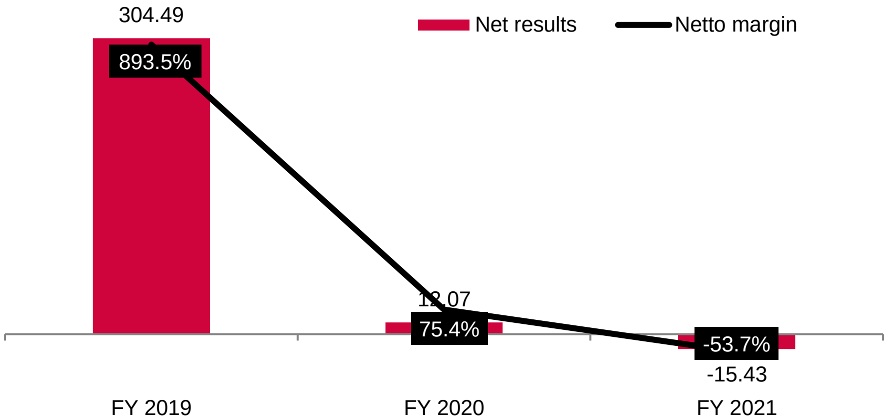
In contrast to the gross profit, EBITDA increased by 142.6% to €14.6 million (previous year: €6.02 million), as other operating expenses fell by 59.7% to €15.9 million (previous year: €39.47 million). EBIT also increased disproportionately by 140.9% to €14.15 million (previous year: €5.87 million).

The decrease in other operating expenses is primarily due to the absence of special costs from the previous year for the bond issue, the TOKEN issue, disposals in the area of financial assets and legal costs. Personnel expenses also fell by 27.4% to €1.38 million (previous year: €1.9 million) as a result of the reduction in the size of the Executive Board and a change in the personnel structure.

The financial result decreased to €-24.83 million (PY: €6.17 million) due to impairment losses on financial assets amounting to €27.47 million. According to the management, the value adjustment is due to the general market trend. Thus, almost all real estate companies and portfolios were devalued due to the increase in interest rates. To reflect this market phenomenon, a devaluation of the PREOS shares from €5.20 per share to €4.95 and of the GORE shares from €4.00 to €3.00 was carried out. This devaluation took place despite planned contributions at the prices of €5.20 for PREOS and €3.00 for GORE (see transaction description on page 27). Should the planned transaction occur at the price mentioned, this would again lead to an appreciation of the positions. It is important to note here that this is not a liquidity loss, but a pure book value adjustment.

In addition, income from securities and loans held as financial assets decreased by 20.1% to €7.13 million (previous year: €8.93 million).

Development of net profit (in € million) and net margin (in %)



Sources: publity AG, GBC AG

Overall, earnings after tax thus fell to €-15.43 million (previous year: €12.08 million). As a result, the original guidance of a net profit for the year of €9 to €12 million was missed due to the impairment loss. Adjusted for the cash-neutral impairment loss, net income would have been €12.04 million, which corresponds to the upper part of the guidance.

A note on the very high net profit for 2019: This was significantly influenced by the capital increase in kind of the then subsidiary publity Investor GmbH. Adjusted for all special effects, net income in 2019 amounted to around €5 million.

Business development in H1 2022

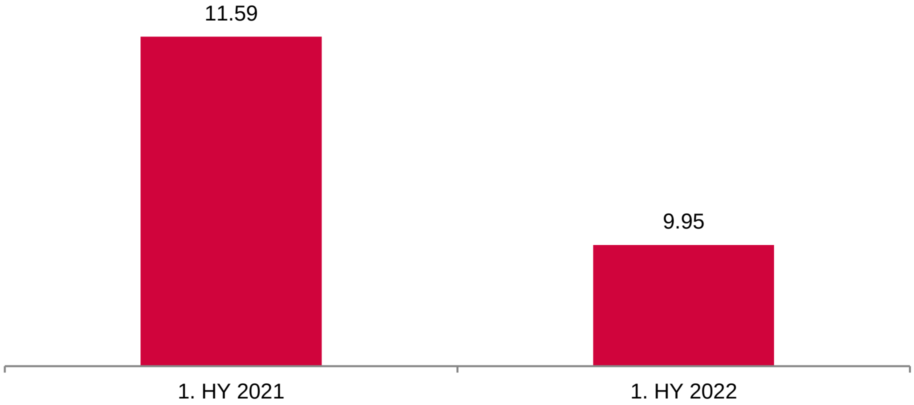
in € million	HY1 2021	HY1 2022
Revenue	11.59	9.95
EBITDA	5.15	6.63
EBITDA margin	*44.5%*	*66.6%*
EBIT	5.02	6.35
EBIT margin	*43.3%*	*63.8%*
Net income	4.59	5.23
EPS in €	0.31	0.35

Sources: publity AG, GBC AG, Due to the changeover from IFRS consolidated accounting to HGB accounting, a comparison with the 2020 half-year figures determined in accordance with IFRS is not meaningful.

Revenue development

In the first half of 2022, revenues decreased slightly by 14.1% to €9.95 million (PY: €11.59 million). In particular, asset management fees from the managed portfolio properties made a positive contribution to revenues. According to the management, the revenue was mainly composed of portfolio fees and finder's fees. No exit fees were generated from the sale of the GORE portfolio, as this was covered by the investor commission, as publity brokered the major Luxembourg investor to GORE (see transaction description on page 27).

Development of revenue (in € million)



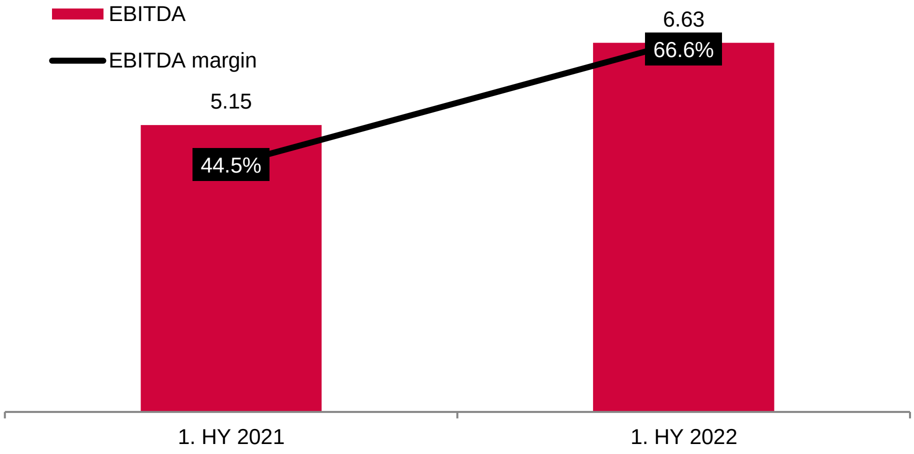
Sources: publity AG, GBC AG

Success was also achieved in the transaction business with the sale of a property in Mühlheim (Ruhr) with usable space of around 12,600 square meters. Furthermore, an office property with a total leasable area of just under 6,000 square meters was sold in Leonberg, near Stuttgart. In addition, publity, as asset manager for the office property "am Boulevard" in Bielefeld, acquired a new tenant for 540 square meters with a term of 10 years. Full occupancy was thus achieved for this property. After the reporting period of the first half of 2022, three further office properties in a commercial area of Ratingen with a total leasable area of 10,200 square meters were sold and further leasing successes and lease extensions were achieved.

Earnings development

In contrast to the sales trend, earnings improved. The EBITDA increased by 28.6% to €6.63 million (previous year: €5.15 million) and EBIT by 26.5% to €6.35 million (previous year: €5.02 million). As there was no further reduction in specific bad debt allowances, other operating income fell to €0.03 million (previous year: €1.02 million). Other operating expenses do not include any losses on receivables from specific valuation allowances, which is why this cost item was also reduced by 59.2% to €-2.31 million (previous year: €-5.64 million). Overall, management was able to optimize costs in the first half of the year. Some expenses also fall into the second half of the year, such as the Annual General Meeting and consulting costs in the course of the bond issue.

Development of EBITDA (in € million) and EBITDA margin (in %)



Sources: publity AG, GBC AG

The financial result improved by 29.6% to €1.11 million (previous year: €0.86 million), in particular due to reduced interest expenses of €2.33 million (previous year: €2.69 million). At €3.45 million (previous year: €3.55 million), interest income from associated companies remained at the previous year's level.

The result for the period thus improved by 13.9% to €5.23 million (previous year: €4.59 million).

Balance sheet and financial situation

in € million	31.12.2019	31.12.2020	31.12.2021	30.06.2022
Equity	568.01	580.16	564.73	569.96
EC ratio (in %)	90.6%	88.2%	85.6%	85.8%
Operating fixed assets	0.35	1.52	1.27	1.03
Working capital	8.80	3.83	0.55	1.21
Net financial assets	568.99	585.10	566.79	576.86

Sources: publity AG; GBC AG

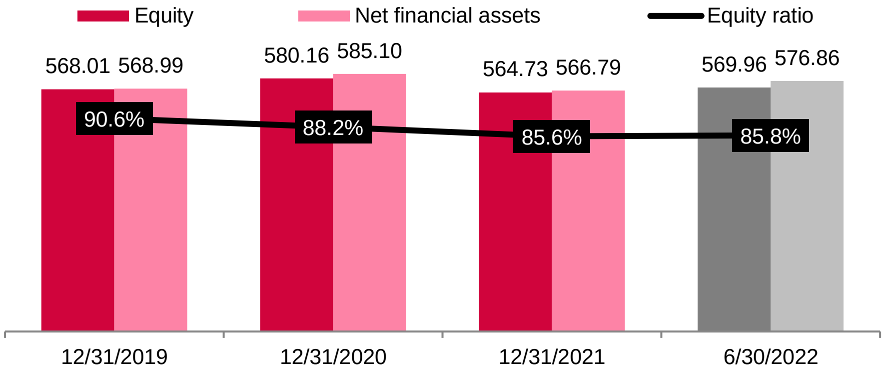
Balance sheet and financial situation as of Dec. 31, 2021

In principle, publity's balance sheet is similar to that of investment companies. Typically, it is characterized by a high level of financial assets, primarily the PREOS shares. Despite the high shareholding of 93.1%, the shares in this subsidiary are not fully consolidated but recognized as financial assets.

As a result, the liabilities of the real estate companies GORE and PREOS are not fully consolidated either, publity AG generally has an above-average equity ratio. Fluctuations in absolute equity generally result from operating performance.

As of December 31, 2021, equity decreased slightly by 2.3% to €564.73 million (December 31, 2020: €580.16 million). The background to this development is the net loss for the year of €-15.43 million (previous year: €12.08 million). This led to a slight decline in the equity ratio to 85.6% (Dec. 31, 2020: 88.2%). The company thus continues to be very well positioned in terms of its balance sheet.

Development of equity (in € million) and equity ratio (in %)



Sources: publity AG; GBC AG

Balance sheet assets are dominated by shares in affiliated companies and amount to €528.22 million (Dec. 31, 2020: €528.711 million), representing 80.0% (Dec. 31, 2020: 80.4%) of total assets. This figure primarily includes real estate acquired via subsidiaries. Furthermore, publity AG holds bonds of PREOS Global Office Real Estate & Technology AG in the amount of €97.7 million (12/31/2020: €101.46 million).

We add current financial assets to net financial assets and therefore the company has net financial assets of €566.79 million (Dec. 31, 2020: €585.1 million).

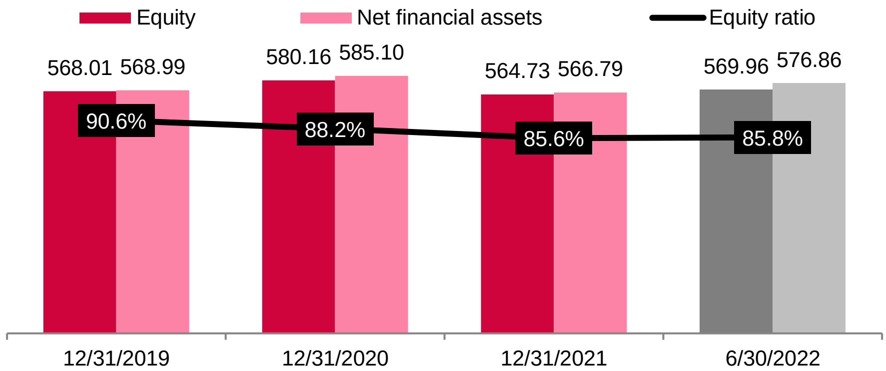
The largest debt item is the bond in the amount of €77.77 million (Dec. 31, 2020: €53.67 million), which corresponds to 11.8% of total assets (Dec. 31, 2020: 8.2%). The bond is due in 2025. Furthermore, there are liabilities to banks amounting to €4.24 million (Dec. 31, 2020: €4.24 million). A shareholder loan in the amount of €9.75 million was repaid as scheduled in the financial year.

Cash and cash equivalents amount to €2.16 million (Dec. 31, 2020: €9.28 million), which, with the positive operating performance, should be fully sufficient to cover any liquidity requirements.

Balance sheet and financial situation as of June 30, 2022

As of June 30, 2022, equity increased to €569.96 million (Dec. 31, 2021: €564.73 million), bringing the equity ratio to 85.8% (Dec. 31, 2021: 85.6%). The reason for the increase is the positive result for the period of €5.23 million.

Development of equity (in € million) and equity ratio (in %)



Sources: publity AG; GBC AG

The bond remained on the liabilities side at €77.77 million (Dec. 31, 2021: €77.77 million), which corresponds to a balance sheet share of 11.7% (Dec. 31, 2021: 11.8%).

The significant increase of receivables from affiliated companies by 53.4% to €31.43 million (Dec. 31, 2021: €20.49 million) is mainly related to the finder's fee for the brokered Luxembourg investor.

Cash and cash equivalents remained virtually unchanged at €1.9 million (Dec. 31, 2021: €2.16 million) and should, in our opinion, be sufficient to cover liquidity requirements.

Shares in affiliated companies remained at the level of the beginning of the year at €528.8 million (Dec. 31, 2021: €528.22 million). The same applies to loans to affiliated companies at €96.51 million (PY: €97.7 million).

Planned bond issue and bond condition adjustments

On October 7, 2022, publity AG announced that another bond is to be issued. The unsecured and unsubordinated bond 2022/2027 is to have a volume of up to €100 million and will mature on December 19, 2027. The coupon is expected to be 6.25%. The proceeds of the issue are to be used to finance further growth and to acquire real estate and investments.

In the case of the existing 2020/2025 bond, the corresponding terms have been adjusted so that the maturity date also falls on December 19, 2027, and the coupon will also be raised from 5.5% to 6.25% from June 19, 2023.

GBC AG Investment Research

SWOT analysis

Strengths	**Weaknesses**
• The management is characterized by extensive experience in the German (commercial) real estate market and has many years of capital market experience. • The research tool with extensive database can secure competitive advantages. • Standardized and formalized processes enable rapid transactions. • The asset management business should be extremely stable. • The company relies on conservative HGB accounting. • The company has a high level of equity with manageable debt. • Focusing on the top seven locations and commercial properties should mean less valuation volatility.	• The company operates in a competitive market. • Sales mainly result from sales to affiliated companies. • Growth is heavily dependent on equity. Further real estate in the subsidiary must first be financed. In addition, the capital is subsequently tied up with the property portfolio. Further liquidity is required to expand the business. • Currently, the real estate market is viewed rather critically due to the turnaround in interest rates. In our opinion, however, the commercial real estate market is more stable than the rest of the real estate market. • Due to the low free float, there is comparatively little trading in the share for the size of the company.
Opportunities	**Risks**
• The flexible corporate structure enables a faster response to market movements than larger market players. • Experience in NPL portfolios could provide growth opportunities again in the future. • The acquisition of new asset managers could provide growth impetus. • The expansion of the customer base could offer further growth opportunities.	• Further increases in interest rates could make real estate returns and financing less attractive. • Follow-up financing of the bonds will be required (2025 and 2027, respectively). • There is a key management personnel risk. • The home office trend could weaken the commercial real estate market. • The real estate market is very cyclical.

FORECAST AND VALUATION

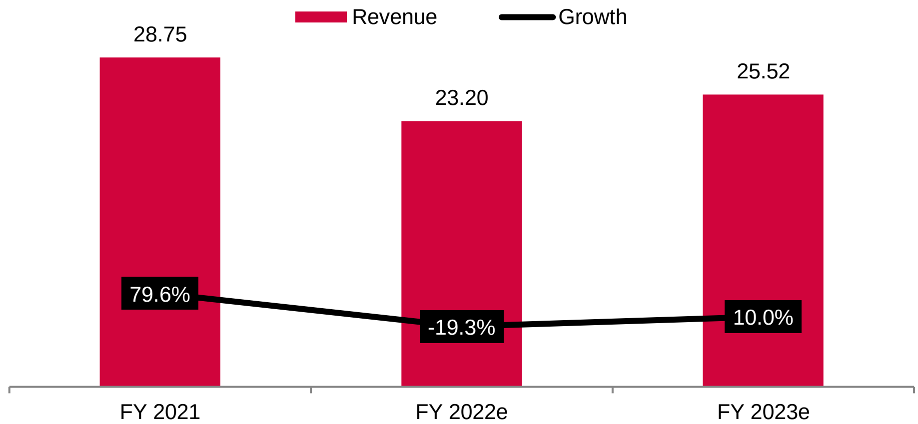
Income statement (in € million)	FY 2021	FY 2022e	FY 2023e
Revenue	28.75	23.20	25.52
EBITDA	14.60	13.15	14.03
EBITDA margin	*50.8%*	*56.7%*	*55.0%*
EBIT	14.15	12.65	13.56
EBIT margin	*49.2%*	*54.5%*	*53.1%*
Net income	-15.43	9.91	5.64
EPS in €	-1.04	0.67	0.38

Source: GBC AG

Revenue forecast

In our opinion, publity AG should continue to develop positively. The company's current guidance is for revenues to be moderately below the previous year's level, EBIT of between €11 million and €15 million, and net income of between €6 million and €10 million. With sales of €9.95 million, EBIT of €6.35 million and net income of €5.23 million, the first half of 2022 already provided a good basis for achieving the targets set by the Executive Board. We assume that the second half of the year will be stronger in terms of sales, but that higher costs will also be incurred. We forecast sales revenues of €23.2 million for the current fiscal year 2022, followed by €25.52 million in 2023. For our forecasts, we use the current investment structure. However, significant changes are planned here (see transaction description on page 27).

Revenue development in (€million) and revenue growth (in %)



Source: GBC AG

In our opinion, the commercial real estate sector should be much more sustainably positioned than the overall real estate market - especially in view of rising interest rates, the corona pandemic, and the energy crisis.

Nevertheless, the business model makes it very difficult to forecast future revenue development accurately, as the commission-driven business model can lead to significant fluctuations in revenue. For example, the basic fee provides a basic stream of revenue, and there are also strong positive one-off effects from the finder's fee and the exit fee. However, each exit also typically reduces the Basic Fee as inventory is reduced. Since the corona pandemic began, the real estate market has been assessed more critically by the company and no further acquisitions have taken place, while at the same time there has been a steady sell-off. In retrospect, this was partly the right decision, especially in the B locations, but not necessarily in the A locations in the top cities. In the medium term, we now expect a steady increase in property purchases.

In the medium term, we also expect the company to broaden its customer base. Currently, sales are generated almost entirely via PREOS Global Office Real Estate & Technology AG (PREOS). The Management Board's goal is to win further mandates. For example, it is also conceivable to enter into a joint venture with an American hedge fund. With the turnaround in interest rates and the current rise in interest rates, real estate could become attractive again for hedge funds.

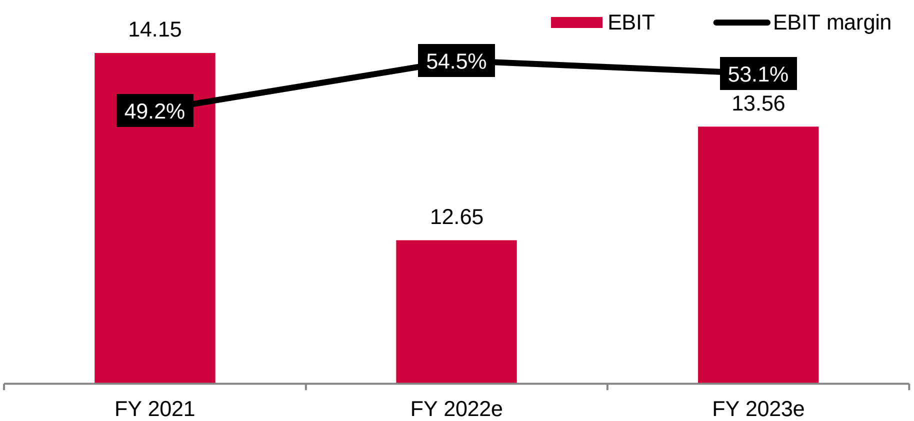
It would also be conceivable to acquire further asset managers in order to integrate them into publity in a similar way to the PREOS model. With rising interest rates, some asset managers could get into difficulties, which could lead to attractive purchase opportunities. This would offer significant growth potential. We do not expect such an opportunity to arise until 2023 at the earliest. The turnaround in interest rates could also lead to a revival in the market for NPL portfolios. publity AG still has a legacy portfolio of NPL portfolios and has therefore not yet completely abandoned this mainstay. Currently, only servicing is continued for the existing legacy portfolios, but in balance sheet terms the investment "NPL Portfolio Nr. 3 GmbH & Co. KG" plays a minor role with equity as of December 31, 2021 amounting to €2.56 million. Nevertheless, with rising interest rates, more NPL portfolios could come onto the market again, which could then also be taken over by publity. With the existing know-how from the legacy portfolio, this market could be addressed in a timely manner.

Another growth opportunity could arise via a separate vehicle to acquire small-volume commercial real estate in publity AG. However, the properties would have to be selected in such a way that there is no competition with publity's own customers. GORE's small-volume properties are currently being sold off, and this niche could be filled by publity. For example, the funds from the planned sales of investments could be used to acquire a small number of properties.

Earnings forecast

On the earnings side, we expect a lean cost structure with a continuation of the lean management approach. The company has comparatively low personnel expenses for the size of its operating business. However, further costs should be incurred in the second half of 2022 that were not yet included in the first half. For example, the Annual General Meeting will be held in the second half of the year and legal and consulting costs should still be incurred in the course of structuring the new bond.

Development of EBIT in € million and EBIT margin in (in %)



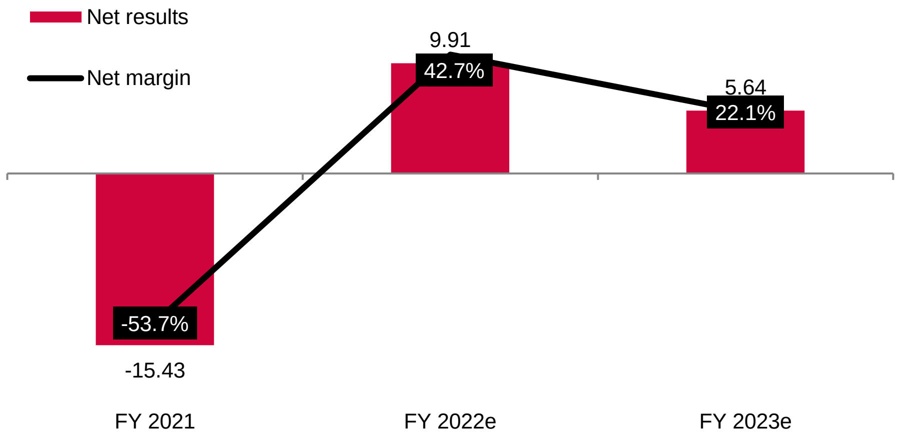
Source: GBC AG

We forecast EBITDA of €13.15 million in 2022, followed by €14.03 million in 2023. We believe EBIT should be €12.65 million in the current fiscal year 2022, and €13.56 million in 2024.

With the additional €100 million bond and the coupon adjustment of the existing bond from 5.5% to 6.25%, interest expense should more than double in 2023. We expect interest expense of €4.84 million in 2022 followed by €12.12 million in 2023.

In addition, it is conceivable that management will attempt to further deleverage PREOS and return the currently held convertible bond in the amount of €96.51 million (as of June 30, 2022) to PREOS. Currently, we maintain the assessment that the convertible bond will not be returned and forecast interest income in the amount of €7 million for the years 2022 and 2023.

Development of net income in € million and net margin in (in %)



Source: GBC AG

We therefore expect net income of €9.91 million in 2022, followed by €5.64 million in 2023.

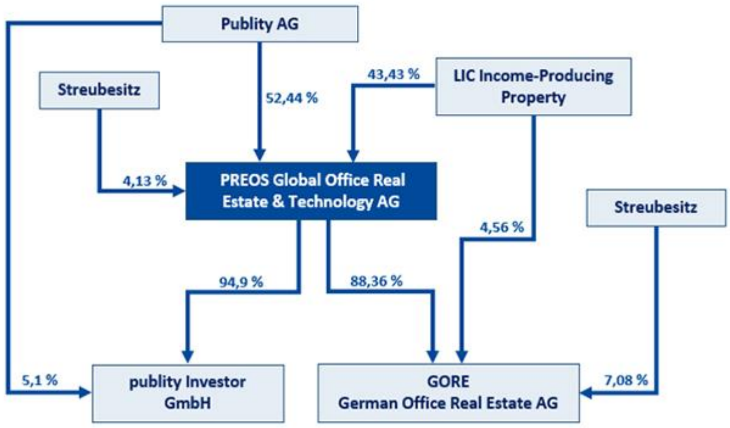
Planned transaction - New major shareholder of PREOS

The 93.1% publity investment PREOS Global Office Real Estate & Technology AG is to be transferred to a new major shareholder in the medium term. This was communicated for the first time in an ad hoc announcement on October 19, 2021 and adjusted and specified in a further company announcement on March 3, 2022. Accordingly, a Luxembourg-based investment vehicle of an international insurance group is to initially hold around 44.7% of PREOS shares and 79% after completion of all transaction steps. Initially, the PREOS subsidiary GORE German Office Real Estate AG ("GORE") is to be sold. For this purpose, the properties of GORE will be sold off, as a purely Luxembourg real estate portfolio is to be created here.

In the first step, a real estate portfolio with a value of around €480 million of the Luxembourg-based investment vehicle ("LIC Income-Producing Property") is to be contributed to GORE by way of a capital increase against contributions in kind. This is expected to take place at a price of €3.00. This should reduce PREOS' shareholding in GORE from 62.7% to 11.9%.

In a second step, these new GORE shares are to be contributed to PREOS by way of a capital increase against contributions in kind. The anticipated contribution price is expected to be €5.20. Subsequently, publity's shareholding in PREOS is to be reduced to around 51%.

Target structure of the second step according to the invitation to the extraordinary general meeting of PREOS Global Office Real Estate & Technology AG



Sources: PREOS Global Office Real Estate & Technology AG

In a third step, a further portfolio of the Luxembourg-based investment vehicle with an expected value of around €1.75 billion is to be contributed to GORE via a non-cash capital increase, probably also at €3.00 per share.

In a fourth step, the new GORE shares resulting from the previous capital increase against contribution in kind are to be contributed to PREOS again. The contribution price is again expected to be €5.20. After completion of the four transaction steps, publity's shareholding in PREOS is expected to have been reduced to around 20%.

Extraordinary General Meetings of GORE and PREOS have already been held for the first two steps. However, actions for annulment and rescission have already been filed by individual shareholders at both general meetings. The management of publity assumes that these actions can be resolved in court, but this will delay the schedule.

The remaining GORE shares in PREOS are to be reallocated to international investors. The proceeds from the reallocations are to be used to further expand the PREOS commercial real estate portfolio.

Reference to a BaFin investigation from April 2021

In April 2021, Handelsblatt picked up on a report by Fonds Professionell in which BaFin included market manipulation investigations into publity and PREOS. Fonds Professionell did not receive any further details of the investigation. According to Handelsblatt, BaFin confirmed the investigations and commented on examining "different forms of potential market manipulation" and a BaFin spokeswoman said, "We are also examining trading in publity and PREOS for possible insider trading."

publity and PREOS subsequently commented on this in a press release, stating that the companies had no information on the possible background to such an investigation and that BaFin had not sought any contact with the company or any current or former executive body of the company. No documents of any kind were available in this regard. In response to an inquiry from PREOS to BaFin, it was explained that there was an investigation relating to certain "life facts" concerning the financial instruments of PREOS. At the current stage of the investigation, there are no official parties involved in the proceedings. BaFin did not disclose any further information, citing the confidentiality of the investigation.

Following the Handelsblatt report, the publity share price fell from around €30 to around €20. The strong reaction was probably also exacerbated by the comparatively tight market situation of the shares with a low free float.

According to the Management Board, there have been no notifications or inquiries from BaFin to date (October 21, 2022).

In addition, we did not find any other media publications on this topic that would have provided new insights into the facts.

We have mentioned this fact for the sake of completeness. However, it should also be noted that more than a year has passed since the Handelsblatt report and there have been no further inquiries or publications on this matter. This could also indicate that the BaFin investigations have not led to any results.

Evaluation

Model assumptions

We valued publity AG using a three-stage DCF model. Starting with the concrete estimates for the years 2022 - 2023 in phase 1, the forecast is made from 2024 to 2029 in the second phase by applying value drivers. We expect sales to increase by 5%. We have assumed an EBITDA margin target of 50%. We have taken the tax rate into account at 30% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the terminal value, we assume a growth rate of 2%.

Determination of the cost of capital

The weighted average cost of capital (WACC) of publity 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 is 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. This is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method.

The currently used value of the risk-free interest rate is 1.5%.

We set the historical market premium of 5.5% 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 1.86 is currently determined.

Using the assumptions made, we calculate a cost of equity of 11.7% (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of 90% for the cost of equity, the weighted average cost of capital (WACC) is 11.1%.

Valuation result

Within the framework of our DCF valuation model, we have determined a target price of €46.50.

We have allocated the investments in affiliated companies and the loans to affiliated companies to net financial assets. This primarily includes the PREOS investment. The net financial assets of €576.86 million as of June 30, 2022 would result in a fair value of €38.78 per share based on the number of shares in publity. Adding the value of the operating business on the basis of the DCF model, we have calculated an overall price target of €46.50 per share and, against the backdrop of the high upside potential, assign a Buy rating.

publity AG - Discounted cash flow (DCF) analysis

Value drivers of the DCF model after the estimate phase:

consistency - phase	
Sales growth	5.0%
EBITDA margin	50.0%
AFA to operating fixed assets	15.0%
Working capital to sales	5.0%

final - phase	
Perpetual sales growth	2.0%
Perpetual EBITA margin	48.9%
Effective tax rate in terminal value	30.0%

three-stage DCF - model:

Phase	Estimate		consistency						final
in EUR million	GJ 22e	GJ 23e	GJ 24e	GJ 25e	GJ 26e	GJ 27e	GJ 28e	FY 29e	Final value
Sales (US)	23.20	25.52	26.80	28.14	29.54	31.02	32.57	34.20	
US Change	-19.3%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%
US to operating fixed assets	14.97	13.33	13.26	13.20	13.14	13.08	13.01	12.95	
EBITDA	13.15	14.03	13.40	14.07	14.77	15.51	16.29	17.10	
EBITDA margin	56.7%	55.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
EBITA	12.65	13.56	13.11	13.76	14.45	15.17	15.93	16.72	
EBITA margin	54.5%	53.1%	48.9%	48.9%	48.9%	48.9%	48.9%	48.9%	48.9%
Taxes on EBITA	-4.19	-4.50	-3.93	-4.13	-4.34	-4.55	-4.78	-5.02	
to EBITA	33.1%	33.2%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	8.46	9.06	9.18	9.64	10.12	10.62	11.15	11.71	
Return on investment	466.1%	411.1%	341.4%	286.8%	285.9%	285.1%	284.2%	283.4%	274.5%
Working capital (WC)	0.65	0.77	1.34	1.41	1.48	1.55	1.63	1.71	
WC to turnover	2.8%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Investments in WC	-0.11	-0.12	-0.57	-0.07	-0.07	-0.07	-0.08	-0.08	
Operating assets (OAV)	1.55	1.92	2.02	2.13	2.25	2.37	2.50	2.64	
AFA on OAV	-0.50	-0.47	-0.29	-0.30	-0.32	-0.34	-0.36	-0.38	
AFA to OAV	32.3%	24.5%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
Investments in OAV	-0.78	-0.84	-0.39	-0.41	-0.44	-0.46	-0.49	-0.51	
Invested capital	2.20	2.69	3.36	3.54	3.73	3.92	4.13	4.35	
EBITDA	13.15	14.03	13.40	14.07	14.77	15.51	16.29	17.10	
Taxes on EBITA	-4.19	-4.50	-3.93	-4.13	-4.34	-4.55	-4.78	-5.02	
Total investments	-0.89	-0.95	-0.96	-0.48	-0.51	-0.53	-0.56	-0.59	
Investments in OAV	-0.78	-0.84	-0.39	-0.41	-0.44	-0.46	-0.49	-0.51	
Investments in WC	-0.11	-0.12	-0.57	-0.07	-0.07	-0.07	-0.08	-0.08	
Investments in goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	8.08	8.58	8.51	9.46	9.93	10.42	10.94	11.49	130.36

Value of operating business (reporting date)	107.94	111.33
Present value of explicit FCFs	45.51	41.98
Present value of the continuing value	62.42	69.35
Net debt	-577.02	-580.48
Value of equity	684.96	691.81
Minority interests in profits	0.00	0.00
Value of share capital	684.96	691.81
Shares outstanding in million	14.88	14.88
Fair value of the share in EUR	46.04	**46.50**

Cost of Capital Determination:	
Risk-free return	1.5%
Market risk premium	5.5%
Beta	1.86
Cost of equity	11.7%
Target weighting	90.0%
Cost of debt	6.3%
Target weighting	10.0%
Tax shield	12.0%
WACC	**11.1%**

Return on investment	WACC				
	10.5%	**10.8%**	**11.1%**	**11.4%**	**11.7%**
274.0%	46.99	46.73	46.50	46.27	46.07
274.2%	46.99	46.74	46.50	46.28	46.07
274.5%	47.00	46.74	**46.50**	46.28	46.08
274.7%	47.00	46.75	46.51	46.29	46.08
275.0%	47.01	46.75	46.51	46.29	46.08

APPENDIX

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