



Research Report (Anno)

NEON EQUITY AG



- Always positive results achieved since the company was founded -
- Successful year 2022 with after-tax result of almost 12 million € -

Target price: € 10.76
(until now: € 10.81)
Rating: BUY

IMPORTANT NOTICE:

Please note the disclaimer/risk notice

as well as the disclosure of possible conflicts of interest according to § 85 WpHG and Art. 20 MAR from page 19

Notice pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This 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".

NEON EQUITY AG^{*5a,11}

Rating: BUY

Target price: € 10.76
(until now: € 10.81)

Current price: 9.50
19.04.23 / DUS / 10:00 am
Currency: EUR

Key data:

ISIN: DE000A3DW408
WKN: A3DW40
Number of shares³: 40.05
³in million / in EUR million
Market cap³: 380.48
Enterprise Value³: 378.94
Free float: 10.6%

Market segment:
Düsseldorf Stock Exchange
Accounting:
HGB

Financial year: 31.12.

Analysts:

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Company profile

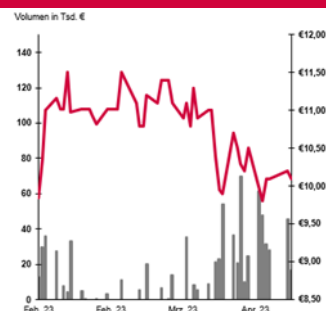
Sector: Finance (investment company)
Focus: Real estate, consulting, technologies

Employees: 2 (business year 2022)

Foundation: 2012

Registered office: Frankfurt am Main

Board of Directors: Thomas Olek; Ole Nixdorff



The corporate focus of NEON EQUITY AG (formerly: TO-Holding GmbH) is essentially to invest in companies that are not yet capital market-oriented ("private equity") or to found new companies. NEON EQUITY AG provides its portfolio companies with capital, expertise, know-how and an adequate industry-specific network. This is done with the aim of successively increasing the value of the company through the implementation and stringent realisation of a fully comprehensive and capital market-oriented development strategy. In addition, NEON EQUITY AG not only acts as a pure strategic equity investor, but also offers its portfolio companies sound consulting services. The range of services includes the construction, structuring and implementation of financing and capital measures on the capital market. Overall, NEON's investment focus is mainly on the real estate industry, consulting and innovative technologies. The country focus of the target companies is on Europe.

| P&L in EUR million \ FY-end | FY 2021 | FY 2022 | FY 2023e | FY 2024e | FY 2025e |
|-----------------------------|---------|---------|----------|----------|----------|
| Total earnings | 11.89 | 17.45 | 16.01 | 42.60 | 52.96 |
| EBIT | 6.92 | 12.87 | 14.00 | 40.34 | 50.44 |
| Net profit for the year | 6.72 | 11.98 | 12.15 | 34.83 | 43.75 |

Key figures in EUR

| | | | | | |
|--------------------|------|------|------|------|------|
| Earnings per share | 0.17 | 0.30 | 0.30 | 0.87 | 1.09 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Key figures

| | | | | | |
|-------------------|-------|-------|-------|-------|------|
| EV/total earnings | 31.87 | 21.71 | 23.66 | 8.90 | 7.16 |
| EV/EBIT | 54.73 | 29.43 | 27.07 | 9.39 | 7.51 |
| KGV | 56.60 | 31.76 | 31.31 | 10.92 | 8.70 |
| KBV | 1.63 | 1.55 | | | |

Financial Calendar

10.05.2023: Annual General Meeting

15.08.2023: Half-year figures

**last research from GBC:

Date: Publication / Target price in EUR / Rating

10.01.23: RS / € 10.81 / -

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

* Catalogue of possible conflicts of interest on page 21

EXECUTIVE SUMMARY

- NEON EQUITY AG has been listed on the “Primärmarkt” of the Düsseldorf Stock Exchange since 13 January 2023 and has been tradable on Xetra since 1 February 2023. This is a pure listing, without raising any proceeds from the issue. In accordance with its corporate focus, the company plans to participate as a strategic investor in companies with future potential or to establish such companies. This is based on the strategic objective of sustainably increasing the enterprise value of the portfolio companies by implementing a capital market strategy. Within the framework of their investment approach, the portfolio companies are not only provided with capital, the companies can access the extensive industry know-how and the network of NEON EQUITY AG. The investment focus is on small to medium-sized companies operating in the real estate, consulting or technology sectors. In principle, the portfolio candidates should have good development potential and be able to be developed into an IPO candidate in the long term.
- Despite its recent stock market debut, the company has a corporate history spanning several years. Since its foundation in 2012, NEON EQUITY AG has acquired various investments and sold some or all of them again. In total, exit transactions amounting to € 645.54 million have been carried out, which have enabled the company to always show positive earnings levels.
- This also applies to the past financial year 2022, in which total income of € 17.45 million (previous year: € 11.89 million) was generated. The proceeds from the sale of shares in pubilty and PREOS played an important role here, as did income from the reduction of individual value adjustments on receivables. In addition, interest income was generated in connection with pubilty bonds held. Based on the increased income, a higher after-tax result of € 11.98 million (previous year: € 6.72 million) was generated compared to the previous year.
- Since profits have always been retained since the company's foundation, NEON EQUITY AG has a high equity capital of € 245.47 million as at 31 December 2022, accompanied by a high equity ratio of 98.9%. The assets side is primarily made up of shares held in pubilty AG and Preos AG as well as pubilty bonds held. As NEON EQUITY AG prepares its accounts in accordance with the principles of the German Commercial Code (HGB), the lower of cost or market principle is applied rather than the market value approach.
- For the coming financial years, we expect an expansion of the investment portfolio and also assume an increase in advisory mandates. A key aspect of the forecasts is the company's ability to identify and acquire portfolio candidates with development potential and then to develop them in a way that is suitable for the capital market. Then possible exit proceeds can be achieved. In the current financial year, the sale of pubilty shares should generate notable proceeds, before new investments in the following years should ensure a strong increase in revenues and earnings.
- We have determined the fair value of NEON EQUITY AG using a NAV model and a DCF model. On average, the fair value we have determined is € 430.78 million, which corresponds to a fair value of € 10.76 per share. We assign the rating BUY.

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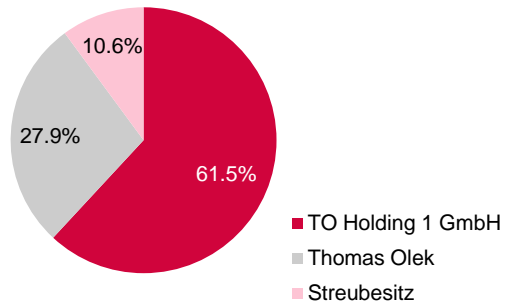
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COMPANY

Shareholder structure

| Shareholder | Share |
|-------------------|-------|
| TO Holding 1 GmbH | 61.5% |
| Thomas Olek | 27.9% |
| Free float | 10.6% |

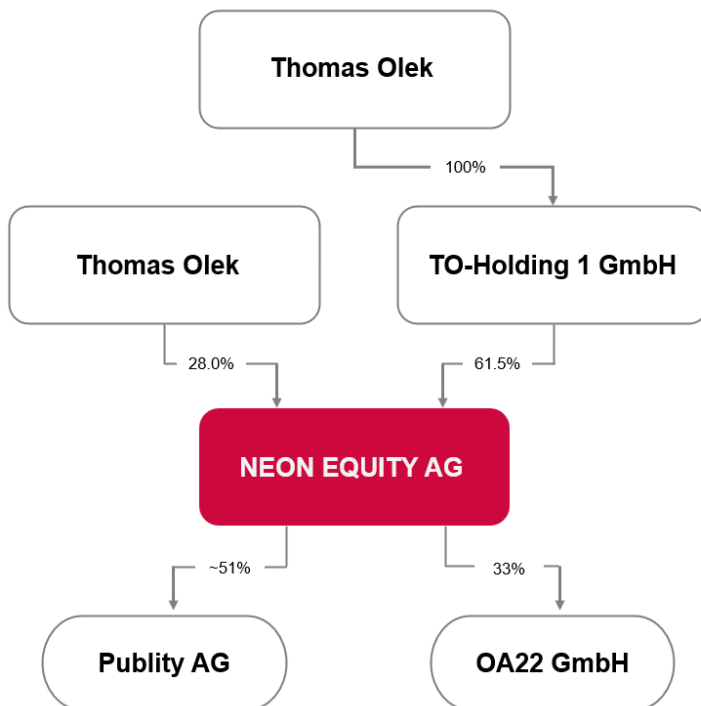
Source: NEON EQUITY AG (as at: 13.04.2023)



Business activity

In addition to founding new and innovative companies, NEON EQUITY AG focuses on identifying and ultimately investing in attractive, viable and ESG-compliant companies with a functioning business model from the real estate, consulting and technology sectors (investment focus) in Europe. Within this framework, NEON EQUITY AG provides its portfolio companies with capital, expertise, know-how and an adequate sector-specific network in order to develop companies operationally and to sustainably increase their respective company value. In addition, the company not only acts as a pure strategic equity investor, but also offers their portfolio companies sound and comprehensive advisory services. The comprehensive range of advisory services includes the construction, structuring and implementation of financing and capital measures on the capital market.

Organisational structure and shareholdings



Source: NEON EQUITY AG (as of 13.04.23), GBC AG

NEON EQUITY AG was created in its current legal form through a change of form from TO-Holding GmbH to a public company. This change of legal form was initiated by the then sole shareholder and current Chairman of the Management Board, Mr **Thomas Olek**. From October 2003 until the end of December 2020, Thomas Olek was also Chairman of

the Board of Directors of the majority holding publicity AG. Prior to the respective IPOs, Mr Olek acted as Managing Director of Consus AG and as a member of the Management Board of PREOS AG.

Currently, **TO-Holding 1 GmbH** is the main shareholder of NEON EQUITY AG. In this context, the Chairman of the Board, Thomas Olek, indirectly holds around 89% of the shares and voting rights in NEON EQUITY AG via TO-Holding 1 GmbH, which he controls.

NEON EQUITY AG's current main holding is the 51% of the total shares in **publity AG**, which gives it the status of a majority shareholder. publity AG ("publity") acts both as an asset manager and as a strategic investor, with a sector focus on office real estate. The company covers the core of the value chain in this sector, from the purchase to the development to the sale of the properties.

Through its majority shareholding in publity AG, NEON EQUITY AG indirectly holds shares in **PREOS Global Office Real Estate & Technology AG** and **GORE German Office Real Estate AG**.

GORE German Office Real Estate AG ("GORE") is a dynamically growing real estate investor with a focus on office properties in German metropolitan areas.

PREOS Global Office Real Estate & Technology AG ("PREOS") is an active real estate investor focused on office properties. PREOS operates as an efficient management holding company.

In addition, NEON EQUITY AG directly holds 33% of the shares in **OA22 GmbH** (property company). The corporate purpose of this company includes the trading and management of real estate and properties, the development of construction projects, the renovation and redevelopment of construction projects as well as the acquisition of investors and brokering of financial participation in construction projects.

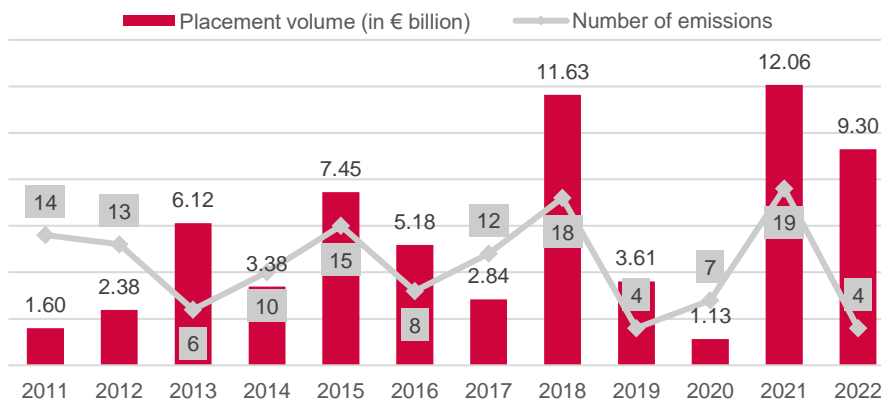
MARKET AND MARKET ENVIRONMENT

NEON EQUITY AG's investment model focuses on the investment markets of real estate, consulting and innovative technologies. Specifically, the company develops, supports and invests in corporate issues in the form of IPOs, debt issues or securitisations. The regional focus is on Europe, although it can be assumed that the majority of investments will be made in companies that have their business focus in Germany. In this context, the capital market development in Germany should be a significant driver for NEON Equity AG.

Issuance market in Germany

Even though NEON EQUITY AG makes sector-specific investments, the general capital market environment plays an important role in the company's operational development. This is against the background of the fact that a significant part of the planned income is related to the IPO of investments and the sale of shares. In this context, the general issuing activity shows a high correlation to the general economic situation. Good evidence of this is provided by the past calendar year, which was a decidedly weak year with only four new issues. Rising interest rates, high inflation and the generally uncertain economic situation have led to the postponement of IPOs. With regard to the issue volume, a comparatively good figure of € 9.30 billion was achieved, but this was almost exclusively due to the IPO of Dr. Ing. h.c. F. Porsche AG, which generated IPO proceeds of € 9.1 billion. Without this IPO, IPOs would have come to a virtual standstill in 2022.

Placement volume and number of new issues on the Frankfurt primary market



Sources: Primary market statistics Deutsche Börse; GBC AG

The significant decline in the number of issues, for example, corresponds to the significant price decline on the stock markets. In the past calendar year 2022, the DAX showed a negative return of -12.4%, the MDAX -28.5% and the SDAX -27.4%. However, since the above-mentioned negative factors of inflation, rising interest rates and an uncertain economic situation are easing, an increase in issuing activity could be observed again in the current year. Leading economic institutes and the German government have recently raised their economic forecasts for 2023 and no longer expect a recession in the current year. A possible "China effect" should also not be neglected. Now that China has completely abandoned its rigorous corona policy, trade disruptions are likely to be significantly lower than in the past three years.

Market environment real estate

As the current main investment of NEON EQUITY AG, publity AG, is active in the field of office real estate, with a focus on asset management and strategic investments, the development of the real estate sector is also of major importance for NEON EQUITY AG. From a regional perspective, publity AG's investments are concentrated in the metropolitan regions of Frankfurt, Munich, Cologne, Düsseldorf, Hamburg and Stuttgart.

In this respect, the analysis of the top locations in Germany is highly relevant for publity AG. The largest office markets in Germany are comparatively robust and achieved a slight increase in take-up in the past calendar year 2022, despite the general weakness in the sector as a whole. Savills sees take-up of around 3.0 million sqm (+ 3 % yoy) in the six largest locations, BNP Paribas sees take-up of around 3.4 million sqm (+ 0 % yoy) in the eight largest locations and Jones Lang LaSalle sees take-up of around 3.5 million sqm (+ 6.5 % yoy) in the seven largest locations.

Although a rising vacancy rate can be observed, market observers see properties in peripheral locations and properties that do not meet certain energy standards as being particularly affected. Jones Lang LaSalle describes the current trend as a "flight to quality", according to which demand is particularly high for office properties that meet certain energy standards. Other aspects such as social components, a feel-good atmosphere and the possibility of flexible working hours would also play a role in the search for a location. In this respect, despite rising vacancy rates, rent levels continued to rise. For prime rents, increases of 2.1% to 6.6% were determined.

Another aspect of the robust development of the office markets is the development of the number of employees in Germany. According to data from the Federal Statistical Office, the number of people in employment at the end of 2022 was 45.6 million, the highest level since German reunification. Compared to the previous year, almost 600,000 more people were employed. This increase took place almost exclusively in the service sector, which indicates a higher demand for office space.

The development of the current year 2023 is under the sign of a more positive economic outlook. In the slipstream of the economic recovery, BNP Paribas expects a significant increase in market momentum and further rises in rental levels. This applies in particular to modern office space, which is likely to see a stronger development in demand in view of the increased energy costs and changed requirements for an office workplace.

BUSINESS DEVELOPMENT 2022

Revenue and earnings development 2022

| in EUR m | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|--|--------------|--------------|--------------|--------------|
| Revenues | 0,60 | 1,89 | 0,50 | 0,48 |
| Other operating income | 69,77 | 56,15 | 8,32 | 13,29 |
| Income from participations | 6,73 | 0,00 | 0,00 | 0,00 |
| Income from securities/interest income | 0,18 | 0,87 | 3,07 | 3,34 |
| Total earnings | 77,27 | 58,91 | 11,89 | 17,45 |
| Operational costs | -3,90 | -11,75 | -4,97 | -4,50 |
| Interest expense | -0,95 | -3,69 | -0,16 | 0,00 |
| Net profit for the year | 72,33 | 42,80 | 6,72 | 11,98 |

Sources: NEON EQUITY AG; GBC AG

NEON EQUITY AG's revenues and earnings are typically dominated by income from securities (interest and dividends) and income from disposals. To a lesser extent, the company has consulting revenues in connection with consulting services rendered to the investment companies. The income picture breaks down as follows:

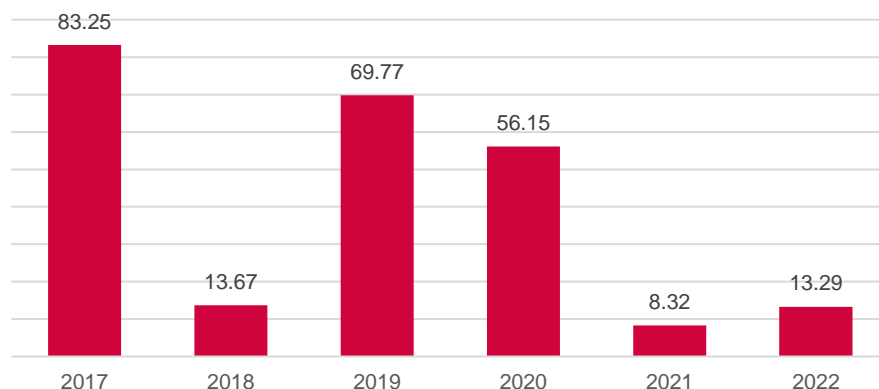
- **Revenues:** Revenues include advisory services to the portfolio companies. The advisory services are related to the capital market-ready development of the portfolio companies and the raising of capital (IPO, capital increase, bond issue).
- **Other operating income:** this includes the proceeds from the sale of securities held. Since the book value disposal is included in this income item, this is a net disclosure.
- **Income from investments/securities/interest income:** to the extent that the Issuer provides debt capital to the portfolio companies, interest income is generated. For example, NEON EQUITY AG is the largest investor in publity AG's 5.5% interest-bearing corporate bond. As at 31 December 2022, NEON EQUITY AG holds shares with a nominal value of € 74.88 million.

Development of total revenues 2022

Since its foundation in 2012, NEON EQUITY AG has acquired various investments and sold some or all of them again. In its corporate history, the company has carried out exit transactions totalling € 645.54 million. In the past financial year 2022, gross transaction revenues of € 47.14 million (previous year: €42.01 million) were achieved, primarily in connection with the sale of shares and bonds of publity and PREOS.

Net, i.e. after deduction of the book value disposal, NEON EQUITY AG reported other operating income of € 13.29 million (previous year: € 8.32 million), particularly in connection with the sale of securities. This income item consists primarily of the proceeds from the sale of shares in publity and PREOS, which generated total income of €7.14 million (previous year: € 7.80 million). This item also includes non-recurring income from the reduction of individual value adjustments on receivables in the amount of € 5.08 million.

Development of other operating income (in € million)

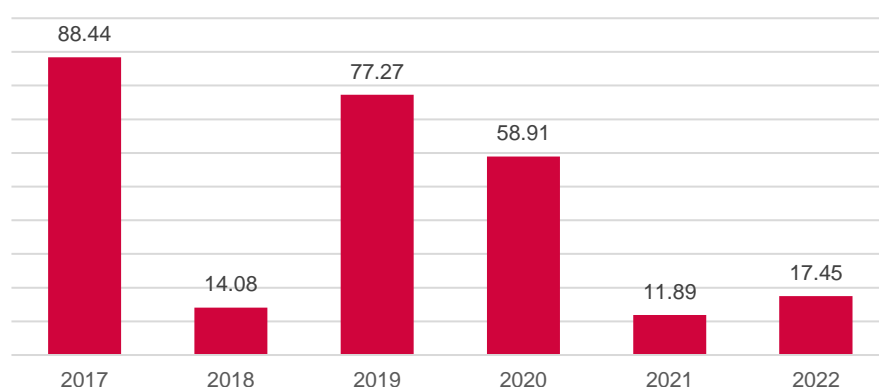


Sources: NEON EQUITY AG; GBC AG

The high other operating income in the 2017, 2019 and 2020 financial years is related to the exits from the investments Consus Real Estate AG, GORE AG and PREOS that took place in these periods. At the same time, the character of Neon's income is evident which, by its nature, can be highly volatile.

Parallel to the other income, interest income was generated in connection with the publicly held bond in the past financial year 2022. As at 31 December 2022, NEON EQUITY AG had a bond portfolio of € 74.88 million (31 December 2021: € 56.29 million), generating securities income of € 3.34 million (previous year: € 2.95 million). Together with other operating income, total income amounted to € 17.45 million (previous year: € 11.89 million), which is 46.8% higher than in the previous year.

Total income (in € million)



Sources: NEON EQUITY AG; GBC AG

Earnings development 2022

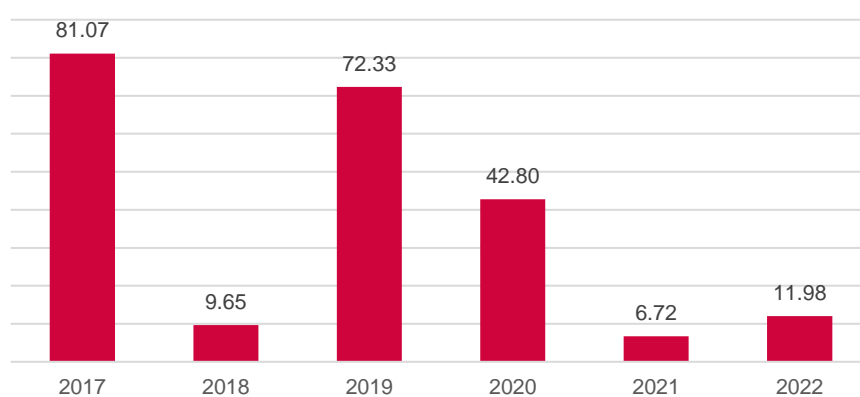
As the total income is net income (after book value disposal), the costs reported by the company are comparatively lean. Operating costs totalled only € 4.50 million (previous year: € 4.97 million), which means that the EBIT of € 12.88 million (previous year: € 6.92 million) is accompanied by a high EBIT margin of 73.8% (previous year: 58.2%). Since the company was founded, NEON EQUITY AG has had an average EBIT margin of 83.6%.

The main cost block consists of other operating expenses, most of which are variable. In addition to losses from the sale of securities or write-downs on securities, this item also includes sales commissions, for example. This shows that this cost item is partly dependent on the transaction proceeds, although there are strong fluctuations in the cost ratio. As

somewhat lower losses on sales were achieved in the past financial year, other operating expenses decreased to € 4.29 million (previous year: € 4.77 million).

The financing of the new investments has so far been covered primarily by the exit proceeds, which is also the reason why NEON EQUITY AG does not usually have to call in debt financing, so that financial expense does not play a significant role. In addition, it is important to note the special feature of tax expenses, according to which 95% of gains on the sale of shares are tax-free pursuant to §8b of the German Corporation Tax Act (KStG). In the past financial year, the tax expense of € 0.89 million was accompanied by a very low tax rate of 7.0%, so that the after-tax result of € 11.98 million (previous year: € 6.72 million) is approximately at EBIT level.

Development of the after-tax result (in € million)



Sources: NEON EQUITY AG; GBC AG

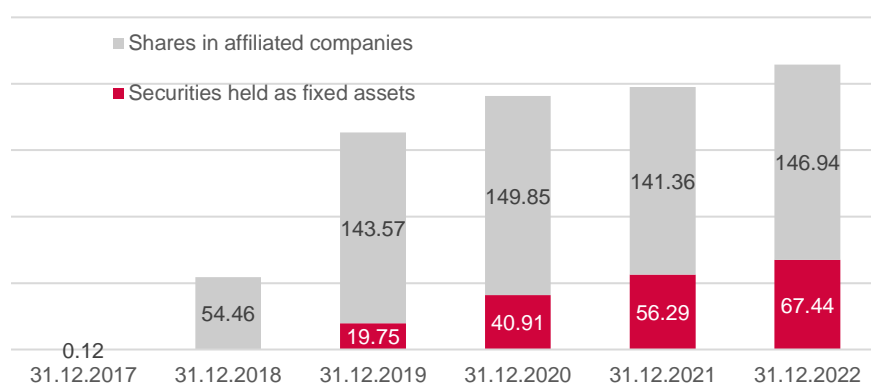
Historical development of the balance sheet ratios

| in € m | 31.12.2019 | 31.12.2020 | 31.12.2021 | 31.12.2022 |
|------------------------------------|------------|------------|------------|------------|
| Equity | 183.87 | 226.70 | 233.49 | 245.47 |
| Shares in affiliated companies | 130.97 | 149.85 | 141.36 | 146.94 |
| Securities held as fixed assets | 19.75 | 40.91 | 56.29 | 67.44 |
| Cash and cash equivalents | 5.93 | 8.86 | 7.51 | 2.56 |
| Other assets | 45.94 | 24.99 | 28.93 | 30.90 |
| Liabilities to credit institutions | 0.00 | 10.15 | 0.00 | 0.00 |

Sources: NEON EQUITY AG; GBC AG

The balance sheet of NEON EQUITY AG is dominated on the assets side by the securities held and shares in affiliated companies. The participation and shares held in publicly AG and Preos AG with a total of € 146.94 million (31.12.21: € 141.36 million) represent the main asset item. As NEON EQUITY AG prepares its accounts in accordance with the principles of the German Commercial Code (HGB), this is not a market value approach but an approach according to acquisition costs or the lower of cost or market principle. In addition, the assets side of the company also includes the portfolio of publicly bonds, which increased to € 67.44 million (31.12.21: € 56.29 million) as a result of a share increase.

Participations and securities held as fixed assets (in € million)



Sources: NEON EQUITY AG; GBC AG

To finance the increase in shareholding, the company is likely to have drawn in particular on the cash inflow from the sale of shares in publicly and PREOS. In addition, the investments reduced liquidity to € 2.56 million (31.12.21: € 7.51 million).

On the liabilities side, equity capital of € 245.47 million (31.12.21: € 233.49 million) dominates, which is accompanied by an equity ratio of 98.9% (31.12.21: 99.6%). This shows that the company has retained the positive results of the past financial years and has not taken on any outside capital to finance the investments it has made.

FORECASTS AND MODEL ASSUMPTIONS

| in EUR m | FY 2022 | FY 2023e | FY 2024e | FY 2025e |
|--|--------------|--------------|--------------|--------------|
| Revenues | 0.49 | 1.80 | 3.24 | 4.14 |
| Other operating income | 13.29 | 11.44 | 34.68 | 44.14 |
| Income from securities/interest income | 3.34 | 4.39 | 4.67 | 4.67 |
| Total earnings | 17.45 | 16.01 | 42.60 | 52.96 |
| Operational costs | -4.50 | -2.01 | -2.26 | -2.51 |
| Interest expense | 0.00 | -1.00 | -3.09 | -3.65 |
| Net profit for the year | 11.98 | 12.15 | 34.83 | 43.75 |

Sources: NEON EQUITY AG, GBC AG

Corporate strategy as the basis for GBC forecasts

According to its own presentation, the future development of NEON EQUITY AG is primarily based on the planned further development of an investment portfolio. The portfolio candidates should be companies that are not yet fully ready for the capital market, but which can prospectively be developed into IPO candidates within a short period of time. High-quality companies that follow the ESG criteria and are in a growth phase are considered as target companies, making an IPO possible in the years immediately following the NEON investment. A special sector focus is on the real estate industry, consulting and technologies.

Both majority and strong minority stakes can be taken, with a target volume in the low double-digit millions per investment.

Revenue and earnings forecasts 2023 to 2025

Total revenue forecasts

Our forecast total revenue is based, on the one hand, on a gradual increase in advisory contracts, as the only factor influencing revenue. By the end of the current financial year 2023, we expect eight advisory mandates and assume an increase of two advisory mandates per year for the coming financial years. These are mandates for own portfolio companies as well as mandates for third-party companies. With annual revenues of € 360,000 per mandate, there should be a corresponding increase in recurring revenues.

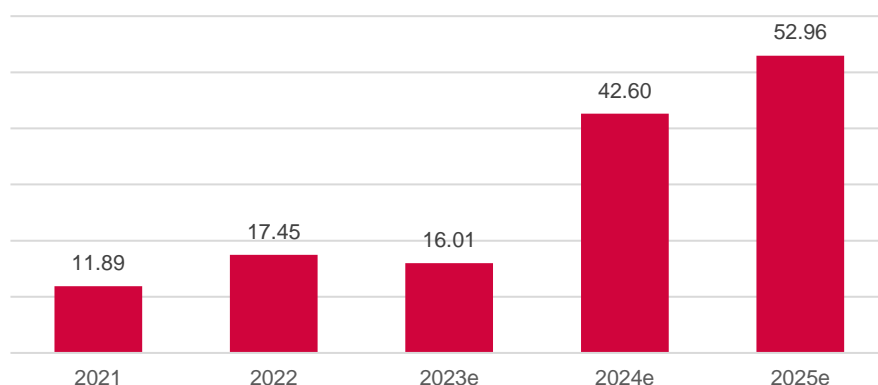
As in previous years, the lion's share of total income should represent successful exits or partial sales at the portfolio companies. From the current financial year 2023, we assume investments in two companies per year that are in the pre-IPO phase. Furthermore, we assume that a 50% exit will take place in the first year after inclusion in the Neon portfolio and that a further 10% of the shares will be sold in each of the following years. We expect the book value of the investment to increase by 60% in the course of the IPO, followed by further lower valuation increases in the following years. As a basis for our concrete earnings estimates for the financial years 2023 to 2025, we assume a pre-IPO total investment volume of just over € 210 million, divided into several individual investments. The first investment should take place in the current financial year 2023 and accordingly we assume the first exit proceeds from the financial year 2024.

Our estimated total income for the current financial year 2023 includes the partial sale of the existing publicity investment. We assume here the sale of 1.80 million publicity shares, which are recognised at a book value of € 20.00/share according to information from NEON EQUITY AG. The current publicity share price is € 24.90 (XETRA; 12.04.2022; 5:36 p.m.), so that a sale at the current price would generate a profit of €8.82 million.

In addition to the exit proceeds, the company plans to generate variable commission income from the placement of capital market instruments with the portfolio companies. These are related to the structuring of the securities as well as investor brokerage.

The last income component to be added to the total income is the interest income from securities, in particular the corporate bonds held by publity AG. According to our planning, NEON EQUITY AG will hold publity bonds with a total nominal value of € 74.88 million as at 31 December 2023, which will then bear interest at 6.25%. This results in the following composition of total income forecast by us for the financial years 2022 - 2025:

Forecast of total income (in € million)



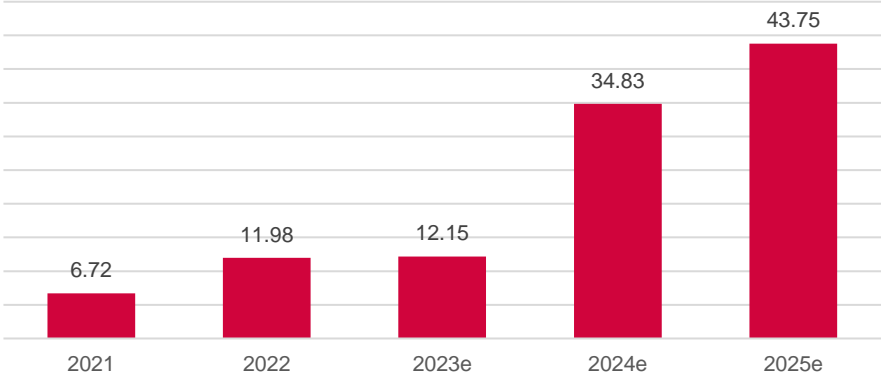
Source: GBC AG

Result forecasts

In order to be able to carry out the investments described, NEON EQUITY AG would have to raise external financing in the form of, for example, corporate bonds or capital increases. For the modelling of our forecasts, we assume the issue of corporate bonds, although the success of such a capital measure depends on various factors that are currently difficult to predict. For the current financial year, we assume the issuance of a corporate bond with a volume of approx. € 30 million, followed by approx. € 15 million (FY 2024e) and another € 10 million (FY 2025e). With an assumed coupon of 6.25%, interest expenses will represent the largest cost item for NEON EQUITY AG in the future. According to our estimates, these will amount to € 3.65 million in the financial year 2025.

In contrast, our expected personnel expenses and other operating expenses of € 2.01 million to € 2.51 million (estimated period 2023 - 2025) are significantly lower. Based on the high earnings volume, NEON EQUITY AG should thus generate a clearly positive after-tax result.

Forecast after-tax result (in € million)



Source: GBC AG

VALUATION

We use two valuation approaches for the valuation of NEON EQUITY AG. On the one hand, we derive the fair values of the current asset components (last status: 31 December 2022) within the framework of a NAV model (net asset value). As a second valuation model, we use a classic DCF model, which is based on our revenue and earnings forecasts presented above. Finally, the fair value of NEON EQUITY AG is formed from the average of the two models.

NAV valuation

Within the NAV valuation approach, we derive the fair value of the equity as a result of the market values of the assets less the borrowed capital as well as the present value of the future overhead costs estimated by us. As significant asset components, NEON EQUITY AG has shares in affiliated companies (in particular shares in publity AG), securities held as fixed assets (bonds of publity AG), other assets (securities loans) and cash and cash equivalents as at 31 December 2022.

As the company prepares its accounts in accordance with HGB regulations, shares in affiliated companies and securities held as fixed assets are reported at acquisition cost. The shares in affiliated companies relate in particular to the shares held in publity AG. According to information from NEON EQUITY AG, the publity shares currently amount to around 7.6 million. Based on a fair value of the publity shares of € 46.50, determined in a GBC research study dated 7 November 2022, the fair value of the publity shares held by NEON EQUITY AG is likely to be € 352.80 million. This is accompanied by significant hidden reserves of € 205.86 million. Shares in affiliated companies also include shares held in PREOS. According to the market value approach, the fair value of this partial participation corresponds to € 13.25 million, so that in total the shares in affiliated companies amount to € 357.35 million and thus entail hidden reserves of € 219.11 million.

We have valued the publity bonds held at the current bond price of 52.0% (13.04.2023; 8:45 am; Frankfurt). Compared to the HGB value of € 67.44 million, this results in a market value discount of € 38.94 million.

In addition to cash and cash equivalents, we also include the securities held as fixed assets and the other assets, which are predominantly composed of a securities loan, in the NAV consideration.

| in € m | HGB | fair value |
|---------------------------------|--------|---------------|
| Shares in affiliated companies | 146.94 | 366.05 |
| Securities held as fixed assets | 67.44 | 38.94 |
| Other assets | 30.90 | 30.90 |
| Cash | 2.56 | 2.56 |
| <hr/> | | |
| % other liabilities | 1.03 | 1.03 |
| % present value overhead costs | | 10.94 |
| Total | | 426.47 |
| Number of shares in million | | 40.05 |
| NAV per share in € | | 10.65 |

Sources: NEON EQUITY AG, GBC AG

DCF model

Model assumptions

NEON EQUITY AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2023 to 2025 in phase 1, the forecast is made from 2026 to 2030 in the second phase by applying value drivers. We expect an annual increase in turnover of 5.0%. We have taken the tax rate into account in phase 2 at 6.5%. 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 conservatively assume a growth rate of 2.0%.

Determination of the cost of capital

The weighted average cost of capital (WACC) of NEON EQUITY 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. 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. **The currently used value of the risk-free interest rate is 2.00 % (previously: 1.50 %).**

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 equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.70 is currently determined.

Using the assumptions made, we calculate a cost of equity of 11.33% (previously: 10.83 %) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of 95% for the cost of equity, the weighted average cost of capital (WACC) is 10.99%.

Valuation result

Within the framework of our DCF valuation model, we have determined a fair enterprise value of € 435.09 million, which corresponds to a target price of € 10.86.

DCF model

Neon Equity AG - Discounted Cashflow (DCF) Valuation

Value driver of DCF-model after the estimate phase:

| consistency - Phase | | final - Phase | |
|------------------------------|-------|--------------------------------------|-------|
| Growth of total income | 5.0% | Perpetual growth rate | 2.0% |
| EBITDA-Margin | 95.3% | Perpetual EBITA margin | 95.3% |
| Depreciation on fixed assets | 0.0% | Effective tax rate in terminal value | 6.5% |
| Working capital to sales | 54.8% | | |

Three-phase DCF - model:

| Phase in mEUR | estimate | | | consistency | | | | | final TV |
|------------------------------|----------|--------|--------|-------------|--------|--------|--------|--------|-------------|
| | FY 23e | FY 24e | GJ 25e | FY 26e | FY 27e | FY 28e | FY 29e | FY 30e | |
| Total income (TI) | 16.01 | 42.60 | 52.96 | 55.61 | 58.39 | 61.30 | 64.37 | 67.59 | |
| TI Growth | -8.2% | 166.0% | 24.3% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 2.0% |
| TI to fixed assets | 0.06 | 0.16 | 0.19 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | |
| EBITDA | 14.00 | 40.34 | 50.44 | 52.97 | 55.61 | 58.40 | 61.32 | 64.38 | |
| EBITDA-margin | 87.4% | 94.7% | 95.3% | 95.3% | 95.3% | 95.3% | 95.3% | 95.3% | |
| EBITA | 14.00 | 40.34 | 50.44 | 52.97 | 55.61 | 58.40 | 61.32 | 64.38 | |
| EBITA-margin | 87.4% | 94.7% | 95.3% | 95.3% | 95.3% | 95.3% | 95.3% | 95.3% | 95.3% |
| Taxes on EBITA | -0.91 | -2.62 | -3.28 | -3.44 | -3.61 | -3.80 | -3.99 | -4.18 | |
| Tax rate | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% |
| EBI (NOPLAT) | 13.09 | 37.72 | 47.17 | 49.52 | 52.00 | 54.60 | 57.33 | 60.20 | |
| Return on Capital | 5.3% | 13.6% | 16.1% | 16.4% | 16.5% | 16.5% | 16.5% | 16.5% | 16.0% |
| Working Capital (WC) | 30.80 | 29.20 | 29.00 | 30.45 | 31.97 | 33.57 | 35.25 | 37.01 | |
| WC to sales | 192.3% | 68.5% | 54.8% | 54.8% | 54.8% | 54.8% | 54.8% | 54.8% | |
| Investment in WC | 0.01 | 1.60 | 0.20 | -1.45 | -1.52 | -1.60 | -1.68 | -1.76 | |
| Operating fixed assets (OFA) | 246.80 | 264.14 | 273.12 | 285.15 | 299.41 | 314.38 | 330.10 | 346.61 | |
| Depreciation on OFA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Depreciation to OFA | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| CAPEX | -32.09 | -17.34 | -8.98 | -12.04 | -14.26 | -14.97 | -15.72 | -16.51 | |
| Capital Employed | 277.60 | 293.34 | 302.12 | 315.60 | 331.38 | 347.95 | 365.35 | 383.62 | |
| EBITDA | 14.00 | 40.34 | 50.44 | 52.97 | 55.61 | 58.40 | 61.32 | 64.38 | |
| Taxes on EBITA | -0.91 | -2.62 | -3.28 | -3.44 | -3.61 | -3.80 | -3.99 | -4.18 | |
| Total Investment | -32.08 | -15.74 | -8.78 | -13.49 | -15.78 | -16.57 | -17.40 | -18.27 | |
| Investment in OFA | -32.09 | -17.34 | -8.98 | -12.04 | -14.26 | -14.97 | -15.72 | -16.51 | |
| Investment in WC | 0.01 | 1.60 | 0.20 | -1.45 | -1.52 | -1.60 | -1.68 | -1.76 | |
| Investment in Goodwill | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Free Cashflows | -18.99 | 21.97 | 38.39 | 36.04 | 36.22 | 38.03 | 39.93 | 41.93 | 597.85 |

| | | |
|---|--------------|--------|
| Value operating business (due date) | 453.55 | 481.41 |
| Net present value explicit free Cashflows | 165.35 | 161.55 |
| Net present value of terminal value | 288.20 | 319.87 |
| Net debt | 18.46 | -0.42 |
| Value of equity | 435.09 | 481.83 |
| Minority interests | 0.00 | 0.00 |
| Value of share capital | 435.09 | 481.83 |
| Outstanding shares in m | 40.05 | 40.05 |
| Fair value per share in € | 10.86 | 12.03 |

Cost of Capital:

| | |
|---------------------|--------------|
| Risk free rate | 2.0% |
| Market risk premium | 5.5% |
| Beta | 1.70 |
| Cost of equity | 11.3% |
| Target weight | 95.0% |
| Cost of debt | 6.3% |
| Target weight | 5.0% |
| Taxshield | 28.7% |
| WACC | 11.0% |

| Return on Capital | WACC | | | | |
|-------------------|-------|-------|--------------|-------|-------|
| | 10.4% | 10.7% | 11.0% | 11.3% | 11.6% |
| 15.5% | 11.39 | 10.98 | 10.61 | 10.26 | 9.93 |
| 15.8% | 11.53 | 11.12 | 10.74 | 10.38 | 10.05 |
| 16.0% | 11.68 | 11.25 | 10.86 | 10.50 | 10.16 |
| 16.3% | 11.82 | 11.39 | 10.99 | 10.62 | 10.28 |
| 16.5% | 11.96 | 11.53 | 11.12 | 10.74 | 10.40 |

Valuation result

In the sum of the two valuation methods, whereby we form a simple average here, the fair enterprise value is € 430.78 million or € 10.76 per share.

| Derivation of the fair value | |
|---------------------------------------|---------------------|
| Fair value according to NAV valuation | € 426.47 m |
| Fair value according to DCF valuation | € 435.09 m |
| Mean value | € 430.78 m € |
| Number of shares | 40.05 m |
| Fair value per share | 10.76 € |

APPENDIX

I.

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2. The research report is simultaneously made available to all interested investment services companies.

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| | |
|------|---|
| BUY | The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$. |
| HOLD | The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$. |
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