GBC AG Investment Research

Landi Renzo S.p.A.*6a, 11

Rating: BUY
Target price: € 0.70
(previously: € 0.98)

Current price: 0.50
19/09/2023 / Frankfurt
(8:03 am)

Currency: EUR

Master data:

ISIN: IT0004210289
WKN: A0MUQC
Ticker symbol: LDRZF
Number of shares³: 225.00
Market cap³: 112.50
Enterprise value³: 189.74
³ in million / in EUR million
Free float: 25.5%

Market segment:
Euronext STAR Milan

Accounting:
IFRS

Financial year: 31/12/

Analysts:

Marcel Goldmann
goldmann@gbc-ag.de

Cosmin Filker
filker@gbc-ag.de

* Catalogue of possible conflicts of interest on page 11

Date (time) completion:
19/09/2023 (13:27 pm)

Date (time) first transmission:
20/09/2023 (10:00 am)

Validity of the target price: until max. 31/12/2024

Company profile

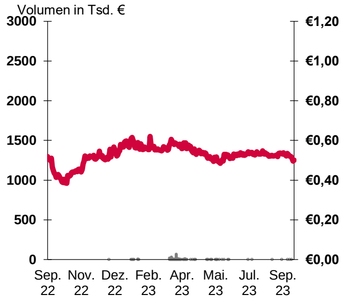
Industry: green mobility and clean tech

Focus: products and systems for gas and hydrogen mobility, alternative compressor technologies for gas and hydrogen infrastructure

Employees: 976 (as of 30/06/2022)

Headquarters / Foundation: Reggio Emilia (Italy) / 1954

Board of directors: Annalisa Stupenengo (CEO)



With a presence in over 50 countries and an export share of around 80.0%, Landi Renzo S.p.A. (Landi Renzo) is a major player in the international market for technologies that enable greener mobility. The parent company - Landi Renzo S.p.A. - was founded in 1954 and is based in Reggio Emilia (Italy). Landi Renzo develops, produces and distributes components and alternative propulsion systems for gas and hydrogen mobility (natural gas, LPG/autogas, biogas/RNG, hydrogen fuel systems), addressing two customer segments: car/truck manufacturers (OEMs) and installers and dealers (aftermarket). Through the company SAFE & CEC S.r.l. (shareholding: 51.0%), the Landi Renzo Group is also active in the field of compression solutions for gas and hydrogen infrastructure (CNG, biogas/RNG, hydrogen filling stations). In this segment of alternative compression solutions, the company also offers high-margin maintenance and service for its installed compressors (worldwide installed base: > 6,000 compressors). Through this positioning, the Group is very much involved in energy turnaround (decarbonisation of the economy - and the transport sector) and can make a decisive contribution to countries and companies achieving their environmental and climate policy goals through the product portfolio it offers.

P&L in EUR million	31/12/2021	31/12/2022	31/12/2023e	31/12/2024e	31/12/2025e
Revenues	241.99	306.30	323.88	357.17	379.73
EBITDA	12.62	11.04	9.58	24.76	37.94
EBIT	-3.00	-6.03	-14.37	3.55	18.17
Net result (after reduction)	-1.02*	-14.28	-27.08	-5.78	5.45
includes consolidation gain from fair value measurement of SAFE & CEC (€ 8.80 million)					
Key figures in EUR					
Earnings per share (EPS)	-0.01	-0.06	-0.12	-0.03	0.02
Dividend per share	0.00	0.00	0.00	0.00	0.00

Key figures					
EV/revenue	0.78	0.62	0.59	0.53	0.50
EV/EBITDA	15.04	17.19	19.81	7.66	5.00
EV/EBIT	neg.	neg.	neg.	53.45	10.44
KGV	neg.	neg.	neg.	neg.	20.64
KBV		1.06			

Financial calendar
13/11/2023: Quarterly Report Q3 2023

**last research from GBC:
Date: Publication / target price in EUR / rating
08/12/2022: RS / 0.98 / BUY
08/11/2022: RS / 0.98 / BUY
29/08/2022: RS / 0.98 / BUY

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

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".

FY 2023 will be a transition year; revenue development strong; earnings development weak; unfavourable revenue mix weights; from 2025 onwards clear winner of green energy transition; GBC estimates and price target adjusted; BUY rating confirmed

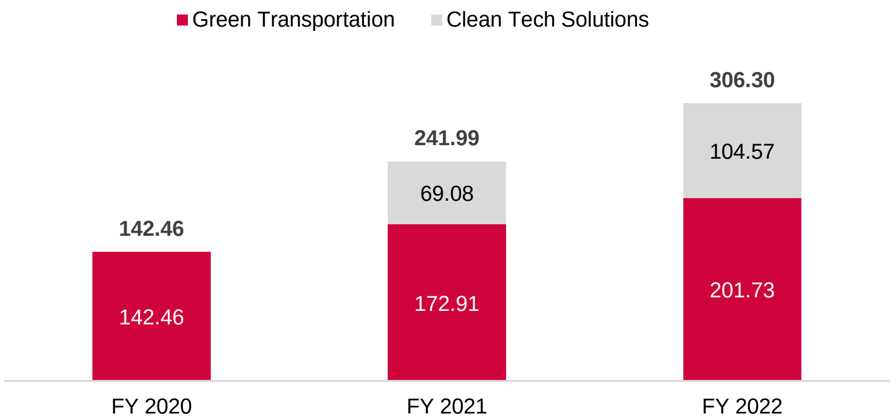
Business development FY 2022

Group key figures (in € million)	FY 2020	FY 2021	FY 2022
Revenues	142.46	241.99	306.30
Adjusted EBITDA (Adj. EBITDA)	8.02	14.61	15.26
EBITDA	6.65	12.62	11.04
Net result (after minorities)	-7.66	-1.02*	-14.28

*Sources: Landi Renzo S.p.A.; GBC AG *includes a non-operational consolidation gain from the fair value measurement of SAFE & CEC (€ 8.80 million)*

Based on the published business figures for the past financial year 2022, the Landi Renzo Group continued its dynamic growth in the past financial period despite difficult macroeconomic factors (high inflation on the procurement and energy markets, etc.) and challenging general conditions (Ukraine war, supply chain problems, etc.). Compared to the same period of the previous year, Group turnover increased significantly by 26.6% to € 306.30 million (previous year: € 241.99 million). On a comparable basis (full-year consolidation of SAFE & CEC & Metatron), a significant increase in turnover of 10.1% was also achieved.

Development of Group and segment revenues (in € million)



Sources: Landi Renzo S.p.A.; GBC AG

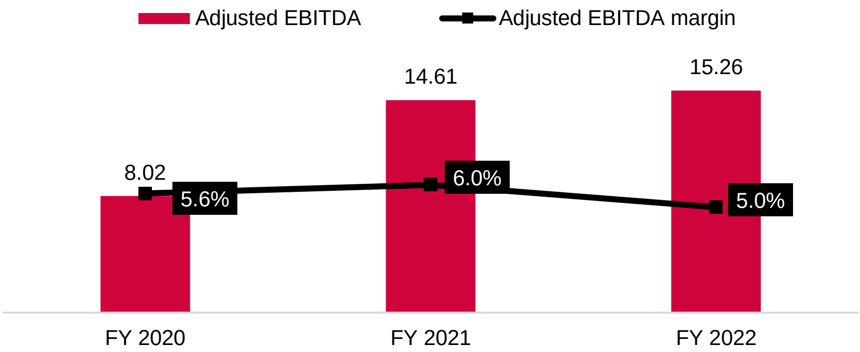
(Organic) growth effects in both business segments - Green Transportation and Clean Tech Solutions - contributed significantly to the dynamic increase in Group turnover. The main growth drivers were the infrastructure business (Clean Tech Solutions business) and the European automotive supplier business (OEM business in the passenger car sector) of the Green Transportation division.

The Group's revenues were primarily generated by the core business area of Green Transportation. In this business unit, revenues grew significantly by 16.7% to € 201.73 million (previous year: € 172.91 million), mainly due to volume effects in connection with business activities with OEM customers. Landi Renzo benefited in particular from strong OEM customer demand due to increased sales of LPG cars within the EU.

The Clean Tech Solutions business field was able to increase its segment revenues even more strongly with a 51.4% increase to € 104.57 million (previous year: € 69.08 million).

The significant increase in revenues was mainly based on expanded business activities in the field of biogas and hydrogen applications.

Development of EBITDA or adjusted EBITDA (in € million)



Sources: Landi Renzo S.p.A.; GBC AG

In contrast to the dynamic development of Group turnover, Landi Renzo had to accept a significant decline in their operating result (EBITDA) of 12.5% to € 11.04 million (previous year: € 12.62 million) in fiscal year 2022 compared to the previous year due to high pressure on margins (high inflation on the procurement markets, high energy costs, etc.) and price adjustments that only took effect after a time lag. Consequently, the EBITDA margin also fell significantly to 3.6% (previous year: 5.2%) compared to the same period last year.

Adjusted for special costs and one-off costs (e.g. M&A costs), the adjusted EBITDA (Adj. EBITDA) for the past financial year amounted to € 15.26 million, which was a moderate increase of 4.4% compared to the previous year (PY: € 14.61 million). The adjusted EBITDA margin was 5.0% (previous year: 6.0%).

The adjusted EBITDA of € 9.27 million (previous year: € 7.21 million) was generated by the Green Transportation segment and € 5.99 million (previous year: € 7.41 million) by the Clean Tech Solutions segment. Both segments thus contributed to the Group result in a similar way to their share of Group turnover. In terms of operating profitability, the adjusted EBITDA margin of 5.0% was relatively robust compared to the margin level of the previous year (PY: 6.0%).

At the after-tax level, however, this technology company recorded a negative consolidated result (after minorities) of € -14.28 million and thus had to accept a significant decline compared to the same period of the previous year (PY: € -1.02 million). However, it should be taken into account that the previous year's result for 2021 was strongly influenced by a consolidation gain (€ 8.8 million) from a fair value valuation of SAFE & CEC.

Overall, this technology company achieved the published turnover guidance, but fell short of their earnings guidance (improvement in earnings compared to the previous year). Our turnover forecast (turnover of € 287.74 million) was clearly exceeded, whereas our earnings forecast (EBITDA of € 16.77 million) was not achieved.

Business development of Q1 2023

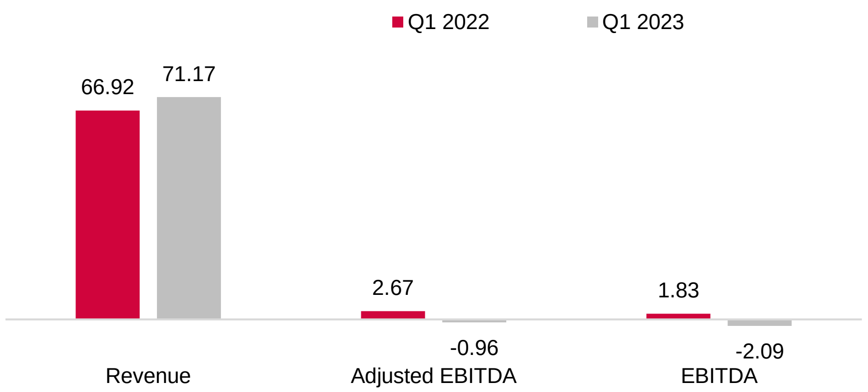
Group key figures (in € million)	Q1 2022	Q1 2023
Revenues	66.92	71.17
Adjusted EBITDA (Adj. EBITDA)	2.67	-0.96
EBITDA	1.83	-2.09
EBIT	-2.45	-6.28
Net result (after minorities)	-3.15	-9.91

Sources: Landi Renzo S.p.A.; GBC AG

According to the published business figures for the first three months of the current financial year, the Landi Renzo Group continued on its growth path in the opening quarter with a 6.4% increase in turnover compared to the same period last year to € 71.17 million.

The Clean Tech Solutions business field proved to be the main growth driver in the first quarter, increasing its segment revenue significantly by 12.1% to € 23.11 million (Q1 2022: € 20.62 million). This division was again able to benefit from the increased demand for compression solutions for biomethane, hydrogen and natural gas.

Q1 performance of the Landi Renzo Group (in € million)



Sources: Landi Renzo S.p.A.; GBC AG

The Green Transportation business unit was also able to further expand its segment revenue with a moderate 3.8% increase in revenue to € 48.05 million (Q1 2022: € 46.30 million). The growth of the core business was driven in particular by a recovery in the European core markets. In addition, a gradual recovery of the M & HD market (especially the Chinese market) also drove segment growth.

On the operating result level, contrary to the growth achieved, the adjusted EBITDA (Adj. EBITDA) turned negative at € -0.96 million (Q1 2022: € 2.67 million) due to a less favourable revenue mix (lower revenue share of high-margin after-market business) and higher costs on the procurement side.

Taking into account depreciation, financing and tax effects, a negative consolidated net result (after minorities) of € -9.91 million was achieved at the end of the first three months of the current financial year (Q1 2022: € -3.15 million).

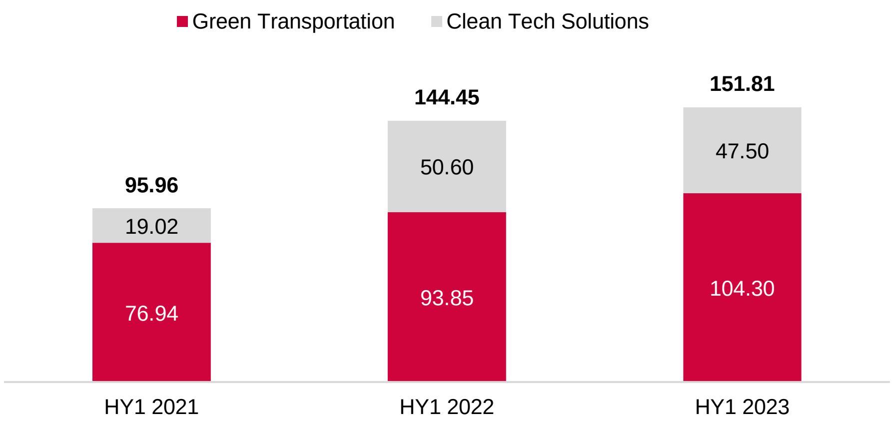
Business development of HY1 2023

Group key figures (in € million)	FY1 2021	FY1 2022	FY1 2023
Revenue	95.96	144.45	151.81
Adjusted EBITDA (Adj. EBITDA)	4.48	6.54	3.90
EBITDA	3.56	5.31	-0.31
Net result (after minorities)	1.54	-6.83	-20.96

Sources: Landi Renzo S.p.A.; GBC AG

Landi Renzo S.p.A. published its half-year figures for the current financial year 2023 on 11 September 2023. According to these figures, the technology group continued its growth course in the first six months despite a challenging environment (high inflation, Ukraine conflict, aftermath of the COVID-19 pandemic, etc.), which had a negative impact on the company's performance. Nevertheless, Group revenues increased significantly by 5.1% to € 151.81 million (HY1 2022: € 144.45 million) compared to the same period of the previous year.

Development of group and segment revenues (in € million)



Sources: Landi Renzo S.p.A.; GBC AG

The Group's revenues were mainly generated by the core business area "Green Transportation". In this business unit, segment revenue increased by 11.1% to € 104.30 million (HY1 2022: € 93.85 million) due to significant volume increases in the OEM business.

OEM segment revenue amounted to € 65.9 million in the first half of the year, representing a 33.9% increase in revenue compared to the same period last year (HY1 2022: € 49.2 million). Responsible for this dynamic growth was a strong increase in bi-fuel and LPG engines in the European passenger car market and an increase in sales in China in the medium and heavy commercial vehicle (M & HD) segment (natural gas commercial vehicle segment).

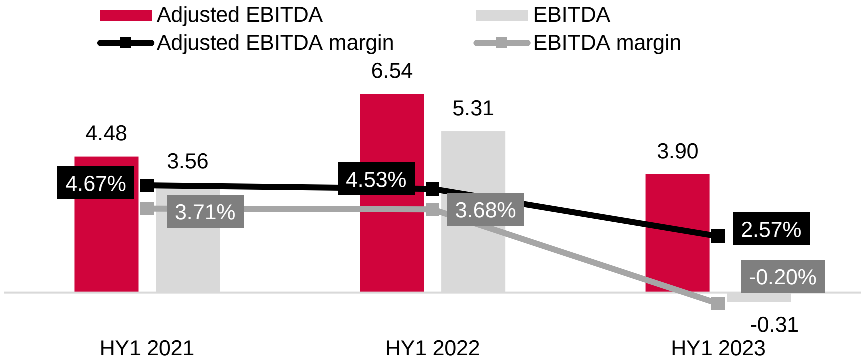
In contrast, revenues in their after-market business, which includes orders for conversion kits from dealers and installers in Germany and abroad, declined by 16.1% to € 32.2 million (HY1 2022: € 32.2 million) as a result of sales requirements in some regions (such as North Africa, Latin America and Eastern Europe).

The Clean Tech Solutions (SAFE & CEC) business segment generated sales of € 47.50 million in the first six months of the current financial year, which corresponds to a moderate decline in sales of around 6.0% compared to the same period of the previous year (HY1 2022: € 50.6 million). According to the company, the segment's revenue was negatively impacted by declining sales volumes in methane applications, especially in the North African market. On the other hand, in our estimation, the sales revenues generated with biogas and hydrogen applications should have recorded significant sales growth compared to the same period last year.

In contrast to the positive sales development, the consolidated operating result (EBITDA) turned negative in comparison to the same period of the previous year at € -0.31 million (HY1 2022: € 5.31 million). The decline in earnings is mainly due to an unfavourable revenue mix in the "Green Transportation" segment (more OEM revenue, but less particularly high-margin after-market revenue), which could only be partially offset by the improved margin development in the Clean Tech Solutions segment.

Adjusted for one-off costs (e.g. M&A costs), adjusted EBITDA (Adj. EBITDA) for the first half of 2022 amounted to € 3.90 million, which was below the previous year's level (HY1 2022: € 6.54 million). In terms of earnings composition, the "Clean Tech Solutions" segment accounted for the majority of the Group's earnings with an adjusted segment result of € 3.80 million (HY1 2022: € 3.23 million). The "Green Transportation" segment achieved an adjusted EBITDA of € 0.20 million (HY1 2022: € 3.32 million).

Development of EBITDA or adjusted EBITDA on a half-year basis (in € million)



Sources: Landi Renzo S.p.A.; GBC AG

On a net level, the technology group had to accept a negative net result (after minority interests) of € -20.93 million, which was below the previous year's result (HY1 2022: € -6.83 million). It should be noted that the net result of the first half of the year was also burdened by extensive write-offs of deferred tax assets in the amount of € 5.9 million.

Forecast and evaluation

With the publication of the half-year figures, Landi Renzo's management has adjusted its previous corporate guidance (previously expected: increase in sales and improved margin development compared to the previous year) downwards.

Based on the results of the first half of the year and the existing order backlog, the company expects revenue growth for the current year in the core "Green Transportation" segment, which should result primarily from higher sales in the OEM segment. For the "Clean Tech Solutions" segment, the technology company expects revenues at the level of the previous year, but an improvement in profitability (on an adjusted EBITDA basis) compared to the previous year. With regard to the profitability (on an adjusted EBITDA basis) of the "Green Transportation" segment, Landi Renzo expects a lower profitability compared to the previous financial year. However, a significantly better margin development is expected for the second half of the financial year compared to the first half.

Against the background of the earnings performance below our expectations and the adjusted corporate outlook, we have adjusted our previous earnings forecasts downwards. For the current financial year and the following year 2024, we now expect EBITDA of € 9.58 million (previously: € 30.61 million) and € 24.76 million (previously: € 38.50 million) respectively. For the following financial year 2025, which we have included in our detailed estimate period for the first time, we expect revenue of € 379.73 million and EBITDA of € 37.94 million.

The significant earnings growth we forecast from the 2024 financial year onwards should be achieved through the recovery of the after-market business and the increased expansion of the high-margin M & HD and infrastructure business. In parallel to the expected significant improvement in earnings, profitability should also increase significantly.

Overall, we remain convinced that the Landi Renzo Group will succeed in benefiting from the advancing energy transition with its good market position in both business areas. In particular, the continuing high level of political support (US Inflation Reduction Act, REPower EU Plan, etc.) to promote investments in renewable energies (including diversification of energy supply) and green mobility/transportation forms and the infrastructure required for this (hydrogen filling stations, etc.) should further boost future business development.

P&L in Mio. €	FY 2022	FY 2023e (new)	FY 2023e (old)	FY 2024e (new)	FY 2024e (old)	FY 2025e
Revenue	306.30	323.88	323.88	357.17	357.17	379.73
EBITDA	11.04	9.58	30.61	24.76	38.50	37.94
EBIT	-6.03	-14.37	14.46	3.55	21.98	18.17
Net result (after minorities)	-14.28	-27.08	4.64	-5.78	8.76	5.45

Sources: Landi Renzo S.p.A.; estimates GBC AG

Based on our lowered earnings forecasts for the financial years 2023 and 2024 and the increased cost of capital due to the rise in the risk-free interest rate (from 1.25% to 2.00%) in our valuation model, we have lowered our previous target price to € 0.70 (previously: € 0.98) per share. The roll-over effect (price target related to the following FY 2024 instead of the previous FY 2023) has counteracted an even stronger price target reduction. With regard to the current price level, we continue to give the Landi Renzo share a "BUY" rating and see significant upside potential.

EVALUATION

Model assumptions

Landi Renzo S.p.A. was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2023, 2024 and 2025 in phase 1, the forecast is made from 2026 to 2030 in the second phase by applying value drivers. Here, we expect increases in revenue of 6.0% (previously: 7.5%) and an EBITDA margin of 10.3% to 11.5% (previously: 11.5%). We have included the tax rate of 30.0% 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 2.00% (previously: 2.00%).

Determination of the cost of capital

The weighted average cost of capital (WACC) of Landi Renzo S.p.A. 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. The average yields of the previous three months are used to smooth short-term market fluctuations. The currently used value of the risk-free interest rate is 2.00% (previously: 1.25%).

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 1.39 (previously: 1.39) is currently determined.

Using the assumptions made, we calculate a cost of equity of 9.66% (previously: 8.91%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 90.0%, the weighted average cost of capital (WACC) is 9.19% (previously: 8.48%).

Valuation result

The future cash flows are discounted on the basis of the entity approach. We have calculated the corresponding cost of capital (WACC) at 9.19% (previously: 8.48%). The resulting fair value per share at the end of the 2024 financial year corresponds to a target price of € 0.70 (previously: € 0.98). Our price target reduction is primarily due to the lowered earnings forecasts. In addition, the significantly higher cost of capital due to the increase in the risk-free interest rate (from 1.25% to 2.00%) also had the effect of lowering the price target. On the other hand, the roll-over effect (target price related to FY 2024 instead of FY 2023) had the opposite effect.

DCF model

Landi Renzo S.p.A. - Discounted cash flow (DCF) analysis

Value driver of the DCF model after the estimate phase:

consistency - phase	
Revenue growth	6.0%
EBITDA margin	10.3%-11.5%
AFA to operating fixed assets	30.0%
Working capital to revenue	16.0%

final - phase	
Perpetual growth in revenue	2.0%
Perpetual EBITA margin	8.4%
Effective tax rate in terminal value	30.0%

three-stage DCF model:

Phase	estimate			consistency					final
in EUR m	FY 23e	FY 24e	FY 25e	FY 26	FY 27	FY 28	FY 29	FY 30	Terminal value
Revenue (US)	323.88	357.17	379.73	402.51	426.66	452.26	479.40	508.16	
US change	5.3%	10.3%	6.3%	6.0%	6.0%	6.0%	6.0%	6.0%	2.0%
US to operating fixed assets	3.96	4.88	5.70	6.68	7.54	8.18	8.74	9.12	
EBITDA	9.58	24.76	37.94	41.26	46.72	52.01	55.13	58.44	
EBITDA margin	3.0%	6.9%	10.0%	10.3%	11.0%	11.5%	11.5%	11.5%	
EBITA	-14.37	3.55	18.17	21.26	28.63	35.04	38.54	41.98	
EBITA margin	-4.4%	1.0%	4.8%	5.3%	6.7%	7.7%	8.0%	8.3%	8.4%
Taxes on EBITA	0.00	-0.10	-2.53	-6.38	-8.59	-10.51	-11.56	-12.59	
to EBITA	0.0%	2.9%	14.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	-14.37	3.45	15.63	14.88	20.04	24.53	26.98	29.39	
Return on investment	-9.8%	2.4%	11.4%	11.3%	16.1%	19.7%	21.1%	22.3%	22.1%
Working capital (WC)	61.54	64.29	64.55	64.40	68.27	72.36	76.70	81.31	
WC to revenue	19.0%	18.0%	17.0%	16.0%	16.0%	16.0%	16.0%	16.0%	
Investments in WC	-9.33	-2.75	-0.26	0.15	-3.86	-4.10	-4.34	-4.60	
Operating fixed assets (OAV)	81.70	73.19	66.67	60.30	56.56	55.29	54.85	55.74	
AFA on OAV	-23.95	-21.21	-19.77	-20.00	-18.09	-16.97	-16.59	-16.46	
AFA to OAV	29.3%	29.0%	29.7%	30.0%	30.0%	30.0%	30.0%	30.0%	
Investment in OAV	-11.50	-12.70	-13.25	-13.63	-14.35	-15.70	-16.15	-17.34	
Invested capital	143.23	137.48	131.22	124.70	124.82	127.65	131.56	137.04	
EBITDA	9.58	24.76	37.94	41.26	46.72	52.01	55.13	58.44	
Taxes on EBITA	0.00	-0.10	-2.53	-6.38	-8.59	-10.51	-11.56	-12.59	
Total investments	-20.83	-15.45	-13.51	-13.48	-18.21	-19.80	-20.49	-21.94	
Investments in OAV	-11.50	-12.70	-13.25	-13.63	-14.35	-15.70	-16.15	-17.34	
Investments in WC	-9.33	-2.75	-0.26	0.15	-3.86	-4.10	-4.34	-4.60	
Investments in goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	-11.25	9.21	21.89	21.40	19.92	21.70	23.08	23.90	383.18

Value of operating business (reporting date)	304.81	323.62
Present value of explicit FCFs	97.76	97.53
Present value of the continuing value	207.06	226.09
Net debt	70.08	71.77
Value of equity	234.73	251.86
Minority interests in profits	-87.03	-93.38
Value of the share capital	147.70	158.48
Shares outstanding in m	225.00	225.00
Fair value of the share in EUR	0.66	**0.70**

Cost of capital calculation:

Risk-free return	2.0%
Market risk premium	5.5%
Beta	1.39
Cost of equity	9.7%
Target weighting	90.0%
Cost of debt	6.0%
Target weighting	10.0%
Tax shield	17.2%
WACC	**9.2%**

Return on investment	WACC				
	8.6%	**8.9%**	**9.2%**	**9.5%**	**9.8%**
21.6%	0.80	0.74	0.68	0.62	0.57
21.9%	0.82	0.75	0.69	0.64	0.59
22.1%	0.83	0.77	**0.70**	0.65	0.60
22.4%	0.85	0.78	0.72	0.66	0.61
22.6%	0.86	0.79	0.73	0.67	0.62

APPENDIX

§ 1 Disclaimer / Exclusion of liability

This document is for information purposes only. All data and information contained in this study have been obtained from sources that GBC believes to be reliable. Furthermore, the authors have taken the greatest possible care to ensure that the facts used and opinions presented are appropriate and accurate. Despite this, no guarantee or liability can be assumed for their accuracy - either expressly or implicitly. Furthermore, all information may be incomplete or summarised. Neither GBC nor the individual authors accept any liability for damages arising from the use of this document or its contents or otherwise in connection therewith.

Please note that this document does not constitute an invitation to subscribe for or purchase any security and should not be construed as such. Nor should it or any part of it form the basis of, or be relied upon in connection with, any binding contract of any kind whatsoever. A decision in connection with any prospective offer for sale of securities of the company or companies discussed in this publication should be made solely on the basis of information contained in any prospectus or offering circular issued in connection with such offer.

GBC does not guarantee that the implied returns or the stated price targets will be achieved. Changes in the relevant assumptions on which this document is based may have a material impact on the targeted returns. Income from investments is subject to fluctuation. Investment decisions always require the advice of an investment adviser. Thus, this document cannot assume an advisory function.

Distribution outside the Federal Republic of Germany:

This publication, if distributed in the UK, may only be made available to persons who qualify as authorised or exempt within the meaning of the Financial Services Act 1986 or persons as defined in Section 9(3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Order 1988 (as amended) and may not be communicated, directly or indirectly, to any other person or class of persons.

Neither this document nor any copy thereof may be brought into, transferred to or distributed in the United States of America or its territories or possessions. Distribution of this document in Canada, Japan or other jurisdictions may be restricted by law and persons into whose possession this publication comes should inform themselves about and observe any restrictions. Any failure to comply with such restriction may constitute a violation of US, Canadian or Japanese securities laws or the laws of any other jurisdiction.

By accepting this document, you accept any disclaimer and the above limitations.

You can also find the notes on the disclaimer/liability exclusion under:
http://www.gbc-ag.de/de/Disclaimer

Legal Notices and Publications Pursuant to Section 85 WpHG and FinAnV

You can also find the notices on the Internet at the following address:
http://www.gbc-ag.de/de/Offenlegung

§ 2 (I) Update:

A specific update of the present analysis(es) at a fixed point in time has not yet been scheduled. GBC AG reserves the right to update the analysis without prior notice.

§ 2 (II) Recommendation / Classifications / Rating:

GBC AG has been using a three-stage absolute share rating system since 1 July 2006. Since 1 July 2007, the ratings have referred to a time horizon of at least six to a maximum of 18 months. Previously, the ratings referred to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are determined according to the ratings described below with reference to the expected return. Temporary price deviations outside these ranges do not automatically lead to a change in the rating, but do give rise to a revision of the original recommendation.

The respective recommendations/ classifications/ ratings are associated with the following expectations:

BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is >= + 10 %.
HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is > - 10 % and < + 10 %.

SELL	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is <= - 10 %.

Price targets of GBC AG are determined on the basis of the fair value per share, which is determined on the basis of generally recognised and widely used methods of fundamental analysis, such as the DCF method, the peer group comparison and/or the sum-of-the-parts method. This is done by taking into account fundamental factors such as share splits, capital reductions, capital increases, M&A activities, share repurchases, etc.

§ 2 (III) Historical recommendations:
GBC's historical recommendations on the present analysis(es) are available on the internet at the following address:
http://www.gbc-ag.de/de/Offenlegung

§ 2 (IV) Information basis:
For the preparation of the present analysis(es), publicly available information on the issuer(s) (where available, the three most recently published annual and quarterly reports, ad hoc announcements, press releases, securities prospectus, company presentations, etc.) was used, which GBC considers to be reliable. Furthermore, in order to prepare the present analysis(es), discussions were held with the management of the company(ies) concerned in order to obtain a more detailed explanation of the facts relating to the business development.

§ 2 (V) 1. Conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR:
GBC AG and the responsible analyst hereby declare that the following possible conflicts of interest exist for the company(ies) named in the analysis at the time of publication and thus comply with the obligations of § 85 WpHG and Art. 20 MAR. An exact explanation of the possible conflicts of interest is listed below in the catalogue of possible conflicts of interest under § 2 (V) 2.

The following potential conflict of interest exists with respect to the securities or financial instruments discussed in the analysis: (6a, 11)

§ 2 (V) 2. Catalogue of possible conflicts of interest:
(1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in that analysed company or analysed financial instrument or financial product.
(2) This company holds more than 3% of the shares in GBC AG or a legal entity affiliated with it.
(3) GBC AG or a related legal entity is a market maker or designated sponsor in the financial instruments of this company.
(4) GBC AG or a legal entity affiliated with it was, in the previous 12 months, involved in the public issue of financial instruments of this company.
(5) a) GBC AG or a legal entity associated with it has entered into an agreement for the preparation of research reports for a fee with this company or issuer of the analysed financial instrument in the previous 12 months. Under this agreement, the draft financial analysis (without valuation section) was made available to the issuer prior to publication.
(5) b) There has been a change in the draft financial analysis based on legitimate advice from the company or issuer.
(6) a) GBC AG or a legal entity associated with it has entered into an agreement for the preparation of research reports for remuneration with a third party on this company or financial instrument in the previous 12 months. Under this agreement, the third party and/or company and/or issuer of the financial instrument was given the draft of the analysis (without the valuation part) prior to publication.
(6) b) There has been an amendment to the draft financial analysis based on legitimate advice from the third party and/or issuer.
(7) The responsible analyst, the chief analyst, the deputy chief analyst and or another person involved in the preparation of the study holds shares or other financial instruments in this company at the time of publication.
(8) The responsible analyst of this company is a member of the management board or the supervisory board there.
(9) The analyst responsible has held shares in the company analysed by him prior to the date of publication before the public issue was received or acquired.
(10) GBC AG or a legal entity associated with it has entered into an agreement for the provision of consultancy services with the analysed company in the previous 12 months.
(11) GBC AG or a legal entity associated with it has significant financial interests in the analysed company, such as obtaining and/or exercising mandates at the analysed company, or obtaining and/or providing services for the analysed company (e.g. presentation at conferences, roundtables, roadshows, etc.).
(12) At the time of the financial analysis, the analysed company is in a financial instrument or financial product (such as a certificate, fund, etc.) managed or advised by GBC AG or a legal entity associated with it.

§ 2 (V) 3. Compliance:
GBC has taken internal regulatory precautions to prevent possible conflicts of interest and to disclose them if they exist. The current Compliance Officer, Kristina Heinzelbecker, email: heinzelbecker@gbc-ag.de, is responsible for compliance with the regulations.

§ 2 (VI) Responsible for the preparation:

The company responsible for the preparation of the present analysis(es) is GBC AG with its registered office in Augsburg, which is registered as a research institute with the competent supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str. 24-28, 60439 Frankfurt).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:
Marcel Goldmann, M.Sc., Financial Analyst
Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst

§ 3 Copyrights

GBC AG
Halderstrasse 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax: 0821/24 11 33-30
Internet: http://www.gbc-ag.de

E-mail: compliance@gbc-ag.de

GBC AG®

- R E S E A R C H & I N V E S T M E N T A N A L Y S E N -

GBC AG
Halderstrasse 27
86150 Augsburg
Internet: http://www.gbc-ag.de
Fax: ++49 (0)821/241133-30
Tel.: ++49 (0)821/241133-0
Email: office@gbc-ag.de