

Almonty Industries Inc.

Canada / Mining
 Toronto
 Bloomberg: AII CN
 ISIN: CA0203981034

KfW commits to
 Sangdong mine
 financing

RATING
PRICE TARGET
 Return Potential 173.6%
 Risk Rating High

BUY
CAD 1.45

LOW COST FINANCING REFLECTS HIGH PROBABILITY OF SUCCESS

Almonty has received a binding commitment letter for USD76m from KfW IPEX-Bank for the project financing of the Sangdong tungsten mine in South Korea. Meanwhile Oesterreichische Kontrollbank AG is committed to providing an Import Credit Scheme cover guarantee based on the 10 year offtake agreement concluded with Global Tungsten and Powders in 2018. The interest rate on the KfW loan of 2.5% plus LIBOR is far below the double digit rates charged for recent financing of competing tungsten mining projects. In our view, this reflects the mine's lowest quartile cost curve position, the over USD75/MTU gap between the offtake agreement floor price and cash cost per MTU, as well as the average mineralisation grade, which at 0.5% is twice the global average. We expect completion of construction of the mine in 2021, thereby paving the way for the start of large scale production. Potential mine-life stretches beyond the middle of this century with annual production at over twice Almonty's current output. We maintain our Buy recommendation and raise the price target to CAD1.45 (previously: CAD 1.35) to reflect the reduction in risk implied by the KfW commitment letter as well as positive adjustments to our valuation model following discussions with management.

Cost of finance at Sangdong very low compared to competing projects

The term of the loan will be 6.25 years with an initial principal repayment holiday during construction and quarterly instalment repayments of principal from the second anniversary of the initial drawdown. The interest rate is 2.5% plus three month LIBOR (currently: 1.8%) but Almonty expects this figure to be lowered once the Oesterreichische Kontrollbank issues export credit agency cover. The interest rate is low in comparison with recently started tungsten projects such as Oaktree/Ormonde's Barruecopardo mine (financing concluded in April 2015) and W Resources' La Parrilla mine (financing concluded in February 2018), both of which were financed at double digit interest rates. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016/17	2017/18	2018/19E	2020E*	2021E	2022E
Revenue (CAD m)	39.02	65.17	54.91	42.50	95.00	112.18
Y-o-y growth	4.6%	67.0%	-15.8%	-22.6%	123.5%	18.1%
EBIT (CAD m)	-10.07	-7.61	10.52	4.79	13.06	21.80
EBIT margin	-25.8%	-11.7%	19.2%	11.3%	13.8%	19.4%
Net income (CAD m)	-8.24	-10.69	7.03	2.11	7.64	16.99
EPS (diluted) (CAD)	-0.07	-0.06	0.04	0.01	0.03	0.06
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CADm)	-13.83	4.67	-13.52	-40.25	0.09	29.32
Net gearing	105.9%	98.8%	116.5%	54.5%	55.3%	20.2%
Liquid assets (CAD m)	4.47	8.72	3.00	73.78	57.57	70.14

* from 1 October 2018 to 31 December 2019; subsequent years are calendar years

RISKS

Risks are a protracted downturn in tungsten commodity prices and failure to achieve expected production levels at the Sangdong tungsten mining project.

COMPANY PROFILE

Almonty is a turnaround investor-operator specialising in acquiring distressed and underperforming operations and assets in tungsten markets.

MARKET DATA

As of 31 Jan 2020

Closing Price	CAD 0.53
Shares outstanding	182.72m
Market Capitalisation	CAD 96.84m
52-week Range	CAD 0.41 / 1.08
Avg. Volume (12 Months)	145,180

Multiples	2017/18	2018/19E	2020E
P/E	n.a.	13.8	45.9
EV/Sales	2.2	2.6	3.4
EV/EBIT	n.a.	13.6	29.8
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2019

Liquid Assets	CAD 2.89m
Current Assets	CAD 20.73m
Intangible Assets	CAD 58.80m
Total Assets	CAD 152.16m
Current Liabilities	CAD 53.27m
Shareholders' Equity	CAD 48.23m

SHAREHOLDERS

Lewis Black/Almonty Partners LLC	19.7%
Global Tungsten & Powders Corp.	15.2%
Deutsche Rohstoff AG	12.8%
J.P. Morgan Chase & Co.	8.5%
Free float and other	43.8%



In our view the low interest rate on the KfW loan reflects the following:

- Wide margin between Global Tungsten and Powders offtake floor price and cash costs** The ten year 210k MTU p.a. offtake agreement with GTP stipulates a floor price for WO₃ concentrate of USD183/MTU (=10kg) equivalent to a tungsten APT price of USD235/MTU. Estimated cash cost is USD106 per MTU.
- High grade resource** At 0.5% the average grade of the mineralisation at Sangdong is twice the global average level.
- Substantial historic production track record** The main Sangdong deposit was discovered in 1939/40 but production data for the 1940s and late 1980's/early 1990's have either been lost or were never fully documented. However, production during 1952-87 totalled 7.49m MTU equating to average annual production of 208k MTU ranging between 99.4k MTU in 1955 and 326.8k MTU in 1961. Production stopped in 1992 due to low tungsten prices. The average annual production figure of 208k MTU during 1952-87 equates very nearly to the annual 210k MTU volume stipulated by the GTP offtake.
- Large, high grade unmined resource** On the basis of the current resource estimate, management believes that less than a third of the deposit has been mined out. Historic mining concentrated on the central part of the main vein. But the hanging wall, footwall and surrounding HALO zone remain largely unexploited. These zones account for 90% of the 2016 NI 43-101 compliant resource estimate (see figure 1 below).

Figure 1: 2016 NI 43-101-compliant resource estimate by mineralised zone

Resource Category	Mineralised Zone	Tonnes Kt	WO ₃ %	Contained WO ₃ (MTU)
Indicated	Hanging Wall	3,121	0.55	1,716,550
	Main	854	0.49	418,460
	Footwall 1	295	0.44	129,800
	Footwall 2	1,554	0.52	808,080
	HALO	311	0.22	68,420
	Footwall 3	1,578	0.51	804,780
	Footwall 4	253	0.33	83,490
	Footwall 5	63	0.36	22,680
	Total	8,029	0.51	4,052,260
Inferred	Hanging Wall	29,208	0.48	13,923,454
	Main	4,235	0.47	1,990,450
	Footwall 1	467	0.27	126,090
	Footwall 2	3,935	0.41	1,613,350
	HALO	104	0.20	20,800
	Footwall 3	4,386	0.39	1,710,540
	Footwall 4	5,800	0.32	1,856,000
	Footwall 5	2,552	0.33	842,160
	Total	50,686	0.43	22,082,843

Source: Almonty Industries Inc.

South Korean industry a likely buyer for part of the production in excess of the GTP requirement

Almonty is planning to increase tungsten concentrate production at Sangdong to ca. 500k MTU annually by 2025. The offtake agreement with GTP will account for 210k MTU of this. The domestic market is a likely buyer for some of the balance of 290k MTU p.a. In 2018 the South Korean semiconductor/LED/LCD industries accounted for over one third of the 6,215 tonnes of pure tungsten content imported into the country from China in oxide form. In WO₃ terms, South Korean imports equated to over 250,000 MTU.



VALUATION

Our valuation of Sangdong is based largely on the proforma figures published by Almonty in the company's October 2019 presentation. The main difference between our and the Almonty numbers is that we assume an average life-of-mine tungsten APT price of USD260. Almonty uses an average life-of-mine price of USD300. Almonty further assumes a cash cost per MTU of USD106. This compares with a figure of USD133/MTU in the July 2016 NI 43-101 technical report on the project. The cost reduction reflects both changes to the planned processing plant flowsheet since 2016 and economies of scale stemming from higher assumed ore throughput.

Planned Sangdong flowsheet now based on floatation only The 2016 flowsheet featured both gravity separation and floatation process stages, whereas the latest plans incorporate only floatation. Ore processing recently carried out at Almonty's pilot plant (1/16 the size of the planned full scale plant) using floatation only, achieved WO₃ recovery of 90%. This compares with the assumption of 81% in the 2016 technical report. The usual trade-off associated with the high rate of recovery achieved using floatation is that the grade of the concentrate end product falls to an unacceptably low level. However, in pilot processing Almonty succeeded in producing the market-standard 65% WO₃ concentrate through use of frothers.

Subsidies to take final cash cost/MTU below USD100 The USD106/MTU cash cost figure is before subsidies. Management expects to receive a subsidy equivalent to USD5-10/MTU to fund tailings disposal. This subsidy will take final cash cost below USD100/MTU. The 2016 technical report in addition assumed a tax rate of 24.25% following an initial two year tax holiday. Management tells us that Sandong's location in an area designated by the South Korean authorities as a FIZ (foreign investment zone) will mean that the project pays no tax for the first three years in which profits are generated. Tax will be half the standard South Korean corporate rate of 25% in the two subsequent years.

We maintain our Buy recommendation but raise the price target to CAD1.45 (previously: CAD1.35) Figure 4 overleaf shows our valuation model. The main change since our last note of 25 November is that we have lowered the interest rate used to discount cashflows at both Sangdong and Panasqueira/Los Santos/Valtreixal from 10% to 9% to reflect the reduction in risk implied by the KfW commitment letter. We have also reduced the forecast tax burden on Sangdong cashflows as discussed above.

Figure 2: Sangdong DCF valuation*

USD	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Tungsten APT price	260	260	260	260	260	260	260	260	260	260	260
WO ₃ price (USD)	203	203	203	203	203	203	203	203	203	203	203
Metric tonne units produced	7,725	209,585	273,074	260,380	391,522	494,554	494,554	494,554	494,554	494,554	494,554
Revenues	1,566,643	42,503,929	55,379,457	52,805,000	79,400,723	100,295,650	100,295,650	100,295,650	100,295,650	100,295,650	100,295,650
Ore mining costs	589,174	10,569,609	14,093,711	14,610,930	22,485,197	28,250,000	28,250,000	28,250,000	28,250,000	28,250,000	28,250,000
Processing costs	228,402	6,292,705	8,198,926	8,198,926	12,131,241	15,323,673	15,323,673	15,000,000	15,000,000	15,000,000	15,000,000
G&A costs	640,000	2,174,530	2,833,250	2,833,250	4,192,115	5,295,303	5,295,303	5,880,000	5,880,000	5,880,000	5,880,000
Total operating costs	1,457,576	19,036,843	25,125,887	25,643,106	38,808,553	48,868,976	48,868,976	49,130,000	49,130,000	49,130,000	49,130,000
Operating costs per MTU	189	91	92	98	99	99	99	99	99	99	99
EBITDA	109,067	23,467,086	30,253,570	27,161,894	40,592,170	51,426,674	51,426,674	51,165,650	51,165,650	51,165,650	51,165,650
Depreciation	0	10,542,838	10,847,955	10,847,955	10,918,025	11,141,100	11,420,457	11,947,192	1,809,626	1,504,509	1,504,509
EBIT	109,067	12,924,248	19,405,615	16,313,939	29,674,145	40,285,574	40,006,217	39,218,458	49,356,024	49,661,141	49,661,141
Cash taxes	0	0	0	0	3,709,268	5,035,697	7,254,600	6,132,483	8,752,418	8,765,966	8,765,966
Tax rate	0.0%	0.0%	0.0%	0.0%	12.5%	12.5%	18.1%	15.6%	17.7%	17.7%	17.7%
Cashflow from operations	109,067	23,467,086	30,253,570	27,161,894	36,882,902	46,390,977	44,172,074	45,033,167	42,413,232	42,399,684	42,399,684
Initial CAPEX	35,908,173	37,891,693	0	0	0	0	0	0	0	0	0
Sustaining CAPEX	0	0	2,135,822	0	490,489	1,561,521	1,955,503	3,687,141	2,836,907	0	0
Net cashflow	-35,799,106	-14,424,607	28,117,748	27,161,894	36,392,413	44,829,456	42,216,571	41,346,026	39,576,325	42,399,684	42,399,684
Discounted cashflow	-33,107,927	-12,238,757	21,887,056	19,397,259	23,843,207	26,945,782	23,280,043	20,917,419	18,368,906	18,054,437	16,563,703
PV cashflows (9%)	274,964,071										

*for layout purposes the model shows numbers only until 2030 but runs until 2045

Source: First Berlin Equity Research estimates; Almonty Industries Inc.



Figure 3: Los Santos, Panasqueira, Valtreixal DCF valuation

USD	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Tungsten APT price	260	260	260	260	260	260	260	260	260
WO ₃ price (USD)	203	203	203	203	203	203	203	203	203
Metric tonne units produced	145,453	145,294	145,978	144,644	146,000	233,325	218,348	203,371	199,627
Revenues	29,497,953	29,465,636	29,604,248	29,333,724	29,608,713	47,318,354	44,281,026	41,243,697	40,484,364
Ore mining costs	9,778,539	9,778,539	9,778,539	9,778,539	14,120,055	16,404,222	13,776,650	14,380,235	12,248,945
Processing costs	9,481,249	9,462,892	9,462,893	9,462,893	9,462,893	9,629,854	9,629,854	7,769,854	7,769,854
G&A costs	5,472,225	5,465,136	5,465,137	5,465,137	5,465,137	5,271,844	5,271,844	5,271,844	5,271,844
HQ expenses	1,968,750	1,968,750	1,968,750	1,968,750	1,968,750	1,968,750	1,968,750	1,968,750	1,968,750
Total operating costs	26,700,763	26,675,317	26,675,319	26,675,319	31,016,835	33,274,670	30,647,098	29,390,683	27,259,393
Operating costs per MTU	184	184	183	184	212	143	140	145	137
EBITDA	2,797,190	2,790,319	2,928,929	2,658,405	-1,408,122	14,043,684	13,633,928	11,853,014	13,224,971
Depreciation	5,762,520	5,817,269	5,817,269	5,817,269	5,817,269	8,653,825	8,653,826	8,653,825	8,653,825
EBIT	-2,965,330	-3,026,950	-2,888,340	-3,158,864	-7,225,391	5,389,859	4,980,102	3,199,189	4,571,146
Cash taxes	0	0	0	0	0	1,347,465	1,245,025	799,797	1,142,787
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	25.0%
Cashflow from operations	2,797,190	2,790,319	2,928,929	2,658,405	-1,408,122	12,696,219	12,388,902	11,053,217	12,082,185
Sustaining CAPEX	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Net cashflow	1,297,190	1,290,319	1,428,929	1,158,405	-2,908,122	11,196,219	10,888,902	9,553,217	10,582,185
Discounted cashflow	1,199,675	1,094,789	1,112,289	827,258	-1,905,313	6,729,747	6,004,611	4,833,080	4,911,602
PV cashflows (9%)	24,807,737								

Source: First Berlin Equity Research estimates; Almonty Industries Inc.

Figure 4: Sum-of-the-parts valuation

USD 000's	
Sangdong	274,964
Los Santos, Panasqueira, Valtreixal	24,808
Total enterprise value	299,772
Total enterprise value (CAD 000's)	395,699
Plus: proforma net cash (CAD 000's)	9,948
Fair equity value (CAD 000's)	405,647
Proforma no. shares (000's)	279,296
Fair equity value per share (CAD)	1.45

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in CAD '000	2016/17A	2017/18A	2018/19E*	2020E	2021E	2022E
Revenue	39,018	65,171	54,906	42,501	95,000	112,178
Production costs	32,349	36,699	34,437	27,680	47,657	54,825
EBITDA from mining operations	6,669	28,472	20,469	14,821	47,343	57,354
Impairment loss	0	15,604	-4,150	0	0	0
Depreciation and amortisation	6,400	11,155	5,082	2,960	21,595	21,998
Income from mining operations	269	1,713	19,537	11,861	25,748	35,355
General and administrative	10,336	8,426	8,948	6,800	12,683	13,553
Share-based compensation	0	897	68	272	0	0
Operating income (EBIT)	-10,067	-7,610	10,521	4,789	13,064	21,803
Interest expense	2,436	2,459	3,214	2,308	5,266	4,553
Gains on debt settlements	3,015	0	1,227	0	0	0
Foreign exchange (gain) loss	-1,368	-95	707	0	0	0
Pre-tax income (EBT)	-8,120	-9,974	7,827	2,481	7,798	17,249
Income taxes	122	715	798	372	156	259
Minority interests	0	0	0	0	0	0
Net income / loss	-8,242	-10,689	7,029	2,109	7,642	16,991
Diluted EPS (in CAD)	-0.07	-0.06	0.04	0.01	0.03	0.06
EBITDA	-3,667	3,545	15,603	7,749	34,660	43,801
Ratios						
EBITDA margin on revenues	-9.4%	5.4%	28.4%	18.2%	36.5%	39.0%
EBIT margin on revenues	-25.8%	-11.7%	19.2%	11.3%	13.8%	19.4%
Net margin on revenues	-21.1%	-16.4%	12.8%	5.0%	8.0%	15.1%
Tax rate	n.m.	n.m.	10.2%	15.0%	2.0%	1.5%
Expenses as % of revenues						
Production costs	82.9%	56.3%	62.7%	65.1%	50.2%	48.9%
Impairment loss	0.0%	23.9%	-7.6%	0.0%	0.0%	0.0%
General and administrative	26.5%	12.9%	16.3%	16.0%	13.4%	12.1%
Y-Y Growth						
Revenues	4.6%	67.0%	-15.8%	-22.6%	123.5%	18.1%
Operating income	n.m.	n.m.	n.m.	-54.5%	172.8%	66.9%
Net income/ loss	n.m.	n.m.	n.m.	-70.0%	262.4%	122.3%

* from 1 October 2018 to 31 December 2019; all subsequent years are calendar years



BALANCE SHEET

All figures in CAD '000	2016/17A	2017/18A	2018/19E*	2020E	2021E	2022E
Assets						
Current assets, total	15,823	24,469	19,691	83,724	94,719	111,088
Cash and cash equivalents	4,473	8,721	3,000	73,778	57,574	70,143
Trade receivables	1,420	2,674	2,196	1,700	3,800	2,244
Sales tax receivable	1,372	1,960	2,141	1,658	3,705	4,375
Inventories	7,274	9,698	10,981	5,525	27,265	32,195
Other current assets	1,284	1,416	1,373	1,063	2,375	2,131
Non-current assets, total	144,328	122,833	136,375	186,812	204,921	200,004
Mining assets	115,721	91,255	102,674	153,005	171,000	166,024
Tailings inventory	23,492	28,084	28,084	28,084	28,084	28,084
Deferred tax assets	2,864	1,226	3,294	3,400	3,800	4,487
Restricted cash	1,300	1,245	1,300	1,300	1,014	386
Other assets	951	1,023	1,023	1,023	1,023	1,023
Total assets	160,151	147,302	156,067	270,536	299,640	311,093
Shareholders' equity & debt						
Current liabilities, total	47,374	53,091	59,786	42,967	77,562	96,409
Bank indebtedness	9,447	0	0	0	0	0
Accounts payable and accrued liabilities	22,479	25,673	19,217	21,251	55,480	65,512
Deferred revenue	3,951	1,542	3,569	2,763	6,175	7,292
Current portion of long term debt	11,497	25,876	37,000	18,954	15,907	23,605
Long-term liabilities, total	67,152	53,348	53,881	140,581	136,535	125,489
Long-term debt	33,162	24,455	16,684	103,518	89,985	64,913
Restoration and other provisions	32,790	28,893	35,000	36,000	42,750	56,089
Deferred tax liabilities	1,200	0	2,196	1,063	3,800	4,487
Minority interests	0	0	0	0	0	0
Shareholders' equity	45,625	40,863	42,400	86,988	85,543	89,194
Total consolidated equity and debt	160,151	147,302	156,067	270,536	299,640	311,093
Ratios						
Current ratio (x)	0.33	0.46	0.33	1.95	1.22	1.15
Quick ratio (x)	0.18	0.28	0.15	1.82	0.87	0.82
Net debt	48.33	40.37	49.38	47.39	47.30	17.99
Net gearing	105.9%	98.8%	116.5%	54.5%	55.3%	20.2%
Book value per share (in CAD)	0.27	0.23	0.23	0.33	0.32	0.34
Return on equity (ROE)	-20.3%	-24.7%	16.9%	3.3%	8.9%	19.4%

* from 1 October 2018 to 31 December 2019; all subsequent years are calendar years



CASH FLOW STATEMENT

All figures in CAD '000	2016/17A	2017/18A	2018/19E*	2020E	2021E	2022E
Net profit before minorities	-8,242	-10,689	7,029	2,109	7,642	16,991
Share-based compensation	472	897	0	0	0	0
Depreciation and amortisation	6,400	11,155	5,082	2,960	21,595	21,998
Interest expense	2,436	2,459	0	0	0	0
Income tax expenses	122	715	0	0	0	0
Impairment of mine asset	0	15,604	-4,150	0	0	0
Inventory impairment charges	0	0	0	0	0	0
Gain on debt settlement	-3,015	0	-1,015	0	0	0
Unrealised foreign exchange (gain) loss	-1,320	936	1,411	0	0	0
Other non-cash items	104	-215	0	0	0	0
Interest and taxes paid	-920	-1,199	0	0	0	0
Net change in non-cash working capital	4,620	-5,091	-5,372	7,973	10,442	7,349
Change in tailings inventory	-3,545	-3,632	0	0	0	0
Operating cash flow	-2,888	10,940	2,985	13,042	39,679	46,338
Additions to mining assets	-10,945	-6,270	-16,501	-53,291	-39,590	-17,023
Free cash flow	-13,833	4,670	-13,516	-40,249	90	29,315
Acquisition of Panasqueira, net of cash acquired	0	0	0	0	0	0
Acquisition of Woulfe, net of cash acquired	0	0	0	0	0	0
Other investments	266	247	-55	0	286	629
Investment cash flow	-10,679	-6,023	-16,556	-53,291	-39,304	-16,394
Debt financing, net	7,581	-5,295	7,503	68,788	-16,580	-17,374
Equity financing	6,353	4,755	743	42,240	0	0
Dividends paid	0	0	0	0	0	0
Other financing	0	0	0	0	0	0
Financing cash flow	13,934	-540	8,246	111,028	-16,580	-17,374
FOREX & other effects	-109	-129	-396	0	0	0
Net cash flows	258	4,248	-5,721	70,778	-16,205	12,570
Cash, start of the year	4,215	4,473	8,721	3,000	73,778	57,574
Cash, end of the year	4,473	8,721	3,000	73,778	57,574	70,143
EBITDA/share (in CAD)	-0.03	0.03	0.09	0.03	0.13	0.17
Y-Y Growth						
Operating cash flow	n.m.	n.m.	-72.7%	337.0%	204.2%	16.8%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	32580.6%
EBITDA/share	n.m.	n.m.	194.9%	-63.9%	324.5%	26.4%

* from 1 October 2018 to 31 December 2019; all subsequent years are calendar years

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	6 June 2017	CAD0.25	Buy	CAD0.60
2...7	↓	↓	↓	↓
8	16 May 2019	CAD1.02	Buy	CAD1.35
9	19 August 2019	CAD0.80	Buy	CAD1.35
10	25 November 2019	CAD0.62	Buy	CAD1.35
11	Today	CAD0.53	Buy	CAD1.45

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

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

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

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

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- key sources of information in the preparation of this research report
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