

# ad pepper media International N.V.

The Netherlands / Internet Services  
 Frankfurt  
 Bloomberg: APM GR  
 ISIN: NL0000238145

Preliminary  
 2023 figures

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 2.80**

Return Potential 32.1%  
 Risk Rating Medium

## NO CHRISTMAS PRESENT FOR AD PEPPER

ad pepper media (APM) has reported preliminary 2023 figures which were below our forecasts and prior year figures. Net revenue declined 13% y/y to €21.7m and EBITDA was at break-even versus €1.3m in 2022. The main reasons for the decline were sluggish demand, in particular in the traditionally strong Christmas quarter, and €460k in one-off costs for the planned takeover of solute. The planned acquisition of a majority stake in solute is more complex than anticipated and is thus taking longer. Management continues to believe that it will conclude the deal, but the exact timing is currently difficult to predict. As the macroeconomic environment in key markets remains weaker than we expected, we lower our forecasts for 2024 and the following years. We nevertheless believe that APM's numbers have bottomed out and project 5% topline growth and significantly improved EBITDA (€1.1m) in 2024. An updated DCF model yields a new price target of €2.80 (previously: €3.00). The main share price drivers will be the conclusion of the solute deal and an improving macroeconomic environment. We reiterate our Buy rating.

**Extraordinarily weak Christmas business spoils the year** A Q4 net revenue decline of 18% y/y to €5.9m resulted in Q4 EBITDA of only €369k (-64% y/y, see figure 1 overleaf). 2023 revenue thus retreated 13% y/y to €21.7m and EBITDA was just positive (€24k). At the end of 2024, liquid funds including securities were 2% higher and amounted to €23.4m. As APM does not have any bank debt, the company maintains its strong net cash position.

**Webgains is a bright spot** Despite a revenue decline of 10% y/y at Webgains, 2023 segment EBITDA rose 137% y/y to €2.1m (see figure 2 overleaf). The EBITDA margin widened from 6.6% to 17.2%. This extraordinary performance demonstrates the positive impact of the cost cuts, which were initiated relatively early in 2023. The segment is now lean and competitive and looks set to grow profitably in 2024.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	25.62	27.65	24.87	21.75	22.84	25.01
Y-o-y growth	17.6%	7.9%	-10.0%	-12.5%	5.0%	9.5%
EBITDA (€m)	6.56	4.38	1.28	0.02	1.07	2.07
EBITDA margin	25.6%	15.8%	5.1%	0.1%	4.7%	8.3%
Net income (€m)	3.66	1.73	-0.89	-1.15	-0.33	0.19
EPS (diluted) (€)	0.17	0.08	-0.04	-0.06	-0.01	0.01
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	2.60	1.91	1.71	-1.56	0.04	2.83
Net gearing	-115.0%	-104.2%	-108.0%	-77.2%	-74.5%	-85.7%
Liquid assets (€m)	24.33	20.70	17.01	14.76	14.04	16.12

### RISKS

The main risks are regulatory changes, technological innovations, dependence on key customers, and intense competition.

### COMPANY PROFILE

ad pepper media International N.V. is an international digital performance marketing company, which acts as a holding for its three operating units ad pepper media (lead generation & audience targeting), Webgains (affiliate network), and ad agents (full service agency). The company is headquartered in Nuremberg, Germany.

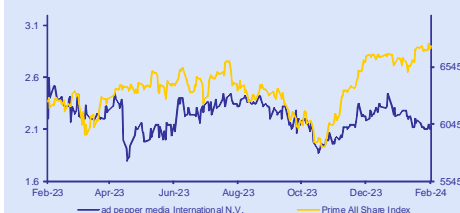
### MARKET DATA

As of 08 Feb 2024

Closing Price	€ 2.12
Shares outstanding	21.95m
Market Capitalisation	€ 46.54m
52-week Range	€ 1.80 / 2.59
Avg. Volume (12 Months)	3,418

Multiples	2022	2023E	2024E
P/E	n.a.	n.a.	n.a.
EV/Sales	0.9	1.0	1.0
EV/EBITDA	17.0	894.3	20.4
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Sep 2023

Liquid Assets	€ 17.29m
Current Assets	€ 30.40m
Intangible Assets	€ 0.20m
Total Assets	€ 34.49m
Current Liabilities	€ 19.24m
Shareholders' Equity	€ 14.30m

### SHAREHOLDERS

EMA B.V.	40.9%
Euro Serve Media GmbH	7.1%
Treasury shares	5.4%
Free Float	46.7%

**Figure 1: Reported preliminary group figures versus forecasts**

All figures in €m	Q4-23A	Q4-23E	Delta	Q4-22A	Delta	2023A	2022A	Delta
Gross sales	24.01	27.13	-11%	28.03	-14%	85.99	98.23	-12%
Net revenues	5.87	6.66	-12%	7.18	-18%	21.75	24.87	-13%
EBITDA	0.37	0.81	-54%	1.02	-64%	0.02	1.28	-98%
margin	6.3%	12.1%	-	14.2%	-	0.1%	5.1%	-

Source: First Berlin Equity Research, ad pepper media International N.V.

**Bottom reached at ad pepper segment** In 2023, segment revenues fell 22% y/y to €2.3m, and the EBITDA loss widened from €-108k to €-483k (see figure 2). But the recent rise in display ad demand and a stronger Spanish market bode well for 2024.

**ad agents with weak Q4 EBITDA** Segment EBITDA in Q4 fell 76% y/y to €171k. As management has started to restructure the business, we believe that one-off costs (FBe: ca. €200k) burdened Q4. We expect the lower cost base to result in increased profitability in 2024.

**Figure 2: Reported preliminary segment figures versus forecasts**

All figures in €m	Q4-23A	Q4-23E	Delta	Q4-22A	Delta	2023A	2022A	Delta
<b>ad pepper media</b>								
Revenue	0.46	0.83	-44%	0.82	-43%	2.29	2.92	-22%
EBITDA	-0.52	-0.34	-	-0.33	-	-0.48	-0.11	-
margin	-112.8%	-41.1%	-	-40.7%	-	-21.1%	-3.7%	-
<b>Webgains</b>								
Revenue	3.30	3.36	-2%	3.69	-11%	11.97	13.23	-10%
EBITDA	0.86	0.57	50%	0.47	83%	2.06	0.87	137%
margin	26.1%	17.0%	-	12.8%	-	17.2%	6.6%	-
<b>ad agents</b>								
Revenue	2.11	2.47	-14%	2.68	-21%	7.49	8.72	-14%
EBITDA	0.17	0.43	-61%	0.71	-76%	0.21	1.36	-85%
margin	8.1%	17.6%	-	26.4%	-	2.8%	15.6%	-
<b>Admin &amp; Consolidation</b>								
Revenue	0.00	0.00	-	0.00	-	0.00	0.00	-
EBITDA	-0.14	0.14	-	0.17	-	-1.76	-0.84	-
<b>Group</b>								
Revenue	5.87	6.66	-12%	7.18	-18%	21.75	24.87	-13%
EBITDA	0.37	0.81	-54%	1.02	-64%	0.02	1.28	-98%
margin	6.3%	12.1%	-	14.2%	-	0.1%	5.1%	-

Source: First Berlin Equity Research, ad pepper media International N.V.

**Acquisition of majority stake in solute takes longer than planned** Although negotiations have been longer and more complex than expected, management remains optimistic that a deal will be concluded, but cannot currently predict the exact timing.

solute, a leading price comparison portal business in the German market (billiger.de and shopping.de), has more than 170 employees, and generated revenue and EBITDA of €33m and €2.0m respectively in 2022. The deal would more than double APM's revenue and create a leading listed player in performance marketing and digital marketplaces (price comparison).



We believe that the advertising technology (adtech) company solute, with its broad digital marketing knowhow and strong competitive position in the German price comparison portal market, is a good fit for APM, and expect the deal to be value-accretive. We expect a deal to push the APM stock higher, as a much stronger digital performance marketing company will be created.

**Forecasts for 2024 and the following years lowered** We have adjusted our forecasts to reflect the lower 2023 figures and the weaker than expected macroeconomic fundamentals (see figure 3). We nevertheless expect a return to growth during the year and forecast revenue growth of 5% in 2024. Higher revenue and strict cost discipline should push the 2024 EBITDA margin to 4.7% (2023: 0.1%).

**Figure 3: Revisions to forecasts**

All figures in €m	2023E			2024E			2025E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenue	22.54	21.75	-4%	23.67	22.84	-4%	25.92	25.01	-4%
EBITDA	0.46	0.02	-95%	1.44	1.07	-26%	2.37	2.07	-13%
margin	2.0%	0.1%		6.1%	4.7%		9.2%	8.3%	
Net income	-0.64	-1.15	-	-0.05	-0.33	-	0.41	0.19	-54%
margin	-2.8%	-5.3%		-0.2%	-1.4%		1.6%	0.8%	
EPS (diluted)	-0.03	-0.06	-	0.00	-0.01	-	0.02	0.01	-54%

Source: First Berlin Equity Research

**Buy reiterated at lower price target** An updated DCF model reflecting our lowered forecasts yields a new price target of €2.80 (previously: €3.00). As we expect a gradual improvement in economic fundamentals during the year, we anticipate a much better Christmas quarter in 2024. The conclusion of the takeover of a majority in solute should also be a share price driver. We confirm our Buy recommendation.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net revenue	21,749	22,836	25,006	27,381	29,982	32,823	35,908	39,227
NOPLAT	-1,159	-4	740	1,069	1,374	1,728	2,137	2,605
+ depreciation & amortisation	1,042	1,026	1,006	1,010	1,032	1,040	1,046	1,052
Net operating cash flow	-117	1,021	1,745	2,079	2,405	2,768	3,182	3,657
- total investments (CAPEX and WC)	-1,517	-1,115	936	-500	-188	-211	-244	-293
Capital expenditures	-174	-228	-300	-356	-390	-427	-467	-510
Working capital	-1,343	-886	1,236	-144	202	216	223	217
Free cash flows (FCF)	-1,634	-93	2,681	1,580	2,218	2,558	2,939	3,364
PV of FCF's	-1,634	-85	2,184	1,155	1,455	1,505	1,552	1,594

All figures in thousands		
PV of FCFs in explicit period (2023E-2037E)	18,984	
PV of FCFs in terminal period	16,303	
Enterprise value (EV)	35,288	Terminal growth 2.0%
+ Net cash / - net debt	15,645	Terminal EBIT margin 16.0%
+ Investments / minority interests	11,248	
Shareholder value	62,181	
Number of shares (diluted)	22,194	
Fair value per share in EUR	2.80	

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.4%	4.08	4.20	4.34	4.51	4.71	4.96	5.27	
8.4%	3.59	3.67	3.77	3.87	4.00	4.14	4.32	
9.4%	3.23	3.28	3.34	3.41	3.49	3.59	3.69	
10.4%	2.94	2.98	3.02	3.07	3.12	3.18	3.25	
11.4%	2.71	2.74	2.77	2.80	2.84	2.88	2.93	
12.4%	2.53	2.55	2.57	2.59	2.62	2.65	2.68	
13.4%	2.37	2.39	2.40	2.42	2.44	2.46	2.48	
14.4%	2.25	2.26	2.27	2.28	2.30	2.31	2.33	

\* for layout purposes the model shows numbers only to 2030, but runs until 2037



## INCOME STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Gross sales</b>	<b>101,344</b>	<b>111,539</b>	<b>98,229</b>	<b>85,988</b>	<b>90,287</b>	<b>98,865</b>
Media costs	75,729	83,893	73,361	64,239	67,451	73,859
<b>Revenues</b>	<b>25,615</b>	<b>27,646</b>	<b>24,868</b>	<b>21,749</b>	<b>22,836</b>	<b>25,006</b>
Cost of sales	928	1,059	1,164	975	982	1,200
<b>Gross profit</b>	<b>24,687</b>	<b>26,587</b>	<b>23,704</b>	<b>20,774</b>	<b>21,854</b>	<b>23,806</b>
S&M	13,411	15,739	16,638	14,820	14,843	15,110
G&A	7,108	7,707	7,164	7,821	7,815	8,002
Other operating income	1,514	530	937	1,154	1,142	750
Other operating expenses	234	477	651	305	297	375
<b>EBITDA</b>	<b>6,559</b>	<b>4,378</b>	<b>1,275</b>	<b>24</b>	<b>1,067</b>	<b>2,074</b>
Depreciation and amortisation	1,111	1,184	1,088	1,042	1,026	1,006
<b>Operating income (EBIT)</b>	<b>5,448</b>	<b>3,194</b>	<b>187</b>	<b>-1,018</b>	<b>41</b>	<b>1,069</b>
Net financial result	-116	-38	-131	74	128	150
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>5,332</b>	<b>3,156</b>	<b>56</b>	<b>-944</b>	<b>170</b>	<b>1,219</b>
Income taxes	991	592	306	142	46	329
Minority interests	-677	-839	-643	-60	-450	-700
<b>Net income / loss</b>	<b>3,664</b>	<b>1,725</b>	<b>-893</b>	<b>-1,145</b>	<b>-326</b>	<b>190</b>
<b>Diluted EPS (in €)</b>	<b>0.17</b>	<b>0.08</b>	<b>-0.04</b>	<b>-0.06</b>	<b>-0.01</b>	<b>0.01</b>
<b>Ratios</b>						
Gross margin in % of gross sales	24.4%	23.8%	24.1%	24.2%	24.2%	24.1%
Gross margin in % of revenues	96.4%	96.2%	95.3%	95.5%	95.7%	95.2%
EBITDA margin in % of revenues	25.6%	15.8%	5.1%	0.1%	4.7%	8.3%
EBIT margin	21.3%	11.6%	0.8%	-4.7%	0.2%	4.3%
Net margin	14.3%	6.2%	-3.6%	-5.3%	-1.4%	0.8%
Tax rate	18.6%	18.8%	542.6%	-15.0%	27.0%	27.0%
<b>Expenses as % of sales or revenues</b>						
Media costs (as % of gross sales)	74.7%	75.2%	74.7%	74.7%	74.7%	74.7%
S&M (as % of revenues)	52.4%	56.9%	66.9%	68.1%	65.0%	60.4%
G&A (as % of revenues)	27.7%	27.9%	28.8%	36.0%	34.2%	32.0%
Depreciation and amortisation	4.3%	4.3%	4.4%	4.8%	4.5%	4.0%
Other operating expenses	0.9%	1.7%	2.6%	1.4%	1.3%	1.5%
<b>Y-Y Growth</b>						
Gross sales	21.0%	10.1%	-11.9%	-12.5%	5.0%	9.5%
Net revenues	17.6%	7.9%	-10.0%	-12.5%	5.0%	9.5%
EBITDA	86.8%	-33.3%	-70.9%	-98.1%	4294.1%	94.4%
Operating income	116.3%	-41.4%	-94.1%	n.m.	n.m.	2479.5%
Net income/ loss	171.0%	-52.9%	n.m.	n.m.	n.m.	n.m.



## BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>44,718</b>	<b>40,753</b>	<b>35,692</b>	<b>30,768</b>	<b>30,793</b>	<b>34,359</b>
Cash and cash equivalents	24,330	20,704	17,008	14,756	14,036	16,116
Short-term investments	29	26	258	258	258	258
Receivables	19,727	19,319	17,568	14,897	15,641	17,127
Inventories	0	0	0	0	0	0
Other current assets	632	704	858	858	858	858
<b>Non-current assets, total</b>	<b>4,123</b>	<b>5,599</b>	<b>8,262</b>	<b>12,082</b>	<b>12,040</b>	<b>12,085</b>
Property, plant & equipment	412	346	230	147	151	188
Goodwill & other intangibles	737	628	374	282	235	244
Right-of-use assets	1,568	1,177	1,318	1,318	1,318	1,318
Financial assets	1,406	3,448	6,260	10,256	10,256	10,256
Other assets	0	0	79	79	79	79
<b>Total assets</b>	<b>48,841</b>	<b>46,352</b>	<b>43,954</b>	<b>42,850</b>	<b>42,833</b>	<b>46,444</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>26,761</b>	<b>25,318</b>	<b>27,448</b>	<b>23,433</b>	<b>23,292</b>	<b>26,014</b>
Short-term debt	0	0	0	0	0	0
Accounts payable	20,738	20,247	20,836	16,821	16,680	19,402
Current provisions	0	0	0	0	0	0
Other current liabilities	5,280	4,566	6,089	6,089	6,089	6,089
Lease liabilities	743	505	523	523	523	523
<b>Long-term liabilities, total</b>	<b>1,242</b>	<b>946</b>	<b>840</b>	<b>840</b>	<b>840</b>	<b>840</b>
Long-term debt	0	0	0	0	0	0
Lease liabilities	953	741	840	840	840	840
Other liabilities	289	205	0	0	0	0
<b>Minority interests</b>	<b>1,157</b>	<b>1,413</b>	<b>1,176</b>	<b>1,236</b>	<b>1,686</b>	<b>2,386</b>
<b>Shareholders' equity</b>	<b>19,681</b>	<b>18,675</b>	<b>14,490</b>	<b>17,341</b>	<b>17,015</b>	<b>17,204</b>
Share capital	1,075	1,075	1,075	2,768	2,768	2,768
Capital reserve	63,782	63,782	63,782	66,085	66,085	66,085
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	-45,176	-46,182	-50,367	-51,512	-51,838	-51,648
<b>Total consolidated equity and debt</b>	<b>48,841</b>	<b>46,352</b>	<b>43,954</b>	<b>42,850</b>	<b>42,833</b>	<b>46,444</b>
<b>Ratios</b>						
Current ratio (x)	1.67	1.61	1.30	1.31	1.32	1.32
Quick ratio (x)	1.67	1.61	1.30	1.31	1.32	1.32
Net debt	-22,634	-19,458	-15,645	-13,393	-12,673	-14,753
Net gearing	-115.0%	-104.2%	-108.0%	-77.2%	-74.5%	-85.7%
Equity ratio	42.7%	43.3%	35.6%	43.4%	43.7%	42.2%
Book value per share (in €)	0.93	0.89	0.71	0.84	0.78	0.78
Return on equity (ROE)	18.6%	9.2%	-6.2%	-6.6%	-1.9%	1.1%
Return on investment (ROI)	7.5%	3.7%	-2.0%	-2.7%	-0.8%	0.4%
Return on assets (ROA)	7.5%	3.7%	-2.0%	-2.7%	-0.8%	0.4%



## CASH FLOW STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>EBIT</b>	<b>5,448</b>	<b>3,194</b>	<b>187</b>	<b>-1,018</b>	<b>41</b>	<b>1,069</b>
Depreciation and amortisation	1,111	1,184	1,088	1,042	1,026	1,006
<b>EBITDA</b>	<b>6,559</b>	<b>4,378</b>	<b>1,275</b>	<b>24</b>	<b>1,067</b>	<b>2,074</b>
Changes in working capital	-1,527	636	3,256	-1,343	-886	1,236
Other adjustments	-1,650	-2,806	-2,600	-68	83	-179
<b>Operating cash flow</b>	<b>3,382</b>	<b>2,208</b>	<b>1,931</b>	<b>-1,386</b>	<b>264</b>	<b>3,131</b>
Investments in PP&E	-238	-121	-108	-87	-114	-150
Investments in intangibles	-549	-178	-111	-87	-114	-150
<b>Free cash flow</b>	<b>2,595</b>	<b>1,909</b>	<b>1,712</b>	<b>-1,560</b>	<b>35</b>	<b>2,831</b>
Acquisitions & disposals, net	10	57	1,938	-3,996	0	0
Other investments	-994	-1,999	-5,000	0	0	0
<b>Investment cash flow</b>	<b>-1,771</b>	<b>-2,241</b>	<b>-3,281</b>	<b>-4,170</b>	<b>-228</b>	<b>-300</b>
Debt financing, net	0	0	0	0	0	0
Equity financing, net	-978	-2,489	-1,232	3,996	0	0
Dividends paid	0	0	0	0	0	0
Other financing	-1,300	-1,340	-1,124	-692	-755	-751
<b>Financing cash flow</b>	<b>-2,278</b>	<b>-3,829</b>	<b>-2,356</b>	<b>3,304</b>	<b>-755</b>	<b>-751</b>
FOREX & other effects	-232	236	10	0	0	0
<b>Net cash flows</b>	<b>-899</b>	<b>-3,626</b>	<b>-3,696</b>	<b>-2,252</b>	<b>-720</b>	<b>2,080</b>
Cash, start of the year	25,229	24,330	20,704	17,008	14,756	14,036
<b>Cash, end of the year</b>	<b>24,330</b>	<b>20,704</b>	<b>17,008</b>	<b>14,756</b>	<b>14,036</b>	<b>16,116</b>
<b>EBITDA/share (in €)</b>	<b>0.31</b>	<b>0.21</b>	<b>0.06</b>	<b>0.00</b>	<b>0.05</b>	<b>0.09</b>
<b>Y-Y Growth</b>						
Operating cash flow	-47.8%	-34.7%	-12.5%	n.m.	n.m.	1087.9%
Free cash flow	-56.4%	-26.4%	-10.3%	n.m.	n.m.	7936.2%
EBITDA/share	87.1%	-32.7%	-69.9%	-98.1%	4011.7%	94.4%

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Anschrift:

First Berlin Equity Research GmbH  
 Mohrenstr. 34  
 10117 Berlin  
 Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: [info@firstberlin.com](mailto:info@firstberlin.com)

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First Berlin Equity Research GmbH

**Authored by: Dr. Karsten von Blumenthal, Analyst**

**All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.**

**Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin**

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**Person responsible for forwarding or distributing this financial analysis: Martin Bailey**

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First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

**ASSET RECOMMENDATION**

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 <sup>1</sup>	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%

<sup>1</sup> 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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**RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	9 January 2018	€4.06	Add	€4.30
2...44	↓	↓	↓	↓
45	7 February 2023	€2.15	Buy	€4.00
46	25 April 2023	€1.91	Buy	€3.50
47	5 July 2023	€2.28	Buy	€3.50
48	21 July 2023	€2.30	Buy	€3.50
49	21 August 2023	€2.38	Buy	€3.50
50	9 October 2023	€2.14	Buy	€3.50
51	23 October 2023	€1.96	Buy	€3.00
52	17 November 2023	€2.06	Buy	€3.00
53	Today	€2.12	Buy	€2.80

**INVESTMENT HORIZON**

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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- valuation methods and principles
- sensitivity of valuation parameters

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