

Schloss Wachenheim AG

Germany / Food & beverages

Primary exchange: Frankfurt

Bloomberg: SWA GR

ISIN: DE0007229007

Q2 19/20 results

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 20.30**

30.5%

Medium

TOUGH CHRISTMAS IN FRANCE/GERMANY, BUT H2 LOOKS BETTER

Q2 sales rose 2.3% to €118.6m (FBe: €120.1m; Q2 18/19: €116.0m). The overall sales number was only 1.2% below our forecast but sales in France were 9.7% below our expectation while East Central Europe sales were 4.1% above our projection. Sales in France fell 18.1% y-o-y due to the expiry of private label contracts at the end of calendar 2018 and also a slight decline in sales of own-brand products. East Central Europe had another very strong quarter with 12.6% sales growth and rising profits. Sales in Germany climbed 5.3% due to the acquisition of the wine merchant Vino Weinhandels GmbH, but organic sales growth was slightly negative due to an increasingly challenging market environment and the only partial resumption of wine distillate sales following an almost complete halt to this business during the September quarter. Group EBIT fell 13.2% to €12.7m (FBe: €15.3m; Q2 18/19: €14.6m) due to weaker profitability in Germany and France. SWA's management are now guiding towards stable volume for the full year (previously: a slight rise) but continue to expect sales to rise somewhat. Previous guidance was for stable EBIT and net profit before minorities. Management has now given a range for EBIT of €20-22m (FY 2018/19: €23.0m) and for net profit before minorities of €14.5-16.0m (FY 2018/19: €16.0m). We have revised our own forecasts for FY2019/20 EBIT and profit before minorities down by 9.9% and 7.1% respectively and have also made downward adjustments for subsequent years to reflect increased challenges in the market environment in Germany and France. We now see fair value for the share at €20.30 (previously: €22.20). We maintain our Buy recommendation.

EBIT in Germany fell despite acquisition of Vino Weinhandels GmbH
 Volume in Germany fell 4.7% in Q2 19/20 to 24.5m bottles (Q2 18/19: 25.7m) due mainly to the impact of pressures on the domestic business towards year-end. The first time consolidation of the wine merchant Vino Weinhandels GmbH from 2 August (annual sales ca. €14m) could not compensate for this development. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015/16	2016/17	2017/18	2018/19	2019/20E	2020/21E
Revenue (€m)	293.18	296.06	324.53	337.16	349.07	359.78
Y-o-y growth	1.6%	1.0%	9.6%	3.9%	3.5%	3.1%
EBIT (€m)	20.33	22.18	23.83	22.98	20.08	23.17
EBIT margin	6.9%	7.5%	7.3%	6.8%	5.8%	6.4%
Net income (€m)	10.19	11.50	11.12	10.89	8.40	10.63
EPS (diluted) (€)	1.29	1.45	1.40	1.38	1.06	1.34
DPS (€)	0.43	0.48	0.50	0.50	0.50	0.52
FCF (€m)	2.46	10.40	8.80	9.27	8.46	12.47
Net gearing	29.5%	25.3%	23.3%	20.9%	28.5%	26.6%
Liquid assets (€m)	3.14	5.70	7.76	9.53	6.98	7.20

RISKS

Risks to our price target include, but are not limited to: intensification of price pressure in Germany; currency volatility on the group's East Central Europe markets.

COMPANY PROFILE

Schloss Wachenheim AG is one of the world's largest producers of sparkling wine. The company is the number three producer in its home market of Germany (33% of 2018/19 group sales) and number one in France with a 40% market share. Some 38% of group sales are generated in East Central Europe through the 61%-owned subsidiary, Ambra.

MARKET DATA

As of 26 Feb 2020

Closing Price	€ 15.55
Shares outstanding	7.92m
Market Capitalisation	€ 123.16m
52-week Range	€ 15.35 / 17.85
Avg. Volume (12 Months)	2,173

Multiples	2018/19	2019/20E	2020/21E
P/E	11.3	14.7	11.6
EV/Sales	0.6	0.6	0.6
EV/EBIT	8.9	10.1	8.8
Div. Yield	3.2%	3.2%	3.3%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 6.62m
Current Assets	€ 213.80m
Intangible Assets	€ 93.74m
Total Assets	€ 405.63m
Current Liabilities	€ 153.07m
Shareholders' Equity	€ 206.05m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%



Figure 1: Q2 2019/20 results versus our forecasts

€m	Q2 19/20A	Q2 19/20E	Δ	Q2 18/19A	Δ
Sales	118.6	120.1	-1.2%	116.0	2.3%
by region					
Germany	39.1	40.2	-2.7%	37.1	5.3%
France	25.3	28.0	-9.7%	30.9	-18.1%
East Central Europe	56.1	53.9	4.1%	49.8	12.6%
Eliminations	-1.9	-2.0	n.m.	-1.9	n.m.
EBIT	12.7	15.3	-17.1%	14.6	-13.2%
margin (%)	10.7%	12.7%		12.6%	
by region					
Germany	2.5	3.2	-20.6%	3.6	-29.0%
margin (%)	6.5%	8.0%		9.6%	
France	-1.1	0.7	n.m.	0.6	n.m.
margin (%)	-4.3%	2.5%		2.0%	
East Central Europe	11.1	11.3	-1.7%	10.5	6.3%
margin (%)	19.8%	21.0%		21.0%	
Other/eliminations	0.1	0.1	n.m.	0.0	n.m.
Net profit	5.4	7.9	-31.6%	6.8	-21.0%
EPS (€)	0.68	1.00	-31.6%	0.87	-21.0%

Source: SWA; First Berlin Equity Research estimates

The higher average price of Vino Weinhandels GmbH's bottles relative to the other products sold by SWA in Germany meant that segment revenue increased 5.3% to €39.1m (€37.1m). However, sales fell slightly on an organic basis due both to lower like-for-like volume and a shift in the product mix to lower priced products. The consolidation of Vino Weinhandel GmbH was the main reason for the 11.3% increase in segment gross profit to €16.9m (Q2 18/19: €15.1m) equivalent to a margin of 43.1% (Q2 18/19: 40.8%). The positive impact of the newly consolidated business on gross profit would have been even higher without a reduction in sales of wine distillate. A temporary market price decline caused SWA to reduce sales of this product to almost zero during the first quarter of the financial year. Following a price recovery, SWA resumed sales during the December quarter. The rise in gross profit was not enough to compensate for a rise in costs as a consequence of the consolidation of Vino Weinhandels GmbH. Segment EBIT came in at €2.5m (Q2 18/19: €3.6m) equivalent to a margin of 6.5% (Q2 18/19: 9.6%).

French results hit by end calendar 2018 expiry of private label contracts Volume in France fell 11.2% to 18.3m bottles (Q2 18/19: 20.6m bottles) due mainly to the expiry of private label contracts at the end of calendar 2018. However, a slight decline in sales of own-brand products also influenced volumes. New legislation restricting promotion campaigns negatively affected sales of these products. Segment sales fell 18.1% to €25.3m (Q2 18/19: €30.9m) while gross profit fell 20.7% to €9.3m (Q2 18/19: €11.7m) equivalent to a margin of 36.8% (Q2 18/19: 37.9%). Rising advertising costs, partially offset by lower employee benefits, contributed to a decline in EBIT to €-1.1m (Q2 18/19: €0.6m) equivalent to a margin of -4.3% (Q2 18/19: 2.0%).

Another strong quarter in East Central Europe In East Central Europe volume climbed 9.7% to 35.0m bottles (Q2 18/19: 31.9m bottles). Increased business in sparkling wine, still wine and children's party drinks as well as the newly acquired Romanian wine brand Sange de Taur (consolidated from 1 July 2019) all contributed to this growth. Sales outpaced volume, jumping 12.6% to €56.1m (Q2 18/19: €49.8m) due to a favourable shift in the product mix. A change in the product mix was also responsible for a narrowing in the gross margin to 43.8% (Q2 18/19: 45.5%) which meant that gross profit growth at 8.5% to €24.6m (Q2 18/19: €22.7m) lagged sales. EBIT came in at €11.1m (Q2 18/19: €10.5m).



The EBIT margin at 19.8% (Q2 18/19: 21.0%) was down 120 basis points compared with a 170 basis point decline in the gross margin. This suggests that SWA has costs under control in the East Central Europe region despite growing inflationary pressures.

Only slight rise in net gearing ex-lease liabilities Q2 19/20 cash flow before changes in working capital climbed 15.8% to €14.9m (Q2 18/19: €12.9m) but operating cashflow fell to €-3.6m (Q2 17/18: €-0.8m). The decline was attributable to higher investment in working capital. The cash outflow from investing fell to €1.9m (Q2 18/19: €7.3m). The prior period figure included the acquisition in December 2018 of the outstanding 30% stake in the wine merchant, Rindchen's Weinkontor. Free cashflow came in at €-5.5m (€-8.1m). Dividend payments to SWA shareholders and minority shareholders in the Polish subsidiaries amounted to €5.8m (Q2 18/19: €5.7m). SWA took on new interest bearing liabilities of €10.7m in Q2 19/20. Net debt including pension liabilities rose during the quarter by €11.3m to €80.3m, equivalent to net gearing of 40.0% (Q2 18/19: net debt including pension liabilities of €60.6m and net gearing of 30.3%). However, €17m of the Q2 19/20 net debt figure stemmed from the first-time inclusion of lease liabilities in accordance with IFRS 16. Stripping out the lease liabilities from the Q2 19/20 balance sheet, net debt including pension liabilities was €63.3m. Calculated on this basis, Q2 19/20 net gearing at 31.6% was only slightly above the prior year figure of 30.3%.

Figure 2: Changes to our forecasts

All figures in €m	2019/20E			2020/21E		
	old	new	Δ	old	new	Δ
Sales	351.92	349.07	-0.8%	365.75	359.78	-1.6%
by region:						
Germany	124.96	120.58	-3.5%	127.46	120.58	-5.4%
France	95.09	92.37	-2.9%	96.99	93.29	-3.8%
East Central Europe	138.41	142.60	3.0%	148.10	152.59	3.0%
Eliminations	-6.54	-6.48		-6.69	-6.68	
EBIT	22.28	20.08	-9.9%	25.49	23.17	-9.1%
Margin	6.3%	5.8%		7.0%	6.4%	
by region:						
Germany	0.65	0.41	-36.6%	3.19	2.41	-24.4%
margin (%)	0.5%	0.3%		2.5%	2.0%	
France	6.69	4.73	-29.3%	6.82	4.78	-30.0%
margin (%)	7.0%	5.1%		7.0%	5.1%	
East Central Europe	14.99	14.97	-0.1%	15.55	16.02	3.0%
margin (%)	10.8%	10.5%		10.5%	10.5%	
Eliminations	-0.06	-0.03		-0.07	-0.04	
Net profit before minorities	15.31	14.23	-7.1%	17.72	16.64	-6.1%
Net profit after minorities	9.41	8.40	-10.7%	11.60	10.63	-8.4%
EPS €	1.19	1.06	-10.7%	1.47	1.34	-8.4%

Source: First Berlin Equity Research estimates

Buy recommendation maintained but price target reduced to €20.30 (previously: €22.20) Q3 19/20 and Q4 19/20 results in Germany and France should look better in comparison with prior year figures than the Q1 19/20 and Q2 19/20 figures did. In Germany we expect results to be boosted by further recovery in the wine distillate business as well as by the positive impact of the lower priced 2018 grape harvest. In France the end calendar 2018 expiry of private label contracts will wash out of the prior year numbers. However, a weaker Q2 result than we expected has caused us to revise down our full year forecasts as shown in figure 2. In the Q2 report management makes reference to the increasingly challenging market environment in Germany and France.



On this basis, we have lowered our medium term margin and growth forecasts for these markets. Against this, East Central Europe looks set to continue on its brisk growth trajectory. The corporate tax rate in Poland, the East Central Europe segment's most important country market, is 19%. This compares with 30% in Germany and 28% in France. SWA's blended tax rate is likely to be below 25% in coming years. We have lowered our price target to €20.30 (previously: €22.20) to reflect the reductions to our forecasts but maintain our Buy recommendation.

DCF MODEL

All figures in EUR 000s	2019/20E	2020/21E	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E	2029/30E
Net sales	349,073	359,781	372,367	382,108	391,497	399,543	407,883	414,799	421,910	429,220	436,737
NOPLAT	15,464	17,843	17,665	18,392	19,092	19,686	20,302	20,032	20,527	21,038	21,563
+ depreciation & amortisation	-11,190	-11,533	-11,937	-12,249	-12,550	-12,808	-13,076	-13,297	-13,525	-13,760	-14,000
Net operating cash flow	26,654	29,376	29,602	30,641	31,642	32,494	33,378	33,329	34,053	34,797	35,563
- total investments (CAPEX and WC)	-17,123	-15,872	-15,707	-15,636	-15,437	-14,819	-15,129	-14,958	-15,208	-15,465	-15,963
Capital expenditures	-15,086	-13,132	-12,486	-12,761	-13,025	-12,752	-12,986	-13,181	-13,381	-13,587	-13,799
Working capital	-2,036	-2,740	-3,221	-2,875	-2,412	-2,067	-2,143	-1,777	-1,827	-1,878	-2,164
Free cash flows (FCF)	9,532	13,504	13,894	15,006	16,205	17,675	18,249	18,371	18,844	19,332	19,600
PV of FCF's	8,985	11,801	11,256	11,269	11,282	11,408	10,919	10,190	9,690	9,215	8,662

All figures in EUR 000s	
PV of FCFs in explicit period (2019/20-2029/30)	114,676
PV of FCFs in terminal period	149,311
Enterprise value (EV)	263,987
Average net debt (most recent four quarters)	-67,028
Investments / minority interests	-36,499
Shareholder value	160,460

Fair value per share in EUR	20.26
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WACC	7.9%
Cost of equity	9.7%
Pre-tax cost of debt	3.0%
Tax rate	23.0%
After-tax cost of debt	2.3%
Share of equity capital	70.0%
Share of debt capital	30.0%
Price target in EUR	20.30

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
5.9%	29.86	32.03	34.68	38.03	42.36	48.21	56.52
6.4%	25.93	27.59	29.60	32.06	35.15	39.17	44.58
6.9%	22.63	23.92	25.46	27.31	29.59	32.46	36.18
7.4%	19.81	20.84	22.03	23.46	25.17	27.28	29.93
7.9%	17.38	18.20	19.15	20.26	21.58	23.16	25.11
8.4%	15.27	15.93	16.69	17.57	18.59	19.81	21.27
8.9%	13.42	13.95	14.57	15.27	16.07	17.02	18.15
9.4%	11.78	12.22	12.71	13.28	13.92	14.67	15.55

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in €000s	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20E	FY 20/21E
Revenues	288,684	293,175	296,062	324,527	337,159	349,073	359,781
Change in inventories	1,320	-3,678	257	3,341	107	0	0
Cost of materials	-167,567	-167,105	-169,778	-190,920	-191,505	-198,274	-203,996
Gross Profit	122,437	122,392	126,541	136,948	145,761	150,800	155,785
Other operating income	6,260	4,872	4,582	7,994	3,981	4,122	4,248
Personnel expenses	-41,363	-43,326	-43,593	-50,249	-53,303	-55,852	-57,565
Depreciation	-7,857	-7,665	-7,844	-9,171	-9,447	-11,190	-11,533
Other operating expenses	-58,760	-55,944	-57,505	-61,694	-64,016	-67,796	-67,762
Operating Income (EBIT)	20,717	20,329	22,181	23,828	22,976	20,083	23,173
Associates	451	78	-6	-1	-27	0	0
Net interest income	-1,994	-964	-1,102	-1,554	-1,291	-1,602	-1,568
Pretax profit (EBT)	19,174	19,443	21,073	22,273	21,658	18,481	21,605
Taxes	-5,332	-5,897	-5,361	-5,900	-5,657	-4,251	-4,969
Net profit before minorities	13,842	13,546	15,712	16,373	16,001	14,230	16,636
Minorities	-3,646	-3,361	-4,211	-5,258	-5,111	-5,826	-6,008
Net attributable profit	10,196	10,185	11,501	11,115	10,890	8,404	10,628
EPS (€)	1.29	1.29	1.45	1.40	1.38	1.06	1.34
EBITDA	28,574	27,994	30,025	32,999	32,423	31,273	34,706
Ratios							
Gross margin	42.4%	41.7%	42.7%	42.2%	43.2%	43.2%	43.3%
EBIT margin on revenues	7.2%	6.9%	7.5%	7.3%	6.8%	5.8%	6.4%
EBITDA margin on revenues	9.9%	9.5%	10.1%	10.2%	9.6%	9.0%	9.6%
Net margin on revenues	4.8%	4.6%	5.3%	5.0%	4.7%	4.1%	4.6%
Tax rate	27.8%	30.3%	25.4%	26.5%	26.1%	23.0%	23.0%
Expenses as % of revenues							
Personnel costs	-14.3%	-14.8%	-14.7%	-15.5%	-15.8%	-16.0%	-16.0%
Depreciation	-2.7%	-2.6%	-2.6%	-2.8%	-2.8%	-3.2%	-3.2%
Other operating expenses	-20.4%	-19.1%	-19.4%	-19.0%	-19.0%	-19.4%	-18.8%
Y-Y Growth							
Revenues	-6.4%	1.6%	1.0%	9.6%	3.9%	3.5%	3.1%
Operating income	-3.5%	-1.9%	9.1%	7.4%	-3.6%	-12.6%	15.4%
Net profit before minorities	-15.6%	-2.1%	16.0%	-100.0%	-2.3%	-11.1%	16.9%



BALANCE SHEET

All figures in €000s	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20E	FY 20/21E
Assets							
Current assets, total	153,779	150,179	155,088	172,510	175,357	176,111	181,513
Cash and cash equivalents	3,995	3,142	5,700	7,760	9,531	6,981	7,196
Other receivables and short-term assets	5,277	5,973	5,508	7,349	7,861	7,905	8,147
Trade accounts and notes receivables	54,379	54,784	56,362	58,697	53,563	55,456	57,157
Inventories	90,128	86,280	87,518	98,704	104,402	105,769	109,013
Non-Current Assets, total	146,963	151,237	157,123	165,328	170,751	192,960	196,514
Property, plant and equipment	59,148	64,447	72,431	70,292	75,744	98,000	101,521
Goodwill + intangible assets	79,041	78,508	78,557	89,145	88,862	88,862	88,862
<i>of which:</i>							
Goodwill	5,690	5,541	5,711	12,328	12,426	12,426	12,426
Rights on brands, licenses	73,351	72,967	72,846	76,817	76,436	76,436	76,436
Other financial assets	8,186	7,733	5,654	5,403	5,051	5,051	5,051
Deferred taxes + prepaid expenses	588	549	481	488	1,094	1,047	1,079
Total Assets	300,742	301,416	312,211	337,838	346,108	369,072	378,027
Shareholders' equity & debt							
Current Liabilities, total	108,708	95,236	97,782	104,645	109,987	109,489	110,553
Current provisions	3,219	3,415	3,020	3,846	4,425	3,544	3,616
Short-term financial debt	33,164	27,198	28,221	25,265	28,099	27,199	25,775
Trade payables	37,173	35,248	37,434	41,423	44,185	41,889	43,174
Prepayments, deferred charges & other liabilities	35,152	29,375	29,107	34,111	33,278	36,857	37,988
Long term liabilities, total	25,841	34,159	32,443	41,626	34,197	47,996	47,735
Long-term financial debt	15,253	23,607	20,982	24,470	20,886	37,217	36,680
Pension accruals and similar liabilities	3,077	3,155	2,970	2,750	2,763	2,929	3,105
Other long-term debt	2,177	557	804	4,919	1,063	1,047	1,079
Deferred taxes	5,334	6,840	7,687	9,487	9,485	6,803	6,871
Shareholders' equity	137,525	143,173	152,431	158,571	165,950	169,786	171,931
Minority interests	28,668	28,848	31,250	32,996	35,974	41,800	47,808
Total shareholders' equity & debt	300,742	301,416	313,906	337,838	346,108	369,072	378,027
Ratios							
Current ratio (x)	1.41	1.58	1.59	1.65	1.59	1.61	1.64
Quick ratio (x)	0.59	0.67	0.69	0.71	0.65	0.64	0.66
Financial leverage (including pension liabilities)	28.6%	29.5%	25.3%	23.3%	20.9%	28.5%	26.6%
Book value per share (€)	17.36	18.08	19.25	20.02	20.95	21.44	21.71
Net debt (including pension liabilities)	47,499	50,818	46,473	44,725	42,217	43,364	40,842
Return on equity (ROE)	6.3%	6.0%	6.5%	5.9%	5.5%	4.1%	4.9%



CASH FLOW STATEMENT

All figures in €000s	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20E	FY 20/21E
Net profit before minorities	13,842	13,546	15,712	16,373	16,001	14,230	16,636
Depreciation and amortisation	7,857	7,665	7,844	9,171	9,447	11,190	11,533
Change in working capital	12,267	-5,295	-662	-3,128	1,230	-2,036	-2,740
Other	-619	-310	1,775	-1,659	345	166	176
Operating cash flow	33,347	15,606	24,669	20,757	27,023	23,550	25,605
CAPEX	-8,849	-14,050	-14,838	-15,049	-18,092	-15,086	-13,132
Fixed asset sales	4,194	904	565	3,095	337	0	0
Investing cash flow	-4,655	-13,146	-14,273	-11,954	-17,755	-15,086	-13,132
Free cash flow	28,692	2,460	10,396	8,803	9,268	8,464	12,473
Change in financial liabilities	-22,741	2,388	-1,602	-479	-750	-2,928	-3,885
Dividends to shareholders	-2,693	-3,168	-3,406	-3,802	-3,960	-3,960	-3,960
Dividends to subsidiaries of minorities	-2,227	-2,753	-2,657	-2,920	-2,601	-4,125	-4,414
Other	0	127	0	209	0	0	0
Financing cash flow	-27,661	-3,406	-7,665	-6,992	-7,311	-11,013	-12,259
Change in cash	1,031	-946	2,731	1,811	1,957	-2,550	214
Consolidation; exchange rate effects	43	93	-173	249	-186	0	0
Liquid funds, start of the year	2,921	3,995	3,142	5,700	7,760	9,531	6,981
Liquid funds, end of the year	3,995	3,142	5,700	7,760	9,531	6,981	7,196
Free cash flow per share (€)	3.62	0.31	1.31	1.11	1.17	1.07	1.57
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Y-Y growth							
Operating cash flow	17.4%	-53.2%	58.1%	-15.9%	30.2%	-12.9%	8.7%
Free cash flow	33.5%	-91.4%	322.6%	-15.3%	5.3%	-8.7%	47.4%
Financial cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	19 July 2007	€10.00	Hold	€10.75
2...42	↓	↓	↓	↓
43	21 May 2019	€17.15	Add	€22.30
44	24 September 2019	€16.55	Add	€22.20
45	19 November 2019	€17.75	Buy	€22.20
46	Today	€15.55	Buy	€20.30

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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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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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