

Schloss Wachenheim AG

Germany / Food & beverages

Primary exchange: Frankfurt

Bloomberg: SWA GR

ISIN: DE0007229007

Q3 19/20 results

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 18.90**

52.4%

Medium

PANDEMIC TO CRIMP FULL YEAR REVENUE GROWTH

Q3 sales edged 0.6% ahead to €67.1m (FBe: €70.1m; Q3 18/19: €66.7m), but due to the impact of SARS-CoV-2 were below the forecast we made in February following the Q2 report. A favourable shift in the product mix due to the acquisition of the German wine merchant Vino Weinhandels GmbH, and growing wine sales in Poland meant that sales outpaced volume which fell 4.4% to 40.8m bottles (Q3 18/19: 42.7m bottles). Group EBIT at €0.3m (FBe: €1.3m; Q3 18/19: €0.8m) was also below our forecast, but investors should bear in mind, that irrespective of the pandemic, the March quarter is traditionally the weakest of SWA's financial year. Against the background of SARS-CoV-2, management has lowered full year sales guidance from a "slight increase" to "stable" and EBIT guidance from €20.0m-€22.0m to €17.5m-€20.0m. We have moved our 2019/20 forecasts into line with the new guidance. We have also lowered our forecasts for 2020/21 as we expect the pandemic will continue to affect consumer behaviour well beyond the end of SWA's current financial year on 30 June. Our numbers for subsequent years are unchanged however. We now see fair value for the SWA share at €18.9 (previously: €20.3). We maintain our Buy recommendation.

Like-for-like sales in Germany lower due to pandemic and mix shift
 Volume in Germany climbed 1.9% in Q3 19/20 to 15.8m bottles (Q3 18/19: 15.5m bottles) due to the first time consolidation of the wine merchant Vino Weinhandels GmbH from 2 August 2019 (annual sales ca. €14m) while sales rose 7.6% to €24.8m (Q3 18/19: €23.0m) due to the higher average price of Vino Weinhandels GmbH's bottles relative to the other products sold by SWA in Germany. 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 Weinhandels GmbH was the main reason why segment gross profit outpaced sales, rising 8.4% to €10.6m (Q3 18/19: €9.8m) equivalent to a margin of 42.9% (Q3 18/19: 42.6%). (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	334.30	336.22
Y-o-y growth	1.6%	1.0%	9.6%	3.9%	-0.8%	0.6%
EBIT (€m)	20.33	22.18	23.83	22.98	17.53	16.41
EBIT margin	6.9%	7.5%	7.3%	6.8%	5.2%	4.9%
Net income (€m)	10.19	11.50	11.12	10.89	6.44	6.19
EPS (diluted) (€)	1.29	1.45	1.40	1.38	0.81	0.78
DPS (€)	0.43	0.48	0.50	0.50	0.50	0.50
FCF (€m)	2.46	10.40	8.80	9.27	9.94	9.12
Net gearing	29.5%	25.3%	23.3%	20.9%	27.9%	27.5%
Liquid assets (€m)	3.14	5.70	7.76	9.53	6.69	6.72

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 14 May 2020

Closing Price	€ 12.40
Shares outstanding	7.92m
Market Capitalisation	€ 98.21m
52-week Range	€ 11.25 / 17.85
Avg. Volume (12 Months)	2,671

Multiples	2018/19	2019/20E	2020/21E
P/E	9.0	15.3	15.9
EV/Sales	0.5	0.5	0.5
EV/EBIT	7.2	9.5	10.1
Div. Yield	4.0%	4.0%	4.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2020

Liquid Assets	€ 5.44m
Current Assets	€ 173.67m
Intangible Assets	€ 93.00m
Total Assets	€ 361.53m
Current Liabilities	€ 114.68m
Shareholders' Equity	€ 165.62m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%



Figure 1: Q3 2019/20 results versus our forecasts

€m	Q3 19/20A	Q3 19/20E	Δ	Q3 18/19A	Δ
Sales	67.1	70.1	-4.2%	66.7	0.6%
by region					
Germany	24.8	25.1	-1.2%	23.0	7.6%
France	19.0	21.0	-9.4%	22.0	-13.5%
East Central Europe	24.7	25.6	-3.6%	23.2	6.0%
Eliminations	-1.3	-1.6	n.a.	-1.6	n.a.
EBIT	-0.3	1.3	n.a.	0.8	n.a.
<i>margin (%)</i>	<i>-0.4%</i>	<i>1.9%</i>		<i>1.2%</i>	
by region					
Germany	-0.9	-0.2	n.a.	-0.4	n.a.
<i>margin (%)</i>	<i>-3.8%</i>	<i>-0.8%</i>		<i>-1.8%</i>	
France	1.0	1.0	n.a.	1.1	n.a.
<i>margin (%)</i>	<i>5.2%</i>	<i>4.8%</i>		<i>4.9%</i>	
East Central Europe	-0.3	0.6	n.a.	0.2	n.a.
<i>margin (%)</i>	<i>-1.1%</i>	<i>2.3%</i>		<i>0.6%</i>	
Other/eliminations	-0.1	-0.1	n.a.	0.0	n.a.
Net profit	-0.5	1.2	n.a.	0.0	n.a.
EPS (€)	-0.06	0.15	n.a.	0.00	n.a.

Source: SWA; First Berlin Equity Research estimates

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 its financial year. 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 €-0.9m (Q3 18/19: €-0.4m) equivalent to a margin of -3.8% (Q3 18/19: -1.8%).

The pandemic hit March sales in France hard Volume in France fell 15.3% to 12.2m bottles (Q3 18/19: 14.4m bottles). The SARS-CoV-2 lockdown was particularly severe in France and had a pronounced impact on March sales. A temporary decline in export sales also hurt segment performance. Meanwhile, recent legislation restricting discounting campaigns continued to negatively affect sales of SWA's French branded products such as Charles Volner, Opéra and Muscador. Sales fell by 13.5% to €19.0m (Q3 18/19: €22.0m) and gross profit declined 11% to €8.8m (Q3 18/19: €9.9m) equivalent to a margin of 46.4% (Q3 18/19: 44.9%). EBIT was down 8% at €1.0m (Q3 18/19: €1.1m) equivalent to a margin of 5.2% (Q3 18/19: 4.9%), and due to cost control measures fell less far than sales.

Shift in product mix towards wine cushioned impact of pandemic somewhat in East Central Europe In east Central Europe volume fell 1.4% to 14.0m bottles (Q3 18/19: 14.2m bottles). Business was adversely affected by the pandemic, in particular by an interruption in orders from the hotel and restaurant sectors as well as by the temporary closure of many of the own wine stores. Sales nevertheless climbed 6.0% to €24.7m (Q3 18/19: €23.2m) helped by a favourable shift in the product mix towards wine and also by the newly acquired Romanian wine brand Sange de Taur (consolidated from 1 July 2019). A change in the product mix was also responsible for a slight narrowing in the gross margin to 41.9% (Q3 18/19: 42.5%) which meant that gross profit growth at 4.6% to €10.3m (Q3 18/19: €9.9m) lagged sales. EBIT was €-0.3m (Q3 18/19: €0.2m).



Q3 19/20 net gearing ex lease lias. at 25.3% (Q3 18/19: 21.3%) Q3 19/20 cash flow before changes in working capital fell €1.8m to €09m (Q3 18/19: €2.7m) due to weaker profitability than during the prior year period, but operating cashflow fell €7.1m to €13.8m (Q3 18/19: €20.9m). The decline was attributable to higher cash consumption by working capital. Other current liabilities fell by €21.1m during Q3 19/20 (Q3 18/19: €13.6m). Meanwhile investment in inventories (e.g. raw wine and packaging) at €8.1m was €2.0m higher than the prior year figure of €6.1m due to the need to ensure uninterrupted product supply. Free cashflow came in at €12.0m (Q3 18/19: €17.9m). Net debt including pension liabilities fell during the quarter by €12.3m to €8.0m, equivalent to net gearing of 33.7% (Q3 18/19: net debt including pension liabilities of €42.5m and net gearing of 21.3%). However, €17m of the Q3 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 Q3 19/20 balance sheet, net debt was €51.0m. Calculated on this basis, Q3 19/20 net gearing at 25.3% was not far above the prior year figure of 21.3%.

Figure 2: Evolution of 2019/20 guidance

	Reported 2018/19 numbers	2019/20 guidance on 18.09.2019 (annual report)	2019/20 guidance on 24.02.2020 (Q2 19/20 report)	Guidance on 07.05.2020
Volume	171.5m bottles	"slight increase"	"stable"	"slightly down"
Sales	€337m	"slight increase"	"slight increase"	"stable"
EBIT	€23m	€23m	€20.0m - €22m	€17.5m - €20m
Net profit before minorities	€16m	€16m	€14.5m - €16.0m	€12.0m - €14.5m

Source: SWA

Price target lowered to €18.9 (previously: €20.3) but Buy recommendation maintained

The pandemic pushed y-o-y volume growth in the usually very robust East Central Europe segment into negative territory in Q3 19/20. The quarter was the first in which all three geographic segments saw negative organic growth since Q3 13/14, which was hit by price rises following a poor grape harvest in 2012. The pandemic however only affected the final month of Q3 19/20, whereas all three months of the current quarter are likely to be affected to varying degrees. Against this background, on 7 May management lowered full year guidance for the financial year ending 30 June as shown in figure 2. This is the second time in the current financial year that management has lowered full year guidance. In the Q2 19/20 report published in February, SWA adjusted guidance due mainly to the interruption in sales of wine distillate in Germany and the reduction in sales of branded products in France mentioned above. We have moved our own 2019/20 forecasts into line with current management guidance as shown in figure 3 overleaf. We expect that the pandemic will continue to affect consumer behaviour well beyond the end of SWA's current financial year on 30 June, and so we have also lowered our forecasts for 2020/21. We assume that sales in Germany and France will be slightly lower in 2020/21 than in 2019/20. In SWA's East Central Europe segment wine sales makes up a bigger part of the business than in the German and French segments. We expect continued growth in wine sales to keep overall sales in the East Central Europe segment moving ahead in 2020/21. We have left our forecasts for the years beyond 2020/21 unchanged. Our DCF model now yields a price target for the share of €18.9 (previously: €20.3). We maintain our Buy recommendation.



Figure 3: Changes to our forecasts

All figures in €m	2019/20E			2020/21E		
	old	new	Δ	old	new	Δ
Sales	349.07	334.30	-4.2%	359.78	336.22	-6.5%
by region:						
Germany	120.58	115.38	-4.3%	120.58	113.07	-6.2%
France	92.37	87.49	-5.3%	93.29	84.87	-9.0%
East Central Europe	142.60	137.71	-3.4%	152.59	144.59	-5.2%
Eliminations	-6.48	-6.28		-6.68	-6.31	
EBIT	20.08	17.53	-12.7%	23.17	16.41	-29.2%
Margin	5.8%	5.2%		6.4%	4.9%	
by region:						
Germany	0.41	-0.83	n.a.	2.41	0.00	n.a.
margin (%)	0.3%	-0.7%		2.0%	0.0%	
France	4.73	4.41	-6.7%	4.78	3.39	-29.0%
margin (%)	5.1%	5.0%		5.1%	4.0%	
East Central Europe	14.97	13.95	-6.8%	16.02	13.01	-18.8%
margin (%)	10.5%	10.1%		10.5%	9.0%	
Eliminations	-0.03	0.00		-0.04	0.00	
Net profit before minorities	14.23	11.92	-16.2%	16.64	11.07	-33.5%
Net profit after minorities	8.40	6.44	-23.4%	10.63	6.19	-41.8%
EPS €	1.06	0.81	-23.4%	1.34	0.78	-41.7%

Source: First Berlin Equity Research estimates

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	334,303	336,220	372,312	382,052	391,441	399,487	407,826	414,742	421,852	429,162	436,678
NOPLAT	13,498	12,632	16,879	17,600	18,292	18,879	19,488	19,209	19,697	20,199	20,716
+ depreciation & amortisation	-10,774	-10,836	-11,999	-12,313	-12,616	-12,875	-13,144	-13,367	-13,596	-13,832	-14,074
Net operating cash flow	24,272	23,468	28,879	29,913	30,908	31,754	32,632	32,576	33,293	34,031	34,790
- total investments (CAPEX and WC)	-12,927	-12,959	-21,721	-15,634	-15,436	-14,817	-15,127	-14,956	-15,207	-15,464	-15,962
Capital expenditures	-14,670	-12,468	-12,485	-12,759	-13,023	-12,750	-12,985	-13,180	-13,380	-13,586	-13,797
Working capital	1,744	-491	-9,237	-2,875	-2,412	-2,067	-2,143	-1,777	-1,827	-1,878	-2,164
Free cash flows (FCF)	11,346	10,509	7,157	14,279	15,472	16,937	17,505	17,619	18,086	18,567	18,828
PV of FCF's	10,695	9,183	5,798	10,724	10,772	10,931	10,474	9,773	9,300	8,851	8,321

All figures in EUR 000s	
PV of FCFs in explicit period (2019/20-2029/30)	104,822
PV of FCFs in terminal period	149,957
Enterprise value (EV)	254,779
Average net debt (most recent four quarters)	-73,383
Investments / minority interests	-31,698
Shareholder value	149,699

Fair value per share in EUR	18.90
-----------------------------	-------

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	18.90

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
5.9%	28.34	30.54	33.24	36.63	41.03	46.97	55.41
6.4%	24.43	26.12	28.16	30.67	33.82	37.90	43.41
6.9%	21.15	22.47	24.04	25.93	28.25	31.18	34.96
7.4%	18.36	19.41	20.63	22.09	23.84	25.99	28.70
7.9%	15.96	16.80	17.77	18.90	20.25	21.87	23.87
8.4%	13.87	14.55	15.32	16.22	17.27	18.52	20.02
8.9%	12.04	12.59	13.22	13.94	14.77	15.74	16.90
9.4%	10.42	10.87	11.38	11.97	12.63	13.40	14.30



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	334,303	336,220
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	-189,884	-190,637
Gross Profit	122,437	122,392	126,541	136,948	145,761	144,419	145,583
Other operating income	6,260	4,872	4,582	7,994	3,981	3,947	3,970
Personnel expenses	-41,363	-43,326	-43,593	-50,249	-53,303	-53,488	-53,795
Depreciation	-7,857	-7,665	-7,844	-9,171	-9,447	-10,774	-10,836
Other operating expenses	-58,760	-55,944	-57,505	-61,694	-64,016	-66,573	-68,517
Operating Income (EBIT)	20,717	20,329	22,181	23,828	22,976	17,530	16,405
Associates	451	78	-6	-1	-27	0	0
Net interest income	-1,994	-964	-1,102	-1,554	-1,291	-2,044	-2,034
Pretax profit (EBT)	19,174	19,443	21,073	22,273	21,658	15,486	14,371
Taxes	-5,332	-5,897	-5,361	-5,900	-5,657	-3,562	-3,305
Net profit before minorities	13,842	13,546	15,712	16,373	16,001	11,924	11,066
Minorities	-3,646	-3,361	-4,211	-5,258	-5,111	-5,488	-4,880
Net attributable profit	10,196	10,185	11,501	11,115	10,890	6,436	6,186
EPS (€)	1.29	1.29	1.45	1.40	1.38	0.81	0.78
EBITDA	28,574	27,994	30,025	32,999	32,423	28,304	27,241
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%	5.2%	4.9%
EBITDA margin on revenues	9.9%	9.5%	10.1%	10.2%	9.6%	8.5%	8.1%
Net margin on revenues	4.8%	4.6%	5.3%	5.0%	4.7%	3.6%	3.3%
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%	-19.9%	-20.4%
Y-Y Growth							
Revenues	-6.4%	1.6%	1.0%	9.6%	3.9%	-0.8%	0.6%
Operating income	-3.5%	-1.9%	9.1%	7.4%	-3.6%	-23.7%	-6.4%
Net profit before minorities	-15.6%	-2.1%	16.0%	-100.0%	-2.3%	-25.5%	-7.2%



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	168,660	169,627
Cash and cash equivalents	3,995	3,142	5,700	7,760	9,531	6,686	6,724
Other receivables and short-term assets	5,277	5,973	5,508	7,349	7,861	7,570	7,614
Trade accounts and notes receivables	54,379	54,784	56,362	58,697	53,563	53,109	53,414
Inventories	90,128	86,280	87,518	98,704	104,402	101,294	101,875
Non-Current Assets, total	146,963	151,237	157,123	165,328	170,751	192,916	196,019
Property, plant and equipment	59,148	64,447	72,431	70,292	75,744	98,000	101,097
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	1,003	1,009
Total Assets	300,742	301,416	312,211	337,838	346,108	361,575	365,646
Shareholders' equity & debt							
Current Liabilities, total	108,708	95,236	97,782	104,645	109,987	104,831	105,153
Current provisions	3,219	3,415	3,020	3,846	4,425	3,394	3,379
Short-term financial debt	33,164	27,198	28,221	25,265	28,099	26,023	25,927
Trade payables	37,173	35,248	37,434	41,423	44,185	40,116	40,346
Prepayments, deferred charges & other liabilities	35,152	29,375	29,107	34,111	33,278	35,298	35,500
Long term liabilities, total	25,841	34,159	32,443	41,626	34,197	46,790	46,903
Long-term financial debt	15,253	23,607	20,982	24,470	20,886	36,343	36,369
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	1,003	1,009
Deferred taxes	5,334	6,840	7,687	9,487	9,485	6,515	6,421
Shareholders' equity	137,525	143,173	152,431	158,571	165,950	168,493	167,248
Minority interests	28,668	28,848	31,250	32,996	35,974	41,462	46,342
Total shareholders' equity & debt	300,742	301,416	313,906	337,838	346,108	361,575	365,646
Ratios							
Current ratio (x)	1.41	1.58	1.59	1.65	1.59	1.61	1.61
Quick ratio (x)	0.59	0.67	0.69	0.71	0.65	0.64	0.64
Financial leverage (including pension liabilities)	28.6%	29.5%	25.3%	23.3%	20.9%	27.9%	27.5%
Book value per share (€)	17.36	18.08	19.25	20.02	20.95	21.27	21.12
Net debt (including pension liabilities)	47,499	50,818	46,473	44,725	42,217	41,608	41,578
Return on equity (ROE)	6.3%	6.0%	6.5%	5.9%	5.5%	3.1%	2.9%



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	11,924	11,066
Depreciation and amortisation	7,857	7,665	7,844	9,171	9,447	10,774	10,836
Change in working capital	12,267	-5,295	-662	-3,128	1,230	1,744	-491
Other	-619	-310	1,775	-1,659	345	166	176
Operating cash flow	33,347	15,606	24,669	20,757	27,023	24,608	21,587
CAPEX	-8,849	-14,050	-14,838	-15,049	-18,092	-14,670	-12,468
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	-14,670	-12,468
Free cash flow	28,692	2,460	10,396	8,803	9,268	9,938	9,119
Change in financial liabilities	-22,741	2,388	-1,602	-479	-750	-4,979	-1,535
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	-3,843	-3,585
Other	0	127	0	209	0	0	0
Financing cash flow	-27,661	-3,406	-7,665	-6,992	-7,311	-12,783	-9,080
Change in cash	1,031	-946	2,731	1,811	1,957	-2,845	38
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	6,686
Liquid funds, end of the year	3,995	3,142	5,700	7,760	9,531	6,686	6,724
Free cash flow per share (€)	3.62	0.31	1.31	1.11	1.17	1.25	1.15
Y-Y growth							
Operating cash flow	17.4%	-53.2%	58.1%	-15.9%	30.2%	-8.9%	-12.3%
Free cash flow	33.5%	-91.4%	322.6%	-15.3%	5.3%	7.2%	-8.2%
Financial cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

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

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Simon Scholes, Analyst

All publications of the last 12 months were authored by Simon Scholes.

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

The production of this recommendation was completed on 15 May 2020 at 10:35

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

Copyright© 2020 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set out in Article 34 (3) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 (b) shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest (further information and data may be provided on request):

- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

If despite these measures one or more of the aforementioned conflicts of interest cannot be avoided on the part of the author or First Berlin, then reference shall be made to such conflict of interest.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

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 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.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

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...43	↓	↓	↓	↓
44	21 May 2019	€17.15	Add	€22.30
45	24 September 2019	€16.55	Add	€22.20
46	19 November 2019	€17.75	Buy	€22.20
47	27 February 2020	€15.55	Buy	€20.30
48	Today	€12.40	Buy	€18.90

INVESTMENT HORIZON

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

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

Legally required information regarding

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

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

EXCLUSION OF LIABILITY (DISCLAIMER)**RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION**

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.