

Schloss Wachenheim AG

Germany / Food & beverages
 Primary exchange: Frankfurt
 Bloomberg: SWA GR
 ISIN: DE0007229007

Q1 2022/23 results

RATING
BUY

PRICE TARGET
€ 22.00

Return Potential 42.9%
 Risk Rating Medium

STRONG START TO THE 2022/23 FINANCIAL YEAR

Q1 22/23 results showed a 7.1% volume increase, a 13.1% jump in sales to €98.0m (FBe: €93.0m; Q1 21/22: €86.7m) and a 22.7% increase in EBIT to €8.3m (FBe: €6.9m; Q1 21/22: €6.8m). The numbers beat our forecasts and are a strong start to the 2022/23 financial year for which management is guiding towards a slight decline in volume, a slight rise in sales due to price increases, and EBIT, excluding the €4.5m impact of restructuring measures in France, in the range €25m-€27m. Management has cautioned that the business environment has deteriorated during the first six weeks of the crucial Christmas quarter due to continuing inflationary pressures and reduced consumer purchasing power. However, following the Q1 22/23 results SWA looks very well placed to achieve full-year guidance even allowing for some weakening in trading conditions, and management has indeed confirmed that the projections made in the annual report still stand. Adjusted for the charges in connection with the restructuring of the French business, our own forecasts for the SWA group show only small changes. We continue to expect inflation to begin declining in 2023 and advise investors to buy SWA shares up to our unchanged price target of €22.00 in anticipation of a corresponding improvement in consumer sentiment.

Use of lower-cost inventory, favourable mix shift helped result in Germany
 Volume in Germany climbed 1.9% to 21.0m bottles (Q1 21/22: 20.6m bottles). Volume growth stemmed from Schloss Wachenheim AG while the number of bottles sold through the wine retail businesses Rindchens Weinkontor and VINO Weinhandel declined slightly. Sales rose 11.3% to €34.3m (Q1 21/22: €30.8m) and outpaced volume as SWA implemented price rises as a consequence of rising raw material and energy costs. Segment gross profit was €15.0m (Q1 21/22: €13.1m) equivalent to a margin of 43.7% (Q1 21/22: 42.7%). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018/19	2019/20	2020/21	2021/22	2022/23E	2023/24E
Revenue (€m)	337.16	338.21	354.58	383.98	409.96	426.88
Y-o-y growth	3.9%	0.3%	4.8%	8.3%	6.8%	4.1%
EBIT (€m)	22.98	18.97	24.42	29.19	22.19	29.96
EBIT margin	6.8%	5.6%	6.9%	7.6%	5.4%	7.0%
Net income (€m)	10.89	7.62	10.43	13.73	9.17	13.39
EPS (diluted) (€)	1.38	0.96	1.32	1.73	1.16	1.69
DPS (€)	0.50	0.40	0.50	0.60	0.60	0.60
FCF (€m)	9.27	0.23	27.35	4.03	8.87	17.50
Net gearing	20.9%	35.9%	26.8%	29.2%	27.3%	22.1%
Liquid assets (€m)	9.53	6.02	7.68	7.13	4.10	4.27

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 (34% of 2021/22 group sales) and number one in France with a 40% market share. Some 44% of group sales are generated in East Central Europe through the 61%-owned subsidiary, Ambra.

MARKET DATA

As of 14 Nov 2022

Closing Price	€ 15.40
Shares outstanding	7.92m
Market Capitalisation	€ 121.97m
52-week Range	€ 15.40 / 20.20
Avg. Volume (12 Months)	1,430

Multiples	2021/22	2022/23E	2023/24E
P/E	8.9	13.3	9.1
EV/Sales	0.5	0.5	0.4
EV/EBIT	6.5	8.5	6.3
Div. Yield	3.9%	3.9%	3.9%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2022

Liquid Assets	€ 7.79m
Current Assets	€ 213.69m
Intangible Assets	€ 94.63m
Total Assets	€ 415.80m
Current Liabilities	€ 143.72m
Shareholders' Equity	€ 229.88m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%



Figure 1: Q1 22/23 results versus our forecasts

€m	Q1 22/23A	Q1 22/23E	Δ	Q1 21/22A	Δ
Sales	98.02	93.01	5.4%	86.65	13.1%
by region:					
Germany	34.28	31.41	9.1%	30.79	11.3%
France	27.03	25.20	7.3%	22.96	17.7%
East Central Europe	39.51	39.10	1.0%	35.08	12.6%
Eliminations	-2.80	-2.70	n.a.	-2.18	n.a.
EBIT	8.31	6.85	21.3%	6.77	22.7%
<i>margin (%)</i>	<i>8.5%</i>	<i>7.4%</i>	-	<i>1.6%</i>	-
by region					
Germany	1.57	0.50	213.4%	0.27	478.2%
<i>margin (%)</i>	<i>4.6%</i>	<i>1.6%</i>	-	<i>0.9%</i>	-
France	2.71	2.20	23.1%	2.35	15.1%
<i>margin (%)</i>	<i>10.0%</i>	<i>8.7%</i>	-	<i>10.2%</i>	-
East Central Europe	4.07	4.30	-5.4%	4.30	-5.4%
<i>margin (%)</i>	<i>10.3%</i>	<i>11.0%</i>	-	<i>12.3%</i>	-
Other/eliminations	-0.03	-0.15	n.a.	-0.15	n.a.
Net profit before minorities	5.78	5.40	7.1%	4.69	23.4%
Net profit after minorities	4.37	4.10	6.7%	3.03	44.2%
EPS (€)	0.55	0.52	6.7%	0.38	44.2%

Source: SWA; First Berlin Equity Research estimates

The gross margin widened because sales were partly based on raw wine from the 2020 harvest, which cost less than the 2021 vintage, and also because of favourable product mix effects. EBIT jumped to €1.6m (Q1 21/22: €0.3m) equivalent to a margin of 4.6% (Q1 21/22: 0.9%) despite rising personnel and energy costs.

Improved result in France driven by both domestic and export business In France volume rose 11.9% to 16.5m bottles (Q1 21/22: 14.7m bottles). The domestic market accounted for around a third of the volume increase and export markets the balance. Price rises to cover raw wine and material price rises as well as changes in the product mix meant that sales outpaced volume, climbing 17.7% to €27.0m (Q1 21/22: €23.0m). Gross profit was 8.7% ahead at €10.2m (Q1 21/22: €9.4m) while EBIT rose 15.1% to €2.7m (Q1 21/22: €2.4m).

Restructuring measures in France do not entail capacity reduction SWA currently has two production sites in France – Tournan-en-Brie and Wissembourg. On 13 October SWA's management announced that most of the production at Wissembourg will be transferred to Tournan-en-Brie and the rest to the Trier site in Germany. This decision was taken because of declining volumes in the French segment (2021/22 financial year volume of 57.1m bottles was 19% below the 2016/17 figure of 70.7m) and to ensure the segment's continued viability in the face of higher raw material and energy costs. The restructuring measures will result in the loss of 51 jobs at Wissembourg. Associated costs (mainly severance payments) are expected to reduce 2022/23 EBIT and net profit before minorities by €4.5m and €3.3m respectively. Additional costs will be incurred through the production transfer in 2023/24, but these are expected to be outweighed by cost savings in the long run. The restructuring measures will not reduce capacity.

East Central Europe EBIT down despite higher sales due to cost pressures Volume in East Central Europe climbed 6.9% to 21.6m bottles (Q1 21/22: 20.2m bottles). Poland was the main growth driver followed by the Czech Republic and Slovakia. After three years of strong growth (in the three most recent financial years 20%, 20% and 13% respectively) volume in Romania was flat.



The segment's fastest growing product categories were sparkling and still wine. Sales outpaced volume - increasing 12.6% to €39.5m (Q1 21/22: €35.1m) as SWA implemented price rises in response to higher personnel, raw material, and energy costs. However, the price rises were not sufficient to prevent a 5.4% decline in EBIT to €4.1m (Q1 21/22: €4.3m) equivalent to a margin of 10.3% (Q1 21/22: 12.3%).

Net gearing stable at 28.8% (Q1 21/22: 27.7%) A €1.1m increase in net profit before minorities to €5.8m (Q1 21/22 €4.7m) was the main factor behind an equivalent rise in net operating cashflow before changes in working capital to €9.0m (Q1 21/22: €7.9m). Working capital consumed cash of €6.9m in Q1 22/23 (Q1 21/22: €6.7m). Inventories rose in both periods in connection with the build-up of stock in East Central Europe ahead of the Christmas period. In Q1 22/23 purchasing and inventory strategy was also influenced by generally tight supply conditions for energy and raw materials. Operating cashflow after changes in working capital came in at €2.1m (Q1 21/21: €1.2m). Cash outflow from investing was €2.3m (Q1 21/22: €3.5m). Investment in Q1 22/23 was concentrated on expansion and modernisation of production at Bilgoraj in Poland. The largest single investment during the prior year quarter was the acquisition of land adjacent to the business premises in Tournan-en-Brie in France. Free cash flow was €-0.1m (Q1 21/22: €-2.2m). Cashflow from financing of €0.7m (Q1 20/21: €3.8m) comprised new debt of €07m. The cash inflow was €0.7m (Q1 21/22: €1.7m). Net debt including pension and leasing liabilities was €66.3m at end Q1 22/23 (equivalent to net gearing of 28.8%). At the end of Q1 21/22 these numbers were €60.5m and 27.7% respectively.

Figure 2: Changes to our forecasts

All figures in €m	2022/23E			2023/24E		
	old	new	Δ	old	new	Δ
Sales	394.98	409.96	3.8%	411.47	426.88	3.7%
by region:						
Germany	138.89	144.74	4.2%	141.67	147.64	4.2%
France	89.83	96.98	8.0%	91.63	98.92	8.0%
East Central Europe	176.16	178.83	1.5%	188.49	191.35	1.5%
Eliminations	-9.91	-10.59	-	-10.32	-11.03	-
EBIT	25.56	22.19	-13.2%	29.85	29.96	0.4%
Margin	6.5%	5.4%	-	7.3%	7.0%	-
by region:						
Germany	4.05	5.07	25.2%	2.83	2.95	4.2%
margin (%)	2.9%	3.5%	-	2.0%	2.0%	-
France	5.50	1.75	-68.1%	6.41	6.92	8.0%
margin (%)	6.1%	1.8%	-	7.0%	7.0%	-
East Central Europe	16.12	15.37	-4.6%	20.73	20.09	-3.1%
margin (%)	9.2%	8.6%	-	11.0%	10.5%	-
Eliminations	-0.13	0.00	n.a.	-0.14	0.00	n.a.
Net profit before minorities	18.14	15.40	-15.1%	21.72	21.54	-0.8%
Net profit after minorities	11.60	9.17	-21.0%	13.30	13.39	0.6%
EPS €	1.47	1.16	-21.0%	1.68	1.69	0.6%

Source: First Berlin Equity Research estimates

Buy recommendation maintained at unchanged price target of €22.00 Adjusted for the charges in connection with the restructuring of the French business, we have made only small changes to our group forecasts following the Q1 22/23 results. We continue to expect inflation to begin declining in 2023 and advise investors to buy SWA shares up to our unchanged price target of €22.00 in anticipation of a corresponding improvement in consumer sentiment.



DCF MODEL

All figures in EUR 000s	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E	2029/30E	2030/31E	2031/32E	2032/33E
Net sales	409,964	426,879	449,438	473,653	499,662	527,618	555,054	584,335	615,600	649,000	681,112
NOPLAT	17,425	23,510	26,349	28,192	30,187	29,796	31,721	33,787	36,006	36,952	39,124
+ depreciation & amortisation	-17,042	-17,745	-18,683	-19,689	-20,770	-21,932	-23,073	-24,290	-25,590	-26,978	-28,313
Net operating cash flow	34,467	41,255	45,031	47,881	50,957	51,729	54,793	58,077	61,596	63,930	67,437
- total investments (CAPEX and WC)	-23,501	-21,724	-38,612	-34,671	-39,276	-36,547	-39,544	-41,763	-44,132	-36,927	-46,311
Capital expenditures	-16,908	-18,151	-21,777	-27,515	-31,590	-28,286	-31,437	-33,110	-34,893	-27,057	-36,821
Working capital	-6,593	-3,573	-16,835	-7,156	-7,686	-8,261	-8,108	-8,653	-9,239	-9,870	-9,490
Free cash flows (FCF)	10,966	19,531	6,419	13,210	11,681	15,181	15,249	16,314	17,464	27,003	21,126
PV of FCF's	10,378	16,917	5,089	9,585	7,757	9,227	8,482	8,305	8,137	11,515	8,246

All figures in EUR 000s	
PV of FCFs in explicit period (2022/23- 2034/35)*	120,955
PV of FCFs in terminal period	156,395
Enterprise value (EV)	277,349
Average net debt (most recent four quarters)	-64,508
Investments / minority interests	-38,621
Shareholder value	174,221

Fair value per share in EUR **22.00**

WACC **9.3%**

Cost of equity	11.5%
Pre-tax cost of debt	3.5%
Tax rate	23.0%
After-tax cost of debt	2.7%
Share of equity capital	75.0%
Share of debt capital	25.0%

Price target in EUR **22.00**

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.8%	31.68	32.24	32.89	33.65	34.56	35.66	37.01
8.3%	27.94	28.31	28.74	29.25	29.83	30.53	31.38
8.8%	24.69	24.93	25.21	25.52	25.89	26.32	26.83
9.3%	21.86	22.00	22.16	22.00	22.56	22.81	23.10
9.8%	19.36	19.44	19.52	19.61	19.71	19.83	19.97
10.3%	17.16	17.18	17.20	17.22	17.25	17.28	17.32
10.8%	15.20	15.18	15.16	15.13	15.11	15.08	15.05

*for layout purposes the model shows numbers only to 2032/33 but runs until 2034/35



INCOME STATEMENT

All figures in €000s	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23E	FY 23/24E
Revenues	337,159	338,212	354,584	383,975	409,964	426,879
Change in inventories	107	240	-1,959	3,307	0	0
Cost of materials	-191,505	-192,653	-198,789	-220,798	-236,139	-241,187
Gross Profit	145,761	145,799	153,836	166,484	173,825	185,693
Other operating income	3,981	5,117	4,323	4,027	4,300	4,477
Personnel expenses	-53,303	-56,274	-60,225	-61,505	-67,644	-70,435
Depreciation	-9,447	-14,401	-15,151	-15,841	-17,042	-17,745
Other operating expenses	-64,016	-61,272	-58,359	-63,980	-71,246	-72,025
Operating Income (EBIT)	22,976	18,969	24,424	29,185	22,192	29,965
Associates	-27	0	77	317	200	200
Net interest income	-1,291	-1,818	-1,509	-1,807	-2,776	-2,711
Pretax profit (EBT)	21,658	17,151	22,992	27,695	19,616	27,454
Taxes	-5,657	-4,160	-5,339	-6,480	-4,213	-5,914
Net profit before minorities	16,001	12,991	17,653	21,215	15,402	21,540
Minorities	-5,111	-5,376	-7,227	-7,484	-6,237	-8,151
Net attributable profit	10,890	7,615	10,426	13,731	9,166	13,388
EPS (€)	1.38	0.96	1.32	1.73	1.16	1.69
EBITDA	32,423	33,370	39,575	45,026	39,234	47,710
Ratios						
Gross margin	43.2%	43.1%	43.4%	43.4%	42.4%	43.5%
EBITDA margin on revenues	9.6%	9.9%	11.2%	11.7%	9.6%	11.2%
EBIT margin on revenues	6.8%	5.6%	6.9%	7.6%	5.4%	7.0%
Net margin on revenues	4.7%	3.8%	5.0%	5.5%	3.8%	5.0%
Tax rate	26.1%	24.3%	23.2%	23.4%	21.5%	21.5%
Expenses as % of revenues						
Personnel costs	-15.8%	-16.6%	-17.0%	-16.0%	-16.5%	-16.5%
Depreciation	-2.8%	-4.3%	-4.3%	-4.1%	-4.2%	-4.2%
Other operating expenses	-19.0%	-18.1%	-16.5%	-16.7%	-17.4%	-16.9%
Y-Y Growth						
Revenues	3.9%	0.3%	4.8%	8.3%	6.8%	4.1%
Operating income	-3.6%	-17.4%	28.8%	19.5%	-24.0%	35.0%
Net profit before minorities	-2.3%	-18.8%	35.9%	20.2%	-27.4%	39.8%



BALANCE SHEET

All figures in €000s	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23E	FY 23/24E
Assets						
Current assets, total	175,357	179,512	179,147	203,784	214,061	221,829
Cash and cash equivalents	9,531	6,015	7,680	7,133	4,100	4,269
Other receivables and short-term assets	7,861	6,854	9,093	8,610	9,193	9,572
Trade accounts and notes receivables	53,563	51,427	53,753	59,335	63,351	65,965
Inventories	104,402	115,216	108,621	128,706	137,417	142,023
Non-Current Assets, total	170,751	193,261	198,884	204,833	204,255	204,912
Property, plant and equipment	75,744	92,659	97,513	103,845	103,721	105,012
Goodwill + intangible assets	88,862	93,469	96,082	95,225	95,216	94,330
Other financial assets	5,051	3,795	3,709	3,889	4,089	4,289
Deferred taxes + prepaid expenses	1,094	1,822	1,580	1,874	1,230	1,281
Long term assets for sale	0	1,516	0	0	0	0
Total Assets	346,108	372,773	378,031	408,617	418,316	426,741
Shareholders' equity & debt						
Current Liabilities, total	109,987	117,850	115,034	132,501	137,977	136,725
Current provisions	4,425	5,661	7,422	6,562	8,410	8,670
Short-term financial debt	28,099	40,319	28,849	36,238	33,277	27,791
Trade payables	44,185	41,498	44,734	55,158	58,891	61,321
Prepayments, deferred charges & other liabilities	33,278	30,372	34,029	34,543	37,399	38,942
Long term liabilities, total	34,197	50,704	48,003	49,715	44,162	40,604
Long-term financial debt	20,886	36,705	34,121	34,849	33,097	29,196
Pension accruals and similar liabilities	2,763	2,396	2,405	2,150	2,279	2,416
Other long-term debt	1,063	1,590	1,095	1,138	1,266	1,318
Deferred taxes	9,485	10,013	10,382	11,578	7,520	7,673
Shareholders' equity	165,950	167,773	174,547	183,479	187,018	192,102
Minority interests	35,974	36,446	40,447	42,922	49,159	57,310
Total shareholders' equity & debt	346,108	372,773	378,031	408,617	418,316	426,741
Ratios						
Current ratio (x)	1.59	1.52	1.56	1.54	1.55	1.62
Quick ratio (x)	0.65	0.55	0.61	0.57	0.56	0.58
Financial leverage (including pension liabilities)	20.9%	35.9%	26.8%	29.2%	27.3%	22.1%
Book value per share (€)	20.95	21.18	22.04	23.16	23.61	24.25
Net debt (including pension liabilities)	42,217	73,405	57,695	66,104	64,553	55,135
Return on equity (ROE)	5.5%	3.7%	5.0%	6.2%	4.0%	5.5%



CASH FLOW STATEMENT

All figures in €000s	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23E	FY 23/24E
Net profit before minorities	16,001	12,991	17,653	21,215	15,402	21,540
Depreciation and amortisation	9,447	14,401	15,151	15,841	17,042	17,745
Change in working capital	1,230	-13,229	10,867	-14,422	-6,593	-3,573
Other	345	-1,204	-1,015	-716	-71	-63
Operating cash flow	27,023	12,959	42,656	21,918	25,780	35,648
CAPEX	-18,092	-13,183	-18,165	-18,389	-16,908	-18,151
Fixed asset sales	337	458	2,862	500	0	0
Investing cash flow	-17,755	-12,725	-15,303	-17,889	-16,908	-18,151
Free cash flow	9,268	234	27,353	4,029	8,872	17,497
Change in financial liabilities	-750	2,883	-19,377	3,603	-4,713	-9,386
Dividends to shareholders	-3,960	-3,960	-3,168	-3,960	-4,752	-4,752
Dividends to subsidiaries of minorities	-2,601	-2,950	-3,048	-4,382	-2,440	-3,190
Other	0	0	0	0	0	0
Financing cash flow	-7,311	-4,027	-25,593	-4,739	-11,905	-17,328
Change in cash	1,957	-3,793	1,760	-710	-3,033	169
Consolidation; exchange rate effects	-186	277	-95	163	0	0
Liquid funds, start of the year	7,760	9,531	6,015	7,680	7,133	4,100
Liquid funds, end of the year	9,531	6,015	7,680	7,133	4,100	4,269
Free cash flow per share (€)	1.17	0.03	3.45	0.51	1.12	2.21
<hr/>						
Y-Y growth						
Operating cash flow	30.2%	-52.0%	229.2%	-48.6%	17.6%	38.3%
Free cash flow	5.3%	-97.5%	11589.3%	-85.3%	120.2%	97.2%
Financial cash flow	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 November 2022 at 10:27

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

Copyright© 2022 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 forth in accordance with Article 34 (2) lit. (b) 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 lit. (b) of such article 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.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Schloss Wachenheim AG the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Schloss Wachenheim AG for preparation of a financial analysis for which remuneration is owed.

Furthermore, 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:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- 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;

With regard to the financial analyses of Schloss Wachenheim AG the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Schloss Wachenheim AG for preparation of a financial analysis for which remuneration is owed.

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.

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...49	↓	↓	↓	↓
50	18 November 2020	€15.30	Buy	€20.00
51	19 February 2021	€14.80	Buy	€21.00
52	17 May 2021	€16.60	Buy	€22.00
53	28 September 2021	€19.40	Buy	€25.00
54	15 November 2021	€20.20	Buy	€26.00
55	25 February 2022	€18.80	Buy	€27.00
56	17 May 2022	€18.50	Buy	€25.00
57	28 September 2022	€16.50	Buy	€22.00
58	Today	€15.40	Buy	€22.00

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.