

urban-gro, Inc.

United States / AgTech
 Primary: Nasdaq
 Secondary: Frankfurt Stock Exchange
 Bloomberg: UGRO US
 ISIN: US91704K2024

Update

RATING
BUY

PRICE TARGET
\$ 4.30

Return Potential 194.5%
 Risk Rating High

CANNABIS COMING BACK ONLINE

urban-gro (UG) recently inked a multitude of contracts for an aggregate value of some \$12m. While the overall value may not be eye-popping, the number of cannabis clients (>12) is noteworthy. The sector has been largely idling since the pandemic with investments having ground to halt. This may be changing now. In May, the DOJ (Department of Justice) officially proposed to reclassify marijuana from a Schedule 1 to Schedule 3 marking a historic shift in US policy. Plus, recent polls show Florida voters are in favour of legalising recreational use which would open up a massive market. The latest contracts represent the most quarterly cannabis action UG has had in over two years, and we think these will lead to more follow up equipment and construction deals going forward. We are Buy-rated on UG with an unchanged \$4.3 TP.

Cannabis market coming back online UG noted that the \$12m in signed contracts are *all* from cannabis players based in the US and Europe, which we view as a sign that political tailwinds are jumpstarting the sector. The deals also include around \$2m in high margin equipment deals to go along with some engineering, architecture, and design work as well as construction management services. UG expects the majority of revenue from these projects to be recognized by the end of Q3/24, and we see good potential for further deals. Cannabis players say that rescheduling will result in up to \$200m in annual tax savings, which they can redirect into investments for facility expansions and equipment upgrades—right in urban-gro's wheelhouse.

A crisis is a terrible thing to waste No company wants to have its primary market seize up the way cannabis did post-pandemic. But we think UG has emerged from this market turmoil with a much better diversified business that can now service a number of sectors (government, healthcare, laboratory, and other industrial areas) in addition to its core CEA (Controlled Environment Agriculture) operations with a broader suite of services and offerings. The company has also vastly . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024E	2025E
Revenue (\$m)	25.84	62.11	67.03	71.54	82.87	115.46
Y/Y growth	6.8%	140.4%	7.9%	6.7%	15.8%	39.3%
AEBITDA (\$m)	-0.65	2.68	-3.89	-9.71	0.57	2.21
AEBITDA margin	-2.5%	4.3%	-5.8%	-13.6%	0.7%	1.9%
Net income (\$m)	-5.07	-0.88	-15.28	-18.68	-5.38	-2.85
EPS (diluted) (\$)	-1.06	-0.09	-1.44	-1.66	-0.45	-0.28
DPS (\$)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (\$m)	-3.81	-9.90	-17.06	-9.21	0.40	0.22
Net gearing	-83.7%	-71.8%	-23.5%	10.4%	7.7%	10.8%
Liquid assets (\$m)	0.18	34.59	12.01	1.11	1.31	1.35

* adjusted EBITDA

RISKS

Risks include but aren't limited to regulatory, financing and market cyclicality, particularly in the cannabis sector.

COMPANY PROFILE

urban-gro, Inc is a provider of professional turnkey facility services to the CEA (Controlled Environment Agriculture) industry and various commercial sectors. Headquartered in Denver, Colorado, the company now operates six offices across North America and one in Europe. Urban-gro has 140 employees.

MARKET DATA

As of 11 Jul 2024

Closing Price \$ 1.46
 Shares outstanding 12.07m
 Market Capitalisation \$ 17.63m
 52-week Range \$ 1.00 / 2.82
 Avg. Volume (12 Months) 85,787

Multiples	2023	2024E	2025E
P/E	n.a.	n.a.	n.a.
EV/Sales	0.3	0.2	0.2
EV/EBITDA*	n.a.	34.0	8.8
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2024

Liquid Assets \$ 0.70m
 Current Assets \$ 33.20m
 Intangible Assets \$ 4.20m
 Total Assets \$ 56.13m
 Current Liabilities \$ 35.48m
 Shareholders' Equity \$ 18.59m

SHAREHOLDERS

Insiders 28.9%
 Institutional Holdings 28.0%
 Free Float 43.1%



. . . upgraded internal structures to improve work flow and slashed 2024 overhead costs by \$8m Y/Y. The impact of these measures was already visible in Q1/24, which showed a ~\$1.5m sequential decrease in G&A, and 40% Y/Y decline to \$4.3m. In our view, the optimised structures will make the business much more scalable than it was during the cannabis heyday. Most pivots are painful, but we think UG is on the brink of reaping the fruits of its evolution, which we expect to continue next year once management get profitability back on track.

Polls show Florida weed legalisation headed to victory Meanwhile, two polls conducted last month suggest Florida voters are going to legalise cannabis in the Sunshine State this November. A 60% supermajority is needed, but an early June poll done by Fox News showed 66% of voters will nod through amendment 3. Another one conducted in late June indicated 64% of Floridians support legalisation.

BDSA predicts the recreational pot market could top \$874m next year and spark a wave of investment across the sector. In other states that eventually legalised adult-use, recreational weed sales quickly eclipsed established medical use markets. The market watcher thinks Florida will follow this trend and sees total cannabis sales topping \$4.5bn in 2028 vs \$2.3bn in 2023 equal to a 12% CAGR. We would expect urban-gro with its broad portfolio of services and cannabis roots to benefit from the surge in expenditures.

Clearing out the notebook The company also fired its auditor, BF Borgers, when the accountant was permanently suspended by the Securities and Exchange Commission for alleged fraud, which affected more than 500 public companies, including urban-gro, and 1,500 regulatory filings. Fortunately, UG had already filed Q1 results, and the company was able to vet and onboard a new CPA swiftly, meaning Q2 results will be published on time. Management also shared that the new auditor is only reviewing 2023 results, and we do not anticipate any problems when these are filed ahead of Q2 numbers.

We expect Q2 reporting around 15 August. urban-gro notched sales of \$15.5m and AEBITDA of \$-0.3m in Q1/24, and we look for a similar performance in the April-to-June period. Management hinted on the last earnings call that the year would be back loaded towards H2/24 and confirmed the full year guide calling for break even at the AEBITDA level. The spate of new contracts in the cannabis space is encouraging, and we believe more deals will follow this summer to boost the backlog (Q1/24: \$99m).



VALUATION MODEL

Despite the choppy quarterly performance of late, we think it no longer is a question of if but when UG will show the upside of its expanded and streamlined business that can now lean into a number of commercial sectors to compliment CEA, which is beginning to percolate. We remain Buy-rated with a \$4.3 TP.

Table 1: DCF model

In USD '000	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	82,873	115,459	146,633	178,893	209,304	234,421	257,863	281,071
NOPLAT	-5,180	-2,672	257	3,468	7,504	9,124	10,783	12,525
(+) depreciation & amortisation	580	577	587	537	628	633	630	626
Net operating cash flow	-4,600	-2,095	843	4,005	8,132	9,757	11,414	13,151
(-) Total investments (CAPEX and WC)	-132	-1,130	-1,953	-1,889	-2,096	-1,387	-1,416	-1,482
(-) Capital expenditures	-671	-704	-748	-733	-649	-727	-799	-871
(-) Working capital	539	-426	-1,206	-1,156	-1,447	-661	-617	-610
Free cash flows (FCF)	-4,732	-3,226	-1,110	2,115	6,037	8,370	9,998	11,669
PV of FCFs	-4,445	-2,653	-800	1,334	3,334	4,048	4,235	4,328

In EUR '000		Terminal EBIT margin							
		5.8%	6.3%	6.8%	7.3%	7.8%	8.3%	8.8%	
PV of FCFs in explicit period	24,659	11.2%	5.6	6.1	6.5	7.0	7.4	7.9	8.4
(+) PV of FCFs in terminal period	29,809	12.2%	4.8	5.2	5.5	5.9	6.3	6.7	7.0
Enterprise value (EV)	54,468	13.2%	4.1	4.4	4.7	5.0	5.3	5.7	6.0
(+) Net cash / (-) net debt	-2,092	14.2%	3.6	3.8	4.1	4.3	4.6	4.8	5.1
(+) Investments / minority interests	0	15.2%	3.1	3.3	3.5	3.8	4.0	4.2	4.4
Shareholder value	52,376	16.2%	2.7	2.9	3.1	3.3	3.4	3.6	3.8
Fair value per share (\$)	4.3	17.2%	2.4	2.6	2.7	2.9	3.0	3.2	3.3

		Terminal growth rate							
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	
Cost of equity	15.6%	11.2%	6.3	6.5	6.7	7.0	7.3	7.6	8.0
Pre-tax cost of debt	9.0%	12.2%	5.4	5.5	5.7	5.9	6.1	6.4	6.6
Tax rate	30.0%	13.2%	4.6	4.8	4.9	5.0	5.2	5.4	5.6
After-tax cost of debt	6.3%	14.2%	4.0	4.1	4.2	4.3	4.5	4.6	4.7
Share of equity capital	85.0%	15.2%	3.5	3.6	3.7	3.8	3.9	4.0	4.1
Share of debt capital	15.0%	16.2%	3.1	3.1	3.2	3.3	3.3	3.4	3.5
WACC	14.2%	17.2%	2.7	2.8	2.8	2.9	2.9	3.0	3.0

*Please note our model runs through 2035 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in USD '000	2020	2021	2022	2023	2024E	2025E
Revenues	25,838	62,113	67,030	71,543	82,873	115,459
Cost of goods sold	-20,122	-47,353	-52,824	-61,251	-70,069	-97,926
Gross profit	5,716	14,760	14,206	10,292	12,803	17,533
SG&A	-6,658	-13,124	-24,271	-24,770	-15,912	-17,896
Stock-based compensation	-1,803	-1,841	-2,572	-2,199	-2,072	-2,309
Operating income (EBIT)	-2,746	-205	-12,637	-16,677	-5,180	-2,672
Net financial result	-1,498	-334	274	-98	-200	-180
Other non-operating result	-831	-337	-577	-1,863	0	0
Impairment loss	0	0	-2,661	-259	0	0
Pre-tax income (EBT)	-5,074	-876	-15,600	-18,897	-5,380	-2,852
Income taxes	0	0	322	216	0	0
Minority interests	0	0	0	0	0	0
Net income / loss	-5,074	-876	-15,278	-18,681	-5,380	-2,852
Diluted EPS (in \$)	-1.06	-0.09	-1.44	-1.66	-0.45	-0.28
AEBITDA	-652	2,679	-3,888	-9,712	572	2,214
Ratios						
Gross margin	22.1%	23.8%	21.2%	14.4%	15.4%	15.2%
EBIT margin	-10.6%	-0.3%	-18.9%	-23.3%	-6.3%	-2.3%
AEBITDA margin	-2.5%	4.3%	-5.8%	-13.6%	0.7%	1.9%
Net margin	-19.6%	-1.4%	-22.8%	-26.1%	-6.5%	-2.5%
Tax rate	15.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Expenses as % of revenues						
SG&A	25.8%	21.1%	36.2%	34.6%	19.2%	15.5%
Stock-based compensation	7.0%	3.0%	3.8%	3.1%	2.5%	2.0%
Y-Y Growth						
Revenues	6.8%	140.4%	7.9%	6.7%	15.8%	39.3%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.



BALANCE SHEET

All figures in USD '000	2020	2021	2022	2023	2024E	2025E
Assets						
Current assets, total	5,245	59,480	34,558	40,952	29,324	36,726
Cash and equivalents	185	34,591	12,008	1,113	1,313	1,354
Trade receivables	915	13,126	15,380	26,992	18,164	25,306
Inventories	537	515	320	229	384	537
Other ST assets	3,609	11,248	6,849	12,618	9,464	9,530
Non-current assets, total	2,915	14,675	27,508	23,427	23,539	23,686
Property, plant & equipment	129	208	1,307	1,419	1,428	1,439
Goodwill & other intangibles	991	9,568	21,023	19,967	20,049	20,165
Financial assets	1,710	4,210	2,559	0	0	0
Other LT assets	85	690	2,619	2,041	2,062	2,082
Total assets	8,161	74,155	62,066	64,379	52,863	60,413
Shareholders' equity & debt						
Current liabilities, total	14,546	25,005	24,256	42,110	33,806	41,799
Trade payables	654	6,067	9,960	25,411	17,277	24,146
ST debt	5,360	0	3,833	3,205	2,600	3,100
Customer deposits	4,879	13,345	2,571	603	698	973
Provisions	1,799	3,878	3,197	4,071	4,234	4,403
Other current liabilities	1,855	1,716	4,695	8,820	8,997	9,176
Long-term liabilities, total	1,021	983	3,078	2,198	2,294	2,394
Long-term debt	1,021	0	0	0	0	0
Deferred tax liabilities	0	441	1,033	817	858	901
Other non-current liabilities	0	542	2,045	1,380	1,436	1,493
Shareholders' equity	-7,406	48,167	34,732	20,071	16,763	16,220
Total consolidated equity and debt	8,161	74,155	62,066	64,379	52,863	60,413
Ratios						
Current ratio (x)	0.4	2.4	1.4	1.0	0.9	0.9
Quick ratio (x)	0.3	2.4	1.4	1.0	0.9	0.9
Equity ratio	-91%	65%	56%	31%	32%	27%
Net debt	6,197	-34,591	-8,175	2,092	1,287	1,746
Net debt / EBITDA (x)	-9.5	-12.9	2.1	-0.2	2.3	0.8
Net gearing	-84%	-72%	-24%	10%	8%	11%
Return on equity (ROE)	69%	-2%	-44%	-93%	-32%	-18%
Capital employed (CE)	1,016	9,357	12,498	7,624	7,176	7,729
Return on capital employed (ROCE)	-270%	1%	-93%	-205%	-64%	-27%



CASH FLOW STATEMENT

All figures in USD '000	2020	2021	2022	2023	2024E	2025E
Net income	-5,074	-876	-15,278	-18,681	-5,380	-2,852
Depreciation and amortisation	258	495	1,483	1,637	580	577
Amortisation of financing instruments	558	104	0	0	0	0
Stock-based compensation	1,803	1,841	2,572	2,199	2,072	2,309
Other non-cash items	1,016	500	3,427	1,155	0	0
Tax result	0	0	-322	-216	0	0
Net interest expense	0	0	-274	98	200	180
Operating cash flow	-1,438	2,064	-8,393	-13,808	-2,528	214
Change in working capital	-2,195	-3,628	-4,220	2,714	3,599	711
Tax paid	0	0	0	0	0	0
Net operating cash flow	-3,633	-1,564	-12,613	-11,094	1,071	925
Cash flow from investing	-176	-8,337	-4,452	1,885	-671	-704
Free cash flow (FCF)	-3,809	-9,901	-17,065	-9,209	400	221
Equity inflow, net	0	57,747	30	0	0	0
Debt inflow, net	4,183	-5,756	0	-758	0	0
Interest expenses paid	-638	0	0	-272	-200	-180
Stock buyback	0	-7,684	-4,362	0	0	0
Other adjustments	0	0	-1,186	-656	0	0
Cash flow from financing	3,545	44,308	-5,518	-1,686	-200	-180
Net cash flows	-264	34,407	-22,583	-10,895	200	41
Cash, start of the year	449	184	34,591	12,008	1,113	1,313
Cash, end of the year	184	34,591	12,008	1,113	1,313	1,354
EBITDA/share (in \$)	-0.14	0.27	-0.37	-0.86	0.05	0.22
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	-13.6%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	-44.7%
AEBITDA / share	n.m.	n.m.	n.m.	n.m.	n.m.	366%

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
Friedrichstr. 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: Ellis Acklin, Senior Analyst

All publications of the last 12 months were authored by Ellis Acklin.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 15 July 2024 at 15:38

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

Copyright© 2024 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 urban-gro, Inc. 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 urban-gro, Inc. 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;

First Berlin F.S.B. Investment-Beratungsgesellschaft mbH (hereafter FBIB), a company of the First Berlin Group, holds a stake of under 0.5% of the shares in the company which has been covered in this analysis. The analyst is not subject to any restrictions with regard to his recommendation and is therefore independent, so that we believe there is no conflict of interest.

With regard to the financial analyses of urban-gro, Inc. 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 urban-gro, Inc. 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	27 June 2023	\$1.21	Buy	\$7.00
2...1	↓	↓	↓	↓
2	17 August 2023	\$1.11	Buy	\$6.40
3	27 September 2023	\$1.40	Buy	\$6.40
4	17 November 2023	\$1.18	Buy	\$4.70
5	16 January 2024	\$1.47	Buy	\$4.70
6	4 April 2024	\$1.91	Buy	\$4.30
7	2 May 2024	\$1.86	Buy	\$4.30
8	Today	\$1.46	Buy	\$4.30

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.