

SFC Energy AG

Germany / Energy
 Primary exchange: Frankfurt
 Bloomberg: F3C GR
 ISIN: DE0007568578

Q3 figures

RATING
PRICE TARGET
 Return Potential 17.0%
 Risk Rating High

ADD
€ 9.50

GROWTH DRIVERS INTACT DESPITE Q3 GROWTH DIP

SFC Energy reported Q3 figures and held a conference call. Q3 numbers were similar to the previous year's figures and somewhat below our estimates due to a defence order delivery that was postponed into Q4. Despite the Q3 growth dip, we believe that growth drivers are intact and expect a very strong Q4 due mainly to the typically strong year-end business in the Defence & Security segment and a strong oil & gas business. Our positive view on Q4 is supported by the strong order backlog of €17.3m (+29% y/y) at the end of Q3. We stick with our 2018E forecast and expect SFC to reach its guidance (sales €60-64m, significantly improved underlying EBITDA & EBIT). Our price target remains at €9.50. Following the strong increase in the share price in recent months, we downgrade the stock from Buy to Add, as the upside potential is now below our 25% threshold.

Growth dip in Q3 In Q3, sales grew only 3% y/y to €13.4m (FBe: €14.7m) due to a postponed defence delivery worth ca. €1.2m. Gross profit also rose 3% to €4.1m (FBe: €4.8m). EBITDA and EBIT were both slightly negative (€-0.1m and €-0.4m). The net result came in at the same level as in the previous year (€-0.6m, FBe: €-0.2m).

On a 9M basis SFC showed double-digit revenue growth (+13%) and improved earnings. Gross profit rose 23% y/y to €14.7m. The gross margin increased from 30.3% to 33.1%. EBITDA amounted to €0.9m versus €0.3m in 9M/17 and underlying EBITDA (adjusted for one-off costs) was €2.0m versus €0.0m in 9M/17. EBIT improved from €-1.7m in 9M/17 to €0.1m. Underlying EBIT came in at €1.2m after €-1.0m in 9M/17. Despite the growth dip in Q3, the 9M results show that SFC has reached operating profitability (see figure 1 overleaf).

Excellent Q4 expected The postponed defence delivery (€1.2m) shipped earlier this quarter. Furthermore, the defence business is typically a year-end business, and we see a high probability that SFC will close some contracts in Q4 and ship at least a part of them this year. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (€m)	47.31	44.04	54.29	61.20	74.53	85.70
Y-o-y growth	-11.8%	-6.9%	23.3%	12.7%	21.8%	15.0%
EBIT (€m)	-10.64	-4.90	-0.88	1.09	4.86	5.74
EBIT margin	-22.5%	-11.1%	-1.6%	1.8%	6.5%	6.7%
Net income (€m)	-10.67	-4.99	-2.07	0.21	3.71	4.29
EPS (diluted) (€)	-1.24	-0.58	-0.23	0.02	0.35	0.41
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-3.21	-6.15	0.36	-1.31	0.45	1.62
Net gearing	11.0%	53.5%	37.7%	5.3%	2.5%	-3.7%
Liquid assets (€m)	3.71	2.04	4.69	7.49	7.95	8.56

RISKS

The main risks are financing, internationalisation, unfavourable EUR/CAD exchange rate changes, technological innovations, and increasing competition.

COMPANY PROFILE

SFC Energy AG is a leading provider of integrated power solutions for mobile and stationary off-grid applications. The company is a pioneer in developing and commercialising fuel cells which provide reliable, efficient, and clean power for its energy solutions. Main markets are oil & gas, defence & security, industry, and clean energy & mobility. SFC is headquartered near Munich in Germany.

MARKET DATA

As of 13 Nov 2018

Closing Price	€ 8.12
Shares outstanding	10.25m
Market Capitalisation	€ 83.23m
52-week Range	€ 5.85 / 9.46
Avg. Volume (12 Months)	19,839

Multiples	2017	2018E	2019E
P/E	n.a.	410.0	23.3
EV/Sales	1.7	1.5	1.2
EV/EBIT	n.a.	84.1	18.9
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2018

Liquid Assets	€ 5.48m
Current Assets	€ 26.35m
Intangible Assets	€ 11.38m
Total Assets	€ 39.89m
Current Liabilities	€ 16.98m
Shareholders' Equity	€ 17.62m

SHAREHOLDERS

HPE	26.9%
Havensight	7.5%
Conduit Ventures	7.4%
Other	11.2%
Free Float	47.0%



The oil & gas business is also set to deliver strong Q4 results due to strong demand and a broadening customer base. We thus expect Q4 group sales of €16.9m and group EBIT of €1.0m. Our positive view on Q4 is supported by the strong order backlog of €17.3m (+29% y/y) at the end of September.

Figure 1: Reported figures versus forecasts

All figures in €m	Q3-18A	Q3-18E	Delta	Q3-17A	Delta	9M-2018	9M-2017	Delta
Sales	13.41	14.74	-9.0%	13.06	2.7%	44.27	39.37	12.5%
EBITDA	-0.12	0.35	-	-0.27	-	0.94	-0.28	-
margin	-0.9%	2.4%	-	-2.1%	-	2.1%	-0.7%	-
underlying EBITDA	-0.12	0.50	-	0.03	-	2.02	-0.03	-
margin	-0.9%	3.4%	-	0.3%	-	4.6%	-0.1%	-
EBIT	-0.39	0.03	-	-0.20	-	0.10	-1.73	-
margin	-2.9%	0.2%	-	-1.6%	-	0.2%	-4.4%	-
underlying EBIT	-0.39	0.13	-	-0.02	-	1.18	-1.01	-
margin	-2.9%	0.9%	-	-0.1%	-	2.7%	-2.6%	-
Net income	-0.64	-0.15	-	-0.61	-	-0.79	-2.43	-
margin	-4.8%	-1.0%	-	-4.6%	-	-1.8%	-6.2%	-
EPS (diluted, in €)	-0.06	-0.01	-	-0.07	-	-0.08	-0.27	-

Source: First Berlin Equity Research, SFC Energy AG

Balance sheet: higher equity & slightly lower financial debt In the first nine months, equity increased by 27% to €17.6m. The equity ratio was at 44% versus 40% at the beginning of the year. Financial debt declined slightly to €9.4m versus €10.0m at the end of December 2017. Long-term liabilities to banks increased from €0 to €1.6m, which shows the improved creditworthiness of the company. The 9M cash position was €5.2m resulting in net debt of €4.2m versus €5.6m at the end of 2017.

Negative operating cash flow due to higher working capital requirement Operating cash flow before working capital was €1.5m. Due mainly to higher accounts receivables (€2.4m) and inventories (€1.5m), operating cash flow amounted to €-1.7m. CAPEX of €1.5m led to negative free cash flow of €3.2m. Financial cash inflow was €4.0m due mainly to proceeds from capital increases.

Strength of oil & gas business hidden by weaker CAD/EUR exchange rate In Q3, segment revenues edged 2% lower y/y to €6.5m. In terms of sales, it was nevertheless the strongest quarter of this year. On a nine month basis, segment sales grew 2% y/y and in CAD almost 8%. As the exchange rate has so far been stable y/y in Q4 we do not expect further currency headwinds. Q3 segment gross profit rose 10% y/y to €1.7m and the gross margin was up 2.8 PP to 25.9% (see figure 2 overleaf). On a nine month basis, segment gross profit rose 25% to €5.3m. Q3 segment EBITDA amounted to €0.4m and contributed €1.3m in the first nine months.

Regional expansion of SFC's subsidiary Simark to Western Canada has been successful, and the company has broadened its customer base significantly. Strong order intake with large orders such as the first order above CAD 1m will drive the subsidiary's growth in Q4 and 2019E. Furthermore, regional expansion into the US should generate additional sales. First US orders have been concluded. The sales share of fuel cells is increasing. SFC plans to increase the fuel cell-based revenue share to 50% in the next 3-5 years, which will drive profitability.



Defence & security business suffered from postponement in Q3, but nevertheless reached record sales on 9M basis

In Q3, the Defence & Security segment generated €0.8m in sales (+38% y/y). A shipment worth €1.2m was postponed to Q4 meaning that the last quarter will be particularly strong. On a nine month basis, growth is even more spectacular. 9M segment sales of €6.5m are equivalent to a 219% rise y/y. Q3 segment gross profit climbed 61% y/y from €0.3m to €0.5m (see figure 2). On a nine month basis, it jumped from €0.9m to €3.1m (+231% y/y). The defence business is a high margin business. The 9M segment gross margin increased to 48.2% from 46.4% in 9M/17. Although Q3 EBITDA was negative (€-0.3m) because of the postponement, the 9M EBITDA of €0.3m shows that the segment has reached positive territory in terms of operating profit. As the postponed order has already been shipped and the close of both national and international orders in coming weeks is likely, we have increased our segment forecast and expect Q4 sales of €3.6m. Higher defence budgets both in Germany and internationally as well as a growing trend towards weight reduction in equipment for soldiers and vehicles are clear indications that strong segment growth will continue in 2019E. The use of SFC's fuel cells can reduce weight by up to 75% compared to battery-based solutions, particularly in the case of portable communication equipment.

Figure 2: Reported segment figures versus forecasts

All figures in €m	Q3-18A	Q3-18E	Delta	Q3-17A	Delta	9M-18A	9M-17A	Delta
Oil & Gas								
Sales	6.45	7.04	-8.3%	6.56	-1.6%	18.63	18.24	2.1%
Gross profit	1.67	2.07	-19.4%	1.52	10.2%	5.28	4.23	24.8%
margin	25.9%	29.5%		23.1%		28.4%	23.2%	
Defence & Security								
Sales	0.84	0.98	-14.6%	0.61	37.6%	6.49	2.03	219.0%
Gross profit	0.48	0.44	7.9%	0.30	60.7%	3.12	0.94	231.0%
margin	57.2%	45.3%		48.9%		48.2%	46.4%	
Clean Energy & Mobility								
Sales	2.21	2.45	-9.8%	2.06	7.0%	6.94	7.63	-9.1%
Gross profit	0.79	0.98	-18.8%	0.99	-19.7%	2.67	2.96	-9.8%
margin	35.9%	39.9%		47.9%		38.4%	38.8%	
Industry								
Sales	3.91	4.27	-8.4%	3.83	2.0%	12.22	11.46	6.6%
Gross profit	1.15	1.33	-13.8%	1.18	-2.1%	3.59	3.79	-5.2%
margin	29.4%	31.2%		30.6%		29.4%	33.0%	
Group								
Sales	13.41	14.74	-9.0%	13.06	2.6%	44.27	39.37	12.5%
Gross profit	4.09	4.83	-15.2%	3.98	2.9%	14.66	11.92	23.0%
margin	30.5%	32.8%		30.5%		33.1%	30.3%	

Source: First Berlin Equity Research, SFC Energy AG

Clean Energy & Mobility weaker than expected

Although Q3 segment sales increased 7% y/y to €2.2m, 9M revenues (€6.9m) were still 9% below the previous year's figure, as a large order from Singapore shipped in 2017 could not be compensated for. Q3 segment gross profit fell 20% to €0.8m. On a 9M basis, gross profit was down 10% at €2.7m (see figure 2). Q3 segment EBITDA amounted to €-0.4m and 9M EBITDA was €-0.8m. Clean Energy & Mobility was the only segment to contribute negative EBITDA to the group. Management has abandoned its segment revenue target for the full year (same revenue as in 2017). We have lowered our segment forecast and now expect annual sales to be ca. 6% below the previous year's level. Nevertheless we appreciate the progress made. Stripping out the Singapore order, sales increased 16%. The segment has broadened its customer base and the new higher power solutions are resulting in higher sales.



Industry segment stable in Q3, and with excellent prospects for 2019E Q3 segment figures were very similar to the previous year's numbers. Revenue was up 2% at €3.9m, gross profit was down 2% at €1.15m, and EBITDA was only marginally lower at €183k. On a nine month basis, segment sales grew 7% to €12.2m, but segment gross profit was down 5% at €3.6m. 9M segment EBITDA was significantly lower (€191k versus €842k) due to restructuring costs. However, the relocation of production facilities from the Netherlands to Romania will reduce costs in coming years and thus improve margins. We expect SFC's PBF subsidiary to benefit significantly from its new semi-standardised modular product platform. PBF has already received first prototype series contracts from two international laser tool manufacturers amounting to €1.9m, which will mostly be delivered in 2019E. Following the successful qualification of the prototypes, we expect series sales from 2020E onward.

Forecasts for Q4 and 2019E maintained Given the intact growth drivers for Q4 and 2019E, we confirm our forecasts for this and the coming year. For 2019E, we expect sales to increase by almost 22% to €74.5m, and EBIT of €49m. Operating profit looks set to benefit from economies of scale.

Stock downgraded to Add at unchanged price target Following the increase in the share price in recent months, we downgrade the stock from Buy to Add, as the upside potential is now below our 25% threshold. We maintain our €9.50 price target.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	61,200	74,525	85,704	97,617	110,218	123,354	136,833	150,429
NOPLAT	946	4,354	4,839	6,239	7,644	8,720	9,690	10,688
+ depreciation & amortisation	1,208	1,286	1,370	1,396	1,461	1,555	1,666	1,788
Net operating cash flow	2,154	5,640	6,209	7,635	9,105	10,274	11,356	12,477
- total investments (CAPEX and WC)	-2,730	-4,542	-4,038	-4,168	-4,606	-4,914	-5,176	-5,380
Capital expenditures	-1,469	-1,565	-1,457	-1,659	-1,824	-1,985	-2,140	-2,284
Working capital	-1,261	-2,977	-2,581	-2,509	-2,783	-2,929	-3,036	-3,096
Free cash flows (FCF)	-576	1,098	2,171	3,467	4,499	5,361	6,181	7,097
PV of FCF's	-569	987	1,775	2,580	3,046	3,302	3,463	3,619

All figures in thousands	
PV of FCFs in explicit period (2018E-2032E)	44,623
PV of FCFs in terminal period	54,306
Enterprise value (EV)	98,928
+ Net cash / - net debt (pro forma)	169
+ Investments / minority interests	0
Shareholder value	99,097
Diluted number of shares	10,434
Fair value per share in EUR	9.50

WACC		Terminal growth rate							
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
Cost of equity	11.2%	5.9%	20.49	22.07	24.11	26.87	30.77	36.72	46.93
Pre-tax cost of debt	7.0%	6.9%	15.84	16.70	17.76	19.09	20.81	23.12	26.40
Tax rate	30.0%	7.9%	12.71	13.21	13.81	14.54	15.43	16.54	17.99
After-tax cost of debt	4.9%	8.9%	10.47	10.78	11.15	11.57	12.08	12.68	13.43
Share of equity capital	80.0%	9.9%	8.80	9.00	9.23	9.50	9.80	10.16	10.58
Share of debt capital	20.0%	10.9%	7.52	7.65	7.80	7.97	8.17	8.39	8.64
		11.9%	6.51	6.60	6.70	6.81	6.94	7.08	7.24
Price target in EUR	9.50	12.9%	5.70	5.76	5.83	5.90	5.99	6.08	6.19

* for layout purposes the model shows numbers only to 2025, but runs until 2032



INCOME STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenues	53,631	47,310	44,041	54,292	61,200	74,525	85,704
Cost of goods sold	37,970	34,083	30,795	36,566	40,565	48,516	56,393
Gross profit	15,661	13,227	13,247	17,726	20,635	26,009	29,311
S&M	10,540	12,499	9,126	9,786	10,707	11,400	12,427
G&A	4,872	5,546	4,883	5,016	5,161	5,400	5,999
R&D	4,530	5,806	4,148	3,892	3,552	4,350	5,142
Other operating income	170	142	96	277	490	224	257
Other operating expenses	159	161	83	194	612	224	257
Operating income (EBIT)	-4,269	-10,644	-4,898	-885	1,092	4,859	5,742
Net financial result	-298	-315	-475	-1,150	-736	-645	-554
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	-4,567	-10,959	-5,373	-2,035	357	4,214	5,188
Income taxes	259	-290	-380	37	146	506	903
Minority interests	0	0	0	0	0	0	0
Net income / loss	-4,826	-10,669	-4,993	-2,072	210	3,708	4,285
Diluted EPS (in €)	-0.60	-1.24	-0.58	-0.23	0.02	0.35	0.41
EBITDA	-1,177	-4,650	-2,508	862	2,301	6,146	7,112
Ratios							
Gross margin	29.2%	28.0%	30.1%	32.6%	33.7%	34.9%	34.2%
EBITDA margin on revenues	-2.2%	-9.8%	-5.7%	1.6%	3.8%	8.2%	8.3%
EBIT margin on revenues	-8.0%	-22.5%	-11.1%	-1.6%	1.8%	6.5%	6.7%
Net margin on revenues	-9.0%	-22.6%	-11.3%	-3.8%	0.3%	5.0%	5.0%
Tax rate	-5.7%	2.6%	7.1%	-1.8%	41.0%	12.0%	17.4%
Expenses as % of revenues							
S&M	19.7%	26.4%	20.7%	18.0%	17.5%	15.3%	14.5%
G&A	9.1%	11.7%	11.1%	9.2%	8.4%	7.2%	7.0%
R&D	8.4%	12.3%	9.4%	7.2%	5.8%	5.8%	6.0%
Other operating expenses	0.3%	0.3%	0.2%	0.4%	1.0%	0.3%	0.3%
Y-Y Growth							
Revenues	65.5%	-11.8%	-6.9%	23.3%	12.7%	21.8%	15.0%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	344.8%	18.2%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	1661.9%	15.6%



BALANCE SHEET

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Assets							
Current assets, total	27,542	21,154	20,056	21,849	26,502	31,130	35,515
Cash and cash equivalents	6,407	3,712	2,041	4,694	7,493	7,946	8,563
Short-term investments	0	0	0	0	0	0	0
Receivables	12,766	7,490	9,253	8,712	9,725	12,047	14,088
Inventories	7,653	8,782	7,718	7,939	8,780	10,634	12,360
Other current assets	715	1,170	1,044	504	504	504	504
Non-current assets, total	19,714	14,736	13,737	12,684	12,945	13,223	13,310
Property, plant & equipment	1,601	1,390	1,205	1,197	1,389	1,568	1,698
Goodwill & other intangibles	17,813	12,768	11,855	10,950	11,019	11,118	11,076
Other assets	300	578	678	537	537	537	537
Total assets	47,256	35,889	33,793	34,534	39,447	44,353	48,826
Shareholders' equity & debt							
Current liabilities, total	13,371	13,041	13,335	18,563	12,746	13,944	14,131
Short-term debt	2,013	2,014	4,317	9,410	3,000	3,000	2,000
Accounts payable	6,872	7,263	5,790	5,520	6,113	7,311	8,498
Current provisions	686	667	646	800	800	800	800
Other current liabilities	3,800	3,097	2,583	2,833	2,833	2,833	2,833
Long-term liabilities, total	6,296	6,291	7,119	2,076	7,076	7,076	7,076
Long-term debt	3,045	3,520	4,860	529	5,529	5,529	5,529
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	3,251	2,772	2,259	1,547	1,547	1,547	1,547
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	27,589	16,558	13,339	13,895	19,625	23,334	27,619
Share capital	8,611	8,611	9,047	9,659	10,454	10,454	10,454
Capital reserve	71,955	72,017	73,132	75,475	80,200	80,200	80,200
Other reserves	0	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-52,689	-63,358	-68,351	-70,423	-70,212	-66,504	-62,219
Total consolidated equity and debt	47,256	35,889	33,793	34,534	39,447	44,353	48,826
Ratios							
Current ratio (x)	2.06	1.62	1.50	1.18	2.08	2.23	2.51
Quick ratio (x)	1.49	0.95	0.93	0.75	1.39	1.47	1.64
Net cash	1,349	-1,821	-7,135	-5,245	-1,036	-583	1,034
Net gearing	-4.9%	11.0%	53.5%	37.7%	5.3%	2.5%	-3.7%
Book value per share (€)	3.44	1.92	1.54	1.51	1.93	2.23	2.64
Equity ratio	58.4%	46.1%	39.5%	40.2%	49.8%	52.6%	56.6%
Return on equity (ROE)	-17.5%	-64.4%	-37.4%	-14.9%	1.1%	15.9%	15.5%
Return on investment (ROI)	-10.2%	-29.7%	-14.8%	-6.0%	0.5%	8.4%	8.8%
Return on assets (ROA)	-9.6%	-28.8%	-12.7%	-2.6%	2.4%	9.9%	10.0%
Return on capital employed (ROCE)	-14.4%	-42.0%	-22.3%	-4.1%	5.1%	20.4%	21.4%
Days of sales outstanding (DSO)	86.9	57.8	76.7	58.6	58.0	59.0	60.0
Days of inventory turnover	73.6	94.0	91.5	79.3	79.0	80.0	80.0
Days in payables (DIP)	66.1	77.8	68.6	55.1	55.0	55.0	55.0



CASH FLOW STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
EBIT	-4,269	-10,644	-4,898	-885	1,092	4,859	5,742
Depreciation and amortisation	3,093	5,994	2,390	1,747	1,208	1,286	1,370
EBITDA	-1,177	-4,650	-2,508	862	2,301	6,146	7,112
Changes in working capital	-2,015	3,216	-3,541	1,362	-1,261	-2,977	-2,581
Other adjustments	-361	-429	818	-519	-882	-1,151	-1,457
Operating cash flow	-3,553	-1,863	-5,231	1,704	158	2,018	3,074
CAPEX	-181	-294	-301	-497	-551	-596	-600
Investments in intangibles	-452	-1,055	-619	-844	-918	-969	-857
Free cash flow	-4,186	-3,212	-6,151	363	-1,311	453	1,617
Acquisitions & disposals, net	1	12	205	33	0	0	0
Other investments	14	-146	150	0	0	0	0
Investing cash flow	-618	-1,483	-565	-1,308	-1,469	-1,565	-1,457
Debt financing, net	826	699	2,834	2,252	-1,410	0	-1,000
Equity financing, net	3,263	0	1,500	400	5,520	0	0
Dividend paid	0	0	0	0	0	0	0
Other financing	-946	-201	-60	-394	0	0	0
Financing cash flow	3,143	498	4,274	2,258	4,110	0	-1,000
Forex & other effects	8	4	1	-2	0	0	0
Net cash flows	-1,020	-2,845	-1,521	2,653	2,799	453	617
Cash, start of the year	7,143	6,123	3,277	1,756	4,694	7,493	7,946
Cash, end of the year	6,123	3,277	1,756	4,409	7,493	7,946	8,563
EBITDA/share (in €)	-0.15	-0.54	-0.29	0.09	0.23	0.59	0.68
Y-Y Growth							
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-90.8%	1180.1%	52.4%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	257.2%
EBITDA/share	n.m.	n.m.	n.m.	n.m.	141.8%	159.4%	15.7%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	23 June 2014	€4.84	Buy	€7.40
2...29	↓	↓	↓	↓
30	8 May 2018	€8.80	Add	€9.50
31	19 June 2018	€7.92	Add	€9.50
32	27 August 2018	€6.80	Buy	€9.50
33	Today	€8.12	Add	€9.50

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The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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- key sources of information in the preparation of this research report
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