

SFC Energy AG

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

Final figures
 2020

RATING
PRICE TARGET
 Return Potential 4.2%
 Risk Rating High

ADD
€ 9.40

IN GOOD SHAPE TO WEATHER GLOBAL RECESSION

SFC Energy published final 2019 figures which matched the preliminary numbers. Sales declined 5% y/y to €59m and EBIT to €-1.3m versus €+1.3m in 2018. Net income fell from €0.0m to €-1.9m. SFC withdrew its guidance of 11 February due to the Sars-CoV-2-induced global recession and lower oil prices. The company is now guiding towards significantly lower revenues and profitability in 2020 than in the previous year. We expect a very weak Q2, a weak Q3, and recovery in Q4. We have already adjusted our forecasts following SFC's guidance withdrawal (see comment of 23 March). We note that our estimates contain a high level of uncertainty, as we cannot forecast the further development of the Sars-CoV-2 pandemic and the severity of the global recession. Given SFC's excellent competitive position, the strong balance sheet (equity ratio: 55%, cash position: €21m, net cash position: €6m) we see SFC in good shape to weather the global recession. We reiterate our Add recommendation and €9.40 price target.

Global recession will hit SFC The company is guiding for significantly lower revenues and profitability y/y in 2020. The Sars-CoV-2-induced global recession will hit all segments. We believe that the Oil & Gas and Industry segment will be particularly hard hit by the low oil price. The Industry segment is also vulnerable to supply chain disruptions and clients' production closures. The defence & security business will suffer from partial or full shutdown of government procurement activities in H1, but we expect increased procurement activity in H2 as part of government stimulus programs. The Clean Energy & Mobility business may also benefit from increased government spending in H2. The recent Singapore follow-up order (volume: €1.4m) shipped in Q1 could be a role model for other countries. SFC's EFOY Pro fuel cells provide clean and reliable off-grid power for public health & safety infrastructure in Singapore. SFC's client Oneberry Technologies is currently seeing rapidly growing demand for its public safety & health systems.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (€m)	54.29	61.70	58.54	54.50	66.80	81.27
Y-o-y growth	23.3%	13.7%	-5.1%	-6.9%	22.6%	21.7%
EBIT (€m)	-0.88	1.33	-1.29	-2.18	0.43	3.41
EBIT margin	-1.6%	2.1%	-2.2%	-4.0%	0.6%	4.2%
Net income (€m)	-2.07	0.00	-1.93	-2.27	0.06	2.28
EPS (diluted) (€)	-0.23	0.00	-0.17	-0.17	0.00	0.17
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.36	-0.37	-4.95	4.80	-2.18	-0.34
Net gearing	37.7%	13.2%	-15.2%	-28.5%	-21.9%	-18.8%
Liquid assets (€m)	4.69	7.81	21.19	22.74	24.21	24.55

RISKS

The main risks are internationalisation, unfavourable 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 01 Apr 2020

Closing Price	€ 9.02
Shares outstanding	13.15m
Market Capitalisation	€ 118.65m
52-week Range	€ 7.64 / 13.91
Avg. Volume (12 Months)	47,756

Multiples	2019	2020E	2021E
P/E	n.a.	n.a.	2078.3
EV/Sales	2.1	2.2	1.8
EV/EBIT	n.a.	n.a.	279.5
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 20.91m
Current Assets	€ 47.82m
Intangible Assets	€ 19.92m
Total Assets	€ 72.86m
Current Liabilities	€ 20.51m
Shareholders' Equity	€ 40.26m

SHAREHOLDERS

HPE	16.0%
Conduit Ventures	3.7%
Management	1.8%
Free Float	78.5%

Lower group revenue and earnings In 2019, group sales declined 5% y/y to €58.5m (see figure 1). The Clean Energy & Mobility segment (+26% y/y) and the Industry segment (+6% y/y) drove revenues in 2019, but could not compensate for weak demand in the Oil & Gas segment (-16% y/y) and lower sales in the Defence & Security segment (-24% y/y) as a result of the postponement of a major order from the German Army.

Figure 1: Reported figures versus forecasts

All figures in €m	2019A	2018A	Delta
Sales	58.54	61.70	-5.1%
EBITDA	2.04	2.48	-17.6%
margin	3.5%	4.0%	
Adjusted EBITDA	3.61	3.71	-2.5%
margin	6.2%	6.0%	
EBIT	-1.29	1.33	-
margin	-2.2%	2.1%	
Adjusted EBIT	0.28	2.55	-88.9%
margin	0.5%	4.1%	
Net income	-1.93	0.00	-
margin	-3.3%	-	
EPS (diluted, in €)	-0.17	0.00	-

Source: First Berlin Equity Research, SFC Energy AG

Despite lower sales, the gross margin increased slightly by 0.2% to 34.4%. Gross profit declined 4.5% from €21.1m to €20.1m. While the gross margin in the Oil & Gas segment improved slightly to 29.2%, the Defence & Security segment was 6 PP below the previous year's figure at 45%. The Clean Energy & Mobility segment achieved a 4 PP gross margin increase to 43%. The key factor here was the higher sales share with industrial clients. The industrial business traditionally has a higher margin than the consumer business. The Industry segment posted a slight gross margin decline to 30.4% (see figure 2).

Figure 2: Reported segment sales and gross profit

All figures in €m	2019A	2018A	Delta
Oil & Gas			
Sales	21.95	26.03	-15.6%
Gross profit	6.41	7.34	-12.6%
margin	29.2%	28.2%	
Defence & Security			
Sales	7.59	10.01	-24.2%
Gross profit	3.39	5.09	-33.5%
margin	44.6%	50.9%	
Clean Energy & Mobility			
Sales	11.76	9.35	25.7%
Gross profit	5.09	3.65	39.4%
margin	43.2%	39.0%	
Industry			
Sales	17.24	16.31	5.7%
Gross profit	5.24	5.01	4.7%
margin	30.4%	30.7%	
Group			
Sales	58.54	61.70	-5.1%
Gross profit	20.13	21.08	-4.5%
margin	34.4%	34.2%	

Source: First Berlin Equity Research, SFC Energy AG

EBITDA was 18% lower at €2.0m. Underlying EBITDA was €36m and only slightly below the prior year figure due to the much higher IFRS 16-related depreciation. Without the new IFRS 16 rule, underlying 2019 EBITDA would have been €2.3m lower at €1.3m. EBIT fell from €1.3m to €-1.3m. Underlying EBIT (adjusted mainly for the €1.4m stock appreciation rights plan) amounted to €0.3m versus €2.6m in 2018 (see figure 1 on page 2).

For the 2019 financial year, there was a consolidated loss of €1.9m, after €1k in the prior year period. This resulted in earnings per share of €-0.17 (2018: €0.00).

Very solid balance sheet to weather recession Available cash and cash equivalents amounted to €20.9m as of end December 2019 versus €7.5m at the end of 2018. Liabilities to banks added up to €6.5m (of which ST: €5.3m), and liabilities under finance leases amounted to €8.0m (of which ST: €2.3m). The net cash position was thus €6.4m (see figure 3). The equity ratio increased y/y from 43% to 55% as a result of the €27m capital increase in 2019. The very solid balance sheet should allow SFC to weather the global recession and also penetrate (new) markets, while other players may still be licking their wounds. Generic demand for SFC's clean and reliable energy solutions will remain high.

Figure 3: Main balance sheet positions

in €m	2019A	2018A	delta
Property, plant & equipment	9.9	1.6	518%
Goodwill	8.3	7.9	6%
Other intangibles	5.6	3.6	54%
Cash and cash equivalents	20.9	7.5	178%
Equity	40.3	18.2	121%
Equity ratio	55%	43%	-
Liabilities to banks / other financial liabilities	6.5	8.9	-27%
Liabilities under finance leases	8.0	0.1	8181%
Net cash	6.4	-1.4	n.m.
Balance sheet total	72.9	42.1	73%

Source: First Berlin Equity Research, SFC Energy AG

The balance sheet total increased 73% due mainly to the new IFRS 16 rule. Leasing assets are now included in property, plant & equipment, which thus increased from €1.6m to €9.9m. Liabilities under finance leases amounted to €8m at the end of 2019 versus €0.1m in 2018.

Negative free cash flow Operating cash flow was €-1.3m (2018: €+2.1m) due mainly to the lower net result and a higher working capital requirement. Free cash flow amounted to €-4.8m (2018: €-0.4m) as CAPEX increased to €3.6m. Financing cash inflow was €18.3m due mainly to the €27m capital increase. Net cash flow amounted to €13.4m (see figure 4).

Figure 4: Main cash flow positions

in €m	2019A	2018A
Operating cash flow	-1.3	2.0
CAPEX	-3.6	-2.4
Free cash flow	-4.8	-0.4
Cash flow investing activities	-3.6	-2.4
Cash flow financing activities	18.3	3.8
Net cash flow	13.4	3.1

Source: First Berlin Equity Research, SFC Energy AG

Order backlog increased 9% y/y Following y/y order backlog declines during 2019, the 9% increase at the end of the year from €14.2m to €15.5m is certainly a good sign. The Sars-CoV-2-induced global recession will however result in lower order entry.

Oil & Gas: down but not out The last steep oil price fall occurred in 2014-2016. WTI fell from the 2014 peak of 107 \$/bbl to a low of 26 \$/bbl (-76%) in 2016. The annual average WTI price was 93 \$/bbl in 2014 and 43 \$/bbl in 2016 (-54%). SFC's Oil & Gas segment sales declined from €29m in 2014 to €26m in 2015 and €19m in 2016. In two years, revenues thus fell by ca. 34%.

Since the beginning of the year, the WTI price retreated from 61 \$/bbl to a low of 19 \$/bbl (-69%). We have pencilled in a revenue slump of 18% to €18m for SFC's oil & gas business (see figure 5). This is below the 2016 revenue figure. We note that SFC is expanding its oil & gas business into the US, which should generate additional sales. Furthermore, the segment revenue share of fuel cells has increased to 16% (2018: 12%). We expect this high-margin business to be more resilient than other oil & gas equipment as clean and reliable off-grid power solutions are still needed.

Defence & Security: speculating on H2 rebound The defence business is a typical year-end business. A very strong Q4 may thus more than compensate for weak summer quarters. The partial or full shutdown of government procurement agencies will likely result in weak Q2 and Q3 revenues, but increased purchasing activity in H2, probably as part of general government stimulus programmes, may well lead to higher segment revenue y/y (see figure 2).

Figure 5: Segment revenue and gross profit forecasts

All figures in €m	2019A	2020E	Delta
Oil & Gas			
Sales	21.95	18.00	-18%
Gross profit	6.41	5.22	-19%
margin	29.2%	29.0%	-
Defence & Security			
Sales	7.59	8.50	12%
Gross profit	3.39	3.91	15%
margin	44.6%	46.0%	-
Clean Energy & Mobility			
Sales	11.76	13.00	11%
Gross profit	5.09	5.39	6%
margin	43.2%	41.5%	-
Industry			
Sales	17.24	15.00	-13%
Gross profit	5.24	4.50	-14%
margin	30.4%	30.0%	-
Group			
Sales	58.54	54.50	-7%
Gross profit	20.13	19.02	-6%
margin	34.4%	34.9%	-

Source: First Berlin Equity Research, SFC Energy AG

Clean Energy & Mobility segment could still see growth Due to a very strong Q1 (€1.4m Singapore order shipped!), relatively recession-resilient customers such as the wind industry, and potentially strong demand for SFC's power solutions for public health & surveillance infrastructure, we believe that segment sales could still be higher y/y. We note that first government demand for SFC's hydrogen fuel cells will kick in this year.

Industry segment hit by cyclical downturn As SFC's industrial clients face supply chain disruptions and temporary production closures, we believe that the Industry segment will be the second hardest hit segment. We forecast a 13% fall in segment revenue.



Cost saving measures reduce losses Reduction of accumulated overtime, holidays, and a hiring freeze will cushion temporary low capacity utilisation. If necessary, short-time work will reduce personnel costs. Travel costs will in any case be much lower. Cautious cash management and spending save liquidity.

Sars-CoV-2 protection measures established So far, SFC does not have any Sars-CoV-2-positive cases. Ca. 60-70% of the employees are working from home. Measures to protect employees, especially in production, have been implemented.

Strong competitive position supported by much stronger balance sheet SFC Energy is the global market leader in reliable and clean off-grid power systems based on direct methanol fuel cells and is currently penetrating the hydrogen fuel cell market based on a proven technology purchased in a lucky deal in 2018. We believe that the hydrogen fuel cell market will show strong growth in coming years given the necessity to reach the Paris climate targets. Following the large capital increase in 2019, SFC does not need financing to weather the recession, while many competitors' balance sheets look weaker. In a recession, clients will have a much closer look at the financial stability of their suppliers. This will be a further competitive advantage for SFC.

Forecasts suffer from high uncertainty regarding Sars-CoV-2 spread We currently forecast a 2020 group revenue decline of 7% y/y to €54.5m. This forecast assumes the containment of the pandemic and a return to something approaching normal economic activity in SFC's key markets during Q2. Furthermore, our 2020 forecast is betting on SFC benefiting from government stimulus programs in H2.

Add reiterated at unchanged price target An updated DCF model still yields a €9.40 price target. We reiterate our Add rating.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	54,500	66,800	81,273	93,301	106,109	119,537	133,381	147,398
NOPLAT	-2,181	414	2,697	4,636	6,235	7,372	8,485	9,591
+ depreciation & amortisation	3,392	3,252	3,420	3,256	3,217	3,286	3,429	3,622
Net operating cash flow	1,211	3,666	6,117	7,892	9,452	10,658	11,914	13,212
- total investments (CAPEX and WC)	3,022	-5,842	-6,459	-6,154	-6,686	-7,160	-7,569	-7,894
Capital expenditures	-2,071	-2,538	-3,088	-3,359	-3,695	-4,021	-4,329	-4,610
Working capital	5,093	-3,303	-3,371	-2,796	-2,991	-3,139	-3,240	-3,284
Free cash flows (FCF)	4,233	-2,175	-342	1,738	2,766	3,498	4,345	5,319
PV of FCF's	3,977	-1,884	-273	1,278	1,875	2,185	2,502	2,823

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	38,964
PV of FCFs in terminal period	78,626
Enterprise value (EV)	117,590
+ Net cash / - net debt	6,360
+ Investments / minority interests	0
Shareholder value	123,950
Diluted number of shares	13,154
Fair value per share in EUR	9.42

WACC		Terminal growth rate							
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
Cost of equity	10.0%	4.5%	24.77	28.41	33.86	42.94	61.09	115.40	30041.85
Pre-tax cost of debt	7.0%	5.5%	17.41	19.05	21.23	24.29	28.87	36.51	51.76
Tax rate	30.0%	6.5%	13.10	13.96	15.03	16.41	18.24	20.81	24.66
After-tax cost of debt	4.9%	7.5%	10.30	10.79	11.38	12.10	13.00	14.16	15.71
Share of equity capital	70.0%	8.5%	8.36	8.66	9.01	9.42	9.92	10.52	11.28
Share of debt capital	30.0%	9.5%	6.95	7.14	7.36	7.61	7.90	8.25	8.67
		10.5%	5.89	6.01	6.15	6.31	6.50	6.71	6.96
		11.5%	5.07	5.15	5.25	5.35	5.47	5.60	5.76
Price target in EUR	9.40								

* for layout purposes the model shows numbers only to 2027, but runs until 2034



INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Revenues	54,292	61,704	58,538	54,500	66,800	81,273
Cost of goods sold	36,566	40,623	38,410	35,481	44,070	53,721
Gross profit	17,726	21,082	20,128	19,019	22,730	27,552
S&M	9,786	10,792	12,438	11,400	12,100	13,410
G&A	5,016	5,230	5,994	5,400	5,700	6,014
R&D	3,892	3,525	3,104	4,400	4,500	4,714
Other operating income	277	320	178	164	200	244
Other operating expenses	194	529	57	164	200	244
Operating income (EBIT)	-885	1,325	-1,288	-2,181	430	3,413
Net financial result	-1,150	-737	-752	-651	-357	-416
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	-2,035	588	-2,040	-2,832	72	2,997
Income taxes	37	589	-113	-566	15	716
Minority interests	0	0	0	0	0	0
Net income / loss	-2,072	-1	-1,927	-2,266	57	2,281
Diluted EPS (in €)	-0.23	0.00	-0.17	-0.17	0.00	0.17
EBITDA	862	2,478	2,042	1,211	3,682	6,834
One-off costs / earnings	592	1,227	1,589	0	0	0
Underlying EBITDA	1,454	3,705	3,631	1,211	3,682	6,834
Underlying EBIT	177	2,553	301	-2,181	430	3,413
Ratios						
Gross margin	32.6%	34.2%	34.4%	34.9%	34.0%	33.9%
EBITDA margin on revenues	1.6%	4.0%	3.5%	2.2%	5.5%	8.4%
EBIT margin on revenues	-1.6%	2.1%	-2.2%	-4.0%	0.6%	4.2%
Net margin on revenues	-3.8%	0.0%	-3.3%	-4.2%	0.1%	2.8%
Tax rate	-1.8%	100.1%	5.5%	20.0%	21.2%	23.9%
Expenses as % of revenues						
S&M	18.0%	17.5%	21.2%	20.9%	18.1%	16.5%
G&A	9.2%	8.5%	10.2%	9.9%	8.5%	7.4%
R&D	7.2%	5.7%	5.3%	8.1%	6.7%	5.8%
Other operating expenses	0.4%	0.9%	0.1%	0.3%	0.3%	0.3%
Y-Y Growth						
Revenues	23.3%	13.7%	-5.1%	-6.9%	22.6%	21.7%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	694.5%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	3894.9%



BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Assets						
Current assets, total	21,849	28,289	47,818	42,014	48,196	53,495
Cash and cash equivalents	4,694	7,805	21,192	22,738	24,205	24,547
Short-term investments	0	0	0	0	0	0
Receivables	8,712	10,158	13,773	9,705	11,896	14,473
Inventories	7,939	9,753	12,032	8,749	10,867	13,246
Other current assets	504	573	822	822	1,229	1,229
Non-current assets, total	12,684	13,776	25,040	23,720	23,006	22,675
Property, plant & equipment	1,197	1,596	9,869	8,417	7,315	6,339
Goodwill & other intangibles	10,950	11,497	13,921	14,053	14,442	15,085
Other assets	537	684	1,250	1,250	1,250	1,250
Total assets	34,534	42,065	72,859	65,734	71,203	76,170
Shareholders' equity & debt						
Current liabilities, total	18,563	18,865	20,514	14,904	21,216	20,039
Short-term debt	9,410	7,154	5,352	2,000	6,900	4,137
Accounts payable	5,520	7,093	8,090	5,832	7,244	8,831
Current provisions	800	972	1,263	1,263	1,263	1,263
Liabilities under finance leases	0	44	2,278	2,278	2,278	2,278
Other current liabilities	2,833	3,602	3,531	3,531	3,531	3,531
Long-term liabilities, total	2,076	4,996	12,085	12,085	11,184	15,048
Long-term debt	529	3,056	3,953	3,953	3,053	6,916
Liabilities under finance leases	0	54	5,755	5,755	5,755	5,755
Other liabilities	1,547	1,886	2,376	2,376	2,376	2,376
Minority interests	0	0	0	0	0	0
Shareholders' equity	13,895	18,204	40,260	38,745	38,802	41,083
Share capital	9,659	10,250	12,950	13,154	13,154	13,154
Capital reserve	75,475	79,498	100,417	100,962	100,962	100,962
Other reserves	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0
Loss carryforward / retained earnings	-70,423	-70,520	-72,447	-74,713	-74,656	-72,375
Total consolidated equity and debt	34,534	42,065	72,859	65,734	71,203	76,170
Ratios						
Current ratio (x)	1.18	1.50	2.33	2.82	2.27	2.67
Quick ratio (x)	0.75	0.98	1.74	2.23	1.76	2.01
Net cash	-5,245	-2,405	6,132	11,030	8,497	7,739
Net gearing	37.7%	13.2%	-15.2%	-28.5%	-21.9%	-18.8%
Book value per share (€)	1.51	1.79	3.50	2.95	2.95	3.12
Equity ratio	40.2%	43.3%	55.3%	58.9%	54.5%	53.9%
Return on equity (ROE)	-14.9%	0.0%	-4.8%	-5.8%	0.1%	5.6%
Return on investment (ROI)	-6.0%	0.0%	-2.6%	-3.4%	0.1%	3.0%
Return on assets (ROA)	-2.6%	1.8%	-1.6%	-2.5%	0.6%	3.6%
Return on capital employed (ROCE)	-4.1%	6.1%	-4.2%	-6.1%	1.3%	9.4%
Days of sales outstanding (DSO)	58.6	60.1	85.9	65.0	65.0	65.0
Days of inventory turnover	79.3	87.6	114.3	90.0	90.0	90.0
Days in payables (DIP)	55.1	63.7	76.9	60.0	60.0	60.0



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
EBIT	-885	1,325	-1,288	-2,181	430	3,413
Depreciation and amortisation	1,747	1,153	3,330	3,392	3,252	3,420
EBITDA	862	2,478	2,042	1,211	3,682	6,834
Changes in working capital	1,362	-1,417	-5,026	5,093	-3,303	-3,371
Other adjustments	-519	945	1,723	566	-15	-716
Operating cash flow	1,704	2,005	-1,261	6,870	363	2,747
Investments in PP&E	-497	-928	-1,110	-818	-1,002	-1,219
Investments in intangibles	-844	-1,445	-2,582	-1,254	-1,536	-1,869
Free cash flow	363	-368	-4,952	4,799	-2,175	-342
Acquisitions & disposals, net	33	0	64	0	0	0
Other investments	0	0	0	0	0	0
Investing cash flow	-1,308	-2,373	-3,628	-2,071	-2,538	-3,088
Debt financing, net	2,252	-1,786	-5,258	-3,352	4,000	1,100
Equity financing, net	400	4,220	27,000	750	0	0
Dividend paid	0	0	0	0	0	0
Other financing	-394	1,045	-3,467	-651	-357	-416
Financing cash flow	2,258	3,479	18,275	-3,253	3,643	684
Forex & other effects	-2	0	0	0	0	0
Net cash flows	2,653	3,111	13,387	1,546	1,467	342
Cash, start of the year	1,756	4,409	7,520	21,192	22,738	24,205
Cash, end of the year	4,409	7,520	20,907	22,738	24,205	24,547
EBITDA/share (in €)	0.09	0.24	0.18	0.09	0.28	0.52

Y-Y Growth

Operating cash flow	n.m.	17.7%	n.m.	n.m.	-94.7%	656.5%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	160.5%	-27.2%	-48.2%	204.0%	85.6%

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...39	↓	↓	↓	↓
40	18 November 2019	€9.22	Add	€10.00
41	13 February 2020	€12.20	Reduce	€11.40
42	23 March 2020	€9.00	Add	€9.40
43	Today	€9.02	Add	€9.40

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

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

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

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

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Legally required information regarding

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

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