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Research update

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Mensch und Maschine Software SE

After record year,
next profit doubling planned

Rating: Strong Buy (unchanged) | **Price:** 48.40 € | **Price target:** 61.70 € (prev.: 62.30 €)

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Recent business development



With the publication of the annual report, Mensch und Maschine has confirmed the preliminary figures presented at the beginning of February. Accordingly, sales increased by 20.4 percent to EUR 320.5 m, while EBIT and net income increased by 23 and 22 percent respectively to EUR 42.6 and 26.0 m. The key earnings figures thus developed almost exactly in line with the long-term trends. Thus, the average growth rate (CAGR) of EBIT for the last ten years amounts to 21 percent, and that of net profit is even slightly higher at 22 percent. M+M intends to maintain this momentum in the future. Although a somewhat flatter development is expected for this year compared to 2022 due to the end of the special boom in the Autodesk business, profits are expected to grow again by 14 to 20 percent as early as next year and double to more than EUR 3.00 per share by 2026/27. Given M+M's impressive forecast accuracy over the years, despite the massive external shocks that had to be absorbed time and again, we see a high probability of achieving these targets. It should also allow for the further growth of the dividend, which was increased by two-thirds between 2019 and 2022 alone.

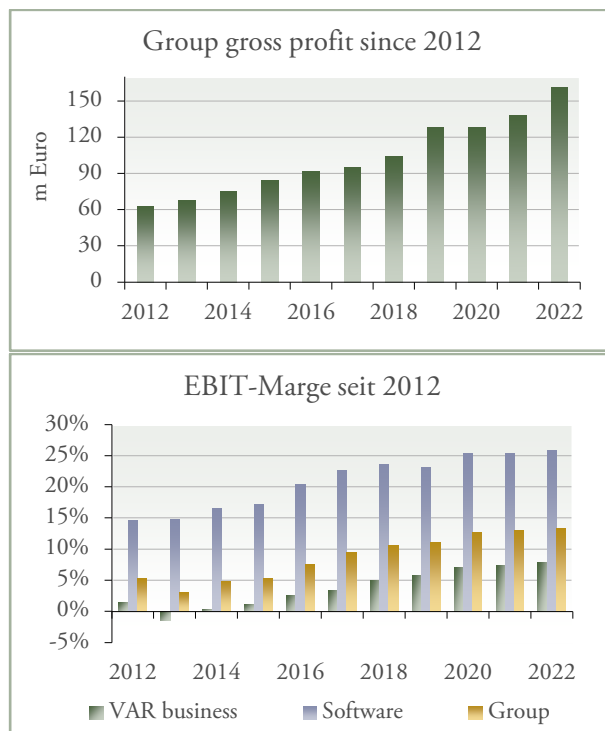
Basic data

| | |
|---------------------------------|--------------------|
| Based in: | Wessling |
| Sector: | CAD/CAM software |
| Headcount: | 1,031 |
| Accounting: | IFRS |
| ISIN: | DE0006580806 |
| Ticker: | MUM:GR |
| Price: | 48.40 Euro |
| Market segment: | Scale / m:access |
| Number of shares: | 17.2 m |
| Market Cap: | 830.0 m Euro |
| Enterprise Value: | 911.9 m Euro |
| Free Float: | 45.3% |
| Price high/low (12M): | 61.60 / 40.25 Euro |
| Øturnover (Xetra, 12 M): | 296,300 Euro / day |

| FY ends: 31.12. | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|--------------------|-------|-------|-------|-------|-------|-------|
| Sales (m Euro) | 244.0 | 266.2 | 320.5 | 320.5 | 352.5 | 387.8 |
| EBIT (m Euro) | 31.0 | 34.7 | 42.6 | 47.3 | 54.5 | 62.8 |
| Net Profit | 18.7 | 21.3 | 26.0 | 28.4 | 32.9 | 37.8 |
| EPS | 1.11 | 1.26 | 1.53 | 1.70 | 1.97 | 2.27 |
| Dividend per share | 1.00 | 1.20 | 1.40 | 1.60 | 1.86 | 2.09 |
| Sales growth | -0.8% | 9.1% | 20.4% | 0.0% | 10.0% | 10.0% |
| Profit growth | 12.3% | 13.9% | 22.1% | 9.2% | 15.8% | 14.9% |
| PSR | 3.31 | 3.03 | 2.52 | 2.52 | 2.29 | 2.08 |
| PER | 43.1 | 37.9 | 31.0 | 28.4 | 24.5 | 21.3 |
| PCR | 23.9 | 21.7 | 20.7 | 17.8 | 16.3 | 15.1 |
| EV / EBIT | 28.6 | 25.6 | 20.8 | 18.8 | 16.3 | 14.1 |
| Dividend yield | 2.1% | 2.5% | 2.9% | 3.3% | 3.8% | 4.3% |

Strong growth in 2022

As already announced in the preliminary figures, Mensch und Maschine once again recorded an acceleration in growth in the fourth quarter, as a result of which sales for the full year increased by 20.4 percent to EUR 320.5 m. Of this, EUR 223.2 m (+23 percent) were attributable to the VAR business and EUR 97.3 m (+16 percent) to the software segment. Due to the higher dynamics in the VAR business, and there especially in the lower-margin business with Autodesk licences, the gross margin decreased from 52.0 percent in the previous year to 50.3 percent, as had been announced, which is why the gross profit growth remained somewhat behind the increase in sales. With an increase of 16 percent to EUR 161.1 m, growth was nevertheless well above the long-term average of 9.8 percent (CAGR). As in previous years, the greater part of the group's gross profit, namely 54.3 percent, was again generated in the software division.



Source: Company

| Business figures | FY 21 | FY 22 | Change |
|---------------------|-------|-------|--------|
| Sales | 266.2 | 320.5 | 20.4% |
| Gross profit | 138.4 | 161.1 | 16.4% |
| <i>VAR business</i> | 62.3 | 73.7 | 18.3% |
| <i>Software</i> | 76.1 | 87.5 | 14.9% |
| Gross margin | 52.0% | 50.3% | |
| EBIT | 34.7 | 42.6 | 22.9% |
| <i>VAR business</i> | 13.3 | 17.5 | 31.4% |
| <i>Software</i> | 21.4 | 25.1 | 17.6% |
| EBIT margin | 13.0% | 13.3% | |
| <i>VAR business</i> | 7.3% | 7.9% | |
| <i>Software</i> | 25.4% | 25.8% | |
| EBT | 33.8 | 41.5 | 22.8% |
| EBT margin | 12.7% | 13.0% | |
| Net profit | 21.3 | 26.0 | 22.1% |
| Net margin | 8.0% | 8.1% | |
| Free cash flow | 28.6 | 32.9 | 15.0% |

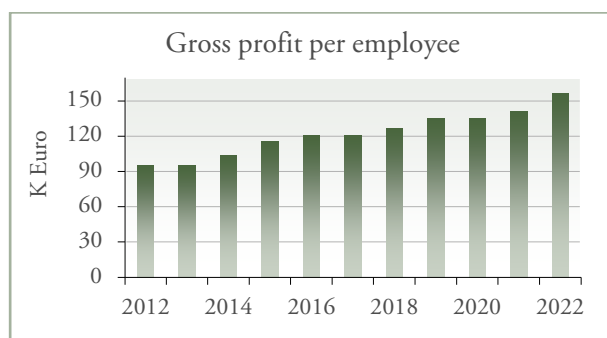
In m Euro and percent, source: Company

Further margin increase

The final profit figures were also in line with the preliminarily reported ones. With an increase in EBITDA of 19 percent to EUR 52.7 m, EBIT and EBT increased by 23 percent each to EUR 42.6 m and EUR 41.5 m respectively, and consolidated profit after taxes and minority interests by 22 percent to EUR 26.0 m. With the exception of the EBITDA margin, which fell by 0.3 percentage points year-on-year to 16.4 percent, the margin increase was thus continued at all earnings levels. With 13.3 percent for EBIT (previously 13.0 percent), 13.0 percent for EBT (previously 12.7 percent) and 8.1 percent net income (8.0 percent), new record figures were reported throughout. The group's paragon of profitability continues to be the software segment, which achieved EBIT of EUR 25.1 m or 25.8 percent of segment sales, but the earnings momentum in the VAR business, whose EBIT rose by 31 percent to EUR 17.5 m, was stronger this time around.

Other expenses strongly increased

The margin increase was made possible by the disproportionately low development of personnel expenses and depreciation, which increased by 12 percent to EUR 94.9 m and by 3 percent to EUR 10.0 m, respectively. In contrast, other operating expenses increased by 31 percent to EUR 10.1 m. The main driver behind this was the normalisation of travel and trade fair activities after the Covid pandemic, which, among other things, almost doubled travel costs to almost EUR 2.9 m and increased advertising costs by almost half to EUR 3.2 m. IT costs also increased significantly (+71 percent to EUR 2.4 m), which is partly due to the introduction of SAP and Salesforce systems. In relation to sales (5.6 percent), however, other operating expenses are still significantly below the pre-Covid level (2019: 7.1 percent).



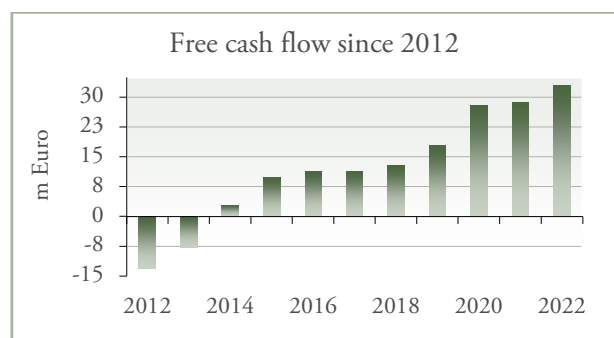
Source: Company, own calculations

Upward trend in employee productivity

This also applies to the personnel expense ratio, which fell below the 30 percent mark for the first time last year with 29.6 percent. And this although average personnel costs rose by 6.1 percent, the highest increase in several years – the average increase over the previous five years was only 2.3 percent. However, M+M was able to compensate for this through continued discipline in staff expansion, which, measured in terms of full-time equivalents, was limited to 5.3 percent (to 1,031 FTEs) despite the strong growth in sales. As a result, gross profit per employee as a key indicator of employee productivity increased by 10.5 percent to EUR 156,300 and thus significantly more than average costs.

Excellent cash flow

Operating cash flow was even slightly better than provisionally reported, rising by 6 percent to EUR 39.1 m (provisionally: EUR 38.7 m). This means that at the end of the year 12.2 percent of the revenues remained in the cash surplus, an excellent figure. An even better result was prevented by a strong increase in receivables in the course of the special boom in the Autodesk business, which is, however, only a reporting-date effect and will lead to a correspondingly high cash inflow in the first quarter of 2023. Since the investment-related outflow of funds, which had increased somewhat in the previous year due to the acquisition of the Dutch CAM distribution partner, now decreased again from EUR -8.3 to -6.1 m, the increase in free cash flow was even stronger with +15 percent to EUR 32.9 m.



Source: Company, own calculations

High payments for dividends and share buyback

The majority of these funds were used by M+M 2022 for the payment of a dividend (EUR 1.20 per share or EUR 20.1 m) and for the repurchase of its own shares, with which the management took advantage of the price decline in the course of the stock market turbulence and for which a total of EUR 15.7 m was used. Together with the outflows for interest, dividends to minority shareholders and for the repayment of leasing liabilities, and less net borrowing of EUR 14.6 m, this resulted in a financing cash flow of EUR -28.4 m. Overall, however, liquidity increased from EUR 20.0 m in the previous year to EUR 24.4 m.

Equity lower

Due to the combination of the high dividend and the share buybacks, equity fell by almost 8 percent to EUR 85.8 m in 2022 despite the high profit – the first decline since 2009. In relation to the balance sheet total, which increased at the same time by 17 percent to EUR 187.4 m, this corresponds to an equity ratio of 45.7 percent. While this is 10 percentage points less than a year earlier, it is still a very comfortable cushion. The second largest liability item is trade payables, which increased last year by 79 percent to EUR 24.8 m. Liabilities to banks also rose sharply. The sum of short- and long-term loans and a real estate loan increased by 123 percent to EUR 26.4 m, causing net liquidity to slip slightly into the red for the first time in several years. However, net debt is very moderate and, even with the addition of lease liabilities (EUR 13.5 m), amounts to only EUR 13.5 m or 0.3 times last year's EBITDA. Among the assets, goodwill is the largest item, accounting for EUR 47.9 m – almost half of the fixed assets and a quarter of the total assets. Receivables were almost on a par with this (EUR 47.8 m), increasing by 57 percent based on the reporting date, mainly due to the strong final spurt in the Auto-desk business.

Forecast for 2023 confirmed and...

For the current year, Mensch und Maschine continues to target EpS growth to between 164 and 181 cents per share, maintaining the two-year guidance for 2022 and 2023 formulated at the beginning of 2022, which envisages average earnings growth of 14 to 20 percent over this period. On this basis, the dividend is to be increased from EUR 1.40 per share to between EUR 1.55 and EUR 1.65 this year.

...concretised for 2024

For the coming year, M+M plans continued earnings growth at the average rate of the years 2022 and 2023. Specifically, earnings per share are expected to increase by a further 14 to 20 percent, allowing for a further dividend increase of 15 to 25 cents. The management is confident of this momentum in the medium term as well and has now extended the objective of doubling earnings, which was formulated last year with

regard to 2025/26 and the target of more than EUR 2.50 per share, to 2026/27 and more than EUR 3.00.

Estimates largely unchanged

Since the final figures were largely within the range of the provisionally reported ones, there is no major need to adjust our estimates. Although the integration of the data from the annual report into our model was accompanied by some few changes in the expense ratios as well as in several items of the cash flow and balance sheet estimates, the modifications remained moderate overall. The biggest changes were in depreciation, which we increased slightly, and the rate of change in working capital, which we expect to return to normal in 2023 after the sharp increase last year.

Continued sales growth

For sales in 2023, we continue to expect a constant value at the previous year's level and then calculate – as before – with a constant sales growth of 10 percent p.a. from 2024 onwards. The expected growth in gross profit is 5.3 percent in 2023 and 10.5 percent in the following years, implying a slightly disproportionate expansion of the proprietary business.

Further margin increase

This should also contribute to the expected further margin increase. For the current year, in which the weight of the Autodesk business will decrease noticeably after the special boom in 2022, we expect the EBIT margin to increase to 14.8 percent. As before, we assume a continuation of the previous trend for the following years and thus a steady increase, with the target margin in 2023 being – at 19.3 percent – minimally below the previous target figure (19.5 percent) due to the slightly increased depreciation projection. The table below shows the overall model business development resulting from our assumptions for the years 2023 to 2030; detailed overviews of the estimates for balance sheet, income statement and cash flows statement can be found in the Annex. Subsequently, to determine the terminal value, we work, as before, with a ten percent safety discount on the target EBIT margin and calculate accordingly with an initial

| m Euro | 12 2023 | 12 2024 | 12 2025 | 12 2026 | 12 2027 | 12 2028 | 12 2029 | 12 2030 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Sales | 320.5 | 352.5 | 387.8 | 426.6 | 469.2 | 516.1 | 567.7 | 624.5 |
| Sales growth | | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| EBIT margin | 14.8% | 15.5% | 16.2% | 16.9% | 17.6% | 18.3% | 18.9% | 19.3% |
| EBIT | 47.3 | 54.5 | 62.8 | 72.1 | 82.7 | 94.7 | 107.6 | 120.8 |
| Tax rate | 30.5% | 30.5% | 30.5% | 30.5% | 30.5% | 30.5% | 30.5% | 30.5% |
| Adjusted tax payments | 14.4 | 16.6 | 19.1 | 22.0 | 25.2 | 28.9 | 32.8 | 36.8 |
| NOPAT | 32.9 | 37.9 | 43.6 | 50.1 | 57.5 | 65.8 | 74.7 | 83.9 |
| + Depreciation & Amortisation | 4.2 | 4.7 | 5.1 | 5.5 | 5.8 | 6.1 | 6.4 | 6.7 |
| + Increase long-term accruals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| + Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross operating Cash Flow | 37.1 | 42.6 | 48.7 | 55.6 | 63.3 | 71.9 | 81.2 | 90.7 |
| - Increase Net Working Capital | 3.3 | 1.5 | -0.6 | -0.7 | -0.9 | -1.0 | -1.1 | -1.3 |
| - Investments in fixed assets | -5.4 | -5.7 | -5.9 | -6.2 | -6.5 | -6.8 | -7.1 | -7.4 |
| Free Cash Flow | 34.9 | 38.3 | 42.1 | 48.6 | 55.9 | 64.1 | 72.9 | 82.0 |

value of 17.4 percent. The estimate for the "perpetual" cash flow growth remains at one percent p.a.

Price target: EUR 61.70 per share

At a discount rate of 7.0 percent, this results in a fair value of equity of EUR 1,029 m or EUR 61.71 per share, from which we derive the new price target of EUR 61.70 (a sensitivity analysis can be found in the Annex). Due to the updating of the model data based

on the annual report, this is slightly lower than recently (EUR 62.30), but still signals a high price potential of almost 30 percent. In our opinion, this is associated with a below-average estimation risk due to the growth model that has been established and proved successful for many years, which we express by awarding only two of a maximum of six possible risk points.

Conclusion

With the presentation of the annual report, Mensch und Maschine has confirmed the very good preliminary figures and even slightly exceeded them regarding operating cash flow. With its M+M-specific reliability, the company also increased its sales last year (+20.4 percent to EUR 320.5 m) and – more importantly – continued its disproportionately high profit growth, increasing the net profit by 22 percent to EUR 26.0 m. On this basis, the dividend is to be raised for the eighth time in a row, from EUR 1.20 per share in the previous year to EUR 1.40.

The dynamic profit growth is expected to continue in the future. For the current year, M+M anticipates a somewhat slower pace of growth due to last year's pull-forward effects in the Autodesk business, but earnings per share are expected to increase again by 14 to 20 percent as early as 2024. Looking ahead to the next four to five years, the Management Board is confident that the company can double its profits to more than EUR 3.00 per share.

The stock market has appropriately recognised the strong and, above all, extremely reliable performance of Mensch und Maschine in the past and has pushed the valuation close to the fair value we have determined. With last year's rise in interest rates, this has changed; in the last twelve months, the M+M share has fallen by 16 percent despite the convincing figures and prospects.

Although we have also taken the higher interest rates into account in our model, we see the fair value far above the current valuation. In combination with the high-growth and profitable business model, the more than solid balance sheet and the very experienced management that is focused on continuity, reliability and risk limitation, we believe this speaks in favour of the share, for which we therefore confirm our “Strong Buy” rating, with a new price target of EUR 61.70.

Annex I: SWOT analysis

Strengths

- Strong position in attractive target markets established for decades.
- A fast-growing, highly profitable software segment with a global market presence and a leading technological position.
- High continuity at management level and very low employee turnover.
- Stable shareholder structure with more than 50 percent of shares in management hands.
- Solid balance sheet structure with a high equity ratio and low debt.
- Growth dynamics above the industry average, with recently a disproportionately high rise in profits.
- Remarkable forecast accuracy supports the target of further profit increases.

Opportunities

- There is still considerable potential for margin growth in the VAR business that should allow an above-average profit development in the next few years, if the present trends continue.
- The increasing importance of digitisation projects is likely to further boost the development of the VAR business.
- With its expertise in BIM and bridge and tunnel construction, the SOFiSTiK subsidiary is addressing very promising markets.
- With the new eXs software, M+M has a modern product for an attractive market in which there is nothing comparable on offer.
- The foreseeable profit growth should allow a steady and considerable increase in dividends.

Weaknesses

- The VAR business is largely determined by Autodesk's product and pricing policy.
- The geographic expansion of the VAR business requires the expensive establishment of additional offices.
- Strong dependence on Germany and Europe.
- In both segments, M+M faces the challenge of attracting and retaining suitable employees in a difficult labour market.
- In terms of marketing, technology and personnel, there are at best only minor synergies between the segments.

Threats

- A further escalation of the Russian aggression or a deep recession in Europe could slow down or interrupt the positive trend.
- High personnel intensity in the VAR business means a high extent of utilisation risk in economically weaker phases.
- The targeted further increase in margins cannot be taken for granted, especially in the software segment at the level already achieved.
- Should Autodesk fall behind in competition, it could have a perceptibly negative impact on the VAR business.
- The role as technology leader requires intensive development activities in the software segment and carries the risk of technological failures.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

| m Euro | 2022 act. | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS | | | | | | | | | |
| I. Total non-current assets | 102.7 | 104.0 | 105.0 | 105.8 | 106.6 | 107.3 | 108.0 | 108.6 | 109.3 |
| 1. Intangible assets | 67.8 | 67.3 | 66.8 | 66.3 | 65.8 | 65.4 | 64.9 | 64.5 | 64.0 |
| 2. Tangible assets | 33.8 | 35.5 | 37.0 | 38.4 | 39.6 | 40.8 | 41.9 | 43.0 | 44.1 |
| II. Total current assets | 84.7 | 83.6 | 86.9 | 91.5 | 98.4 | 106.8 | 118.7 | 134.4 | 151.4 |
| LIABILITIES | | | | | | | | | |
| I. Equity | 85.8 | 91.9 | 100.1 | 109.2 | 120.5 | 133.0 | 147.3 | 163.2 | 180.3 |
| II. Accruals | 13.4 | 13.8 | 14.3 | 14.7 | 15.2 | 15.7 | 16.1 | 16.6 | 17.1 |
| III. Liabilities | | | | | | | | | |
| 1. Long-term liabilities | 24.4 | 22.5 | 20.5 | 18.6 | 16.7 | 13.7 | 11.6 | 11.6 | 11.6 |
| 2. Short-term liabilities | 63.9 | 59.4 | 57.0 | 54.8 | 52.6 | 51.7 | 51.6 | 51.6 | 51.7 |
| TOTAL | 187.4 | 187.6 | 191.8 | 197.3 | 205.0 | 214.1 | 226.7 | 243.0 | 260.7 |

P&L estimation

| m Euro | 2022 act. | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e |
|-------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales | 320.5 | 320.5 | 352.5 | 387.8 | 426.6 | 469.2 | 516.1 | 567.7 | 624.5 |
| Gross profit | 161.1 | 169.5 | 187.2 | 206.9 | 228.5 | 252.5 | 278.9 | 307.6 | 339.1 |
| EBITDA | 52.7 | 57.3 | 65.0 | 73.6 | 83.3 | 94.3 | 106.5 | 119.7 | 133.3 |
| EBIT | 42.6 | 47.3 | 54.5 | 62.8 | 72.1 | 82.7 | 94.7 | 107.6 | 120.8 |
| EBT | 41.5 | 46.2 | 53.9 | 62.3 | 71.8 | 82.6 | 94.8 | 107.8 | 121.2 |
| EAT (before minorities) | 28.9 | 32.1 | 37.4 | 43.3 | 49.9 | 57.4 | 65.9 | 75.0 | 84.2 |
| EAT | 26.0 | 28.4 | 32.9 | 37.8 | 43.3 | 49.5 | 56.5 | 63.8 | 71.3 |
| EPS | 1.53 | 1.70 | 1.97 | 2.27 | 2.60 | 2.97 | 3.39 | 3.83 | 4.28 |

Annex III: Cash flows estimation and key figures

Cash flows estimation

| m Euro | 2022 act. | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e |
|-----------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|
| CF operating | 39.1 | 45.4 | 49.3 | 53.5 | 60.4 | 68.1 | 76.8 | 86.0 | 95.4 |
| CF from investments | -6.1 | -5.4 | -5.7 | -5.9 | -6.2 | -6.5 | -6.8 | -7.1 | -7.4 |
| CF financing | -28.4 | -37.8 | -41.1 | -45.8 | -50.3 | -56.5 | -61.6 | -67.0 | -75.0 |
| Liquidity beginning of year | 20.0 | 24.4 | 26.5 | 29.0 | 30.8 | 34.7 | 39.8 | 48.2 | 60.2 |
| Liquidity end of year | 24.4 | 26.5 | 29.0 | 30.8 | 34.7 | 39.8 | 48.2 | 60.2 | 73.1 |

Key figures

| percent | 2022 act. | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e |
|-------------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales growth | 20.4% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Gross profit growth | 16.4% | 5.2% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.3% | 10.3% |
| Gross margin | 50.3% | 52.9% | 53.1% | 53.3% | 53.6% | 53.8% | 54.0% | 54.2% | 54.3% |
| EBITDA margin | 16.4% | 17.9% | 18.4% | 19.0% | 19.5% | 20.1% | 20.6% | 21.1% | 21.3% |
| EBIT margin | 13.3% | 14.8% | 15.5% | 16.2% | 16.9% | 17.6% | 18.3% | 18.9% | 19.3% |
| EBT margin | 13.0% | 14.4% | 15.3% | 16.1% | 16.8% | 17.6% | 18.4% | 19.0% | 19.4% |
| Net margin (after minorities) | 8.1% | 8.9% | 9.3% | 9.7% | 10.2% | 10.6% | 10.9% | 11.2% | 11.4% |

Annex IV: Sensitivity analysis

| WACC | Perpetual cash flows growth | | | | |
|------|-----------------------------|-------|-------|-------|-------|
| | 2.0% | 1.5% | 1.0% | 0.5% | 0.0% |
| 6.0% | 89.68 | 81.78 | 75.44 | 70.26 | 65.94 |
| 6.5% | 79.05 | 72.94 | 67.95 | 63.78 | 60.26 |
| 7.0% | 70.54 | 65.72 | 61.71 | 58.31 | 55.40 |
| 7.5% | 63.59 | 59.72 | 56.44 | 53.63 | 51.19 |
| 8.0% | 57.80 | 54.64 | 51.93 | 49.58 | 47.52 |

Disclaimer

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Charts

The charts were made with Tai-Pan (www.lp-software.de).

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9) At the time of the publication of the report, the issuer holds holdings exceeding 5 % of its total issued share capital in the sc-consult GmbH

10) sc-consult GmbH has included the company's shares in a virtual portfolio managed by sc-consult GmbH

Following conflicts of interests occurred in this report: 1), 3)

Within the framework of compliance regulations, sc-consult GmbH has established structures and processes for the identification and disclosure of conflicts of interests. The responsible compliance representative is currently managing director Dipl.-Kfm. Holger Steffen (e-mail: holger.steffen@sc-consult.com).

II) Preparation and updating

The present financial analysis was prepared by: Dipl. Volkswirt Dr. Adam Jakubowski

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 17.03.2023 at 12:40 and published on 17.03.2023 at 13:00.

For the preparation of its financial analyses, the sc-consult GmbH uses a five-tier rating scheme with regard to price expectation in the next twelve months. Additionally, estimation risk is quantified on a scale from 1 (low) to 6 (high). The ratings are as follows:

| | |
|-----------------|--|
| Strong Buy | We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as below average (1 to 2 points). |
| Buy | We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points). |
| Speculative Buy | We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as above average (5 to 6 points). |

| | |
|------|---|
| Hold | We expect that the price of the analysed financial instrument will remain stable (between -10 and +10 percent). The forecast risk (1 to 6 points) has no further impact on the rating. The rating “hold” is also used in cases where we perceive a price potential of more than 10 percent, but explicitly mentioned temporary factors prevent a short-term realization of the price potential. |
| Sell | We expect that the price of the analysed financial instrument will drop by at least 10 percent. The forecast risk (1 to 6 points) has no further impact on the rating. |

The expected change in price refers to the current share price of the analyzed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

The rating resulting from these methods reflects current expectations and can change anytime subject to company-specific or economic changes.

More detailed explanations of the models used by SMC Research can be found at:

<http://www.smc-research.com/impressum/modellerlaeuterungen>

An overview of the recommendations prepared and distributed by SMC Research in the last 12 months can be found at: <http://www.smc-research.com/publikationsuebersicht>

In the past 24 months, sc-consult GmbH has published the following financial analyses for the company:

| Date | Investment recomm. | Target price | Conflict of interests |
|------------|--------------------|--------------|-----------------------|
| 13.02.2023 | Strong Buy | 62.30 Euro | 1), 3) |
| 26.10.2022 | Strong Buy | 66.50 Euro | 1), 3), 4) |
| 27.07.2022 | Strong Buy | 65.00 Euro | 1), 3), 4) |
| 22.04.2022 | Strong Buy | 71.00 Euro | 1), 3) |
| 23.03.2022 | Strong Buy | 71.00 Euro | 1), 3), 4) |
| 11.02.2022 | Strong Buy | 73.40 Euro | 1), 3) |
| 25.10.2021 | Strong Buy | 70.00 Euro | 1), 3), 4) |
| 05.08.2021 | Strong Buy | 68.00 Euro | 1), 3), 4) |
| 23.04.2021 | Hold | 63.70 Euro | 1), 3) |

In the course of the next twelve months, sc-consult GmbH will presumably prepare the following financial analyses for the company: one report and two updates.

The publishing dates for the financial analyses are not yet fixed at the present moment.

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