



Research Report (Anno)

M1 Kliniken AG



“Substantial increase in clinic locations implemented, financial year exceeds expectations, expansion course to be continued, new business areas to be developed”

Target Price: 18.50 €

Rating: BUY

IMPORTANT NOTE:

Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section § 85 WpHG and Art. 20 MAR on page 16

Note on research as a “minor non-monetary benefit” according to the MiFID II regulation: This research meets the requirements for being classified as a “minor non-monetary benefit”. For more information, see the disclosure under “1. Research under MiFID II”

M1 Kliniken AG^{*5a,11}

BUY

Target Price: 18.50 €
(until now: 16.15 €)

Current Price: € 15.60
16/05/18 / XETRA/10:35 am
Currency: EUR

Key Data:

ISIN: DE000A0STSQ8
WKN: A0STSQ
Ticker symbol: M12
Number of shares³: 16.500
Marketcap³: 257.40
EnterpriseValue³: 233.24
³in million / in mEUR

Transparency level:
Open Market
Market segment:
Freiverkehr
Accounting standard:
IFRS

Financial Year End: 31.12.

Designated Sponsor:
Oddo Seydler Bank

Analyst:

Cosmin Filker
filker@gbc-ag.de

* List of possible conflicts of interest on page 17

Company profile

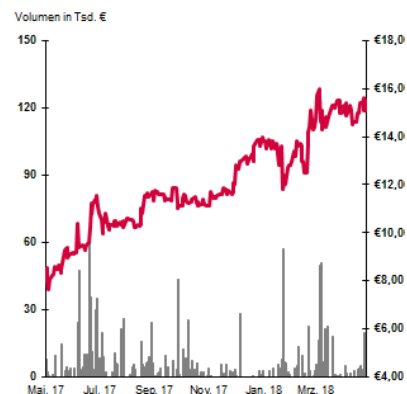
Sector: Clinic and services

Focus: Medical beauty treatments

Established: 2007

Registered office: Berlin

Board of management: Patrick Brenske, Dr. Walter von Horstig



The M1 Kliniken Group operates medical centres for aesthetic and plastic surgery at sites in densely populated areas of Germany. The company covers a highly specialised range of aesthetic medical treatments, which are performed by renowned and highly experienced doctors at very competitive prices. Its subsidiary, M1 Aesthetics GmbH, specialises in purchasing and distributing pharmaceutical, medical and medical technology products for aesthetic medicine, plastic surgery and cosmetic dermatology.

P&L in €m \ FY-End	31/12/2017	31/12/2018e	31/12/2019e	31/12/2020e
Revenue	47.19	62.62	81.20	93.45
EBITDA	6.18	8.01	10.86	12.61
EBIT	5.71	7.61	10.41	12.11
Net profit	5.78	6.15	8.09	9.28

Key figures in €				
EPS	0.38	0.39	0.52	0.59
Dividend per share	0.30	0.30	0.30	0.30

Ratios				
EV/Revenue	4.94	3.72	2.87	2.50
EV/EBITDA	37.74	29.12	21.48	18.50
EV/EBIT	40.85	30.65	22.41	19.26
P/E-Ratio	44.53	41.85	31.82	27.74
Price-Book-Ratio	5.44			

Financial schedule

10/07/2018: General Meeting

27/08/2018: Half-Year Report 2018

**latest research by GBC:

Date: publication/ target price in EUR / Rating

16/10/2017: RS / 16.15 / BUY

11/05/2017: RS / 11.90 / BUY

31/03/2017: RS / 11.20 / BUY

02/11/2016: RS / 10.20 / BUY

** The research studies indicated above may be viewed at www.gbc-ag.de, or requested from GBC AG, Halderstr. 27, D86150 Augsburg

EXECUTIVE SUMMARY

- M1 Kliniken AG significantly expanded the number of locations in Germany from 13 to 19 in 2017, therefore exceeding its own growth plans. With the opening of six further locations in Leipzig, Wiesbaden, Münster, Berlin II, Mannheim and Berlin III, the basis for an increase in beauty treatments was expanded. The 150,000 beauty treatments completed in 2017 represent an increase of 50% compared to the previous year.
- On this basis, sales revenue climbed by 31.3% to EUR 47.19 million (previous year: EUR 35.96 million). In our last year's annual study (dated 11/05/2017), we had predicted the opening of five further centres in 2017 and forecasted revenue of EUR 43.69 million. Our former forecast was therefore exceeded. EBIT climbed by 31.0% to EUR 5.72 million (previous year: EUR 4.36 million) and therefore in proportion to the increase in sales. The EBIT margin of 12.1% (previous year: 12.1%) can be seen in particular against the backdrop of the current expansion phase, which is accompanied, for example, by a strong increase in workforce. In addition, new locations are in the typical ramp-up phase, which is characterised by a lower profitability level.
- In the coming years, site expansion is to be continued. In the current financial year, two more clinics have already been opened in Munich and Frankfurt. According to our forecasts, there should be a total of 29 clinics in the M1 Group at the end of the financial year 2018. In the process, not only is a "re-densification" planned in Germany, but an international roll-out is also the focus of the corporate strategy. Specifically, new openings could initially be made in Austria in order to participate in the attractive market potential, which is similar to that in Germany.
- Further revenue streams, such as the field of aesthetic dentistry covered since the first quarter of 2018, should provide additional momentum. Rapid integration of this new service into the existing clinic network should allow for fast expansion of this treatment. In addition, the company will continue to push the commercial sector for the higher-margin own-brands for the retail segment. To this effect, the roll-out of the B2C business took place at the beginning of 2018, which sees care products sold online and in specialist centres under the brand name M1 Select (m1-select.de).
- On this basis, we expect the growth momentum to continue, as well as an expansion of the sales base over the coming financial years. In the current growth phase, which is expected to extend over the coming financial years, M1 Kliniken AG should be characterised by corresponding up-front investments. For the coming financial years, we therefore only forecast a constant development of the EBIT margin, which should stabilise between 12.2% (2018e) and 13.0% (2019e). After completion of the growth phase, higher EBIT margins are possible, which we have taken into account in our DCF valuation model.
- As part of the DCF valuation model, the resulting fair value per share at the end of the 2018 financial year corresponds to the stock price target of EUR 18.50 (previously: EUR 16.15). The target price increase is a result of the first inclusion of the higher 2020 estimates as the basis for the continuity phase of the valuation model, as well as the roll-over effect. We continue to assign the BUY rating.

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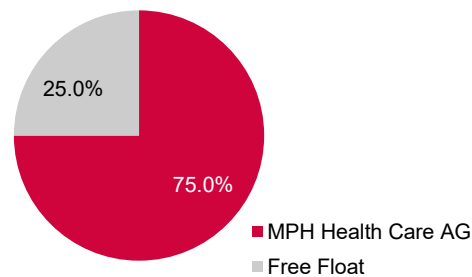
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COMPANY

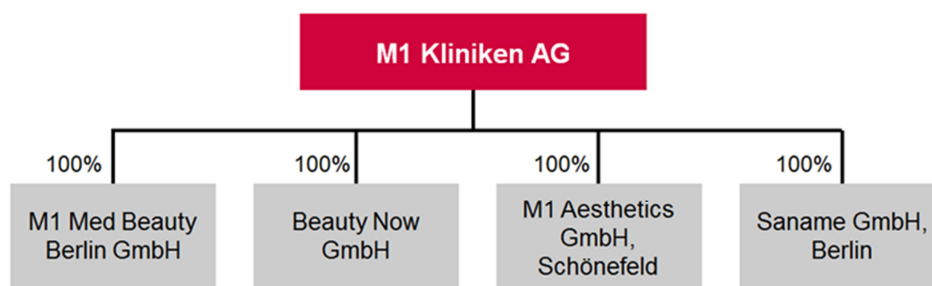
Shareholder Structure

Shareholder in %	May 2017
MPH Health Care AG	75.0 %
Free Float	25.0 %

Source: M1 Kliniken AG; GBC AG



Company Structure



Source: M1 Kliniken AG; GBC AG

The M1 group of companies currently comprises four wholly-owned companies, with the main focus being on operating activities within the two companies M1 Med Beauty Berlin GmbH and M1 Aesthetics GmbH. Saname GmbH and Beauty Now GmbH do not currently have any operational business.

Within the M1 Med Beauty Berlin GmbH, medical services are provided in the field of beauty care. This refers primarily to the implementation of surgical and non-surgical treatments, mainly wrinkles and lip injections, but also breast enlargements, liposuction or blepharoplasty (eyelid lifting). These treatments are currently being offered in the M1 Schlossklinik in Berlin-Köpenick and another 20 specialist centres. The private clinic was granted a licence for clinical operations in June 2015. Within the four-storey building, the company has six operating theatres and several non-invasive treatment rooms, and 35 in-patient beds. The clinic is already one of the largest and most modern specialist clinics for plastic and aesthetic surgery in Germany.

The purchase and logistics of medicines and medical devices in the health and beauty sector will be covered by the M1 Aesthetics GmbH as the second important division of the M1 Group. For this activity, the company has a wholesale trade authorisation pursuant to Section 52a of the German Medicinal Products Act (Arzneimittelgesetz – AMG). The fact that this important business unit is also addressed is to be seen as a total vertical integration of the upstream value creation stages. For example, product deliveries to the M1 Schlossklinik or the specialist consulting centres are also covered, and therefore the potential economies of scale remain within the M1 Group.

Company Strategy

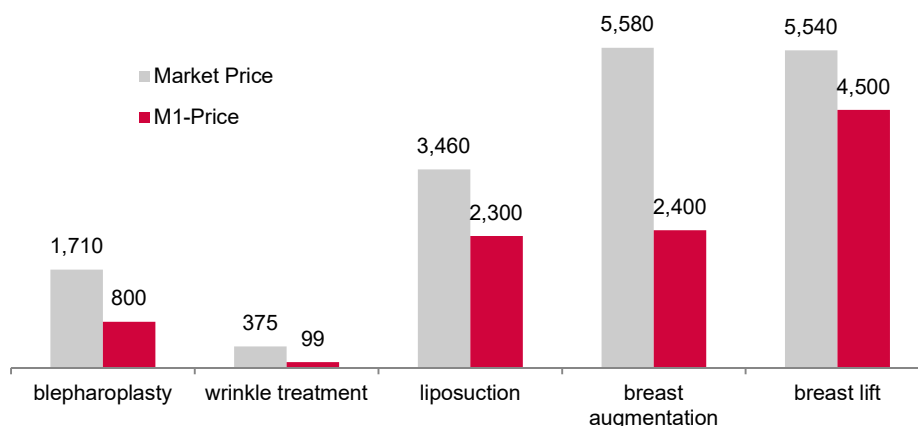
The combination of services offered for the field of beauty treatments with the procurement of drug and medical devices is an important strategic cornerstone of the M1 Group. Particular emphasis is placed here on possible synergy effects, such as the use of economies of scale. With the standardised offer of products and services, low purchase prices can be achieved with suppliers in order to be able to offer customers comparatively low prices for products and services.

The M1 Kliniken Group has performed more than 300,000 beauty treatments since the start of its activities. Effective and efficient processes have evolved, whose continuous improvement is one of management's key goals. Due to the high degree of specialisation, quality leadership is sought in important areas within medical cosmetic surgery.

On the other hand, with the horizontal coverage of the upstream value creation stages for beauty treatments, the Group gains a better understanding of the processes and can accordingly also enhance synergy effects here. For example, the experience gained from the large number of beauty treatments performed can be used profitably in the commercial sector. It is planned to build up a product portfolio of medicines and medical devices that has been optimised to meet existing customer requirements, in order to achieve further cost benefits.

In general, the corporate strategy aims to achieve cost leadership in beauty treatments and surgeries. In this regard, only those treatments that are most frequently requested by customers, which have already achieved a high degree of standardisation, are to be offered. Another benefit of the high level of standardisation is the ability to optimise the process chain to the point of high utilisation, and effective and efficient use of resources (e.g. operating theatres) and employees. This generates cost benefits, which smaller competitors – therefore approx. 95% of the competitive environment – cannot generate. Overall, the M1 Group is able to offer treatments at significantly lower price levels than the market average. A comparison with the average market prices (source: mybody.de) illustrates the cost leadership of the M1 Group that has already been achieved:

Comparison Market Price vs. M1-Price (in €)



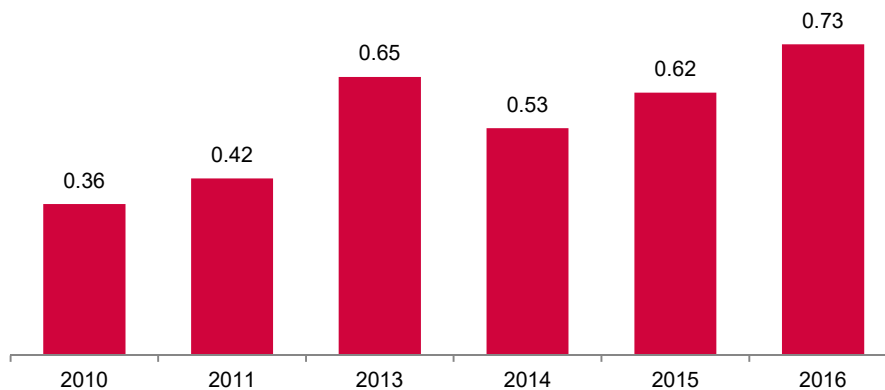
Source: mybody.de; M1 Kliniken AG; GBC AG

MARKET AND MARKET ENVIRONMENT

M1 Kliniken AG specialises in beauty treatments and products and services in the beauty sector in a growing market environment. In addition to a generally greater willingness to undergo beauty treatments, the market environment not only benefits from technological advances, which can offer treatments at a reasonable cost, but also from an increasing willingness to spend money on medical treatments.

According to statistics from ISAPS (International Society of Aesthetic Plastic Surgery), a total of 730,437 beauty treatments were performed in Germany in 2016, which is a new record. Compared to 2010, when just over 355,000 beauty treatments were performed, this equates to an increase of 73.7%.

Number of beauty treatments in Germany (in m)



Source: ISAPS; GBC AG

On an international level, Germany ranks ninth in terms of the number of treatments, after having reached sixth place in 2015. As a result, a lower increase was achieved in an international comparison. With regard to the number of aesthetic surgeries, Germany is still considered to be comparatively “underdeveloped”, with correspondingly high catch-up potential.

In particular, companies such as M1 Kliniken AG could participate in this, which, in addition to the strategy based on cost leadership, should benefit from customers' increasing price sensitivity. According to a survey conducted by the DGÄPC (German Society for Aesthetic Plastic Surgery), 56.6% of women and 53.3% of men stated that cost is an important factor when deciding on an aesthetic treatment. However, this compares to a comparatively solid development in the costs of the most important beauty treatments, so that M1 Kliniken AG, in addition to the already expanded clinic network and the resulting high accessibility, should profit from the remaining cost advantages. Compared to 2009, the cost of the most important beauty treatments only fell by 1.3%.

COMPANY DEVELOPMENT

Key Figures

P&L (in €m)	FY 2016	FY 2017	FY 2018e	FY 2019e	FY 2020e
Revenue	35.96	47.19	62.62	81.20	93.45
Other operating income	5.43	0.26	0.30	0.30	0.30
Material expenses	-27.94	-28.70	-38.01	-49.04	-56.35
Gross profit	13.44	18.76	24.91	32.46	37.40
Personell expenses	-3.80	-7.17	-10.10	-13.40	-15.14
Depreciation	-0.29	-0.46	-0.40	-0.45	-0.50
Other operating expenses	-4.99	-5.41	-6.80	-8.20	-9.65
EBIT	4.36	5.71	7.61	10.41	12.11
Interest income	1.14	1.66	1.20	1.20	1.20
Interest expenses	-0.01	-0.01	-0.03	-0.05	-0.05
EBT	5.49	7.36	8.78	11.56	13.26
Taxes	-0.48	-1.58	-2.63	-3.47	-3.98
Other taxes	0.00	-0.01	0.00	0.00	0.00
EAT	5.01	5.78	6.15	8.09	9.28
EBITDA	4.65	6.18	8.01	10.86	12.61
in % of revenues	12.9%	13.1%	12.8%	13.4%	13.5%
EBIT	4.36	5.71	7.61	10.41	12.11
in % of revenues	12.1%	12.1%	12.2%	12.8%	13.0%
EPS in €	0.33	0.38	0.37	0.49	0.56
Dividend per share in €	0.30	0.30	0.30	0.30	0.30

Source: M1 Kliniken AG; GBC AG

Business Development FY 2017

P&L (in €m)	FY 2014	FY 2015	FY 2016	FY 2017
Revenue	22.07	34.94	35.96	47.19
EBITDA	5.13	7.23	4.65	6.18
EBITDA-margin	23.2%	20.7%	12.9%	13.1%
EBIT	5.02	7.02	4.36	5.71
EBIT-margin	22.7%	20.1%	12.1%	12.1%
EAT	4.59	6.63	5.01	5.78
EPS in €	0.31	0.44	0.33	0.38

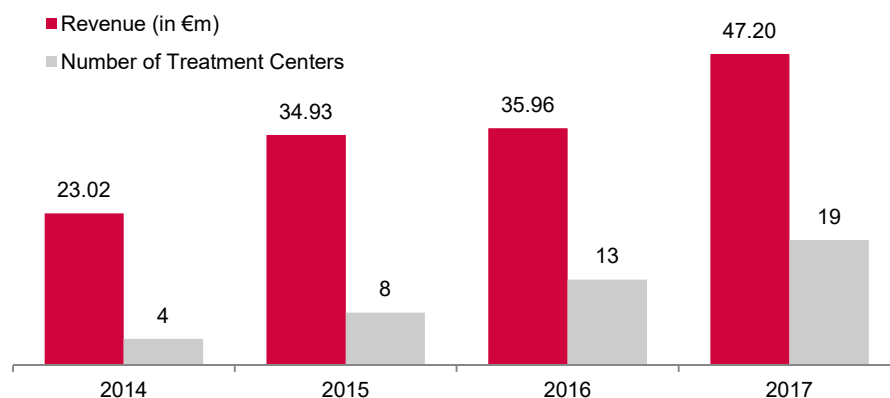
Source: M1 Kliniken AG; GBC AG

Revenue Development FY 2017

In the last financial year 2017, M1 Kliniken AG followed up on the announcements and significantly expanded the number of specialist centres in Germany. With the opening of six other locations (Leipzig, Wiesbaden, Münster, Berlin II, Mannheim, Berlin III), M1 Kliniken AG's services are now offered at 19 specialist centres. Similarly, the number of beauty treatments climbed to around 150,000, which equates to an increase of 50% compared to the previous year. Although the increase in sales of 31.3% to EUR 47.19 million achieved in 2017 (previous year: EUR 35.96 million) is below the increase in the number of treatments, this is a result of a higher number of outpatients and therefore somewhat more inexpensive treatments.

As part of last year's annual study (see research study dated 11/05/2017), we had predicted the opening of five further centres for 2017 and forecasted revenue of EUR 43.69 million. Both assumptions were exceeded by the company.

Revenue (in €m) and number of Treatment Centers



Source: M1 Kliniken AG; GBC AG

Since new treatment centres generally have a start-up phase (increasing publicity, process optimisation, etc.) of around nine months, the sales momentum has remained below the growth rate of the treatment centres. In the current financial year, follow-up effects from the expansion of the treatment centres are therefore to be expected.

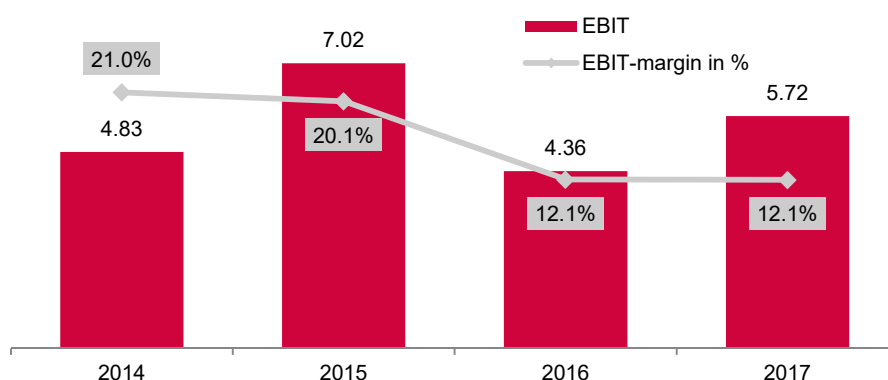
The sales revenues are primarily sales from beauty treatments as well as service revenues in the context of the cooperation with the beauty clinics. In addition, the company has accelerated its commercial business, which includes trading in pharmaceutical, medical and medical technology products. Not only the B2B sector (doctors, pharmacies, wholesalers) is addressed here, but also the B2C segment (m1-select.de) is recently

covered by own brands. In principle, own brands are associated with higher profit margins than solely commercial trading.

Earnings Development FY 2017

In proportion to the 31.3% increase in sales, EBIT climbed by 31.0% and as a result the company has a constant development of the EBIT margin. At second glance, however, an increase in profitability is apparent. In 2016, M1 Kliniken AG achieved significant other operating income of EUR 5.43 million, which is related to the valuation of listed financial instruments. By contrast, no such income was generated in 2017, which means that other operating income was well below the previous year's level at EUR 0.26 million.

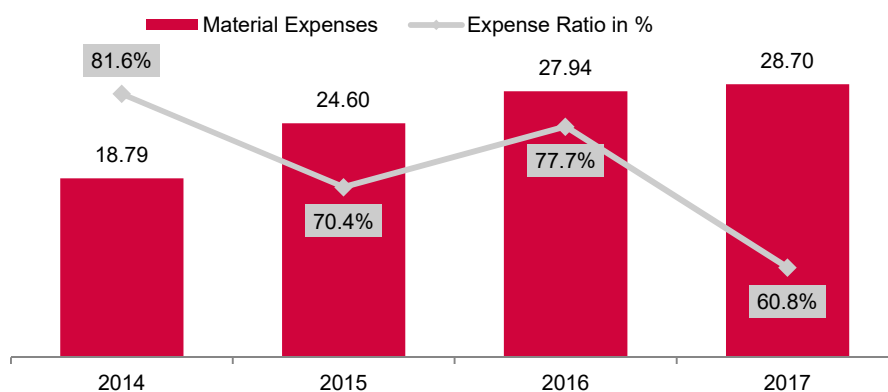
EBIT (in €m) and EBIT-margin (in %)



Source: M1 Kliniken AG; GBC AG

The fact that the company had nevertheless remained below the high levels of the financial years 2014 and 2015 in the EBIT margin is primarily due to the current expansion phase and therefore to the significant expansion of the workforce. While the average number of employees in 2014 was only 17, it climbed to 149 in 2017. As a result, personnel expenses increased significantly from EUR 0.87 million (2014) to EUR 7.17 million. In a steady state, upon reaching the full capacity of the new clinics, economies of scale should be achieved with this expense item. In addition, there was a significant increase in other operating income in connection with the strong site expansion and the increased sales.

Material Expenses (in €m) and Expense Ratio (in %)



Source: M1 Kliniken AG; GBC AG

However, this is offset by a significant reduction in the cost of materials ratio to 60.8% (previous year: 77.7%). Here, the company should have achieved improvements in the revenue mix in 2017 (higher share of treatment revenue vs. trading volumes).

It is worth noting that M1 Kliniken AG is almost exclusively financed by own funds and therefore has no significant financial expenses. In fact, the company generates a large amount of cash-effective financial income (dividend income from investments), which amounted to EUR 1.66 million in the last financial year (previous year: EUR 1.14 million).

However, with regard to earnings after tax, the company still shows a comparatively disproportionate increase to EUR 5.78 million (previous year: EUR 5.01 million). This is due to the “normalisation” of tax expenditure and therefore an increase in the tax rate to 21.4% (previous year: 8.7%).

Balance sheet and financial situation as at 31/12/2017

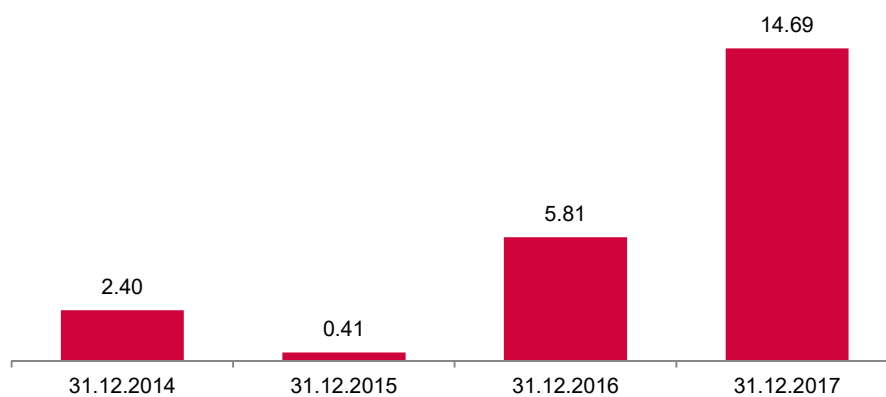
in €m	31/12/2015	31/12/2016	31/12/2017
Equity	29.75	30.26	47.28
<i>Equity-Ratio</i>	<i>89.6%</i>	<i>94.0%</i>	<i>93.5%</i>
Working Capital	15.93	6.58	10.83
Goodwill	8.03	8.03	8.03
Operating Assets	0.49	1.28	4.26
Long-term financial Assets	1.31	5.88	8.76
Cash	0.41	5.81	14.69
Cash Flow – operating	0.07	7.94	2.09
Cash Flow – investing	0.63	1.98	-4.65
Cash Flow – financing	-2.28	-4.52	11.44

Source: M1 Kliniken AG; GBC AG

On the liabilities side, the balance sheet ratios of M1 Kliniken AG are primarily characterised by equity. With an equity ratio of 93.5%, there is almost complete self-financing, which provides a high level of flexibility for future growth. Due to the positive after-tax result and the capital increase in 2017 (net issue proceeds: EUR 15.74 million), equity capital significantly improved to EUR 47.28 million (31/12/16: EUR 30.26 million).

Similarly, liquidity significantly increased to EUR 14.69 million (31/12/16: EUR 5.81 million). The liquidity inflow from the capital increase and the operating business (EUR 2.09 million) contributed to this. Part of the liquidity has already been used for the purchase of a property in Essen, which is to be converted into another specialist clinic in order to expand the surgical area. This resulted in an investment cash flow of EUR -4.65 million (previous year: EUR 1.98 million), which was well offset by the described liquidity inflows.

Cash (in €m)



Source: M1 Kliniken AG; GBC AG

FORECASTS AND VALUATION

P&L (in €m)	FY 2017	FY 2018e	FY 2019e	FY 2020e
Revenue	47.19	62.62	81.20	93.45
EBITDA	6.18	8.01	10.86	12.61
<i>EBITDA-margin</i>	<i>13.1%</i>	<i>12.8%</i>	<i>13.4%</i>	<i>13.5%</i>
EBIT	5.71	7.61	10.41	12.11
<i>EBIT-margin</i>	<i>12.1%</i>	<i>12.1%</i>	<i>12.2%</i>	<i>13.0%</i>
EAT	5.78	6.15	8.09	9.28
EPS in €	0.38	0.37	0.49	0.56

Source: GBC AG

Revenue forecasts FY 2018-2020

The biggest growth factor for M1 Kliniken AG in recent financial years was the significant expansion of its locations and, as a result, a significant increase in treatment capacities. In 2017 alone, the number of clinic and specialist centre locations was expanded significantly from 13 to 19, therefore proving that even a strong expansion of locations can be quickly integrated into the Group. In the current financial year 2018, two more clinics have already been opened in Munich and Frankfurt. With the establishment of another clinic site in Essen, the operating theatre capacities are also to be expanded.

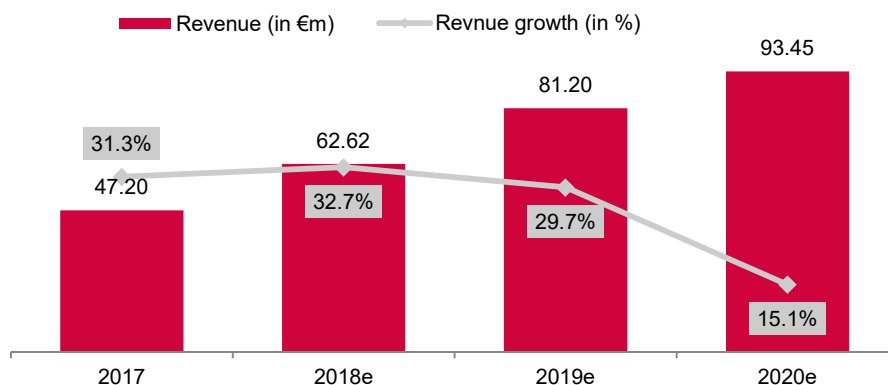
According to our forecasts, there should be a total of 29 clinics in the M1 Group at the end of the financial year 2018. In the process, not only is a “re-densification” planned in Germany, but an international roll-out is also the focus of the corporate strategy. Specifically, new openings could initially be made in Austria in order to participate in the attractive market potential, which is similar to that in Germany. By the financial year 2020, we even see the number of locations rising to 50 as a realistic scenario. In that case, M1 Kliniken AG would further increase its high market share (about 20%) that has already been achieved.

The development of further revenue streams is currently being implemented, according to corporate specifications. Therefore, in the first quarter of 2018, the field of aesthetic dentistry was added to the service portfolio. This area is interesting, as there is a much higher demand here, with a similarly high price sensitivity among customers. Health insurance companies often do not pay for cosmetic dental treatments, which has led to increasing “dental tourism” in recent years. By offering standardised procedures, M1 Kliniken AG could establish itself as a price leader in this area, which is also driven by demographic trends. The integration of this new service into the existing clinic network should also be implemented quickly and cost-effectively.

In addition, the company will continue to push the commercial sector for the higher-margin own-brands for the retail segment. To this effect, the roll-out of the B2C business took place at the beginning of 2018, which sees care products sold online and in specialist centres under the brand name M1 Select (m1-select.de). The placement in stationary retail is planned for the medium term and should open up new sales potential out of this.

Against this backdrop, we anticipate a continuation of the sales momentum, especially as the clinic locations that were newly added in 2017 will gradually show an increase in the occupancy rate, which means that corresponding subsequent effects in 2018 are likely to be noticeable. For the current financial year, we assume a continuation of the growth momentum and an increase in revenue of 32.7% to EUR 62.62 million. On the basis of the expected expansion of our clinic locations, we anticipate a further expansion of the revenue base for the coming financial years:

Revenue forecast (in €m) and Revenue growth (in %)

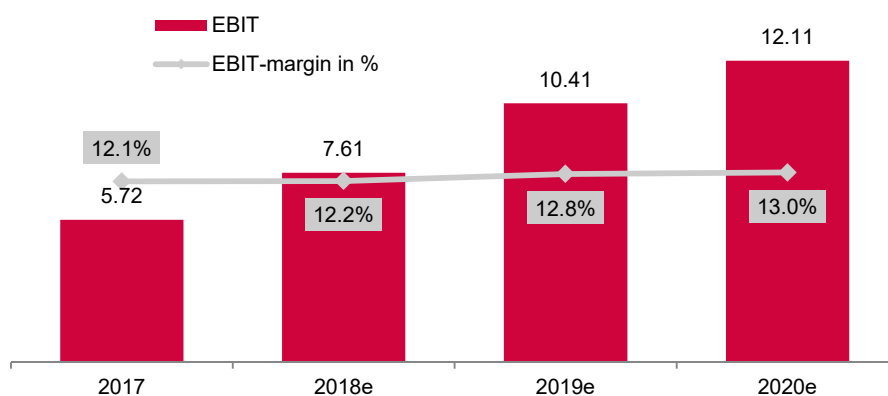


Source: GBC AG

Earnings forecasts FY 2018-2020

In the current growth phase, which is expected to extend over the coming financial years, M1 Kliniken AG should be characterised by corresponding up-front investments. At the same time, the newly added locations are expected to have a comparatively low revenue base within the typical start-up phase of about nine months and therefore low profit contributions. For the coming financial years, we therefore only forecast a constant development of the EBIT margin, which should stabilise between 12.2% (2018e) and 13.0% (2019e). After completion of the growth phase, higher EBIT margins are possible, which we have taken into account in our DCF valuation model.

Forecasts EBIT (in €m) and EBIT-margin (in %)



Source: GBC AG

Valuation

Model assumptions

We rated M1 Kliniken AG using a three-stage DCF model. Starting with the specific consolidated estimates for the years 2018-2020 in phase 1, the outlook for 2021 to 2025 was developed in phase 2 using value drivers. We expect increases in revenue of 8.0 %. We have set 16.0% as the target EBITDA margin. We have included the tax rate in phase 2 at 30.0%. Additionally, after the end of the forecast horizon, a residual value is determined in the third phase by means of a perpetual annuity. As the final value, we assume a growth rate of 3.0 %.

Determining the capital costs

The weighted average cost of capital (WACC) of M1 Kliniken AG is calculated from the equity cost and the cost of debt. The market premium, the company-specific beta, as well as the risk-free interest rate have to be determined in order to determine the equity cost.

The risk-free interest rate is derived from the current structured interest rate curves for risk-free bonds in accordance with the recommendations from the "Fachausschuss für Unternehmensbewertung und Betriebswirtschaft" (FAUB, Special Committee for Business Valuation and Business Management) of the "Institut der Wirtschaftsprüfer in Deutschland e.V." (Institute of Public Auditors in Germany). This is based on the zero bond interest rate calculated using the Svensson Method published by the German Bundesbank. In order to compensate for short-term market fluctuations, the average returns for the previous three months are used and the result is rounded up to the nearest 0.25 basis points. The value currently used for the risk-free interest rate is 1.25 % (previously: 1.25 %).

We set the historical market premium of 5.50 % as a reasonable expectation of the market premium. This is supported by historical analyses of equity market returns. The market premium reflects in a percentage the improved return expected from equity markets relative to low-risk government bonds.

According to GBC estimates, a beta of 1.46 is currently determined. We have extended this beta using a market-oriented approach. As part of a regression analysis of the M1-share price on the SDAX and CDAX, we have calculated a smoothed market-oriented beta of 0.46 using the Blume method. As a basis for calculating the weighted capital costs, we extended the previous fundamental beta (2/3 weighting) using the market-oriented approach (1/3 weighting), which resulted in a beta of 1.13.

The cost of equity of 7.47% was calculated using the assumptions made (previously: 7.36%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the equity costs of 100%, the resulting weighted average costs of capital (WACC) amount to 7.47% (previously: 7.36%).

Valuation result

As part of the DCF valuation model, the resulting fair value per share at the end of the 2018 financial year corresponds to the stock price target of EUR 18.50 (previously: EUR 16.15). The target price increase is a result of the first inclusion of the higher 2020 estimates as the basis for the continuity phase of the valuation model, as well as the roll-over effect.

DCF-model

M1 Kliniken AG - Discounted Cashflow (DCF) model

Value driver used in the DCF-model's estimate phase:

consistency - phase		final - phase	
Sales growth	8,0%	Perpetual growth rate	3,0%
EBITDA-margin	16,0%	Perpetual EBITA margin	17,1%
Depreciation on fixed assets	9,0%	Effective tax rate in terminal value	30,0%
Working capital to sales	15,8%		

Three-phase DCF - model:

Phase in mEUR	estimate			consistency					final TV
	GJ 18e	GJ 19e	GJ 20e	GJ 21e	GJ 22e	GJ 23e	GJ 24e	GJ 25e	
Sales	62,62	81,20	93,45	100,93	109,00	117,72	127,14	137,31	
Sales change	32,7%	29,7%	15,1%	8,0%	8,0%	8,0%	8,0%	8,0%	3,0%
Sales to fixed assets	13,92	16,24	16,99	16,99	16,99	16,99	16,99	16,99	
EBITDA	8,01	10,86	12,61	16,15	17,44	18,84	20,34	21,97	
EBITDA-margin	12,8%	13,4%	13,5%	16,0%	16,0%	16,0%	16,0%	16,0%	
EBITA	7,61	10,41	12,11	15,65	16,91	18,26	19,72	21,30	
EBITA-margin	12,2%	12,8%	13,0%	15,5%	15,5%	15,5%	15,5%	15,5%	17,1%
Taxes on EBITA	-2,28	-3,12	-3,63	-4,70	-5,07	-5,48	-5,92	-6,39	
Tax rate	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%
EBI (NOPLAT)	5,33	7,29	8,48	10,96	11,83	12,78	13,80	14,91	
Return on Capital	35,3%	50,9%	47,1%	53,4%	54,0%	54,0%	54,0%	54,0%	56,6%
Working Capital (WC)	9,80	13,00	15,00	15,98	17,25	18,64	20,13	21,74	
WC to sales	15,6%	16,0%	16,1%	15,8%	15,8%	15,8%	15,8%	15,8%	
Investment in WC	1,03	-3,20	-2,00	-0,98	-1,28	-1,38	-1,49	-1,61	
Operating fixed assets (OFA)	4,50	5,00	5,50	5,94	6,42	6,93	7,48	8,08	
Depreciation on OFA	-0,40	-0,45	-0,50	-0,50	-0,53	-0,58	-0,62	-0,67	
Depreciation to OFA	8,9%	9,0%	9,1%	9,0%	9,0%	9,0%	9,0%	9,0%	
CAPEX	-0,64	-0,95	-1,00	-0,94	-1,01	-1,09	-1,18	-1,27	
Capital Employed	14,30	18,00	20,50	21,92	23,67	25,56	27,61	29,82	
EBITDA	8,01	10,86	12,61	16,15	17,44	18,84	20,34	21,97	
Taxes on EBITA	-2,28	-3,12	-3,63	-4,70	-5,07	-5,48	-5,92	-6,39	
Total Investment	0,39	-4,15	-3,00	-1,91	-2,29	-2,47	-2,67	-2,88	
Investment in OFA	-0,64	-0,95	-1,00	-0,94	-1,01	-1,09	-1,18	-1,27	
Investment in WC	1,03	-3,20	-2,00	-0,98	-1,28	-1,38	-1,49	-1,61	
Investment in Goodwill	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
Free Cashflows	6,12	3,59	5,98	9,54	10,08	10,89	11,76	12,70	358,00

Value operating business (due date)	262,94	278,98
Net present value explicit free Cashflows	46,66	46,56
Net present value of terminal value	216,28	232,43
Net debt	-26,50	-26,28
Value of equity	289,44	305,27
Minority interests	0,00	0,00
Value of share capital	289,44	305,27
Outstanding shares in m	16,50	16,50
Fair value per share in €	17,54	18,50

Cost of Capital:

Risk free rate	1,3%
Market risk premium	5,5%
Beta	1,13
Cost of equity	7,5%
Target weight	100,0%
Cost of debt	4,5%
Target weight	0,0%
Taxshield	28,7%
WACC	7,5%

Return on Capital	WACC				
	6,5%	7,0%	7,5%	8,0%	8,5%
54,6%	22,90	20,12	17,98	16,27	14,90
55,6%	23,26	20,42	18,24	16,50	15,10
56,6%	23,61	20,73	18,50	16,73	15,30
57,6%	23,97	21,03	18,76	16,96	15,50
58,6%	24,33	21,34	19,03	17,19	15,71

ANNEX

I.

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2. The research report is simultaneously made available to all interested investment services companies.

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SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10%.

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