Research Report (Anno)

Aves One AG

Profitability expected to be achieved this year
-
€1 billion in assets under management projected for 2019
-
Very attractive rail deal from the VTG/Nacco transaction

Target Price: €12.10
(until now: € 9.10)

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 und Art. 20 MAR on page 22

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 "I. Research under MiFID II"

Date of completion (german version): 13/08/2018 (2:00 pm) **Date of publication (german version): 14/08/2018 (08:01 am)**

Date of completion (english version): 16/08/2018 (3:54 pm) **Date of publication (english version): 16/08/2018 (5:30 pm)**

GBC AG Investment Research

Aves One AG*5a,11

Rating: BUY
Target Price: € 12.10

Current Price: 8.25
10/08/2018 / XETRA-closing

Currency: EUR

Key Data:

ISIN: DE000A168114
WKN: A16811
Ticker Symbol: AVES

Number of shares³: 13.02
Marketcap³: 96.75
Enterprise Value³: 542.49
³in millions / mEUR

Free Float: 21.94%

Transparency Level:
Prime Standard

Market Segment:
Regulierter Markt

Accounting Standard:
IFRS

Financial-Year End: 31/12

Designated Sponsor:
Hauck & Aufhäuser

Analysts:

Matthias Greiffenberger
greiffenberger@gbc-ag.de

Cosmin Filker
filker@gbc-ag.de

* catalogue of possible conflicts of interest on page 23

Company Profile
Sector: Asset-Management

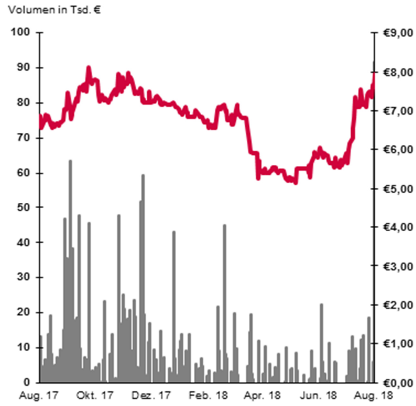
Focus: Container, Rail, Logistic Assets

Employees: 41 (31/12/2017)

Founded in: 2013

Headquarter: Hamburg

Executive Board: Jürgen Bauer, Sven Meißner



Aves One AG is a fast-growing investor in the area of long-lived logistics assets with a focus on rail freight cars. Aves One AG's portfolio also includes standard containers for shipping, swap bodies for road transport and logistics properties. The very good access to the equipment market as well as management's extensive knowledge of financing and an excellent network of partners from both areas are the foundation for the continuous development and expansion of business activities. The aim is to further expand business activities in all business divisions, with a special focus on the Rail segment. With the acquisition of the Nacco Rail portfolios, the company now plans to reach at least €1 billion in assets under management by 2019 (original target was 2020).

P&L in EUR millions*	31/12/2017	31/12/2018e	31/12/2019e	31/12/2020e
Sales	53.43	77.02	117.48	130.04
EBITDA	25.32	54.31	85.62	97.65
EBIT	9.39	32.18	53.54	62.80
Net profit	-34.98	3.76	7.69	9.18
Key Figures in EUR*				
Earnings per share	-2.71	0.29	0.60	0.71
Dividend per share	0.00	0.00	0.00	0.00
Key figures				
EV/Sales	10.15	7.04	4.62	4.17
EV/EBITDA	21.42	9.99	6.34	5.56
EV/EBIT	57.75	16.86	10.13	8.64
P/E-Ratio	-2.77	25.72	12.59	10.54
P/B-Ratio	4.48			

Financial Calendar
Sept. 2018: Half-Year Report 2018
03 - 04/09/2018: DVFA Conference
05/09/18: ZKK - Zürich
Nov. 2018: Q3 Report 2018
26 – 28/11/18: Equity Forum Frankfurt
11 - 12/12/2018: MKK - Munich

** Last research by GBC:
Date: publication/target price in EUR/rating
05/12/2017: RS / 9.10 / BUY
14/11/2017: RS / 9.10 / BUY
24/07/2017: RS / 9.10 / BUY
** The research studies indicated above may be viewed at www.gbc-ag.de, or requested at GBC AG, Halderstr. 27, D86150 Augsburg

Executive Summary

- Aves One AG was once again able to grow dynamically in the 2017 financial year and sales rose by 86.5% to €53.43 million (previous year: €26.65 million). The reason for this dynamic growth in sales was the further expansion of the asset portfolio, in particular the acquisition of ERR Wien in August 2016 (now: Aves Rail GmbH), which led to an increase in the freight car fleet from 331 to 4,308. Overall, assets under management (AuM) rose from €445.40 million (2016) to €448.46 million (2017) and the gross return rose to 11.9% (previous year: 6.4%) in the same period. The acquisition of Aves Rail at the end of 2016 had a significant impact here.

- The increase in sales also led to further increases in earnings. Due to its lean management approach and favourable debt financing, the business model's costs develop degressively and result in high scalability. An EBITDA margin of 54.5% was achieved in the 2017 financial year (previous year: 35.9%) and EBITDA stood at €29.11 million (previous year: €10.29 million), although the effects as at the balance sheet date mentioned previously limit comparability.

- The acquisition of extensive rail assets as part of the VTG/Nacco deal is expected to make a significant contribution to the future development of the company (see page 6). The background to this is an antitrust requirement for VTG to sell at least 30% of the Nacco assets acquired to a third party. In addition, the antitrust authorities imposed extensive conditions on the characteristics of the third party, which led to a greatly reduced number of bidders. The new buyer was not allowed to have a very large market position and had to have experience and assets in the rail sector. As a result, large financial investors and major competitors were excluded from the bidding process. Aves One was thus able to acquire the assets at what we view as a fair price (approx. €300 million). The acquired portfolio appears to be extremely attractive and fits very well into Aves One's existing portfolio. The assets are primarily located in Germany and have a high EBITDA margin of over 75%. The assets are about 50% freight cars and 50% rail tank cars, which also have a comparatively young average age of about 15 years. The portfolio is particularly attractive because it is already fully let, which is not typical in other portfolio transactions. We believe that this transaction will add significant value for Aves One's shareholders and should lead to the company's target of €1 billion in assets under management being achieved by 2019.

- Due to the significant increase in assets, we expect sales growth of 44.1% to €77.02 million in 2018 (previous year: €53.43 million), followed by sales growth of 52.5% to €117.48 million in 2019 and further growth of 10.7% to €130.04 million in 2020. All asset classes are expected to contribute to sales growth in accordance with their weighting.

- Due to the strong sales growth, we expect dynamic EBITDA growth with a steady expansion of margins. We expect Group EBITDA to increase by 86.6% to €54.31 million in 2018, leading to an improvement in margins to 70.5% (previous year: 54.5%). This trend is expected to continue in the following years, with growth of 57.7% to €85.62 million in 2019 (72.9% EBITDA margin) and further growth of 14.0% to €97.65 million in 2020 (75.1% EBITDA margin).

- Due to the dynamic development of EBITDA and declining depreciation, amortisation and interest rates, the net margin should gradually increase. We expect net income for 2018 to be positive, amounting to €3.76 million in 2018 after €-13.35 million (adjusted for non-cash currency effects) in 2017. In the following years we expect net income to increase to €7.69 million (2019) and €9.18 million (2020). We therefore expect Aves One to achieve high profitability in the medium term.

- The VTG/Nacco transaction, which we believe creates significant value, should enable the company's growth targets of 1 billion in AuM to be achieved as early as 2019. Based on our DCF model, we have calculated a target price of €12.10 (previously: €9.10) and have again issued a BUY rating.

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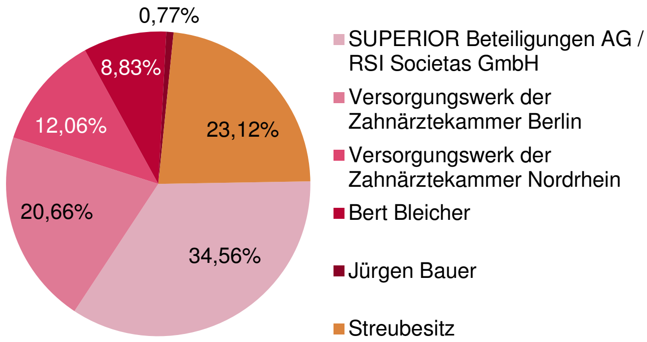
COMPANY

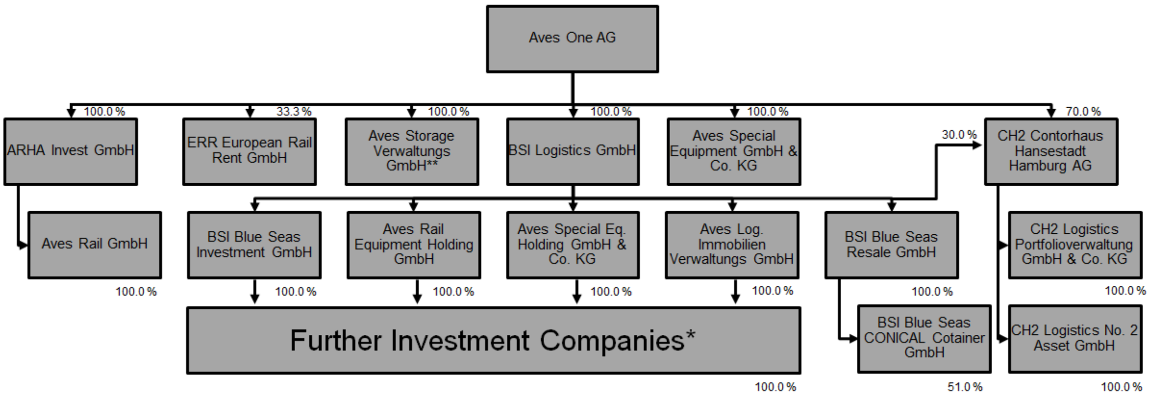
Shareholder Structure

Shareholder	%
SUPERIOR Beteiligungen AG / RSI Societas GmbH	34.56%
Versorgungswerk der Zahnärztekammer Berlin	20.66%
Versorgungswerk der Zahnärztekammer Nordrhein	12.06%
Bert Bleicher	8.83%
Jürgen Bauer	0.77%
Free Float	23.12%

Source: Aves One



Company Structure



Source: Aves One

Important Partner and Customers

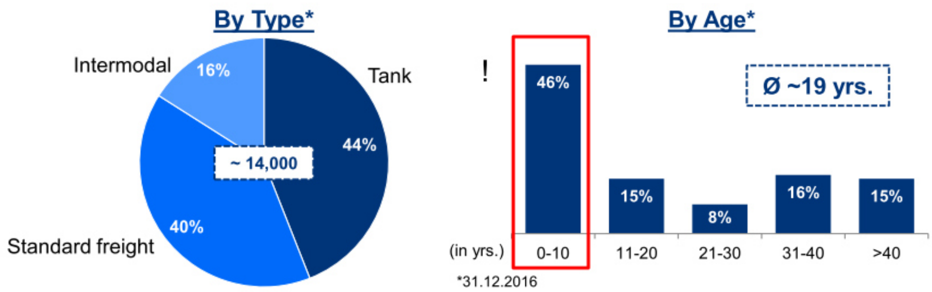
Source: Aves One

ACQUISITON OF ADDITIONAL RAIL CARS AS PART OF THE VTG/NACCO DEAL

As part of the VTG/Nacco deal, Aves One AG was able to acquire around 30% of the rail car fleet of the Nacco Group. We take an extremely positive view of this deal, as we assume that the portfolio was acquired at a fair price.

The background to this deal is the requirement by the antitrust office that VTG sell at least 30% of the acquired rail cars to another market participant. On 1 July 2017, VTG announced the takeover of the rail car letting company Nacco (CIT Rail Holdings is the owner of the Nacco Group). However, the acquisition was completed subject to approval by the German Federal Antitrust Office. The deal was originally expected to be completed by the end of 2017, as the responsible antitrust authorities were expected to approve it. The Federal Antitrust Office imposed a condition on VTG for its approval that around 30% of the freight rail car fleet be sold to third parties in advance.

Composition of the Nacco rail car fleet



Source: VTG AG

In the first half of 2018, an internal bidding process took place, in which Aves One emerged as the winner. We assume that an extremely fair price was negotiated for the acquired rail cars. The reason for this is the stringent conditions imposed by the Federal Antitrust Office on the potential buyer. The buyer had to have the necessary expertise in the area of freight rail cars, had to have sufficient financial strength and could not be too large so that no further antitrust concerns could arise.

These extensive conditions for a potential buyer resulted in a rather limited number of bidders, as neither large financial investors nor similar major competitors were allowed to bid on the portfolio. This enabled Aves One to win the contract at what was probably a very fair price, as there was only a comparatively small number of other bidders. Specifically, about 4,400 rail cars are involved here, about half of which are rail tank cars and the other half are freight cars. In addition, the portfolio consists almost exclusively of the fleet in Germany and would therefore fit very well into the existing portfolio of Aves One AG. The same also applies to the average age; at about 16 years the rail cars are still comparatively young, in line with the rail cars of Aves One.

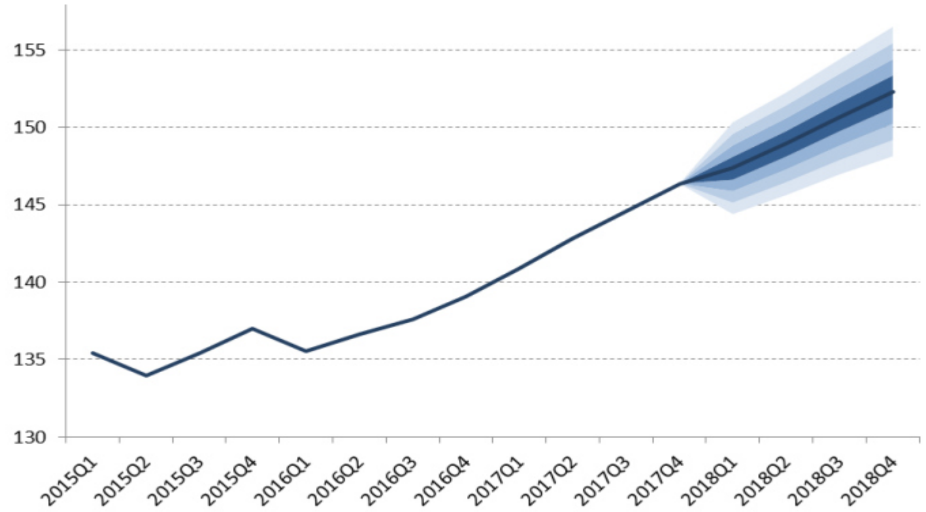
Unusually, the portfolio is already fully let and should therefore have a very high gross margin. With regular portfolio acquisitions, full letting cannot generally be assumed, giving this portfolio very attractive characteristics overall. The deal is structured in such a way that the Swiss rental company WASCOSA will take over the management, and a wholly-owned subsidiary of Aves One will acquire the rail cars, so Aves One will remain true to its strategy as a holder of inventory. The figures published by Aves One AG show a very high EBITDA margin of over 75%, which would also exceed Aves One's current margin (2017 Rail segment: 73.7%). Overall, we think the transaction creates substantial value and have taken the measure into account accordingly in our forecasts.

Market and Market Environment

Aves One, as an inventory holder of logistics assets, is largely dependent on the development of trade flows. For this reason, the trends in world trade and in particular in the European leasing market for containers, rail and logistics real estate are decisive for the company.

According to the WTO, global trade in goods is expected to continue to grow in 2018 and 2019, after the biggest increase in six years in 2017. Further expansion depends on global economic growth and on governments that pursue appropriate monetary and trade policies. The WTO expects trade volume to grow by an average of 4.4% in 2018 (between 3.1% and 5.5%) relative to average global imports and exports. This would nearly equal the previous year's very high result of 4.7%. Growth for 2019 is estimated at 4.0%, below the long-term average of 4.8% since 1990, but still well above the medium-term average of 3.0% since the economic crisis of 2007. In comparison, 2017 saw the strongest growth in trade volume since 2011, due to economic factors and, in particular, higher investment and consumer spending. The growth in the volume of trade in goods in 2017 is also likely to have been offset somewhat by the weakness of trade in the two preceding years, as this created a lower basis for expansion. On the other hand, there is some upside potential via further structural reforms and a more expansionary development policy.

Index of global trade volume with the forecast for 2018

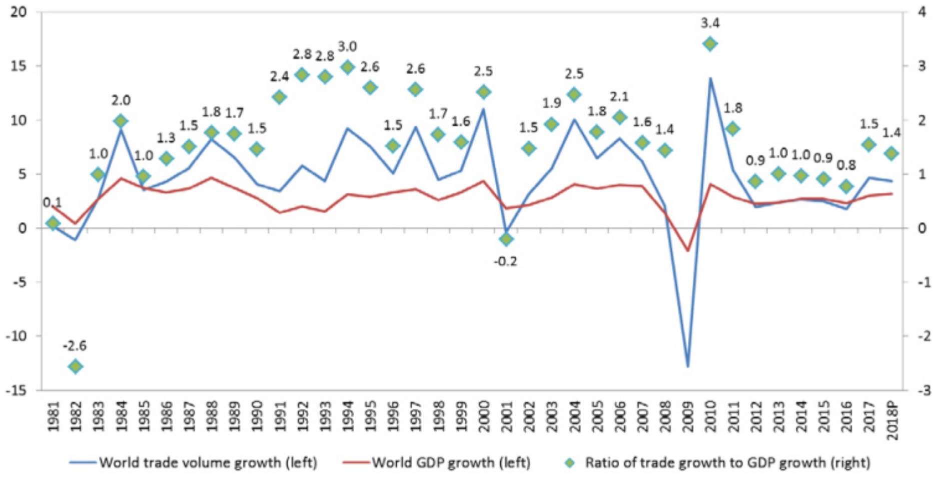


Source: WTO, UNCTAD, WTO Secretariat

Against the background of dependence on global GDP, the WTO is forecasting trade growth of 3.1% to 5.5% for 2018. The current forecast represents a significant increase over the original forecast of 3.2%. The background to this development is good consumer sentiment and positive economic indicators.

It also shows that Aves One's actual investment thesis holds true and that world trade growth has been well above global GDP almost every year. In the past, world trade has generally grown 1.5 times faster than global GDP. This ratio increased to 2.0 times in the 1990s and fell to 1.0 times in the five years following the financial crisis (2011-2016). In 2016, this rate reached a medium-term low of 0.8, but the historical average of 1.5 was achieved again by 2017. Strong trade growth is also expected in 2018 and the WTO expects a factor of 1.4.

Ratio of global growth of GDP and world trade

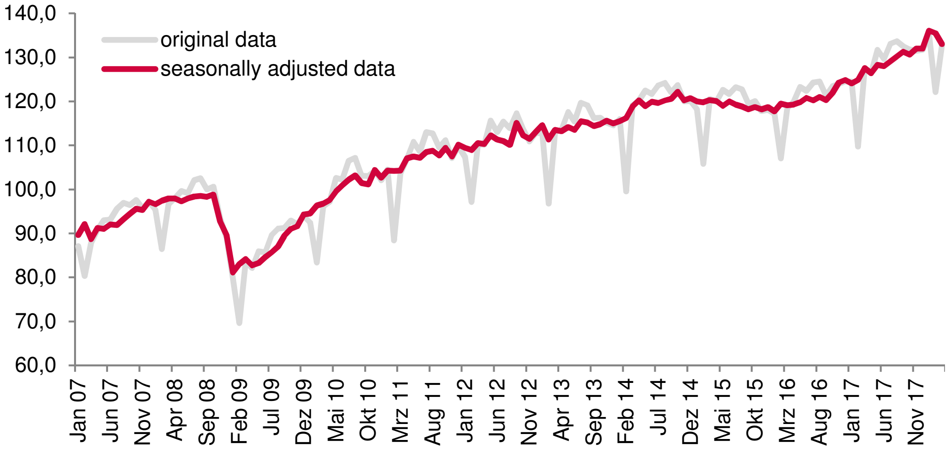


Source: WTO, UNCTAD

Preliminary data from the WTO point to a strong start to 2018. The most recent World Trade Outlook Indicator (February 2018) pointed to an above-trend growth rate for the first quarter of 2018, and other important indicators such as the container shipping market are also showing ongoing improvements.

Another indicator of positive trade development is the RWI / ISL Container Turnover Index, which nearly reached its absolute high in February 2018 and consequently promises strong trade growth. In addition, the index ended 2017 on a positive note with 5.4% growth. The weak phase of world trade thus seems to have been overcome in the middle of this decade.

RWI/ISL Container Turnover Index



Source: Leibniz-Institut für Wirtschaftsforschung und des Instituts für Seeverkehrswirtschaft und Logistik (ISL)

Overall, the market environment for Aves One AG is developing very well and the individual markets Container, Rail and Real Estate should also benefit from increasing trading volume. In our opinion, Aves One is well positioned to participate in the positive market development.

Company Development & Forecasts

Companys figures

	FY 2016	FY 2017	FY 2018e	FY 2019e	FY 2020
Sales	**28.65**	**53.43**	**77.02**	**117.48**	**130.04**
Other operating income	3.06	1.18	0.00	1.30	0.00
Material expenses	-9.11	-12.87	-15.07	-20.69	-23.17
Personell expenses	-2.34	-4.81	-4.80	-4.80	-4.80
Other operating expenses	-9.93	-8.26	-2.84	-7.67	-4.42
EBITDA	**10.29**	**29.11**	**54.31**	**85.62**	**97.65**
Depreciation	-8.51	-15.93	-22.13	-32.08	-34.85
Depreciation on „Availabe for Sale"-Assets	0.00	-3.78	0.00	0.00	0.00
EBIT	**1.78**	**9.39**	**32.18**	**53.54**	**62.80**
Interest income	0.83	1.22	0.0	0.00	0.00
Interest expenses	-14.12	-21.76	-28.00	-45.00	-52.00
Currency result from financing activities	6.01	-21.63	0.00	0.00	0.00
Expenses from capital increases	0.00	-1.17	0.00	0.00	0.00
Additional costs from financing activities	-0.94	-3.40	0.00	0.00	0.00
EBT	**-6.45**	**-37.34**	**4.18**	**8.54**	**10.80**
Taxes	-1.22	2.36	-0.42	-0.85	-1.62
Net profit	***-7.67***	***-34.98***	***3.76***	***7.69***	***9.18***

EBITDA	10.29	25.32	54.31	85.62	97.65
EBITDA-margin	*35.9%*	*47.4%*	*70.5%*	*72.9%*	*75.1%*
EBIT	1.78	9.39	32.18	53.54	62.80
EBIT-margin	*6.2%*	*17.6%*	*41.8%*	*45.6%*	*48.3%*

Source: Aves One, GBC

Company development FY 2017

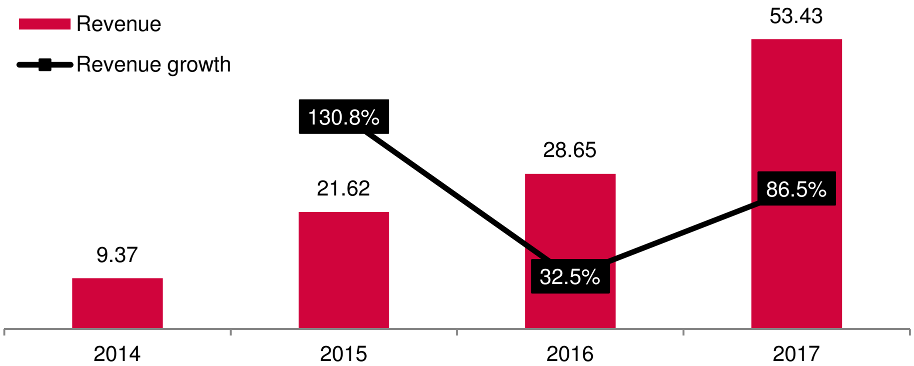
P&L (in €m)	FY 2015	FY 2016	FY 2017
Sales	21.62	28.65	53.43
EBITDA	20.33	10.29	25.32
EBITDA-margin	*94.0%*	*35.9%*	*47.4%*
EBIT	15.57	1.78	9.39
EBIT-margin	*72.0%*	*6.2%*	*17.6%*
Net profit	4.37	-7.67	-34.98
EPS in €	0.81	-1.23	-2.71

Source: Aves One AG; GBC AG

Sales performance

In the past 2017 financial year, the company increased sales by 86.5% to €53.43 million (previous year: €26.65 million). As in previous years, the company generated very dynamic growth. The main reason for this development is the acquisition of further logistics assets and base effects from the consolidation of acquired asset investments. The acquisition of ERR Wien in August 2016 (now: Aves Rail GmbH), which increased the freight car fleet from 331 to 4,308 million and rail assets to €229.76 million, was the major factor here.

Sales performance (in € million) and sales growth (in %)



Source: Aves One AG; GBC AG

The restructuring of the segments to create a clearer structure was continued. The four former segments Container, Rail, Resale and Special Equipment have now become the three segments Container, Rail and Real Estate. The Special Equipment segment, with its focus on swap bodies and tank containers, was integrated into the Container segment and the Resale segment was transferred to the Real Estate segment. The original Resale segment planning also included expansion into the self-storage market. A test project of a storage park in Münster was developed for this purpose. This property is now carried under inventories and is to be sold in the medium term. The new strategic goal of the Real Estate segment is to build up a logistics real estate portfolio.

As inventory holders, three factors are decisive for sales performance: The assets under management (AuM), the rental profitability and, finally, the occupancy rate.

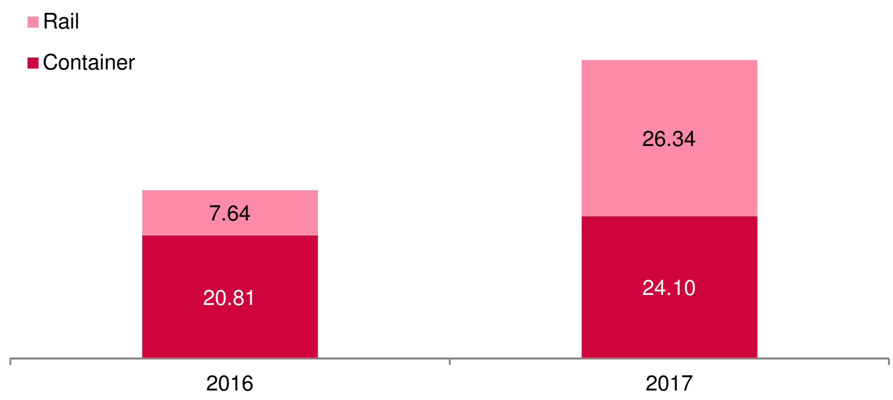
Major success has already been achieved with regard to assets under management. Aves Rail (formerly ERR Wien) was able to acquire extensive rail assets, and progress continues to be made on the gradual expansion of the swap body portfolio. Similarly, the company announced on 12 April 2018 that it had added the first logistics property to its portfolio for around €10 million. Overall, the company is continuously expanding AuM and in its 2017 annual report the company reaffirmed its declared target of around €1 billion by 2020. This goal should be achieved as early as 2019 as a result of the current acquisition from the VTG/Nacco deal.

Gross yield /Asset under Management	2016	2017
Container (AuM)	9.5% (219.59 Mio. €)	11.0% (218.40 Mio. €)
Rail (AuM)	3.4% (225.76 Mio. €)	11.5% (229.76 Mio. €)
Group (AuM)	**6.4% (445.40 Mio. €)**	**11.9% (448.46 Mio. €)**

Source: Aves One AG; GBC AG

Significant improvements were also achieved in rental yields and occupancy rates. The gross return in the Container segment increased from 9.5% (2016) to 11.0% (2017). The main reason for this development is portfolio streamlining with the aim of keeping only lettable containers in stock. In addition, the high-margin swap bodies and tank containers also contributed to an increase in gross return, as these assets were originally allocated to the Special Equipment segment and now belong to the Container segment. In the Rail segment, the acquisition of Aves Rail makes it virtually impossible to make comparisons with the previous year; nevertheless, a gross return of 11.5% (previous year: 3.4%) was achieved, a very high figure for the Rail segment. The Real Estate segment is currently still under development and no significant sales or gross returns were generated as of financial year 2017. Overall, a very high gross return of 11.9% (previous year: 6.4%) was achieved at Group level.

Key sales development items by segment (in € million)



Source: Aves One AG; GBC AG

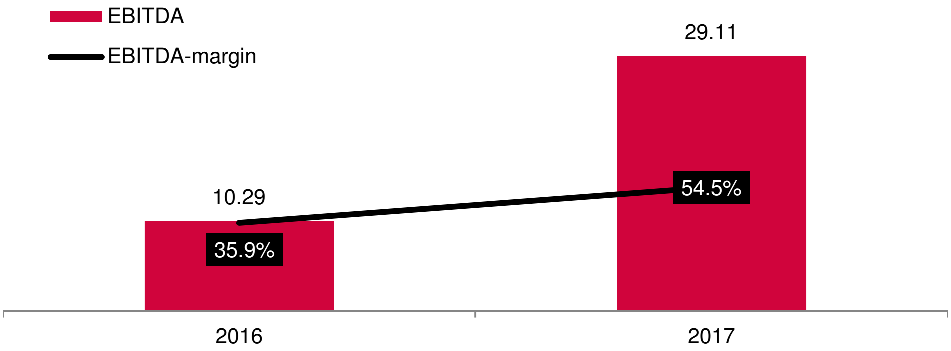
Significant sales increases were achieved at the segment level due to the high gross rates of return. Sales in the Container segment increased by 15.8% to €24.10 million (previous year: €20.81 million) and the Rail segment increased sales by 244.9% to €26.34 million (previous year: €7.64 million), with the aforementioned basis effects from the acquisition playing a decisive role here.

Earnings performance

Aves One's business model is based on the idea that the gross rates of return are achieved while costs are kept comparatively low with a lean management approach and favourable debt financing. Gross rates of return of 11.9% were achieved at Group level in 2017 and the company assumes that there is still further growth potential here. The lean management approach means that personnel and administrative costs in particular are relatively fixed, which should lead to significant economies of scale if assets under management expand accordingly. This degressive cost trend and the resulting high scalability make the target of €1 billion AuM even more attractive.

Due to the reporting date effects mentioned, comparability with the previous year is only possible to a limited extent, including with regard to the margin development between 2016 and 2017. Nevertheless, it is becoming clear how highly profitable the company's operations can be. An EBITDA margin of 54.5% was achieved in the 2017 financial year (previous year: 35.9%) and EBITDA stood at €29.11 million (previous year: €10.29 million).

EBITDA performance (in € millions) and EBITDA margin (in %)



Source: Aves One; GBC AG

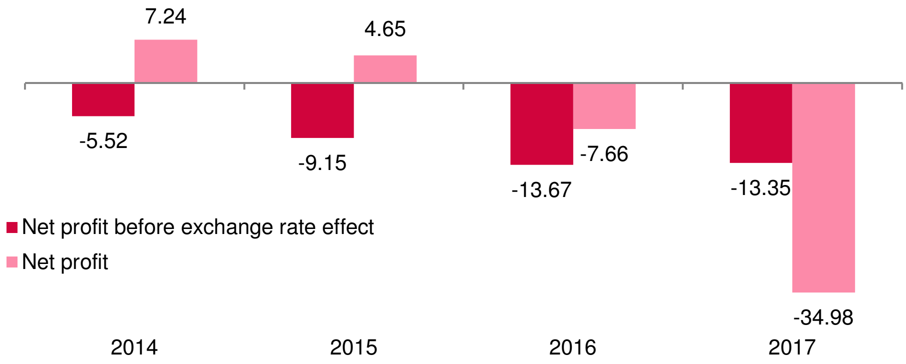
The difference between EBITDA and EBIT is made up of regular depreciation and amortisation of €15.93 million (previous year: €8.51 million) and from depreciation for the sale of unleased containers amounting to €3.78 million (previous year: €0.00 million). A total of €19.71 million was thus written off (previous year: €8.51 million).

This becomes even clearer in the development of EBIT, which increased by 428.6% to €9.39 million (previous year: €1.78 million). Accordingly, the EBIT margin increased from 6.2% (2016) to 17.6% (2017). Despite the high operating result, the financial result had a significant negative impact on earnings and a net result (EAT) of €-34.98 million was achieved in 2017 (previous year: €-7.66 million).

The financial result consisted of one-time costs for the issue of shares (€-1.17 million) and ancillary financing costs (€-3.40 million). However, the main item is that of interest expenses, which increased by 54.1% to €-21.76 million (previous year: €-14.12 million) due to further increases in new borrowing. Nevertheless, interest expenses rose at a significantly slower rate than sales and earnings and, in line with the investment thesis, developed very degressively. We believe interest costs will continue to fall in future, first, because a better financing mix can be achieved and, second, because of more favourable financing in the Real Estate segment, which is generally more favourable than other asset classes.

The foreign currency result from financing continued to play a decisive role, amounting to €-21.63 million (previous year: €6.01 million). These currency effects mainly relate to non-cash currency effects from the Container segment resulting from the translation of liabilities. Assuming that no hedging will be carried out in future, the company has a currency sensitivity of approximately €15 million with a 10% change in the USD/EUR currency pair.

Development of net income and net income adjusted for FX effects



Source: Aves One; GBC

Adjusted for these non-cash currency effects, an EAT of €-13.35 million (previous year: €-13.67 million) was achieved. This was in line with expectations after adjustment for the write-down for the portfolio streamlining and the one-time effects of financing costs.

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

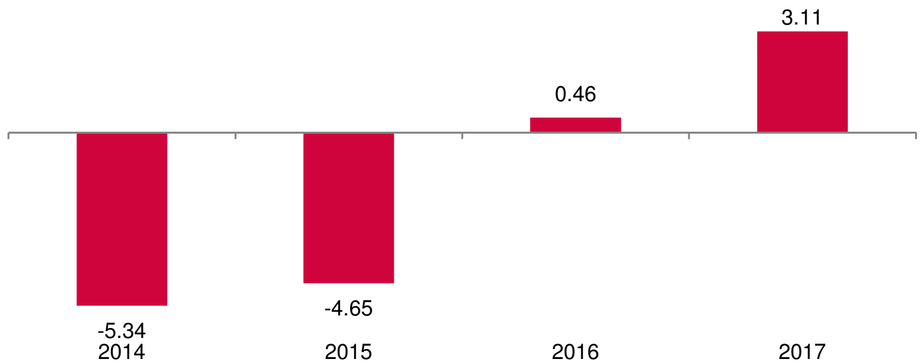
in Mio. €	31/12/2015	31/12/2016	31/12/2017
Equity	19.15	28.49	21.60
Equity ratio (in %)	7.2%	5.5%	4.2%
Operating fixed assets	240.12	450.81	457.85
Working Capital	10.08	27.59	25.87
Net Debt	226.60	445.75	464.36
Financial liabilities	232.60	445.40	448.46
Liquid assets	11.48	23.08	14.91
Total assets	267.15	517.88	520.13

Source: Aves One; GBC

Aves One AG's balance sheet is characterised by the development of an extensive asset portfolio, which is financed primarily through borrowed capital. The high leverage results in a low equity ratio of 4.2% (31 December 2016: 5.5%), but this is expected to lead to very high returns on equity in the future.

As at 31 December 2017, property, plant and equipment amounted to €448.46 million (31 December 2016: €445.40 million) and increased only slightly compared to the previous year. Adjusted for exchange rate effects, property, plant and equipment would amount to around €473 million. Furthermore, the company made adjustments in the container portfolio, which led to a one-time special write-down of €3.78 million. This portfolio adjustment was aimed at selling unleased containers in order to achieve a doubled increase in the gross margin. First, no more parking space rent had to be paid and, second, the share of let containers increased. The timing of the adjustment also proved to be strategically sensible, as container prices had risen significantly again at this point in time, according to management.

Operating cash flow before taxes, interest expenses and interest income (in € million)



Source: Aves One AG; GBC AG

Aves One AG has committed itself to investing in assets with strong cash flow. This approach is clearly reflected in the operating cash flow, which increased by 384.8% to €23.65 million (previous year: €4.88 million). Adjusted for interest payments and taxes, the positive development of the operating cash flow becomes even more significant. Adjusted cash flow increased by 576.1% to €3.11 million (previous year: €0.46 million).

The company is continuously expanding its asset portfolio, which is reflected in the cash flow from investing activities of €-49.30 million (31 December 2016: €-68.60 million). In the context of asset financing, the company received cash flow from financing activities of around €17.25 million (previous year: €73.98 million).

SWOT-Analysis

<table>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>
Good access to asset portfolios as key prerequisites for further growth
Broadly diversified asset portfolio across Containers, Rail and Real Estate ensures diversification of risk
Strong partner network in the area of asset managers, purchasing and financing
Established fleet in a strong growth market
Lean management approach with stable fixed costs
Diversified financing network ensures high degree of independence from individual financing sources
</td><td>
With its business model, Aves One has a low equity ratio due to its high debt ratio when purchasing assets
Currently still comparatively high financing costs due to high proportion of direct investments and investments by institutional investors
</td></tr>
<tr><th>Opportunities</th><th>Risks</th></tr>
<tr><td>
A change in the financing structure towards increased bank financing could lower the average interest rate and strengthen the net result
The logistics real estate business offers additional growth opportunities for the coming years
Liberalisation of the rail market increases customer demand for modern rail cars and flexible leasing options
</td><td>
The high correlation of the business model with economic development could have a negative impact on business performance if the economy weakens
Access to new asset portfolios could deteriorate and thus limit expansion
Financial market crises could weaken financing opportunities
Prices for new assets could rise and thus increase or curb further expansion
The translation of EUR transactions into the functional currency USD could lead to non-cash fluctuations in earnings.
</td></tr>
</table>

Forecasts and model assumptions

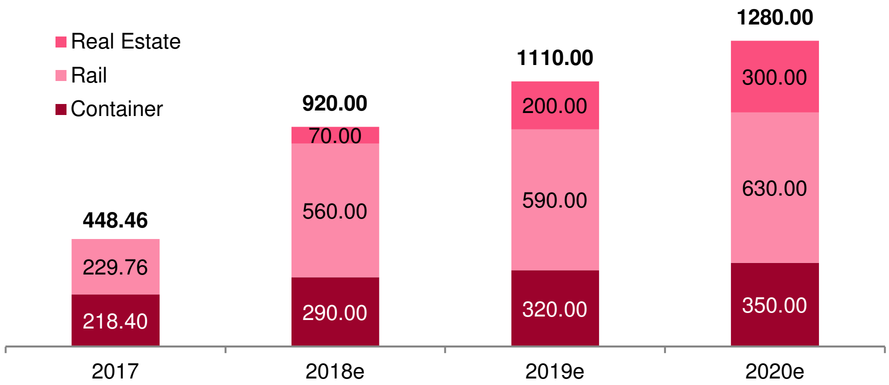
P&L (in €m)	FY 2017	FY 2018e	FY 2019e	FY 2020e
Sales	53,43	77,02	117,48	130,04
EBITDA	25,32	54,31	85,62	97,65
EBITDA-margin	*47,4%*	*70,5%*	*72,9%*	*75,1%*
EBIT	9,39	32,18	53,54	62,80
EBIT-margin	*17,6%*	*41,8%*	*45,6%*	*48,3%*
Net profit	-34,98	3,76	7,69	9,18
EPS in €	-2,71	0,29	0,60	0,71

Source: GBC

Sales forecasts

The acquisition of a 30% stake in the Nacco asset has once again significantly increased the growth rate of Aves One. The original target was to achieve assets under management (AuM) of around €1 billion by 2020, or €750 million by the end of 2018. Given current developments, the company assumes that these targets will be achieved one year earlier. We expect the asset portfolio to grow to €920.00 million in 2018 and exceed €1 billion by 2019. Specifically, we expect €1.11 billion in 2019 and €1.28 billion in 2020.

Forecast for the development of assets (in € million)



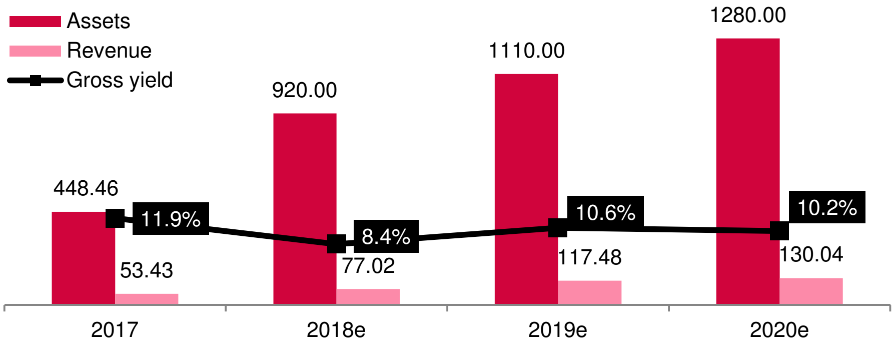
Source: GBC

We expect the company to try to grow across all asset classes, but the Rail segment will play a key role, with an expected 60% of assets in 2018. The Rail segment is expected to grow by 143.7% to around €560.00 million as a result of the acquisition of the Nacco stake. This should be followed by a continuous expansion of the asset portfolio to €590.00 million (2019) and €630.00 million (2020).

In addition, the Real Estate segment is also to be significantly expanded and we expect to acquire around €70 million of assets by the end of 2018. In the future, this segment should grow most strongly in percentage terms, as it is still being built up. Consequently, the Real Estate segment could grow by a further 185.7% to €200.00 million in 2019 and again by 50.0% to €300.00 million in 2020. We expect that the Container segment will also continue to grow and that the company will continue to take advantage of highly opportunistic purchase opportunities here. We therefore expect container assets to increase by 32.8% to €290.00 million in 2018 (previous year: €218.40 million), €320.00 million in 2019 and €350.00 million in 2020.

The gross returns achieved on the basis of the AuM constitute the company's sales. As the asset portfolio is growing rapidly as a result of asset acquisitions, the annual gross return comparison is only of limited significance. Nevertheless, it appears that on average very high gross returns of around 10% can be achieved. This is due in particular to high rental yields in the Rail and Container segments. By comparison, we expect the Real Estate segment to generate a gross return of up to 5%. At the same time, however, debt financing is generally more favourable.

Forecast of sales development (in € million), assets (in € million) and gross returns (in %)



Source: GBC

Due to the significant increase in assets, we expect sales growth of 44.1% to €77.02 million in 2018 (previous year: €53.43 million), followed by revenue growth of 52.5% to €117.48 million in 2019 and further growth of 10.7% to €130.04 million in 2020. All asset classes are expected to contribute to sales growth in accordance with their weighting.

The Real Estate segment achieves low gross returns, but the rental cash flows are extremely stable. The Rail segment benefits from increasing regulation such as noise protection, which can usually only be implemented by modern rail cars. Lessees are therefore often keen to rent modern rail cars. Since Aves One's rail portfolio is still relatively young at around 15 years, demand is strong for these rail cars.

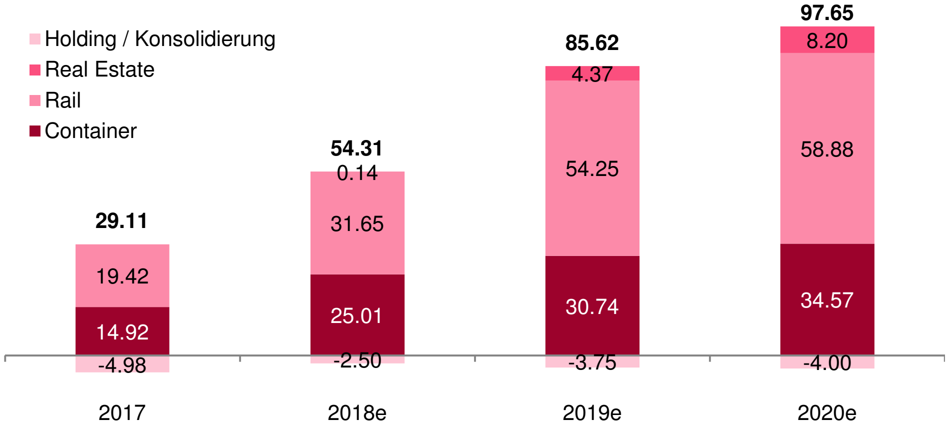
In the Container segment, Aves One sold the majority of containers that were not rented out in 2017 and was thus able to increase its average gross margin again. We also expect good growth in container leasing, as many market players such as shipping companies are focusing more strongly on their core business and increasingly leasing containers. This segment is therefore also expected to make a good contribution to sales

Earnings forecasts

Aves One's business model is highly scalable due to its lean management approach. Personnel expenses, for example, are expected to increase at a significantly lower rate than sales. At the same time, the company attaches great importance to continuously improving the profitability of the individual asset classes. Positive net income (adjusted for non-cash exchange rate effects) was achieved in the first quarter of 2018.

The streamlining of the container portfolio had a two-fold positive effect. First, no parking fees have to be paid for the unleased containers and, second, the new portfolio makes a higher relative contribution to sales and earnings. In our opinion, this should result in a significant increase in margins in the Container segment from 61.9% in 2017 to 85.6% in 2018.

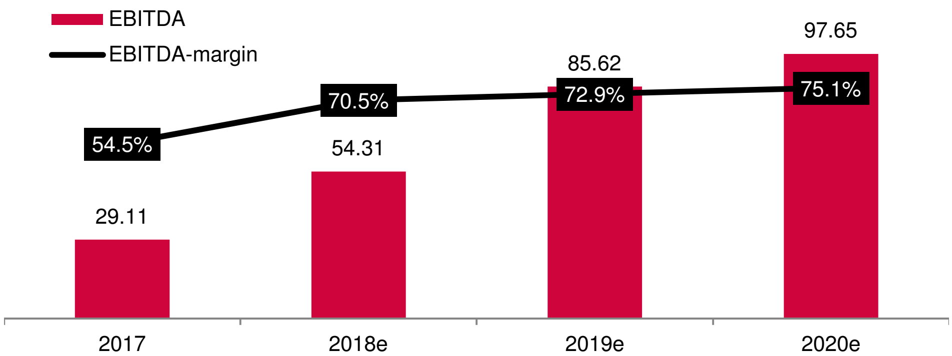
EBITDA contribution forecast by segment (in € million)



Source: GBC

In the Rail segment, too, we expect dynamic EBITDA growth of 63.0% to €31.62 million in 2018 (previous year: €19.42 million). The main reason for the strong growth is the acquired portfolio from the VTG/Nacco deal, which also has a high EBITDA margin of over 75%. In 2018, the new portfolio should make a pro rata contribution of only about 3-4 months and then take full effect in 2019.

Forecast for EBITDA performance (in € million) and EBITDA margin (in %)



Source: GBC

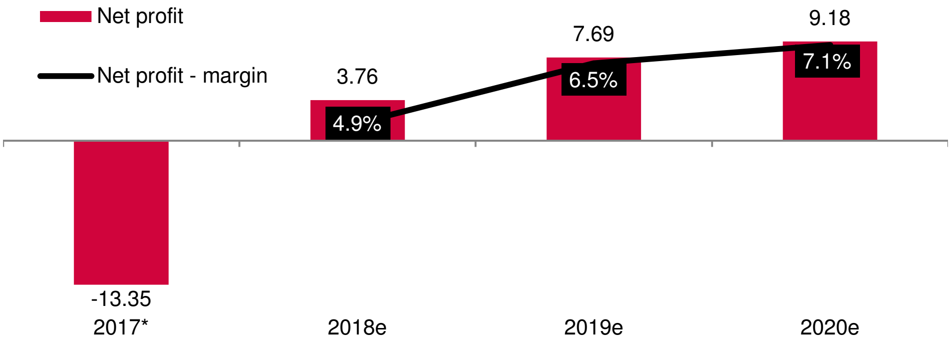
The Real Estate portfolio is still in the development phase and we do not forecast a significant EBITDA contribution until 2019 (€4.37 million) and 2020 (€8.20 million).

Overall, we expect dynamic EBITDA growth with steady margin expansion.

With the future expansion of the Real Estate segment, the average depreciation rate should decline in the coming years. The background to this development is the IFRS valuation of the properties at their current market value, which has led to revaluations in the current market environment in most cases. We are conservatively forecasting 0% and do not assume any appreciation in value.

At the same time, average interest costs should also be lower. The company is constantly trying to further optimise its financing structure; in addition, real estate is generally cheaper to finance than other asset classes, which should also reduce the average interest burden.

Forecast for net income (in € million) and net margin (in %)



*Source: GBC; * Net income adjusted for non-cash exchange rate effects*

Due to the dynamic development of EBITDA and declining depreciation, amortisation and interest rates, the net margin should gradually increase. We do not include any non-cash exchange rate effects in our forecast. We expect net income for 2018 to be positive, amounting to €3.76 million in 2018 after €-13.35 million in 2017. In the following years we expect net income to increase to €7.69 million (2019) and €9.18 million (2020). We therefore expect Aves One to achieve very high profitability in the medium term.

VALUATION

Model assumptions

We rated Aves One 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 10.0 %. We have set 70.0% 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 2.0 %.

Determining the capital costs

The weighted average cost of capital (WACC) of Aves One 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 %.

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 1.49 is currently determined. Using the premises provided, the equity cost is calculated at 9.46 % (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of the equity cost of 10 %, the result is a weighted average cost of capital (WACC) of 3.40 %.

Valuation result

The discounting of future cash flows is based on the entity approach. The corresponding cost of capital (WACC) was calculated at 3.40%. The resulting fair value per share at the end of the 2019 financial year equals €12.10 as the price target. We have adjusted the previous price target of € 9.10 upwards.

GBC AG Investment Research

DCF-model

Aves One AG - Discounted Cashflow (DCF) Valuation

Value driver of DCF-model after the estimate phase:

consistency - Phase	
Sales growth	10.0%
EBITDA-margin	70.0%
Depreciation to Operating fixed Assets	2.5%
Working Capital to revenue	10.0%

final - Phase	
Perpetual growth rate	2.0%
Perpetual EBITA margin	47.8%
Taxe rate terminal value	30.0%

Three phases DCF - Model:

Phase	estimate			consistency					Terminal
in €m	FY 18e	FY 19e	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	value
Sales	77.02	117.48	130.04	143.04	157.35	173.08	190.39	209.43	
Sales change	44.1%	52.5%	10.7%	10.0%	10.0%	10.0%	10.0%	10.0%	2.0%
Revenue to operating fixed assets	0,08	0.11	0.10	0.10	0.10	0.10	0.10	0.10	
EBITDA	54.31	85.62	97.65	100.13	110.14	121.16	133.27	146.60	
EBITDA-margin	70.5%	72.9%	75.1%	70.0%	70.0%	70.0%	70.0%	70.0%	
EBITA	32.18	53.54	62.80	68.13	75.14	82.80	91.08	100.19	
EBITA-margin	41.8%	45.6%	48.3%	47.6%	47.8%	47.8%	47.8%	47.8%	47.8%
Taxes on EBITA	-3.22	-5.35	-9.42	-20.44	-22.54	-24.84	-27.32	-30.06	
Taxes to EBITA	10.0%	10.0%	15.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	28.96	48.19	53.38	47.69	52.60	57.96	63.76	70.13	
Return on capital	6.0%	5.1%	4.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.5%
Working Capital (WC)	26.00	26.26	26.52	14.30	15.73	17.31	19.04	20.94	
WC to revenue	33.8%	22.4%	20.4%	10.0%	10.0%	10.0%	10.0%	10.0%	
Investment to WC	-0.13	-0.26	-0.26	12.22	-1.43	-1.57	-1.73	-1.90	
Operating fixed assets (OFA)	920.00	1110.00	1280.00	1400.00	1534.26	1687.69	1856.45	2042.10	
Depreciation on OFA	-22.13	-32.08	-34.85	-32.00	-35.00	-38.36	-42.19	-46.41	
Depreciation to OFA	2.4%	2.9%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	
Investment in OFA	-484.28	-222.08	-204.85	-152.00	-169.26	-191.78	-210.96	-232.06	
Capital employed	946.00	1136.26	1306.52	1414.30	1549.99	1704.99	1875.49	2063.04	
EBITDA	54.31	85.62	97.65	100.13	110.14	121.16	133.27	146.60	
Taxes on EBITA	-3.22	-5.35	-9.42	-20.44	-22.54	-24.84	-27.32	-30.06	
Total investment	-484.41	-222.34	-205.11	-139.78	-170.69	-193.36	-212.69	-233.96	
Investment in OFA	-484.28	-222.08	-204.85	-152.00	-169.26	-191.78	-210.96	-232.06	
Investment in WC	-0.13	-0.26	-0.26	12.22	-1.43	-1.57	-1.73	-1.90	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free Cashflow	-433.32	-142.07	-116.88	-60.09	-83.09	-97.04	-106.74	-117.42	2171.12

Value operating business (due date)	1082.46	1261.28
Net present value explicit free CF	-636.25	-515.77
Net present value of terminal value	1718.71	1777.05
Net debt	925.67	1103,75
Value of equity	156.79	157.53
Minority interests	0.00	0.00
Value of share capital	156.79	157.53
Outstanding shares in m	13.02	13.02
Fair value per share in €	12.05	**12.10**

Cost of capital:

Risk free rate	1.3%
Market risk premium	5.5%
Beta	1.49
Cost of equity	9.5%
Target weight	10.0%
Cost of debt	3.2%
Target weight	90.0%
Taxshield	15.4%
WACC	**3.4%**

Return on capital	WACC				
	3.37%	**3.38%**	**3.39%**	**3.40%**	**3.41%**
3.45%	12.36	11.29	10.24	9.21	8.18
3.46%	13.31	12.23	11.17	10.13	9.10
3.47%	14.25	13.17	**12.10**	11.05	10.02
3.48%	15.20	14.11	13.03	11.98	10.93
3.49%	16.14	15.05	13.96	12.90	11.85

ANNEX

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

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The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10%.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

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The analysts responsible for this analysis are:
Matthias Greiffenberger, M.Sc., M.A., Finanzanalyst
Cosmin Filker, Dipl. Betriebswirt (FH), Stellv. Chefanalyst

Other person involved in this report:
Manuel Hölzle, Dipl. Kaufmann, Chefanalyst

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GBC AG
Halderstraße 27
D 86150 Augsburg
Tel,: 0821/24 11 33-0
Fax,: 0821/24 11 33-30
Internet: http://www,gbc-ag,de

E-Mail: compliance@gbc-ag,de

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- R E S E A R C H & I N V E S T M E N T A N A L Y S E N -

GBC AG
Halderstraße 27
86150 Augsburg
Internet: http://www.gbc-ag.de
Fax: ++49 (0)821/241133-30
Tel.: ++49 (0)821/241133-0
Email: office@gbc-ag.de