

MPH Health Care AG

Germany / Healthcare
 Frankfurt
 Bloomberg: 93M GR
 ISIN: DE000A0L1H32

2019
 Results

RATING
BUY

PRICE TARGET
€ 7.50

Return Potential 168.8%
 Risk Rating High

CR CAPITAL REAL ESTATE WAS THE 2019 PORTFOLIO CHAMPION

Full year reporting confirmed preliminary results with net income of €11m equal to €0.26 per share. This missed our €27m netincome target, due to underperformance of HAEMATO operations, while the company continued to optimise operations with higher margin offerings and enhanced digitalisation measures. NAV reached €272m vs €269m at YE18. CR Capita Real Estate spearheaded the portfolio performance and was able to offset weakness in HAEMATO shares last year. Our updated sum-of-the-parts model yields an unchanged €7.5 price target. We maintain our Buy rating.

HAEMATO set to join forces with M1 Kliniken The lifestyle and beauty specialist announced that it will acquire the 48% HAEMATO stake currently held by MPH Health Care in a contribution in kind share deal. MPH will receive 2.143m M1 shares from a capital raise in exchange for 11.012m HAEMATO shares (48% of share capital). The deal will be effective as of 1 July 2020. M1 will consolidate HAE revenues as of H2/20, but HAEMATO will continue to operate independently under its own brand. M1 sees consolidated revenues north of €150m in 2020 with the topline ranging between €250m to €300m next year.

The upshot of the deal HAEMATO boasts an extensive European-wide sourcing and distribution infrastructure and deep logistics expertise that drive its parallel import business. M1 wants to leverage this platform to capitalise on growing opportunities in its product business. The company underutilised recent opportunities to grow this business, particularly in the nutrition segment, because of the strong growth of core beauty treatment operations. M1 can also leverage HAEMATO's medical licensing to make stronger inroads with its injectables. HAEMATO in turn gains access to M1's well developed brand and social media presence providing synergies for. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Pro-forma rev. (€m) ¹	347.50	365.64	315.57	353.65	409.15	459.02
Y/Y growth	5.6%	5.2%	-13.7%	12.1%	15.7%	12.2%
Operating revenue (€m)	34.24	39.53	41.22	29.31	37.74	21.79
EBIT (€m)	32.3%	37.6%	11.6%	26.7%	35.0%	19.0%
Net income (€m)	31.86	37.03	11.08	25.68	33.82	18.06
EPS (diluted) (€)	0.74	0.86	0.26	0.60	0.79	0.42
DPS (€)	0.20	0.20	0.00	0.20	0.20	0.21
NAV (€m)	240.66	269.13	271.64	297.32	322.58	331.90
Net gearing	2.4%	4.8%	6.1%	4.5%	3.9%	3.6%
Liquid assets (€m)	8.29	1.08	2.10	1.76	2.42	3.21

¹ We provide pro-forma revenue of M1 Kliniken, HAEMATO and CR Capital as a reference.

RISKS

Regulatory changes in healthcare systems, homogenization of pharmaceutical prices within the EU, and prolonged macro economic downturns that limit private healthcare spend.

COMPANY PROFILE

MPH Health Care AG is a Berlin-based investment company focused on the purchase and further development of companies positioned chiefly in growth segments of the healthcare market. These primarily entail specialty pharmaceuticals for chronic diseases and lifestyle and beauty treatments. The company also holds a stake in a residential property developer.

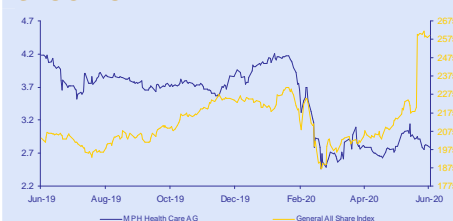
MARKET DATA

As of 29 Jun 2020

Closing Price	€ 2.79
Shares outstanding	42.81m
Market Capitalisation	€ 119.45m
52-week Range	€ 2.47 / 4.21
Avg. Volume (12 Months)	20,024

Multiples	2019	2020E	2021E
P/E	10.8	4.7	3.5
EV/EBIT	11.8	5.1	3.9
P/NAV	0.4	0.4	0.4
Div. Yield	0.0%	7.2%	7.3%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 1.79m
Current Assets	€ 2.24m
Financial Assets	€ 290.91m
Total Assets	€ 293.14m
Current Liabilities	€ 15.72m
Shareholders' Equity	€ 271.64m

SHAREHOLDERS

Magnum	60.0%
Baring Fund Managers	1.7%
KBC Asset Management SA	1.3%
Free Float	37.0%



. . . its evolving product portfolio. The tentacles of social media have crept into self-health care and wellness. This is mounting in importance evidenced by cosmetic corporates buying up social media players simply to capture their followers. The combination will allow M1 to focus its resources on beauty clinic expansion and strengthen HAEMATO's portfolio with clinic-branded products.

DEVELOPMENTS AT CR CAPITAL REAL ESTATE

The company specialises in the construction of affordable housing predominantly in Leipzig, Berlin, and the Berlin exurbs and is benefiting from a residential market that continues to be shaped by an acute housing shortage, particularly for affordable homes, and soaring rents. Plus, owning a town house or flat has rarely been so attractive, thanks to rock bottom mortgage lending rates (~0.75%) coupled with an €18k KfW loan credit and another €12k child benefit subsidy.

Remote working could provide further tailwinds We believe CR Capital could also directly benefit from the corporate re-assessment of workplace strategies. Corporate occupiers are starting to adopt longer-term hybrid working models that combine home-working with time in the office. Home-working requires adequate space. And many low to mid-salaried workers cannot afford to buy large enough flats in central locations. Plus, with the obstacle of a daily commute removed, we expect further migration into the exurbs of major hubs such as Berlin.

The shape of things during the lockdown The residential property developer beefed up its staff last year with key personnel to increase development capacity to ~200 units per annum. Management also locked down contractors for the next three years. This has paid off during the early stages of the pandemic with operations running largely on time and unhampered during the lockdown. The company reported no significant red tape or development bottlenecks, thanks to secure regional supply chains. We expect the company to hand over up to 200 units in 2020, while the pipeline remains full with > 400 units under development. CR Capital will report 2019 results later this month.

Table 1: CR Capital six month 2019 results

All figures in EUR '000	H1/19	H1/19E	variance	H1/18	variance
Revenue	6,324	6,821	-7.3%	12,830	-50.7%
EBIT	3,091	3,177	-2.7%	3,667	-15.7%
Margin (%)	48.9%	46.6%	-	28.6%	-
Net Income	3,467	2,765	25.4%	2,104	64.8%
Margin (%)	54.8%	40.5%	-	16.4%	-

Source: First Berlin Equity Research; CR Capital

DEVELOPMENTS AT M1 KLINIKEN

The lifestyle-beauty specialist offers treatments that cover a wide range of cosmetic and reconstructive surgical procedures and aesthetic medicine. M1 reported an 18% Y/Y increase in 2019 revenue to €77m with net income up 47% to €9.7m. We attribute the performance to clinic expansion and like-for-like growth for existing clinics. Although the company expanded into laser treatments (M1 Laser) and aesthetic dental (M1 dental), reconstructive surgical procedures and aesthetic medicine remain are the mainstay of the company's operations and will be the focus of its international expansion strategy in a post-pandemic world.



Last year, the Beauty segment, which accounts for plastic and aesthetic surgery accounted for €40m of the group topline (52%). The Trading segment comprises pharmaceutical and medical product trading activities and contributed €37m (48%) of group turnover.

Table 2: M1 2019 reporting vs prior year

in € '000	2019	2019E	variance	2018	variance
Revenue	77,217	n.a.	-	65,209	18.4%
EBIT	7,932	n.a.	-	6,460	22.8%
Margin (%)	10.3%	-	-	9.9%	-
Net Income	9,729	n.a.	-	6,613	47.1%
Margin (%)	12.6%	-	-	10.1%	-

Source: First Berlin Equity Research; M1 Kliniken

M1 shut down its clinics and practices on 23 March in compliance with the nationwide lockdown measures. These re-opened in May and business immediately hit pre-lockdown levels. However, a return to a more restrictive lockdown cannot be ruled out. Importantly, the company communicated its ability to absorb the shutdown without severe long-term effects to its balance sheet. Nevertheless, management will propose to the AGM that 2019 profits be fully retained to finance envisioned growth.

Table 3: M1 financial highlights

in € '000	2019	2018	variance
Cash	9,098	25,384	-64%
Financial debt (short- and long-term)	84	150	-
Net debt	-9,014	-25,234	-64%
Total assets	92,814	69,554	33%
Shareholders' equity	68,222	63,743	7%
Equity ratio	74%	92%	-

Source: First Berlin Equity Research; M1 Kliniken

The lockdown will certainly interrupt M1's growth trajectory and sales could retreat on an annualised basis. However, it is impossible to predict 2020 performance with any degree of accuracy. As long as the clinic network remains open, we expect demand to remain steady. Cosmetic treatments provide a 'wellness effect' craved by a population frustrated with social distancing and lockdowns. Plus, a prolonged economic downturn could play into the hands of M1, given the competitive pricing structure compared to private practices. It also remains to be seen how distancing protocols in the 90% economy will impact M1 capacities and patient throughput.

Clinic rollout to continue Over the mid-term, M1 management want build a Europe-wide clinic network of >100 facilities (currently: 38) by 2023 / 2024 depending on the pandemic length. Thanks to its in-house training academy, the company also has a full pipeline of doctors to populate the beauty centres,



DEVELOPMENTS AT HAEMATO

Revenue in 2019 slumped 27% Y/Y, due to lingering effects of the compromised supply chains in 2018 and the optimisation of its portfolio (see HAE:GR note of 5 May 2019). Management decided to cull the offerings of low margin products. This hurt sales volumes but paved the way for gross margin uplift. HAEMATO shares sold off last summer on the operational volatility, and we dialled back our forecasts to reflect ongoing production optimisation and the slow recovery in sales throughput.

Table 4: HAEMATO 2019 results vs prior year and FBe

All figures in EUR '000	2019	2019E	variance	2018	variance	H2/19	H2/18	variance
Revenue	197,834	199,614	-0.9%	274,121	-27.8%	103,826	130,376	-20.4%
Gross profit	13,599	15,848	-14.2%	21,127	-35.6%	6,093	10,618	-42.6%
Margin	6.9%	7.9%	-	7.7%	-	5.9%	8.1%	-
EBIT	-18	184	-	8,503	-	-731	2,018	-
Margin	0.0%	0.1%	-	3.1%	-	-0.7%	1.5%	-
Net Income	-1,173	-1,134	-	6,276	-	927	1,220	-24.0%
Margin	-0.6%	-0.6%	-	2.3%	-	0.9%	0.9%	-

Source: First Berlin Equity Research; HAEMATO

Sales volumes starting to pick up The company saw a 12% sequential sales increase in Q4/19 to €56m and momentum remained good in Q1/20 with the topline hitting €61m. We believe sales have remained steady during the pandemic crisis: Meds are vital to society and able to cross borders despite tighter controls. HAEMATO has also implemented strict distancing practices at its Schönefeld production facility to ensure worker safety and fluid distribution. However, it cannot be ruled out that a potential infection could interrupt operations.

Strong Q1 portfolio expansion The company is also making inroads into the narcotics sector to bolster its parallel import portfolio. HAEMATO has secured the required licensing and is ramping up the required infrastructure for distribution. Overall, 38 new meds were added into the portfolio in Q1, which should help smooth some of the quarterly volatility.

Regulatory overhang has been the rub for shareholders in the past. HAEMATO shares slid further during the Q1 market sell-off as investors worried whether the regulator would weigh in with tighter controls in response to covid-19 risks, which could hamper parallel import operators. However, we believe all is currently quiet on the regulatory front. At the AGM, management will also propose to full retention of 2019 earnings and scrap the dividend payment. The AGM is now scheduled for 21 July.

Table 5: HAEMATO Financial highlights

All figures in EUR '000	2019	2018	variance
Cash	2,100	5,588	-62.4%
Short-term financial assets	2,761	2,889	-4.4%
Financial debt (short- and long-term)	28,897	22,680	27.4%
Net debt	24,036	14,202	69.2%
Total assets	128,567	116,505	10.4%
Shareholders' equity	72,219	75,676	-4.6%
Equity ratio	56%	65%	-

Source: First Berlin Equity Research; HAEMATO

MPH FINANCIAL DEVELOPMENTS

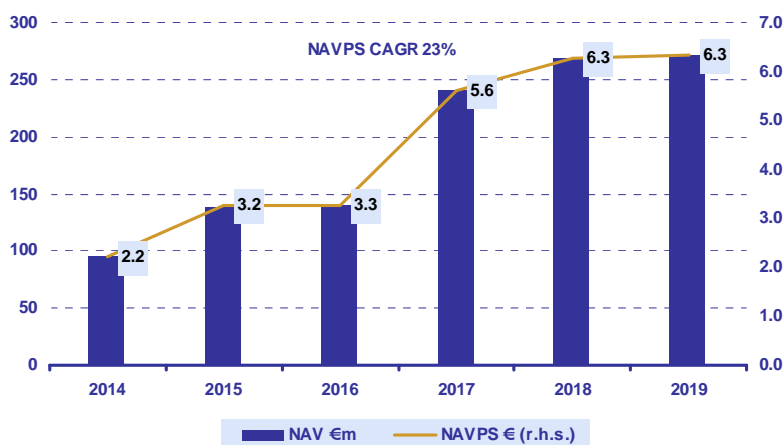
Table 6: 2019 MPH results vs FBe and prior year

All figures in EUR '000	2019	2019E	variance	2018	variance
Operating revenues	41,221	30,486	35.2%	44,873	-8.1%
EBIT	11,575	28,529	-59.4%	37,641	-69.2%
Net Income	11,076	27,465	-59.7%	37,025	-70.1%
NAVPS (€)	6.34	6.73	-5.8%	6.29	0.8%

Source: First Berlin Equity Research; MPH Health Care

CR Capital was MPH's 2019 portfolio champion The property developer reported preliminary 2019 net income of €90m. Management will propose a €1.50 / share dividend to the AGM, which remains unchanged after the 2:1 stock split effectively doubling the pay out to investors. Good operational momentum translated into a 96% annualised rise in the share price.

Figure 1: MPH net asset value developments



Source: First Berlin Equity Research; MPH Health Care

NAV edged higher to €272m (2018: €269m) corresponding to NAVPS of €6.3 (+1%). The performance owes to the €11m net income spurred by €6.5m in net revaluation gains plus €6.7m in investment income stemming from dividends received from participations. MPH management will propose to the 22 July AGM to fully retain 2019 earnings and suspend the dividend payment, due to the high level of coronaviral uncertainty in the markets.

Table 7: MPH balance sheet developments

All figures in EUR '000	2019	2018	variance
Cash	1,796	1,017	77%
Financial assets	290,851	285,097	2%
Financial debt (short- and long-term)	18,574	14,087	32%
Net debt	16,778	13,070	28%
Total assets	293,144	286,253	2%
Shareholders' equity	271,641	269,128	1%
Equity ratio	93%	94%	-
NAV	271,641	269,128	1%
NAVPS (€)	6.34	6.30	1%

Source: First Berlin Equity Research; MPH Health Care



Meanwhile Q1/20 prelims reflect the covid-19 market dislocation Q1/20 NAVPS retreated some 32% in the three month period to €4.3m when coronavirus recessionary fears sent global bourses tumbling. Despite sharp declines across participation share prices, Q1 operations for the core holdings held up well during Germany's lockdown. HAEMATO realised a strong uptick in Q1 sales (+25% Y/Y; 9% Q/Q) to €61m, while also repopulating its portfolio with 38 new medications. CR Capital experienced no interruption in operations, thanks largely to good access to regional sourcing, while M1 is reopening clinics and reports sales at pre-pandemic levels with strong bookings for the months ahead. These signals should help spur share price recoveries.

SOTP VALUATION MODEL

We use a sum-of-the-parts valuation methodology to value MPH. Value is driven by the projected fair value of HAEMATO, M1 Kliniken, and CR Capital, which we have valued separately on a DCF basis. Shareholdings reflect YE19 reporting. We will update the listed portfolio to reflect M1's announced acquisition of MPH's 48% HAEMATO stake when the deal is closed.

Our price target remains unchanged at €7.5. The downgrade in HAEMATO fair value when we dialled back our forecasts last year was offset by upside in CR Capital. We remain Buy-rated on both companies. MPH stock now trades some 35% below NAVPS. We reiterate our Buy rating.

Unit	Shareholdings k	SO k	MPH stake %	Share price* €	Fair value ¹ €	Projected value €m
HAEMATO AG	11,401	21,980	52%	2.9	4.8	55
M1 Kliniken AG	11,012	16,500	67%	11.3	19.8	218
CR Capital Real Estate AG	2,150	3,756	57%	33.6	37.0	80
Projected value of listed holdings						352

* Source: Bloomberg (Previous day's closing price)

Fair value of listed portfolio	€m	352
Non-listed investment (book value)	€m	27
Net debt	€m	16
Present value of holding costs	€m	-40
Total fair value	€m	323
MPH shares outstanding	m	43
Fair value per share	€	7.5

¹ First Berlin Equity Research currently covers HAEMATO AG (Buy / PT: EUR4.8) and CR Capital (Buy / PT: EUR37)



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019	2020E	2021E	2022E
Pro-forma revenues¹	347,504	365,638	315,567	353,647	409,150	459,020
Fair value gains on investments	25,583	31,019	33,747	25,447	27,100	11,042
Income from participations	848	170	780	350	400	400
Investment income	7,380	8,317	6,651	3,475	10,199	10,302
Other operating income	425	28	43	43	45	47
Operating revenue	34,236	39,534	41,221	29,315	37,744	21,791
SG&A	-1,177	-1,146	-934	-981	-1,030	-1,081
Other OpEx	-360	-703	-1,494	-1,569	-1,647	-1,729
Net loss from participations	-392	0	-27,207	0	0	0
Depreciation & amortisation	-21	-45	-11	-19	-20	-8
EBIT	32,286	37,640	11,575	26,746	35,047	18,972
Interest expense	-499	-507	-540	-864	-864	-864
Interest income	332	209	15	0	0	0
EBT	32,119	37,342	11,050	25,882	34,183	18,108
Income taxes	-264	-317	27	-518	-684	-362
Net income / loss	31,855	37,025	11,076	25,365	33,500	17,746
Minority interests	0	0	0	0	0	0
Net income after minorities	31,855	37,025	11,076	25,365	33,500	17,746
EPS (in €)	0.74	0.86	0.26	0.59	0.78	0.41

¹Pro-forma revenue of M1 Kliniken, HAEMATO and CR Capital as a reference.



BALANCE SHEET

All figures in EUR '000	2017	2018	2019	2020E	2021E	2022E
Assets						
Current assets, total	8,288	1,153	2,237	1,859	1,865	1,999
Cash and equivalents	1,239	1,018	1,797	1,399	1,385	1,497
ST financial assets	7,046	64	305	311	317	324
Trade receivables	0	3	4	4	4	4
Inventories	0	7	0	0	0	0
Other ST assets	3	61	131	144	159	174
Non-current assets, total	249,069	285,100	290,908	313,356	337,957	346,500
Property, plant & equipment	4	2	56	57	59	59
Goodwill & other intangibles	18	1	1	1	1	1
Financial assets	249,047	285,097	290,851	313,298	337,898	346,440
Total assets	257,357	286,253	293,144	315,214	339,823	348,499
Shareholders' equity & debt						
Current liabilities, total	229	327	15,720	150	155	159
Trade payables	37	28	24	24	24	24
Provisions	70	99	91	94	97	99
Other ST financial liabilities	90	87	15,574	0	0	0
Other current liabilities	32	113	31	33	34	36
Long-term liabilities, total	16,483	16,798	5,772	26,786	26,800	26,814
Long-term debt	14,000	14,000	3,000	24,000	24,000	24,000
Deferred tax liabilities	2,483	2,798	2,772	2,786	2,800	2,814
Shareholders' equity	240,665	269,127	271,641	288,271	312,861	321,519
Minority interests	0	0	0	0	0	0
Total equity	240,665	269,128	271,641	288,271	312,861	321,519
Total consolidated equity and debt	257,377	286,253	293,133	315,207	339,816	348,492
NAV	240,665	269,128	271,641	288,271	312,861	321,519
NAVPS (€)	5.62	6.29	6.34	6.73	7.31	7.51



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020E	2021E	2022E
Net income	31,855	37,025	11,076	25,365	33,500	17,746
Depreciation and amortisation	21	45	11	19	20	8
Revaluation gains	-25,946	-30,360	-6,540	-25,453	-27,107	-11,048
Changes in working capital	2,485	7,058	-93	5	4	3
Other adjustments	-457	-830	384	0	0	0
Net financial result	167	299	526	864	864	864
Tax expense	264	317	-26	518	684	362
Operating cash flow	8,389	13,554	5,337	1,318	7,965	7,935
Investment income	-7,380	-8,317	-6,651	-3,475	-10,199	-10,302
Tax paid	0	-41	-38	-518	-684	-362
Net operating cash flow	1,009	5,196	-1,352	-2,675	-2,918	-2,729
CapEx	-11	-11	-52	-20	-22	-9
Payments from acquisitions of consolidated companies & other business units	-15,978	0	1,856	0	0	0
Proceeds from disposal of fixed assets	13,160	11,783	17,661	3,000	2,500	2,500
Payments for investment in financial assets	0	-16,644	-19,116	0	0	0
Investment income	7,380	8,317	6,378	3,475	10,199	10,302
Interest income	332	208	15	0	0	0
Cash flow from investing	4,883	3,653	6,742	6,455	12,677	12,793
Equity inflow, net	0	0	0	0	0	0
Debt inflow, net	0	0	4,492	5,422	0	0
Dividend paid to shareholders	-5,137	-8,563	-8,563	-8,735	-8,910	-9,088
Interest expense	-499	-507	-540	-864	-864	-864
Cash flow from financing	-5,636	-9,070	-4,612	-4,177	-9,774	-9,952
Net cash flows	256	-221	778	-397	-14	112
Cash, start of the year	983	1,239	1,018	1,797	1,399	1,385
Cash, end of the year	1,239	1,018	1,797	1,399	1,385	1,497
Free cash flow (FCF)	5,892	8,849	5,390	3,780	9,760	10,064
Y-Y Growth						
Operating cash flow	n.a.	415.0%	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.a.	50.2%	-39.1%	-29.9%	158.2%	3.1%

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDSStV

First Berlin Equity Research GmbH

Authored by: Ellis Acklin, Senior Analyst

All publications of the last 12 months were authored by Ellis Acklin.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

The production of this recommendation was completed on 30 June 2020 at 10:35

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

Copyright© 2020 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MiFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set out in Article 34 (3) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 (b) shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest (further information and data may be provided on request):

- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the

financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

If despite these measures one or more of the aforementioned conflicts of interest cannot be avoided on the part of the author or First Berlin, then reference shall be made to such conflict of interest.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfills the requirements of section 64 WpHG for minor non-monetary benefits.

PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

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

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

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

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

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 October 2012	€2.45	Buy	€5.50
2...15	↓	↓	↓	↓
16	30 May 2017	€3.62	Buy	€5.80
17	23 November 2017	€3.54	Buy	€6.90
18	13 June 2018	€5.06	Buy	€7.10
19	15 August 2019	€3.76	Buy	€7.50
20	Today	€2.79	Buy	€7.50

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

Legally required information regarding

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

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.