Media and Games Invest plc

Malta / Entertainment		**RATING**	**BUY**
Xetra	Update	**PRICE TARGET**	**€ 2.90**
Bloomberg: M8G GR		Return Potential	118.0%
ISIN: MT0000580101		Risk Rating	High

MORE THAN JUST A GAME

We are raising our 2020 forecasts to reflect MGI's strong start to the year. In our view, MGI's growth prospects are excellent, thanks to market tailwinds and an M&A strategy that is paying off. The company is a market consolidator focused on the $150bn video gaming industry and media. And the latter business segment has been boosted by two key deals this year. After booking annualised revenue growth of some 157% in 2019, we now see the topline reaching €115m (old: €100m) in 2020. Our recalibrated forecasts yield a €2.9 price target (old: €2.8). We remain Buy-rated on MGI.

Raising forecasts on good business momentum MGI has added over 20 gaming companies to the gamigo mother ship and another 10+ in digital media. The company leverages the value chains of the two sectors to harness synergies and spur profitable growth. In our view, the two mega-industries are a natural match. After racking up €84m in consolidated sales last year, we expect the M&A and organic growth engines to push revenues well into triple digit million territory for the first time this year. Our recalibrated forecasts model three-year revenue and EBITDA CAGRs of 26% and 32% respectively for 2020 to 2022.

More than just a game We have mostly regarded the media segment as a strategic mandate designed to drive MGI's gaming operations. Last year, gaming and media segment revenue was at parity, but gaming drove profitability with some 81% of group EBITDA. Now media is becoming more than just a lever to drive gaming growth. Management have expanded MGI's digital media arsenal with two major additions so far this year to bolster its mobile marketing (Verve Wireless Inc) and programmatic activities (Platform 161). The new additions are expected to generate >€20m in annual sales and provide up to €2m in annualised EBITDA in addition to strategic synergies. And prospects for growth are compelling. The online advertising market is thought to have been worth $294bn in 2019, driven by trends in A.I. and programmatic (see overleaf). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020E	2021E	2022E
Revenue (€ m)	32.62	83.89	114.93	142.52	165.32
Y/Y growth	n.a.	157.2%	37.0%	24.0%	16.0%
EBITDA (€ m)	8.65	15.54	20.37	28.17	34.73
EBITDA margin	26.5%	18.5%	17.7%	19.8%	21.0%
Net income (€ m)	5.26	1.25	0.64	6.11	9.44
EPS (diluted) (€)	0.10	-0.01	0.01	0.07	0.10
DPS (€)	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-7.17	3.13	-6.72	10.09	13.40
Net gearing	24.0%	27.4%	46.8%	43.4%	37.7%
Liquid assets (€ m)	4.45	32.98	10.16	13.53	11.58

RISKS

Risks include but are not limited to: revenue diversity, financing, technology, and regulatory risks.

COMPANY PROFILE

MGI is a strategic investment holding company that pursues a 'buy-integrate-build-and-improve' strategy to foster fast-growing companies within the media and games segments through acquisitions and growth in operations. gamigo and AppLift are the flagship holdings within the group.

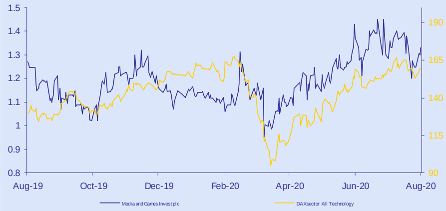
MARKET DATA

As of 05 Aug 2020

Closing Price	€ 1.33
Shares outstanding	70.00m
Market Capitalisation	€ 93.10m
52-week Range	€ 0.95 / 1.45
Avg. Volume (12 Months)	94,065

Multiples	2019	2020E	2021E
P/E	n.a.	188.2	20.5
EV/Sales	2.8	2.0	1.6
EV/EBITDA	14.9	11.4	8.2
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 32.98m
Current Assets	€ 55.86m
Intangible Assets	€ 233.21m
Total Assets	€ 312.45m
Current Liabilities	€ 54.54m
Shareholders' Equity	€ 168.56m

SHAREHOLDERS

Bodhivas GmbH	62.4%
Free Float	37.6%

Analyst: Ellis Acklin,Cathrin Schwanke, Tel. +49 (0)30 - 80 93 96 83

BUY, INTEGRATE, BUILD & IMPROVE

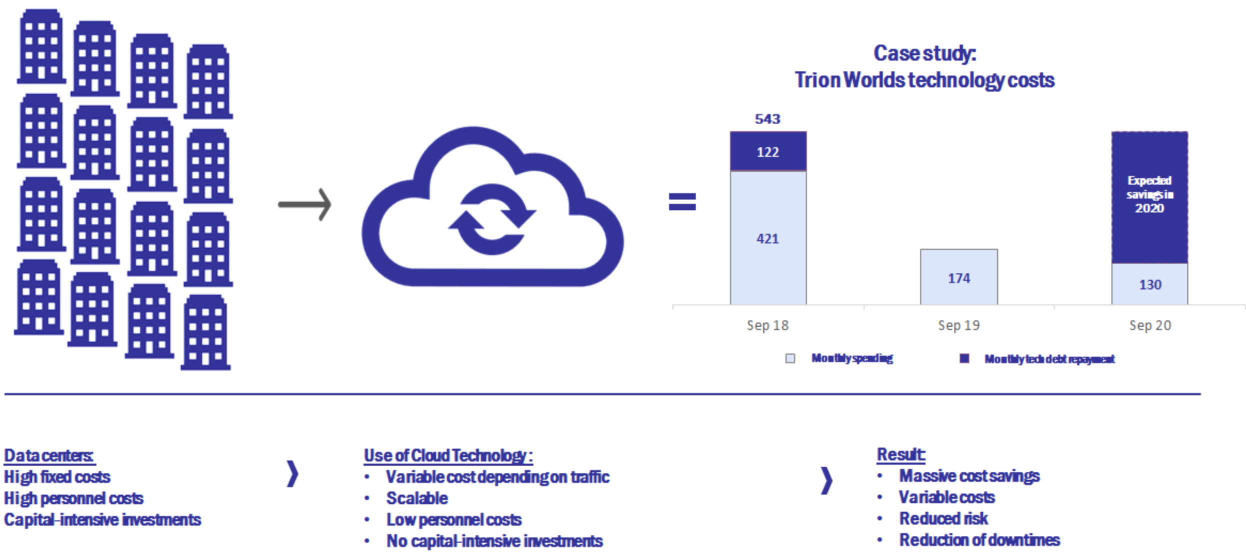
More corporate activity in the works MGI aims to capture synergies between the gaming and media industries to rev up gaming operations and create synergies. Having successfully bolted on 30+ companies across the gaming and media segments, the M&A pipeline remains full including a shortlist of >40 gaming candidates and another >27 media. The former equates to some €400m in revenue potential, while the media shortlist tops €500m. These figures support our external growth assumptions of ~€59m this year and another €13m in 2021. We believe MGI could close another 2 to 3 more deals this year.

Management want to build a video gaming and media "powerhouse". While some may smirk at the hyperbole, given its size compared to industry stalwarts, the company has quickly built a rugged corporate structure well populated with strategic and profit generating assets. This is paying off as evidenced by case studies recently provided by the company.

TRION WORLDS CASE STUDY

Acquired in 2018, the integration of US-publisher and game developer, *Trion Worlds,* provides a compelling case study of MGI's M&A strategy and ability to optimise the asset under its roof.

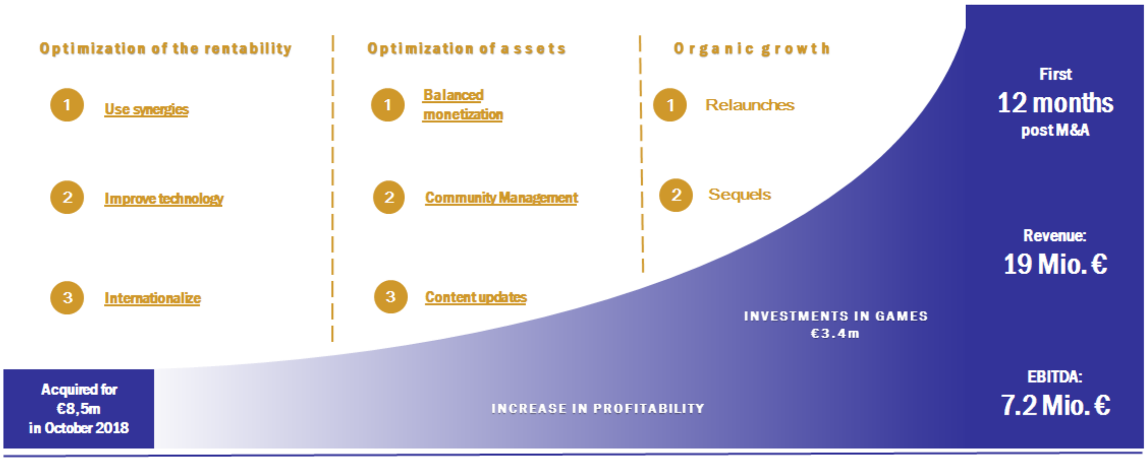
Figure 1: Trion Worlds' technology optimisation



Source: First Berlin Equity Research; MGI

The post-deal migration of *Trion Worlds'* legacy data centres to cloud-based solutions helped slash monthly technology spend down to €174k as of September 2019 (Sept. '18: €421k). Plus, a €122k / month debt component was eliminated. MGI expects to whittle this down to €130k by this fall, if the company is able to strike new deals with cloud-computing vendors—we suspect AWS, Microsoft, and Google are the front-runners.

Figure 2: Less than 24 month pay back



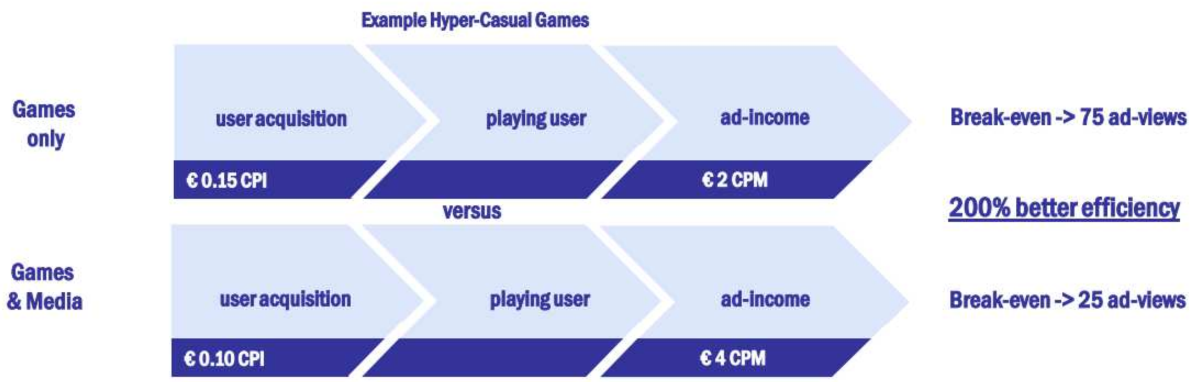
Source: First Berlin Equity Research; MGI

The €8.5m price tag and subsequent €3.4m of investments into content and integration costs paid off with post-deal, 12 month revenue and EBITDA streams of €19m and €7m respectively shrinking payback down to < 24 months.

CASE STUDY: GAMING PERFORMANCE METRICS

The gaming and media combination has yielded strong efficiency gains as seen in the solid improvement in the cost per install (CPI) and cost per mille (CPM) metrics. With the stand alone gaming only model, the company generated ad revenues €2 per mille impressions (€0.002), which required 75 ad views to cover the €0.15 CPI for player acquisition. By leveraging gaming + media, ad-income doubles to €4 and the CPI falls to €0.10. This requires only a third of the ad-views for break-even.

Figure 3: Hyper casual games



Source: First Berlin Equity Research; MGI

Plus, the combination produces a much greater trove of valuable data. We note that MGI does not sell data to third parties. Rather it uses it to optimise its campaigns and initiatives. The data is instrumental in the company’s growing programmatic activities (see overleaf) helping steer ads to the best suited target groups.

CORPORATE ACTIVITY IN H1/20

The last gamigo deal made the biggest headline splash in H1 (see note of 22 April 2020), but management have been busy this year pulling the M&A levers having completed two deals.

New digital media assets In January, management moved to bolster MGI's mobile advertising roster with the acquisition of Verve Wireless Inc. The US-based company operates a mobile data platform for location-based programmatic video and display marketing. The deal allows MGI to scoop up all of Verve's technology and its team steeped in branded programmatic advertising and location-based analytics. The deal also strengthens the company's North American footprint and is expected to add a low double-digit million euro figure to the topline.

Verve subsequently joined forces with AppLift and PubNative to form the Verve Group, which will serve as the dock to anchor future media acquisitions. The Group now spans across 20 global offices with a staff of >350.

MGI continued bulk up its media segment with the July acquisition of the demand side platform (DSP), Platform 161 BV. Founded in 2008, the Amsterdam-based programmatic advertising specialist automates the purchase of ad space and advertising inventory. The deal boosts MGI's media operations and expands the group's technology expertise, product portfolio, and customer base. Management expect Platform 161 to add some €10m to the topline with EBITDA of about €1m per annum.

What's next? Management have done some good work this year adding to its media roster and cleaning up the gamigo minority stake, but low mobile gaming exposure remains the rub with the MGI portfolio.

The M&A team continues to monitor this sector closely for the opportunities but remains steadfast on not overpaying in a hot market. Multiples have become a bit more palatable during covid-19, which could open the door in the coming quarters. In the meantime, the new programmatic additions allow MGI to profit from strong mobile trends.

Clearing out the notebook MGI also struck an agreement with the ReachHero founders and minority holders to purchase their remaining shares. The company now owns 100% of the influencer agency and its digital SaaS platform. ReachHero works closely with Mediakraft and Adspree within the MGI media segment offering a suite of services to both advertisers and influencers under the joint brand Media Elements.

THE ADVERTISING PENDULUM IS SWINGING TOWARDS PROGRAMMATIC

Gone are the glamorous days of suits, scotch, and cigarettes portrayed by the creative men of Sterling Cooper in the popular series Mad Men. In the previous century, creativity and storytelling fuelled catchy campaigns for the print, radio, and later television mediums. Now digitalisation is changing the media world again. Computers, coders, big data, and analytics have joined the media 21st century advertising game, while office cocktails and suits have been replaced by coffee and hoodies.

The introduction of electronic marketplaces is reshaping the advertising business still further with advertising markets undergoing a transformation similar to that undergone by financial markets during the 1980s with the adoption of automated trading systems. In the media world, automated trading is known as “programmatic” or Real-Time Bidding (RTB). This uses computers and complex algorithms to buy and sell advertising space, or “impressions,” in real-time.

One of the advantages of programmatic is the wealth of data generated and available to today’s marketers for “behavioural targeting.” The ultimate advantage of behavioural targeting is the ability to know precisely who is interested in a certain product and gauge the consumer’s buying interest. With the aid of sophisticated software tools and analytics, marketers can tailor Web ads based on consumers' online behaviours—the websites they view, the products they research, and measure how close they come to making a purchase through conversion KPIs. Since an ad is generated by a consumer's measurable interest, behavioural targeting provides stronger sales leads, thus allowing marketers to deliver relevant ads anywhere within a network.

The science of data-driven marketing is rapidly becoming the industry standard as marketers pursue an approach that blends the creative and quantitative sides of marketing. This is being combined with the ability to electronically negotiate and trade ad space. Now advertisers can buy their required impressions electronically at a fixed price via a fully automated transaction, thus dispensing with cumbersome paperwork and manual inputs.

UPGRADING FORECASTS

Table 1: Q2 preliminary KPIs

EUR '000	Q2/20	Q2/20E	*Variance*	Q2/19	*Variance*	H1/20	H1/19	*Variance*
Revenue	30.0	26.3	*14.1%*	15.2	*97.4%*	56.5	28.5	*98.2%*
EBITDA	6.3	4.8	*32.4%*	3.8	*65.8%*	11.6	7.6	*52.6%*
Margin (%)	*21.0%*	*18.1%*	*-*	*25.0%*	*-*	*20.5%*	*26.7%*	*-*

Source: First Berlin Equity Research; MGI

Six month revenue nearly doubled (+98%) on an annualised basis to €56.5m, thanks in part to lockdown tailwinds. The company has also bolted on two top line and profitability drivers this year with the aforementioned Verve and Platform161 deals. We expect the two programmatic specialists to add > €20m to the topline on a full year basis.

Table 2: Changes in FBe and price target

	old	new	*revision*	upside	dividend yield	total return
Price target (€)	**2.8**	**2.9**	***4.4%***	**132.0%**	**0.0%**	**132.0%**
		2020E			2021E	
All figures in € '000	**old**	**new**	***revision***	**old**	**new**	***revision***
Revenue	100,473	114,933	*14.4%*	135,638	142,517	*5.1%*
EBITDA	17,540	20,367	*16.1%*	23,371	28,168	*20.5%*
Margin (%)	*17.5%*	*17.7%*	*-*	*17.2%*	*19.8%*	*-*
EBIT	8,497	7,150	*-15.9%*	11,570	15,769	*36.3%*
Margin (%)	*8.5%*	*6.2%*	*-*	*8.5%*	*11.1%*	*-*
Net income	2,212	645	*-70.8%*	3,932	6,115	*55.5%*
EPS diluted (€)	0.03	0.01	*-72.0%*	0.04	0.07	*48.8%*

Source: First Berlin Equity Research estimates

Although some of this was generically baked into our prior forecasts, the external growth overshot our old 2020 assumptions. Organic growth in Q1 also topped expectations. We now expect sales to approach €115m (+14% Y/Y) this year and look for a similar rise in EBITDA. The declines in operating and net income stem from an increase in depreciation and amortisation plus higher financing costs associated with the higher corporate activity.

We also anticipate an annualised increase (+210bps) in EBITDA margin next year with the full year impact of synergies. As outlined in the *Trion Worlds* case study, successful integration often unlocks cost savings for the Group. The model of restructuring and integrating the single subsidiaries becomes more efficient the larger it gets, thanks to a team that is now seasoned at incorporating underperforming operations as well as optimising staffing and IT.

Our revised numbers correspond to the lower end of recently published guidance that calls for revenue ranging €115m to €125m (FBe: €115m) in 2020 and EBITDA in the range of €20m to €23m (FBe: €20m).

VALUATION MODEL

We use a DCF model to value Media and Games Invest. In our view, this approach is best suited to the company's business model and income streams. We like MGI for its clever positioning in the video gaming and media industries and the company to continue its current growth trajectory in H2/20. We model a three-year revenue CAGR of 26% for 2020–2022. The primary risk in our view is M&A execution, which requires intense integration of acquired assets to capture embedded upside.

Our diluted share count climbs to 92m (88m) after factoring in the 4m new shares for the AppLift / PubNative deals. We also expect the 18m shares for the last gamigo transaction to be registered by the end of August. We raise our price target to €2.9 (old: €2.8) and remain Buy-rated on MGI.

All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue	**114,933**	**142,517**	**165,320**	**190,118**	**218,636**	**240,500**	**252,525**	**262,626**
NOPLAT	**4,826**	**10,644**	**13,736**	**18,290**	**22,119**	**27,025**	**28,270**	**31,198**
(+) depreciation & amortisation	13,217	12,399	14,383	16,540	19,021	18,518	19,444	17,596
Net operating cash flow	**18,044**	**23,043**	**28,119**	**34,830**	**41,140**	**45,543**	**47,714**	**48,794**
(-) Investments	-29,493	-13,140	-15,243	-17,529	-20,158	-19,769	-20,758	-18,962
(-) Working capital	-1,769	-2,524	-2,081	-2,705	-2,614	-2,082	-819	-688
Free cash flows (FCF)	**-13,219**	**7,379**	**10,795**	**14,596**	**18,368**	**23,692**	**26,138**	**29,145**
PV of FCF's	-12,742	6,490	8,662	10,684	12,266	14,435	14,529	14,780

All figures in thousands	
PV of FCFs in explicit period	118,055
PV of FCFs in terminal period	203,648
Enterprise value (EV)	321,703
(+) Net cash / (-) net debt	-46,145
(-) Non-controlling interests	-6,112
Shareholder value	269,446
Fair value per share (€)	2.90

Terminal EBIT margin

WACC	16.7%	18.7%	20.7%	22.7%	24.7%	26.7%	28.7%
6.6%	3.77	4.39	5.01	5.63	6.25	6.87	7.49
7.6%	3.01	3.48	3.95	4.42	4.89	5.36	5.83
8.6%	2.46	2.83	**3.19**	**3.56**	**3.93**	4.30	4.66
9.6%	2.04	2.34	**2.63**	**2.92**	**3.22**	3.51	3.80
10.6%	1.72	1.96	**2.19**	**2.43**	**2.67**	2.91	3.14
11.6%	1.46	1.65	1.85	2.04	2.24	2.43	2.63
12.6%	1.24	1.41	1.57	1.73	1.89	2.05	2.21

Cost of equity	11.0%
Pre-tax cost of debt	6.0%
Tax rate	32.5%
After-tax cost of debt	4.1%
Share of equity capital	80.0%
Share of debt capital	20.0%
WACC	9.6%

Terminal growth rate

WACC	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
6.6%	4.53	4.84	5.20	5.63	6.15	6.80	7.63
7.6%	3.69	3.90	4.14	4.42	4.75	5.14	5.62
8.6%	3.05	3.20	**3.37**	**3.56**	**3.78**	4.04	4.34
9.6%	2.56	2.67	**2.79**	**2.92**	**3.08**	3.25	3.45
10.6%	2.16	2.24	**2.33**	**2.43**	**2.54**	2.67	2.81
11.6%	1.84	1.90	1.97	2.04	2.12	2.22	2.32
12.6%	1.57	1.62	1.67	1.73	1.79	1.86	1.94

**Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes*

INCOME STATEMENT

All figures in EUR '000	2018	2019	2020E	2021E	2022E
Revenues	**32,621**	**83,893**	**114,933**	**142,517**	**165,320**
Capitalised work	2,791	10,187	10,696	11,231	11,793
Total output	**35,412**	**94,080**	**125,630**	**153,749**	**177,113**
Cost of goods sold	-12,699	-45,803	-57,467	-71,259	-82,660
Gross profit	**22,713**	**48,277**	**68,163**	**82,490**	**94,453**
Personnel expenses	-10,438	-27,359	-37,928	-41,758	-44,967
Other OpEx	-10,135	-10,012	-14,597	-17,387	-19,673
Other operating income	6,506	4,636	4,729	4,823	4,920
EBITDA	**8,646**	**15,542**	**20,367**	**28,168**	**34,732**
Depreciation & amortisation	-6,318	-10,543	-13,217	-12,399	-14,383
Operating income (EBIT)	**2,328**	**4,999**	**7,150**	**15,769**	**20,350**
Net financial result	-1,641	-5,758	-6,195	-6,710	-6,362
Pre-tax income (EBT)	**687**	**-759**	**955**	**9,059**	**13,987**
Income taxes	895	2,012	-310	-2,944	-4,546
Net income	**1,582**	**1,253**	**645**	**6,115**	**9,441**
Discontinued operations	3,673	0	0	0	0
Consolidated profit	**5,255**	**1,253**	**645**	**6,115**	**9,441**
Minority interests	-932	-1,577	-13	-122	-189
Net income to owners	**4,323**	**-324**	**632**	**5,993**	**9,253**
Diluted EPS (in €)	**0.10**	**-0.01**	**0.01**	**0.07**	**0.10**
Ratios					
Gross margin on output	64.1%	51.3%	54.3%	53.7%	53.3%
EBITDA margin on revenues	26.5%	18.5%	17.7%	19.8%	21.0%
EBIT margin on revenues	7.1%	6.0%	6.2%	11.1%	12.3%
Net margin on revenues	13.3%	-0.4%	0.5%	4.2%	5.6%
Tax rate	n.a.	n.a.	32.5%	32.5%	32.5%
Expenses as % of revenues					
Personnel expenses	32.0%	32.6%	33.0%	29.3%	27.2%
Other OpEx	31.1%	11.9%	12.7%	12.2%	11.9%
Depreciation & amortisation	19.4%	12.6%	11.5%	8.7%	8.7%
Y-Y Growth					
Revenues	n.a	157.2%	37.0%	24.0%	16.0%
EBTIDA	n.a	79.8%	31.0%	38.3%	23.3%
Operating income	n.a	114.7%	43.0%	120.6%	29.0%
Net income/ loss	n.a	n.m.	n.m.	848.3%	54.4%

BALANCE SHEET

All figures in EUR '000	2018	2019	2020E	2021E	2022E
Assets					
Current assets, total	**16,250**	**55,856**	**41,648**	**52,580**	**56,874**
Cash and equivalents	4,447	32,984	10,160	13,534	11,581
Trade receivables	11,803	22,872	31,489	39,046	45,293
Non-current assets, total	**220,043**	**256,593**	**303,104**	**304,085**	**305,189**
Property, plant & equipment	4,189	3,521	3,544	3,572	3,606
Intangible assets	210,495	244,423	290,900	291,841	292,901
Long-term loans to investees	5,359	6,410	6,410	6,410	6,410
Other non-current assets	0	2,239	2,250	2,261	2,273
Total assets	**236,293**	**312,449**	**344,752**	**356,665**	**362,064**
Shareholders' equity & debt					
Liabilities, total	**24,358**	**54,544**	**61,441**	**66,892**	**71,484**
Trade payables	9,366	20,274	27,121	32,154	36,321
Financial debt	3,595	6,772	6,409	6,409	6,409
Provisions	7,031	12,585	12,774	12,965	13,160
Other current liabilities	4,366	14,913	15,137	15,364	15,594
Provisions, total	**53,395**	**89,347**	**104,687**	**105,033**	**96,399**
Long-term debt	14,100	8,369	8,369	8,369	8,369
Bonds	24,877	63,988	78,988	78,988	70,000
Deferred tax liabilities	14,418	16,990	17,330	17,676	18,030
Shareholders' equity	**158,540**	**168,558**	**178,625**	**184,740**	**194,181**
Total consolidated equity and debt	**236,293**	**312,449**	**344,752**	**356,665**	**362,064**
Ratios					
Current ratio (x)	0.7	1.0	0.7	0.8	0.8
Net debt	38,125	46,145	83,606	80,232	73,197
ICR (x)	5.0	2.7	3.3	4.2	5.5
Net gearing	24%	27%	47%	43%	38%
Net debt / EBITDA (x)	4.4	3.0	4.1	2.8	2.1
Equity ratio	67%	54%	52%	52%	54%
Return on equity (ROE)	1.0%	0.7%	0.4%	3.3%	4.9%
Capital employed (CE)	211,935	257,905	283,312	289,773	290,580
Return on capital employed (ROCE)	1%	2%	3%	5%	7%

CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020E	2021E	2022E
Net income	**5,255**	**1,253**	**645**	**6,115**	**9,441**
Depreciation and amortisation	6,318	10,543	13,217	12,399	14,383
Change in trade rec & other assets	-8,083	1,437	-8,841	-7,786	-6,481
Change in payable & other liabilities	14,501	3,928	7,599	5,798	4,945
Results from sale of subsidaries	-5,645	0	0	0	0
Other non-cash adjustments	-6,150	-5,752	0	0	0
Net interest expense	1,641	5,529	6,195	6,710	6,362
Tax result	-895	-822	310	2,944	4,546
Operating cash flow	**6,942**	**16,116**	**19,126**	**26,181**	**33,197**
Tax expense	0	0	-310	-2,944	-4,546
Interest income	1	83	0	0	0
Net operating cash flow	**6,943**	**16,199**	**18,815**	**23,237**	**28,651**
Payments for intangible assets	-11,042	-12,606	0	0	0
Acquistion of subsidiaries	-3,919	-6,214	-25,272	-12,827	-14,879
CapEx	0	0	-253	-314	-364
Deposits / payments for other assets	848	5,750	0	0	0
Cash flow from investing	**-14,113**	**-13,070**	**-25,525**	**-13,140**	**-15,243**
Free cash flow (FCF)	**-7,170**	**3,129**	**-6,710**	**10,097**	**13,408**
Equity inflow, net	3,792	8,845	397	0	0
Debt inflow, net	-15,992	-12,011	-363	0	0
Corporate debt, net	25,800	38,699	15,000	0	-8,988
Interest paid	-2,014	-5,345	-6,195	-6,710	-6,362
Payments for non-controlling interests	0	-5,000	-24,943	0	0
Other adjustments	-489	220	0	0	0
Cash flow from financing	**11,097**	**25,408**	**-16,104**	**-6,710**	**-15,350**
Net cash flows	**3,927**	**28,537**	**-22,813**	**3,386**	**-1,942**
Fx adjustements	114	0	0	0	0
Cash, start of the year	406	4,447	32,984	10,160	13,534
Cash, end of the year	**4,447**	**32,984**	**10,171**	**13,546**	**11,592**
EBITDA/share (in €)	**0.20**	**0.26**	**0.23**	**0.31**	**0.38**
Y-Y Growth					
Operating cash flow	n.m.	133.3%	16.2%	23.5%	23.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	32.8%
EBITDA/share	n.m.	26.2%	-11.5%	34.1%	23.3%

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 MDStV
First Berlin Equity Research GmbH

Authored by: Ellis Acklin, Senior Analyst
All publications of the last 12 months were authored by Ellis Acklin &
Cathrin Schwanke
Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

The production of this recommendation was completed on 6 August 2020 at 09:15

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

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 is 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 fulfils 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 Current market capitalisation (in €)		1 0 - 2 billion	2 > 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	7 November 2019	€1.23	Buy	€2.10
2...1	↓	↓	↓	↓
2	18 December 2019	€1.13	Buy	€2.10
3	21 February 2020	€1.23	Buy	€2.80
4	4 March 2020	€1.16	Buy	€2.80
5	16 April 2020	€1.15	Buy	€2.80
6	23 June 2020	€1.41	Buy	€2.80
7	Today	€1.33	Buy	€2.90

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.