EDISON

BRILLIANT KNOWLEDGE

Hosted by DEUTSCHE BÖRSE CASH MARKET

28–30 November 2022

# DEUTSCHES EIGENKAPITALFORUM (EKF) 2022

## THE CONFERENCE FILES

It’s great to see you again!

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  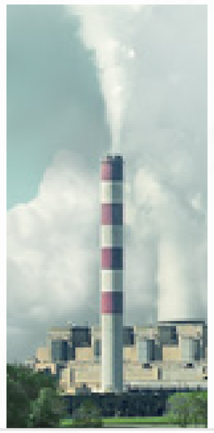  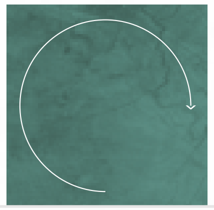



* As of 19.10.22


# BRILLIANT KNOWLEDGE AT YOUR FINGERTIPS

The latest data and analysis on the approximately 250 stocks represented at EKF – across the CMT, financials, real estate, healthcare and industrials sectors – are just a snapshot away. For detailed factsheets on each company, along with their market caps, you can quickly access our website via this QR code.



# WELCOME

A very warm welcome to the Edison conference book for the Deutsches Eigenkapitalforum 2022.

After two years of virtual conferences, it is a great pleasure to finally meet again face-to-face. While online meetings will continue to play an important role in the interaction between issuers and investors, nothing can beat a personal meeting.

Looking back at the past 12 months, it seems that one crisis has chased the next. The sentiment among investors, issuers and consumers is correspondingly at a low. Supply chain issues, rising inflation and the energy crisis triggered by the war in Ukraine, have all weighed heavily on the price of risky assets in general and equities in particular. While it is normal for issuers to reduce communication with the market as they wait for times of uncertainty to subside, we recommend that companies do not give in to this temptation.

It is too early to call the bottom of the market. Investor activity is still very selective and limited. Every bear market rally is followed by a sell off. Although investors may not be putting their money to work in a meaningful way at present, we should not assume that they are not actively searching for opportunities that present value.

The decrease in share prices has made most valuations considerably more attractive than they were 12 months ago. As such, we believe investors are likely to focus on attractive valuations that are supported by resilient financials and business models.

We strongly advise issuers to maintain their dialogue with the investor community to ensure they are on the radar when the market turns and activity picks up. Nobody knows for sure when this will happen, but it will happen.

Another certainty in my opinion is that we can no longer rely solely on the traditional channels of communication with investors. The reasons for this are twofold. Firstly, the relevant investor base has become much more diverse and opaque. In particular, small and mid-cap issuers need to have a strategy to identify and reach out to the growing base of smaller institutional investors, wealth managers, international firms and retail investors. Often, sell side access to those investors is very limited.

The second reason why the traditional way to communicate with investors is no longer optimal is that information is found and consumed in a different way now, with digital channels and social media rapidly gaining in importance. Because of this, we, at Edison, are offering an open platform, using versatile and innovative formats to engage with all relevant investors on a worldwide basis.

For many years the Deutsches Eigenkapitalforum has been an important building block for effective engagement between issuers and investors. We are proud to support Deutsche Börse with this important event. We hope the forum will give you many interesting insights, discoveries and engaging discussions and we look forward to meeting you in person.

If you'd like to talk we'll be at stand two located at the forum, or I'm always available at kschinkel@edisongroup.com

Klaus Schinkel
Managing director,
Edison Group

Market dysfunction in the 2020s:

# THE RISE OF ‘DARK CAPITAL’

As is now beyond reasonable doubt, the efficient market hypothesis is, at best, often inaccurate. Warren Buffett and Sam Bankman-Fried may be billionaires separated by generations, but their net worths are testament to the possibility of finding hidden value in financial markets. Yet for every investor who finds hidden value in a stock, there are other assets that remain undervalued.

At Edison we have, for the past year or so, been using the term Dark Capital as shorthand for vast pools of potential liquidity which exist – but which many companies are not aware of and cannot access. Our analysis concludes that Dark Capital has occurred because of a rising tide of global equity market dysfunctions.

The results of the phenomenon can be serious. When capital and issuers are hidden from each other’s view, the signal of a stock’s value gets lost. Liquidity dries up, institutions divest and a downward price and liquidity spiral begins. Investors who should have made money lose out.

Edison’s mission is to illuminate Dark Capital and ensure our clients have the liquidity and stock price that they deserve. To be successful, we have made it our business to fully understand the phenomenon. Here is a short summary of our investigations into its causes.

## 1. Failures in regulation

Companies generally engage with investors through the equity research and sales departments of an investment bank or broker. Yet reforms that started with Spitzer in the early 2000s and continued with MiFID 2 in 2018 have put this information flow under pressure.

In the name of competition, EU fund managers cannot now receive research that is free at the point of provision. The partial reversal of this reform – for companies with a market cap of less than €1bn – is telling. Yet even in 2022 Edison's clients have continued to highlight how they often struggle to reach investors that do not pay for their broker's research; that educating, informing and accessing investors outside of domestic markets has become a bigger challenge; while the need to communicate with the growing pool of smaller funds and private wealth money is also increasingly difficult.

It appears the regulatory reforms need further reform themselves.

## 2. Individual investors

Continuing the theme of informational asymmetry, private investors are now playing a deeper and more structural role in many equity markets. For instance, retail volumes peaked at 40% of total US market volumes in Q120 and the number of brokerage accounts at the top seven retail brokers increased by 36m from 59m accounts in 2019 to 95m in 2021.

While the fervour of the post-pandemic recovery has been dampened by 2022's bear market, few commentators doubt the structural shift towards retail investing. Accessibility has increased with the growth of trading apps, social media, editorial websites, financial literacy and connection speeds. All of which created a culture of equity ownership for a younger generation of investors, accelerated by FOMO (fear of missing out).

Yet retail investors cannot access analyst research from highly regulated brokers. Much of their insight comes from influencers: a vast ocean of less regulated journalists, as well as entirely unregulated bloggers and vloggers. All of whom may not perfectly understand what they are doing and whose business models largely rely on the volume of clicks and views, not the accuracy of the information they provide.

If influencer musings were of equal value to the analysis of brokers, professional fund managers would no longer pay for analyst research. Which, of course, is not the case. And this means, by and large, retail investors are part of the increasing glut of Dark Capital. Reliable insight often fails to reach them.

## 3. Passive investment

The Federal Reserve's May 2020 paper *'The Shift from Active to Passive Investing: Risks to Financial Stability?'* states that 'the shift to passive investing is a global phenomenon. In the U.S.... passive funds made up 48 percent of the AUM in equity funds and 30 percent for bond funds as of March 2020, whereas both shares were less than five percent in 1995.'

Despite the hypothesis that passive is a more efficient form of investment than active, the concern is that it also makes capital entirely inaccessible to a vast number of issuers. And this, alongside shorting and algorithmic trading, creates a more fragile market with increasing levels of Dark Capital.

This also highlights a key difference between active and passive investing. An active manager assesses the fundamentals of a stock and takes a view on valuation, becoming a buyer or seller of a security at a particular price. The difference in active managers' views is what provides liquidity to the market. They are price makers.

A passive fund, by contrast, is a price taker. The manager has no opinion on valuations. As money comes into the fund, it has to buy the index or basket of stocks the fund is tracking, taking the market price. Then, as money is redeemed from the fund, it has to sell stock. Again, taking the market price. The flows of funds into and out of passive funds might influence share prices, but they don't dictate them.

When the passive price takers drown out the active price makers, the pricing signal in the market can become weaker. For instance, in the build-up to the COVID-19 pandemic in March 2020, active managers were aware of the coming crisis. China was shutting down, Italy had serious problems and the United States was starting to see cases in New York.



Yet markets continued to levitate. Active managers looking for signals found this confusing. In March, as the active manager community broke and tried to de-risk, they found no buyers for the stock they were selling. Passive funds do not step into a market when it goes on sale.

This muting of the price signal creates inelastic demand: demand that fails to respond to price movements. Despite falling prices, no one buys, leading to further price falls. Overly discounted stocks can then easily fall into the liquidity trap, especially when exacerbated by shorting. With prices crashing, even active institutional investors are forced to sell as the stock slips below the waterline of their remits, placing yet more downward pressure on price and liquidity.

## What is the solution?

When darkness is the issue, illumination is always going to be the solution. It is vital, therefore, for an equity to be known widely. And to be known widely for having an attractive investment case. Only then can sufficient numbers of active investors start to consider buying the stock, generating the liquidity needed for the equity to move away from becoming a casualty of Dark Capital.

At Edison we have created an entire methodology, Investor Relations 3.0, to illuminate Dark Capital and connect our clients to it. We put award-winning equity research into the hands of all investors, from the largest institutions to the smallest retail players. It ensures relevance and reach via digital marketing and more than 60 financial platforms including Bloomberg, Refinitiv and S&P Capital IQ. Our direct investor outreach then becomes an efficient activity of starting real life conversations with those investors most likely to purchase stock. Which is why we are having so much success, regardless of the weather in the market.

If some of what we have discussed in this article has touched a nerve – whether you are an issuer or investor – we would like to talk.

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# ESG 2.0 REBOOT:
## WHY WE NEED THE LATEST OPERATING SYSTEM

In August, we published an in-depth discussion paper '*ESG, moving beyond the box tick*' examining the current state of environmental, social and governance (ESG) engagement and its future.

Author, and Edison's director of ESG, James d'Ath believes that the rapidly evolving ESG-based industry is entering a new phase: one beyond paying lip-service to ESG concepts, a behaviour which has characterised much of its development so far. d'Ath contends that the maturing of ESG concepts is becoming a critical value-driver for businesses and is moving beyond a behaviour driven by oversimplified or opaque metrics, or superficially applied actions forced by regulatory requirements.

The report outlines the implications of not including ESG frameworks into a business's commercial strategy, which can include limiting growth, increased waste and associated efficiency costs, legal implications, reputational damage, and reduced asset optimisation.

Current calculations value ESG assets globally at around US$35tn, a figure that could rise to US$50tn by 2025. While ESG engagement has traditionally been led by large companies, an increasing number of small- to medium-sized companies are now engaging. Recent research in the UK undertaken with small- and mid-sized listed companies shows that 77% now have a formal purpose statement related to ESG, and 18.5% are referencing international ESG standards.

As the consideration of ESG factors has gone mainstream, ratings have played an unjustifiably significant, and often, arguably detrimental role. As demand for greater ESG engagement has grown, so has the need for relevant metrics and data needed to populate ratings. Yet the ESG data disclosed by companies is largely unstandardised. It is often unstructured, difficult to compare and in need of more interpretation. Greater standardisation of ESG reporting to benchmark performance is long overdue.

In his report, d'Ath predicts a sea change in the ESG ecosystem (ESG 2.0) with increased engagement and resourcing by companies that will in turn be reflected by clearer metrics, coupled with greater consistency in frameworks, standards and mandatory reporting.

As pressure from investors, partners, employees, customers, regulators and governments intensifies, companies will be increasingly compelled to approach ESG holistically. This will continue until the reversal of the most destructive effects of our economic activity – fossil-fuel burning, unsustainable land use, overfishing and deforestation – show signs of slowing down significantly or reversing. Current ESG engagement primarily focuses on reducing harm, but there will be a need to go beyond this lens to begin creating solutions.

'Engaging with ESG considerations should no longer be seen as tick-box exercises to satisfy regulators, investors or customers – but rather as a business-critical and integral framework, built into an organisation from its foundations upwards,' says d'Ath.

'The negative societal and environmental impacts of inaction are only too real to ignore; so too is the long-term financial performance of not 'doing right' by stakeholders, beyond the traditional shareholder prioritisation. Ultimately companies must now ask if the world is better off because of their business.'

### Read James d'Ath's full report on Edison's website

edisongroup.com/edison-explains/esg-moving-beyond-the-box-tick

In this brochure, we cover 17 companies that will be at EKF 2022, representing innovative businesses from across the consumer, financials, healthcare, industrials and technology sectors.

Each has a unique story to tell – of energy transition, of creating new medicines, of developing new technologies and much more.

And each has a story to tell of generating value.

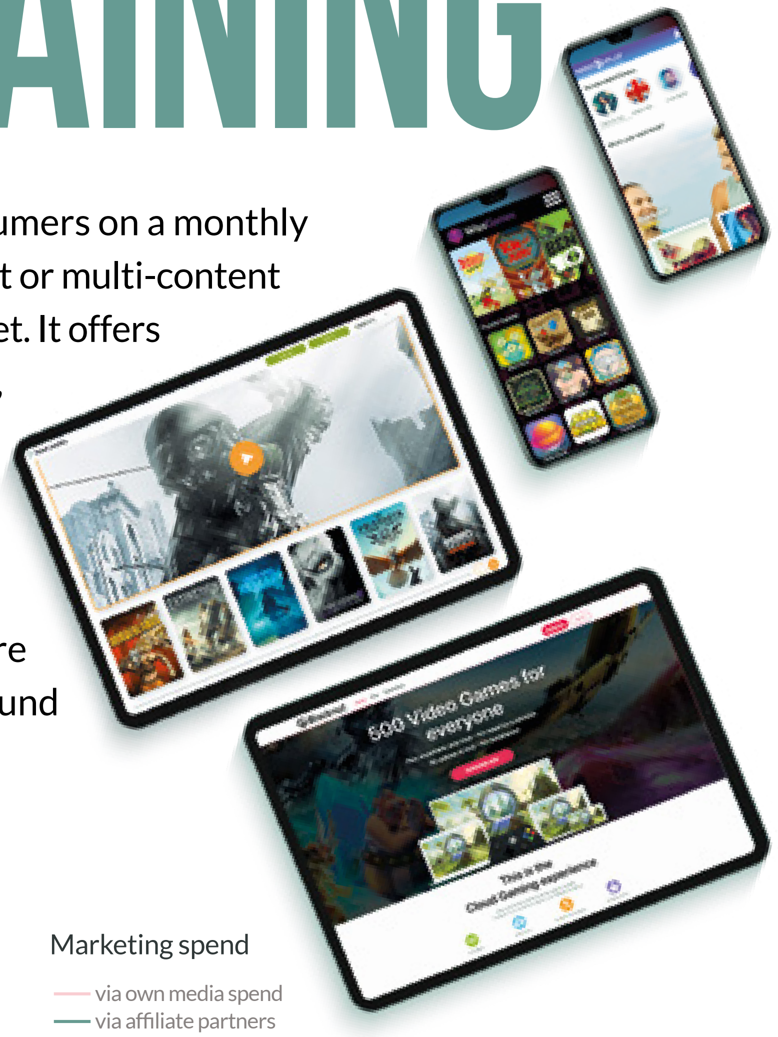


# LET US INTRODUCE YOU

Media

# ALL-ROUND ENTERTAINING

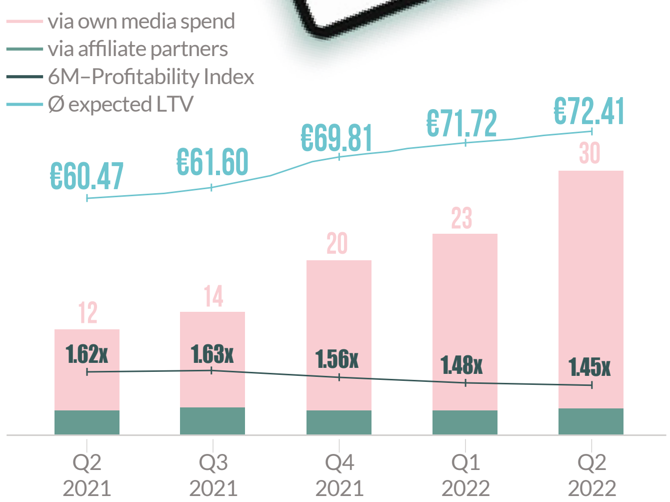
CLIQ provides licensed content to consumers on a monthly subscription basis, through single content or multi-content portals, targeting a value-conscious market. It offers Movies & Series, including local content, with a library of over 2,000 titles; Music, including thematically curated playlists; Sports, live and recorded, mainstream and niche, with news, commentary and documentaries; 200k audiobooks in more than 10 languages; and Games, with around 4,000 titles.



## How does CLIQ Digital grow its market share?

Statista estimates the overall global digital media market at $360bn in 2022, with the US the largest market (31% global share), followed by China then Japan. The largest category by spend is games (58%), followed by video-on-demand, then music, then e-publishing. CLIQ recruits its members through performance marketing; search, on social channels, other publishers, etc. It increasingly focuses its marketing spend through its own media buying team, rather than affiliates. CLIQ continues to add to its content offering, through additional categories such as games and children's. Subscription rates are well below the competition, with the new German multi-content portal to be marketed at €6.99 per month.

Marketing spend






## What is CLIQ Digital's financial record like?

Revenues have grown from €58.2m in FY18, driven by the marketing spend, which has been in a range of 32–36% of revenues. The group calculates what it terms its Profitability Index, which is the ratio of the average revenue per user (over the first six months of their membership) to its customer acquisition cost and this has been in a range of 1.3–1.8x from FY19. Lifetime value of members has been increasing as the content has increased and improved in quality. This has translated into improving EBITDA margins (FY18: 6.6%, FY21: 18.1%) and EPS (FY18: €0.35 to FY21: €2.74). The balance sheet at end H122 showed net debt of €5.8m after a heavy period of marketing spending and investment in the new multi-content portal to be called CLIQ.de, the first time the group's name has been used in a consumer-facing context.

Management targets doubling revenues in two years.

## What should investors look out for?

Management is guiding to revenues for FY22 of over €250m and EBITDA of over €38m, based on paid membership numbers of over 2m at the year-end with a lifetime value of over €110m. They have also issued medium-term guidance for FY25, for run-rate sales at the year-end of €500m and 4-5m paid memberships. Is this feasible? Yes, but it requires continued marketing efficiency and sufficient spend on content to make sure that it represents very high utility value, so there's a limit to how far the EBITDA margin can, or should, expand.

## Edison estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (C) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 107.0 | 14.4 | 1.2 | 0.5 | 15.0 | 2.8 |
| 12/21 | 150.0 | 25.3 | 2.7 | 1.1 | 6.7 | 6.1 |
| 12/22e | 250.0 | 35.3 | 3.7 | 1.5 | 4.9 | 8.3 |
| 12/23e | 300.0 | 45.0 | 4.7 | 1.9 | 3.8 | 10.6 |

Source: Company accounts, Edison Investment Research

CLIQ DIGITAL

PRICE* €18
MKT CAP* €117M

### Business description

CLIQ Digital is a global streaming provider specialising in the direct marketing of affordable entertainment products and offering its members unlimited access to music, audiobooks, sports, movies and games.

It works in over 30 countries. In H122, 38% of sales were generated in Europe, 57% in North America and 5% in other regions.

* As of 19.10.22

CLIQ Digital is a research client of Edison Investment Research Limited

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# GROWING EUROPEAN REGTECH SAAS COMPANY

EQS provides cloud-based products and services to customers across investor relations (39% FY21 revenues) and corporate compliance (61% FY21 revenues). 72% of revenues are generated in its domestic market. The group delivers an increasing proportion of its activities through its COCKPIT platform, which allows clients to manage their internal processes and reporting obligations.

This is enabling EQS to increase its SaaS revenue base. The new EU obligations for provision of whistleblowing have added a further revenue strand and future regulation on corporate ESG reporting may expand the remit further.

## How does EQS grow its market share?

The overall German SaaS market is estimated at €10.2bn for FY22 (Statista), making it the third largest market globally after the United States and China. EQS is operating in the very specific areas of investor relations and corporate compliance, where it continues to win new SaaS customers, through offering cloud-based solutions that help reduce the administrative burden of corporate reporting. The adoption of the EU whistleblowing regulation into national laws provides a one-off opportunity for EQS to expand its user base and gives a resource for cross- and up-selling other group services and products in future. The acquisitions of Integrity Line (2018: €7m), Got Ethics (2020: €16m) and Business Keeper (2021: €95m) have given EQS a strong head start. The extension of reporting obligations beyond the quoted company cohort will expand the pool further. The group's experience and certification in managing sensitive data is a marketing advantage.

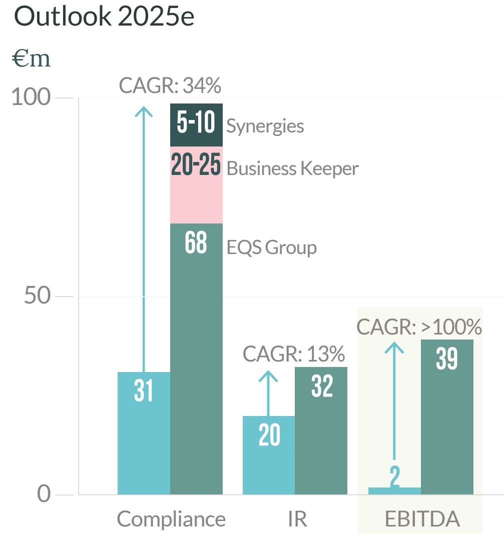
## What is EQS's financial record like?

Revenues have grown from €30.4m in FY17 to €50.2m in FY21 with forecasts for faster growth in FY22 and FY23 as the benefits of earlier acquisitions are amplified by the anticipated whistleblowing demand. In FY18, the group undertook major investment in its cloud-based COCKPIT platform to build a larger, more sustainable business, sacrificing EBITDA margin in the process. The current time-limited whistleblowing opportunity has been addressed through investment in sales and marketing, again with an impact on margins but with an eye to the longer-term scalability. Management raised €45m in equity in March 2022 at €33.0/share to repay vendor loans for Business Keeper and make a partial repayment of a bank loan. Net debt was €31.1 at the half year end.

EQS's goal is to become the leading European cloud provider for global IR and corporate client solutions – termed RegTech – by 2025.

## What should investors look out for?

Management is guiding to revenues up by the lower end of 30–40% (including acquisitions) for FY22, with EBITDA at the lower end of a range of €6–10m. Medium-term guidance is for FY25 group revenues of around €130m, delivering EBITDA of €39m, a 30% margin. To achieve this, management needs to keep building the group's SaaS customer base and to drive up the annual recurring revenues. The timing of the enactment of whistleblowing laws will affect which period revenues get booked, with many corporates unlikely to put a facility in place until the last minute.




## Edison estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (C) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 37.6 | 0.4 | 0.04 | 0.0 | 590.0 | N/A |
| 12/21 | 50.2 | (5.9) | (0.70) | 0.0 | N/A | N/A |
| 12/22e | 66.0 | (5.0) | (0.34) | 0.0 | N/A | N/A |
| 12/23e | 90.0 | 8.2 | 0.53 | 0.0 | 44.5 | N/A |

Source: Company accounts, Edison Investment Research

EQS GROUP

PRICE* €23.6

MKT CAP* €241M

## Business description

EQS Group is a leading international provider of regulatory technology in the fields of corporate compliance and investor relations. Its products enable corporate clients to fulfil complex national and international disclosure obligations, minimise risks and communicate transparently with stakeholders.

* As of 19.10.22

EQS Group is a research client of Edison Investment Research Limited

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CMT

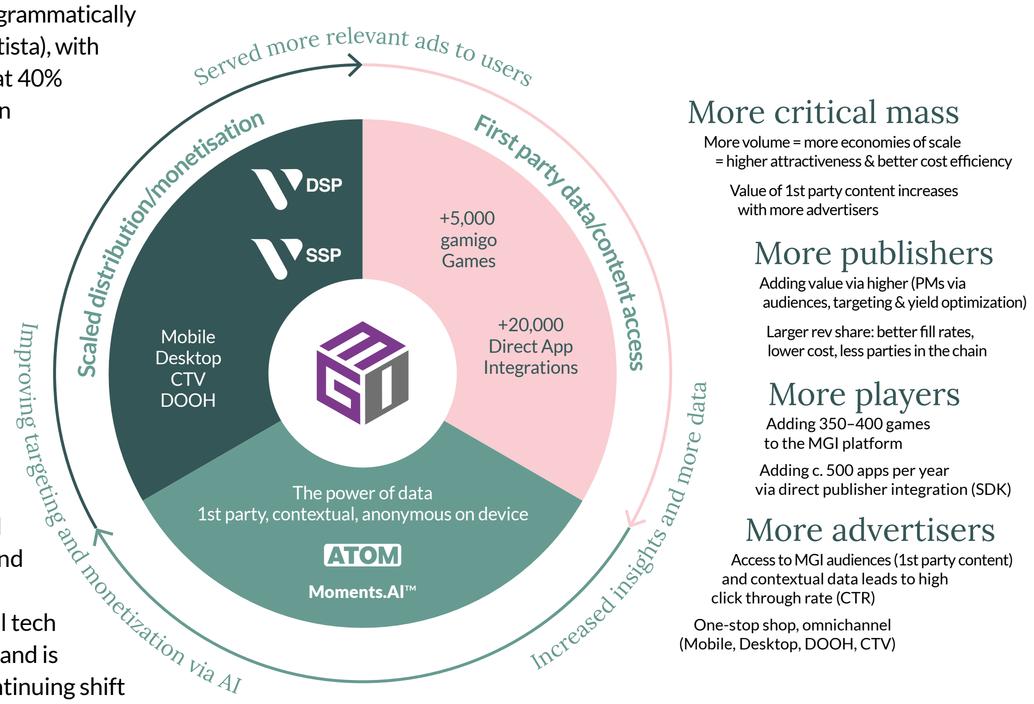
# PLATFORM FOR GROWTH

Aiming to be a top five worldwide leading ad-software platform by end FY25.

Media and Games Invest (MGI) combines an advertising software platform with first-party data from games content, marrying advertising supply and demand, leveraged with the enriched data from games. It has over 500 software clients (mostly in entertainment and games) that each deliver over $100k of revenue. It has over 5,000 games in its own portfolio.

## How does MGI grow its market share?

The value of advertising traded programmatically in 2022 is estimated at $493bn (Statista), with North America the largest market at 40% global share, followed by Asia then Europe. The global video games market is estimated to have been worth $178bn in 2021 (Statista). MGI aims to grow its share of spend in both through growing its customer base and leveraging its platform. More first-party data from content attracts more advertisers, driving interest from more publishers and building critical mass. With the withdrawal of identifiers, the ability to address audiences based on context and behaviour in a brand safe environment is increasingly attractive. The group now has a full tech stack, operating cross all channels and is well placed to benefit from the continuing shift to programmatic trading.




## What is MGI's financial record like?

From a pure gaming company, MGI has evolved organically and via M&A, with ad-software now the focus. Group revenue has grown from €14m in FY14 to €252m in FY21, with organic growth running at 18% for the last six months. An adjusted EBITDA margin in TTM to end Q222 of 28% reflects the strong fundamentals of the games market and the benefit of a platform business on the advertising side that brings scalability. With relatively modest maintenance capex requirements, underlying cash conversion is strong. Net interest-bearing debt at end Q222 was €299m, reflecting a busy 18 months of M&A, representing net debt to adjusted EBITDA of 3.7x. Interest cover in the period was 3.9x. MGI's focus is now on integration and deleveraging rather than M&A, as the missing pieces of the puzzle were added with the two latest acquisitions.

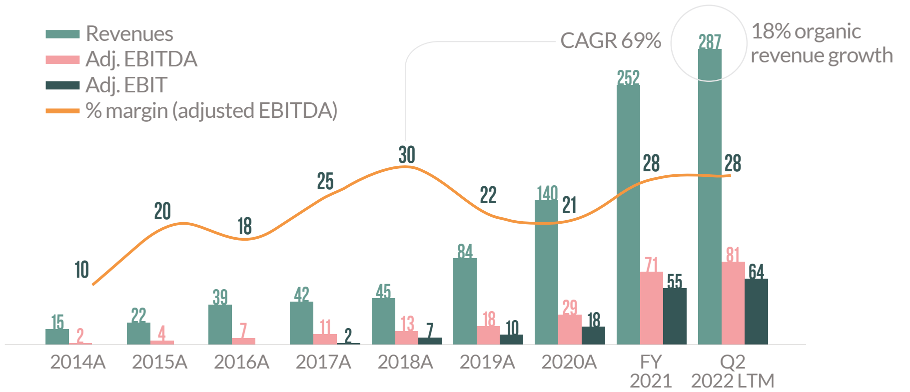
## What should investors look out for?

Management targets being a top five worldwide leading ad-software platform in the medium term (FY25). It envisages revenues building at a 25–30% CAGR, achieving an adjusted EBITDA margin in a range of 25–30%. To do this, it also needs to grow its demand-side platform, based on recent acquisition Dataseat. FY22 management guidance is for revenue growth of 17–25%, reflecting the inclusion of acquired mobile games company AxesInMotion offset by market headwinds in a deteriorating advertising market. Key KPIs include the number of software clients, their average spend and the number of ad impressions served. On the balance sheet, look out for the net debt to adjusted EBITDA ratio coming back below 3.0x.

## Edison estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (C) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 140.2 | 21.2 | 0.16 | 0.0 | 9.4 | N/A |
| 12/21 | 252.2 | 33.0 | 0.17 | 0.0 | 8.9 | N/A |
| 12/22e | 307.0 | 48.0 | 0.22 | 0.0 | 6.9 | N/A |
| 12/23e | 370.0 | 52.8 | 0.24 | 0.0 | 6.3 | N/A |

Source: Company accounts, Edison Investment Research




Media and Games Invest SE

PRICE* €1.51
MKT CAP* €225M

### Business description

Media and Games Invest is an advertising software platform with strong first-party games content. It mainly operates in North America and Europe. Organic growth is supplemented with acquisitions, and the group has bought over 35 companies and assets in the past 10 years.

* As of 19.10.22

Media and Games Invest is a research client of Edison Investment Research Limited

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Technology

# BROADBAND IN THE SKY

Mynaric designs and manufactures laser communication terminals that can transmit data through free space several hundred times faster than conventional microwave links. This laser communication technology is the backbone of communications networks formed from many interlinked satellites or airborne platforms such as aircraft and drones, which are being established by government bodies for real-time threat detection, intelligence gathering, surveillance and border control and by commercial entities to provide internet connectivity to remote and rural areas, environmental monitoring services and asset tracking.

> Mynaric is ramping up serial production, targeting a per year production rate capacity of up to 2,000 terminals in the medium term.

## How does Mynaric grow its market share?

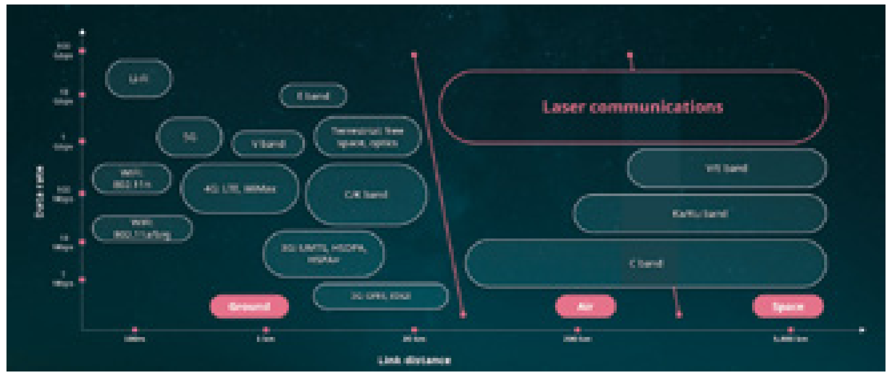
The market for optical satellite communication equipment is in its infancy. Northern Sky Research projects a US$2bn global market over the next decade with cumulative demand of around 6,000 terminals between 2022 and 2031 and a maximum demand of just under 900 terminals in 2031. However, the level of manufacturing capacity being installed by Mynaric and others suggests this prediction is highly conservative, as does SpaceX's application to launch 12,000 low Earth orbit (LEO) satellites, which has been approved by the US Federal Communications Commission (FCC). Mynaric is winning contracts as the new constellations start to be rolled out. For example, in our report '*A new paradigm for space*' we infer that it is supplying terminals for both the initial and second phases of the US Space Development Agency's constellation of LEO satellites. Strategic investor L3Harris (NYSE:LHX) has been using Mynaric's product for airborne platforms for the last two years.

## What is Mynaric's financial record like?

Mynaric is in the early phases of serial production and has only recently begun to monetise its technology. Revenues grew from €679k in FY20 to €2,355k in FY21, driven by sales of terminals for the space segment. Operating losses widened year-on-year, from €19,257k to €42,364k as the cost of materials related to terminal production increased and personnel costs rose to support the ramp-up of serial production. Mynaric raised US$75.9m (gross) at the time of its initial public offering on Nasdaq in November 2021. Management anticipates that the group's future cash requirements will continue to be significant and that it will need to obtain additional financing to implement its business plan.

## What should investors look out for?

Mynaric's optical communications terminal backlog has grown significantly, from three terminal deliverables in backlog at the end of December 2020 to 40 at the end of December 2021 and 211 at the end of April 2022. The backlog relates to customer purchase orders from high-profile companies in the defence industry and government agencies. Management believes that the optical communications terminal backlog will continue to increase significantly during the remainder of FY22, with product deliveries ramping up in FY23 and FY24, and expects cash in from customer contracts to exceed €20m in FY22 (€3.9m in FY21).




## Consensus estimates

| YEAR END | REVENUE (€M) | EBITDA (€M) | PBT (€M) | PAT (€M) | DPS (C) | P/E X |
|---|---|---|---|---|---|---|
| 12/20 | 0.7 | (17.4) | (19.8) | (19.8) | 0.00 | N/A |
| 12/21 | 2.4 | (37.8) | (43.7) | (45.5) | 0.00 | N/A |
| 12/22e | 11.0 | (41.3) | (50.4) | (48.0) | 0.00 | N/A |
| 12/23e | 60.9 | (24.1) | (36.4) | (34.8) | 0.00 | N/A |

Source: Company data, Refinitiv

mynaric
LASER COMMUNICATION.
MADE SCALABLE.

PRICE* €29.4
MKT CAP* €163M

### Business description

Mynaric designs and manufactures laser communication terminals for airborne and spaceborne networks. Its objective is to become the world's leading provider of serially produced, cost-effective laser communication products enabling large and densely meshed communications networks of satellites, aircraft and other mobile airborne platforms.

* As of 19.10.22

Mynaric is a client of Edison Investment Research Limited

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Software

# ENERGY AND METALS BOOM CHARGE UP PROSPECTS

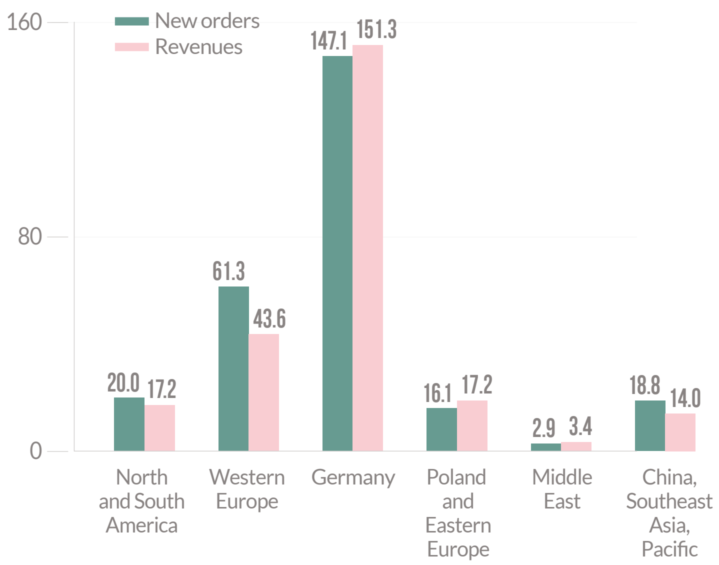
## Intelligent software for process control

PSI Software (PSI) develops and integrates process control software solutions for energy grid operators, manufacturing and logistics. The company operates two segments: Energy Management (EM, 53% of H122 revenues), which provides intelligent software and solutions for energy grid operators, energy trading and public transport; and Production Management (PM, 47% of H122 revenues), which offers software products and solutions for production planning and production control in metals production, vehicle manufacturing and logistics.

### How does PSI grow its market share?

PSI dominates the German industrial energy management market, which is expected to grow at a 6.8% CAGR through 2027 (Research and Markets), with the larger European market reaching $2.7bn by 2027. The German Bundestag recently passed its 'Easter Package', which aims to accelerate the development of wind and solar power, reaching almost 100% renewable energy supply by 2035. This endeavour, including 19 grid expansion projects, should significantly boost investment in German energy grids and networks, providing a healthy tailwind for PSI. While clients are spread across a multitude of verticals, PSI is a leader in metal process control software, including the global steel market, where according to the World Steel Association, steel demand is expected to grow 2.2% to reach 1.9bn metric tons in FY23.

New orders and revenues by region, 2021 (€m)




### What is PSI's financial record like?

H122 revenues grew 0.8% y-o-y to €116m with the order book rising 8% y-o-y to €188m. Revenues were driven by 5.3% y-o-y growth in the PM segment due to increasing demand from steel producers and new orders in logistics and in Poland, though somewhat offset by a 2.9% fall in the EM segment due to a 'cyclical setback' in the electrical grids business, delays in inflationary adjustments and exiting the Russian business. Operating profit fell 28% y-o-y due to the decline in EM business, inflationary pressures and a loss of €1.7m from the now discontinued Russian business segment. Debt including leases remains manageable at €22m, while cash rose 11% y-o-y to $51m.

### What should investors look out for?

Management recently adjusted its 2022 expectations downward to 5% revenue growth (from 10%) and 5–10% EBIT growth (from just under 20%), primarily due to the cyclical downturn in the electrical grid business and the withdrawal from Russia. Despite this revision, PSI still enjoys several demand drivers, including major orders from the surging steel industry, a solid order book and a growing number of customers inquiries in both the EM and PM segments. Furthermore, new contracts should pass on PSI's higher costs, while the 2021 launch of the PSI App Store and multi-cloud technology also opened a new, higher margin channel where management is targeting €5m in 2022 revenues. Lastly, numerous structural factors should act as a tailwinds, including development of smart and renewable energy grids (ie the Easter Package), the increase in electric vehicles and the need to improve efficiency amid rising energy prices.

> The recently passed German 'Easter Package' targets nearly 100% renewable energy by 2035, more than doubling the current ~42% level, and likely reaching 600TWh by 2030.

### Consensus estimates

| YEAR END | REVENUE (€M) | EBITDA (€M) | EBIT (€M) | EBIT MARGIN (%) | EPS (€) | P/E (X) | EV/ EBITDA (X) |
|---|---|---|---|---|---|---|---|
| 12/20 | 217.8 | 27.3 | 13.5 | 6.2 | 0.66 | 37.2 | 13.4 |
| 12/21 | 248.4 | 36.9 | 23.8 | 9.6 | 1.01 | 45.8 | 18.6 |
| 12/22e | 261.2 | 34.8 | 24.3 | 9.3 | 1.07 | 20.6 | 9.1 |
| 12/23e | 283.4 | 41.3 | 29.6 | 10.4 | 1.35 | 16.3 | 7.7 |

Source: Refinitiv

PSI

PRICE* €21.3
MKT CAP* €349M

### Business description

PSI Software, headquartered in Berlin, is the parent company of PSI Group, which develops and integrates process control software solutions and complete systems for optimising the flow of energy and materials for utilities (energy networks, energy trading, public transport etc) and industry (mining, metals production, automotive, mechanical engineering, logistics etc).

* As of 19.10.22

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# GROWTH DRIVEN BY INNOVATION

Tinexta provides IT solutions, information and consulting niche services, predominantly to corporate clients via three business units. The Digital Trust business unit offers solutions that provide surety for the validity of digital identities, and the authenticity and secure storage of electronic documents. The Innovation & Marketing Services business unit has two main businesses: helping SMEs obtain funding and tax credits to help finance research and innovation, and consulting services to help corporates expand outside their core markets. The Cyber Security business unit helps customers in digital transformation processes with technologies and protocols for digital security and identity.

## How does Tinexta grow its market share?

Tinexta is a leader in the European digital trust market and management believes its other businesses have leading positions in their respective markets, but market share data for the other business units is limited given the niche nature of the activities. After the creation of the Cyber Security business unit from the end of FY20, Tinexta's ambition is to build a national champion in that industry, organically and by acquisition.

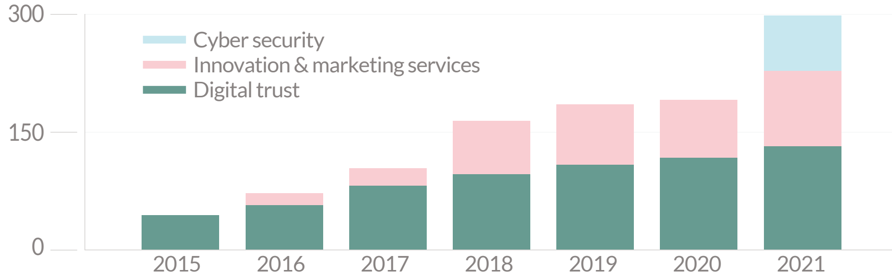
Tinexta has completed 27 M&A deals since 2013 for a total investment of c €450m.

## What is Tinexta's financial record like?

From FY14–21, Tinexta's revenue and adjusted EBITDA grew at CAGRs of 25% and 37%, respectively, through a combination of organic growth and M&A. These figures include the Credit Information & Management (CIM) business unit, which generated limited organic revenue growth over the long term, which was recently sold for an enterprise value of c €238m. The figures also include a relatively low contribution for the Cyber Security business unit in its first full year of ownership by Tinexta. In H122 revenue grew by 20% and EBITDA by 21%. Free cash generation relative to revenue has improved over the long term due to growth in the company's profitability and improved working capital consumption while sustaining a relatively consistent investment in tangible and intangible assets. Typically, the company has a net debt position at the year end, with a ratio of net debt/EBITDA of 1.22.8x in recent years, which has varied with the level of M&A. Management expects net/EBITDA to be c 0.6x by the end of FY22, including the proceeds from the sale of CIM, leaving it well placed to undertake further M&A. In addition to the strong growth profile, shareholders have been rewarded with annual dividends, with a typical payout ratio of 33%.

Revenue

€m




## What should investors look out for?

Structural growth drivers include the transition to a digital economy and enhanced online security, governments' desires to stimulate innovation and growth, and the internationalisation of trade. From a domestic Italian base, Tinexta has been expanding geographically across Europe, and diversifying into complementary products and services.

At the start of FY22, management's three-year business plan included estimated organic revenue CAGRs of Digital Trust (10%), Cyber Security (19%) and Innovation & Marketing Services (7%), with expected higher EBITDA margins for the first two business units.

## Edison estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (C) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 269.0 | 58.4 | 84.9 | 26.0 | 21.9 | 1.4 |
| 12/21 | 301.5* | 70.4 | 102.0 | 30.0 | 18.2 | 1.6 |
| 12/22e | 365.3 | 67.4 | 89.8 | 29.6 | 20.7 | 1.6 |
| 12/23e | 408.2 | 83.7 | 118.7 | 31.7 | 15.6 | 1.7 |

Source: Edison Investment Research.
Note: *Pro forma for disposal of CIM.

TINEXTA

PRICE* €18.6
MKT CAP* €904M

## Business description

Tinexta, based in Rome, has three business units: Digital Trust; Innovation & Marketing Services, and Cyber Security. It recently disposed of the Credit Information & Management business units, which historically has generated limited organic revenue growth.

* As of 19.10.22

Tinexta is a research client of Edison Investment Research Limited

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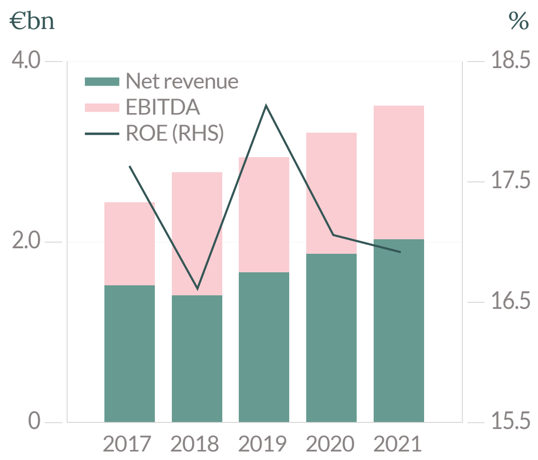
Financial services

# LEADING MARKET INFRASTRUCTURE PROVIDER

Deutsche Börse's diverse market structure activities are organised in four segments. Trading & Clearing (53% of H122 net revenue) includes global equity index and euro interest-rate derivative venues, together with commodity and German cash equity exchanges. Securities Services (24%) comprises custody, settlement and other post-trade activities. Data & Analytics (14%) provides data and research, including indices such as Stoxx and Dax, and growing ESG products and services. Fund Services (9%) is a leading European provider of investment fund data, processing and distribution. Geographically, Europe accounts for c 83% of revenue, including 24% for Germany and 19% from the UK, with 17% arising in the Americas and Asia (FY21 figures). Finally, revenue is split c 55/45% (H122) between recurring and transactional.

Revenue profit and margin evolution




## How does Deutsche Börse grow its market share?

The group is one of the largest quoted global market structure companies, ranking fifth in terms of market capital following CME, ICE, LSE and Hong Kong Stock Exchange, and ahead of Nasdaq. It has leading market positions across its portfolio of activities. In Trading & Clearing this includes the largest global power trading platform and Eurex's leading benchmark equity index and European interest-rate derivative products. In Securities Services, Clearstream is Europe's largest central securities depository, with 30% of European assets under custody, and the business is a leading provider of settlement and collateral management services. Both Data & Analytics and Fund Services also have strong and growing franchises.

On-track to match or exceed ambitious 'Compass 2023' revenue and earnings targets.

## What is Deutsche Börse's financial record like?

Despite some cyclical headwinds over 2017–2021, the group achieved compound annual growth (CAGR) in net revenue of 9%, while more subdued growth in treasury income (2%) and cost growth of 8% resulted in 8% compound growth in EBITDA. The EBITDA margin ranged between 52% and 62%, affected by the incidence of acquisitions. Return on equity has been consistent at around 17% over the same period. This year has seen heightened volatility, providing a cyclical boost that contributed to 20% net revenue and 22% EBITDA growth (H122 vs H121). Acquisitions meant the group exceeded its leverage guidelines in 2021, but these ratios are expected to return in line with thresholds this year, absent any further major acquisition.

## What should investors look out for?

Deutsche Börse has said heightened market volatility should allow it to exceed its the initial targets for 2022 significantly. The group's focus is on delivering targets on its strategic plan for 2019–23 (Compass 23), which looked for 10% CAGR in net revenue, EBITDA and EPS; within this guidance was for secular growth of 5% and M&A 5%. From 2019 to H122, EBITDA growth was already ahead of guidance at 13%. Looking beyond 2023, Deutsche Börse sees potential for faster organic growth of 7–9%, with M&A taking growth to over 10%. Positively, stronger growth potential is seen in areas with a higher percentage of recurring income: Data & Analytics, Fund Services and Security Services.

## Consensus estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (C) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 3,214 | 1,528 | 5.89 | 3.00 | 28.2 | 1.8 |
| 12/21 | 3,510 | 1,709 | 6.59 | 3.20 | 25.2 | 1.9 |
| 12/22e | 4,122 | 2,008 | 7.86 | 3.79 | 21.1 | 2.3 |
| 12/23e | 4,401 | 2,229 | 8.75 | 4.10 | 19.0 | 2.5 |

Source: Company accounts, Refinitiv

DEUTSCHE BÖRSE CASH MARKET

PRICE* €166
MKT CAP* €30BN

## Business description

Deutsche Börse (DB1) is a leading European capital markets infrastructure provider with activities across pre-trading, trading and clearing, and post-trade segments. Its diversity provides resilience to fluctuations in market activity and encompasses a range of faster growing areas that can fuel the secular growth element of its strategy. M&A is seen as an important potential source of additional capability and growth.

* As of 19.10.22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Investment companies

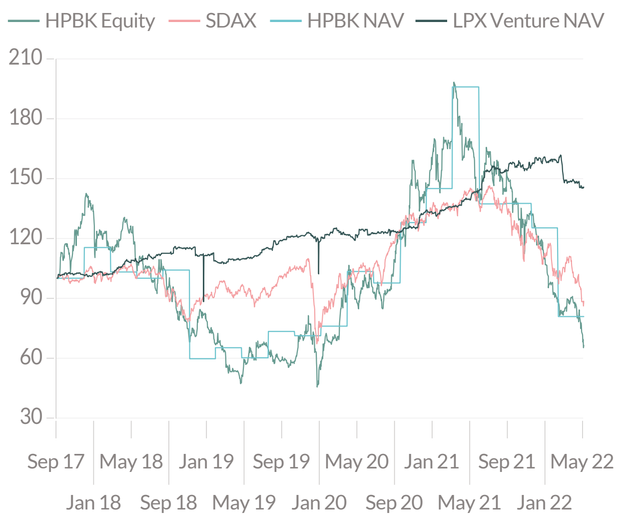
# GERMAN TECH-FOCUSED GROWTH INVESTOR

Heliad Equity Partners (HEP) seeks to offer investors exposure to early-stage, private tech companies, with a particular focus on growth investments, through a listed evergreen structure. It has actively expanded its private portfolio since the change of its management and investment strategy in mid-2021 and held stakes in 16 unlisted and three listed companies at end-June 2022, offering solutions across sectors such as fintech, green energy, direct-to-customer, supply chain management, crypto/blockchain and mobility.

## How does Heliad Equity Partners grow its market share?

Since the global financial crisis, private capital has been expanding rapidly at a 15% annual growth rate in 2010–21 across private debt, private equity (PE) and VC, providing companies with access to a variety of potential financing options. Growth equity and VC funds have been a particularly vibrant group, with assets under management (AUM) growing at twice the rate of buyout funds over the 10 years to 2021 and reaching 82% of buyout AUM (according to Bain & Company). In turn, global growth equity and late-stage VC deal value reached $685bn in 2021 compared to $371bn in 2020. HEP is a relatively small player with a total portfolio value of €112m at end-June 2022 but may still benefit from the ongoing trend of businesses remaining private for longer, which creates the potential for private capital providers to capture a greater share of value accretion by successful companies.

Performance to end-June 2022 (euro terms)




| | | | | | | |
|---|---|---|---|---|---|---|
| Heliad portfolio | CLARK | Enpal. | FINN | flatex DEGIRO | INSTAFREIGHT | Klarna. |
| MODIFI | springlane | tonies | NewtonX | RAZOR GROUP | upscalio | WorkMotion |

## What is Heliad Equity Partners's financial record like?

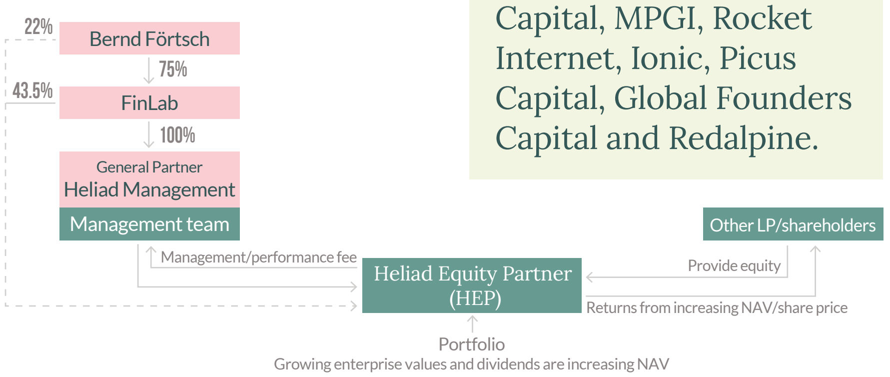
HEP achieved an NAV total return of 11.9% pa in euro terms over the five years to end-2021, compared with 11.5% per year for the SDAX and 8.6% per year for the LPX Venture NAV Index. This has been largely driven by a single, relatively mature listed holding (flatexDEGIRO) acquired long before HEP's change in management and investment strategy. In H122, HEP's NAV was down by 41% primarily due to the fall in the share price of its listed portfolio amid the broader public market sell-off, and to a minor extent also due to write-downs of selected private holdings (eg Klarna, Celsius).

## What should investors look out for?

HEP's portfolio of innovative private businesses may benefit from secular trends such as ongoing business digitalisation (eg WorkMotion, InstaFreight), expansion of e-commerce (eg Razor Group, Upscalio), increasing penetration of fintech solutions (eg Klarna, Clark, Modifi) and clean energy (Enpal). Management highlighted that advanced talks on new funding rounds of some holdings may bring HEP's NAV per share to c €10 (from €8.40 at end-June 2022), and that the majority of its investments have certain downside protection mechanisms (liquidation preference and/or anti-dilution protection). Still, softening public equity valuations may negatively affect the carrying values of some of HEP's private holdings following new private funding rounds. Here, we note that HEP focuses on investing in companies with a proven business model and a greater degree of visibility in terms of their path to profitability (and avoids early-stage VC investments).

Examples of VC investors and tech companies that HEP invested alongside recently include 468 Capital, MPGI, Rocket Internet, Ionic, Picus Capital, Global Founders Capital and Redalpine.

Organisation chart




## Five-year discrete performance data

| YEAR END | SHARE PRICE (%) | NAV (%) | LPX EUROPE NAV INDEX (%) | LPX VENTURE NAV INDEX (%) | SDAX (%) |
|---|---|---|---|---|---|
| 06/18 | 13.5 | 15.5 | 10.8 | 8.6 | 10.2 |
| 06/29 | (51.3) | (39.8) | 6.5 | 0.1 | (4.8) |
| 06/20 | 87.9 | 71.8 | 1.4 | 11.4 | 1.4 |
| 06/21 | 96.3 | 89.3 | 22.4 | 11.6 | 38.9 |
| 06/22 | (52.8) | (58.7) | 24.8 | 16.3 | (25.8) |

Source: Refinitiv. Note: All % on a total return basis in euros.

HELIAD®

PRICE* €4.98

MKT CAP* €57M

## Business description

Heliad Equity Partners aims to invest in market-leading private companies and skilled entrepreneurs across sectors and regions to power their next phase of growth and act as a gateway to public equity markets by leveraging its experienced team and strategic partners.

* As of 19.10.22

Heliad Equity Partners is a research client of Edison Investment Research Limited

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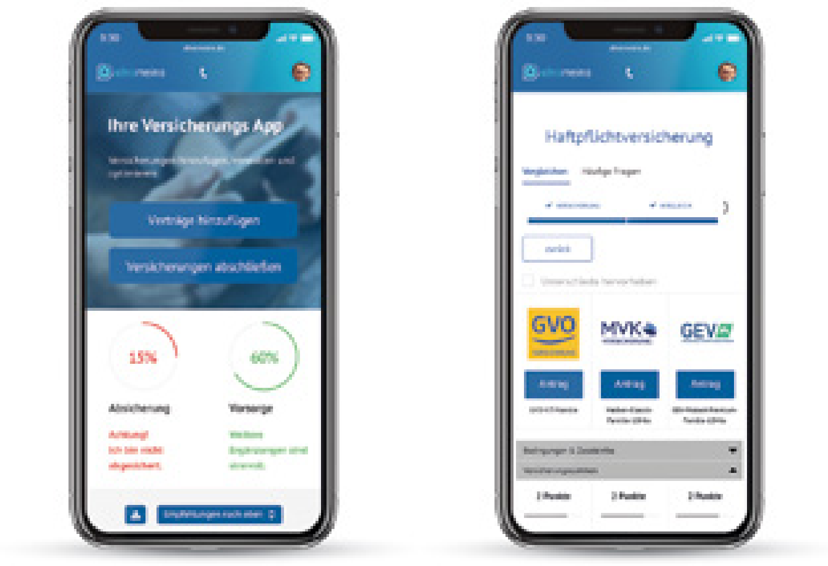


# A SCALING INSURTECH PLATFORM

JDC's key asset is its highly scalable Advisortech insurance platform, which enables private clients to manage insurance portfolios from hundreds of German insurance companies. This technology platform, in which JDC invested more than €40m to develop, was initially built for its own broker pool business, but at a later stage JDC decided to exploit it commercially. The platform can be sold either as a white-label product with the client's look and feel or as a separate service. Examples are www.finanzapp.allesmeins.de and the direct customer platform www.geld.de. Through the platform, private individuals/intermediaries can select, add and service insurance policies from almost all insurers active on the German market, using a simple app that also provides a comprehensive overview of an individual's insurance portfolio.

## How does JDC grow its market share?

There are roughly 460 insurance companies in the German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft), which had 437m insurance policies on their books in 2019. These policies represented €217bn in premiums paid to insurance companies and €17bn in commissions paid to intermediaries, according to JDC Group. Commissions are the main source of JDC Group's revenues, either directly as an intermediary, but increasingly also through its platform clients. With guided revenues of €165–175m in 2022, JDC is still small compared to the total commissions pool. However, within the Insurtech space which includes among others Hypoport and Clark, it is a market leader. In recent years, JDC has been very successful in adding new client groups to its platform, which is essential in this business model with a large fixed and small variable cost base. In addition to in-house insurance brokers from Lufthansa and BMW, JDC has contracts with Provinzial and VKB, insurance companies from large savings banks, as well as internet platform Finanzguru and agency networks of insurers such as Gothaer.



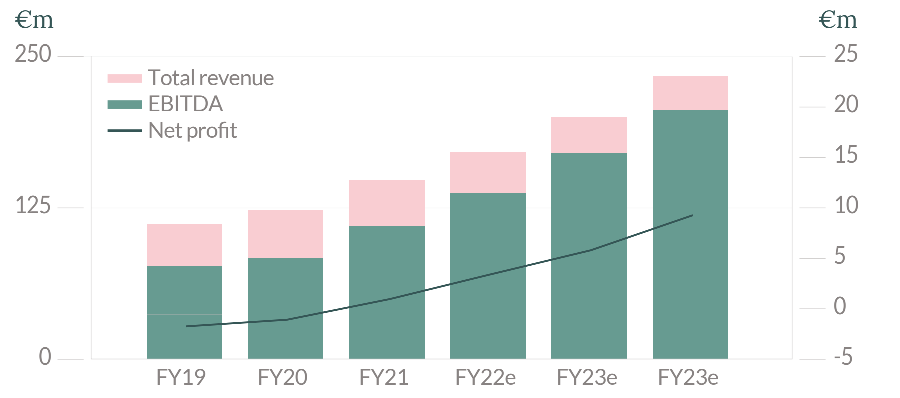
## What is JDC's financial record like?

JDC revenues have grown from €95.0m in FY18 to €147m in 2021, driven by its Insurtech activities. In the coming years, an acceleration of top-line and EBITDA growth should be expected as the large contracts that were closed in the last years materialise in the transfer of contracts to JDC's platform. Where the largely expensed investments in the Insurtech platform have led to net losses up to 2020, the company is now in net profit territory. Net cash amounted to €1.5m at end-June 2022.

> JDC Group targets a doubling of revenues by 2025 compared to 2020 with a multi-fold increase in EBITDA.

## What should investors look out for?

JDC has shown remarkable success in adding new client groups and we believe it will continue to do so. German mortgage platform Hypoport is making inroads into the Insurtech space with a B2C model, but so far JDC has beaten it in the race for large clients. New clients could be found in cooperative bank insurers, additional savings banks or agency networks from insurance companies and, of course, more individual brokers of all sizes. JDC expects revenue growth to accelerate to more than 20% in 2023 from its large contracts. Over the longer term, JDC targets a doubling in revenues to €246m by 2025 and a 'multi-fold' increase in EBITDA compared to 2020.




## Edison estimates

| YEAR END | REVENUE (€M) | EBITDA (€M) | EPS[1] (€) | DPS (€) | EV/EBITDA (X) | P/E (X) |
|---|---|---|---|---|---|---|
| 12/20 | 122.8 | 5.1 | (0.09) | 0.0 | 18.7 | N/A |
| 12/21 | 146.8 | 8.3 | 0.07 | 0.0 | 40.8 | 262.9 |
| 12/22e | 170.5 | 11.6 | 0.24 | 0.0 | 24.2 | 84.4 |
| 12/23e | 199.2 | 15.1 | 0.42 | 0.0 | 17.9 | 49.5 |

Source: Company data, Edison Investment Research.
Note: [1]EPS is reported.

JDC GROUP
BEST ADVICE. BETTER TECHNOLOGY.

| | |
|---|---|
| PRICE* | €16.5 |
| MKT CAP* | €226M |

### Business description

JDC Group is a leading German insurance platform, providing advice and financial services to professional intermediaries, banks and directly to end-customers. It also provides its digital platform for end-clients and for the administration and processing of insurance products, as a white-label product.

* As of 19.10.22

JDC Group is a reasearch client of Edison Investment Research Limited


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Photo copyright: ProCredit Holding/ ProCredit Bank North Macedonia

# SUPPORTING SMES IN EMERGING EUROPE

ProCredit Holding (PCB) is a Germany-based group operating regional banks across South Eastern (SEE) and Eastern Europe (EE) and Ecuador. Its focus is on impact-oriented lending to well-established SMEs that foster innovation, local production and the transition to a green economy (SMEs represented 92% of PCB's gross loan book at end June 2022). PCB also offers digital banking services to private clients, mostly to middle-income and high earners (SME owners in particular). The group has a strong track record of a high-quality loan portfolio based on prudent credit risk management and stringent client selection.

## How does ProCredit Holding grow its market share?

The SEE/EE region is characterised by a relatively low penetration of banking services with a loan book to GDP of c 45% on average versus well over 70% in Western Europe in 2020 (according to World Bank data), providing scope for further structural growth. PCB is a niche player focused on SMEs with a relatively limited share of the overall banking sector in most countries of operation (except for Kosovo) and a strong position serving SME clients. This leaves PCB room to realise its scaling potential, which is illustrated by its average gross loan book growth of c 11% pa in FY16–21 with a low cost of risk. One of PCB's key competitive advantages is its emphasis on building and maintaining long-term trusted relationships with clients, coupled with a successful digital transformation completed before the COVID-19 outbreak.

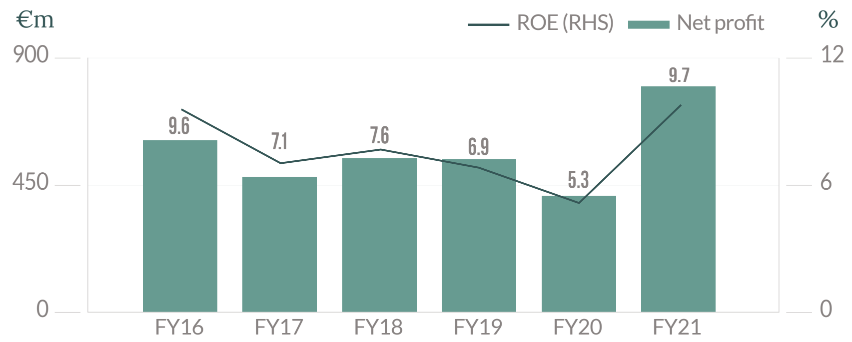
> PCB group's capital base remained solid with a CET-1 ratio of 13.7% at end June 2022, well above the regulatory requirement of 8.2%.

## What is ProCredit Holding's financial record like?

In recent years, PCB has made notable progress in closing the ROE gap with its listed Austrian peers (Erste Group and Raiffeisen Bank International) and some SEE/EE peers (OTP Group and NLB), posting an ROE of 9.7% in FY21 (broadly in line with management's mid-term target of 10%). Having said that, Russia's invasion of Ukraine is weighing on its current results as ProCredit Bank Ukraine represented c 13% of group loan portfolio at end June 2022 (and was PCB's most profitable regional bank in FY21). Nevertheless, ProCredit Bank Ukraine's operations are mostly uninterrupted, with its CET-1 ratio 4pp above the regulatory requirement at end June 2022. Outside of Ukraine, PCB's operations benefited from solid loan book growth and a higher net interest margin which, coupled with a marginal cost of risk, translated into an annualised ROE ex-Ukraine of 9.5% in H122.

## What should investors look out for?

PCB group's near-term results are likely to be further affected by loss allowances in Ukraine (we assume €94.2m at group level in FY22). However, we believe that even a potential default by ProCredit Bank Ukraine (which PCB considers to be low risk) is more than priced in at present with PCB's shares trading at c 0.2x our tangible book value in FY22e. In the mid- to long term, PCB is well-positioned to further scale its operations with management's mid-term target of an ROE of 10% and cost-income ratio below 60%.




## Edison estimates

| YEAR END | NET INTEREST INCOME (€M) | EPS (€) | DPS (€) | P/BV (X) | P/E (X) | ROE (%) | YIELD (%) |
|---|---|---|---|---|---|---|---|
| 12/20 | 201.6 | 0.70 | 0.53 | 0.3 | 4.8 | 5.3 | 15.7 |
| 12/21 | 222.0 | 1.35 | 0.00 | 0.2 | 2.5 | 9.7 | 0.0 |
| 12/22e | 254.7 | 0.40 | 0.00 | 0.2 | 8.5 | 2.7 | 0.0 |
| 12/23e | 279.5 | 1.42 | 0.47 | 0.2 | 2.4 | 8.9 | 14.0 |

Source: ProCredit Holding, Edison Investment Research.
Note: EPS as reported by the company.

ProCredit HOLDING

PRICE* €3.38
MKT CAP* €199M

## Business description

ProCredit Holding is a Germany-based group operating regional banks across South Eastern and Eastern Europe and Ecuador. The banks focus on SMEs and private middle-income and high earners.

* As of 19.10.22

ProCredit Holding is a research client of Edison Investment Research Limited

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Healthcare

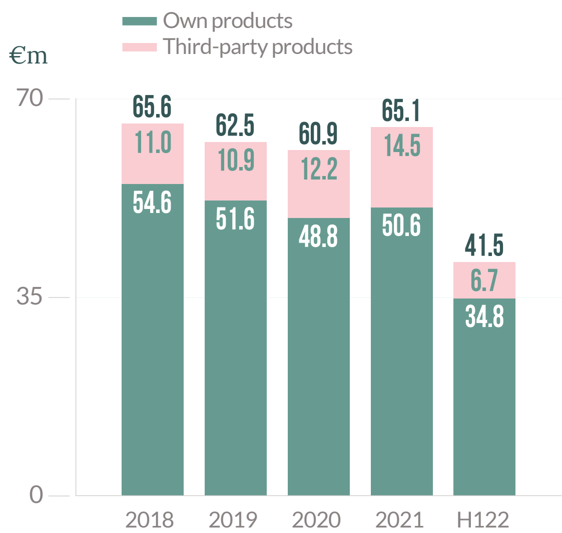
# WEARING MULTIPLE HATS

Cosmo Pharmaceuticals is a commercial-stage healthcare company focused on developing therapeutics to treat gastrointestinal (GI) and dermatology diseases as well as healthtech devices to improve endoscopy procedures. Employing a hybrid business model (internal drug development, contract manufacturing, medical devices), the company has a diverse revenue stream with eight assets currently marketed and several in the development pipeline. Most drug products are developed using the company's proprietary multi-matrix MMX technology and manufactured at the company's 18,000m$^2$ GMP facility, while commercialisation is undertaken across the globe through distribution partners.

## How does Cosmo Pharmaceuticals grow its market share?

The company's approved and marketed GI therapies target a subset of the GI patient population who suffer from ulcerative colitis, a market estimated at $9.1bn in 2022 globally and expected to reach $11.1bn by 2028 (Evaluate Pharma). Cosmo is seeing an uptake in demand in the United States and Japan for its legacy ulcerative colitis treatment, Lialda, which together with legacy product Cortiment contributes upwards of 50% of the company's revenue. The company's AI assisted endoscopy medical device, GI Genius, has been launched successfully and is contracted to more than 850 US and European Union clients. In partnership with Medtronic, GI Genius is currently at the forefront of an extensive, global marketing campaign, while additional features for the device are being investigated as part of Cosmo's developmental pipeline, which may drive further growth. Winlevi, the company's topical acne product launched in the US in November 2021 has become the number one branded acne product in the US, generating 258k prescriptions across over 10,000 unique prescribers since launch.

Revenue split




## What is Cosmo Pharmaceuticals' financial record like?

Cosmo's revenues are a mix of milestone payments and sales royalties from its out-licensed assets as well as manufacturing revenues from in-house products and CRO-related services. During 2021, the company's largest customer accounted for 31.8% (2020: 36%) of revenues, and the second largest accounted for 13.8% (2020: 2.3%). In H122, Cosmo reported its 'best-ever' half year, reporting revenue of €41.5m (up 46% y-o-y), supported by strong growth from legacy business and the launch of two new products, GI Genius (endoscopy) and Winlevi (acne) in 2021. Reported operating profit grew to €8.1m (€0.008m in H121) supporting improved cash flow generation (net operating cash flow stood at €12.6m). At end-H122, Cosmo had €219m cash and near cash on its books, which, in our view, should be sufficient to cover the upcoming convertible debt repayment of c €170m in Q423. Management guides for revenue in the range of €90–100m and operating profit in the range of €20–25m for FY22.

## What should investors look out for?

Cosmo, in partnership with Sun Pharma, delivered a highly successful launch (H221) into the US market of Winlevi. This success has garnered heightened interest from potentially additional in-licensing partners, deals with whom would represent a significant catalyst for the share price. The company is also progressing its internal pipeline and expects to begin the Breezula (Clascoterone solution) phase 3 trial in androgenetic alopecia in males in H2 2022 being key strategic priorities and the most near-term clinical catalysts.

## Consensus estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (€) | DPS (€) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 60.9 | (6.9) | (0.55) | 0.00 | N/A | N/A |
| 12/21 | 65.1 | 24.0 | 1.29 | 0.00 | 39.5 | N/A |
| 12/22e | 106.8 | 34.2 | 1.60 | 0.95 | 31.9 | 1.9 |
| 12/23e | 140.3 | 44.8 | 2.09 | 1.20 | 24.4 | 2.4 |

Source: Company filings, Refinitiv

Guidance suggests that FY22 is proving to be a breakout year for Cosmo, where revenues have been range-bound (€60–65m) since 2018. Even reaching the lower end of the guidance would mean a c 40% y-o-y jump in revenue, broadly the same run rate as seen in H122. Sentiment is bullish with consensus estimating FY22 revenue to breach the upper limit of guidance range.

COSMO

PRICE* CHF50.50
MKT CAP* CHF832M

### Business description

Cosmo Pharmaceuticals is a pharmaceutical company with a focus on gastrointestinal diseases and dermatology as well as healthtech devices. The company provides manufacturing services and is developing its own internal pipeline of therapeutic products and medical devices. Cosmo has eight commercialised products with a further six in clinical development.

* As of 19.10.22; CHF0.99/€

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Pharma and biotech

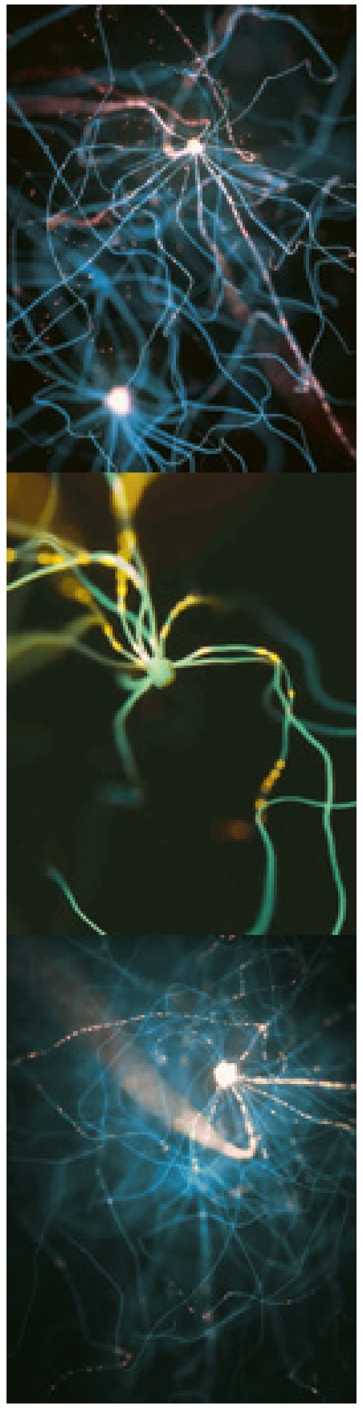
# PROMISING CLINICAL ASSETS ADVANCING

Newron Pharmaceuticals is a biopharmaceutical company focused on the development of new medicines for the treatment of central and peripheral nervous system diseases. Newron has developed and received regulatory approval for Xadago (safinamide), an add-on therapy to treat Parkinson's disease, and has since established commercial partnerships in key global markets, including the US, European Union and Japan.

Xadago is the first new chemical entity in a decade approved in Europe and the US for the treatment of Parkinson's disease. Newron is also focused on developing its pipeline and bringing new drugs to market. Evenamide, an add-on therapy designed to treat schizophrenia, is the company's most advanced clinical asset, currently in Phase II/III studies.

## How does Newron grow its market share?

The overall global market for Parkinson's treatment is estimated at $2.9bn in 2022 and is expected to reach $7.8bn in 2028 (EvaluatePharma). Xadago is commercialised by Newron's partners in the EU, North America and Asia-Pacific region, with the company receiving royalties and milestones on commercial sales. Newron continues to work with its partners to further develop and market Xadago and we expect revenues from royalties will grow the company's top-line revenues at a rate of c 10%. The global schizophrenia market is forecast to reach c $17.2bn by 2028 (EvaluatePharma), providing Newron with an opportunity to potentially establish evenamide within a highly fragmented market.

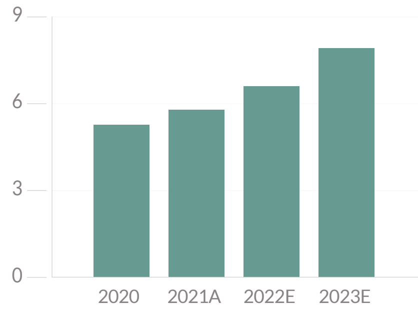




## What is Newron's financial record like?

In H122 Newron recognised revenue of €2.8m (H121: €2.7m), comprised largely of royalty payments from partners on sales of Xadago. R&D expenses in H122 fell to €5.3m (H121: €6.8m), with lower costs due to the group conducting preclinical and clinical safety studies with evenamide in H121; however, R&D activities in 2022 have focused primarily on its key Phase II/III clinical study for evenamide. At end-H122 Newron had a cash position of €18.9m, plus €9.5m in other current financial assets. With a H122 cash burn rate of c €5.6m, Newron is sufficiently funded past readouts from its Phase II/III evenamide trial in H123 to H223. In the absence of any partnership deal for evenamide in schizophrenia, we expect management would need to raise additional capital in H223 to continue operations.

Revenue 2020–2023e




> The Phase III Evenamide study (008A) is designed to assess efficacy, safety and tolerability of the drug in patients with chronic schizophrenia. Positive trial results may result in Evenamide being approved as the first add-on therapy for the treatment of patients with positive symptoms of schizophrenia, who are not responding to antipsychotics.

## What should investors look out for?

The near-term catalyst for the company revolves around the clinical development programme for evenamide and the pivotal Phase III trial, Study 008A. Results from the study are expected in H123 and, in our view, represent the most significant catalyst for Newron's share price. Additionally, Newron intends to initiate Study 003 in 2023, investigating the safety and efficacy of evenamide as an add-on treatment in a subset of schizophrenia patients. The results of this will form a critical part of the Phase II/III evenamide development programme data package, provided results are positive. We view the timely commencement of Study 003 as an important indicator to ensure the overall clinical timelines for evenamide are maintained.

## Edison estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (C) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 5.26 | (18.16) | (1.09) | 0.0 | N/A | N/A |
| 12/21 | 5.76 | (14.12) | (0.79) | 0.0 | N/A | N/A |
| 12/22e | 6.60 | (15.51) | (0.87) | 0.0 | N/A | N/A |
| 12/23e | 7.89 | (16.41) | (0.92) | 0.0 | N/A | N/A |

Source: Company accounts, Edison Investment Research

Newron Pharmaceuticals

PRICE* CHF1.28

MKT CAP* CHF23M

### Business description

Newron Pharmaceuticals is an Italy-based company focused on the central nervous system. Xadago for Parkinson's disease is sold in Europe, Japan and the United States. Evenamide, a novel schizophrenia add-on therapy, is involved in a Phase II/III trial programme targeting schizophrenia.

* As of 19.10.22; CHF0.99/€

Newron Pharmaceuticals is a research client of Edison Investment Research Limited

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Diversified industries

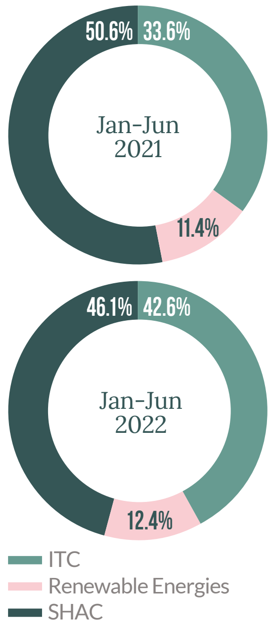
# GUIDING TO DOUBLE-DIGIT REVENUE GROWTH

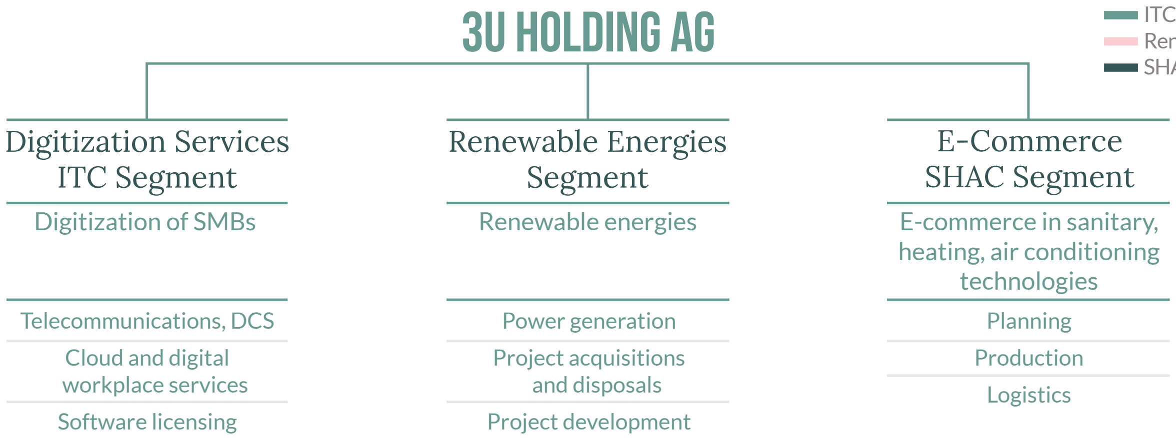
## E-commerce, digitisation and renewables

3U's sale of weclapp should generate more than €150m of proceeds, an eightfold increase of funds deployed.

3U Holding (3U) acquires, manages and sells investments in national and international companies. Primary segments are Information and Telecommunications Technology (ITC), Sanitary, Heating and Air Conditioning Technology (SHAC), and Renewable Energies (RE). ITC includes 3U's IT outsourcing business, data centre services and operations, voice business and voice retail. SHAC's business includes Selfio, which operates an online shop for DIY products and a supply chain management company for e-commerce. RE focuses on owning and operating wind energy and photovoltaic plants.

Share of the segments in consolidated revenue




## Two megatrends driving demand

Germany is the primary geographic market for 3U's products and services, with 3U's businesses benefiting from several megatrends, including e-commerce and digitization. Germany is one of the largest e-commerce markets in the EU, with e-commerce penetrating 77% of the market in 2021, and the market itself is expected to increase revenues at an 11%+ CAGR through 2025 (Statista). Second, the increasing focus on digitization and digital transformation should boost 3U's results. Grandview Research estimates that the global digital transformation market will growth at a 23% CAGR through 2030. 3U's IT outsourcing business for digitization should be a growth engine as it develops and manages SMB's IT landscapes from the cloud to the digital desktop.

## H122: ITC segment underpins results

H122 revenues rose 22% y-o-y to €33.4m, driven by solid growth across all three segments. Davta Centre and cloud services supported a 31% y-o-y increase in ITC revenues. SHAC's revenue returned to a growth of 12% y-o-y in spite of a challenging construction market. Favourable weather and beneficial conditions in power purchase agreements boosted RE's revenues 32%. The company sold its share in InnoHubs (closed in Q322) following construction of the associated building complex, which temporarily distorted H122's balance sheet. 3U ended H122 with €14.0m in net debt (including leases but not including debts related to assets held for sale) after paying out FY21's announced dividend of €0.5/share.

## Outlook: Cash balance could exceed market cap

The company's prospects seem bright. Due to sizable asset sales, it is likely that 3U's cash balance at the end of Q322 exceeds its market cap. As a company with a track record of acquiring and selling businesses for a profit, 3U could use its cash "war chest" to invest back into the growing digitization business or find new companies to acquire. In H122, management confirmed its guidance for a double-digit increase in revenues to €65–70m. EBITDA is expected to be €10–12m with profits at €2–4m. Management noted that initial customer feedback on the IT outsourcing business is promising and along with data centre services, should drive growth in the ITC segment. Nevertheless, 3U's existing, proven businesses should continue contributing to results too. In September 3U sold its c 71% stake in weclapp to a subsidiary of Exact Group at an implied equity value of c €227m. 3U still guides to achieve 2022's sales guidance, as weclapp will not be deconsolidated until after the full closing of the transaction. Management expects income from the sale to reach €150m+, significantly boosting EBITDA and consolidated earnings.

## Consensus estimates

| YEAR END | REVENUE (€M) | EBITDA (€M) | EBIT (€M) | DPS (€) | P/E (X) | EV/EBITDA (%) |
|---|---|---|---|---|---|---|
| 12/20 | 62.8 | 7.7 | 2.3 | 0.05 | 25.4 | 9.5 |
| 12/21 | 60.9 | 9.4 | 4.9 | 0.05 | 50.8 | 18.0 |
| 12/22e | 66.6 | 11.6 | 6.3 | 0.05 | 60.5 | 13.9 |
| 12/23e | 68.0 | 7.9 | 5.8 | 0.05 | 46.6 | 20.4 |

Source: Refinitiv

3U HOLDING

PRICE* €3.94
MKT CAP* €140M

## Business description

3U Holding (3U), headquartered in Marburg, is a holding company that acquires, manages and sells interests in companies across three primary segments: telecom services, cloud computing and IT services (ITC); sanitary, heading and climate technology anchored in e-commerce (SHAC); and renewable energies such as wind and solar farms (RE). 3U's activities are largely focused on Germany and neighbouring European countries.

* As of 19.10.22

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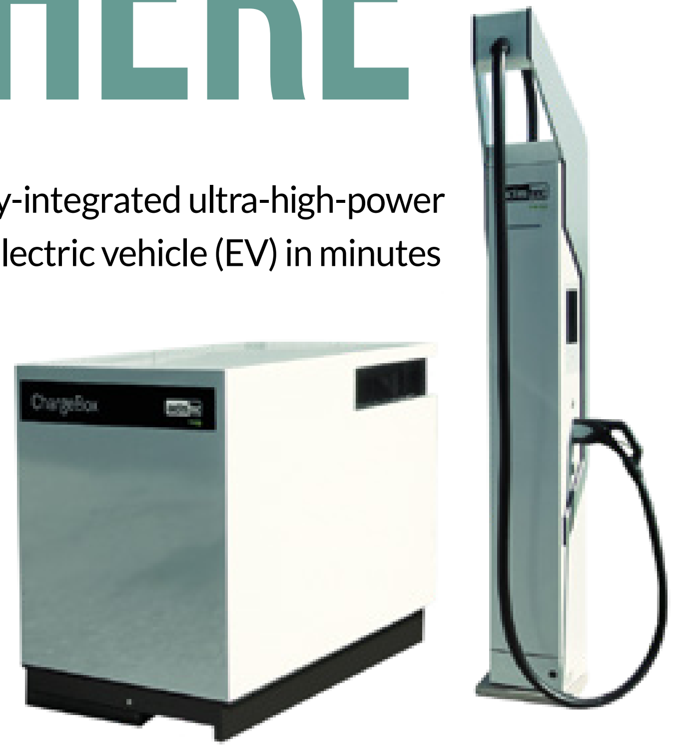
Alternative energy

# POWER EVERYWHERE

ADS-TEC Energy has developed a range of battery-integrated ultra-high-power charging products. These are able to charge any electric vehicle (EV) in minutes with up to 320kW of power even if the local electrical grid cannot provide the requested capacity. Deploying these products saves operators of charging networks the expense of electrical infrastructure upgrades, takes significantly less time to implement than upgrading the local grid and reduces the amount of forecourt space occupied by charging infrastructure.




The provision of ubiquitous ultra-fast, dependable charging is a key requisite for EV adoption, eliminating range anxiety and accelerating the decarbonisation of transportation. ADS-TEC's technology is also being deployed in residential, commercial and industrial situations where it is suitable for applications including frequency regulation, peak shaving, back-up power and micro grids. Distributed energy storage is essential if energy generation is to decarbonise because of the inherently intermittent nature of solar and wind power.

## How does ADS-TEC grow its market share?

According to Precedence Research, the global EV charging infrastructure market is expected to grow from US$19.5bn in 2021 to around US$221.9bn by 2030, a CAGR of 31.0% between 2022 and 2030. The group aims to expand its market share by expanding its portfolio and growing its activities outside Germany. For example, in Q422 it will launch the ChargePost system, which integrates the battery-buffering module and two charge dispensers into a single compact system. The group expects its North American plant to commence operation later this year.

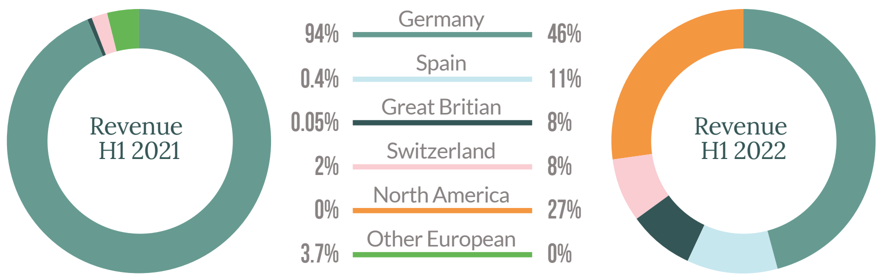
Management estimates a total addressable market (TAM) in the United States of US$54bn and US$62bn in the EU.

## What is ADS-TEC's financial record like?

Revenues dropped from €20.9m in H121 to €9.4m in H122 as a major charging station contract for Porsche completed in H121. Cost of sales was adversely affected by difficulties procuring certain components, which have been addressed. Sales and general administrative expenses rose from €4.1m to €12.7m, primarily as a result of the costs associated with being a listed company following the merger with a special purpose acquisition company (SPAC) in December 2021. EBIT losses widened from €4.1m to €18.5m. Cash (there is no debt other than finance leases) fell from €101.8m at end December 2021 to €65.7m at end June 2022, reflecting a €15.2m increase in inventory as the company prepared for a strong ramp-up in deliveries during H222.

## What should investors look out for?

While the company delivered only 39 charging units in H122, the broadening of the customer base resulted in an order intake of €152m for the eight months ending August 2022 and an order book totalling €177m at the end of August. As a result of unexpected delays caused by global manufacturing and supply chain issues, ADS-TEC expects substantial sales revenue forecasted for FY22 to be pushed out to FY23. The order book for FY23 deliveries has already started to build up, endorsing management's growth strategy.




## Consensus estimates

| YEAR END | REVENUE (€M) | PBT (€M) | NET INCOME (€M) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 47.4 | (10.3) | (10.3) | 0.00 | N/A | N/A |
| 12/21 | 33.0 | (87.2)* | (87.6)* | 0.00 | N/A | N/A |
| 12/22e | 86.3 | (14.3) | (16.7) | 0.00 | N/A | N/A |
| 12/23e | 165.0 | (5.0) | (5.4) | 0.00 | N/A | N/A |

Source: Refinitiv
Note: *Including €75.6m costs associated with share listing expenses, special warranty provision, lawyers and consultants

Energy

PRICE* US$5.60
MKT CAP* US$270M

## Business description

Nürtingen headquartered ADS-TEC Energy has built on more than 10 years of experience of lithium-ion technologies, storage solutions, energy management software and fast charging systems to create a battery-buffered, fast charging technology. This enables electric vehicles to ultrafast charge even on low powered grids.

* As of 19.10.22



## Analyst

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Pulp and paper production

# FLYING HIGH WITH RECORD Q222 EBITDA

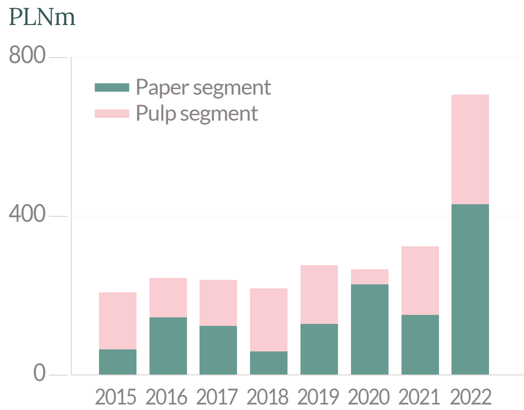
Arctic Paper is a leading producer of high-quality graphical fine paper, bio-based packaging solutions, high-quality wood pulp, and energy, increasingly of non-fossil origin. Its primary focus is the manufacturing and sale of graphical fine uncoated and coated paper under the brands Amber, G-Print, Munken, Pamo, Arctic, L-Print and AP Tech. The company's sales channel consists of both printing and publishing houses, distributors and advertising agencies with the bulk of its revenue coming from Europe. Its largest market is Germany at just over 20%.

## How does Arctic Paper grow its market share?

The global paper and pulp market was estimated at $352bn in 2021 (Statista) and has been projected to grow to by 6% c $373bn in 2029. representing a 6% increase. In Q222, 97% of Arctic's paper revenue was derived from Europe, which is estimated to have a quarter of the global paper market share. In spite of disrupted supply chains and high freight costs, Arctic has so far achieved a strong price realisation while maintaining tight cost control against a backdrop of strong inflationary pressures. The company is well positioned from a hedging perspective from the current high energy costs driven by sharp increases in the price of European gas and electricity. The European uncoated fine paper market remains tight due to solid demand with continued price momentum, which bodes well for Arctic's financial performance in FY22.

EBITDA evolution

Effective hedging of both segments to stabilise financial results




## What is Arctic Paper's financial record like?

Arctic benefited from strong demand in the pulp and paper industry in H122, with revenue up 53% and a record Q222 EBITDA of PLN330m (€68.4m), a margin of 25.5%. For the first time in its history, the group moved to a positive net cash position, providing resilience and headroom to sustain future growth. Capacity utilisation in paper production reached 99% for the fourth consecutive quarter. Arctic has adopted a new dividend policy, to be applied from FY22, to distribute 20–40% of consolidated net profit. Local sourcing of the majority of Arctic's energy, including its gas supply in Kostrzyn, Poland, will help mitigate the impact of the significant surge in external fuel costs; the group generates c two-thirds of its energy needs on-site (c 50% from renewables).

> Leading European paper producer generating an increasing proportion of its energy needs from in-house sustainable energy, including hydropower and biofuels.

## What should investors look out for?

Arctic is well prepared for the tougher economic and geopolitical environment with good cost control and net cash. The Group's 4P strategy for 2022 to 2030 will reposition Arctic into four key pillars, investing in its core Paper and Pulp businesses and developing Pa ckaging and Power. This strategy should enable Arctic to focus on sustainability and build its renewable energy business, with its target to become carbon neutral by 2035. Based on its consensus FY22e P/E (2.3x) and EV/EBITDA (1.5x), Arctic trades at discounts of 76% and 78% to European paper and packaging peers. This may reflect the current business structure (mainly pulp and paper), whereas peers are operating higher-margin packaging businesses.

## Consensus estimates

| YEAR END | REVENUE (PLNM) | PBT (PLNM) | EPS (PLN) | DPS (PLN) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 2,847 | 122 | 1.60 | 0.0 | 11.9 | N/A |
| 12/21 | 3,413 | 223 | 1.84 | 0.3 | 10.3 | 1.6 |
| 12/22e | 4,870 | N/A | 7.20 | 0.4 | 2.6 | 2.1 |
| 12/23e | 4,742 | N/A | 5.10 | 2.2 | 3.7 | 11.6 |

Source: Refinitiv

ARCTIC PAPER

PRICE* PLN 19.00

MKT CAP* PLN 1.34BN

### Business description

Based in Poland, Arctic Paper is a paper producer (one of the leading producers of graphical paper in Europe) with three paper mills located in Poland and Sweden (with capacity of c 685,000 metric tonnes of paper per year). Its majority ownership of Rottneros (51%) complements the company's portfolio with pulp, partly produced for its own paper products. Arctic Paper is listed on the Warsaw (WSE) and Stockholm (Nasdaq) stock exchanges.

* As of 19.10.22; PLN4.78/€

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Aerospace and defence

# BUILDING ON THE CIVIL AEROSPACE RECOVERY

## A market leader in lightweight composite materials

Headquartered in Austria, FACC has been a leading supplier of lightweight carbon composite structures for the civil aircraft industry for over 30 years. In 2009 it was taken over by the Chinese aerospace group AVIC and was listed in 2014. Operating through three segments of Aerostructures, Cabin Interiors, and Engines & Nacelles, with maintenance, repair and overhaul activities across the divisions, FACC is a Tier 1 supplier to all of the leading global civil aircraft and engine manufacturers. It has various production and engineering locations globally and is represented on all very large modern aircraft, as well as business jets.

## A major player in a large and growing market

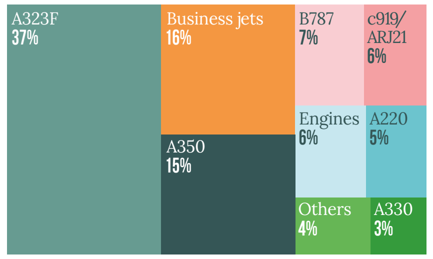
Modern aircraft contain an increasing proportion of weight-saving composite structural materials, a trend driven in large part by a desire to reduce weight with a beneficial impact on fuel consumption. FACC is not involved in the production of high value fuselage barrels or metal components but still operates in a composite structures market worth c $15bn. The post-pandemic passenger traffic revival is driving a recovery in demand for new fuel-efficient aircraft as older model are retired, as well as to satisfy future growth. Around 40,000 large civil airliners (over 100 seats) are expected to be delivered over the next 20 years. As airframer production rates increase so does demand for the structures required to build them and their engines. As the rates recover in the next two years, strong revenue growth is anticipated.

> Revenues should grow by over 50% by FY25 as civil aircraft production rates rise to above pre-pandemic levels.

## What is FACC's financial record like?

FACC's revenues fell from c €800m in calendar year 2019 to €498m in FY21, reflecting the reduction in aircraft production rates at its major customers, notably Airbus, which accounted for c 55% of revenues. These are now set to recover strongly. The positive effects of the accelerated efficiency programme undertaken to right-size the businesses during the COVID-19 pandemic were undermined in FY21 by a €25.5m charge relating to an adverse arbitration settlement referring to past fiscal years reaching back to 2008. Net debt at H122 was €211.5m and market consensus for FY22 is €187m. In H122, revenues grew 12.4% to €270m with a 2.3% EBIT margin more representative of the underlying progress.

Revenue distribution




## What should investors look out for?

Management maintains its guidance for revenue growth of 10% in FY22 to around €550m, and to treble adjusted EBIT compared to €4.3m in FY21. As global airline traffic continues to recover, driving increasing demand for the aircraft that FACC supplies, management expects revenues to recover to pre-pandemic levels of €750m with a medium-term EBIT margin target of c 8% by FY25. Order intake of $500m in H122 maintained the momentum from FY21 and increased the group backlog to c $5.5bn at the period end, underpinning growth prospects. As part of the evolution of its growth strategy to FY30, two nascent revenue streams in space and urban air mobility should develop into new operating segments.

## Consensus estimates

| YEAR END | REVENUE (€M) | PBT (€M) | EPS (C) | DPS (C) | P/E (X) | YIELD (%) |
|---|---|---|---|---|---|---|
| 12/20 | 526.9 | (81.5) | (1.68) | 0.00 | N/A | 0.0 |
| 12/21 | 497.6 | (30.5) | (0.52) | 0.00 | N/A | 0.0 |
| 12/22e | 553.3 | 7.1 | 0.12 | 0.00 | 48.3 | 0.0 |
| 12/23e | 628.7 | 19.7 | 0.34 | 0.03 | 17.1 | 0.4 |

Source: Refinitiv

FACC

PRICE* €5.80
MKT CAP* €263M

## Business description

FACC is a Tier 1 supplier to the aerospace industry, 55.5% owned by AVIC of China. It manufactures composite structural components for Aerostructures (38% of H122 sales), Cabin Interiors (45%) and Engines & Nacelles (17%). FACC employs 2,732 people across 13 sites internationally.

* As of 19.10.22

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Industrial engineering

# ELECTRIFICATION AND GREEN ENERGY DRIVE GROWTH

On track for >15% EBITDA margin in 2025

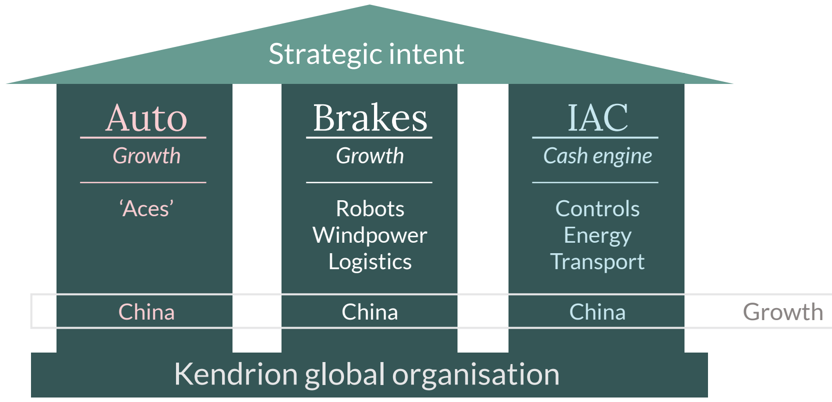
Kendrion specialises in the development, production and marketing of actuators for a wide range of industrial and automotive applications. An actuator is a device that converts (electric) energy into force or motion. Kendrion's products are used in applications for wind power, robots, factory automation, electric vehicles, energy distribution and industrial heating processes.

## Market trends that underpin growth ambition

The major trends that will determine Kendrion's growth path over the next few years are electrification and clean energy. As one of the global market leaders in industrial and automotive actuators, the company targets growth segments by developing new technologies in, for example, robotics, inductive heating and acoustic vehicle alerting systems that are mandatory for each electric vehicle. The company's strategy is focused on growth in industrial brakes, with expected 6% growth in existing markets (eg industrial robots and wind turbines) while adding attractive growth segments; industrial actuators and controls, with focus on selective niche markets where the company can realise growth against above average returns; e-mobility, with trends such as autonomous, connected, electrified and shared mobility; and China in all its product groups, with the company aiming for at least 20% growth per year.

## What is Kendrion's financial record like?

In FY20–21, Kendrion's revenues were affected by the COVID-19 pandemic and the supply chain constraints. In this period, Industrial showed strong growth while Automotive faced very challenging markets. Despite market challenges, Kendrion improved its group EBITDA margin by 140bp to 12.0% in FY21 (from 2019 levels), driven by efficiency improvements and the contribution of higher margin INTORQ (acquired early 2020). The net debt/EBITDA of 2.6x in H122 is well within covenants of <3.25x and offers the company sufficient room for the financing of organic revenue growth and dividend payments (50% pay-out).




## What should investors look out for?

After the revenue growth of 9.5% in H122, driven by ongoing growth in Industrial, and a modest decline in EBITDA of 4%, Kendrion expects that markets will remain volatile and that supply chain constraints will continue for the foreseeable future. At its capital markets day on 8 September, Kendrion reiterated its financial targets for 2019–25 (originally set in September 2020): an organic revenue growth of at least 5% on average per year, with an EBITDA margin of at least 15% in 2025 (12.0% in FY21) and return on invested capital of at least 25% in 2025 (FY21: 15.6%).

## Edison estimates

| YEAR END | REVENUE (€M) | EBITDA[1] (€M) | EPS[1] (€) | DPS (€) | EV/EBITDA (X) | P/E (X) |
|---|---|---|---|---|---|---|
| 12/20 | 396.4 | 44.6 | 0.79 | 0.40 | 7.3 | 17.3 |
| 12/21 | 463.6 | 55.8 | 1.39 | 0.70 | 6.2 | 9.8 |
| 12/22e | 500.5 | 57.0 | 1.48 | 0.74 | 6.3 | 9.2 |
| 12/23e | 536.7 | 68.6 | 1.96 | 0.98 | 5.1 | 7.0 |

Source: Kendrion, Edison Investment Research
Note: [1]EBITDA and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

KENDRION

PRICE* €13.68
MKT CAP* €205M

### Business description

Kendrion develops, manufactures and markets high-quality actuators for industrial (53% of H122 revenues) and automotive applications (47%). The geographical spread of revenues in FY21 was Germany 39%, other Europe 30%, the Americas 16% and Asia 15%.

* As of 19.10.22

Kendrion is a research client of Edison Investment Research Limited

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