

# ad pepper media International N.V.

The Netherlands / Internet Services  
 Frankfurt  
 Bloomberg: APM GR  
 ISIN: NL0000238145

Preliminary  
 2020 figures

**RATING**  
**PRICE TARGET**  
 Return Potential  
 Risk Rating

**BUY**  
**€ 7.60**  
 25.6%  
 High

## 2020 GUIDANCE EXCEEDED – €6.6M EBITDA

ad pepper has reported preliminary 2020 figures which have topped guidance and our forecast. Gross sales grew 21% y/y and overcame the €100m threshold for the first time. Net revenue was up 18% y/y to €25.6m, and EBITDA was 87% higher y/y at €6.6m (guidance: €6.3m). The EBITDA margin increased from 16% to 26%, a 10 PP rise! The excellent figures reflect ad pepper's strong positioning as a pure digital performance advertising company, which is benefitting from the trend towards digitisation and online shopping. In 2020, this trend was significantly strengthened by the pandemic which forced many shops to close their offline business for months thus leaving online shopping as the only way to do business. We have adjusted our 2020 forecasts for the preliminary figures. We believe the company's growth will continue beyond 2020 as the pandemic has only accelerated a previously existing trend. We assume that ad pepper will use its strong competitive position to gain a foothold in new markets thereby further increasing future growth. We therefore raise our forecast for 2021E and the following years. An updated DCF model yields a new price target of €7.60 (previously: €6.70). We reiterate our Buy recommendation.

**Very convincing preliminary 2020 figures** Gross sales exceeded the important €100m threshold with billings to customers of €101.3m (2019: €83.8m, +21% y/y). Net revenue rose 18% y/y to €25.6m (2019: €21.8m, FBe: €25.2m see figure 1 overleaf). EBITDA soared 87% y/y to €6.6m (2019: €3.5m, FBe €6.3m, guidance: €6.3m). The group performance was largely driven by the Webgains segment. The affiliate platform grew 28% y/y and almost doubled its EBITDA margin to nearly 36%. At the end of 2020, the group's liquid funds including securities amounted to €25.3m versus €25.2m a year before. As we expect that ad pepper had hardly any financial debt (FBe: ca. €2m in leasing liabilities), the net cash position should be around €23m.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (€m)	18.72	20.27	21.79	25.62	28.18	30.99
Y-o-y growth	-69.4%	8.3%	7.5%	17.6%	10.0%	10.0%
EBITDA (€m)	2.21	1.35	3.51	6.56	7.85	8.86
EBITDA margin	11.8%	6.7%	16.1%	25.6%	27.9%	28.6%
Net income (€m)	0.58	0.25	1.35	3.15	3.97	4.53
EPS (diluted) (€)	0.03	0.01	0.06	0.15	0.19	0.21
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	2.67	-1.62	5.96	1.29	5.60	5.73
Net gearing	-127.9%	-116.4%	-134.4%	-117.2%	-118.2%	-116.9%
Liquid assets (€m)	20.13	18.23	25.23	25.34	30.22	35.22

### RISKS

The main risks are regulatory changes, technological innovations, dependence on key customers, and intense competition.

### COMPANY PROFILE

ad pepper media International N.V. is an international digital performance marketing company, which acts as a holding for its three operating units ad pepper media (lead generation & audience targeting), Webgains (affiliate network), and ad agents (full service agency). The company is headquartered in Nuremberg, Germany.

### MARKET DATA

As of 08 Feb 2021

Closing Price	€ 6.05
Shares outstanding	21.00m
Market Capitalisation	€ 127.05m
52-week Range	€ 2.22 / 6.05
Avg. Volume (12 Months)	14,658

Multiples	2019	2020E	2021E
P/E	94.0	40.3	32.0
EV/Sales	4.8	4.1	3.7
EV/EBITDA	29.6	15.9	13.3
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Sep 2020

Liquid Assets	€ 23.23m
Current Assets	€ 37.56m
Intangible Assets	€ 0.75m
Total Assets	€ 41.89m
Current Liabilities	€ 20.06m
Shareholders' Equity	€ 20.59m

### SHAREHOLDERS

EMA B.V.	44.1%
Euro Serve Media GmbH	2.6%
Treasury shares	3.0%
Free Float	50.3%

**Figure 1: Reported group figures versus forecasts**

All figures in €m	Q4-20A	Q4-20E	Delta	Q4-19A	Delta	2020A	2019A	Delta
Gross sales	33.19	30.89	7.4%	24.74	34.1%	101.34	83.77	21.0%
Net revenues	7.65	7.18	6.5%	5.97	28.2%	25.62	21.79	17.6%
EBITDA	2.25	2.02	11.5%	1.36	65.8%	6.56	3.51	86.8%
margin	29.4%	28.1%	-	22.7%	-	25.6%	16.1%	-

Source: First Berlin Equity Research, ad pepper media International N.V.

**All segments highly profitable, two segments with strong growth** ad pepper media was the only segment that reported a decline and sales and EBITDA. 2020 segment sales were down 3% y/y to €5.3m and segment EBITDA fell 10% y/y to €1.9m (see figure 2). We believe that the main reason for the weaker figures is the exposure to Spain which has been hit particularly hard by the pandemic. The 9M figures already showed a weaker contribution from Spain. The segment EBITDA margin of 35% nevertheless shows the segment's high profitability.

Webgains was the star of the year 2020. Revenue soared 28% y/y to €13.2m, and EBITDA rose 153% y/y to €4.7m. The segment EBITDA margin almost doubled from 18% to nearly 36%. The affiliate platform has once again shown its strength, especially in Q4 with 45% growth y/y (see figure 2).

ad agents was last year's positive surprise. With 19% sales growth y/y and 84% EBITDA growth the segment performance was much better than initially forecast. Q4 was particularly strong and significantly ahead of our estimate. The 2020 segment EBITDA margin reached 21% after almost 14% in the prior year (see figure 2).

**Figure 2: Reported segment figures versus forecasts**

All figures in €m	Q4-20A	Q4-20E	Delta	Q4-19A	Delta	2020A	2019A	Delta
<b>ad pepper media</b>								
Revenue	1.20	1.49	-19.1%	1.36	-11.4%	5.33	5.51	-3.2%
EBITDA	0.15	0.31	-50.8%	0.27	-42.9%	1.86	2.06	-9.8%
margin	12.6%	20.8%	-	19.6%	-	34.8%	37.4%	-
<b>Webgains</b>								
Revenue	4.24	3.83	10.6%	2.93	44.6%	13.22	10.33	27.9%
EBITDA	1.64	1.29	26.7%	0.86	91.7%	4.70	1.86	152.7%
margin	38.7%	33.8%	-	29.2%	-	35.6%	18.0%	-
<b>ad agents</b>								
Revenue	2.21	1.86	18.3%	1.68	31.5%	7.06	5.95	18.7%
EBITDA	0.74	0.38	91.9%	0.32	132.5%	1.49	0.81	84.1%
margin	33.4%	20.6%	-	18.9%	-	21.1%	13.6%	-
<b>Admin &amp; Consolidation</b>								
Revenue	0.00	0.00	-	0.00	-	0.00	0.00	-
EBITDA	-0.28	-0.08	-	-0.08	-	-1.49	-1.22	-
<b>Group</b>								
Revenue	7.65	7.18	6.5%	5.97	28.2%	25.62	21.79	17.6%
EBITDA	2.25	1.90	18.0%	1.36	65.8%	6.56	3.51	86.8%
margin	29.4%	26.5%	-	22.7%	-	25.6%	16.1%	-

Source: First Berlin Equity Research, ad pepper media International N.V.

**Share buyback program supports share price** On 19 October 2020, ad pepper started its share buyback program. By 5 February, the company has acquired 340,858 shares at an average price of €4.67 per share resulting in expenditure of almost €1.6m.



**Annual Report on 25 March** The 2020 Annual Report will be published on 25 March 2021.

**Forecasts increased** Given the better than expected preliminary 2020 figures, the strong competitive positioning of the company and the anticipated continuation of the digital advertising growth trend, we have increased our forecasts for the coming years (see figure 3).

**Figure 3: Revisions to forecasts**

All figures in €m	2020E			2021E			2022E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenue	25.15	25.62	1.8%	27.92	28.18	0.9%	30.71	30.99	0.9%
EBITDA	6.33	6.56	3.6%	7.59	7.85	3.5%	8.49	8.86	4.4%
margin	25.2%	25.6%		27.2%	27.9%		27.6%	28.6%	
Net income	2.99	3.15	5.4%	3.79	3.97	4.7%	4.27	4.53	6.1%
margin	11.9%	12.3%		13.6%	14.1%		13.9%	14.6%	
EPS (diluted)	0.14	0.15	5.4%	0.18	0.19	4.8%	0.20	0.21	6.0%

Forecasts increased Source: First Berlin Equity Research

**Buy reiterated at higher price target** An updated DCF model yields a new price target of €7.60 (previously: €6.70). We reiterate our Buy recommendation.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net revenue	25,615	28,177	30,994	34,093	37,502	41,242	45,323	49,730
NOPLAT	3,842	4,639	5,300	5,861	6,513	7,235	8,032	8,902
+ depreciation & amortisation	1,110	1,213	1,279	1,342	1,382	1,420	1,457	1,494
Net operating cash flow	4,952	5,852	6,578	7,203	7,895	8,655	9,489	10,396
- total investments (CAPEX and WC)	-3,570	-280	-879	-861	-683	-718	-752	-786
Capital expenditures	-615	-620	-682	-716	-757	-799	-841	-882
Working capital	-2,955	340	-198	-145	74	81	88	95
Free cash flows (FCF)	1,382	5,572	5,699	6,342	7,212	7,938	8,737	9,610
<b>PV of FCF's</b>	<b>1,382</b>	<b>5,157</b>	<b>4,834</b>	<b>4,931</b>	<b>5,139</b>	<b>5,184</b>	<b>5,230</b>	<b>5,273</b>

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	73,002
PV of FCFs in terminal period	66,860
Enterprise value (EV)	139,862
+ Net cash / - net debt	22,983
+ Investments / minority interests	935
Shareholder value	163,780
Number of shares (diluted)	21,470
<b>Fair value per share in EUR</b>	<b>7.63</b>

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
5.1%	Cost of equity	13.30	14.38	15.77	17.61	20.15	23.90	30.00
6.1%	Pre-tax cost of debt	10.83	11.48	12.26	13.25	14.50	16.16	18.46
7.1%	Tax rate	9.13	9.54	10.03	10.62	11.33	12.22	13.35
8.1%	After-tax cost of debt	7.89	8.17	8.50	8.87	9.31	9.84	10.49
9.1%	Share of equity capital	6.96	7.15	7.37	7.63	7.92	8.26	8.66
10.1%	Share of debt capital	6.23	6.37	6.53	6.70	6.90	7.13	7.40
11.1%		5.64	5.75	5.86	5.99	6.13	6.29	6.48
12.1%		5.17	5.25	5.33	5.43	5.53	5.65	5.78
	<b>Price target in EUR</b>							

\* for layout purposes the model shows numbers only to 2027, but runs until 2034



## INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>Gross sales</b>	<b>75,563</b>	<b>82,653</b>	<b>83,774</b>	<b>101,344</b>	<b>111,851</b>	<b>123,033</b>
Media costs	56,839	62,381	61,987	75,729	83,674	92,039
<b>Revenues</b>	<b>18,724</b>	<b>20,272</b>	<b>21,787</b>	<b>25,615</b>	<b>28,177</b>	<b>30,994</b>
Cost of sales	376	726	820	948	1,127	1,221
<b>Gross profit</b>	<b>18,348</b>	<b>19,546</b>	<b>20,967</b>	<b>24,667</b>	<b>27,050</b>	<b>29,773</b>
S&M	10,771	12,621	12,225	13,246	13,760	14,580
G&A	6,087	5,925	6,853	7,230	7,446	7,763
Other operating income	723	494	943	1,608	1,245	744
Other operating expenses	396	467	313	350	450	589
<b>EBITDA</b>	<b>2,209</b>	<b>1,354</b>	<b>3,512</b>	<b>6,559</b>	<b>7,852</b>	<b>8,863</b>
Depreciation and amortisation	391	327	993	1,110	1,213	1,279
<b>Operating income (EBIT)</b>	<b>1,818</b>	<b>1,027</b>	<b>2,519</b>	<b>5,449</b>	<b>6,639</b>	<b>7,584</b>
Net financial result	-17	-190	-209	-92	28	31
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>1,801</b>	<b>837</b>	<b>2,310</b>	<b>5,357</b>	<b>6,667</b>	<b>7,615</b>
Income taxes	664	302	390	1,607	2,000	2,285
Minority interests	-556	-288	-568	-600	-700	-800
<b>Net income / loss</b>	<b>581</b>	<b>247</b>	<b>1,352</b>	<b>3,150</b>	<b>3,967</b>	<b>4,531</b>
<b>Diluted EPS (in €)</b>	<b>0.03</b>	<b>0.01</b>	<b>0.06</b>	<b>0.15</b>	<b>0.19</b>	<b>0.21</b>

### Ratios

Gross margin in % of gross sales	24.3%	23.6%	25.0%	24.3%	24.2%	24.2%
Gross margin in % of revenues	98.0%	96.4%	96.2%	96.3%	96.0%	96.1%
EBITDA margin in % of revenues	11.8%	6.7%	16.1%	25.6%	27.9%	28.6%
EBIT margin	9.7%	5.1%	11.6%	21.3%	23.6%	24.5%
Net margin	3.1%	1.2%	6.2%	12.3%	14.1%	14.6%
Tax rate	36.9%	36.1%	16.9%	30.0%	30.0%	30.0%

### Expenses as % of sales or revenues

Media costs (as % of gross sales)	75.2%	75.5%	74.0%	74.7%	74.8%	74.8%
S&M (as % of revenues)	57.5%	62.3%	56.1%	51.7%	48.8%	47.0%
G&A (as % of revenues)	32.5%	29.2%	31.5%	28.2%	26.4%	25.0%
Depreciation and amortisation	2.1%	1.6%	4.6%	4.3%	4.3%	4.1%
Other operating expenses	2.1%	2.3%	1.4%	1.4%	1.6%	1.9%

### Y-Y Growth

Gross sales	23.5%	9.4%	1.4%	21.0%	10.4%	10.0%
Net revenues	n.a.	8.3%	7.5%	17.6%	10.0%	10.0%
Operating income	13.0%	-43.5%	145.3%	116.3%	21.8%	14.2%
Net income/ loss	-7.7%	-57.5%	447.4%	133.0%	25.9%	14.2%



## BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>Assets</b>						
<b>Current assets, total</b>	<b>34,896</b>	<b>36,346</b>	<b>40,731</b>	<b>42,088</b>	<b>48,579</b>	<b>55,360</b>
Cash and cash equivalents	20,127	18,233	25,229	25,342	30,218	35,224
Short-term investments	27	55	47	47	47	47
Receivables	14,129	17,629	14,897	16,141	17,755	19,530
Inventories	0	0	0	0	0	0
Other current assets	613	429	558	558	558	558
<b>Non-current assets, total</b>	<b>3,719</b>	<b>3,264</b>	<b>3,321</b>	<b>3,433</b>	<b>3,563</b>	<b>3,691</b>
Property, plant & equipment	424	330	391	452	451	474
Goodwill & other intangibles	362	218	359	527	658	763
Right-of-use assets	0	0	2,129	2,129	2,129	2,129
Financial assets	2,933	2,716	442	325	325	325
Other assets	0	0	0	0	0	0
<b>Total assets</b>	<b>38,615</b>	<b>39,610</b>	<b>44,052</b>	<b>45,521</b>	<b>52,142</b>	<b>59,050</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>21,696</b>	<b>22,560</b>	<b>24,299</b>	<b>22,588</b>	<b>24,542</b>	<b>26,120</b>
Short-term debt	0	0	0	0	0	0
Accounts payable	17,838	18,967	18,593	16,882	18,836	20,414
Current provisions	0	0	0	0	0	0
Other current liabilities	3,858	3,593	4,907	4,907	4,907	4,907
Lease liabilities	0	0	799	799	799	799
<b>Long-term liabilities, total</b>	<b>402</b>	<b>538</b>	<b>1,713</b>	<b>1,596</b>	<b>1,596</b>	<b>1,596</b>
Long-term debt	0	0	0	0	0	0
Lease liabilities	0	0	1,447	1,330	1,330	1,330
Other liabilities	402	538	266	266	266	266
<b>Minority interests</b>	<b>779</b>	<b>853</b>	<b>935</b>	<b>1,535</b>	<b>2,235</b>	<b>3,035</b>
<b>Shareholders' equity</b>	<b>15,738</b>	<b>15,659</b>	<b>17,105</b>	<b>19,802</b>	<b>23,769</b>	<b>28,300</b>
Share capital	1,150	1,150	1,075	1,075	1,075	1,075
Capital reserve	61,312	60,999	63,782	63,782	63,782	63,782
Other reserves	-1,683	-1,208	0	0	0	0
Loss carryforward / retained earnings	-45,041	-45,281	-47,752	-44,602	-40,635	-36,104
<b>Total consolidated equity and debt</b>	<b>38,615</b>	<b>39,610</b>	<b>44,052</b>	<b>45,521</b>	<b>52,142</b>	<b>59,050</b>
<b>Ratios</b>						
Current ratio (x)	1.61	1.61	1.68	1.86	1.98	2.12
Quick ratio (x)	1.61	1.61	1.68	1.86	1.98	2.12
Net debt	-20,127	-18,233	-22,983	-23,213	-28,089	-33,095
Net gearing	-127.9%	-116.4%	-134.4%	-117.2%	-118.2%	-116.9%
Equity ratio	42.8%	41.7%	41.0%	46.9%	49.9%	53.1%
Book value per share (in €)	0.74	0.74	0.81	0.94	1.12	1.34
Return on equity (ROE)	3.7%	1.6%	7.9%	15.9%	16.7%	16.0%
Return on investment (ROI)	1.5%	0.6%	3.1%	6.9%	7.6%	7.7%
Return on assets (ROA)	1.5%	0.6%	3.1%	6.9%	7.6%	7.7%



## CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>EBIT</b>	<b>1,818</b>	<b>1,027</b>	<b>2,519</b>	<b>5,449</b>	<b>6,639</b>	<b>7,584</b>
Depreciation and amortisation	391	327	993	1,110	1,213	1,279
<b>EBITDA</b>	<b>2,209</b>	<b>1,354</b>	<b>3,512</b>	<b>6,559</b>	<b>7,852</b>	<b>8,863</b>
Changes in working capital	3,095	-2,192	4,352	-2,955	340	-198
Other adjustments	-2,203	-684	-1,382	-1,699	-1,972	-2,254
<b>Operating cash flow</b>	<b>3,101</b>	<b>-1,522</b>	<b>6,482</b>	<b>1,905</b>	<b>6,220</b>	<b>6,412</b>
Investments in PP&E	-378	-51	-221	-256	-225	-248
Investments in intangibles	-55	-44	-303	-359	-394	-434
<b>Free cash flow</b>	<b>2,667</b>	<b>-1,617</b>	<b>5,958</b>	<b>1,290</b>	<b>5,600</b>	<b>5,730</b>
Acquisitions & disposals, net	3	66	8	0	0	0
Other investments	0	-35	2,152	0	0	0
<b>Investment cash flow</b>	<b>-431</b>	<b>-64</b>	<b>1,636</b>	<b>-615</b>	<b>-620</b>	<b>-682</b>
Debt financing, net	0	0	0	0	0	0
Equity financing, net	105	0	0	-453	0	0
Dividends paid	0	0	0	0	0	0
Other financing	-467	-296	-1,173	-724	-724	-724
<b>Financing cash flow</b>	<b>-362</b>	<b>-296</b>	<b>-1,173</b>	<b>-1,177</b>	<b>-724</b>	<b>-724</b>
FOREX & other effects	-39	-12	51	0	0	0
<b>Net cash flows</b>	<b>2,269</b>	<b>-1,894</b>	<b>6,996</b>	<b>113</b>	<b>4,876</b>	<b>5,006</b>
Cash, start of the year	17,859	20,127	18,233	25,229	25,342	30,218
<b>Cash, end of the year</b>	<b>20,128</b>	<b>18,233</b>	<b>25,229</b>	<b>25,342</b>	<b>30,218</b>	<b>35,224</b>
<b>EBITDA/share (in €)</b>	<b>0.10</b>	<b>0.06</b>	<b>0.17</b>	<b>0.31</b>	<b>0.37</b>	<b>0.42</b>
<b>Y-Y Growth</b>						
Operating cash flow	13381.7%	n.m.	n.m.	-70.6%	226.5%	3.1%
Free cash flow	n.m.	n.m.	n.m.	-78.3%	334.1%	2.3%
EBITDA/share	26.3%	-39.0%	161.0%	86.7%	19.7%	12.9%

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**ASSET VALUATION SYSTEM**

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**ASSET RECOMMENDATION**

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

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	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%

<sup>1</sup> 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	9 January 2018	€4.06	Add	€4.30
2...18	↓	↓	↓	↓
19	31 March 2020	€2.52	Buy	€3.40
20	24 April 2020	€2.80	Buy	€3.70
21	28 May 2020	€3.20	Add	€3.70
22	20 July 2020	€3.74	Buy	€4.70
23	24 August 2020	€3.48	Buy	€4.70
24	19 October 2020	€3.86	Buy	€6.00
25	20 November 2020	€4.38	Buy	€6.00
26	10 December 2020	€4.80	Buy	€6.70
27	Today	€6.05	Buy	€7.60

**INVESTMENT HORIZON**

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

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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.

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#### 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/>

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