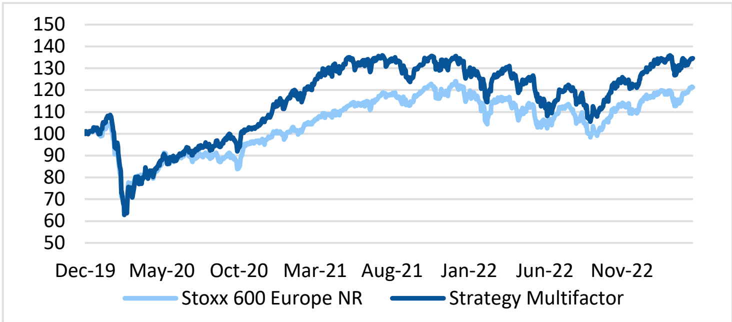
LeanVal Strategy Multifactor

Stocks in Focus

LeanVal Research stands for in-depth, independent, fundamental equity research. We use our own, functionally, and academically tested multi-factor approaches, which have proven to be strong performers and robust in a wide range of market phases. The factors are fundamental and technical and cover a broad range of areas which include value, quality, stability, growth, and momentum. This know-how is the basis for the four LeanVal model strategies: Sustainable Dividends, Quality Value, Growth Momentum, and Multifactor.

Based on the defined strategy, approximately 40 stocks are selected from the LeanVal universe quarterly and are made available as a portfolio. In the following report, five stocks from the Multifactor strategy are analyzed in more detail. The LeanVal equity strategies were launched in January 2020.

Performance indicator of the strategy vs. benchmark (31/12/2019 – 20/04/2023)



Performance of the model strategy in euros without costs. A positive performance in the past is no guarantee of a positive performance in the future and in no case represents a return or risk commitment for the future. Sources: Morningstar, LeanVal Research.

The LeanVal strategy "Multifactor" uses the five factors Value, Quality, Stability, Growth, and Momentum equally weighted for the stock selection. The result is a well-founded and comprehensive assessment of each stock. This makes it possible to identify the companies that appear to be the most attractive compared to their competitors based on the relative assessment. In addition, the combination of these five factors makes the selection robust against outliers, which minimizes the influence of individual factors compared to a one-dimensional approach.

The figure above is the back test of the strategy created with the LeanVal Screener according to the defined selection criteria.

In 2023, the strategy achieved a performance of 11.1%. Since the strategy's launch at year-end 2019, the total return (before costs) is 34.6%, outperforming the Stoxx 600 Europe NR Index by 13.2%. The dividend yield is 2.6% (trailing) or 2.8% (expected dividend T+1). The current P/E ratio is 20.2 (trailing) (T+1: 15.0).

LeanVal Equity Strategies

LeanVal Strategy Multifactor

Selection criteria

- Strong fundamental data
- Robust earnings
- High added value
- Attractive cash flows
- Stable momentum

Howden Joinery plc (Buy; GBX 800.00)

ISIN: GB0005576813
Country: Great Britain
Sector: Consumer Cyclical
Industry: Home and living
Market Cap: GBP 3.8 billion

Howden Joinery Group is a leading UK kitchen supplier that manufactures, sources and sells kitchen and joinery products exclusively to commercial customers. The company operates in the UK (97% of sales in 2022), France, Belgium and the Republic of Ireland (3%). The Group operates primarily in the entry to mid-price kitchen segment. Product groups include: Kitchen Collection (kitchen cabinets and accessories), Appliance Collection (ovens, refrigerators, dishwashers and washing machines), Door and Joinery Collection (interior, exterior and sliding doors and frames), Hardware Collection (door handles and accessories), Flooring Collection and Bathroom Cabinet Collection.

In the 2022 financial year, Howdens managed to increase sales by 11% to GBP 2.3 billion. This was helped by the launch of 21 new kitchen ranges with a greater focus on higher priced kitchens. New products launched in the last two years accounted for 22% of UK sales (GBP 2.26 billion). In addition, the group managed to increase EBIT by 3.4% to GBP 415 million (margin of 18%, 2021: 19.2%), despite input costs and energy price inflation increasing operating costs by 12.3%. Following the completion of a GBP 250m share buyback program, a further GBP 50m increase is planned. There is also a 5.6% increase in the full year dividend to GBX 20.6, bringing the dividend yield to around 3.1%. The company also acquired Sheridan Fabrications Ltd, a leading specialist in the manufacture, fabrication, laser stenciling and installation of high quality work surfaces, for GBP 25 million. This acquisition is expected to increase Howdens' market share in the higher-end kitchen sector, where the group is currently under-represented.

Price chart Howden Joinery plc (in GBX)

Source: LeanVal Research (Closing price 25/04/2023)

A look at the historical development shows that the group has been successful since 2018, as both turnover and EBIT show a double-digit growth rate (CAGR) of 11% and 15%, respectively. Of note here is the high ratio of EBIT to total assets (net of cash), which has averaged 31% since 2018 (2022: 25.5%, industry average 9.2%). This indicates that the group is using its assets very effectively and has been able to generate sustainable high returns. Overall, the company is in a very strong financial position. The equity ratio averages 53%, with minimal debt that can be paid off within one year. The ratio of net debt to adjusted EBIT has averaged 0.6x since 2020. Another plus is the historically low level of intangible assets and goodwill, which shows that the Group has grown by its own efforts and without acquisitions. The ratio of intangible assets to total assets has averaged 1.9% since 2018. Therefore, the Group would be minimally affected by an impairment of certain intangible assets.

However, management remains cautious for 2023 due to the strong comparative figures of the last financial year and the continued high inflation in the UK (January: 10.1%, February: 10.4%, and March: 10.1%). In addition, the Group expects to feel the impact of inflationary cost increases for the full year in the first half of 2023. As inflation levels remain high, households are expected to reduce their overall spending. This could limit the number of kitchen renovations carried out. However, to counter this potential loss, the company plans to offer 23 new kitchen ranges, with a focus on kitchens in the entry-level and mid-price segments. Most of the products are to be in stock by the end of June, well before the strongest sales period in autumn. The group's effectiveness in generating shareholder returns is demonstrated by the fact that Howdens' ROIC has averaged 27.9% over the past three years (industry average 7.6%). In addition, the Group has an impressive sustainable growth rate of 29.5% (industry average 7%). This means that the group can continue to grow without the need for additional equity or debt financing. Therefore, from a relative valuation perspective Howdens appears attractive.

Author: Philip Wentlandt (Analyst)

Hugo Boss AG (Hold; EUR 75.00)

ISIN: DE000A1PHFF7
Country: Germany
Sector: Consumer Cyclical
Industry: Other cyclical
Market Cap: EUR 4.7 billion

HUGO BOSS AG is a global premium apparel manufacturer founded in 1924. The business is divided into four segments: EMEA (sales share 2022: 63%), Americas (22%), Asia/Pacific (13%), and Licenses (just under 3%). In these geographic segments, the company offers high-quality fashion and accessories under the HUGO and BOSS brands, with menswear accounting for approximately 90% of sales. The distribution channels break down as follows: Retail (55%), Wholesale (25%), Digital (18%), and Licensing.

In FY22, revenue and profit exceeded expected annual targets (revised upwards twice in Q2 and Q3). Thanks to strategic initiatives and branding campaigns, consolidated sales increased to EUR 3.6 billion (+31% y-o-y), reaching an all-time high and well above pre-pandemic figures (2019: EUR 2.9 billion). This double-digit growth was equally distributed across its main brands (Boss Menswear +31%, Hugo +32%). Among the segments, EMEA (65% of sales growth) and Americas (28%) contributed the most, while results in Asia Pacific (5%) were impacted by pandemic restrictions. Around 15% of Boss shops in China were temporarily closed. In the distribution channels, growth was driven by retail shops (+EUR 504 million year-on-year). The Group's EBIT margin was 9%, slightly above the previous year's level (8%). However, higher inventories and investments reduced free cash flow (EUR 166m vs. EUR 560m). This led to a decrease in cash and cash equivalents on the balance sheet and consequently to higher net debt of EUR 725 million (previously EUR 600 million). However, as equity increased, the debt-to-equity ratio improved to 0.8x compared to 1.0x.

Price chart Hugo Boss AG (in EUR)

Source: LeanVal Research (Closing price 25/04/2023)

Beyond the last financial year, the financial statements also appear to be sustainable for the last ten years. The first indication of the profitability of a fashion company is the gross margin. Here Hugo Boss has a historical median of 65% (peers: 54%). This was the basis for an EBIT margin that was always above 9% (excluding pandemic years 2020-2021). From a balance sheet perspective, the share of goodwill in total assets was historically 3% (compared to 8% of peers). In 2022, equity was six times total intangible assets, indicating good asset substance. In current assets, inventories averaged 27% of total assets but increased to 31% in FY2022. This should support the aforementioned growth and minimize supply chain constraints. Here, the valuation of inventories could entail markdowns or deteriorations that could have a negative impact on margins. However, management expects inventory levels to stabilize in the future due to robust demand and improved logistics. Looking at the cash perspective, with the key metric free cash flow return, the group has historically been above its peers at 5% (peers: 3%).

Macroeconomic and geopolitical uncertainties are expected to continue to dominate this year. Inflation headwinds on consumer demand could persist, but here Hugo Boss can rely on its premium position in the industry and its brand recognition, especially in Germany. A conservative stance needs to be taken for the coming quarters due to possible surprises in prices and sales volumes. Some unfavorable factors that affected profitability in 2022 could have a positive impact this year, such as the normalization of freight costs and the full reopening in China. For this year, management gave guidance for low to mid-single-digit sales (EUR 3.8-3.9 billion) and EBIT (EUR 350-375 million), which implies a conservative margin between 9.2% and 9.6%. In the medium term, the company plans to strengthen sales growth and make fixed costs more efficient in order to achieve an EBIT margin of 12% and a capital pay-out ratio between 30 and 50% by 2025.

Author: Dario Maugeri (Analyst)

Publication date: 26/04/2023 15:00

ISS A/S (Buy; DKK 175.00)

ISIN: DK0060542181
Country: Denmark
Sector: Industrials
Industry: Business Services
Market Cap: DKK 26.3 billion

ISS A/S is a Danish service company with a focus on cleaning services, operating five geographical segments: Northern Europe (2022 revenue share: 38%), Central & Southern Europe (32%), Asia & Pacific (18%), Americas (11%) and Other countries (1%). The offering includes cleaning, catering, support services, facility management, workplace management and design, and security services. The two most important service lines are cleaning (45%; according to the company, world market leader) and building and facility management (22%). ISS' customers come from the office (40%), manufacturing (24%), healthcare (13%), and other (23%) sectors.

Fiscal year 2022 was successful for ISS and thanks to a strong final quarter, the targets for the full year, which were increased after the third quarter, were exceeded once again. Revenue increased organically by 7.8% to DKK 76.5 billion. This was driven by the return to offices, increased investments in workplace modernization, and price increases. Operating profit even increased by around two-thirds to DKK 2.8 billion (2021: DKK 1.7 billion) after the effects of the pandemic had subsided. The operating margin increased to 3.8% (previous year: 2.5%). This is partly due to efficiency gains and the achievement of improvements in underperforming countries and contracts, especially in the UK and in the contract with Deutsche Telekom (one of the largest customers). In addition, the acquisition of the Swiss facility manager Livit FM was completed in the fourth quarter (purchase price DKK 337 million on approximately DKK 400 million revenue).

Price chart ISS A/S (in DKK)

Source: LeanVal Research (Closing price 25/04/2023)

In recent years, ISS has pursued a very active portfolio management with various smaller acquisitions, such as the current one in Switzerland, as well as a broad withdrawal from less lucrative countries. The consequence of the acquisition policy is a very high share of goodwill in the balance sheet total, which has averaged around 44% over the last five years. Another consequence is the constant adjustment of the comparative figures when looking at the business figures over several years. Taking these effects into account, turnover in 2022 was still around 1.5% below the pre-Corona figure for 2019, with all service lines except Catering exceeding the old level. The pandemic, including lockdowns, hit ISS hard and caused a decline in revenue of almost 9% in 2020. The operating result slid into the red at around DKK -5 billion (2019: DKK 2.5 billion) and halved equity from DKK 12.5 billion to DKK 6.5 billion (equity ratio in 2020 only 15%). As the pandemic measures diminished, the business also recovered, resulting in a 0.9% increase in revenue and EBIT of 1.7bn in 2021. In 2022, however, gearing remained high at 1.6x (sector average 0.7x) despite equity rising again.

Apart from a special event such as Corona, ISS operates a low-margin but well-plannable business. Customer contracts consist of a mix of annual contracts, which automatically renew without termination, and multi-year contracts, most of which have an initial term of three to five years (remaining term of all contracts in 2022: 54% between 1-5 years; 12% > 5 years). The customer retention rate reached an impressive five-year high of 93% in 2022 and is expected to increase further to 95% in the medium term. Another plus point is that in the vast majority of contracts, ISS has the contractual right to pass on statutory minimum and collectively agreed-on wage increases, so wage inflation should have no impact on margins. This is particularly important as ISS operates a labor-intensive business model and personnel costs account for approximately two-thirds of the Group's total costs.

For the current year 2023, management forecasts organic growth of 4-6% (2022: 7.8%), with trends from the previous year continuing: Price increases, return to offices, and investments in the modernization of workplaces. Add to this new contracts, expansion, and further efficiency gains, and the overall operating margin is expected to increase further to 4.25-4.75% (2022: 3.8%). ISS is thus still on a growth path and should finally be able to put the pandemic behind it, which is why the share is considered attractive.

Author: Mathias Kimmes (Analyst)

Randstad NV (Buy; EUR 60.00)

ISIN: NL0000379121
Country: Netherlands
Sector: Industrials
Industry: Business Services
Market Cap: EUR 9.3 billion

Randstad NV is an international staffing company based in the Netherlands. The focus is on flexible working and HR services. The operating business is divided by geographic region into the ten segments North America (2022 revenue share: 20%), France (14%), Netherlands (13%), Germany (7%), Belgium & Luxembourg (6%), Italy (8%), Iberia (6%), Other European countries (9%), Rest of world (11%) and Global Businesses (5%). The Group offers a similar range of services in all geographic regions. These include staffing, temporary staffing, in-house & professional services, outsourcing, outplacement, etc. The Global Business division includes the brands Monster, Randstad Sourceright, Randstad RiseSmart, and Twago.

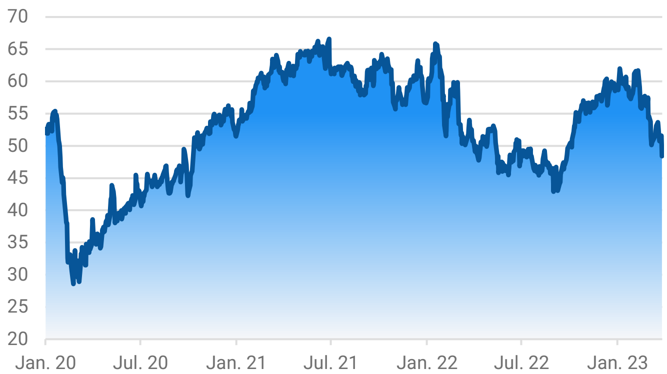
At the end of April 2022, Randstad published its first quarterly report for 2023. Compared to the strong period of the previous year, revenue decreased by 2% to EUR 6.52 billion. It is worth mentioning that the decline is 4% if only organic sales development is taken into account. The negative sales development is due to the general cooling of the global economy. The Netherlands (-11%), North America (-10%), and Belgium & Luxembourg (-8%) segments in particular stood out negatively. Similarly, the operating result declined by 21% to EUR 218 million. However, this includes extraordinary costs of EUR 37 million, which are mainly attributable to integration costs due to acquisitions. In 2022, for example, the Finite Group (specialist in recruitment technology) in Australia and New Zealand was acquired for around EUR 140 million, as was Side (digital recruitment platform) in France. The EBIT margin deteriorated to 3.3% (previously 4.2%). The profit for the period also declined by 26% to EUR 154 million. However, the growth of operating cash flow by around 21% to EUR 254 million is encouraging.

Looking at the recent past (since 2018), Randstad has a strong average annual sales growth of 3.7%. However, there have been a few periods of weakness. In 2019, for example, there was a 0.6% decrease in turnover. This is due to the weak development of the German segment (-14%). Randstad as well as other staffing companies in the peer group show a high correlation to macroeconomic development. Therefore, the strong revenue decline of 12% in 2020 due to the Corona pandemic was not surprising. In 2021 and 2022, however, the business expanded strongly and the sales figures are well above the pre-Corona level. Both operating results (+8.8% CAGR) and net income (+7% CAGR) have expanded significantly over the last five years. There is some volatility in operating cash flows, mainly due to working capital. The range is from EUR 747 million to EUR 1,462 million. Due to its low capital-intensive business model, Randstad has been able to position itself as a reliable dividend payer. This is underpinned by a payout ratio of 93% over the last five years. Due to the Corona crisis, the dividend for the 2019 financial year was not paid. However, there was a special dividend in the two following years.

The extremely robust financial stability is underlined by the gearing ratio of 0.2x (sector: 0.7x) and a ratio of net financial debt to EBIT of 0.8x (sector: 2.0x). Randstad also impresses in terms of profitability, measured by the return on invested capital (ROIC) over the last three years, with 11.8% (sector: 9.1%). Randstad is the world's largest provider of personnel services in terms of turnover and has a market position in the top three in all key markets. In addition, the company is characterized by a strong focus on the increasingly digitalized business environment. The risk is the dependence on macroeconomic growth and the low entry threshold, especially for digital platforms. In addition, the cyclical and price-sensitive environment makes it difficult to generate a stable margin. A slight decline in revenue is expected for 2023, followed by low to mid-single-digit percentage growth in the following years. The share seems undervalued in both absolute and relative terms.

Author: Philip Wentlandt (Analyst)

Price chart Randstad NV (in EUR)



Source: LeanVal Research (Closing price 25/04/2023)

Verallia SA (Buy; EUR 50.00)

ISIN: FR0013447729
Country: France
Sector: Consumer Cyclical
Industry: Other cyclical
Market Cap: EUR 4.3 billion

Verallia SA is one of the world's leading manufacturers of glass packaging for the food and beverage industry, based in France. The company produces a wide range of glass packaging products, including bottles and jars for wine (35% of sales in 2022), sparkling wine (12%), spirits (13%), beer (13%), non-alcoholic beverages (11%) and food (16%) at more than 30 production sites in 12 countries. The company reports in three geographic segments: Southern and Western Europe (67%), Northern and Eastern Europe (21%), and Latin America (12%). While Southern and Western Europe includes production sites in France, Italy, Spain, and Portugal, the Northern and Eastern Europe segment includes sites in Germany, the UK, Russia, Ukraine, and Poland. The Latin America segment comprises activities in Brazil, Argentina, and Chile.

In the first quarter of 2023, Verallia reported remarkable revenue growth of 40.2% to EUR 1.05 billion, with EBIT increasing by 106% to EUR 225 million, resulting in an EBIT margin of 21.4% (Q1/22: 14.5%). The growth was mainly driven by positive price effects (+EUR 300 million in sales), which more than offset higher costs. A volume-related decline in sales (EUR -39 million) resulted from weaker demand in the German beer segment, maintenance work in Italy, and strikes in France. Exchange rate effects (Argentine peso and hryvnia) reduced turnover by EUR 22 million. The acquisition of the British company Allied Glass for GBP 315m in November 2022 contributed EUR 63m to sales. As a supplier of high-quality glass packaging in the UK, Allied Glass is particularly known for its premium glass bottles for Scotch whisky and gin.

Price chart Verallia SA (in EUR)

Source: LeanVal Research (Closing price 25/04/2023)

In the completed financial year 2022, turnover grew by 25.3% to EUR 3.35 billion. With an EBIT of EUR 558 million, the operating margin of 16.7% was increased for the third year in a row since the IPO in 2019 (2019: 11.4% EBIT margin). 60% of sales are generated with wine bottles as well as containers for spirits. These markets include a significant share of premium products, which are less price sensitive, generate higher margins, and are currently experiencing strong growth.

Looking at the recent past, it can be noted that free cash flow (FCF) has increased from around EUR 275 million in 2019 to EUR 400 million (excl. acquisition) last year, mainly due to strong operating results. Although, an increased CAPEX program of more than EUR 100 million is expected in the next two years (approx. EUR 400 million; 10% of sales). FCF of around EUR 450 million should lead to an attractive FCF return of 7.5%. Investments will be made primarily in capacity expansions to meet the growing European demand for glass packaging and in the efficiency of the melting furnaces (especially energy consumption). In addition, around EUR 300 million is currently being invested in the construction of three new melting furnaces by 2025.

Over the past 20 years, the European glass packaging market has undergone significant consolidation. The five largest players, including Verallia, held almost 70% of the market share in Europe in 2021. As the industry is capital-intensive, it requires geographic proximity to customers and good capacity utilization. Therefore, it should be difficult for new competitors to enter the market. Likewise, Verallia has corresponding proximity to customers to reduce transport costs as well as good capacity utilization due to a solid customer base. However, the net debt of EUR 1.43 billion, a gearing ratio of 1.6 (sector 0.8), and the ratio of equity to goodwill of 1.4 (sector 4.8) are not particularly attractive. Moreover, the almost EUR 300 million in intangible assets (customer lists) will be amortized over the next five years.

Looking at the quarterly figures, the guidance for 2023 seems conservative. It puts revenue growth at more than 20% and adj. EBITDA at more than EUR 1 billion (2022: EUR 866 million). For 2022-2024, Verallia sets an organic growth target of 4-6% (CAGR) with an adj. EBITDA margin of 28-30% in 2024 (2022: 25.8%). In addition, the dividend (4.4%) is expected to grow at least 10% annually.

Author: Lars Dreßen (Analyst)

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Notes on investment strategy - investment recommendation pursuant to Section 85 of the German Securities Trading Act (WpHG) in conjunction with the German Securities Trading Act (WpHG). VO (EU) No. 596/2014

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Summary of the valuation fundamentals

The valuations underlying the investment recommendations for stocks analyzed by LeanVal Research GmbH are based on generally accepted and widely used methods of fundamental analysis, such as the DCF model, peer group comparisons, NAV valuations, and - where possible - a sum-of-the-parts model. The calculated scores (Value, Quality, Stability, Growth) are the result of a proprietary model of LeanVal Research GmbH. They result from the comparison of fundamental key figures of the quantitatively analyzed company in relation to comparable companies within a sector (or region). Information on the general approach can be found at www.leanval.investments. The absolute target price and the associated absolute assessment (undervalued, neutrally, overvalued) are determined using a forward-looking DCF or ROIC (return on invested capital) method. Estimates of future earnings serve as the basis for this. The earnings estimates are either based on a consensus or are made by LeanVal Research GmbH itself.

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Explanation of the recommendation system

The relative assessment is based on the various scores of the individual companies in the areas of Value, Quality, Stability, Growth, and Momentum which are compared with the average scores of the overall market and/or also with the respective sectors. The companies are ranked on a scale from 0 to 100. From this, the three ratings "unattractive" (0 to 30 on the scale), "neutral" (31 to 70 on the scale), and "attractive" (71 to 100 on the scale) are derived. The relative assessment can change at short notice due to the high complexity of the scores and the multiple interdependencies between the companies analyzed.

LeanVal Research GmbH's rating system for absolute valuation comprises the ratings "undervalued", "fairly valued" and "overvalued". The rating of a share is based on the expected return for the next six to twelve months. The expected return is composed of the prognostic change in the share price and the expected dividend yield. Changes in the discount factor or projected cash flows can lead to significant changes in the target price.

Rating system of the absolute valuation	
Buy	Potential > +15%
Hold	Low upside and downside potential
Sell	Potential < - 15%

Detailed overview

Date	Corporation	Relative Assessment	Absolute Valuation	Current Price	Price Target	Analyst
25/04/23	Howden Joinery Group plc	Attractive	Buy	GBX 674.2	GBX 800.00 (initial coverage)	Philip Wentlandt (Analyst)
25/04/23	Hugo Boss AG	Attractive	Hold	EUR 67.74	EUR 75.00 (initial coverage)	Dario Maugeri (Analyst)
25/04/23	ISS S/A	Attractive	Buy	DKK 140.15	DKK 175.00 (initial coverage)	Mathias Kimmes (Analyst)
25/04/23	Randstad NV	Attractive	Buy	EUR 48.39	EUR 60.00	Philip Wentlandt (Analyst)
25/04/23	Verallia SA	Attractive	Buy	EUR 36.76	EUR 50.00 (initial coverage)	Lars Dreßen (Analyst)

Conflicts of interest

In the financial analyses, circumstances or relationships that could give rise to conflicts of interest because they could jeopardize the impartiality - of the employees of LeanVal Research GmbH who prepared the analysis, - of LeanVal Research GmbH as the company responsible for the preparation or of companies affiliated with it, or - of other persons or companies working for LeanVal Research GmbH and contributing to the preparation, must be disclosed. Information on interests or conflicts of interest that must be disclosed exists in particular if

1. significant shareholdings (= shareholding > 5 % of the share capital) exist between the above-mentioned persons or companies and the issuers who are themselves or whose financial instruments are the subject of the financial analysis,
2. the above-mentioned persons or companies manage financial instruments which themselves or their issuers are the subjects of the financial analysis on a market by placing buy or sell orders (market-making/designated sponsoring),
3. the above-mentioned persons or companies have been involved in the management of a consortium for an issue by way of a public offering of such financial instruments which are themselves or whose issuers are the subject of the financial analysis within the previous twelve months,
4. the above-mentioned persons or companies have been bound by an agreement on services in connection with investment banking transactions with issuers who are themselves or whose financial instruments are the subject of the financial analysis within the previous twelve months or have received a service or a promise of service from such an agreement within this period, insofar as no confidential business information is affected by the disclosure of this information,
5. the above-mentioned persons or companies have entered into an agreement with issuers, who themselves or whose financial instruments are the subject of the financial analysis, for the preparation of the financial analysis,
6. the above-mentioned persons hold management or supervisory board mandates with issuers whose financial instruments are the subject of the financial analysis, or
7. the above-mentioned persons or companies have any other significant financial interests in relation to the issuers whose financial instruments are the subject of the financial analysis.

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Standardized Information Sheet for Shares on the organized market pursuant to §64 par. 2 WpHG

LeanVal RESEARCH

This information sheet provides general information on the main characteristics of a share traded on an organized market. It is taken from the Annex to Section 4 (3) of the Ordinance on the Specification of Conduct Rules and Organizational Requirements for Securities Services Companies (WpDVerOV).

An organized market is defined as German or European trading venues (stock exchanges) that are approved, regulated, and supervised by government bodies. The stock corporations whose shares are admitted to trading there must comply with detailed publication requirements. Many stock corporations provide information such as half-yearly and annual financial reports as well as notifications of price-relevant events on their websites, for example under "Investor Relations".

Please inform yourself about the specific opportunities and risks of a particular share, for example on the websites of the respective stock corporation, or ask your investment advisor.

What is a share?

A share is a security with which you acquire a share in the capital stock of a stock corporation. When you buy a share, you become a shareholder of this stock corporation in the amount of the capital share of your shares. Through your shares, you participate in the economic development of the company through price increases and dividend payments, but also share in losses, in extreme cases up to the amount of your investment.

For whom are shares a possible form of investment?

Shares are a possible investment for you if you

- have a basic knowledge of the stock markets

- want to invest directly in a company

- want to take advantage of the opportunities associated with a share, and

- are willing and able to bear the risks of an equity investment.

What rights are associated with a share?

When you buy a share, you leave your money to the stock corporation for an indefinite period of time, so it will not be paid back to you on a specific maturity date, for example. By selling your shares, you can get out of your participation in a stock corporation.

There are various rights associated with a share. The rights can vary depending on the type of share: ordinary shares are the rule; they carry the rights set out in the Stock Corporation Act and the Articles of Association of the stock corporation (see points 1 to 3), for example, voting and subscription rights. In addition, there are preferred shares: these grant certain privileges, for example, an increased dividend entitlement, although voting rights are generally omitted.

In particular, they have the following rights:

1. voting rights and right to information: they can participate in the stock corporation's Annual General Meeting and vote there, as well as request information.

2. right to a share in profits (dividend): if the company generates a (balance sheet) profit, the company's Annual General Meeting can resolve to pay this out to the shareholders. As a rule, you are then entitled to a share of these profits in proportion to your share in the capital stock, unless the Articles of Association stipulate otherwise. The prerequisite is that you hold the shares on the record date relevant for the payment of the dividend.

3. subscription right: If the share capital of a stock corporation is increased, new shares are issued. If you already have shares in this stock corporation, you are entitled to buy new shares. This allows you to keep your share in the capital stock constant. However, this subscription right can be excluded by a resolution of the Annual General Meeting.

What opportunities does a share offer?

By buying a share, you have the opportunity to make price gains. If the price at the time you sell the share is higher than at the time you bought it, you can make a profit. You will also receive a dividend if the Annual General Meeting decides to pay a dividend.

What risks do you run when you buy a share?

1. creditworthiness/issuer risk: the stock corporation can become insolvent, i.e., it has too much debt or is insolvent. Then you may lose all the money you have invested (total loss).

2. price change risk: the market price of the share (price) depends on supply and demand and can fall if the stock market develops negatively as a result of the general development of the market, for example, because the economic or industry outlook deteriorates. Reasons for the fall in the share price can also be company-specific. Examples include a deterioration in business prospects or missed earnings targets.

3. dividend risk: the stock corporation does not pay a dividend or the dividend is lower than expected. This may be the case, for example, if the stock corporation makes no profit or a lower profit than expected or if the Annual General Meeting decides not to pay out a profit.

4. currency risk: if a share is listed on the stock exchange in a currency other than euros, the exchange rate will also affect your profit or loss.

5. risk of delisting/revocation of admission: the stock corporation may delist the stock or revoke its admission to trading on the stock exchange. In this case, you may not be able to sell the share at all or only at a large discount.

When can you buy or sell shares?

Shares traded on an organized market can generally be bought or sold on any trading day. There may be difficulties in selling or larger price discounts if there is no sufficient exchange trading of the share.

What are the costs?

In addition to this information sheet, you will receive a formalized cost breakdown. This contains information on the costs and incidental expenses incurred for the purchase or sale of a share and, if applicable, for a securities account (securities account fee). Costs can be avoided or reduced by comparing price lists. The costs reduce a possible return.

Location, Date, handed over by: