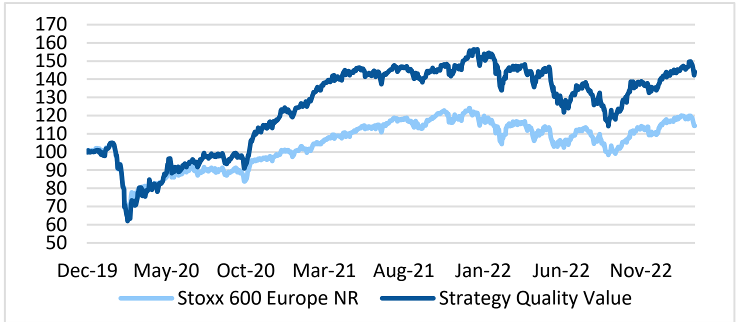

# LeanVal Strategy Quality Value

## 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 from the areas 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 on a quarterly basis and made available as a portfolio. In the following, five stocks from this 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 – 14/03/2023)**




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 strategy "Quality Value" focuses on equities that achieve high scores in the categories Value and Quality. These companies are characterized by strong fundamental data such as a stable and established business model with robust earnings, high-value creation, attractive cash flows, and above-average dividends. Moreover, various valuation ratios are considered in order to identify the equities that are priced attractively. For this strategy, figures derived from the past as well as forecasts for the future are used.

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 7.6%. Since the strategy's launch at year-end 2019, the total return (before costs) is 44.2%, outperforming the Stoxx 600 Europe NR Index by 14.4%. The dividend yield (T+1) is 5.1% and the current P/E ratio (T+1) is 13.0.

### LeanVal Equity Strategies


### LeanVal Strategy Quality Value


**Selection criteria**

- Strong fundamental data
- Robust earnings
- High added value
- Attractive cash flows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LeanVal RESEARCH

**CANCOM SE (Buy; EUR 39)**

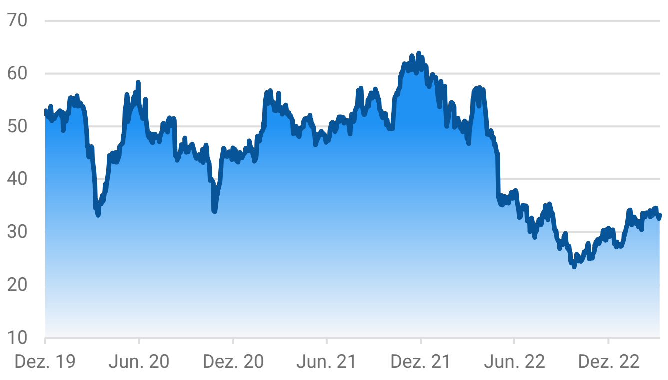
ISIN: DE0005419105
Country: Germany
Sector: Technology
Industry: Software
Market Cap: EUR 1.2 billion

CANCOM

CANCOM SE is a German provider of IT infrastructure and IT services based in Munich. The business is divided into two segments Cloud Solutions (revenue share 2022: 25%) and IT Solutions (75%). The Cloud Solutions segment comprises the business with cloud and shared managed services. The IT Solutions segment provides support for IT infrastructure and applications. The company is one of the leading hybrid IT service providers in the DACH region with more than 4,000 employees at around 60 locations in Germany, Austria, Switzerland, Belgium, and Slovakia. With a revenue share of over 90%, Germany is the most important sales market for the CANCOM Group. The most important foreign market is Austria.

According to the preliminary figures for the fiscal year 2022, turnover was around EUR 1,295 million (previous year: EUR 1,286 million). After the difficult first half-year, which was characterized by delivery bottlenecks and a resulting decline in turnover of -11% (Q1), a growth in turnover of around 7.5% was achieved in the second half-year. The increase in revenue is attributable to a pleasing development in annual recurring revenue (cloud licenses & rental models), which grew by around 24% to EUR 225 million in 2022 (2021: EUR 182 million). EBITDA fell to EUR 106 million (previous year: EUR 123 million), partly due to one-off special effects. In the fourth quarter, Cancom benefited from a strong order intake and the positive development of recurring revenues. Cash flow from operating activities was EUR 115 million in the last quarter, bringing the full-year figure to EUR -51 million (previous year: EUR 72 million).

**Price chart CANCOM SE (in EUR)**




Source: LeanVal Research (Closing price 14/03/2023)

With a view to the recent past, one event, in particular, should be mentioned in the 2021 financial year. The British subsidiary CANCOM Ltd. (activities in the UK and Ireland) was sold to Telefónica Tech to focus more strongly on growth opportunities in the core market (DACH region). In 2020, the division generated revenues of EUR 138 million, with an EBITDA of EUR 20 million. Here, the Group was able to achieve an attractive sales price with a valuation at an enterprise value (EV) of EUR 400 million and realize a book profit of EUR 225 million. The company used these funds to carry out a share buyback of 3.2 million shares (a good 9% of the share capital). This reduced the ample cash position of EUR 635 million (around 46% of total assets at the end of 2021) to a still very comfortable EUR 285 million (Q3 2022, 23%). Cancom thus continues to show good financial stability, with a low ratio of interest-bearing debt to equity (gearing 0.2x). In addition, the ratio of goodwill to total assets is only around 10%, which speaks for organic growth and should thus limit the risk of any goodwill impairment. Overall, the business model has proven robust in recent years. Despite short-term supply bottlenecks for IT components and delayed call-offs from existing framework agreements with public-sector clients, Cancom shows high efficiency in the business cycle. This can be seen in the negative cash conversion cycle of -37 days. This means that Cancom does not need any interim financing for the period between investment and sale; all of the company's receivables are paid by customers faster than the liabilities have to be serviced. In addition, the profitability could be continuously increased recently, so that the adjusted EBIT margin amounted to approx. 3.4% in 2019 and increased to approx. 5.8% by 2021.

The management announced a program of measures for the current year, as it was not satisfied with the profitability development in 2022, even taking into account one-off special effects. The measures introduced are intended to pursue the goal of "aligning the company's internal processes even more strongly with the unchanged strategic goal of a hybrid IT service provider". However, concrete figures or facts on the savings potential have not yet been published. The final figures for 2022 are expected on 30 March. Overall, the share appears undervalued, which is also supported by attractive valuation ratios for 2023 such as the ratio of enterprise value to EBIT with a value of 8.8x (sector average of 14.6x). The share is also convincing based on its relative valuation.

Author: Mathias Kimmes (Analyst)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LeanVal RESEARCH

**Continental AG (Buy; EUR 84)**

ISIN: DE0005439004
Country: Germany
Sector: Consumer Cyclical
Industry: Automobiles and parts
Market Cap: EUR 15.4 billion

Founded in 1871, Continental AG is one of the largest automotive suppliers and tire manufacturers in the world. The business is divided into four divisions. The automotive segment (sales 2022: 46%) focuses on safety technologies such as braking systems, sensors, and driver assistance systems. The second is the tire sector (36%), which mainly produces passenger and commercial vehicle tires. ContiTech (17%) includes cross-material, sustainable, and intelligent products for the automotive, mining, and agricultural industries as well as rail transport. Contract Manufacturing (2%) develops electrification technologies (former subsidiary Vitesco Technologies).

In 2022, the company achieved its sales and adjusted earnings target. Group sales increased by 17% to EUR 39.4 billion (+12% organically). The main growth drivers were a better price mix and price negotiations with OEMs. Customer orders proved resilient. In the Automotive segment alone, order intake improved significantly by 26% to EUR 23 billion, a solid figure to secure future business. To allow a better comparison of profitability between periods, Continental published adjusted earnings figures before amortization of intangible assets, consolidation, and special effects (i.e. impairment of EUR 850 million in the Automotive segment). The adjusted EBIT increased by 5% to EUR 2 billion (adjusted margin 5% vs. 5.5% in the prior year). This growth was lower than sales because of cost

**Price chart Continental AG (in EUR)**


Source: LeanVal Research (Closing price 14/03/2023)

inflation on raw materials, energy, logistics, and wages. The lion's share of profitability came from the tire segment at EUR 1.8 billion. In November 2022, the company placed a bond for EUR 625 million (coupon 3.6%). This increased the gearing ratio (net debt: EUR 4.7 billion vs. EUR 4.2 billion) but within a well-diversified debt structure.

Conducting a horizontal analysis of the last ten years shows a peak in profitability followed by a downward trend. In the 2012-2017 period, operating profit performed well (EUR 3 billion in 2012 to EUR 4.6 billion in 2017), characterized by a substantial and almost constant EBIT margin averaging around 10%. Subsequently, difficulties in global demand for passenger cars and commercial vehicles (2018-2019) and later production problems caused by pandemics led to negative operating results in 2019 (EUR -418 million) and 2020 (EUR -781 million). As a consequence, there were goodwill impairments, which led to better balance sheet stability: the equity-to-goodwill ratio improved to 4.3x in 2022 compared to an average of 2.5x. The management responded with a restructuring plan for the period 2019-2029, which foresees annual gross savings of around EUR 850 million starting in 2023. In terms of spending, research spending is expected to remain high (historically around 7-9% of sales) to address mobility trends. Strong orders have been placed for advanced braking systems (more than EUR 2 billion) and for display solutions (over EUR 7 billion).

In the analyst call, management discussed its market assessment and some insights. Inflation is expected to continue to affect customer spending and put pressure on material costs and wages. The outlook for global vehicle production (up 2-4%) and tire replacement (1-3%) is slightly positive. The group has however a large exposure to industrial and after-market activities, which are less cyclical. Consolidated sales are expected to reach EUR 42-45 billion in 2023, while the adj. EBIT margin is expected to be between 5.5% and 6.5%. As the restructuring measures have a long-term impact, the margin is expected to gradually increase to a level in line with historical levels (above 7%) and a high dividend is expected to be gradually paid again. The low valuation seems to offer some protection against losses and limited downside risk even in the face of falling profits. For example, assuming sales of around EUR 46 billion and a net income of EUR 2 billion in 2024, this results in a dividend of around EUR 3.20 per share or a dividend yield of 5% at today's share price.

Author: Dario Maugeri (Analyst)


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LeanVal RESEARCH

### Hays plc (Buy; GBX 150)

ISIN: GB0004161021
Country: Great Britain
Sector: Industrials
Industry: Business Services
Market Cap: GBP 1.9 billion

The UK-based Hays plc is a specialist recruitment company focused on white-collar jobs, operating in four geographic segments: Australia & New Zealand (Net Fees 2022: 17%), Germany (26%), United Kingdom & Ireland (22%) and Rest of World (35%). In each segment, Hays offers a similar range of services. These include recruitment, executive search, temporary staffing, and contracting as well as IT and consulting services. Hays organizes and places personnel primarily in the areas of technology, accounting & finance, construction & real estate, engineering, life sciences, office support, banking, and sales & marketing.

In the first half of the financial year (July to December 2022), Hays' key metric of net fees (revenue less agency worker compensation) increased by 12% on a like-for-like basis to a record GBP 652m. New records for the first half-year were achieved in a total of 19 countries, including in the most important market, Germany (+24%). This was due to a 12% increase in permanent placements (45% of total fees) and an 11% increase in temporary placements (55%). In both areas, price increases due to the skills shortage and global wage inflation were responsible for this, while volume declined by 1% each. Hays attributed this to more challenging conditions in several markets (including longer client hiring processes and declining candidate confidence). Operating profit, on the other hand, was down 8% on a like-for-like basis. Adjusted for the number of working days (three fewer in Germany compared to the same period last year), the minus was only about 3%. Reasons for this included weak results in China due to Covid (-47%), strategic investments, and 16% higher costs. Hays started the year with 26% more employees to meet the growing demand. However, due to the aforementioned challenges, especially in permanent recruitment, there was a decline in the average placement volume per consultant. Management has therefore started to reduce the number of staff in certain markets in order to adjust capacity to market demand. In a surprise move, the departure of CEO Alistair Cox, who is stepping down after more than 15 years, was announced.

**Price chart Hays plc (in GBX)**


Source: LeanVal Research (Closing price 14/03/2023)

The past financial year up to the end of June 2022 was extremely successful thanks to the recovery of the global economy from the pandemic. Net fees increased by around 30% to a record GBP 1,189 million. Operating profit more than doubled to GBP 210 million from GBP 95 million previously (2020: GBP 135 million). This enabled Hays to halt the two-year negative trend caused by the pandemic and return to growth. Previously, 2017-19 had seen consistent growth in fees and earnings. These figures illustrate the dependence of the personnel service provider on economic developments.

Despite the short-term challenges outlined above and its dependence on the economy, Hays has a lucrative asset-light business model. This enables the generation of high operating cash flows (2022: GBP 170 million, pre-Corona years 2018 & 2019 around GBP 165 million) with comparatively low capital expenditure requirements (GBP 20-30 million). The projected free cash flow yield for the current year is at a very attractive level of around 10% (sector average 4.0%). Hays is using the surplus cash for share buybacks (2023: GBP 75m) and regular special dividends (exception: Corona year 2020). The cash position at H1 2023 is a comfortable 10% (GBP 190m) of total assets, after payment of the final and special dividends (GBP 150m; GBX 9.2 per share) and share buybacks of GBP 58m in H1. Debt is low with a gearing of 0.2x (loans 90m & lease liabilities GBP 190m). Thus, the balance sheet can be described as very solid.

For the second half of the year, management aims to increase average productivity per employee despite the macroeconomic challenges. Based on current demand, the company is therefore confident of increasing profitability. The shortage of skilled labor and wage inflation should be supportive factors for this development.

Author: Mathias Kimmes (Analyst)


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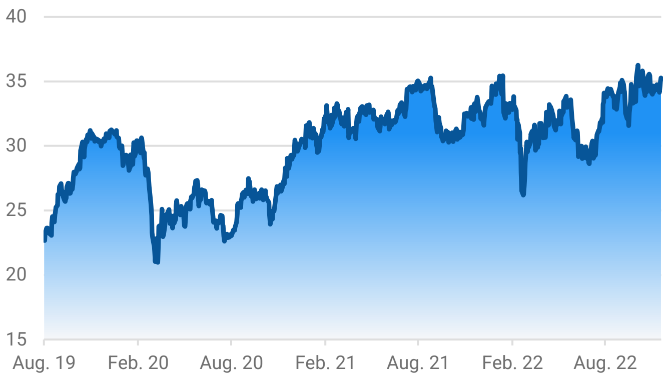
**Playtech plc (Buy; GBX 650)**

ISIN: IM00B7S9G985
Country: Great Britain
Sector: Consumer Cyclical
Industry: Travel and leisure
Market Cap: GBP 2.0 billion

Playtech plc, based on the Isle of Man, is a software developer for games of chance and is also active as a betting provider. The operating activities are divided into two segments B2B (revenue share H1/2022: 39%) and B2C (61%). In the B2B segment, the company offers gaming software, services, and content and support for a variety of popular games of chance such as casinos, sports betting, bingo, poker, or virtual sports games. Playtech cooperates with leading retail and online operators, casino chains, and state-sponsored entities such as lotteries. In the B2C business segment, Playtech itself acts as a provider of games of chance and sports betting. This business was strengthened in 2018 by the acquisition of Snaitech, one of the best-known providers of sports betting in Italy. The latter operates in both the online and retail sectors. Playtech also operates the Sun Bingo brand (online bingo) as a white-label business.

In the first half of 2022, Playtech's revenue increased by 73% to EUR 792 million, mainly due to the reopening of its shops in Italy following Covid restrictions. EBITDA of EUR 179 million (+63%) was achieved, resulting in a margin of 22.5% (previous year 24%). The slight decline in the EBITDA margin is due to the return of the lower-margin stationary betting shops compared to the online business. The B2B business recorded a 17% increase in revenue to EUR 312 million in the first half of the year, driven by 31% growth in the regulated markets (73% of segment revenue), especially in Mexico (EUR +20 million). The unregulated markets stagnated, and Asia was down -22% (11% of segment revenue) due to lockdowns and competitive pressure. EBITDA of 63 million (+8%) was achieved, resulting in an EBITDA margin of 20% (previous year: 21.9%). In the B2C business, turnover increased by 148% to EUR 487 million, while EBITDA rose by 126% to EUR 116 million. This was mainly due to the reopening of Snaitech's shops in Italy, which were open throughout the first half of 2022 after pandemic-related closures in 2021. The high-margin online business (EBITDA margin 57%) was only slightly diminished by the reopening (-5% sales) and accounts for 15% of Group sales.

**Price chart Playtech plc (in GBX)**




Source: LeanVal Research (Closing price 14/03/2023)

In July 2022, Playtech completed the sale of Finalto for €220 million. This was an online CFD broker and provider of financial trading and liquidity technology that was no longer a fit for the company due to its strategic focus on gaming. Taking these proceeds into account, net debt of around EUR 275 million was achieved at the end of the first half of the year. In addition to the solid balance sheet (net debt/EBITDA < 0.8x; net debt/equity < 0.2x), the group has good cash generation (FCF yield 2023: 9.2% (sector: 5.3%)). This should enable Playtech to finance future growth from its own resources. The strategic focus is on regulated or soon-to-be-regulated gaming markets, with an emphasis on high-growth markets such as the US, Latin America, and certain parts of Europe.

The last few years have been volatile due to covid restrictions (closure of brick-and-mortar gaming operations). While in 2019 it was still possible to achieve revenues of EUR 1.5 billion with an EBITDA of EUR 335 million, in 2020 revenues slumped by almost 30% to EUR 1.1 billion with an EBITDA of EUR 223 million. With the easing of restrictions at the end of 2021, the business recovered, so that for the full year 2022 a better result (EBITDA of at least EUR 400 million) is expected than in 2019. According to management, Snaitech should achieve an adj. EBITDA of EUR 300-350m in the medium term (H1 2022: EUR 132m).

Playtech has a wide range of services, with many well-known betting providers such as Bet365, 888 Holdings, Unibet, Kindred, and Novibet already in use. As a result, more than 300 brands have been acquired as new customers since 2019. Strong growth was also achieved in a newly regulated market through the cooperation with Holland Casino in the Netherlands (H1/2022 revenue: around EUR 13 million). In addition, further growth should be achieved with the investment in NorthStar (Canada) and the purchase of HAPPYBET (holding one of the few online betting licenses in Germany).

Author: Lars Dreßen (Analyst)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### Sopra Steria Group SA (Buy; EUR 225)

ISIN: FR0000050809
Country: France
Sector: Technology
Industry: Software
Market Cap: EUR 4.0 billion

The French Sopra Steria Group SA is a digital transformation company that guides businesses in projects from the development phase to the implementation phase. The Group is divided into five segments: France (revenue share 2022: 40%), United Kingdom (18%), Other Europe (29%), Sopra Banking Software (8%), and Other Solutions (5%). The France, UK, and Other Europe segments include consulting, systems integration, IT infrastructure management, and cyber security activities. In addition, the UK segment also provides business process services. The Sopra Banking Software segment supports banks and financial institutions in digital transformation and offers various platforms and technologies for this purpose. The Other Solutions segment provides solutions for human resources and real estate management.

Revenue in 2022 grew organically by 7.6% to EUR 5.1 billion. Growth was driven by the Group's two largest segments, France and Other Europe, with organic growth of 9.7% (revenue: EUR 2 billion) and 8.3% (EUR 1.5 billion) respectively. In France, growth was led by a strong fourth quarter in which total revenue increased by 9.5% and advisory services also grew by 22% in this period. EBIT from recurring activities increased by 17% to EUR 398 million with a margin of 7.8% (2021: 7.2%). Net profit for the period increased by 22% to EUR 249 million. In addition, Sopra Steria managed to reduce net debt by 22% to EUR 543 million, resulting in a net gearing ratio of 0.29x (2021: 0.41x). Pension obligations were also reduced by 51% to EUR 138m. Finally, the Group proposed a 34% dividend increase to EUR 4.30 for the full year (dividend yield of 2.2%).

Source: LeanVal Research (Closing price 14/03/2023)

In the recent past, Sopra Steria has recorded a growth rate (CAGR) of 6% in revenue and 11% in EBIT from recurring activities since 2018. This has enabled the Group to make numerous acquisitions to strengthen its market position. A few key acquisitions include Apak in 2018 (purchase price EUR 128 million), which gave the Banking segment a strong position in the financial software market, and the EVA Group in 2021 (purchase price EUR 66 million), which positioned the Group as one of the three largest players in the French cybersecurity market.

However, acquisitions are usually accompanied by an increase in goodwill on the balance sheet. At Sopra Steria, the ratio of goodwill to total assets has averaged a high level of around 43% since 2018. This could be a potential risk for the group if the value of the group's assets were to change drastically and management was forced to write down a large part of the goodwill. In contrast, the ratio of equity to total assets has averaged around 34% since 2018. Nevertheless, the group appears to be financially stable as net debt has decreased by 37% since 2019, improving the ratio of net debt to EBITDA from 1.9x in 2019 to 1.1x in 2022.

For the current year 2023, management is aiming for the following targets: Organic revenue growth of 3-5% (2022: 7.6%), an operating margin on business activity of slightly more than 9% (2022: 8.9%), and a free cash flow of at least EUR 300 million (2022: EUR 287 million). In addition, Sopra Steria confirms its target of achieving an operating margin on business activity of around 10% in 2024.

The high FCF yield (T+1) of 11.2% (sector average 3.9%) offers the possibility to increase the dividend in the future. In addition, the group appears to remain slightly undervalued with an EV/EBIT ratio (T+1) of 10.1 (sector average 16.0), despite the share price increasing roughly 21% since the publication of the annual figures on 23 February 2023. Year-to-date, Sopra Steria is one of the top twenty performers in the Stoxx 600 up over 39%.

Author: Philip Wentlandt (Analyst)

LeanVal RESEARCH

### 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, Stabilty, 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.

**Updates**

The recipients are not entitled to the publication of updated analyses. LeanVal Research GmbH reserves the right to update analyses without prior notice. A regular update of this document is not intended.

**Compliance**

LeanVal Research GmbH has taken internal organizational and regulatory precautions to avoid conflicts of interest in the preparation and dissemination of financial analyses. In particular, there are internal information barriers that prevent analysts from accessing insider information. Compliance is monitored by the Compliance Officer.

**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 Valuation | Absolute Valuation | Current Price | Price Target | Analyst |
|---|---|---|---|---|---|---|
| 14/03/23 | CANCOM SE | Attractive | Buy | EUR 33.24 | EUR 39.00 (initial coverage) | Mathias Kimmes (Analyst) |
| 14/03/23 | Continental AG | Attractive | Buy | EUR 71.18 | EUR 84.00 (initial coverage) | Dario Maugeri (Analyst) |
| 14/03/23 | Hays plc | Attractive | Buy | GBX 113.30 | GBX 150.00 | Mathias Kimmes (Analyst) |
| 06/04/22 | | Neutral | Buy | GBX 118.20 | GBX 175.00 (initial coverage) | Mathias Kimmes (Analyst) |
| 14/03/23 | Playtech plc | Attractive | Buy | GBX 553.00 | GBX 650.00 (initial coverage) | Lars Dreßen (Analyst) |
| 14/03/23 | Sopra Steria Group SA | Attractive | Buy | EUR 196.10 | EUR 225.00 (initial coverage) | Philip Wentlandt (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

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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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# Disclaimer

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: