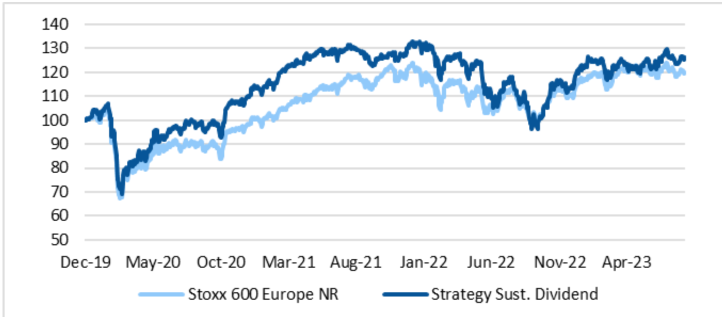
LeanVal Strategy Sustainable Dividend

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 including value, quality, stability, growth, and momentum. This know-how is the basis for the four LeanVal model strategies: Sustainable Dividend, 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 – 08/09/2023)



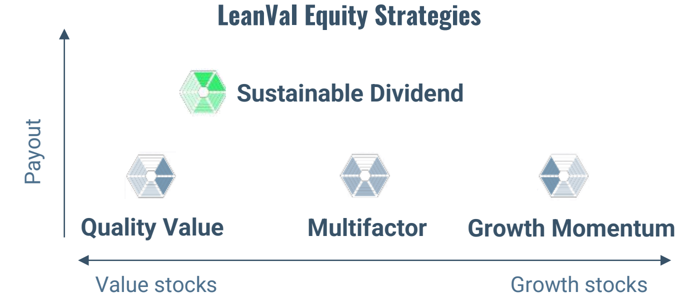
Performance of the model strategy in euros without costs. A positive performance in the past is no guarantee of a positive performance in the future and in no case represents a return or risk commitment for the future. Sources: Morningstar, LeanVal Research.

The strategy "Sustainable Dividend" focuses on equities that offer the potential of a high dividend yield and at the same time meet LeanVal's sustainability criteria. Both current and expected dividend yields are used to identify the stocks. In addition, consideration is given to whether a company is in a position to generate high cash flows in the future. This is an important indicator of the potential for further dividend increases. In addition to the points mentioned above, growth factors such as the sustainable growth rate as well as the LeanVal Momentum factor are also taken into account.

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 11.0%. Since the strategy's launch at year-end 2019, the total return (before costs) is 23.6%, outperforming the Stoxx 600 Europe NR Index by 6.5%. The dividend yield is 7.2% (trailing) or 6.3% (expected dividend T+1). The current P/E ratio (T+1) is 10.6.

LeanVal Equity Strategies



LeanVal Strategy Sustainable Dividend

Selection criteria

- High expected dividend yield
- Stable cash flows
- High balance sheet quality
- Constant growth
- No negative momentum
- LeanVal sustainability criteria

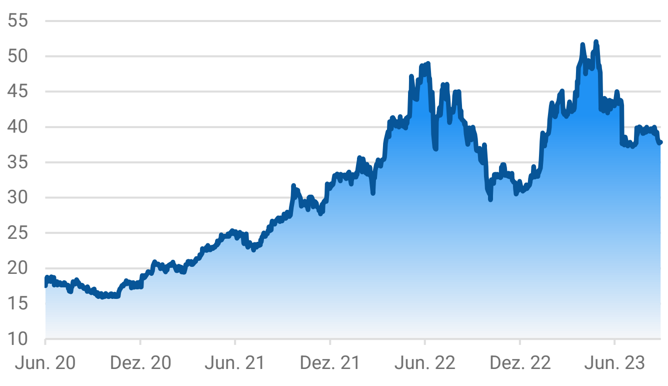
CEZ as (Hold; EUR 42)

ISIN: CZ0005112300
Country: Czech Republic
Sector: Utilities
Industry: Utilities
Market Cap: CZK 494.8 billion
Dividend yield (T+1): 6.1%

CEZ as (České energetické závody) is a Czech company that is active in the generation and distribution of electricity and is predominantly state-owned (approx. 70% share). The group is operationally divided into four segments: Generation, Distribution, Sales, and Mining. The core business of the company is the Generation segment, in which electricity is generated. This is generated on the one hand from traditional fossil fuels (coal, natural gas, and nuclear power) and on the other hand from renewable energies (hydropower, biomass, photovoltaics, and wind). The Distribution segment is responsible for the distribution of electricity and heat as well as gas trading and all related activities. The Sales business unit comprises the sale of electricity and energy products. In the small Mining business unit, CEZ is also involved in the procurement of raw materials with a focus on coal.

In the first half of 2023, the CEZ Group generated sales of CZK 169.7 billion (+39.2 billion), which is about 30% more than in the previous year, with the increase in sales prices contributing to this in particular. EBITDA increased slightly by 5% to CZK 62.3 billion (+2.9 billion). In particular, expenses related to the purchase of electricity, gas and other energy sources increased by CZK 10 billion (+32%). In addition, the introduced levies on revenues above price ceilings had a negative impact of CZK 11 billion on the result. Net profit was 34% below the previous year's figure at CZK 22.3 billion. The decline is due to the introduced "windfall profit tax" of 60%, which resulted in an additional charge of over CZK 13 billion. For the year as a whole, levies and special taxes are expected to amount to CZK 30-40 billion. It is still unclear whether the special tax will be extended until 2024.

Price chart CEZ as (in EUR)



Source: LeanVal Research (Closing price 11/09/2023)

In the completed 2022 financial year, revenue increased by 26.6% to CZK 288.5 billion (+60.7 billion) with EBITDA of CZK 134.7 billion (2021: 47.7 billion). Looking at the bottom line, the group earned CZK 80.7 billion, a multiple of the previous year (2021: CZK 9.9 billion). The enormous price increases due to the Russia-Ukraine war, record profits from commodity trading (CZK 18.8 billion), and the high operational reliability of CEZ power plants - with record nuclear power plant production of 31 TW (+1%) - contributed to this result. CEZ managed to secure sufficient cash funds to meet the interim requirement to make additional contributions to the stock markets in August (CZK 200 billion). This had become due to the extreme fluctuations in electricity prices. The average electricity price for delivery in 2023 was traded at almost 300 EUR/MWh last year, while the average realized electricity price of CEZ production for delivery in 2022 was 100 EUR/MWh.

Investments within the CEZ Group reached almost CZK 35 billion (+3.5 billion). They were mainly aimed at strengthening the distribution network in the Czech Republic and emission-free production facilities. The increase in the Distribution segment mainly reflects the connection of new, mainly rooftop solar power plants, and in the Generation segment, in particular, the construction of a heat feed-in from the Temelín nuclear power plant to České Budějovice.

CEZ is interested in the Czech gas distribution network GasNet and plans to submit an offer as soon as the expected sales process is launched. GasNet covers 80% of the country's gas supply through a network of 65,000 km of gas pipelines. CEZ sees the future of the Czech energy supply in particular in nuclear energy. A new nuclear power plant is to be commissioned before 2040. CEZ is also preparing the construction of small modular reactors. A site has already been allocated for the first small reactor at the Temelin nuclear power plant. Commissioning is expected in the mid-2030s.

For 2023, CEZ expects EBITDA of CZK 105-115 billion and adjusted net profit of CZK 33-37 billion. Due to levies and the special tax, profit will fall by at least half compared to the previous year. After a record dividend of CZK 145 in 2022, a significant reduction is expected for the current financial year, although a dividend yield of more than 6.0% still appears attractive.

Author: Lars Dreßen (Analyst)

Publication date: 12/09/2023 15:00

Inditex SA (Hold; EUR 38.00)

ISIN: ES0148396007
Country: Spain
Sector: Retail cyclical
Industry: Retail cyclical
Market Cap: EUR 110.0 billion
Dividend yield (T+1): 4.1%

Inditex SA (Industria de Diseño Textil) is a Spanish textile retailer involved in the design, production, and distribution of textiles. Segment reporting is based on brands in the three segments: Zara/Zara Home (2022/23 revenue share: 73%), Bershka (7%), and Other (20%). Inditex pursues a multi-brand strategy and operates a total of eight brands, each of which has a slightly different orientation and focuses on specific customer groups. The Zara brand is the oldest and by far the most important brand of the company, offering low-priced fashion clothing, accessories, and shoes for women, men, and children. Zara Home also covers home textiles, décor, and furnishings. The Bershka brand includes low-priced fashion aimed particularly at teenagers and young adults. The Other division brings together the rest of Inditex's brands. These include Pull & Bear, Massimo Dutti, Stradivarius, Oysho, and Uterqüe.

Looking at the group’s Q1 update for the period ending 30 April, saw sales increase 13% to EUR 7.6 billion. This sales improvement can be attributed to the Spring/Summer collections being well received by customers paired with positive growth in all geographical areas and concepts. Adjusted EBIT increased 19% to EUR 1.5 billion with an adjusted EBIT margin of 19.5% compared to 18.5% last year. Furthermore, it is worth noting that in the previous year, Inditex reported a provision for expected expenses in Russia and Ukraine resulting from Russia's invasion amounting to EUR 216 million. Adjusted net income for the period rose by 28% to EUR 1.2 billion. Thus, resulting from the strong operating performance, Inditex’s net cash position improved by 14% to EUR 10.5 billion. As of 30 April 2023, the number of stores operated by the group amounted to 5,801 compared to 6,423 a year ago.

Price chart Inditex SA (in EUR)

Source: LeanVal Research (Closing price 11/09/2023)

Owing to the stability of the group's balance sheet, dividend payments can be expected to remain constant for shareholders. This can be evidenced by the group maintaining dividend payments throughout the COVID-19 pandemic along with strong balance sheet ratios. Since 2018/19 the group's dividend has had a CAGR of 10%. Additionally, the group boasts a dividend yield (T+1) of 4.1% compared to the sector average of 2.8%. Notable stability ratios that contribute to the strength of the group's balance sheet include: (1) debt to equity of 0.3x (sector average: 0.8x) (Inditex average since 2018: 0.3x); (2) equity to intangibles of 17.0x (sector average: 2.4x) (Inditex average since 2018: 14.0); (3) EBIT to total assets (less cash) of 27.5% (sector average: 8.4%) (Inditex average since 2018/19: 25%). Moreover, it is also worth mentioning that over 95% of Inditex’s long/short-term debt is comprised of lease liabilities for the commercial premises on which it carries out its business activity. Furthermore, the group's attractive free cash flow yield (T+1) of 6.6% (sector average: 4.9%) may signal a further increase in the group's dividend in the future. This can be further supported by the group’s free cash flow which has a 16% CAGR since 2018/19, resulting predominately from increased sales.

Continuing the momentum from Q1, store and online sales in constant currency between 1 May and 4 June 2023 increased 16% compared to the same period last year. The group's outlook for the year sees a stable gross margin of +/- 50 basis points (gross margin in 2022/23: 57%) along with ordinary capital expenditure of around EUR 1.6 billion (2022/23: EUR 1.4 billion). Sales or EBIT developments were not provided, however, the group mentioned that at current exchange rates, it expects a -2.5% currency impact on sales for the full year. Moreover, the Zara Pre-Owned platform (focus on sustainability/circularity) will become available in France, Germany, and Spain in the second half of this year, expanding on the offering which is currently only available in the United Kingdom. Overall, Inditex appears attractive from a relative assessment.

Author: Mathias Kimmes (Analyst)

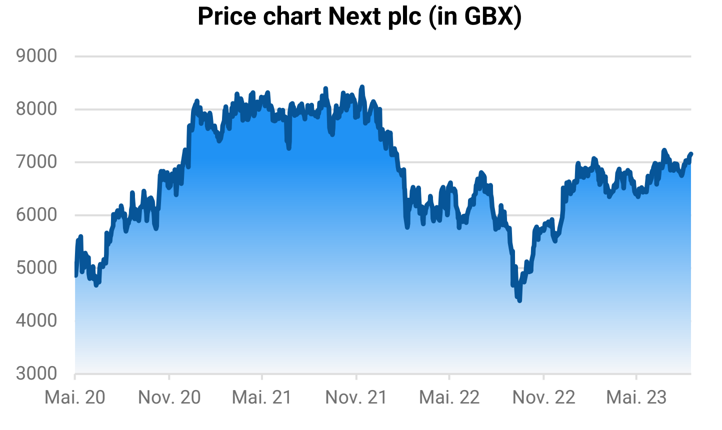
LeanVal RESEARCH

Next plc (Buy; GBX 8.000)

ISIN: GB0032089863
Country: Great Britain
Sector: Retail cyclical
Industry: Retail cyclical
Market Cap: GBP 8.9 billion
Dividend yield (T+1): 2.9%

Next plc is a British textile retailer selling clothing, shoes, accessories, and home textiles. Around 85% of sales were generated in its domestic market. The Group has three main segments: Online (55% of sales in 2022/23), Retail (37%), and Finance (5%). The Online segment bundles the online activities in around 70 countries. The Retail division includes over 500 retail shops located in the United Kingdom and Ireland. The Finance business unit supports customers with financing for the purchase of products. In addition, there are four smaller segments with a share of turnover of less than one percent: Total Platform (services for other companies such as web site & online advertising, warehouse & distribution, contact center, and retail services), Joules (fashion brand in the "countryside lifestyle"), Property Management (property management) as well as International Retail, Sourcing and other (about 200 stores in more than 30 countries, mostly franchises; design and procurement of products).

At the beginning of August, Next published a trading statement on the first half of the financial year until the end of July (detailed half-year report on 21 September). For the second quarter, the company reported a 6.9% year-on-year increase in sales of products sold at full price (excluding discount items) (online +10.0%, retail +2.2%). This is mainly due to the very successful period from May to mid-June (+9.3% vs. guidance: -5.0%). After a wet and cold April, a change in weather led to increased demand. From an overall economic point of view, this period also included the payment of the annual salary increases for many employees, so that customers felt a sense of higher purchasing power for the first time despite inflation. Next started the seasonal sales with a 22% lower surplus of goods, which should have a positive effect on working capital. The sales rates exceeded both the previous year's value and the company's own forecasts.



Source: LeanVal Research (Closing price 11/09/2023)

Looking at the last five years, turnover increased by an average of 4.8% (CAGR) per year to GBP 5.0 billion. The Corona year 2020/21 including lockdowns led to a decline of -17%, which was more than compensated for in the following year with +31% thanks to the reopening of the shops and investments in its online business. It must be emphasized here that the higher-margin internet sales have become the most important segment (share of sales 55% at last count) and already grew by an average of about 10% annually in the ten years before the pandemic. With the exception of the pandemic year, EBIT has risen steadily since 2018/19 from GBP 760 million to the most recent record level of GBP 940 million (2022/23). It is worth noting that in normal years the EBIT margin is relatively constant in the range of 18.5-20% (most recently: 18.7%).

Thus, Next fundamentally operates a very robust business model. Production is completely outsourced to third parties and therefore does not cause any increased investment needs. As a result, stable margins and high cash flows can be used to pay dividends and for share buybacks. For the current year, a stable dividend as in the previous year of GBP 2.06 per share (or GBP 250 million) is expected. This gives a dividend yield of about 3.0%, which is higher than the average for the fashion industry. In addition, Next has returned to its tradition of high share buyback programs after the pandemic. Management is targeting a volume in the region of GBP 220 million, which corresponds to around 2.5% of market capitalization.

Guidance for the 2023/24 financial year has been raised for the second time this year: Full-price sales are now expected to increase by 1.8% over the year to GBP 4.68 billion (previously 1.4%; -1.5% at the beginning of the year). Profit before tax is expected to decline by only -4.1% to GBP 845 million (previously 835 million; at the beginning of the year GBP 795 million or -8.7%). Reasons for the decline in earnings are higher costs for wages, electricity & gas as well as IT, which outweigh the initiated cost savings. Management thus remains cautious and assumes that inflation could continue to weigh on consumer spending. At the current level, the share nevertheless appears interesting, both on the basis of the absolute valuation and the relative assessment.

Author: Mathias Kimmes (Analyst)

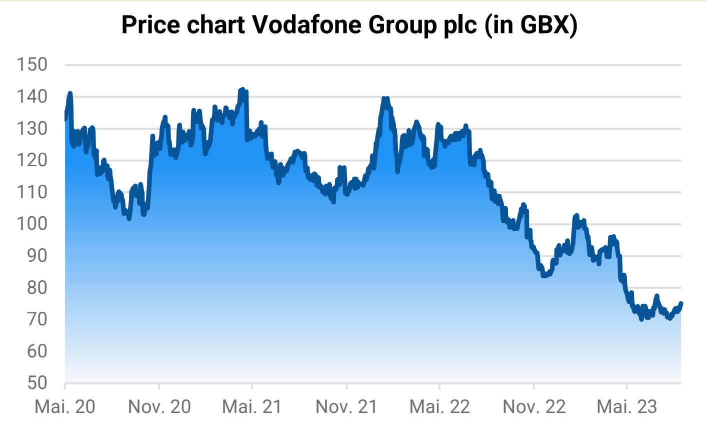
Publication date: 12/09/2023 15:00

Vodafone Group plc (Buy; GBX 100)

ISIN: GB00BH4HKS39
Country: Great Britain
Sector: Communication Services
Industry: Telecommunications
Market Cap: EUR 23.3 billion
Dividend yield (T+1): 10.4%

Vodafone Group plc is one of the largest telecommunications companies in the world. The business is divided into eight segments: Germany (sales share 2022/23: 28.7%), Great Britain (14.9%), Italy (10.5%), Spain (8.5%), Other Europe (12.6%), Vodacom (13.8%), Other Markets (8.4%) and Vantage Towers (2.9%). Vodacom holds the majority stake in the leading African telecom provider, operating in a high customer potential market. The Vantage Towers division brings together the radio tower infrastructure business in Europe, currently in partnership with KKR and GIP.

The group released a sales update for the first quarter of the current financial year. Organic sales increased to 2.7%, while reported sales rose 1.6%. This result was supported by a slight growth in average revenue per user for European residential customers (+0.7%; churn rate unchanged) and in business services (+1.7%). The number of European customers, both fixed and mobile, increased to 9.2m (vs. 8m), which boded well for recurring revenue. Among segments, main drivers were the UK (organic services revenue +6.5%) due to price increases and customer growth, Vodacom (+2.9%) and Rest of Europe (+2.5%), while Germany (-0.5%) and Italy (-2.3%) slightly fell. In Germany, where Vodafone is the second largest provider, a new legislation led to a loss of broadband and TV customers (but combined fixed and mobile clients were stable). For the full year, management expects EBITDA after leasing of EUR 15-15.5bn (vs. EUR 14.7bn in the previous year).



Source: LeanVal Research (Closing price 11/09/2023)

A few highlights for profitability going forward: (1) last June a binding agreement with Hutchison-Three to combine their UK operations (approval expected next year) was announced. This agreement is expected to achieve investment savings of GBP 700m per year over the long term. It could potentially result in the UK's main operator. (2) In August, the roaming cooperation agreement with United Internet. Vodafone will receive a fixed price for the partial use of its network in Germany from 2024 and thus better monetizing its infrastructure. (3) In addition, a new CEO and a new CFO have been appointed in 2023, even if the CEO was already a member of the Board of Directors. The measures also include a global workforce reduction of around 10% over the next three years.

Business conditions within the telecommunication sector are characterized by low growth rates and stable cash flows. The 5G network is usually debt-financed requiring continuous capital upgrade, as is the case for Vodafone. Its fixed assets accounted for almost 23% of total assets (FY18-22, excluding FY23 due to around EUR 6bn Vantage Tower gain) including mainly networks. Leverage is significant, but the debt/equity ratio fell to 0.9x in FY23 and better than key peers (Telefonica 2.0x; Deutsche Telekom 1.7x). In terms of cash, investments averaged consistently at around 22% of sales in FY18-22. However, these were well-covered by operating cash flows, always above the EUR 13bn mark in the same period. Free cash flow return was on the high side compared to peers: 6% on average for FY17-19 (pre-pandemic) and 8% for FY20-22 (FY23: 24%).

The share price has fallen to a 15-year low and is trading at a discount to its competitors and to the NAV (share price 0.85 EUR vs. book value per share 2.30 EUR). The reasons include a slowdown in business over the last year, disappointing developments in some countries (e.g. Italy and Spain) and regulatory topics. However, management is confident to consolidate as a European leader and to straighten up its finances. A dividend of around €0.09 per share is planned for this year corresponding to a dividend yield of 10.4%. Even if the dividend were halved, it would be well above the current yield on 10-year US Treasury bonds (4.3%). Waiting for H1 cash flows numbers, Vodafone appears to be a turnaround case with a high dividend income proposition.

Author: Dario Maugeri (Analyst)

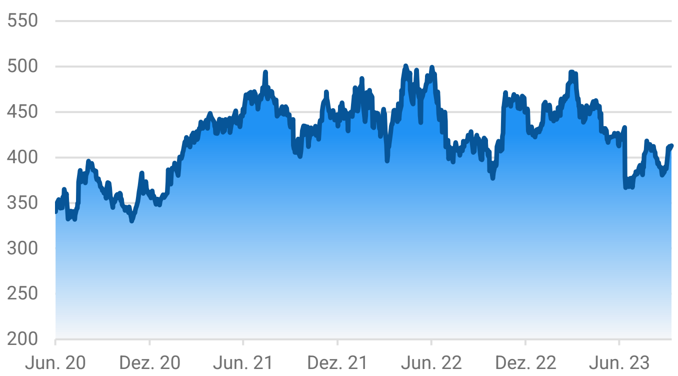
Yara International ASA (Hold; NOK 450)

ISIN: NO0010208051
Country: Norway
Sector: Basic materials
Industry: Chemicals
Market Cap: EUR 9.8 billion
Dividend yield (T+1): 9.1%

Yara International ASA is a Norwegian producer of nitrogen-based mineral fertilizers and related industrial products. The company is divided into six segments: Europe (2022 revenue share: 24%), Americas (36%), Africa & Asia (13%), Global Plants & Operational Excellence (<1%), Clean Ammonia (8%) and Industrial Solutions (19%). The three geo-graphical segments are involved in the production of nitrogen-balanced fertilizers, industrial products, and the supply of important basic chemicals. Global Plants & Operational Excellence comprises the Group's two largest production facilities in Porsgrunn (Norway) and Sluiskil (Netherlands). In addition, operational improvements and further developments for the other production plants are driven forward in this segment. The Clean Ammonia division bundles the trading and transport activities of ammonia for the supply of own production plants as well as external key accounts, mainly from the fertilizer and chemical industry. The Industrial Solutions business unit offers nitrogen-based products and solutions for a wide range of industries. The products have a strong environmental focus, with a large part of the revenue generated from the production and distribution of AdBlue.

Yara published its half-year figures for 2023 in mid-July. The company's sales fell by 34% to USD 8.1 billion compared to the strong period of the previous year. The reasons for the decline were a huge drop in sales prices and lower demand in overseas markets. Similarly, EBIT fell from USD 2.3 billion in the previous year to USD -51 million. The significant reduction in margins is largely due to the effects of inventory levels. While there was a positive effect of USD 458 million in the same period last year, this is negative at USD -654 million in 2023. The bottom line for the period saw a loss of USD -194 million (H1/2022: USD 1.6 billion). However, operating cash flow, which only fell by around 8% to USD 1.2 billion, is encouraging.

Price chart Yara International ASA (in NOK)



Source: LeanVal Research (Closing price 11/09/2023)

Looking at the recent past (5 years), a strong fluctuation in results can be observed due to the high volatility of input prices (such as natural gas), but also of sales prices. Nevertheless, Yara has been able to show a strong compound annual growth rate (CAGR) of 17% in sales and as much as 106% in EBIT. It should be noted, however, that 2018 was the weakest year in more than 10 years and thus forms a low starting point. In 2018, gas prices were high while sales prices were low. This led to the decision to focus on higher margin products to cushion price volatility. In 2019 and 2020, sales as well as EBIT stabilized. In addition, solid EBIT margins were achieved with 7.1% in 2019 and 8.2% in 2020. In 2021, very high sales prices were realized, although input prices increased disproportionately. In 2022, the group's best year to date, sales expanded again by 44% to USD 23.9 billion, while costs increased proportionally, resulting in EBIT of USD 3.8 billion. Yara is also an extremely reliable dividend payer, with an average (5-year) payout ratio of 121%. The dividend policy provides for 50% of the net profit to be distributed to shareholders if the following conditions are met: Debt-to-EBITDA with a factor of 1.5 - 2x and a net debt to equity ratio of 0.6x. A dividend yield of 9.1% (at a share price of NOK 413) is expected in 2023 and 7.7% in 2024.

For 2023, a decline in sales of around 25% is expected compared to the record year 2022. It is forecast that fertilizer sales prices, which have already risen at the end of the second quarter, will continue to increase, resulting in an EBIT of approximately USD 900 million in 2023. After that, revenue is expected to stagnate, but profitability should increase due to the focus on higher-margin products. The trend of a growing world population and urbanization will continue to be growth drivers in the future. However, the strong fluctuations in input and sales prices continue to represent a strong risk. In addition, Yara is exposed to a not insignificant currency risk, as gas and nitrogen are traded in USD. Based on an attractive relative assessment, the share is to be classified as neutral.

Author: Philip Wentlandt (Analyst)

Publication date: 12/09/2023 15:00

Disclaimer

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.

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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 Valuation	Absolute Valuation	Current Price	Price Target	Analyst
12/09/23	ČEZ as	Attractive	Hold	EUR 37.84	EUR 42.00 (initial coverage)	Lars Dreßen (Analyst)
12/09/23	Inditex SA	Attractive	Hold	EUR 35.80	EUR 38.00 (initial coverage)	Mathias Kimmes (Analyst)
12/09/23	Next plc	Attractive	Hold	GBX 7,158	GBX 8,000 (initial coverage)	Mathias Kimmes (Analyst)
12/09/23	Vodafone Group plc	Neutral	Buy	GBX 75.13	GBX 100.00 (initial coverage)	Dario Maugeri (Analyst)
12/09/23	Yara International ASA	Attractive	Hold	NOK 413	NOK 450.00	Philip Wentlandt (Analyst)

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2. the above-mentioned persons or companies manage financial instruments which themselves or their issuers are the subject 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.

LeanVal Research GmbH
Bleichstraße 52, 60313 Frankfurt am Main

Phone: +49 69 9494 88 050,
Email: research@leanval.investments

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: