sphene CAPITAL

02 September 2019

Nexway AG

Rating: Buy	**Risk:** High
Price: EUR 22.80	
Price target: EUR 39.10	

Reuters: A5AB.GF **Bloomberg:** A5AB GR EQU

One of the leading Merchant Service Provider

We reinitiate our research coverage of Nexway with a buy rating. Our preferred valuation method for Nexway is a three-stage discounted cash flow entity model, from which we calculate a price target of EUR 39.10 per share. In a Monte Carlo simulation, in which we have used alternative revenue and earnings best-case and worst-case scenarios, we calculate equity values of EUR 44.90 and EUR 31.50 per share, respectively. We cross checked our results using an economic profit method, from which we calculated a price target of EUR 43.10 per share.

Nexway's core business is the implementation and operation of online shops that enable end customers to download digital products such as software or online games from small to medium-sized, but generally globally active companies directly from their websites. Since asknet's reverse takeover at the end of 2018, Nexway has become one of the leading global providers of such Internet download services for third parties. In particular, the previously exclusive focus on software developers has given way after the merger to a much broader positioning in which online game developers, hardware manufacturers, retailers, and service providers have not only been included, but also play a significant role. Nexway offers the complete value chain of downloading digital products, starting with the implementation of an individualized online shop that seamlessly integrates into the manufacturer's corporate identity or existing website from the end customer's perspective. The services offered range from the processing of product sales made in the online shop on servers maintained by Nexway—in its own name and for its own account—to a range of downstream services such as telephone customer services, cross-selling offers, and AI-supported branding services, with the means of which the traffic to the websites can be increased. Nexway supports numerous currencies, languages, and payment methods that a small or medium-sized company could hardly offer on its own. In addition, direct sales via the online shop provide companies with access to their customers for the first time, enabling them to pursue innovative sales and customer loyalty strategies.

Apart from the download outsourcing services, Nexway's Academics division creates procurement portals for universities, colleges, and research institutions, which allow authorized users to purchase software products at usually more favourable conditions than in a stand-alone case.

WKN / ISIN: A2E370 / DE000A2E3707
Indices: -
Transparency level: Open market Frankfurt
Weighted number of shares: 0.654 mn
Market cap: EUR 14.9 mn
Daily trading volume: 500 shares
H1/2019: September 2019

EUR mn (12/31)	**2018**	**2019e**	**2020e**	**2021e**
Revenues	85.8	210.8	255.4	306.9
EBITDA	-0.3	-0.2	3.0	6.6
EBIT	-1.9	-1.6	1.3	4.7
EBT	-1.9	-1.6	1.3	4.8
EAT	-1.8	-1.2	1.0	3.6

% gross profit	**2018**	**2019e**	**2020e**	**2021e**
EBITDA	-2.7%	-0.9%	10.8%	19.6%
EBIT	-19.7%	-7.6%	4.6%	14.0%
EBT	-19.8%	-7.6%	4.7%	14.0%
EAT	-19.4%	-5.5%	3.5%	10.5%

Per share (EUR)	**2018**	**2019e**	**2020e**	**2021e**
EPS	-3.26	-1.82	1.50	5.45
Dividend	0.00	0.00	0.00	0.00
Book value	2.35	0.15	1.65	7.11
Cash flow	-0.17	-1.59	4.10	8.32

%	**2018**	**2019e**	**2020e**	**2021e**
Equity ratio	11.9%	1.0%	8.8%	27.2%
Gearing	-15%	-15%	-7%	-6%

x	**2018**	**2019e**	**2020e**	**2021e**
P/BR	n/a	n/a	15.2	4.2
EV/sales	0.07	0.07	0.06	0.05
EV/EBITDA	n/a	n/a	11.4	3.1
P/BR	4.6	n/a	13.8	3.2

EUR mn	**2019e**	**2020e**	**2021e**
Guidance: Revenues	n/a	n/a	n/a
Guidance: EBIT	n/a	n/a	n/a

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Peter Thilo Hasler, CEFA
+ 49 (89) 74443558 / +49 (152) 31764553
peter-thilo.hasler@sphene-capital.de

Content

Please note that each section begins with an extensive Executive Summary.

Executive Summary

Business model of Nexway
In our opinion, the reverse takeover by asknet has given Nexway the critical mass it needs to achieve double-digit sales growth rates and to generate sustainable profits in the coming years thanks to a significantly improved market presence and a broader product range. We expect Nexway to increase revenues to EUR 306.9 million by 2021e, which marks the end of our detailed planning phase. This corresponds to an organic compound annual growth rate (CAGR) of 20.7% of Group revenues for the period 2019e-21e. Assuming a constant cost of materials ratio, there will be considerable synergy effects on personnel costs and earnings should benefit significantly from next year on. Accordingly, we expect the operating result (EBIT) to rise to EUR 4.7 mn by 2021e, from which earnings per share of EUR 5.45 can be derived.

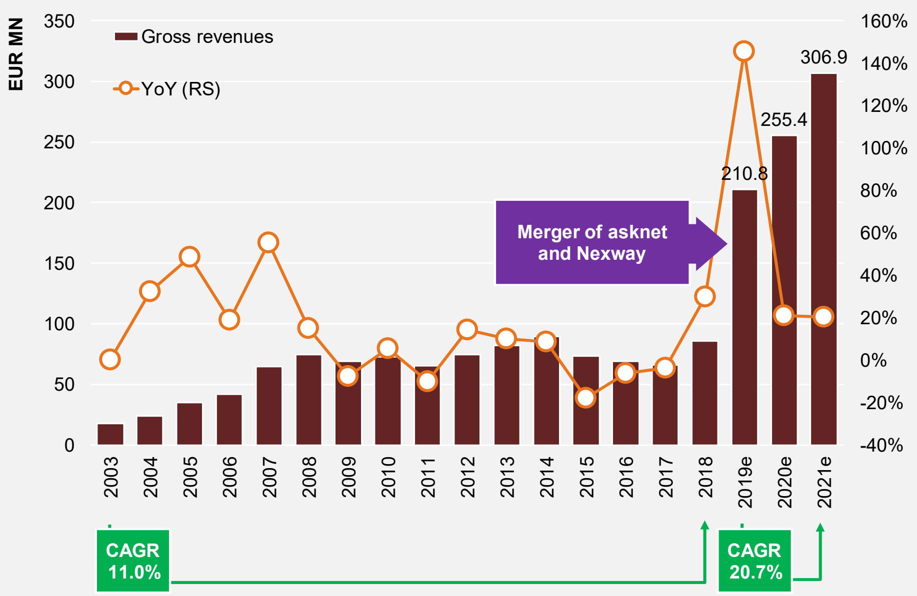
Price target EUR 39.10 – Reinitiating research coverage with a buy rating
We calculate the value of the equity of the Frankfurt Stock Exchange-listed company based on a three-stage discounted cash flow (DCF) entity model (primary valuation method) and using a value-added model (secondary valuation method). From the DCF model favoured by us, a value of equity of EUR 25.6 mn or—with 0.654 mn shares—EUR 39.10 per share is calculated (base case scenario). Best-case and worst-case equity values, which we determined using a Monte Carlo sensitivity analysis, are EUR 29.4 mn and EUR 20.6 mn, respectively, corresponding to EUR 44.90 and EUR 31.50 per share, respectively. In order to review the results of the DCF model, we have used an economic profit model in which we assume that a fair valuation of the company is achieved at the earliest when the value added generated by the company corresponds to the associated cost of capital. Based on our capital and earnings estimates, this valuation method results in equity values of EUR 28.2 mn or EUR 43.10 per share. Equity values derived from the value-added model are therefore higher than those of our long-term intrinsic DCF model.

Given an expected price increase of 71.5% over the next 24 months, we reinitiate research coverage of Nexway with a buy rating.

Weaknesses and threats
We see the following weaknesses and downside risks in particular for the achievement of our price target (for details and further explanations, see page 28ff): **(1)** lack of long-term history with high forecast uncertainty, in particular with regard to the sales and earnings development forecast by us, **(2)** recent years' profitability that was not only burdened by one-off expenses, **(3)** high dependence on individual customers, **(4)** potential stock overhang from the shareholder structure after the merger, **(5)** low trading volume in the shares, **(6)** possible termination of the job of individual executives ("key-man risk").

Nexway in Figures

EXHIBIT 1: GROSS REVENUES AND GROWTH RATE, 2003-21E

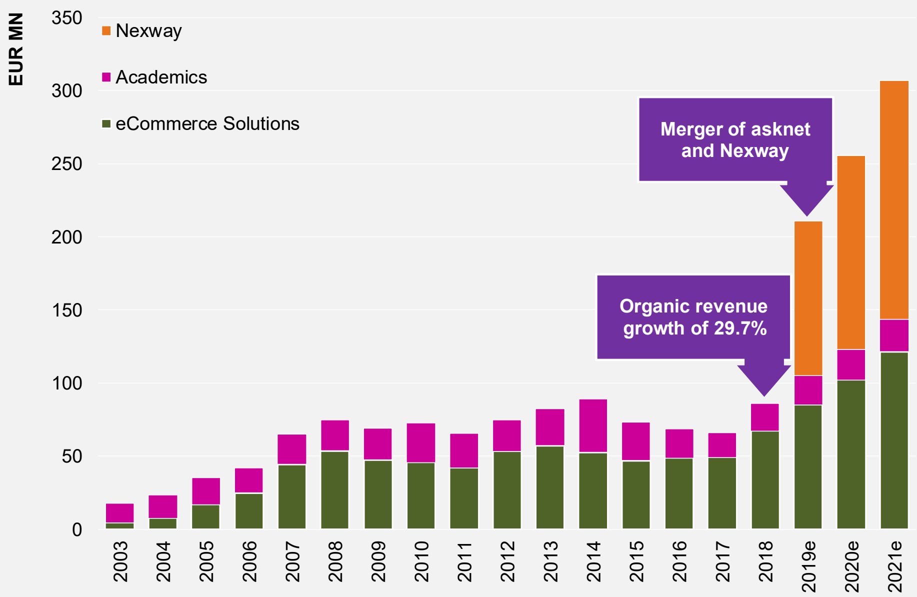


Due to its subcritical size, Nexway's annual growth rates in recent years have only been in the low double-digit percentage range, resulting in a corresponding loss of market share. In our opinion, the merger of asknet with Nexway means that Nexway exceeds this critical size. As a result, Nexway is likely to expand its business activities significantly in the coming years and to show higher sales growth rates than in previous years.

We expect Nexway to increase revenues to over EUR 300 mn by 2021e, which marks the end of our detailed planning phase. For the period 2019e-21e, this corresponds to compound annual growth rates (CAGR) of Group revenues of 20.7%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

EXHIBIT 2: GROSS REVENUES BY SEGMENTS, 2003-21E

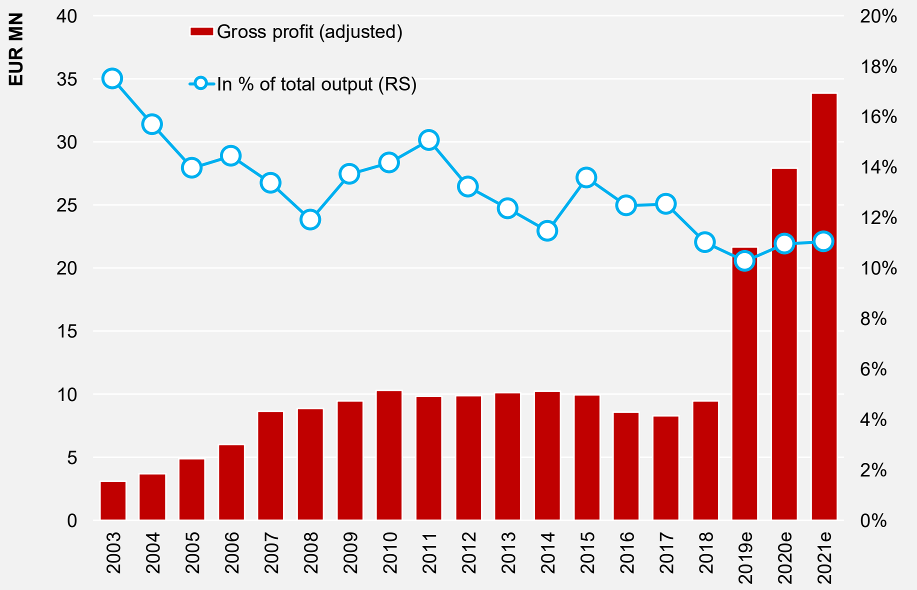


Last year, the former asknet was able to report a significant 29.7% increase in revenues. This illustrates that the market position, especially in Asia, has already improved significantly since the management change in 2016. We also believe that the merger with Nexway will benefit both parties in terms of lower overhead costs and a significantly improved international profile.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Nexway in Figures

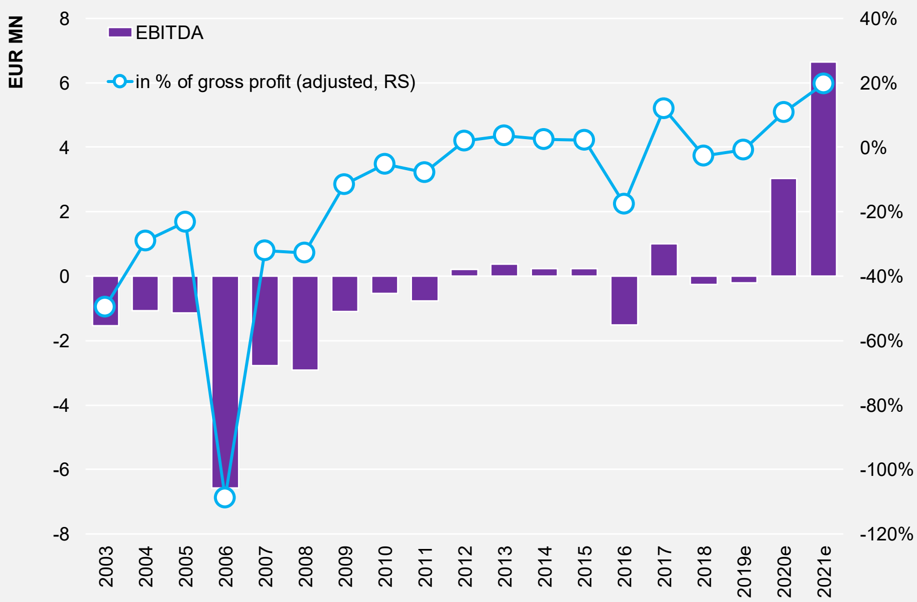
EXHIBIT 3: GROSS PROFIT AND GROSS PROFIT MARGIN, 2003-21E



The cost of materials consists of the revenue shares that Nexway has to pass on to the providers of the digital products, e.g. software developers or games publishers. Over the past 16 years, the cost of materials ratio has ranged between 82.3% and 87.4% of gross revenues, with a recent upward trend, since the provision of pure download activities, especially in the software sector, is increasingly accorded a commodity-like character. As a result of the merger and the resulting inclusion of non-software industries such as games publishing, we expect material expenses of between 88.6% and 89.2% for the years 2019e to 2021e. The gross profit margin should thus recover to up to 11.4% by 2021e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

EXHIBIT 4: EBITDA AND EBITDA MARGIN, 2003-21E

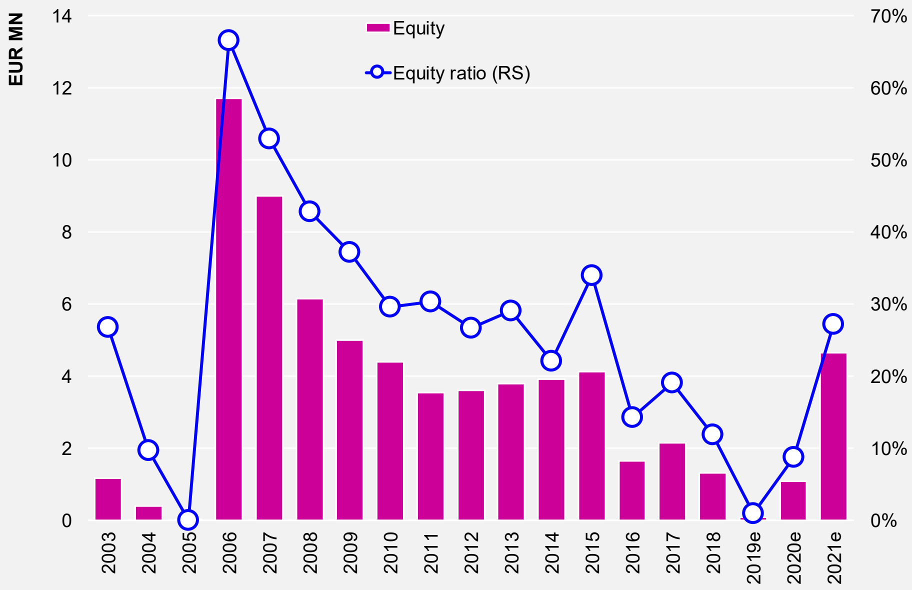


In our opinion, Nexway's business model can only be managed sustainably and profitably once it has reached a critical size. In our opinion, this critical size was reached by the merger of asknet and Nexway. We therefore expect a significant increase in the EBITDA margin. We expect Nexway to achieve an EBITDA margin of 19.6% (based on gross profit) by 2021e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Nexway in Figures

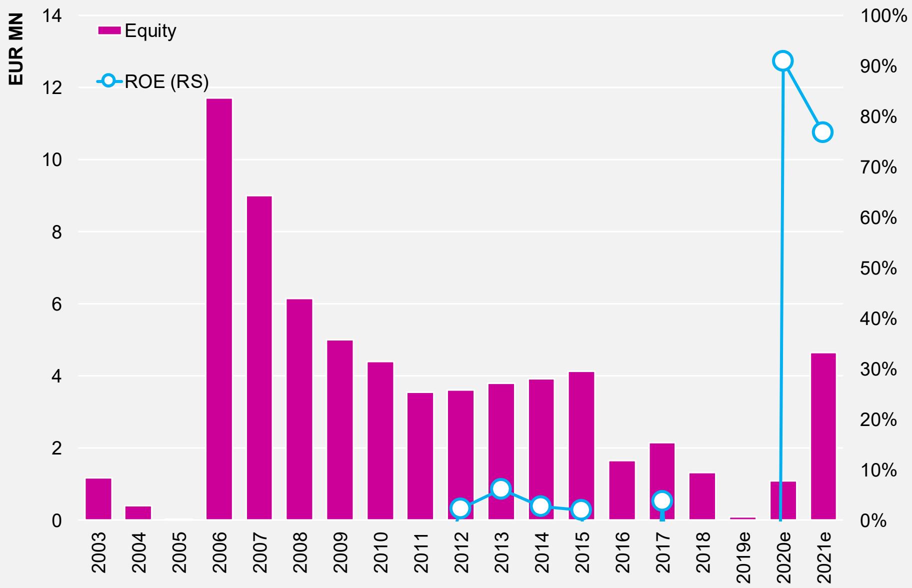
EXHIBIT 5: EQUITY AND EQUITY RATIO, 2003-21E



The company's share capital currently consists of 654,765 shares with a nominal value of EUR 1.00 per share. This year, due to the expected after-tax loss, there will be an almost complete depletion of equity capital before it should improve significantly in the next two years. In our expected scenario, the equity ratio will rise to up to 27.2% by 2021e, assuming a retention of earnings.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

EXHIBIT 6: EQUITY AND RETURN ON EQUITY (ROE), 2003-21E

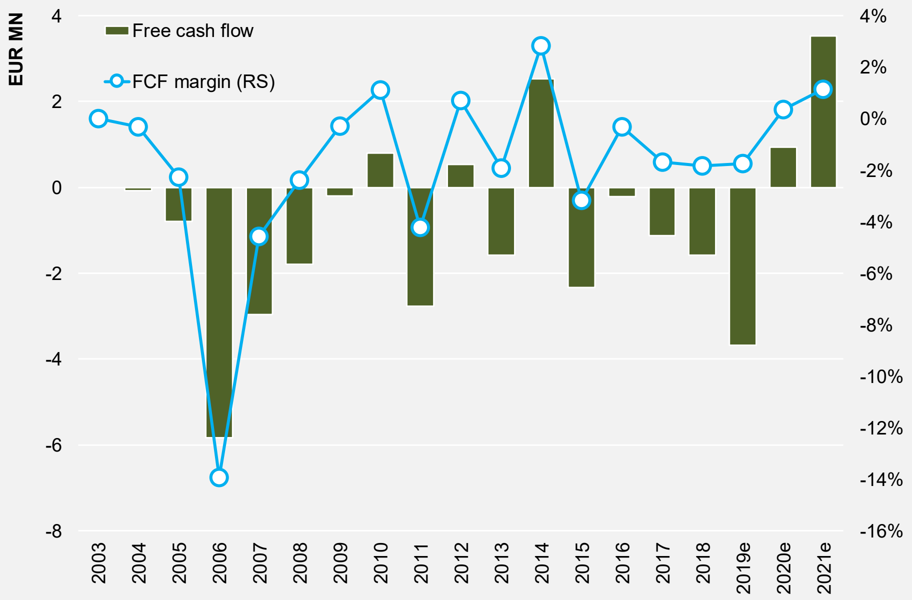


Over the past 16 years, Nexway has rarely been profitable after taxes. This should change after the merger of asknet with Nexway. Despite an assumed retention of earnings, we expect returns on equity to increase significantly by 2021e. This is due to the expected improvement in earnings after taxes; the other factors influencing the return on equity (asset turnover, or leverage), on the other hand, have little impact. We expect return on equity to rise to 76.7% over the next three years.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Nexway in Figures

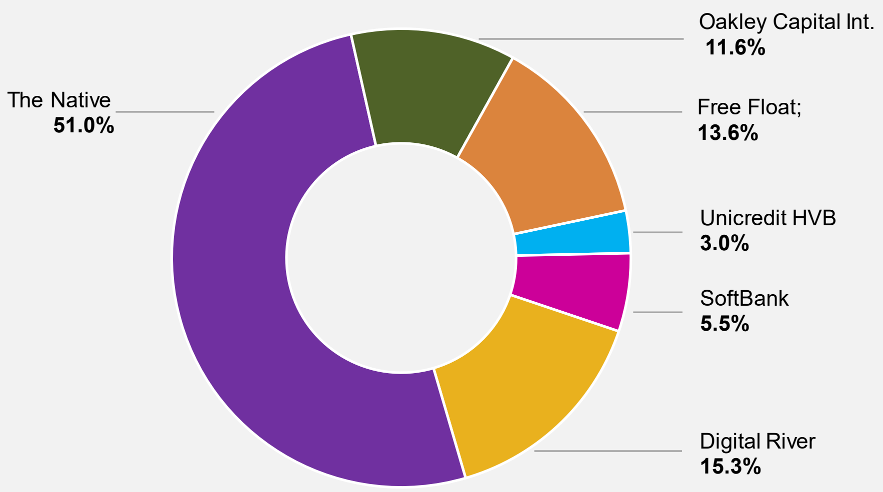
EXHIBIT 7: FREE CASH FLOW AND FCF MARGIN, 2003-21E



In twelve of the last 16 years, free cash flows have been negative, mostly because operating cash flows have also been negative. For 2020e, we expect a significant increase in free cash flows to up to EUR 3.5 mn Based on gross revenues (gross profits), this corresponds to FCF margins of 1.1% (10.4%).

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

EXHIBIT 8: SHAREHOLDER STRUCTURE (AS OF AUGUST 2019)



The company's shareholder structure currently shows a free float of 13.6%. 86.4% of the shares are held by five major shareholders. With 51.0% of the shares, the investment company The Native is the majority shareholder of Nexway. The second largest single shareholder is the US competitor Digital River (15.3%).

SOURCE: COMPANY DATA, SPHENE CAPITAL

Price Target EUR 39.10 per Share

We value the equity of Nexway AG, which is listed on the Frankfurt Stock Exchange and in the Xetra electronic trading system, on the basis of a three-stage discounted cash flow (DCF) entity model (primary valuation method) and an economic profit model (secondary valuation method).

After the merger of asknet with Nexway, the company will significantly improve its market visibility and substantially increase profitability in the coming years after reaching critical size. We expect Nexway to grow revenue to EUR 306.9 mn by 2021e, equivalent to compound annual revenue growth rates (CAGR) of 20.7% for the 2019e-21e period. At the same time, we anticipate a gradual improvement in profitability and expect Nexway to achieve operating profits (EBIT) of EUR 4.7 mn by 2021e. In the following twelve-year period, which marks the transition phase for our three-stage DCF model and ends with the Terminal Value phase at the end of fiscal year 2033e, we have assumed an average annual revenue growth rate of 4.0%. In the subsequent Terminal Value phase, we have modelled an annual growth rate of 0.5%, which corresponds to the quasi-risk-free interest rate in the form of long-term Bunds with a 30-year maturity. The total value of equity in the base case scenario is EUR 25.6 mn or EUR 39.10 per share. In a Monte Carlo analysis, we used alternative revenue and earnings scenarios. This results in best-case and worst-case equity values of EUR 29.4 mn and EUR 20.6 mn respectively, corresponding to EUR 44.90 and EUR 31.50 per share, respectively.

In order to review the results of the DCF model, we have used an economic profit model in which we assume that a fair valuation of the company is achieved at the earliest when the value added generated by the company corresponds to the associated cost of capital. Based on our capital and earnings estimates, Nexway's equity is valued at EUR 28.2 mn or EUR 43.10 per share. The company values derived from the economic profit value added model are thus higher than those derived from our long-term intrinsic DCF model.

Our primary valuation method for Nexway is a three-stage DCF entity model
Broadly speaking, Nexway's business model can be described as "asset light". Capital requirements for property, plant and equipment are negligible, and net cash flows can even be generated from current working capital. Financing further growth is therefore not associated with high investments in property, plant and equipment or working capital, but with the release of capital. Against this background, we expect a high cash conversion rate. In connection with the Company's turnaround situation, we therefore believe that a long-term, standardized, three-stage discounted cash flow entity model (primary valuation method) is the appropriate valuation method for Nexway.

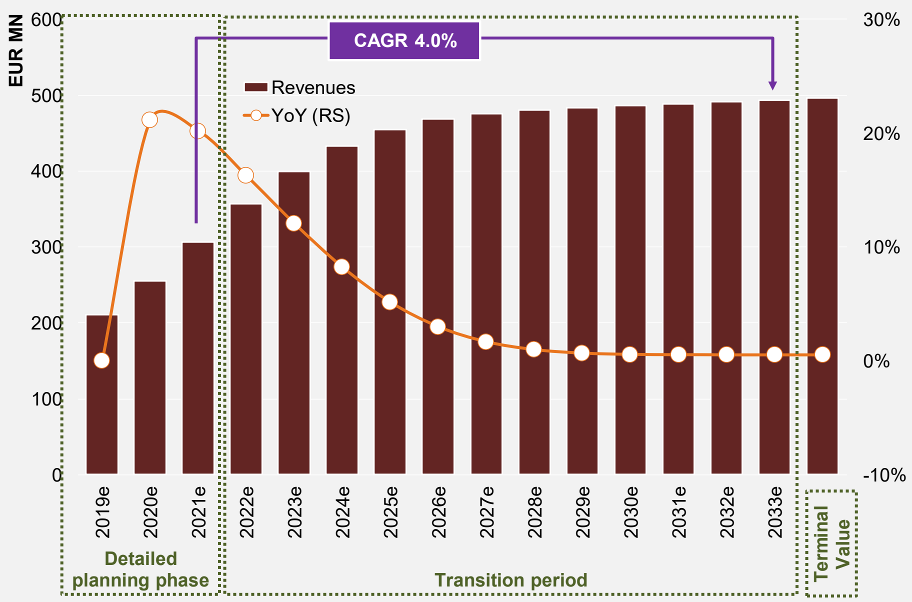
Growth assumptions of our DCF model
We assume the following growth assumptions for our three-stage discounted cash flow model:

Three-stage DCF entity model: Revenue assumptions

- Phase 1 of the DCF model (the so-called "**detailed planning phase**") is initially based on our detailed revenue, earnings, cash flow and balance sheet estimates up to 2021e, and we expect a merger-related compound annual growth rate (CAGR) of revenues between 2018 and 2021e of 52.8%.
- In the subsequent phase 2 (twelve-year "**transition phase**"), which ends in 2033e, we have estimated a CAGR of revenues of 4.0%. Furthermore, during the rough planning phase, we assume that the company's key performance indicators would approach a level that could be achieved in the long-term.
- For the concluding phase 3, the so-called "**terminal value phase**", in which growth is by definition only possible without entering operational risks, the growth rate we

assume is the risk-free interest rate of 30-year German government bonds, currently at 0.5%.

EXHIBIT 9: REVENUES AND REVENUE GROWTH, 2019E-33E



Until 2021e, the model is based on our detailed income statement, balance sheet, and cash flow projections. These lead to a second rough planning or transition phase, which ends in 2033e. We then model the terminal value, in which Nexway is in a state in which excess returns can no longer be achieved.

The average annual sales growth rates during the detailed and rough planning phase are 52.8% and 4.0%, respectively. In terminal value, where risky investments no longer "pay off", operating cash flows are invested at risk-free rates.

SOURCE: SPHENE CAPITAL FORECAST

Further assumptions during the rough planning phase

Three-stage DCF entity model: assumptions for other relevant value drivers

For our three-stage DCF model, during the rough planning phase we assume in particular,

- a **beta** of 1.40, which in the absence of statistically valid data against the background of the high volatility of listed download service providers, we derived from the following macroeconomic and company-specific factors:

TABLE 1: FUNDAMENTAL BETA

Degree of diversification	0.00
Intensity of competition	0.20
Maturity of business model	0.00
Regulatory risks	0.00
Financial risks	0.10
Forecast risks	0.10
Market beta	1.00
Beta	**1.40**

SOURCE: SPHENE CAPITAL

- that the **EBIT margins** in the forecast period will not differ significantly from the figure of 1.5% expected in 2021e (basis: gross revenues);

- that the **operating margins** in the subsequent Terminal Value phase will be 1.5%;
- a declining **investment ratio to net sales** over time, which can be justified by an increasing maturity of the business model and the fact that external growth is not taken into account; on balance, from 2021e we expect successively declining maintenance and expansion investments over time;
- that the cash flows generated by Nexway in the period 2019e-21e will be discounted using **weighted average costs of capital** (WACC) of 12.7%. In addition to the fundamental beta of 1.40, WACC are composed of a quasi-risk-free interest rate of 0.5%, calculated from the yield on long-term (30-year) German government bonds ("Bunds") and an implicitly calculated risk premium for the overall market (assumption of the geometric mean) of currently 8.5%. In addition, we have applied a small caps premium of 1.0%, which is made up of management dependency (0.5%) and a share liquidity premium (0.5%). With a synthetic corporate rating of CCC assumed by us, we consider a risk premium for debt capital of around 9.0% to be appropriate. Finally, we assume that Nexway is aiming for an industry-specific target capital structure of 90.0%/10.0% for the market values of equity and debt capital;

TABLE 2: WACC, 2019E-21E

Cost of Equity	**%**	**12.4%**
Risk-free rate 30-year Swiss government bonds	%	0.5%
beta		1.4
Risk premium	%	8.5%
Small caps premium	**%**	**1.0%**
Management premium	%	0.5%
Liquidity premium	%	0.5%
Private company premium	%	0.0%
Target equity structure	%	90.0%
Weighted costs of equity	**%**	**12.1%**
Cost of debt		
Risk-free rate 30-year Swiss government bonds	%	0.5%
Risk premium liabilities	%	9.0%
Total cost of debt	%	9.5%
Tax rate	%	30.0%
Cost of debt after tax	%	6.7%
Target debt structure	%	10.0%
Weighted costs of debt	**%**	**0.7%**
WACC based on target values	**%**	**12.7%**

SOURCE: SPHENE CAPITAL FORECAST

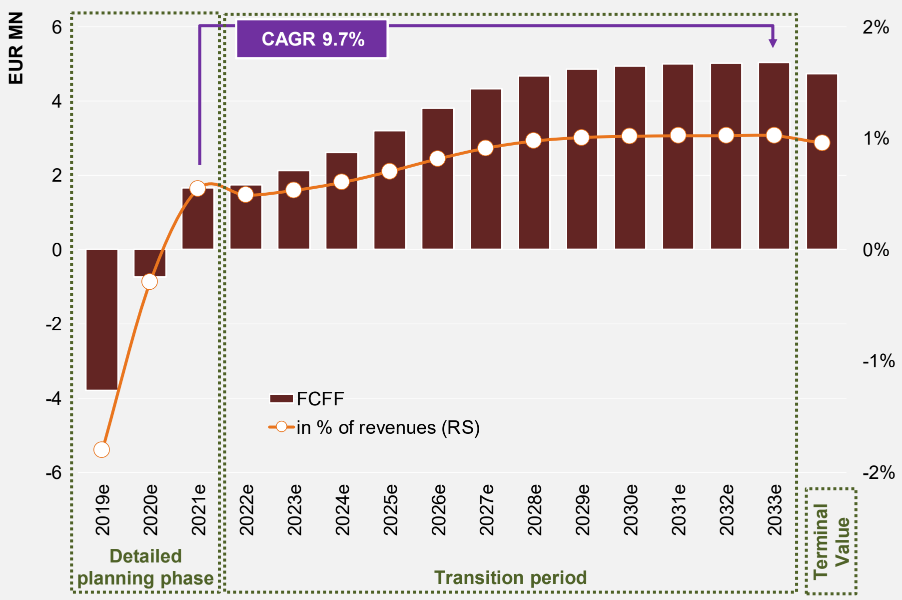
- a **terminal value insolvency probability** of 8.3% per annum, which we consider realistic for the currently unindebted company with an expected recovery rate of 10.0% and a synthetic CCC rating derived from the current low equity ratio;
- that the **marginal tax** rate during the rough planning period will be at the level of 30.0%, which we regard as a realistic average for the globally present company;
- that negative free cash flows will not be discounted, but rather compounded to the current valuation date using the weighted cost of capital (**axiom of investors' risk aversion**); this applies in particular to the early years of the detailed planning phase in which we expect, that the Company will generate negative free cash flows;
- that Nexway will have **capital costs in the terminal value** phase that do not differ from those of other mature companies; accordingly, we assume a decline in beta to the level of the market portfolio (i.e. 1.0) and thus the WACC from 12.7% (2019e-21e) to 5.5% (which would correspond to a market risk premium of 500 basis points based on current risk-free interest rates).

Dynamic development of free cash flows

Typical life cycle curve

Under these assumptions, the development of free cash flows for the years 2019e to 2033e will be as follows (cf. exhibit 10). It can be seen, that Nexway will significantly increase profitability on the purely organic growth path assumed by us. During the subsequent rough planning (or transition) phase, we model only maintenance and minor expansion investments. Finally, in the Terminal Value phase, we assume a slight decline in free cash flows due to the assumed increase in the reinvestment rate, which in turn forms the basis for a perpetual annuity calculation of the model value.

EXHIBIT 10: FCFF AND FCF MARGIN, 2019E-33E



Rising revenues with costs growing under-proportionally and almost constant net investments will lead to significantly higher free cash flows. We expect the FCFF margin to increase to 1.0% of gross revenues by 2033e.

SOURCE: SPHENE CAPITAL FORECAST

Over the medium term, our base case scenario gives an equity value of EUR 25.6 mn or EUR 39.10 per share.

Price target of EUR 39.10 per share

In our model, the enterprise value of Nexway AG is EUR 25.4 mn. 36.7% of this is derived from the terminal value, -12.4% and 75.7%, respectively, from the cash flows generated in the detailed and rough planning phase. In addition to the current net financial position (as at 12/2018) of EUR 0.2 mn (based on excess cash, which we have classified as 5% of the balance sheet liquidity position), this results in a value of equity of EUR 25.6 mn. With 0.654 mn shares, this corresponds to a value of EUR 39.10 per share.

TABLE 3: DCF VALUATION: EXECUTIVE SUMMARY

TV Insolvency rate	%	8.3%
Terminal Cost of capital	%	5.5%
Present value of terminal value	EUR mn	9.3
in % of Enterprise Value	%	36.7%
PV FCFF Detailed planning phase	EUR mn	-3.1
in % of Enterprise Value	%	-12.4%
PV FCFF rough planning phase	EUR mn	19.2
in % of Enterprise Value	%	75.7%
Enterprise Value	**EUR mn**	**25.4**
Financial debt	EUR mn	0.0
Excess Cash	EUR mn	0.2
Value of equity	**EUR mn**	**25.6**
Number of shares	mn	0.7
Value of equity per share	**EUR**	**39.10**

SOURCE: SPHENE CAPITAL FORECAST

All figures are based on pro forma data

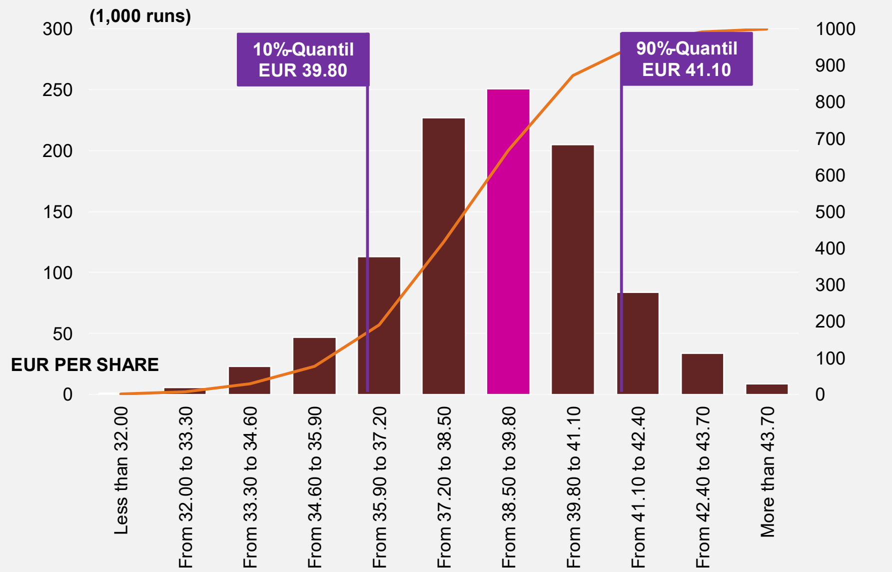
It should be noted that Nexway has not yet published any consolidated financial statements including the former asknet and Nexway SAS. The financial forecasts we have calculated for the years 2019e to 2021e should therefore be provided with an individual safety discount.

Advanced scenario analysis through Monte Carlo simulation

Monte Carlo simulation with price targets between EUR 31.50 and EUR 44.90 per share

In the following exhibit 11, the limits for the growth rate and the EBIT margin in Terminal Value were further extended and a total of 1,000 combinations of the two parameters were tested and evaluated. The results show that equity values of less than EUR 20.6 mn or more than EUR 29.4 mn or less than EUR 31.50 and more than EUR 44.90 per share can hardly be achieved by combinations of the two variables growth rate and terminal EBIT margin:

EXHIBIT 11: MONTE CARLO SIMULATION



The figure shows a left-skewed histogram with a mode between EUR 38.50 and EUR 39.80 per share. The 10% and 90% quantiles are at EUR 39.80 and EUR 41.40 per share, respectively.

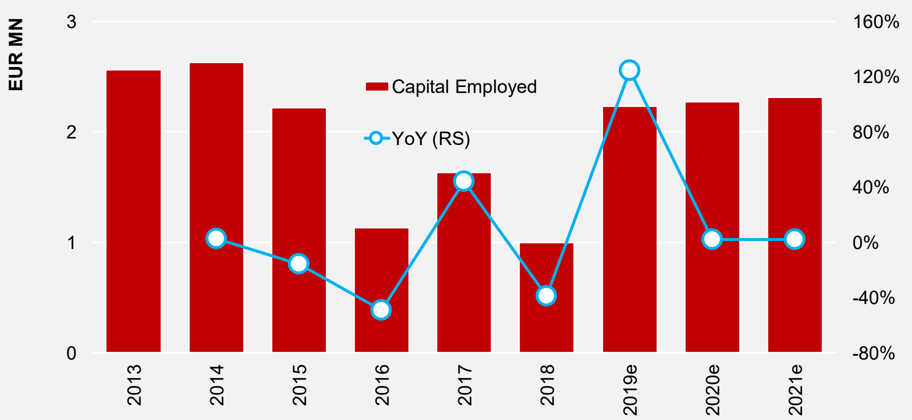
SOURCE: SPHENE CAPITAL FORECAST

In addition to the DCF model, we have reviewed our results using an economic profit model. This involves testing whether the capital made available to the company is being used to create value and whether this added value is already reflected in the share price. From the value-added model, we calculate a value of equity for Nexway of EUR 28.2 mn or EUR 43.10 per share.

Use of the value-added multiplier

The first step is to determine whether Nexway operates a value-creating business model at all. To do this, we determine the cost of the capital employed and compare it with the return on the capital employed.

EXHIBIT 12: CAPITAL EMPLOYED, 2013-21E



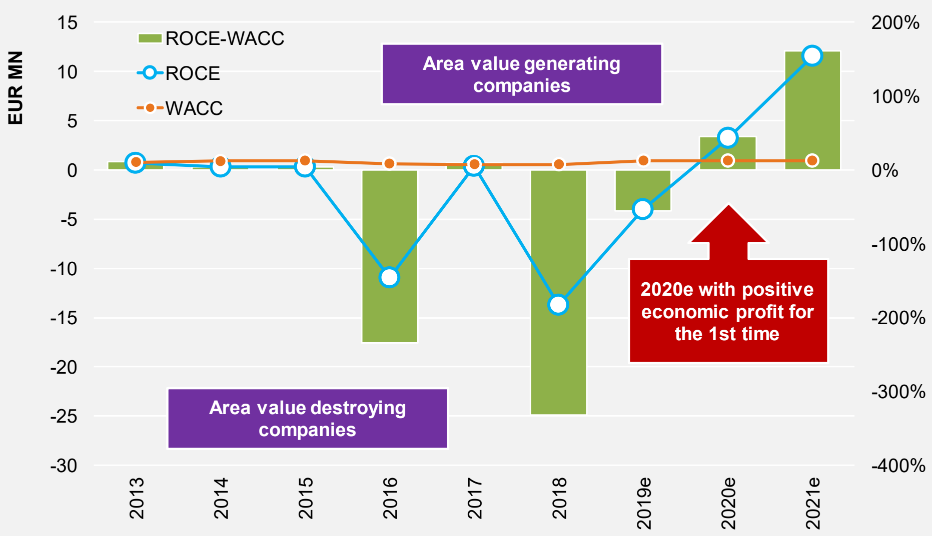
In our valuation model, we calculate an increase in capital employed to EUR 2.3 mn by the year 2021e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Calculation of capital employed
Exhibit 12 shows the capital employed by Nexway for the years 2013 to 2021e derived from the balance sheet data and our estimates:

Return on capital employed
In a second step, we determine the return on capital employed (ROCE) by calculating the adjusted operating income (NOPLAT) and dividing it by the capital employed. We then compare the calculated ROCE values with the cost of capital (WACC) calculated above.

EXHIBIT 13: RETURN ON CAPITAL EMPLOYED (ROCE), 2013-21E



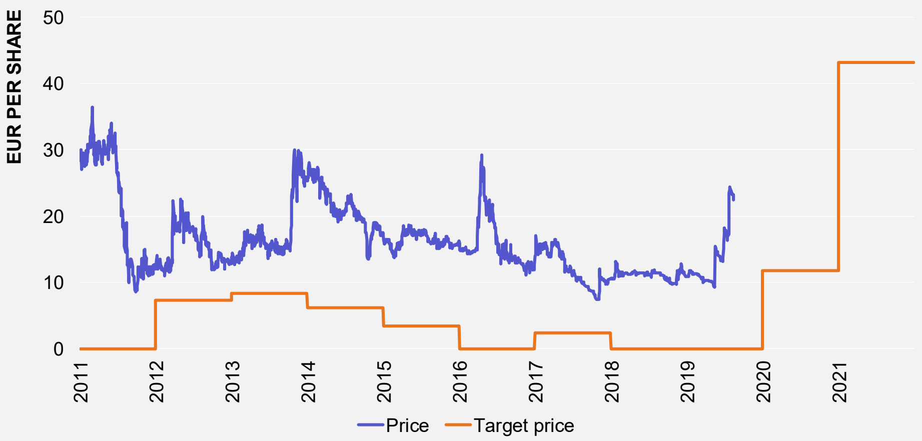
For the first time, Nexway will show a clearly positive value-added margin in 2020e, in our view.

SOURCE: SPHENE CAPITAL FORECAST

Nexway first positive value-added margin in 2020e
The above exhibit 13 shows that Nexway, according to our forecast, has a negative value-added margin up to and including 2019e. The value-added margin will be positive for the first time in 2020e. We also anticipate that Nexway will gradually expand its value-added margin in the coming years.

Valuation at the point in time at which positive value-added was achieved
From our point of view, an investor will not sell his or her stake in Nexway until the company is no longer destroying value at the earliest. According to our estimates, this will be the case next year, when the return on capital employed exceeds the cost of capital for the first time. At this point, an investor will charge a price for his shares that corresponds to the value of the capital invested. From this, an enterprise value of EUR 7.6 mn (EUR 27.9 mn) can be derived for 2020e (2021e). In addition to the forecast net financial position (based on excess cash) in 2021e of EUR 0.3 mn, an equity value of EUR 28.2 mn or EUR 43.10 per share is calculated. For 2021e, the results from the economic profit methodology are thus higher than the valuation results of the DCF model.

EXHIBIT 14: BACKTESTING THE VALUE-ADDED MODEL, 2011-21E



The exhibit shows how the value of equity will increase in the coming years as a result of the increased value-added margin. All in all, we expect a valuation that adequately reflects the value-added to be achieved at a price of EUR 43.10 per share.

SOURCE: SPHENE CAPITAL FORECAST

Summary of our findings
In exhibit 15 below, we have summarised the results of our valuation approaches, whereby we have presented bear, base and bull case scenarios for the DCF method. Based on Nexway's expected operating earnings performance, we believe that a DCF model designed for the long-term is the superior valuation method.

The summary of the evaluation results shows that the evaluation medians have similar values.

Compared with the last closing price of EUR 22.80, the price potential is 71.5%. We are thus reinitiating research coverage of Nexway AG with a buy rating.

EXHIBIT 15: SUMMARY OF VALUATION RESULTS

We consider the DCF model to be the most relevant valuation method due to the long-term growth potential of the business model.

SOURCE: SPHENE CAPITAL FORECAST

Multiples in reaching our DCF based equity value
Based on our financial forecasts and if the equity value we calculated (base case scenario in the DCF valuation model) of USD 39.10 per share is reached, Nexway will be valued using the following multiples:

TABLE 4: VALUATION MULTIPLIERS

		Valuation at current share price			Valuation at price target		
		2019e	2020e	2021e	2019e	2020e	2021e
P/ER	x	n/a	15.2x	4.2x	n/a	26.0x	7.2x
EV/sales	x	0.1x	0.1x	0.0x	0.1x	0.1x	0.1x
EV/EBIT	x	n/a	11.4x	3.1x	n/a	19.6x	5.3x
P/BR	x	n/a	13.8x	3.2x	n/a	23.6x	5.5x
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCE: SPHENE CAPITAL FORECAST

Downside risks for reaching our equity value

We have identified the following weaknesses and downside risks, which could affect the company reaching our equity value range (for details and additional information, see also p. 28ff): **(1)** Currently no audited consolidated financial statements of the merged companies, **(2)** improvable profitability, as Nexway has not been able to achieve positive operating results in many of the past years, **(3)** high dependency on individual customers, **(4)** stock overhang after the merger, **(5)** low liquidity of the share, **(6)** dependencies on management.

Catalysts for performance

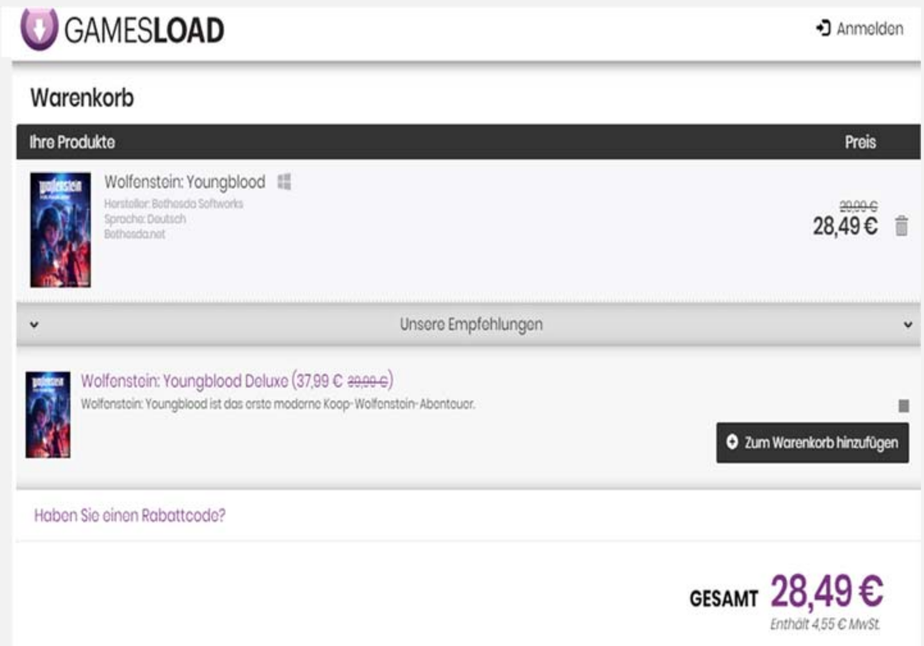
We consider the most important catalysts for the performance of Nexway's share price in the coming months to be **(1)** news regarding a better than expected earnings performance, **(2)** news regarding new customer acquisitions.

Outsourcing of the Download of Digital Products

Nexway's core business is the creation and operation of online shops that enable the worldwide download of digital products such as software or online games for small to medium-sized, but generally globally active companies directly from their websites. Since asknet's reverse takeover at the end of 2018, Nexway has become one of the leading global providers of such Internet download services for third parties. In particular, the previously exclusive focus on software developers has given way after the merger to a much broader positioning in which online game developers, hardware manufacturers, retailers, and service providers have not only been included, but also play a significant role. Nexway offers the complete value chain of downloading digital products, starting with the creation of an individualized online shop that seamlessly integrates into the corporate identity or existing website of the provider from an end customer's perspective. Additional services offered range from the processing of product sales made in the online shop on servers maintained by Nexway—in its own name and for its own account—to a range of downstream services such as telephone customer service, cross-selling offers, and AI-supported marketing services, with the means of which traffic to the websites can be increased. Nexway supports numerous currencies, languages, and payment methods that small or mid-sized companies could hardly offer by themselves. In addition, direct sales via the online shop give companies access to their customers for the first time, enabling them to pursue innovative sales and customer loyalty strategies.

Apart from download services, Nexway's Academics division creates procurement portals for universities, colleges, and research institutions, which allow authorized users to purchase software products at usually more favourable conditions than in stand-alone.

EXHIBIT 16: SCREENSHOT OF A TYPICAL ONLINE SHOPPING CART HOSTED BY NEXWAY



On the left side the screenshot of an online shop operated by Nexway can be seen. After selecting the product, here the computer game Wolfenstein: Youngblood, the buyer is directed to the shopping cart operated by Nexway, where Nexway acts as Merchant of Record (MOR), i.e. as a company authorised and liable by a financial institution to process credit card and debit transactions of the consumer in its own name. MOR not only handles the payment processes, but also ensures that the customer company complies with all tax laws (local and global).

SOURCE: COMPANY DATA, SPHENE CAPITAL

Outsourcing of sales and procurement of digital products

Overview of the business model

The products and services offered by Nexway enable customers of Nexway, small and medium-sized businesses, to distribute their digital products globally over the Internet.

This is made possible by creating an online shop on the customer's website and seamlessly integrating it into the customer's existing website. Nexway then handles all product sales made in the online shop. In addition to the actual product sales, Nexway offers its customers a broad range of downstream services such as telephone customer services, cross-selling offers, or branding solutions.

No system breaks

Although the integration of the front-end into the customer's system environment is based on standardized programs, the software buyer looks at an individualized online shop that seamlessly integrates into the corporate identity of the provider and the respective regional conditions (same "look and feel"). Due to the seamless back-end and front-end integration of the online shops, users usually do not immediately notice that they are switching to a Nexway web page and are no longer on the company's or organization's website, but on one hosted by Nexway. System breaks do not occur with the solutions offered by Nexway. The solutions offered by Nexway are mutually beneficial:

The integration into the website of the manufacturer and the access to the programs are usually carried out via a link on the manufacturer's website. As a result, the set-up of an online shop does not need much time, so that a standardised online shop is ready for operation within a few days.

- For the **product developer**, the main advantages are the extension of the value chain by the online component, the bypassing of traditional sales channels and thus margin improvements, the high scalability of the shops, cost advantages from the shop operation and a significantly better and longer-term customer loyalty. Direct sales via the online shop often give a company access to its customers for the first time, enabling it to implement innovative sales and customer loyalty strategies.
- For the **buyer**, the costs associated with the purchase and delivery of digital products (travel, packaging, and postage) as well as delivery times are eliminated.

300+ payment methods, 100+ currencies, 18 languages, 140+ countries …

According to the company, more than 300 payment methods and over 100 currencies in 18 languages are currently offered in more than 140 countries.

TABLE 5: LANGUAGES AND CURRENCIES (SELECTION)

Languages			Currencies (selection)		
Austrian	English (GRB)	Polish	AUD	EUR	USD
Belgian	English (USA)	Portuguese	BRL	GBP	
Brazilian	French	Spanish	CAD	JPY	
Canadian (FRA)	Italian	Swiss (FRA)	CHF	MAD	
Dutch	Japanese	Swiss (GER)	COP	NOK	
German	Korean	Swiss (ITA)	DKK	SEK	

SOURCE: COMPANY DATA, SPHENE CAPITAL

... and significantly better performance figures

When it comes to handling the payment process, however, it is not just a matter of supporting customers with many different payment transactions, currencies or countries, which small or medium-sized companies could hardly offer themselves, but also of complying with a wide range of regulatory obligations, such as the so-called Payment Card Industry Data Security Standard (PCI-DSS), a set of rules relating to the

Nexway offers all common payment systems and currencies and takes into account country-specific VAT regulations.

processing of credit card transactions, which is supported by all major credit card organizations. In addition, the measured performance indicators are well above industry averages:

TABLE 6: PERFORMANCE FIGURES NEXWAY VS. INDUSTRY AVERAGE

		Nexway	Industry average
Manual Review Rate	%	2.76%	8.0%
Share of rejected orders	%	0.75%	2.9%
Fraud ratio	%	0.34%	0.9%

SOURCE: COMPANY DATA, SPHENE CAPITAL

Nexway acting as Merchant of Record

One of the most important functions of Nexway is that of Merchant of Record (MOR). A MOR is a company authorized and held liable by financial institutions to process credit card and direct debit transactions on behalf of end customers. A MOR accepts all debit and credit card payments. But not just this; because in addition to **digital fulfilment** in the narrow sense, i.e. the entirety of all activities that occur after the conclusion of a contract, the supply of customers and the fulfilment of other contractual obligations,

The online shops created by Nexway are generally operated on its own servers, in its own name and on its own account. The processing of sales includes the recording of the customer's product selection in a virtual shopping basket, payment processing and download. Fulfilment services include warehousing, logistics, printing, and packaging services, customer service, shipping, and returns management. Finally, payment processing takes place via specialized payment providers, which act as interface to credit card companies and banks and collect the purchase price payments on behalf of Nexway.

- Nexway calculates and applies the applicable **regional taxes**, displays the amount to the purchaser during the ordering process, and reliably pays the withheld taxes to the regional tax authorities;
- Nexway transmits the customer data to the payment processor used by the merchant bank by means of **secure encryption**;
- Nexway performs **fraud management** for the customer;
- Nexway ensures **compliance with embargo guidelines** and the **basic data protection regulation**;
- Nexway works with commercial banks and **payment processors**;
- Nexway negotiates and manages ongoing **credit card processing fees**;
- Nexway ensures compliance with **PCI-DSS standards** for handling card holder information;
- Nexway ensures compliance with country-specific **payment laws and regulations**;
- Nexway manages **chargeback anticipation requests** and chargebacks;
- Nexway offers local **level one customer support** services.

Clients of Nexway

Originally, the services offered by Nexway were only requested by software developers who could not process the various currencies, languages, and payment methods themselves. In the meantime, however, the range of customers has expanded considerably, as other industry groups such as game publishers or service providers are also confronted with similar challenges.

EXHIBIT 17: CLIENTS OF NEXWAY (SELECTION)

SW developer	Games publisher	Retail	Content portal	Service provider	HW manufacturer
Microsoft	Rockstar Games	Amazon	Clubic	TechLive Connect	Intel
Cyberlink	Sega	Fnac	Comment ça Marche	T-Online	
Kaspersky Lab	Ubisoft	Gamesrocket	Yahoo! Japan	Orange	
Adobe	Warner Bros. Games	MediaMarkt	O1net	Türk Telekom	
Teamviewer	2K Games	Tech Data			

SOURCE: COMPANY DATA, SPHENE CAPITAL

Overview of the competitive environment in the E-Commerce download segment

The global outsourcing market for download services is divided among only a few companies. The relatively small number of competitors is due to high barriers to market entry against the background of the required cross-sectional competences from IT, Internet, logistics, sales, marketing, hosting, and customer service. In addition, special know-how is required with regard to global payment procedures and tax calculation models as well as in the area of the security of customer data, payment data, and downloads. After all, long-term customer relationships are also essential.

- The merger of asknet and Nexway has significantly improved the company's market position. Nevertheless, the American **Digital River**, founded in 1994, remains not only the founder of the business model "Outsourcing of Software Downloads", but is also the undisputed world market leader in this industry and significantly larger than Nexway.
- In addition, there are various specialist providers that are comparable in size and number of customers to Nexway. These include the Dutch-Romanian **Avangate** (founded in 2006), the Dutch **ESDNOW,** and the German **Cleverbridge**, a spin-off of element5 that was acquired by Digital River in 2005.

TABLE 7: COMPETITION IN THE E-COMMERCE DOWNLOAD SEGMENT

	Digital River	Nexway	Avangate	ESDNOW	Cleverbridge
Year of foundation	1994	2002	2006	2001	2005
Number of employees	>1.500	165	>300		>300
Number of locations	>10	8	1	1	5
Regional focus					
M&A activities					

SOURCE: COMPANY DATA, SPHENE CAPITAL

Business model in the E-Commerce download segment

For the ongoing operation of an online shop, Nexway receives a percentage share of the gross or net revenues generated from the sale of digital products or software updates via the online shop. In addition, Nexway receives a one-time fixed amount ("retainer") for the initial creation and connection of the online shop, which however tends to be negligible in the long-term.

According to our estimates, Nexway will generate 90.6% of its Group revenues with e-commerce downloads in the current financial year.

In addition to operating online shops, Nexway develops and operates software procurement portals for universities, colleges, research institutions, university clinics, and companies in the form of central intra-net portals. These portals enable authorized users to purchase software products, usually at more favourable conditions than in a stand-alone case. In this area, Nexway operates exclusively in German-speaking countries. Typical users of the products offered by Nexway are professional clients who download updates or new software releases.

Academics as second, highly profitable business division

In addition to outsourcing software sales, Nexway's Academics division develops and operates customer-specific software procurement portals for universities, research institutions, university clinics, and companies. Via a central intranet site, authorized employees, scientific staff, and students of academic institutions can obtain software products and download them onto their computers. As in the core area of E-Commerce, the procurement portals are seamlessly linked to the intranet of the respective institutions. Within a volume-license framework, the software products offered can be purchased at discounted conditions, especially in the scientific area.

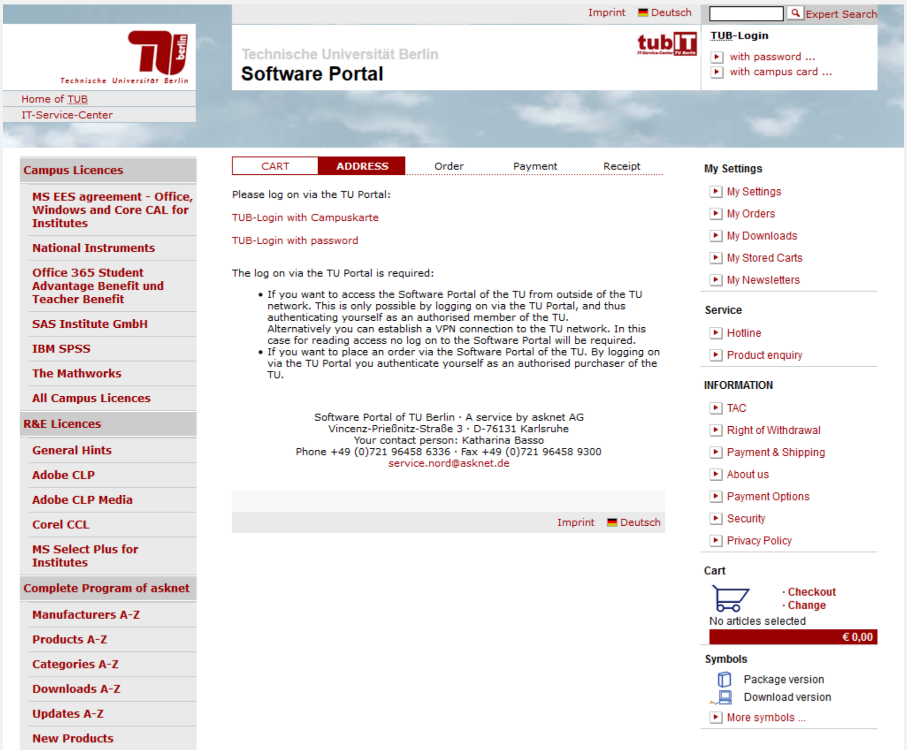
Students and university staff can download software (packages) at reduced prices through the procurement portals offered by Nexway.

Considerable savings potential

In Germany, universities have traditionally attempted to obtain larger volume licences at university or country level in order to save costs. The advantage of a central procurement portal is that the individual universities have a central information, procurement, and distribution platform that enables them to obtain, distribute, and invoice software efficiently. The universities pay licence fees depending on the number of the authorized employees and users who may use the licensed desktop software on any computers and devices of the respective universities as well as for working on their private computers. In addition, the framework agreements reached with Nexway offer universities uniform terms and conditions. This facilitates license management and a higher degree of standardization. In our opinion, the potential savings with regard to procurement time and costs are considerable.

While the "sweet spot" in E-Commerce downloads is for companies with online sales of EUR 1-10 mn, in Academics all higher education institutions are potential customers of Nexway.

EXHIBIT 18: SCREENSHOT OF AN UNIVERSITY PORTAL



More than 80% of German universities use the procurement portals offered by Nexway.

SOURCE: COMPANY DATA

Nexway's Academics suppliers and customers

Suppliers of the software are developers such as Microsoft or Adobe on the one hand, and classic distributors such as Ingram or TechData on the other. Four software manufacturers—Microsoft (49%), Adobe (21%), Ansys (11%), and IBM (6%)—are responsible for approximately 85% of the resale gross revenues, according to the management.

In the Academics division, Nexway is exclusively present in German-speaking countries and, according to Nexway, has clearly assumed market leadership with more than 80% of the universities.

Nexway's customers are universities and technical colleges such as the Freie Universität Berlin or the RWTH Aachen, university hospitals, and scientific research institutions such as the Max Planck Society or the Forschungszentrum Karlsruhe. While Nexway has a global presence in its core business area E-Commerce downloads, the Academics division is only active in German-speaking countries. According to the company, the customer structure is highly diversified.

Competition in the Academics segment

Currently, more than 80% of German universities and colleges are Nexway customers. The competition is based on three companies: Software 1, Cancom, and Crayon. In our opinion, however, these are less well positioned than Nexway in key aspects, as shown in table 8 below:

TABLE 8: COMPETITION IN THE ACADEMICS SEGMENT

	Nexway	Software 1	Cancom	Crayon
Complexity of the procurement portal	●	◔	◔	○
Number of offered software manufacturers	●	◔	◔	◔
Client specific adjustments	●	◔	◔	○
SAP interface	●	○	○	○
Role based functionalities	●	○	○	○

SOURCE: COMPANY DATA, SPHENE CAPITAL

Business model in the Academics segment

As in its core business, Nexway receives a percentage share of the gross or net revenues generated by the sale of digital products or software updates via the online shop in the Academics segment. 85% of revenues are generated by the resale of software products of more than 130 software manufacturers. The remaining 15% are divided between setting up and maintaining the e-procurement portal using a software-as-a-service (SaaS) model (13%). Finally, other customer-specific services can be remunerated, such as Office 365, marketing or SEO services.

Merger of Nexway and asknet

The merger of Nexway SAS and asknet AG has created a globally active download outsourcing specialist which, in our opinion, is much broader in scope than the two former companies, not only in terms of size, but also in terms of a significantly broader coverage of territories and industries. In addition, hardly any overlaps can be identified in the core markets - Germany and France.

Merger creates substantial synergies
At the end of 2018, asknet acquired 100% of the shares in Nexway SAS. The acquisition was completed at the end of January 2019. In our opinion, the merger will create significant synergies as the combined Nexway-asknet Group will process and support digital commerce worldwide while meeting the needs of global payment systems, subscription models and customer demands.

We believe that both companies have highly synergetic businesses with complementary technical capabilities, a diversified customer base and a broad geographic presence. The objective of the merger is to create a dynamic, innovative, and financially strong market leader in e-commerce services with a diverse customer portfolio ranging from software vendors and online games publishers to a large number of digital marketplaces.

TABLE 9: COMBINATION OF STRENGTHS

	asknet	Nexway
Covered industries	Software	Software, Online-Gaming, Retail, Content Portals, Service Providers, HW manufacturers
Covered regions	Asia, Northern Europe, USA	Southern Europe, North and South America
Technology	Oracle	SaaS, API, Cloud
Headquarter and branches	Karlsruhe, San Francisco, Tokyo	Paris, Nimes, Katowice

SOURCE: COMPANY DATA, SPHENE CAPITAL

Company History, Management, Shareholder Structure, and Corporate Strategy

Today's Nexway only emerged last year from the takeover of Nexway SAS by asknet AG. asknet, in turn, was founded in 1995 as a spin-off of the computing centre of the University of Karlsruhe; in 2006, it was listed on the Entry Standard of the Frankfurt Stock Exchange. Nexway SAS was founded in Paris in 2002.

Overview of Company History
The following Figure 19 provides an overview of Nexway's corporate history:

EXHIBIT 19: OVERVIEW OF COMPANY HISTORY

asknet AG	Nexway SAS	Nexway AG
1995 Foundation of asknet AG as spin-off University of Karlsruhe	**2002** Foundation of Nexway SAS and of Telechargement.fr in Paris	**2018** Start of strategic cooperation between asknet and Nexway
2004 Foundation of asknet Inc. in the USA	**2005-06** Round A- and B-financing Turenne Capital Partners & Xange PE	**2019** Majority takeover of Nexway through asknet
2006 Joint venture with Softbank incl. Pre-IPO-participation	**2010-11** Round C-financing with BPIFrance and IDInvest t	**2019** Rebranding of asknet AG into Nexway AG
2006 IPO Entry Standard Frankfurt Stock Exchange		

SOURCE: COMPANY DATA, SPHENE CAPITAL

Two board members
Nexway is currently headed by two board members. They have been in their current position for a short time only, but have many years of national and international experience in the development and sale of Internet sales solutions:

- **Victor Iezuitov** is CFO of Nexway AG and also responsible for investor relations. Previously, he was CFO of the investment company The Native, the former majority shareholder of asknet.
- **Norman Hansen** is COO of Nexway AG and President of Nexway SAS. Prior to that, he was a member of the Board of Directors of several listed and private companies in the USA, Austria, and Russia.

The members of the Management Board are supported by an operationally committed Supervisory Board consisting of the following persons:

- **Aston Fallen** (Chairman of the Supervisory Board) was CEO of Nexway SAS prior to the merger with asknet.
- **Thomas Garrahan** (Vice Chairman of the Supervisory Board) is Managing Director of AlphaQ Ltd, a Swiss provider of digital communications, video production, and POS apps.
- **Matthew Baile** (Board Member) is CEO of DirecSource Asia (Hong Kong), an asset-free manufacturing company.

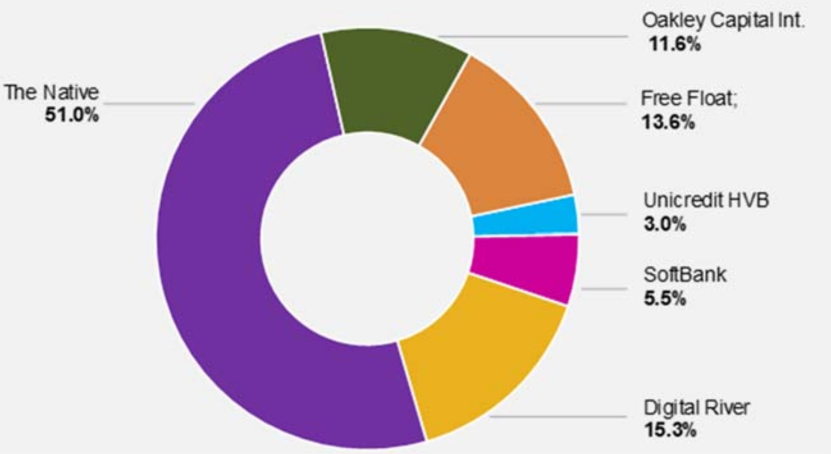
Since a capital reduction with subsequent capital increase, the share capital of the Karlsruhe-based company consists of EUR 0.654 mn and 653,765 ordinary shares. The main shareholders of the company are the Swiss investment company Facebank, the US digital outsourcing market leader Digital River, the British Oakley Capital, the Japanese SoftBank, and Unicredit/HVB. The free float is 13.6%.

0.654 mn shares outstanding

Since November 2006, asknet AG shares have been listed on the Unregulated Open Market of the Frankfurt Stock Exchange and on the Xetra electronic trading system. Following a capital reduction with subsequent capital increase in mid-2018, the company's share capital of EUR 0.654 mn consists of 653,765 ordinary shares with a nominal value of EUR 1.00 per share. Following the takeover of Nexway SAS by asknet, the company was renamed Nexway AG.

Nexway shares are traded on the Regulated Unofficial Market of the Frankfurt Stock Exchange and on the Xetra electronic trading platform.

EXHIBIT 20: SHAREHOLDER STRUCTURE (AUGUST 2019)



SOURCE: COMPANY DATA, SPHENE CAPITAL

The company's shareholder structure currently shows a free float of 13.6%. 86.4% of the shares are held by five major shareholders. With 51.0% of the shares, the investment company The Native is the majority shareholder of Nexway. The second largest single shareholder is the US competitor Digital River (15.3%).

86.4% of shares held by five major shareholders
The ordinary shares of the Company are held by five companies with shareholdings of between 3.0% and 51.0%. The largest single shareholder of the company is the Swiss investment company The Native, holding 51.0% of the shares. 15.3% of the share capital is held by the US competitor and download outsourcing world market leader Digital River; 11.6% is held by Oakley Capital; 5.5% and 3.0% respectively have been in the hands of the Japanese investment company SoftBank and Unicredit/HypoVereinsbank since the IPO of asknet.

Overview of the current corporate strategy
According to the Company, Nexway's strategy is

- to continue its expansion in all areas in the future,
- to further develop natural synergy effects on the basis of existing customer portfolios,
- to revive the newly launched "Direct to the consumer" business model,
- further develop the already initiated e-payment simplifications to enhance the product range and thus
- to increase sales per existing customer.

Strengths, Weaknesses, Opportunities, Threats

Strengths

We see the following corporate **strengths** of Nexway:

- **Global market position:** As a global company, Nexway is able to offer its customers a wide range of services in the areas of language selection, payment methods, and customer service. The technology is highly scalable, thus Nexway can quickly offer additional capacity to its customers should the market require additional resources or language offerings.
- **Academics diversification:** On the operational side, the two business models E-Commerce and Academics are an advantage, in our view. Above all, different customer groups and a low economic dependency in the Academics division enable Nexway to achieve a steadier and more stable sales trend.
- **Solid balance sheet:** At the end of 2018, Nexway had a net financial position (adjusted, based on excess cash) of around EUR 0.2 mn. Should competition intensify, we believe that Nexway will be able to draw on greater financial resources than unlisted competitors.
- **High barriers to market entry:** Market entry barriers for newcomers are high in both business areas in which Nexway is active. In our view, the long-term customer relationships in the Academics segment in particular represent a decisive competitive advantage for Nexway. Nevertheless, Nexway is constantly faced with the task of distinguishing itself from potential and actual competitors by anticipating new trends and tendencies and launching new services and products that satisfy future needs.
- **Low bad debt ratio:** Management believes that Nexway's customer portfolio is distinguished by high creditworthiness. According to company data, bad debt losses were negligible in the past.
- **Low economic dependency:** Nexway generates a substantial portion of its gross profit from customers in the Security Software segment, whose products we believe can be classified as mission-critical and thus independent of economic cycles. Due to the public character of many customers, we also consider the Academics segment as not very sensitive to economic developments. Considerable parts of the business volume are thus likely protected against a possible economic downturn.
- **No M&A activities:** Except for asknet's de facto merger with Nexway, the company has so far refrained from takeovers. Since they are, in our view, usually not value-adding in the technology sector, Nexway has been able to avoid difficult integration of acquired companies within its architecture and—unlike most competitors—can offer a solution from a single source.
- **Potential takeover target:** Since the majority of Nexway shareholders can be identified, the debt-free company with a market capitalization of less than EUR 15 mn appears to be a fundamental takeover target.

Weaknesses

We see the following **weaknesses** of Nexway:

- **Lack of long-term history:** In the current corporate structure Nexway has been existing only over a short period of time. Our short- and medium-term financial forecasts are therefore subject to considerable uncertainty, especially as the company's annual financial statements have not yet been audited in their current post-merger form.

- **Improvable profitability:** At the annual level, Nexway often failed to achieve positive operating results in the past. The weak earnings situation was not only due to market conditions, but also to a relatively high headcount. After the merger, the headcount was significantly reduced, so that we expect the company to achieve sustainable profits from next year onwards.
- **High dependence on individual customers:** According to our estimates, the five most important customers will account for two thirds of gross profit in the E-Commerce segment in the current year. Although customer relationships are long-term due to the high importance of the Internet as a sales channel, dependencies on these individual customers cannot be denied.
- **Stock overhang:** A stock overhang can be derived from the shareholder structure resulting from the merger. Since we estimate that Nexway will start generating sustainable profits for the first time in the year to come, we believe that a sale of the equity stakes today would be the worst timing. In addition, we assume that a possible sale would not be carried out via the stock exchange but through private placement.
- **Missing IR activities:** Neither asknet nor Nexway have pursued an active investor relations policy in recent years. This means that contacts to institutional small caps investors must be built up gradually.
- **Low liquidity of the shares:** The market capitalisation of the free float of less than EUR 2 mn is often regarded as too low for institutional investors. With an average trading volume of only 500 shares or about EUR 10,000 per day during the last 52 weeks, the low liquidity of the share must also be taken into account.
- **Management dependencies:** In our opinion, Nexway is heavily dependent on the present members of the Management Board remaining with the company.

Opportunities

The following **opportunities** relate to any company operating in the same industries as Nexway:

- **Attractive market environment:** Nexway is one of the few global digital goods download providers. As Pure Play, we believe that Nexway will benefit from the ongoing e-commerce boom and gain market share from the offline market. The reasons for outsourcing the download of digital products to specialist providers such as Nexway are manifold: by eliminating one trading level, the provider can generate higher margins compared to the classic sale of its products (such as software boxes), obtain detailed information about its customers, significantly reduce time-to-market and address end customers in targeted and global marketing strategies. By outsourcing the download of digital products, the company avoids high upfront costs, benefits from the relationships of a specialist provider such as Nexway, especially regarding fulfilment and billing, and can fall back on localised shops with individual prices, currencies, and payment methods.
- **Stability through SaaS model:** More and more applications are offered on the basis of SaaS (Software as a Service) contracts. Such subscription solutions stabilize Nexway's business model.

Threats

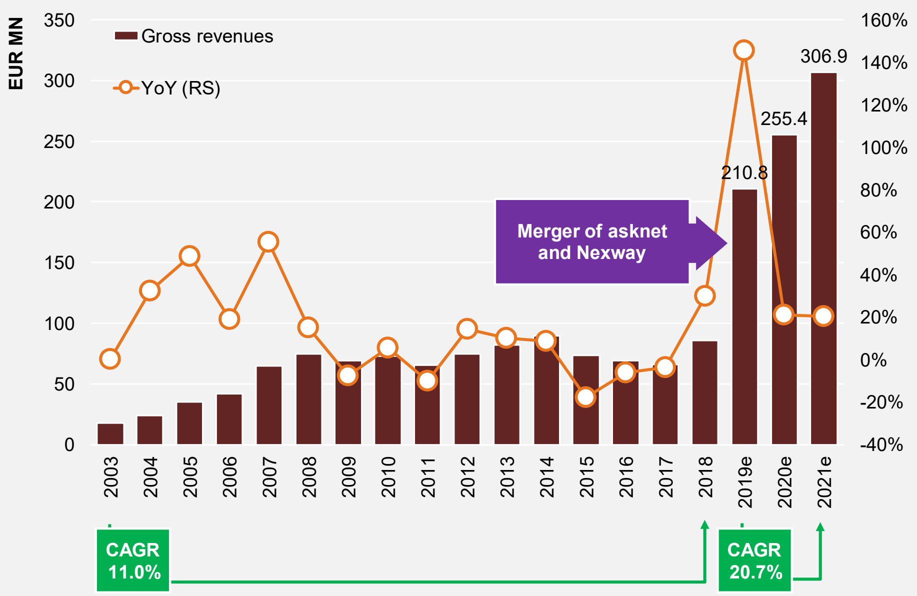
The following **threats** apply to any company operating in the same industries as Nexway:

- **High intensity of competition:** Nexway competes with other e-commerce outsourcing specialists such as Digital River, ESDNOW, Avangate, and Cleverbridge, with software developers and online retailers that maintain their own e-commerce sites, and with global systems integrators such as EDS and IBM that provide e-commerce services to their customers.
- **Dependence on customer operating performance:** A potentially unbalanced or non-market price or product policy on the part of download customers will be directly reflected in Nexway's revenue figures.
- **Distribution of apps:** A sustained distribution of apps could in the long-term make the download of extensive software packages or online games from providers' websites superfluous.
- **Economic dependency:** In our opinion, Nexway's customers would be disproportionately affected by a change of sentiment as a result of international trade conflicts and an economic downturn. Declining economic growth would thus have a direct impact on Nexway's earnings situation.
- **Contracts limited in time:** According to the company, contracts with Nexway's customers are limited in time, usually one year. If customers are satisfied, the contracts are generally extended, especially as switching costs and risks can be considerable. However, this is not guaranteed.

Financial Forecast

Nexway generates the majority of its revenues through transaction-based sales commissions. The more successful the portals operated by Nexway are, the higher the revenues. On the cost side, material costs dominate, i.e. the share of revenues to be passed on to customers, as well as other operating expenses, in particular billing fees, when end customers pay with credit cards. As a result of the merger with asknet, Nexway has exceeded the critical size and, in our estimates, will show double-digit sales growth rates due to a significantly improved market presence, as well as sustainable profits. According to our estimates, Nexway will increase its revenues to EUR 306.9 mn by 2021e, the year which marks the end of our detailed planning phase. This corresponds to compound annual growth rates (CAGR) of 20.7% for Group revenues for the period 2019e-21e. In addition, we expect constant cost of materials ratios combined with considerable synergy effects in personnel, which should result in a sustained improvement in earnings from next year onwards. Accordingly, we expect the operating result to rise to EUR 4.7 mn by 2021e, from which earnings per share of EUR 5.45 can be derived for the company.

EXHIBIT 21: GROSS REVENUES AND GROSS REVENUES GROWTH RATE, 2003-21E



Due to its subcritical size, Nexway's annual growth rates in recent years have only been in the low double-digit percentage range, resulting in a corresponding loss of market share. In our opinion, the merger of asknet with Nexway means that Nexway exceeds this critical size in the future. As a result, Nexway is likely to expand its business activities significantly in the coming years and show higher sales growth rates than in previous years.

Given these considerations, we expect Nexway to increase revenues to over EUR 300 mn by 2021e, which marks the end of our detailed planning phase. This corresponds to average annual growth rates (CAGR) of 20.7% of Group revenues for the period 2019e-21e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Nexway's business model is primarily based on the collection of volume related transaction revenues

Nexway generates most of its revenues from volume-dependent transaction payments. Nexway will charge them to its customers if their digital products (software, computer games, etc.) are downloaded via an online shop designed and operated by Nexway. The sales prices collected for the product downloads are reduced by the sales commissions claimed by Nexway and passed on to the product manufactures. Nexway retains the gross earnings, internally also referred to as "service revenues", which thus represent the relevant control variable for Nexway.

The success of the customers and of Nexway are directly correlated with each other.

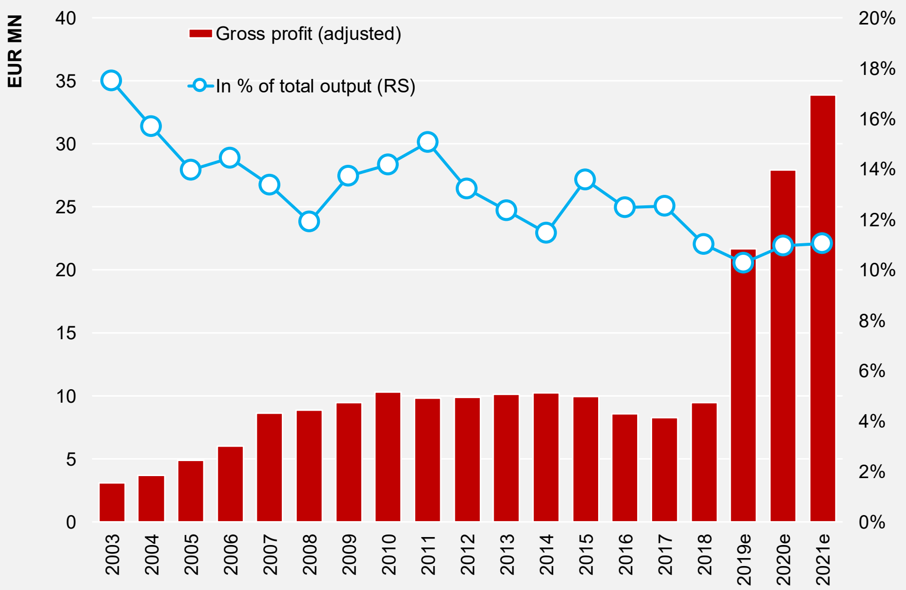
Of minor importance are additional services offered by Nexway, such as the provision of backup CDs, shipping charges or marketing services, or if end customers purchase the digital products again after a system breakdown. The set-up and commissioning of the shops are also usually remunerated by a fixed price agreement.

Cost of materials ratio unchanged

The cost of materials ratio has a similar significance for the company's success as for a retailer.

The cost of materials essentially consists of the revenue shares that Nexway passes on to the providers of the digital products, e.g. the software developers or the games publishers. Over the past 16 years, the cost of materials ratio has ranged between 82.3% and 87.4% of gross revenues, most recently with an upward trend, as the provision of download activities, especially in the software sector, has become an increasingly commodity-like part of the value chain. After the merger of asknet with Nexway and a stronger focus on industries outside software, we expect material cost ratios between 88.6% and 89.2% for the years 2019e to 2021e.

EXHIBIT 22: GROSS PROFIT AND GROSS PROFIT MARGIN, 2003-21E



The cost of materials essentially consists of the revenue shares that Nexway passes on to the providers of the digital products, e.g. software developers or games publishers. Over the past 16 years, the cost of materials ratios has ranged between 82.3% and 87.4% of gross revenues, with a recent upward trend, since the provision of pure download activities, especially in the software sector, has become a commodity-like part of the value chain. After the merger of asknet with Nexway and the stronger focus on non-software industries such as games publishing, we expect material expense ratios of between 88.6% and 89.2% for the years 2019e to 2021e. The gross profit margin should thus stabilise at up to 11.4% by 2021e

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Crucial performance indicator for Nexway is gross profit

With gross revenues of EUR 85.8 mn, Nexway (based on the asknet sub-group) generated gross revenues of EUR 11.0 mn (+1.4% YoY) last year. This corresponds to a gross profit margin of 12.6%. In our opinion, the merger of asknet with Nexway will more than double gross profit to EUR 22.9 mn this year. For the following two years we expect a further increase in gross profit to EUR 35.1 mn or 11.4% of gross sales (2021e).

Personnel expenses stagnate at a low level

At the end of 2018, asknet had 85 employees. After the merger, we currently expect 166 employees. The merger-related increase in business volume (+145.6%) is therefore unlikely to be reflected in an increase in the number of employees (+95.3%).

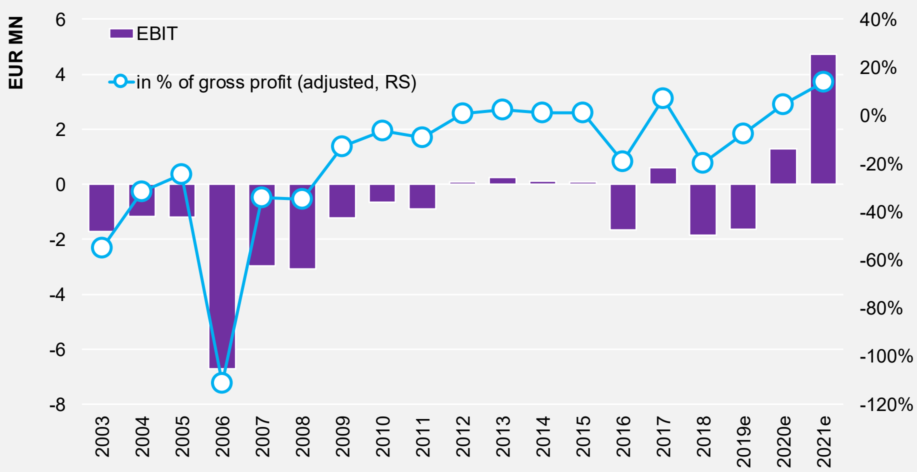
In total, this will lead to a reduction in the personnel expense ratio, which should decline to 6.4% in the coming year 2020e from 6.5% in 2018. For 2021e, we expect a further decline in the personnel cost ratio to 5.5% of gross profit.

Other operating expenses model immanent of high importance
Other operating expenses are of particular importance on earnings. End customers who download digital products and select payment by "credit card" have a lager impact on Nexway's earnings than customers who choose the payment option "direct debit" or "prepayment", as Nexway bears the costs of the payment processing, which are significantly lower in the latter two cases.

The costs of payment processing naturally depend on gross revenues. According to our estimates, they account for more than 20% of the gross profit for a credit card option. Nevertheless, there has been a trend towards an improvement in the expense position, which can be explained by economies of scale in costs not associated with payment processing, such as rental or travel expenses. On balance, in 2019e we expect an expense ratio of 3.9% of gross revenues (2018: 6.7%).

2019e last time negative EBIT margin expected for the full year
In the current fiscal year 2019e, we expect negative EBIT margins for the last time: With an EBIT of EUR -0.2 mn, the operating margin should be -0.9% of gross profit, significantly higher than in the previous year (-19.7% of gross profit). For 2020e and 2021e, we expect a significant increase in earnings to EUR 1.3 mn and EUR 4.7 mn respectively. In addition to the expected revenue growth, economies of scale resulting from the merger of asknet and Nexway are responsible for the operational improvement.

EXHIBIT 23: EBIT AND EBIT MARGIN, 2003-21E



In principle, we assume that the business model operated by Nexway can achieve an operating margin of up to 15% (reference gross profit). Prior to the merger, Nexway fell far short of these numbers due to the subcritical size of asknet and Nexway in their standalone state. After the merger, we expect the margin to improve significantly.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

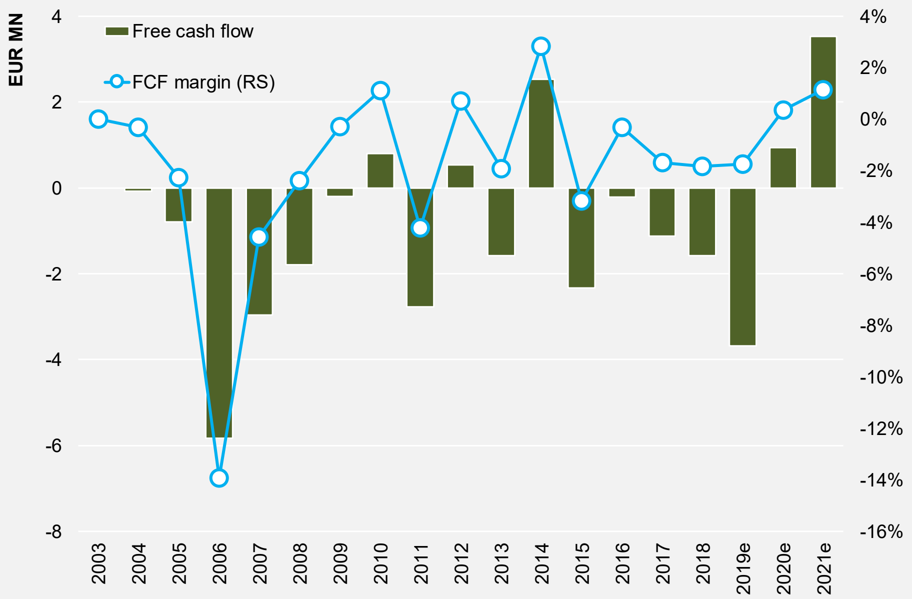
Tax rate negligible due to loss carry-forwards
Nexway's tax rate has so far been low due to corporate tax loss carry-forwards. However, the loss carry-forwards were used up by the capital reduction in 2017, so that we assume an average tax rate of between 25% and 30% after reaching the profit zone.

Profitable at after-tax levels
According to our estimates, the company, which remains unindebted both gross and net, will show a development comparable to EBIT in terms of earnings before and after taxes. For the current year 2019e, we expect pre-tax earnings to improve to EUR -1.6 mn (2018: EUR -1.9 mn). We expect earnings to improve to EUR 4.8 mn by 2021e. This corresponds to a pre-tax return of 14.0%, which we expect to be on a par with the returns of other e-commerce providers.

As we anticipate a further absence of net debt, the deductions between EBIT and earnings before taxes will be insignificant.

Based on a 25% tax rate, we expect after-tax earnings to rise to up to EUR 3.6 mn (2021e). Calculated on 0.654 mn shares, this corresponds to an increase in EPS to EUR 5.45 per share by 2021e.

EXHIBIT 24: FREE CASH FLOW AND FCF MARGIN, 2003-21E



In twelve of the last 16 years, free cash flows have been negative, mostly because operating cash flows have also been negative. For 2020e, we expect a significant increase in free cash flows to up to EUR 3.5 mn Based on gross revenues (gross profit), this corresponds to an FCF margin of 1.1%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Negative working capital
Nexway's business model is extremely asset-light. Nexway does not invest in property, plant and equipment. On the other hand, Nexway benefits from a negative working capital position, as payments from end customers are received by Nexway prior to outgoing payments to the providers of the digital products, and inventories are negligible. At the end of 2018, working capital was EUR -1.5 mn, which means that Nexway does not have to refinance its growth by raising capital. For the years 2020e and 2021e, we expect net working capital of EUR -1.4 mn each.

We do not model any capital increases in the next three years of our detailed planning period.

No dividend payments until 2021e expected

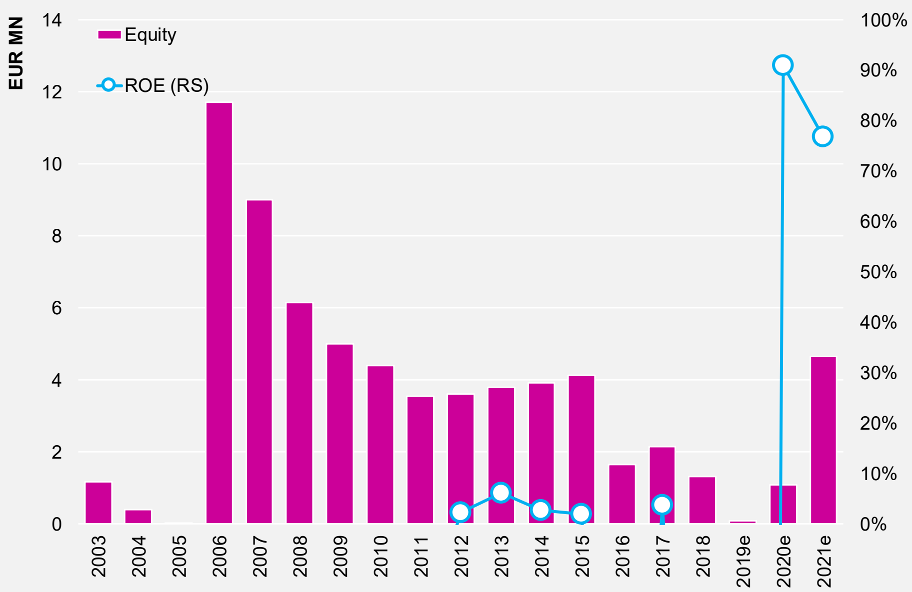
No dividend until 2021e

We do not expect Nexway to pay any dividends until the end of our detailed planning horizon in 2021e.

Significant improvement in return on equity

Notwithstanding the expected retention of earnings, we assume that the return on equity will be significantly increased by 2021e. This is mainly due to the expected improvement in earnings after taxes. We thus believe that Nexway is operating a sustainable value-adding business model. Figure 25 below illustrates that we expect the return on equity to rise to 76.7% over the next three years despite almost constant leverage.

EXHIBIT 25: RETURN ON EQUITY, 2003-21E



Over the past 16 years, Nexway has rarely been profitable at after-tax level. This should change after the merger of asknet with Nexway. Despite the retention of earnings that we assume, we expect the return on equity to increase significantly by 2021e. This is due to the expected improvement in earnings after taxes; the other factors influencing the return on equity (asset turnover, or leverage), on the other hand, have little influence. We expect the return on equity to rise to 76.7% over the next three years.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Management guidance

Since the merger of Nexway and asknet, management has not issued any detailed guidance for the development of revenue or earnings in the current or subsequent fiscal years.

Profit and Loss Account, 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
Gross revenues	**EUR mn**	**74.7**	**68.9**	**72.7**	**65.4**	**74.8**	**82.2**	**89.4**
YoY	%	15.1%	-7.7%	5.4%	-10.0%	14.4%	9.9%	8.7%
Other operating income	EUR mn	0.7	0.2	0.1	0.2	0.9	0.6	0.6
Own work capitalized	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total output	**EUR mn**	**75.4**	**69.1**	**72.8**	**65.6**	**75.7**	**82.8**	**90.0**
YoY	%	15.5%	-8.3%	5.3%	-9.8%	15.4%	9.4%	8.7%
Material costs	EUR mn	-65.8	-59.5	-62.4	-55.6	-64.9	-72.1	-79.1
In % of total output	%	-87.3%	-86.1%	-85.7%	-84.7%	-85.8%	-87.1%	-88.0%
Gross profit	**EUR mn**	**9.6**	**9.6**	**10.4**	**10.0**	**10.8**	**10.7**	**10.8**
YoY	%	6.3%	0.5%	7.8%	-3.4%	7.1%	-0.5%	1.3%
In % of total output	%	12.7%	13.9%	14.3%	15.3%	14.2%	12.9%	12.0%
Gross profit (adjusted)	**EUR mn**	**8.9**	**9.5**	**10.3**	**9.8**	**9.9**	**10.1**	**10.2**
YoY	%	12.3%	8.3%	-12.0%	5.0%	0.5%	-9.9%	43.4%
In % of total output	%	11.8%	13.7%	14.1%	15.0%	13.1%	12.3%	11.4%
Personnel costs	EUR mn	-6.3	-5.7	-5.7	-5.9	-4.8	-5.0	-5.4
In % of gross revenues	%	-8.4%	-8.2%	-7.8%	-9.0%	-6.3%	-6.1%	-6.1%
Other operating expenses	EUR mn	-6.2	-5.0	-5.3	-4.9	-5.8	-5.4	-5.2
In % of gross revenues	%	-8.3%	-7.3%	-7.2%	-7.5%	-7.8%	-6.5%	-5.8%
EBITDA	**EUR mn**	**-2.9**	**-1.1**	**-0.5**	**-0.8**	**0.2**	**0.4**	**0.2**
in % of gross profit (adjusted)	%	-32.7%	-11.6%	-5.2%	-7.7%	2.0%	3.7%	2.3%
Depreciation	EUR mn	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Amortisation	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**EUR mn**	**-3.1**	**-1.2**	**-0.7**	**-0.9**	**0.1**	**0.2**	**0.1**
YoY	%	3.9%	-59.9%	-46.5%	34.7%	-109.5%	180.0%	-52.2%
YoY	EUR mn	0.4	0.1	-0.1	0.3	0.0	-0.2	0.8
in % of gross profit (adjusted)	%	-34.8%	-13.1%	-6.4%	-9.1%	0.9%	2.3%	1.1%
Income from participations	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial result	EUR mn	0.3	0.1	0.1	0.0	0.0	0.0	0.0
Extraordinary items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**EUR mn**	**-2.9**	**-1.1**	**-0.6**	**-0.8**	**0.1**	**0.2**	**0.1**
in % of gross profit (adjusted)	%	-32.2%	-12.0%	-5.7%	-8.6%	1.0%	2.4%	1.1%
Taxes	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In % of EBT (implied tax rate)	%	1.0%	1.0%	6.0%	3.3%	-23.8%	-4.2%	-8.3%
Net income	**EUR mn**	**-2.9**	**-1.1**	**-0.6**	**-0.9**	**0.1**	**0.2**	**0.1**
in % of gross profit (adjusted)	%	-32.5%	-12.1%	-6.0%	-8.9%	0.8%	2.3%	1.0%
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nr of shares	mn	0.5	0.5	0.5	0.5	0.5	0.5	0.5
EPS	**EUR**	**-5.74**	**-2.28**	**-1.23**	**-1.74**	**0.16**	**0.46**	**0.21**

SOURCE: COMPANY DATA, SPHENE CAPITAL

Profit and Loss Account, 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
Gross revenues	**EUR mn**	**73.3**	**68.7**	**66.2**	**85.8**	**210.8**	**255.4**	**306.9**
YoY	%	-18.0%	-6.3%	-3.7%	29.7%	145.6%	21.1%	20.2%
Other operating income	EUR mn	0.7	0.6	0.9	0.9	0.5	0.5	0.5
Own work capitalized	EUR mn	0.0	0.0	1.6	0.7	0.7	0.7	0.7
Total output	**EUR mn**	**74.0**	**69.4**	**68.7**	**87.4**	**212.0**	**256.6**	**308.2**
YoY	%	-17.8%	-6.3%	-0.9%	27.2%	142.5%	21.0%	20.1%
Material costs	EUR mn	-63.4	-60.2	-57.9	-76.4	-189.2	-227.4	-273.1
In % of total output	%	-85.6%	-86.7%	-84.2%	-87.4%	-89.2%	-88.6%	-88.6%
Gross profit	**EUR mn**	**10.6**	**9.2**	**10.9**	**11.0**	**22.9**	**29.2**	**35.1**
YoY	%	-1.9%	-13.4%	18.1%	1.4%	107.3%	27.6%	20.3%
In % of total output	%	14.4%	13.3%	15.8%	12.6%	10.8%	11.4%	11.4%
Gross profit (adjusted)	**EUR mn**	**10.0**	**8.6**	**8.3**	**9.4**	**21.7**	**27.9**	**33.9**
YoY	%	-38.6%	23.8%	-3.3%	14.0%	129.3%	29.1%	21.2%
In % of total output	%	13.5%	12.3%	12.1%	10.8%	10.2%	10.9%	11.0%
Personnel costs	EUR mn	-5.2	-5.4	-4.9	-5.6	-14.9	-16.4	-16.9
In % of gross revenues	%	-7.1%	-7.8%	-7.5%	-6.5%	-7.1%	-6.4%	-5.5%
Other operating expenses	EUR mn	-5.2	-5.3	-4.9	-5.7	-8.2	-9.8	-11.6
In % of gross revenues	%	-7.1%	-7.8%	-7.5%	-6.7%	-3.9%	-3.8%	-3.8%
EBITDA	**EUR mn**	**0.2**	**-1.5**	**1.0**	**-0.3**	**-0.2**	**3.0**	**6.6**
in % of gross profit (adjusted)	%	2.3%	-17.6%	12.0%	-2.7%	-0.9%	10.8%	19.6%
Depreciation	EUR mn	-0.1	-0.1	-0.4	-1.6	-1.4	-1.7	-1.9
Amortisation	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**EUR mn**	**0.1**	**-1.7**	**0.6**	**-1.9**	**-1.6**	**1.3**	**4.7**
YoY	%	-16.5%	-1843.0%	-135.6%	-415.8%	-11.9%	-179.2%	265.2%
YoY	EUR mn	-1.2	0.3	0.8	-1.0	2.0	2.3	0.0
in % of gross profit (adjusted)	%	1.0%	-19.3%	7.1%	-19.7%	-7.6%	4.6%	14.0%
Income from participations	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial result	EUR mn	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Extraordinary items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**EUR mn**	**0.1**	**-1.8**	**0.6**	**-1.9**	**-1.6**	**1.3**	**4.8**
in % of gross profit (adjusted)	%	0.9%	-21.4%	7.0%	-19.8%	-7.6%	4.7%	14.0%
Taxes	EUR mn	0.0	0.0	-0.5	0.0	0.5	-0.3	-1.2
In % of EBT (implied tax rate)	%	-11.2%	0.0%	-85.9%	-2.0%	-27.7%	-25.0%	-25.0%
Net income	**EUR mn**	**0.1**	**-1.8**	**0.1**	**-1.8**	**-1.2**	**1.0**	**3.6**
in % of gross profit (adjusted)	%	0.8%	-21.4%	1.0%	-19.4%	-5.5%	3.5%	10.5%
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nr of shares	mn	0.5	0.5	0.6	0.6	0.7	0.7	0.7
EPS	**EUR**	**0.16**	**-3.60**	**0.15**	**-3.26**	**-1.82**	**1.50**	**5.45**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Assets), 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
ASSETS								
Non-current assets	**EUR mn**	**0.3**	**0.2**	**0.3**	**0.2**	**0.3**	**0.3**	**1.4**
Intangible assets	EUR mn	0.1	0.1	0.0	0.0	0.0	0.0	1.1
Property, plant & equipment	EUR mn	0.1	0.2	0.3	0.2	0.1	0.3	0.3
Shares in affiliated companies	EUR mn	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Loans to affiliated companies	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Advance payments	EUR mn	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Current assets	**EUR mn**	**13.8**	**13.0**	**14.4**	**11.3**	**13.0**	**12.5**	**16.2**
Inventory	EUR mn	0.3	0.2	0.2	0.1	0.4	1.0	1.0
DIO	d	2	1	1	1	2	5	4
Trade receivables	EUR mn	5.0	4.6	5.1	4.8	5.4	6.4	7.6
DSO	d	24	24	25	26	26	28	30
Receivables from affiliated companies	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from called capital	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	EUR mn	0.3	0.3	0.3	0.3	0.6	0.2	0.2
Cash & cash equivalents	EUR mn	8.2	8.0	8.8	6.1	6.6	4.9	7.5
Deferred items	EUR mn	0.2	0.2	0.2	0.1	0.2	0.2	0.2
Equity deficit	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	**EUR mn**	**14.4**	**13.4**	**14.9**	**11.7**	**13.5**	**13.1**	**17.7**

SOURCE: COMPANY DATA, SPHENE CAPITAL

Balance Sheet (Assets), 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
ASSETS								
Non-current assets	**EUR mn**	**1.4**	**1.8**	**3.1**	**3.0**	**4.2**	**4.2**	**4.2**
Intangible assets	EUR mn	1.1	1.6	2.9	2.3	3.5	3.5	3.5
Property, plant & equipment	EUR mn	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Shares in affiliated companies	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to affiliated companies	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Advance payments	EUR mn	0.0	0.0	0.0	0.5	0.5	0.5	0.5
Current assets	**EUR mn**	**10.3**	**9.4**	**8.0**	**7.9**	**5.8**	**8.0**	**12.7**
Inventory	EUR mn	0.8	0.1	0.0	0.0	0.1	0.1	0.1
DIO	d	5	1	0	0	0	0	0
Trade receivables	EUR mn	3.6	3.8	3.2	3.7	4.7	5.7	6.7
DSO	d	18	20	17	15	8	8	8
Receivables from affiliated companies	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from called capital	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	EUR mn	0.6	0.4	0.3	0.3	0.8	0.8	0.8
Cash & cash equivalents	EUR mn	5.3	5.2	4.5	3.9	0.3	1.4	5.2
Deferred items	EUR mn	0.4	0.2	0.1	0.1	0.2	0.2	0.2
Equity deficit	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	**EUR mn**	**12.2**	**11.5**	**11.2**	**11.0**	**10.1**	**12.3**	**17.1**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Liabilities), 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
LIABILITIES AND EQUITY								
Total shareholder's equity	**EUR mn**	**6.2**	**5.0**	**4.4**	**3.5**	**3.6**	**3.8**	**3.9**
Equity ratio	%	42.8%	37.2%	29.6%	30.3%	26.7%	29.1%	22.1%
Issued capital	EUR mn	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Capital reserve	EUR mn	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Currency adjustments	EUR mn	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Accumulated deficit	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/Loss of period	EUR mn	-0.2	-0.1	-0.7	-1.6	-1.5	-1.3	-1.2
Equity deficit	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension reserves	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	EUR mn	1.3	1.4	1.1	1.2	1.4	3.0	3.2
Current liabilities	**EUR mn**	**6.9**	**7.0**	**9.2**	**6.8**	**8.5**	**6.2**	**10.2**
Bank debt	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	EUR mn	6.4	6.3	8.4	6.2	7.5	5.2	7.3
Other current liabilities	EUR mn	0.5	0.6	0.9	0.6	1.0	1.1	2.9
Deferred items	EUR mn	0.0	0.0	0.1	0.1	0.0	0.0	0.5
Total liabilities and shareholders' equity	**EUR mn**	**14.4**	**13.4**	**14.9**	**11.7**	**13.5**	**13.1**	**17.7**

SOURCE: COMPANY DATA, SPHENE CAPITAL

Balance Sheet (Liabilities), 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
LIABILITIES AND EQUITY								
Total shareholder's equity	**EUR mn**	**4.1**	**1.6**	**2.1**	**1.3**	**0.1**	**1.1**	**4.6**
Equity ratio	%	33.9%	14.3%	19.1%	11.9%	1.0%	8.8%	27.2%
Issued capital	EUR mn	5.1	5.1	0.6	0.7	0.7	0.7	0.7
Capital reserve	EUR mn	0.1	0.1	1.4	2.3	2.3	2.3	2.3
Currency adjustments	EUR mn	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Accumulated deficit	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/Loss of period	EUR mn	-1.1	-3.6	0.2	-1.7	-2.8	-1.9	1.7
Equity deficit	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension reserves	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	EUR mn	2.8	3.1	2.7	2.2	1.8	1.8	1.8
Current liabilities	**EUR mn**	**4.6**	**6.2**	**5.8**	**7.1**	**8.2**	**9.4**	**10.6**
Bank debt	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	EUR mn	3.6	4.6	4.7	5.2	6.2	7.2	8.2
Other current liabilities	EUR mn	1.0	1.6	1.1	1.9	2.0	2.2	2.4
Deferred items	EUR mn	0.6	0.6	0.6	0.4	0.0	0.0	0.0
Total liabilities and shareholders' equity	**EUR mn**	**12.2**	**11.5**	**11.2**	**11.0**	**10.1**	**12.3**	**17.1**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Assets, Normalized), 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
ASSETS								
Non-current assets	**%**	**2.3%**	**1.9%**	**2.0%**	**2.0%**	**2.2%**	**2.6%**	**7.7%**
Intangible assets	%	0.7%	0.5%	0.3%	0.2%	0.1%	0.1%	6.0%
Property, plant & equipment	%	1.0%	1.4%	1.7%	1.8%	1.1%	2.5%	1.7%
Shares in affiliated companies	%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans to affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Advance payments	%	0.0%	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%
Current assets	**%**	**96.1%**	**96.8%**	**96.9%**	**96.9%**	**96.3%**	**95.7%**	**91.4%**
Inventory	%	2.2%	1.4%	1.5%	1.1%	2.7%	7.8%	5.6%
Trade receivables	%	34.6%	34.0%	34.1%	41.1%	40.1%	48.7%	42.7%
Receivables from affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables from called capital	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other current assets	%	2.4%	2.1%	1.9%	2.7%	4.8%	1.8%	1.0%
Cash & cash equivalents	%	57.0%	59.3%	59.3%	52.0%	48.7%	37.5%	42.1%
Deferred items	%	1.6%	1.4%	1.1%	1.2%	1.5%	1.7%	0.9%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL

Balance Sheet (Assets, Normalized), 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
ASSETS								
Non-current assets	%	**11.4%**	**15.9%**	**27.7%**	**26.9%**	**41.3%**	**34.0%**	**24.6%**
Intangible assets	%	8.7%	13.7%	26.0%	21.0%	34.8%	28.6%	20.7%
Property, plant & equipment	%	2.8%	2.2%	1.8%	1.4%	1.5%	1.3%	1.0%
Shares in affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans to affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Advance payments	%	0.0%	0.0%	0.0%	4.5%	4.9%	4.1%	2.9%
Current assets	**%**	**85.1%**	**82.1%**	**71.1%**	**71.9%**	**57.3%**	**64.8%**	**74.6%**
Inventory	%	6.7%	0.8%	0.4%	0.4%	0.7%	0.9%	0.8%
Trade receivables	%	29.4%	33.1%	28.2%	33.3%	46.2%	46.2%	39.1%
Receivables from affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables from called capital	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other current assets	%	5.1%	3.3%	2.7%	3.1%	7.4%	6.1%	4.4%
Cash & cash equivalents	%	43.9%	44.9%	39.8%	35.1%	2.9%	11.7%	30.3%
Deferred items	%	3.5%	2.0%	1.2%	1.2%	1.5%	1.2%	0.9%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance Sheet (Liabilities, Normalized), 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
LIABILITIES AND EQUITY								
Total shareholder's equity	**%**	**42.8%**	**37.2%**	**29.6%**	**30.3%**	**26.7%**	**29.1%**	**22.1%**
Issued capital	%	35.1%	37.5%	33.9%	43.1%	37.3%	38.6%	28.5%
Capital reserve	%	8.9%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Currency adjustments	%	0.4%	0.4%	0.5%	0.8%	0.5%	0.3%	0.3%
Accumulated deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit/Loss of period	%	-1.6%	-1.0%	-4.8%	-13.6%	-11.2%	-9.8%	-6.6%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special items	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension reserves	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions	%	8.9%	10.5%	7.6%	10.1%	10.4%	22.8%	17.9%
Current liabilities	**%**	**47.9%**	**51.9%**	**62.0%**	**58.5%**	**62.6%**	**47.8%**	**57.4%**
Bank debt	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade payables	%	44.8%	47.1%	56.2%	53.3%	55.2%	39.4%	41.1%
Other current liabilities	%	3.1%	4.8%	5.8%	5.2%	7.4%	8.4%	16.3%
Deferred items	%	0.3%	0.4%	0.8%	1.1%	0.3%	0.3%	2.6%
Total liabilities and shareholders' equity	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL

Balance Sheet (Liabilities, Normalized), 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
LIABILITIES AND EQUITY								
Total shareholder's equity	**%**	**33.9%**	**14.3%**	**19.1%**	**11.9%**	**1.0%**	**8.8%**	**27.2%**
Issued capital	%	41.9%	44.4%	5.0%	5.9%	6.5%	5.3%	3.8%
Capital reserve	%	0.4%	0.4%	12.2%	20.4%	22.3%	18.3%	13.2%
Currency adjustments	%	0.6%	0.8%	0.5%	0.7%	0.3%	0.2%	0.2%
Accumulated deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit/Loss of period	%	-9.0%	-31.3%	1.4%	-15.1%	-28.1%	-15.1%	10.0%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special items	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension reserves	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions	%	23.2%	27.1%	24.2%	20.0%	17.8%	14.6%	10.5%
Current liabilities	**%**	**37.7%**	**53.8%**	**51.4%**	**64.3%**	**81.0%**	**76.4%**	**62.1%**
Bank debt	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade payables	%	29.3%	40.0%	41.8%	47.1%	61.3%	58.5%	48.0%
Other current liabilities	%	8.3%	13.8%	9.6%	17.2%	19.8%	17.9%	14.2%
Deferred items	%	5.2%	4.8%	5.3%	3.7%	0.2%	0.2%	0.1%
Total liabilities and shareholders' equity	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Cash Flow Statement, 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
Net income	EUR mn	-2.9	-1.1	-0.6	-0.9	0.1	0.2	0.1
Depreciation & Amortisation	EUR mn	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Income from sale of assets	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ inventory	EUR mn	0.1	0.1	0.0	0.1	-0.2	-0.7	0.0
Δ trade receivables	EUR mn	0.5	0.4	-0.5	0.3	-0.6	-0.9	-1.2
Δ other receivables	EUR mn	0.4	0.1	0.0	0.0	-0.3	0.4	0.1
Δ deferred tax assets	EUR mn	-0.1	0.0	0.0	0.0	-0.1	0.0	0.1
Δ other long-term provisions	EUR mn	-0.3	0.1	-0.3	0.1	0.2	1.6	0.2
Δ other short-term provisions	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ trade payables	EUR mn	0.7	-0.1	2.0	-2.1	1.2	-2.3	2.1
Δ special items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ deferred liabilities	EUR mn	0.0	0.0	0.1	0.0	-0.1	0.0	0.4
Currency adjustments	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operational adjustments	EUR mn	-0.2	0.2	0.2	-0.3	0.4	0.2	1.7
Operating cash flow	**EUR mn**	**-1.7**	**-0.1**	**1.0**	**-2.7**	**0.7**	**-1.4**	**3.7**
Investments in financial assets	EUR mn	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Investments in intangible assets	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	-1.0
Investments in tangible assets	EUR mn	-0.1	-0.2	-0.2	-0.1	-0.1	-0.3	-0.1
Cash flow from investing	**EUR mn**	**-0.1**	**-0.1**	**-0.2**	**-0.1**	**-0.2**	**-0.2**	**-1.2**
Free cash flow	**EUR mn**	**-1.8**	**-0.2**	**0.8**	**-2.8**	**0.5**	**-1.6**	**2.5**
Δ Capital stock	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Capital reserves	EUR mn	-3.0	-1.2	0.0	0.0	0.0	0.0	0.0
Δ Bank debt	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ other interest-bearing liabilities	EUR mn	-0.2	0.2	0.2	-0.2	0.4	0.1	1.8
Other operational adjustments	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less prior-year dividend	EUR mn	3.3	1.0	-0.2	0.2	-0.4	-0.1	-1.8
Financing cash flow	**EUR mn**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash inflow	EUR mn	-1.8	-0.2	0.8	-2.8	0.5	-1.6	2.5
Currency adjustments	EUR mn	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Net cash opening balance	EUR mn	9.9	8.2	8.0	8.8	6.1	6.6	4.9
Net cash closing balance	**EUR mn**	**8.2**	**8.0**	**8.8**	**6.1**	**6.6**	**4.9**	**7.5**

SOURCE: COMPANY DATA, SPHENE CAPITAL

Cash Flow Statement, 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
Net income	EUR mn	0.1	-1.8	0.1	-1.8	-1.2	1.0	3.6
Depreciation & Amortisation	EUR mn	0.1	0.1	0.4	1.6	1.4	1.7	1.9
Income from sale of assets	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ inventory	EUR mn	0.2	0.7	0.0	0.0	0.0	0.0	0.0
Δ trade receivables	EUR mn	4.0	-0.2	0.6	-0.5	-1.0	-1.0	-1.0
Δ other receivables	EUR mn	-0.4	0.2	0.1	0.0	-0.4	0.0	0.0
Δ deferred tax assets	EUR mn	-0.3	0.2	0.1	0.0	0.0	0.0	0.0
Δ other long-term provisions	EUR mn	-0.3	0.3	-0.4	-0.5	-0.4	0.0	0.0
Δ other short-term provisions	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ trade payables	EUR mn	-3.7	1.0	0.1	0.5	1.0	1.0	1.0
Δ special items	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ deferred liabilities	EUR mn	0.2	-0.1	0.0	-0.2	-0.4	0.0	0.0
Currency adjustments	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operational adjustments	EUR mn	-2.0	-0.1	-0.4	0.8	0.0	0.0	0.0
Operating cash flow	**EUR mn**	**-2.2**	**0.4**	**0.6**	**-0.1**	**-1.0**	**2.7**	**5.4**
Investments in financial assets	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in intangible assets	EUR mn	0.0	-0.5	-1.3	0.6	-1.2	0.0	0.0
Investments in tangible assets	EUR mn	-0.2	-0.1	-0.3	-1.6	-1.4	-1.7	-1.9
Cash flow from investing	**EUR mn**	**-0.2**	**-0.6**	**-1.7**	**-1.5**	**-2.6**	**-1.7**	**-1.9**
Free cash flow	**EUR mn**	**-2.3**	**-0.2**	**-1.1**	**-1.6**	**-3.7**	**0.9**	**3.5**
Δ Capital stock	EUR mn	0.1	0.0	-4.5	0.1	0.0	0.0	0.0
Δ Capital reserves	EUR mn	0.1	0.0	1.3	0.9	0.0	0.0	0.0
Δ Bank debt	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ other interest-bearing liabilities	EUR mn	-1.9	0.6	-0.5	0.8	0.1	0.2	0.2
Other operational adjustments	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less prior-year dividend	EUR mn	1.9	-0.6	4.2	-0.8	0.0	0.0	0.0
Financing cash flow	**EUR mn**	**0.1**	**0.0**	**0.5**	**1.0**	**0.1**	**0.2**	**0.2**
Net cash inflow	EUR mn	-2.2	-0.2	-0.7	-0.6	-3.6	1.1	3.7
Currency adjustments	EUR mn	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net cash opening balance	EUR mn	7.5	5.3	5.2	4.5	3.9	0.3	1.4
Net cash closing balance	**EUR mn**	**5.3**	**5.2**	**4.5**	**3.9**	**0.3**	**1.4**	**5.2**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

One View, 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
Key data								
Sales	EUR mn	74.7	68.9	72.7	65.4	74.8	82.2	89.4
Gross profit	EUR mn	9.6	9.6	10.4	10.0	10.8	10.7	10.8
Gross profit (adjusted)	EUR mn	8.9	9.5	10.3	9.8	9.9	10.1	10.2
EBITDA	EUR mn	-2.9	-1.1	-0.5	-0.8	0.2	0.4	0.2
EBIT	EUR mn	-3.1	-1.2	-0.7	-0.9	0.1	0.2	0.1
EBT	EUR mn	-2.9	-1.1	-0.6	-0.8	0.1	0.2	0.1
Net income	EUR mn	-2.9	-1.1	-0.6	-0.9	0.1	0.2	0.1
Nr. of employees		99	95	98	81	87	92	88
Per share data								
Price high	EUR	124.90	41.00	41.70	34.90	22.50	30.00	28.00
Price low	EUR	40.00	20.80	25.60	8.90	10.90	12.80	13.50
Price average/last	EUR	75.80	31.00	32.40	22.50	15.30	17.60	21.20
Price average/last	EUR	41.00	30.30	27.60	12.60	12.80	25.80	17.20
EPS	EUR	-5.74	-2.28	-1.23	-1.74	0.16	0.46	0.21
BVPS	EUR	12.20	9.92	8.74	7.03	7.15	7.53	7.77
CFPS	EUR	-3.34	-0.28	1.94	-5.36	1.44	-2.79	7.30
Dividend	EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profitability ratios (based on adjusted gross profit)								
EBITDA margin	%	-32.7%	-11.6%	-5.2%	-7.7%	2.0%	3.7%	2.3%
EBIT margin	%	-34.8%	-13.1%	-6.4%	-9.1%	0.9%	2.3%	1.1%
Pre-tax margin	%	-32.2%	-12.0%	-5.7%	-8.6%	1.0%	2.4%	1.1%
Net margin	%	-32.5%	-12.1%	-6.0%	-8.9%	0.8%	2.3%	1.0%
FCF margin	%	-20.1%	-2.2%	7.8%	-28.1%	5.4%	-15.6%	24.7%
ROE	%	-47.0%	-23.0%	-14.1%	-24.7%	2.2%	6.1%	2.7%
NWC/Sales	%	-9.2%	-14.0%	-27.4%	-10.1%	-14.7%	23.4%	15.7%
Revenues per head	EURk	755	726	741	808	860	894	1.016
EBIT per head	EURk	-31.2	-13.0	-6.8	-11.0	1.0	2.6	1.3
Capex/Sales	%	0.2%	0.3%	0.3%	0.1%	0.1%	0.4%	0.1%
Gross profit premium	%	184.2%	187.7%	212.6%	179.5%	194.3%	170.1%	214.9%
Growth rates								
Sales	%	15.1%	-7.7%	5.4%	-10.0%	14.4%	9.9%	8.7%
Gross profit	%	6.3%	0.5%	7.8%	-3.4%	7.1%	-0.5%	1.3%
Gross profit (adjusted)	%	2.6%	6.3%	8.8%	-4.3%	0.4%	2.7%	0.8%
EBITDA	%	4.8%	-62.4%	-51.1%	41.7%	n/a	87.7%	-36.4%
EBIT	%	3.9%	-59.9%	-46.5%	34.7%	n/a	180.0%	-52.2%
EBT	%	5.5%	-60.3%	-48.6%	45.0%	n/a	131.7%	-52.8%
Net income	%	6.2%	-60.3%	-46.0%	41.2%	n/a	191.4%	-54.8%
EPS	%	6.2%	-60.3%	-46.0%	41.1%	n/a	191.4%	-54.8%
CFPS	%	-40.9%	-91.8%	n/a	n/a	n/a	n/a	n/a

SOURCE: COMPANY DATA, SPHENE CAPITAL

One View, 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
Key data								
Sales	EUR mn	73.3	68.7	66.2	85.8	210.8	255.4	306.9
Gross profit	EUR mn	10.6	9.2	10.9	11.0	22.9	29.2	35.1
Gross profit (adjusted)	EUR mn	10.0	8.6	8.3	9.4	21.7	27.9	33.9
EBITDA	EUR mn	0.2	-1.5	1.0	-0.3	-0.2	3.0	6.6
EBIT	EUR mn	0.1	-1.7	0.6	-1.9	-1.6	1.3	4.7
EBT	EUR mn	0.1	-1.8	0.6	-1.9	-1.6	1.3	4.8
Net income	EUR mn	0.1	-1.8	0.1	-1.8	-1.2	1.0	3.6
Nr. of employees		99	96	85	85	175	207	243
Per share data								
Price high	EUR	18.60	29.20	17.00	13.20	24.40		
Price low	EUR	13.70	11.10	7.41	9.70	9.25		
Price average/last	EUR	16.40	15.80	12.05	11.16	13.49		
Price average/last	EUR	16.50	12.50	10.49	10.90	22.80	22.80	22.80
EPS	EUR	0.16	-3.60	0.15	-3.26	-1.82	1.50	5.45
BVPS	EUR	8.10	3.23	3.83	2.35	0.15	1.65	7.11
CFPS	EUR	-4.28	0.71	1.08	-0.17	-1.59	4.10	8.32
Dividend	EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Price target	EUR							**39.10**
Performance to price target	%							**71.5%**
Profitability ratios (based on adjusted gross profit)								
EBITDA margin	%	2.3%	-17.6%	12.0%	-2.7%	-0.9%	10.8%	19.6%
EBIT margin	%	1.0%	-19.3%	7.1%	-19.7%	-7.6%	4.6%	14.0%
Pre-tax margin	%	0.9%	-21.4%	7.0%	-19.8%	-7.6%	4.7%	14.0%
Net margin	%	0.8%	-21.4%	1.0%	-19.4%	-5.5%	3.5%	10.5%
FCF margin	%	-23.5%	-2.6%	-13.5%	-16.8%	-17.0%	3.4%	10.4%
ROE	%	2.0%	-111.5%	3.8%	-138.6%	-1219.8%	91.0%	76.7%
NWC/Sales	%	22.3%	13.2%	19.7%	10.5%	10.3%	8.1%	6.8%
Revenues per head	EURk	741	716	778	1,010	1,205	1,235	1,262
EBIT per head	EURk	1.0	-17.2	6.9	-21.9	-9.4	6.3	19.5
Capex/Sales	%	0.2%	0.1%	0.5%	1.8%	0.7%	0.7%	0.6%
Gross profit premium	%	176.2%	153.9%	184.5%	142.0%	109.8%	140.6%	195.6%
Growth rates								
Sales	%	-18.0%	-6.3%	-3.7%	29.7%	145.6%	21.1%	20.2%
Gross profit	%	-1.9%	-13.4%	18.1%	1.4%	107.3%	27.6%	20.3%
Gross profit (adjusted)	%	-2.7%	-14.0%	-3.3%	14.0%	129.3%	29.1%	21.2%
EBITDA	%	-4.6%	n/a	n/a	n/a	-23.5%	n/a	119.4%
EBIT	%	-16.5%	n/a	n/a	n/a	-11.9%	n/a	265.2%
EBT	%	-19.3%	n/a	n/a	n/a	-11.8%	n/a	262.5%
Net income	%	-21.8%	n/a	n/a	n/a	-34.9%	n/a	262.5%
EPS	%	-22.6%	n/a	n/a	n/a	-44.2%	n/a	262.5%
CFPS	%	n/a	n/a	53.1%	n/a	856.3%	n/a	102.7%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

One View II, 2008-14

HGB (12/31)		2008	2009	2010	2011	2012	2013	2014
Balance sheet ratios								
Fixed assets	EUR mn	0.3	0.2	0.3	0.2	0.3	0.3	1.4
Current assets	EUR mn	14.0	13.2	14.6	11.5	13.2	12.7	16.4
Equity	EUR mn	6.2	5.0	4.4	3.5	3.6	3.8	3.9
Liabilities	EUR mn	8.2	8.4	10.5	8.2	9.9	9.3	13.8
Equity ratio	%	42.8%	37.2%	29.6%	30.3%	26.7%	29.1%	22.1%
Gearing	%	-133.0%	-159.3%	-200.2%	-171.5%	-182.5%	-128.8%	-190.6%
Working Capital	EUR mn	-1.1	-1.6	-3.1	-1.3	-1.7	2.2	1.3
Capital Employed	EUR mn	-0.8	-1.3	-2.8	-1.0	-1.4	2.4	1.6
Asset Turnover	x	5.2	5.1	4.9	5.6	5.5	6.3	5.0
Enterprise Value								
Nr. of shares	1.000	504	504	504	504	504	504	504
Market cap.	EUR mn	62.9	20.7	21.0	17.6	11.3	15.1	14.1
Market cap.	EUR mn	20.2	10.5	12.9	4.5	5.5	6.5	6.8
Market cap.	EUR mn	38.2	15.6	16.3	11.3	7.7	8.9	10.7
Market cap.	EUR mn	20.7	15.3	13.9	6.4	6.5	13.0	8.7
Net debt	EUR mn	-8.2	-8.0	-8.8	-6.1	-6.6	-4.9	-7.5
Pension reserves	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Excess Cash	EUR mn	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EV high	EUR mn	54.7	12.7	12.2	11.5	4.8	10.2	6.7
EV low	EUR mn	11.9	2.5	4.1	-1.6	-1.1	1.6	-0.7
EV average	EUR mn	29.9	7.7	7.5	5.3	1.1	4.0	3.2
Enterprise Value	EUR mn	12.4	7.3	5.1	0.3	-0.1	8.1	1.2
Valuation ratios								
EV/sales high	x	0.73	0.18	0.17	0.18	0.06	0.12	0.07
EV/sales low	x	0.16	0.04	0.06	n/a	n/a	0.02	n/a
EV/sales average	x	0.40	0.11	0.10	0.08	0.02	0.05	0.04
EV/sales	x	0.17	0.11	0.07	0.00	n/a	0.10	0.01
EV/EBITDA high	x	n/a	n/a	n/a	n/a	23.7	27.1	27.7
EV/EBITDA low	x	n/a	n/a	n/a	2.1	n/a	4.1	n/a
EV/EBITDA average	x	n/a	n/a	n/a	n/a	5.7	10.5	13.4
EV/EBITDA	x	n/a	n/a	n/a	n/a	n/a	21.5	5.0
EV/EBIT last	x	n/a	n/a	n/a	n/a	n/a	34.2	10.6
P/E high	x	n/a	n/a	n/a	n/a	143.6	65.7	135.8
P/E low	x	n/a	n/a	n/a	n/a	69.6	28.0	65.5
P/E average	x	n/a	n/a	n/a	n/a	97.7	38.6	102.8
P/E last	x	n/a	n/a	n/a	n/a	81.7	56.5	83.4
P/BV last	x	3.4	3.1	3.2	1.8	1.8	3.4	2.2
P/CF last	x	n/a	n/a	16.7	n/a	10.6	n/a	2.9
FCF yield	%	-8.7%	-1.3%	5.8%	-43.6%	8.2%	-12.2%	29.2%
Dividend-yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCE: COMPANY DATA, SPHENE CAPITAL

One View II, 2015-21e

HGB (12/31)		2015	2016	2017	2018	2019e	2020e	2021e
Balance sheet ratios								
Fixed assets	EUR mn	1.4	1.8	3.1	3.0	4.2	4.2	4.2
Current assets	EUR mn	10.8	9.7	8.1	8.1	5.9	8.1	12.9
Equity	EUR mn	4.1	1.6	2.1	1.3	0.1	1.1	4.6
Liabilities	EUR mn	8.0	9.8	9.1	9.7	10.0	11.2	12.4
Equity ratio	%	33.9%	14.3%	19.1%	11.9%	1.0%	8.8%	27.2%
Gearing	%	-25.8%	-31.3%	-10.4%	-14.7%	-14.9%	-6.6%	-5.6%
Working Capital	EUR mn	0.8	-0.7	-1.5	-1.5	-1.4	-1.4	-1.4
Capital Employed	EUR mn	2.2	1.1	1.6	1.0	2.2	2.3	2.3
Asset Turnover	x	6.0	6.0	5.9	7.8	20.8	20.7	18.0
Enterprise Value								
Nr. of shares	1.000	509	509	560	560	654	654	654
Market cap.	EUR mn	9.5	14.9	9.5	7.4	16.0	0.0	0.0
Market cap.	EUR mn	7.0	5.7	4.2	5.4	6.0	0.0	0.0
Market cap.	EUR mn	8.4	8.0	6.8	6.3	8.8	0.0	0.0
Market cap.	EUR mn	8.4	6.4	5.9	6.1	14.9	14.9	14.9
Net debt	EUR mn	-1.1	-0.5	-0.2	-0.2	0.0	-0.1	-0.3
Pension reserves	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Excess Cash	EUR mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV high	EUR mn	8.4	14.4	9.3	7.2	15.9	-0.1	-0.3
EV low	EUR mn	5.9	5.1	3.9	5.2	6.0	-0.1	-0.3
EV average	EUR mn	7.3	7.5	6.5	6.1	8.8	-0.1	-0.3
Enterprise Value	EUR mn	7.3	5.9	5.7	5.9	14.9	14.8	14.6
Valuation ratios								
EV/sales high	x	0.11	0.21	0.14	0.08	0.08	n/a	n/a
EV/sales low	x	0.08	0.07	0.06	0.06	0.03	n/a	n/a
EV/sales average	x	0.10	0.11	0.10	0.07	0.04	n/a	n/a
EV/sales	x	0.10	0.09	0.09	0.07	0.07	0.06	0.05
EV/EBITDA high	x	36.7	-9.5	9.4	-27.8	-80.3	n/a	n/a
EV/EBITDA low	x	25.8	-3.4	3.9	-20.2	-30.4	n/a	n/a
EV/EBITDA average	x	31.8	-5.0	6.6	-23.4	-44.4	n/a	n/a
EV/EBITDA	x	32.0	-3.9	5.7	-22.8	-75.1	4.9	2.2
EV/EBIT last	x	77.4	-3.5	9.6	-3.2	-9.1	11.4	3.1
P/E high	x	116.5	n/a	117.0	n/a	n/a	0.0	0.0
P/E low	x	85.8	n/a	51.0	n/a	n/a	0.0	0.0
P/E average	x	102.8	n/a	83.0	n/a	n/a	0.0	0.0
P/E last	x	103.4	n/a	72.2	n/a	n/a	15.2	4.2
P/BV last	x	2.0	3.9	2.7	4.6	152.9	13.8	3.2
P/CF last	x	n/a	22.3	11.1	n/a	n/a	0.0	0.0
FCF yield	%	-27.8%	-3.5%	-19.0%	-25.9%	-24.7%	6.3%	23.7%
Dividend-yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Discounted Cash Flow Valuation

HGB (12/31)		2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	Terminal year
Revenues	EUR mn	**210.8**	**255.4**	**306.9**	**356.8**	**399.7**	**432.5**	**454.6**	**468.1**	**475.8**	**480.4**	**483.5**	**486.1**	**488.6**	**491.1**	**493.5**	**496.0**
YoY	%	145.6%	21.1%	20.2%	16.2%	12.0%	8.2%	5.1%	3.0%	1.6%	1.0%	0.7%	0.5%	0.5%	0.5%	0.5%	0.5%
EBIT	EUR mn	**-1.6**	**1.3**	**4.7**	**5.5**	**6.2**	**6.7**	**7.0**	**7.2**	**7.3**	**7.4**	**7.5**	**7.5**	**7.5**	**7.6**	**7.6**	**7.4**
EBIT margin	%	-0.8%	0.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Taxes	EUR mn	0.5	-0.3	-1.2	-1.7	-1.9	-2.0	-2.1	-2.2	-2.2	-2.2	-2.2	-2.3	-2.3	-2.3	-2.3	-2.2
Tax rate (τ)	**%**	27.8%	25.3%	25.1%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Adjusted EBIT(1-τ)	EUR mn	**-1.2**	**1.0**	**3.5**	**3.9**	**4.3**	**4.7**	**4.9**	**5.1**	**5.1**	**5.2**	**5.2**	**5.3**	**5.3**	**5.3**	**5.3**	**5.2**
Reinvestment	EUR mn	-2.6	-1.7	-1.9	-2.1	-2.2	-2.1	-1.7	-1.2	-0.8	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.5
FCFF	EUR mn	**-3.8**	**-0.7**	**1.7**	**1.7**	**2.1**	**2.6**	**3.2**	**3.8**	**4.3**	**4.7**	**4.9**	**4.9**	**5.0**	**5.0**	**5.0**	**4.7**
WACC	%	12.7%	12.7%	12.7%	12.1%	11.5%	10.9%	10.3%	9.7%	9.1%	8.5%	7.9%	7.3%	6.7%	6.1%	5.5%	
Discount rate	%	100.0%	88.7%	78.7%	70.2%	62.9%	56.7%	51.4%	46.9%	43.0%	39.6%	36.7%	34.2%	32.0%	30.2%	28.6%	
Present value of free cash flows	**EUR mn**	**-3.8**	**-0.7**	**1.3**	**1.2**	**1.3**	**1.5**	**1.6**	**1.8**	**1.9**	**1.9**	**1.8**	**1.7**	**1.6**	**1.5**	**1.4**	
TV Insolvency rate	%	8.3%															
Terminal Cost of capital	%	5.5%															
Present value of terminal value	EUR mn	9.3															
in % of enterprise value	%	36.7%															
PV FCFF detailed planning phase	EUR mn	-3.1															
in % of Enterprise Value	%	-12.4%															
PV FCFF rough planning phase	EUR mn	19.2															
in % of Enterprise Value	%	75.7%															
Enterprise Value	**EUR mn**	**25.4**															
Financial debt	EUR mn	0.0															
Excess cash	EUR mn	0.2															
Value of equity	**EUR mn**	**25.6**															
Number of shares	mn	0.7															
Value of equity per share	**EUR**	**39.10**															

SOURCE: SPHENE CAPITAL FORECAST

This analysis was prepared by

sphene CAPITAL

Wettersteinstraße 4 | 82024 Taufkirchen | Germany | Phone +49 (89) 74443558 | Fax +49 (89) 74443445

Disclaimer

This publication is issued by Sphene Capital GmbH and is for distribution in the Federal Republic of Germany only to persons who purchase or sell transferable securities for their own account or for the account of others in the context of their trade, profession or occupation. This publication is for the use of the addressees only. It may not be copied to or distributed to any other person in whole or in part without the written consent of Sphene Capital GmbH. **This publication is provided for general information purposes only and is furnished to you on a confidential basis. Any investment possibilities discussed in this publication may not be suitable for certain investors depending on their specific investment target or time horizon or in the context of their overall financial situation. It cannot be a substitute for obtaining independent advice. Please contact your bank's investment advisor.**

The distribution of this publication in certain jurisdictions may be restricted by law and persons into whose possession this publication comes should inform themselves about and observe such restrictions. In the United Kingdom this publication or a copy of it is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (b) high network entities falling within article 49(2) (A) to (D) of the Order, and other persons to whom it may be lawfully be communicated, falling within article 49(1) of the Order (all such persons together referred to as "Relevant Persons"). Any person who is not a Relevant Person should not act or rely on this publication or any of its contents.

This publication does not constitute a solicitation to buy or an offer to sell any securities and shall not be construed as constituting an offer to enter into a consulting agreement. Neither this publication nor any part of it establishes a basis for any agreement or other obligations of any kind. Sphene Capital GmbH and its subsidiaries/affiliates do not accept any responsibility for liabilities arising from the publication and/or use of this publication or its contents. Neither Sphene Capital GmbH nor its subsidiaries/affiliates guarantee the accuracy or completeness of information used for this publication and nothing in this publication shall be construed to be a representation of such a guarantee. Used information has not independently been verified. Any opinions expressed reflect the current judgment of the analyst who prepared this publication in conjunction with his/her occupational activity and may be changed pursuant to future events and developments. Views expressed do not necessarily reflect the opinion of Sphene Capital GmbH or any of its subsidiaries/affiliates. **A future update on the views and recommendations expressed in this publication is not planned as of today. Timing of updates cannot be foreseen by now, however, updates usually follow the publication of financial data by the company. Sphene Capital GmbH reserves the right to change the views expressed in this publication at any time and without notice.** Sphene Capital GmbH may have issued other publications that are inconsistent with and reach different conclusions from the information presented in this publication. Those publications may reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee for further performance, and no representation or warranty, expressed or implied, is made regarding future performance.

This publication is being distributed by industry-specific news agencies and finance portals and by mail to interested professional investors, who are expected to make their own investment decisions without undue reliance on this publication.

Supervision of Bundesanstalt für Finanzdienstleistungen (BaFin).

All share prices mentioned in this publication are closing prices of the XETRA Electronic Trading System, or where unavailable closing prices of the local stock exchange, as of the trading day preceding the day of the publication.

Investment Recommendations (12 months investment period)

Buy: We expect a stock to rise by at least 10%.
Hold: We expect a stock to move within 10% of the benchmark.
Se**ll**: We expect a stock to fall by at least 10% and underperform the benchmark.

Risk Assessment (12 months investment period)

Estimated probability that the result of the analysed company differs from our forecast earnings by more than 20% due to company-or market-specific reasons:

Risk	Estimated probability
Very high	>80%
High	50-80%
Medium	20-50%
Low	<20%

Statements pursuant to § 85 (1) WpHG and Article 20 of Regulation (EU) No 596/2014 and Delegated Regulation (EU) 2016/958:

Section 34b of the German Securities Trading Act in combination with the Ordinance on the Analysis of Financial Instruments requires a company preparing a securities analysis to point out potential conflicts of interest with respect to the issuer that is the subject of the analysis. A conflict of interest is presumed to exist, in particular, if a company is preparing a securities analysis.

- holds a more than 5% interest in the capital stock of the issuer that is the subject of the analysis,
- has been a member of a syndicate that has underwritten the issuer's securities in the previous 12 months,
- is serving as a liquidity provider for the issuer's securities on the basis of an existing designated sponsorship contract,
- has been providing investment banking services for the issuer analysed during the last 12 months for which a compensation has been or will be paid,
- is party to an agreement with the issuer that is the subject of the analysis relating to the production of the recommendation,
- or any of its affiliates are regularly trading securities issued by the issuer analysed or securities based on these issues,
- or the analyst covering the issue has other significant financial interests with respect to the issuer that is the subject of this analysis, for example holding a seat on the company's boards.

Sphene Capital GmbH uses the following keys:

Key 1: The analysed company actively provided information material for preparation of this publication.
Key 2: This publication has been customized to the issuer and has been modified afterwards before publication. Thereby the analysed company has not been provided with a publication or draft of publication which provided for an investment recommendation.
Key 3: The analysed company owns more than 5% of the capital stock of Sphene Capital GmbH and/or a company affiliated with Sphene Capital GmbH.
Key 4: Sphene Capital GmbH and/or a company affiliated with it and/or the analyst having prepared this publication owns more than 5% of the capital stock of the analysed company.
Key 5: Sphene Capital GmbH and/or a company affiliated with it and/or the author of this publication acquired shares of the analysed company free of charge or for a consideration below the stated target price and before the shares' public offering.
Key 6: Sphene Capital GmbH and/or a company affiliated with it serve as a liquidity provider for the issuer's shares on the basis of an existing market maker or liquidity provider contract.
Key 7: Sphene Capital GmbH and/or a company affiliated with it and/or a related person/related company and/or the author of this publication was subject to an agreement on services in connection with investment banking transactions with the analysed company in the last 12 months or within the same period received consideration on basis of such an agreement.

Key 8: Sphene Capital GmbH and/or a company affiliated with it have concluded an agreement on the preparation of this publication with the analysed company. Sphene Capital GmbH has received an advanced flat fee that corresponds with usual market practices.
Key 9: Sphene Capital GmbH and/or a company affiliated with it receive commission earnings arising from commercial activities from the analysed company.
Key 10: A member of the managing board of Sphene Capital GmbH and/or the author of this publication is member of the supervisory board of the analysed company.
Key 11: Sphene Capital GmbH and/or a company affiliated with it and/or a related person/related company and/or the author of this publication owns a long/short position of more than 0,5% of a class of equity securities of this issuer, as calculated in accordance with EU regulation.
Key 12: Sphene Capital GmbH and/or a company affiliated with it has been lead manager or co-lead manager of a publicly disclosed offer of securities of the issuer in the previous 12 months.

Investment Recommendations (12 months period):

Date/Time of publication:	Price target/Current share price:	Rating/Validity:	Conflict of Interest (key)
02 09 2019/07:45 h	EUR 39.10/EUR 22.80	Buy, 24 months	1, 2, 8

An overview on the allocation of Sphene Capital's investment recommendations is available under http://www.sphene-capital.de.

Statements pursuant to § 85 (1) WpHG and Article 20 of Regulation (EU) No 596/2014 and Delegated Regulation (EU) 2016/958:
This publication is based on information obtained from carefully selected public sources, especially suppliers of financial data, the publications of the analysed company and other publicly available media.

Rating principles/Methodology/Risks
For the preparation of the publication, company-specific methods from the fundamental stock analysis were used, such as quantitative statistical methods and models, and practices used in technical analysis (inter alia, historical valuation models, net asset value models or sum-of-the-parts valuation models, discounted cash flow models, economic profit models, multiplier models or peer-group comparisons). Valuation models are dependent on macroeconomic factors such as currencies, interest rates, commodities and on assumptions about the economy. In addition to that, market sentiment and political developments may impact the valuation of companies.

Selected approaches are also based on expectations, which may change depending on the industry-specific developments without warning. Consequently, recommendations and price targets based on these models may change accordingly. Investment recommendations cover a period of twelve months and may be subject to market conditions. The expected price developments can be achieved faster or slower or be revised upwards or downwards.

Statement on compliance:
Sphene Capital GmbH has taken internally regular precautions to avoid conflicts of interest with respect to the analysed company and to disclose potential conflicts of interest. Responsible for compliance with these arrangements: Susanne Hasler, susanne.hasler@sphene-capital.de

Analyst certification:
The author(s) of this publication certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this publication.

This report has been finalized on 01 09 2019 at 19:00 h. Last price at the time of completion: EUR 22.80.