

Nynomic AG

Germany - High-tech Engineering



HAUCK
AUFHÄUSER
INVESTMENT BANKING

Buy (Initiation)

Price target: EUR 51.00 (Initiation)

Price: EUR 37.00 **Next result:** Q1 31.05.22
Bloomberg: M7U GR **Market cap:** EUR 218.3 m
Reuters: M7UG.DE **Enterprise Value:** EUR 218.1 m

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Shining light on an attractive equity story // Initiate with BUY

Nynomic is a leading supplier of optical metrology solutions, which are based on spectroscopy. Simply put, by measuring the spectrum of light that is emitted, absorbed or scattered by an object one can contactless determine the color, temperature, density and even chemical composition of such, making it a go-to technology whenever efficiency and accuracy are to be improved across various application areas.

Stemming from its **extensive R&D efforts and multiple bolt-on acquisitions** during the past ten years, Nynomic has gained the necessary technical know-how across industries and application areas to **serve as an ideal problem solver**.

Care for an example? Counterfeit drugs have been on the rise for a while, posing a significant health risk and costing pharma companies billions every year. Detecting those typically requires costly and timely testing. **Nynomic partnered with Novartis to develop a handheld device that can instantly detect counterfeit drugs** by analyzing their chemical compositions, all with the power of spectroscopy.

In light of this and supported by a fab-lite business model, **Nynomic is able to achieve strong ROCEs (>15% adj. for net cash) and high cash conversion rates of >50%**.

Spectroscopy is an attractive market, yet also very heterogeneous and subdivided into many different niches, often with an oligopolistic or even duopolistic nature and annual volumes of € 20-50m, shying away larger players. Nynomic's **market leading positions in its respective niches look defensible** against smaller competitors thanks to (1) its unique set-up as one-stop shop, (2) certain lock-in effects on the back of high switching costs and lengthy qualification processes, (3) patent-protected IP, (4) scale advantages and (5) long-lasting relationships with customers that value a reliable partner above all.

This coupled with the exposure to markets with strong structural growth drivers explains our **expected 10.4% top-line growth p.a. to € 142m by '24E**. Supported by turnarounds at loss-making businesses, an improving product mix and economies of scale, **the EBIT margin should increase to 15.7%**, exceeding management's 15% mid-term target.

Upside to our estimates is stemming from additional value accretive M&A, a key building block of Nynomic's historic growth and current success.

Both Nynomic's strong competitive quality and attractive growth prospects are not adequately reflected in the current share price, **we initiate with a BUY and a € 51 PT based on a DCF: 8% 2024-29E sales CAGR, 2.5% terminal growth, a 16% terminal EBIT margin and a 7.75% WACC**.

Y/E 31.12 (EUR m)	2018	2019	2020	2021P	2022E	2023E	2024E
Sales	67.1	64.9	78.6	105.2	116.2	128.3	141.6
Sales growth	11 %	-3 %	21 %	34 %	10 %	10 %	10 %
EBITDA	13.2	9.5	11.4	17.1	19.9	23.3	26.6
EBIT	10.1	6.4	8.0	13.0	15.8	19.1	22.3
Net income	6.8	4.4	4.4	7.8	9.7	11.9	14.2
Net debt	9.6	20.2	17.3	10.8	-0.3	-15.4	-32.2
Net gearing	47.0 %	64.4 %	35.9 %	16.4 %	-0.4 %	-15.9 %	-28.0 %
Net Debt/EBITDA	0.7	2.1	1.5	0.6	0.0	0.0	0.0
EPS pro forma	1.35	0.87	0.83	1.33	1.65	2.02	2.41
CPS	-0.19	0.09	0.55	1.85	1.95	2.61	2.92
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	64.2 %	62.8 %	59.9 %	57.7 %	58.1 %	58.4 %	58.7 %
EBITDA margin	19.7 %	14.7 %	14.6 %	16.3 %	17.1 %	18.1 %	18.8 %
EBIT margin	15.0 %	9.9 %	10.1 %	12.4 %	13.6 %	14.9 %	15.7 %
ROCE	20.6 %	10.7 %	10.1 %	13.1 %	13.8 %	14.7 %	15.1 %
EV/sales	2.9	3.2	2.7	2.2	1.9	1.6	1.3
EV/EBITDA	14.8	21.9	18.7	13.4	11.0	8.7	7.0
EV/EBIT	19.4	32.5	26.8	17.6	13.8	10.7	8.4
PER	27.3	42.7	44.8	27.8	22.4	18.3	15.4
Adjusted FCF yield	3.6 %	2.4 %	2.4 %	3.9 %	5.0 %	6.4 %	8.3 %

Source: Company data, Hauck Aufhäuser Investment Banking Close price as of: 25.03.2022

Please refer to important disclosures at the end of the report



Source: Company data, Hauck Aufhäuser Investment Banking

High/low 52 weeks: 54.40 / 30.60

Price/Book Ratio: 2.7

Relative performance (SDAX):

3 months 0.5 %

6 months -8.0 %

12 months 4.6 %

Changes in estimates

	Sales	EBIT	EPS
2022	old: Δ		
2023	old: Δ		
2024	old: Δ		

Key share data:

Number of shares: (in m pcs) 5.9

Authorised capital: (in € m) 2.0

Book value per share: (in €) 13.5

Ø trading volume: (12 months) 6,200

Major shareholders:

Free Float 71.2 %

Management & Supervisory Board 23.5 %

Paladin Asset Management 5.3 %

Company description:

Nynomic is a supplier of optical metrology solutions based on spectroscopy, allowing for contactless determination of material specifications and surfaces.

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Introducing Nynomic

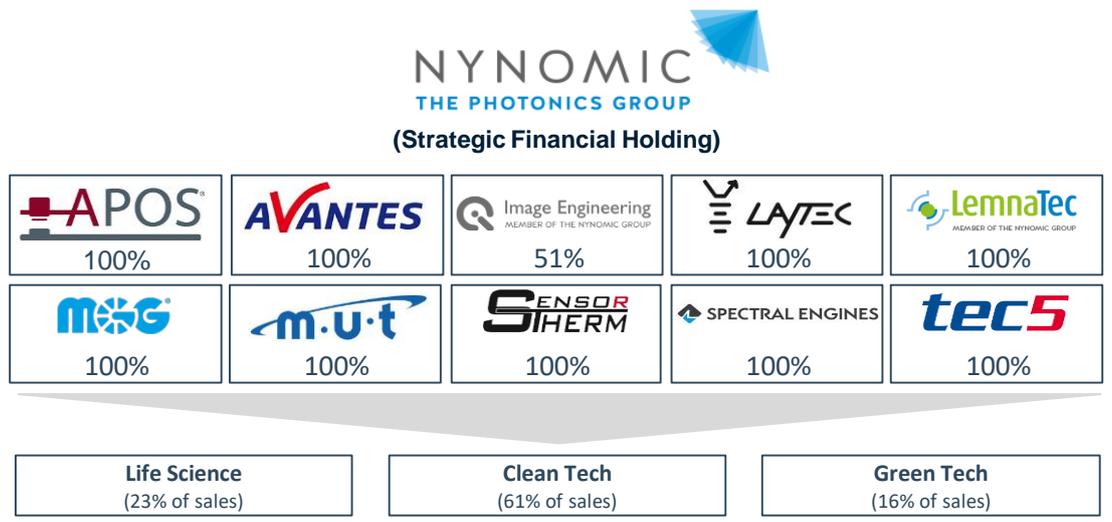
- **Leading supplier of optical metrology solutions** based on spectroscopy, a go-to technology whenever efficiency and accuracy are to be improved across various application areas
- **Extensive R&D and bolt-on M&A** across industries and application turned Nynomic into an **ideal problem solver**

What started as simple engineering office in 1995 turned into a **leading supplier of optical metrology solutions based on spectroscopy**. As a result of its successful buy-and-build strategy, Nynomic is able to supply everything from single components all the way to fully integrated systems to a large variety of application areas across various industries.

Spectroscopy refers to analyzing the spectrum of light that is emitted, absorbed or scattered by a substance. Simply put, **spectroscopy allows for contactless determination of color, temperature, density or chemical composition of an object**. For example, Nynomic equips CLAAS' combine harvesters with a sensor that determines the quality of a crop while it is being harvested. Its NIRONE sensor can instantly detect counterfeit pharmaceuticals by analyzing their chemical compositions, making a costly and timely lab test obsolete.

Nynomic mainly develops and produces customized products and solutions. Hence, Nynomic is usually being compensated for the development of a product through milestone payments and thereafter awarded its serial production. The final product is either being sold under one of Nynomic's ten brands or as white-label solution.

Group structure of Nynomic



Source: Company data, Hauck Aufhäuser Investment Banking

The Nynomic group, which comprises ten individual brands, is divided into **three segments based on their end market exposure**:

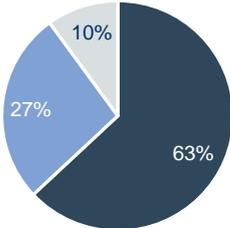
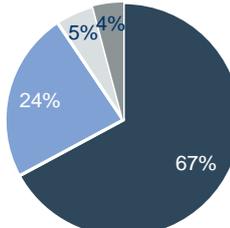
Life Science (23% of '21P sales) predominantly targets customers in pharma, medtech and biotech industries. Its products range from optical sensors and spectroscopy systems to full laboratory automation solutions (blood sample sorting). With the acquisition of Spectral Engines, it also offers pharmaceutical analysis for Novartis (anti-counterfeit detection) but also to consumers directly (cannabis potency testing).

Clean Tech (61% of '21P sales) provides a large variety of sensor solutions for the industrial sector with the goal to improve productivity, maintain quality or save input materials. For instance, LayTec offers monitoring solutions for the production of microLEDs and lasers (e.g. VCSELs) that can enhance yield.

Green Tech (16% of '21P sales) provides various intelligent solutions for the agricultural industry; i.e. "Agrar 4.0". Green Tech provides a variety of sensor solutions for digital phenotyping and high-throughput screening to seed companies such as Bayer and Corteva as well as harvesting combine manufacturer CLAAS. Further, Nynomic is the leading manufacturer of sensors measuring the manure composition when used as fertilizer (EU regulates ammonia content).

Nynomic's customer base is as diverse as its end market exposure ranging from industry "big shots" such as Novartis to various law enforcement units and smaller local specialists.

Headquartered in Wedel, Germany, Nynomic runs a total of 16 operational sites in Germany (7), USA (3), China (3), Netherlands (1), Finland (1) and the UK (1) as well as globally spread sales offices ensuring a worldwide product availability and close relationships to its multinational customers.

	Life Science	Clean Tech	Green Tech	Group
				
Segments	Various automated measurement solutions for hospitals and research institutions, anti-counterfeit detection for pharmaceuticals, etc.	Offers solutions for a wide range of industrial applications that improve productivity, maintain quality standards or save input materials	Enabler of "Agrar 4.0" with contactless measurement of grain quality, fruit sorting, optimized fertilizer usage, etc. and various sensors in the biomass energy production	
Key products	NIRONE (anti-counterfeit pharmaceuticals), automatic sorting of blood samples	Calibration for multi-sensors such as ADAS, monitoring systems for the LED and VCSEL production, infrared temperature determination	Automated quality assesment of biomass input deliveries, glue analysis at woodworking plants and composition analysis of crop and slurry	
Sales '21P (€ m)	24.2	64.2	16.8	105
Sales share	23%	61%	16%	
End markets	Pharma, medtech and biotech	Semiconductor, Chemical, engineering, food & beverage and industrial	Agricultural, food & beverage and environmental technology	
Market position	Nynomic operates in a large number of very specialized niche markets in which the company typically is the leader			
Suppliers	Nynomic can rely on a highly diversified supplier network with >100 different suppliers. As most of the purchased components are standard products (light sources, optical sensors and cables) the company usually has multiple potential suppliers per part.			
Competitors	Nynomic offers a unique set-up with an unmatched product offering and customer base. Nynomic's competitors are generally smaller engineering offices with a certain niche focus. On larger projects that require serial production, Nynomic also faces companies such as Carl Zeiss, Leica and Thermo Fischer			
Regional split ('21P)/ shareholder structure	 <ul style="list-style-type: none"> ■ EMEA ■ Americas ■ APAC 		 <ul style="list-style-type: none"> ■ Free float ■ Management & Supervisory Board ■ Paladin Asset Management ■ Berenberg 	
Global set-up	16 operational sites spread across the northern hemisphere: Germany (7), USA (3), China (3), Netherlands (1), Finland (1) and the UK (1)			
EBIT '21P (€ m)				13.0
EBIT-margin				12.4%
ROCE '21P				13.1%

Source: Company data, Hauck Aufhäuser Investment Banking

Competitive Quality

- **Outstanding “problem solver” ability offering significant value-add to its customers**
- **Focus on highly attractive niches**, which are too small for the industries’ “big shots” and **defensible against smaller players** thanks to its unique set-up as one-stop shop, certain lock-in effects, patent-protected IP, scale advantages and long-lasting relationships with customers that value a reliable partner above all

Evading larger players by focusing on niches...

While **spectroscopy is an attractive market**, which is characterized by dynamic growth prospects, it is **very heterogeneous and subdivided into many different niches**. As most of the niches have an oligopolistic or even duopolistic nature with volumes of € 20-50m annually, it should be unattractive for large players to try competing with established players for low to mid single-digit annual revenue potentials.

For example, in 2019 Nynomic bought LemnaTec, one of the leading specialists for digital plant phenotyping and high-throughput screening. Despite its market leading position, annual sales volumes currently don't exceed € 4-6m (eHAIB), which should be deemed unattractive to try competing for by large players.

Generally, Nynomic only meets a limited number of competitors directly. Thanks to a **significantly higher degree of specialization Nynomic differentiates itself from much larger players** such as Carl Zeiss, Hexagon and Stratec.

These larger players are providing spectroscopy components and solutions for a broad market. Therefore, the **highly specialized niche solutions of Nynomic are often only a side activity for the larger players or even outsourced**, which is the reason behind them also being Nynomic's customers.

...which look defensible against smaller competitors.

Nynomic's market leading positions in its niches look defensible as a result of **sound entry barriers including:**

- **A unique one-stop shop.** Thanks to its set-up, Nynomic is able to offer customers solutions covering large parts of the value chain starting from R&D and prototyping up to a production and system integration. Most competitors, which are typically smaller regional engineering service providers, are unable to set up a serial production let alone a global roll-out. Larger competitors such as Stratec or Carl Zeiss are at the same time unwilling to offer highly customized solutions for niche applications given the comparably low revenue potential in respect to their overall topline.

Its buy-and-build strategy has improved the company's vertical integration (takeovers of tec5 in 2007 and Avantes in 2008 allow the company to produce most critical systems in-house) and enables access to a constantly growing technology and know-how platform. This provides Nynomic with notably higher problem solving capabilities than its smaller competitors.

- **Lock-in effects.** Nynomic's customers are highly reluctant to change suppliers due to **significant costs of change**, potential reputational risks and partial exclusivity agreements. Nynomic is an expert “problem solver” hence why its products and solutions are usually highly customized. Given the significant development efforts, Nynomic is typically being compensated for the development and prototyping while its customers benefit from the subsequent serial production with scale effects. **Switching suppliers or even establishing a second source alongside Nynomic would therefore be cost and time intensive.**

Further, as Nynomic's solutions aim to improve the productivity/yield of a process or production, reliability is critical. **Lengthy qualification**

processes increase its customers' hesitancy to "change a running system" and making it highly unlikely for Nynomic to lose existing business to a competitor. Importantly, as Nynomic is not selling the most affordable solutions but the ones with highest quality and reliability, **pricing does not significantly affect a customer's hesitancy to switch.**

- **Certifications and patents.** Nynomic is active in different niche markets, all requiring very specific know-how. As patents protect the crucial IP, it should be difficult for new entrants to attack Nynomic in its niches. Additionally, some of Nynomic's end markets are highly regulated and require extensive certification. For instance, Image Engineering offers test and calibration equipment for cameras and multi-sensors used in the automotive industry (ADAS). Given the high degree of safety-relevance of those systems, an automotive certification should serve as big hurdle for potential competitors. This should also be true for most of Nynomic's end markets including pharmaceuticals, biotechnology, food & beverage as well as semiconductor.
- **Scale advantages.** Compared to most competitors, Nynomic is notably larger, through which the company is able to enjoy plenty of scale effects, particularly related to R&D and procurement. With R&D being the backbone of its success, the ability to spend > € 8m p.a. should put Nynomic to the forefront of innovation. Further, procuring certain parts in bulk should help Nynomic to achieve better margins while offering attractive prices to customers, a clear disadvantage of smaller players.

Nynomic's outstanding "problem solver" ability

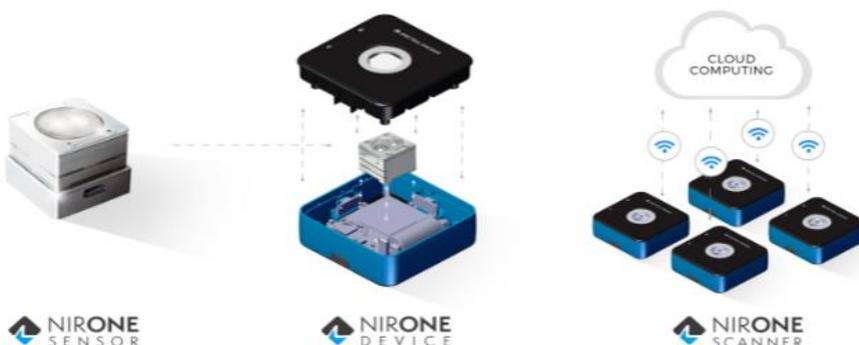
With its broad portfolio of solutions, Nynomic is perfectly positioned to solve key challenges and issues across various industries. This often boils down to improving the production quality, reducing costs and raising the degree of automation (LayTec or LemnaTec). The ability to improve customers' yield with resulting high ROIs and short payback periods should pose a strong incentive for customers to be working with Nynomic.

A prime example for Nynomic's "problem solver" ability is NIRONE, for which the company partnered with Novartis to solve a key issue of the pharma industry:

The problem: For years, the amount of counterfeit pharmaceuticals being sold has been on the rise. It is estimated that more than 10% of all drugs in the global supply chain are counterfeit, posing a significant health risk and costing pharmaceutical companies in the EU alone more than € 10bn in lost revenues, according to the WHO.

Whenever drugs are suspected to be counterfeit, they are being sent to manufacturers or contracted labs for verification, causing incremental costs.

NIRONE



The solution: Nynomic developed NIRONE, a handheld scanner that allows for real time authentication of suspected counterfeit drugs. One simply needs to place a pill on top of the sensor, which then compares the detected composition of that pill with a cloud-based database followed by an instant result. Thanks to Nynomic's extensive sensing know-how coupled with proprietary AI and own cloud solution, which always keeps the database up-to-date. NIRONE significantly reduces the time necessary to verify the authenticity of a drug to a few seconds. So far, Nynomic is only providing NIRONE to Novartis, however additional "big shots" of the pharmaceutical industry are likely to follow in due course.

Long-standing customer relationships, the foundation of success

Thanks to its **early mover advantage with more than 25 years of experience** across various application areas, Nynomic can rely on a number of very close relationships with leading OEMs such as Carl Zeiss and CLAAS. Above all, maintaining those relationships **boils down to being a reliable partner**.

Besides IP protection during early product development stages, in which Nynomic is deeply integrated, this includes being a **reliable supplier of consistent quality**. Here, Nynomic enjoys an outstanding reputation particularly for critical systems in demanding end-markets such as semiconductors, medical and food & beverage.

When done right, it decreases the risk of losing a customer to a competitor to nearly zero and is **generally being rewarded with multi-year sales contracts**.

Buy-and-build strategy further improves competitive quality

As part of its growth strategy, Nynomic **acquires smaller companies with market leading positions in their respective niches** that broaden the group's overall technology offering or allow the entrance into additional strongly growing end markets. For instance, Spectral Engines (acquired in 2018) produces pocket-sized devices that can detect counterfeit pharmaceuticals and determine the potency of cannabis while Image Engineering supplies test and calibration equipment for cameras and multi-sensor systems (ADAS).

As customers often approach Nynomic with a problem (e.g. Novartis is seeing a spike in counterfeit pharmaceuticals and struggling with the immense lab work necessary to identify those), being able to access a constantly growing product and know-how platform enables Nynomic to engage in an increasing number of tenders, unlike a smaller less diversified player.

Importantly, since Nynomic does not engage in restructuring cases and is able to quickly integrate its add-ons with resulting cost and revenue synergies, they are **typically value and EPS accretive from day one onwards**.

As further consolidating the market requires quickly accessible finance sources, being a comparably larger and listed player with a proven track record of consolidating the industry should be seen as clear advantage.

Business Quality

- **Nynomic's strong competitive quality and value creation for its customers is visible in its financials:**
 - Net cash adj. ROCE to improve to around 18% thanks to a rising profitability
 - Sustainable high cash conversion of >50%
 - Rock-solid financial set-up which should allow further value accretive add-ons

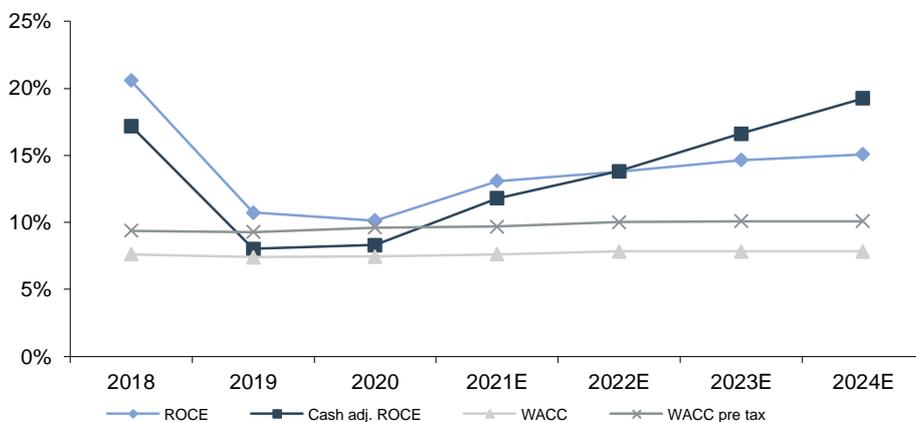
Strong business quality set to further improve

Nynomic's ability to transfer its strong competitive quality into a sound business quality is reflected by **strong ROCEs** (EBIT/avg. capital employed) clearly exceeding the company's cost of capital (WACC) as well as its **high cash conversion rates of >50%** (FCF/EBITDA). This clearly underpins that Nynomic's **customers value the company's offering and are willing to pay for the value-added solutions.**

In detail, **ROCE looks set to reach a strong level of 15% by 2024E.** Adjusting for the built up of net cash, which distorts the capital employed to the upside, **ROCE is seen to exceed 18%.** This should predominantly be stemming from an improving profitability (EBIT margin from 10% in 2020 to 15.7% by 2024E):

- (1) **Loss making businesses** (Spectral Engines and LemnaTec; 5-7% of 2021P group sales) **turning profitable**
- (2) **An improving product mix** thanks to a more selective project selection; i.e. no new business that doesn't offer at least 15% margins

Returns



Source: Company data, Hauck Aufhäuser Investment Banking
 Note: Returns in 2019 and 2020 were negatively impacted by a weaker top-line and a resulting lower profitability and investments into several new product launches at its new subsidiary Spectral Engines

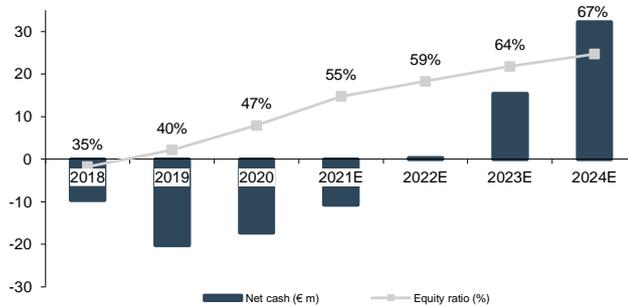
As a result of its buy-and-build strategy, **goodwill accounts for 29% of Nynomic's assets**, or € 34m, inflating capital employed. When adjusting for that figure, **ROCE would even stand at almost 19% in 2021P** (vs. 13% unadjusted) which further underpins the attractiveness of Nynomic's business model.

Asset light nature of the business allows for strong FCF

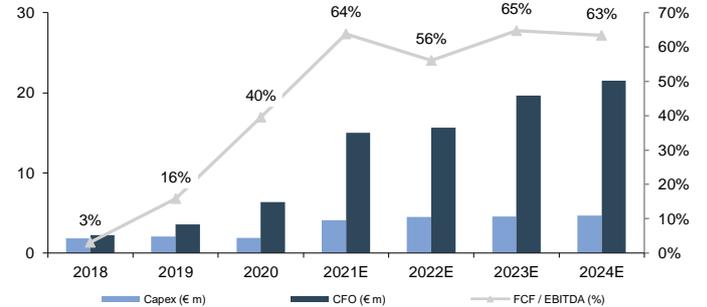
Going forward, we expect Nynomic to further **improve FCF generation from around € 9m in 2021P to € 18m by 2024E, or almost 70% of EBITDA.** This is thanks to the above-mentioned improving profitability and resulting rising operating cash flow as well as the rather asset light nature of the business model with sustainable capex requirements of only 3-3.5% of sales.

As underpinned by roughly 30% of its employees being engineers, Nynomic's value-add lies within its deep technical understanding of spectroscopy and the ability to solve its customers' problems. Nynomic only engages in the final assembly of components (only key components are produced in-house), **allowing for a fab-light set-up.**

Solvency



Capital requirements, CFO before changes in w/c and FCF



Source: Company data, Hauck Aufhäuser Investment Banking

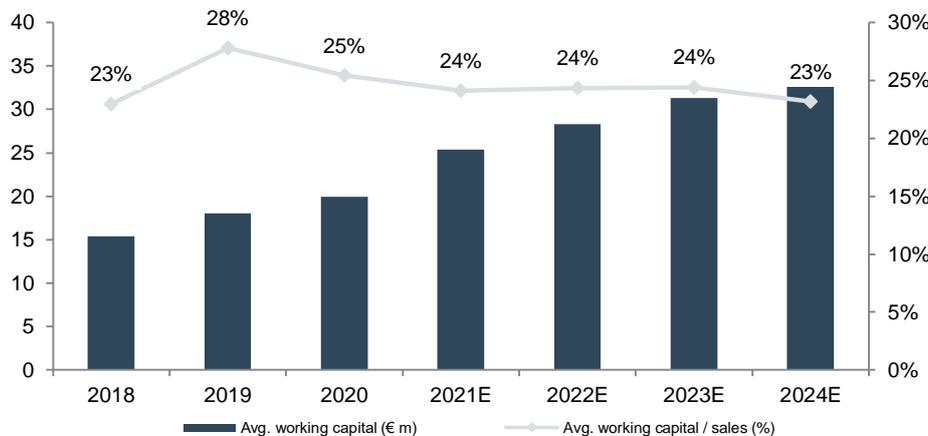
Backed by its strong FCF generation and its solid financial set-up, Nynomic looks **well-equipped to continue capitalizing on attractive inorganic growth opportunities.**

Only limited improvement potential for working capital intensity

Working capital intensity for Nynomic is high at around 25% in 2021P, yet owed to the nature of the business, i.e. we see only limited improvement potential. While days to collect receivables and pay payables are not excessive (FY 2021P: 55 and 23), inventory turn stands at only 5.6x. Nynomic's higher inventory levels are mainly related to its customers' requirements regarding delivery flexibility (finished goods and safety stock of procured components).

We model a slight reduction of its working capital ratio down to 23% by 2024E on the back of slightly less days to collect receivables (55 to 50) and an improving inventory turn to 6.0 as currently supply chain issues, which result in additional safety stock, ease.

Working capital



Source: Company data, Hauck Aufhäuser Investment Banking

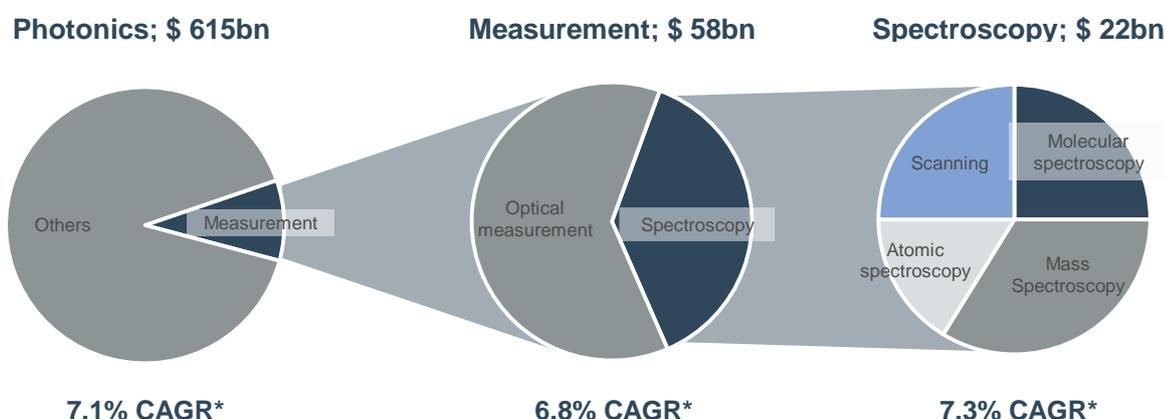
Growth

- **Strong top-line growth of 10.4% p.a. expected (2021-24E)** thanks to the company's unique positioning as market leader in highly attractive niches
- **Disproportionate EBIT growth of 19.6%** (2021-24E CAGR) on the back of turnarounds at loss-making businesses (Spectral Engines and LemnaTec), an improving product mix and economies of scale

Photonics, an attractive growth market ...

During the past 15 years, the photonics industry has shown dynamic growth with a 6.5% CAGR reaching some \$ 615bn in 2020. **This looks set to further increase to an annual growth of around 7% annually (2020-26E CAGR)** thanks to various attractive trends such as advanced medical solutions, autonomous driving, additive manufacturing, laser welding, cloud computing, solar/PV, next generation semiconductors, etc.

Global market volumes



Source: Company data, Grand View Research, Mordor Intelligence; *2020-26E CAGR

...with even more attractive niches

Nynomic primarily focuses on **molecular spectroscopy**, which accounts for less than 1% of the overall photonics industry. Nevertheless, many of its **numerous niches offer attractive growth opportunities of above 10% annually**. Focusing on the right niches should allow Nynomic, which is often the market leader within them, to achieve high single to double-digit annual sales growth during the mid-term.

Thanks to attractive growth prospects of the underlying end markets coupled with Nynomic's strong competitive quality and focus on the right niches **group sales look set to grow by 10.4% p.a. until 2024E**. Our expectations for 2022E are also backed by a **strong order backlog of € 73.5m at the end of 2021P**.

	(in € m)	2019	2020	2021P	2022E	2023E	2024E	CAGR '21-24E
Group sales		64.9	78.6	105.2	116.2	128.3	141.6	10.4%
	yoy		21%	34%	10%	10%	10%	
Life Science		13.6	18.2	24.2	27.1	30.6	34.6	12.7%
	yoy		33%	33%	12%	13%	13%	
Clean Tech		40.8	47.6	64.2	71.1	78.2	86.0	10.3%
	yoy		17%	35%	11%	10%	10%	
Green Tech		10.4	12.8	16.8	18.0	19.5	21.0	7.7%
	yoy		23%	32%	7%	8%	8%	

Source: Company data, Hauck Aufhäuser Investment Banking

A detailed look on how the individual segments are expected to perform:

Life Science – changing growth drivers

Life Science is seen to show dynamic sales growth of 12.7% p.a. to € 35m by 2024E thanks to (1) a solid underlying laboratory and pharmaceutical production equipment business, which should grow largely inline with the market (~ 9% CAGR 2021-25), and (2) strong prospects from Spectral Engines:

- **Pre analytics:** Some blood samples are only suitable for analysis to a limited extent or not at all. Nynomic's solutions can assess the statuses (e.g. haemolytic or icteric), fill levels and other characteristics of blood samples and automatically sort, open and pre-treat those. For large laboratories this offers substantial efficiency gains.
- **Analytics:** Based on its know-how from blood sample sorting Nynomic developed automated blood analysis systems, which are implemented into solutions from a globally active supplier of laboratory equipment.
- **Quality control in the production of drugs.** Nynomic offers solutions for automated analysis of raw materials, processes and finished goods, ensuring efficient and safe production processes and consistent quality.

With the acquisition of Spectral Engines in 2018, Nynomic has opened itself up to significant market potential; **replacing costly and lengthy lab tests** in order to determine a substance's chemical composition **with handheld devices that offer instant results:**

- **Anti-counterfeit detection** of pharmaceuticals (NIRONE) pose a strong growth driver with upside to our estimates. So far, Nynomic has only announced a partnership with Novartis, covering its drug offering. This project alone should yield mid to high single-digit €m revenues from hardware sales as well as € 0.5-1m of annually recurring revenues for software maintenances. As Nynomic and Novartis have no exclusivity agreement in place, we would expect other pharmaceutical companies to also begin working with Nynomic on covering their drug offerings as well.
- **PURPL, its portable cannabis and hemp testing system** that measures moisture and a sample's potency at lab-level accuracy, is already being sold to consumers and growers. Measuring moisture in cannabis is critical, especially in today's highly regulated legal markets. Growers have a small target to hit: Over-drying damages trichomes and affects yield. Under-drying violates regulations, increases chances of mold, and puts customers at risk.
- **Narcotics detection** (TactiScan) is the first portable and reusable drug screening device, designed to detect illicit narcotics onsite. The handheld devices can scan through plastic bags with instant results without any sample preparation or a need for chemical reagents, making widely used chemical test kits and Raman devices obsolete. Once launched (eHAIB H2 2022), Nynomic should be able to sell it to law enforcements globally.

Clean Tech – riding the waves of mega trends

Nynomic's largest segment **Clean Tech is seen to grow by 10.3% p.a. to € 86m by 2024E**, predominantly driven by two of its subsidiaries:

- **LayTec** is an expert for process-integrated optical metrology systems that can significantly enhance yield of microLED and laser (e.g. VCSEL) productions. As a market leader, the company looks well positioned to benefit from strongly growing end markets. On the back of a growing need for energy savings and rising adoption rates of smart lightning solutions, the **demand for microLEDs is seen to grow by around 14% annually** until 2026E. During the same period of time, **demand for lasers such as**

VCSELs and EELs is seen to grow by 19% p.a. driven by various 3D sensing based application areas including facial recognition, LiDAR and augmented reality. As a result, **LayTec is seen to grow at 10-15% annually** (eHAIB).

- **Image Engineering**, a leading developer and manufacturer of **test and calibration equipment for cameras and multi-sensors** should strongly benefit from rising adoption rates of two disruptive technologies, machine vision and ADAS. While the market for machine vision is expected to grow by 8% p.a. during the next 8 years, the ADAS market looks poised for 12% annual growth. As Image Engineering is already working with leading automotive OEMs on reducing the time needed to calibrate cameras, LiDAR and RADAR systems, **the company should enjoy 10-12% sales growth p.a.** (eHAIB) for such products.
- **tec5 serves a variety of end markets including semiconductor equipment manufacturers** such as US-based ONTO Innovation, one of its key customers in this space. tec5 provides various spectroscopy solutions used to monitor coating processes of silicon wafers and glass (for displays) such as physical and chemical vapor deposition. The **attractive growth prospects of the industry** are underpinned by the expected sales CAGR of ONTO (14% 2021-24E), which should also feed down to component suppliers such as tec5.

Green Tech – Agriculture 4.0

Green Tech provides intelligent solutions for the agricultural industry; i.e. “Agrar 4.0”. Rising demand for environmental protection and sustainability as well as limited availability of farmable land make highly efficient, optimized processes indispensable.

Therefore, the global “smart agricultural” market is expected to grow at an 8.7% CAGR (2021-26E; MarketsandMarkets). Nynomic’s Green Tech segment clearly benefits from those trends, and is hence seen to grow at a similar rate of **7.7% p.a. to € 21m by 2024E**, mainly driven by four product groups:

- **Real time quality control of crops** while being harvested provides farmers with an instant understanding of its crops value and makes subsequent testing, which takes time and costs additional money, obsolete.
- **Spectrometric determination of fertilizer demand.** The EU Nitrates Directive aims to reduce groundwater pollution from manure. Hence, farmers are obligated to only use just the right amount. Here Nynomic offers systems to be installed on agricultural machinery that allow real-time assessment of the used manure in order to optimize the output and keep groundwater pollution to a minimum.
- **Fruit sorting solutions** allow for high-speed determination of quality and ripeness, significantly improving a processing plant’s efficiency.
- **Leaf/Foliage Measurements.** Direct leaf measurement characterizes a variety of plant health parameters. Effortlessly understanding the plants’ well-being is essential for operating largely automated greenhouses.

Additional growth could be stemming from Spectral Engines’ MEMS-based sensor solutions. While they so far mainly target the pharma industry, a portable and more efficient device to determine soil and plant characteristics should be well-received by farmers (also replacing lab testing), in our view.

Margins look set to further increase

Overall, **Nynomic's EBIT is seen to disproportionately grow from € 13m in 2021P to ~22m by 2024E** (20% CAGR) with the margin increasing from 12.4% in 2021P to 15.7%, ahead of its mid-term target of 15%. The key drivers are:

- (1) **Turnarounds at loss-making businesses.** While the group enjoys healthy margins, two of its ten subsidiaries (ca. 5-7% of group sales) are loss-making, which looks set to change. **Spectral Engines**, which became part of the group in 2018, has been investing heavily in the development of its ground-breaking MEMS-based sensor solutions: NIRONE, PURPL, and TactiScan. With sales likely to reach € 5-6m in 2022E (eHAIB), break-even should be in reach. Thanks to further dynamic growth, margins should quickly approach group levels of around 15%.

Further, LemnaTec so far predominantly depends on a rather lumpy project business. During times with less larger projects, this is a drag on the group's top-line and profitability. Thanks to an increasing focus on increasing the amount of product sales, this looks set to change going forward.

- (2) **An improving product mix.** With overall demand for spectroscopy solutions being strong, selecting the right projects with an attractive margin is important. In 2019 and 2020, alongside growth investments at Spectral Engines, Nynomic engaged in a number of larger projects at the cost of its profitability. Its gross margin in 2020 came down 2.9pp (EBIT margin -4.9pp) vs 2018 while sales was up 18%. We expect management to only select projects that offer at least 15% EBIT margins.

The group's product mix should further improve thanks to **selective higher margin acquisitions** such as MGG (€ 2.5-3m sales at ~ 30% margin) and **rising recurring revenues**. For instance, its partnership with Novartis (counterfeit pharmaceutical detection) includes € 0.5-1m annual high margin service revenues next to hardware sales. Hardware sales of its cannabis and hemp testing system PURPL, which is sold to consumers and growers, comes with monthly high-margin software subscription revenues.

- (3) **Economies of scale.** As Nynomic continues its strong growth path, the company should increasingly be able to enjoy scale effects. This should particularly be true for the procurement of components (material expenses account for roughly 40% of group sales) but also SG&A activities. **Nynomic's gross profit margin is seen to increase to almost 60% by 2024E.**

Strong pricing power allows to mitigate inflation of input prices

As Nynomic operates a fab-light business model, the company sources large parts of its used components. In light of ongoing component shortages and record-high inflation rates, the company is facing rising input cost. Thanks to a diversified supplier network, strong competitive quality and its products' distinct value-add to customers, Nynomic has **so far not been facing serious supply constraints and has been able to fully pass on higher input costs**. A potential **impact on margins should remain low going forward**, in our view.

Nynomic AG

(in € m)	2019	2020	2021P	2022E	2023E	2024E	CAGR '21-24E
Group sales	64.9	78.6	105.2	116.2	128.3	141.6	10.4%
yoy		21%	34%	10%	10%	10%	
+/- finished goods and work-in-process	0.7	2.8	0.5	0.5	0.5	0.5	
% of sales	1.0%	3.6%	0.5%	0.4%	0.4%	0.4%	
Material expenses	24.4	32.6	44.7	48.9	53.6	58.6	
% of sales	37.6%	41.5%	42.5%	42.1%	41.8%	41.4%	
Gross profit	40.5	46.0	60.5	67.3	74.7	83.0	11.1%
yoy		14%	32%	11%	11%	11%	
margin	62.4%	58.5%	57.5%	57.9%	58.3%	58.6%	
Personnel	25.4	28.5	32.6	35.8	38.9	42.5	9.2%
% of sales	39.1%	36.2%	31.0%	30.8%	30.3%	30.0%	
Other op. expenses	7.0	9.5	12.3	13.2	14.4	15.9	8.8%
% of sales	10.8%	12.1%	11.7%	11.4%	11.2%	11.2%	
Other op. income	0.8	0.6	1.1	1.2	1.3	1.4	
% of sales	1.2%	0.8%	1.0%	1.0%	1.0%	1.0%	
EBITDA	9.5	11.4	17.1	19.9	23.3	26.6	15.8%
yoy		20%	50%	16%	17%	14%	
margin	14.7%	14.6%	16.3%	17.1%	18.1%	18.8%	
D&A	3.1	3.5	4.1	4.1	4.2	4.3	
% of sales	4.8%	4.4%	3.9%	3.6%	3.3%	3.0%	
EBIT	6.4	8.0	13.0	15.8	19.1	22.3	19.6%
yoy		24%	63%	21%	21%	17%	
margin	9.9%	10.1%	12.4%	13.6%	14.9%	15.7%	

Source: Company data, Hauck Aufhäuser Investment Banking

Valuation

- Our DCF model points towards a fair value of € 51 per share
- A peer group analysis confirms the shares' vary attractive valuation

DCF model points towards a fair value of € 51 per share

We use a DCF model to adequately reflect the company's promising mid- and long-term growth and margin expansion prospects.

We model **10.4% sales CAGR in the short-term (2021-24E)**, a **mid-term growth rate of 8% p.a. (2024-29E)** and a **long-term growth rate of 2.5%**.

The discount factor (WACC) of 7.75% is made up of a risk-free rate of 1.5%, 5.5% equity risk premium and a beta of 1.2.

The terminal EBIT margin is set at 16%, reflecting the company's strong competitive quality coupled with an increasing focus on higher margin projects and economies of scale.

DCF (EUR m) (except per share data and beta)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal value
NOPAT	11.3	13.5	15.8	17.5	19.2	20.7	22.2	23.2	23.9
Depreciation	4.1	4.2	4.3	4.4	4.4	4.5	4.6	4.6	4.6
Increase/decrease in working capital	-2.5	-2.3	-2.8	-2.7	-3.1	-3.1	-2.8	-2.6	-1.3
Increase/decrease in long-term provisions and accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	-4.5	-4.6	-4.7	-4.7	-4.8	-4.8	-4.8	-4.8	-4.6
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	8.5	10.9	12.6	14.5	15.8	17.4	19.2	20.4	22.6
Present value	8.0	9.5	10.3	10.9	11.0	11.2	11.5	11.3	229.0
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	313	Short term growth (2021-2024)	10.4%
thereof terminal value	73%	Medium term growth (2024 - 2029)	8.0%
Net debt (net cash) at start of year	11	Long term growth (2029 - infinity)	2.5%
Financial assets	1	Terminal year EBIT margin	16.0%
Provisions and off balance sheet debt	1		
Equity value	301		
No. of shares outstanding	5.9		
Discounted cash flow per share	51.0		
upside/(downside)	38%		

Share price		WACC derived from	
Share price	37.00	Cost of borrowings before taxes	5.0%
		Tax rate	30.0%
		Cost of borrowings after taxes	3.2%
		Required return on invested capital	7.8%
		Risk premium	5.5%
		Risk-free rate	1.5%
		Beta	1.2

Sensitivity analysis DCF							Sensitivity analysis DCF						
		Long term growth							EBIT margin terminal year				
		1.5%	2.0%	2.5%	3.0%	3.5%			14.0%	15.0%	16.0%	17.0%	18.0%
WACC	9.8%	33.2	34.6	36.1	37.9	40.0	WACC	9.8%	33.0	34.5	36.1	37.7	39.3
	8.8%	38.1	40.0	42.3	44.9	48.0		8.8%	38.3	40.3	42.3	44.3	46.3
	7.8%	44.8	47.6	51.0	55.1	60.2		7.8%	45.9	48.5	51.0	53.6	56.2
	6.8%	54.3	58.8	64.2	71.2	80.3		6.8%	57.4	60.8	64.2	67.7	71.1
	5.8%	68.7	76.3	86.1	99.6	119.0		5.8%	76.3	81.2	86.1	91.0	95.9

Source: Company data, Hauck Aufhäuser Investment Banking

A peer group analysis confirms the attractive valuation

While Nynomic does not have any direct listed peers, our peer group analysis focuses on somewhat comparable companies in the field of optical metrology with similar end markets. The peer group, which trades on 16/15x EV/EBITDA 2022/23E and 21/18 EV/EBIT 2022/23E underpins the DCF-derived upside.

NYNOMIC AG	Price	Currency	Market Cap	EV/Sales 22E (x)	EV/Sales 23E (x)	EV/EBITDA 22E (x)	EV/EBITDA 23E (x)	EV/EBIT 22E (x)	EV/EBIT 23E (x)	PER 22E (x)	PER 23E (x)
BASLER AG	108.2	EUR	1,136	4.3	3.6	20.2	16.7	29.9	23.7	39.4	31.5
HALMA PLC	2468.0	GBP	9,370	6.5	6.0	26.3	24.3	30.5	28.1	38.6	35.2
HEXAGON AB-B	131.9	SEK	32,589	7.0	6.5	18.3	16.8	24.3	22.0	29.3	26.5
KLA CORP	361.9	USD	54,541	6.2	5.5	13.9	12.3	14.9	12.9	17.6	15.1
SPECTRIS PLC	2572.0	GBP	2,850	2.1	2.0	10.2	9.6	12.3	11.4	16.1	14.9
STEMMER IMAGING	30.7	EUR	200	1.2	1.0	8.4	7.3	11.0	9.3	17.4	15.0
STRATEC SE	112.4	EUR	1,363	4.8	4.3	19.3	17.3	27.6	23.0	30.3	26.8
ONTO INNOVATION	88.1	USD	4,349	4.2	3.9	13.5	12.3	15.3	13.1	18.4	16.2
NYNOMIC AG	37.0	EUR	211.0	1.9	1.6	11.0	8.7	13.8	10.7	22.4	18.3
Average (peer group)				4.5	4.1	16.3	14.6	20.7	18.0	25.9	22.6
Premium+/discount- in (%)				-58%	-61%	-32%	-40%	-33%	-40%	-13%	-19%
Implied fair value				90.6	90.7	55.0	57.7	55.5	58.2	42.8	45.8
Median (peer group)				4.5	4.1	16.1	14.5	19.8	17.6	23.9	21.4
Premium+/discount- in (%)				-58%	-61%	-32%	-40%	-30%	-39%	-6%	-14%
Implied fair value				90.2	90.3	54.4	57.4	52.8	56.9	39.4	43.2

Source: Company data, Bloomberg, Hauck Aufhäuser Investment Banking

Basler AG (GR) designs and manufactures artificial vision equipment for industrial quality control. The company's vision technology systems identify, control, and monitor manufactured goods during production. Basler's technology is used in the semiconductor, electronic, food processing, and medical equipment industries. For 2022E, the company is expected to reach € 260m sales at a 14% EBIT margin.

STRATEC SE (GR) provides automation solutions for in-vitro diagnostics and life sciences. The company offers fully automated analyzer systems, software for laboratory data management, and smart consumables. For 2022E, the company is expected to reach € 308m sales at a 17% EBIT margin.

Hexagon AB (SE) is a global provider of design, measurement and visualization technologies. Its quality inspection and measurement solutions are used in various automotive, aerospace and medical applications. For 2022E, the company is expected to reach SEK 51.6bn sales at a 29% EBIT margin.

Halma plc (GB) Halma PLC is a health and safety sensor technology group, which manufactures products that detect hazards and also protect assets and people at work in public and commercial buildings. For 2022E, the company is expected to reach GBP 1.5bn sales at a 21% EBIT margin.

Spectris plc (GB) manufactures, products for the electronic control and process instrumentation sectors. The company's products include digital indication and control products, industrial computer circuit boards, semiconductor related devices, infrared equipment for temperature measurement, flying controls, gas analysis products, and analytical x-ray systems. For 2022E, the company is expected to reach GBP 1.33bn sales at a 17% EBIT margin.

Onto Innovation (US) provides process control solutions and inspection systems used in the fabrication of semiconductors and other solid-state devices, as well as industrial and scientific applications. For 2022E, the company is expected to reach \$ 965m sales at a 30% EBIT margin.

STEMMER IMAGING (GR) is a provider of image processing technology. Its solutions are being used, among other things, in automation and manufacturing technology, the automotive industry, medical technology, packaging technology or food technology as a powerful and economical method of automated optical inspection. For 2022E, the company is expected to reach € 147m sales at a 10% EBIT margin.

KLA-Tencor Inc. (US) produces yield-management and process-monitoring diagnostic and control systems for the semiconductor and related nano-electronics industries. For 2022E, the company is expected to reach \$ 9bn sales at a 41% EBIT margin.

Theme

Additional value accretive M&A to come

While the spectroscopy industry is highly fragmented with a large number of smaller players and Nynomic being amongst the larger ones, the company should be a **natural consolidator in the industry**. Nynomic has built a strong track record of increasing its exposure to new end-markets, broadening its technology offering and selectively raising the degree of its vertical integration.

Generally, Nynomic is able to snap up targets, which are unlisted, unknown outside of their respective niches and suffering from scale disadvantages. Generating synergies by integrating the target into the group's procurement, logistics as well as sales and service network, **allows Nynomic to create notable shareholder value** as seen with the acquisition of Image Engineering in 2021.

In some cases, Nynomic is able to buy "gems" at highly attractive multiples thanks to a vast network and its outstanding reputation in the industry. For instance, MGG (specialist for micro light bulbs) was purchased for around € 7.5m. When taking into account its € 2.5-3m sales at a ~ 30% EBIT margin, the implied acquisition multiple stands at 8-9x EV/EBIT, **roughly 40% below Nynomic's current valuation**.

Going forward, **Nynomic is expected to continue this strategy** fueled by its strong FCF generation, its solid financial set-up and the ability to raise money through the capital markets. In fact, we expect at least one additional acquisition over the course of 2022E.

Peer's transaction multiples underpin Nynomic's undervaluation

Nynomic is a market leading player in several attractive and structurally growing niches, as reflected by its double-digit revenue growth as well as strong value creation with ROCEs clearly exceeding its cost of capital.

One of its (formerly listed) peers ISRA VISION, which offers machine vision systems for automated surface inspection and industrial automation, was taken over in early 2020. The acquirer Atlas Copco paid 25x EV/EBIT 2021E (1yr forward), reflecting the attractiveness of such a business model. Applying this multiple to our 2023E estimates of Nynomic (also 1yr forward) would yield further upside to our PT with an implied fair value of € 78 per share.

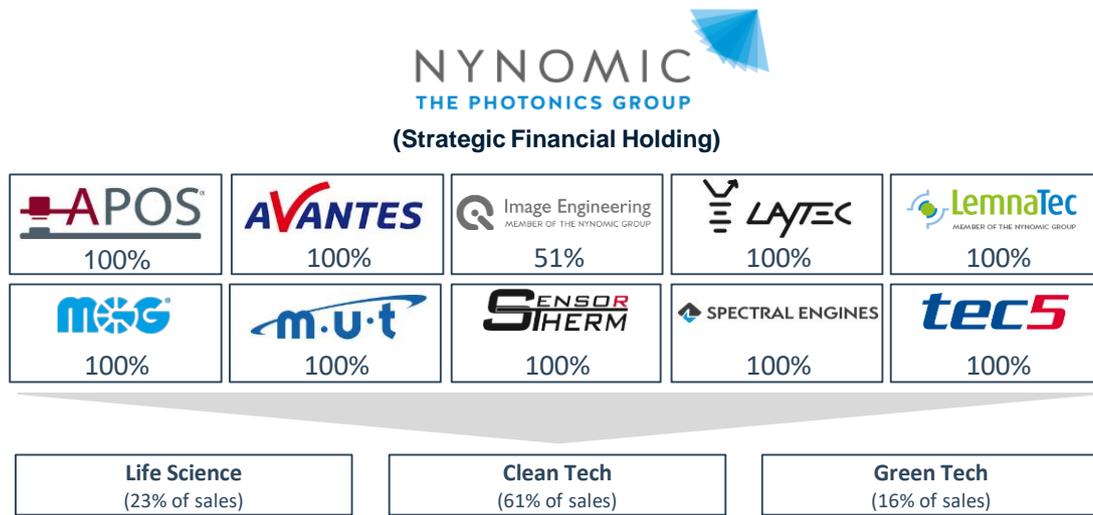
Mid-term guidance with upside potential

Nynomic **expects to reach an EBIT margin of 15% and € 150m sales during the mid-term**. Yet, given the rather conservative nature of the company's management coupled with several strong top-line and margin drivers as described in this note, the company looks set to not only reach those targets within the next 2-3 years but also to exceed them, as already reflected in our estimates. An adjustment towards the upper end would serve as strong share price catalyst further underpinning Nynomic's unique market positioning and value-add to its customers.

Company Background

Nynomic pursues a buy-and-build strategy in order to increase its exposure to new end-markets, broaden its technology offering and selectively raise the degree of its vertical integration. As a result, the Nynomic AG is essentially a financial holding that fulfills various strategic functions. All ten holdings act as independent brands and have their individual field of expertise.

Group structure of Nynomic



Source: Company data, Hauck Aufhäuser Investment Banking

APOS GmbH is one of the leading system integrators of spectroscopy-based measurement solutions for various application areas within the wood-processing industry. Key application areas of its turnkey systems include the material reception at biomass power plants, measurement solutions for particleboards, DF/HDF and OSB mills to glue analysis, coating and flooring. APOS has been a part of the Nynomic group since 2016 with an initial stake of 55%, which was increased to 100% in 2020.

Avantes Holding B.V. is a leading specialist focused on miniature spectrometers connected together with fiber-optic cables. Its spectrometers allow measurements in the UV, visible and near-infrared wavelength range allowing for a variety of applications from chemical analysis to color measurement and radiometry. Its products are for instance being used in agricultural, chemical and biotechnology industries as well as in the production of solar cells. Through its global set-up with locations in the Netherlands, China, the UK and the USA, Avantes is able to serve large OEMs on a local basis. In 2008, Nynomic bought a 51% stake in Avantes, which was gradually increased to 100% by 2017.

Image Engineering GmbH, which got acquired in 2021 (51% stake), is a leading player in the development and manufacturing of test and calibration equipment for cameras and multi-sensor systems. Besides the professional photography and smartphone camera market, its technology leadership allows the company to benefit from various secular trends such as the strongly increasing degree of autonomy of cars through ADAS systems, quickly advancing medical imaging technology as well as machine vision.

LayTec AG is one of the world's leading manufacturers of process-integrated optical metrology systems, which are used in, above all, optoelectronics, electronics, photovoltaics, optics, photonics and the semiconductor industry. For instance, LayTec offers in-situ monitoring solutions for the production of microLEDs and lasers (e.g. VCSELs) as they can enhance yield. Further, LayTec's systems also allow for controlling the layer deposition and

homogeneity of coatings in electronics and semiconductor production processes. In 2017 Nynomic acquired a 95.6% stake, which was increased to 100% in 2018.

LemnaTec GmbH, which was acquired in 2019, is a world leading specialist for digital plant phenotyping and high-throughput screening. LemnaTec's products allow its customers, which include agricultural big shots like Bayer and Corteva, to measure the external appearance of plants in terms of size, shape and color as characteristics for shoot and root growth, productivity and quality. Physiological parameters such as the water and nutrient content of the leaves or photosynthesis are also recorded. Application areas range from laboratories to large-scale installations for greenhouses and open fields.

MGG Micro-Glühlampen-Gesellschaft Menzel GmbH is an expert for micro-lightbulbs with a vast array of industrial applications in fields such as optical metrology, security, medical technology, aerospace, infrared technology, communication and medical applications. With a product portfolio of more than 5,000 different types of lamps, MGG has been a long-standing supplier of Nynomic before it was acquired in 2021.

m-u-t GmbH, which now conducts the operating business of the original m-u-t AG, serves a variety of markets including spectroscopy, sensor technology, industrial automation, laboratory automation, medical technology and early fire detection. m-u-t's strength lies in its extensive know-how and innovative power, which enables the company to quickly turn a customer's new idea into a marketable product.

Sensortherm GmbH focuses on infrared measurement technology specialized in non-contact, high-precision and fast temperature determination. Stemming from more than 30 years of experience and thanks to a fully digital signal processing and signal output Sensortherm's products are the world's fastest devices. The pyrometers are typically used to monitor temperature deviations in order to produce high quality products, for instance in the metal 3D printing industry. Sensortherm was acquired in 2019.

Spectral Engines GmbH produces inexpensive and highly miniaturized spectral sensors based on MEMS, which target the B2B but also the B2C market. The products can be used on pocket-size devices and allow for real-time analyses. Spectral Engines also provides cloud-based software for data reconciliation. Typical application areas are pharmaceutical authentication, narcotics identification, plastic detection, food analysis and determination of fabric types. Through its subsidiary Purpl Scientific, which developed a cannabis potency measurement device, it opens another attractive growth market for Spectral Engines. Interestingly, Nynomic and Novartis entered a strategic technology partnership to detect and report counterfeit medicines. Nynomic supplies the necessary handheld scanners, the app and the cloud infrastructure and supports the creation of the data models. A majority stake (75%) was bought in 2018 while the remainder was acquired in 2020.

tec5 AG, which has been with the group since 2007, develops and manufactures industrial-grade spectrometer systems and components for process analytics. The company focuses on fully embedded sensor designs which have numerous application areas even in highly regulated production environments such as pharmaceutical, food, optics and semiconductor productions. tec5 also develops customer-specific product solutions in close cooperation and is a partner of Carl Zeiss Spectroscopy GmbH.

Company history

- 1995 Foundation of m-u-t GmbH, an engineering office focusing on measurement devices
- 2001 ISO 9001 and VDE certification

- 2007 Conversion into an AG, IPO at Frankfurt Stock Exchange and acquisition of a 51% stake in tec5 AG (various spectroscopy solutions)
- 2008 Acquisition of a 51% stake in Avantes Holding B.V. (fibre optic spectroscopy)
- 2011 Increase of tec5 AG stake to 95%
- 2012 Realignment of operational set-up with new segments: Life Science, Clean Tech and Green Tech
- 2014 Outsourcing of the operational business to m-u-t GmbH
- 2015 Introduction of new Management Board including the current CEO (Maik Müller) and CFO (Fabian Peters)
- 2016 Acquisition of a 55% stake of APOS GmbH (spectroscopy specialist for the woodworking industry) and purchase of remaining tec5 AG shares
- 2017 Acquisition of 96% of LayTec AG (integrated optical metrology systems) and purchase of remaining Avantes Holding B.V. shares
- 2018 Acquisition of 75% of Spectral Engines Oy (inexpensive and highly miniaturized spectral sensors), purchase of remaining LayTec AG shares and change of name to Nynomic AG
- 2019 Acquisition of LemnaTec GmbH (digital plant phenotyping and high-throughput screening) and Sensortherm GmbH (infrared temperature measurement)
- 2020 Purchase of remaining Spectral Engines Oy shares and transformation into a GmbH
- 2021 Acquisition of 51% of Image Engineering GmbH & Co. KG (test and calibration equipment for cameras and multi-sensor systems) and acquisition of MGG Micro-Glühlampen-Gesellschaft Menzel GmbH (specialist for micro light bulbs)

Management

Maik Müller, CEO

Mr. Müller has been appointed as CEO in 2015 being responsible for Technology, Operations, and Research and Development in the holding company. In 2010, Mr. Müller joined the Executive Board of tec5 AG (now a 100% subsidiary of Nynomic) where he is still responsible for the operational management globally. Prior to joining tec5's Executive Board, he was the Director of R&D at CyBio AG and worked at Zühlke Engineering in the area of high-tech consulting.

Mr. Müller's contract still runs until the end of 2023.

Fabian Peters, CFO

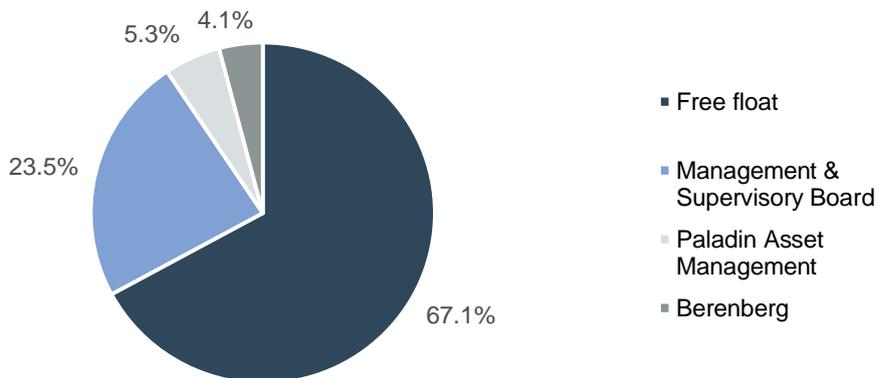
Mr. Peters joined Nynomic in 2013 and has been appointed as CFO in January of 2015 being responsible for Finance, Controlling, Organisation and Investor Relations in the holding company. He is also the managing Director of m-u-t GmbH, a subsidiary of Nynomic. Prior to joining Nynomic, Mr. Peters served as CFO at L&O group and held various management positions at Versatel AG and within the insurance industry.

In mid-2021, Mr. Peters' contract got extended until the end of 2026.



Shareholder structure

Shareholding structure



Source: Company data, Hauck Aufhäuser Investment Banking

Nynomic has around 5.9m shares outstanding, with a free float amounting to roughly 67%. The **key shareholders can be found amongst the company's management and Supervisory Board**, which hold roughly 23.5% together. Other large shareholders include Paladin Asset Management with 5.3% and Berenberg with 4.1%.

Investment risks

M&A execution risk: The company aims to continue its buy and build strategy. Despite Nynomic's flawless M&A execution track record, we do see potential risks not only related to management's ability to source and close future acquisitions but also to successfully integrate them.

Technology risk: Quickly changing trends within the photonics industry require proactive R&D in order to stay ahead of trends.

Capital market risk: Disruptions on the capital market could come with notable share price movements, which can be unrelated to the operational performance of the company.

Financials

Profit and loss (EUR m)	2018	2019	2020	2021P	2022E	2023E	2024E
Net sales	67.1	64.9	78.6	105.2	116.2	128.3	141.6
<i>Sales growth</i>	10.5 %	-3.3 %	21.1 %	33.9 %	10.5 %	10.4 %	10.4 %
Increase/decrease in finished goods and work-in-process	0.7	0.7	2.8	0.5	0.5	0.5	0.5
Total sales	67.7	65.5	81.3	105.7	116.7	128.8	142.1
Other operating income	3.7	0.8	0.6	1.1	1.2	1.3	1.4
Material expenses	24.2	24.4	32.6	44.7	48.9	53.6	58.6
Personnel expenses	23.4	25.4	28.5	32.6	35.8	38.9	42.5
Other operating expenses	10.5	7.0	9.5	12.3	13.2	14.4	15.9
Total operating expenses	54.5	56.0	69.9	88.6	96.8	105.5	115.6
EBITDA	13.2	9.5	11.4	17.1	19.9	23.3	26.6
Depreciation	0.8	2.4	2.7	3.3	3.3	3.4	3.5
EBITA	12.5	7.2	8.8	13.8	16.6	19.9	23.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.4	0.8	0.8	0.8	0.8	0.8	0.8
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	10.1	6.4	8.0	13.0	15.8	19.1	22.3
Interest income	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.3	0.7	0.7	1.2	1.1	1.1	1.1
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.3	-0.7	-0.7	-1.2	-1.1	-1.1	-1.1
Recurring pretax income from continuing operations	9.8	5.8	7.3	11.8	14.6	17.9	21.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	9.8	5.8	7.3	11.8	14.6	17.9	21.1
Taxes	2.3	1.5	2.1	3.2	4.1	5.2	6.1
Net income from continuing operations	7.6	4.3	5.2	8.6	10.5	12.7	15.0
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	7.6	4.3	5.2	8.6	10.5	12.7	15.0
Minority interest	0.7	-0.1	0.8	0.8	0.8	0.8	0.8
Net profit (reported)	6.8	4.4	4.4	7.8	9.7	11.9	14.2
Average number of shares	5.0	5.1	5.3	5.9	5.9	5.9	5.9
EPS reported	1.35	0.87	0.83	1.33	1.65	2.02	2.41

Profit and loss (common size)	2018	2019	2020	2021P	2022E	2023E	2024E
Net sales	100.0 %						
Increase/decrease in finished goods and work-in-process	1.0 %	1.0 %	3.6 %	0.5 %	0.4 %	0.4 %	0.4 %
Total sales	101.0 %	101.0 %	103.6 %	100.5 %	100.4 %	100.4 %	100.4 %
Other operating income	5.5 %	1.2 %	0.8 %	1.0 %	1.0 %	1.0 %	1.0 %
Material expenses	36.1 %	37.6 %	41.5 %	42.5 %	42.1 %	41.8 %	41.4 %
Personnel expenses	34.9 %	39.1 %	36.2 %	31.0 %	30.8 %	30.3 %	30.0 %
Other operating expenses	15.7 %	10.8 %	12.1 %	11.7 %	11.4 %	11.2 %	11.2 %
Total operating expenses	81.2 %	86.3 %	89.0 %	84.2 %	83.3 %	82.3 %	81.6 %
EBITDA	19.7 %	14.7 %	14.6 %	16.3 %	17.1 %	18.1 %	18.8 %
Depreciation	1.1 %	3.7 %	3.4 %	3.1 %	2.9 %	2.7 %	2.5 %
EBITA	18.6 %	11.1 %	11.2 %	13.1 %	14.2 %	15.5 %	16.3 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	3.6 %	1.2 %	1.0 %	0.8 %	0.7 %	0.6 %	0.6 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	15.0 %	9.9 %	10.1 %	12.4 %	13.6 %	14.9 %	15.7 %
Interest income	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest expenses	0.5 %	1.1 %	0.9 %	1.1 %	1.0 %	0.9 %	0.8 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.						
Recurring pretax income from continuing operations	14.6 %	8.9 %	9.3 %	11.3 %	12.6 %	14.0 %	14.9 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	14.6 %	8.9 %	9.3 %	11.3 %	12.6 %	14.0 %	14.9 %
Tax rate	23.0 %	25.3 %	29.0 %	27.0 %	28.0 %	29.0 %	29.0 %
Net income from continuing operations	11.3 %	6.6 %	6.6 %	8.2 %	9.1 %	9.9 %	10.6 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	11.3 %	6.6 %	6.6 %	8.2 %	9.1 %	9.9 %	10.6 %
Minority interest	1.1 %	neg.	1.0 %	0.8 %	0.7 %	0.6 %	0.6 %
Net profit (reported)	10.2 %	6.8 %	5.6 %	7.5 %	8.4 %	9.3 %	10.0 %

Source: Company data, Hauck Aufhäuser Investment Banking

Balance sheet (EUR m)	2018	2019	2020	2021P	2022E	2023E	2024E
Intangible assets	22.4	35.1	36.2	38.7	38.7	38.7	38.7
Property, plant and equipment	2.3	8.2	14.7	16.7	17.1	17.4	17.8
Financial assets	0.0	0.0	0.5	0.5	0.5	0.5	0.5
FIXED ASSETS	24.7	43.3	51.5	56.0	56.3	56.7	57.0
Inventories	10.4	11.6	15.1	18.5	20.8	22.1	22.8
Accounts receivable	10.1	9.5	12.3	15.9	16.9	18.3	19.4
Other current assets	2.3	4.0	1.9	1.9	1.9	1.9	1.9
Liquid assets	11.1	10.6	22.1	26.7	37.7	52.8	69.6
Deferred taxes	0.5	0.2	0.2	0.2	0.2	0.2	0.2
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	34.4	35.9	51.6	63.1	77.4	95.3	114.0
TOTAL ASSETS	59.1	79.2	103.0	119.1	133.7	151.9	171.0
SHAREHOLDERS EQUITY	20.5	31.4	48.1	65.5	79.5	96.9	115.1
MINORITY INTEREST	2.3	1.5	2.9	2.9	2.9	2.9	2.9
Long-term debt	0.0	27.1	34.5	32.5	32.5	32.5	32.5
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	10.7	1.8	1.5	1.5	1.5	1.5	1.5
Non-current liabilities	10.7	28.9	36.0	34.0	34.0	34.0	34.0
short-term liabilities to banks	20.7	3.8	4.9	4.9	4.9	4.9	4.9
Accounts payable	1.9	3.6	4.9	6.6	7.3	8.1	8.9
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	2.8	9.9	5.1	5.1	5.1	5.1	5.1
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.2	1.1	0.0	0.0	0.0	0.0
Current liabilities	25.5	17.5	16.1	16.6	17.4	18.1	19.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	59.1	79.2	103.0	119.0	133.7	151.9	171.0

Balance sheet (common size)	2018	2019	2020	2021P	2022E	2023E	2024E
Intangible assets	37.9 %	44.3 %	35.1 %	32.5 %	28.9 %	25.5 %	22.6 %
Property, plant and equipment	3.9 %	10.3 %	14.3 %	14.1 %	12.8 %	11.5 %	10.4 %
Financial assets	0.0 %	0.0 %	0.5 %	0.4 %	0.4 %	0.3 %	0.3 %
FIXED ASSETS	41.8 %	54.7 %	50.0 %	47.0 %	42.1 %	37.3 %	33.4 %
Inventories	17.6 %	14.7 %	14.6 %	15.5 %	15.5 %	14.6 %	13.4 %
Accounts receivable	17.0 %	12.0 %	11.9 %	13.3 %	12.6 %	12.0 %	11.3 %
Other current assets	3.9 %	5.0 %	1.8 %	1.6 %	1.4 %	1.2 %	1.1 %
Liquid assets	18.8 %	13.4 %	21.5 %	22.4 %	28.2 %	34.7 %	40.7 %
Deferred taxes	0.8 %	0.3 %	0.2 %	0.2 %	0.2 %	0.1 %	0.1 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	58.2 %	45.4 %	50.0 %	53.0 %	57.9 %	62.7 %	66.6 %
TOTAL ASSETS	100.0 %						
SHAREHOLDERS EQUITY	34.8 %	39.6 %	46.7 %	55.1 %	59.4 %	63.8 %	67.3 %
MINORITY INTEREST	3.9 %	1.8 %	2.8 %	2.4 %	2.2 %	1.9 %	1.7 %
Long-term debt	0.0 %	34.2 %	33.5 %	27.3 %	24.3 %	21.4 %	19.0 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	18.1 %	2.3 %	1.4 %	1.2 %	1.1 %	1.0 %	0.9 %
Non-current liabilities	18.1 %	36.4 %	34.9 %	28.6 %	25.4 %	22.4 %	19.9 %
short-term liabilities to banks	35.1 %	4.8 %	4.8 %	4.1 %	3.7 %	3.2 %	2.9 %
Accounts payable	3.2 %	4.5 %	4.8 %	5.5 %	5.5 %	5.3 %	5.2 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	4.7 %	12.5 %	5.0 %	4.3 %	3.8 %	3.4 %	3.0 %
Deferred taxes	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred income	0.1 %	0.2 %	1.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	43.1 %	22.1 %	15.6 %	14.0 %	13.0 %	11.9 %	11.1 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %						

Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow statement (EUR m)	2018	2019	2020	2021P	2022E	2023E	2024E
Net profit/loss	7.6	4.3	5.2	8.6	10.5	12.7	15.0
Depreciation of fixed assets (incl. leases)	0.8	2.4	2.7	3.3	3.3	3.4	3.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.4	0.8	0.8	0.8	0.8	0.8	0.8
Others	-0.5	-2.7	1.6	5.5	3.5	5.0	5.0
Cash flow from operations before changes in w/c	10.2	4.7	10.3	18.2	18.2	21.9	24.3
Increase/decrease in inventory	-2.0	-1.2	-3.4	-3.4	-2.3	-1.4	-0.7
Increase/decrease in accounts receivable	-3.8	0.6	-2.8	-3.6	-1.0	-1.4	-1.1
Increase/decrease in accounts payable	-0.5	1.7	1.3	1.7	0.8	0.8	0.8
Increase/decrease in other working capital positions	-1.7	-2.3	1.1	2.1	0.0	-0.3	-1.8
Increase/decrease in working capital	-8.0	-1.2	-3.9	-3.2	-2.5	-2.3	-2.8
Cash flow from operating activities	2.2	3.6	6.4	15.0	15.7	19.6	21.5
CAPEX	1.8	2.1	1.9	4.1	4.5	4.6	4.7
Payments for acquisitions	24.4	4.5	5.1	4.5	0.0	0.0	0.0
Financial investments	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Cash flow from investing activities	-25.4	-6.6	-6.9	-8.6	-4.5	-4.6	-4.7
Cash flow before financing	-23.2	-3.0	-0.5	6.4	11.2	15.1	16.8
Increase/decrease in debt position	16.3	4.7	1.3	-2.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	13.4	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-2.0	-2.9	-2.4	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.3	0.9	-0.2	0.0	0.0	0.0	0.0
Cash flow from financing activities	14.3	1.7	12.3	-2.0	0.0	0.0	0.0
Increase/decrease in liquid assets	-8.6	-0.4	11.6	4.4	11.2	15.1	16.8
Liquid assets at end of period	10.9	10.6	22.1	26.6	37.7	52.8	69.6

Source: Company data, Hauck Aufhäuser Investment Banking

Key ratios (EUR m)	2018	2019	2020	2021P	2022E	2023E	2024E
P&L growth analysis							
Sales growth	10.5 %	-3.3 %	21.1 %	33.9 %	10.5 %	10.4 %	10.4 %
EBITDA growth	67.3 %	-6.2 %	-13.7 %	79.3 %	74.1 %	35.9 %	33.4 %
EBIT growth	47.5 %	-29.6 %	209.7 %	416.2 %	328.8 %	-100.0 %	-100.0 %
EPS growth	77.3 %	-10.3 %	-39.0 %	53.3 %	99.9 %	52.1 %	46.0 %
Efficiency							
Total operating costs / sales	81.2 %	86.3 %	89.0 %	84.2 %	83.3 %	82.3 %	81.6 %
Sales per employee	84.3	75.6	83.7	99.2	103.4	102.4	106.9
EBITDA per employee	16.6	11.1	12.2	16.2	17.7	18.6	20.1
Balance sheet analysis							
Avg. working capital / sales	23.0 %	27.8 %	25.4 %	24.1 %	24.3 %	24.4 %	23.2 %
Inventory turnover (sales/inventory)	6.4	5.6	5.2	5.6	5.6	5.8	6.2
Trade debtors in days of sales	54.7	53.4	57.1	55.0	53.0	52.0	50.0
A/P turnover [(A/P*365)/sales]	10.4	20.3	22.8	22.8	23.0	23.0	23.0
Cash conversion cycle (days)	183.0	173.2	170.8	152.3	153.2	147.6	136.6
Cash flow analysis							
Free cash flow	0.4	1.5	4.5	10.9	11.2	15.1	16.8
Free cash flow/sales	0.6 %	2.3 %	5.8 %	10.4 %	9.6 %	11.7 %	11.9 %
FCF / net profit	6.1 %	34.1 %	103.3 %	139.2 %	114.6 %	126.3 %	118.5 %
Capex / depre	33.0 %	66.1 %	53.8 %	100.0 %	108.4 %	108.4 %	108.5 %
Capex / maintenance capex	34.9 %	43.7 %	32.9 %	80.5 %	89.2 %	89.5 %	89.8 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Security							
Net debt	9.6	20.2	17.3	10.8	-0.3	-15.4	-32.2
Net Debt/EBITDA	0.7	2.1	1.5	0.6	0.0	0.0	0.0
Net debt / equity	0.5	0.6	0.4	0.2	neg.	neg.	neg.
Interest cover	31.4	9.2	45.4	28.1	30.4	0.0	0.0
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation							
Capital employed turnover	1.2	1.0	0.9	1.0	1.0	0.9	0.9
Operating assets turnover	3.2	2.5	2.1	2.4	2.5	2.6	2.8
Plant turnover	28.8	7.9	5.3	6.3	6.8	7.4	8.0
Inventory turnover (sales/inventory)	6.4	5.6	5.2	5.6	5.6	5.8	6.2
Returns							
ROCE	20.6 %	10.7 %	10.1 %	13.1 %	13.8 %	14.7 %	15.1 %
ROE	33.1 %	14.1 %	9.1 %	12.0 %	12.3 %	12.3 %	12.3 %
Other							
Interest paid / avg. debt	2.5 %	4.1 %	2.3 %	3.5 %	2.9 %	3.0 %	3.0 %
No. employees (average)	796	858	939	1060	1124	1253	1325
Number of shares	5.0	5.1	5.3	5.9	5.9	5.9	5.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	1.35	0.87	0.83	1.33	1.65	2.02	2.41
Valuation ratios							
P/BV	9.1	6.0	4.1	3.3	2.7	2.3	1.9
EV/sales	2.9	3.2	2.7	2.2	1.9	1.6	1.3
EV/EBITDA	14.8	21.9	18.7	13.4	11.0	8.7	7.0
EV/EBITA	15.7	29.1	24.3	16.6	13.2	10.2	8.1
EV/EBIT	19.4	32.5	26.8	17.6	13.8	10.7	8.4
EV/FCF	474.0	138.6	47.2	21.0	19.5	13.5	11.1
Adjusted FCF yield	3.6 %	2.4 %	2.4 %	3.9 %	5.0 %	6.4 %	8.3 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck Aufhäuser Investment Banking

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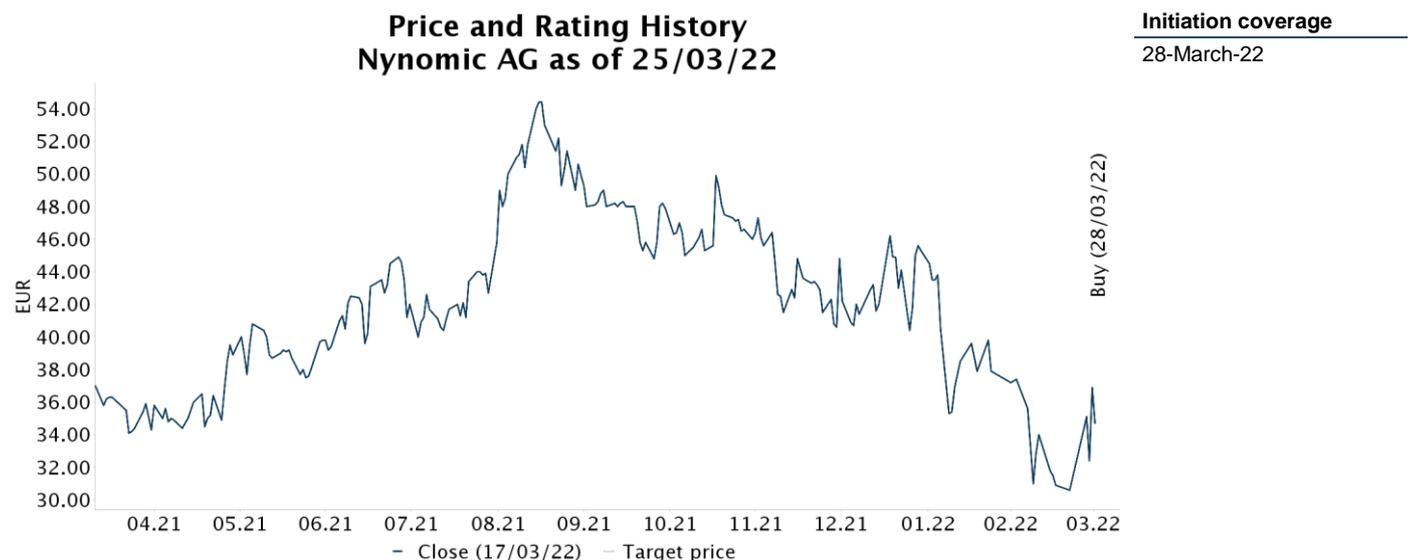
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Company	Disclosure
Nynomic AG	2, 8

Historical target price and rating changes for Nynomic AG in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
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