

Buy EUR 36.00 (EUR 39.00) Price EUR 19.40 Upside 85.6 %	Value Indicators: EUR DCF: 36.00 FCF-Value Potential 25e: 34.00	Warburg ESG Risk Score: 2.7 ESG Score (MSCI based): 3.0 Balance Sheet Score: 4.0 Market Liquidity Score: 1.0	Description: Leading supplier of specialty adhesives, UV/ IR radiation systems and quartz glass products
	Market Snapshot: EUR m Market cap: 117.6 No. of shares (m): 6.1 EV: 155.7 Freefloat MC: 99.9 Ø Trad. Vol. (30d): 46.40 th	Shareholders: Freefloat 84.96 % Peter Möhrle Holding 15.04 % Teslin / Gerlin 5.80 % Allianz Global 3.60 % Lazard 3.30 %	Key Figures (WRE): 2022/23e Beta: 1.3 Price / Book: 1.1 x Equity Ratio: 59 % Net Fin. Debt / EBITDA: 2.1 x Net Debt / EBITDA: 2.4 x

Q2 results below expectations; Slight improvement expected in H2

Stated Figures Q2/2022/23:										Comment on Figures: <ul style="list-style-type: none"> Q2 2022 figures include Raesch (sold in Q1). Q2 revenues were below expectations at EUR 26m. Half of the yoy decline can be attributed to the deconsolidation of Raesch. The rest is mostly due to supply-chain issues and a reduction in air-treatment sales. EBIT shortfall due to low top line. 			
FY End: 30.9. in EUR m	Q2 22/23	Q2 22/23e	Q2 21/22	yoy	6M 22/23	6M 22/23e	6M 21/22	yoy					
Sales	25.9	28.9	32.8	-21 %	53.5	56.5	66.2	-19 %					
EBIT	1.4	3.2	3.1	-56 %	3.7	5.5	7.7	-51 %					
Margin	5.4 %	11.0 %	9.6 %		7.0 %	9.8 %	11.6 %						

Hönle released **Q2 revenues and EBIT below expectations.**

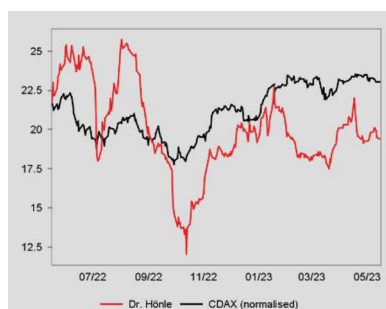
While Q2 revenues were expected to increase sequentially, Hönle registered a -6% decline qoq. This is mostly due to **continued supply-chain issues in the Systems business**, which made a relatively low sales contribution of just EUR 14m in Q2 (down from EUR 16m in Q1 and EUR 17m in Q2 2022). The **low top line resulted in an EBIT margin of only 5.4% in Q2.**

With a **gradually improving supply chain, we expect Hönle to generate higher revenues in Q3/4.** However, we are reducing the initial expectations as we do not assume that Hönle will be able to fully catch up in the remainder of the year. FY revenues are now expected to decline by -11% yoy. This is largely due to the deconsolidation of Raesch (sold in Q1) and significantly lower contributions from air-treatment products, which did not live up to expectations. Including the severance payment of EUR 0.8m for Mr. Haimerl (which will affect Q3 earnings), **the FY EBIT is expected to reach roughly EUR 10m.**

Return to growth in FY 2024: Despite the somewhat disappointing operating development in the current FY, we stick to the expectation that Hönle will be able to return to clear growth in the next FY. This is expected to be driven by larger projects in the Systems (printing) and Adhesives (photovoltaic/e-mobility) segments coupled with some organic growth in most applications (also in the Glass & Lamps business). With this growth, Hönle is expected to return to a 12-13% EBIT margin in 2024 and approach a level of 15% thereafter. The latter should be reached with proportionally stronger growth of the higher-margin Adhesives business in conjunction with efficiency/cost improvements in the company, which will most likely be initiated by the new interim CEO Dr. Richter.

With the lower estimates, the **PT is reduced to EUR 36**, which still provides upside of just over 80%. A return to growth (especially in Adhesives) and a return to higher margin levels are considered the most important share price drivers. The **Buy rating** is maintained.

Changes in Estimates:							Comment on Changes: <ul style="list-style-type: none"> Hönle is not expected to be able to fully catch up in H2. A severance payment of EUR 0.77m to Mr. Haimerl will burden profitability in H2. 	
FY End: 30.9. in EUR m	2022/23e (old)	+ / -	2023/24e (old)	+ / -	2024/25e (old)	+ / -		
Sales	118.4	-4.7 %	129.8	-2.1 %	n.a.	n.m.		
EBIT	14.1	-29.1 %	20.0	-20.1 %	n.a.	n.m.		



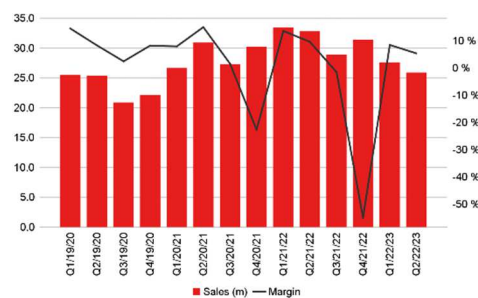
Rel. Performance vs CDAX:

1 month:	-4.3 %
6 months:	-4.7 %
Year to date:	-10.7 %
Trailing 12 months:	-18.8 %

Company events:
07.08.23 Q3

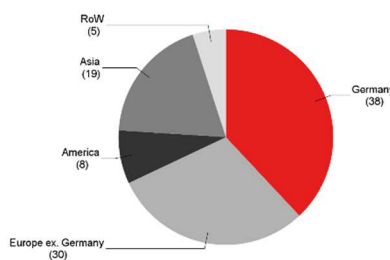
FY End: 30.9. in EUR m	CAGR (21/22-24/25e)	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Sales	2.4 %	107.7	93.9	115.2	126.5	112.8	127.0	135.9
Change Sales yoy		-14.8 %	-12.9 %	22.7 %	9.9 %	-10.8 %	12.5 %	7.0 %
Gross profit margin		67.6 %	64.5 %	60.2 %	49.2 %	62.2 %	63.9 %	64.5 %
EBITDA	81.7 %	20.3	14.7	13.8	4.5	16.2	23.0	26.7
EBIT	-	17.0	8.1	0.3	-10.0	10.0	16.0	19.6
EBIT adj.		17.0	8.1	7.8	8.3	10.8	16.0	19.6
Margin		15.8 %	8.6 %	6.8 %	6.5 %	9.6 %	12.6 %	14.4 %
Net income	-	12.5	5.8	-4.9	-13.3	6.0	10.3	12.9
EPS	-	2.27	1.01	-0.81	-2.19	0.99	1.69	2.12
EPS adj.	36.7 %	2.27	1.01	0.45	0.83	0.99	1.69	2.12
DPS	-	0.80	0.50	0.20	0.00	0.25	0.50	0.70
Dividend Yield		1.5 %	1.1 %	0.4 %	n.a.	1.3 %	2.6 %	3.5 %
FCFPS		-0.44	-4.00	-2.67	-1.95	2.34	2.46	2.07
FCF / Market cap		-0.8 %	-9.0 %	-5.3 %	-6.4 %	12.1 %	12.7 %	10.4 %
EV / Sales		2.9 x	2.9 x	3.1 x	1.9 x	1.4 x	1.1 x	1.0 x
EV / EBITDA		15.1 x	18.6 x	25.6 x	53.9 x	9.6 x	6.2 x	5.1 x
EV / EBIT		18.0 x	33.7 x	n.a.	n.a.	15.5 x	8.9 x	6.9 x
P / E		23.8 x	43.8 x	n.a.	n.a.	19.6 x	11.5 x	9.4 x
P / E adj.		23.8 x	43.8 x	111.1 x	36.5 x	19.6 x	11.5 x	9.4 x
FCF Potential Yield		4.4 %	3.6 %	4.1 %	4.7 %	6.8 %	11.1 %	13.5 %
Net Debt		9.8	20.9	50.1	56.3	38.1	24.7	15.2
ROCE (NOPAT)		13.3 %	4.9 %	1.4 %	n.a.	4.5 %	7.7 %	9.6 %
Guidance:		2023: Sales EUR 110 - 120m; EBIT EUR 10 - 13m						

Sales development
in EUR m



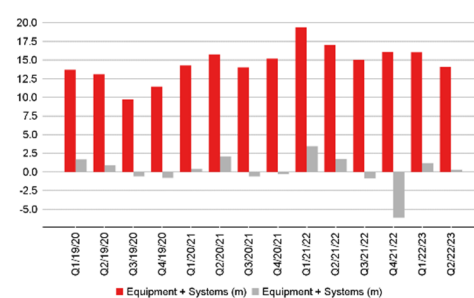
Source: Warburg Research

Sales by regions
2022; in %



Source: Warburg Research

Development Equipment + Systems
Sales and EBIT in EUR m



Source: Warburg Research

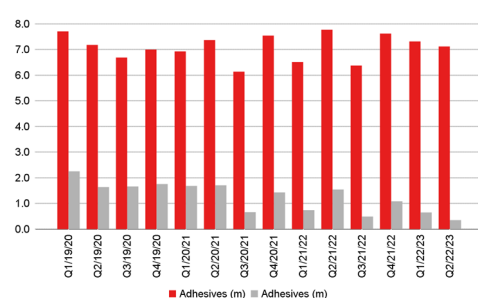
Company Background

- With sales of more than EUR 130m, Dr. Hönle is active in the areas of UV/IR Systems, specialty adhesives, quartz glass products and IR lamps. The company employs > 600 people.
- The company's activities were clearly expanded partly by acquisitions, which strengthened the core business as well as ancillary areas like (UV) adhesives or quartz glass.
- UV technology is used in a wide number of industrial applications. The most important areas of application are paint and lacquer drying, adhesives, and coating and laminating procedures.
- Meanwhile a good one-third of revenues are generated with specialty adhesives, which are predominantly used in the electronics industry.
- The customer structure is largely fragmented with the exception of a few larger customers. The top 5 customers account for roughly 20% of group sales.

Competitive Quality

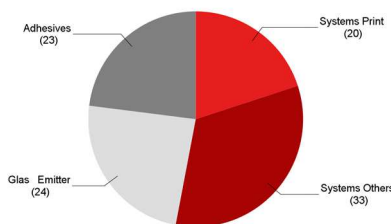
- The competitive structure is characterised by a high number of smaller mainly regionally-active suppliers and just a handful of larger companies.
- Competitors of a comparable size normally serve only part of the market segments, resulting in a comparatively moderate competitive intensity within the individual segments.
- Established customer relationships present a significant barrier to market entry. UV components seldom account for more than 5-10% of the material costs, which lowers customers' motivation to switch supplier.
- With high vertical integration, Dr. Hönle generates a large part of the value creation in the company.
- This allows the company to achieve higher margins and higher cash flows. The strong competitive quality is expressed in an ROCE of >15%.

Development Adhesives
Sales and EBIT in EUR m



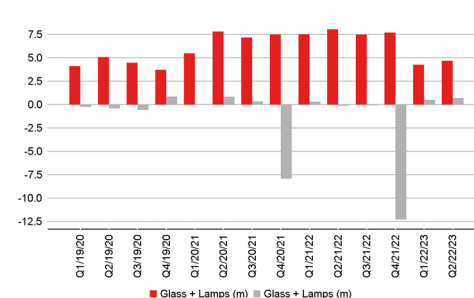
Source: Warburg Research

Sales by segments
2022; in %



Source: Warburg Research

Development Glass + Lamps
Sales and EBIT in EUR m



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	22/23e	23/24e	24/25e	25/26e	26/27e	27/28e	28/29e	29/30e	30/31e	31/32e	32/33e	33/34e	34/35e	
Sales	112.8	127.0	135.9	144.0	152.7	161.8	169.9	178.4	187.4	194.8	202.6	210.7	214.4	
Sales change	-10.8 %	12.5 %	7.0 %	6.0 %	6.0 %	6.0 %	5.0 %	5.0 %	5.0 %	4.0 %	4.0 %	4.0 %	1.8 %	1.8 %
EBIT	10.0	16.0	19.6	23.0	24.4	25.9	27.2	28.5	30.0	31.2	32.4	33.7	34.3	
EBIT-margin	8.9 %	12.6 %	14.4 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %	
Tax rate (EBT)	29.0 %	29.0 %	29.0 %	29.5 %	29.5 %	29.5 %	29.5 %	29.5 %	29.5 %	29.5 %	29.5 %	29.5 %	29.5 %	
NOPAT	7.1	11.3	13.9	16.2	17.2	18.3	19.2	20.1	21.1	22.0	22.9	23.8	24.2	
Depreciation	6.2	7.1	7.1	8.6	8.8	7.0	7.3	7.5	7.7	7.8	7.7	7.7	7.5	
in % of Sales	5.5 %	5.6 %	5.2 %	6.0 %	5.8 %	4.3 %	4.3 %	4.2 %	4.1 %	4.0 %	3.8 %	3.7 %	3.5 %	
Changes in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	-8.1	-1.4	3.1	2.3	1.4	1.4	2.6	2.7	2.9	2.4	2.5	2.6	1.2	
- Capex	5.3	5.3	5.8	5.9	6.0	6.1	6.1	6.4	6.7	7.0	7.3	9.3	8.7	
Capex in % of Sales	4.7 %	4.2 %	4.3 %	4.1 %	3.9 %	3.8 %	3.6 %	3.6 %	3.6 %	3.6 %	3.6 %	4.4 %	4.0 %	
- Other	0.0	-1.0	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	16.1	15.5	13.1	17.7	18.6	17.7	17.8	18.5	19.2	20.4	20.8	19.6	21.8	21
PV of FCF	16.3	14.3	11.2	13.9	13.5	11.8	10.9	10.5	10.1	9.8	9.3	8.1	8.3	124
share of PVs	15.75 %			37.89 %										46.36 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	22.50 %	Financial Strength	1.20
Cost of debt (after tax)	2.6 %	Liquidity (share)	1.35
Market return	8.25 %	Cyclicality	1.35
Risk free rate	2.75 %	Transparency	1.30
		Others	1.30
WACC	8.26 %	Beta	1.30

Valuation (m)

Present values 2034/35e	144		
Terminal Value	124		
Financial liabilities	59		
Pension liabilities	4		
Hybrid capital	0		
Minority interest	1		
Market val. of investments	1		
Liquidity	13	No. of shares (m)	6.1
Equity Value	218	Value per share (EUR)	35.92

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.00 %	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.53	9.3 %	28.86	29.31	29.79	30.30	30.85	31.44	32.07	1.53	9.3 %	26.26	27.61	28.96	30.30	31.65	33.00	34.34
1.42	8.8 %	31.17	31.71	32.29	32.91	33.57	34.29	35.07	1.42	8.8 %	28.58	30.02	31.46	32.91	34.35	35.80	37.24
1.36	8.5 %	32.44	33.04	33.67	34.36	35.09	35.89	36.75	1.36	8.5 %	29.87	31.36	32.86	34.36	35.85	37.35	38.85
1.30	8.3 %	33.80	34.46	35.16	35.92	36.74	37.62	38.58	1.30	8.3 %	31.25	32.81	34.36	35.92	37.47	39.03	40.58
1.24	8.0 %	35.26	35.99	36.76	37.60	38.51	39.50	40.58	1.24	8.0 %	32.75	34.37	35.99	37.60	39.22	40.84	42.46
1.18	7.8 %	36.83	37.63	38.50	39.43	40.45	41.56	42.77	1.18	7.8 %	34.38	36.06	37.75	39.43	41.12	42.80	44.49
1.07	7.3 %	40.36	41.34	42.42	43.59	44.87	46.28	47.84	1.07	7.3 %	38.07	39.91	41.75	43.59	45.43	47.27	49.11

- Growth and mix improvements to drive return to higher profitability
- Disproportionately high growth of adhesive segment provides further upside potential
- Sustainable EBIT margin of 16.5% anticipated

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e	
Net Income before minorities	12.4	5.7	-4.9	-13.1	6.2	10.5	13.1	
+ Depreciation + Amortisation	3.3	6.6	13.5	14.5	6.2	7.1	7.1	
- Net Interest Income	-0.1	-0.2	-1.0	-1.4	-1.3	-1.2	-1.2	
- Maintenance Capex	2.1	2.1	2.5	2.6	3.0	3.0	3.0	
+ Other	-0.4	-0.4	7.5	11.1	0.0	0.0	0.0	
= Free Cash Flow Potential	13.4	10.0	14.5	11.3	10.7	15.7	18.4	
FCF Potential Yield (on market EV)	4.4 %	3.6 %	4.1 %	4.7 %	6.8 %	11.1 %	13.5 %	
WACC	8.26 %	8.26 %	8.26 %	8.26 %	8.26 %	8.26 %	8.26 %	
= Enterprise Value (EV)	307.3	273.1	353.1	239.9	155.7	142.3	136.1	
= Fair Enterprise Value	159.0	118.5	172.9	134.4	129.0	187.2	218.3	
- Net Debt (Cash)	52.3	52.3	52.3	52.3	34.1	20.7	11.2	
- Pension Liabilities	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Fair Market Capitalisation	102.6	62.2	116.6	78.1	90.9	162.5	203.1	
Number of shares, average	5.5	5.7	6.1	6.1	6.1	6.1	6.1	
= Fair value per share (EUR)	18.62	10.92	19.23	12.88	14.99	26.81	33.50	
premium (-) / discount (+) in %					-22.7 %	38.2 %	67.9 %	
Sensitivity Fair value per Share (EUR)								
	11.26 %	10.04	5.12	11.73	7.05	9.32	18.69	24.03
	10.26 %	11.89	6.50	13.75	8.62	10.85	20.88	26.58
	9.26 %	14.15	8.18	16.20	10.52	12.70	23.53	29.68
WACC	8.26 %	18.62	10.92	19.23	12.88	14.99	26.81	33.50
	7.26 %	20.47	12.90	23.08	15.87	17.92	30.98	38.36
	6.26 %	25.12	16.36	28.13	19.79	21.79	36.45	44.74
	5.26 %	31.47	21.10	35.05	25.17	27.12	43.94	53.47

▪ Rising value indication triggered by margin expansion

Valuation	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Price / Book	3.3 x	2.2 x	2.7 x	1.7 x	1.1 x	1.0 x	0.9 x
Book value per share ex intangibles	12.47	15.72	14.30	13.80	14.50	15.99	17.65
EV / Sales	2.9 x	2.9 x	3.1 x	1.9 x	1.4 x	1.1 x	1.0 x
EV / EBITDA	15.1 x	18.6 x	25.6 x	53.9 x	9.6 x	6.2 x	5.1 x
EV / EBIT	18.0 x	33.7 x	n.a.	n.a.	15.5 x	8.9 x	6.9 x
EV / EBIT adj.*	18.0 x	33.7 x	45.2 x	29.0 x	14.4 x	8.9 x	6.9 x
P / FCF	n.a.	n.a.	n.a.	n.a.	8.3 x	7.9 x	9.6 x
P / E	23.8 x	43.8 x	n.a.	n.a.	19.6 x	11.5 x	9.4 x
P / E adj.*	23.8 x	43.8 x	111.1 x	36.5 x	19.6 x	11.5 x	9.4 x
Dividend Yield	1.5 %	1.1 %	0.4 %	n.a.	1.3 %	2.6 %	3.5 %
FCF Potential Yield (on market EV)	4.4 %	3.6 %	4.1 %	4.7 %	6.8 %	11.1 %	13.5 %

*Adjustments made for: -

Company Specific Items	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Adj. FCFPS	1.73	-0.66	-0.19	0.53	4.82	4.94	4.54

Consolidated profit & loss

In EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Sales	107.7	93.9	115.2	126.5	112.8	127.0	135.9
Change Sales yoy	-14.8 %	-12.9 %	22.7 %	9.9 %	-10.8 %	12.5 %	7.0 %
Increase / decrease in inventory	1.9	-0.6	3.1	8.3	0.7	0.0	0.0
Own work capitalised	0.1	0.0	0.0	0.4	0.1	0.1	0.1
Total Sales	109.7	93.3	118.3	135.2	113.6	127.1	135.9
Material expenses	36.9	32.7	48.9	72.9	43.4	45.8	48.2
Gross profit	72.8	60.5	69.3	62.3	70.2	81.2	87.7
<i>Gross profit margin</i>	<i>67.6 %</i>	<i>64.5 %</i>	<i>60.2 %</i>	<i>49.2 %</i>	<i>62.2 %</i>	<i>63.9 %</i>	<i>64.5 %</i>
Personnel expenses	35.8	33.2	39.7	43.0	40.6	43.2	45.5
Other operating income	1.5	1.2	1.6	3.9	2.0	1.5	1.5
Other operating expenses	18.2	13.8	17.5	18.7	15.4	16.5	17.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	20.3	14.7	13.8	4.5	16.2	23.0	26.7
<i>Margin</i>	<i>18.9 %</i>	<i>15.7 %</i>	<i>12.0 %</i>	<i>3.5 %</i>	<i>14.3 %</i>	<i>18.1 %</i>	<i>19.6 %</i>
Depreciation of fixed assets	2.8	6.0	9.0	13.7	5.6	6.5	6.5
EBITA	17.6	8.7	4.8	-9.3	10.6	16.5	20.2
Amortisation of intangible assets	0.5	0.6	1.1	0.7	0.6	0.6	0.6
Goodwill amortisation	0.0	0.0	3.4	0.0	0.0	0.0	0.0
EBIT	17.0	8.1	0.3	-10.0	10.0	16.0	19.6
<i>Margin</i>	<i>15.8 %</i>	<i>8.6 %</i>	<i>0.3 %</i>	<i>-7.9 %</i>	<i>8.9 %</i>	<i>12.6 %</i>	<i>14.4 %</i>
EBIT adj.	17.0	8.1	7.8	8.3	10.8	16.0	19.6
Interest income	0.0	0.2	0.1	0.1	0.1	0.0	0.0
Interest expenses	0.2	0.5	1.1	1.5	1.5	1.2	1.2
Other financial income (loss)	0.0	0.1	0.0	0.0	0.1	0.0	0.0
EBT	16.9	7.9	-0.7	-11.4	8.7	14.7	18.4
<i>Margin</i>	<i>15.7 %</i>	<i>8.5 %</i>	<i>-0.6 %</i>	<i>-9.0 %</i>	<i>7.7 %</i>	<i>11.6 %</i>	<i>13.6 %</i>
Total taxes	4.5	2.2	4.3	1.7	2.5	4.3	5.3
Net income from continuing operations	12.4	5.7	-4.9	-13.1	6.2	10.5	13.1
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	12.4	5.7	-4.9	-13.1	6.2	10.5	13.1
Minority interest	-0.1	-0.1	0.0	0.2	0.2	0.2	0.2
Net income	12.5	5.8	-4.9	-13.3	6.0	10.3	12.9
<i>Margin</i>	<i>11.6 %</i>	<i>6.2 %</i>	<i>-4.2 %</i>	<i>-10.5 %</i>	<i>5.3 %</i>	<i>8.1 %</i>	<i>9.5 %</i>
Number of shares, average	5.5	5.7	6.1	6.1	6.1	6.1	6.1
EPS	2.27	1.01	-0.81	-2.19	0.99	1.69	2.12
EPS diluted	2.27	0.95	-0.81	-2.19	0.99	1.69	2.12

*Adjustments made for:

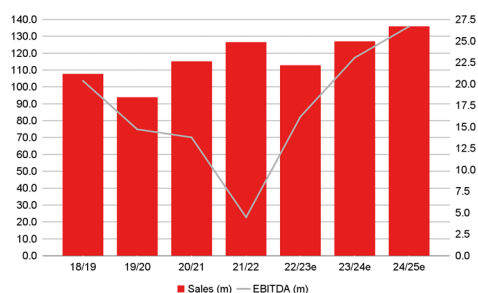
Guidance: 2023: Sales EUR 110 - 120m; EBIT EUR 10 - 13m

Financial Ratios

	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Total Operating Costs / Sales	82.9 %	83.7 %	90.7 %	103.3 %	86.3 %	81.9 %	80.4 %
Operating Leverage	3.0 x	4.1 x	-4.3 x	n.a.	n.a.	4.7 x	3.3 x
EBITDA / Interest expenses	125.6 x	32.2 x	12.3 x	2.9 x	11.0 x	18.9 x	22.0 x
Tax rate (EBT)	26.5 %	28.2 %	-635.7 %	-14.4 %	29.0 %	29.0 %	29.0 %
Dividend Payout Ratio	35.5 %	49.9 %	n.m.	0.0 %	24.5 %	29.0 %	32.4 %
Sales per Employee	173,785	160,472	175,297	192,880	191,263	198,430	205,886

Sales, EBITDA

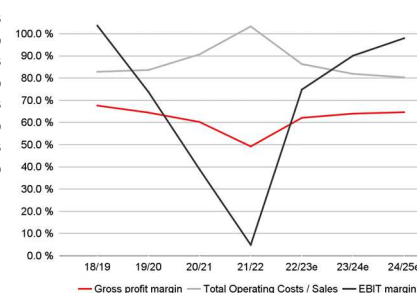
in EUR m



Source: Warburg Research

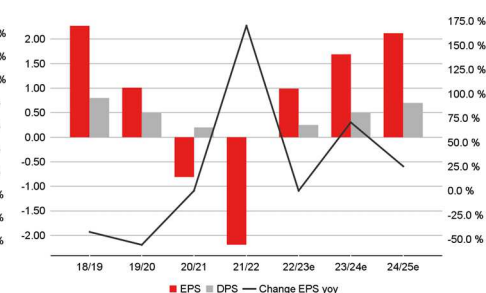
Operating Performance

in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

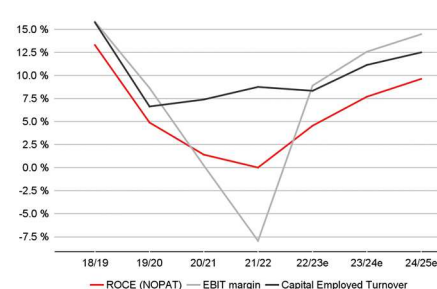
Consolidated balance sheet

In EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Assets							
Goodwill and other intangible assets	21.2	21.0	24.0	23.3	23.0	22.7	22.5
thereof other intangible assets	2.4	2.2	2.9	2.1	1.9	1.6	1.3
thereof Goodwill	18.8	18.8	21.1	21.1	21.1	21.1	21.1
Property, plant and equipment	42.2	76.8	87.8	79.6	75.0	73.5	72.5
Financial assets	1.2	1.1	1.1	1.1	1.1	1.1	1.1
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	64.6	99.0	112.9	103.9	99.0	97.2	96.0
Inventories	35.9	35.2	46.7	46.4	38.9	36.3	38.8
Accounts receivable	17.0	14.3	17.1	19.7	17.9	20.2	21.6
Liquid assets	14.6	34.2	12.1	7.1	14.1	27.5	37.0
Other short-term assets	12.1	13.6	14.1	18.4	17.2	15.7	14.2
Current assets	79.5	97.2	90.0	91.6	88.1	99.7	111.6
Total Assets	144.1	196.2	202.9	195.5	187.1	197.0	207.6
Liabilities and shareholders' equity							
Subscribed capital	5.5	6.1	6.1	6.1	6.1	6.1	6.1
Capital reserve	16.6	42.0	42.0	42.0	42.0	42.0	42.0
Retained earnings	67.9	68.3	62.7	58.8	64.8	73.6	83.4
Other equity components	0.0	0.0	0.0	0.0	-2.0	-2.0	-2.0
Shareholders' equity	90.0	116.3	110.7	106.9	110.9	119.6	129.5
Minority interest	0.1	0.3	0.4	0.4	0.4	0.4	0.4
Total equity	90.1	116.7	111.1	107.2	111.2	120.0	129.8
Provisions	8.8	9.5	9.3	4.7	4.7	4.7	4.7
thereof provisions for pensions and similar obligations	8.3	8.8	8.6	4.0	4.0	4.0	4.0
Financial liabilities (total)	16.2	46.3	53.5	59.4	48.2	48.2	48.2
Short-term financial liabilities	1.7	3.5	3.9	26.4	0.0	0.0	0.0
Accounts payable	7.9	6.5	9.4	10.3	9.2	10.3	11.1
Other liabilities	21.2	17.3	19.5	13.8	13.8	13.8	13.8
Liabilities	54.0	79.5	91.8	88.2	75.9	77.0	77.8
Total liabilities and shareholders' equity	144.1	196.2	202.9	195.5	187.1	197.0	207.6

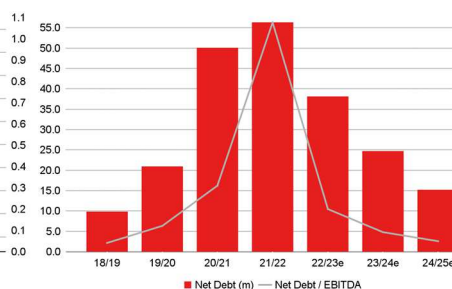
Financial Ratios

	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Efficiency of Capital Employment							
Operating Assets Turnover	1.3 x	0.8 x	0.8 x	1.0 x	0.9 x	1.1 x	1.1 x
Capital Employed Turnover	1.1 x	0.7 x	0.7 x	0.8 x	0.8 x	0.9 x	0.9 x
ROA	19.3 %	5.8 %	-4.3 %	-12.8 %	6.1 %	10.6 %	13.4 %
Return on Capital							
ROCE (NOPAT)	13.3 %	4.9 %	1.4 %	n.a.	4.5 %	7.7 %	9.6 %
ROE	14.1 %	5.6 %	-4.3 %	-12.2 %	5.5 %	8.9 %	10.3 %
Adj. ROE	14.1 %	5.6 %	2.4 %	4.6 %	5.5 %	8.9 %	10.3 %
Balance sheet quality							
Net Debt	9.8	20.9	50.1	56.3	38.1	24.7	15.2
Net Financial Debt	1.6	12.1	41.5	52.3	34.1	20.7	11.2
Net Gearing	10.9 %	17.9 %	45.1 %	52.5 %	34.3 %	20.6 %	11.7 %
Net Fin. Debt / EBITDA	7.8 %	82.4 %	300.7 %	1174.5 %	210.7 %	89.9 %	41.9 %
Book Value / Share	16.3	19.2	18.3	17.6	18.3	19.7	21.4
Book value per share ex intangibles	12.5	15.7	14.3	13.8	14.5	16.0	17.7

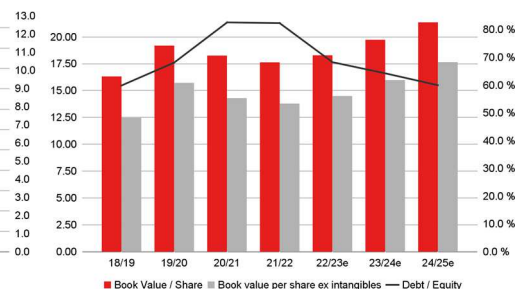
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

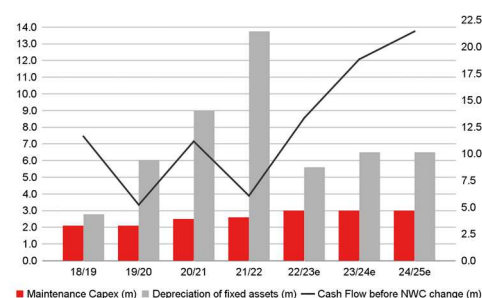
In EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Net income	12.5	5.8	-4.9	-13.3	6.0	10.3	12.9
Depreciation of fixed assets	2.8	6.0	9.0	13.7	5.6	6.5	6.5
Amortisation of goodwill	0.0	0.0	3.4	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.5	0.6	1.1	0.7	0.6	0.6	0.6
Increase/decrease in long-term provisions	0.0	0.3	0.4	-0.2	0.0	0.0	0.0
Other non-cash income and expenses	-4.2	-7.5	2.1	5.0	1.2	1.5	1.5
Cash Flow before NWC change	11.6	5.2	11.2	6.1	13.4	18.8	21.4
Increase / decrease in inventory	-2.4	0.6	-12.5	-11.6	7.5	2.6	-2.5
Increase / decrease in accounts receivable	6.5	2.7	-1.3	-2.7	1.8	-2.3	-1.4
Increase / decrease in accounts payable	1.1	-1.2	3.6	0.8	-1.1	1.1	0.8
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	-2.0	0.0	0.0
Increase / decrease in working capital (total)	5.2	2.2	-10.2	-13.5	6.1	1.4	-3.1
Net cash provided by operating activities [1]	16.8	7.4	0.9	-7.4	19.5	20.2	18.3
Investments in intangible assets	-0.2	-0.3	-0.2	-0.1	-0.3	-0.3	-0.3
Investments in property, plant and equipment	-19.1	-35.1	-16.9	-5.2	-5.0	-5.0	-5.5
Payments for acquisitions	0.0	-0.2	-7.7	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.1	0.0	0.2	2.7	4.0	0.0	0.0
Net cash provided by investing activities [2]	-19.2	-30.4	-24.6	-1.7	-1.3	-5.3	-5.8
Change in financial liabilities	9.1	21.9	4.3	4.9	-11.2	0.0	0.0
Dividends paid	-4.4	-4.4	-3.0	-1.2	0.0	-1.5	-3.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	25.7	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities [3]	4.7	43.3	1.2	3.7	-11.2	-1.5	-3.0
Change in liquid funds [1]+[2]+[3]	2.4	20.3	-22.5	-5.4	7.0	13.4	9.5
Effects of exchange-rate changes on cash	0.1	-0.1	0.0	0.4	0.0	0.0	0.0
Cash and cash equivalent at end of period	14.5	34.7	11.7	7.1	14.1	27.5	37.0

Financial Ratios

	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Cash Flow							
FCF	-2.4	-22.8	-16.2	-11.8	14.2	14.9	12.5
Free Cash Flow / Sales	-2.3 %	-24.2 %	-14.0 %	-9.3 %	12.6 %	11.8 %	9.2 %
Free Cash Flow Potential	13.4	10.0	14.5	11.3	10.7	15.7	18.4
Free Cash Flow / Net Profit	-19.6 %	-393.9 %	331.2 %	88.9 %	236.9 %	145.5 %	97.4 %
Interest Received / Avg. Cash	0.1 %	0.8 %	0.6 %	0.7 %	0.9 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	1.4 %	1.5 %	2.2 %	2.7 %	2.7 %	2.5 %	2.5 %
Management of Funds							
Investment ratio	17.9 %	37.7 %	14.8 %	4.2 %	4.7 %	4.2 %	4.3 %
Maint. Capex / Sales	1.9 %	2.2 %	2.2 %	2.1 %	2.7 %	2.4 %	2.2 %
Capex / Dep	581.5 %	535.7 %	126.5 %	36.4 %	86.0 %	75.0 %	82.1 %
Avg. Working Capital / Sales	42.6 %	45.3 %	40.2 %	41.2 %	43.5 %	34.9 %	33.2 %
Trade Debtors / Trade Creditors	215.9 %	219.7 %	180.9 %	191.0 %	194.6 %	196.1 %	194.6 %
Inventory Turnover	1.0 x	0.9 x	1.0 x	1.6 x	1.1 x	1.3 x	1.2 x
Receivables collection period (days)	58	55	54	57	58	58	58
Payables payment period (days)	78	72	70	52	77	82	84
Cash conversion cycle (Days)	321	358	309	224	285	244	248

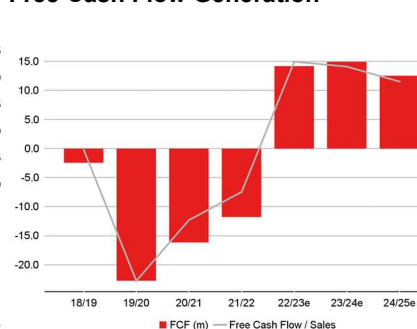
CAPEX and Cash Flow

in EUR m



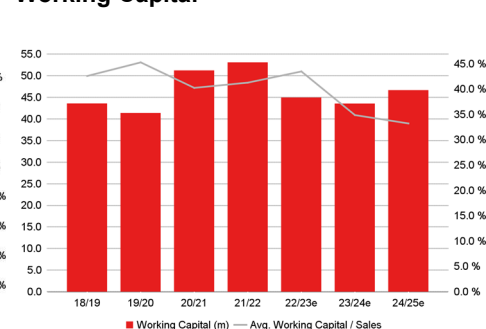
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

LEGAL DISCLAIMER

This research report ("investment recommendation") was prepared by the Warburg Research GmbH, a fully owned subsidiary of the M.M.Warburg & CO (AG & Co.) KGaA and is passed on by the M.M.Warburg & CO (AG & Co.) KGaA. It is intended solely for the recipient and may not be passed on to another company without their prior consent, regardless of whether the company is part of the same corporation or not. It contains selected information and does not purport to be complete. The investment recommendation is based on publicly available information and data ("information") believed to be accurate and complete. Warburg Research GmbH neither examines the information for accuracy and completeness, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the information do not constitute grounds for liability of M.M.Warburg & CO (AG & Co.) KGaA or Warburg Research GmbH for damages of any kind whatsoever, and M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are not liable for indirect and/or direct and/or consequential damages. In particular, neither M.M.Warburg & CO (AG & Co.) KGaA nor Warburg Research GmbH are liable for the statements, plans or other details contained in these investment recommendations concerning the examined companies, their affiliated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this investment recommendation, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the information contained in this investment recommendation. Provided a investment recommendation is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH shall be restricted to gross negligence and wilful misconduct. In case of failure in essential tasks, M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH is limited to typical, expectable damages. This investment recommendation does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO (AG & Co.) KGaA, Warburg Research GmbH or affiliated companies may serve in a position of responsibility, i.e. on the board of directors of companies mentioned in the report. Opinions expressed in this investment recommendation are subject to change without notice. The views expressed in this research report accurately reflect the research analyst's personal views about the subject securities and issuers. Unless otherwise specified in the research report, no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. All rights reserved.

COPYRIGHT NOTICE

This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.

DISCLOSURE ACCORDING TO §85 OF THE GERMAN SECURITIES TRADING ACT (WPHG), MAR AND MIFID II INCL. COMMISSION DELEGATED REGULATION (EU) 2016/958 AND (EU) 2017/565

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Value Potential, NAV, Peer Group Comparison or Sum of the Parts Model (see also <http://www.mmwarburg.de/disclaimer/disclaimer.htm#Valuation>). The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

Additional internal and organisational arrangements to prevent or to deal with conflicts of interest have been implemented. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research GmbH in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg-Group.

All prices of financial instruments given in this investment recommendation are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin. M.M.Warburg & CO (AG & Co.) KGaA is additionally subject to the supervision of the European Central Bank (ECB).

SOURCES

All **data and consensus estimates** have been obtained from FactSet except where stated otherwise.

The **Warburg ESG Risk Score** is based on information © 2020 MSCI ESG Research LLC. Reproduced by permission. Although Warburg Research's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component, of any financial instruments or products indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damage (including lost profits) even if notified of the possibility.

Additional information for clients in the United States

1. This research report (the "Report") is a product of Warburg Research GmbH, Germany, a fully owned subsidiary of M.M.Warburg & CO (AG & Co.) KGaA, Germany (in the following collectively "Warburg"). Warburg is the employer of the research analyst(s), who have prepared the Report. The research analyst(s) reside outside the United States and are not associated persons of any U.S. regulated broker-dealer and therefore are not subject to the supervision of any U.S. regulated broker-dealer.
2. The Report is provided in the United States for distribution solely to "major U.S. institutional investors" under Rule 15a-6 of the U.S. Securities Exchange Act of 1934 by CIC.
3. CIC (Crédit Industriel et Commercial) and M.M. Warburg & CO have concluded a Research Distribution Agreement that gives CIC Market Solutions exclusive distribution in France, the US and Canada of the Warburg Research GmbH research product.
4. The research reports are distributed in the United States of America by CIC ("CIC") pursuant to a SEC Rule 15a-6 agreement with CIC Market Solutions Inc ("CICI"), a U.S. registered broker-dealer and a related company of CIC, and are distributed solely to persons who qualify as "Major U.S. Institutional Investors" as defined in SEC Rule 15a-6 under the Securities Exchange Act of 1934.
5. Any person who is not a Major U.S. Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein.

Reference in accordance with section 85 of the German Securities Trading Act (WpHG) and Art. 20 MAR regarding possible conflicts of interest with companies analysed:

- 1- Warburg Research, or an affiliated company, or an employee of one of these companies responsible for the compilation of the research, hold a **share of more than 5%** of the equity capital of the analysed company.
- 2- Warburg Research, or an affiliated company, within the last twelve months participated in the **management of a consortium** for an issue in the course of a public offering of such financial instruments, which are, or the issuer of which is, the subject of the investment recommendation.
- 3- Companies affiliated with Warburg Research **manage financial instruments**, which are, or the issuers of which are, subject of the investment recommendation, in a market based on the provision of buy or sell contracts.
- 4- MMWB, Warburg Research, or an affiliated company, reached an agreement with the issuer to provide **investment banking and/or investment services** and the relevant agreement was in force in the last 12 months or there arose for this period, based on the relevant agreement, the obligation to provide or to receive a service or compensation - provided that this disclosure does not result in the disclosure of confidential business information.
- 5- The company compiling the analysis or an affiliated company had reached an **agreement on the compilation of the investment recommendation** with the analysed company.
- 6a- Warburg Research, or an affiliated company, holds a **net long position of more than 0.5%** of the total issued share capital of the analysed company.
- 6b- Warburg Research, or an affiliated company, holds a **net short position of more than 0.5%** of the total issued share capital of the analysed company.
- 6c- The issuer holds shares of more than 5% of the total issued capital of Warburg Research or an affiliated company.
- 7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

This report has been made accessible to the company analysed.

Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Dr. Hönle	3, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005157101.htm

INVESTMENT RECOMMENDATION

Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	160	75
Hold	43	20
Sell	7	3
Rating suspended	3	1
Total	213	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	46	88
Hold	5	10
Sell	0	0
Rating suspended	1	2
Total	52	100

PRICE AND RATING HISTORY DR. HÖNLE AS OF 16.05.2023


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

EQUITIES

Matthias Rode +49 40 3282-2678
Head of Equities mrode@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Stefan Augustin +49 40 309537-168
Cap. Goods, Engineering saugustin@warburg-research.com

Jan Bauer +49 40 309537-155
Renewables jbauer@warburg-research.com

Christian Cohrs +49 40 309537-175
Industrials & Transportation ccohrs@warburg-research.com

Dr. Christian Ehmann +49 40 309537-167
BioTech, Life Science cehmann@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marius Fuhrberg +49 40 309537-185
Financial Services mfuhrberg@warburg-research.com

Fabio Hölscher +49 40 309537-240
Automobiles, Car Suppliers fhoelscher@warburg-research.com

Philipp Kaiser +49 40 309537-260
Real Estate, Construction pkaiser@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Hannes Müller +49 40 309537-255
Software, IT hmueller@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Simon Stippig +49 40 309537-265
Real Estate, Telco sstippig@warburg-research.com

Cansu Tatar +49 40 309537-248
Cap. Goods, Engineering ctatar@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Robert-Jan van der Horst +49 40 309537-290
Technology rvanderhorst@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Marc Niemann +49 40 3282-2660
Head of Equity Sales, Germany mniemann@mmwarburg.com

Klaus Schilling +49 69 5050-7400
Head of Equity Sales, Germany kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lea Bogdanova +49 69 5050-7411
United Kingdom, Ireland lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Maximilian Martin +49 69 5050-7413
Austria, Poland mmartin@mmwarburg.com

Christopher Seedorf +49 40 3282-2695
Switzerland cseedorf@mmwarburg.com

Charlotte Wernicke +49 40 3282-2669
Roadshow/Marketing cwernicke@mmwarburg.com

Juliane Niemann +49 40 3282-2694
Roadshow/Marketing jniemann@mmwarburg.com

SALES TRADING

Oliver Merckel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Marcel Magiera +49 40 3282-2662
Sales Trading mmagiera@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jan-Philip Schmidt +49 40 3282-2682
Sales Trading jschmidt@mmwarburg.com

Sebastian Schulz +49 40 3282-2631
Sales Trading sschulz@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research research.mmwarburg.com/en/index.html
Bloomberg RESP MMWA GO
FactSet www.factset.com

Refinitiv www.refinitiv.com
Capital IQ www.capitaliq.com

For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com