

14 June 2022

beaconsmind AG

Rating	Buy
Share price (EUR)	12.10
Target price (EUR)	20.00
Bloomberg	81D GY
Sector	Software

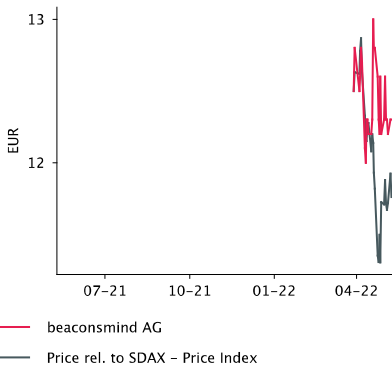
Share data

Shares out (m)	2.7
Daily volume shs (m)	0.0
Free float (%)	41.50
Market cap (EUR m)	33
EV (EUR m)	33
DPS (CHF)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	n.a.
12 months (%)	n.a.
12 months rel. (%)	n.a.
Index	SDAX

Share price performance



Source: Bloomberg

Next triggers

30 Sep 2022 – FY 2021/2022 results

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LBM SaaS provider with upside potential

As a location-based marketing and analytics provider beaconsmind closes the gap between online and offline shopping. Its provided solution helps to localize shoppers and enables its clients to make tailor-made offers to their customers to improve sales and customer loyalty. Based upon increasing roll-outs of its current clients and new clients we expect revenues to grow by c. 167% CAGR 2022e-2024e with an increased share of recurring revenues. We initiate coverage with a Buy rating & a TP of EUR 20.0.

Unique business model with low competition

beaconsmind is a location-based marketing (“LBM”) and analytics provider. Bluetooth transmitters that are installed in the stores help to localize and identify app-users in real-time and enable customers of beaconsmind targeted point-of-sale marketing as well as data collection and analysis. This should help to increase revenues as well as customer loyalty, customer basket size and visit frequency in physical and online stores. Competition is limited as the location-based marketing only counts a few players that are rather focused on small and medium-sized retailers. A few peers have been acquired by large international players from tech and media industry in the past.

Strong growth potential

As a pure LBM player beaconsmind’s business offers huge growth potential as its anchor clients enable the roll-out of its solution in 16,267 stores. The total addressable market consists of more than 115,000 stores. Its growth strategy is based upon increasing roll-outs of its current client base as well as the broadening of its client base. Winning new clients should also help to further diversify its client base and to reduce client dependency. Its current anchor client base comprises 17 clients. Its technology can easily be used in various industries. We expect revenues to grow by c. 167% CAGR 2022e-2024e and gross margin to improve from 68% in 2022e to 78% in 2024e.as the recurring revenue base grows. We assume that the share of recurring revenues in terms of total revenues will increase.

Recurring revenues to increase

The business model is characterized by two sources of revenue: 1) installation revenues as one-off revenues for the sale and installation of the hardware and 2) recurring revenues as subscription fee to use the software. Note that the share of recurring revenues is expected to grow with the implementation of new stores. In the beginning of setting up a new client revenue is mainly based upon installation revenues.

Key figures		2020*	2021*	2022e	2023e	2024e
Sales	CHF m	0	1	3	10	22
EBITDA	CHF m	-3	-5	-1	3	9
EBIT	CHF m	-3	-5	-2	2	8
EPS	CHF	-1.44	-2.40	-0.69	0.52	1.99
Sales growth	%	n.a.	19.9	436.1	235.5	112.1
EBIT growth	%	n.a.	84.5	n.m.	n.m.	280.1
EPS growth	%	n.a.	66.2	n.m.	n.m.	280.3
EBITDA margin	%	n.m.	n.m.	n.m.	24.7	40.3
EBIT margin	%	n.m.	n.m.	n.m.	19.7	35.3
EV/Sales	ratio	154.9	42.9	9.4	2.7	1.1
EV/EBITDA	ratio	n.m.	n.m.	n.m.	11.5	2.9
EV/EBIT	ratio	n.m.	n.m.	n.m.	14.4	3.3
P/E	ratio	n.m.	n.m.	n.m.	23.8	6.3
P/BV	ratio	n.m.	97.7	7.9	5.9	3.0
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

*Fiscal year 1 July – 30 June, Calendar year 1 Jan – 31 Dec. from 2022e onwards

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Executive Summary

Unique business model with low competition

beaconsmind is a location-based marketing ("LBM") and analytics provider. Bluetooth transmitters that are installed in the stores help to localize and identify app-users in real-time and enable customers of beaconsmind targeted point-of-sale marketing as well as data collection and analysis. This should help to increase revenues as well as customer loyalty, customer basket size and visit frequency in physical and online stores. According to the company the use of beaconsmind's services leads to an increased frequency (c. 40%) and higher sales (c. 15%) for retailers in their point of sale. Competition is limited as the location-based marketing only counts a few players that are rather focused on small and medium-sized retailers. A few peers have been acquired by large international players from tech and media industry in the past.

Strong growth potential

As a pure LBM player beaconsmind's business offers huge growth potential as its anchor clients enable the roll-out of its solution in 16,267 stores. The total addressable market consists of more than 115,000 stores. Its growth strategy is based upon increasing roll-outs of its current client base as well as the broadening of its client base. Winning new clients should also help to further diversify its client base and to reduce client dependency. Its current anchor client base comprises 17 clients such as adidas, DEPOT, Unilever, Marc O'Polo etc. As of March 2022 its solution has already been deployed in 225 stores (already installed or in installation process). In the last two years beaconsmind's business was negatively impacted by the pandemic due to lockdowns, store closures and reduced marketing spendings which have led to lower revenues during that time. As a result further upside for its business is expected in case of no future lockdowns and store closures. We expect revenues to grow by c. 167% CAGR 2022e-2024e and gross margin to improve from 68% in 2022e to 78% in 2024e as the recurring revenue base grows. We assume that the share of recurring revenues in terms of total revenues will increase.

Recurring revenues to increase

The business model is characterized by two sources of revenue: 1) installation revenues as one-off revenues for the sale and installation of the hardware and 2) recurring revenues as subscription fee to use the software. Note that the share of recurring revenues is expected to grow with the implementation of new stores. In the beginning of setting up a new client revenue is mainly based upon installation revenues (c. 80%) and shifting to recurring revenues afterwards.

Valuation

As the peer group of listed peers with a similar business model is limited we have derived our target price from a DCF model valuation. We have taken into account the current market environment that is characterized by a high inflation rate, rising interest rates and an expected slowing global growth. We have derived a target price of EUR 20.00 from our DCF model valuation. If the company delivers a better performance than expected we see upside in our target price.

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Discounted Cash flow model

We have derived a target price of EUR 20.00 from a DCF model valuation. The key parameters of the model are as follows:

- Driven by increased roll-outs we expect high Sales growth in the coming years which should stabilize to 5.0% in 2031e.
- We forecast EBIT margin to further improve reaching 21.4% in 2031e.
- CAPEX as a % of sales is expected to decrease from 16.4% in 2022 to 5.0% in 2031e.
- Tax rate is expected to be 30% from 2023e onwards.
- Our terminal value is based on the assumption of a growth rate of 1.0% consistently.
- We calculated a WACC of around 12.3% (Equity ratio: 100%; financial debt cost: 5.5% and company beta: 1.6). The model results to an equity value of c. CHF 55m (EUR 20.00 per share). Note that the beta of 1.6 should reflect the start-up nature. If the company delivers a better performance than expected we see upside in our target price.

DCF model for beaconsmind

(CHF m)	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TV
Sales	3	10	22	31	38	43	47	50	53	56	
growth yoy	436.1%	235.5%	12.1%	40.9%	22.9%	14.0%	9.5%	7.2%	6.1%	5.0%	
EBIT	-2	2	8	15	9	10	10	11	12	12	
EBIT margin	nm	19.7%	35.3%	28.4%	24.9%	23.1%	22.3%	21.8%	21.6%	21.4%	
Taxes	0.0	-0.6	-2.3	-4.5	-2.8	-3.0	-3.1	-3.3	-3.5	-3.6	
Tax rate	0%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	0.3	0.5	1.1	1.5	1.9	2.1	2.3	2.5	2.7	2.8	
% of sales	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Capex	-0.5	-0.6	-1.2	-1.6	-1.9	-2.2	-2.4	-2.5	-2.7	-2.8	
% of sales	16.4%	5.9%	5.5%	5.2%	5.1%	5.1%	5.0%	5.0%	5.0%	5.0%	
Δ NWC	-0.3	-0.7	-1.8	-1.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
% of sales	10.2%	6.8%	8.3%	3.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
FCF	-2.2	0.6	3.4	9.4	6.4	6.8	7.2	7.6	8.0	8.3	74.3
growth yoy	nm	nm	nm	nm	-32.0%	6.2%	5.5%	5.2%	5.1%	4.0%	1.0%
PV FCF	-2.0	0.5	2.6	6.3	3.8	3.6	3.4	3.2	3.0	2.7	24.5

PV Forecast Period	27
PV Terminal Value	25

Enterprise value	51
- Net Debt / Net Cash	-4
- Pension Provisions	0
Equity value	55
Number of shares	2.7
Value per share (CHF)	20.5
Value per share (€)	20.0

Sensitivity Analysis	Terminal growth rate				
	0.0%	0.5%	1.0%	1.5%	2.0%
11.07%	22.36	22.90	23.50	24.15	24.88
11.69%	20.97	21.43	21.93	22.49	23.10
WACC 12.30%	19.72	20.12	20.55	21.02	21.54
12.92%	18.60	18.94	19.31	19.72	20.16
13.53%	17.58	17.88	18.20	18.55	18.93

Risk free rate	3.00%	Equity ratio	100%
Cost of debt	5.50%	Company beta	1.6
Market Premium	6.00%	WACC	12.30%

Source: Quirin Privatbank

Peer Group Analysis

As the peer group of listed peers with a similar business model is limited we have derived our target price from a DCF model valuation. We included below a peer group analysis. Our selected peer group includes tech/software companies as well as companies that operate in the e-commerce industry. Some of the selected peers are large and established companies while some are rather smaller in terms of its market capitalization.

We have only taken into account EV/Sales multiples as the company is expected to become EBIT positive from 2023e onwards.

Our peer group consists of Block, Dassault Systemes, Eagle Eye Solutions Group, GK Software, Hubspot, Intershop Communications, Lectra, Mensch und Maschine Software, Nemetschek, Serviceware, Shopify, Software AG and Teamviewer.

Block INC is a provider of mobile payment solutions. It develops point-of-sale software helping in digital receipts, inventory and sales reports and offers analytics and feedback.

Dassault Systemes provides software application services designed to support innovation processes of its clients. It provides 3D design software, 3D digital mock up and product lifecycle management.

Eagle Eye Solutions Group is operating in the e-commerce industry and provides a digital platform enabling retailers to connect with customers to deliver offers, rewards and services that can be redeemed.

GK Software is active in design and development of store service control and mobile merchandise management solutions for task management, centralization of back office servers and facility administration.

Hubspot is a provider of cloud-based marketing and sales software platform and offers integrated applications that help in lead generation and social marketing.

Intershop Communications is an e-commerce software provider. The company develops and markets software for internet commerce.

Lectra is a manufacturer and distributor of computer systems used in fashion design and textile processing.

Mensch und Maschine distributes and sells computer aided design (CAD) software in areas such as Europe, Asia and the US.

Nemetschek is a provider of standard software for designing, constructing and managing buildings and real estate.

Serviceware is a software company that is specialized on the Enterprise Service Management market.

Shopify Inc. is a provider of a cloud-based commerce platform for merchants to create an omni-channel experience which should help to showcase the merchant's brand.

Software AG is a software development company enabling enterprises to integrate, connect and manage IoT components as well as analyze data and predict future events based on artificial intelligence.

TeamViewer offers software solutions to remotely access and connect any computer, tablet, laptop, mobile device and IoT endpoint such as industrial machines which enables remote control, management and monitoring of devices as well as interaction and collaboration.

Peer Group Valuation for beaconsmind

Company	Price	Market Cap (EUR m)	EV/Sales 22e	EV/Sales 23e	EV/Sales 24e	Sales CAGR 21-24e
BLOCK INC	71.9	39791.0	2.5x	2.0x	1.7x	11.7%
DASSAULT SYSTEMES SE	34.7	46322.0	8.6x	7.8x	7.2x	10.5%
EAGLE EYE SOLUTIONS GROUP PL	562.5	173.4	5.0x	4.3x	3.8x	19.9%
GK SOFTWARE SE	128.0	289.1	1.6x	1.5x	1.3x	11.3%
HUBSPOT INC	325.6	14834.1	8.7x	6.8x	5.5x	28.3%
INTERSHOP COMMUNICATIONS AG	4.2	59.9	1.5x	1.4x	1.3x	8.5%
LECTRA	35.9	1365.1	2.7x	2.5x	2.3x	16.2%
MENSCH UND MASCHINE SOFTWARE	49.0	813.3	2.9x	2.6x	2.4x	9.4%
NEMETSCHEK SE	61.1	7024.7	9.0x	8.1x	7.1x	13.3%
SERVICEWARE SE	10.4	109.2	0.9x	0.8x	0.7x	10.9%
SHOPIFY INC - CLASS A	348.4	41789.5	6.5x	5.0x	3.9x	28.0%
SOFTWARE AG	30.7	2264.4	2.0x	1.9x	1.7x	10.5%
TEAMVIEWER AG	11.2	2251.0	4.7x	4.1x	3.6x	15.2%
Median			2.9x	2.6x	2.4x	11.7%
BEACONSMIND AG	12.1	32.5	9.4x	2.7x	1.1x	92.4%
Relative to median			227%	6%	-52%	692%
Implied EV			8.8	26.6	51.8	
Net debt			-3.8	-4.4	-7.9	
Fair equity value			12.6	31.1	59.6	
Fair value per share			4.7	11.5	22.2	
Target price in CHF						16.87
Target price in EUR						16.37

Source: bloomberg, Quirin Privatbank AG

In order to arrive at a fair equity value for beaconsmind we used the median based on EV/Sales and multiplied with the company's individual prospected figures for 2023e and 2024e. beaconsmind trades with a discount of 52% to its peer group regarding EV/Sales 2024e multiples. Note that we did not consider 2022e figures as sales was still on a low level. Compared to the selected peer group growth perspectives of beaconsmind are higher (Sales CAGR 2021-2024e: 92.4% vs. peer group median: 11.7%). To obtain a fair value of equity using the enterprise value, net debt has to be subtracted. Dividing by the number of shares and computing the median results in the fair equity value per share of EUR 16.37.

SWOT Analysis

Strengths

- **Unique business model with low competition**

beaconsmind is a pure location-based marketing player. The company is able to deliver a customized and plug-and-play product. As a full-service provider it has developed its own software and customized hardware beacons. Its provided solution helps to localize and identify shoppers in real-time and enables customers of beaconsmind tailor-made point-of-sale marketing as well as data collection and analysis. According to the company the use of beaconsmind's services leads to an increased frequency (c. 40%) and higher sales (c. 15%) for retailers in their point of sale. The location-based marketing only counts a few players that are rather focused on small and medium-sized retailers. However, no global roll-out had been completed by the peers.

- **Scalable business model**

The increase of implemented stores of existing clients directly has a positive impact on recurring revenues as well as on one-off revenues (installation fee and hardware revenues).

- **Asset light and cash-generative business model**

beaconsmind has an asset-light business model as the software is developed internally and the hardware manufacturing and installation is provided by suppliers. beaconsmind's inventories are rather small. The business is also cash-generative as suppliers are paid 30 days after job completion while customer payments are received earlier.

- **Flexible use of technology**

beaconsmind's client base is quite diversified including clients from retail, wholesale, consumer goods, distribution and food service industries. Its technology can easily be used in various industries. It is however necessary that clients have physical stores and a mobile app. According to the company the customer retention stands at 95% and the annual churn rate is expected to decrease to around 3% in future.

Weaknesses

- **Dependance of hardware suppliers & installation companies**

As hardware manufacturing and installation is outsourced the company depends on two types of suppliers: 1) hardware/device suppliers and 2) companies that provide installation services of the devices. beaconsmind works with two main suppliers on the hardware side and two installation services suppliers. In case of the suppliers on the hardware side start working with other companies to the detriment of the company, this is expected to affect the capacity to provide the devices on time and the quantities. A further risk could be that the supplier will decide to stop working with the company or increase the prices which will also negatively impact the company's costs and results of operations. As beaconsmind targets to further grow in terms of expanding the client base and increase of geographical reach those growth prospects can be negatively impacted in case the company will not be able to deploy the requested workforce in time and space.

- **Further growth needs increased organizational structure**

Operating fixed costs should increase as further growth requires the expansion of the organizational structure, i.e. increase of workforce and further financial resources are needed.

- **Dependance on major clients**

As the client base is still limited including around 17 anchor clients beaconsmind has a strong dependency on 2 clients as 59% of revenues stemmed from those clients. This dependence is expected to decrease if the company will be able to close further contracts with new clients.

Opportunities

- **Huge growth potential**

As a pure LBM player beaconsmind's business offers huge growth potential as its anchor clients enable the roll-out of its solution in 16,267 stores. The total addressable market consists of more than 115,000 stores. Its growth strategy is based upon increasing roll-outs of its current client base as well as the broadening of its client base by new clients of similar size and global retail store portfolios like adidas. Interesting target sectors are Electronics, Food and Beverage, FMCG, Cosmetics and fashion verticals. Winning new clients should also help to further diversify its client base and to reduce client dependency. According to its diversification strategy the company expects that around 53% of revenues to be realized in Europe, 39% in Asia, 1% in North America, 1% in South & Middle America, 1% in Africa and 5% should stem from the rest of the world.

- **Broadening the geographical footprint**

The opening of new offices enables beaconsmind to further drive its worldwide expansion by winning new clients. Besides its headquarter in Switzerland the company has offices in Munich (Germany), Dubai, Shanghai and also plans to enter the US market. Note that the joint venture with SEED Group enables beaconsmind the market entry to the Middle East and direct contact to portfolio companies of the Seed Group.

- **Becoming a potential takeover target**

In the past a few peers of beaconsmind have been acquired by large international players from tech and media industry. It is likely that beaconsmind could become a potential takeover target.

- **Recurring revenues to increase**

The business model is characterized by two sources of revenue: 1) installation revenues as one-off revenues for the sale and installation of the hardware and 2) recurring revenues as subscription fee to use the software. Note that the share of recurring revenues is expected to grow with the implementation of new stores. In the beginning of setting up a new client revenue is mainly based upon installation revenues (c. 80%) and shifting to recurring revenues afterwards.

- **Further upside post Covid-19**

beaconsmind's business was negatively impacted by the pandemic due to lockdowns, store closures and reduced marketing spendings which have led to lower revenues during that time. As a result further upside for its business is expected in case of no future lockdowns and store closures.

Threats

- **Macro-economic impact could reduce marketing budgets**

A worsening of the macro-economic situation can lead to lower marketing spendings which could lead to the fact that companies will not consider LBM as that feature would be too expensive. This should impact beaconsmind's further growth potential as well as its earnings if current clients decide to cancel the contract, delay the implementation or reduce the contracted services to basic features.

- **Increase of competition**

Competition in the field of LBM is limited. However, a few peers have been acquired by large international players from tech and media industry. Those competitors may have competitive advantages such as a larger customer base, longer operating history and greater financial and technical resources. It is also possible that new players will enter the market.

- **Influence of COVID-19**

Further lockdown and store closures might have an impact on its operations and might negatively impact its earnings and growth perspectives as clients may cancel contracts and it will become more difficult to close new contracts.

Closing the gap between online and offline shopping

Business model and Strategy

beaconsmind is a location-based marketing (“LBM”) and analytics provider. The company has its headquarter in Stäfa (Switzerland). Its localisation technology and software Suite enables retailers to converge digital and physical shopping. “Beacons”, bluetooth devices that are installed in the stores, helps to localize and identify app-users in real-time. The customer gets access to personalized customer data on purchasing behavior. The objective is to offer customized location-specific information or services like special offers based on the purchase history, vouchers, rebates or loyalty points to the shopper via the mobile app of the retailer. The provided B2B product helps to increase revenues as well as customer loyalty, customer basket size and visit frequency in physical and online stores. Its client portfolio consists of companies from various industries such as retail, wholesale and food service.

The parent company is beaconsmind AG in Switzerland which has two subsidiaries: beaconsmind Deutschland GmbH in Munich (fully owned by the company) and beaconsmind MENA Data LLC (Dubai), 49% is owned by the company as it is a joint venture with Seed Group.

At the end of 2021 the company employed 20 people. beaconsmind is listed on Euronext Access Paris and in the Scale market segment of the Frankfurt Stock Exchange since April 2022.

Corporate History

beaconsmind was founded by its current CEO and one of the largest shareholder (stake of 18.6%) Max Weiland in 2015. The sale of its solution started in 2015 with Hackett (London) as its first client.

Historic development



Source: beaconsmind, Quirin Privatbank AG

Description of the technology in detail

On the hardware side “beaconsmind’s Track Bluetooth Beacons” are integrated into the lighting rails in physical stores and help to localize app-user with a range of 1m-70m. The beacon does not transmit content. According to the company beacons do not require a high level of maintenance. Maintenance is ensured by remote specialists. The hardware beacons are provided by 4 suppliers that are based in Germany, Poland and the US.

Overview of beaconsmind’s Track Bluetooth beacons



Source: beaconsmind

“Beaconsmind Suite” is the software that collects app-user and location-based data such as visits, purchase history, time spent in store etc. It is connected to retailer mobile-app via SDK/API. The software should help retailers to optimize its marketing strategy at Point of Sale (POS) and Digital Out of Home (DOOH). The marketing campaigns are set up by the retailers in the Suite and enable personalised interaction with customers via personalized push notifications displayed on their phones. Data security is guaranteed by the existing security and privacy policies which are part of retailer’s app. The software is cloud-based and designed and developed in-house.

Use cases of the Solution

Localisation of customers



Connecting point of sale and web shop



Increasing footfall at point of sale thanks to tailor-made point of sale marketing



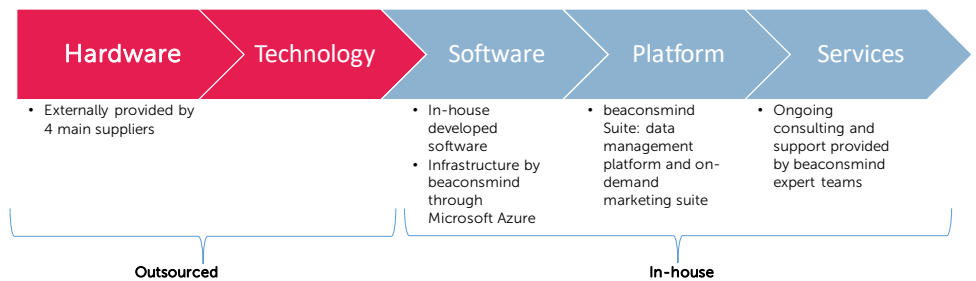
Shop window as digital retail space



Source: beaconsmind

beaconsmind is a full-service provider that covers the whole value-chain from the installation of the beacons to the development of marketing campaigns based on customer behaviour data and the pilot of the campaigns in real-time.

Overview of the value-chain



Source: beaconsmind, Quirin Privatbank AG

Key phases of the set-up of the beaconsmind solution

The deployment of the beaconsmind solution can be realized within 2 months. The steps are described in the following:

- 1) Kick off-strategy (around 2 weeks):
This phase takes around 2 weeks and includes the creation of an omnichannel marketing strategy for clients and determining the number of beacons to be installed in each store which depends on the client's objectives. A store with a size of 350 sqm needs around 10 beacons. The incorporation of heat maps analysis to the Suite requires a larger number of beacons.
- 2) Hardware configuration (circa 4 weeks)
beaconsmind configures each beacon based on the client's needs defined in phase 1. The hardware beacons are provided by 4 suppliers. Hardware ordering, delivery and programming takes circa 4 weeks.
- 3) On-site installation (circa 3-7 hours)
The installation of the beacons takes between 3 and 7 hours, depending on the number of beacons to be installed. beaconsmind works with a sub-contractor for global projects.

4) Software integration (1 week – 1 month)

The next step is the integration of the beaconsmind software into the retailer’s API which could take from 1 week until 1 month. Afterwards the software is operational and the retailer is able to start marketing campaigns with the help of beaconsmind project managers that are based on the collected data in the software (data about user, purchase history, time spent in store and heat maps). Data analysis and reporting is provided quarterly.

Diversified client base with high retention rate

Client base

beaconsmind’s client base is quite diversified including clients from retail, wholesale, consumer goods, distribution and food service industries. It is necessary that clients have physical stores and a mobile app. According to the company the customer retention stands at 95% and the annual churn rate is expected to decrease to around 3% in future. Clients include adidas, Marc O’Polo, GUESS and Unilever for example.

Overview of main clients

Client	Number of Stores	Countries
Client 1	~100 retail stores	Austria, Bulgaria, Canada, China, Croatia, Czech Republic, France, Germany, Hungary, Italy, Japan, Poland, Portugal, Romania, Russia, Spain, Sweden, UAE, UK,
Client 2	14 retail stores	Switzerland
Client 3	2 cinemas	Switzerland
Client 4	4 shopping centres	Switzerland
Client 5	3 fashion stores	Switzerland
Client 6	1 department store	Switzerland

Source: beaconsmind, Quirin Privatbank AG

Roll-out in more than 16,000 anchor client stores likely

As of June 2021, 59% of revenues stemmed from 2 clients. beaconsmind currently has 17 anchor clients and deployed its solution in 225 stores (as of Q1 2022). beaconsmind targets to deploy its solution in 16,267 stores by 2026e. In 2021 beaconsmind has won 5 new clients which represent more than 740 potential stores after roll-out. New clients were DEPOT (furniture retail), Roberto Cavalli (fashion retail), Maison-B-More (fashion retail), Bilka (supermarkets) and Salling Group (department store). The company expects hardware and installation revenues (non-cumulative after roll-out) of around CHF 0.6m and annual recurring software revenues of c. CHF 1.2m.

Forecasted signed and installed stores of anchor clients



Source: beaconsmind

Partnership with Seed Group

In terms of its international expansion strategy beaconsmind announced in May 2021 the opening of its Dubai outpost as it has entered a partnership with Seed Group, a company of the Private Office of Sheikh Saeed bin Ahmed Al Maktoum, family member of the royal family of Dubai. Through the partnership beaconsmind will get market entry to the Middle East and direct contact to portfolio companies of the Seed Group which holds a significant portfolio of hotels, dining, retail and wellness locations across Middle East, Europe and Asia. The partnership enables beaconsmind a CHF 40m sales

Market entry to the Middle East

potential in the next 5 years. In October 2021 beaconsmind announced that it has won its first local client, the fashion and retail group Maison-B-More.

Case Study Adidas: "Bring it to me"

In 2017 beaconsmind was able to win adidas as a client for its solution. beaconsmind developed a special feature for adidas called "Bring it to me". By using the adidas app on the smart phone customers can scan a product in the store, select the size and by clicking on the "Bring it to me" button a sales associate will bring the requested product to the client. For this application the exact identification and localisation of the customer in the store is required which is enabled by the beaconsmind Track Bluetooth-Beacons solution that is integrated into the adidas app. After successfully testing adidas extended the solution to their flagship stores in Paris in 2017, New York and Moscow in 2018. Adidas decided to roll-out the beaconsmind solution globally. The solution helps to increase customer loyalty and enables a quicker purchase for the customer.

Revenue streams

The business model is characterized by two sources of revenue: 1) installation revenues and 2) recurring revenues.

1) Installation revenues

Installation revenues are one-off revenues and incorporates the installation fee and the sale of the Track Bluetooth-Beacons which are sold per unit. The bluetooth hardware costs c. CHF 87 per beacon and the installation fee costs c. CHF 181 per POS. On average a retailer with 1,000 stores needs 10,000 beacons. In years where a large number of stores are expected to be implementing the beaconsmind solution non-recurring installation revenues will increase while the share of recurring revenues may decrease.

2) Recurring revenues

Client pay a subscription fee to use the "beaconsmind Suite" software. These software fees are collected yearly from retailers for each store where the solution is implemented. The contract runs at least 12 months. The main part of the clients pay on a monthly basis and some clients pre-pay for 12 months. Recurring revenues should grow with the implementation of new stores. The recurring revenues depend on the solution purchased by the client.

Overview of the provided solutions

Products	Services	Main Clients	Client Examples
Traffic Solutions	customer localisation/ identification in-store, traffic and layout analytics	multichannel retailers, shopping malls, public advertising companies and petrol stations	Migrolino, Silcity, Goldbach Group
Customer Experience based on localisation/SaaS features	location-based customer engagement	multichannel retailers	adidas, Manor, Unilever, Kitag cinemas
Full Marketing Suite/Analytics features	all traffic solutions and customer experience, plus added advanced marketing services, customer data analysis (customer segmentations) and marketing recommendations (notification strategy, marketing campaign management).	multichannel retailers	Bollag Guggenheim, Zumtobel, Mode Küng

Source: beaconsmind, Quirin Privatbank AG

Strategy

beaconsmind is able to increase its revenues as existing clients increase their number of stores in which the solution is implemented as well as due to new client contracts.

The expansion of its client base by new clients also helps to further diversify the sources of income. Interesting target sectors are Electronics, Food and Beverage, FMCG, Cosmetics and fashion verticals.

Note that its anchor clients enable the roll-out of its solution in 16,267 stores. The total addressable market consists of more than 115,000 stores.

Extract of clients in the Target pipeline

Solutions	Revenue	Stores	Beacons/POS	Potential Revenue
Prospect 1	USD 345m	312	~10	CHF 5-10m
Prospect 2	USD 1.2bn	~1,400	~30	CHF 5-10m
Prospect 3	USD 4bn	~2,600	~40-50+	CHF 40-50m
Prospect 4	USD 40bn	330	~500+	CHF 20-25m
Prospect 5	USD 60bn	~4,000	30-50	CHF 15-20m

Source: beaconsmind, Quirin Privatbank AG

From 2024 onwards beaconsmind targets to be established across smaller retailers and the interacting with customers in stores on their mobile phones will become a standard feature of in-store shopping. Processes are planned to be automated and smaller clients should be able to use and install the software on a self-service basis.

Competitive landscape

The competitive landscape can be divided into hardware producers, software developers and location-based marketing companies.

beaconsmind is a pure location-based marketing company. The company is able to deliver a customized and plug-and-play product. beaconsmind is a full-service provider and has developed its own software and customized hardware beacons. The hardware beacons are provided by 4 suppliers

The location-based marketing only counts a few players that are rather focused on small and medium-sized retailers. However, no global roll-out had been completed by the peers. It could be observed that when a competitor had managed to grow to a significant size with a larger, local retailer that company was then taken over. BestBuy, a larger retailer acquired Swirl for example.

Competitive landscape overview



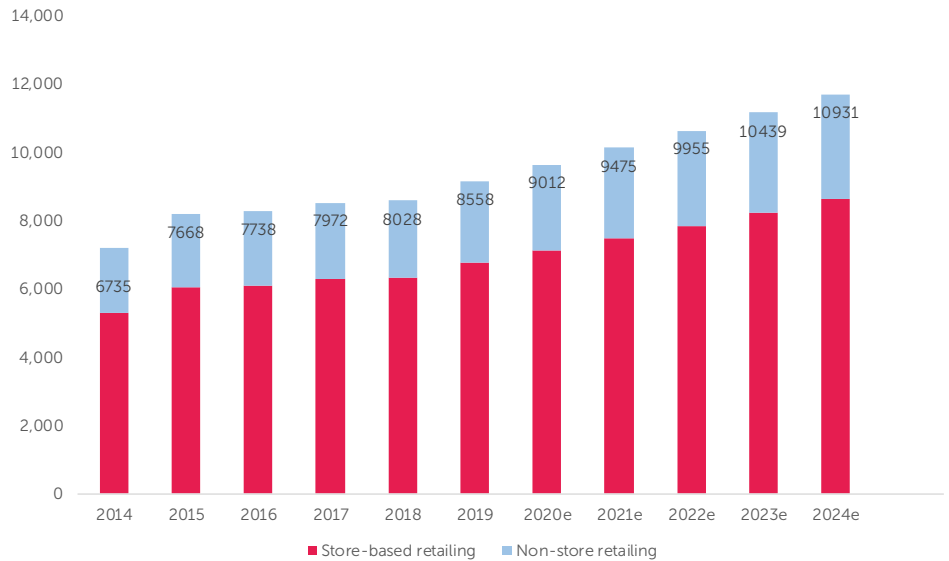
Source: beaconsmind

Market environment

- **Store-based retailing remain the largest shopping channel**

Despite the growth of ecommerce purchases were dominantly conducted in-store as up to 80% of total retail sales referred to store-based retailing (Source: Euromonitor). However, the role of physical stores declined over the past years as retail sales grew at 2.3% annually while non-store retailing increased by 17.4% annually during 2014-2019. For 2019-2024 retail sales conducted in physical stores are expected to grow at 2.73% and non-store retailing should grow at 12.71% on an annual basis.

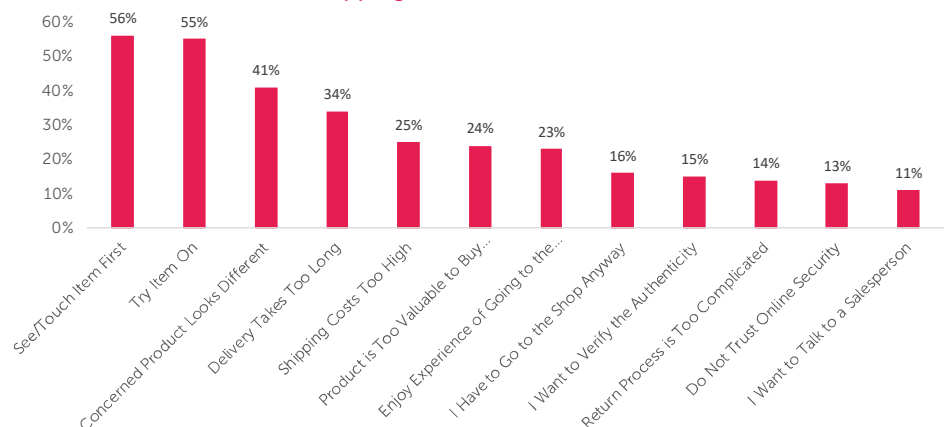
Global retail sales by segment in EUR bn



Source: beaconsmind, Euromonitor, Quirin Privatbank AG

Customers have changed their attitude to physical stores over the past years. While they previously expected a broad product range, they now view stores as a place to experience. A study of KPMG also showed that the primary motivation for in-store shopping for customers is to see/touch and try on products. Stores also offers things that online shops do not offer.

Reasons online vs. in-store shopping



Source: beaconsmind, KPMG International, Quirin Privatbank AG

However, online shopping has significant advantages compared to shopping in physical stores. According to a study from KPMG customers value the time flexibility as online shopping gives the opportunity to shop 24/7. Cost savings are also likely as prices can be easily compared when shopping online. Online shopping also saves time as customers do not have to be in a crowd.

Retailers target to make physical stores more interesting to the advantages of digital solutions. Thus, to create a unique shopping experience for customers retailers started to interact with customers via mobile apps. Digital applications also include payments by using mobile phones or click and collect solutions. Location data enables retailers to know where the customer stands in the store and the digital engagement methods that were born online can be replicated in physical stores which should improve the shopping experience of the customer. Retailers have the chance to greet customers personally on their mobile phones as they enter the store and suggest products based on past purchases, reviews and where the customer stands. Customers also have the opportunity to request an item to be brought to them in their size. Note that this is comparable with the “Bring it to me” solution which was implemented in adidas stores by beaconsmind. According to Apptopia between 70,000 and 80,000 shopping apps were added by retailers to the app stores every years during the last 4 years.

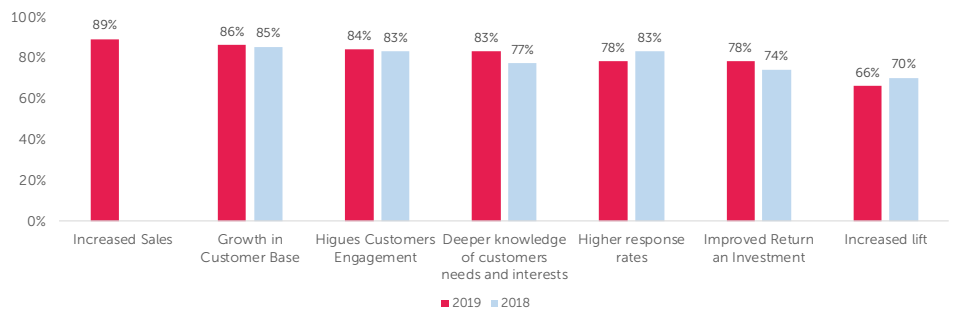
- **Location based marketing (LBM)**

LBM enables retailers to interact with customers when they are close to the store or in the store. This technique is based on real-time geographical data from a mobile device by using technologies like GPS, RFID, Near Field Communication (NFC) and beacons and gives retailers the opportunity to provide personalized information or advertising to a customer. Geo-targeting, geo-fencing and proximity marketing are three categories of LBM which depends on the technology used and the radius of action. These categories are explained in the following:

- Geo-targeting: by using the IP address of a visitor it targets only customers that match specific criteria.
- Geo-fencing allows more precise data as GPS location is used and not the IP address. By entering a designated area the customer may receive push notifications from the mobile app or location-based content if the customer has allowed to share its location.
- Proximity marketing is characterized by the use of bluetooth, NFC or Wi-Fi and enables to locate a customer more accurately compared to geo-targeting and geo-fencing, as it allows to track mobile devices.

A study of Factual from 2019 location-based marketing and/or advertising leads to increased sales, followed by a growing customer base and a higher customer engagement.

Benefits of LBM and/ or advertising



Source: beaconsmind, Factual, Quirin Privatbank AG

Funding

beaconsmind's balance sheet is characterized by a low level of debt as the company's interest-bearing debt amounted to CHF 0.07m as of 31 Dec. 2021. Note that financial debt as of 30 June 2021 included a COVID-19 loan (CHF 45k) which was repaid. As of 30 June 2021 Net Cash was at CHF 0.4m.

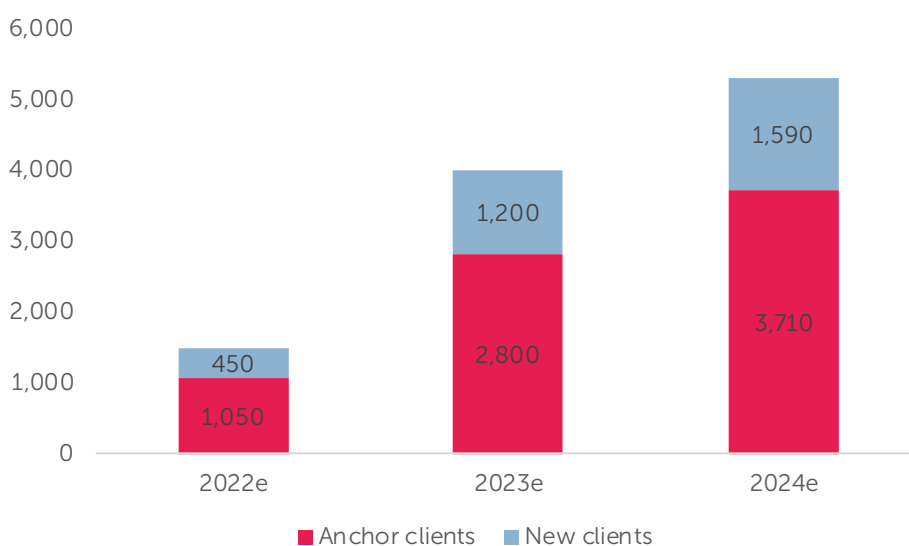
The company conducted a capital increase of c. EUR 5.51m in December 2021 to fund its further growth prospects. As of December 2021 the company's Equity thus increased from CHF 0.6m as of June 2021 to CHF 5.5m as of Dec. 2021.

Financials

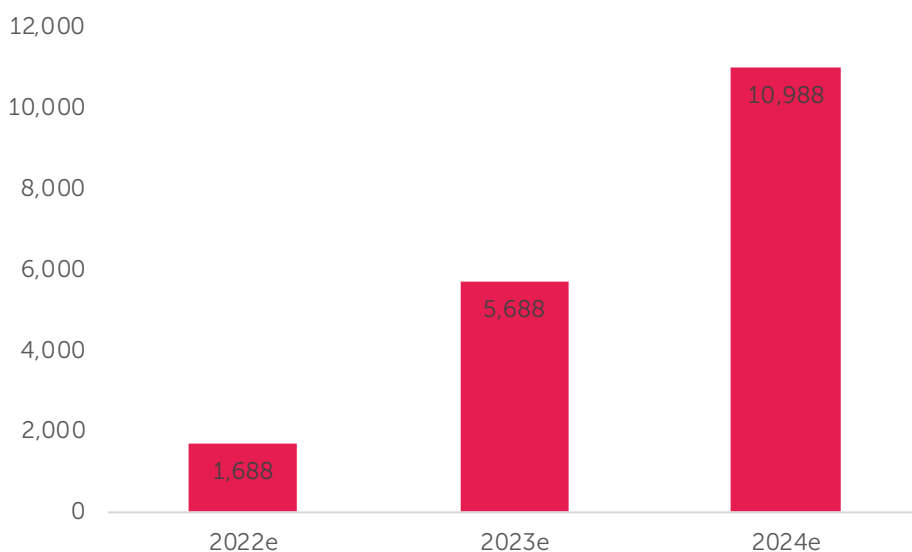
Revenues

The development of revenues is driven by the expected roll-outs of the beaconsmind solution to new stores. In years where a large number of stores are expected to implement the beaconsmind's solution the share of recurring revenues is expected to decrease while one-off revenues for the sale and installation of the hardware should increase. The share of recurring revenues is expected to increase with an increased number of roll-outs. We expect the major part of implemented new stores to stem from its anchor clients. Overall we expect the company to increase the number of stores from 188 as of Q4 2021 to 10,988 in 2024e.

Store roll-out assumptions

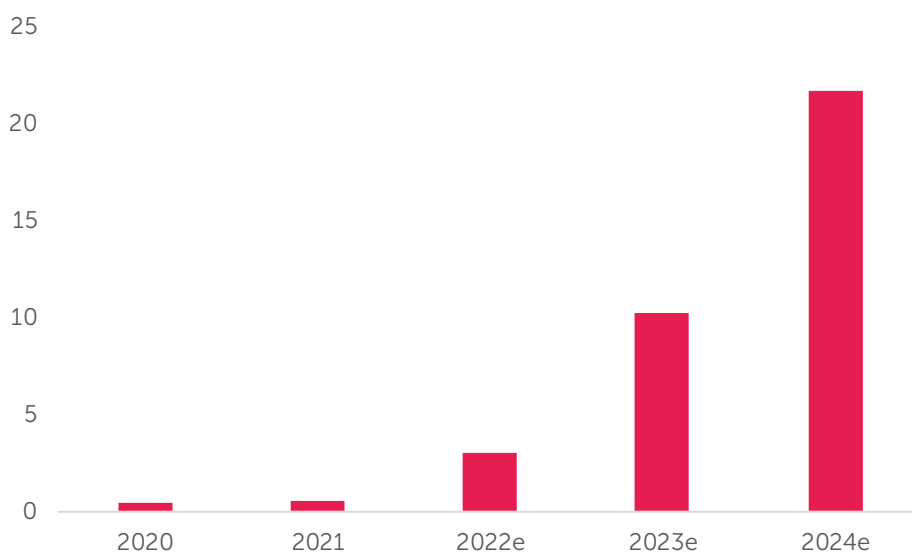


Source: Quirin Privatbank AG

Expected development of total stores

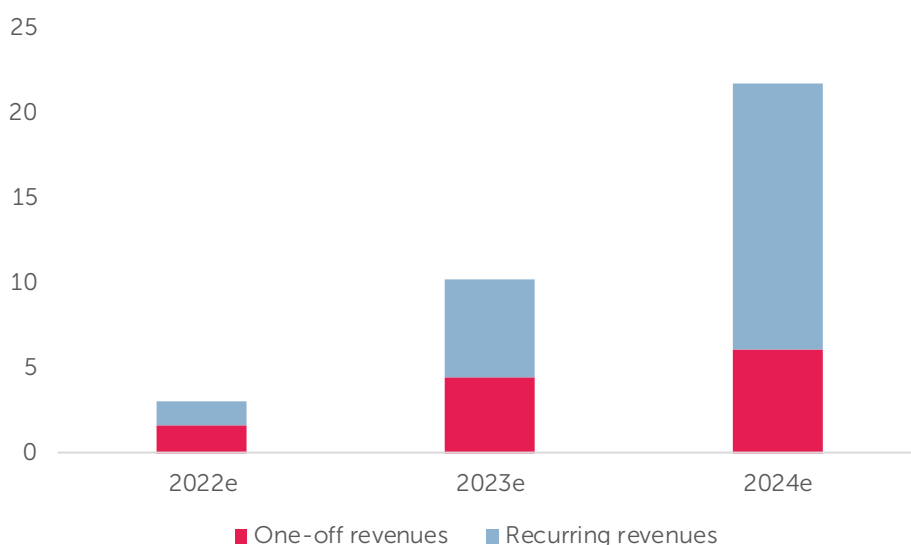
Source: Quirin Privatbank AG

Based on the set-up of new stores we forecast revenues to increase from CHF 0.6m as of 30 June 2021 to CHF 3.0m in 2022e, CHF 10.2m in 2023e and CHF 21.7m in 2024e. Note that beaconsmind will change its reporting period as it will align its fiscal year (1 July to 30 June of the following year) with the calendar year from 2023 onwards. While reported figures are based upon the fiscal year (1 July to 30 June) we have based our estimates upon the calendar year from 2022e onwards.

Development of revenues in CHF m

Source: beaconsmind, Quirin Privatbank AG

Development of one-off and recurring revenues in CHF m



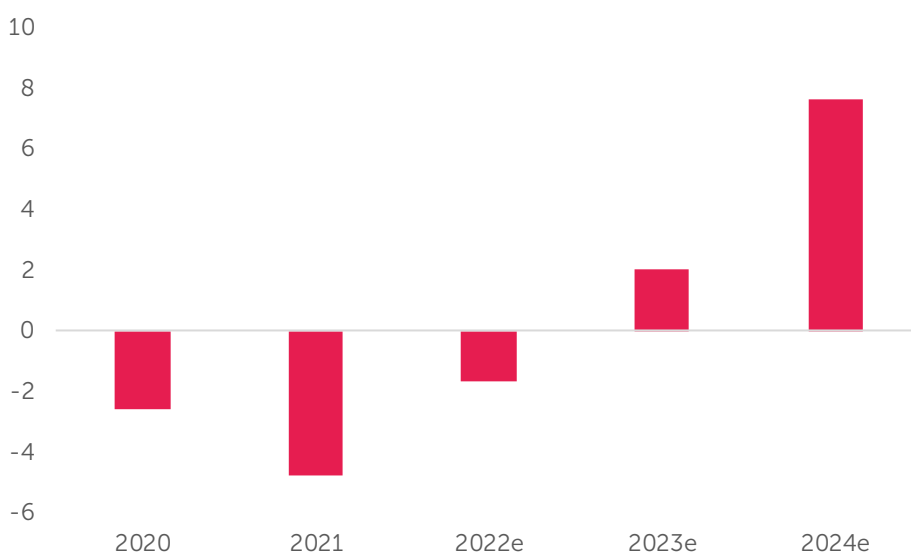
Source: Quirin Privatbank AG

We also expect gross margin expansion from 68% in 2022e to 78% in 2024e as the recurring revenue base grows. We assume that the share of recurring revenues in terms of total revenues will increase from 47% in 2022e to 72% in 2024e.

EBIT

We assume beaconsmind to reach break-even from 2023e onwards. We forecast EBIT to improve from – CHF 4.8m to –CHF 1.6m in 2022e, CHF 2.0m in 2023e and to CHF 7.7m in 2024e. Note that the OPEX/revenue ratio will come down with an increased number of stores. Personnel costs are expected to increase as the workforce should increase to handle its further growth.

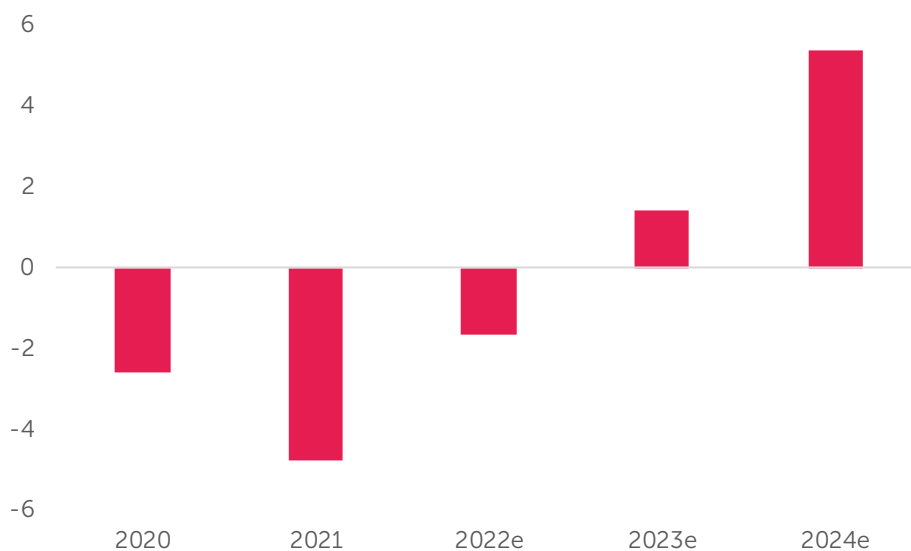
EBIT development in CHF m



Source: beaconsmind, Quirin Privatbank AG

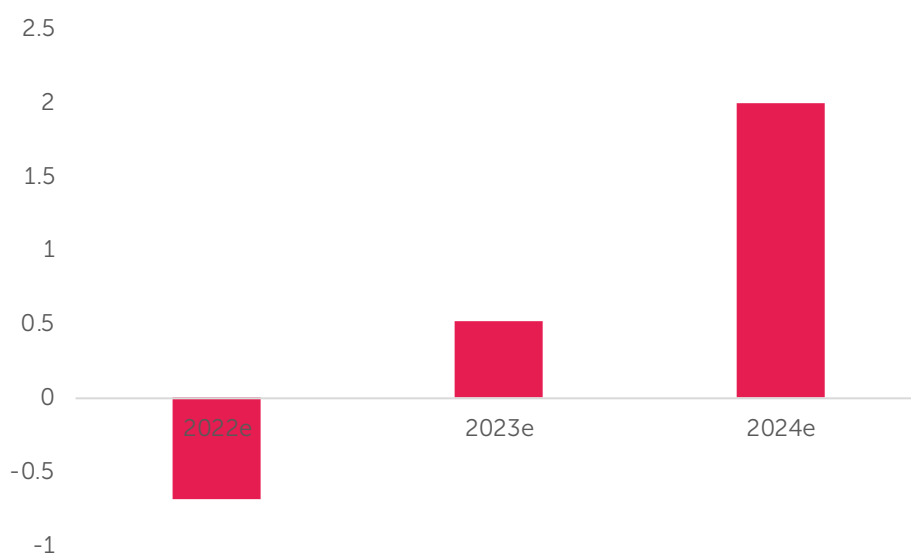
Development of Net Profit and EPS

Based upon a tax rate of 30% from 2023e onwards Net Profit is expected to improve from – CHF 4.8m in 2021 to CHF 5.4m in 2024e.

Development of Net Profit in CHF m

Source: beaconsmind, Quirin Privatbank AG

We forecast EPS to reach -CHF 0.69 in 2022e, CHF 0.52 in 2023e and CHF 1.99 in 2024e.

EPS development in CHF

Source: Quirin Privatbank AG

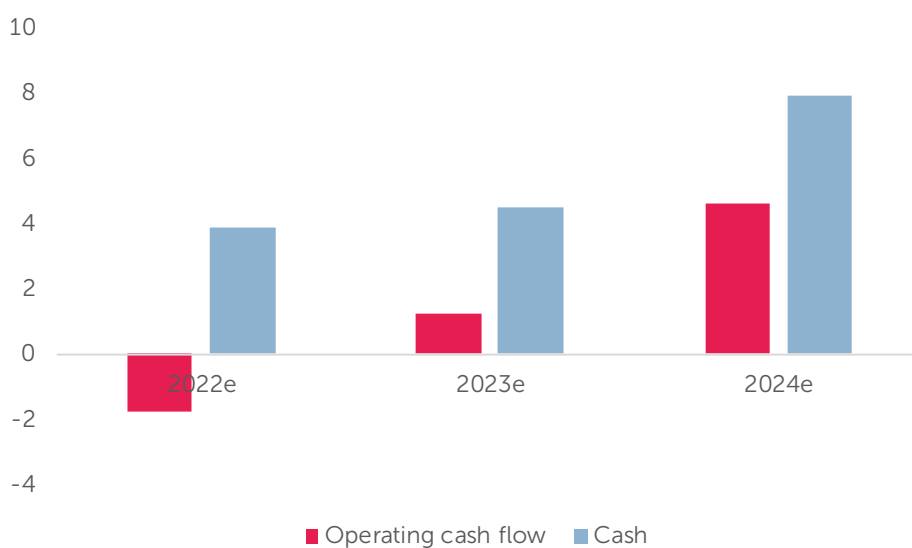
Cash flow description

We expect the operating cash flow to improve in line with an increased profitability as we assume beaconsmind to be able to conduct further roll-outs.

We forecast working capital to amount to c. 11% of revenues on average for 2022e-2024e.

Capex is limited as the production of the beacons is outsourced and the software is developed internally.

Operating Cash flow and Cash development in CHF m

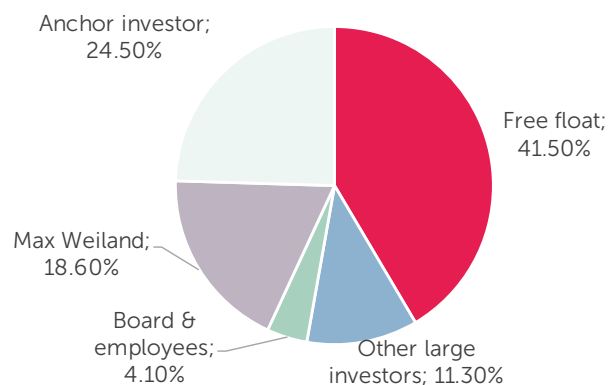


Source: Quirin Privatbank AG

Shareholder structure

In December 2021 beaconsmind announced an equity raise of c. EUR 5.51m from an international investor to support its global growth targets, i.e. opening of new sales offices globally and international joint ventures and business collaborations. Following beaconsmind has won a new long-term anchor investor holding a stake of 24.5%. Note that the investor has not been disclosed. Following the capital increase Max Weiland (CEO and Founder) is the second largest shareholder with a participation of 18.6%.

Shareholders of beaconsmind



Source: beaconsmind, Quirin Privatbank AG

Management board



Max Weiland is the **founder, CEO** and **one of the largest shareholders** of beaconsmind with a stake of 18.6%. Max Weiland is well experienced in the field of digital marketing for close to 20 years. In 2010 he co-founded eviom Group, a digital marketing and advertising agency with offices in Germany, China and Switzerland. Within 5 years the company's revenues has grown to EUR 2.5m and employed 50 people. Key accounts were Nestle, Toyota, Tui, and Fitness First for example. Prior he co-founded eviom Group Max Weiland was an Associate Professor of Online Marketing at the MEDIADESIGN Hochschule in Berlin for a period of 3 years. Before that he worked for Scout24 and other leading media agencies.



Jörg Hensen (COO/CHRO)

Jörg Hensen was the former CEO of Dress-For-Less and former CEO of Swiss Online Shopping AG. Previously, he was also CEO of Quelle Group in Switzerland.



Alessandro Nardiello (Head of Sales)

Alessandro Nardiello has more than 20 years of experience in sales and business development positions. He previously worked for leading retail companies, e.g. Philipp Plein.



Edwin Navez (Member of the board)

Edwin Navez is currently CFO/COO of Assos of Switzerland. In former times he was CFO of Versace, Michael Kors and Philipp Plein.



Michael Krupinski (Member of the board)

Michael Krupinski currently works as senior advisor for Warburg Pincus. Prior to this he was CEO of Bank Pekao in Poland.

Profit & loss statement

Profit & loss statement (CHF m)	2020*	YOY	2021*	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Sales	0.5	n.a.	0.6	19.9 %	3.0	436.1 %	10.2	235.5 %	21.7	112.1 %
Cost of sales	-0.1		0.0		-1.0		-2.1		-4.8	
Gross profit	0.4		0.5		2.1		8.2		16.9	
General administrative expenses	-0.3		-0.6		-1.9		-2.9		-3.4	
Other operating expenses	-2.6		-4.6		-1.5		-2.7		-4.8	
EBITDA	-2.5	n.a.	-4.7	n.m.	-1.3	n.m.	2.5	n.m.	8.7	246.1 %
EBITDA margin (%)	n.m.		n.m.		n.m.		24.71		40.31	
EBIT	-2.6	n.a.	-4.8	n.m.	-1.6	n.m.	2.0	n.m.	7.7	280.1 %
EBIT margin (%)	n.m.		n.m.		n.m.		19.71		35.31	
Net interest	0.0		0.0		0.0		0.0		0.0	
Pretax profit	-2.6	n.a.	-4.8	n.m.	-1.6	n.m.	2.0	n.m.	7.7	280.3 %
Taxes	0.0		0.0		0.0		-0.6		-2.3	
Tax rate (%)	-0.07		-0.02		0.00		30.00		30.00	
Earnings after taxes	-2.6		-4.8		-1.6		2.6		10.0	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-2.6	n.a.	-4.8	84.0 %	-1.6	n.m.	1.4	n.m.	5.4	280.3 %
No. of shares (m)	1.8		2.7		2.7		2.7		2.7	
Earnings per share (CHF)	-1.44	n.a.	-2.40	66.2 %	-0.69	n.m.	0.52	n.m.	1.99	280.3 %

Source: Company data, Quirin Privatbank estimates

*Fiscal year 1 July – 30 June, Calendar year 1 Jan – 31 Dec. from 2022e onwards

Balance sheet

Balance sheet (CHF m)	2020*	YOY	2021*	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Assets										
Cash and cash equivalents	0.1		0.7		3.9		4.5		7.9	
Accounts receivables	0.0		0.1		0.4		1.1		2.9	
Inventories	0.0		0.0		0.0		0.0		0.0	
Other current assets	0.0		0.1		0.1		0.1		0.1	
Tax claims	0.0		0.0		0.0		0.0		0.0	
Total current assets	0.1	n.a.	0.9	537.3 %	4.4	408.7 %	5.7	30.2 %	10.9	92.1 %
Fixed assets	0.0		0.0		0.2		0.3		0.4	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	0.1		0.1		0.1		0.1		0.1	
Financial assets	0.0		0.0		0.0		0.0		0.0	
Deferred taxes	0.0		0.0		0.0		0.0		0.0	
Other fixed assets	0.1		0.1		0.1		0.1		0.1	
Total fixed assets	0.2	n.a.	0.3	66.4 %	0.5	65.8 %	0.6	18.0 %	0.7	19.9 %
Total assets	0.3	n.a.	1.2	269.4 %	4.9	320.8 %	6.3	29.0 %	11.6	85.4 %
Equity & Liabilities										
Subscribed capital	0.2		0.2		5.8		5.8		5.8	
Reserves & other	3.5		8.9		8.9		8.9		8.9	
Revenue reserves	-4.0		-8.8		-8.8		-8.8		-8.8	
Accumulated other comprehensive	0.0		0.0		-1.6		-0.2		5.1	
Shareholder's equity	-0.2	n.a.	0.3	n.m.	4.2	n.m.	5.7	33.2 %	11.0	94.8 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	-0.2	n.a.	0.3	n.m.	4.2	n.m.	5.7	33.2 %	11.0	94.8 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	0.1		0.1		0.0		0.0		0.0	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	0.1		0.1		0.1		0.1		0.1	
Total long-term debt	0.2	n.a.	0.2	n.m.	0.1	n.m.	0.1	0.0 %	0.1	0.0 %
Short-term debt										
Other provisions	0.0		0.0		0.0		0.0		0.0	
Trade payables	0.2		0.1		0.1		0.1		0.1	
Financial debt	0.0		0.1		0.0		0.0		0.0	
Other liabilities	0.2		0.4		0.4		0.4		0.4	
Total short-term debt	0.3	n.a.	0.6	82.6 %	0.5	n.m.	0.5	0.0 %	0.5	0.0 %
Total equity & liabilities	0.3	n.a.	1.2	269.4 %	4.9	320.8 %	6.3	29.0 %	11.6	85.4 %

Source: Company data, Quirin Privatbank estimates

*Fiscal year 1 July – 30 June, Calendar year 1 Jan – 31 Dec. from 2022e onwards

Financial key ratios

Key ratios	2020*	2021*	2022e	2023e	2024e
Per share data (CHF)					
EPS	-1.44	-2.40	-0.69	0.52	1.99
Book value per share	-0.1	0.1	1.6	2.1	4.1
Free cash flow per share	-0.2	-0.8	-0.8	0.2	1.3
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	154.9	42.9	9.4	2.7	1.1
EV/EBITDA	n.m.	n.m.	n.m.	11.5	2.9
EV/EBIT	n.m.	n.m.	n.m.	14.4	3.3
P/E	n.m.	n.m.	n.m.	23.8	6.3
P/B	n.m.	97.7	7.9	5.9	3.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	n.a.	19.9	436.1	235.5	112.1
EBITDA growth (%)	n.a.	85.9	n.m.	n.m.	246.1
EBIT growth (%)	n.a.	84.5	n.m.	n.m.	280.1
EPS growth (%)	n.a.	66.2	n.m.	n.m.	280.3
Profitability ratios					
EBITDA margin (%)	n.m.	n.m.	n.m.	24.7	40.3
EBIT margin (%)	n.m.	n.m.	n.m.	19.7	35.3
Financial ratios					
Total equity (CHF m)	-0.2	0.3	4.2	5.7	11.0
Equity ratio (%)	n.m.	29.6	87.2	90.0	94.6
Net financial debt (CHF m)	0.2	-0.4	-3.8	-4.4	-7.9
Net debt/Equity	n.m.	0.3	0.9	0.9	0.9
Interest cover	217.0	395.8	1176.5	-1439.5	-5471.4
Net debt/EBITDA	-0.1	0.1	2.8	-1.8	-0.9
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (CHF m)	-0.1	0.0	0.3	1.0	2.8
Working capital/Sales	-0.29	0.01	0.10	0.10	0.13

Source: Company data, Quirin Privatbank estimates

*Fiscal year 1 July – 30 June, Calendar year 1 Jan – 31 Dec. from 2022e onwards

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The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

SELL > -10%.

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Katharina Schmenger, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
14.06.2022	20.00	Buy	14.06.2022

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