AlsterResearch

Lifespot Capital AG

Germany | Travel & Leisure | MCap EUR 78.1m*

24 September 2021

UPDATE

Next step completed, takeover of MHP is moving closer

What's it all about?

Lifespot Capital yesterday reported the successful completion of a capital increase with subscription rights. Circa 2.7m shares were issued at a price of EUR 1.20 per share, thus raising roughly EUR 3.2m in cash. The **offering was 6-times oversubscribed**.

The fresh cash is **earmarked for the takeover of Munich Hotel Partners (MHP)** for a total of 33.1m shares and EUR 6m in cash. It is an important further step in the completion of the transaction. An extraordinary general meeting is planned for early October, and then the next two steps of the transaction will be voted on: a capital increase in kind (33.1m shares) and a cash capital increase (6.6m shares).

Once the reverse IPO is completed, the "new" Lifespot Capital, MHP, will be in an attractive position **to take an active part in the consolidation of the hotel market**, both as an operator and co-investor in underperforming or distressed hotel assets. Valuation based on completion of the reverse IPO yields an **upside of 77%,** with potential for further upside from additional transactions.

To get firsthand information on MHP's business model and current trends in the hotel industry, **register for the Lifespot Capital Online Round Table** with the CEO of MHP, Dr. Jörg Frehse, on October 26th at 10:00 CEST. The Round Table is part of the AlsterResearch Real Estate Pop-up conference.

BUY (BUY)

Target price	**EUR 3.00 (3.00)**
Current price	EUR 1.70
Up/downside	76.5%

ResearchHub

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* **after closing of transactions I-VII;** IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

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Germany | Travel & Leisure | MCap EUR 78.1m* | EV EUR 78.6m*

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Next step completed, takeover of MHP is moving closer

Takeover of Munich Hotel Partners moving closer. Lifespot Capital yesterday reported the successful completion of a capital increase with subscription rights. Circa 2.7m shares were issued at a price of EUR 1.20 per share, thus raising EUR 3.2m in cash. The offering was 6-times oversubscribed. The fresh cash is **earmarked for the takeover of Munich Hotel Partners (MHP)** for a total of 33.1m shares and EUR 6m in cash. It is an important further step in the completion of the transaction. An extraordinary general meeting soon will vote on the next two steps of the transaction, a capital increase in kind (33.1m shares) and a cash capital increase (6.6m shares). If all goes as planned, the **takeover could be closed in November of this year**.

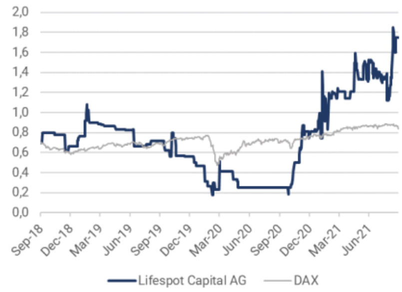
Just the right time for MHP. MHP is an independent hotel management and investment platform focused on the upscale and upper upscale segment, with a track record built as a franchisee for Marriott. MHP has the ability to quickly develop customized contract structures in takeovers of franchise and lease agreements, especially of distressed hotel assets. The year 2021 has once again delivered proof of the enormous growth potential with the addition of the Marriott Hotel Basel, the Autograph Collection Luc Berlin and the mooons Vienna to a portfolio of formerly 5 Le Meridien and Sheraton hotels. The stock market listing will provide MHP with additional **credibility, visibility and financial firepower to expand its reach.**

Recent data points confirm view, BUY. The hotel sector currently is still struggling with the pandemic. In H1 in Germany, the number of roomnights declined 34.7% yoy (source: CBRE), and cities with a traditionally high share of international travelers like Munich are hardest hit. CBRE expects a full recovery to pre-pandemic level in 2023 or 2024, which is in line with the assumptions underlying the AlsterResearch estimates. **We reiterate our BUY recommendation with PT of EUR 3.00 and upside of 77%.**

To get firsthand information on MHP's business model and current trends in the hotel industry, **register for the Lifespot Capital Online Round Table** with CEO of MHP, Dr. Jörg Frehse, on October 26th at 10:00 CEST.

Lifespot Capital AG	2018	2019	2020	2021E	2022E	2023E
Sales	0.0	0.0	0.0	5.5	92.1	111.4
Growth yoy	-29.4%	-85.5%	>100%	>100%	>100%	20.9%
EBITDA	-0.1	-0.1	-0.2	-0.0	5.8	9.2
EBIT	-1.2	-0.1	-0.2	-2.5	-0.3	3.1
Net profit	-1.3	-0.2	-0.2	-1.8	-0.4	1.9
Net debt (net cash)	0.7	0.6	0.5	-11.5	-15.3	-21.5
Net debt/EBITDA	-12.8x	-4.0x	-3.3x	231.7x	-2.6x	-2.3x
EPS recurring	-0.18	-0.02	-0.02	-0.04	-0.01	0.04
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	96.3%	-79.8%	83.8%	93.2%	93.9%	93.7%
EBITDA margin	na	na	na	-0.9%	6.3%	8.3%
EBIT margin	na	na	na	-45.5%	-0.4%	2.7%
ROCE	-120.5%	-22.3%	-35.0%	-3.4%	-0.5%	4.1%
EV/EBITDA	-1,418.2x	-527.2x	-494.9x	-1,363.5x	11.0x	6.3x
EV/EBIT	-64.4x	-527.2x	-494.9x	-27.2x	-187.8x	18.8x
PER	-9.6x	-77.6x	-73.3x	-42.8x	-209.1x	40.5x
FCF yield	-9.6%	na	na	0.2%	5.0%	8.1%

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

High/low 52 weeks	2.00 / 0.17
Price/Book Ratio	-76.1x

Ticker / Symbols

ISIN	DE000A3E5C24
WKN	A3E5C2
Bloomberg	CDZ0:GR

Changes in estimates

		Sales	EBIT	EPS
2021	old	00.0	00.0	00.0
	Δ	–	–	–
2022	old	00.0	00.0	00.0
	Δ	–	–	–
2023	old	00.0	00.0	00.0
	Δ	–	–	–

Key share data*

Number of shares: (in m pcs)	45.93
Book value per share: (in EUR)	-0.02
Ø trading volume: (12 months)	1,000

Major shareholders*

Jörg Frehse	18.0%
Ralf Selke	18.0%
Michael Wagner	18.0%
Daniel Beringer	18.0%
Free Float	27.9%

Company description*

MHP is an independent hotel management and investment platform focusing on the premium market. The company manages hotels under the brands Le Meridien, Sheraton and Autograph Collection as franchisee of the Marriott Group. MHP is also building an own boutique hotel brand, mooons.

*** after closing of transactions I-VII**

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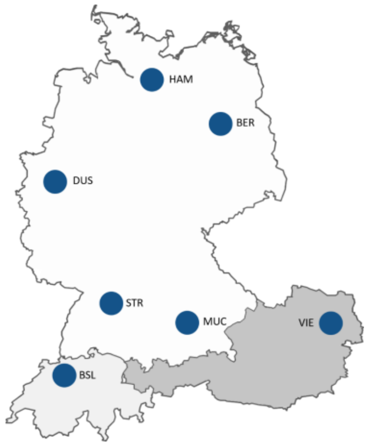
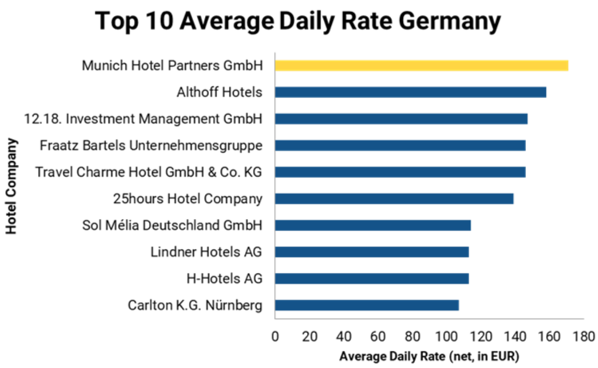
Investment case in six charts

Premium hotel franchises and brands

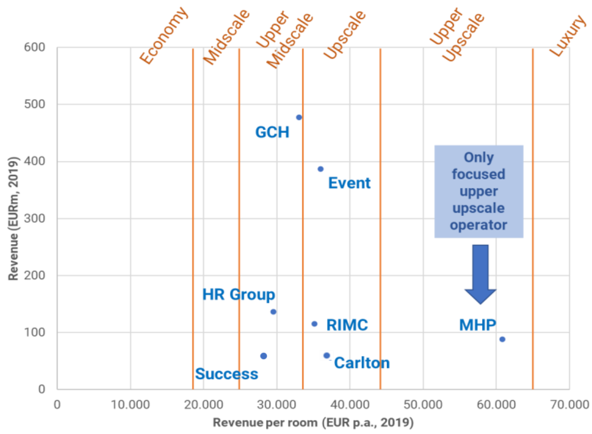
In prime DACH locations



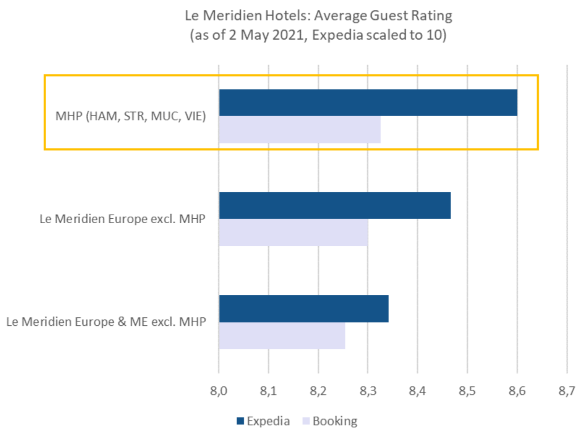
The rate leader in Germany (2019)



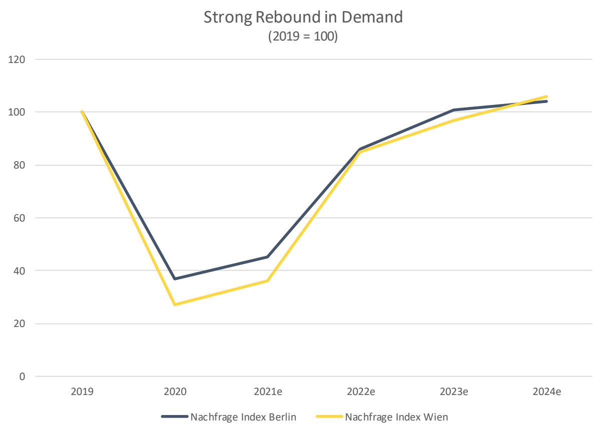
Focus on premium niche



Above average guest ratings



Hotel demand set to recover post-pandemic



Source: Company data, AlsterResearch AG, STR, ahgz

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Deal Structure

Description of the transaction – reverse IPO

The listed Lifespot Capital AG (LSC) and the owners of the privately held Munich Hotel Partners GmbH (MHP) have signed a term sheet that aims at a business combination trough a "reverse IPO". LSC will acquire MHP with a mix of cash and shares in several steps.

The following table details the transaction structure:

Transaction overview		# shares	price*	value	status
Starting point	Number of shares Lifespot Capital	7.133.728	**EUR**	**EUR**	
Step I	Reduction in capital LSC 2:1	3.566.864			completed
Step II	Liquidize remaining LSC assets				ongoing
Step III a	Sign purchase agreement				signed
	Closing conditional on completion Step III b				
	Purchase price: EUR 6m cash, EUR 53m in shares				
Step III b	Capital increase I with subscrition rights (4:3)	2.675.148	1,20	3.210.178	completed
Step IV	Extraordinary General Meeting				planned October 2021
	Vote on the transaction, vote on capital increase II and capital increase in kind				
Step V	Capital increase in kind	33.125.000	1,60	53.000.000	planned November 2021
	Payment of purchase price in shares (33,125m, EUR 53m) and cash (EUR 6m, roughly EUR 3m financed by loan)				
Step VI	Capital increase II	6.561.000	2,20	14.434.200	tbd
	Repayment loan				
Step VII	Earn-out I (conditional on 2021 MHP performance)	2.500.000	1,60	4.000.000	latest March 2022
	Earn-out II (conditional on LSC cash)	3.500.000	1,60	5.600.000	
Post transaction structure					
	Number of shares (excl. Earn-out)	45.928.012			
	Number of shares fully diluted (incl. Earn-out)	51.928.012			
	Cash LSC (incl. Capital increase II, net proceeds)	ca. EUR 10m*			
	Cash MHP (at time of business combination)	ca. EUR 12m*			
	Total cash	ca. EUR 22m*			

Source: Company data; AlsterResearch; * eAR

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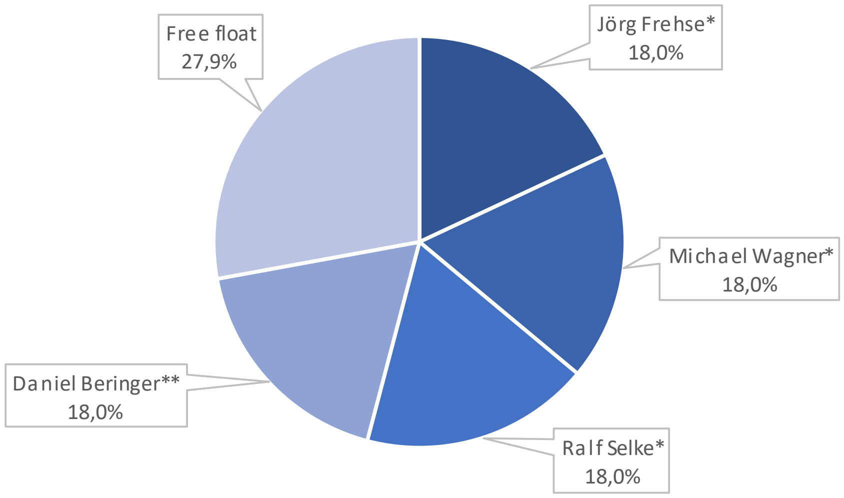
Subject to all of the above steps being completed, the shareholder structure of LSC will look as follows. Assuming that former MHP shareholders do not participate in the capital increase II and that there is no earn-out:

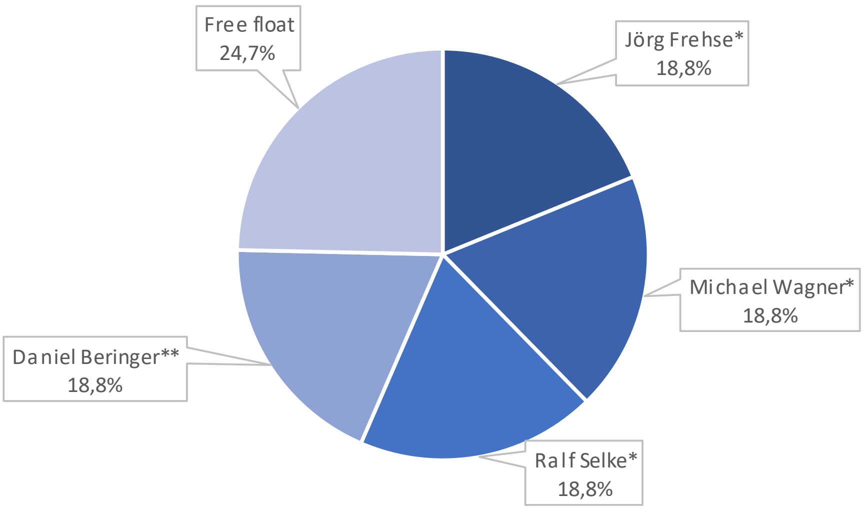
Post-transaction shareholder structure (eAR; excl. earn-out)



* management
** supervisory board
Source: AlsterResearch

The shareholder structure of LSC if former MHP shareholders do not participate in the capital increase II and the earn-out is paid in full looks as follows:

Post-transaction shareholder structure (eAR; incl. earn-out)



* management
** supervisory board
Source: AlsterResearch

The founding shareholders and management will likely have a lock-up of 6 months for all but 4 million of their shares.

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VALUATION OF MHP – STAND ALONE, NO EARN-OUT

A stand-alone valuation of MHP has been conducted below. It also summarizes the payments LSC will have to make to the founding shareholders, both in cash and equity.

The following table shows the valuation assuming that MHP in 2021 makes a loss of EUR 4m and LSC has cash at closing of EUR 2,8m or more, resulting in no earn-out:

Payments in EURm	Shares	Cash
Cash consideration		6,0
Shares via capital increase in kind (m)	33,1	
Equity value @ 1,60 per share		59,0
Net cash (EUR 6,5m cash - EUR 9m debt)		-2,5
Enterprise Value		61,5

Valuation	2022	2023
EBITDA	5,8	9,2
EV/EBITDA	10,6x	6,7x

Source: AlsterResearch

There is no impact on valuation if the two earn-out agreements become effective:

Earn-out I rewards MHP for making a loss of less than EUR 4m in 2021. Assuming that any reduction in losses leads to a higher cash position at the time of the combination, the two effects cancel each other out: the higher cash position is paid for by issuing more shares, leading to zero effect on the enterprise value paid.

Earn-out II rewards MHP for shortfalls in the cash position of LSC. Here it can be argued that the additional shares are issued to compensate for the fact that the valuation of EUR 1,60 per share was based on a cash balance of EUR 2,8m and any shortfall in cash reduces that number.

Company background

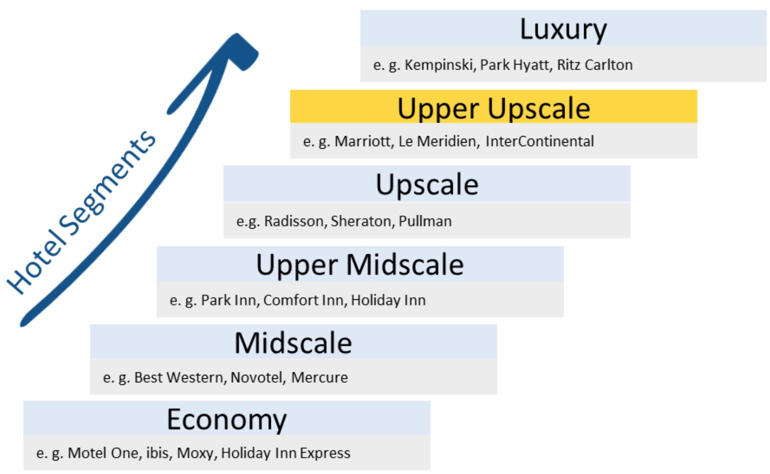
MHP is an **independent hotel management and investment platform**. Activities include

- The **management of hotels as a franchise partner** in the upper upscale market. This has been a cornerstone of the business since 2013.
- The **co-investment in self-managed hotel properties** alongside financial investors. A first transaction for the Marriott Basel was closed in 2021 with a private equity fund.
- The roll-out of an **own upscale boutique hotel brand**, mooons. A first location in Vienna is about to open in 2021.

This flexible platform allows for the quick development of customized contract structures in takeovers of franchise and lease agreements.

MHP's focus are upper upscale hotels which are characterized by a wide variety of onsite amenities, for example restaurants, meeting spaces, exercise rooms and spas. MHP has successfully proven its expertise in repositioning and upgrading both hotel assets and food and beverage (F&B) concepts during ongoing hotel operations.

Hotel Segments



Source: AlsterResearch

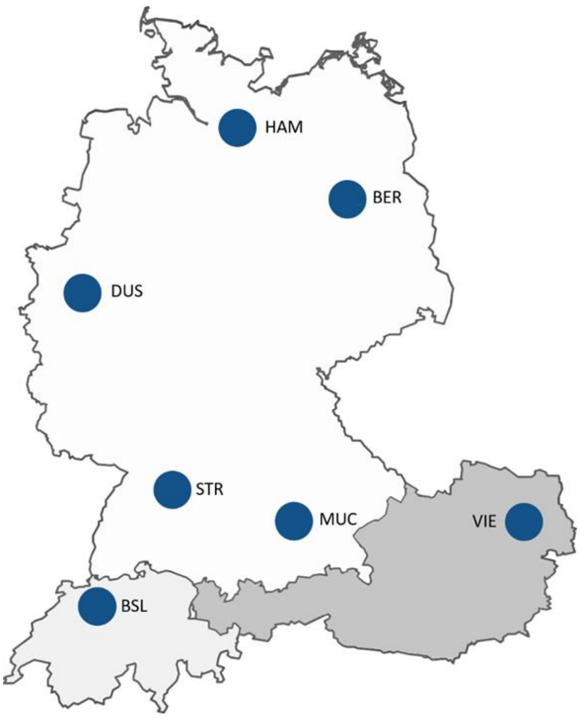
MHP mainly operates as a franchisee for Marriott International, predominantly in inner-city locations. Owners of the hotel properties are large institutional investors, and MHP will also co-invest if this proves advantageous. The following graph and table display the current hotel and brand portfolio of MHP:

Source: MHP, AlsterResearch

Group	Brand	City	Owner	Location	Segment	Rooms	Lease start	Lease end
Marriott	Le Meridien	Hamburg	Ärzteversorgung Niedersachsen	Inner city	Upper Upscale	285	10/2013	06/2037 *
Marriott	Le Meridien	Munich	Deka	Inner city	Upper Upscale	381	04/2016	03/2041 *
Marriott	Le Meridien	Stuttgart	Union Invest	Inner city	Upper Upscale	293	11/2004	12/2024 *
Marriott	Le Meridien	Vienna	Deka	Inner city	Upper Upscale	294	02/2016	01/2036 *
Marriott	Sheraton	Düsseldorf	DUS Airport	Airport	Upscale	195	01/2017	12/2027
Marriott	Autograph Collection	Berlin	Union Invest	Inner city	Upper Upscale	92	08/2021	07/2051
Marriott	Marriott	Basel	H.I.G. Capital (95%), MHP (5%)	Inner city / trade fair	Upscale	238	08/2021	na
own brand	mooons	Vienna	Real I.S. AG	Inner city	Boutique / Upscale	170	06/2021	06/2046 *

Source: MHP, AlsterResearch, *lease extension possible

The franchise and lease contracts predominantly have a remaining life of at least 15 years or can be extended, allowing for a good visibility.



Source: MHP, AlsterResearch

As a hotel operator, MHP is responsible for the daily management of the hotel.

This includes

a) **front of house** (guest-facing) **operations** like front desk, housekeeping, concierge, food & beverage

b) **back of house operations** like HR, finance, sales & marketing and facility management / maintenance

For back of house operations, MHP has established a centralized service unit in 2021, potentially yielding cost savings and room to digitize processes.

MHP offers apprenticeships in several hotels and new HR-programs to educate staff. Furthermore, the company started a cooperation with the IST Studieninstitut and IST Hochschule for Management.

History

Munich Hotel Partners was founded in 2013 and has since grown to a portfolio of eight hotels with ca. 1,950 rooms and suites. Milestones in the company's history of taking over the operations of hotels are:

11/2013	Le Méridien Hamburg
01/2015	Le Méridien Stuttgart
04/2015	Le Méridien Frankfurt (discontinued 2021 after change in ownership)
02/2016	Le Méridien Vienna
04/2016	Le Méridien Munich
01/2017	Sheraton Düsseldorf
Q4 2021*	mooons Vienna (MHP also acquired the brand mooons)
Q4 2021*	Autograph Collection Hotel Luc Berlin (formerly Sofitel Gendarmenmarkt)
H1 2022*	Marriott Hotel Basel (formerly Swissotel Le Plaza)

**expected opening under MHP management, transactions closed earlier*

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Hotel Portfolio

Le Méridien Hotel Hamburg is centrally located in the heart of Hamburg on the banks of the Aussenalster. The hotel combines contemporary style with innovative artistic design in its 261 rooms and 14 suites. After the opening of the hotel extension in summer 2019, Le Méridien Hamburg offers a total of 15 meeting rooms including two ballrooms, mostly with Alster lake view and floor-to-ceiling windows. The new building is directly connected to the hotel, has separate entrances, and yet stands alone as an exclusive venue for meetings and events. The rooftop restaurant and bar HERITAGE on the ninth floor offers more than just a spectacular view, but also steaks from an 800° southbend oven. The Alster lake panorama can be enjoyed inside on two levels as well as outside on the outdoor terrace. Generously proportioned Le SPA with pool, sauna, steam bath and gym.

Le Méridien Munich is located in the heart of the city directly opposite the main railway station and combines creative, local, and multi-faceted elements. 381 bright hotel rooms and suites offer contemporary style with innovative interiors. The hotel features a peaceful garden in its interior courtyard with plenty of seating for guests to relax as well as Le SPA with the city's longest indoor pool, sauna and gym. Nine generously proportioned meeting rooms for up to 180 guests offer a creative and modern space in a prime location. The restaurant "Irmi" welcomes locals and travelers alike with traditional Bavarian dishes and local beer from the brewery Giesinger.

Le Méridien Stuttgart with its central location offers 280 rooms and 13 suites with contemporary elegance, modern decor and innovative design. 13 function rooms for up to 450 people can be adapted for events of various sizes. The hotel offers a tailor-made space in a premium location close to the main railway station and the Schlossgarten. The hotel's culinary hot spot, restaurant Kleinschmeckerei focuses on finest premium cuts. Le SPA offers a generously sized fitness and wellness area featuring large pool, sauna area and gym as well as a diverse range of pampering programs, from cosmetic treatments to traditional massages.

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Le Méridien Vienna stands for design, art, and culture, and its location in the 1st District invites guests to make new discoveries for a unique travel experience. 294 rooms and suites offer modern decor and views of the city, the courtyard, or the green expanses of Schillerpark – partly with private roof terraces. Relaxation in the restaurant YOU with its terrace on Opernring offers sparkling drinks and innovative cuisine. 10 meeting rooms for up to 350 people, all with natural daylight and views of open green space are ideally suited for meetings of various sizes. For larger events, the ground floor is dedicated to event space with a grand ballroom. Whether a private celebration or a corporate event, Le Méridien Vienna offers an innovative space and service in a perfect location.

The Sheraton Hotel Düsseldorf is an international meeting place located right at the Düsseldorf Airport. Surrounded by acres of green space, the hotel is on the roof of the P3 parking garage. The hotel offers a quiet haven for business and leisure travelers. Soundproofed rooms ensure a restful night's sleep. 195 rooms offer contemporary style and modern decor with views of the green hotel terrace. TV screens in all rooms keep guests up to date with arrivals and departures at the airport, which is just a few minutes' walk away. Sheraton Club rooms with exclusive access to the Club lounge. 17 flexible meeting rooms with natural light accommodate up to 100 guests. Seven rooms are available with permanent boardroom seating for up to 12 guests. Special events such as garden parties can be held for up to 200 people in the hotel's outdoor area.

Hotel Luc, Autograph Collection is the new gem in Berlin that will open in late 2021. Located on Gendarmenmarkt, one of Berlin's most famous squares, the hotel offers 92 rooms and suites partly with private balcony and great view over Berlin. Hotel Luc hotel reflects the history of Prussia - somewhat playful and not too strict, always with a twinkle in the eye. The restaurant HERITAGE, known from Hamburg, will now also have a branch in Berlin, perfectly located on the Gendarmenmarkt with a beautiful terrace and a magnificent view.

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Marriott Hotel Basel is located opposite of the Basel Trade Fair, with a direct connection to the Congress Center Basel and in close proximity to many large international companies. It is also in easy walking distance to Basel's historic city center. The upscale hotel offers 238 guest rooms as well as a spa and gym, steam bath and sauna, as well as nine conference rooms. After the takeover from Swissotel, the hotel will be completely remodeled, and the successful restaurant concept Heritage will be introduced. The reopening is scheduled for the first half of 2022.

mooons Vienna is the newest addition to MHP's portfolio. mooons offers the affordable luxury of a boutique hotel designed with enormous attention to detail. The location opposite the new central station is the ideal base to explore the city. Guests can expect 170 rooms in high-quality design, an international restaurant with a garden, a fitness studio with a stunning view and a spectacular rooftop bar. The opening is scheduled for late 2021.

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Management

DR.JÖRG FREHSE
MANAGING DIRECTOR BUSINESS DEVELOPMENT

Dr. Jörg Frehse is a founder and managing partner of MHP. Joerg's previous assignments include leading the hotel development department within ArabellaSheraton Hotelmanagement GmbH (later known as ArabellaStarwood Hotels & Resorts). ArabellaStarwood, a joint venture between Starwood Hotels & Resorts and the Munich based Schoerghuber Corporate Group, managed the activities of 43 hotels in Germany, Austria, Switzerland, Majorca and South Africa until 2011.

RALF SELKE
MANAGING DIRECTOR FINANCE

As founder and managing partner of MHP, Ralf Selke has over 15 years of experience in the real estate private equity industry, having closed transactions in excess of EUR 4 billion in total. He was responsible for the German speaking markets in the offices of Deutsche Bank and Bankers Trust in Frankfurt, London and Munich. For Grove International Partners, Ralf managed the Sale & Leaseback activities and was responsible for the setup of the European hotel platform. Before joining MHP, Ralf focused on the refinancing of hotel properties and successfully refinanced about EUR 200 million of debt.

MICHAEL WAGNER
MANAGING DIRECTOR HOTEL OPERATIONS

Michael was born into a Swiss hotelier family, which still owns and operates two hotels in the Engadin. After graduating from the Ecole Hotelièrede Lausanne, Michael has perfected his operational business knowledge at Four Seasons Hotels & Resorts. Michael joined MHP as a managing partner and founder following his last assignment as director cost control & development of the hospitality division at Hudson Advisors Germany GmbH. At HAG he set up a hotel platform, centralizing operational control of 15 Hotels with the aim to sell. The repositioned and rebranded BalladinsHotel Portfolio, including the platform, was successfully sold in 2009.


WOLFGANG GREINER

Wolfgang Greiner delivers additional operational expertise to MHP's hotel portfolio. Wolfgang brings almost 30 years of hotel experience with Kempinski Hotels, Steigenberger, The Rafael Group and Starwood Hotels & Resorts. He has worked in Germany, Austria, Bermuda and the USA. Wolfgang's experience includes General Manager, Complex General Manager and Area General Manager positions over the past 20 years, most recently with the Mandarin Oriental Hotel Group in Europe.

Supervisory Board (planned)


CHRISTOPH HÄRLE

After graduating from University of Surrey with a B.Sc. (Hons), Christoph Härle joined JLL Hotels & Hospitality for what was to be a 25-year career in hotel real estate in London, Frankfurt, New York and Munich, in the end responsible as CEO JLL Hotels & Hospitality EMEA. His focus has been on large complex hotel real estate and operating contract transactions, allowing him to build a unique network across the industry. Under his management well over 150 hotels were transacted with capital value exceeding €5bn. In 2019, he proceeded to establish Härle Hotel Solutions, specializing in transaction advice, contract negotiation and strategic consulting within the hotel real estate industry.


DANIEL BERINGER

Daniel Beringer is Managing Partner, co-founder and speaker at GREENPEAK Partners, a private equity firm. He has 20+ years of experience as an entrepreneur and private equity professional with a lengthy track record of building businesses and investments within the business services, tech, real estate, and infrastructure sectors. He has helped founding and building companies, with combined revenue of over EUR 500m. He has co-founded MHP with its management and helped in its build-up, supporting in strategy, finance, and funding. With his family business background, he also helped to establish the financial and cultural credibility of MHP.


KARSTEN MÜLLER-UTHOFF

Karsten Müller-Uthoff looks back onto a long career in the insurance industry. After obtaining a degree in business administration, he started his career at ERGO insurance group as an expert for tax and legal issues. Next he joined Hannover Re insurance group for 5 years as a Director in Asset Management, also obtaining an additional qualification as tax consultant. After three years as Director Asset Management at VGH insurance group, he joined Ärzteversorgung Niedersachsen, the medical doctors pension fund, as a Managing Director Asset Management. Retiring after 24 years there, he now works as an independent consultant.

Growth

Growth for MHP is driven by **two major influences**:

1) the rebound from the pandemic in the short to medium term and

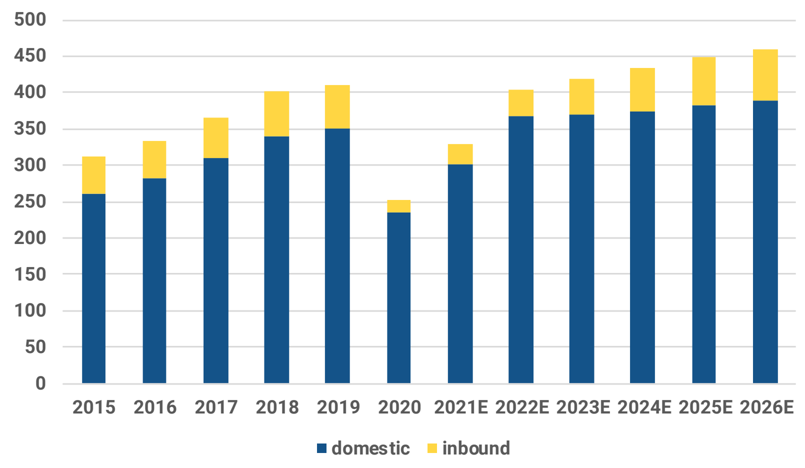
2) new lease & franchise contracts.

The rebound from the pandemic

While still fraught with some uncertainty due to new variants of the virus, the recovery is becoming more visible with increasing vaccination numbers and more confidence on the path to herd immunity.

For the German tourism industry, revenues dropped by almost 38% from 2019 to 2020. However, the recovery has started in 2021, and McKinsey expects the sector to return to pre-crisis levels in 2023:

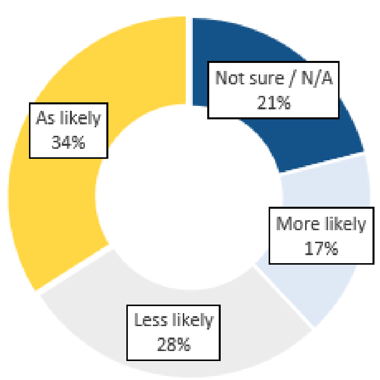
German Tourism Expenditure (USD bn)



Source: McKinsey, June 2021

Especially domestic tourism is expected to see a fast recovery in Germany, outpacing other European markets like Spain, France, Italy or UK. The inbound business segment is looking for a slower recovery, McKinsey expects a full recovery only in 2026. A recent survey might be cause for more optimism:

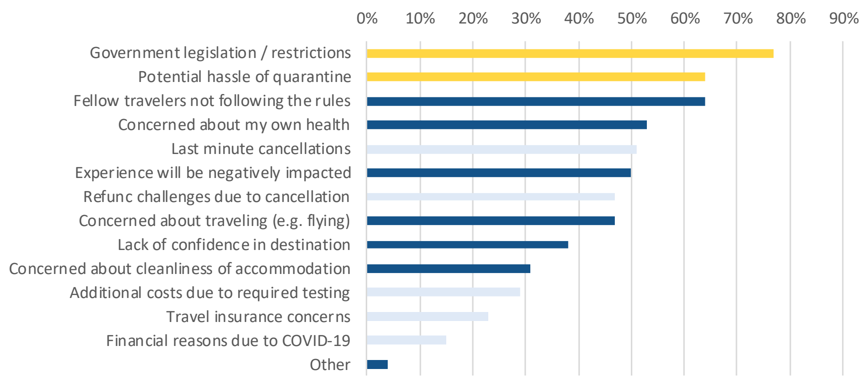
Likelihood of Business Travel (Post Pandemic vs. Pre Pandemic)



Source: STR, April 2021

Once travel restrictions are lifted, there is even a chance of some pent-up demand being released, as government restrictions and quarantine are currently the biggest barriers to travel:

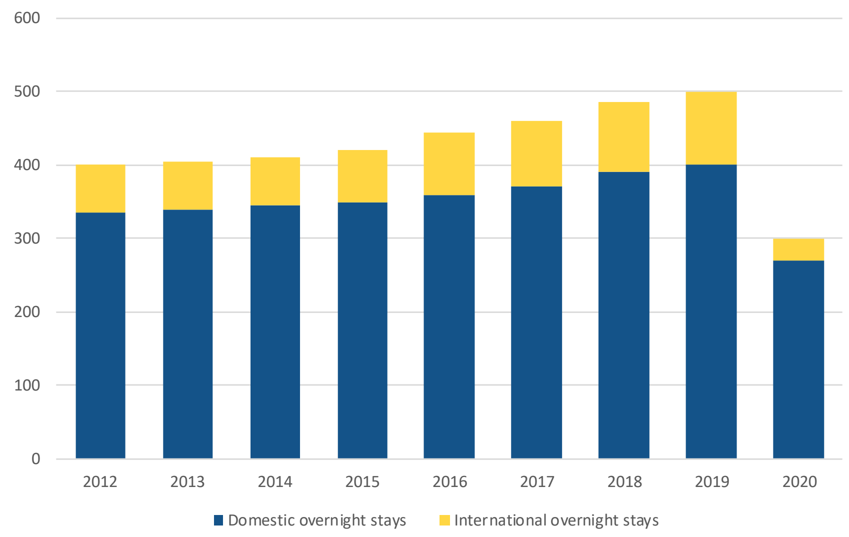
Current Barriers to Travel



Source: STR, April 2021

The pace of the recovery will be highest for domestic and short-haul travel (source: Tourism Economics). The German hotel market thus looks set to be an early and major beneficiary of the recovery, as it relies on more than 75% on domestic customers:

Overnight stays in Germany by origin



Source: Destatis, 2021; CBRE Research, 2021

As a consequence, STR, a provider of market data and intelligence for the hotel industry, expects a strong recovery in 2022 and pre-pandemic levels of demand to be reached between 2023 (Berlin) and 2024 (Vienna):

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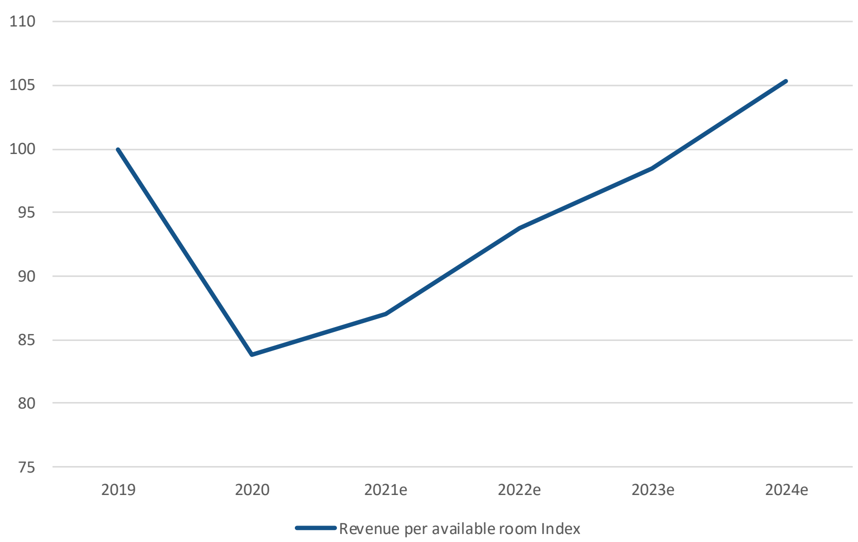
Strong rebound in demand (2019 = 100)

Source: STR

We use the Berlin forecast to estimate the occupancy rates for the hotels in Berlin, Hamburg, Munich, Stuttgart and Düsseldorf, and the Vienna forecast for Vienna.

For estimates of the average daily rate going forward, we rely on STR rate forecasts. After a deep drop in 2020, rates are expected to bottom out in 2021 and recover strongly from 2022 onwards:

Strong rebound in rates (RevPAR Europe, 2019 = 100)



Source: STR

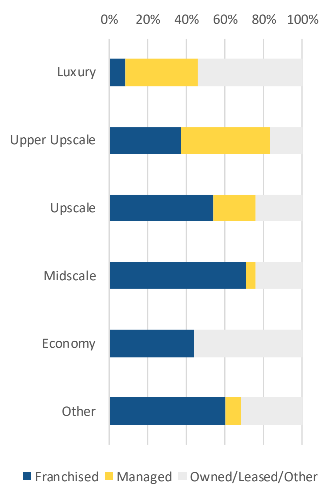
New lease & franchise contracts

Next to organic growth within the existing hotel portfolio, two current market trends facilitate growth via new lease and franchise contracts:

Firstly, big hotel brands increasingly see franchising as a means to expand rapidly, benefitting from the owner's and operator's local market expertise. "Although franchising continues to be less prevalent in Europe compared to the USA, there is both anecdotal and quantitative evidence that it is gaining in popularity, both as a preferred means of expansion by the brands as well as an attractive model that allows owners to maintain greater degrees of control. Franchising is also important for brands entering new markets, as it allows them to increase their footprint rapidly and rely on the owner or a local operator to manage the hotel, who often already have a strong network of connections with their business community, local travel agents and tour companies, and so forth." (HVS, Hotel Franchising in Europe 2019).

The following two graphs underline that there is still ample room to grow the share of franchised hotels, especially in the upper upscale and luxury segment, where brands have historically been more reluctant to relinquish control:

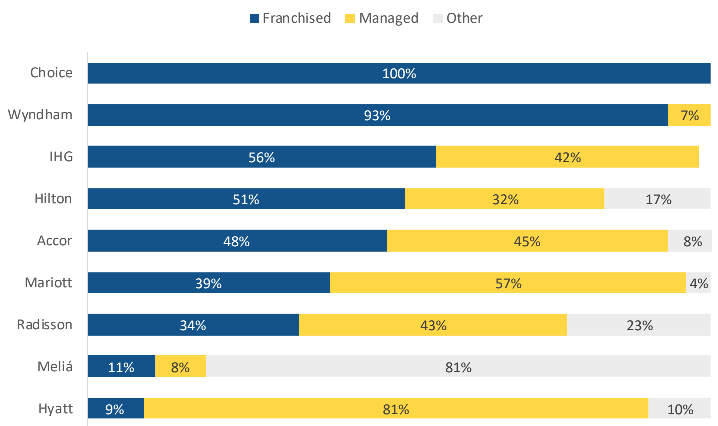
Proportion of Franchised Properties in each Market Segment



	Accor	Hilton	Mariott
Luxury	3%	10%	13%
Upper Upscale	25%	46%	26%
Upscale	20%	81%	28%
Midscale	47%	96%	45%
Economy	47%	-	-

Source: HVB

Proportion of franchised hotels in hotel chains



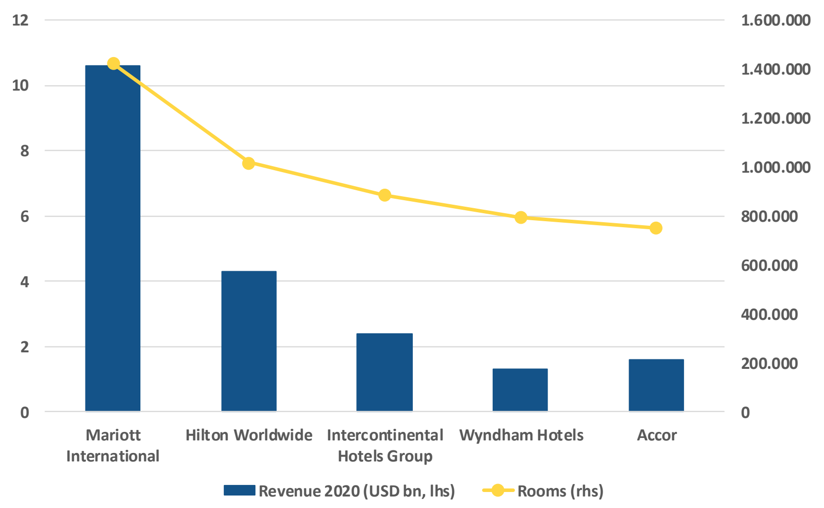
Source: HVB

Adding to this, the proportion of branded hotels in Europe at 40% is much lower than for example in the U.S. at 70% (source: HVB), so there is a potential **double lever in the addressable market** for MHP:

- an increasing share of branded hotels
- and an increasing share of franchises within branded hotels.

As a tested and **trusted partner as franchisee of Marriott**, MHP is in a good position to secure its share of new franchise contracts. Marriott owns 30 brands and is the world's largest hotel group. In Germany alone Marriott operates 101 hotels:

5 largest hotel groups



Source: AlsterResearch, company annual reports

Furthermore, the stock **market listing will increase the visibility and the financial firepower** of MHP, such that franchisors can rest assured that MHP as an operator can also navigate difficult market conditions.

The same can be said about property owners, where MHP can boast a **good track record with large German investment managers** in the hotel real estate market:

- **Union Invest**
  - Owner of 2 MHP operated hotels
  - In total owns 44 hotels in Germany (77 worldwide)
  - EUR 5,9 bn hotel assets

- **Deka**
  - Owner of 2 MHP operated hotels
  - In total owns 58 hotels
  - EUR 4 bn in hotel assets

So overall, MHP's bargaining position when it comes to new lease and franchise contracts can be considered to be very strong, built on established partnerships with prominent brands and investors, and credibility built on a successful track record.

Next to the structural growth, MHP is also in a good position to **actively participate in the pandemic-fueled consolidation** of the hotel operator market. While not at a frantic pace yet, first operators seem to be throwing in the towel for selected properties in Germany:

- Premier Inn taking over 13 leases from Centro Hotels (12/2020)
- HR Group taking 23 leases from Vienna House (01/2021)

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MHP is highly experienced in the takeover of existing hotels, especially subject to lease and franchise agreements, and in structuring those transactions either as asset or share deals.

The following list provides examples for MHP's flexibility in successfully executing the structuring of complex contractual agreements in the case of a **takeover of underperforming or distressed hotel assets**. Some of these transactions have been completed in a very tight time schedule below four weeks:

- Takeover of a hotel in the context of a **bankruptcy sale of the real estate owner (PropCo)**. Restructuring of all contractual obligations, including head lease with the new landlord, transfer agreement from the previous tenant, franchise and property improvement plan (PIP) agreement with the franchisor. The completion of major renovations and an increased focus on average daily rates (ADR) resulted in a significant RevPAR increase of 12%, allowing the owner to sell the asset at almost twice the purchase price (including capex).

- Takeover of an **over-indebted operating company** (OpCo) in the context of a share deal with the previous tenant. Converting the former management contract into a franchise contract. Significant KPIs increase as a result of the combination of rooms renovation, the strength of the post-merger distribution system and MHP's focus on driving average daily rates.

- Takeover of a hotel in the context of a **bankruptcy of the OpCo**. Restructuring of all contractual obligations, including head lease, transfer agreement from previous tenant, franchise and PIP agreement.

- Takeover of a hotel via share deal in the context of a **bankruptcy of the PropCo**. Restructuring of all contractual obligations, including head lease with the new landlord, OpCo purchase agreement, franchise and PIP agreement.

On the back these and other successful takeovers, MHP has earned a high level of institutional trust, demonstrating a unique ability to quickly develop customized contract structures with institutional partners like Deka, Union Investment, Ärzteversorgung Niedersachsen and Real I.S. AG.

The access to capital markets also allows MHP to open up new avenues of value creation and growth, for example by **co-investing into hotel properties alongside financial investors**. Private Equity buyers contributed up to 1/3 of overall investment volumes in hotel real estate in 2020 (source: Jones Lang LaSalle) and are sitting on EUR 87bn dry powder for European real estate investments (source: Preqin 02/2021).

Since the start of the pandemic, MHP has **leveraged its expertise and financial strength and secured two transactions**:

1) The takeover of the insolvent Swissotel Basel as a co-investor to private equity company H.I.G. Capital. MHP will operate the hotel under a management contract.
2) Takeover of lease and management for the mooons Vienna. MHP also acquired the brand mooons.

The currently challenging market environment should open up further opportunities for MHP to acquire underperforming or distressed assets at attractive conditions. None of this is reflected in current AlsterResearch estimates, thus it is pure upside.

Putting it all together

Under these assumptions, top line development for MHP looks set to take a U-turn in 2021e and accelerate through 2022e and 2023e. The reported numbers and estimates below include the following hotels:

- Le Meridien Hamburg (2019 – 2024)
- Le Meridien Munich (2019 – 2024)
- Le Meridien Stuttgart (2019 – 2024)
- Le Meridien Vienna (2019 – 2024)
- Le Meridien Frankfurt (2019 – 2020)
- Sheraton Düsseldorf (2019 – 2024)
- Autograph Collection Berlin (08/2021 – 2024)
- Marriott Basel (04/2022 – 2024)
- mooons Vienna (10/2021 – 2024)

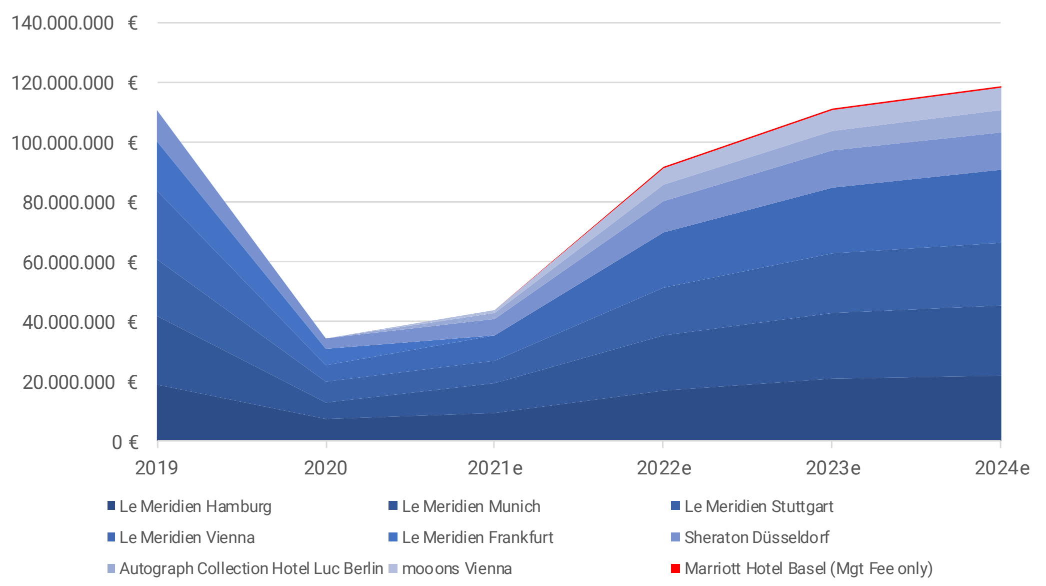
For the Marriott Basel, MHP will only book a management fee. For informational purposes, we also show the total hotel revenues including Basel.

	2019	2020	2021E	2022E	2023E	2024E
Available roomnights (000)	636,1	639,8	580,6	690,4	712,1	712,1
Sold roomnights (000)	462,5	145,5	180,7	430,7	513,4	524,2
Occupancy	***72,7%***	***22,7%***	***31,1%***	***62,4%***	***72,1%***	***73,6%***
Lodging revenues (EUR m)	81,0	21,8	28,5	72,9	91,2	97,5
Average daily rate (EUR)	***175,13***	***150,06***	***157,69***	***169,17***	***177,70***	***185,93***
F&B and other revenues	30,0	12,4	15,2	29,3	34,8	37,1
Total revenues incl. Basel	111,0	34,2	43,7	102,1	126,1	134,6
Total revenues excl. Basel	**111,0**	**34,2**	**43,7**	**92,1**	**111,4**	**119,0**

Source: MHP, AlsterResearch est.

For 2024, there is even some upside to these numbers, as Germany will host the UEFA Euro2024. Among the match venues are Berlin, Hamburg, Munich, Stuttgart and Düsseldorf, thus all of MHP's German locations will potentially benefit. However, any potential effects are not included, as high hopes attached to large sporting events have not always been fulfilled in the past. For example, during the FIFA World Cup 2014 in Brazil, revenue per available room increased in hosting cities, but occupancy did not in all of them.

Revenues MHP Hotel Portfolio



Source: MHP, AlsterResearch est.

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Quality

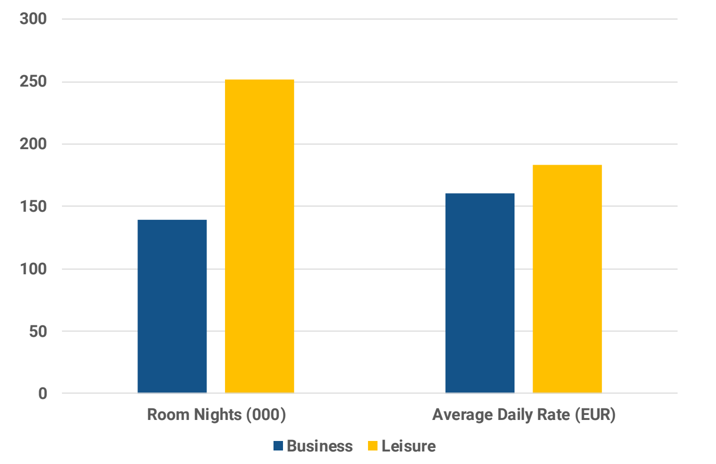
Customers

The end customer for MHP is, of course, the hotel guest. The most important factors in choosing a hotel are location, price, past experience and personal recommendations. These are followed by the reputation of the brand, special promotions, loyalty programs, online reviews and special amenities or services (source: Market Metrix Hospitality Index).

For MHP, about 2/3 of lodging revenues are generated with tourists. This is the result of two drivers:

1) Tourists spend about 80% more nights than business travelers in MHP hotels.
2) The average daily rate is 14% higher for tourists compared to business travelers.

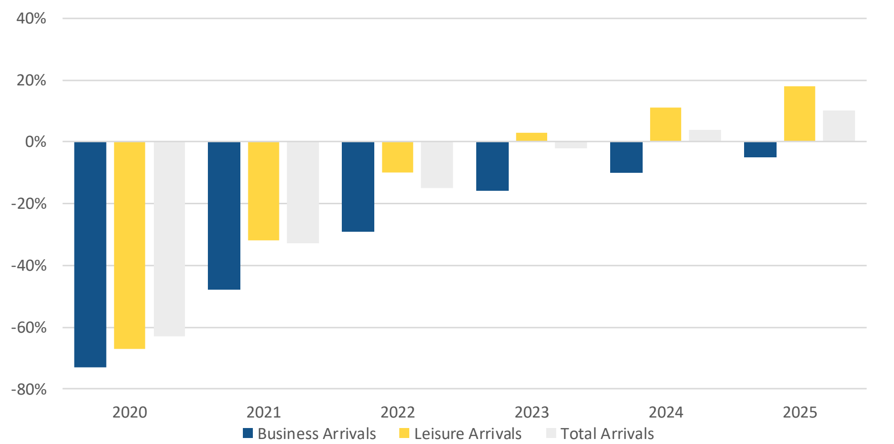
MHP's Business / Leisure Mix



Source: MHP, AlsterResearch, data for 2019

The fact that leisure travel plays such a big role is reassuring when it comes to the post-pandemic recovery. As tourist travel activity will probably pick up ahead of business travel, MHP should be an early beneficiary - although it remains to be seen to what extent inner-city and airport locations can benefit from the pent-up demand.

Europe, overnight arrivals by segment % vs 2019



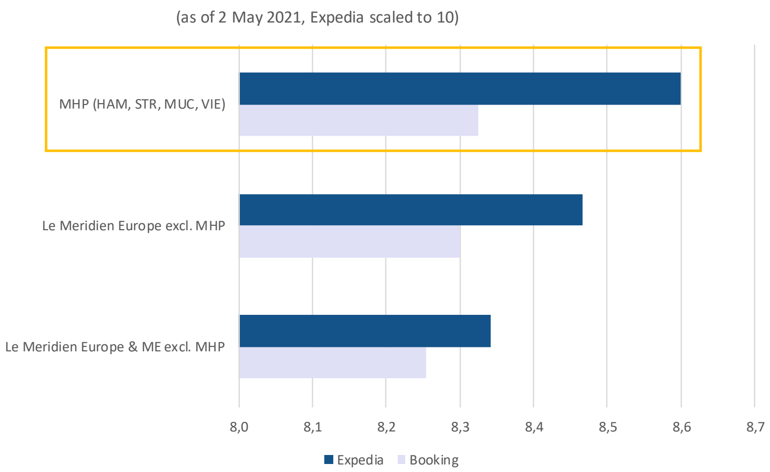
Source: STR

If indeed business travel remains structurally subdued due to alternatives like video conferencing, then 2 factors could play MHP into the cards:

1) Substituting business by leisure travelers would lead to a more attractive lodging revenue mix.
2) If business travel becomes less frequent, there might be a trend for corporate customers to be more generous on accommodation, thus current midscale or upscale travelers could move into MHP's upper upscale market segment.

When it comes to guest satisfaction, the Le Meridien Hotels operated by MHP on average score higher both on Booking and on Expedia than the remaining Le Meridien hotels in Europe or in Middle East. The following chart compares the average score for the four Le Meridien hotels operated by MHP and as a comparison the average score of the remaining 10 Le Meridien hotels in Europe and 15 in the Middle East:

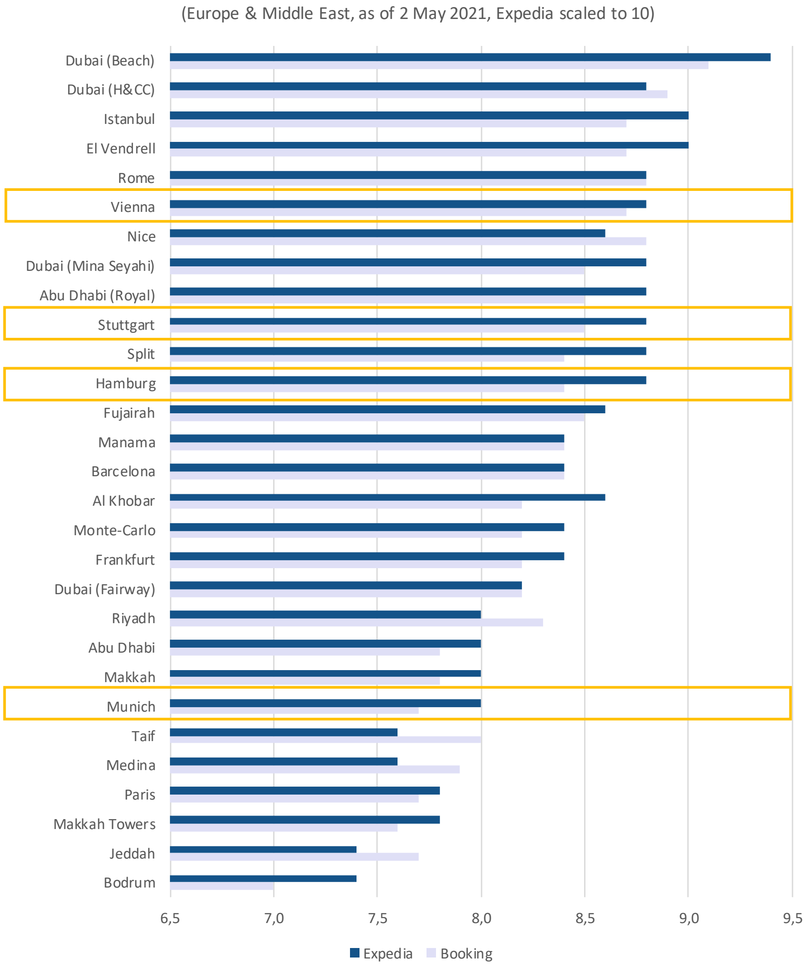
Le Meridien Hotels: Average Guest Rating



Source: AlsterResearch, Expedia, Booking

On a disaggregated level, it can be seen that 3 of the 4 franchises operated by MHP have above average customer satisfaction compared to other similarly branded hotels in Europe and the Middle East:

Le Meridien Hotels: Guest Ratings

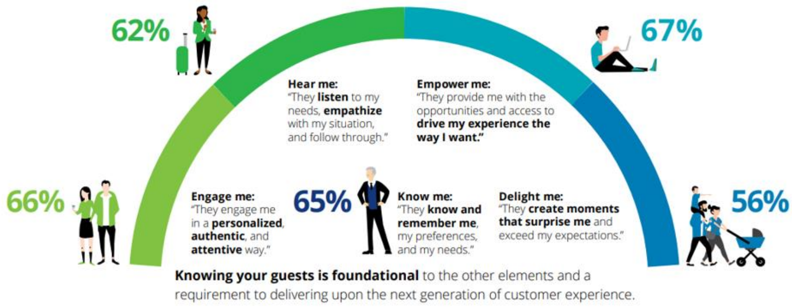


Source: AlsterResearch, Expedia, Booking

The outlier of Munich can be explained by comprehensive refurbishment activities starting end of 2018 and continuing into 2019 and early 2020. The construction works encompassed the façade which had to be energetically refurbished and a stepwise remodeling of all bathrooms. While MHP tried to organize these measures with minimum impact on guests, some disturbances, especially noise, could not be avoided and led to lower than usual guest satisfaction. As all works in Munich and also the other operated hotels will be terminated by mid-2021, guest rating should recover to their normal levels.

In order to deliver a personalized and consistent guest experience, hotels need meaningful data. Knowing your guest and customizing the experience is a key differentiator for the guest experience, as was confirmed in a recent survey by Deloitte:

Personalized guest experience



Source: Deloitte 2018

A key not only to attract customers through rewards, but also to systematically gather information and use it for tailored experiences, is the loyalty program. What makes MHP's hotels especially attractive is its affiliation to Marriott's Loyalty program Bonvoy, which has been ranked as the number one hotel rewards program:

Hotel Loyalty Program Ranking

Source: U.S. News & World Report, 2021

Bonvoy scores especially high when it comes to geographic coverage and property diversity, a result of Marriott's position as the world's largest hotel group with more than 30 affiliated brands.

Next to lodging, **food and beverage (F&B) is a major contributor to the success of a hotel**. In the case of MHP, F&B contributes more than 20% to the top line. MHP has proven to be especially adept at introducing new concepts and rejuvenating the F&B offerings.

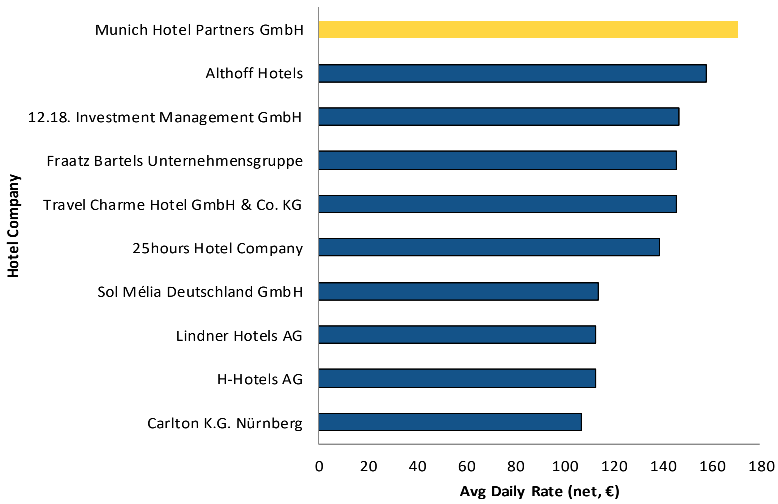
For example, in Le Meridien Hamburg, F&B revenues were increased by 71% from 2014 to 2019 by converting the somewhat outdated French restaurant into a more modern concept and opening a rooftop bar. In Munich, the number of restaurant guests increased 8-fold after introducing a new concept partnering with a local trendy brewery.

F&B Success Stories

Source: MHP, AlsterResearch

F&B not only contributes directly to the top line, but it is also a major USP in attracting overnight guests and increasing pricing power. Combined with the exclusive positioning in the upper upscale segment, this has resulted in MHP commanding the highest average daily rate in Germany of all hotel groups reporting this figure in 2019, the last meaningful data prior to the pandemic:

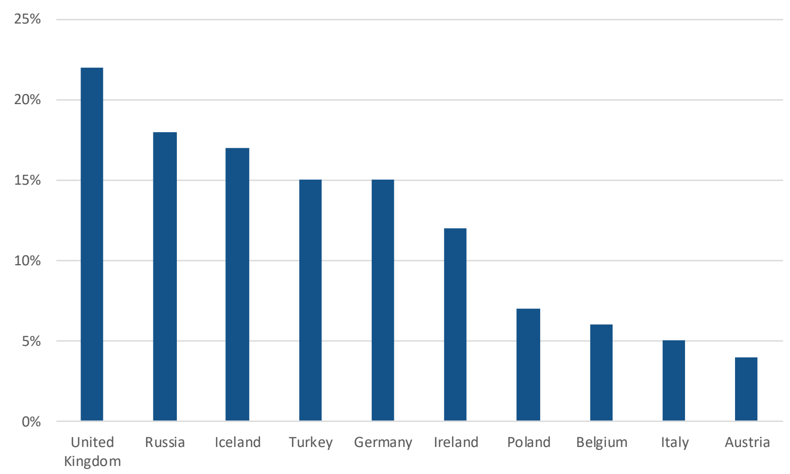
Top 10 Average Daily Rate Germany



Source: AlsterResearch, ahgz (2020)

Pricing power for existing hotels could benefit in the case of a strong post-pandemic rebound, as many hotel projects have been postponed or abandoned, constraining the supply side. In Germany, 20% of hotel projects were deferred and 15% were abandoned in 2020 (source: STR), thus significantly thinning out the hotel project pipeline:

Europe, abandoned projects as % of total active pipeline, Jan-Dec 2020



Source: STR 2021

Suppliers

To understand the quality of the business model of MHP, it is instructive to take a closer look at the relationship between the three main parties involved in the hotel business, namely the owner of the brand (e.g. Marriott), the owner of the property (e.g. Deka) and the operator of the hotel (e.g. MHP).

In principle, all of these functions could be combined in a single hand, the owner-operator of an independent hotel, which used to be the prevailing business model in the early days of the hospitality industry. However, the interests of the involved parties today make this an increasingly unattractive proposition.

Hotel groups are focusing on developing their brands and are looking for low-risk and asset-light strategies to expand their footprint. They do not want to be burdened with the capital requirements of investing in the properties, they do not want to show them on their balance sheet, and they are scaling their franchise model.

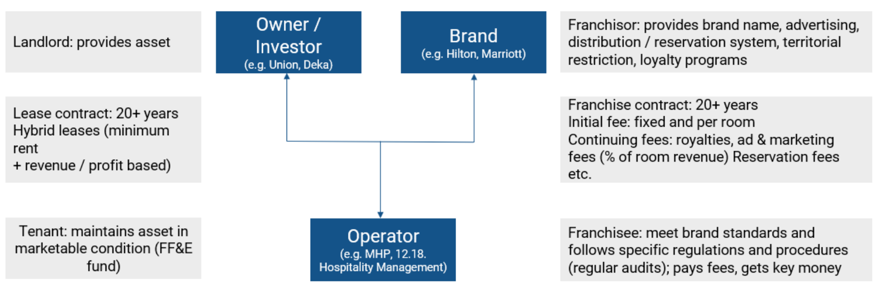
The owners of the property on the other hand often are financial investors with no expertise or willingness to run a hotel. So, in principle the owners could sign a management contract with the hotel brand, which would then operate the hotel in exchange for fees.

However, this might not be in the best interest of the owner, as a management contract still leaves a substantial share of the economic risk of operations in his hands. Furthermore, the owner as a financial investor - for example a closed-end real estate fund in Germany - might be required to generate rental income, not income from business operations. Thus, for legal and economic reasons, the owner favors or even needs a lease contract. The hotel brand however might find a lease contract troublesome, as accounting principles could require the placement of the lease contract on-balance sheet (for example under IFRS 16).

In short: the owner has the property and wants a lease; the hotel group has the brand but does not want a lease.

This gap between owners that are unable or unwilling to control the daily operations of the hotel and the franchisors that provide the brand is plugged by white-label operators (also called third-party operators) like MHP. MHP has contractual agreements both with the owner and the hotel brand. The relationship between the involved parties is displayed in the following graph:

Overview Business Relationship



Source: AlsterResearch

MHP operates under the brand of a hotel group with a franchise contract. To date, MHP's franchise partner for all leases is Marriott (brands: Le Meridien, Sheraton, Autograph Collection, Marriott). However, there is no exclusivity, so MHP could also operate hotels for a different group or operate under an own brand, as in the case of mooons.

Marriott provides MHP with the brand name, its reservation and distribution system and its loyalty program. In exchange, MHP commits to the standards set by Marriott, pays fixed and variable fees and has to support regular quality audits.

Next to the franchise contract, MHP also signs a lease contract with the owner of the hotel property. Franchise and lease contract are typically synchronized and have a term of 20 or 25 years, with extensions possible for a 5-year term. The lease contract is typically of a hybrid structure, with variable components in the form of revenue and profit sharing.

MHP is required to maintain the furniture, fixtures and equipment (FF&E) in marketable condition and return them upon expiry of the lease.

Competitors

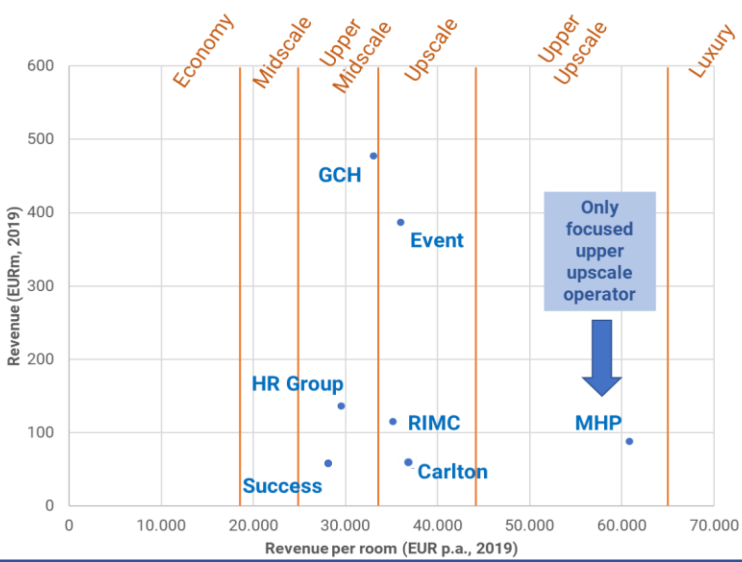
The market for white-label operators in Germany is quite fragmented. Among the top 50 hotel groups in Germany, there just over half a dozen that have a similar business model to MHP:

Name	Revenue (EURm)	Hotels	Rooms	Avg. Rate	Revenue (per room, EUR)	Franchise partners
MHP Munich Hotel Partners	88,1	6	1.449	171	60.801	Marriott (Le Meridien, Sheraton, Autograph Collection)
GCH Hotel Group	477,1	120	na	na	33.000	Accor (Mercure, ibis), Best Western, IHG (Crowne Plaza, Holiday Inn), Radisson Blue, Wyndham (TRYP, Days Inn, Ramada)
Event Hotels	387,4	51	10.770	99	35.970	Accor (Mercure, ibis), Radisson (Park Inn), Marriott (Sheraton, Westin)
HR Group	136,8	32	4.637	90	29.502	Dorint, Accor (Mercure, ibis, Pullman), Hyatt, Mövenpick, Wyndham (Ramada), Vienna House
RIMC International Hotels & Resorts	115,0	26	3.272	95	35.147	Best Western, Radisson Blu, Marriott (Four Points by Sheraton), Steigenberger, Wyndham (Ramada), Hilton
Carlton KG Nürnberg	56,5	9	1.514	77	37.318	Marriott (Sheraton), Accor (Novotel)
Success Hotel Group	55,6	21	na	na	28.000	IHG (Holiday Inn Express), Accor (ibis Styles, ibis budget), Hilton (Garden Inn) , Radisson Red

Source: ahgz (2020), AlsterResearch

However, MHP stands out as the only operator focused on the Upper Upscale segment:

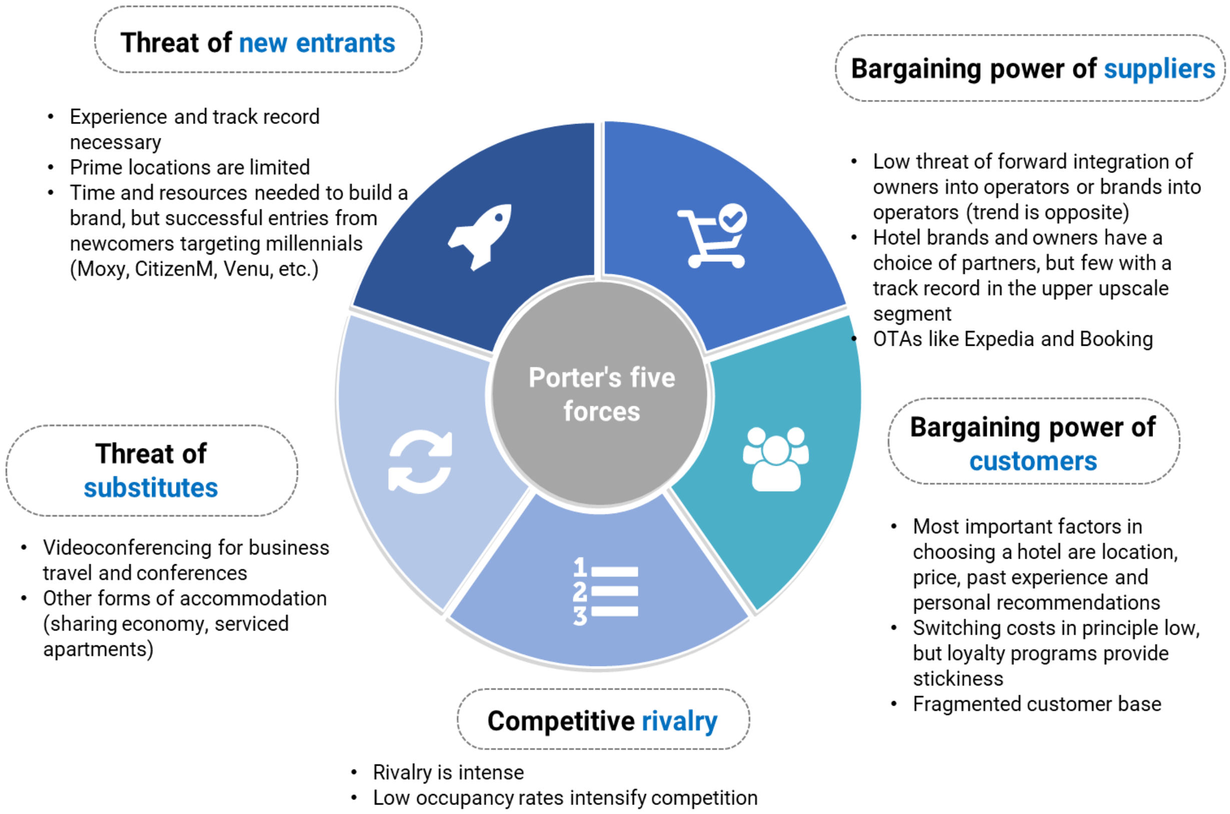
Competitors by Segments



Source: ahgz (2020), AlsterResearch, eAR for revenue per room GCH and Success

The brands need an operator that fully understands their market positioning and standards and makes them successful in the regions where they operate. Especially in the upper upscale and luxury segment, brands are reluctant to relinquish control in a franchise and will look for a partner they know and trust, requiring a proven track record with higher-end brands. MHP has established this standing with the upmarket brands of Marriott and thus commands a competitive advantage versus other white-label operators when it comes to securing new contracts.

Porter's Five Forces



Source: AlsterResearch

SWOT-Analysis

Strengths

- Successful track record in upper upscale hotel management
- Stock market listing provides credibility and financial firepower
- Ability to quickly develop customized contract structures in takeovers of franchise and lease agreements
- Expertise in successfully implementing new food & beverage concepts
- High share of domestic travelers in Germany promises a quick Covid-rebound

Weakness

- Dependence on inner-city locations, especially hard hit by pandemic
- Dependence on limited number of franchise contracts with a single hotel group

Opportunities

- Difficult market conditions provide opportunities for external growth – financially shaky operators dropping out
- Abandoned and deferred projects in the hotel pipeline and possibly conversions to residential or student housing limit new market capacity
- Pent-up travel demand and the Euro 2024 in Germany
- Co-investment with Private Equity sitting on USD 87bn dry powder
- Lease contracts post-pandemic likely to have higher variable share, reducing risks for operators
- Own boutique brand mooons with potential for roll-out

Threats

- Corporate travel restrictions (health, costs) or substitution by videoconferencing a threat to business lodging (1/3 of total)
- Further penetration of other means of travel accommodation (serviced apartments, AirBnB)
- Consumer preferences post-pandemic might favor low-touch environment vs. full-service segment
- Strongly growing affordable luxury / budget boutique hotel brands

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Financial Model Assumptions

TRANSACTION-RELATED PLANNING ASSUMPTIONS

- LSC will dispose all remaining "old" assets, resulting in roughly 0 net cash
- Full consolidation of MHP into LSC as of mid-November 2021
- potential tax losses carried forward by LSC cannot be offset against future profits (conservative assumption, potentially possible under German tax law)
- All of the purchase price that exceeds the book value of equity of MHP has been allocated to goodwill
- amortization of goodwill over 10 years according to German accounting GAAP (HGB)
- Potentially renaming "Lifespot Capital AG" into "MHP Hotel AG"

MHP FINANCIAL MODEL PLANNING ASSUMPTIONS

P&L:

- top line: occupancy and rate recovery trajectory according to market forecast STR 2021 (recovery to pre-pandemic levels 2023 to 2024); only considering currently contracted hotel portfolio
- personnel costs: significant reduction as a share of revenues due to efficiency gains realized during the pandemic
- slight reduction in other operating expenses due to centralized services
- 33% tax rate

Balance sheet & cash flow:

- Corona state aid from Germany (EUR 10m) and Austria (EUR 1.2m) disbursed in 21E
- Accounts payable: deferred rents (EUR 9m) and franchise fees (EUR 1.5m) paid over 4 years
- Other liabilities: guarantee for FRA hotel (EUR 1.7m) paid in 21E
- KfW loan repaid over 5 years

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Valuation

DCF model

The DCF model results in a price target of EUR 3.03 per share. Key model assumptions:

- Top-line growth: We expect MHP to benefit from the post-pandemic rebound until 2024E, leading to strong organic growth with current contracts. Additionally, the newly acquired hotels will start contributing in 2022E. From 2025E, a normal growth rate for the hotel industry of 2% p.a. kicks in, which is also applied to terminal growth.

- Margins benefit from top line recovery and additional measures taken during the pandemic. Personnel costs and other operating expenses in relation to sales are assumed to decrease compared to 2019, leading to EBITDA margins around 8.3% to 8.6% from 2023E onward.

- WACC. Since the track record of the listed Lifespot has nothing to do with the business going forward, historical betas are meaningless. We thus assume an equity beta of 1, implying an average risk profile. Combined with a risk-free rate of 2% and equity risk premium of 6%, this leads to a WACC around 7.0%.

DCF (EUR m) (except per share data and beta)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
NOPAT	-0,1	3,9	6,1	6,9	7,1	7,3	7,4	7,6	
Depreciation	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,1	
Change in working capital	-0,4	-4,4	-2,7	-2,4	-0,9	0,1	0,0	0,0	
Chg. in long-term prov. & accruals	0,0	2,5	1,0	0,5	0,2	0,2	0,2	0,2	
Capex	0,0	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	
Cash flow	**-0,4**	**1,9**	**4,4**	**4,8**	**6,2**	**7,5**	**7,5**	**7,7**	**156**
Present value	-0,4	1,8	3,7	3,8	4,6	5,2	4,9	4,7	95
WACC	7,1%	7,1%	7,1%	7,1%	7,1%	7,1%	7,1%	7,1%	7,0%

DCF per share derived from	
Total present value	123
Mid-year adj. total present value	127
Net debt (net cash) at start of year	-12
Financial assets	0
Provisions and off b/s debt	0
Equity value	139
No. of shares outstanding	45,9
Discounted cash flow per share	**3,03**
upside/(downside)	**52%**
Share price	**1,99**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2021E - 2028E)	57,5%
Terminal value growth (2028E - infinity)	2,0%
Terminal year ROCE	6,2%
Terminal year WACC	7,0%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5,0%
Long-term tax rate	33,0%
Equity beta	na
Unlevered beta (industry or company)	0,85
Target debt / equity	0,27
Relevered beta	1,00
Risk-free rate	2,0%
Equity risk premium	6,0%
Cost of equity	8,0%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1,0%	1,5%	2,0%	2,5%	3,0%
2,0%	2,02	2,10	2,20	2,31	2,43
1,0%	2,29	2,41	2,54	2,71	2,90
0,0%	2,66	2,83	3,03	3,28	3,59
-1,0%	3,18	3,44	3,77	4,18	4,74
-2,0%	3,95	4,40	4,98	5,81	7,03

Share of present value	
2021E - 2024E	7,2%
2025E - 2028E	15,7%
terminal value	77,0%

Source: AlsterResearch

AlsterResearch

FCF yield

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

Valuation on 2021E or 2122E would unduly punish the company due to Corona, so we think it is fair to base valuation on 2023E, yielding a fair value of EUR 3,03 per share. It thus supports the DCF based fair value calculations.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2021E	2022E	2023E	2024E	2025E
EBITDA	**0,0**	**5,8**	**9,2**	**10,3**	**10,6**
- Maintenance capex	0,0	0,1	0,1	0,1	0,1
- Minorities	0,0	0,0	0,0	0,0	0,0
- tax expenses	-0,9	-0,2	0,9	1,3	1,4
= Adjusted Free Cash Flow	**0,8**	**5,9**	**8,2**	**8,9**	**9,1**
Actual Market Cap	**91**	**91**	**91**	**91**	**91**
+Net debt (cash)	-11,5	-15,3	-21,5	-28,3	-36,5
+Pension provisions	1,1	1,1	1,1	1,2	1,2
+Off balance sheet financing	0,0	0,0	0,0	0,0	0,0
- Financial assets	0,0	0,0	0,0	0,0	0,0
- Accumulated dividend payments	0,0	0,0	0,0	0,0	0,0
EV Reconciliations	*-10,4*	*-14,2*	*-20,4*	*-27,1*	*-35,2*
= Actual EV'	**81**	**77**	**71**	**64**	**56**
Adjusted Free Cash Flow yield	**1,0%**	**7,7%**	**11,6%**	**13,9%**	**16,2%**
base hurdle rate	6,0%	6,0%	6,0%	6,0%	6,0%
ESG adjustment (score 50/100)	0,0%	0,0%	0,0%	0,0%	0,0%
adjusted hurdle rate	6,0%	6,0%	6,0%	6,0%	6,0%
Fair EV	**14**	**99**	**137**	**149**	**152**
- EV Reconciliations	*-10*	*-14*	*-20*	*-27*	*-35*
Fair Market Cap	**24**	**113**	**157**	**176**	**187**
No. of shares (million)	45,9	45,9	51,9	51,9	51,9
Fair value per share in EUR	**0,52**	**2,47**	**3,03**	**3,38**	**3,60**

Sensitivity analysis fair value						
Adjusted hurdle rate	4,0%	0,67	3,54	4,35	4,81	5,06
	5,0%	0,58	2,90	3,56	3,96	4,19
	6,0%	**0,52**	**2,47**	**3,03**	**3,38**	**3,60**
	7,0%	0,48	2,16	2,65	2,98	3,18
	8,0%	0,45	1,93	2,37	2,67	2,87

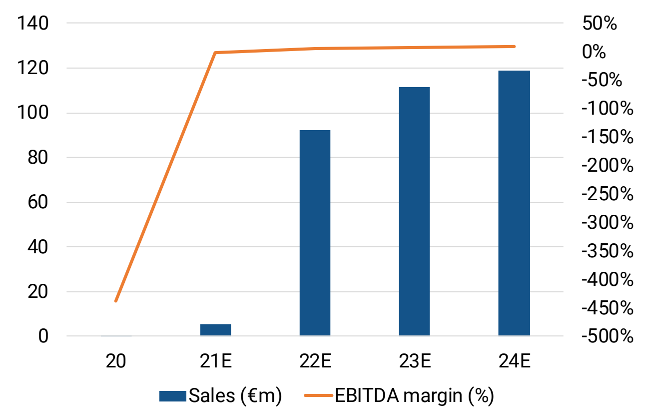
Source: AlsterResearch

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap.

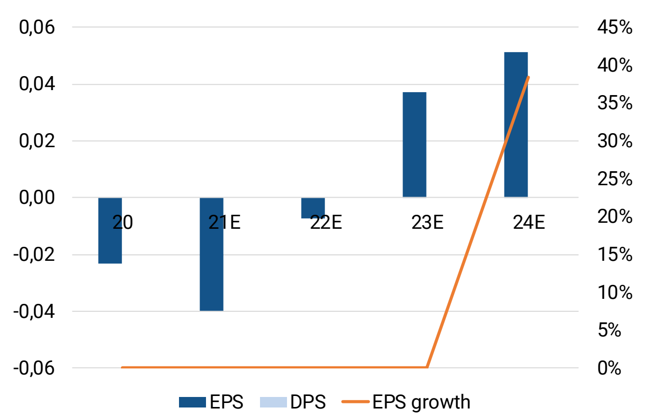
AlsterResearch

Financials in six charts

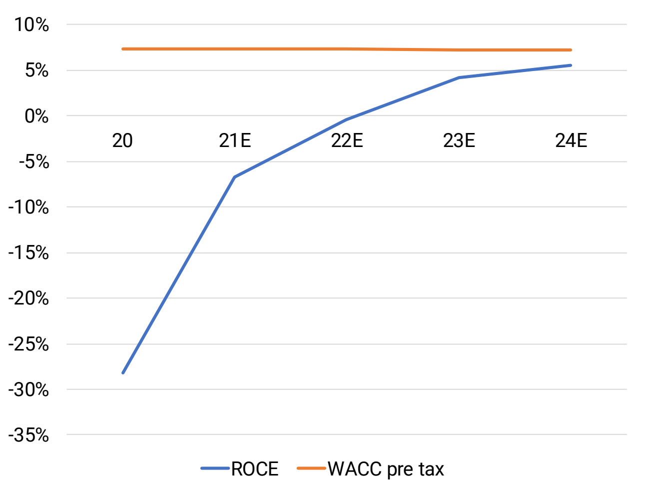
Sales vs. EBITDA margin development



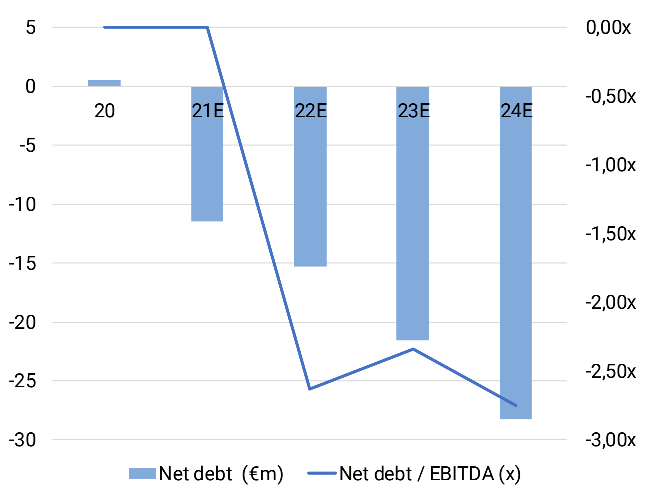
EPS, DPS in EUR & yoy EPS growth



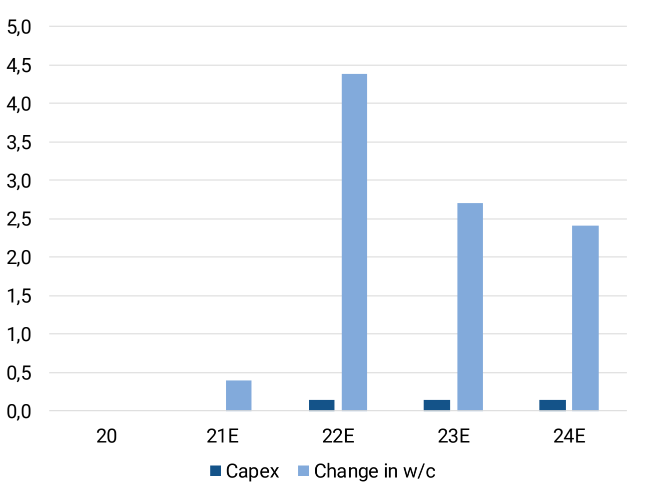
ROCE vs. WACC (pre tax)



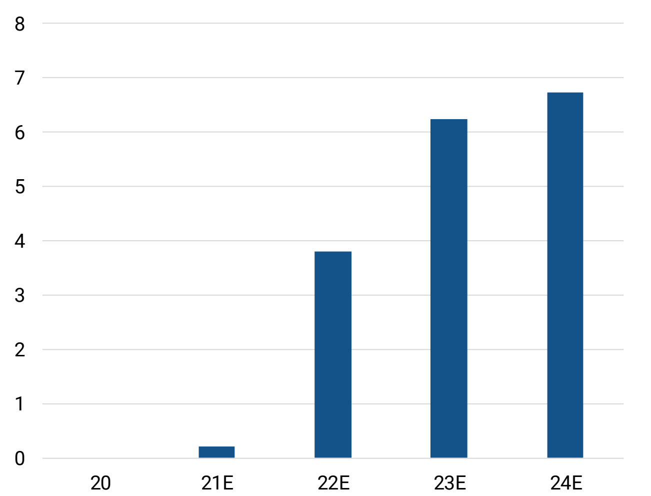
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: company data; AlsterResearch

Financials

Profit and loss (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net sales	**0.0**	**0.0**	**0.0**	**5.5**	**92.1**	**111.4**
Sales growth	-29.4%	-85.5%	551.2%	14,976.5%	1,586.8%	20.9%
Change in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**0.0**	**0.0**	**0.0**	**5.5**	**92.1**	**111.4**
Material expenses	0.0	0.0	0.0	0.4	5.6	7.0
Gross profit	**0.0**	**-0.0**	**0.0**	**5.1**	**86.5**	**104.3**
Other operating income	0.1	0.3	0.3	0.1	1.8	1.6
Personnel expenses	0.0	0.1	0.1	1.6	30.9	35.4
Other operating expenses	0.1	0.4	0.4	3.6	51.6	61.3
EBITDA	**-0.1**	**-0.1**	**-0.2**	**-0.0**	**5.8**	**9.2**
Depreciation	1.2	0.0	0.0	0.0	0.1	0.1
EBITA	-1.2	-0.1	-0.2	-0.1	5.8	9.2
Amortization of goodwill and intangible assets	0.0	0.0	0.0	2.4	6.1	6.1
EBIT	**-1.2**	**-0.1**	**-0.2**	**-2.5**	**-0.3**	**3.1**
Financial result	-0.0	-0.0	-0.0	-0.2	-0.2	-0.2
Recurring pretax income from continuing operations	-1.3	-0.2	-0.2	-2.7	-0.6	2.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-1.3	-0.2	-0.2	-2.7	-0.6	2.9
Taxes	0.0	0.0	0.0	-0.9	-0.2	0.9
Net income from continuing operations	-1.3	-0.2	-0.2	-1.8	-0.4	1.9
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**-1.3**	**-0.2**	**-0.2**	**-1.8**	**-0.4**	**1.9**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-1.3	-0.2	-0.2	-1.8	-0.4	1.9
Average number of shares	7.13	7.13	7.13	45.93	45.93	45.93
EPS reported	**-0.18**	**-0.02**	**-0.02**	**-0.04**	**-0.01**	**0.04**

Profit and loss (common size)	2018	2019	2020	2021E	2022E	2023E
Net sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Change in finished goods and work-in-process	0%	0%	0%	0%	0%	0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Material expenses	4%	180%	16%	7%	6%	6%
Gross profit	**96%**	**-80%**	**84%**	**93%**	**94%**	**94%**
Other operating income	144%	5,797%	698%	1%	2%	1%
Personnel expenses	115%	1,106%	214%	30%	33%	32%
Other operating expenses	271%	7,294%	1,006%	65%	56%	55%
EBITDA	**-145%**	**-2,684%**	**-439%**	**-1%**	**6%**	**8%**
Depreciation	3,046%	0%	0%	1%	0%	0%
EBITA	-3,191%	-2,684%	-439%	-2%	6%	8%
Amortization of goodwill and intangible assets	0%	0%	0%	44%	7%	5%
EBIT	**-3,191%**	**-2,684%**	**-439%**	**-46%**	**-0%**	**3%**
Financial result	-98%	-126%	-18%	-4%	-0%	-0%
Recurring pretax income from continuing operations	-3,289%	-2,809%	-457%	-50%	-1%	3%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	-3,289%	-2,809%	-457%	-50%	-1%	3%
Taxes	0%	0%	0%	-16%	-0%	1%
Net income from continuing operations	-3,289%	-2,809%	-457%	-33%	-0%	2%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**-3,289%**	**-2,809%**	**-457%**	**-33%**	**-0%**	**2%**
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	**-3,289%**	**-2,809%**	**-457%**	**-33%**	**-0%**	**2%**

Source: Company data; AlsterResearch

* Consolidation in 2020 only for 2 months

AlsterResearch

Balance sheet (EUR m)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	**0.0**	**0.0**	**0.0**	**1.6**	**1.6**	**1.6**
Goodwill	0.0	0.0	0.0	61.3	55.2	49.1
Property, plant and equipment	0.0	0.0	0.0	0.5	0.6	0.7
Financial assets	1.0	0.7	0.5	0.0	0.0	0.0
FIXED ASSETS	**1.0**	**0.7**	**0.5**	**63.4**	**57.4**	**51.4**
Inventories	0.0	0.0	0.0	0.6	1.1	1.4
Accounts receivable	0.0	0.0	0.0	0.4	0.8	1.0
Other current assets	0.0	0.0	0.0	5.9	5.0	5.0
Liquid assets	0.0	0.0	0.0	20.5	22.5	26.9
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.6	1.3	1.5
CURRENT ASSETS	**0.0**	**0.0**	**0.0**	**28.0**	**30.8**	**35.9**
TOTAL ASSETS	**1.0**	**0.7**	**0.5**	**91.4**	**88.2**	**87.3**
SHAREHOLDERS EQUITY	**0.2**	**0.0**	**-0.2**	**60.6**	**60.2**	**62.2**
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.7	0.6	0.5	9.0	7.2	5.4
Provisions for pensions and similar obligations	0.0	0.0	0.0	1.1	1.1	1.1
Other provisions	0.1	0.1	0.1	2.3	4.8	5.9
Non-current liabilities	**0.9**	**0.7**	**0.6**	**12.4**	**13.1**	**12.4**
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	10.7	6.2	4.2
Advance payments received on orders	0.0	0.0	0.0	1.6	3.4	4.1
Other liabilities (incl. from lease and rental contracts)	0.0	0.0	0.0	1.1	1.5	1.8
Deferred taxes	0.0	0.0	0.0	1.2	1.2	1.2
Deferred income	0.0	0.0	0.0	3.8	2.5	1.5
Current liabilities	**0.0**	**0.0**	**0.0**	**18.4**	**14.8**	**12.8**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**1.0**	**0.7**	**0.5**	**91.4**	**88.2**	**87.3**

Balance sheet (common size)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	**0%**	**0%**	**0%**	**2%**	**2%**	**2%**
Goodwill	0%	0%	0%	67%	63%	56%
Property, plant and equipment	0%	0%	0%	1%	1%	1%
Financial assets	99%	99%	100%	0%	0%	0%
FIXED ASSETS	**99%**	**99%**	**100%**	**69%**	**65%**	**59%**
Inventories	0%	0%	0%	1%	1%	2%
Accounts receivable	0%	0%	0%	0%	1%	1%
Other current assets	1%	1%	0%	6%	6%	6%
Liquid assets	1%	1%	0%	22%	26%	31%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	0%	0%	0%	1%	1%	2%
CURRENT ASSETS	**1%**	**1%**	**0%**	**31%**	**35%**	**41%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**16%**	**1%**	**-35%**	**66%**	**68%**	**71%**
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	71%	91%	115%	10%	8%	6%
Provisions for pensions and similar obligations	0%	0%	0%	1%	1%	1%
Other provisions	13%	8%	20%	3%	6%	7%
Non-current liabilities	**84%**	**99%**	**135%**	**14%**	**15%**	**14%**
short-term liabilities to banks	0%	0%	0%	0%	0%	0%
Accounts payable	0%	0%	0%	12%	7%	5%
Advance payments received on orders	0%	0%	0%	2%	4%	5%
Other liabilities (incl. from lease and rental contracts)	0%	0%	0%	1%	2%	2%
Deferred taxes	0%	0%	0%	1%	1%	1%
Deferred income	0%	0%	0%	4%	3%	2%
Current liabilities	**0%**	**0%**	**0%**	**20%**	**17%**	**15%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net profit/loss	0.0	0.0	0.0	-1.8	-0.4	1.9
Depreciation of fixed assets (incl. leases)	0.0	0.0	0.0	0.0	0.1	0.1
Amortization of goodwill	0.0	0.0	0.0	2.4	6.1	6.1
Amortization of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	2.5	1.0
Cash flow from operations before changes in w/c	0.0	0.0	0.0	0.6	8.3	9.1
Increase/decrease in inventory	0.0	0.0	0.0	0.0	-0.5	-0.3
Increase/decrease in accounts receivable	0.0	0.0	0.0	-0.4	-0.4	-0.2
Increase/decrease in accounts payable	0.0	0.0	0.0	0.0	-4.5	-2.0
Increase/decrease in other w/c positions	0.0	0.0	0.0	0.0	1.1	-0.2
Increase/decrease in working capital	0.0	0.0	0.0	-0.4	-4.4	-2.7
Cash flow from operating activities	**0.0**	**0.0**	**0.0**	**0.2**	**3.9**	**6.4**
CAPEX	0.0	0.0	0.0	0.0	-0.1	-0.1
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.1**
Cash flow before financing	0.0	0.0	0.0	0.2	3.8	6.2
Increase/decrease in debt position	0.0	0.0	0.0	0.0	-1.8	-1.8
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	10.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	12.5	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	**0.0**	**0.0**	**0.0**	**22.5**	**-1.8**	**-1.8**
Increase/decrease in liquid assets	0.0	0.0	0.0	22.7	2.0	4.4
Liquid assets at end of period	**0.0**	**0.0**	**0.0**	**20.5**	**22.5**	**26.9**

Source: Company data; AlsterResearch

Regional sales split (EURm)	2018	2019	2020	2021E	2022E	2023E
Domestic	0.0	0.0	0.0	4.4	73.3	89.3
Europe (ex domestic)	0.0	0.0	0.0	1.1	18.8	22.0
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**0.0**	**0.0**	**0.0**	**5.5**	**92.1**	**111.4**

Regional sales split (common size)	2018	2019	2020	2021E	2022E	2023E
Domestic	0.0%	0.0%	0.0%	80.2%	79.6%	80.2%
Europe (ex domestic)	0.0%	0.0%	0.0%	19.8%	20.4%	19.8%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Ratios	2018	2019	2020	2021E	2022E	2023E
Per share data						
Earnings per share reported	-0.18	-0.02	-0.02	-0.04	-0.01	0.04
Cash flow per share	-0.16	0.00	0.00	0.00	0.08	0.14
Book value per share	0.02	0.00	-0.02	1.32	1.31	1.35
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	-9.6x	-77.6x	-73.3x	-42.8x	-209.1x	40.5x
P/CF	-10.4x	na	na	442.3x	20.0x	12.3x
P/BV	74.8x	2,005.5x	-76.1x	1.3x	1.3x	1.3x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-9.6%	0.0%	0.0%	0.2%	5.0%	8.1%
EV/Sales	2,055.9x	14,147.6x	2,170.2x	12.4x	0.7x	0.5x
EV/EBITDA	-1,418.2x	-527.2x	-494.9x	-1,363.5x	11.0x	6.3x
EV/EBIT	-64.4x	-527.2x	-494.9x	-27.2x	-187.8x	18.8x
Income statement (EURm)						
Sales	0.0	0.0	0.0	5.5	92.1	111.4
yoy chg in %	-29.4%	-85.5%	551.2%	14,976.5%	1,586.8%	20.9%
Gross profit	0.0	-0.0	0.0	5.1	86.5	104.3
Gross margin in %	96.3%	-79.8%	83.8%	93.2%	93.9%	93.7%
EBITDA	-0.1	-0.1	-0.2	-0.0	5.8	9.2
EBITDA margin in %	-145.0%	-2,683.6%	-438.5%	-0.9%	6.3%	8.3%
EBIT	-1.2	-0.1	-0.2	-2.5	-0.3	3.1
EBIT margin in %	-3,191.1%	-2,683.6%	-438.5%	-45.5%	-0.4%	2.7%
Net profit	-1.3	-0.2	-0.2	-1.8	-0.4	1.9
Cash flow statement (EURm)						
CF from operations	0.0	0.0	0.0	0.2	3.9	6.4
Capex	0.0	0.0	0.0	0.0	-0.1	-0.1
Maintenance Capex	1.2	0.0	0.0	0.0	0.1	0.1
Free cash flow	0.0	0.0	0.0	0.2	3.8	6.2
Balance sheet (EURm)						
Intangible assets	0.0	0.0	0.0	62.9	56.8	50.7
Tangible assets	0.0	0.0	0.0	0.5	0.6	0.7
Shareholders' equity	0.2	0.0	-0.2	60.6	60.2	62.2
Pension provisions	0.0	0.0	0.0	1.1	1.1	1.1
Liabilities and provisions	0.9	0.7	0.6	12.4	13.1	12.4
Net financial debt	0.7	0.6	0.5	-11.5	-15.3	-21.5
w/c requirements	0.0	0.0	0.0	-11.3	-7.6	-5.8
Ratios						
ROE	-776.9%	-2,583.5%	103.8%	-3.0%	-0.6%	3.1%
ROCE	-120.5%	-22.3%	-35.0%	-3.4%	-0.5%	4.1%
Net gearing	439.4%	9,971.1%	-326.9%	-19.0%	-25.4%	-34.7%
Net debt / EBITDA	-12.8x	-4.0x	-3.3x	231.7x	-2.6x	-2.3x

Source: Company data; AlsterResearch

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Company	Disclosure
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