Ikonisys SA

Rating: Buy **Risk:** Medium
Price: EUR 2.76
Target price: EUR 7.70

Reuters: ALIKO.PA **Bloomberg:** ALIKO:FP

Restart of a technology leader in laboratory automation

With a share price target of EUR 7.70 and an expected share price performance of 176.0%, we initiate research coverage on the shares of Ikonisys SA with a Buy rating. Our price target is derived from a three-stage discounted cash flow entity model (primary valuation method), for which we calculate an equity value of EUR 7.70 per share in the base case scenario. In a Monte Carlo analysis, we have used alternative revenue, earnings and other key performance indicator scenarios and calculate equity values in a range between EUR and 6.10 per 9.20 share. An alternative economic profit model supports the results of the DCF model, while significantly higher price targets can be derived from peer group multiples (both secondary valuation methods).

Technology leader in cell diagnostics

Ikonisys is a provider of a robotic and software-based microscopy application that, according to the company, enables fully automated detection and quantification of rare and very rare cells in tissues and biological fluids. This is used in particular for cell diagnosis in oncology and genetic diseases. With the help of the FDA-approved Ikoniscope microscope, up to 2 million cells can be automatically scanned and analysed on a single slide without the manual involvement of laboratory staff. Ikonisys provides a range of diagnostic fluorescence in situ hybridisation (FISH) tests that can be used to visualise different types of cancer at an early stage using fluorescent tumour markers. We see considerable additional potential in the recently possible detection and characterisation of circulating tumour cells (CTCs) in liquid biopsies.

Significant improvement in turnover and earnings

Ikonisys will generate one-off revenues from the production and sale of the Ikoniscope and recurring revenues from the sale of platform-optimised own-brand probe kits, software applications and service agreements on the maintenance of the devices. Due to the pursued outsourcing of production, we estimate that expenses are mostly variable. We expect Ikonisys to generate its first significant revenues from microscope sales in 2022e. By 2026e, we expect revenues to rise to EUR 35.7m and the operating result (EBITDA) to just under EUR 10.0m in our base case scenario. The equity ratio of the virtually debt-free company should then be 85.3%.

WKN / ISIN: A3CVR6/ FR00140048X2
Stock exchange: Euronext Growth Paris
Transparency level: Unregulated MTF
Weighted number of shares: 9,481,727
Market capitalisation: EUR 26.5 million
Trading volume/day: approx. 5,000shares
Annual accounts 2021: Expected April 2022

P&L (EUR million)	**2020**	**2021e**	**2022e**	**2023e**
Turnover	0.4	0.3	1.2	7.1
EBITDA	0.3	-1.4	-0.8	-0.4
EBIT	0.2	-1.5	-2.6	-2.0
EBT	-1.6	-1.5	-2.6	-2.0
EAT	-1.6	-1.5	-2.6	-2.0

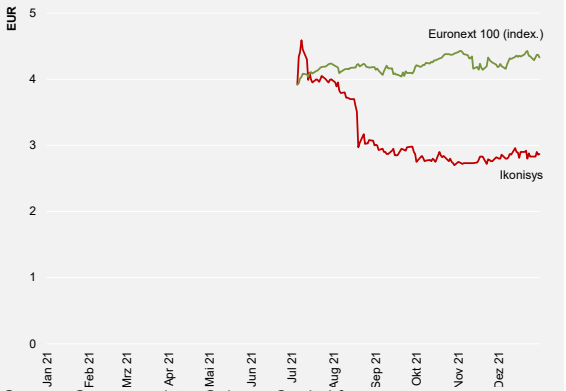
% of sales	**2020**	**2021e**	**2022e**	**2023e**
EBITDA	70.8%	-426.3%	-64.9%	-4.9%
EBIT	53.1%	-445.2%	-211.8%	-27.8%
EBT	-406.4%	-446.5%	-211.8%	-27.8%
EAT	-408.0%	-446.5%	-211.8%	-27.8%

Per share (EUR)	**2020**	**2021e**	**2022e**	**2023e**
EPS	n/a	-0.16	-0.27	-0.21
Dividend	0.00	0.00	0.00	0.00
Book value	n/a	5.57	5.29	5.08
Cash flow	n/a	-0.07	-0.09	-0.14

Balance (%)	**2020**	**2021e**	**2022e**	**2023e**
Equity ratio	70.5%	94.3%	90.1%	85.0%
Gearing	3%	0%	1%	5%

Multiples (x)	**2020**	**2021e**	**2022e**	**2023e**
KGV	n/a	n/a	n/a	n/a
EV/turnover	n/a	77.05	21.82	4.05
EV/EBIT	n/a	-17.3	-10.3	-14.6
KBV	n/a	0.5	0.5	0.5

Guidance (EUR million)	**2021e**	**2022e**	**2023e**
Turnover	n/a	n/a	n/a
EBITDA	n/a	n/a	n/a



Source: Company data, Sphene Capital forecasts

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

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Executive Summary

Restart of a technology leader in laboratory automation
Ikonisys has developed a robotic and software-based microscopy application, the Ikoniscope20, which the company says enables fully automated detection and quantification of rare and very rare cells in tissues and biological fluids. This is used in particular for cell diagnosis in oncology and genetic diseases. For the implementation, Ikonisys has developed various diagnostic fluorescence in situ hybridisation applications, FISH tests for short, with the help of which cancer-related chromosomal abnormalities can be made optically visible at an early stage by fluorescent tumour markers.

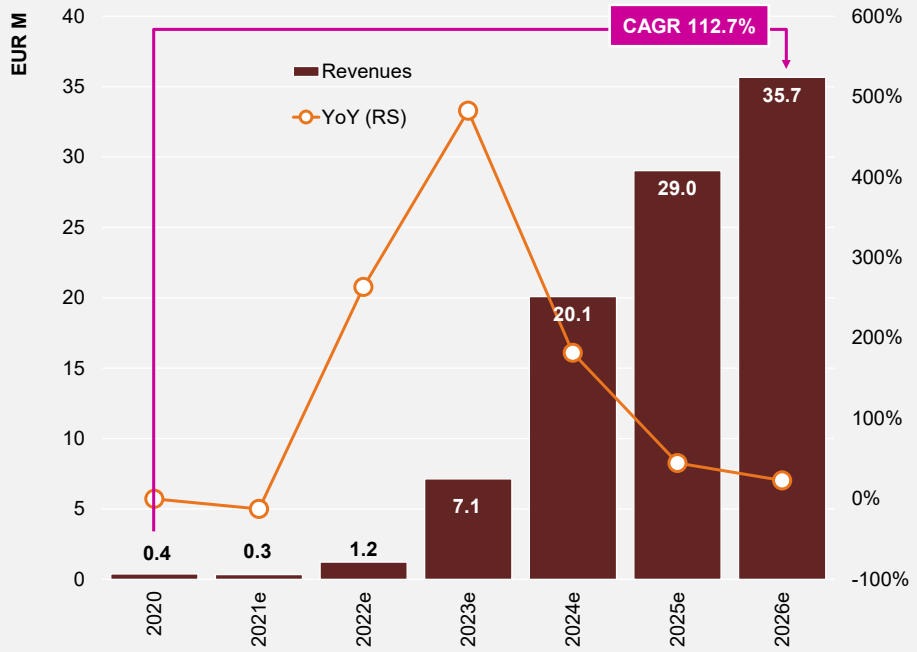
Optimisation of the entire laboratory process
The benefit of the application is the almost complete automation of an otherwise labour-intensive and time-consuming - and therefore costly, but also error-prone - process that must be performed by pathologists, oncologists, cytotechnologists and other laboratory staff. By implementing the Ikoniscope platform, the company says it cannot only completely eliminate the subjective elements of diagnosis, but also significantly improve the quality and consistency of diagnoses and significantly increase daily testing volumes in laboratories. Thus, in our estimation, Ikonisys serves a structurally increasing market volume driven by an increasing use of non-invasive diagnostic tests for the (early) detection, treatment and monitoring of cancer - a consequence of the rising prevalence of cancer worldwide, the availability of new molecular and immunological biomarkers for different types of cancer and increasingly automated sample preparation. Another trend factor is personalised therapies, which are also usually associated with elaborate diagnostic tests.

Considerable additional potential from circulating tumour cells
Because the Ikonisys platform was developed for the detection and analysis of rare cells, it is also suitable for the detection and analysis of circulating tumour cells (CTCs). These are cells that have been shed from a primary tumour into the vascular system or lymphatic vessels and are transported through the body in the bloodstream. Since CTCs can extravasate and become germs for the subsequent growth of further tumours in distant organs, they are statistically responsible for the vast majority of cancer-related deaths.

Weaknesses and risks
We have identified the following **weaknesses and risks** (for details see p. 40ff): **(1)** With a cumulative loss of around EUR 104m. (end 2020), Ikonisys has not yet proven to have a sustainable profitable business model; (**2)** Dependence on suppliers by outsourcing significant parts of manufacturing to contract manufacturers; **(3)** Profitability at least partly dependent on the level of healthcare reimbursement; (**4)** Translation risks from currency conversion; **(5)** Possible but unlikely liability risks from wrong treatment; **(6)** Rising commodity prices and continued disruption of global supply chains; (**7)** Competition from cash-rich companies.

Ikonisys in pictures

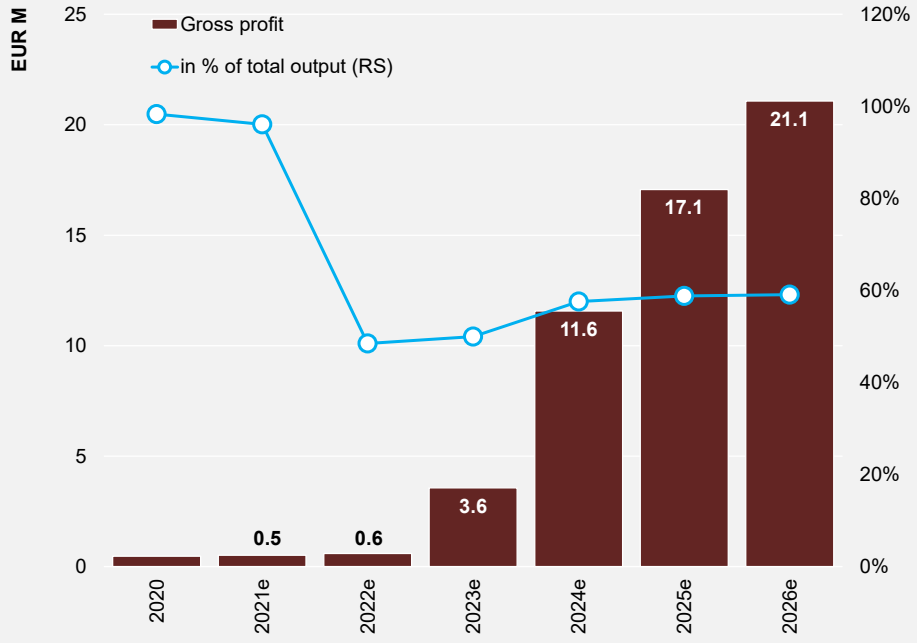
FIGURE 1: TURNOVER AND TURNOVER GROWTH RATE, 2020-2026E



Following the product launch of Ikoniscope20 and the reformulation of the business model, we expect Ikonisys to significantly expand its business activities in the coming years. We expect Ikonisys to generate revenues of EUR 35.7m in financial year 2026e, which marks the end of our detailed planning phase. Given the current low base, this corresponds to a compound annual growth rate (CAGR) of 112.7% in group revenues for the period 2020-2026e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

FIGURE 2: GROSS PROFIT AND GROSS PROFIT MARGIN, 2020-2026E

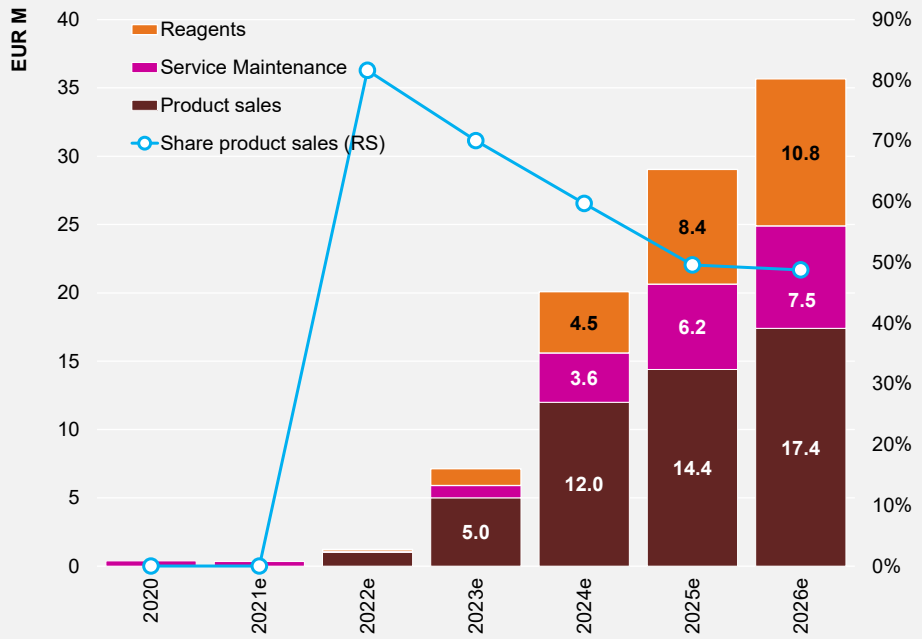


We estimate that the cost of materials ratios of the three business segments are widely spread. While material expenses in the service revenues division are only around 6% according to our estimates, they are likely to be over 50% in the product sales division due to the almost complete outsourcing of manufacturing. On balance, we expect a gross profit margin of 59.1% by 2026e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Ikonisys in pictures

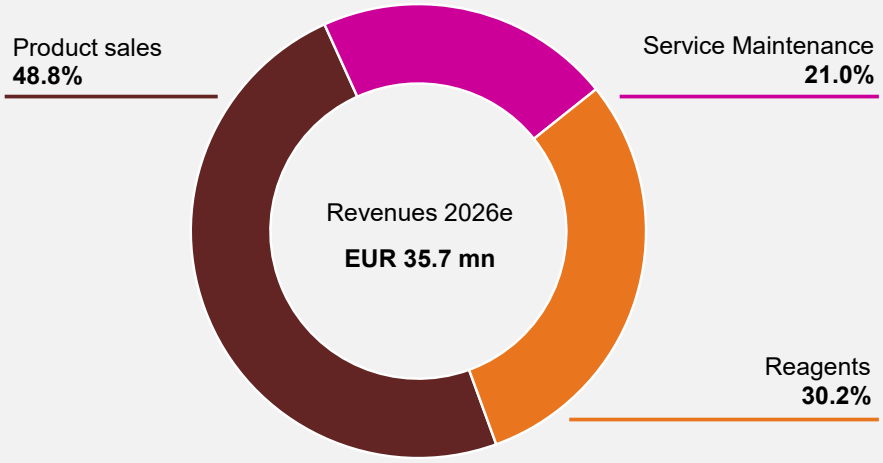
FIGURE 3: SALES BY SEGMENT, 2020-2026E



In our model, we have divided the revenues of Ikonisys into three business areas: **(1)** product sales, i.e. revenue from the sale of Ikoniscope20 as well as Ikoniscope AI, **(2)** sales from service maintenance, i.e. maintenance contracts, as well as a software-as-a-service offering, and **(3)** sales of reagents. In our model, the share of the higher-margin product sales segment in Group revenues will initially increase significantly, but since revenues from service maintenance and reagent sales are dependent on product sales, their share in total revenues is likely to increase with a time lag.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

FIGURE 4: SALES BY SEGMENT, 2026E

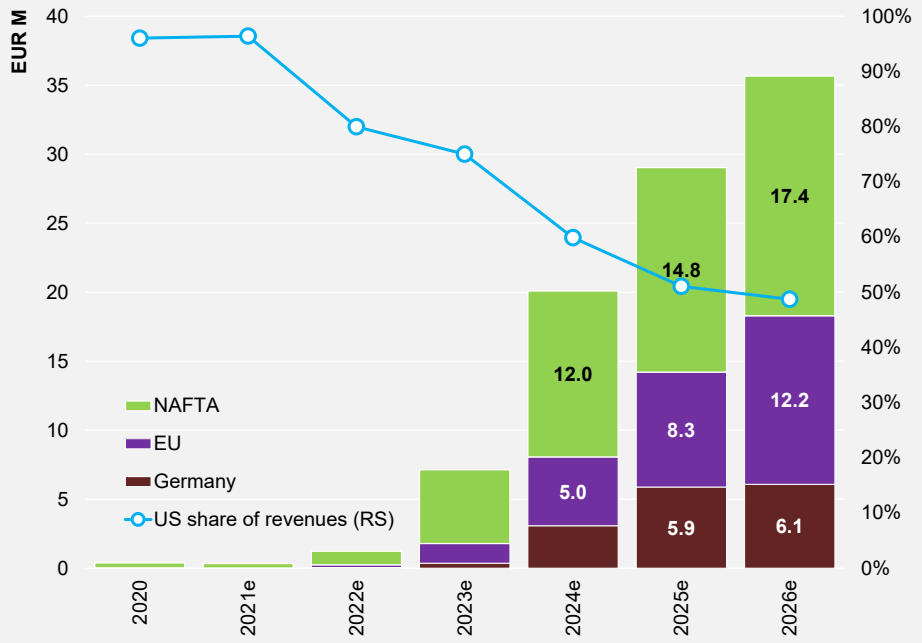


For 2026e, we assume that half of the revenue will come from microscope sales and half from segments downstream in the of value chain (reagents and service maintenance).

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Ikonisys in pictures

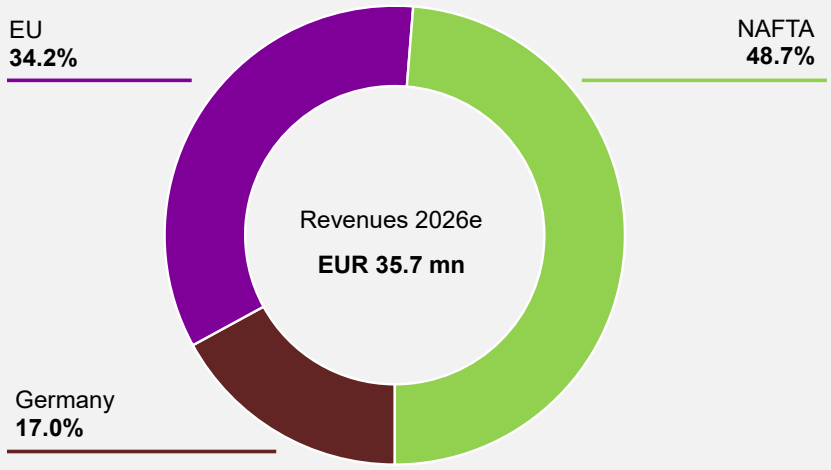
FIGURE 5: TURNOVER BY REGION, 2020-2026E



The company is headquartered in New Haven, Connecticut, on the campus of Yale University, where it was founded in the late 1990s. Since then, revenues have been generated predominantly in the USA. In the meantime, sales activities have been established in Europe, so that according to our estimates, revenues in Europe will gain in importance in the medium term. The primary sales focus has been placed on France, Germany and Italy, while UK and Spain, which have also been declared as core markets, are given second priority, according to the company

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

FIGURE 6: TURNOVER BY REGION, 2026E

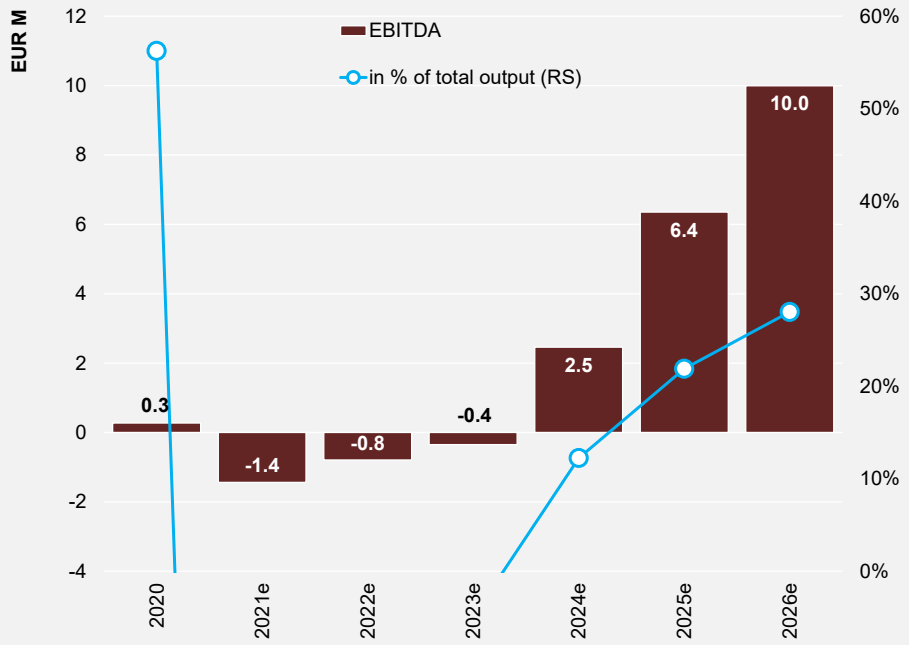


By 2026e, we expect the share of sales generated in the European target markets to reach around 51.0%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Ikonisys in pictures

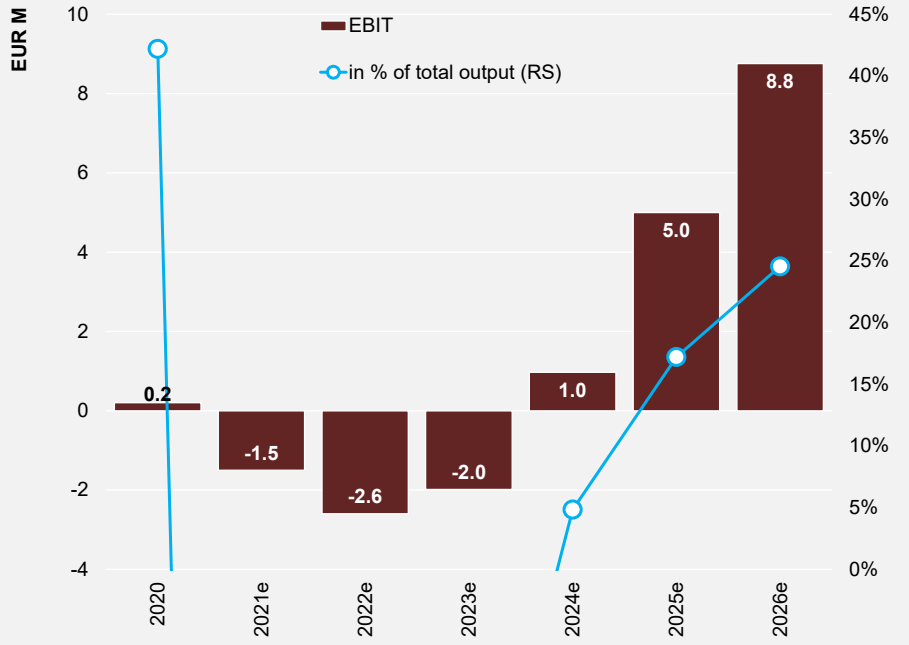
FIGURE 7: EBITDA AND EBITDA MARGIN (RS), 2020-2026E



In the year 2021e, we expect Ikonisys to have generated a negative result of EUR -1.4m. However, this was largely due to one-off expenses from the IPO. Following their disappearance, we expect the earnings situation to improve in the current year 2022e. However, due to the current sub-critical size, we estimate that Ikonisys will not exceed the operating break-even threshold until 2024e. We consider EBITDA margins of below 30% to be achievable in the long term.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

FIGURE 8: EBIT AND EBIT MARGIN (RS), 2020-2026E

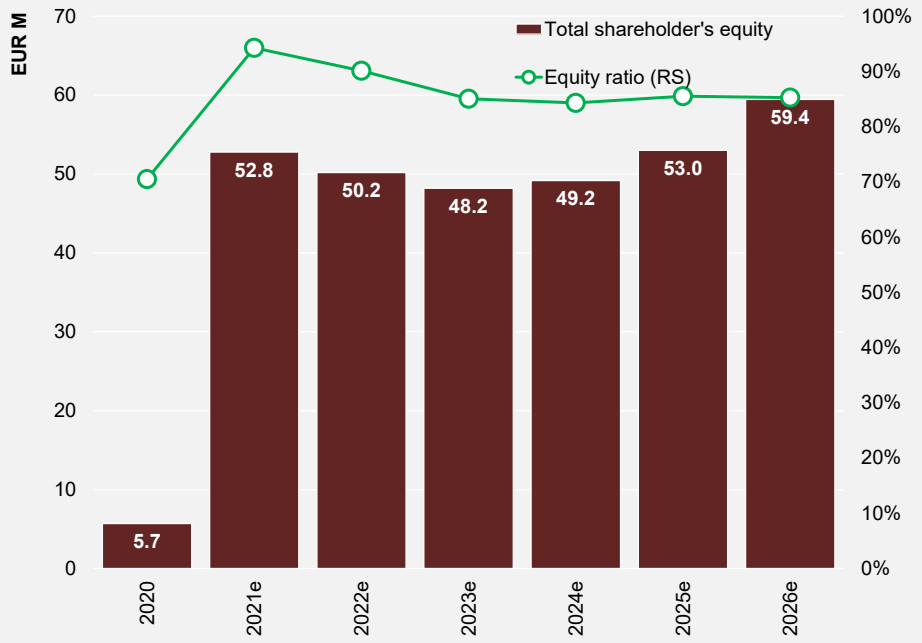


As we expect depreciation within the low capital-intensive business model to decline over time, the operating result (EBIT) will rise disproportionately to EBITDA. We expect EBIT to rise from EUR -1.5m (2021e) to EUR 8.8m (2026e). The EBIT margin should rise to up to 24.6% in this period.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Ikonisys in pictures

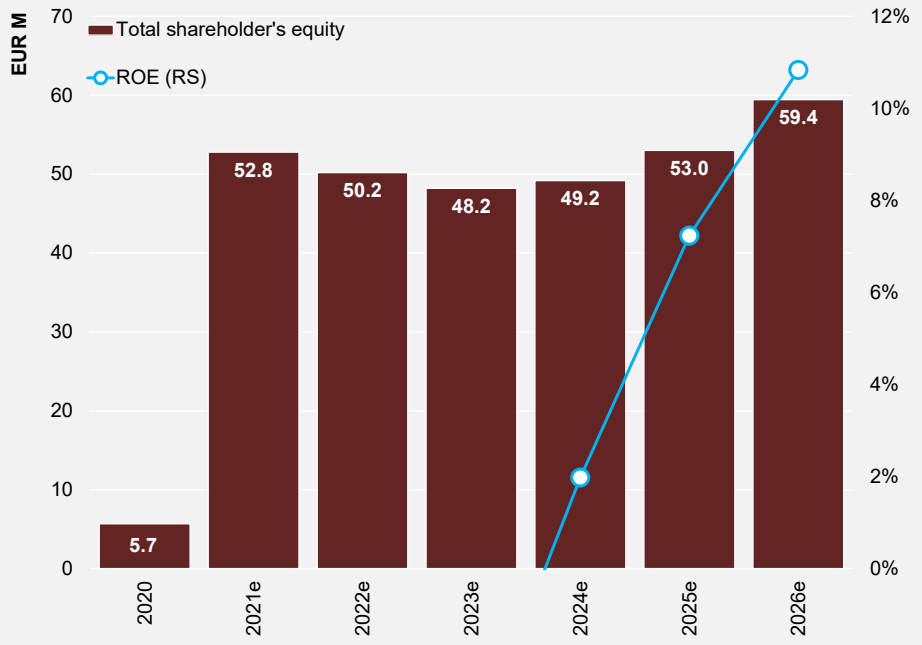
FIGURE 9: EQUITY AND EQUITY RATIO, 2020-2026E



Since the IPO in 2021, the company's share capital has been EUR 18.963m consisting of 9.482m ordinary bearer shares. The free float is 7.4%. The company currently has no interest-bearing debt. According to our estimates, the equity ratio was 94.3% at the end of 2021e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

FIGURE 10: EQUITY AND RETURN ON EQUITY (ROE), 2020-2026E

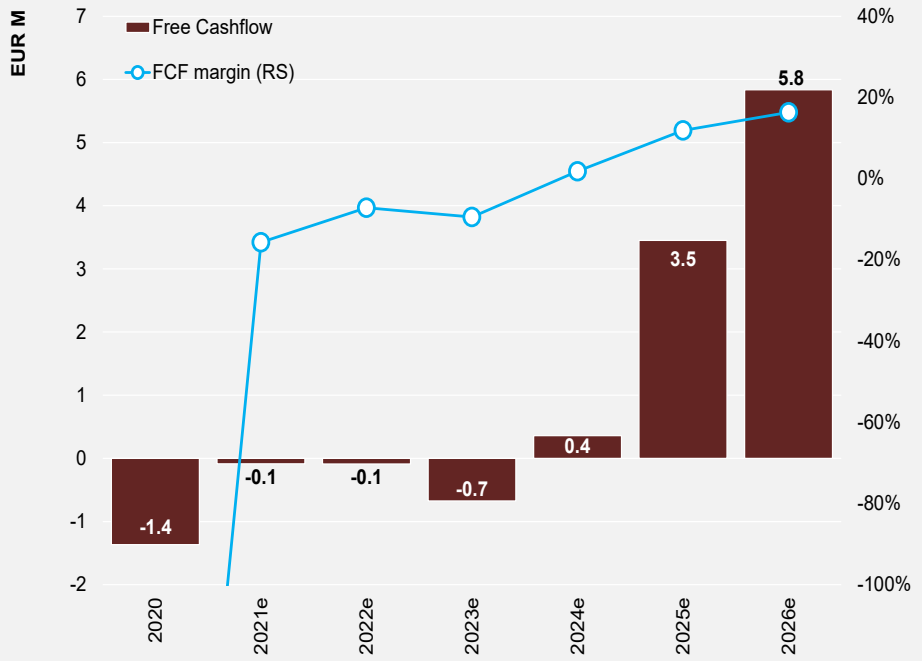


Up to and including 2023e, Ikonisys is not expected to generate a positive return on equity for shareholders. For 2025e and 2026e, we expect returns on equity of 7.2% and 10.8%, respectively. With a cost of equity calculated from the CAPM, which we set at 7.4% for these two years, Ikonisys becomes an increasingly value-creating company for shareholders from 2026e onwards.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Ikonisys in pictures

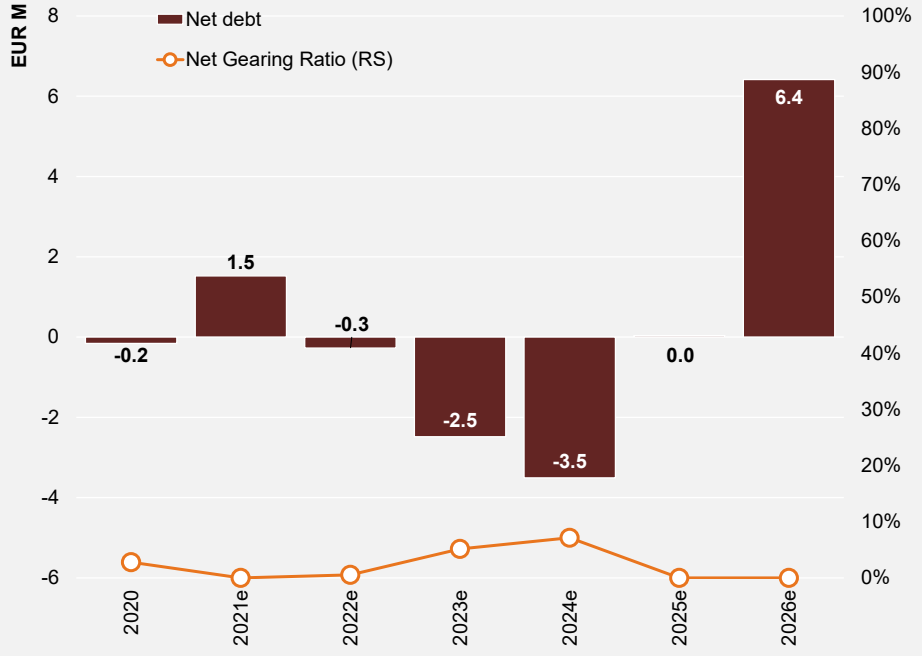
FIGURE 11: FREE CASH FLOW AND FCF MARGIN, 2020-2026E



The free cash flows were negative in the past two years. This was mainly due to the loss-making earnings situation. We expect Ikonisys to continue to generate negative free cash flows including 2023e.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

FIGURE 12: NET FINANCIAL POSITION AND NET GEARING RATIO, 2020-2026E



We estimate that gross debt was almost zero at the end of 2021e. Including cash and cash equivalents of EUR 1.7m, we calculate a positive net financial position of EUR 1.5m. With the achievement of profitability in 2024e, we expect a further expansion positive net financial position.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Value of equity EUR 7.70 per share

We value the equity of Ikonisys SA, listed on Euronext Growth Paris, based on a three-stage discounted cash flow entity model (primary valuation method) and using an economic profit model (secondary method). Finally, we verified the intrinsic value from the cash flow and economic profit models using market-oriented peer group multiples of listed diagnostics companies.

Following the market launch of Ikoniscope20, we estimate that Ikonisys will show significant revenue and earnings growth rates in the coming years. After the end of the detailed planning phase (2026e), our DCF model enters the second phase, the so-called rough planning or transition phase, which ends with the terminal value phase after the end of the financial year 2036e; during the rough planning phase, we have applied a compound annual growth rate (CAGR) of 3.7% for sales. In the terminal value we model an annual growth of 0.9%, which corresponds to the quasi-risk-free interest rate in the form of long-term French federal bonds with a 30-year residual term. This procedure results in an equity value of EUR 72.6m or EUR 7.70 per share in the base case scenario. In a Monte Carlo analysis, we have used alternative turnover and earnings scenarios and determine equity values in a range between EUR 6.10 (10% quantile) and EUR 9.20 (90% quantile) per share.

To check the results of the DCF model, we have used an economic profit model. Based on our earnings forecasts for 2026e, we calculate a present value of equity of EUR per 6.90 share (+146.5% compared to the last closing price of EUR 2.79). Based on the consensus estimates 2023e and 2024e, the peer group multiples yield a target price of EUR 4.50 and EUR 9.80 per share, respectively (+60.1% and +251.1% vs. the last closing price of EUR 2.79) at our preferred EV/sales multiple.

Both alternative methods confirm the results from the DCF model, which indicate a clear undervaluation of the Ikonisys share. In view of an expected price performance of around 176.0% over 24 months, derived from the DCF model, we are initiating research coverage of the shares of Ikonisys SA with a Buy rating.

Our primary valuation method for Ikonisys is a three-stage DCF entity model

In view of the dynamic earnings development we expect, we consider a long-term standardised three-phase discounted cash flow entity model (primary valuation method) to be the most suitable method for determining the enterprise value.

The external raising of equity capital is not envisaged in our model.

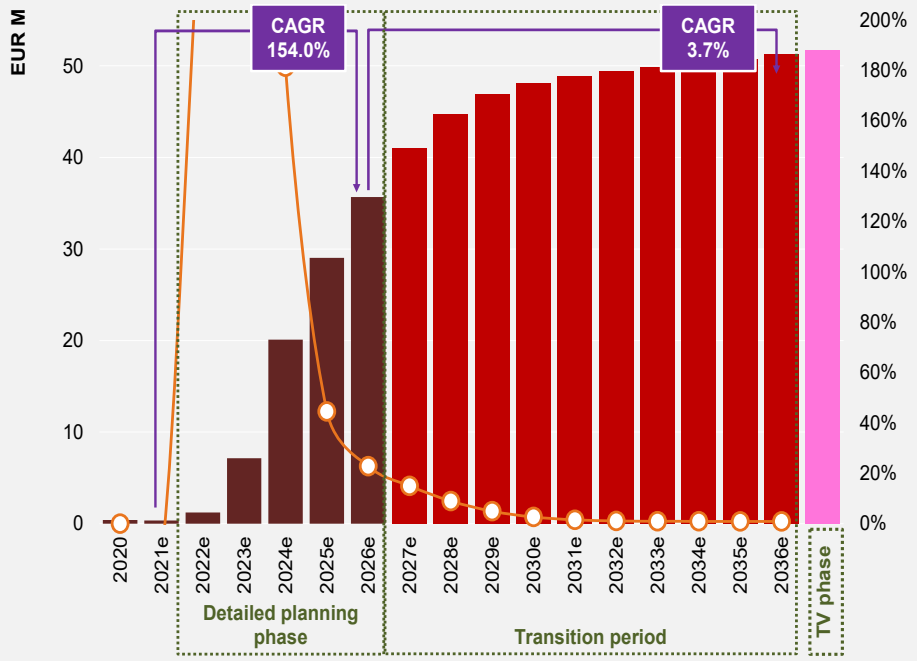
Growth assumptions of the DCF model

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

Three-stage DCF entity model: Assumptions for turnover development

- **Phase 1** of the DCF model (the so-called "**detailed planning phase**") is initially based on our detailed turnover, earnings, cash flow and balance sheet expectations up to the year 2026e and - starting from an almost revenue-free level - we expect average annual growth rates (CAGR) of turnover between 2021e and 2026e amounting to 154.0%.
- In the subsequent **phase 2** (ten-year "**rough planning phase**"), which ends in 2036e, we have assumed a 3.7% CAGR of sales. Furthermore, during the rough planning phase, we have assumed that the company's key performance indicators will converge to a level that is enforceable in the long term.
- For the final **phase 3** of the so-called "**terminal value**", in which growth is by definition only possible without taking operational risks, we set the quasi-risk-free interest rate of 30-year French government bonds, currently 0.9%, as the sales growth rate.

FIGURE 13: TURNOVER AND TURNOVER GROWTH, 2020-2036E



Until 2026e, the model is based on our detailed P&L, balance sheet and cash flow planning. These lead into a second rough planning phase, which ends in 2036e. After that, we model the terminal value, in which Ikonisys is would be in a steady state in which excess returns can no longer be achieved.

The average annual turnover growth rates during the detailed and rough planning phases are 154.0% and 3.7% respectively. In the terminal value, where model-imminent risky investments are no longer "worthwhile", the operating cash flows are invested at risk-free conditions (currently 0.9%).

SOURCE: SPHENE CAPITAL FORECASTS

Three-stage DCF entity model: Assumptions for the other items of the DCF model

Further assumptions during the rough planning phase

For our three-stage DCF model, we assume during the detailed and rough planning phase,

- that the **EBIT margins** during the rough planning phase will continue to rise - albeit at a slower pace - compared to the value of 25.0% (basis: turnover) expected in 2026e; we hold economies of scale responsible for this. We have not assumed any inflow of equity from outside, but only internal financing from the cash flows generated.
- that the **operating margins** in the subsequent **terminal value** phase are 25.0%.
- an **investment ratio** to net sales that is comparable with the currently observable values, thereby assuming a constant capital intensity.
- a fundamental **beta** of 1.10, which we derive from the following macroeconomic or company-specific factors (in doing so, we deliberately deviate from the observed beta values, which have been significantly lower - namely 0.264 - since the IPO and are thus close to the risk-free rates):

TABLE 1: DERIVATION OF THE FUNDAMENTAL-BETA	
Degree of diversification	0.10
Competitive intensity	0.00
Maturity of the business model	-0.10
Regulatory risks	0.00
Financial risks	0.00
Risks of the business forecast	0.10
Market-beta	1.00
beta	**1.10**

SOURCE: SPHENE CAPITAL

Assumptions for the other items of the DCF model (continued)

- a terminal value **insolvency probability** of 4.1% per year, which we consider realistic for the currently unleveraged company at an expected recovery rate of 10.0% and given a synthetic rating of BB derived by us (based on an equity ratio 2021e of 94.3% expected by us).
- that the company's **marginal tax rate** during the rough planning phase will be 26.5%, a realistic average for the company operating in North America and Europe.
- that negative free cash flows are not discounted, but rather discounted up to the current valuation date with the weighted cost of capital; this consideration, based on the **axiom of investor risk aversion,** applies according to our estimates in the early years of our observation period.
- that the cash flows generated by Ikonisys in the period 2022e-2026e are discounted with a **weighted average cost of capital (WACC)** of 9.6%. In addition to the fundamental beta of 1.10 derived above, this is composed of a quasi-risk-free interest rate of 0.9%, determined from the yield of long-term (30-year) French federal bonds (whereby we have used the most recent federal bond of this maturity), and an implicitly calculated risk premium for the overall French capital market (assumption of the geometric mean) of currently 5.9 %. In addition, following the Fama-French five-factor model, we applied a small caps premium of 3.0%, which is composed of the dependence on management (1.0%), a share liquidity premium (1.0%) and a transparency premium (1.0%). Given our assumed synthetic corporate rating of BB, we have assumed a deliberately conservative value of 600 basis points in determining the risk premium for debt capital. Finally, we assume that Ikonisys targets an industry-typical target capital structure for the market values of equity and debt of 75%/25%.

TABLE 2: WACC, 2022E-2026E

Cost of equity	**%**	**7.4%**	**Calculation according to Capital Asset Pricing Model (CAPM)**
Quasi-risk-free interest rate	%	0.9%	Federal bond with 30-year residual maturity
Beta		1.10	Fundamentally determined beta
Implied risk premium	%	5.9%	From dividend discount model using consensus estimates on CAC earnings and CAC dividends
Small Cap Premium	**%**	**3.0%**	
Management premium	%	1.0%	Key-Man-Risk
Liquidity premium	%	1.0%	Premium due to low trading volume of less than 10,000 shares per day
Transparency premium	%	1.0%	Surcharge due to over-the-counter listing
Private Company Premium	%	0.0%	
Early Stage Premium	%	0.0%	
Pandemic premium	%	0.0%	
Target capital structure of equity	%	75.0%	
Weighted average cost of equity capital	**%**	**7.8%**	
Cost of debt after taxes		**5.1%**	
Quasi-risk-free interest rate	%	0.9%	Current youngest federal bond with 30-year residual maturity
Risk premium debt capital	%	6.0%	Corresponding to the CDS of a BB rated small cap company
Default spread of the home market	%	0.0%	Negligible in North America or the European core markets
Cost of debt capital before taxes	%	6.9%	
Tax rate	%	26.5%	Inclusion of the debt-induced tax shield
Target capital structure of debt capital	%	25.0%	
Weighted average cost of capital of debt capital	**%**	**1.3%**	
WACC based on market values	**%**	**9.1%**	**For the detailed planning phase 2022e-2026e**

SOURCE: SPHENE CAPITAL FORECASTS

Assumptions for the other items of the DCF model (continued)

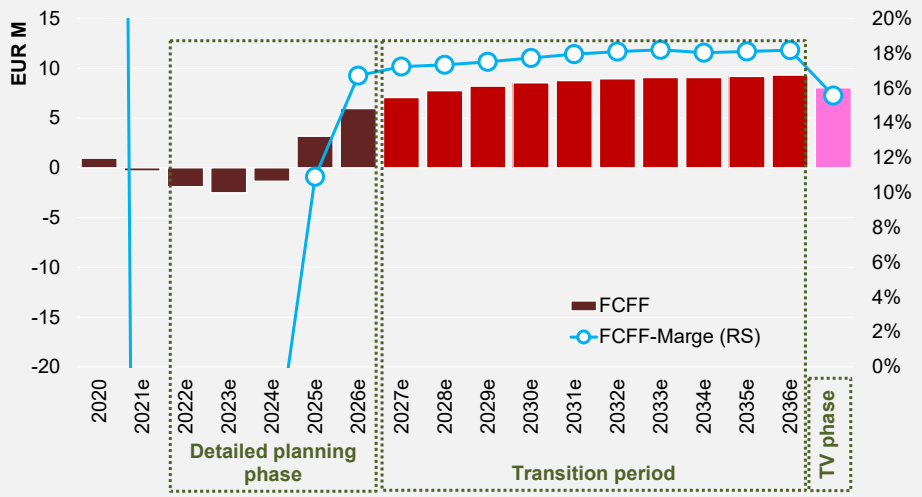
- that Ikonisys will have **costs of capital** in the terminal value phase that is no different from that of other mature companies; consequently, we assume a decline in the beta factor to the level of the market portfolio (i.e. 1.0) and thus the WACC from 9.1% (2022e-2026e) to then 5.9% (which would correspond to a market risk premium of 500 basis points based on current interest rates).

Typical life cycle curve of a company in the growth phase

Clearly positive development of free cash flows

Our valuation model yields the following forecast (cf. Figure 14) of free cash flows to the firm (FCFF) for the years 2022e to 2036e. It can be seen how our cautious forecasts regarding the development of earnings in the early years do not yet lead to any significant free cash flows before we forecast the achievement of an FCFF margin of 18.1% in 2026e. During the subsequent rough planning phase, we have assumed only maintenance and minor expansion investments. Finally, in the terminal value we assume a slight decline in the free cash flows to the firm due to the model immanent increase in the reinvestment rate, which in turn form the basis for the model terminal value.

FIGURE 14: FCFF AND FCFF MARGIN, 2020E-2036E



We expect a slight but steady increase in free cash flows in the transition phase. By 2036e, we expect an FCFF margin of 18,1% of gross revenues.

SOURCE: SPHENE CAPITAL FORECASTS

In the medium term, our base case scenario results in an equity value of EUR 72.6m or EUR 7.70 per share.

The enterprise value of Ikonisys in our model is EUR 71.1m. From this, 41.8% is derived via the terminal value, 1.3% and 56.9% from the cash flows generated in the detailed and rough planning phase, respectively. Including the net cash position we expect (at the end of financial year 2021e) of approx. EUR 1.5m (based on the excess cash) results in an equity value of EUR 72.6m or EUR 7.70 per share.

Value of equity of EUR 72.6m or EUR 7.70 per share

TABLE 3: DCF VALUATION, SUMMARY OF RESULTS

			Comment
Probability of insolvency in the terminal value	%	4.1%	Synthetic BB rating with 10% PD, 10% RR and default spread 450 bps
Cost of capital in terminal value	%	6.5%	500 bps long-term equity risk premium over 30-year federal bond
Present value Terminal value	EUR m	29.7	From 2036e with compound annual growth rate (CAGR) 0.9%
in % of the Enterprise Value	%	41.8%	
Present value FCFF Detailed planning phase	EUR m	0.9	For the period 2022e-2026e with revenue CAGR 2021e-26e of 154.0%.
in % of the Enterprise Value	%	1.3%	
Present value FCFF Rough planning phase	EUR m	40.5	For the period 2026e-2036e with revenue CAGR of 3.7%.
in % of the Enterprise Value	%	56.9%	
Enterprise Value	**EUR m**	**71.1**	

SOURCE: SPHENE CAPITAL FORECASTS

TABLE 3: DCF VALUATION, SUMMARY OF RESULTS (CONT.)

Financial debt	EUR m	-0.2	Data as at 31.12.2021 (end of financial year 2021e)
Excess Cash	EUR m	1.6	Data as at 31.12.2021 (end of financial year 2021e)
Value of equity	**EUR m**	**72.6**	**On a 24-month view**
Number of shares outstanding	m.	9.5	
Value of equity per share	**EUR**	**7.70**	**On a 24-month view**
Current share price	EUR	2.79	Closing price as of 24 01 2022
Price potential	%	176.0%	

SOURCE: SPHENE CAPITAL FORECASTS

Advanced scenario analysis through Monte Carlo simulation

We then performed a Monte Carlo simulation to interrogate the sensitivities of the enterprise value with respect to the independent input variables. We performed a multivariate analysis and tested the results of the DCF model according to the following seven criteria and specific standard deviations (σ).

TABLE 4: SENSITIVITY PARAMETERS OF THE MONTE CARLO SIMULATION

		Is	σ
Turnover growth rate in the rough planning phase	%	3.1%	5.0%
Terminal value sales growth rate	%	0.3%	1.0%
Average EBIT margin rough planning phase	%	23.8%	5.0%
EBIT margin in terminal value	%	25.0%	5.0%
Average tax rate rough planning phase/terminal value	%	26.5%	2.0%
Normalised sales to capital ratio	%	-2.00	1.0%
Probability of insolvency in the terminal value	%	4.1%	0.7%

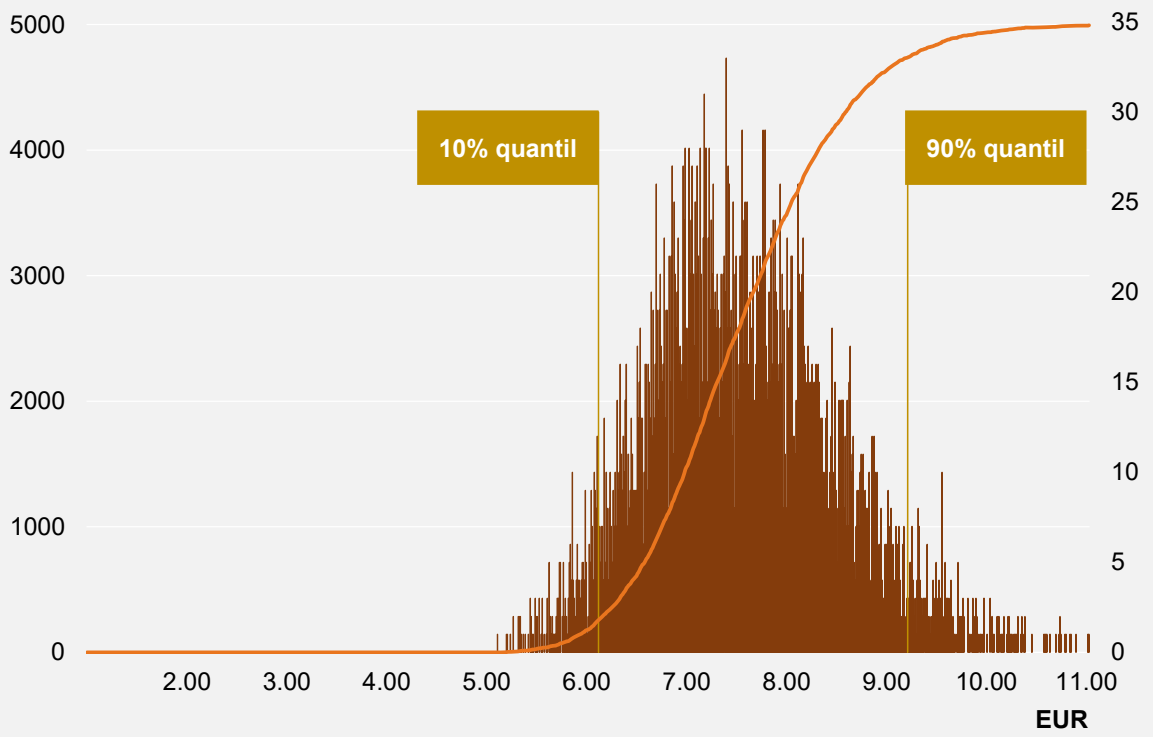
SOURCE: SPHENE CAPITAL FORECASTS

Advanced scenario analysis through Monte Carlo simulation

The 10% and 90% quantiles yield equity values of EUR 57.8m (EUR 6.10 share) and EUR 87.2m (EUR 9.20 per share), respectively. The results of our Monte Carlo simulation are summarised in the following left-steep-right-skewed distribution:

Monte Carlo simulation with 10% or 90% quantile price targets between EUR 57.8m and 87.2m or EUR 6.10 and EUR 9.20 per share.

FIGURE 15: MONTE CARLO SIMULATION (5,000 SIMULATIONS, IN EUR PER SHARE)



SOURCE: SPHENE CAPITAL FORECASTS

Adjustment of the price target in case of a significantly better sales development

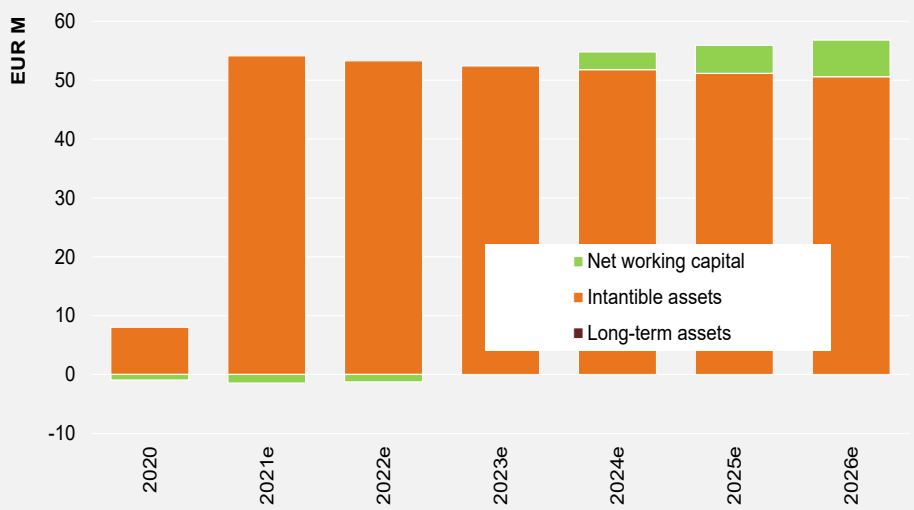
Our target price is derived from our expected base case scenario. In doing so, we have applied surcharges to the cost of equity, as we consider Ikonisys to be a company in the start-up phase. Without taking these early-stage premiums into account, the price target derived from the DCF model would increase by about EUR 2.50 per share to EUR 10.20 per share according to our calculations.

In addition to a three-phase DCF entity model, we have used an economic profit model to determine the value of Ikonisys. The question here is whether and from when the capital provided to the company is used to create value and at what price level this value creation is reflected in the intrinsic company valuation. From the economic profit model, we calculate a present value of equity of up to EUR 6.90 (based on the economic profit margin of the year 2026e) per share for Ikonisys. If Ikonisys succeeds in expanding the economic profit margin as we expect, the model indicates a significant undervaluation of the shares from the year 2025e onwards, which gradually increases over time.

Use of the value added multiplier

The first step is to determine whether Ikonisys is operating a value-creating business model at all. To do this, we determine the cost of capital employed and compare this with the return on capital employed. The following figure shows the development of Ikonisys' capital employed for the years 2020-2026e, derived from our estimated balance sheet data:

FIGURE 16: CAPITAL EMPLOYED, 2020-2026E



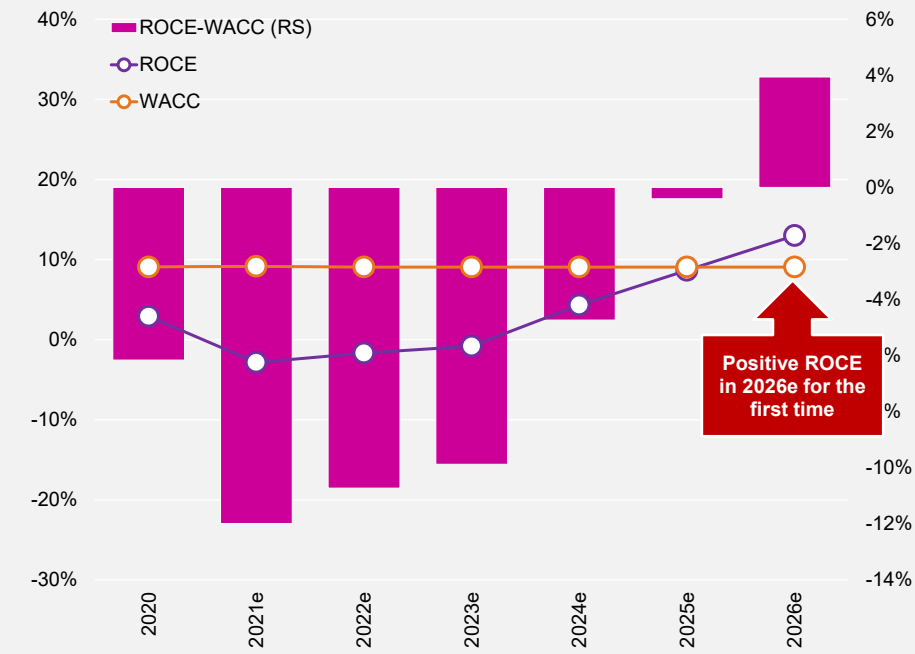
The capital employed by Ikonisys results mainly from intangible assets from the contribution of Ikonisys S.r.l. to Ikonisys SA at the time of the IPO. Apart from this, we classify the business model of Ikonisys as "asset-light". Despite the increase in business volume, which we assume for the coming years, we only expect a slight increase in capital employed between 2021e to 2026e to EUR 56.0m (CAGR 2021e-2026e 1.2%).

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

Return on capital employed

In a second step, we determine the return on capital employed (ROCE) by calculating the adjusted operating profit (NOPLAT) and dividing it by the capital employed. We then compare the calculated ROCE values with the cost of capital (WACC) as determined in the DCF model described above.

FIGURE 17: RETURN ON CAPITAL EMPLOYED (ROCE), 2020-2026E



We expect Ikonisys to have a positive value-added margin from 2026e onwards.

SOURCE: SPHENE CAPITAL FORECASTS

Ikonisys with increasing value added margin after 2026e

It can be seen from the above figure 17 that according to our expectations Ikonisys will have a positive value-added margin as of financial year 2026e, which we forecast to further increase. This fulfils the necessary condition that Ikonisys is a value-creating company.

Valuation at the time when positive value creation has been achieved

From our point of view, an investor currently invested in the company will part with his stake in Ikonisys at the earliest when the company is no longer a "value destroyer" in the long term, i.e. when the return on capital employed exceeds the cost of capital employed. According to our estimates, this will be the case in 2026e. At that time, an investor will call for a price for his shares that corresponds to the value of the capital invested.

For the year 2026e, an enterprise value of EUR 80.3m can be derived from this assumption. Adding the net financial position of EUR 6.4m (2026e) that we then forecast, an equity value of EUR 86.7m is calculated. Discounted by the cost of equity of 7.4% derived from the CAPM (see Table 2), a present value of EUR 6.90 per share can be derived.

We assume that the price targets will continue to rise in the years after 2026e, as the value creation margin should continue to increase through the realisation of economies of scale. The more long-term an investor is invested in the share, the greater the price appreciation potential will be for him, in our estimation.

TABLE 5: DERIVATION OF THE TARGET PRICE FROM THE ECONOMIC PROFIT MODEL

		2022e	2023e	2024e	2025e	2026e
EV/CE	**x**	**0.51**	**0.55**	**0.55**	**0.48**	**0.36**
ROCE/WACC	**x**	**-0.18**	**-0.09**	**0.48**	**0.96**	**1.43**
Enterprise Value	**EUR m**	**-9.5**	**-4.7**	**26.2**	**53.0**	**80.3**
Net financial position (+) or debt (-)	EUR m	-0.3	-2.5	-3.5	0.0	6.4
Pension provisions	EUR m	0.0	0.0	0.0	0.0	0.0
Third party shares	EUR m	0.0	0.0	0.0	0.0	0.0
Financial assets of the fixed assets	EUR m	0.0	0.0	0.0	0.0	0.0
Value of equity	**EUR m**	**-9.8**	**-7.2**	**22.7**	**53.1**	**86.7**
Number of shares	m.	9.5	9.5	9.5	9.5	9.5
Present value per share	**EUR**	**n/a**	**n/a**	**2.10**	**4.50**	**6.90**

SOURCE: SPHENE CAPITAL FORECASTS

We have verified the results of our fundamental valuation procedures using market multiples. We have compiled a broad peer group of listed diagnostics companies with no further industry or size restrictions. Based on the consensus estimates for 2023e and 2024e, our preferred EV/sales multiple results in a target price of EUR and 4.50 and EUR 9.80 per share (+60.1% and +251.1%, respectively, compared to the last closing price of EUR 2.79). This confirms the results from the fundamental valuation procedures, which indicate a clear undervaluation of the Ikonisys share.

We compare Ikonisys with other diagnostics companies

In addition to fundamental methods, which are used to determine the intrinsic value of a company, it makes sense to value Ikonisys on the basis of a broad peer group of listed diagnostics companies in order to determine an adequate market valuation of the company that reflects current market sentiment.

The requirement to be included in the peer group stems solely from the industry specification, since in the absence of suitable candidates we cannot take into account the size of the companies, represented for example by market capitalisation. Under this specification, we have included ten companies with a market capitalisation between USD 69.7m and USD 1.6bn in the valuation of the Ikonisys share.

TABLE 6: KEY DATA OF LISTED DIAGNOSTICS COMPANIES

Company	FX	Share price (20 01 2022)	Number of shares (million)	Market capitalisation (million)	Net debt (million)	Enterprise Value (million)
Accelerate Diagnostics Inc.	USD	4.10	69.7	285.8	56.7	342.5
Angle plc	USD	1.21	235.0	284.4	-18.5	265.9
Biocartis Group NV	EUR	3.28	57.5	188.6	64.5	253.1
CellaVision AB	SEK	317.00	23.9	7,576.3	3.0	7,579.3
ChemoMetec A/S	DKK	656.50	17.4	11,423.1	-94.0	11,329.1
Fluidigm Corp.	USD	3.13	76.5	239.4	75.8	315.2
Immunovia AB	SEK	63.70	22.6	1,439.6	-304.6	1,135.0
NanoString Technologies, Inc.	USD	35.88	45.7	1,639.7	-118.0	1,521.7
Quanterix Corp.	USD	32.65	36.6	1,195.0	-386.5	808.5
T2 Biosystems, Inc.	USD	0.42	166.0	69.7	15.9	85.6

SOURCE: BLOOMBERG, CAPITALIQ, SPHENE CAPITAL

Derivation of the EV/turnover multiples of the peer group

Not only Ikonisys, but also peer group companies will not yet be profitable in the coming years. On the other hand, we feel that multiples that are closer in time are more representative than those that are distant in time. In this respect, we see the EV/turnover multiple as a reasonable compromise for the valuation of the Ikonisys share. The following multiples can be derived from this:

TABLE 7: EV/TURNOVER MULITPLES OF THE PEER GROUP

Company		2022e	2023e	2024e	2025e
Accelerate Diagnostics Inc.	x	21.68x	12.43x	9.65x	7.56x
Angle plc	x	51.13x	20.61x	11.46x	6.03x
Biocartis Group NV	x	3.41x	2.37x	1.83x	1.57x
CellaVision AB	x	11.51x	10.13x	9.62x	8.63x
ChemoMetec A/S	x	29.43x	22.43x	18.50x	15.73x
Fluidigm Corp.	x	2.42x	2.03x	1.72x	1.47x
Immunovia AB	x	14.91x	6.49x	2.65x	1.32x
NanoString Technologies, Inc.	x	8.47x	6.08x	5.64x	4.68x
Quanterix Corp.	x	6.48x	4.98x	3.96x	3.13x
T2 Biosystems, Inc.	x	2.78x	2.09x	1.60x	1.26x
Median	x	**9.99x**	**6.28x**	**4.80x**	**3.91x**
Maximum	x	**51.13x**	**22.43x**	**18.50x**	**15.73x**
Minimum	x	**2.42x**	**2.03x**	**1.60x**	**1.26x**

SOURCE: BLOOMBERG, CAPITALIQ, SPHENE CAPITAL

Target price of EUR 9.80 (2024e)

Based on the peer group multiples and our revenue forecasts, the equity values for Ikonisys can be derived as follows.

TABLE 8: DERIVATION OF THE VALUE OF EQUITY PER SHARE FROM PEER GROUP MULTIPLES

		2022e	2023e	2024e	2025e
Target price per share Ikonisys EV/Sales median	**EUR**	**1.26**	**4.47**	**9.80**	**11.96**
Target price per share Ikonisys EV/Sales Maximum	EUR	6.58	16.63	38.83	48.19
Target price per share Ikonisys EV/Sales Minimum	EUR	0.28	1.27	3.03	3.87

SOURCE: BLOOMBERG, SPHENE CAPITAL FORECASTS

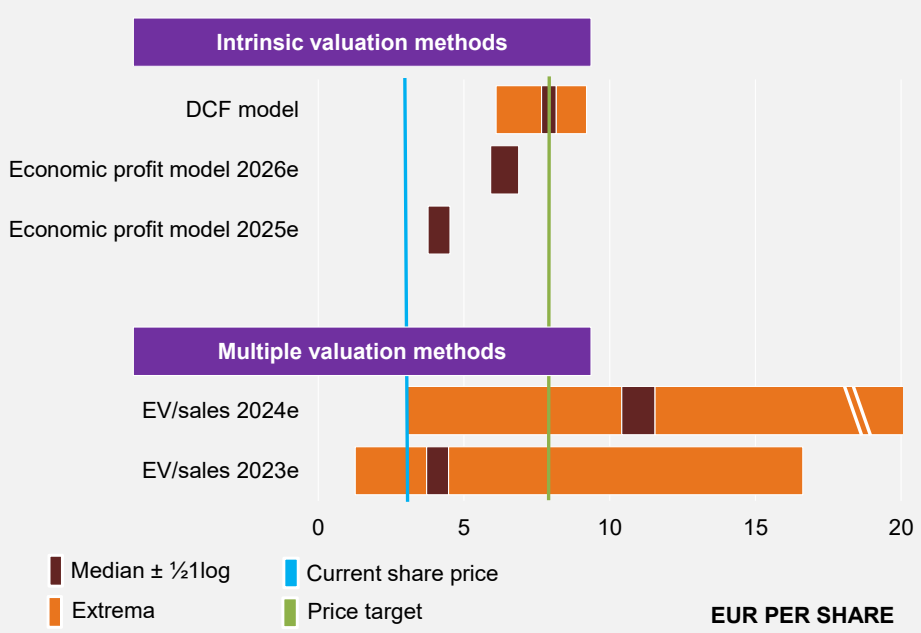
Summary of the results

In the figure 18 below, we have summarised the results of the valuation approaches presented, whereby we have also presented the results of the Monte Carlo simulation in the DCF model. Due to the development of Ikonisys' operating earnings that we expect, we believe that a DCF model with a long-term horizon is the superior valuation method.

We are therefore initiating research coverage of the shares of Ikonisys with a target price of EUR 7.70 and a buy rating.

The summary of the valuation results shows that the current share price is in part significantly below our valuation results.

FIGURE 18: SUMMARY OF THE VALUATION RESULTS



Due to the dynamic earnings development we expect, we see a long-term DCF model as the relevant valuation measure.

SOURCE: SPHENE CAPITAL FORECASTS

Multiples in achieving our valuation results

On the basis of our financial forecasts and if the value of equity determined by us (base case scenario of the DCF valuation model) of EUR 7.70 per share is reached, Ikonisys would be valued at the following multiples:

TABLE 9: VALUATION MULTIPLES OF THE IKONISYS SHARE

		Valuation at the current rate					Target price valuation				
		2022e	2023e	2024e	2025e	2026e	2022e	2023e	2024e	2025e	2026e
KGV	x	n/a	n/a	27.2x	6.9x	4.1x	n/a	n/a	75.1x	19.0x	11.3x
EV/turnover	x	21.8x	4.1x	1.5x	0.9x	0.6x	59.8x	10.6x	3.8x	2.5x	1.9x
EV/EBIT	x	-10.3x	-14.6x	30.8x	5.3x	2.3x	-28.2x	-38.0x	78.7x	14.6x	7.6x
KBV	x	0.5x	0.5x	0.5x	0.5x	0.4x	1.5x	1.5x	1.5x	1.4x	1.2x
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCE: SPHENE CAPITAL FORECASTS

Upside risks to the achievement of our valuation results

We see the following downside risks in particular for the achievement of our price target (for details and additions, see also p. 40ff.):

- Lack of profitability until now
- Dependence on suppliers

- Regulated business model
- Translation risks from currency conversion
- Possible but unlikely liability risks from wrong treatment

Catalysts for performance
We see the following as the most important catalysts for the development of the company value of Ikonisys in the coming months:

- **Faster success in market penetration** with the Ikoniscope20
- **Achieving profitability** faster than we expect

Fully automated microscopy diagnostic solution

Under the name Ikoniscope, Ikonisys has developed a robotic and software-supported microscopy application that, according to the company, enables fully automated detection and quantification of rare and very rare cells in tissues and biological fluids. This is used in particular for cell diagnosis in oncology and genetic diseases. Ikonisys provides a range of diagnostic fluorescence in situ hybridisation tests, or FISH tests for short, with which different types of cancer can be made optically visible at an early stage using fluorescent tumour markers. We see considerable additional potential in the recently possible detection and characterisation of circulating tumour cells (CTCs) in liquid biopsies.

The advantage of the Ikonisys application is the almost complete automation of an otherwise labour-intensive and time-consuming - and thus costly, but also error-prone - process. According to the company, by implementing the Ikoniscope platform, the subjective elements of diagnosis can be largely eliminated, and the quality and consistency of diagnoses significantly improved. Moreover, the automation of the platform enables the daily test volumes in the laboratories to be significantly increased.

In our estimation, Ikonisys thus serves a structurally rising market volume driven by an increasing use of non-invasive diagnostic tests for the (early) detection, treatment and monitoring of cancer - a consequence of the globally rising cancer prevalence, the availability of new molecular and immunological biomarkers for different types of cancer and increasingly automated sample preparation. Another trend factor is personalised therapies, which are also usually associated with elaborate diagnostic tests.

Working in the lab: The normal case of an extremely high workload

In the example of a hospital, the laboratory is the central facility for the immunological and molecular biological examinations of samples and biopsies from practically all clinical disciplines. Since clinical immunology, like molecular biology, is constantly being expanded by new discoveries, only appropriately trained specialists and specialist staff can use the results of basic immunological research and translate them into useful clinical laboratory applications.

Technological innovations have significantly improved the productivity of clinical laboratories. The services offered by clinical laboratories are increasingly perceived as homogeneous, as many tests are performed on automated equipment using commercially available reagents. These changes are signs of an increasing commodification of laboratory practice.

Most clinical immune and molecular tests offered by laboratories consist of a series of complex, labour-intensive steps that can only be performed in a special, dedicated laboratory environment. These include such things as

- the preparation of the clinical samples,
- the isolation of human or pathogenic genetic material from the sample,
- amplification, i.e. the duplication of DNA or RNA fragments,
- the detection and quantification of this genetic material, and
- the interpretation and reporting of the results.

The Ikonisys solution: Complete automation of workflows

Business model at a glance

Laboratory automation solutions are therefore not only a tool to increase productivity and reduce costs, but also to improve the quality and consistency of results. For this purpose, Ikonisys has developed a fully automated diagnostic solution for the detection, analysis and interpretation of rare and very rare cells. It is based on an in-house developed digital microscope - the "Ikoniscope" - and proprietary software diagnostic applications ("Ikonisoft") based on fluorescent FISH (Fluorescence In Situ Hybridisation) tests. The diagnostic solutions developed by Ikonisys mainly address the molecular

diagnostic oncology segment; however, solutions for cell diagnostics for the early detection of genetic diseases are also offered.

According to the company, the automation solution developed by Ikonisys leads to a significant improvement in the overall laboratory process, as

- provides an **integrated and automated diagnostic solution** for pathologists, oncologists, cytotechnologists, and other laboratory personnel to perform a large number of tests in a shortened period of time. For example, the Ikoniscope platform, with its software applications that automatically list, classify, and submit cells for testing, reduces the time required to interpret tests from 20 minutes to about 7 minutes - a time saving of 65%.
- the **quality and quantity of digitally captured diagnostic data** is improved at the level of the individual cell analysed, enabling better diagnoses and prognoses to be made. For example, the Ikoniscope platform delivers laboratory results that reduce the need for a second opinion or repeat test confirmation from around 15% to less than 5%.
- the **overall efficiency of workflows** can be **increased,** and capital costs saved. For example, the operation of the Ikoniscope platform does not require a separate darkroom, and the data obtained can be accessed at any time via cloud storage.

FIGURE 19: THE ICONISCOPE20

The entire scanning process is efficiently controlled by hardware and imaging algorithms. This allows slides to be scanned quickly while producing high quality, optimally focused and exposed images of cells that appear malignant. This automation of workflow significantly reduces dependence on the subjective skills of laboratory staff.

SOURCE: CORPORATE DATA

The starting point for Ikonisys laboratory automation is the Ikoniscope

The Ikoniscope Robotic Microscope is a microscope developed by Ikonisys that enables pathologists and oncologists, as well as other laboratory staff, to handle slides fully automatically - in particular, to scan slides and perform high-resolution image acquisition and analysis - in real time. To perform the analyses, slides containing cells or tissue

The Ikoniscope can also be used to automate particularly labour-intensive manual tests. Ikonisys markets the Ikoniscope digital microscope together with its platforms, systems and software applications as an "all-in-one solution".

samples are placed in a cassette, which in the basic configuration can hold up to eight such slides, and manually inserted into the Ikoniscope microscope. A configuration with 80/160 slides will be available with the "Slide Loader", which is an add-on to the instrument. The Slide Loader is currently under development and is expected to be ready in the first quarter of 2022e, according to the company.

The uploading of slides and scanning of each cell on each slide, first at low resolution - then at higher resolution - is done automatically. The time span of a complete procedure ranges from 20 minutes for a bladder cancer test using urine to two hours for tests that require tissue samples to be analysed. On average, a laboratory can perform 50 to 100 tests per week.

The Ikoniscope is controlled by the Ikonisoft control software

The robotic components of the Ikoniscope, image acquisition and cell detection, are controlled by the proprietary, fully scalable software engine "Ikonisoft". In this process, all the cells examined are first digitally photographed and then the fluorescence signals set by molecular and immunological FISH markers within the cells are analysed without a laboratory employee being personally involved in the evaluation.

This not only makes the Ikoniscope suitable for rare cell detection tests that cannot be performed manually due to the large number of cells to be analysed and the associated long operating times, but the fully automated test also ensures a high level of sensitivity and specificity and reduces the subjectivity often associated with fluorescence scanner-based assays. In addition, the system provides images of all clinically important cells for review and confirmation.

Originally developed as a physical mapping tool to delineate genes within chromosomes, FISH is now used primarily in biological and medical research.

Fluorescence in situ hybridisation, or FISH for short, *is a cytogenetic method developed in the early 1980s to detect and localise nucleotide sequences (DNA or RNA) in tissues or cells. By visualising and mapping the genetic material, fluorescence scanning technology provides information about the location, length, and number of copies of specific genes or chromosome segments.*

This makes use of the hybridisation of DNA base pairs. Cell DNA consists of a double helix, i.e. two individual DNA strands that are repeatedly wrapped around each other. Each DNA strand contains a specific sequence of the four bases adenine, guanine, cytosine, and thymine, which pair with their complementary base on the other strand via hydrogen bonds. The affinity with which the bases bind to their corresponding partner (adenine and thymine or cytosine and guanine) is called hybridisation. This hybridisation is the basis for fluorescence in situ hybridisation.

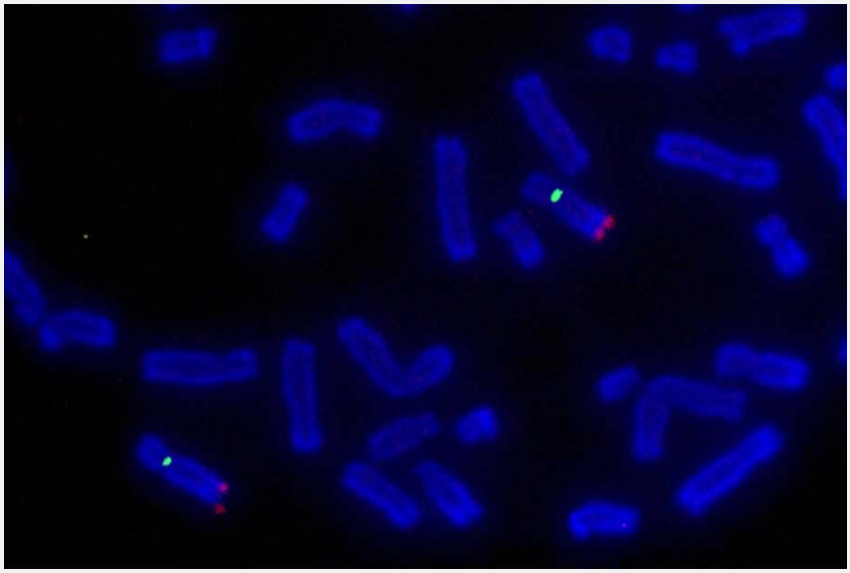
First, short sequences of single-stranded DNA are produced, the so-called DNA probes, which match a sought-after gene, for example one that causes cancer. These DNA probes are labelled, e.g. by polymerase chain reaction (PCR), a method known not only since the COVID-19 test, in which very small DNA samples are multiplied to a sufficient quantity. Through the labelling, the affected chromosomes emit coloured signals, which in turn can be detected - and manually counted by eye or automatically.

After metaphase chromosome spreads or interphase cells containing the target DNA have been immobilised on a glass slide in the laboratory, the DNA sample is denatured by heat with the fluorescently labelled FISH probe. When the probe comes into contact with the target genetic material, it binds (i.e. hybridises) to its complementary sequence

on that chromosome. The hybrids formed between the probes and their target sequences can then be visualised with a fluorescence microscope.

Two types of FISH probes can be distinguished: Chromosome Enumeration Probes (CEPs or CENs), which target the pericentromeric regions of chromosomes and are used to enumerate chromosomes, and locus-specific indicators (LSIs), which specifically detect the genes of interest. Ikonisys uses both probes.

FIGURE 20: VIEW OF A FISH MARKER UNDER THE MICROSCOPE



By labelling certain genes or parts of genes with fluorescent markers, they can be made visible to the human eye.

SOURCE: ENZOLIFESCIENCES

Use of software algorithms to evaluate the fluorescence signals

Ikonisys is an ISO13485-compliant, FDA-registered medical device manufacturer. To date, three applications have received FDA approval for use with specific probes. Because the process for obtaining certification is specific to each probe (which must also have FDA approval), the vast majority of laboratories use different probes and slightly different techniques, and most applications are used as LDTs or laboratory-developed tests. The molecular biomarker technologies offered by Ikonisys are used in various oncology diagnostic areas, including

- **oncoFISH bladder** for the diagnosis of bladder cancer,
- **oncoFISH her2** for the diagnosis of breast cancer,
- **oncoFISH ALK** for the diagnosis of lung cancer,
- **oncoFISH cervical** for the diagnosis of cervical cancer,
- **oncoFISH BE** for the diagnosis of Barrett's oesophagus, and
- **oncoFISH PTEN** for the diagnosis of prostate cancer.

oncoFISH bladder for the diagnosis of bladder cancer

Comparatively often, molecular biomarker techniques are used in the diagnosis of urothelial carcinoma, which is particularly due to the limited possibilities of urine cytology and cystoscopy. In the oncoFISH bladder application, cells obtained from urine samples are scanned on a hybridised slide using the Ikoniscope robotic microscope and processed with a panel of four FISH probes. The centromeres of chromosomes 3, 7 and 17 as well as region 9p21 of chromosome 9, which are typically present in urothelial carcinomas, are labelled. The aim is to find out whether the cells in the sample have aneuploidy - i.e. an abnormal number of chromosomes in a cell.

oncoFISH ALK for the diagnosis of lung cancer

oncoFISH ALK is a fully automated microscopy application for the FISH-based detection of re-arrangements of the gene encoding anaplastic lymphoma kinase (abbreviated "ALK"), an enzyme associated with abnormal cell proliferation and non-small-cell lung carcinoma (NSCLC). Compared to small cell carcinoma, non-small cell lung carcinoma is comparatively insensitive to chemotherapy or radiotherapy and is therefore treated by surgical resection, i.e. removal of the tissue in one operation, when possible.

About 85% of lung carcinomas are non-small cells. Of these, about 3% to 5% have a re-arrangement of the ALK gene on the second chromosome.

However, clinical trials have shown that patients with oncogenes associated with non-squamous NSCLC have been shown to respond to the ALK tyrosine kinase inhibitor crizotinib - allowing more effective therapies to be selected for patients with locally advanced or metastatic NSCLC. According to the company, FISH is particularly good for detecting the variant spectrum of ALK re-arrangements.

oncoFISH PTEN for the diagnosis of prostate cancer

oncoFISH PTEN is suitable for the detection of deletions of the PTEN gene in prostate tissue biopsies. Recent studies have found an association between deletion of the PTEN gene and a more advanced form of prostate cancer and earlier recurrence. Knowledge of this gene mutation, in conjunction with routine histology, offers significant prognostic value.

With an incidence of 1.3 million new cases (2018), prostate cancer is the most common cancer in men, next to skin cancer.

Diagnosis involves defining the area of tissue to be scanned using an H&E or immunostained slide and imaging it with the high-resolution slide scanner provided. At magnification with a 20x objective, the glandular tissue is identified in the section and an initial assessment of the cells within is made for the presence of deletions of the PTEN gene. In the subsequent analysis with a 100x objective, the complete FISH signal complement of the desired number of cells defines the cells classified for determining the presence or absence of a PTEN deletion.

oncoFISH her2 for the diagnosis of breast cancer

OncoFISH her2 aims to amplify the epidermal growth factor receptor type 2 gene HER2 (HER2 is an abbreviation of Human Epidermal Growth Factor Receptor 2), which is associated with unfavourable clinical outcomes in patients with lymph node negative and lymph node positive breast cancer. This involves the pathologist or cytotechnologist marking the area of tissue section taken at biopsy that contains an invasive carcinoma on an H&E slide and displaying an image of the H&E slide in combination with the DAPI image of the FISH slide. The pathologist can then mark the desired areas to be scanned to determine HER2 status.

HER2 amplification is associated with increased response rates to therapy with trastuzumab, a monoclonal antibody that targets the extracellular portion of the HER2 receptor, as well as taxane- and anthracycline-based chemotherapy regimens.

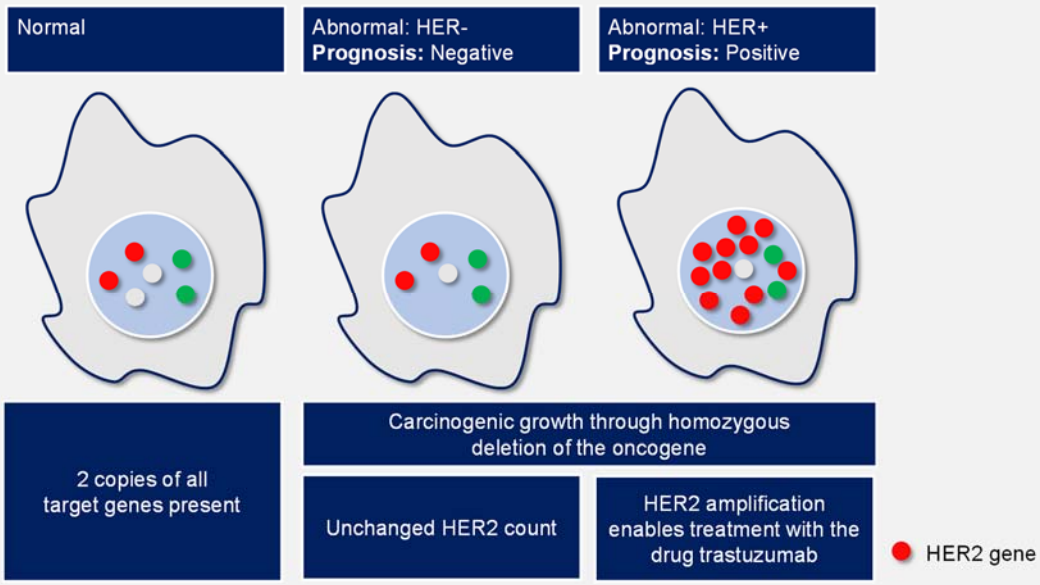
In a first step, this area is scanned with a 20x magnification objective for the first fluorescence scanner signal analysis, before selected areas are analysed in a second step

Research has shown that HER2 test results can be wrong. This is probably due to

with a 100x magnification objective. This helps to determine whether the cells have extra copies of the HER2 gene: The more copies of the HER2 gene there are, the more HER2 receptors the cells have, and the more breast cancer cell growth is stimulated. The consistency of H&E and FISH slides here not only helps to ensure that an invasive tumour is used for reporting the assay, but also that this allows a record of all the images generated for a case, which is particularly necessary in difficult or equivocal cases.

different rules that pathologists use to classify positive and negative HER2 status, for example when the test results are borderline - i.e. neither clearly HER2-positive nor HER2-negative.

FIGURE 21: EXAMPLE OF FISH APPLICATION (HER2 IN BREAST CANCER)



SOURCE: CORPORATE DATA, SPHENE CAPITAL

After the Ikoniscope platform was originally developed and validated for prenatal and oncological diagnosis, the application possibilities of the platform were successively expanded. In our opinion, the diagnosis of circulating tumour cells (CTCs), which can detect metastasis at an early stage, plays an important role. With almost 10 million deaths per year, cancer is the second most common cause of death worldwide. Cancer patients are still routinely treated with surgery, chemotherapy, and radiotherapy. To address the heterogeneity between and within patients, precision oncology is essential. Liquid biopsy, also known as liquid phase biopsy, which unlike traditional tissue biopsy is non-invasive and performed in real time, has the potential to analyse the genomic landscape of cancer patients, monitor response to treatment, control minimal residual disease, and manage non-invasive resistance to therapy.

Circulating Tumour Cells (CTCs) for early diagnosis and monitoring of cancer

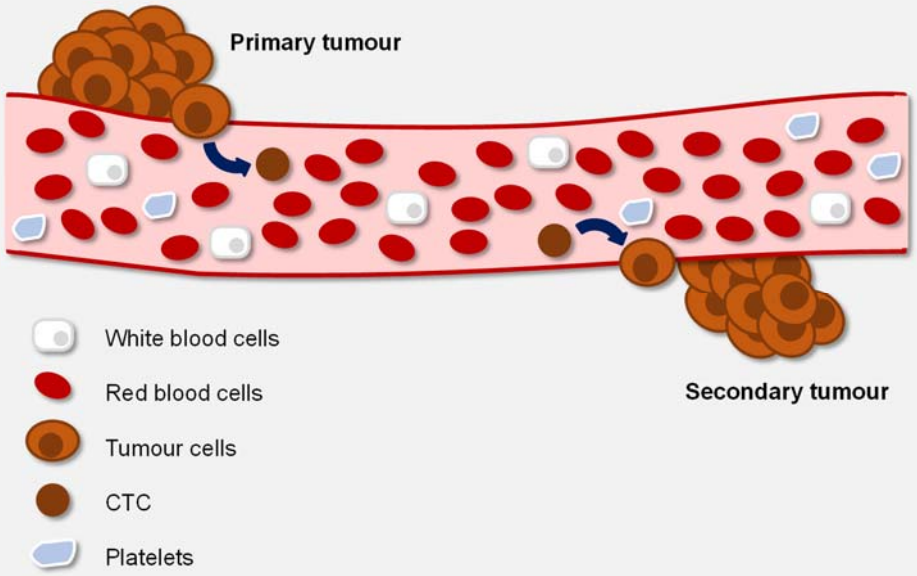
Because the Ikonisys platform was developed for the detection and analysis of rare cells, it is also suitable for the detection and analysis of circulating tumour cells (CTCs). It is used for early diagnosis, recurrence detection, risk assessment and prognosis evaluation, treatment monitoring, and guiding treatment decisions.

Circulating tumour cells are found in the order of 1-10 CTC per ml of blood in patients with metastatic disease. For comparison, one ml of blood contains a few million white blood cells and one billion red blood cells.

A circulating tumour cell (CTC) is a cell that has been shed from a primary tumour into the vascular system or lymphatic vessels and is transported through the body in the bloodstream. CTCs can extravasate and become nuclei for the subsequent growth of

further tumours in distant organs. Statistically, metastasis is responsible for the majority of cancer-related deaths.

FIGURE 22: METASTASIS VIA CIRCULATING TUMOUR CELLS (CTC)



The illustration shows the multi-stage process of metastasis. After tumour cells have detached from the primary tumour and invade neighbouring tissue, the bloodstream or the lymphatic system, survive and multiply, they can eventually settle in distant organs and eventually form a new tumour (metastasis).

It is thought that 1 ml of blood may contain 1-10 individual CTCs, millions of white blood cells, and billions of red blood cells.

SOURCE: SPHENE CAPITAL

The detection of CTCs by liquid biopsies, offers several advantages over conventional tissue biopsies. Liquid biopsies, unlike solid tumour analysis, are non-invasive, can be performed repeatedly and provide information on metastatic risk, disease progression, and treatment efficacy.

The difficulty in using the cell-based (CTC) approach is due to the rarity of CTCs (approx. 1 per ml of blood) and the diversity of CTC cell types, which limits the value marker-specific enrichment approaches. Accordingly, a first reliable method for detecting CTCs was developed only a few years ago. According to the company, a first validation of the Ikoniscope for CTC detection and analysis has shown that the Ikoniscope-based method is suitable for the unequivocal identification of CTCs.

Double-digit growth rates per year expected

In their forecasts, market research institutes assume that the market for CTC applications will grow at average annual growth rates (CAGR) of between 12,2% and 25.3% in the coming years.

FIGURE 23: THE WORLD MARKET FOR CTC APPLICATIONS, 2018-E2029

	Basse year (USD b)					Last forecast year of the study (USD b)							
Source (year)	2018	2019	2020	2021	CAGR	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Market Watch (2021)				8.3	18.2%						22.5		
Grand View Research (2021)			8.4		+12.2%						18.9		
Polaris Market Research (2021)			9.8		+13.4%							26.8	
ResearchAndMarkets (2021)			6.2		+17.3%						19.0		
BCC Research (2021)	5.4				+17.5%	10.3							
MarketReseaerch.com (2021)			n/a		+15.2%						n/a		
Research Cosmos (2021)	7.0				+18.2%				22.5				
Data Bridge Market Research (2021)				1.0	+25.3%								5.8

SOURCE: COMPANY DATA, SPHENE CAPITAL

In our view, Ikonisys pursues a very lean business model. Microscope manufacturing has been outsourced to specialised contract manufacturers. Since Ikonisys can thus draw on the technical manufacturing expertise of third parties and their economies of scale in production, which would otherwise not be available to the research-driven company, this outsourcing also makes sense in view of the quantities produced.

Outsourcing of microscope production to contract manufacturer

The production of the individual components of the Ikoniscope, essentially the computer, camera, and the various lenses and filters, was outsourced to a British contract manufacturer who, according to the company, specialises in the production of high-precision positioning systems and automation solutions. Only the final assembly and functional testing of the Ikoniscope's systems are carried out by Ikonisys itself, and the programming of the software components is also done in-house.

The probes used are commercially available standard products that can be obtained from various manufacturers. According to the company, FDA approval of the probe kits is not mandatory.

Second generation of the Ikoniscope as a quantum leap

After the first generation of the Ikoniscope (the GEN1) was developed and launched in 2006, Ikonisys has been marketing the second generation of the Ikoniscope since the third quarter of 2021: the Ikoniscope20. Compared to the first generation, of which the company says 46 units have been shipped (40 of them in the US), this one is not only much smaller (comparable to a microwave versus a refrigerator-sized unit) and lighter (about 50 kg compared to 400 kg of the first generation), but also faster and more versatile.

FIGURE 24: THE TWO ICONISCOPE GENERATIONS COMPARED: GEN1 (LS) AND IKONISCOP20 (RS)

SOURCE: CORPORATE DATA

Third generation Ikoniscope AI in development

A third generation of the platform, the Ikoniscope AI, is expected to be launched in 2023e at the earliest, according to the company. By using fluorescence scanner technology and the possibility of integrating patient-specific data with a Big Data software solution based on advanced artificial intelligence, we believe the Ikoniscope AI will once again represent a significant improvement to the platform.

In addition, Ikonisys plans to add new software applications to offer FISH tests for additional types of cancer, including the necessary companion diagnostics. Applications will also be expanded to include the diagnosis of bacterial and viral infectious diseases as well as cancer in veterinary medicine.

Network of development partners

Ikonisys can point to a broad network of renowned development partners, including

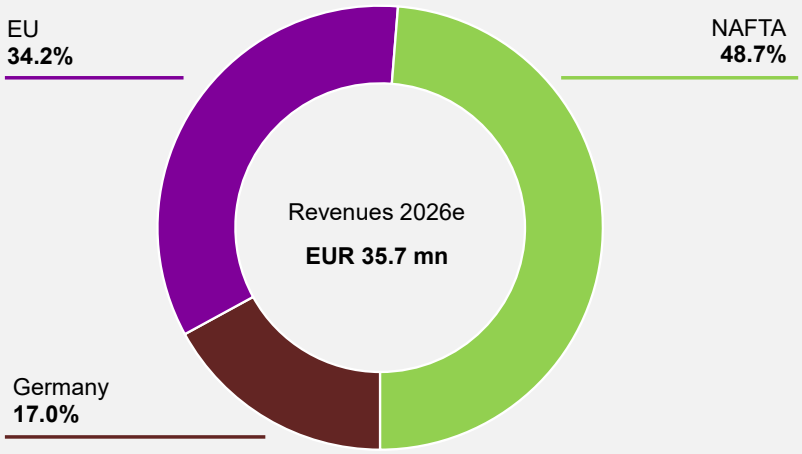
- **University of Connecticut** (UConn) in the field of immunology
- **Charité** (Berlin), one of the largest university hospitals in Europe, in the field of Oncology FISH
- **Chaim Sheba Medical Center** (Tel Aviv), the largest hospital in Israel, in the area of CTC

- **Imperial College London**, one of the most prestigious universities in the world with 15 Nobel laureates and three Fields Medal winners, in the field of CTC
- **Tomalab** (Busto Arsizio), one of the largest genetic laboratories in Italy, in the field of CTC
- **Trentino Innovation Hub** (University of Trento) in the field of Ikoniscope AI
- **Latvijas Universitate** (Riga) in the field of Ikoniscope AI

Regionally currently focused on North America and Central Europe
Currently, direct sales activities for Ikoniscope20 are focused on the USA and the five most important European markets (Germany, France, UK, Italy and Spain). The first step is to recruit key opinion leaders from leading hospitals and research institutes. The company then plans to market the products through product demonstrations at trade fairs and reference laboratories, scientific publications, and participation at conferences. At the same time, clinical trials and peer-reviewed publications in high-impact journals will be used to build scientific confidence and attract new users and supporters.

In the past year, Ikonisys generated almost all of its revenues in the USD area. This exposes the company, which reports in euros, to currency influences.

FIGURE 25: TURNOVER BY REGION, 2026E



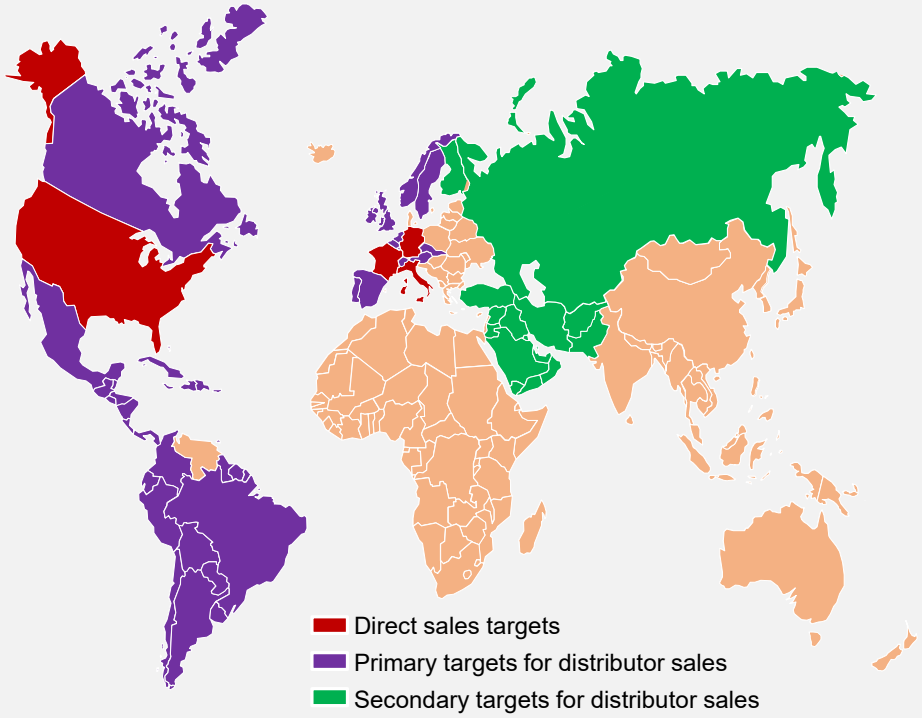
In the 2026e financial year, we estimate that Ikonisys will generate just under 49% of revenues in North America, which is thus the most important region for the company. In second place, we see the European markets contributing around 51% of revenues.

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

Ikonisys takes advantage of a two-tier distribution system
Ikonisys' market presence is two-pronged, through a combination of direct and indirect sales. The company's in-house direct sales force is used for all products in the core European countries of France, Germany, and the UK, as well as in the USA. In all countries, Ikonisys says it is also supported by globally active distribution partners.

Ikonisys currently serves about a dozen customers worldwide.

FIGURE 26: COMBINATION OF DIRECT AND INDIRECT DISTRIBUTION



In the USA, the sales focus is currently on the north and south-eastern states. In addition, a key account strategy is to be implemented in the US regions.

In Europe, the primary sales focus is on France, Germany and Italy, while the UK and Spain are given second priority. To accelerate market penetration, Ikonisys initially plans to acquire two to three reference customers per country as key opinion leaders in the European core markets. Only after successful market penetration is a sales network to be established in other EU countries and in the countries of the Near and Middle East.

SOURCE: CORPORATE DATA, SPHENE CAPITAL

Sales cycles of up to nine months, but...

The time span between the first customer contact and the receipt of the order ("sales cycle") is reported to be up to nine months. Interactions with different stakeholders such as microbiologists, laboratory staff, hospital staff in intensive care units or the hospital and laboratory administrations at the respective sites or the central organisation are necessary. Usually, in addition to a thorough product analysis, validation or proof-of-concept studies are conducted, resulting in a long decision-making process.

...customer loyalty is long-term

Due to this lengthy process, but also due to the realised productivity progress after an Ikoniscope introduction, we classify the customer relationships of Ikonisys as tending to be long-term.

Dependencies on individual customers should decrease significantly

According to our estimates, the share of the top 10 customers in the group's revenues was still around 90% last year. However, this percentage will decrease significantly with the sale of Ikonsicope20 in 2022e. Currently, the most renowned users of the Ikoniscope platform include AmeriPath, Acupath, CDI, PathGroup, LabCorp, 21st Century Oncology, and Quest Diagnostics.

Corporate history and management

Ikonisys was already founded in 1999. But it was only after a comprehensive restructuring, initiated after the majority takeover by the British investment company Cambria in 2016, that the focus of business activities was placed on the development and marketing of the Ikoniscope. On July 19, 2021, Ikonisys went public on the unregulated market of the Euronext Growth stock exchange in Paris. Ikonisys has thus committed to reporting in French and English. Reporting is carried out in accordance with IFRS.

The origins of Ikonisys

As Ikonisys Inc., the company was founded in 1999 in the US state of Delaware. The original goal was to build a platform for the detection and analysis of rare fetal cells in the bloodstream of pregnant women. As a non-invasive prenatal diagnostic method, it was intended to avoid the invasive (and thus risky) amniocentesis. In 2006, the Ikoniscope received FDA approval with 510(k) pre-market notification for automated FISH tests and three specific diagnostic tests: fastFISH amnio (prenatal diagnosis of chromosomal abnormalities), oncoFISH bladder (bladder cancer) and oncoFISH her2 (breast cancer).

The company is headquartered in New Haven, Connecticut, on the campus of Yale University.

The interim competition with own customers was discontinued

However, the original management made what we consider to be a problematic strategic decision. Because they wanted to use the proprietary oncoFISH cervical test internally, a clinical laboratory was established: And cervical tests were performed, but the development of the Ikoniscope was not pushed forward. After mounting operating losses, the turnaround to this strategy came after the takeover by Cambria: closure of the laboratory and expansion of the existing technology platform.

TABLE 10: KEY POINTS IN THE COMPANY'S HISTORY

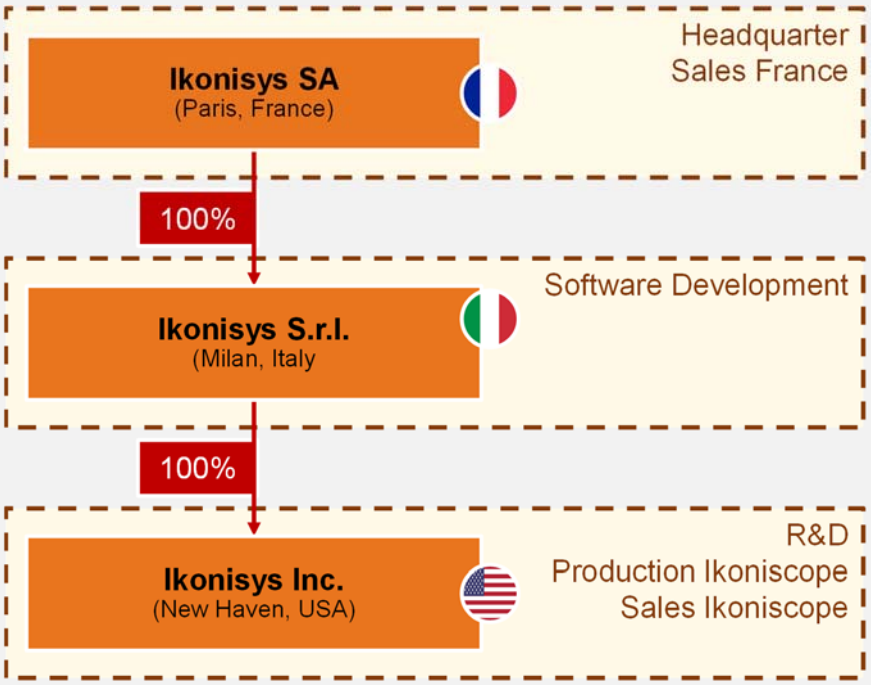
1999	Foundation of Ikonisys Inc. in the US state of Delaware
2006	FDA approval of the Ikoniscope and the first FISH tests. First product sales
2009	Opening of an internally accredited clinical laboratory (CLIA Lab)
	Increasing shift of business to proprietary oncoFISH cervical test
2016	90% takeover of the company by Cambria Ltd.
	Closure of the CLIA laboratory and discontinuation of the FDA clinical trials of the cervical oncoFISH test
2017	Re-focusing business activities on building a diagnostic platform for the detection and analysis of rare, clinically relevant cells
2018	Appointment of a new management team with many years of experience in the pharmaceutical and diagnostics industry
	Start of the development of the Ikoniscope AI
2019	Production of the first prototype of the Ikoniscope20 in collaboration with Prior Scientific
2021	IPO on Euronext Growth Paris
	Launch of the Ikoniscope20

SOURCE: COMPANY DATA, SPHENE CAPITAL

Ikonisys organisation chart

Below Ikonisys SA there are two subsidiaries, each founded by Ikonisys itself. Its direct holding Ikonisys S.r.l. in Italy and its indirect holding Ikonisys Inc. in the USA.. The hardware and software development, the production and the distribution of the Ikoniscope are located in these two companies.

FIGURE 27: IKONISYS SCOPE OF CONSOLIDATION



SOURCE: CORPORATE DATA, SPHENE CAPITAL

Management team with many years of industry experience

The Board of Directors of Ikonisys SA is composed of five persons:

- **Mario Crovetto (>30 years of industry experience)** is CEO of the company. He has been with Ikonisys since 2018. Previously, Mario Crovetto was CFO of Eurand NV, a specialty pharmaceutical company that he took public on Nasdaq in 2007, and of Recordati Group, a pharmaceutical company listed on the Italian stock exchange since 1984. Mario Crovetto has also held senior positions in the chemical and pharmaceutical industries, including at the Italian conglomerate Montedison. In addition to his role at Ikonisys, Mario Crovetto is a member of the board of OpGen Inc, an international molecular diagnostics company. As Chief Executive Officer (CEO) and Director, he is responsible for strategy and planning, overall business management, risk management and communication between the Board of Directors and the Executive Board.
- Before becoming CFO of Ikonisys in 2019, **Alessandro Mauri (>10 years of industry experience)** was portfolio manager at the private equity firm Cambria, which acquired a majority stake in Ikonisys in 2016. Previously, Alessandro Mauri was CEO and CFO of B10NIX, an AI-powered biotech start-up in the field of

biological signal analysis. As CFO of Ikonisys, he is responsible for IR and PR, accounting and finance, and tax.

- **Dr Michael W. Kilpatrick (>30 years industry experience)** is CSO and one of the founders of the company. After receiving his PhD in 1981 for his studies on mycoplasma ribonucleic acid, he joined the faculty of the University of Birmingham as a Wellcome Trust Lecturer in Molecular Genetics, where he was responsible for establishing a molecular programme for the study of human inherited diseases. Dr Kilpatrick has published more than 100 scientific papers in the areas of nucleic acid structure and function and human molecular genetics and has been a member of several NIH study groups. At Ikonisys, his responsibilities include developing, implementing, and monitoring the research agenda, managing R&D collaborations, and hiring and supervising scientific staff.

- After obtaining a BSc in Industrial Engineering and Plastics Engineering from the University of Massachusetts, **Bill Kochiss (>25 years of industry experience)** has worked for a variety of companies, from biotech start-ups to publicly traded medical manufacturing companies. Bill Kochiss has extensive expertise in dealing with the highly regulated environments of the medical and aerospace industries. His primary responsibilities at Ikonisys include the development, implementation, and oversight of hardware projects, procurement and supplier management, supervision and management of field engineers and general operations personnel.

- **Jürgen Schipper (>20 years of industry experience)** joined the company in 2019 and is CCO of Ikonisys. He is founder and CEO of Microbionix GmbH, which specialises in the development of multiplex assay systems, and founder and CEO of Diagnostics & Life Science Consulting. Jürgen Schipper has held various interim management positions at companies such as Luminex Corporation and Omega Diagnostics GmbH. His responsibilities at Ikonisys are to build and manage the sales and marketing organisation, develop and implement key commercial agreements.

Stock exchange listing and shareholder structure

Since the IPO in July 2021, the share capital of the company, which is listed on Euronext Growth Paris, has amounted to EUR 18.963m. It currently consists of 9,481,727 ordinary shares with a par value of EUR 2.00 per share. Three financial investors hold a total of 92.6% of the shares. The management team participates in the company's success through a stock option programme, which in our view ensures a balance between management and shareholder interests. The company has been purely internally financed since the first and only capital increase at the time of the IPO; capital increases were not carried out after the IPO - not least in view of the declining share prices.

IPO on Euronext Growth Paris
On 19 July 2021, the IPO of Ikonisys SA was completed on Euronext Growth Paris. The shares were allocated at the lower end of the book building range between EUR 5.75 and EUR 6.75 per share. A total of 700,000 shares were allotted from a cash capital increase in the course of the IPO. This increased the total number of outstanding shares to 9,481,727.

The cash capital increase for the IPO generated gross proceeds of around EUR 4.0m for the company.

Euronext Growth Paris
Ikonisys' shares are traded on Euronext Growth Paris under the symbol ALIKO. Euro next operates regulated securities markets under the MiFID II Regulation in Amsterdam, Brussels, Dublin, Lisbon, London, Oslo, and Paris and four derivatives markets in Amsterdam, Brussels, Lisbon, Oslo, and Paris.

In addition to regulated markets, Euronext also operates several markets that qualify as multilateral trading facilities (MTFs) under MiFID II and have their own rulebooks.

The normal trading sessions of the Exchange are from 9:00 a.m. to 17:30 a.m. (CET).

The **admission obligations** of a company listed on Euronext Growth Paris include the fulfilment of the following criteria:

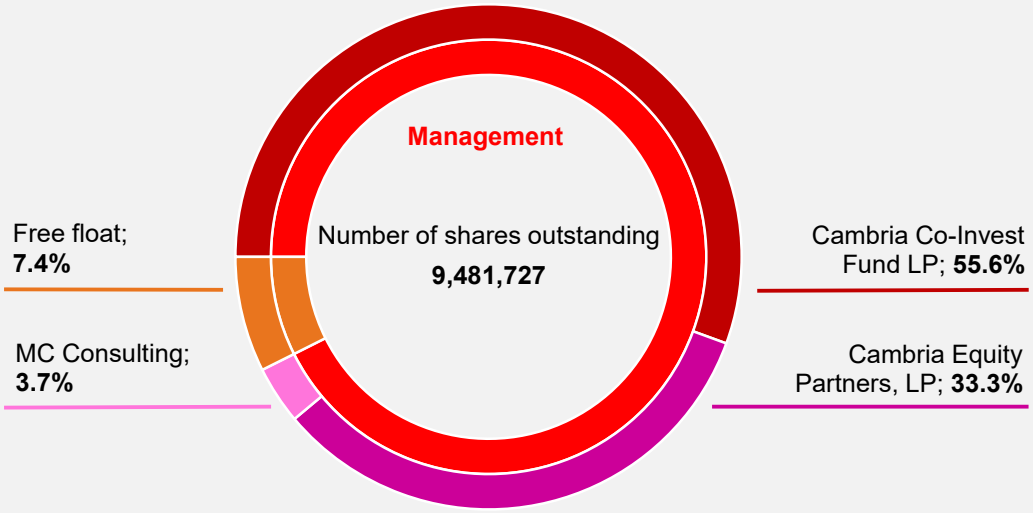
- The submission of an approved securities prospectus or information memorandum, which has been reviewed by Euronext and the Listing Sponsor.
- If the admission to trading is effected by means of an IPO in the narrower sense, a freely tradable share capital of at least EUR 2.5 million is mandatory.
- If the admission to trading is effected by means of a private placement or a direct admission, a volume of more than EUR 2.5 million must be placed with the shareholders.
- Publication of annual reports in accordance with IFRS or the national regulations of the respective EU member state or, if the issuer is not incorporated in an EU member state, in accordance with IFRS or a comparable IFRS regulation; alternatively, these companies may also submit an IFRS reconciliation table.
- Publication of at least two audited annual financial statements or pro forma financial statements.

The **follow-up obligations** include the fulfilment of the following points:

- Prompt disclosure of changes in the issuer's executive team.
- Publication of the annual report within four months after the end of the financial year.
- Publication of the semi-annual report within four months after the end of the second quarter of a financial year.
- Publication of exceeding or falling below reporting thresholds within five trading days. The reporting thresholds are 50% and 90% of the share capital or voting rights.
- Permanent mandate of a listing sponsor.

Listing also in Germany
Since the end of July 2021, Ikonisys' shares have also been traded in Germany on the OTC markets of the Frankfurt and Stuttgart stock exchanges.

FIGURE 28: SHAREHOLDER STRUCTURE (AS OF DECEMBER 2021)



SOURCE: CORPORATE DATA, SPHENE CAPITAL

9.5 million shares outstanding
In mid-2021, following a restructuring of the Group carried out by Cambria, Ikonisys Inc. was incorporated into Ikonisys S.r.l., which was then contributed in kind to Ikonisys SA. Since the subsequent IPO, the company's share capital has been composed of approximately 9.5 million shares. According to information, no own shares are held. At a current share price of EUR 2.79 (24 01 2022), the market capitalisation amounts to EUR 26.5m.

88.9% of the shares are held by two investment companies, Cambria Co-Investment Fund, LP and Cambria Equity Partners, LP. Both companies are managed by Cambria Ltd., an investment company regulated and authorised by the Financial Conduct Authority (FCA), which was founded in the 1990s by Mario Mauri together with other British

institutional investors. A further 3.7% of the shares are held by the Chairman of the Board Mario Crovetto and his investment company MC Consulting. The free float of the company is 7.4%, the market capitalisation of the free float is currently EUR 2.0m.

According to their own statements, the investment companies Cambria Co-Investment Fund and Cambria Equity Partners see themselves as long-term committed investors. No further reallocations have been announced at present.

Strengths and weaknesses, opportunities and threats

We have identified the following company-related **strengths** of Ikonisys:

Strengths

- **Technology leadership in laboratory automation:** With the Ikoniscope20, which was launched in the third quarter of 2021, Ikonisys has, in our assessment, assumed technology leadership in laboratory automation. None of the larger competitors such as Olympus, Leica, Thermo Fisher, Perkin Elmer, Applied Spectral Imaging, Bioview, MetaSystems or Zeiss, or the numerous smaller suppliers, has achieved such a deep level of automation as Ikonisys. As more sophisticated, time- and labour-efficient as well as error-free solutions are increasingly in demand, we believe that these applications will gradually become obsolete.
- **Technology leader in the field of circulating tumour cells (CTC):** With 19 granted and 4 pending patents, Ikonisys has unique technological features in the growth market of CTC, not only due to its cooperation with the renowned Sheba Medical Center. Although competitors Angle and Epic Sciences are on a comparable level to Ikonisys in terms of specificity, i.e. the ability to completely describe a cell, both companies and other competitors such as Grail, CellSearch or Guardant Health cannot match Ikonisys in terms of sensitivity, i.e. the ability to identify all cells.
- **FISH with advantages over other in vitro diagnostic approaches:** Firstly, FISH has a significantly higher resolution (20-150 Kb) - and thus accuracy - than other classical cytogenetic techniques such as conventional immunohistochemistry or chromosome examination (so-called karyotyping) with an average resolution of only 10-18 Kb, in which the chromosomes are examined microscopically after treatment with trypsin and certain dyes and displayed in the form of a karyogram. Secondly, FISH can be applied to both metaphase and interphase chromosomes, which means that the cells do not have to be cultured for several days before the chromosomes can be prepared for analysis. Finally, according to the company, the costs of a sample analysis are significantly lower than with Next Generation Sequencing (NGS).
- **Short payback period for users:** According to the company's calculations, an average laboratory can perform around 2,500 tests per year with an Ikoniscope. If each test is reimbursed by health insurers or insurance companies with at least EUR 400, a laboratory with an Ikoniscope can generate an annual turnover of EUR 1.0 million. With variable costs of about 20% for the test probes and investments in tangible assets in the order of EUR 150,000, this results in an amortisation period of about one quarter for the laboratory.
- **Diversification as a strength:** Ikonisys has a broadly diversified product portfolio with which different types of cancer can be made visible optically at an early stage. We see additional potential for the diagnosis of cancer in the recent detection and characterisation of circulating tumour cells (CTCs) by specific tumour markers.
- **Lean organisational structure:** Ikonisys has outsourced the production of the individual components of the Ikoniscope to a specialised contract manufacturer and only carries out the final assembly and functional testing of the systems itself. Due to this focus, Ikonisys has lean organisational structures with low fixed costs.

- **No cybersecurity risks:** The Ikoniscope is integrated into the information system of the respective laboratory and is thus located within its security system. Since, according to the company, the cloud is also not used for storage, we identified no specific IT security risks for the user.
- **Well above-average IR work:** As if our view, Ikonisys can point to well above-average IR work and capital market presence since its IPO.
- **Low volatility of the shares:** According to our calculations, the Ikonisys share is a remarkably low-volatility security, with a standard deviation of 0.264 since the IPO.

We have identified the following company-related **weaknesses** of Ikonisys:

Weaknesses

- **Loss carried forward of EUR 104m:** At the end of the 2020 financial year, Ikonisys reported a cumulative loss of approximately EUR 104m, primarily incurred from research and development expenses, design, manufacturing, and marketing of the first and second generation Ikoniscope and diagnostic software applications. At this stage, Ikonisys has not yet proven that it has a business model that can be operated profitably on a sustainable basis.
- **Dependence on suppliers:** Outsourcing significant parts of production to a contract manufacturer has the advantage for Ikonisys of a lean organisational structure, but the disadvantage that the contract manufacturer may not have the necessary production capacity and tools to supply Ikonisys with the quantities demanded.
- **Regulated business model:** Ikonisys' earnings situation is at least in part indirectly dependent on the level of reimbursement by public health authorities, private health insurers and managed care organisations.
- **Translation risks from currency conversion:** According to our estimates, Ikonisys will generate the majority of its revenues in the USD area for the foreseeable future. This exposes the company, which reports in euros, to translation risks from currency conversion.
- **Possible, but unlikely, liability risks from wrong treatment** could arise from patients or laboratories attributing responsibility to Ikonisys for medical decisions based on Ikoniscope's laboratory results.

The following **opportunities** affect any company operating in the same industries as Ikonisys:

Opportunities

- **Ikonisys benefits equally from three macro trends:** Ikonisys, with its broad product portfolio, is benefiting from **(1)** a successively increasing demand for integrated and automated diagnostic solutions that can perform a greater number of tests in a shorter period of time, **(2)** better diagnostics and prognostics that limit the subjectivity often associated with fluorescence scanner-based assays, and **(3)** a need within the healthcare sector to improve workflow efficiency and save costs.
- **Non-cyclical product portfolio:** The products offered by Ikonisys are fundamentally non-cyclical and are not subject to cyclical fluctuations. Moreover, the demand for laboratory services is not subject to seasonal fluctuations.

The following **risks** affect any company operating in the same industries as Ikonisys:

Risks

- As an indirect manufacturing company, Ikonisys is affected by **rising raw material prices** and the ongoing disruption of **global supply chains**. This is not only due

to the current positive economic development and scarce transport capacities, but also to stricter environmental regulations worldwide, which could ultimately even result in factory closures.

- **Competing with well-funded companies:** Ikonisys competes with well-funded companies such as Leica, Olympus, PerkinElmer and Thermo Fisher, but according to our information, they only offer semi-automated solutions and technologies so far, unlike Ikonisys.
- **Exchange rate risks:** Ikonisys maintains a subsidiary in the USA and is therefore subject to translation risks from currency conversion. Furthermore, transaction risks arise from the procurement of Ikoniscope, which is also done in USD.

Trends in the world market for diagnostics

Diagnostic services provide important input for medical decisions and improve the efficiency of healthcare systems. In addition to early detection and targeted and ideally less burdensome patient care, early and accurate diagnoses enable a reduction in the cost of treatment and hospitalisation within healthcare systems.

The market for diagnostic services is preceded by the production of consumables, reagents, instruments, and automation solutions at several stages of the value chain. Despite intense competition and strong regulatory intervention, research intensity within the industry is high. According to the Association of the Diagnostics Industry (VDGH) in Germany, around 14% of employees work in research and development. New technologies and laboratory automation solutions will accelerate the growth of the diagnostics market. They help to increase productivity in laboratories, shorten the duration of laboratory processes, and improve the control and quality of tests, simplify their handling, and avoid human error.

Important function in health systems

Diagnostic services provide important input for medical decisions and improve the efficiency of healthcare systems. In addition to early detection and targeted and ideally less burdensome patient care, early and accurate diagnoses enable a reduction in the cost of treatment and hospitalisation within healthcare systems.

The COVID-19 pandemic caused a boom in some areas, but this was offset by a decline in routine tests and pandemic-related staff shortages in medical laboratories. The diagnostics market also saw demand spike in some segments such as molecular diagnostics, test kits, and tests to monitor COVID-19 hospital patients. In contrast, other areas such as immunodiagnostics, clinical chemistry, haematology and others suffered from prioritisation in hospitals and laboratories worldwide.

Interface to other disciplines

Laboratory medicine supports other medical specialists in recognising diseases, monitoring the course of diseases, initiating therapies, and evaluating the success of therapeutic measures. According to the Professional Association of German Laboratory Physicians (BDL e.V.), two-thirds of all cases of treatment are diagnosed using laboratory analysis services. Laboratory physicians are not in direct contact with patients but advise colleagues from other medical disciplines on the care of patients. In Germany, laboratory physicians make up only about 0.3% of all medical specialists. This makes them one of the smallest groups of specialists. Nevertheless, they are among the most consulted specialists after general practitioners.

In Germany, laboratory medical services are provided annually for about 380 of every 1,000 people with statutory health insurance. Laboratory physicians are thus among the most consulted groups of specialists.

At the same time, laboratory medicine is an interface between medicine and other natural science disciplines, especially chemistry and microbiology. Laboratory medicine services draw on morphological, chemical, physical, immunological, biochemical, molecular genetics, and microbiological methods.

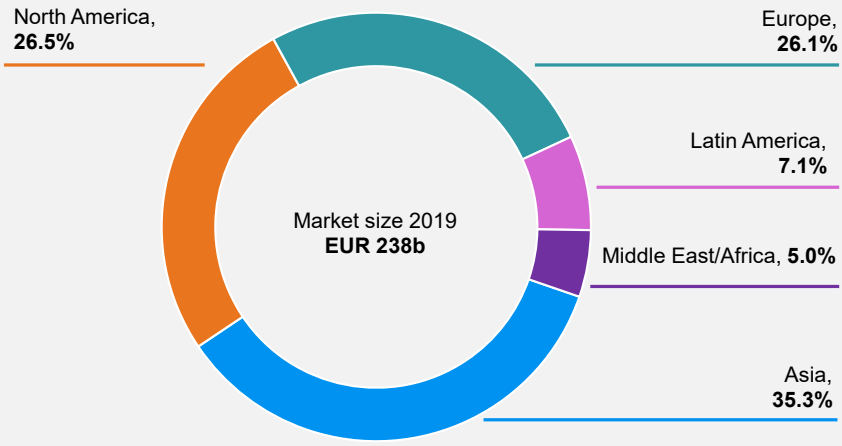
Global market volume of more than EUR 200 bn

The global market volume for diagnostic services was over EUR 200 bn in 2019. The laboratory services provider Synlab puts the market volume in Europe and North America at around EUR 62 bn and EUR 63 bn respectively, with Asia reaching a market

Asia is the largest market for medical laboratory services, followed by North America and Europe.

volume of around EUR 84 bn, Latin America at around EUR 17 bn and Middle East/Africa at around EUR 12 bn.

FIGURE 29: GLOBAL MARKET FOR LABORATORY MEDICINE



SOURCE: SYNLAB, SPHENE CAPITAL

Growth forecasts between 3.4% and 6.1%

The market has shown constant growth in recent years, largely independent of economic crises. Nevertheless, the market environment in many countries was characterised by falling, regulated prices on the one hand and rising test volumes on the other. Growth drivers are the global increase in the geriatric population, an increase in chronic diseases and new testing areas such as genetic diagnostics, companion diagnostics, and molecular diagnostics. Estimates for global market growth of laboratory medicine services range from 3.4% to 6.1% per year.

Key growth drivers are the global increase in the geriatric population, a rise in chronic diseases, and new areas of testing.

FIGURE 30: MARKET FORECASTS FOR THE GLOBAL MARKET FOR MEDICAL LABORATORY SERVICES

	Base year (USD b)					Last forecast year of the study (USD b)					
Source (year)	2018	2019	2020	2021	CAGR	2025e	2026e	2027e	2028e	2029e	2030e
Global Market Insights (2021)			231.2		+3.4%			317.8			
Mordor Intelligence (2021)			171.1		+5.5%		235.46				
Polaris Market Research (2021)			222.7		+5.1%		303.1				
Grand View Research (2021)			200.3	214.9	+4.7%				288.7		
Reports and Data (2021)		222.5			+6.1%			359.4			
iHealthcare Analyst (2021)				>260	+5.4%			365			
Market Data Forecast (2021)				212.7	+5.1%		272.8				

SOURCE: COMPANY DATA, SPHENE CAPITAL

Competitive situation under the influence of regulatory systems
In many countries, competition for medical laboratory services is shaped by national regulatory requirements. We have identified three main areas of regulation:

- Pricing
- Quality requirements
- Handling personal data

Complex pricing and remuneration system
In principle, there is increased pressure to reduce costs in national health systems, not least due to strained public budget situations. Prices for medical laboratory services are heavily regulated in many countries. With the help of lower prices, attempts are being made to compensate for the increased number of tests and the lack of reforms within the health systems.

In contrast to the professional importance for the health system, the expenditure share of medical laboratory services is low. In Germany, laboratory services account for only just under 3% of health care expenditure. (Source: Berufsverband Deutscher Laborärzte e.V.)

In many countries, clinical laboratory tests are provided to patients as part of public health programmes. Where tests are at least partially funded by public agencies or organisations, pricing is set either directly by the authorities or indirectly by organisations entrusted with public functions and professional bodies.

- In Germany, the so-called uniform value scale (EBM) forms the basis for the billing of services provided by SHI-accredited physicians. The determination of the EBM is the responsibility of the representatives of the National Association of Statutory Health Insurance Physicians and the Statutory Health Insurance Funds;

- In France, prices for clinical trials are set by a commission consisting of representatives of the ministry and professional associations;
- The US passed several laws since 2014 to ensure control of expenses reimbursed by government programmes (Medicare and Medicaid) and have led to falling prices for laboratory medicine.

Quality regulation at different levels

Laboratories are subject to various nationally applicable regulatory requirements regarding the manner in which tests are performed, the quality of the tests, the qualifications of laboratory personnel, as well as regulations on the handling of certain reagents and chemicals and the disposal of biological waste. The applicable regulations vary from country to country and are overseen by different bodies: in addition to forms of accreditation required by law in some states and voluntary in others, there are quality specifications and regulations by legally mandated associations and by self-regulatory associations of laboratories and physicians. Compliance with these specifications is not only a prerequisite for maintaining the respective laboratory operation, but also for concluding contracts and settling accounts with health insurance companies, hospitals, practices, etc.

In Germany, the Federal Medical Association and the National Associations of Statutory Health Insurance Physicians (public corporations), among others, set binding quality standards for medical laboratories, and there are also voluntary forms of accreditation (DAkkS, ISO). In France, since 2016, all clinical laboratories have to demonstrate a quality accreditation process by the accreditation body COFRAC at intervals of several years and regular audits between these processes.

Compliance and handling of patient data

The quantity of incoming samples that are analysed every day basically poses great challenges for laboratories: Samples must not be mixed up, laboratory values must be assigned to the right patients. Extensive data processing systems are necessary, which must also ensure data backup and data security. In Europe, the protection of health data falls under the GDPR and the stricter requirements of Article 9 GDPR for the processing of special categories of personal data. This results in strict requirements for data protection, among other things with regard to the collection of data, transparency and rights of the data subjects, the qualification of the staff under whose responsibility the data are processed, and the requirement to appoint a data protection officer. Failure to comply with the requirements could result in fines of up to EUR 20 million or up to 4% of global turnover, whichever is higher.

The processing of genetic data, biometric data and health data is subject to the rules of Article 9 GDPR in the EU.

Economies of scale in a competitive market environment

Within Europe, there are huge differences in market concentration and the number of private laboratories. While the two largest laboratories in the UK claim about 90% of the market volume in terms of turnover, the turnover shares of the five largest providers in France and Germany are between 55% and 45% respectively. In contrast, the Italian laboratory market, for example, is only at the beginning of a possible consolidation.

Despite large regional differences, the market for medical laboratory services in Europe is fragmented overall.

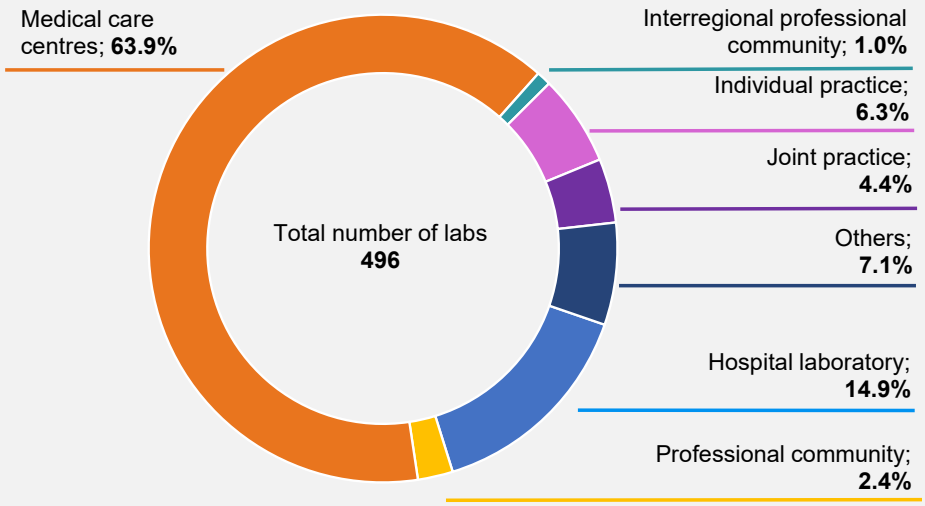
According to Synlab, there have been very few significant market entries in recent years - in our view an indication of high barriers to market entry. These are justified by strict regulatory requirements, the necessary medical expertise, but also by soft factors such as the reputation of established providers. Nevertheless, the competitive and economic pressure is high, especially for smaller providers, not least due to regulatory price specifications and costly (regulatory) quality requirements. In addition, increasingly complex and technically demanding tests as well as advancing industrialisation and automation processes favour those competitors who can exploit economies of scale and thus reduce or better control their costs.

Big Five in Germany generate around 45% to 50% of turnover

The Big Five account for between 45% and 50% of the turnover achieved with laboratory services in Germany, amounting to around EUR 10.0 bn. Each of these operates a large number of clinical laboratories. The remainder is shared by about 250 to 350 smaller laboratories, depending on estimates. In a recent study, the Scientific Institute for Health Economics and Health System Research, WIG2, identified 496 specialist laboratory medicine laboratories in Germany with at least one specialist in laboratory medicine, or 570 laboratories, of which, however, about 13% do not employ any specialist laboratory medicine physicians.

The vast majority or over 60% of the laboratories are organised as MVZs (medical care centres), almost 90% of the specialists in laboratory medicine work in an MVZ. While according to WIG2 more than 50% of MVZ laboratories are (voluntarily) accredited, less than one third of the laboratory specialist individual practices are accredited.

FIGURE 31: LABORATORY SPECIALIST LABORATORIES IN GERMANY



Laboratories that employ at least one specialist in laboratory medicine were counted.

MVZs are facilities for outpatient medical care and must be founded and operated by at least two panel doctors and organised as a GbR, partnership company, registered cooperative or GmbH.

SOURCE: WIG2, SPHENE CAPITAL

In Germany, low prices apply for high-quality services

In Germany, the consolidation of laboratory diagnostics was accompanied by a sharp drop in prices. For example, the German statutory health insurance funds pay 25 cents for a transaminase determination (liver values), whereas in the USA it is over three dollars, in Austria just under four euros and in Switzerland four francs (as of 2014). One consequence of this is that ever larger test quantities are being charged in Germany in order to still cover costs through economies of scale.

Clinical laboratory tests are used in all medical disciplines. A distinction can be made between routine and specialised tests. While routine tests are used in the context of general patient care to make or support diagnoses and monitor treatment outcomes, specialised tests are usually more complex and require qualified laboratory personnel and more sophisticated equipment and test materials. However, technological advances are continually shifting the boundaries between routine and specialised testing. Once individual specialised tests can be performed on automated testing equipment, the cost per test usually decreases and they can become part of routine testing.

The market for diagnostics

The diagnostics industry develops and produces reagents and analysis systems that are used to examine human body fluids and tissues.

Upstream of the laboratory services market is the production of consumables, reagents and analytical systems used to test human body fluids and tissues. New instruments and automation solutions help to improve productivity in laboratories, shorten the time required for tests and increase their quality and reproducibility.

The diagnostics market is also characterised by high levels of competition, but is only averagely concentrated, with local players facing large global companies. Major global competitors include Abbott Laboratories, Bio-Rad Laboratories Inc, Danaher Corporation, Becton, Dickinson and Company, Qiagen and Roche Diagnostics.

The in vitro diagnostics (IVD) market is segmented by test type (clinical chemistry, molecular diagnostics, immunodiagnostics, haematology and other test types), product (instruments, reagents and other products), usability (disposable IVD devices and reusable IVD devices), Application (infectious diseases, diabetes, cancer/oncology, cardiology, autoimmune, nephrology and other applications), Customers (diagnostic laboratories, hospitals and clinics and other end users) and Geography (North America, Europe, Asia-Pacific, Middle East and Africa and South America).

Growth forecasts between 4.4% and 6.7%

The main growth drivers are again the demographic development, increasing chronic diseases, but also increasing automation of diagnostic systems.

Forecasts for the growth of the global diagnostics industry are similar to the estimates for laboratories, ranging from 4.4% to 6.7% per year. Growth factors are similar to those in the laboratory market, including demographics, the prevalence of sedentary lifestyles and the associated increase in chronic diseases, infectious diseases, gastrointestinal diseases, diabetes, heart disease and cancer. Automated in vitro diagnostic systems for laboratories and hospitals that enable more efficient, accurate and error-free diagnosis are also expected to drive market growth in the coming years, according to the companies listed below.

FIGURE 32: MARKET FORECASTS FOR THE GLOBAL MARKET FOR IN VITRO DIAGNOSTICS

	Base year (USD b)					Last forecast year of the study (USD b)					
Source (year)	2018	2019	2020	2021	CAGR	2025e	2026e	2027e	2028e	2029e	2030e
Markt Data Forecast (2021)				73.9	+5.6%		97.1				
Mordor Intelligence (2021)			68.4		+4.9%		91.3				
Research and Markets (2021)			79.7		+4.5%						118.6
BCC Research (2021)			74.1		+6.7%	102.4					
Fortune Business Insights (2021)			80.4	96.9	+6.3%				149.0		
Emergen Research (2021)			83.4		+4.4%				118.4		
Global Markets Insights (2021)			>70.0		+4.9%			>115.0			
Grand View Research (2021)			83.4	91.1	+4.5%			113.9			

SOURCE: COMPANY DATA, SPHENE CAPITAL

Regulatory requirements

Manufacturers of diagnostic devices are obliged to have a quality management system that is monitored by external bodies. Among other things, they fall under the Medical Devices Act, which transposes the European directives on active implantable medical devices (90/385/EEC), on medical devices (93/42/EEC) and on in vitro diagnostic medical devices (98/79/EC) into national law. The essential quality requirement is the reliability of the test results: the reagents and analytical systems must provide consistent results to detect actual diseases leading to the right therapies and proper monitoring of the therapies.

High proportion of recurring revenues

Around 80% of the market volume is generated from the sale of reagents and consumables and can thus be classified as recurring. The remaining 20% of sales are accounted for by analytical instruments in the broadest sense.

Around 80% of the market volume is generated from the sale of reagents and consumables and can thus be classified as recurring. Instruments account for the remaining 20% of sales.

- Reagents dominate the in vitro diagnostics market. The growth of this sub-segment is based on the increasing demand for rapid, accurate and sensitive tests, as well as rising demand for self-testing and point-of-care products.
- Equipment and devices that assist in the automation of diagnostic processes and the pooling of reagents and samples fall under the term analytical instruments. Laboratory automation involves the development, research, and optimisation of technologies for laboratories. It helps to increase the productivity of laboratories, shorten the duration of laboratory processes, and improve the control and quality of tests, simplify their handling, and avoid human error.

- In addition, there are programme interfaces for operating diagnostic equipment, performing analyses, and interpreting results. Software for in vitro diagnostics is used in many devices, e.g. point-of-care analysers, laboratory-based analysers, portable in vitro diagnostics, etc.

Laboratory automation as a growth field within diagnostics solutions

Growth estimates for the laboratory automation sub-segment in the coming years range from 4.9% to 8.1% CAGR, which is above expectations for the diagnostics market as a whole. In our view, intense competition in the diagnostics market and increasing regulatory requirements are driving demand for automated diagnostics solutions. In our view, this is also reflected in the high research intensity within the industry. According to the Association of the Diagnostics Industry (VDGH) in Germany, around 14% of employees work in research and development. New technologies and laboratory automation will thus accelerate the growth of the diagnostics market.

FIGURE 33: MARKET FORECASTS FOR THE GLOBAL MARKET FOR LABORATORY AUTOMATION

	Base year (USD b)					Last forecast year of the study (USD b)					
Source (year)	2018	2019	2020	2021	CAGR	2025e	2026e	2027e	2028e	2029e	2030e
Markets and Markets (2019)			4.3		+5.2%	5.5					
Allied Markets (2019)	4.9				+6.9%		8.4				
Verified Market Research (2020)		4.2			+6.9%			6.8			
Mordor Intelligence (2020)			4.6		+6.6%		6.7				
Expert Market Research (2020)			<5.0		+5.6%		6.9				
Market Study Report (2021)			4.8		+5.1%				6.7		
Infogence Global Research (2021)				4.7	+5.6%		6.1				
Grand View Research (2021)			4.8	5.2	+8.1%				8.9		
Coherent Market Insights (2021)		4.3			+4.9%			6.3			

SOURCE: COMPANY DATA, SPHENE CAPITAL

Forecast of earnings and balance sheet figures

Ikonisys generates one-off revenues from the production and sale of the Ikoniscope and recurring revenues from the sale of platform-optimised own-brand probe kits, software applications, and service agreements for the maintenance of the devices. The company's customers range from medium-sized laboratories to renowned hospitals, with some of which Ikonisys has long-standing relationships.

Due to stringent outsourcing of production, we estimate that expenses are largely variable. Moreover, as a shift in business activities towards higher-margin product sales should be observed in the coming years, we estimate that the company will achieve strong earnings scaling in the years ahead. According to our estimates, Ikonisys can expect its first significant revenues from microscope sales in 2022e. By 2026e, in our base case scenario, we expect revenues to increase to EUR 35.7m and the operating result (EBITDA) to increase to EUR 10.0m.

Assumptions of our turnover forecasts in detail
Our revenue forecasts are based on the following assumptions:

TABLE 11: ASSUMPTIONS OF OUR TURNOVER FORECASTS

			Period
Product sales			
Average selling price Ikoniscope20	EUR	100,000	2022e-2023e
Average selling price Ikoniscope AI	EUR	120,000	>2024e
Initial gross margin Ikoniscope20	%	45.0%	2022e
Initial gross margin Ikoniscope AI	%	53.5%	2024e
Services			
SaaS fee (in % of the Ikoniscope sales price)	%	10.0%	2022e-2026e
Probe sales			
Average selling price probe kits	EUR	50.00	2022e-2026e
Initial number of tests per Ikoniscope		1,000	2022e

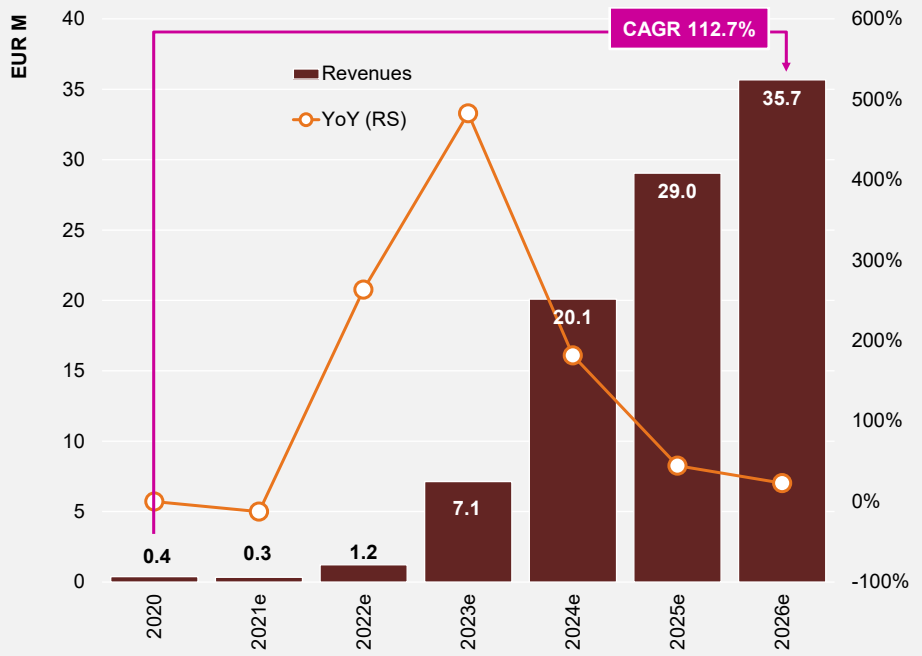
SOURCE: SPHENE CAPITAL FORECASTS

We expect sales to increase to EUR 35.7m by 2026e
Since 2006, Ikonisys has sold 46 first-generation Ikoniscopes. Between 2009 and 2016, however, microscope sales were not the first priority, and since 2017 no more Ikoniscopes have been sold, but revenues have only been generated through the maintenance of the 17 Ikoniscopes currently still in operation. With the launch of the Ikoniscope20 in the third quarter of 2021, we expect product sales to play a much more significant role in the coming years than in previous years.

With the market entry of Ikoniscope20, the conversion of software sales to a SaaS model and the entry into probe sales, we also see the foundation being laid for Ikonisys to then grow revenues to EUR 35.7m over the next five years, corresponding to a compound annual growth rate (CAGR) for the 2020-2026e period of 112,7%.

We have based our financial model on what we consider to be an achievable base case scenario.

FIGURE 34: TURNOVER AND TURNOVER GROWTH RATE, 2020-2026E



We expect Ikonisys to significantly expand its business in the coming years and achieve revenue growth rates well above the levels observed in recent years. In our forecast, we expect Ikonisys to generate revenues of EUR 35.7m by 2026e, which marks the end of our detailed planning phase. This corresponds to a compound annual growth rate (CAGR) of 112.7% in group revenues for the period 2020-2026e.

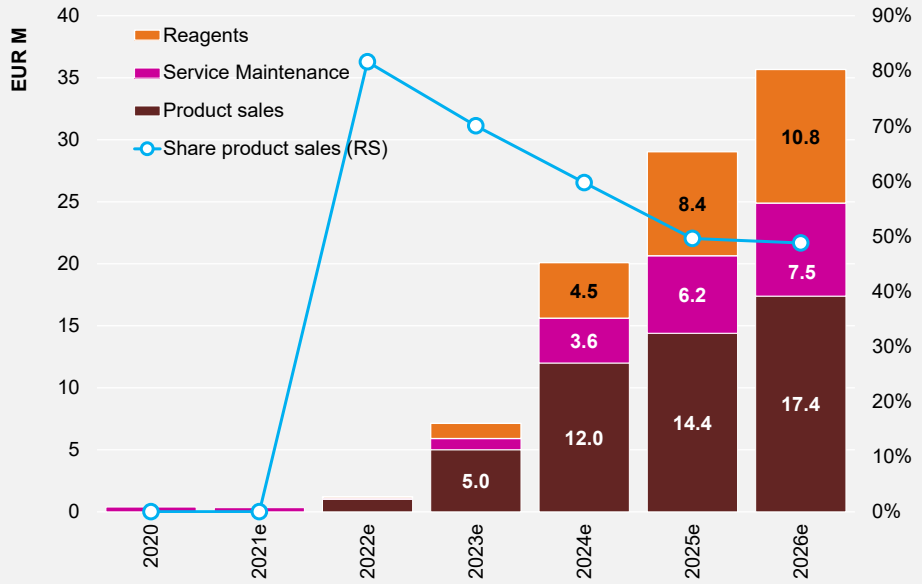
SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

Turnover by segments
In our model, we have divided Ikonisys' revenues into three business areas:

- **Product sales**, i.e. the proceeds from the sale of Ikoniscope20 as well as Ikoniscope AI,
- Sales from **service maintenance**, i.e. maintenance contracts as well as a software-as-a-service offering, and
- **Reagent** sales.

In our model, the share of the higher-margin product sales segment in Group revenues should initially increase significantly, but since revenues from service maintenance and reagent sales are dependent on product sales, their share in total revenues should increase with a time lag. Thus, in 2026e, half of the revenue should come from microscope sales and half from downstream segments in terms of value creation. In total, we expect the following segmental revenue breakdown:

FIGURE 35: SALES BY SEGMENT, 2020-2026E



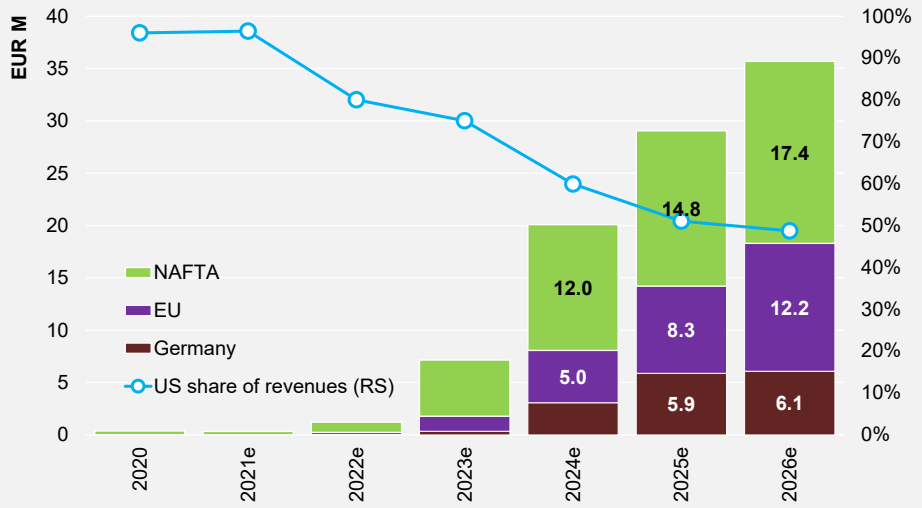
For the year 2022e, we expect revenues from product sales (Ikoniscope20) in the amount of EUR 1.0m. Sales from service revenues and reagents will only play a subordinate role with about EUR 0.1m each, so that the product segment should be responsible for 81.6% of Group revenues.

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

Rising foreign share of turnover

In the past few years, most of the revenues were generated in the USA. In the meantime, sales activities have been established in Europe, so that revenues in Europe will gain in importance in the medium term. By 2026e, we expect a share of sales generated in the European target markets of 51.3%.

FIGURE 36: SALES BY REGION, 2020-2026E



The trend is clear: over the next five years, we estimate that the share of revenues generated outside the USA will gradually increase.

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

Gross profit margins of up to 59.1%

We estimate that the cost of materials ratios in the three areas are widely spread. While material expenses in the service revenues division are only around 6%, they are likely to be over 50% in the product sales division due to the almost complete outsourcing of manufacturing. We expect a gross profit margin of 59.1% by 2026e.

TABLE 12: COST OF MATERIALS AND COST OF MATERIALS RATIO, 2020-2026E

		2020	2021e	2022e	2023e	2024e	2025e	2026e
Cost of materials	EUR m	0.0	0.0	-0.6	-3.6	-8.5	-12.0	-14.6
Gross profit	**EUR m**	**0.5**	**0.5**	**0.6**	**3.6**	**11.6**	**17.1**	**21.1**
in % of total output	%	98.3%	96.1%	48.5%	50.0%	57.6%	58.8%	59.1%

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

Below-average increase in employee numbers and personnel expenses expected

At the end of 2021, Ikonisys had eleven employees. However, with the launch of Ikoniscope20, sales are currently being expanded, especially in Europe, so we expect an increase to 19 employees by the end of the 2022e financial year. With average salaries rising slightly, the personnel expense ratio is expected to decline to 17.6% of total output in the following five years.

TABLE 13: NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES, 2020-2026E

		2020	2021e	2022e	2023e	2024e	2025e	2026e
Number of employees (31.12.)		**6**	**11**	**19**	**37**	**52**	**60**	**68**
Personnel expenses	EUR m	-0.2	-0.4	-0.9	-2.4	-4.0	-5.3	-6.3
in % of total output	%	-42.1%	-76.6%	-77.1%	-33.4%	-20.0%	-18.1%	-17.6%
Personnel expenses/employee*	kEUR	68	48	63	85	90	94	99

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS *Annual averages

Capitalisation of R&D expenses

While research expenditure must generally be treated as an expense for accounting purposes, development costs can be capitalised under IFRS if a company can demonstrate that the asset under development will be commercially viable in the future. This is the case with Ikoniscope20. We have modelled that Ikonisys will amortise the development expenses on a straight-line basis over a period of five years. This results in the following expense and balance sheet developments according to our forecasts:

TABLE 14: CAPITALISATION OF R&D EXPENDITURE, 2020-2026E

		2020	2021e	2022e	2023e	2024e	2025e	2026e
Capitalised R&D expenses	EUR m	0.1	8.7	7.8	7.0	6.3	5.7	5.1
Depreciation	EUR m	0.0	0.0	-1.7	-1.6	-1.4	-1.3	-1.1

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

We expect Ikonisys to reach profitability in 2024e

In the past year 2021e, we expect Ikonisys generated a clearly negative EBITDA of EUR -1.4m. However, this was burdened by considerable one-off expenses from the IPO. After these have been eliminated, we expect an improvement in the earnings situation for the current year 2022e. However, due to the currently subcritical size, Ikonisys is not expected to exceed the operating break-even threshold until 2024e. We consider EBITDA margins in the order of about 28% to be achievable in the long term.

TABLE 15: EBITDA AND EBIT, 2020-2026E

		2020	2021e	2022e	2023e	2024e	2025e	2026e
EBITDA	**EUR m**	**0.3**	**-1.4**	**-0.8**	**-0.4**	**2.5**	**6.4**	**10.0**
YoY	%	n/a	-626.6%	-44.7%	-55.9%	-801.3%	158.3%	57.4%
in % of total output	%	56.2%	-268.9%	-64.9%	-4.9%	12.2%	21.9%	28.0%
Depreciation	EUR m	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Amortisation	EUR m	0.0	0.0	-1.7	-1.6	-1.4	-1.3	-1.1
EBIT	**EUR m**	**0.2**	**-1.5**	**-2.6**	**-2.0**	**1.0**	**5.0**	**8.8**
YoY	%	n/a	-833.1%	72.9%	-23.5%	-149.0%	413.8%	75.3%
YoY	EUR m	0.2	-1.7	-1.1	0.6	3.0	4.0	3.8
in % of total output	%	42.2%	-280.9%	-211.8%	-27.8%	4.8%	17.2%	24.6%

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS *Annual averages

Disproportionate increase in EBIT expected

In view of the fact that we expect depreciation within the low capital intensive business model to decline over time, we believe that the operating result (EBIT) will rise disproportionately to EBITDA. We expect EBIT to rise from EUR -1.5m (2021e) to EUR 8.8m (2026e). The EBIT margin should rise to up to 24.6% in this period.

Parallel development expected between EBIT and after-tax result

For the current financial year 2022e, we expect pre-tax and after-tax profits of EUR -2.6m each (2201e: EUR -1.5m). With approximately 9.5 million shares outstanding, this corresponds to a profit of EUR -0.27 (2021e: EUR -0.16) per share.

In the coming year, we expect a slight, and in 2024e a significant improvement in the after-tax result to EUR -0.21 (2023e) and EUR 0.10 (2024e) per share, respectively.

By the end of the 2020 financial year, Ikonisys has generated losses of more than EUR 104m, but has not carried these forward in its financial statements. After a change of

control has taken place, i.e. more than 50% of the capital has been acquired directly or indirectly, these are partially or completely lost under US tax law.

No revenue and earnings guidance so far

Since the IPO in July 2021, Ikonisys has not published any forecasts on target values or ranges of the expected development of revenue and earnings as well as selected balance sheet ratios, neither at Group nor at segment level. However, this is probably also due to the quiet period after an IPO. We assume that the Executive Board will publish guidance in the future that is appropriate for a company of this size.

Only little capital tied up in working capital

The capital commitment in property, plant and equipment and working capital is manageable for Ikonisys due to the outsourcing of the production of the Ikoniscope20, but is therefore also not a barrier to market entry for potential newcomers. At the end of the past financial year 2021e, we estimate that working capital was negative at EUR -1.4m, as in the previous year; it should have consisted almost exclusively of trade payables.

TABLE 16: WORKING CAPITAL, 2020-2026E

		2020	2021e	2022e	2023e	2024e	2025e	2026
Inventories	EUR m	0.0	0.0	0.1	0.6	1.6	2.1	2.5
Receivables from L. & L.	EUR m	0.0	0.0	0.2	1.2	3.5	5.2	6.4
Liabilities from L. & L.	EUR m	-1.0	-1.5	-1.6	-1.9	-2.1	-2.9	-3.6
Advance payments received	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	**EUR m**	**-0.9**	**-1.4**	**-1.3**	**0.0**	**3.0**	**4.3**	**5.4**
Change in working capital	EUR m	-0.9	-0.5	0.2	1.3	3.0	1.3	1.0
Change in working capital	%	n/a	53.8%	-11.3%	n/a	n/a	42.7%	24.1%
WC intensity	x	-2.3	n/a	n/a	n/a	1.6	0.7	0.6
WC-Turnover	x	-0.8	-0.3	-0.9	-11.3	13.2	7.9	7.4

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

No distributions planned for the foreseeable future

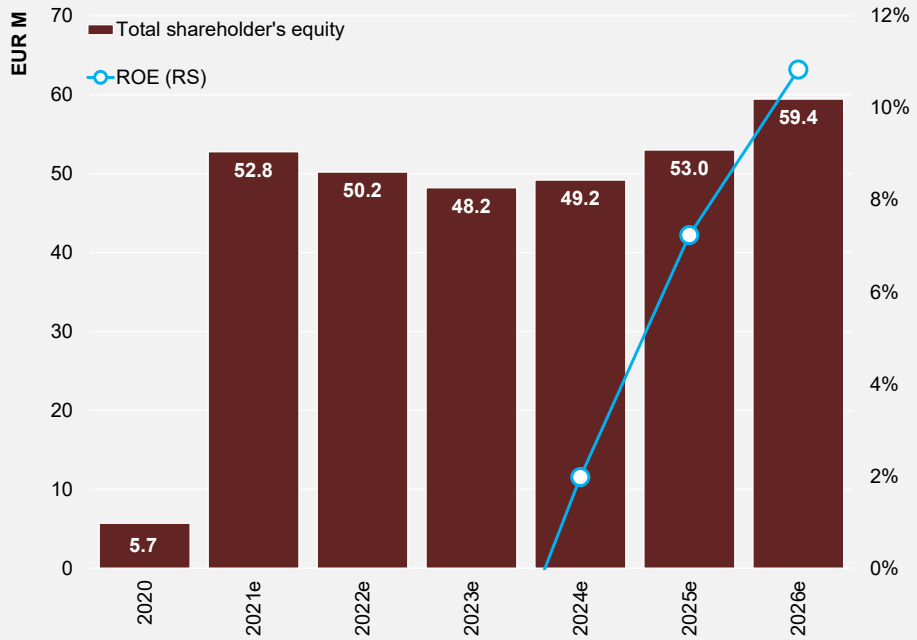
No AGM has been held since the IPO. Even if we take into account that Ikonisys operates a low capital-intensive business model in which no expansion investments in property, plant and equipment or working capital are required for the expansion of business activities, we consider it unlikely that Ikonisys, as a growth company, will distribute parts of the consolidated profit to shareholders in the coming years.

Until 2026e, we do not expect to start paying dividends.

High value creation for the equity investors

Currently, the return on equity is in negative territory. Ikonisys has therefore not yet been able to demonstrate that it is operating a business model that creates sustainable value for its shareholders. The chart below shows that we expect the return on equity to increase to 10.8% over the next five years due to a significant increase in capital turnover and improving profitability:

FIGURE 37: EQUITY AND RETURN ON EQUITY (RS), 2020-2026E



From 2026e onwards, Ikonisys will be a value-creating company for equity investors according to our forecasts.

SOURCE: CORPORATE DATA, SPHENE CAPITAL FORECASTS

Profit and loss account, 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Revenues	**EUR m**	**0.4**	**0.3**	**1.2**	**7.1**	**20.1**	**29.0**	**35.7**
YoY	%	n/a	-12.5%	263.4%	482.7%	181.5%	44.5%	22.8%
Changes in inventories	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	EUR m	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Total output	**EUR m**	**0.5**	**0.5**	**1.2**	**7.1**	**20.1**	**29.0**	**35.7**
YoY	%	n/a	10.1%	129.2%	482.7%	181.5%	44.5%	22.8%
Cost of materials	EUR m	0.0	0.0	-0.6	-3.6	-8.5	-12.0	-14.6
in % of total output	%	-1.7%	-3.9%	-51.5%	-50.0%	-42.4%	-41.2%	-40.9%
Gross profit	**EUR m**	**0.5**	**0.5**	**0.6**	**3.6**	**11.6**	**17.1**	**21.1**
YoY	%	n/a	7.6%	15.7%	500.8%	224.4%	47.5%	23.4%
in % of total output	%	98.3%	96.1%	48.5%	50.0%	57.6%	58.8%	59.1%
Personnel expenses	EUR m	-0.2	-0.4	-0.9	-2.4	-4.0	-5.3	-6.3
in % of total output	%	-42.1%	-76.6%	-77.1%	-33.4%	-20.0%	-18.1%	-17.6%
Other operating expenses	EUR m	0.0	-1.5	-0.4	-1.5	-5.1	-5.5	-4.8
in % of total output	%	0.0%	-288.5%	-36.2%	-21.5%	-25.4%	-18.8%	-13.4%
EBITDA	**EUR m**	**0.3**	**-1.4**	**-0.8**	**-0.4**	**2.5**	**6.4**	**10.0**
YoY	%	n/a	n/a	-44.7%	-55.9%	n/a	158.3%	57.4%
in % of total output	%	56.2%	-268.9%	-64.9%	-4.9%	12.2%	21.9%	28.0%
Depreciation	EUR m	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Amortisation	EUR m	0.0	0.0	-1.7	-1.6	-1.4	-1.3	-1.1
EBIT	**EUR m**	**0.2**	**-1.5**	**-2.6**	**-2.0**	**1.0**	**5.0**	**8.8**
YoY	%	n/a	n/a	72.9%	-23.5%	n/a	413.8%	75.3%
YoY	EUR m	0.2	-1.7	-1.1	0.6	3.0	4.0	3.8
in % of total output	%	42.2%	-280.9%	-211.8%	-27.8%	4.8%	17.2%	24.6%
Result from participations	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial result	EUR m	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
A. o. Result	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**EUR m**	**-1.6**	**-1.5**	**-2.6**	**-2.0**	**1.0**	**5.0**	**8.8**
in % of total output	%	-322.8%	-281.7%	-211.8%	-27.8%	4.8%	17.2%	24.6%
Taxes	EUR m	0.0	0.0	0.0	0.0	0.0	-1.2	-2.3
in % of EBT	%	0.4%	0.0%	0.0%	0.0%	0.0%	-23.3%	-26.5%
Other taxes	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net result	**EUR m**	**-1.6**	**-1.5**	**-2.6**	**-2.0**	**1.0**	**3.8**	**6.4**
in % of total output	%	-324.1%	-281.7%	-211.8%	-27.8%	4.8%	13.2%	18.1%
Profits to be transferred due to EAV	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
After-tax result after minority interests	**EUR m**	**-1.6**	**-1.5**	**-2.6**	**-2.0**	**1.0**	**3.8**	**6.4**
Number of shares (basic)	m.	0.0	9.5	9.5	9.5	9.5	9.5	9.5
thereof ordinary shares	m.	0.0	9.5	9.5	9.5	9.5	9.5	9.5
thereof preference shares	m.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of shares (diluted)	m.	0.0	9.5	9.5	9.5	9.5	9.5	9.5
EPS (basic)	**EUR**	**n/a**	**-0.16**	**-0.27**	**-0.21**	**0.10**	**0.40**	**0.68**
EPS (diluted)	**EUR**	**n/a**	**-0.16**	**-0.27**	**-0.21**	**0.10**	**0.40**	**0.68**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Revenue and EBITDA by segment, 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Turnover	**EUR m**	**0.4**	**0.3**	**1.2**	**7.1**	**20.1**	**29.0**	**35.7**
Product sales	EUR m	0.0	0.0	1.0	5.0	12.0	14.4	17.4
Service Maintenance	EUR m	0.4	0.3	0.1	0.9	3.6	6.2	7.5
Probe sales	EUR m	0.0	0.0	0.1	1.2	4.5	8.4	10.8
Consolidation	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
YoY	**%**	**n/a**	**-12.5%**	**263.4%**	**482.7%**	**181.5%**	**44.5%**	**22.8%**
Product sales	%	n/a	n/a	n/a	400.0%	140.0%	20.0%	20.8%
Service Maintenance	%	n/a	-12.5%	-70.3%	800.0%	300.0%	73.3%	20.2%
Probe sales	%	n/a	n/a	n/a	890.0%	263.0%	86.9%	28.3%
Consolidation	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
in % of turnover	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Product sales	%	0.0%	0.0%	81.6%	70.1%	59.7%	49.6%	48.8%
Service Maintenance	%	100.0%	100.0%	8.2%	12.6%	17.9%	21.5%	21.0%
Probe sales	%	0.0%	0.0%	10.2%	17.3%	22.4%	28.9%	30.2%
Consolidation	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	**EUR m**	**0.3**	**-1.4**	**-0.8**	**-0.4**	**2.5**	**6.4**	**10.0**
Product sales	EUR m	0.0	0.0	-0.7	-0.8	1.0	3.6	6.5
Service Maintenance	EUR m	0.3	-0.1	-0.1	0.1	0.4	0.7	0.9
Probe sales	EUR m	0.0	0.0	0.0	0.3	1.1	2.1	2.6
Consolidation	EUR m	0.0	-1.3	0.0	0.0	0.0	0.0	0.0
YoY	**%**	**n/a**	**n/a**	**-44.7%**	**-55.9%**	**n/a**	**158.3%**	**57.4%**
Product sales	%	n/a	n/a	n/a	7.1%	-228.0%	275.0%	81.3%
Service Maintenance	%	n/a	-150.2%	-48.9%	-228.6%	330.0%	79.7%	23.8%
Probe sales	%	n/a	n/a	n/a	n/a	259.4%	85.0%	27.0%
Consolidation	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
in % of turnover	**%**	**70.8%**	**-426.3%**	**-64.9%**	**-4.9%**	**12.2%**	**21.9%**	**28.0%**
Product sales	%	n/a	n/a	-70.0%	-15.0%	8.0%	25.0%	37.5%
Service Maintenance	%	70.8%	-40.6%	-70.0%	10.0%	10.8%	11.1%	11.5%
Probe sales	%	n/a	n/a	-20.0%	25.0%	24.8%	24.5%	24.3%
Consolidation	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Sales by region, 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Turnover	**EUR m**	**0.4**	**0.3**	**1.2**	**7.1**	**20.1**	**29.0**	**35.7**
Germany	EUR m	0.0	0.0	0.0	0.4	3.1	5.9	6.1
EU	EUR m	0.0	0.0	0.2	1.4	5.0	8.3	12.2
Rest of Europe	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NAFTA	EUR m	0.4	0.3	1.0	5.4	12.0	14.8	17.4
Asia	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of the world	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
YoY	**%**	**n/a**	**-12.5%**	**263.4%**	**482.7%**	**181.5%**	**44.5%**	**22.8%**
Germany	%	n/a	-21.0%	271.4%	689.5%	762.4%	91.8%	3.4%
EU	%	n/a	n/a	n/a	614.4%	249.6%	66.8%	46.5%
Rest of Europe	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NAFTA	%	n/a	-12.2%	201.5%	446.3%	124.8%	23.2%	17.2%
Asia	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of the world	%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
in % of turnover	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Germany	%	4.0%	3.6%	3.7%	5.0%	15.2%	20.2%	17.0%
EU	%	0.0%	0.0%	16.3%	20.0%	24.9%	28.7%	34.2%
Rest of Europe	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NAFTA	%	96.0%	96.4%	80.0%	75.0%	59.9%	51.1%	48.7%
Asia	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of the world	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Balance sheet (assets), 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Long-term assets	**EUR m**	**8.0**	**54.2**	**53.3**	**52.5**	**51.8**	**51.2**	**50.6**
Intangible assets	**EUR m**	**8.0**	**54.1**	**53.3**	**52.5**	**51.8**	**51.2**	**50.6**
Goodwill	EUR m	0.0	45.3	45.3	45.3	45.3	45.3	45.3
Intangible assets	EUR m	0.1	8.7	7.8	7.0	6.3	5.7	5.1
Rights of use	EUR m	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other	EUR m	7.9	0.1	0.1	0.1	0.1	0.1	0.1
Tangible fixed assets	**EUR m**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Property	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plant and equipment	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid advances	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	**EUR m**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Participations	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to affiliated companies	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepayments made	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	**EUR m**	**0.1**	**1.8**	**2.4**	**4.2**	**6.5**	**10.8**	**19.1**
Inventories	EUR m	0.0	0.0	0.1	0.6	1.6	2.1	2.5
DIO	d	0	0	70	65	68	62	62
Receivables from deliveries and services	EUR m	0.0	0.0	0.2	1.2	3.5	5.2	6.4
DSO	d	28	41	62	63	63	64	65
Trade receivables	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from affiliated companies	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	EUR m	0.0	0.1	0.2	0.3	0.4	0.5	0.8
Other financial assets	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-financial assets	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	EUR m	0.0	1.7	1.9	2.0	1.0	3.0	9.4
thereof collateralized	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deferred items	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unfunded equity capital	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**EUR m**	**8.1**	**56.0**	**55.7**	**56.7**	**58.3**	**62.0**	**69.7**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Balance sheet (liabilities), 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Equity	**EUR m**	**5.7**	**52.8**	**50.2**	**48.2**	**49.2**	**53.0**	**59.4**
Equity ratio	%	70.5%	94.3%	90.1%	85.0%	84.3%	85.5%	85.3%
Share capital	EUR m	1.8	19.0	19.0	19.0	19.0	19.0	19.0
Capital reserve	EUR m	84.4	2.1	2.1	2.1	2.1	2.1	2.1
Capital reserve from reverse acquisition	EUR m	1.9	32.9	32.9	32.9	32.9	32.9	32.9
Currency adjustments	EUR m	-0.4	0.5	0.5	0.5	0.5	0.5	0.5
Retained earnings	EUR m	-104.3	0.0	0.0	0.0	0.0	0.0	0.0
Other accumulated equity	EUR m	23.9	0.0	-1.6	-4.2	-6.2	-5.2	-1.4
Profit/loss of the period	EUR m	-1.6	-1.6	-2.6	-2.0	1.0	3.8	6.4
Unfunded equity capital	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own shares	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit participation capital	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special item with an equity portion	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension provisions	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	EUR m	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Current liabilities	**EUR m**	**1.2**	**1.6**	**3.8**	**6.4**	**6.6**	**5.9**	**6.6**
Bank debt	EUR m	0.2	0.2	2.2	4.5	4.5	3.0	3.0
Bond	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit participation capital	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silent partnerships	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term leasing liabilities	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	EUR m	1.0	1.5	1.6	1.9	2.1	2.9	3.6
DPO	d	902	1,578	473	95	38	36	36
Advance payments received	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to related companies	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**EUR m**	**1.2**	**1.5**	**1.7**	**2.1**	**2.5**	**3.1**	**3.7**
Bank debt	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit participation capital	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silent partnerships	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term leasing liabilities	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	EUR m	1.2	1.5	1.7	2.1	2.5	3.1	3.7
Deferred tax liabilities	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**EUR m**	**8.1**	**56.0**	**55.7**	**56.7**	**58.3**	**62.0**	**69.7**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Balance sheet (assets, normalised), 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Non-current assets	%	**99.1%**	**96.7%**	**95.7%**	**92.7%**	**88.9%**	**82.6%**	**72.6%**
Intangible assets	**%**	**99.0%**	**96.7%**	**95.7%**	**92.6%**	**88.8%**	**82.6%**	**72.6%**
Goodwill	%	0.0%	81.0%	81.4%	80.0%	77.7%	73.2%	65.0%
Intangible assets	%	1.7%	15.4%	14.0%	12.4%	10.8%	9.2%	7.3%
Rights of use	%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other	%	97.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%
Long-term assets	**%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Property	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plant and equipment	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term assets	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid advances	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial assets	**%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.1%**	**0.1%**	**0.1%**
Participations	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term assets	%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Loans to affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid advances	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current assets	**%**	**0.9%**	**3.3%**	**4.3%**	**7.3%**	**11.1%**	**17.4%**	**27.4%**
Inventories	%	0.0%	0.0%	0.2%	1.1%	2.8%	3.3%	3.6%
Trade receivables	%	0.4%	0.1%	0.4%	2.2%	6.1%	8.3%	9.2%
Receivables from affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables due from related parties	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other current assets	%	0.0%	0.2%	0.3%	0.4%	0.6%	0.8%	1.1%
Other financial assets	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other non-financial assets	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and cash equivalents	%	0.5%	3.0%	3.4%	3.6%	1.7%	4.9%	13.5%
thereof collateralized	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other deferred items	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Balance sheet (liabilities, normalised), 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Total shareholder's equity	**%**	**70.5%**	**94.3%**	**90.1%**	**85.0%**	**84.3%**	**85.5%**	**85.3%**
Share capital	%	21.6%	33.9%	34.1%	33.5%	32.5%	30.6%	27.2%
Capital reserve	%	1043.5%	3.7%	3.7%	3.7%	3.6%	3.4%	3.0%
Capital reserve from reverse acquisition	%	24.0%	58.7%	59.0%	58.0%	56.3%	53.0%	47.1%
Currency adjustments	%	-4.8%	0.9%	0.9%	0.9%	0.8%	0.8%	0.7%
Retained earnings	%	-1290.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other accumulated equity	%	296.0%	0.0%	-2.9%	-7.4%	-10.6%	-8.4%	-2.0%
Profit/Loss of period	%	-19.4%	-2.9%	-4.7%	-3.5%	1.7%	6.2%	9.2%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Own shares	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit participation capital	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special items	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension reserves	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions	%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Current liabilities	**%**	**14.4%**	**2.9%**	**6.8%**	**11.3%**	**11.3%**	**9.5%**	**9.4%**
Bank debt	%	2.4%	0.3%	3.9%	7.9%	7.7%	4.8%	4.3%
Bond	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit participation capital	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Silent partnerships	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term leasing liabilities	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade payables	%	11.9%	2.6%	2.9%	3.3%	3.6%	4.7%	5.1%
Advance payments received	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other current liabilities	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liabilities due to related parties	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-current liabilities	**%**	**15.1%**	**2.7%**	**3.1%**	**3.7%**	**4.3%**	**5.0%**	**5.3%**
Bank debt	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bond	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit participation capital	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Silent partnerships	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term leasing liabilities	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other non-current liabilities	%	15.1%	2.7%	3.1%	3.7%	4.3%	5.0%	5.3%
Deferred taxes	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other deferred items	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total liabilities and shareholder's equity	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Cash flow statement, 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Net profit for the year	EUR m	-1.6	-1.5	-2.6	-2.0	1.0	3.8	6.4
Depreciation	EUR m	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Amortisations	EUR m	0.0	0.0	1.7	1.6	1.4	1.3	1.1
Result from the disposal of fixed assets	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Inventory	EUR m	0.0	0.0	-0.1	-0.5	-1.0	-0.5	-0.5
Δ Receivables from deliveries and services	EUR m	0.0	0.0	-0.2	-1.0	-2.3	-1.6	-1.2
Δ Receivables and other assets	EUR m	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2
Δ RaP assets / deferred taxes	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Provisions	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Non-current other Provisions	EUR m	0.0	0.1	-0.1	0.0	0.0	0.0	0.0
Δ Current other provisions	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Trade payables	EUR m	1.0	0.5	0.1	0.3	0.2	0.8	0.7
Δ Special items	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Other Liabilities	EUR m	1.2	0.3	0.2	0.4	0.4	0.5	0.6
Δ Passive RaP / deferred taxes	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency adjustments	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating adjustments	EUR m	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow	**EUR m**	**-1.1**	**-0.7**	**-0.9**	**-1.3**	**-0.2**	**4.3**	**7.1**
Investments in financial assets	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in intangible fixed assets	EUR m	-8.0	-46.1	-0.9	-0.8	-0.7	-0.6	-0.6
Investments in property, plant and equipment	EUR m	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other operating adjustments	EUR m	7.8	46.8	0.0	0.0	0.0	0.0	0.0
Investing cash flow	**EUR m**	**-0.2**	**0.6**	**-0.9**	**-0.9**	**-0.8**	**-0.7**	**-0.7**
Free cash flow	**EUR m**	**-1.4**	**-0.1**	**-1.8**	**-2.2**	**-1.0**	**3.5**	**6.4**
Δ Share capital	EUR m	1.8	17.2	0.0	0.0	0.0	0.0	0.0
Δ Capital reserves	EUR m	86.3	30.5	0.0	0.0	0.0	0.0	0.0
Δ Profit participation capital (EK)	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Bank liabilities	EUR m	0.2	0.0	2.0	2.4	0.0	-1.5	0.0
Δ Bond	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Profit participation capital (FK)	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Silent partnership	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Leasing	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Other interest-bearing liabilities	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less dividend of the previous year	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less distribution to minority shareholders	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating adjustments	EUR m	-86.6	-46.8	0.0	0.0	0.0	0.0	0.0
Financial cash flow	**EUR m**	**1.6**	**0.8**	**2.0**	**2.4**	**0.0**	**-1.5**	**0.0**
Cash inflow (net)	EUR m	0.3	0.8	0.2	0.1	-1.0	2.0	6.4
Currency adjustments	EUR m	-0.4	0.9	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at beginning of period	EUR m	0.2	0.0	1.7	1.9	2.0	1.0	3.0
Cash and cash equivalents at end of period	**EUR m**	**0.0**	**1.7**	**1.9**	**2.0**	**1.0**	**3.0**	**9.4**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

At a glance I, 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Key Data								
Turnover	EUR m	0.4	0.3	1.2	7.1	20.1	29.0	35.7
Gross profit	EUR m	0.5	0.5	0.6	3.6	11.6	17.1	21.1
EBITDA	EUR m	0.3	-1.4	-0.8	-0.4	2.5	6.4	10.0
EBIT	EUR m	0.2	-1.5	-2.6	-2.0	1.0	5.0	8.8
EBT	EUR m	-1.6	-1.5	-2.6	-2.0	1.0	5.0	8.8
Net result	EUR m	-1.6	-1.5	-2.6	-2.0	1.0	3.8	6.4
Number of employees	X	6	11	19	37	52	60	68
Per share								
Course High	EUR	n/a	4.59	2.92				
Course Low	EUR	n/a	2.70	2.80				
Course Average	EUR	n/a	3.17	2.86				
Closing price	EUR	n/a	2.90	2.79	2.79	2.79	2.79	2.79
EPS	EUR	n/a	-0.16	-0.27	-0.21	0.10	0.40	0.68
BVPS	EUR	n/a	5.57	5.29	5.08	5.19	5.59	6.27
CFPS	EUR	n/a	-0.07	-0.09	-0.14	-0.02	0.45	0.74
Dividend	EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Target price	**EUR**							**7.70**
Performance to target price	**%**							**176.0%**
Profitability ratios (basis turnover)								
EBITDA margin	%	70.8%	n/a	-64.9%	-4.9%	12.2%	21.9%	28.0%
EBIT margin	%	53.1%	n/a	n/a	-27.8%	4.8%	17.2%	24.6%
EBT margin	%	n/a	n/a	n/a	-27.8%	4.8%	17.2%	24.6%
Net margin	%	n/a	n/a	n/a	-27.8%	4.8%	13.2%	18.1%
FCF margin	%	n/a	-24.8%	n/a	-31.0%	-5.1%	12.2%	17.9%
ROE	%	-27.6%	-2.9%	-5.2%	-4.1%	2.0%	7.2%	10.8%
NWC/turnover	%	n/a	n/a	n/a	0.1%	15.1%	14.9%	15.0%
Per capita turnover	EURk	64	31	64	193	386	484	528
Per capita EBIT	EURk	34.1	-136.4	-136.6	-53.6	18.7	83.3	129.8
Capex/turnover	%	18.0%	18.6%	5.7%	1.1%	0.4%	0.3%	0.3%
Growth rates								
Turnover	%	n/a	-12.5%	263.4%	482.7%	181.5%	44.5%	22.8%
Gross profit	%	n/a	7.6%	15.7%	500.8%	224.4%	47.5%	23.4%
EBITDA	%	n/a	n/a	-44.7%	-55.9%	n/a	158.3%	57.4%
EBIT	%	n/a	n/a	72.9%	-23.5%	n/a	413.8%	75.3%
EBT	%	n/a	-3.9%	72.4%	-23.5%	n/a	413.8%	75.3%
Net result	%	n/a	-4.3%	72.4%	-23.5%	n/a	294.3%	67.9%
EPS	%	n/a	n/a	72.4%	-23.5%	n/a	294.3%	67.9%
CFPS	%	n/a	n/a	22.3%	57.4%	-83.0%	n/a	65.1%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

At a glance II, 2020-2026e

IFRS (31.12.)		2020	2021e	2022e	2023e	2024e	2025e	2026e
Balance sheet ratios								
Tangible fixed assets	EUR m	8.0	54.2	53.3	52.5	51.8	51.2	50.6
Current assets	EUR m	0.1	1.8	2.4	4.2	6.5	10.8	19.1
Equity	EUR m	5.7	52.8	50.2	48.2	49.2	53.0	59.4
Liabilities	EUR m	2.4	3.2	5.5	8.5	9.1	9.0	10.3
Equity ratio	%	70.5%	94.3%	90.1%	85.0%	84.3%	85.5%	85.3%
Net gearing ratio	%	2.8%	0.0%	0.5%	5.2%	7.1%	0.0%	0.0%
Working capital	EUR m	-0.9	-1.4	-1.3	0.0	3.0	4.3	5.4
Capital employed	EUR m	7.1	52.7	52.0	52.5	54.8	55.5	56.0
Asset Turnover	x	0.0	0.0	0.0	0.1	0.3	0.5	0.5
Enterprise Value								
Number of shares	m.	0.0	9.5	9.5	9.5	9.5	9.5	9.5
Market capitalisation High	EUR m	n/a	43.5	27.7	0.0	0.0	0.0	0.0
Market capitalisation low	EUR m	n/a	25.6	26.5	0.0	0.0	0.0	0.0
Market capitalisation average	EUR m	n/a	30.1	27.1	0.0	0.0	0.0	0.0
Market capitalisation Closing price	EUR m	n/a	27.5	26.5	26.5	26.5	26.5	26.5
Net debt	EUR m	0.2	-1.5	0.3	2.5	3.5	0.0	-6.4
Pension provisions	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Third party shares	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets Fixed assets	EUR m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value High	EUR m	n/a	42.0	28.0	n/a	n/a	n/a	n/a
Enterprise Value Low	EUR m	n/a	24.1	26.8	n/a	n/a	n/a	n/a
Enterprise Value Average	EUR m	n/a	28.5	27.4	n/a	n/a	n/a	n/a
Enterprise Value Closing Price	EUR m	n/a	26.0	26.7	28.9	30.0	26.4	20.0
Valuation ratios								
EV/Turnover High	x	n/a	124.6	22.8	n/a	n/a	n/a	n/a
EV/Turnover Low	x	n/a	71.4	21.9	n/a	n/a	n/a	n/a
EV/turnover average	x	n/a	84.6	22.4	n/a	n/a	n/a	n/a
EV/Sales Closing price	x	n/a	77.0	21.8	4.1	1.5	0.9	0.6
EV/EBITDA High	x	n/a	-28.0	-10.8	n/a	n/a	n/a	n/a
EV/EBITDA Low	x	n/a	-16.0	-10.3	n/a	n/a	n/a	n/a
EV/EBITDA average	x	n/a	-19.0	-10.6	n/a	n/a	n/a	n/a
EV/EBITDA closing price	x	n/a	-17.3	-10.3	-14.6	30.8	5.3	2.3
EV/EBIT closing price	x	n/a	-17.3	-10.3	-14.6	30.8	5.3	2.3
P/E High	x	n/a	n/a	n/a	n/a	0.0	0.0	0.0
P/E ratio low	x	n/a	n/a	n/a	n/a	0.0	0.0	0.0
P/E average	x	n/a	n/a	n/a	n/a	0.0	0.0	0.0
P/E ratio closing price	x	n/a	n/a	n/a	n/a	27.2	6.9	4.1
KBV closing price	x	n/a	0.5	0.5	0.5	0.5	0.5	0.4
KCF average	x	n/a	n/a	n/a	n/a	n/a	0.0	0.0
FCF Yield	%	n/a	-0.3%	-6.8%	-8.4%	-3.9%	13.4%	24.1%
Dividend yield	%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Discounted cash flow valuation

IFRS (31.12.)		2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	Termi-nal year
Turnover	EUR m	**1.2**	**7.1**	**20.1**	**29.0**	**35.7**	**41.0**	**44.7**	**46.9**	**48.1**	**48.9**	**49.4**	**49.9**	**50.3**	**50.8**	**51.2**	**51.7**
YoY	%	263.4%	482.7%	181.5%	44.5%	22.8%	15.0%	9.0%	4.9%	2.6%	1.5%	1.1%	0.9%	0.9%	0.9%	0.9%	0.9%
EBIT	EUR m	**-2.6**	**-2.0**	**1.0**	**5.0**	**8.8**	**10.1**	**11.1**	**11.6**	**12.0**	**12.2**	**12.4**	**12.6**	**12.7**	**12.9**	**12.8**	**12.9**
EBIT margin	%	-211.8%	-27.8%	4.8%	17.2%	24.6%	24.7%	24.7%	24.8%	24.9%	25.0%	25.1%	25.2%	25.3%	25.4%	25.0%	25.0%
Taxes	EUR m	0.0	0.0	0.0	-1.2	-2.3	-2.7	-2.9	-3.1	-3.2	-3.2	-3.3	-3.3	-3.4	-3.4	-3.4	-3.4
Tax ratio (τ)	**%**	0.0%	0.0%	0.0%	23.3%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
Adjusted EBIT(1-τ)	EUR m	**-2.6**	**-2.0**	**1.0**	**3.8**	**6.4**	**7.4**	**8.1**	**8.6**	**8.8**	**9.0**	**9.1**	**9.2**	**9.3**	**9.5**	**9.4**	**9.5**
Reinvestment	EUR m	0.7	-0.5	-2.3	-0.7	-0.5	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.4
FCFF	EUR m	**-1.9**	**-2.5**	**-1.3**	**3.2**	**6.0**	**7.1**	**7.8**	**8.2**	**8.5**	**8.8**	**8.9**	**9.1**	**9.2**	**9.3**	**9.3**	**8.0**
WACC	%	9.1%	9.1%	9.1%	9.1%	9.1%	8.7%	8.4%	8.1%	7.8%	7.5%	7.2%	6.8%	6.5%	6.2%	5.9%	
Discount rate	%	100.0%	109.1%	84.1%	77.1%	70.7%	65.0%	59.9%	55.5%	51.4%	47.9%	44.7%	41.8%	39.2%	36.9%	34.9%	
Present value of the FCFF	**EUR m**	**-1.9**	**-2.7**	**-1.1**	**2.4**	**4.2**	**4.6**	**4.6**	**4.6**	**4.4**	**4.2**	**4.0**	**3.8**	**3.6**	**3.4**	**3.2**	
Present value Terminal value	EUR m	29.7															
in % of the Enterprise Value	%	41.8%															
Present value FCFF Detailed planning phase	EUR m	0.9															
in % of the Enterprise Value	%	1.3%															
Present value FCFF Rough planning phase	EUR m	40.5															
in % of the Enterprise Value	%	56.9%															
Enterprise Value	**EUR m**	**71.1**															
Financial debt	EUR m	-0.2															
Excess Cash	EUR m	1.6															
Value of equity	**EUR m**	**72.6**															
Number of shares outstanding	m.	9.5															
Value of equity	**EUR**	**7.70**															

SOURCE: SPHENE CAPITAL FORECASTS

This study was prepared by the

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

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Overview of investment recommendations to date (12 months):

Date/Time:	Target price/current price:	Investment recommendation:	Conflicts of interest (key statement)
25 01 2022/11:30 h	EUR 7.70/EUR 2.81	Buy, validity 24 months	1; 2; 8

An overview of the investment recommendations of Sphene Capital GmbH is available at http://www.sphene-capital.de.

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Sources of information
Parts of the information required for this study were provided by the issuer of the analysed security. In addition, this study is based on publicly available information that is considered reliable (such as Bloomberg, Reuters, VWD-Trader and press releases). Sphene Capital GmbH has checked this information for plausibility, but not for accuracy and completeness.

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This study was finalised on 25 01 2022 at 9:00 h. Last price at the time of completion: EUR 2.79.