

# Berentzen-Gruppe AG

WKN: 520160 | ISIN: DE0005201602 | Bloomberg: BEZ GR

## Termination of contract bottling reduces low-margin revenues

**Operational effects of contract termination:** Yesterday, Berentzen announced that a bottling order for an international beverage group will end this year, leading to a negative impact on revenues of EUR 12m from FY2021 onwards. Given the fact that contract bottling is a low-margin business, Berentzen management expects only little to no influence on EBIT. Although the contract termination was no active decision by Berentzen itself, it suitably fits the corporate strategy to reduce low-profit business activities, to free up production capacities and strengthen the distribution of better performing branded goods (e.g. Mio Mio, mineral waters).

**Adjusted FMR estimates 2021e onwards:** Our estimates for FY2020e remain unchanged. For 2021e we now project revenues to be flat YoY (EUR 164.9m; +0%; before: EUR 172.8m). We argue that the company will be able to partially compensate the foregone contract bottling revenues. Given the competitive market environment and adverse economic effects related to the still valid pandemic (significant time-delayed effects expected especially for the on-trade business) we think that the acquisition of revenues will come at some costs. For this reason, we have only disproportionately decreased cost of materials and personnel cost resulting in a reduced 2021e-EBIT of EUR 8.8m (before: EUR 9.1m). Based on the same argumentation we lowered our 2022e estimates of group revenues and EBIT from EUR 178.9m to EUR 167.8m and from EUR 9.2m to EUR 8.9m respectively.

**We decided to set aside our peer group valuation and to solely rely on our DCF model for the time being to better reflect company specific operational developments. Our updated DCF model shows a fair value of EUR 9.33 per share. We confirm our BUY recommendation but reduce the price target slightly from EUR 10.00 to EUR 9.00 per share, which still represents an upside potential of 48%.**

FY End: 31.12.; in EURm	CAGR (17-22e)	2017	2018	2019	2020e	2021e	2022e
Revenue	0.9%	160.4	162.2	167.4	164.9	164.9	167.8
Adj. EBITDA	1.8%	16.4	17.3	18.4	16.9	17.6	17.9
margin		10.2%	10.7%	11.0%	10.2%	10.7%	10.7%
Adj. EBIT	-0.4%	9.1	9.8	9.8	8.7	8.8	8.9
margin		5.7%	6.0%	5.9%	5.3%	5.3%	5.3%
Net result	16.0%	2.4	5.2	4.9	4.0	5.1	5.1
EPS	16.0%	0.26	0.55	0.52	0.42	0.54	0.54
Dividend per share		0.22	0.28	0.28	0.21	0.27	0.27
EV/Sales		0.48	0.37	0.36	0.39	0.37	0.36
EV/EBITDA		4.59	3.49	3.32	3.83	3.52	3.34
P/E		23.58	11.09	11.63	14.41	11.33	11.21
Net debt/EBITDA		-0.01	0.11	-0.18	0.36	0.18	0.08

Source: Berentzen, FMR

Published: 23.06.2020

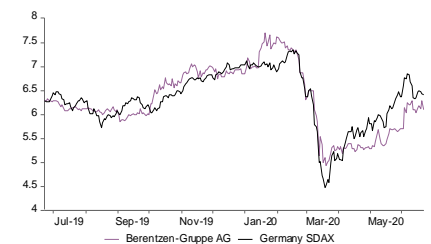
**BUY**

Before: BUY

Price target EUR 9.00 (10.00)  
Share price EUR 6.10 (+48%)

\*last XETRA closing price

Change	2020e	2021e	2022e
Revenue	-	-7.9	-11.1
Adj. EBIT	-	-0.3	-0.3
EPS	-	-0.02	-0.03



Source: Factset

### Basic share data

Number of shares (million)	9.39
Free float and others (in %)	76.50%
Market cap (EURm)	57.3
Trading volume (Ø)	11,159
High (EUR, 52 weeks)	7.8
Low (EUR, 52 weeks)	4.8

### Shareholder structure

Monolith (NL)	9.90%
MainFirst (LU)	8.50%
Lazard Gestion (FR)	5.10%
Treasury shares	2.10%
Free float and others	74.40%

### Corporate calendar

Half-Year Report H1/2020	11.08.2020
Interim Report Q3/2020	22.10.2020

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### In cooperation with



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Appendix

**Discounted Cash Flow Modell**

in EURm	PHASE 1			PHASE 2							PHASE 3
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	∞
Sales	164.9	164.9	167.8	172.8	177.6	182.0	186.1	189.8	193.1	196.0	
Sales growth YoY in %	-1.5%	0.0%	1.8%	3.0%	2.8%	2.5%	2.3%	2.0%	1.8%	1.5%	
EBIT	7.3	8.8	8.9	9.2	9.6	10.0	10.4	10.8	11.2	11.6	
EBIT margin in %	4.4%	5.3%	5.3%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	
Income tax on EBIT	-2.2	-2.6	-2.7	-2.7	-2.9	-3.0	-3.1	-3.2	-3.4	-3.5	
Depreciation and amortisation	8.2	8.7	9.1	9.3	8.9	8.1	8.3	8.4	8.6	9.0	
Change in net working capital	-2.3	0.6	-1.0	-1.4	-1.3	-1.2	-1.1	-1.0	-0.9	-0.8	
Net capital expenditure	-7.9	-8.3	-8.6	-9.0	-8.9	-8.4	-8.6	-8.7	-8.9	-9.0	
<b>Free cash flow</b>	<b>3.1</b>	<b>7.2</b>	<b>5.7</b>	<b>5.3</b>	<b>5.5</b>	<b>5.5</b>	<b>6.0</b>	<b>6.3</b>	<b>6.7</b>	<b>7.3</b>	
<b>Present values</b>	<b>3.0</b>	<b>6.3</b>	<b>4.6</b>	<b>3.9</b>	<b>3.7</b>	<b>3.4</b>	<b>3.3</b>	<b>3.2</b>	<b>3.1</b>	<b>3.2</b>	<b>46.7</b>
Present value Phase 1	13.9	30%									
Present value Phase 2	23.8	28%									
Present value Phase 3	46.7	55%									
<b>Total present value</b>	<b>84.4</b>	100%									
- Net cash	3.2										
- Minority interest (est. market value)	0.0										
<b>Fair value of equity</b>	<b>87.7</b>										
Number of shares (m)	9.4										
<b>Fair value per share (EUR)</b>	<b>9.33</b>										

Risk free rate	2.0%	Target equity ratio	76.5%
Equity risk premium	6.0%	Tax shield	30.0%
Debt risk premium	3.0%	Beta (fundamental)	1.40
CAGR Sales Phase 2	2.1%	<b>WACC</b>	<b>8.88%</b>
Ø EBIT-margin Phase 2	5.6%	<b>Terminal growth</b>	<b>2.0%</b>

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
<b>EBIT margin</b>	3.6%	5.73	5.91	6.11	6.35	6.63
	4.6%	7.08	7.32	7.59	7.91	8.27
	5.6%	8.43	8.73	<b>9.33</b>	9.46	9.92
	6.6%	9.78	10.14	10.54	11.01	11.57
	7.6%	11.13	11.55	12.02	12.57	13.21

Source: FMR

**Berentzen Group AG - Income Statement**

in EURm	IFRS	2017	2018	2019	2020e	2021e	2022e
<b>Revenues</b>		<b>160.4</b>	<b>162.2</b>	<b>167.4</b>	<b>164.9</b>	<b>164.9</b>	<b>167.8</b>
YoY growth		-5.7%	1.1%	3.2%	-1.5%	0.0%	1.8%
Increase or decrease in inventory of finished goods and work in progress		2.1	1.4	0.0	0.8	0.8	0.8
as % of revenues		1.3%	0.9%	0.0%	0.5%	0.5%	0.5%
<b>Total operating income</b>		<b>162.4</b>	<b>163.6</b>	<b>167.4</b>	<b>165.7</b>	<b>165.7</b>	<b>168.6</b>
YoY growth		-5.6%	0.7%	1.9%	-1.9%	1.0%	1.7%
Cost of materials		-93.1	-91.9	-92.7	-92.2	-91.2	-92.6
as % of revenues		-58.0%	-56.7%	-55.4%	-55.9%	-55.3%	-55.2%
<b>Gross profit</b>		<b>69.3</b>	<b>71.7</b>	<b>74.7</b>	<b>73.5</b>	<b>74.6</b>	<b>76.0</b>
as % of revenues		43.2%	44.2%	44.6%	44.6%	45.2%	45.3%
Other operating income		4.7	4.7	4.1	2.5	4.1	4.1
as % of revenues		2.9%	2.9%	2.5%	1.5%	2.5%	2.4%
Personnel expenses		-24.0	-24.6	-25.6	-24.7	-24.8	-25.1
as % of revenues		-15.0%	-15.2%	-15.3%	-15.0%	-15.0%	-15.0%
Other operating expenses		-33.6	-35.3	-35.9	-35.8	-36.3	-37.0
as % of revenues		-21.0%	-21.8%	-21.5%	-21.7%	-22.0%	-22.1%
Exceptional effects		0.4	0.8	1.1	1.4	0.0	0.0
<b>Adj. EBITDA</b>		<b>16.4</b>	<b>17.3</b>	<b>18.4</b>	<b>16.9</b>	<b>17.6</b>	<b>17.9</b>
as % of revenues		10.2%	10.7%	11.0%	10.2%	10.7%	10.7%
Depreciation of property, plant and equipment, and amortisation of intangible assets		-7.3	-7.5	-8.5	-8.2	-8.7	-9.1
as % of revenues		-4.6%	-4.6%	-5.1%	-5.0%	-5.3%	-5.4%
<b>Adj. EBIT</b>		<b>9.1</b>	<b>9.8</b>	<b>9.8</b>	<b>8.7</b>	<b>8.8</b>	<b>8.9</b>
as % of revenues		5.7%	6.0%	5.9%	5.3%	5.3%	5.3%
Exceptional effects		-0.4	-0.8	-1.1	-1.4	0.0	0.0
Financial result		-3.6	-1.6	-1.5	-1.6	-1.6	-1.6
<b>EBT (Earnings before income taxes)</b>		<b>5.1</b>	<b>7.4</b>	<b>7.2</b>	<b>5.7</b>	<b>7.2</b>	<b>7.3</b>
as % of revenues		3.2%	4.6%	4.3%	3.4%	4.4%	4.4%
Income taxes		-2.7	-2.3	-2.3	-1.7	-2.2	-2.2
as % of EBT		52.4%	30.5%	-31.6%	-30.0%	-30.0%	-30.0%
<b>Net income</b>		<b>2.4</b>	<b>5.2</b>	<b>4.9</b>	<b>4.0</b>	<b>5.1</b>	<b>5.1</b>
as % of revenues		1.5%	3.2%	2.9%	2.4%	3.1%	3.0%
Other comprehensive income		-0.9	-0.3	-0.5	0.0	0.0	0.0
<b>Consolidated comprehensive income</b>		<b>1.6</b>	<b>4.9</b>	<b>4.4</b>	<b>4.0</b>	<b>5.1</b>	<b>5.1</b>
as % of revenues		1.0%	3.0%	2.6%	2.4%	3.1%	3.0%
Shares outstanding (in m)		9.4	9.4	9.4	9.4	9.4	9.4
<b>Basic earnings per share (EUR)</b>		<b>0.26</b>	<b>0.55</b>	<b>0.52</b>	<b>0.42</b>	<b>0.54</b>	<b>0.54</b>
<b>Dividends per share (EUR)</b>		<b>0.22</b>	<b>0.28</b>	<b>0.28</b>	<b>0.21</b>	<b>0.27</b>	<b>0.27</b>
<b>Payout ratio in %</b>		<b>85%</b>	<b>51%</b>	<b>53%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>

Source: Berentzen-Gruppe AG; FMR

**Berentzen-Gruppe AG - Balance Sheet**

in EURm	IFRS	2017	2018	2019	2020e	2021e	2022e
<b>Assets</b>							
<b>Non-current assets</b>		<b>60.3</b>	<b>59.4</b>	<b>59.7</b>	<b>59.4</b>	<b>58.9</b>	<b>58.4</b>
as % of total assets		42.1%	41.0%	39.4%	41.2%	40.5%	39.7%
Intangible assets		12.7	12.1	11.6	11.4	11.1	10.8
Property, plant and equipment		46.2	45.8	45.4	45.3	45.1	44.9
Investment property		0.8	0.7	0.7	0.7	0.7	0.7
Right-of-use assets		0.0	0.0	1.3	1.3	1.3	1.3
Other financial assets		0.7	0.8	0.7	0.7	0.7	0.7
<b>Current assets</b>		<b>83.1</b>	<b>85.5</b>	<b>91.9</b>	<b>84.9</b>	<b>86.5</b>	<b>88.8</b>
as % of total assets		57.9%	59.0%	60.6%	58.8%	59.5%	60.3%
Inventories		37.0	39.9	40.6	41.8	40.3	41.1
Trade receivables		13.8	16.4	14.8	15.8	16.7	17.0
Income tax assets		0.6	0.3	0.1	0.1	0.1	0.1
Cash and cash equivalents		19.4	15.8	22.7	13.4	15.6	16.9
Other current financial and non-financial assets		12.3	13.1	13.8	13.8	13.8	13.8
<b>Total assets</b>		<b>143.4</b>	<b>145.0</b>	<b>151.6</b>	<b>144.3</b>	<b>145.4</b>	<b>147.2</b>
<b>Shareholders' equity and liabilities</b>							
<b>Shareholders' equity</b>		<b>44.6</b>	<b>47.4</b>	<b>49.2</b>	<b>50.5</b>	<b>53.6</b>	<b>56.2</b>
as % of total equity and liabilities		31.1%	32.7%	32.4%	35.0%	36.9%	38.2%
Subscribed capital		24.4	24.4	24.4	24.4	24.4	24.4
Additional paid-in capital		6.8	6.8	6.8	6.8	6.8	6.8
Retained earning		13.3	16.2	18.0	19.3	22.4	25.0
<b>Non-current provisions and liabilities</b>		<b>20.0</b>	<b>19.0</b>	<b>19.5</b>	<b>18.9</b>	<b>18.3</b>	<b>17.7</b>
as % of total equity and liabilities		13.9%	13.1%	12.9%	13.1%	12.6%	12.0%
Non-current provisions		11.0	9.9	9.9	9.3	8.7	8.1
Non-current financial liabilities		7.1	7.1	7.9	7.9	7.9	7.9
Deferred income tax liabilities		1.9	2.0	1.8	1.8	1.8	1.8
<b>Current liabilities and provisions</b>		<b>78.9</b>	<b>78.5</b>	<b>82.9</b>	<b>74.8</b>	<b>73.5</b>	<b>73.3</b>
as % of total equity and liabilities		55.0%	54.2%	54.7%	51.9%	50.6%	49.8%
Alcohol tax liabilities		43.3	42.3	43.6	40.2	39.8	39.5
Current provisions		0.1	0.7	0.3	0.3	0.3	0.3
Income tax liabilities		2.1	2.8	1.5	1.5	1.5	1.5
Current financial liabilities		1.7	1.1	2.3	2.3	2.3	2.3
Trade payables and other liabilities		31.7	31.6	35.3	30.6	29.7	29.7
<b>Total equity and liabilities</b>		<b>143.4</b>	<b>145.0</b>	<b>151.6</b>	<b>144.3</b>	<b>145.4</b>	<b>147.2</b>

Source: Berentzen-Gruppe AG; FMR

**Berentzen-Gruppe AG - Cash Flow Statement**

in EURm	IFRS	2017	2018	2019	2020e	2021e	2022e
<b>Consolidated profit</b>		<b>2.6</b>	<b>5.2</b>	<b>4.9</b>	<b>4.0</b>	<b>5.1</b>	<b>5.1</b>
Income tax expenses		2.7	2.3	2.3	1.7	2.2	2.2
Interest income		-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Interest expenses		3.6	1.6	1.6	1.7	1.7	1.7
Amortisation and depreciation of assets		7.2	7.5	8.5	8.2	8.7	9.1
Impairments / write-ups of assets		0.4	0.0	0.0	0.0	0.0	0.0
Other non-cash effects		-0.9	-0.5	-0.9	0.0	0.0	0.0
Increase/decrease in provisions		-0.7	-0.4	-0.6	-0.6	-0.6	-0.6
Gains/losses on disposals of property, plant and equipment		0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in receivables assigned under factoring agreements		3.0	-1.0	8.6	-1.0	-0.9	-0.3
Decrease/increase in other assets		-5.0	-5.5	-8.1	-1.3	1.5	-0.7
Increase/decrease in alcohol tax liabilities		-1.1	-1.0	1.3	-3.4	-0.5	-0.2
Increase/decrease in other liabilities		-2.3	0.0	3.7	-4.7	-0.9	0.0
<b>Cash and cash equivalents generated from operating activities</b>		<b>9.4</b>	<b>8.1</b>	<b>21.4</b>	<b>4.5</b>	<b>16.2</b>	<b>16.1</b>
Income taxes paid		-1.9	-1.2	-3.4	-1.7	-2.2	-2.2
Interest received		0.0	0.1	0.1	0.1	0.1	0.1
Interest paid		-3.5	-1.4	-1.4	-1.7	-1.7	-1.7
<b>Cash flow from operating activities</b>		<b>4.1</b>	<b>5.6</b>	<b>16.6</b>	<b>1.2</b>	<b>12.5</b>	<b>12.3</b>
Proceeds from disposals of intangible assets		0.0	0.1	0.1	0.0	0.0	0.0
Payments for investments in intangible assets		-0.6	-0.8	-1.0	-1.1	-1.3	-1.3
Proceeds from disposals of property, plant and equipment		0.3	0.2	0.1	0.0	0.0	0.0
Payments for investments in property, plant and equipment		-7.6	-6.0	-6.2	-6.8	-7.0	-7.3
Proceeds from disposals of financial assets		0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from government grants		0.0	0.0	0.0	0.0	0.0	0.0
Payments for additions to the consolidated group		0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>		<b>-7.8</b>	<b>-6.5</b>	<b>-6.9</b>	<b>-7.9</b>	<b>-8.3</b>	<b>-8.6</b>
Cash inflows from the utilization of loan agreements		7.5	0.0	0.3	0.0	0.0	0.0
Repayment of Bonds		-0.2	0.0	-0.1	0.0	0.0	0.0
Payments related to the issuance of bonds		-50.0	0.0	0.0	0.0	0.0	0.0
Dividend payments		-2.3	-2.1	-2.6	-2.6	-2.0	-2.5
Payments for the purchase of treasury shares		0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>		<b>-45.0</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-2.6</b>	<b>-2.0</b>	<b>-2.5</b>
<b>Total change in cash and cash equivalents</b>		<b>-48.7</b>	<b>-3.0</b>	<b>7.3</b>	<b>-9.3</b>	<b>2.2</b>	<b>1.2</b>
Cash and cash equivalents at the start of the period		67.1	18.4	15.5	22.0	12.7	15.0
<b>Cash and cash equivalents at year's end</b>		<b>18.4</b>	<b>15.5</b>	<b>22.7</b>	<b>12.7</b>	<b>15.0</b>	<b>16.2</b>
Overdraft facilities with banks		1.0	0.3	0.7	0.7	0.7	0.7
<b>Cash and cash equivalents</b>		<b>19.4</b>	<b>15.8</b>	<b>23.4</b>	<b>13.4</b>	<b>15.6</b>	<b>16.9</b>

Source: Berentzen-Gruppe AG; FMR

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## 2. Mandatory details

- a) First publication: 23.06.2020,
- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
- f) All prices and price developments listed in the analysis are based on closing prices insofar as no contradictory details were provided about prices and price developments.

## 3. Disclosures

- a) Neither FMR Frankfurt Main Research AG nor an affiliated company, nor any person who contributed to the compilation
  - (i.) has an involvement in the share capital of the issuer of at least 5 per cent;
  - (ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;
  - (iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements;
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(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

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(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

**Company Disclosure(s)**

Berentzen-Gruppe AG

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b) FMR Frankfurt Main Research AG has concluded a cooperation agreement with Oddo Seydler Bank AG, on the basis of which this financial analysis is compiled. Oddo Seydler Bank AG is acting as the agent of the issuer, which is either the subject of the financial analysis itself or its financial instruments are the subject of the financial analysis.

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(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

**Company Disclosure(s)**

Berentzen Group AG

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Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date	Price target
22.08.2019	BUY	6.08 EUR	10.00 EUR
25.10.2019	BUY	6.56 EUR	10.00 EUR
04.02.2020	BUY	7.60 EUR	10.00 EUR
26.03.2020	BUY	5.32 EUR	10.00 EUR
06.05.2020	BUY	5.34 EUR	10.00 EUR
23.06.2020	BUY	6.10 EUR	9.00 EUR

**4. Creation and distribution**

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Enid Omerovic, Senior Analyst

c) This study may only be used for the internal purposes of the addressee within the EEA or Switzerland.

**5. Investment recommendation details**

Investment recommendation details - stocks:

**BUY:** In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

**HOLD:** In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

**Sell:** In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

#### **6. Sensitivity of the evaluation parameters**

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

#### **7. Key sources of information**

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#### **8. Summary of the basis for evaluation**

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

#### **9. Internal organisational and regulatory measures for the prevention or management of conflicts of interest**

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