Recommendation:	Buy
Price target:	6.70 EUR
Upside potential:	+26 Percent

Share data

Share price	5.30 Euro (XETRA)
Number of shares (in m)	6.28
Market cap. (in EUR m)	33.3
Enterprise Value (in EUR m)	37.4
Code	ECF
ISIN	DE000A12UK08

Performance

52 week high (in EUR)	7.75
52 week low (in EUR)	5.30
3 m relative to CDAX	-3.0%
6 m relative to CDAX	-13.6%

Source: Capital IQ

Shareholder

Free float	17.1%
Mountain Partners AG	64.4%
Reitham Equity GmbH	7.6%
Daniel Wild (incl. Tiburon)	7.5%
Redline Capital Management	3.4%

Calendar

FY 2019 results	30 April 2020
AGM	30 June 2020

Change in estimates

	2019e	2020e	2021e
Revenue (old)	-	-	-
Δ in %	-	-	-
EBIT (old)	-	-	-
Δ in %	-	-	-
EPS (old)	-	-	-
Δ in %	-	-	-

Analysts

Henrik Markmann
+49 40 41111 37 84
h.markmann@montega.de

Charlotte Meese
+49 40 41111 37 67
c.meese@montega.de

Publication

Initiation	04 March 2020

Digital top performer – Mountain Alliance provides access to attractive venture capital

Mountain Alliance is an **investment company** focused on the later stage financing phase. The company primarily invests in innovative growth companies with digital, scalable, and disruptive business models. Based on an extensive network in the VC sector, Mountain Alliance benefits from a **good deal flow** and has established a portfolio of 31 holdings over the last years. **Exasol** (big data specialist), **AlphaPet** (e-commerce for pet supplies), **Lingoda** (e-learning provider), **Promipool** (online people magazine) and **Shirtinator** (print-on-demand platform) can be identified as current core investments. These holdings are seen to have a particularly strong growth potential as well as a positive impact on the future operating development of Mountain Alliance.

Thanks to a consistent focus on such digital companies Mountain Alliance is active in a **structural growth market** in our view. As the progressing digitisation supports the rise of technology-based business models, the number of potential targets should increase as well. Mountain Alliance should be able to successfully differentiate from other venture capital companies thanks to the in-depth **sector expertise** the company has acquired over the past years.

Management has demonstrated the attractiveness of this business focus with a **partial exit at Exasol** at the end of November 2019 and with **AlphaPet** at the end of January 2020. On the other hand, Mountain Alliance had to adjust its annual outlook in December of the last financial year as the performance of a couple of other holdings had fallen short of expectations. Although the recent news flow thus can be considered as mixed, we expect the **sentiment to improve** over the next few quarters on the back of promising **new investments** as well as news on the planned **IPO of Exasol**. Unlike communicated by Exasol, however, we do not expect the IPO to happen in the first quarter given that the current market environment is quite challenging.

To determine the fair value, we have used a mix of potential value and current market value, which results in a fair value per share of EUR 6.70 under consideration of a holding discount. However, as dynamics are extremely high in the VC industry, the valuation approaches are often subject to high fluctuations. In addition to the fundamental valuation of the shares, we therefore focus on the possibility to gain **access to venture capital** and to participate in the value creation of an industry with an extremely promising future.

Conclusion: We believe that Mountain Alliance has established a promising market position with its focus on the digital sector. Regular value-adding exits are likely to gradually strengthen the confidence in the management capabilities and the effectiveness of the business model in the capital market. We therefore initiate coverage with a buy recommendation and a price target of EUR 6.70.

Valuation of the net asset value of Mountain Alliance AG

Core investments	Potential value (in EUR m)
AlphaPet & Exasol	15.2
Other assets/liabilities	**Fair value (in EUR m)**
Bio-Gate AG	2.6
The Native S.A.	0.1
Private Equity-Portfolio	27.5
Liquid assets	5.3
Short-term loans and others	5.2
Financial liabilities	9.4
= Net asset value	**46.5**
/ Shares (in m)	6.3
= NAV per share (in EUR)	**7.41**
less holding discount	10%
= Price target	**6.70**

Source: Company, Montega, Capital IQ

CONTENT

INVESTMENT CASE

Mountain Alliance AG is a Munich-based venture capital company (VC) that primarily invests in innovative growth companies with digital business models. Its goal is to drive forward the development of these portfolio companies and to increase their value so they can be sold with a profit after some three to five years. The focus here is on technology, digital business services, digital retail, meta platforms and media.

The current portfolio comprises 31 companies, a major part of which are minority investments. Some 90% of the portfolio value is currently distributed over 12 companies which we therefore consider as core investments. According to the management, the five following companies are of particular importance:

- **Exasol AG**: Exasol was founded in Nuremberg in 2000 and is still one of the most important holdings despite the partial exist in the autumn of 2019. The company's core product is a so-called in-memory software, i.e. a database management system, which was specifically developed to analyse high data volumes. The high-performance database offers comprehensive software solutions in business intelligence, customer insight, data warehousing, and provides complex predictive analytics in real time. It is because of these diverse fields of application that more than 130 customers from the most different industries (adidas, Otto Group, Vodafone, Zalando etc.) rely on this software in over 20 countries worldwide.

- **AlphaPet Ventures GmbH**: The company sells more than 25,000 products around animal feed and accessories through its domains *hundeland.de*, *katzenland.de* as well as *petspremium.de*. The focus lies on the premium segment. To reach a higher customer loyalty AlphaPet has invested in own brands, which meanwhile account for a double-digit percentage in the company's revenue. AlphaPet has strengthened its market position further with the recent acquisition of Healthfood24.

- **Lingoda GmbH:** The online language school combines the advantages of traditional language courses that are held in the traditional classrooms of language schools with a modern and digital approach to learning using video technology. At present, the users can choose from four different languages (English, German, Spanish, French) and more than 850 associated native teachers.

- **Promipool GmbH**: Promipool operates an online people portal in Germany that provides its users with stories and news about German and international stars and VIPs. The consumers can access this content on their desktop or mobile devices in image, text, or video formats. Revenue is generated with online ads on the in-house platform.

- **Shirtinator AG**: The company operates one of the leading print-on-demand platforms for individual print products in Germany and Europe. The products range from shirts and other clothing such as hoodies and sweaters to personalised gifts such as mugs, cushions and bags which can be individually designed by the customer.

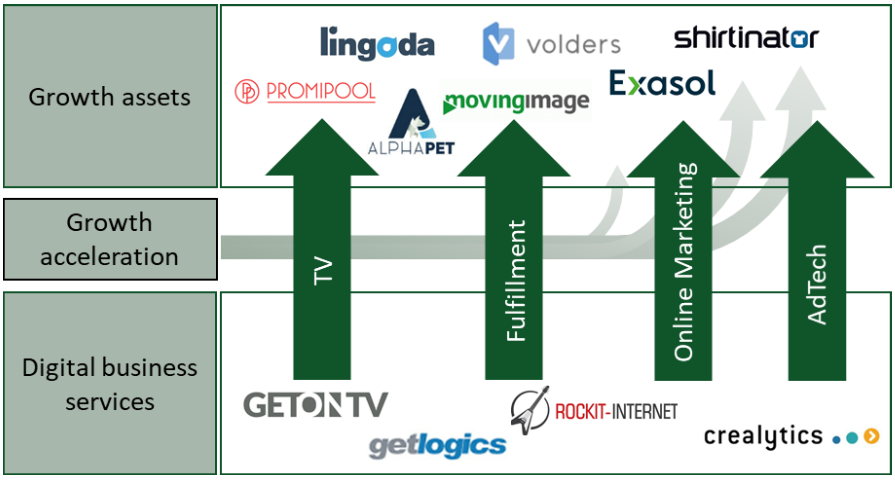
Although these five portfolio companies currently enjoy an extremely good sentiment it must be taken into consideration that the venture capital sector is a fast-moving industry. The competitive situation can change very quickly when the companies are still relatively young. It is therefore also possible that a company's value changes abruptly due to a rapidly changing market environment.

For this reason, the equity story of Mountain Alliance is not only focused on the above holdings and their valuation but rather on the possibilities to gain access to private venture capital and to participate in the value creation of the digitalisation sector. As a publicly listed capital venture company, the shareholders acquire shares in a diversified portfolio of digital companies which have reached a certain stage of maturity.

Strategic focus

Investments are focused on digital, disruptive, and scalable business models. We believe Mountain Alliance has acquired a high degree of expertise over the last few years and with it compensates for a certain competitive disadvantage over the much larger and internationally positioned VCs with a high reputation such as Index, Accel, Sequoia, Benchmark, or Bessemer.

In terms of the portfolio companies' strategic direction, the mentoring is more or less intensive depending on the level of investment. That said, Mountain Alliance generally does not act as an activist investor but tries to increase synergies as best as possible by offering consulting and providing knowledge. Furthermore, a key component of the strategic direction is that the holdings within the portfolio offer complementary services to one another. This helps the individual companies to accelerate their growth both individually and jointly. The contribution of digital service companies is particularly strong in terms of value creation. Language school Lingoda, for instance, benefits from the expertise of search engine specialist crealytics regarding the acquisition of new customers. The figure below illustrates this approach:



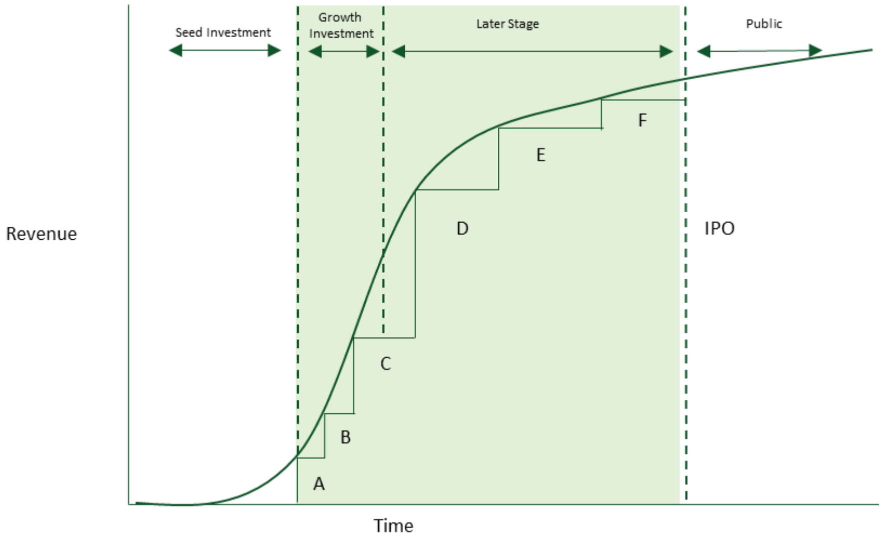
Source: Company

Investment criteria

As a venture capital company, Mountain Alliance provides its holdings mainly with growth capital in the form of equity. In selected cases, debt capital or mezzanine financing is an alternative as well. Over the last few years, Mountain Alliance has acquired a diversified portfolio of 31 companies through active investment management. As the management wants to significantly increase the portfolio's value on the one hand, but also aims for one to two exits per year on the other hand, the company is consistently searching for new investments which are selected in line with the following list of criteria:

- Preferred ticket size of between EUR 0.5m and EUR 1.0m
- 2-4 deals p.a. with a targeted holding period of between 3 and 5 years
- Specialised in companies with digital business models and disruption potential
- Regional focus on companies from the DACH region
- Only private equity investments during the growth and later stage phase

As regards new investments, Mountain Alliance's focus on companies in the later stage phase positions the company as an exit channel for conventional early-stage investors. The diagram below illustrates the positioning along the different financing phases:



Source: BVK, IE.F, Roland Berger, green area = Investment focus of Mountain Alliance

Whilst the provisioning of early-stage capital is the most important aspect of **seed financing** to develop services and products to market maturity, **growth financing** focuses on supporting the market entry, (mass) production, and sales. The subsequent cycle of **later stage** financing aims at scaling up the business model and establishing the company on the market. Additionally, the company usually starts making profits in this phase. Individual financing rounds (Series A to F) are executed to address different capital providers and reach different volumes depending on the business model. The next step is an exit via an IPO, meaning that companies will then be able to acquire funds from the capital market.

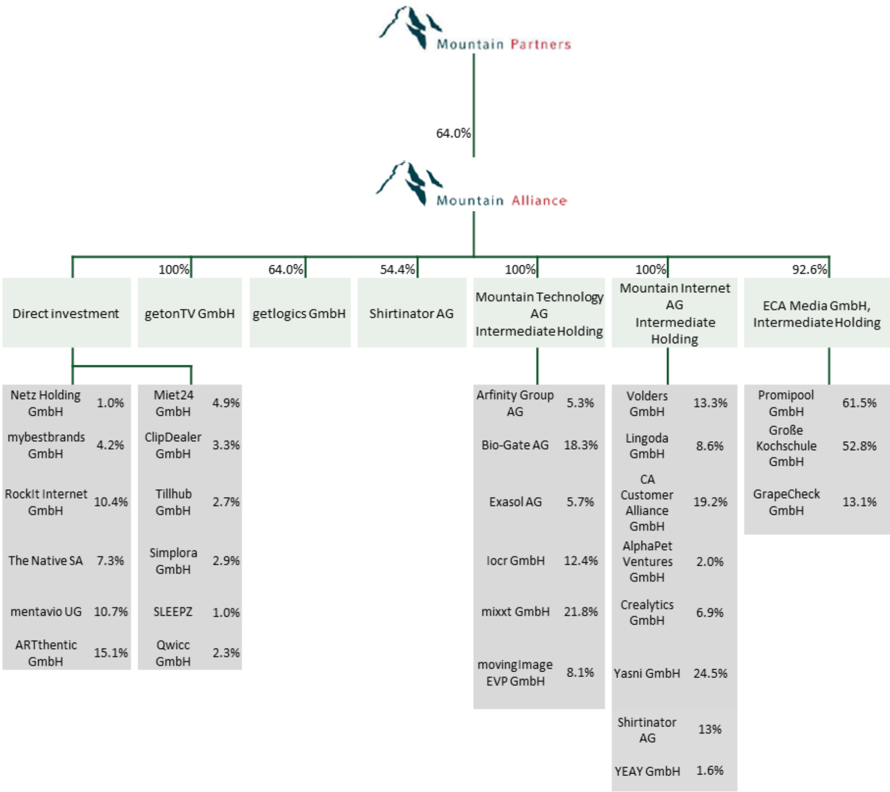
Mountain Alliance is primarily active in the growth and later stage phases. The advantage is that portfolio companies already have a certain degree of maturity and can strengthen their market position with the raised funds. On the other hand, the potential returns are lower given that, unlike early-stage investments, there is a higher visibility on the business success.

Legal form and structure

The company structure is primarily characterised by the strategic partnership with the non-listed Mountain Partners AG. The Swiss early-stage investor is also the largest shareholder of Mountain Alliance holding a stake of 64.4%. It is worth mentioning here that there is a risk of conflicts of interest since the CEO of Mountain Alliance (Daniel Wild) is also the CEO of Mountain Partners. However, Mr. Wild does not have an executive role at Mountain Partners as responsibility is always borne by the board of directors according to Swiss legislation. This special constellation is aimed at providing the CEO with an optimal overview to raise synergies between these two companies as best as possible. The overriding interest should be identical especially when considering that Mountain Partners holds a significant stake in Mountain Alliance.

We believe Mountain Alliance has made good use of the easier access to new investments from the network of Mountain Partners in the last few years and has acquired two promising portfolios. In H2/17, the company acquired Mountain Internet AG, a holding with nine companies (Volders GmbH, Lingoda GmbH, AlphaPet Ventures GmbH amongst others). One year later, Mountain Alliance acquired Holding Mountain Technology AG, which held stakes in six companies (Exasol AG, Bio-Gate AG, movingImage EVP GmbH amongst others). By acquiring an interest in a total of 15 companies Mountain Alliance has laid the foundation for further growth. We see additional synergy effects from the access to Mountain Partner's broad network, which helps to establish a connection to the founders and might result in new investment opportunities. Furthermore, the network should also provide access to potential co-investors as well as support the transfer of knowledge, e.g. regarding the development of specific industries, markets, or products. Despite this partnership, we assume that Mountain Alliance will increasingly acquire holdings from other early-stage investors going forward.

The current company structure including the holdings is shown in the figure below:



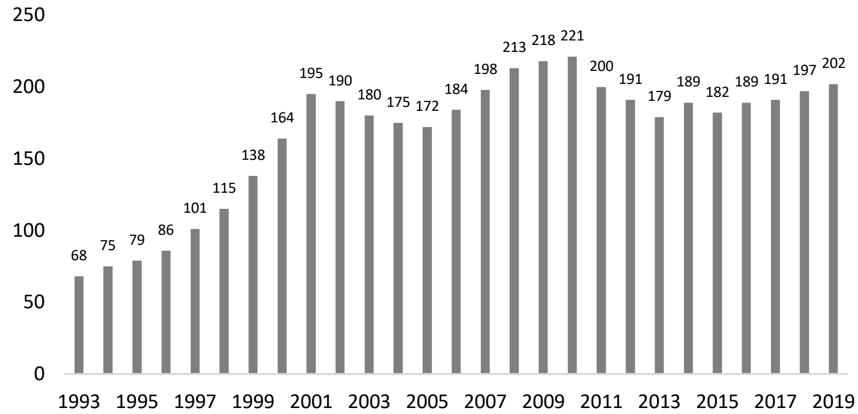
Source: Company

Development of the German private equity and venture capital industry

As a German investment company with a focus on new investments from the growth and later stage phases, the development of the German venture capital and private equity environment is highly relevant for Mountain Alliance.

One way to understand the increasing importance of venture capital financings is by taking a look at the development of the German Private Equity and Venture Capital Association (Bundesverband Deutscher Kapitalbeteiligungsgesellschaften, BVK), Germany's largest association, and at the volume of capital administrated by its members. Whilst the strong growth in the number of members has been interrupted by the financial crisis, and the number of memberships fell to 179 in 2013, it has been gradually rising since then. In the past financial year, 202 German investment companies were organised in the BVK. This means the number of members was up by five compared to the previous year and is nearing the level last seen prior to the financial crisis of just under 220 companies.

Development of the numbers of members in the BVK

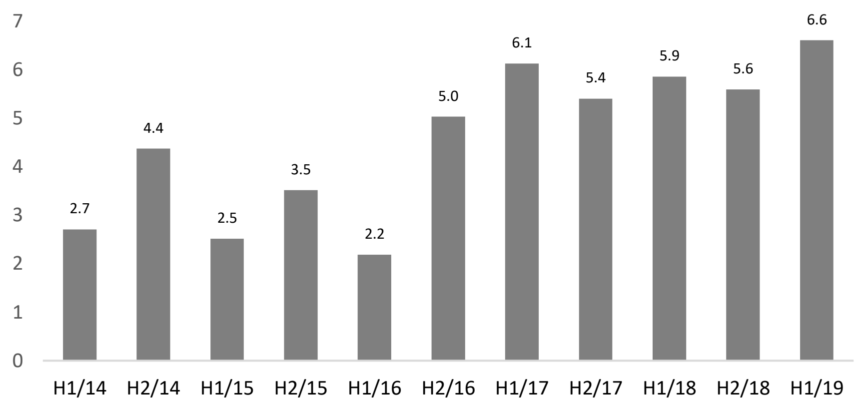


Source: BVK

In addition to the 202 BVK members, another approximately 100 private equity companies are active in Germany. Assets under administration of the registered BVK members totalled some EUR 44bn at the end of 2018 (2017: EUR 37bn). This is an average capitalisation of some EUR 217m per company on a pure arithmetical basis. Mountain Alliance is one of the smaller investment companies with a reported equity of EUR 30.7m.

In line with the steady growth in the number of investment companies since 2015, the annually invested volume has increased as well and has reached a new peak in H1 2019 with EUR 6.6bn (+12.7% yoy).

Private Equity Investments in Germany
(in EUR bn)



Source: BVK

Private equity investments can be divided in three categories:

- **Buy-outs**, in the sense of a full takeover of a company, accounted for some 70% of the total volume in 2018 and thus made up the largest proportion of PE investments by far. Mountain Alliance does not compete for deals in this area, as the investment company is focused on the other two categories, primarily venture capital but also growth financing in individual cases.

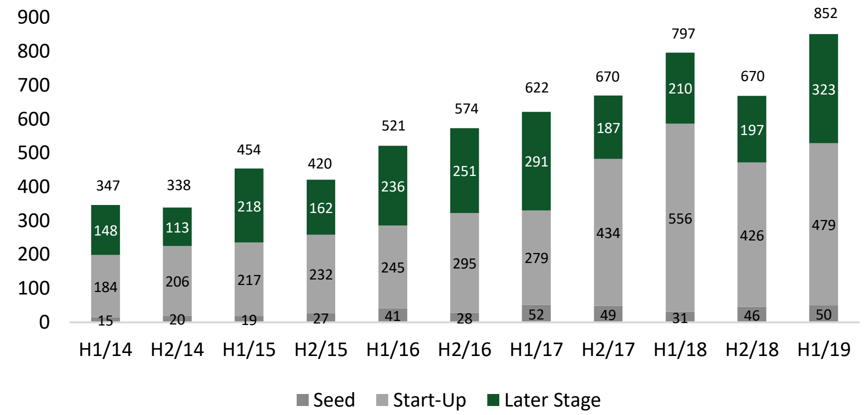
- **Growth financing** – also expansion financing of companies that have achieved breakeven – represented some 16% of the total volume in 2018.

- **Venture capital**, which the Association defines as provisioning of risky venture capital at different stages of a company’s maturity cycle, accounted for some 14% of the overall investment volume of the German private equity industry in 2018.

Mountain Alliance can also be allocated to this venture capital category because of its investment focus on the later stage, a venture capital sub-category. As can be seen in the illustration below, the BVK divides venture capital investments in seed, start-up, and later stage. The later stage investments, which are relevant for Mountain Alliance, are growing at a double-digit rate (CAGR 2014-2018: 11.7%) and thus slower than the start-up or seed phases (26.0% and 21.8% respectively).

Venture Capital Investments in Germany

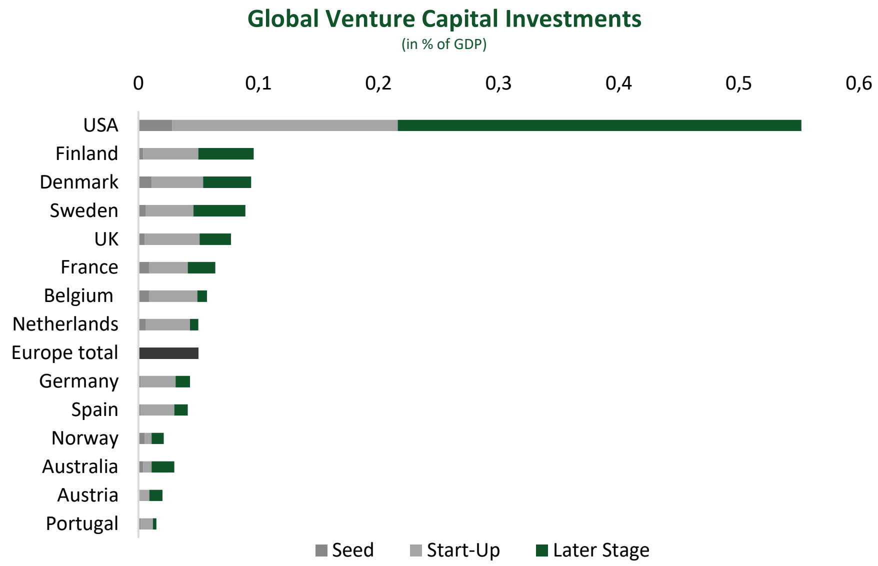
(in EUR m)



Source: European Data Cooperative, BVK

According to strategy consultancy Roland Berger, the disproportionately low growth of the later stage investment volume indicates that Germany lacks the necessary growth capital to turn innovative business models into companies with sustainable success. Whilst the later stage accounts for more than half of the overall venture capital in the USA and Asia, for instance, Germany only came to some 38% as of late. Mountain Alliance thus is active in a market that is currently still characterised by a lower number of VCs with a focus on the later stage segment. Although this is expected to change in the future because of the growing importance within the financing cycle and therefore should also lead to more competition, the positioning of Mountain Alliance makes it possible to enter a market segment that is attractive already today but generally difficult to access.

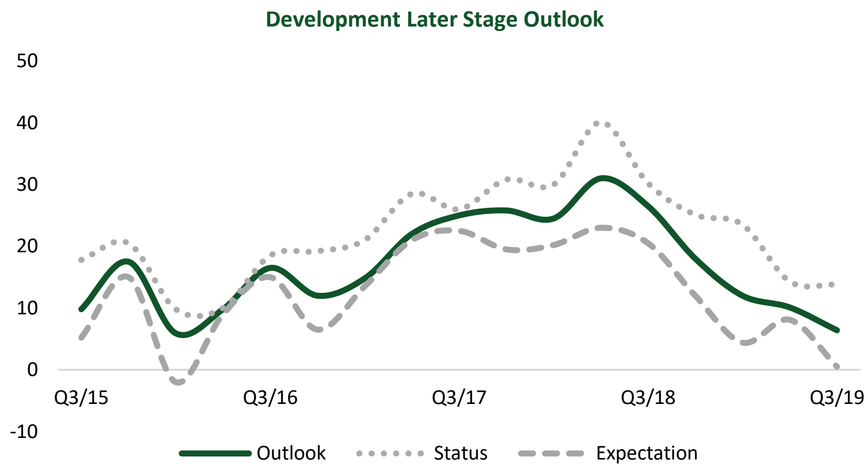
In regional terms, the Americas is very dominant in venture capital investments. According to a study by Roland Berger, the venture capital that US companies have at their disposal is on average almost EUR 10m higher than that of their German peers (a German company receives just under EUR 3.3m on average). The cumulated venture capital finance amount totalled some USD 54bn in the USA in 2018 (vs. EUR 1.4bn in Germany). There is also significant pent-up demand for Germany in relation to the gross domestic product, especially in comparison to the USA (0.552%) and the Scandinavian countries such as Finland (0.096%), Denmark (0.095%) or Sweden (0.088%).



Source: OECD

This shortfall is unlikely to change, at least in the short term. Similar to the business climate of the overall economy, the sentiment in the German Private Equity Barometer has dipped slightly. This specific sentiment indicator is regularly produced by KfW and BVK for the private equity industry and allows projections to be made for the current business outlook and business expectations in the private equity environment.

In the recent survey conducted among some 200 members of the Association, the slight downward trend of the business climate after record year 2018 has continued in Q3/19. The business climate index of the later phase segment dropped by 3.3 points to 6.4 balance points. Although the later stage business climate has cooled down significantly since its all-time-high in Q2/18, it is still in positive territory. The indicator for the current business outlook, which has changed only slightly at 13.1 (previously: 13.8), does not allow to draw conclusions about an alarming change.

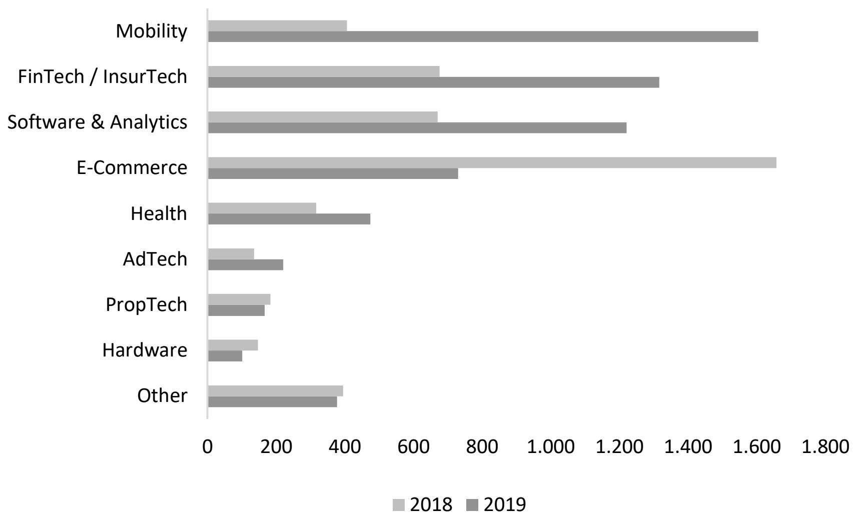


Source: KfW, BVK

However, expectations towards the development of the months to come are rather mixed. On the one hand, the present investment environment is good, offering attractive targets and entry-level prices. On the other hand, general economic worries deter investors from making transactions, particularly cross-border ones, according to a study by consulting firm Roedl & Partner. That said, the study also reveals that most of the institutional investors will continue making venture capital investments despite a cloudy market environment because of above market average returns.

Based on the pent-up demand in the German VC market, which is striking in an international comparison, Mountain Alliance is specialized in investments in the DACH region because of the long-term expertise acquired in this market environment. The company focuses on the largest and strongest growing sectors, as measured by the invested capital by industries in Germany in 2019: mobility, fintech/insurtech, software & analytics as well as e-commerce. We believe this focus should allow Mountain Alliance to expand its portfolio with promising investments in the medium term as well.

Amount of investment capital by industry
(in EUR m)



Source: EY Start-up Barometer

Net asset value as central financial metric

The P/L statement of Mountain Alliance is mainly characterised by the four fully consolidated companies: Shirtinator AG, getlogics GmbH, getonTV GmbH, and Promipool GmbH. The results of the other 27 holdings are recognised in financial income due to the minority interests. The result for the period ending June 30, 2019 was EUR -2.4m, and thus below the previous year figure of EUR -0.2m. This is mainly due to a much weaker income from investments (EUR -1.2m vs. EUR +0.9m a year earlier), which was primarily driven by the listed holdings The Native and Bio-Gate. The share prices of the two companies had performed weakly until the reporting date (The Native: -72.5%; Bio-Gate: -13.8%). Since no forecast can be made for the non-listed holdings with regard to financing rounds or the time of exit, or exit revenues for third parties, their P/L, balance sheets and cash flow statements have not been included in our planning.

We believe the development of the net asset value (NAV) provides much more information about the valuation of an investment company. The net asset value is the value of an investment company's holdings (at fair value) plus assets less any financial liabilities. The fair value as at the balance sheet date is determined with the help of common valuation methods. The market capitalisation of the pro-rata value determines the market capitalisation for listed holdings. The valuation basis of non-listed holdings can be individually determined by each investment company and is often based on the last financing round. The valuation of Mountain Alliance's listed holdings is based on the share prices on the balance sheet date, whilst the non-listed holdings are valued on the basis of the last financing rounds with third parties. If there has not been any recent transaction/financing round, the fair value is determined with the help of a DCF model.

Mountain Alliance uses the result of the last financing round as a basis for its valuation of the non-listed companies. However, a third party must have participated in this financing, so that the VC cannot create any artificial write-ups on the company's own portfolio. If the last financing round has been too far in the past, a plausibility check is made using a DCF model in order to avoid any distortions.

As Mountain Alliance has not published the NAV before mid-2018, a historical analysis of the portfolio's performance on the basis of the NAV is not indicative yet in our view. The table below shows the development of NAV and share price since the balance sheet date on June 30, 2018:

NAV development	30.06.2018	31.12.2018	30.06.2019
NAV (in EUR m)	27.3	39.6	38.2
NAV per share (in EUR)	6.77	6.55	6.32
Share price (in EUR)	5.33	6.75	6.66
Discount (-) /Premium (+)	-21.3%	3.1%	5.4%

Source: Company, Capital IQ

On June 30, 2019, the NAV was EUR 38.2m or EUR 6.32 per share. Accordingly, the Mountain Alliance shares traded at a premium of 5.4% to the reported NAV on the balance sheet date.

Solid balance sheet structure with equity rate of some 75%

Mountain Alliance has a solid balance sheet structure. The assets are dominated by investments with a balance sheet value of EUR 28.5m at the end H1/19 (69.5% of the balance sheet total).

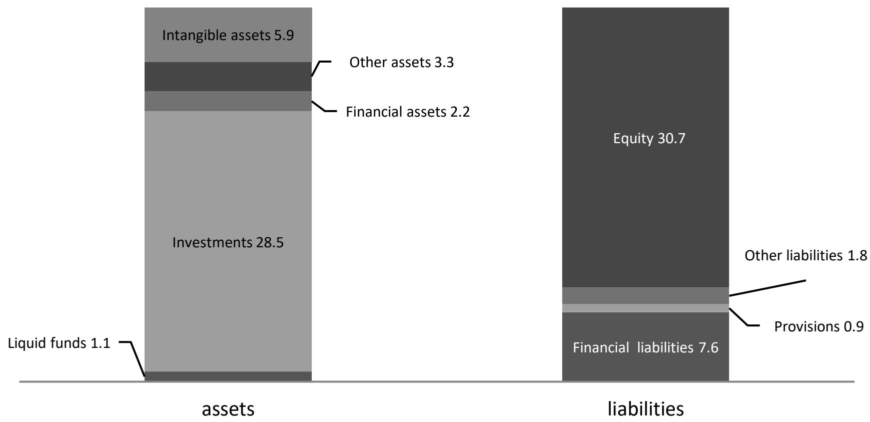
The majority of the intangible assets (EUR 5.9m; 14.4% of the balance sheet total) are related to the goodwill of the majority interests (Shirtinator, getlogics and Promipool). Financial assets (EUR 2.2m) include both short-term and long-term loans granted by Mountain Alliance. Other assets (EUR 3.3m) include PPE (EUR 1.5m), trade receivables (EUR 0.9m) and other assets (EUR 0.9m). Liquid funds amounted to EUR 1.1m on June 30, 2019.

After the balance sheet date, the company recorded a cash inflow of ca. EUR 1.5m from the capital increase approved on June 27, 2019. Additionally, Mountain Alliance received proceeds from the partial exit at Exasol at the end of November 2019, and of AlphaPet Ventures at the end of February 2020 (lower single-digit million euro range).

The holding costs are also expected to be low because of the relatively lean company structure with only six permanent employees (MONe: EUR 1.2m – EUR 1.5m p.a.). For this reason, the liquidity situation can be regarded as unproblematic. However, we believe there are clear limits to the new investments the company strives for (ticket size usually between EUR 0.5m and EUR 1.0m). As well as holding costs, the company should also have a small buffer to be prepared for interim financing, if necessary, so the transaction budget is not too big in the end. However, we assume that Mountain Alliance will take advantage of its stock exchange listing and use capital increases (through contribution in kind) to partially finance further acquisitions.

The liabilities side is dominated by the equity ratio of 74.9%. Financial debt amounts to EUR 7.6m (18.5% of the balance sheet total), EUR 6.8m of which is related to a short-term loan from Mountain Partners. This loan was extended to January 31, 2021 shortly after the balance sheet date, on July 2, 2019.

Balance sheet structure
(as of 30.06.2019; in EUR m)



Source: Company

Sentiment expected to improve on the back of regular exits

Mountain Alliance has published the development of the NAV on a semi-annual basis since mid-2018. Thus, the capital market receives regular information about the performance of the entire portfolio in aggregated form. The NAV per share was EUR 6.32 at the valuation date on June 30, 2019. Mountain Alliance will presumably publish the NAV development as per December 31, 2019 along with the full-year figures for FY 2019 in April. The annual targets have been corrected downwards in December 2019, as the development of some holdings fell short of expectation. In view of this profit warning, we anticipate write-downs on equity investments and lower valuations of some holdings. As a result, the NAV is expected to be slightly lower.

In addition to the development of the NAV, the share price trend of investment companies should also correlate with the frequency of exits. This is the only way to maintain the capital market's confidence in the effectiveness of the business model. Mountain Alliance aims for one to two exits per year. The company's most recent partial exits at Exasol at the end of November and of AlphaPet Ventures at the end of February should have been proof that the targeted exits can be realised. Over the next few months, the share price should also be driven by promising new investments and news on the announced IPO of Exasol. Unlike communicated by Exasol, however, we consider a short-term IPO to be unrealistic due to the current uncertain market situation. That said, the sentiment is expected to gradually improve along with an increase in visibility.

Potential value analysis explains undervaluation

To undertake a fair valuation, we have used a combination of potential value and current market value.

We see short to medium-term upside potential for the following holdings in particular: Exasol, AlphaPet, Lingoda, Promipool und Shirtinator. However, information about the operating development is not made available to third parties, which means there are no relevant parameters for an adequate valuation. Therefore, it does not seem to make sense to assess the values of numerous portfolio companies. Instead, Mountain Alliance itself has a couple of key figures on the development of its holdings which are much more meaningful and thus can derive a more precise valuation. The outcome of this internal valuation is published by the company on a semi-annual basis in the form of the NAV. We therefore regard the reported NAV as a key instrument for the valuation of the shares.

In our view, however, the NAV often does not take account of the entire upside potential given that, for instance, the valuation of the last financing round is used. We consider this an inaccurate assessment due to the recent news flow regarding Exasol and AlphaPet. To adequately include this in the determination of the fair value of Mountain Alliance, we have used a potential value analysis on the basis of peer group multiples. We have valued all the remaining holdings at their fair value and have factored in a discount on the whole NAV because of the holding structure.

Exasol AG

Exasol recently has been included in the Tech Tour Growth 50 (TTG50) owing to its strong growth. An expert jury selects 50 private equity technology companies which have a growth rate of over 50% p.a. and a valuation of still under USD 1bn. According to the committee, these so-called "super scale-ups" have the best opportunities to significantly increase in value and relevance over the next few years. Against this backdrop, we also consider a strong growth rate to be realistic over the next few quarters. In 2021, we expect a sales level in the medium double-digit million euro range (MONe: EUR 51.7m).

In view of the strong growth and the IPO that is targeted for 2020, we have conducted a separate valuation for Exasol using a peer group analysis. We did not focus on the large Tier 1 IT companies such as Oracle, IBM, Microsoft or SAP, even though there are a couple of partial overlaps in the product portfolio. These companies should be valued with higher multiples though due to their significant market power amongst others.

We have also excluded the (non-listed) US company Snowflake from our valuation. The company has grown by 237% in 2018 according to own statements and meanwhile has reached a sales level of some USD 100m. The recently published valuation level was USD 3.9bn, which corresponds to a very high sales multiple in the medium double-digit range. Based on the strong discrepancy in scale, a comparability between Snowflake and Exasol is not possible.

Instead, our peer group includes software companies whose market capitalisation is much lower than that of the Tier 1 players and whose primary business is to provide software solutions for data warehousing, predictive analytics, business intelligence and cloud management systems. This resulted in a sales multiple of 2.4x for 2021.

Peergroup Exasol AG

Company	Price	EV / Sales		
	(LC)	**2020e**	**2021e**	**2022e**
Cloudera, Inc.	9.12	3.10	2.81	2.60
Box, Inc.	16.42	3.98	3.58	3.24
Atos SE	67.98	1.07	1.05	1.02
Formpipe Software AB (publ)	19.32	2.41	2.29	2.19
Average		**2.64**	**2.43**	**2.26**

Source: Capital IQ

In addition to the peer group, we also take into account the average EV/sales multiple of the Top 10 micro cap companies (MC below USD 250m) from the area of application software, which is relevant for Exasol, due to lack of comparable transactions. This valuation metric is 4.6x (source: Capital IQ).

Based on the assumptions above, we determine an average EV/sales multiple of 3.5x which we use for our sales forecast. The resultant potential value for Exasol is approx. EUR 181m. Consequently, the 5.7% stake of Mountain Alliance is EUR 10.4m or EUR 1.66 per share.

AlphaPet Ventures GmbH

At the end of January, private equity company capiton took a stake in AlphaPet as a new lead investor (stake: 36%). In the wake of this transaction, existing investors such as Heliad Equity Partners and Mountain Alliance have adjusted their stakes as well. Whilst Heliad sold all of its shares, Mountain Alliance reduced its stake from 5.3% to just under 2%, so that the company can continue to participate in the growth of AlphaPet. This partial exit provided Mountain Alliance with a cash inflow in the lower sing-digit million euro range.

In addition to the changes in the shareholder basis, AlphaPet also announced the acquisition of Healthfood24. Healthfood24 also owns the brand “Wolfsblut“, which sells high-quality dog food. AlphaPet thus further expands its market position as a leading provider of premium pet food.

We assume that the entry of capiton and the associated takeover of Healthfood24 is of key strategic importance, which is why the new lead investor was offered very attractive conditions for the deal. In our view, this assumption is supported by the fact that Mountain Alliance remains invested in AlphaPet.

To adequately evaluate the share of Mountain Alliance we have used a potential value analysis for AlphaPet which is based on peer group multiples. According to the company, the sales level will grow to an almost three-digit million euro figure in the current year thanks to the acquisition of Healthfood24 (MONe: EUR 98.0m). We anticipate a medium double-digit growth rate for 2021 (MONe: 32%) which means that AlphaPet should reach a sales level of EUR 129.4m.

The EV/sales multiple is derived from the following assumptions:

- Listed competitor zooplus is currently valued at a sales multiple of 0.4x (source: Capital IQ). This valuation ratio is significantly lower than that of US competitor Chewy which is valued at 2.4x. We see the growth pace as one of the main reasons for the clear valuation discrepancy. According to consensus estimates, zooplus looks set to grow at an average rate of 10.9% p.a. by 2023, whereas Chewy is expected to grow by 22.6% p.a.

- Next to the multiples of the listed competitors, we have also used the average sales multiples of the sector for lack of comparable transactions. The appropriate segment, internet and direct marketing retail, has an average sales multiple of 3.5x according to Capital IQ. However, as this segment also includes much larger companies with a better positioning (Zalando or Wayfair amongst other), we have also incorporated the average sales multiple of the Top 10 micro caps from this sector (MC below USD 250m), which is significantly lower at 1.0x.

The resultant average EV/sales multiple is 1.8x. Accordingly, AlphaPet is valued at some EUR 237m. Based on the 2.0% share, this corresponds to a valuation of EUR 4.8m or EUR 0.77 per share.

To determine the total value of Mountain Alliance’s investment portfolio our calculation includes the above potential values of Exasol and AlphaPet as well as the fair values of the two listed holdings, the book value of the private equity portfolio, the other assets (liquid funds and short-term loans), and the financial liabilities:

Valuation of the net asset value of Mountain Alliance AG

Core investments	Potential value (in EUR m)
Exasol AG	10.4
AlphaPet Ventures GmbH	4.8
Other assets/liabilities	**Fair value (in EUR m)**
Bio-Gate AG	2.6
The Native S.A.	0.1
Private Equity-Portfolio	27.5
Liquide assets	5.3
Short-term loans and others	5.2
Financial liabilities	9.4
= Net assets value	**46.5**
/ Shares (in m)	6.3
= NAV per share (in EUR)	**7.41**

Source: Company, Montega, Capital IQ

Based on our calculations, the fair net asset value is EUR 7.41 per Mountain Alliance share. As we consider a discount to the NAV of an investment company to be justified because of the holding structure and costs, this figure does not equate to our price target.

The figure below shows that most of the listed investment companies trade at a discount to the NAV. The arithmetic mean is approx. -10%.

NAV and holding discount of listed investment companies

Company	NAV per share	Share price*	Discount
DBAG	30.9	39.5	27.6%
HBM	219.0	219.5	0.2%
German Startups Group	2.5	1.5	-42.1%
Heliad	7.6	4.5	-40.6%
Sparta	104.1	104.0	-0.1%
Aurelius	40.4	37.9	-6.4%
Scherzer	2.2	1.9	-12.1%
FinLab	21.1	17.9	-15.2%
GBK Beteiligungen	8.9	10.1	13.7%

Source: Montega, Capital IQ, * Closing price on the NAV reference date

When determining the fair value, we have applied a holding discount of 10% on the NAV of EUR 7.41 per share, which results in a fair value of EUR 6.70 per share.

Conclusion

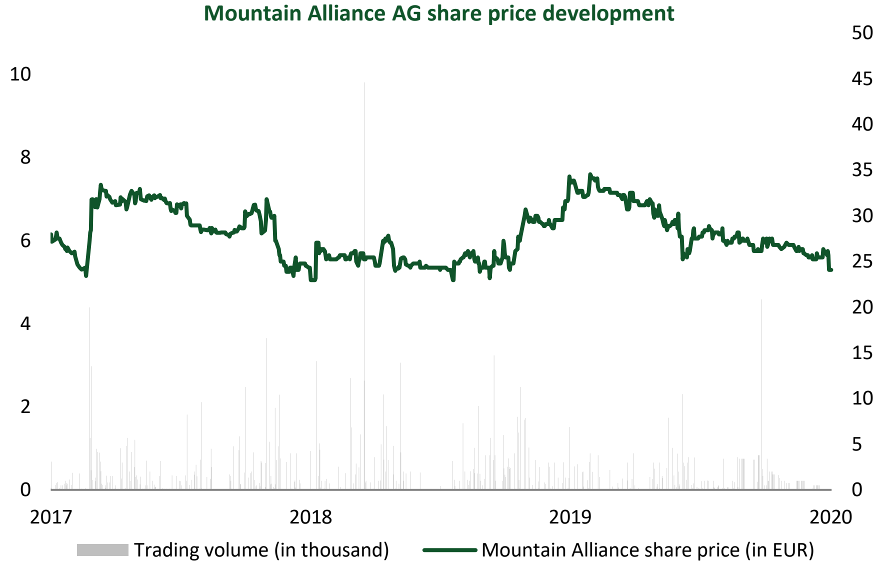
We believe Mountain Alliance has acquired a promising portfolio of companies with digital business models over the last few years. For this reason, our focus for the equity story is the company's possibility to participate in a large number of strongly growing non-listed companies. Consequently, Mountain Alliance represents a liquid vehicle with access to venture capital investments, which would otherwise not be accessible for most investors.

As the dynamics of this industry are very high (e.g. rapidly changing competitive conditions) and the valuation approaches may fluctuate significantly, the fundamental valuation should not be the only argument to buy the share. That said, we see an upside of 26% on the basis of the prior day closing price (EUR 5.30) and recommend the shares as a buy.

TIMING AND SENTIMENT

The share price of Mountain Alliance has mainly traded sideways in the last three years (3Y: -12.1% vs. CDAX: +3.6%). We believe this is primarily due to less successful exits. The capital market honours value-adding share disposals much stronger than purchases, as these are sold only after several years. However, Mountain Alliance looks set to have laid a solid foundation over the last few years to conduct more regular exits thanks to numerous new investments. We therefore assume that the capital market's confidence in the effectiveness of the business model will be regained in the months to come. Consequently, the share price should manage to break out of the sideways pattern.

Mountain Alliance AG share price development



Source: Capital IQ

Recent profit warning suggests decreased NAV

In its half-year report published at the end of September, Mountain Allicance reported a net asset value (NAV) of EUR 38.2m as per June 30, 2019. The NAV per share was EUR 6.32. Based on the profit warning for FY 2019 published at the end of December, however, we anticipate write-downs and, consequently, lower valuations for the individual holdings. Therefore, the NAV as per December 31, 2019 should be slightly lower.

The recent profit warning is attributable to the weak development of the TV market which had a negative impact on the operating development of the fully consolidated getonTV. Furthermore, revenue of majority holding Shirtinator has not developed as expected by management, and increased IT development costs were an additional burden. As a result, the guidance was reduced to consolidated revenue from business operations of some EUR 13m (previously: between EUR 17m and EUR 19m) and EBT of EUR -1.5m (previously: balanced consolidated earnings).

Positive news flow expected from promising pipeline

At the end of 2019, Mountain Alliance announced the partial sale of its interest in Exasol AG. The company sold almost 2% of its shares in a financing round, which reduced the stake to 5.7%. The valuation level of Exasol and the sales proceeds of Mountain Alliance have not been disclosed.

In mid-January 2020, portfolio company AlphaPet announced a financing round in which private equity investor capiton participated as a new lead investor, purchasing a stake of some 36%. Heliad Equity Partners, which had also been an existing investor, sold all of its shares in this round. Mountain Alliance reduced its stake from 5.3% to some 2% in the wake of this transaction, and thus continues to participate in the development of AlphaPet.

Besides the sale of further shares in Exasol and AlphaPet, portfolio companies Lingoda, Promipool and Shirtinator are likely candidates for (partial) exits as well. In the next few quarters, the share price should also be driven by news on the announced IPO of Exasol. Unlike communicated by Exasol, however, we consider a short-term IPO to be improbable due to the current uncertain market situation. Furthermore, Mountain Alliance is optimistic about the pipeline for new investments, as we learned from management. Consequently, an acquisition of an individual stake or another portfolio acquisition both seem to be realistic in H1/20.

We see the current sentiment and price levels as attractive for investors with a long-term horizon and a strong interest in digital business models and therefore recommend the shares as a buy.

SWOT

The business success of Mountain Alliance is characterised by the successful selection, further development and sale of equity investments. The company has focused on dynamically growing digital companies for years and now can take advantage of a wide variety of experiences. This sector expertise allows for a well-founded and selective choice of investments and thus is also a clear feature of differentiation compared to generally orientated private equity funds in our view. As well as these strengths, we have also identified some weaknesses which are primarily due to the basic structure of an investment company.

Strengths

- Based on the focus on growth companies from the digital sector, Mountain Alliance’s portfolio companies are set to benefit from the progressing technological changes.
- The listing enables a comparatively transparent and liquid access to a diversified VC portfolio.
- The use of synergy effects within the investment portfolio leads to a cost-efficient acceleration of growth of individual portfolio companies.
- Thanks to the partnership with “company builder” Mountain Partners and the long-term industry experience of the Mountain Alliance management, the company has an extensive network with good access to attractive targets.

Weaknesses

- Most of the portfolio companies are in their growth phase so sustainable success still has to be confirmed in some cases.
- Since most of the companies are minority holdings, the influence on the operating business is restricted.
- The acquisition of interests is partially financed by capital increases which regularly dilutes the shares of the existing shareholders.
- As a result of the close business ties to Mountain Partners, a preferred choice of targets from the network of the anchor shareholder is possible in our view, however, this can also lead to a certain dependency.

Opportunities mainly arise from the potential for success of each holding. The focus is on digital business models, which is an attractive market segment in our view due to the growing technological progress. As Mountain Alliance’s portfolio companies usually are still at the beginning of their growth phase, they are also likely to generate high returns due to the associated risk premium. For this reason, we consider the low fungibility of private equity investments as a clear advantage if they perform successfully. On the other hand, the significantly restricted tradeability of the company’s shares can be a risk if the holding performs poorly. Private equity companies always face the inherent risk that portfolio companies do not develop as expected. The dependence on key persons and the low liquidity are significant risk factors as well.

Opportunities

- The progressing digitisation supports the rise of disruptive business models, which also increases the number of potential targets for Mountain Alliance.
- Based on risky investments in early phases of a company's life cycle, the successful sale of a company often yields high returns.
- As financing conditions continue to be favourable, purchase price payments may be complemented by debt capital in addition to equity, so that companies can benefit from the leverage effect due to changes in the capital structure.
- We generally see the low fungibility of venture capital investments as a positive. The successful exit of a VC may result in higher prices due to the more difficult tradeability and the scarcity of shares.

Threats

- Regarding the selection and success of investment companies, private equity companies have a high inherent risk based on the early company phase and the associated high uncertainty involved in the long-term operating development.
- News flow on insolvencies among the portfolio companies can have a negative impact on the (short-term) sentiment of the VC company. One must consider, however, that this is a basic side effect of the business model.
- The high capital lock-up over a relatively long holding period of the portfolio company as well as the restricted fungibility of the interests can result in a total loss if the company's situation deteriorates.
- There is a going concern risk because of the restricted liquidity reserves and the dependency on key persons in executive positions and in the management of individual portfolio companies.

Conclusion: Mountain Alliance provides a transparent access to a diversified investment portfolio of digital business models. Progressing technological changes should increase the relevance of these companies and thus also the portfolio value. Based on the long-term experience and the broad network in the venture capital sector, the management is expected to make value-creating acquisitions for the portfolio despite the inherent risk involved in the selection of investments. We consider the low cash position as the greatest risk, as a result of which there is limited scope for further acquisitions.

INVESTMENT PORTFOLIO

The current portfolio of Mountain Alliance comprises 31 companies, which are divided in four different sectors (technology, digital business services, digital retail, and meta platforms & media).

Investment Portfolio Mountain Alliance

	Name	Share	Phase
Technology	atfinity	5.3%	Early
	Qwicc GmbH	2.3%	Early
	Bio-Gate AG	18.3%	Public
	CA Customer Alliance	19.2%	Growth
	Exasol AG	5.7%	IPO
	Lingoda GmbH	8.6%	Growth
	Mentavio	10.7%	Early
	mixxt GmbH	21.8%	Growth
	movingImage EVP GmbH	8.1%	Late
	Tillhub GmbH	2.7%	Growth
	volders GmbH	13.3%	Growth
Digital Business Services	crealytics GmbH	6.9%	Late
	getlogics GmbH	64.0%	Late
	getonTV GmbH	100.0%	Late
	The Native SA	7.3%	Public
	locr GmbH	12.4%	Growth
	Rockit Internet GmbH	10.4%	Late
Digital Retail	AlphaPet GmbH	2.0%	Growth
	ARThentic GmbH	15.1%	Early
	Shirtinator AG	67.4%	Late
	SLEEPZ AG	1.2%	Public
Meta-Platforms & Media	ClipDealer GmbH	3.3%	Late
	GrapeCheck GmbH	13.1%	Early
	Große Kochschule	52.8%	Late
	Miet24 GmbH	4.9%	Late
	mybestbrands GmbH	4.2%	Late
	Netz Holding GmbH	1.0%	Growth
	Promipool GmbH	61.5%	Growth
	Simplora GmbH	2.9%	Early
	Yasni GmbH	24.5%	Late
	YEAY GmbH	1.6%	Early

Source: Company

According to the company, the 12 largest holdings account for almost 90% of the total portfolio value. The five holdings which are the most promising according to management are described in detail below. Given that the order of top holdings can change quickly, in our view, we have also listed 7 more of the largest 12 largest holdings.

Exasol

Profile

Phase:	IPO	**Founding:**	2000	**Headquarter:**	Nuremberg
Sector:	Software	**Employees:**	135	**Legal form:**	AG
Management:	Aaron Auld Mathias Golombek Michael Konrad			**Share:**	5.7%

Source: Company, Business register

Exasol was founded in Nuremberg in 2000 and operates subsidiaries in the USA, France and the UK. The company's core product is an in-memory software, a database management system, which has been specifically developed to analyse large data volumes. The high-performance database offers comprehensive software solutions for business intelligence, customer insight and data warehousing, and enables complex predictive analytics in real time. Because of this broad range of applications, this software meanwhile is used by more than 130 customers from various industries (e.g. adidas, Otto Group, Vodafone, Zalando) in over 20 countries around the globe.

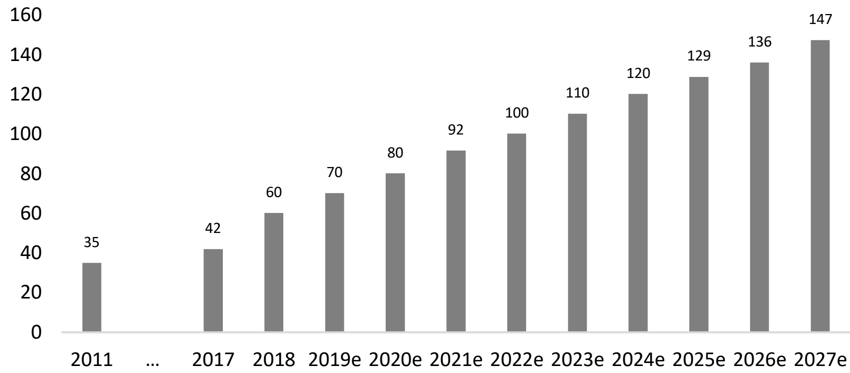
We see the easy implementation on standard hardware and the high efficiency as the most relevant competitive advantages. The high efficiency makes it possible to analyse large data volumes in a short time by means of algorithms. The company stands out from others for the following characteristics:

- **In-memory technology**: In-house developed innovative algorithms make it possible to process large data volumes in real time, independent of the data source
- **High number of parallel users**: The performance does not deteriorate even if several users access large data volumes all at once
- **Linear scalability**: Expansion of the system and increase in efficiency by adding additional applications and storage nodes, as well as automated adjustment of the intelligent algorithms
- **Flexible application possibilities**: Can be implemented in different business models; connection is freely selectable

Given that fast processing, complex analysis and demanding visualisation of large data volumes is growing in importance, Exasol should continue to grow and participate in the significant increase of the overall big data market. According to a study by consulting company PwC, the cost-efficient use of big data offers many opportunities for almost any company to enhance the strategic and operational efficiency, and therefore should continue to gain in importance for daily corporate processes going forward.

PwC expects the global data volume to double every two years, so that the total market for big data applications is seen to grow at a CAGR of 43.2% to USD 147bn by 2027 based on the strong data volume growth.

Global growth of big data applications
(in USD bn)



Source: Marketwatch, PwC

Companies that are positioned within this structurally growing market environment are likely to benefit from this development to a disproportionate degree. Consequently, Exasol is set to sustain the strong growth rates of over 50% p.a. recently achieved thanks to the compatibility with different systems such as SAP S4/HANA, Oracle or IBM. The US expansion targeted by the company may lead to additional momentum.

Management expects a continued strong sales growth of around 70% in the current financial year. Based on the strong growth rates, amongst others, Exasol recently has been included in the Tech Tour Growth 50 (TTG50). An expert jury selects 50 private equity technology companies which have a growth rate of over 50% p.a. and a valuation of still under USD 1bn. According to the committee, these so-called “super scale-ups” have the best opportunities to significantly increase in value and relevance over the next few years. Some of the former TTG50 companies are Adyen, Klarna, Shazam, Spotify or Skyscanner.

Additionally, the company plans an IPO to finance further growth and become more international and, in preparation for this, has already carried out a pre-IPO placement in the autumn of 2019. Mountain Alliance has reduced its stake from 8.2 to 5.7% in the wake of this process.

AlphaPet Ventures

Profile

ALPHAPET

Phase:	Growth	**Founding:**	2000	**Headquarter:**	Munich
Sector:	E-Commerce	**Employees:**	80	**Legal form:**	GmbH
Management:	Marco Hiering			**Share:**	2.0%
	Jochen Missel				

Source: Company, Business register

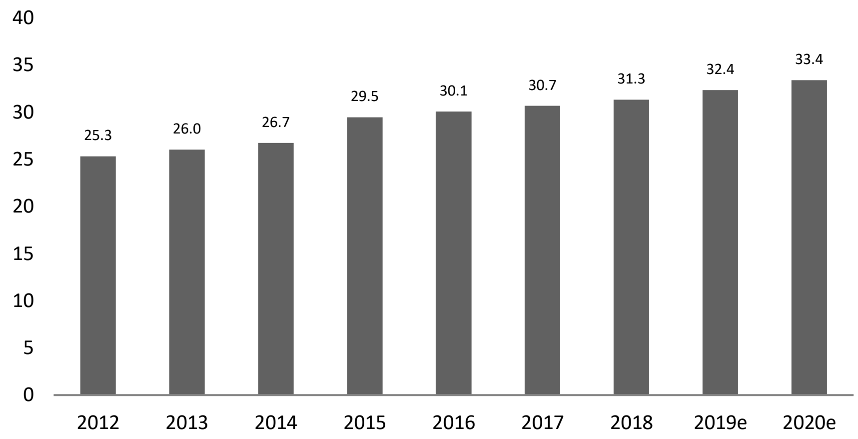
AlphaPet has emerged from a merger between ePetWorld and its competitor pets Premium GmbH in May 2016. The company sells pet supplies like food and accessories via its domains *hundeland.de* and *petspremium.de*. AlphaPet generates sales in the medium double-digit millions and has a total of 80 employees. The range of products is clearly geared to the premium segment and includes more than 25k products, including own brands, which meanwhile account for a double-digit proportion of sales. To increase the proportion of its own brands, AlphaPet introduced the brand and sales platform “Premium Pet Products” in 2017. This platform is focused on the development and multi-channel distribution of new pet brands (Wildes Land, PRIMUM or Müllers Naturhof amongst others). In addition to its own online shops, the company sells its products online and offline via amazon.de, drugstore chain dm and supermarket chain Kaufland.

Resulting from the focus on the premium segment, AlphaPet attaches importance to consulting the customers comprehensively. Whereas in the past, products have only been offered via telephone, they can now also be ordered over a food advisory tool implemented on the homepage. Furthermore, AlphaPet has an online platform, “Leinentausch”, where people can search for dog sitters. This is a positive in our view, given that AlphaPet opens up potential growth areas at an early stage thanks to these product expansions. On the other hand, “Leinentausch” should still be rather negligible for the operating development of AlphaPet.

The latest development of comparable transactions is also rather mixed. The SoftBank Vision Fund invested USD 300m into US start-up wag! in 2018, after which their valuation grew to some USD 650m. According to Crunchbase, the start-up’s sales level was only ca. USD 30m. The media (Wall Street Journal and TechCrunch) reported that SoftBank meanwhile has resold its stake in wag! at a much lower price. We also believe the sustainability of such transaction prices must be viewed critically given the recent discussion about the high valuations of some US-American tech companies (e.g. WeWork) However, if an exit was to happen AlphaPet may benefit from it at least in the short term.

Independent of the valuation of the platform “Leinentausch“, AlphaPet’s pet supplies core business is active in a market worth billions. Last year, sales reached USD 31bn in Western Europe alone, some USD 5bn of which in Germany. The market is expected to grow to over USD 33bn by 2020.

Pet supplies market volume in Western Europe
(in USD bn)



Source: Euromonitor

There are two dominant players in the market. The Fressnapf group is the stationary market leader with annual sales of EUR 1.9bn in Europe, whilst zooplus dominates the online channel generating over EUR 1.3bn with a market share of ca. 50%. AlphaPet tries to counter the scale advantages of these two companies with its focus on the premium segment and with a high proportion of own brands.

AlphaPet is managed by co-founder Marco Hierling (CEO) and Jochen Missel (Co-CEO). Prior to founding the predecessor company, pets Premium, Hierling worked as a busines consultant at Capgemini. Missel was also active in business consulting (Oliver Wyman) prior to joining AlphaPet. Private equity investor capiton took a stake of some 36% in AlphaPet in the latest financing round in mid-January 2020 and has also acquired shares from Heliad Equity Partners and Mountain Alliance. As part of this transaction, AlphaPet announced the acquisition of Healthfood24 (Wolfsblut). As such, the company further expands its market position as a premium provider and approaches sales in the triple-digit millions. Alongside capiton, family office Reimann Investors also holds a relevant stake in AlphaPet.

Lingoda

Profile

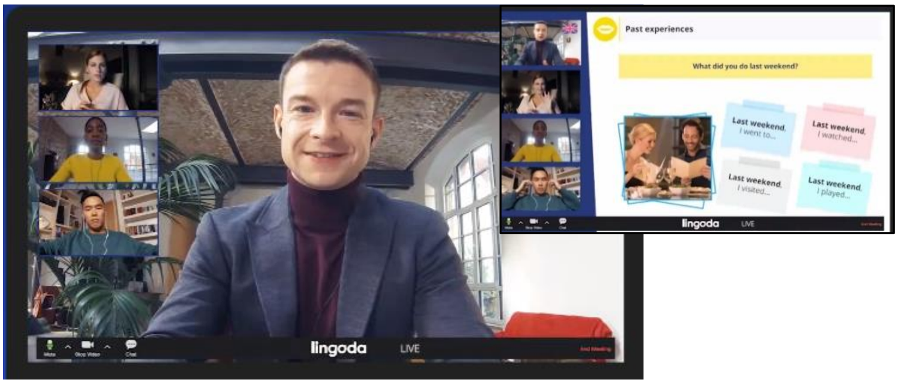
lingoda

Phase:	Growth	**Founding:**	2012	**Headquarter:**	Berlin
Sector:	Software, E-Learning	**Employees:**	n.a.	**Legal form:**	GmbH
Management:	Michael Shangkuan			**Share:**	8.6%
	Felix Wunderlich				
	Fabian Wunderlich				

Source: Company, Business register

Lingoda was founded in 2012 and offers live language training with qualified native teachers on the internet using video technology. In comparison to pure software-based learning approaches (e.g. app versions such as Babbel or Duolingo) the company focuses on interactive learning in virtual classrooms with real language teachers and a group of no more than five participants. It is also possible to take individual lessons.

At present, the customers can choose from four different languages (English, German, Spanish and French) of more than 850 connected active language teachers and can individually determine the intensity of learning (daily or weekly). As the teachers are spread all over the globe, the courses can be offered 24/7. Consequently, more than 1,000 online courses are carried out daily for over 30,000 participants. The image below is an example for such an online course for a group of students.



Source: Company

On the one hand, profound foreign language skills are gaining in importance in various professions because of multi-national teams and cross-border business processes. On the other hand, being able to speak a foreign language is a valuable skill in the private area as well given the growing internationalisation of large cities and the numerous travel possibilities offered these days. For this reason, the business model's potential is essentially underlined by the following aspects:

- Learnings experience with qualified teachers in a closed environment, which guarantees fast learning success thanks to the small group
- Savings in time and money compared to traditional offline language schools as well as a high flexibility adapted to the current needs of the users
- Usage requirements are low (only internet access necessary), which supports the scalability of the business model that has already been rolled out successfully on a B2B basis in 2018 (active corporate customers e.g. adidas, BMW, Siemens, J.P. Morgan)

- Different language levels from A1 to C2 and CEFR certification, which no other online language school can offer are differentiating features

Lingoda's business model combines the advantages of a traditional language course, which is held in the traditional classrooms of language schools, with a modern and digital learning approach. However, the market is characterised by offline as well as other online providers and therefore can be regarded as highly competitive. Lingoda differentiates from competitors such as Busuu (sales of EUR 10m in 2017; 12 languages) and Rosetta Stone (sales of USD 173m in 2018, 24 languages) thanks to e.g. the CEFR certificate (Common European Framework of References for Languages).

Lingoda is managed by the two founders, Fabian Wunderlich (CEO) and his brother Felix Wunderlich (Co-CEO), and by Michael Shangkuan. As well as Mountain Alliance, the German Startups Group, investment company Global Founders (founded by the Samwer brothers), the Fugger Family Office and the Oetker Group are other notable investors holding stakes in the company.

Promipool

Profile

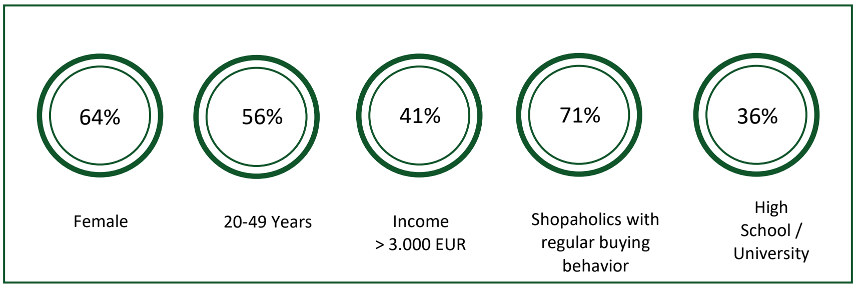
PROMIPOOL

Phase:	Growth	**Founding:**	2014	**Headquarter:**	Munich
Sector:	E-Commerce	**Employees:**	16	**Legal form:**	GmbH
Management:	Ulrich Weißgerber			**Share:**	61.5%

Source: Company, Business register

Promipool operates an online people magazine in Germany, which provides its users with stories and news about German and international stars and VIPs. The content is made available to the consumers on desktop as well as mobile devices in image, text, or video formats. Users can also track the outfits of stars through an (affiliate) connection on a large number of connected platforms. The company benefits from the globally growing demand for video-on-demand content, which is reflected in a growing number of users. As a result, Promipool now has more than 5 million unique visitors and over 40 million page impressions per month.

The in-house developed platform primarily generates revenues by selling ads. According to the company, the number of readers is constantly growing, so that Promipool provides its marketing partners with access to an attractive target group. The company claims to have been growing profitably for several years. An overview of the average number of readers and the associated addressable target group for companies is shown below.



Source: Aboutmedia, SevenOne Media

The holding is one of the earlier investments of Mountain Alliance. In 2017, the stake was increased from 45% to 61.5% with the aim to further expand the reach of the platform and to increase brand awareness. This was followed by the launch of an English version to establish a more international footprint. In addition to an international expansion, the company also focuses on a higher degree of marketing, which is to be leveraged predominantly through an investment of SevenOne Media, a subsidiary of ProSiebenSat.1.

Shirtinator

Profile

shirtinator

Phase:	Late	**Founding:**	2005	**Headquarters:**	Munich
Sector:	E-Commerce	**Employees:**	28	**Legal form:**	AG
Management:	Florian Stadler			**Share:**	67.4%
	Johannes Busch				

Source: Company, Business register

Shirtinator was founded in 2005 by a group of entrepreneurs, business angels and investors in Munich. Despite a very fragmented market environment, the company is one of the leading print-on-demand platforms for individual print products in Germany and Europe. The product portfolio includes shirts and other clothing such as hoodies or sweaters, and personalised gifts such as mugs, cushions, and bags. The company offers a variety of possibilities to design these products such as design creator, ready-made designs, or the use of existing templates, enabling the customer to individually design their personal articles as a unique product. The short average timeframe for the order (< 3 minutes) and the quick delivery result in a high customer loyalty according to the company. Shirtinator is one of the oldest investments of Mountain Alliance. The company currently holds a direct stake of 54.4% and an indirect stake of 13.0% (through Mountain Internet) in the company.

Other investments

getonTV GmbH (100% stake) is a full-service moving images agency for linear and digital TV. The customers, whose focus of activity is e-commerce, are primarily supported in TV advertisement along the entire value chain. These services span from strategy and media planning to the production of TV ads and the analysis of continuous TV campaigns. The company's portfolio includes customers such as Trivago, reBUY or Navabi.

Health technology company **Bio-Gate AG** (18.3% stake) is a provider of technologies and individual solutions around the topics of health and hygiene. Having specialised in anti-microbial coatings of materials and surfaces the products of Bio-Gate AG predominantly refine products in the areas of medtech and cosmetics or industrial products such as paints and plastics. Despite strong new business, the company had to reduce its annual targets for FY 2019 because of project delays.

movingimage GmbH (8.1% stake) is a provider of enterprise video solutions for international companies. The cloud-based solution (VideoManager Pro) enables companies to administer the videos of customers, partners, and employees and to stream them in high quality on any desired end device. The solution can easily be implemented in existing IT infrastructures and satisfies the highest safety standards. The customer base includes more than 500 companies from various industries, including numerous DAX companies such as Volkswagen or Bayer.

Customer Alliance GmbH (19.0% stake) offers software applications for market research and the management of ratings and reviews in the hotel industry. The software collects and analyses online guest reviews, helping its customers to gain control over their image.

The software also optimises the visibility on industry-leading rating portals. Smaller hotels as well as entire hotel chains (e.g. Steigenberger or RadissonBlu) are connected to the system. Based on the merger with Toocan in June 2019, the company, which was founded in 2009, focuses on growth in and outside of Europe.

crealytics GmbH (6.9% stake) is specialised in the optimisation of search engine advertisement (SEA) and Google shopping for online retail using semantic analytics. camato, the fully automated software, simplifies large parts of Google AdWords and thus can enhance the efficiency of individual advertising campaign. The company’s customer base includes several of the largest online mail-order companies (e.g. ASOS or the Otto Group). In addition to Mountain Alliance, Alternative Strategic Investments, LBBW Venture Capital, High-Tech Gründerfonds, Bayern Kapital and Chancenkapital Biberach are also invested in the company.

volders GmbH (13.3% stake) operates the app of the same name, with the help of which contracts of any kind can be bundled, administered and cancelled in digital form. First the user selects their contracts out of over 70 different contract categories (e.g. electricity, insurance, or mobile phone) and more than 20,000 providers. The user is then offered different services such as contract consulting including price comparison or an automatic termination reminder together with the relevant correspondence. Volders primarily generates revenue with contract changes and, since 2018, with insurance brokerage as well. In addition to Mountain Alliance, other notable investors holding a stake in the company are Family Office Reimann, Andreas Bremke, KfW as well as Kai Hansen (founder of Lieferando) and Felix Jahn (co-founder of Rocket Internet and home24).

getlogics GmbH (64.0% stake) is a fulfilment service provider. The product portfolio includes the storage, packing and global shipment of goods as well as the establishment of internet shops and order processing. The company wants to offer added value to its customers by developing individual and holistic logistics concepts. getlogics supports a couple of larger companies (e.g. JTI) but mainly smaller companies which do not have sufficient storage capacities.

Conclusion: Mountain Alliance provides a comparatively transparent access to a diversified portfolio of digital business models. As well as the holdings above, the company is currently invested in 19 other companies. Although they are not in the focus at present, the significance can quickly change in our view. On the other hand, seemingly successful holdings from the core group may become less important. Irrespective of this and despite regular exits, the portfolio will gradually grow over the next few years due to the planned 2 to 4 new investments.

COMPANY BACKGROUND

Mountain Alliance is a Munich-based listed investment company focused on small to medium-sized companies with digital companies from the DACH region. The company primarily invests in comparatively mature companies with revenues of between EUR 1.0m and EUR 30m. Mountain Alliance invests in companies, which have already left the so-called early stage financing phase and are now in the growth or later stage phases. The venture capital investor currently holds 31 companies, which are divided in the fields of technology, digital business services, digital retail as well as meta platforms & media. Mountain Alliance generally holds interests of between EUR 0.5m and EUR 1.0m depending on the investment.

Below please find a brief overview of important milestones in the company's history:

2010 Foundation of Blitzstart Holding AG, which was renamed Ecommerce Alliance AG a few months later

Start of trading at the Frankfurt stock exchange at the end of 2010

2013 Participation of strategic major shareholder Redline Capital Management as part of a capital increase

2015 Realignment of the business model with increased focus on e-commerce

2017 Contribution of all shares of Mountain Internet AG by way of a capital increase through contribution in kind.
Listing at the Bavarian stock exchange in Munich in the „m:access“ segment and in the basic board at the Frankfurt stock exchange

2018 Change of name into today's Mountain Alliance AG

Contribution of all shares of Mountain Technology AG by way of a capital increase through contribution in kind

2019 Implementation of a capital increase with the purpose of expanding the investment portfolio

Partial exit of the company's interest in Exasol AG

2020 Partial exit of the company's interest in AlphaPet Ventures GmbH

Investment strategy

Investments are focused on digital business models which hold the potential for disruption and economies of scale according to the assessment of Mountain Alliance. The company focuses on technology, digital business services, digital retail as well as meta platforms & media, i.e. on areas in which the management has long-term experience and an extensive network.

Mountain Alliance does not act as an aggressive activist investor, but actively contributes to the portfolio companies' value creation in advisory roles. Thanks to the listing at the stock exchange, Mountain Alliance remains flexible in the planning up until the exit contrary to typical (closed) private equity investment funds. The targeted holding period is 3-5 years despite the so-called evergreen structure.

Regular exits serve to generate financial funds for interim financing of existing portfolio companies as well as for new investments. Mountain Alliance aims for one or two (partial) exits per year. As for new investments, the company is either looking for stakes in individual companies or for entire portfolios. Mountain Alliance prefers to acquire entire portfolios from early phase investors. This also has the advantage that the acquisition entails less administrative cost and efforts. Individual stakes are combined into one holding and Mountain Alliance has to sign only one contract to acquire this holding.

Mountain Alliance has applied this practice in the last few years when the company acquired two promising portfolios from the network of major shareholder Mountain Partners (64.4% stake). In H2/17, the company acquired Mountain Internet AG, a holding with nine companies (Volders GmbH, Lingoda GmbH, AlphaPet Ventures GmbH amongst others). One year later, Mountain Alliance acquired Holding Mountain Technology AG, which held six companies (Exasol AG, Bio-Gate AG, movingImage EVP GmbH amongst others). By acquiring stakes in 16 companies in total, Mountain Alliance has laid the foundation for further growth.

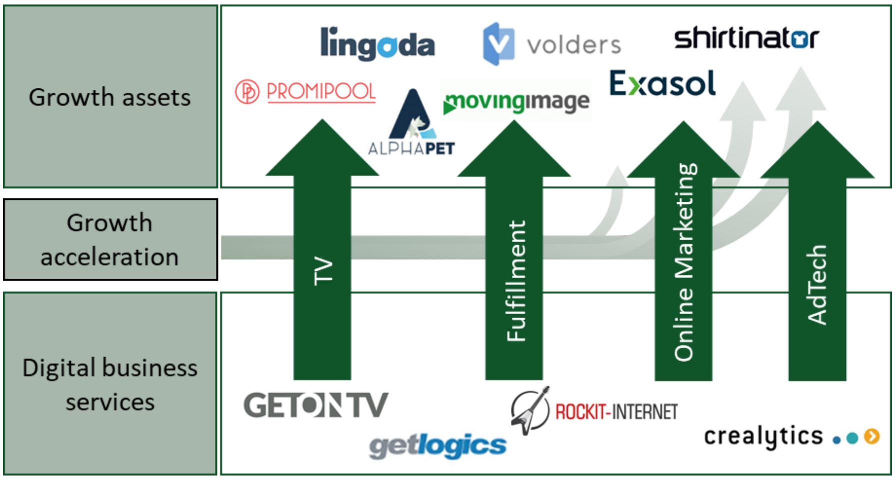
Portfolio

Mountain Alliance is currently invested in 31 companies. The portfolio focuses on digital business models that replace traditional processes with their innovative or disruptive solutions.

Mountain Alliance's portfolio is broken down into the segments "services" and "brands". The holdings within these segments are separated into technology, digital business services, digital retail as well as meta platforms & media. The companies are segmented according to their respective organisational focus. The services segment includes all services and management companies rendering services to the companies in the Mountain Alliance portfolio as well as to third parties. This is done to ensure that maximum use is made of the synergies between the individual holdings. The segment mainly includes the companies specialised in digital business services which, with the help of their services, serve to accelerate the growth of other holdings. The second, much larger segment "brands" includes those companies specialised in technology, digital retail as well as meta platforms & media.

The companies in the **technology** sector are characterised by their innovative technological expertise in a variety of industries. Most of the holdings sell software applications for the B2B or B2C sectors, e.g. Lingoda for e-learning of languages, or Exasol with a database management system.

Digital business services bundles those companies offering services such as logistics (e.g. getlogics), AdTech (e.g. crealytics) or TV ads (e.g. getonTV). These services can also be made available to other portfolio companies with the aim to accelerate the growth of one another. For instance, Lingoda, the online language school, benefits from the knowledge of search engine specialist crealytics regarding the acquisition of new customers.



Source: Company, Montega

The **digital retail** segment has grown from the predecessor company E-Commerce Alliance. With these holdings, Mountain Alliance intends to participate in the transformation of the traditional stationary retail towards e-commerce in a large variety of industries. Digital retail companies are, for instance, AlphaPet Ventures (pet supplies) or Shirtinator (online retail of individually printed clothing).

The fourth segment, **Meta-Platforms & Media**, comprises web-based services, which bundle information from several websites to prepare this data in a clear manner for the consumers. These investments allow Mountain Alliance to be active in various end markets with different platforms. Thanks to its investment in Promipool, for instance, the company participates in an online people magazine providing its users with stories and news about German and international stars and VIPs.

Investment Portfolio Mountain Alliance

	Name	Share	Phase
Technology	atfinity	5.3%	Early
	Qwicc GmbH	2.3%	Early
	Bio-Gate AG	18.3%	Public
	CA Customer Alliance	19.2%	Growth
	Exasol AG	5.7%	IPO
	Lingoda GmbH	8.6%	Growth
	Mentavio	10.7%	Early
	mixxt GmbH	21.8%	Growth
	movingImage EVP GmbH	8.1%	Late
	Tillhub GmbH	2.7%	Growth
	volders GmbH	13.3%	Growth
Digital Business Services	crealytics GmbH	6.9%	Late
	getlogics GmbH	64.0%	Late
	getonTV GmbH	100.0%	Late
	The Native SA	7.3%	Public
	locr GmbH	12.4%	Growth
	Rockit Internet GmbH	10.4%	Late
Digital Retail	AlphaPet GmbH	2.0%	Growth
	ARThentic GmbH	15.1%	Early
	Shirtinator AG	67.4%	Late
	SLEEPZ AG	1.2%	Public
Meta-Platforms & Media	ClipDealer GmbH	3.3%	Late
	GrapeCheck GmbH	13.1%	Early
	Große Kochschule	52.8%	Late
	Miet24 GmbH	4.9%	Late
	mybestbrands GmbH	4.2%	Late
	Netz Holding GmbH	1.0%	Growth
	Promipool GmbH	61.5%	Growth
	Simplora GmbH	2.9%	Early
	Yasni GmbH	24.5%	Late
	YEAY GmbH	1.6%	Early

Source: Company

Experienced management

The company's operating business is currently managed by the two board members **Daniel Wild** (CEO) and **Manfred Danner** (COO & CFO).

Daniel Wild has been the founder and managing director of the predecessor companies, getmobile AG and Ecommerce Alliance. Alongside his current position as CEO of the company, which was renamed Mountain Alliance AG in 2017, he is also the CEO of the non-listed Mountain Partners AG and the managing director of Tiburon Unternehmensaufbau GmbH, his personal investment company. Based on his career as a serial entrepreneur and early stage investor, he has extensive experience and a broad network in the private equity industry. The exits of more than 120 companies underline his personal track record. Thanks to the expertise built up over the years, Daniel Wild today is responsible for operations and actively supports the holdings of Mountain Alliance as a business angel.

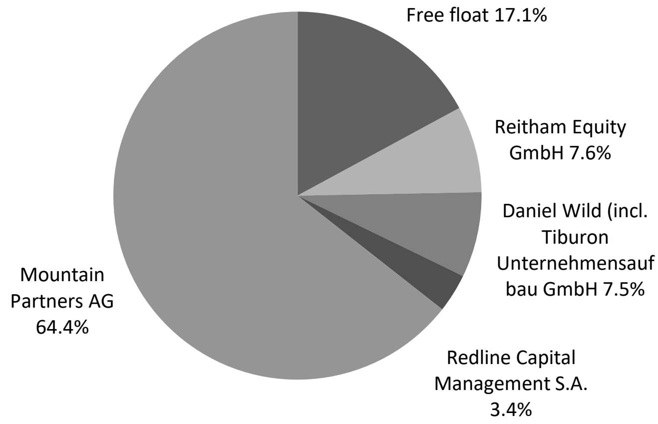
Manfred Danner has co-shaped the digital transformation and realignment of Mountain Alliance since 2010. In 2017, he was appointed to the management board and is responsible for M&A, legal, portfolio management, audit, risk management, and investor relations. Prior to joining Mountain Alliance, he held senior management positions at different industrial and technology companies both in portfolio management and in the commercial area. He has an in-depth knowledge in the tasks entrusted to him.

Shareholder structure

The shares of Mountain Alliance AG are traded at the Bavarian stock exchange in Munich in the „m:access“ segment and in the Basic Board of the Frankfurt stock exchange. Since the placement of the last capital increase in September 2019 the company's share capital has consisted of 6,281,012 no-par shares with a nominal value of EUR 1.00 each.

The shareholder structure is mainly characterised by the 64.4% stake of the largest shareholder, Mountain Partners, which has been a strategic anchor investor since 2017. Other significant stakes are held by the CEO Daniel Wild (7.5%), Redline Capital Management (3.4%) and investment company Reitham Equity (7.6%). The latter is the investment vehicle of private equity investor Jens Neiser, who has also been one of the first investors of getmobile AG, and who has successfully sold many other holdings such as Allgeier or Swyx. His company has held the stake in Mountain Alliance since 2011. The remaining 17.1% are free float.

Shareholder structure



Source: Company

APPENDIX

P&L (in Euro m) Mountain Alliance AG	2013	2014	2015	2016	2017	2018
Sales	**95.2**	**77.2**	**50.7**	**18.4**	**16.7**	**20.3**
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**95.2**	**77.2**	**50.7**	**18.4**	**16.7**	**20.3**
Material Expenses	83.8	66.1	41.3	10.7	9.4	12.4
Gross profit	**11.4**	**11.1**	**9.4**	**7.7**	**7.3**	**7.9**
Personnel expenses	6.9	6.6	4.8	4.5	4.8	4.0
Other operating expenses	4.8	4.6	3.3	3.2	4.0	4.8
Other operating income	0.5	0.6	0.5	0.3	0.5	0.4
EBITDA	**0.2**	**0.6**	**1.8**	**0.4**	**-1.1**	**-0.5**
Depreciation on fixed assets	0.0	0.0	0.5	0.0	0.0	0.0
EBITA	**0.2**	**0.6**	**1.3**	**0.4**	**-1.1**	**-0.5**
Amortisation of intangible assets	1.0	12.9	0.4	0.6	0.7	1.3
Impairment charges and Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**-0.8**	**-12.3**	**0.9**	**-0.3**	**-1.8**	**-1.9**
Financial result	1.1	-0.7	1.3	0.6	2.5	0.2
Result from ordinary operations	**0.4**	**-13.0**	**2.2**	**0.3**	**0.7**	**-1.7**
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**0.4**	**-13.0**	**2.2**	**0.3**	**0.7**	**-1.7**
Taxes	0.0	-0.2	0.4	0.1	0.2	0.1
Net Profit of continued operations	0.4	-12.9	1.8	0.2	0.4	-1.7
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**0.4**	**-12.9**	**1.8**	**0.2**	**0.4**	**-1.7**
Minority interests	-0.2	-2.7	0.4	0.1	0.1	0.0
Net profit	**0.6**	**-10.2**	**1.4**	**0.1**	**0.3**	**-1.7**

Source: Company (reported results), Montega (forecast)

P&L (in % of Sales) Mountain Alliance AG	2013	2014	2015	2016	2017	2018
Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Increase / decrease in inventory	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Own work capitalised	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Material Expenses	88.0%	85.6%	81.4%	58.1%	56.4%	61.0%
Gross profit	**12.0%**	**14.4%**	**18.6%**	**41.9%**	**43.6%**	**39.0%**
Personnel expenses	7.3%	8.5%	9.5%	24.6%	28.8%	19.9%
Other operating expenses	5.0%	5.9%	6.5%	17.3%	24.0%	23.5%
Other operating income	0.5%	0.8%	0.9%	1.9%	2.7%	1.7%
EBITDA	**0.2%**	**0.8%**	**3.5%**	**1.9%**	**-6.5%**	**-2.7%**
Depreciation on fixed assets	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%
EBITA	**0.2%**	**0.8%**	**2.5%**	**1.9%**	**-6.5%**	**-2.7%**
Amortisation of intangible assets	1.1%	16.7%	0.7%	3.4%	4.3%	6.7%
Impairment charges and Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	**-0.8%**	**-15.9%**	**1.8%**	**-1.4%**	**-10.9%**	**-9.3%**
Financial result	1.2%	-1.0%	2.5%	3.3%	14.9%	1.2%
Result from ordinary operations	**0.4%**	**-16.9%**	**4.4%**	**1.9%**	**4.0%**	**-8.2%**
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	**0.4%**	**-16.9%**	**4.4%**	**1.9%**	**4.0%**	**-8.2%**
Taxes	0.0%	-0.2%	0.8%	0.7%	1.4%	0.4%
Net Profit of continued operations	0.4%	-16.7%	3.5%	1.2%	2.6%	-8.6%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit before minorities	**0.4%**	**-16.7%**	**3.5%**	**1.2%**	**2.6%**	**-8.6%**
Minority interests	-0.2%	-3.4%	0.7%	0.6%	0.8%	0.0%
Net profit	**0.6%**	**-13.2%**	**2.8%**	**0.6%**	**1.8%**	**-8.6%**

Source: Company (reported results), Montega (forecast)

Balance sheet (in Euro m) Mountain Alliance AG	2013	2014	2015	2016	2017	2018
ASSETS						
Intangible assets	14.9	5.5	5.2	5.8	5.7	5.7
Property, plant & equipment	2.2	1.6	1.5	1.5	1.3	1.2
Financial assets	1.1	0.8	0.5	1.8	15.6	29.4
Fixed assets	**18.2**	**7.9**	**7.2**	**9.1**	**22.7**	**36.3**
Inventories	0.8	0.1	0.1	0.1	0.0	0.0
Accounts receivable	4.6	3.0	1.7	1.9	1.5	1.9
Liquid assets	2.9	4.1	6.8	4.7	5.9	4.2
Other assets	1.8	1.2	1.0	1.3	1.3	0.6
Current assets	**10.0**	**8.4**	**9.5**	**7.9**	**8.8**	**6.8**
Total assets	**28.2**	**16.3**	**16.7**	**16.9**	**31.4**	**43.1**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**14.9**	**7.1**	**9.7**	**9.9**	**19.8**	**31.1**
Minority Interest	**2.3**	**1.4**	**3.4**	**2.8**	**2.0**	**2.0**
Provisions	0.9	1.0	1.3	1.2	0.8	0.8
Financial liabilities	5.5	4.5	0.9	0.8	5.5	6.4
Accounts payable	3.9	2.3	1.5	2.1	3.1	2.9
Other liabilities	0.7	0.0	0.0	0.2	0.2	0.0
Liabilities	**11.0**	**7.8**	**3.6**	**4.2**	**9.6**	**10.1**
Total liabilities and shareholders' equity	**28.2**	**16.3**	**16.7**	**16.9**	**31.4**	**43.1**

Source: Company (reported results), Montega (forecast)

Balance sheet (in %) Mountain Alliance AG	2013	2014	2015	2016	2017	2018
ASSETS						
Intangible assets	52.8%	33.8%	31.1%	34.3%	18.2%	13.1%
Property, plant & equipment	7.8%	9.9%	9.1%	8.6%	4.3%	2.9%
Financial assets	4.0%	4.8%	2.9%	10.7%	49.6%	68.3%
Fixed assets	**64.5%**	**48.5%**	**43.1%**	**53.6%**	**72.1%**	**84.3%**
Inventories	2.7%	0.8%	0.3%	0.3%	0.1%	0.0%
Accounts receivable	16.2%	18.1%	10.1%	11.2%	4.7%	4.5%
Liquid assets	10.2%	25.1%	40.8%	27.7%	18.9%	9.8%
Other assets	6.5%	7.5%	5.8%	7.4%	4.2%	1.4%
Current assets	**35.6%**	**51.5%**	**57.0%**	**46.6%**	**27.9%**	**15.7%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**52.8%**	**43.4%**	**58.1%**	**58.5%**	**63.0%**	**72.1%**
Minority Interest	**8.3%**	**8.9%**	**20.2%**	**16.8%**	**6.4%**	**4.5%**
Provisions	3.3%	6.0%	7.8%	7.0%	2.6%	1.7%
Financial liabilities	19.5%	27.5%	5.3%	4.5%	17.5%	14.9%
Accounts payable	13.9%	14.0%	8.7%	12.3%	9.8%	6.7%
Other liabilities	2.4%	0.3%	0.0%	1.0%	0.7%	0.1%
Total Liabilities	**39.0%**	**47.8%**	**21.8%**	**24.9%**	**30.6%**	**23.4%**
Total Liabilites and Shareholders' Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company (reported results), Montega (forecast)

Statement of cash flows (in Euro m) Mountain Alliance AG	2013	2014	2015	2016	2017	2018
Net income	0.4	-12.9	1.8	0.2	0.4	-1.7
Depreciation of fixed assets	1.4	7.1	0.5	0.4	0.5	0.8
Amortisation of intangible assets	1.0	12.9	0.4	0.6	0.7	1.3
Increase/decrease in long-term provisions	-0.2	-0.3	0.7	0.0	-0.4	-0.1
Other non-cash related payments	-2.4	-12.3	-1.7	-2.0	-3.0	-1.9
Cash flow	**0.2**	**-5.4**	**1.7**	**-0.9**	**-1.8**	**-1.6**
Increase / decrease in working capital	-1.5	4.6	-0.8	1.0	0.5	0.4
Cash flow from operating activities	**-1.3**	**-0.8**	**0.9**	**0.1**	**-1.3**	**-1.2**
CAPEX	-0.6	0.2	-0.2	-0.3	-0.1	-0.6
Other	0.3	-1.5	0.0	-1.2	0.6	-0.1
Cash flow from investing activities	**-0.3**	**-1.3**	**-0.2**	**-1.5**	**0.6**	**-0.8**
Dividends paid	0.0	0.0	1.3	0.0	0.0	0.0
Change in financial liabilities	0.1	0.5	-0.5	-0.1	0.0	0.8
Other	1.4	2.3	-0.2	-0.5	1.7	-0.2
Cash flow from financing activities	**1.5**	**2.8**	**0.5**	**-0.6**	**1.7**	**0.6**
Effects of exchange rate changes on cash	-0.2	0.0	0.0	0.0	0.2	0.1
Change in liquid funds	**-0.1**	**0.8**	**1.2**	**-2.0**	**1.0**	**-1.4**
Liquid assets at end of period	**2.9**	**3.6**	**4.8**	**2.8**	**3.9**	**2.6**

Source: Company (reported results), Montega (forecast)

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Prices of financial instruments mentioned in this analysis are closing prices of the publishing date (respectively the previous day) if not explicitly mentioned otherwise. Any updating of this publication will be made in the case of events that Montega considers to be possibly relevant to the stocks' price performance. The end of regular comments on events in context with the issuer (coverage) will be announced beforehand.

Sources of information: The main sources of information for the preparation of this financial analysis are publications of the issuer as well as publicly available information of national and international media, which Montega regards as reliable. There have also been discussions with members of the management team or the investor relations division of the company concerned when preparing this analysis.

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Our ratings:
Buy: The analysts at Montega AG believe the share price will rise during the next twelve months.
Hold: Upside/downside potential limited. No immediate catalyst visible.
Sell: The analysts at Montega AG believe the share price will fall during the next twelve months.

Authority responsible for supervision:
Bundesanstalt für Finanzdienstleistungsaufsicht
Graurheindorfer Str. 108 und Marie-Curie-Str. 24-28
53117 Bonn 60439 Frankfurt

Contact Montega AG:
Schauenburgerstraße 10
20095 Hamburg
www.montega.de
Tel: +49 40 4 1111 37 80

Share price and recommendation history

Recommendation	Date	Price (EUR)	Price target (EUR)	Potential
Buy (Initiation)	04.03.2020	5.30	6.70	+26%