CHAPTERS Group AG

Germany | Financial Services | MCap EUR 551.7m

22 October 2024

UPDATE



Robust deal flow, profile further sharpened by spin-off; BUY

BUY (BUY)

Target price	**EUR 28.00** (28.00)
Current price	EUR 24.00
Up/downside	16.7%

ResearchHub

SCAN ME

What's it all about?

CHAPTERS Group (CHG) continued its growth momentum in H1 2024, completing five acquisitions in the Vertical Market Software (VMS) segment, driving a 34% increase in operating revenues to EUR 58.4m and 23% growth in adjusted EBITDA to EUR 13.7m. The company's focus shifted further towards VMS following the spin-off of the ENTRO Group, which was completed in September. Despite rising costs from depreciation and integration, CHG remains well-funded for further acquisitions following an oversubscribed capital increase in August. In our view, CHAPTERS Group presents an exciting opportunity for investors to join large value investors and invest in long-term growth. We maintain our PT of EUR 28.00 and the BUY recommendation.

MAIN AUTHOR
Alexander Zienkowicz
a.zienkowicz@mwb-research.com
+49 40 309 293-56

IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

mwb-research.com

This research is the product of mwb research, which is registered with the BaFin in Germany.

CHAPTERS Group AG

Germany | Financial Services | MCap EUR 551.7m | EV EUR 555.2m

BUY (BUY)

Target price	**EUR 28.00** (28.00)
Current price	EUR 24.00
Up/downside	16.7%

MAIN AUTHOR
Alexander Zienkowicz
a.zienkowicz@mwb-research.com
+49 40 309 293-56

Robust deal flow, profile further sharpened by spin-off; BUY

Deal flow and growth of the group. CHAPTERS Group (CHG) has published its H1 2024 report. The deal flow in the first half of 2024 showed continued activity, as CHG completed five acquisitions of Vertical Market Software (VMS) companies. These acquisitions, alongside existing operations, drove a notable increase in operating KPI's (pro forma – as if fully consolidated as of 1 January). As of 30 June 2024, CHG consisted of 49 operating companies, which generated revenues of EUR 58.4m, a 34% yoy increase. The group's operating EBITDA (adjusted) also grew significantly, reaching EUR 13.7m (+23% yoy), albeit slower due to growth investments. Noteworthy, the EBITDA contribution of the VMS business grew to 65% from approx. 50% a year ago.

Reported HGB figures. Under German Commercial Code (HGB) accounting standards, CHG's revenue grew by 48.6% yoy, driven by the company's continued inorganic growth through acquisitions, especially in the Vertical Market Software (VMS) segment. EBITDA increased by 53.4%, reflecting improved operational efficiency despite higher operating costs associated with the integration of new businesses. However, EBIT declined by 30.6%, largely attributable to depreciation and amortization, which increased to EUR 8.8m in H1 2024, mainly driven by a EUR 6.3m depreciation of goodwill from recent acquisitions and a EUR 1.4m depreciation of hidden reserves identified through purchase price allocations. Further, other operating expenses increased by 43% yoy, mainly from higher ordinary operating expenses (e.g., legal, premises, advertising/travel).

Spin off shifts weight further towards VMS. While CHG focuses on long-term growth and the acquisition of mission-critical software businesses, divestments are not a core element of its strategy. However, they may occur occasionally if they support the development of portfolio companies or align with strategic objectives. Following last year's divestment of ARUDI (property services), CHG disposed of the ENTRO Group in September 2024 through a management buyout. ENTRO's five operating companies offer services for industrial access, security, and fire protection systems. This transaction shifts the weight further towards VMS. Further, CHAPTERS added four more software companies to the group.

-continued next page-

CHAPTERS Group	2021	2022	2023	2024E	2025E	2026E
Sales	28.7	42.1	70.8	108.3	129.9	149.4
Growth yoy	82.5%	46.8%	68.2%	53.0%	20.0%	15.0%
EBITDA	6.2	10.5	10.8	24.4	34.4	46.7
EBIT	0.9	2.5	-1.7	13.4	22.7	36.2
Net profit	-1.2	-5.9	-4.1	8.4	16.7	29.1
Net debt (net cash)	35.1	26.1	3.6	-82.0	-116.1	-157.7
Net debt/EBITDA	5.7x	2.5x	0.3x	-3.4x	-3.4x	-3.4x
EPS reported	-0.11	-0.37	-0.22	0.36	0.72	1.26
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	81.7%	83.2%	81.7%	84.0%	85.0%	85.5%
EBITDA margin	21.7%	25.0%	15.3%	22.5%	26.5%	31.3%
EBIT margin	3.3%	6.0%	-2.4%	12.4%	17.5%	24.2%
ROCE	1.1%	1.7%	-0.9%	4.1%	6.6%	9.7%
EV/Sales	20.5x	13.7x	7.8x	4.3x	3.4x	2.6x
EV/EBITDA	94.4x	55.0x	51.4x	19.3x	12.7x	8.4x
EV/EBIT	625.8x	230.2x	-330.8x	35.0x	19.2x	10.9x
PER	-225.1x	-65.5x	-107.3x	66.0x	33.1x	19.0x

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks	26.60 / 11.50
Price/Book Ratio	3.6x

Ticker / Symbols

ISIN	DE0006618309
WKN	661830
Bloomberg	CHG:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	106.1	14.0	0.38
	Δ	2.0%	-4.2%	-4.9%
2025E	old	127.4	24.7	0.79
	Δ	2.0%	-7.9%	-8.6%
2026E	old	146.5	37.3	1.31
	Δ	2.0%	-3.2%	-3.2%

Key share data

Number of shares: (in m pcs)	22.99
Book value per share: (in EUR)	6.73
Ø trading vol.: (12 months)	11,230

Major shareholders

Sator Grove	15.4%
Mitchell Rales Trust /Foundation	14.4%
Antheia	10.9%
Free Float	39.3%

Company description

CHAPTERS Group is a holding company based in Hamburg, Germany. Through its investment platforms, CHAPTERS primarily invests in vertical market software (VMS) companies with leading positions in attractive niches. The investment portfolio comprises of companies in the DACH region, but also in the Czech Republic and France.

ResearchHub

Well-funded for further growth: The financial data as of June 30, 2024, is already outdated, as CHG completed a capital increase in mid-August. In a private placement, CHG raised EUR 84.9m. Considering the M&A activity in 2024 to date, liquid funds, including the securities portfolio at group level, amount to c. EUR 78.4m as of October 18, 2024, which provides CHG firepower for further acquisitions.

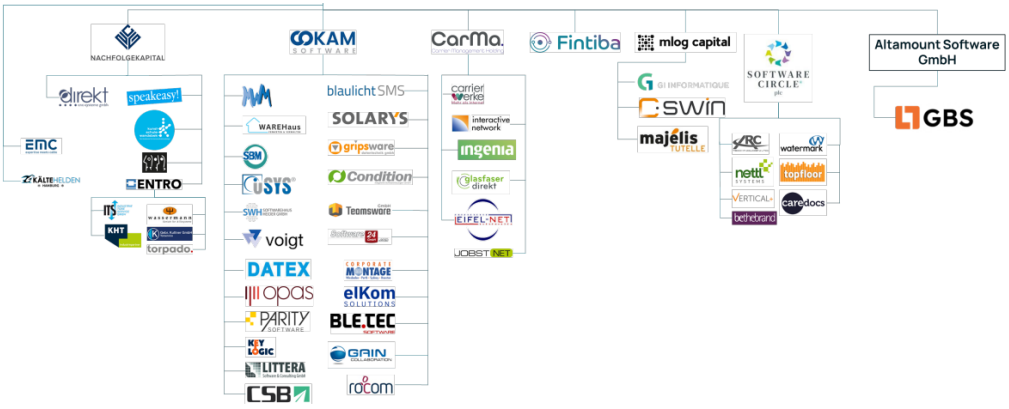
Outlook and new base line: As per mid-October 2024, CHAPTERS group consists of 45 operating companies, which reflects the acquisitions in H2 and the ENTRO spin off. In 2023, the operating companies stood for revenues of c. EUR 107m and an adjusted EBITDA of EUR 28m, setting a base line for 2024. While management expects "sales and EBITDA stable to slightly positive", we consider this guidance more as a pro forma outlook, given the dynamic nature of CHAPTER's acquisition strategy. Since the company's growth heavily depends on inorganic expansion through acquisitions, estimates are subject to the timing and number of new companies that will join the group.

Groundwork: Despite its decentral character, CHAPTERS' individual portfolio companies have to be aligned to grow organically, as it is CHAPTERS' ambition, to lift its portfolio companies on the "next level". Enriched with best practices from successful role model, such as the Danaher Business System, CHAPTERS introduced its "Manuscript Method" to align mindsets in its portfolio companies and to define short-term and long-term goals, while not abandoning its decentralized management approach. Further, the company is laying the groundwork to simplify performance measurement. For this purpose, the management is working on establishing the earnings per share (EPS) as key performance indicator, which, however, will materialize in the medium-term (c. 2027).

Conclusion. The half-year report brought several aspects to light: CHAPTERS continues to grow through acquisitions, while at the same time the management has continued to sharpen its profile through an opportunistic spin-off of the industry services-related ENTRO Group. In this regard, we believe it is likely the company could make further adjustments to its portfolio in the future. The financial data was characterized by dynamic M&A activity, and deal flow continued H2. The company is planning further acquisitions and is also financially well-funded to do so. While the company is still in an early phase of executing its strategy, the pronounced confidence of the well-known shareholders is impressive. CHAPTERS Group presents an exciting opportunity for investors to join large value investors and invest in long-term growth. We maintain our PT and BUY recommendation.

Investment Case in six charts

Group structure



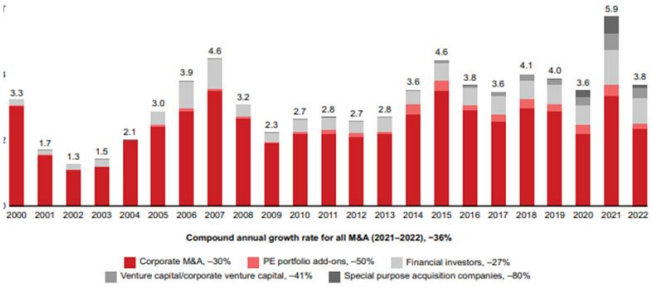
Business model

Platform	Add-on
• Stand-alone companies in the lower midmarket • Revenues <EUR 10m • Equity ticket up to 15m	• Add-on investments for existing portfolio companies • Strengthening platform investments • Expanding value chain

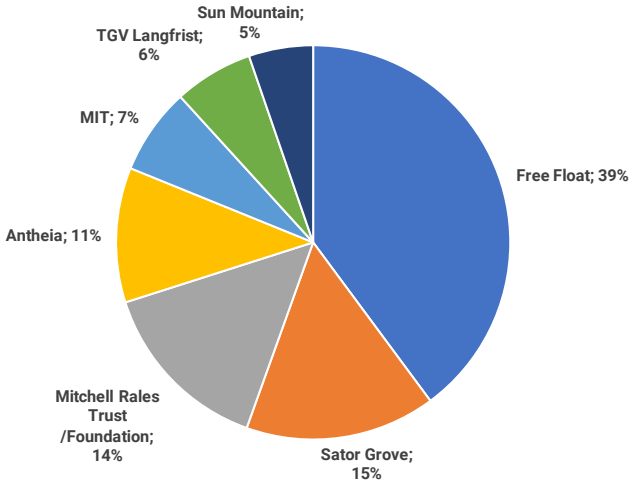
Competitive landscape



M&A deal market value (in trillions USD)



Major shareholders



Source: Company data, mwb research

ResearchHub

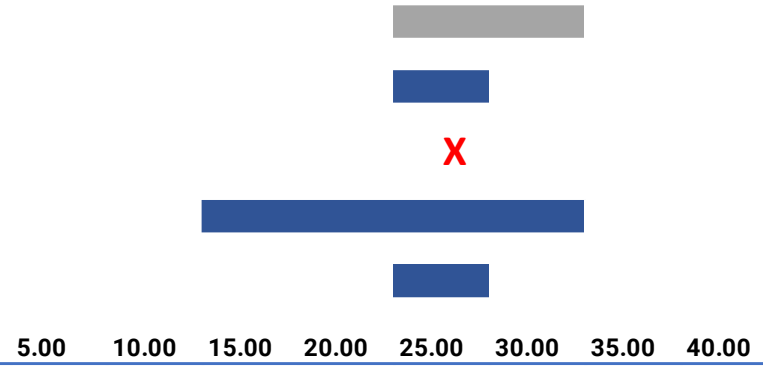
Valuation

In order to derive at a fair value for CHAPTERS Group we have conducted several valuation approaches. We note however that valuing an investment firm, traditional valuation techniques often provide pitfalls and hence do not 100% accurately reflect the true value of the company. These are:

1. DCF Model
2. Adj. FCF yield
3. Peer group analysis
4. Sum of the part (SOTP) valuation

The following table summarizes the potential range of fair values for CHAPTERS, using the different valuation approaches.

Valuation overview - in EUR		Fair Value
Peer Group VMS	EV/ EBITDA	**28.97-36.30**
SOTP		**25.20**
Average		**27.97**
adj. FCF yield		**16.17-37.24**
DCF		**27.33**



Source: mwb research

Valuation

DCF Model

The DCF model results in a **fair value of EUR 27.33 per share**:

Top-line growth: We expect CHAPTERS Group AG to grow revenues at a CAGR of 8.0% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 4.1% in 2024E to 9.6% in 2031E.

WACC. Starting point is a historical equity beta of 1.24. Unleverering and correcting for mean reversion yields an asset beta of 1.07. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 10.6%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30.0% and target debt/equity of 0.5 this results in a long-term WACC of 8.3%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	9.8	18.1	29.1	31.6	37.3	38.1	38.9	39.9	
Depreciation & amortization	10.9	11.7	10.5	10.5	11.0	11.5	11.9	12.3	
Change in working capital	6.0	5.1	4.6	3.4	1.9	1.0	1.0	1.0	
Chg. in long-term provisions	3.3	1.9	1.7	1.3	0.7	0.4	0.4	0.4	
Capex	-7.6	-9.1	-10.5	-11.5	-12.1	-12.4	-12.7	-13.1	
Cash flow	22.5	27.7	35.5	35.2	38.8	38.5	39.5	40.5	660.7
Present value	22.2	25.2	29.8	27.3	27.8	25.4	24.1	22.8	373.4
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%

DCF per share derived from	
Total present value	577.9
Mid-year adj. total present value	601.5
Net debt / cash at start of year	3.6
Financial assets	30.3
Provisions and off b/s debt	na
Equity value	628.2
No. of shares outstanding	23.0
Discounted cash flow / share	**27.33**
upside/(downside)	**13.9%**
Share price	**24.00**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2024E-2031E)	8.0%
Terminal value growth (2031E - infinity)	2.0%
Terminal year ROCE	9.6%
Terminal year WACC	8.3%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30.0%
Equity beta	1.24
Unlevered beta (industry or company)	1.07
Target debt / equity	0.5
Relevered beta	1.44
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	10.6%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.0%	1.5%	2.0%	2.5%	3.0%
2.0%	19.9	20.5	21.2	22.0	22.9
1.0%	22.1	22.9	23.9	25.0	26.2
0.0%	24.9	26.0	27.3	28.9	30.7
-1.0%	28.5	30.2	32.1	34.5	37.4
-2.0%	33.6	36.1	39.1	43.0	48.2

Share of present value	
2024E-2027E	18.1%
2028E-2031E	17.3%
terminal value	64.6%

Source: mwb research

ResearchHub

FCF Yield Model

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

The adjusted Free Cash Flow Yield results in a fair value between EUR 16.17 per share based on 2024E and EUR 37.24 per share on 2028E estimates.

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

FCF yield in EURm	2024E	2025E	2026E	2027E	2028E
EBITDA	**24.4**	**34.4**	**46.7**	**49.7**	**57.4**
- Maintenance capex	3.2	6.4	6.5	6.9	7.5
- Minorities	-0.4	-2.2	-3.8	-4.1	-4.9
- tax expenses	3.4	6.2	10.8	11.7	13.9
= Adjusted FCF	**18.2**	**23.9**	**33.2**	**35.1**	**40.8**
Actual Market Cap	**551.7**	**551.7**	**551.7**	**551.7**	**551.7**
+ Net debt (cash)	-82.0	-116.1	-157.7	-198.8	-242.7
+ Pension provisions	0.0	0.0	0.0	0.0	0.0
+ Off B/S financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	30.3	30.3	30.3	30.3	30.3
- Acc. dividend payments	0.0	0.0	0.0	0.0	0.0
EV Reconciliations	-112.3	-146.4	-188.0	-229.1	-273.0
= Actual EV'	**439.4**	**405.3**	**363.6**	**322.6**	**278.6**
Adjusted FCF yield	**4.1%**	**5.9%**	**9.1%**	**10.9%**	**14.6%**
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
Fair EV	**259.5**	**342.1**	**473.8**	**502.0**	**583.0**
- EV Reconciliations	-112.3	-146.4	-188.0	-229.1	-273.0
Fair Market Cap	**371.8**	**488.5**	**661.8**	**731.1**	**856.0**
No. of shares (million)	23.0	23.0	23.0	23.0	23.0
Fair value per share in EUR	**16.17**	**21.25**	**28.79**	**31.81**	**37.24**
Premium (-) / discount (+)	**-32.6%**	**-11.5%**	**20.0%**	**32.5%**	**55.2%**

Sensitivity analysis FV						
Adjusted hurdle rate	5.0%	20.7	27.2	37.0	40.5	47.4
	6.0%	18.1	23.7	32.2	35.4	41.5
	7.0%	**16.2**	**21.3**	**28.8**	**31.8**	**37.2**
	8.0%	14.8	19.4	26.2	29.1	34.1
	9.0%	13.7	17.9	24.2	27.0	31.6

Source: Company data; mwb research

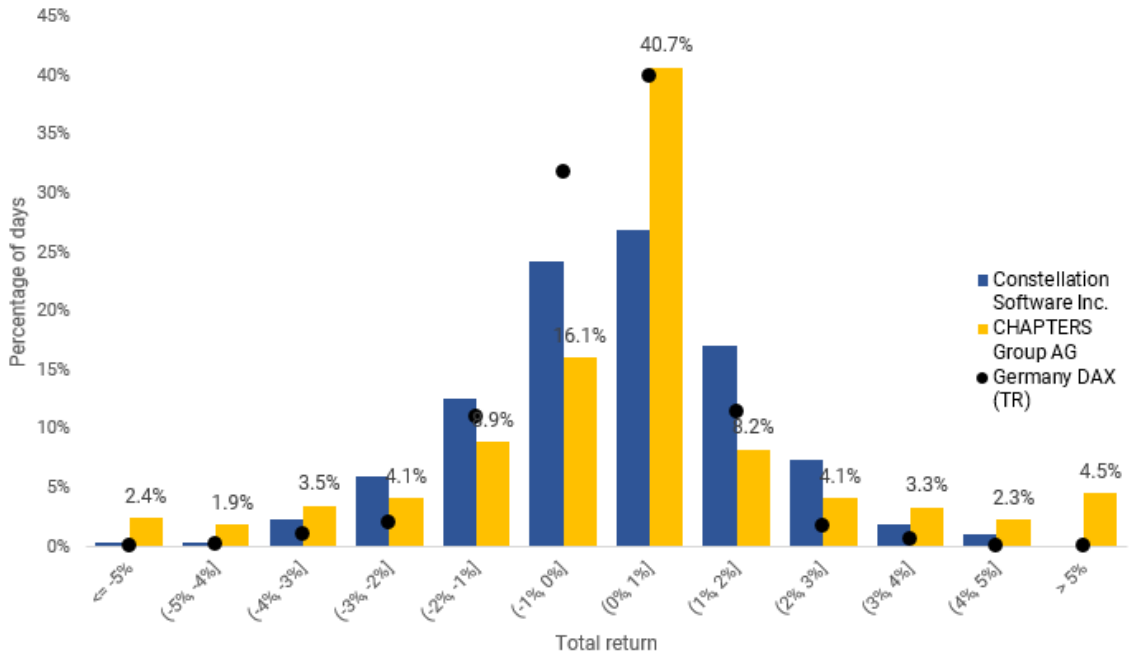
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

ResearchHub

Risk

The chart displays the **distribution of daily returns of CHAPTERS Group AG** over the last 3 years, compared to the same distribution for Constellation Software Inc.. We have also included the distribution for the index Germany DAX (TR). The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For CHAPTERS Group AG, the worst day during the past 3 years was 20/12/2021 with a share price decline of -13.5%. The best day was 29/09/2023 when the share price increased by 18.1%.

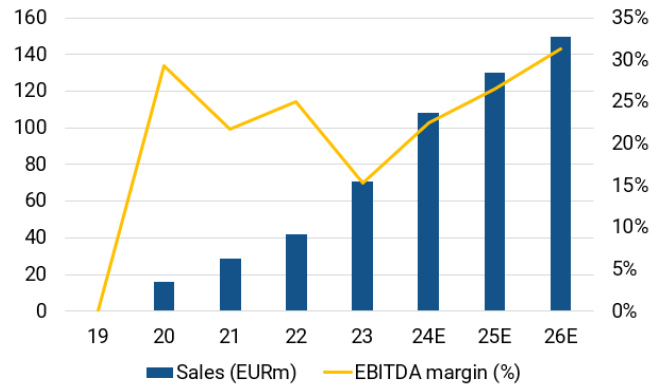
Risk – Daily Returns Distribution (trailing 3 years)



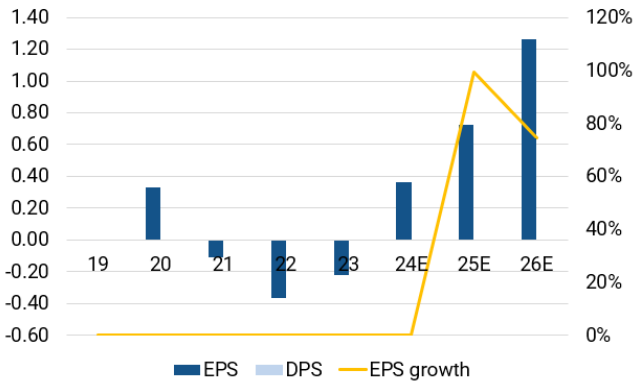
Source: FactSet, mwb research

Financials in six charts

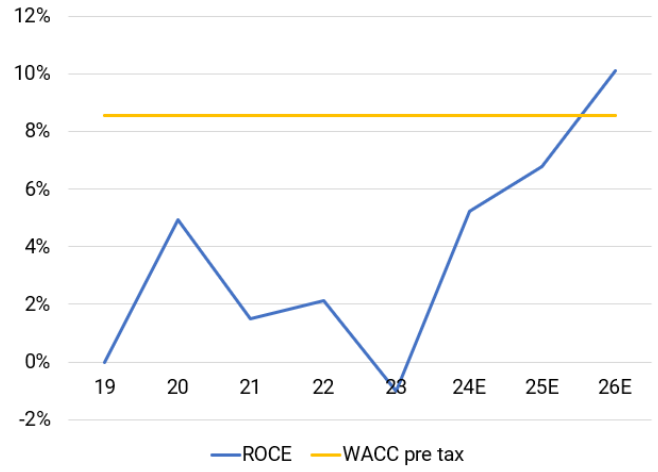
Sales vs. EBITDA margin development



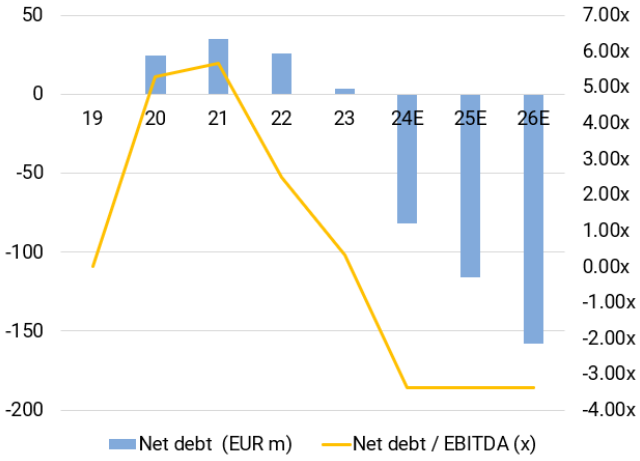
EPS, DPS in EUR & yoy EPS growth



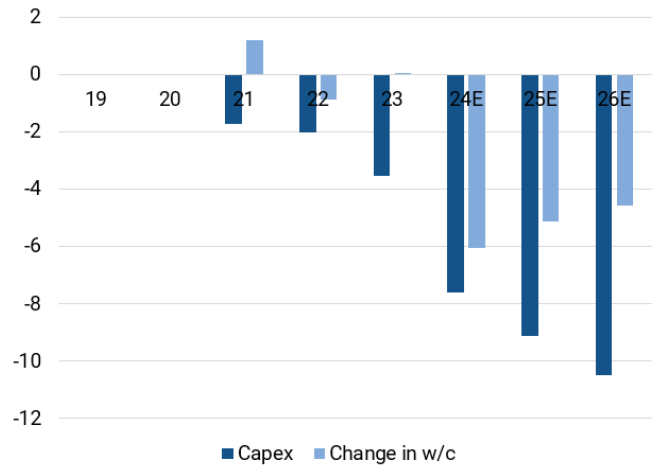
ROCE vs. WACC (pre tax)



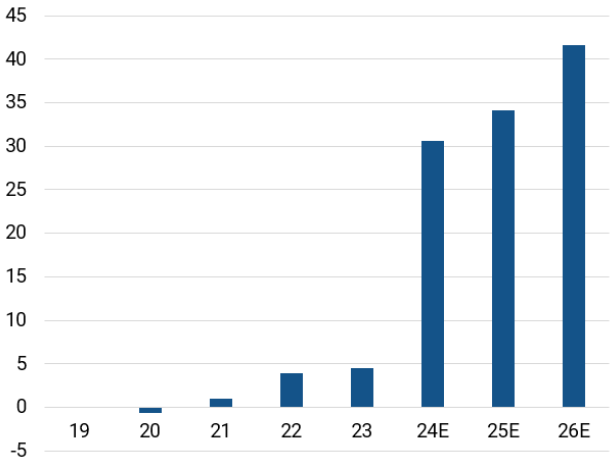
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; mwb research

Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
Net sales	**28.7**	**42.1**	**70.8**	**108.3**	**129.9**	**149.4**
Sales growth	82.5%	46.8%	68.2%	53.0%	20.0%	15.0%
Change in finished goods and work-in-process	-0.7	0.1	-1.1	0.0	0.0	0.0
Total sales	**27.9**	**42.2**	**69.7**	**108.3**	**129.9**	**149.4**
Material expenses	4.5	7.2	11.9	17.3	19.5	21.7
Gross profit	**23.4**	**35.0**	**57.8**	**90.9**	**110.4**	**127.8**
Other operating income	3.0	7.7	7.6	15.2	18.8	24.3
Personnel expenses	13.6	20.2	37.0	50.3	57.2	63.5
Other operating expenses	6.6	12.0	17.6	31.4	37.7	41.8
EBITDA	**6.2**	**10.5**	**10.8**	**24.4**	**34.4**	**46.7**
Depreciation	0.1	0.0	0.0	3.2	6.4	6.5
EBITA	6.1	10.5	10.8	21.2	28.0	40.2
Amortisation of goodwill and intangible assets	5.2	8.0	12.4	7.8	5.2	4.1
EBIT	**0.9**	**2.5**	**-1.7**	**13.4**	**22.7**	**36.2**
Financial result	-2.6	-8.3	-3.0	-2.0	-2.0	-0.1
Recurring pretax income from continuing operations	-1.6	-5.8	-4.7	11.4	20.7	36.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-1.6	-5.8	-4.7	11.4	20.7	36.1
Taxes	0.6	0.8	1.7	3.4	6.2	10.8
Net income from continuing operations	-2.3	-6.6	-6.4	8.0	14.5	25.3
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**-2.3**	**-6.6**	**-6.4**	**8.0**	**14.5**	**25.3**
Minority interest	1.1	0.7	2.3	0.4	2.2	3.8
Net profit (reported)	-1.2	-5.9	-4.1	8.4	16.7	29.1
Average number of shares	11.00	16.07	18.15	22.99	22.99	22.99
EPS reported	**-0.11**	**-0.37**	**-0.22**	**0.36**	**0.72**	**1.26**

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Net sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Change in finished goods and work-in-process	-2%	0%	-2%	0%	0%	0%
Total sales	**98%**	**100%**	**98%**	**100%**	**100%**	**100%**
Material expenses	16%	17%	17%	16%	15%	14%
Gross profit	**82%**	**83%**	**82%**	**84%**	**85%**	**85%**
Other operating income	11%	18%	11%	14%	15%	16%
Personnel expenses	47%	48%	52%	47%	44%	42%
Other operating expenses	23%	29%	25%	29%	29%	28%
EBITDA	**22%**	**25%**	**15%**	**23%**	**27%**	**31%**
Depreciation	0%	0%	0%	3%	5%	4%
EBITA	21%	25%	15%	20%	22%	27%
Amortisation of goodwill and intangible assets	18%	19%	18%	7%	4%	3%
EBIT	**3%**	**6%**	**-2%**	**12%**	**18%**	**24%**
Financial result	-9%	-20%	-4%	-2%	-2%	-0%
Recurring pretax income from continuing operations	-6%	-14%	-7%	11%	16%	24%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	-6%	-14%	-7%	11%	16%	24%
Taxes	2%	2%	2%	3%	5%	7%
Net income from continuing operations	-8%	-16%	-9%	7%	11%	17%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**-8%**	**-16%**	**-9%**	**7%**	**11%**	**17%**
Minority interest	4%	2%	3%	0%	2%	3%
Net profit (reported)	**-4%**	**-14%**	**-6%**	**8%**	**13%**	**19%**

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (exl. Goodwill)	**9.6**	**9.5**	**17.2**	**11.6**	**9.0**	**7.9**
Goodwill	41.9	59.5	99.9	114.9	104.9	94.9
Property, plant and equipment	1.4	3.5	7.1	14.3	14.4	15.4
Financial assets	27.5	57.1	30.3	30.3	30.3	30.3
FIXED ASSETS	**80.5**	**129.6**	**154.4**	**171.1**	**158.6**	**148.5**
Inventories	1.2	2.4	4.0	4.3	4.9	5.4
Accounts receivable	1.8	3.9	7.7	8.6	10.3	11.9
Other current assets	2.3	2.2	3.2	3.2	3.2	3.2
Liquid assets	11.1	26.3	50.8	183.0	217.1	258.7
Deferred taxes	0.0	0.0	0.2	0.2	0.2	0.2
Deferred charges and prepaid expenses	6.6	4.9	3.5	3.2	3.9	4.5
CURRENT ASSETS	**23.0**	**39.7**	**69.5**	**202.6**	**239.6**	**283.9**
TOTAL ASSETS	**103.5**	**169.3**	**223.9**	**373.8**	**398.2**	**432.5**
SHAREHOLDERS EQUITY	**41.1**	**90.6**	**122.1**	**215.0**	**229.5**	**254.8**
MINORITY INTEREST	0.7	1.6	2.0	2.0	2.0	2.0
Long-term debt	46.2	52.4	54.4	76.0	76.0	76.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	1.1	1.9	6.3	9.6	11.5	13.2
Non-current liabilities	**47.3**	**54.3**	**60.7**	**85.6**	**87.5**	**89.2**
short-term liabilities to banks	0.0	0.0	0.0	25.0	25.0	25.0
Accounts payable	1.1	1.8	3.1	2.4	2.7	3.0
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	9.9	16.9	26.9	32.5	39.0	44.8
Deferred taxes	2.5	2.7	5.1	5.1	5.1	5.1
Deferred income	0.9	1.3	4.1	6.2	7.5	8.6
Current liabilities	**14.4**	**22.8**	**39.2**	**71.2**	**79.2**	**86.5**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**103.5**	**169.3**	**223.9**	**373.8**	**398.2**	**432.5**

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	**9%**	**6%**	**8%**	**3%**	**2%**	**2%**
Goodwill	41%	35%	45%	31%	26%	22%
Property, plant and equipment	1%	2%	3%	4%	4%	4%
Financial assets	27%	34%	14%	8%	8%	7%
FIXED ASSETS	**78%**	**77%**	**69%**	**46%**	**40%**	**34%**
Inventories	1%	1%	2%	1%	1%	1%
Accounts receivable	2%	2%	3%	2%	3%	3%
Other current assets	2%	1%	1%	1%	1%	1%
Liquid assets	11%	16%	23%	49%	55%	60%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	6%	3%	2%	1%	1%	1%
CURRENT ASSETS	**22%**	**23%**	**31%**	**54%**	**60%**	**66%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**40%**	**54%**	**55%**	**58%**	**58%**	**59%**
MINORITY INTEREST	1%	1%	1%	1%	0%	0%
Long-term debt	45%	31%	24%	20%	19%	18%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	1%	1%	3%	3%	3%	3%
Non-current liabilities	**46%**	**32%**	**27%**	**23%**	**22%**	**21%**
short-term liabilities to banks	0%	0%	0%	7%	6%	6%
Accounts payable	1%	1%	1%	1%	1%	1%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	10%	10%	12%	9%	10%	10%
Deferred taxes	2%	2%	2%	1%	1%	1%
Deferred income	1%	1%	2%	2%	2%	2%
Current liabilities	**14%**	**13%**	**17%**	**19%**	**20%**	**20%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	-2.2	-6.6	-6.4	8.0	14.5	25.3
Depreciation of fixed assets (incl. leases)	0.5	0.5	1.0	3.2	6.4	6.5
Amortisation of goodwill	0.0	0.0	0.0	10.0	10.0	10.0
Amortisation of intangible assets	4.7	7.5	11.4	7.8	5.2	4.1
Others	1.0	3.7	2.0	3.3	1.9	1.7
Cash flow from operations before changes in w/c	4.0	5.1	8.1	32.2	38.1	47.5
Increase/decrease in inventory	0.0	0.0	0.0	-0.4	-0.5	-0.5
Increase/decrease in accounts receivable	0.0	0.0	0.0	-0.9	-1.7	-1.5
Increase/decrease in accounts payable	0.0	0.0	0.0	-0.7	0.3	0.3
Increase/decrease in other w/c positions	-1.2	0.9	-0.1	8.0	7.1	6.4
Increase/decrease in working capital	-1.2	0.9	-0.1	6.0	5.1	4.6
Cash flow from operating activities	**2.8**	**5.9**	**8.0**	**38.3**	**43.2**	**52.1**
CAPEX	-1.7	-2.0	-3.6	-7.6	-9.1	-10.5
Payments for acquisitions	-27.2	-23.2	-52.0	-30.0	0.0	0.0
Financial investments	-18.8	-35.1	11.6	0.0	0.0	0.0
Income from asset disposals	0.4	6.2	5.3	0.0	0.0	0.0
Cash flow from investing activities	**-47.3**	**-54.1**	**-38.7**	**-37.6**	**-9.1**	**-10.5**
Cash flow before financing	-44.6	-48.2	-30.7	0.7	34.1	41.6
Increase/decrease in debt position	12.6	2.1	14.3	46.6	0.0	0.0
Purchase of own shares	-0.1	-0.1	-0.7	0.0	0.0	0.0
Capital measures	35.7	57.1	35.4	84.9	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-1.1	0.3	0.9	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	**47.1**	**59.4**	**49.8**	**131.5**	**0.0**	**0.0**
Increase/decrease in liquid assets	2.5	11.3	19.2	132.2	34.1	41.6
Liquid assets at end of period	**11.1**	**26.3**	**50.8**	**183.0**	**217.1**	**258.7**

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	0.0	0.0	0.0	0.0	0.0	0.0
Europe (ex domestic)	0.0	0.0	0.0	0.0	0.0	0.0
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**28.7**	**42.1**	**70.8**	**108.3**	**129.9**	**149.4**

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Europe (ex domestic)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; mwb research

ResearchHub

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	-0.11	-0.37	-0.22	0.36	0.72	1.26
Cash flow per share	0.25	0.37	0.44	1.53	1.60	1.99
Book value per share	3.74	5.64	6.73	9.35	9.98	11.08
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	-225.1x	-65.5x	-107.3x	66.0x	33.1x	19.0x
P/CF	95.7x	64.8x	54.4x	15.7x	15.0x	12.1x
P/BV	6.4x	4.3x	3.6x	2.6x	2.4x	2.2x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	1.0%	1.5%	1.8%	6.4%	6.7%	8.3%
EV/Sales	20.5x	13.7x	7.8x	4.3x	3.4x	2.6x
EV/EBITDA	94.4x	55.0x	51.4x	19.3x	12.7x	8.4x
EV/EBIT	625.8x	230.2x	-330.8x	35.0x	19.2x	10.9x
Income statement (EURm)						
Sales	28.7	42.1	70.8	108.3	129.9	149.4
yoy chg in %	82.5%	46.8%	68.2%	53.0%	20.0%	15.0%
Gross profit	23.4	35.0	57.8	90.9	110.4	127.8
Gross margin in %	81.7%	83.2%	81.7%	84.0%	85.0%	85.5%
EBITDA	6.2	10.5	10.8	24.4	34.4	46.7
EBITDA margin in %	21.7%	25.0%	15.3%	22.5%	26.5%	31.3%
EBIT	0.9	2.5	-1.7	13.4	22.7	36.2
EBIT margin in %	3.3%	6.0%	-2.4%	12.4%	17.5%	24.2%
Net profit	-1.2	-5.9	-4.1	8.4	16.7	29.1
Cash flow statement (EURm)						
CF from operations	2.8	5.9	8.0	38.3	43.2	52.1
Capex	-1.7	-2.0	-3.6	-7.6	-9.1	-10.5
Maintenance Capex	0.0	0.0	0.0	3.2	6.4	6.5
Free cash flow	1.0	3.9	4.5	30.7	34.1	41.6
Balance sheet (EURm)						
Intangible assets	51.6	69.0	117.1	126.5	113.9	102.8
Tangible assets	1.4	3.5	7.1	14.3	14.4	15.4
Shareholders' equity	41.1	90.6	122.1	215.0	229.5	254.8
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	47.3	54.3	60.7	110.6	112.5	114.2
Net financial debt	35.1	26.1	3.6	-82.0	-116.1	-157.7
w/c requirements	1.9	4.5	8.6	10.5	12.5	14.3
Ratios						
ROE	-5.5%	-7.3%	-5.2%	3.7%	6.3%	9.9%
ROCE	1.1%	1.7%	-0.9%	4.1%	6.6%	9.7%
Net gearing	85.5%	28.8%	2.9%	-38.1%	-50.6%	-61.9%
Net debt / EBITDA	5.7x	2.5x	0.3x	-3.4x	-3.4x	-3.4x

Source: Company data; mwb research

Conflicts of interest

Disclosures regarding research publications of mwb research AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analyzed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if mwb research AG

(1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analyzed company,

(2) has entered into an agreement on the production of the research report with the analyzed company,

(3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analyzed company or have received services or a promise of services under the term of such an agreement,

(4) or its affiliate(s) holds a) 5% or more of the share capital of the analyzed company, or b) the analyzed company holds 5% or more of the share capital of mwb research AG or its affiliate(s),

(5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analyzed company or derivatives thereof,

(6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,

(7) or the analyst has any other significant financial interests relating to the analyzed company such as, for example, exercising mandates in the interest of the analyzed company or a significant conflict of interest with respect to the issuer,

(8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
CHAPTERS Group AG	2

Important disclosures

1. General Information/Liabilities This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by mwb research AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of mwb research AG. Reproduction of this document, in whole or in part, is not permitted without prior permission mwb research AG. All rights reserved. Under no circumstances shall mwb research AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analyzed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organizational Requirements mwb research AG took internal organizational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of mwb research AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made. The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate. The operating cash flow is calculated as EBITDA less maintenance capex and taxes. Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at https://www.mwb.-research.com.

mwb research AG uses the following three-step rating system for the analyzed companies:

- **Speculative (Spec.) BUY:** Sustainable upside potential of more than 25% within 12 months, above average risk
- **BUY**: Sustainable upside potential of more than 10% within 12 months
- **SELL**: Sustainable downside potential of more than 10% within 12 months.
- **HOLD**: Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of mwb research AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analyzed in this document was solely made by mwb research AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of mwb research AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Date and time of first publication of this financial analysis
22-Oct-24 12:32:18

6. Risk information

- Stock exchange investments and investments in companies (shares) are always speculative and involve the risk of total loss.
- This is particularly true in respect of investments in companies which are not established and/or small and have no established business or corporate assets.
- Share prices may fluctuate significantly. This is particularly true for shares with low liquidity (market breadth). Even small orders can have a significant impact on the share price.
- In the case of shares in narrow markets, it may also happen that there is no or very little actual trading there and that published prices are not based on actual trading but have only been provided by a stockbroker.
- In such markets a shareholder cannot expect to find a buyer for his shares at all and/or at reasonable prices. In such narrow markets there is a very high possibility of manipulating prices and in such markets there are often considerable price fluctuations.
- An investment in shares with low liquidity and low market capitalization is therefore highly speculative and represents a very high risk.
- There is no regulated market for unlisted shares and securities and a sale is not possible or only possible on an individual basis.

7. Major Sources of Information Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. mwb research AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority mwb research AG are under supervision of the BaFin – German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M. This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

9. Specific Comments for Recipients Outside of Germany This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

10. Miscellaneous According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published free of charge under https:// www.mwb.-research.com..

Contacts

mwb research AG
Mittelweg 142
20148 Hamburg
Germany

Tel.: +49 40 309 293-52
Email.: contact@mwb-research.com
Website: www.mwb-research.com
Research: www.research-hub.de

Research

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-53
E-Mail: h.hof@mwb-research.com

LEON MÜHLENBRUCH
Analyst
Tel: +49 40 309 293-57
E-Mail: l.muehlenbruch@mwb-research.com

ABED JARAD
Junior Analyst
Tel: +49 40 309 293-54
E-Mail: a.jarad@mwb-research.com

JENS-PETER RIECK
Junior Analyst
Tel: +49 40 309 293-54
E-Mail: jp.rieck@mwb-research.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@mwb-research.com

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-55
E-Mail: o.wojahn@mwb-research.com

ALEXANDER ZIENKOWICZ
Senior Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowicz@mwb-research.com

Sales

HOLGER NASS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: h.nass@mwb-research.com

Team Assistant

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-52
E-Mail: h.gabert@mwb-research.com

mwb fairtrade
Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
Website: www.mwbfairtrade.com
E-Mail: info@mwbfairtrade.com

Sales / Designated Sponsoring /Corporate Finance

ALEXANDER DEUSS
Institutional Sales
Tel: +49 40 36 0995-22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995-23
E-Mail: sguenon@mwbfairtrade.com

JAN NEYNABER
Institutional Sales
Tel: +49 69 1387-1255
E-Mail: jneynaber@mwbfairtrade.com

DIRK WEYERHÄUSER
Corporate Finance
Tel: +49 69 1387-1250
E-Mail: dweyerhaeuser@mwbfairtrade.com

Locations

HAMBURG (Research)
Mittelweg 142
20148 Hamburg
+49 40 309 293-52

HAMBURG (Corporates & Markets)
Kleine Johannisstraße 4
20457 Hamburg
+49 40 360 995-0

FRANKFURT A.M.
Unterlindau 29
60323 Frankfurt am Main
+49 40 360 995-22

MUNICH
Rottenbucher Str. 28
82166 Gräfelfing
+49 89-85852-0

BERLIN
Kurfürstendamm 151
10709 Berlin

HANNOVER
An der Börse 2
30159 Hannover

Our research can be found at

ResearchHub	www.research-hub.de
Bloomberg	www.bloomberg.com
FactSet	www.factset.com
Thomson Reuters / Refinitiv	www.refinitiv.com
CapitalIQ	www.capitaliq.com