



## **Research Report (Initial Coverage)**

**Avemio AG**

# **AVEMIO**

- **Change to a media technology group heralded -**
- **M&A activities remain at a high level -**
- **German market leadership to be extended to Europe -**

**Target price: EUR 50.80**

**Rating: BUY**

**IMPORTANT NOTE:**

Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section § 85 WpHG und Art. 20 MAR on page 32

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

## Avemio AG\*5a, 11

**Target price: €50.80**

**Rating: BUY**

Current price: 44.20

15.08.23 / XETRA / 5:36 pm

Currency: EUR

### Master data:

ISIN: DE000A2LQ1P6

WKN: A2LQ1P

Number of shares<sup>3</sup>: 3.43

Market cap: 151.70

Entity value: 151.03

<sup>3</sup>in million / in EUR million

Free float: 15.5%

Market segment:

Düsseldorf over-the-counter market

Transparency level:

Primary market

Accounting:

HGB

Financial year: 31.12.

### Analysts:

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### Company profile

Industry: trade, technology

Focus: dealers of professional equipment for moving image production

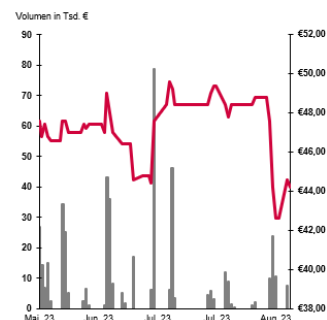
Employees: approx. 200

Foundation: 1993 (foundation of Teltec)

Head office: Düsseldorf

Executive Board: Ralf P. Pfeffer (CEO); Norbert Gunkler (CFO)

Avemio AG, with its wholly-owned subsidiary Teltec AG, is the trading group with the highest turnover for professional film and television technology in the German-speaking market. Avemio AG's share capital is divided into 3,432,150 bearer shares, which are listed on the open market of the Düsseldorf Stock Exchange. The object of the group of companies is trading in professional film and television equipment, associated consumables and accessories. This also includes consulting and technical support for complete production, post-production and broadcasting systems. Teltec AG holds 100% of the shares in each of the following companies VCT Videocation Creative Tools GmbH, VDH Video Data Handels GmbH, VDT Video Data Technik GmbH, BPM Broadcast & Professional Media GmbH; in 2023, MoovIT GmbH and MoovIT Software Products GmbH as well as the Polish company P.V.P. Sp.z.o.o were each taken over in full.



P&L in EUR million \ FY-end	FY 2021	FY 2022	FY 2023e	FY 2024e	FY 2025e
Turnover	111.15	108.70	127.49	137.31	148.13
EBITDA	6.54	4.44	5.60	8.09	11.52
EBIT	5.48	3.30	4.31	6.68	10.01
Net profit for the year	3.46	1.79	2.17	3.78	6.03

### Key figures in EUR

Earnings per share	1.01	0.52	0.63	1.10	1.76
Dividend per share	0.00	0.00	0.00	0.00	0.00

### Key figures

EV/turnover	1.36	1.39	1.18	1.10	1.02
EV/EBITDA	23.11	33.99	26.98	18.67	13.11
EV/EBIT	27.58	45.73	35.06	22.61	15.09
KGV	43.83	84.97	69.99	40.13	25.14
KBV	11.13	9.77			

### Financial Calendar

23-24.08.23: HIT - Hamburg Investors Days

29.08.2023: Annual General Meeting

04.-05.09.2023: Equity Forum Conference

September 23: Half-year figures 2023

15.-16.11.2023: MKK-Munich

27.-29.11.2023: Equity Forum

### \*\*last research from GBC:

Date: Publication / Target price in EUR / Rating

-

\*\* The research studies listed above can be viewed at [www.gbc-ag.de](http://www.gbc-ag.de) or requested from GBC AG, Halderstr. 27, D86150 Augsburg.

\* Catalogue of possible conflicts of interest on page 33

## EXECUTIVE SUMMARY

- Avemio AG is a provider of customised solutions for the professional production, post-production, archiving and broadcasting of film, TV and video content and has been listed on the Düsseldorf Stock Exchange since 1 January 2023. The listing took place via a so-called reverse IPO, whereby Teltec AG was contributed to the listed shell company Palgon AG (renamed Avemio AG) as part of a capital increase through contributions in kind. Since the company was founded in 1993, Teltec has established itself as a manufacturer-independent full-range supplier (40,000 products from 2,000 suppliers) and has advanced to become the largest provider of professional technology for moving image production in the fragmented German-speaking region.
- Teltec AG has actively contributed to the consolidation of the market through a series of acquisitions. In the past six financial years (including 2023), a total of nine company acquisitions have been made which, on the one hand, resulted in the acquisition of know-how and the regional expansion of the business. However, there has also been a broadening of the product range. In particular, with recently acquired MoovIT, the product range has been expanded to include the area of system integration and software development, and the Avemio Group is now in a position to offer software products developed in-house for the first time.
- The MoovIT acquisition is a striking example of the company's transformation from a trading company to a media technology group. In the course of this change, recurring revenues are to gain in importance and the profitability of Avemio AG is to be improved in general. At the same time, Avemio AG is thus taking into account the increasing digitalisation in moving image production. According to the company, only 10% to 15% of the revenues are currently generated with customers from classic broadcasting (television broadcasters).
- Another pillar of their corporate strategy is the continuation of their acquisition strategy, with an increasing focus on other European countries. In the current financial year 2023, since the complete takeover of the Polish company PVP, for the first time a company from a non-German-speaking region belongs to the Avemio group. Further companies are to be added in the coming reporting periods. In addition, organic growth, which was 14.9% (CAGR) between 2017 and 2022, is to be continued.
- In the past two financial years 2021 and 2022, the company has stabilised their turnover level above the €100 million mark with €111.15 million (2021) and €108.7 million (2022). The EBIT of €3.3 million (previous year: €5.48 million) is accompanied by an EBIT margin of 3.0% (previous year: 4.9%). Our forecasts for the financial years 2023 to 2025 exclusively take into account their organic development - without further acquisitions - and we expect a continuation of their sales growth to up to €148.13 million (2025). Due to economies of scale and the increasing share of technology sales, we expect the EBIT margin to improve to 6.8% by 2025, which would correspond to a double-digit EBIT of €10.01 million.
- Within the framework of the DCF valuation model, we have determined a fair enterprise value of €194.66 million for the first time as of 31 December 2024. Based on 3.83 million shares, which takes into account a capital increase of 0.4 million shares for the acquisition of MoovIT, the fair value per share is €50.80. We assign the rating BUY.

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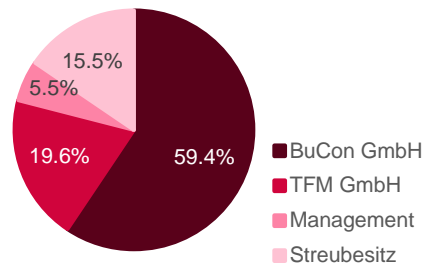
## COMPANY

### Shareholder structure

BuCon GmbH*	59.4%
TFM GmbH	19.6%
Management	5.5%
<b>Free float</b>	<b>15.5%</b>

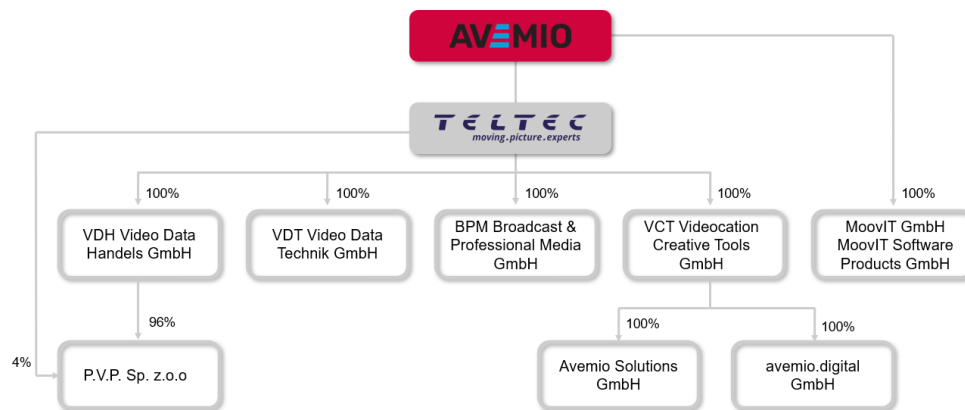
Sources: Avemio AG; GBC AG;

\*Ralf P. Pfeiffer, CEO Avemio AG holds 50% of BuCon GmbH



### Corporate structure as at 31.12.2022

As of 1 January 2023, Teltec AG took over Palgon AG (shell company), which is listed on the Düsseldorf Stock Exchange, and renamed it Avemio AG. This is a so-called reverse IPO, in the course of which Teltec AG was brought into the listed shell company as part of a capital increase through contributions in kind. Following the acquisition of the two MoovIT companies, Avemio AG now has an IT-based system integration business in addition to the Teltec Group's trading business.



Sources: Avemio AG; GBC AG

The simplified corporate structure presented here illustrates an important cornerstone of Avemio AG's corporate strategy. Teltec AG, as an operating company, has made a number of corporate acquisitions in recent financial years and has thus actively driven market consolidation in the area of professional moving image technology. After the acquisition of Videocation GmbH, which has since merged with the subsidiary VCT, in the 2017 financial year, the acquisition of the Videodata Group, which includes VDH, VDT and Creative Tools, had taken place in the 2018 financial year. Hamburg-based BPM Broadcast & Professional Media GmbH was acquired in 2021 before M&A activity picked up again in the current 2023 financial year. Two further acquisitions were reported in the current 2023 financial year with MoovIT GmbH and the increase in the stake in P.V.P., which now belongs entirely to the Teltec Group.

The Avemio Group currently consists of thirteen fully-consolidated operating companies and employs around 200 people.

## Business model

Avemio AG is a leading company offering customised solutions for the professional production, post-production, archiving and broadcasting of film, TV and video content. The company provides commercial end customers in the media sector with high-quality technology and assembles complex technical systems by integrating technical components from different manufacturers. With ten sales offices in the most important media locations in Germany and Austria, the Avemio Group is very close to its customers. Its highly qualified sales staff offer comprehensive consulting, planning, delivery and technical integration of production, post-production, broadcasting and archive systems for various applications in the business.

As a value-added reseller (VAR), the Avemio Group operates independently of manufacturers and offers added value through the integration of sold components, individual planning and a distinctive technical service. It strives to become a major media technology group for the professional moving image.

Originally created from a start-up called Teltec in 1993, the group of companies transformed itself into the current business model of a manufacturer-independent full-range supplier about 15 years ago. Since then, it has risen to become the market leader in the German-speaking region within the framework of active consolidation through company acquisitions. In the process, the Avemio Group has an extensive product portfolio of more than 40,000 items from over 2,000 suppliers, including recording and post-production technology as well as complete broadcasting equipment. Its focus is on creating added value, deep value creation and providing unique selling propositions for its customers.

### Teltec AG

Teltec has been a system supplier for professional media and AV solutions since 1993. Teltec operates the largest online shop in the German-speaking market. However, only 15% to 20% of sales are made directly with the web shop. Mostly, customers need competent advice from a sales representative before making a purchase. The company emphasises that it has the broadest product portfolio in the industry and that this allows for better customer orientation. Teltec itself clearly stands out from the competition with this unique selling proposition.

The focus is on manufacturer-independent product consulting and project implementation with flexibility. The company offers a wide range of products and individual implementation options, making it a competent contact and industry leader for product sales, system design and financing offers - from camcorders to post-production technology to complete broadcasting technology.

### Product examples



Source: Teltec.de

### ***VDH - Video Data Handels GmbH and VDT - Video Data Technik GmbH***

The Video Data Group was acquired by Teltec AG in 2018. The Video Data Group included VDH, VDT and CT. VDH is one of the largest online shops for professional video technology. The target group ranges from beginners to professional production companies. The associated VDT offers a rental service of EB equipment, studio equipment and event technology. VDH offers a similar product range to that of Teltec AG.

### ***Videocation Creative Tools GmbH***

Videocation GmbH was taken over by Teltec AG in 2017 and initially continued in this structure. After the acquisition of the Video Data Group, which also includes CT (creative tools GmbH), a merger of these two companies took place in 2022 to form Videocation Creative Tools GmbH (VCT). Compared to the two aforementioned Avemio companies, Teltec and VDH, VCT focuses on the distribution of essential IT components for the media and entertainment sector. The main products of this company include software, workstations and storage systems.

The company also includes the subsidiary Avemio Solutions GmbH, which is responsible for the planning, realisation and operation of technical systems in the field of professional multimedia applications.

### ***BPM - Broadcast & Professional Media GmbH***

In 2021, Hamburg-based BPM was fully acquired by Teltec AG. BPM is one of the leading companies in Germany specialising in the distribution, planning, installation and support of professional video, audio and media equipment. As a partner, BPM accompanies its customers along the entire moving-image production workflow and offers customised solutions for individual production requirements. Their focus is on the distribution of broadcast and professional video production equipment for EB and live production as well as on the planning and installation of post-production and broadcast IT solutions.

The company's clientele includes freelancers, broadcasters, film and TV productions, event organisers, rental houses, temporary employment service providers as well as industrial companies, public authorities and educational institutions.

### ***Janusz Rupik Professional Video Technology Polska Sp. Z o.o (PVP)***

In 2023, the Teltec Group acquired 100% of PVP. PVP's business model and product range are comparable to Teltec's as a system supplier for professional media and AV solutions. PVP operates one of the leading web shops in Poland for professional media technology under the "creative tools" brand. The company's customers include all Polish television broadcasters and moving image producers. The participation in PVP secures Avemio's market entry outside Germany and Austria for the first time. According to the company, Poland is the most important market in Eastern Europe and thus the current increase serves as a springboard into this region.

### ***MoovIT GmbH and MoovIT Software Products GmbH***

MoovIT GmbH and MoovIT Software Products GmbH have been the newest part of the Avemio Group since June 2023. MoovIT covers all relevant steps in the area of post-production and sees itself as a full-service provider. This includes sales and consulting around hardware solutions (editing, storage, archiving), the sale of software and its integration into IT infrastructure as well as consulting services and support. In addition, they offer tools for

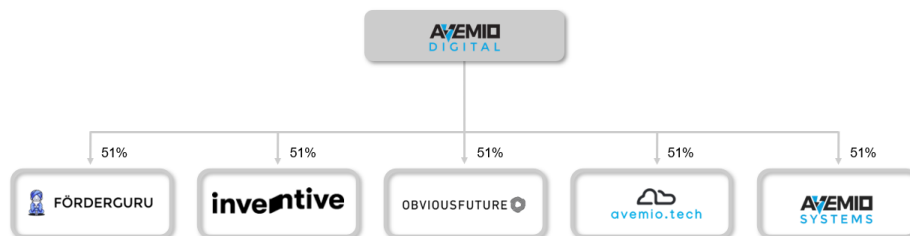
web-based video personalisation, localisation and regionalisation. The most important customers include various broadcasters, production houses, sports broadcasters, agencies and industrial companies.

With the acquisition of MoovIT, the Avemio Group is also bringing its own software in-house. One reference of MoovIT's customer projects is their involvement in the workflows during the UEFA European Championship 2021 with their "Helmut4" software. Especially during the pandemic, host broadcasters had to adapt their working methods and therefore increasingly used remote workflows. For example, the International Broadcast Centre (IBC) was located in Amsterdam, but parts of the IBC were also outsourced to London. Thus, the entire post-production was located in London. The host of the European Football Championship decided to keep the workstations in Amsterdam. Consequently, a remote workflow had to be established to enable the editing of the post-production at the workstations in Amsterdam. MoovIT supplied both the hardware and the specially developed "Helmut4" software. The complete toolset of the software was used so that the entire project management could be automated and the entire post-production could be controlled and secured.

Another MoovIT software is Titletool, which makes it possible to adapt videos to specific countries and target groups. The software has brands, agencies and production companies as its target group in order to quickly make videos available in different variants. With Titletool, the customer has various editing and setting options, from text to music to user management. In addition, the next software product called "Roxy" is used for the management of large video files and has been developed for use with Adobe Premiere Pro. "Roxy" can compress high-resolution data so that it can be edited faster, less data-intensively and cost-efficiently in Adobe Premiere Pro.

### **avemio.digital GmbH**

avemio.digital GmbH was founded in 2022 and serves as an investment incubator for start-ups with innovative business models in the field of IT/KI in the moving image sector. Typically, avemio.digital's participation rate is at least 51%, which preferably means a majority participation in each case. In addition to the investment in the form of a shareholding, avemio.digital provides assistance in the search for further investors, provides support in the development of the operational business and offers the use of its own marketing channels, etc. In our understanding, avemio.digital acts as an activist investor with the aim of developing the technological product development of the start-ups to market maturity.



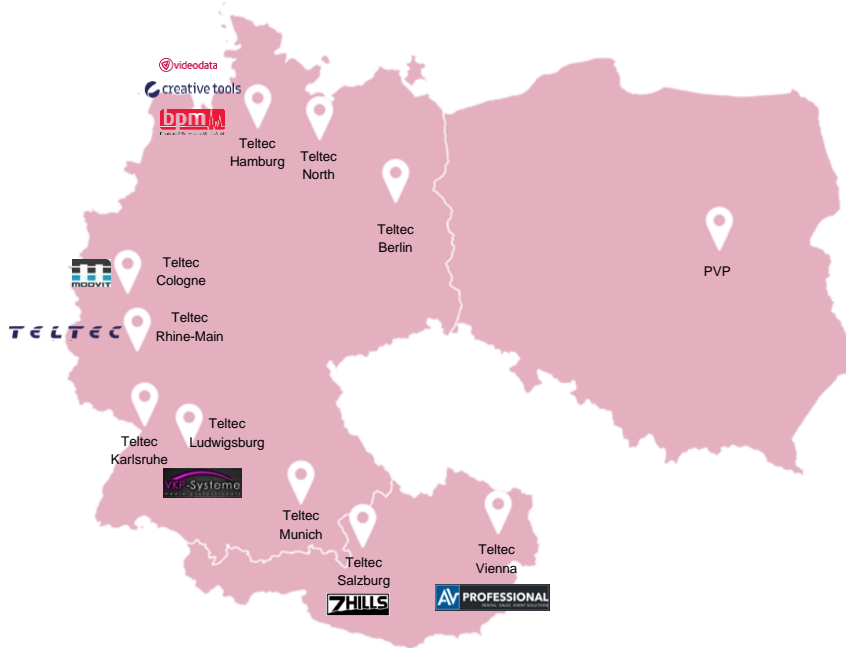
Sources: Avemio AG; GBC AG

Currently, avemio.digital holds 51% in each of five companies. Particularly noteworthy is the start-up ObviousFuture GmbH, a company which is active in the AI segment. Their product called Cara.One is the most advanced AI solution for searching media, such as images or videos from own media databases. By using Cara.One, the post-production process can be accelerated by a factor of 10, according to the company.



The investment portfolio also includes avemio.tech GmbH, a provider of services related to the support of e-commerce shops and cloud services, and avemio.systems GmbH, which specialises in full service with consulting, installation and training in broadcast, audio, video and network technology.

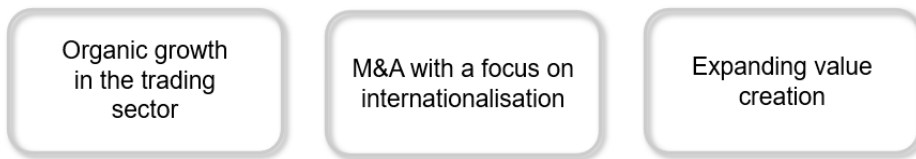
### **Regional footprint of Avemio**



According to the company, regional proximity, especially in the project and service area, is an essential aspect of the business model. For this reason, in addition to its web shops, the Avemio Group has a network of branches that focuses in particular on the most important media locations (Munich, Cologne, Hamburg, Berlin, etc.) in Germany. In the course of their company acquisitions, not only was know-how acquired, but their regional footprint was also expanded.

Parallel to the group's own companies, Avemio products and services are currently also distributed by three external partners. In Austria, these are 7Hills - Motion Picture Service GmbH (Salzburg), AV-Professional GmbH (Vienna) and, in Germany, VKP-Systeme GmbH (Ludwigsburg). All external partners specialise in the sale and rental of various kinds of moving picture equipment as well as in the planning of large events. Their partner network expands their regional presence and opens up new customer groups. The partners benefit from access to the entire product range of the Avemio Group and thus broaden their own product range.

## Corporate strategy



Sources: Avemio AG; GBC AG

Avemio AG's corporate strategy comprises three main cornerstones which, on the one hand, describe the planned corporate growth and, on the other hand, provide for the continuation of the company's transformation into a media technology group.

### ***Organic growth in the trading sector***

Over the past few financial years (2017 to 2022), the Avemio subsidiary Teltec AG has managed to achieve a compound annual growth rate (CAGR) of 14.9%. This dynamic revenue growth is purely organic in nature. On the one hand, the company benefited, especially in the financial years 2020 and 2021, from a pandemic-related special economic situation, which caused the demand for professional image technologies to increase disproportionately strongly. Even without the special economic situation, however, the company has shown a continuous organic increase in business activity for several years.

This is probably due to the market environment, which is generally characterised by growth trends. For example, technological progress and the digital transformation in professional moving image production products are ensuring a steady increase in demand. In addition, new media and increasing digitalisation have led to a change in the customer structure. Classic broadcasting, such as linear television, has been successively supplemented by new business models, such as YouTube, Instagram, Facebook, etc. Video streaming, gaming, virtual reality, etc. support this trend, according to which the so-called broadcast sector is losing importance. According to Avemio AG, revenues in the broadcast sector now only account for 10% to 15% of the group's total revenues. An important component of their continued organic growth is their planned further development of new customer groups in other moving image segments, such as the security or medical industry.

### ***M&A with a focus on internationalisation***

Over the past few business years, Avemio AG has actively promoted the consolidation of the market for the trade of technologies for moving image production via company acquisitions. Especially against the background that more and more suppliers and manufacturers have led to a broadening of demand, the competitiveness of many smaller, regionally active dealers has suffered. Price competition between dealers has further intensified the pressure to consolidate. According to Avemio AG, the implementation of the M&A strategy in recent years has resulted in the company now becoming the market leader in its field.

This is to be continued in the coming business years, but the focus here is on the acquisition of companies in other European countries. These acquisitions also focus on profitable companies that do not have the necessary capital resources to expand their product range or to go along with the necessary industry change. Possible synergy effects can be found in the centralisation of processes, centralised warehouse logistics or joint marketing, etc. This was implemented, for example, in the acquisitions made in Germany.

With the complete takeover of the Polish company PVP, a foreign company belongs to the Avemio group for the first time and this acquisition can thus be seen as the start of their

internationalisation strategy. In the medium term, Avemio plans to be represented in every European country.

### ***Expanding value creation***

Avemio AG is currently implementing its transformation from a pure trading company to a media technology group for the professional moving image. A good example of this strategy building block is their recent acquisition of the MoovIT companies, which expanded the product range to include system integration, software development and consulting services for the optimisation and automation of video workflows. With the first-time consolidation of MoovIT, the Avemio Group now offers its own software products. Compared to Avemio AG's original trading business, MoovIT naturally has significantly higher profitability levels. In addition to higher profitability, the expansion of technology sales also enables an expansion of recurring sales. Conceivable here would be, for example, SaaS sales of post-production software or an overall increase in maintenance revenues for installed software.

Parallel to the inorganic expansion of value creation, in-house developments should also lead to the expansion of digital services. In this regard, the Group has an incubator for start-ups with a business focus on the moving image sector in the form of the subsidiary [avemio.digital](#) (see description of [avemio.digital](#)).

## Board of Directors

### Ralf P. Pfeffer (CEO)

Ralf P. Pfeffer, who studied economics and business administration, is Chairman of the Board (CEO). Parallel to his main studies, he was already working as a management consultant and acquired his first company at the age of 25. In his professional career, Ralf Pfeffer has developed expertise in particular in the areas of corporate organisation and financing. In addition to his position on the board of the group company Avemio AG, Mr Pfeffer is active as a board member or managing director at other companies: Chairman of the Board of Teltec AG; Managing Director of VCT; BPM; VDH, avemio.digital, Avemio Solutions, Förderguru, VCT, BuCon GmbH and Kosho Consult GmbH. Mr Ralf P. Pfeffer has been appointed Chairman of the Board of Avemio AG until 18 November 2027.

### Norbert Gunkler (CFO)

Norbert Gunkler, born in 1959, worked as Head of Controlling and in various CFO positions, including at German subsidiaries of US corporations and as CFO of Funkwerk AG, which is listed in the Prime Standard, before joining Avemio AG as CFO. In more than six years in this position, he has become familiar with all facets of a listed company and gained an excellent reputation in the financial community. In recent years, Norbert Gunkler has worked closely with his firm as a management consultant on a number of M&A transactions and growth financings.

## Management Team

### Steffen Schenk (COO)

Steffen Schenk, a graduate engineer, takes over the function of Chief Operating Officer (COO) on the Executive Board. Steffen Schenk has more than 25 years of experience in the television industry. Before joining Teltec AG, where he has worked since 2007, he worked for ZDF, among others. As a former OB manager, he has valuable practical experience. At Teltec AG, Steffen Schenk started as a sales representative, where he quickly rose to the position of sales manager. Due to his talents and abilities, he has the responsibility for the entire operative business as an authorised signatory in this function and became a member of the management with this focus in 2021.

### Charlie Nedelchev (CRO)

Charlie Nedelchev, who holds a degree in business administration, is Chief Revenue Officer (CRO) in the Teltec Group. He was responsible for his father's audio company from a young age. He has worked for Videocation GmbH, a competitor based in Munich that was acquired in 2017, since 2003. In the role of sales manager since 2008, he became managing director of Videocation in 2013. Charlie Nedelchev has extensive technical expertise in the field of professional high-end projection, as used in cinemas and by automotive developers in design. He has realised projects in the field of planetariums worldwide.

### Arne Buhr (CMO)

Arne Buhr (graduate in business administration) heads the group's marketing as CMO. After studying business administration - with a focus on online marketing/e-commerce - he joined BPM GmbH in Hamburg, which was founded by his father and which he took over in 2012. BPM was Teltec's largest and most renowned competitor for many years. In 2021, BPM merged with Teltec. Arne Buhr became a shareholder and member of the board of Teltec.

## MARKET AND MARKET ENVIRONMENT

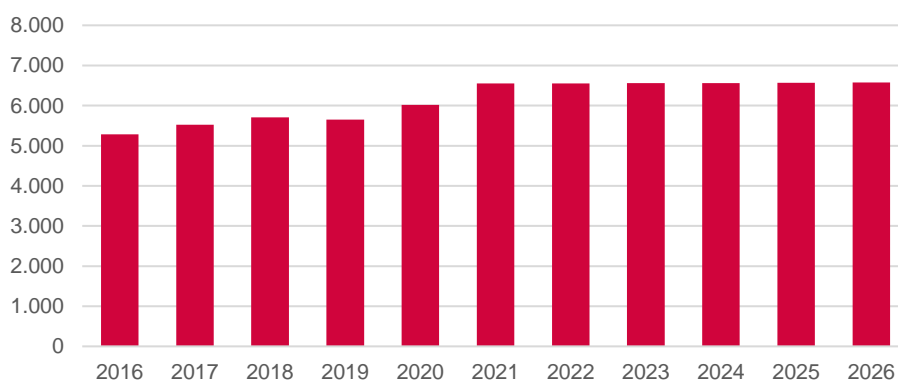
With its professional solutions and high-quality equipment, the Avemio Group primarily targets media companies and professional end users. The company's clientele mainly includes commercial end customers (B2B) who specialise in the production of professional moving image content, but are active in different industries. While, in the past, the moving image market was dominated by public and private broadcasters, digitalisation in recent years has opened up new sales opportunities. According to company information, the share of revenue in the traditional broadcast market is only 10% to 15% and thus the majority of revenue is generated outside this segment. New business models such as YouTube, Instagram, Meta, gaming, virtual reality etc. are playing an increasingly important role in the production and consumption of professional moving images. In this market section of this research study, we therefore present the market potential in particular on the basis of the markets outside of classic broadcasting.

### Classic broadcast market (TV and cinema)

One customer of Avemio AG's systems are film and television producers, i.e. players who belong to the classic broadcast sector. The medium of television is currently undergoing a structural change, which is characterised by increasing competition from new business models. For example, among the 14-49 age group in particular, the average viewing time has fallen to 121 minutes per day (PY: 137 minutes), which is due to a migration to streaming or social media. This is also confirmed by the study "Video Trends 2022" published by "die medienanstalten", according to which half of the time spent on moving image use is still spent on linear television, but in recent years the share of use has increasingly shifted to the area of video-on-demand or internet live streams. Since 2016, their share has more than doubled. The target group of 14-to-19-year-olds becomes clearer here, from which future media development can be derived, so to speak. In this target group, the use of moving images via linear television is only 14%, while it is around 50% in the overall population.

In this respect, the forecast published in the context of the PwC study "German Entertainment & Media Outlook 2022 - 2026", according to which revenues (subscriptions) in the television market should increase by an average of only 0.1% p.a. until 2026, is understandable. This would mean that the television market in Germany would no longer show any noticeable growth:

#### Turnover of the German television market (in € million)



Sources: PwC; Statista; GBC AG

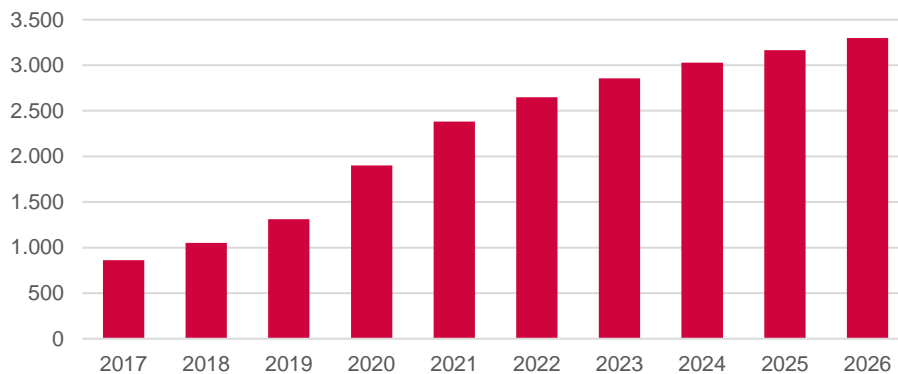
A comparable, albeit more pronounced, development can also be observed in the cinema sector, which we also assign to the classic broadcast sector. For example, the competition

from digital offers leads to a shortening of the time for exclusive exploitation which, since many cinema films are already available as streaming offers after a short time, additionally limits the attractiveness of a visit to the cinema. According to FFA (German Federal Film Board) data, sales in the 2022 cinema year increased significantly to €722 million (previous year: €318 million), but this is exclusively due to catch-up effects compared to the previous year, which was marked by pandemic-related closures. Compared to the period before the corona pandemic, there is still a turnover gap of around 30%. According to the aforementioned PwC study, the usual turnover level is no longer expected to be reached in the coming years.

## Video on Demand

The development shown in the classic broadcast market is due to digital transformation, which is characterised by the increasing importance of VoD (Video on Demand). Video on Demand (VoD) has experienced an impressive upswing in Germany. A convenient and flexible way to consume films and series, VoD allows viewers to access their favourite content anytime, anywhere. This trend has revolutionised the way entertainment is consumed and has become an integral part of the German media landscape.

### Revenues Video on Demand (in € million)



Sources: PwC; GBC AG

In the latest digitisation report Video 2022, one can see an increasing shift in the use of moving images in favour of the location- and time-independent use of VoD services, which include service providers such as Netflix, Amazon Prime Video and Disney+ as well as various other streaming providers. Since 2016, the share of time spent on VoD has more than doubled from 4.3% to 8.7%. Among 14-to-19-year-olds, VoD is by far the most important channel for moving image use, at 70.8%. If live streaming is also included, video time with content from the internet is already over 80%. Based on the consumption behaviour of this currently still young age group, meaningful conclusions can be drawn about future developments. Against this background, the PwC forecast, according to which a growth in turnover of approximately 5% is expected in the VoD market in the coming years, could be considered too conservative. In the past few years, VoD market growth has been at least 20% in each case.

The major streaming providers now not only buy in film and series productions, but also produce their own content. Amazon Prime Video and Disney+ have together released around 200 in-house productions since 2019, Netflix even produces around 50 films and series per year. Thus, many streaming providers also come into question as buyers for high-quality film equipment.

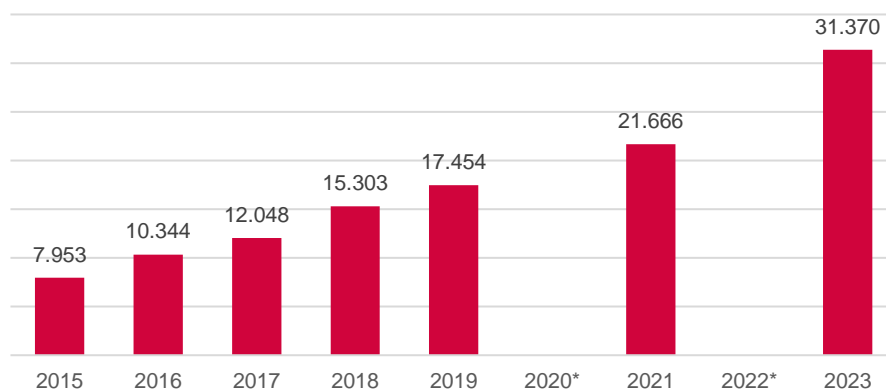
## Social Media, Streaming

The area of social media is also becoming increasingly important due to the growing professionalisation of content creators, which means that increasingly professional equipment is necessary to be successful in the long term. Social media is now used by 86% of all citizens in Germany, with 69% of 18-to-64-year-olds using social media on a daily basis. In addition, the importance of social media in the distribution of moving image content is increasing. According to data from the Online Video Monitor 2023 study, the most important social media platforms are frequently linked to video websites. Facebook is in the lead here with a share of 92%, followed by Twitter (75%) and Instagram (74%).

Essential to the demand for professional video production equipment is an increase in production volume. German online video providers indicated an increase in production volume in a survey conducted by the BLM (Bayerische Landeszentrale für neue Medien). A total of 73% produced more videos last year, a significant increase over the previous year's figure of 59%. YouTube (71%), TikTok (70%), Instagram (61%) and Facebook (57%) were the channels most used by providers to distribute videos. From the perspective of video providers, better infrastructure (46% of respondents), which includes recording equipment, will play an important role in the future development of the online video market.

A meaningful picture is provided by the development of YouTube channels based in Germany that have at least 500 subscribers or 500,000 views. Between 2015 and 2023, the number of these "professional" channels almost quadrupled from 7,953 to 31,370, showing a CAGR of 18.7%:

### Number of professional YouTube channels in Germany



Sources: BLM; GBC AG; \*2020 and 2022 no data were collected

In the streaming segment, the corona pandemic had the effect of a real viewer booster. At its peak, viewer numbers on the streaming platform Twitch almost tripled compared to before the pandemic. Since then, viewer numbers have remained at a high level. In this segment, too, professional equipment is absolutely necessary to establish oneself as a streamer in the long term. Above all, the gaming sector has a large share in livestreaming. According to a survey by Statista Global Consumer Survey, one in ten gamers said they stream.

### Viewership figures for the streaming platform Twitch



Sources: *sullygnome*; GBC AG

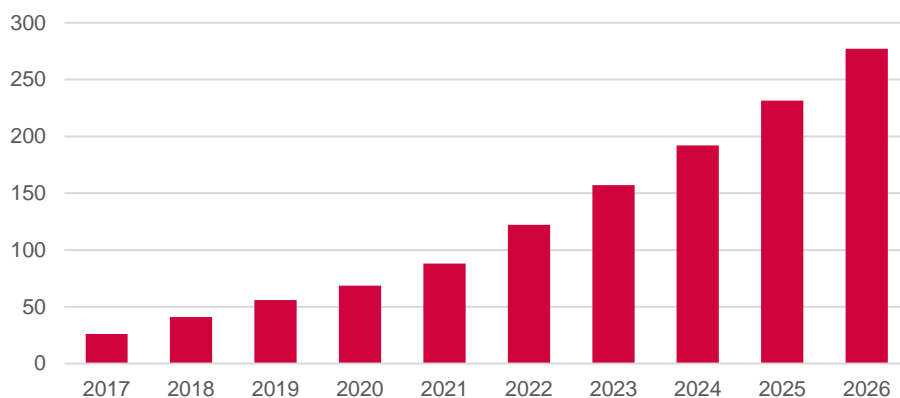
### Virtual and Augmented Reality

Content producers for virtual reality (VR) and augmented reality (AR) must also use professional equipment. In recent years, both VR and AR have become firmly established in the multimedia landscape. The underlying technologies have undergone significant development and, thanks to technological advances and the downsizing of equipment, they have become widespread. The positive trend of these technologies has gained momentum and they are no longer only designed for professional use, but are also widely used in other application areas.

For example, the consumer area in VR is dominated by games, as the main revenue and technology driver. AR, on the other hand, is dominated by social media, with a particular focus on the metaverse. However, AR is also becoming increasingly interesting for further education and training as well as for virtual collaboration, which ultimately also requires broad-casting technology and consulting.

For the AR and VR market, a total turnover of €595 million is expected for 2022 (source: PwC), which corresponds to a very dynamic growth of almost 37% compared to the previous year. Average annual growth is expected to be around 20% by 2026.

### Virtual Reality turnover growth (in € million)



Sources: PwC; GBC AG

The fields of application of VR and AR are not limited to gaming and social media, but can also be used in various other sectors, from the automotive industry to healthcare and tourism. For example, AR engineering software accelerates the development of vehicle



concepts by up to twelve months. In the health sector, doctors use VR applications to be able to prepare more precisely for complex operations and to receive all the necessary information and instructions during the operation via AR glasses.

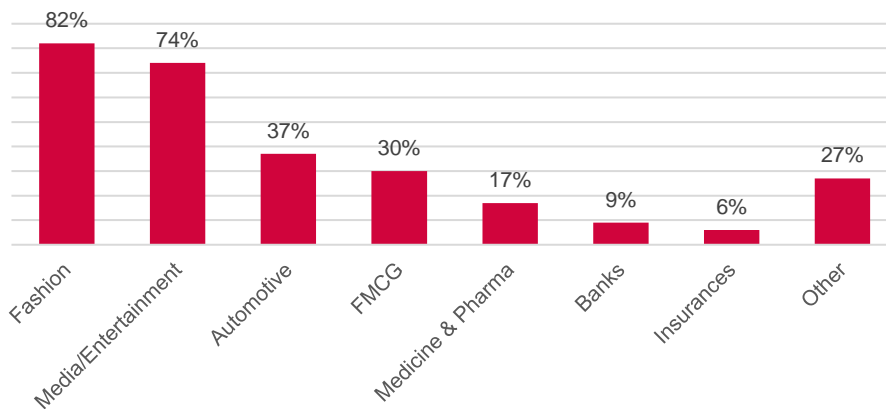
## Metaverse

Metaverse is a term for a collective virtual space that implements a connection between physical and virtual reality. The prerequisite for the Metaverse's rise in importance is the technological developments of recent years (VR; AR, flexible working styles; AR cloud, IoT, 5G, AI), which have made the Metaverse an important trend topic. The metaverse can offer diverse new use cases for almost every industry and consumer. A new McKinsey study, for example, sees a high application potential by 2030 for the banking, industrial manufacturing, telecommunications and media sectors in particular.

In the media and entertainment industry, major live events such as concerts are already feeling the impact of the metaverse. In 2020, for example, an American artist performed in front of 33 million viewers on the virtual stage of the Roblox platform. Less than a year later, a four-day Metaverse festival was organised with 80 different artists.

According to a survey conducted by the Bundesverband Digitale Wirtschaft (BVDW) e.V. among executives of digital service providers and companies, every third company plans to invest in Metaverse projects. The results also give an insight into which industries will benefit most from Metaverse. The fashion industry is named as the main beneficiary by 82% of respondents, followed in second place by the media and entertainment industry with 74% of respondents agreeing. The gaming sector in particular is already benefiting from the metaverse in the monetisation of virtual goods.

### Biggest beneficiaries of the Metaverse



Sources: Bundesverband Digitale Wirtschaft (BVDW) e.V.; GBC AG

Especially the area of media/entertainment, which will market professional moving images into the metaverse, should be accompanied by corresponding potentials for Avemio AG.

## Other areas

High-performance cameras and powerful image processing programmes are also becoming increasingly important in industry, especially in the security industry, due to advancing digitalisation. A growth driver in the security industry is the increasing need for security of people in public spaces. Thus, security service providers are also increasingly relying on technical support, especially in video surveillance. According to a recent study by the industry association BDSW (Bundesverband der Sicherheitswirtschaft), turnover has more

than doubled since 2010. The customers of security service providers increasingly want the availability of security technology, according to the results of the current study by industry experts Lünendonk.

## HISTORICAL DEVELOPMENT OF THE COMPANY

### Historical development of the income and result picture

in € m	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	32.54	62.13	59.98	66.65	111.15	108.70
EBITDA	1.03	1.12	0.87	2.11	6.54	4.44
EBIT	0.73	0.51	0.23	1.30	5.48	3.30
Net income	0.00	0.00	-0.12	0.57	3.46	1.79

Sources: Avemio AG; GBC AG

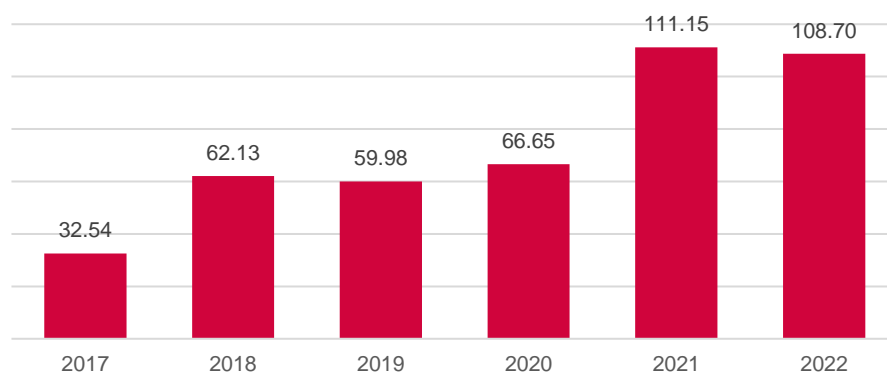
As of 1 January 2023, Teltec AG took over Palgon AG (shell company), which is listed on the Düsseldorf Stock Exchange, and renamed it Avemio AG. This is a so-called reverse IPO in the course of which Teltec AG was contributed to the listed shell company as part of a capital increase through contributions in kind. Avemio AG currently acts as the non-operational parent company of the Avemio Group, whose operating activities take place in the respective specialised operating company. Therefore, the analysis of the currently available annual reports of Avemio AG (previously: Palgon AG), as no operative business has taken place here so far, is not expedient.

For Teltec AG, on the other hand, we have individual financial statements for the financial years 2017 to 2022. Individual financial statements are also available for the companies acquired during this period, so that a pro forma consolidation can be derived on an additive basis. In a slimmed-down version, the company presented pro forma consolidated figures for the period 2019 to 2022 in the exposé for the inclusion of the shares in the primary market of the Düsseldorf Stock Exchange. We focus on these key figures or on the individual financial statements available to us in our analysis of the historical key figures.

### Historical turnover development

On a stand-alone basis, i.e. considering only the operational development of Teltec AG, the company has succeeded in achieving a compound annual growth rate (CAGR) of 14.9% in the period from 2017 to 2022. The increase in the revenue base from €32.54 million (FY 2017) to €65.03 million (FY 2022) is purely organic in nature. In the period under review, however, Teltec AG reported very high M&A activity with the acquisition of five direct competitors and thus also achieved significant inorganic growth.

#### Consolidated pro forma turnover (in € million)



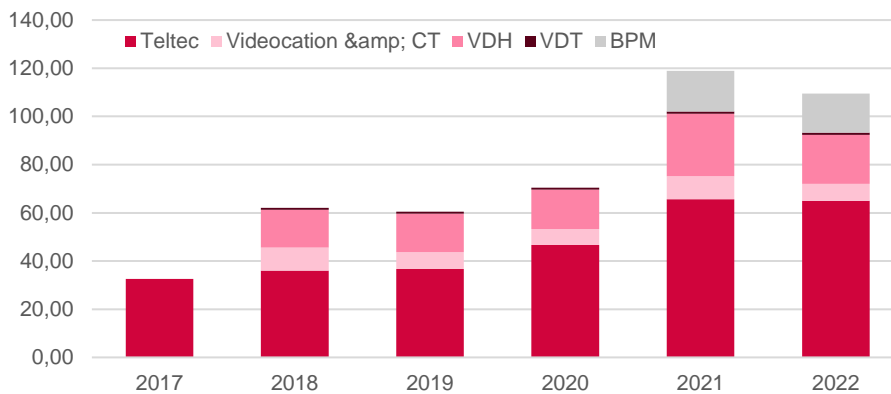
Sources: Avemio AG; Teltec AG; GBC AG

On a pro-forma basis, consolidated revenue increased from €32.54 million (2017) to €108.7 million (2022) with a very high CAGR of 27.3% in the period 2017 to 2022.

A visible jump in turnover was generated in each of the financial years 2018 (+90.9%) and 2021 (+66.8%). The high momentum of the 2018 financial year is due, on the one hand, to organic growth (+10.9%), but in particular to the acquisition of the Hamburg-based Video Data Group (VDH, VDT, VCT), which specialises in online retailing and contributed consolidated revenue of €18.28 million in the 2018 financial year.

The strong jump in sales in the 2021 financial year is due to special effects in connection with the corona pandemic, in which all Teltec companies participated. The special effects are related to an increased demand for professional products for moving image production. In the wake of the lockdowns, for example, conferences, events, etc. were only held in digital form, which led to a special boom. In addition to the strong organic growth in turnover, the Hamburg-based broadcast trading company BPM was acquired in 2021, which provided additional inorganic growth.

**Turnover development of the Teltec companies (in € million)**

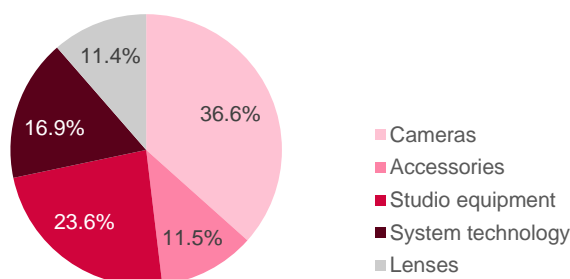


Sources: Avemio AG; Teltec AG; GBC AG

The decline in turnover in the past financial year to €108.7 million is due to an overall difficult market environment after the 2021 financial year, which was characterised by special effects. This was characterised by corona-related supply chain problems, political crises, rising inflation rates and, thus, an overall decline in willingness to invest. We assume that in 2022 there was also a normalisation of the previously high demand. However, it should be noted that the turnover level achieved in 2022 is still significantly higher than in the financial years before 2021.

In the past financial year 2022, the majority of sales were generated with cameras, followed by sales of studio equipment and system technology:

**Breakdown of turnover in 2022**

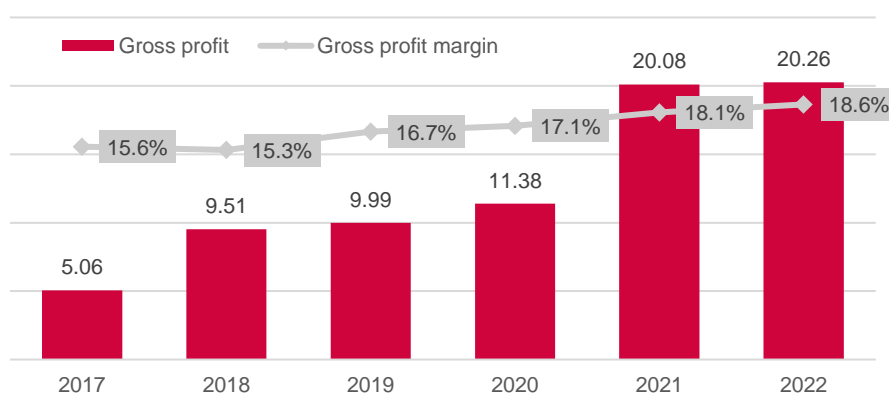


Sources: Avemio AG; GBC AG

## Historical development of results

The companies acquired by the end of the 2022 financial year were direct competitors of Teltec and basically had a similar business model. Although product additions were made as part of the M&A strategy (e.g. the Video Data Group contributed a strong online business), the acquisitions basically enabled an expansion of their regional presence and contributed to market consolidation. As we understand it, vertical product differentiation had not yet taken place by the end of 2022. With regard to the gross profit margin, all Avemio companies therefore have a comparable level. While the gross profit margin at Teltec AG averaged 15.6% between 2017 and 2022, it amounted to 17.2% at Videocation, 17.7% at Video Data Group and 17.2% at BPM in the same period. In the pro forma group presentation, this was 18.6% in the 2022 financial year:

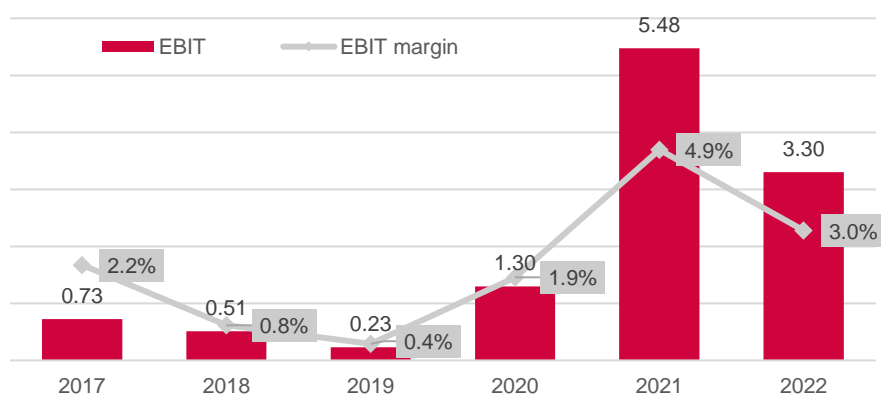
### Group gross profit (in € million) and gross profit margin (in %)



Sources: Avemio AG; Teltec AG; GBC AG

Analogous to the significantly increased turnover level of the past two financial years 2021 and 2022, the gross profit above the €20 million mark has basically doubled compared to the previous values. The improvement in gross profit is also accompanied by an increase in the gross profit margin to a new best value of 18.6%. Among other things, this increase is due to the lack of discount campaigns, which no longer took place in an environment of increasingly difficult product availability.

### EBIT (in € million) and EBIT margin (in %)



Sources: Avemio AG; Teltec AG; GBC AG

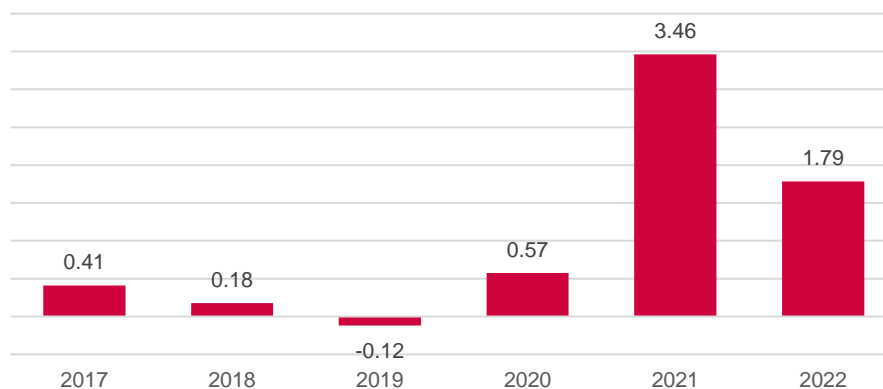
At the EBIT level, an increase in the earnings level is also evident for the past two financial years, but in contrast to the slightly higher gross profit, EBIT decreased to €3.3 million in 2022 (previous year: €5.48 million). The main reason for this decline was a disproportionate increase in personnel expenses by 24.9% to €10.21 million (previous year: €8.17

million). In the past few years, Avemio AG has consciously built up personnel as a basis for an expected future growth in business volume. Furthermore, additional staff was hired for the expected inorganic growth, which will take place more intensively again in 2023. It should be noted at this point that the majority of sales (80% to 85%) is associated with consulting services, which ties up personnel capacities accordingly, but results in an improvement in profitability.

Since Avemio AG does not operate an asset-intensive business, which also has a high turnover rate typical for trading companies, financial expenses have only played a subordinate role as a cost item to date. According to our information, only a purchase price in the low single-digit million range was paid for the Videocation acquisitions. For the acquisition of the Videodata Group in the mid-single-digit million range, a loan in the same amount was taken out, the outstanding volume of which has been successively reduced in the past financial years. The BPM acquisition is only expected to have resulted in a liquidity outflow of less than one million euros (part of the purchase price in Teltec shares). In the 2022 financial year, a substantial loan of €10.0 million was taken out to implement the planned inorganic growth course, but this is very favourably priced with an interest rate of 1.03%. For the past financial year 2022, Avemio AG has reported a financial result of €-0.41 million (FY 2021: €-0.41 million).

After taking taxes into account, Avemio AG was able to report a positive after-tax result in the past few financial years, with the exception of the 2019 financial year. The annual loss of €-0.12 million in the 2019 financial year was incurred in particular by the acquired companies Videocation and the Video Data Group, which were characterised by a declining sales trend overall. Stand-alone, Teltec AG (2017 to 2022) had not reported a loss year. The increase in the annual net profit level in the past two financial years is also worth mentioning with regard to the after-tax result. After achieving a net profit in a range of €-0.12 million to €0.57 million in the financial years 2017 to 2020, this visibly climbed to €3.46 million (2021) and €1.79 million (2022).

#### After-tax result (in € million)



Sources: Avemio AG; Teltec AG; GBC AG

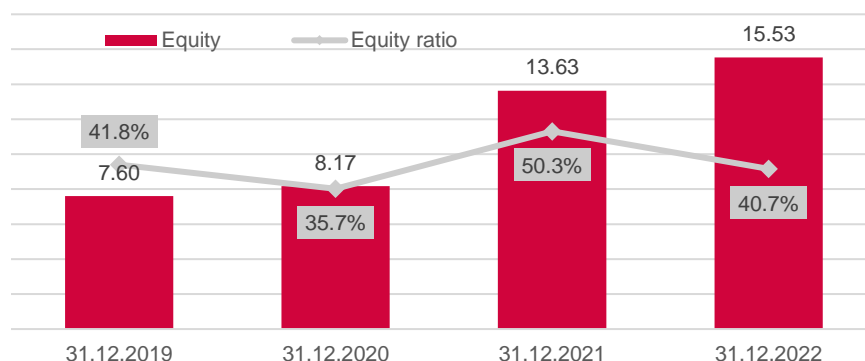
### Historical development of the balance sheet ratios

in € m	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Equity	7.60	8.17	13.63	15.53
Equity ratio	41.8%	35.7%	50.3%	40.7%
Inventories	6.92	8.07	11.84	14.63
Cash and cash equivalents	1.98	4.66	5.62	11.97
Financial liabilities	3.38	2.68	2.28	11.39

Sources: Avemio AG; Teltec AG; GBC AG

Avemio AG has retained the after-tax results generated in the past few financial years and thus successively increased its equity in the course of the positive after-tax result in each case. As of 31 December 2022, the company had equity capital of €15.53 million, which was thus doubled within four financial years. With an equity ratio of 40.7%, Avemio AG is comfortably equipped.

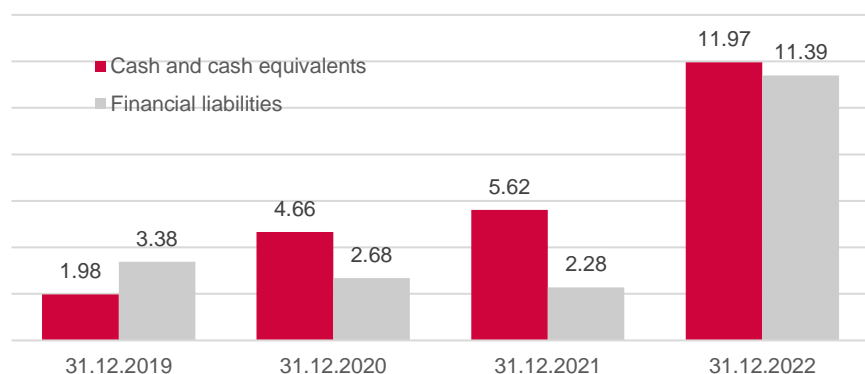
### Equity (in € million) and equity ratio (in %)



Sources: Avemio AG; Teltec AG; GBC AG

The decline in the equity ratio as of 31.12.2022 is primarily a result of taking out a loan in the amount of €10.0 million, which led to an increase in financial liabilities to €11.39 million (31.12.2021: €2.28 million). The loan was taken out with a view to the upcoming inorganic growth, which is to be intensified from the current financial year 2023 onwards. On the assets side, the borrowing led to an increase in liquid funds to €11.97 million (31.12.2021: €5.62 million). This means that the liquid funds outweigh the financial liabilities, so that the company has positive net financial assets of €0.57 million (31.12.2021: €3.33 million) despite the extensive borrowing.

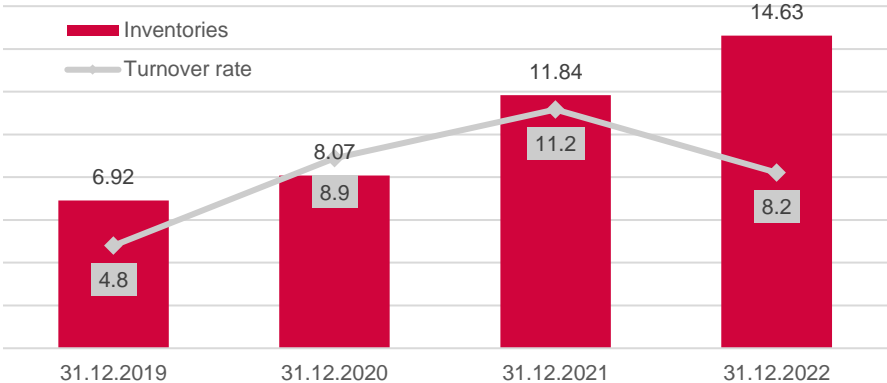
### Financial liabilities and cash and cash equivalents (in € million)



Sources: Avemio AG; Teltec AG; GBC AG

In addition to the high level of liquidity, the asset side of Avemio's balance sheet is dominated by inventories amounting to €14.63 million (31.12.21: €11.84 million), which is a typical balance sheet picture for trading companies. The inventory level rises parallel to the increase in turnover. In terms of average values, the company has a turnover rate of 8.2 (2021: 11.2), which means that one euro invested in inventories generates turnover of €8.20 within a financial year.

**Inventories (in € million) and turnover rate**



Sources: Avemio AG; Teltec AG; GBC AG



## SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Largest supplier of professional film and television technology in the German-speaking region</li> <li>• Achieved high revenue growth (CAGR: 27.3%) and increased profitability levels between 2017 and 2022.</li> <li>• The acquisition of MoovIT was the first major step towards expanding the digital business.</li> <li>• Management of Avemio AG has many years of experience in the field of broadcast technology.</li> <li>• Extensive M&amp;A history in place, demonstrating Avemio AG's ability to consolidate the market.</li> <li>• Avemio has a high level of technical expertise. The majority of sales are generated with consulting-intensive solutions.</li> <li>• Avemio is a manufacturer-independent full-range supplier and thus occupies a special position in Germany.</li> <li>• High market entry barriers due to high technical know-how</li> </ul>	<ul style="list-style-type: none"> <li>• The Avemio share has a low free float and thus a low trading volume.</li> <li>• The companies acquired in 2023, MoovIT and PVP, show only a slightly positive and slightly negative result level, respectively.</li> <li>• To date, no consolidated financial statements certified by the auditor are available.</li> <li>• Consultancy-intensive business with currently still-weak gross margins.</li> <li>• Share still has no volume and limited fungibility due to existing lockup obligations of all Teltec existing shareholders.</li> <li>• Capital market-relevant structures still have to be created after the reverse IPO.</li> </ul>
Opportunities	Risks
<ul style="list-style-type: none"> <li>• Inorganic growth is an important component of the growth strategy. There are suitable candidates for this and Avemio has a high financial scope for M&amp;A with cash of €12.28 million.</li> <li>• Transformation to media technology group increases recurring revenues and improves profit margins.</li> <li>• Counselling-related turnover should increase and thus also the value added.</li> <li>• Incubator avemio.digital secures own development of digital products</li> <li>• Expansion into other European countries increases market power and should lead to economies of scale.</li> <li>• The development of application fields (security; medicine) and the high growth in other niche fields (gaming, metaverse, VR, etc.) go hand in hand with high organic growth potential.</li> <li>• Good starting position for the emerging metaverse market</li> </ul>	<ul style="list-style-type: none"> <li>• Successful implementation of the digital strategy is an essential factor for improving profitability.</li> <li>• Continued investment restraint or a saturation effect could lead to subdued demand.</li> <li>• Inorganic growth, which is an essential pillar of the strategy, might not materialise as expected.</li> <li>• Acquired companies might not develop as expected.</li> <li>• Capital increases may be necessary to finance further company acquisitions. Success depends heavily on the capital market environment there.</li> <li>• In the context of the upcoming internationalisation of the industry, the market entry of foreign competitors is to be expected.</li> <li>• Shortage of skilled workers could slow down business growth.</li> </ul>

## Numbers at a glance

P&L (in € million)	FY 2021	FY 2022	FY 2023e	FY 2024e	FY 2025e
Revenues	111.15	108.70	127.49	137.31	148.13
Other operating income	0.39	1.26	0.96	1.01	1.06
Cost of materials	-91.45	-89.70	-101.48	-106.37	-111.54
<b>Gross profit</b>	<b>20.08</b>	<b>20.26</b>	<b>26.97</b>	<b>31.94</b>	<b>37.66</b>
Personnel expenses	-8.17	-10.20	-12.91	-14.35	-15.24
Depreciation	-1.06	-1.14	-1.29	-1.41	-1.52
Other operating expenses	-5.38	-5.62	-8.46	-9.50	-10.89
<b>EBIT</b>	<b>5.48</b>	<b>3.30</b>	<b>4.31</b>	<b>6.68</b>	<b>10.01</b>
Income from participations	0.02	0.00	0.00	0.00	0.00
Interest income	0.01	0.05	0.00	0.00	0.00
Interest expense	-0.44	-0.46	-0.41	-0.37	-0.34
<b>EBT</b>	<b>5.06</b>	<b>2.89</b>	<b>3.90</b>	<b>6.31</b>	<b>9.67</b>
Taxes	-1.60	-1.11	-1.73	-2.53	-3.64
<b>Net income</b>	<b>3.46</b>	<b>1.79</b>	<b>2.17</b>	<b>3.78</b>	<b>6.03</b>
EBITDA	6.54	4.44	5.60	8.09	11.52
<i>in % of sales revenue</i>	5.9%	4.1%	4.4%	5.9%	7.8%
EBIT	5.48	3.30	4.31	6.68	10.01
<i>in % of sales revenue</i>	4.9%	3.0%	3.4%	4.9%	6.8%
Earnings per share in €	1.01	0.52	0.57	0.99	1.57

Sources: Avemio AG; GBC AG

## FORECASTS AND EVALUATION

in € m	FY 2022	FY 2023e	FY 2024e	FY 2025e
Revenues	108.70	127.49	137.31	148.13
EBITDA	4.44	5.60	8.08	11.52
EBIT	3.30	4.31	6.68	10.01
Net income	1.79	2.17	3.78	6.04

Source: GBC AG

### Corporate strategy

Avemio AG's corporate strategy is to further consolidate the market in Germany and to focus increasingly on other European countries. After the company's acquisition of all major German competitors in the past five financial years, this strategy is to be applied to the international market. Another important aspect of their corporate strategy is the planned expansion of value creation to support transformation into a media technology group. This change is to be supported both inorganically and with their own product developments. Particularly noteworthy is the fact that there is no internationally positioned re-seller in Europe. This is due to the national and international technical specifications that have prevented this so far. The race for a European market leader has only just begun and Avemio sees itself in a very good starting position here.

The Polish company Janusz Rupik Professionelle Videotechnik Polska Sp. z o.o. ("PVP"), which was acquired in 2023, and the acquisition of MoovIT GmbH and MoovIT Software Products GmbH at the end of June 2023 are representative of Avemio AG's strategy.

With the complete takeover of PVP, Avemio AG has brought the first foreign-language foreign company into the group and is thus addressing a market outside Germany and Austria for the first time. PVP's business model and product range are comparable to Teltec. According to the company, Poland is the most important market in Eastern Europe and, thus, the current increase serves as a springboard into this region. In the medium term, the company plans to be represented in every EU country. For entry into other regions, the growth strategy implemented so far in Germany and Austria can be used as a blueprint.

The transformation into a media technology group is well represented by the acquisition of MoovIT GmbH. With the inclusion of the Cologne-based company, Avemio AG's product range has expanded to include system integration and software development as well as consulting services for the optimisation and automation of video workflows. MoovIT covers all relevant steps in the area of post-production and sees itself as a full-service provider. This includes sales and consulting for hardware solutions (editing, storage, archiving), the sale of software and its integration into the IT infrastructure as well as consulting services and support. With the first-time consolidation of MoovIT, the Avemio Group is offering its own software products for the first time. Compared to the original trading business of Avemio AG, MoovIT naturally has significantly higher profitability levels.

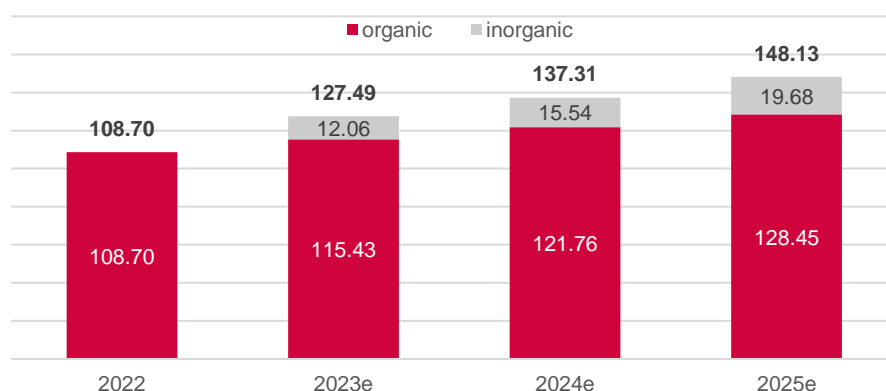
An important element of the strategy is the expansion of digital services, which has already been partially realised with the acquisition of MoovIT. In the future, the company plans to significantly expand recurring revenues, primarily from one-off trading revenues. Specifically planned here are cloud solutions, i.e. SaaS sales of post-production software, which have meanwhile advanced to become the market standard. Since 400,000 Avemio shares will be issued at a price of €40.00 (€16.0 million) for the MoovIT acquisition, the outflow of liquidity should be limited.

Parallel to the inorganic expansion of value creation, in-house developments should also lead to the expansion of digital services. In this regard, the Group has an incubator for start-ups with a business focus on the moving image sector in the form of the subsidiary *avemio.digital*. Five companies are currently being developed within this subsidiary, with *avemio.digital* holding a majority stake of 51% in each. The company *ObviousFuture GmbH*, a provider of an AI-supported search engine that focuses on the search for media content, is particularly noteworthy.

## Turnover forecasts 2023 - 2025

We have formulated our forecasts for the specific estimation period 2023 to 2025 on the basis of the corporate strategy presented. Key aspects of our estimates are, on the one hand, organic growth, which includes the organic growth of Teltec and the companies acquired by the end of 2022. On the other hand, we include the two companies *MoovIT* and *PVP*, acquired in the current financial year 2023, as an inorganic component. Even though the company has already identified suitable candidates for inorganic growth in other European countries and expects to be able to make new acquisitions in the coming periods, we do not include any further acquisitions in our forecasts. These represent a possible upside potential.

### Forecast of turnover (in € million)



Source: GBC AG

For the main company *Teltec AG*, we assume organic revenue growth of 5.0% p.a. over the concrete estimation period. Between the 2017 and 2022 financial years, average annual revenue growth was 14.9%, which means that our growth projection is to be considered conservative. On the one hand, this is due to the current overall restrained investment level of *Avemio* customers. On the other hand, we assume a certain saturation effect after many broadcasters had made high investments in the first years of the corona pandemic. The company will counter this by developing new customer groups, for example, customers from the medical sector, security, industry, etc. We also estimate a similar level of growth for the companies acquired in recent years.

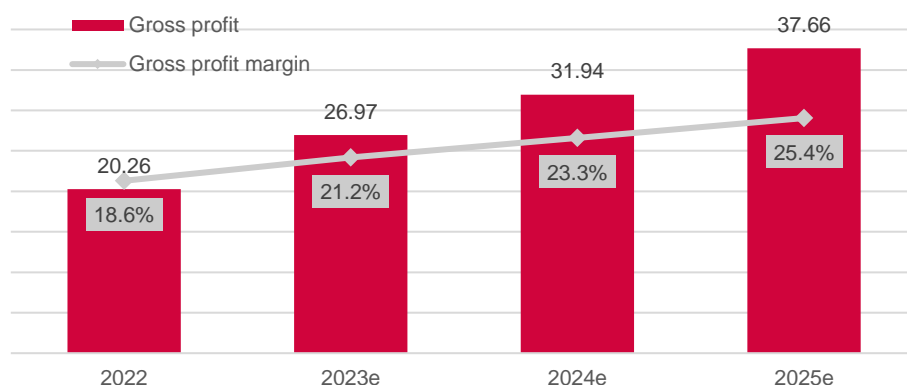
The revenue growth of 17.3% in the current financial year 2023 is expected to be due in particular to the first-time consolidation of the *PVP* and *MoovIT* companies. With the retroactive consolidation as of 01.01.2023, we expect a contribution to turnover of €12.06 million from both companies, of which €7.65 million from *MoovIT* and €4.41 million from *PVP*. *MoovIT* in particular is likely to show the highest growth momentum of the *Avemio* companies in the coming financial years, with revenue growth of 43.9% (2024e) and 36.4% (2025e) forecast by us.

## Result forecasts 2023 - 2025

Gross profit is a key earnings indicator for Avemio AG, although it is likely to become less important as the share of digital services increases. So far, the gross profit margin has been in the range of 16.9% on average (period 2017 to 2022), which is typical for trading companies. In its traditional trading business, Avemio AG should be able to gradually increase the gross margin to 18.7% (2023e), 19.4% (2024e) and 20.0% (2025e) in the coming financial years. In this forecast, we essentially take into account the use of economies of scale related to their increased market power in purchasing. In addition, we assume that the share of "pure" webshop sales will decline and that, in contrast, sales tied to consulting will increase, which goes hand in hand with higher value creation.

In addition, MoovIT, which reported a significantly higher gross profit margin of 59.1% in 2022 due to the high proportion of digital revenues, should lead to a group-wide increase in the gross profit margin. For the coming financial years, we expect the gross profit margin at MoovIT to increase to a level of over 70%, which is typical for software and consulting companies.

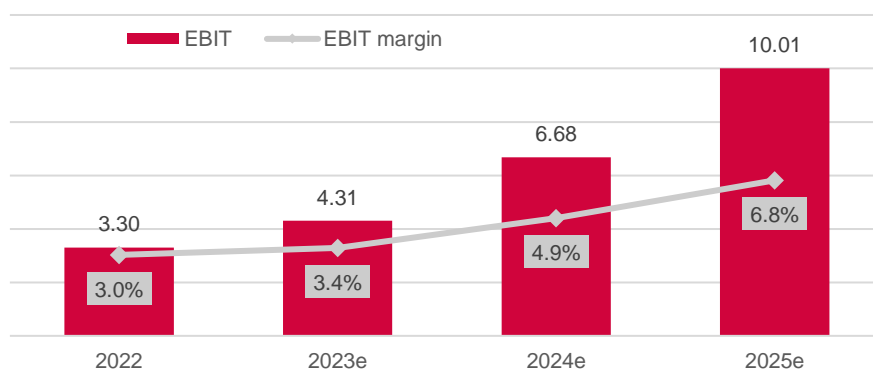
### Forecast gross profit (in € million) and gross profit margin (in %)



Source: GBC AG

Based on this, we expect a disproportionate increase in EBIT and thus in the EBIT margin to 3.4% (2023e), 4.9% (2024e) and 6.8% (2025e). The previous best value from the 2021 financial year would thus be exceeded again in the 2025 financial year, but then with a significant contribution from the digital business. For the coming financial years, we expect a basically stable development of operating costs below the gross profit, but we include a slightly disproportionate increase in personnel expenses. This is against the background of the inclusion of the more personnel-intensive digital business of MoovIT.

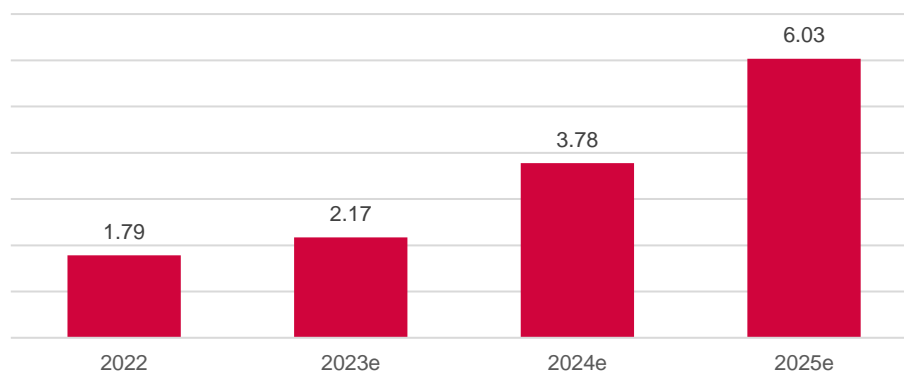
### Forecast EBIT (in € million) and EBIT margin (in %)



Source: GBC AG

For the acquisition of MoovIT and the takeover at PVP, there is only a small outflow of liquidity, as a large part of the purchase price will be covered by the issue of Avemio shares. For 2023, we assume a liquidity outflow in the low single-digit million range and for the coming 2024 financial year in the amount of €1.0 million (earn-out MoovIT). As of 31 December 2022, Avemio AG had cash and cash equivalents of €11.97 million, so that no financing measures are necessary for the acquisition of the two companies. Therefore, despite the high level of M&A activity in recent months, we assume no increase in financial expenses compared to the 2022 financial year. In the course of the loan repayment, the financial expenses should gradually decrease in the coming financial years:

#### After-tax result (in € million)



Source: GBC AG

The bottom line is that Avemio AG should be able to slightly increase the after-tax result to €2.17 million (previous year: €1.79 million) in the current financial year 2023. In the coming financial year, the record value of the 2021 financial year should be exceeded with an after-tax result of €3.78 million, before we assume a jump to €6.03 million in the 2025 financial year due to the increase in sales and the improvement in profitability.

## DCF model

### *Model assumptions*

Avemio AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2023 to 2025 in phase 1, the forecast is made from 2026 to 2030 in the second phase by applying value drivers. We expect an annual increase in turnover of 5.0%. We have taken the tax rate into account in phase 2 at 33.0%. In the third phase, a residual value is determined after the end of the forecast horizon using the perpetual annuity. In the final value, we conservatively assume a growth rate of 3.0%.

### *Determination of the cost of capital*

The weighted average cost of capital (WACC) of Avemio AG is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. The **currently used value of the risk-free interest rate is 2.0%**.

We set the historical market premium of 5.5% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.61 is currently determined.

Using the assumptions made, we calculate a cost of equity of 10.84% (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 70%, the weighted average cost of capital (WACC) is 8.55%.

### *Valuation result*

Within the framework of the DCF valuation model, we have determined a fair enterprise value of €194.66 million for the first time as of 31 December 2024. Based on a number of shares of 3.83 million, which takes into account a capital increase of 0.4 million shares for the acquisition of MoovIT, the fair value per share is €50.80.

## DCF model

### Avemio AG - Discounted Cashflow (DCF) model

Value driver used in the DCF-model's estimate phase:

consistency - phase		final - phase	
Revenue growth	5.0%	Perpetual growth rate	3.0%
EBITDA-margin	11.6%	Perpetual EBITA margin	10.8%
Depreciation on fixed assets	17.2%	Effective tax rate in terminal value	30.0%
Working capital to sales	9.0%		

#### Three-phase DCF - model:

Phase in mEUR	estimate			consistency					final TV
	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	
Revenue (RE)	127.49	137.31	148.13	155.54	163.31	171.48	180.05	189.06	3.0%
Revenue change	17.3%	7.7%	7.9%	5.0%	5.0%	5.0%	5.0%	5.0%	
Revenue to fixed assets	14.92	15.84	16.81	17.34	17.86	19.05	20.40	21.79	
EBITDA	5.60	8.09	11.52	15.22	18.90	19.85	20.84	21.88	
EBITDA-margin	4.4%	5.9%	7.8%	9.8%	11.6%	11.6%	11.6%	11.6%	
EBITA	4.31	6.68	10.01	13.70	17.36	18.27	19.29	20.36	
EBITA-margin	3.4%	4.9%	6.8%	8.8%	10.6%	10.7%	10.7%	10.8%	10.8%
Taxes on EBITA	-1.91	-2.68	-3.76	-4.52	-5.73	-6.03	-6.37	-6.72	
Tax rate	44.5%	40.1%	37.6%	33.0%	33.0%	33.0%	33.0%	33.0%	30.0%
EBI (NOPLAT)	2.39	4.00	6.24	9.18	11.63	12.24	12.92	13.64	
Return on Capital	16.1%	20.5%	30.0%	41.4%	50.6%	51.3%	52.8%	54.4%	57.0%
Working Capital (WC)	10.97	12.12	13.36	14.03	14.73	15.47	16.24	17.05	
WC to sales	8.6%	8.8%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	
Investment in WC	-1.71	-1.15	-1.24	-0.67	-0.70	-0.74	-0.77	-0.81	
Operating fixed assets (OFA)	8.54	8.67	8.81	8.97	9.15	9.00	8.83	8.68	
Depreciation on OFA	-1.29	-1.41	-1.52	-1.52	-1.54	-1.57	-1.55	-1.52	
Depreciation to OFA	15.1%	16.2%	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%	
CAPEX	-4.27	-1.54	-1.66	-1.68	-1.72	-1.43	-1.38	-1.37	
Capital Employed	19.52	20.79	22.17	23.00	23.87	24.47	25.07	25.73	
EBITDA	5.60	8.09	11.52	15.22	18.90	19.85	20.84	21.88	
Taxes on EBITA	-1.91	-2.68	-3.76	-4.52	-5.73	-6.03	-6.37	-6.72	
Total Investment	-5.98	-3.69	-2.90	-2.34	-2.42	-2.17	-2.15	-2.18	
Investment in OFA	-4.27	-1.54	-1.66	-1.68	-1.72	-1.43	-1.38	-1.37	
Investment in WC	-1.71	-1.15	-1.24	-0.67	-0.70	-0.74	-0.77	-0.81	
Investment in Goodwill	0.00	-1.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free Cashflows	-2.30	1.72	4.86	8.35	10.75	11.65	12.33	12.98	247.78

Value operating business (due date)	181.44	195.34
Net present value explicit free Cashflows	42.46	44.39
Net present value of terminal value	138.98	150.95
Net debt	2.03	0.67
Value of equity	179.41	194.66
Minority interests	0.00	0.00
Value of share capital	179.41	194.66
Outstanding shares in m	3.83	3.83
Fair value per share in €	46.82	<b>50.80</b>

#### Cost of Capital:

Risk free rate	2.0%
Market risk premium	5.5%
Beta	1.61
Cost of equity	10.8%
Target weight	75.0%
Cost of debt	2.7%
Target weight	25.0%
Taxshield	28.7%
WACC	<b>8.6%</b>

Return on Capital	WACC				
	8.0%	8.3%	8.6%	8.9%	9.2%
56.5%	56.58	53.33	50.43	47.84	45.52
56.8%	56.79	53.52	50.62	48.01	45.68
57.0%	57.00	53.72	<b>50.80</b>	48.18	45.84
57.3%	57.22	53.91	50.98	48.35	45.99
57.5%	57.43	54.11	51.16	48.52	46.15



## APPENDIX

### I.

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BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$ .
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