SHS VIVEON AG

Germany | Technology | MCap EUR 12.0m

7 April 2022

INITIATION

Future-oriented platform switch – bracing for the wave in demand

BUY (INITIATION)

Target price	**EUR 15.50 (none)**
Current price	EUR 5.55
Up/downside	179.3%

What's it all about?

SHS Viveon is an established player with a track record of over 30 years in the growing governance, risk management and compliance (GRC) software market. This market is expected to grow at a CAGR 2021-2026 of 12.1%, driven by increasing regulatory requirements, such as supply chain compliance, which will force companies from 2023 to closely monitor their business relationships. Deep industry knowledge of the increasingly complex environment has helped SHS to build strong customer relationships with well-known clients. By adopting technological innovations like low code, SHS is future-proofing its Risk-to-Value platform. To seize attractive growth opportunities, SHS Viveon plans to raise funds by a capital increase. Most of the funds will be used for product development, with a smaller part earmarked for expanding sales on all channels. Combined with the underlying market growth, this should allow for a sales CAGR of 16% until 2026. After an investment period, a growing share of higher-margin products as well as improving cost structures offer EBITDA-margins >35% by 2026. Backed by a DCF-derived price target of EUR 15.50 we initiate coverage with a BUY recommendation and an upside potential of 177%.

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

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

AlsterResearch

SHS VIVEON AG

Germany | Technology | MCap EUR 12.0m | EV EUR 9.5m

BUY (INITIATION)

Target price	**EUR 15.50 (none)**
Current price	EUR 5.55
Up/downside	179.3%

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

Future oriented switch – bracing for the wave in demand

Established player with impressive customer base. SHS Viveon is an established player with over 30 years of experience in the governance, risk management and compliance (GRC) software market. In a market still characterized by many competitors lacking size and scope, SHS has built up a customer base with many prestigious clients like Vodafone, Bosch, Lidl, Klarna and UBS. These clients value SHS' comprehensive end-to-end solutions.

Increasingly complex regulatory environment drives market growth. The global GRC software market is estimated to reach USD 55.0bn by 2026, growing at a CAGR of 12.1% from 2021 to 2026. Main drivers are the continuously increasing regulatory requirements. For example, many national and supranational laws and initiatives, like the German "Lieferkettengesetz", the French "Loi de vigilance", the British "Modern Slavery Act" and the EU due diligence strategy, require closer monitoring of supply chains to prevent ESG violations.

Low code architecture transforming the platform. SHS Viveon is in the process of migrating its solutions from a proprietary architecture to an open low code platform (by Tibco Software Inc.). This will allow SHS to achieve shorter development and implementation times due to standardized components and features. Tibco's proven platform will help SHS to de-risk the transformation, while the technology will allow the company to unlock cost savings potential. In addition, it facilitates the further shift from a traditional license model to a SaaS-model (Software-as-a-Service)

Conclusion. Funds of up to EUR 5.9m from the capital increase (reflected in model) will allow SHS to unlock the potential of the GRC software market, leading to an expected top line growth of 16.2% CAGR 21-2026. A growing share of higher-margin products as well as improving cost structures should enable software-typical EBITDA-margins of >30% by 2026. Backed by a DCF-derived price target of EUR 15.50, we initiate coverage with a BUY recommendation and an upside potential of 177%.

SHS VIVEON AG	2019	2020	2021E	2022E	2023E	2024E
Sales	12.1	11.8	11.0	11.6	13.4	16.0
Growth yoy	0.8%	-2.8%	-7.1%	6.0%	15.0%	20.0%
EBITDA	1.5	1.7	0.7	-2.0	0.3	2.4
EBIT	1.1	1.5	0.4	-2.3	-0.1	2.1
Net profit	0.7	1.0	0.3	-1.6	-0.1	1.5
Net debt (net cash)	-4.2	-5.2	-3.3	-6.0	-5.9	-7.4
Net debt/EBITDA	-2.8x	-3.0x	-4.7x	3.0x	-21.2x	-3.0x
EPS reported	0.31	0.45	0.15	-0.49	-0.02	0.45
DPS	0.00	0.10	0.00	0.00	0.00	0.15
Dividend yield	0.0%	1.8%	0.0%	0.0%	0.0%	2.7%
Gross profit margin	92.6%	92.0%	95.6%	95.6%	95.8%	95.8%
EBITDA margin	12.5%	14.4%	6.3%	-17.1%	2.1%	15.1%
EBIT margin	9.0%	12.3%	4.1%	-19.4%	-0.7%	13.0%
ROCE	17.4%	17.6%	6.0%	-18.9%	-0.7%	14.7%
EV/EBITDA	5.8x	4.5x	13.7x	-3.4x	25.0x	2.4x
EV/EBIT	8.0x	5.3x	21.1x	-3.0x	-80.7x	2.8x
PER	17.9x	12.3x	38.2x	-11.3x	-294.3x	12.3x
FCF yield	9.3%	7.5%	-8.9%	-2.8%	0.7%	9.0%

Source: Company data, AlsterResearch

Source: Company data, AlsterResearch

High/low 52 weeks	16.60 / 5.05
Price/Book Ratio	2.2x

Ticker / Symbols

ISIN	DE000A0XFWK2
WKN	A0XFWK
Bloomberg	SHWK:GR

Changes in estimates

		Sales	EBIT	EPS
2021	old	00.0	00.0	00.0
	Δ	–	–	–
2022	old	00.0	00.0	00.0
	Δ	–	–	–
2023	old	00.0	00.0	00.0
	Δ	–	–	–

Key share data

Number of shares: (in m pcs)	2.16
Book value per share: (in EUR)	2.53
Ø trading volume: (12 months)	38,000

Major shareholders

Supervisory Board	5.1%
Employees	5.0%
Ralph Schuler (CEO)	3.6%
Free Float	79.3%

Company description

SHS Viveon AG is a German provider of software and IT consultancy services focused on credit, risk and compliance management. The company's installed base comprises of ca. 120 customers, from different industries. SHS Viveon's solutions are deployed in 35 countries.

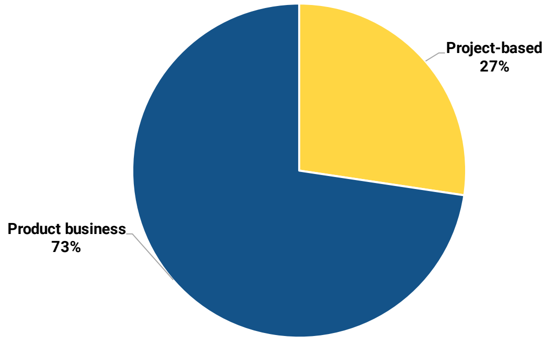
AlsterResearch

Investment case in six charts

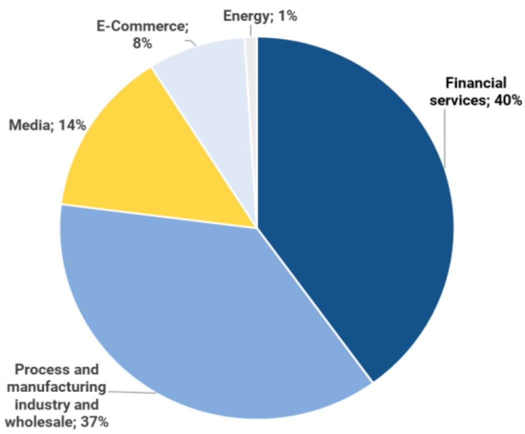
Software portfolio

* new products in development

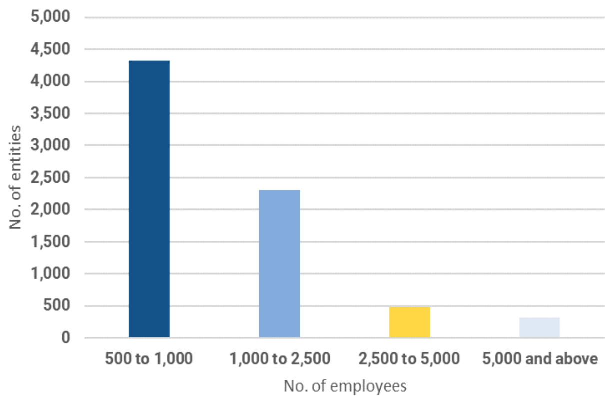
Revenue split in %



Excellent customer base



Potential customers for supply chain solution in GER



Use of funds from capital increase

Products and Innovation (65%)

Development of new products

- Supply Chain Compliance
- Sustainability and ESG Compliance
- Data connectivity/Connect
- Marketplace

Migration of existing products

New and open platform-technology

-> Focus on investments into **staff** (internal and external)

Go-To-Market sales internationalization (35%)

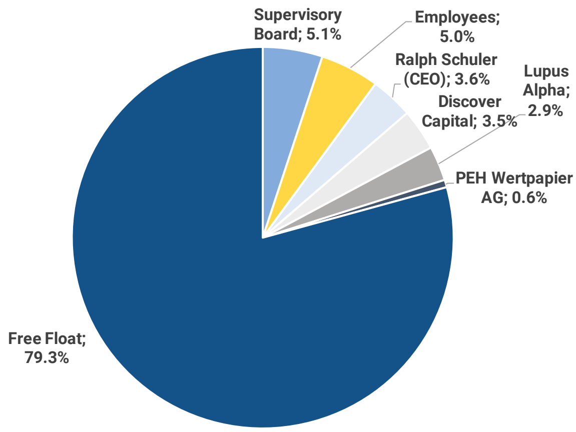
Development of direct sales

Strengthening of the sales partners network

Amplification of marketing (brand awareness, lead generation)

-> Focus on investments into staff and **marketing measures**

Major shareholder



Source: Company data; AlsterResearch

AlsterResearch

Table of content

Company background

Products & services

Founded in 1991, SHS Viveon is a German provider of software and IT consultancy services focused on credit, risk and compliance management, known as GRC (Governance, Risk Management, Compliance). The company has been publicly listed since 1999. Since 2009, SHS has been listed in the m:access segment of the Munich Stock Exchange. Currently, SHS Viveon has 85 employees, and an additional 30 subcontracted freelancers. The company is headquartered in Munich. In addition, SHS has locations in Düsseldorf, Stuttgart, Burghausen, as well as in Vienna (Austria) and in Zug (Switzerland).

The current setup of the company goes back to a strategy shift in 2017, when the company executed an organizational and personnel shift. With the divestment of its professional services unit and the appointment of Ralph Schuler as new CEO, the company has adjusted its business model and focus. SHS Viveon offers a modular platform for the automation of risk, credit and compliance processes.

The current software portfolio consists of five modules, which are offered either standalone or in combination:

- Trade
- Riskpilot
- Compliance
- Connect
- Insights

The core products are Trade and Riskpilot. Both are an evolution of the original applications DebiTex and RiskSuite.

Riskpilot is a customizable software to simulate and automate risk management of business processes, such as credit application decisions or the calculation of payment probabilities for accounts receivable.

Trade is the end-to-end solution for international credit management. Optimization and monitoring of B2B credit relations enable companies to assess, manage, and reduce risks arising from customer relationships, i.e. hedging from fraud or payment defaults.

Connect is a smart data platform for managing and processing data, for example from credit agencies, trade credit insurance companies (TIC), fintechs and various other sources like social media and the internet. Added value is created by the possibility to integrate the significant amount of independent data sources into the customer's ERP or CRM systems.

Insight is a comprehensive analytics and simulation application, which is tailored for CFOs. They can monitor company KPIs in relation to risk exposures regarding customers and business partners.

Compliance offers a 360° analysis of customers and business partners based on KYC (Know your customer). Users identify and check new and existing customers on the basis of the money laundering regulatory framework. Furthermore, it identifies key people in companies, credit ratings and checks for politically exposed persons – an important aspect in dealing with foreign business partners as currently seen in the Russian invasion of the Ukraine.

Management

Ralph Schuler, CEO, leads SHS Viveon since 2018. The Chief Executive Officer has made an impact by improving the company's profitability in the recent years. With many years of industry experience at companies such as IBM, Mapp Digital (formerly Teradata Marketing Applications) and PricewaterhouseCoopers, Mr. Schuler has initiated a comprehensive transformation of SHS Viveon. An early contract extension until 2024 has been signed in early 2021 to ensure the continuity of this process.

Ingo-Stefan Schilling is SHS Viveon's **CPO and CTO** (Chief Product Officer / Chief Technology Officer) since mid-2021. Starting his entrepreneurial career at young age, Mr. Schilling has accumulated ca. 32 years of experience in software development. His extensive knowledge in areas like no code platforms and regulation is a perfect fit for SHS Viveon's strategic growth path.

Horst Brand, CSO (Chief Sales Officer) joined the company relatively recently. With over 25 years of international experience, Mr. Brand held numerous leadership positions in the ITC sector, with stations at Nokia/Siemens and Optiva. At SHS Viveon, Mr. Brand will primarily drive further internationalization with a broader market approach and the expansion of partner sales as the company's Chief Sales Officer.

Management

Ralph Schuler, CEO

Ingo-Stefan Schilling, CPO / CTO

Horst Brand, CSO

Source: Company data; AlsterResearch

AlsterResearch

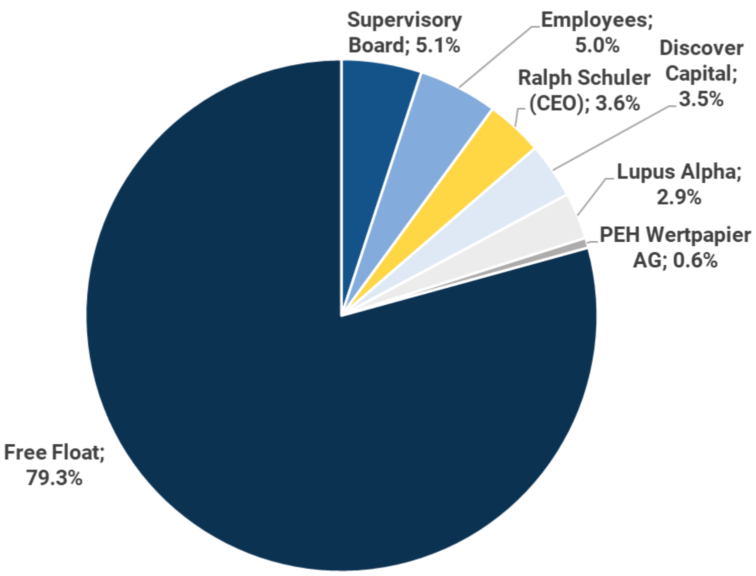
Recent history

- 1991 • Foundation as SHS Informationssysteme AG
- 2006 • Rebranding to SHS Viveon AG
- 2017 • Sale of "Professional Services Customer Value" to mVise AG
- 2018 • Ralph Schuler appointed as CEO
- 2021 • Ingo-Stefan Schilling new CPO and CTO
- 2022 • Capital Increase
- 2022 • Strategic cooperations with Tata Consultancy Services and Tibco Software Inc.

Source: Company data; AlsterResearch

Shareholders

Currently, the company has a share capital of 2,157,000 shares. The supervisory board is committed with 5.1% of the shares, followed by employee amounting to 5.0%. CEO Schuler has a stake of 3.6% in the company. Largest external investors are Discover Capital with 3.5%, Lupus Alpha with 2.9% and PEH Wertpapier with 0.6% of shares. According the company, the free float is 70.4%



Source: Company data; AlsterResearch

To drive the initiated platform transformation, accelerate product development and intensify sales efforts, SHS has announced a capital increase. It is planned to issue up to 1,067,000 new shares to existing shareholders, bringing the total share count to 3,224,000 shares. With a subscription price of EUR 5.50, the company could raise gross proceeds up to EUR 5.87m. The subscription period is expected to run from April 14 to 29, 2022. This is followed by a private placement until May 5, 2022.

Use of funds raised by capital increase

Products and Innovation (65%)

Development of new products

- Supply Chain Compliance
- Sustainability and ESG Compliance
- Data connectivity/Connect
- Marketplace

Migration of existing products

New and open platform-technology

-> Focus on investments into **staff** (internal and external)

Go-To-Market sales internationalization (35%)

Development of direct sales

Strengthening of the sales partners network

Amplification of marketing (brand awareness, lead generation)

-> Focus on investments into staff and **marketing measures**

Source: Company data; AlsterResearch

Quality

Customers

The installed base comprises of ca. 120 customers, featuring well-known clients from different industries. SHS Viveon's solutions are deployed in 35 countries. With a well-established market position, particularly with RiskSuite/Riskpilot, a large proportion of the customer base comes from the financial services sector (40%), with reference customers like BMW Group Financial Services, Klarna or Grenke Leasing. The second largest customer group are industrial and manufacturing clients (37%), with companies like Agfa, Bosch, Grohe or Saint-Gobain. 14% of the clients are media and telecommunications companies, notably Vodafone and Sky. SHS has also established a strong footprint in E-Commerce (8%) with customers like Breitling, home24 or ShopApotheke.

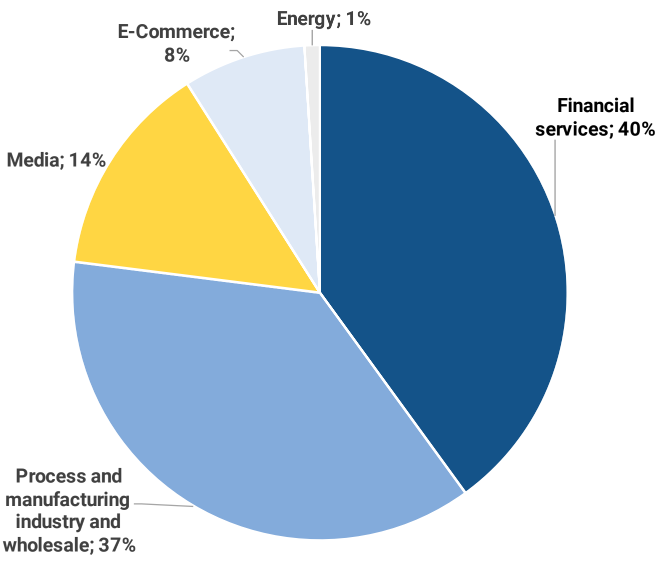
In terms of size, the customer segmentation is as follows: 50% are international corporations with more than EUR 1bn in sales. About 23% of customers generate sales of more than EUR 250m to less than EUR 1bn ("Mittelstand") and 27% of customers have sales below EUR 250m.

SHS has established long-lasting customer relationships with durations of over 10 years on average. Since 2018, the company acquired 45 new customers.

We see the following as reasons for customers to choose SHS:

- Comprehensive end-to-end solutions
- Proven technology esp. for financial services (banks, leasing, factoring and fintechs)
- Efficiency through high grade of automation of workflows
- Audit-proof compliance with different regulatory frameworks
- Company consistently committed to innovation

Customers by industry in %



Source: Company data; AlsterResearch

Suppliers

Technological partnership with Tibco Software Inc.

Earlier this year, SHS announced a technological partnership with Tibco Software Inc. (Tibco), which we consider an important cornerstone of SHS Viveon's transformation strategy. SHS new products will be built on Tibco's low-code technology platform for multi-hybrid cloud environments. As mentioned, the new SHS platform is designed to be an open platform, which can be enriched with third-party components. Enabled by the Tibco architecture, SHS plans to maximise the standardization of its products to increase scalability by reducing the need to customize the software for clients. In pilot projects, SHS already achieved a significant reduction of implementation times for data connectors to rating agencies and credit bureaus, as well as customer integration with SAP S/4HANA in half the planned time. By onboarding on Tibco's platform, Tibco can act as a global distributor for SHS solutions.

The flexibility that Tibco offers translates to SHS customers as well, as they benefit from faster implementation times at less effort, which ultimately leads to cost savings. Designed as out-of-the-box cloud products, SHS solutions are offered in flexible pay-as-you-go or transactional pricing models in contrast to traditional upfront fees for licenses.

Using TCS's muscles

In 2022, SHS announced a strategic partnership with Tata Consultancy Services (TCS). Both companies have already been successfully working together on new SHS products since 2021. TCS is one of the world's largest IT and consulting service providers with over 550,000 employees and will support customers worldwide in the implementation and use of SHS' product solutions. TCS' Solutions Center of Excellence in India will be utilized for joint project work, which includes implementation, configuration, and testing of comprehensive SHS platform solutions together with SHS' risk and compliance experts. TCS will also support SHS in terms of product development, as well take care of the risk and compliance requirements of the end customers.

We believe that SHS will strongly benefit from access to TCS's global delivery model, which combines international reach with local presence, enabling customer service globally. The outsourcing of low-margin and time-intensive processes should help SHS to improve its own margin profile given the reduced allocation of own capacities. Furthermore, SHS reduces bottlenecks in recruiting own personnel, since the hiring market for developers is rather tight. As TCS is involved in maintaining SHS' legacy products, SHS will have spare resources for process experts and developers, benefitting from the reduced coding requirements of the new platform.

Competition

The market for risk management and compliance software is very heterogeneous. On one end of the spectrum are global software giants like SAP, IBM, and Oracle who offer certain risk management and compliance tools as part of their larger ERP or CRM suites. Larger players in this field besides the ERP and CRM providers are CRIF and Experian. The Italy-based CRIF is specialized in the development and management of credit reporting, business information and decision support systems. Experian is another large provider showing a strong footprint with solutions in the areas of regulatory analytics, fraud management and credit risk.

Then there are large specialists like SAS Institute, RSA Security, Navex Global/ Lockpath or LogicManager. These companies have a few hundred to a couple thousand employees and focus on risk management tools and related applications.

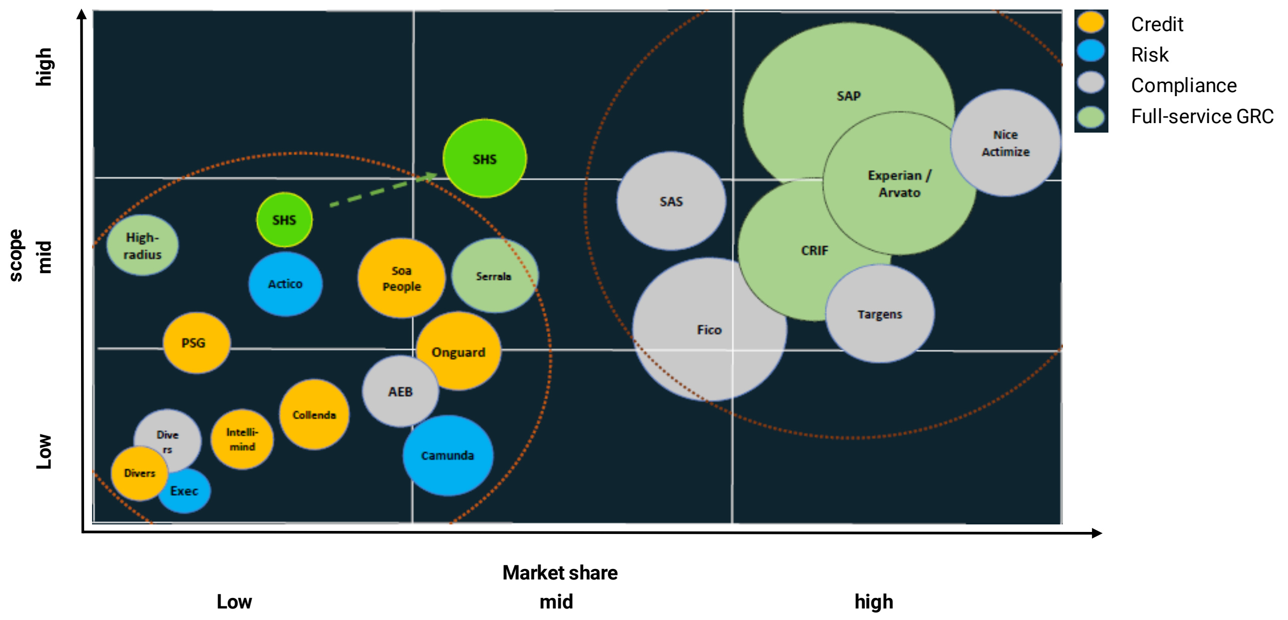
And finally, at the other end of the market are a plethora of small software vendors who offer solutions for highly specialized niches in terms of functionality or industry.

To get a feeling for the breadth of offerings, it is instructive to do a search on Capterra, a resource helping businesses to find suitable software:

- Search for "Risk management software": 695 products (158 available in Germany).
- Search for "Compliance Management Systems": 1,108 products (232 available in Germany)

Overall, SHS distinguishes itself from its smaller competitors with its comprehensive product portfolio covering all relevant GRC workflows. Utilizing TCS' capacities, SHS can offer global delivery for its services. In our view, in building an open and lean platform which can be seamlessly combined with other Tibco products, SHS has gained an important differentiator, which can help the company to gain market share.

Competitive environment

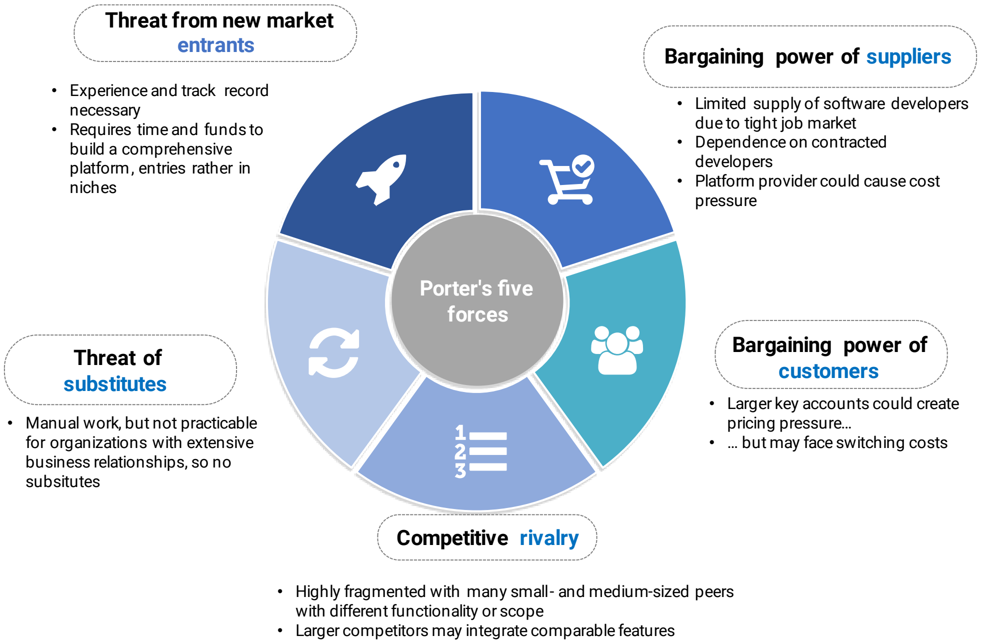


Source: Company data; AlsterResearch

Porters five forces

To summarize the competitive landscape and SHS Viveon's positioning herein, a Porter's Five Forces has been conducted. The result is displayed below:

Porter's Five Forces



Source: AlsterResearch

SWOT analysis

Strengths

- Rich experience in GRC market
- Proven track-record with well-known customers
- Solid balance sheet
- Improving operating performance in the past years

Weaknesses

- Shift to SaaS-model initially dampens revenue and profit development
- High dependence on key accounts (Top 5 customers stand for ca. 35% of revenues)
- Relatively high overhead costs due to still small size
- Modest sales performance in the recent years

Opportunities

- Increasingly complex regulatory environment driving demand
- Outsourcing of low-margin business improves profitability
- Expanding the partner network provides access to a larger customer base
- Lean software architecture can reduce time-to-market significantly
- Modularization with up- and cross-selling opportunities

Threats

- Necessary funds for strategic progress may not be raised as required
- Quality deficiencies or delays in development of new products
- Increased competition
- The strategic expansion plan might be too large in scope

Growth

SHS Viveon has presented a strategic plan to generate strong organic growth on the top line and bottom line in the next 4 to 5 years. The overall market provides a strong underlying trend with certain segments which should enable faster than market growth opportunities. In the medium-term following goals are provided by SHS Viveon:

- Sales increase by 3x to 4x by 2026
- Increase of EBITDA margin to >40%

The pillars of SHS Viveon's strategy to reach these goals are:

- Launch of new products to meet expectedly strong demand created by increasing regulatory requirements
- Transformation of legacy platform to superior and agile platform
- Broadening the go-to-market approach
- Shift to transaction and consumption-based revenue models
- Downsizing of the low-margin project business while upscaling higher-margin product business
- Reducing overheads

The worldwide market for risk management software was valued at USD 10.7bn in 2020 and is expected to grow at a CAGR of 7.7% during 2021-2026. The broader category of "Governance, Compliance and Risk Software" (GRC) is about 3x as large at USD 31bn in 2021 and expected to reach a market size of USD 55bn in 2026 (source: IndustryArc Governance, Compliance and Risk Software Market – Forecast 2021 - 2026). ESG is becoming a central component of most companies' overall GRC strategy. As companies seek ways to automate and manage the complexities of expanding governance, risk, and compliance mandates, forecasts according to IDC are expecting that penetration of ESG risk management solutions among GRC users will grow from 50% in 2021 to over 90% by 2026. **So, a growth of the addressable market for SHS Viveon in the high single digits to low double digits can be expected.**

The growth drivers for the market are:

- A rise in cyber threats and data thefts
- Increasing regulation
- Government initiatives in supply chain management, like the "Supply Chain Act
- Integration of advanced technologies like machine learning and artificial intelligence
- Higher standards in corporate governance and the need to avoid ethical and reputational scandals and stricter internal controls to prevent fraud
- A shift to cloud deployment and SaaS due to cost effectiveness, especially for SMEs

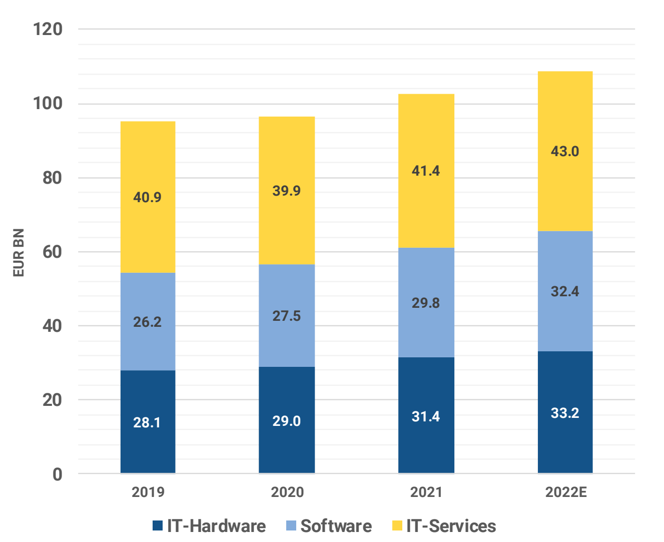
German IT market to grow in the high single digits in 2022

Bitkom forecasts that the German IT market will generate sales of EUR 108.6bn in 2022, a growth of 5.9% compared to 2021. **Spending in the market segment software, which is relevant for SHS, is expected to show the fastest growth rate in 2022, rising by 9.0% to EUR 32.4bn.** Spending on IT hardware will increase by 5.7%

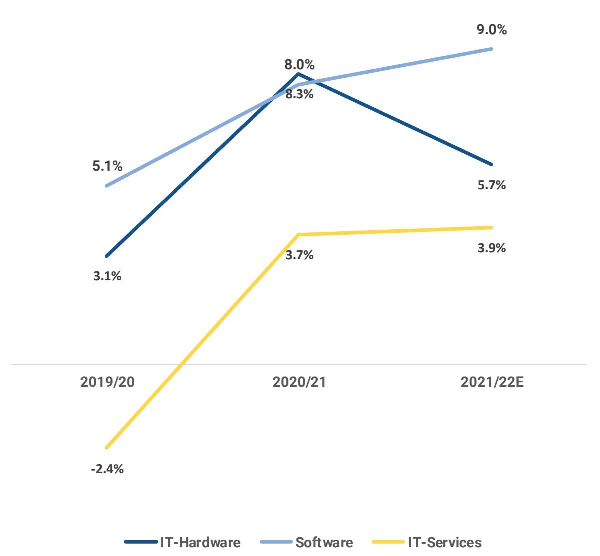
AlsterResearch

to EUR 33.2bn in the current year. With a volume of EUR 43.0bn, IT services will still account for the largest share of the IT market in 2022 (+3.9%), ahead of IT hardware, but will also see the lowest growth. Spending on IT hardware will rise by 5.7% to EUR 33.2bn euros in the current year.

IT market Germany



Growth trends IT market Germany in %

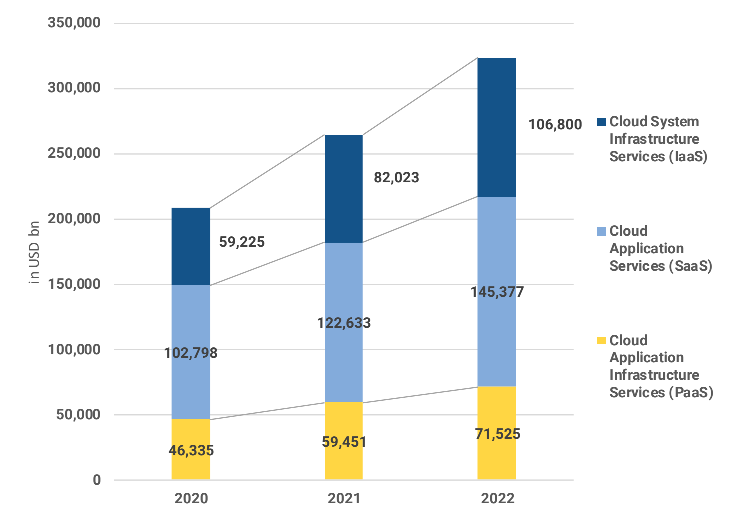


Source: Bitkom; AlsterResearch

Cloud services continue to be a strong growth market

The ongoing shift to cloud deployment and SaaS continues to be a major market driver. According to Gartner, Software as a service (SaaS) will remain the largest market segment, driven by offerings that support or deliver public cloud services, especially for composable applications. Market growth for SaaS is forecasted with 19% for 2022. Further, more than 85% of organizations will embrace a cloud-first principle by 2025, declaring the use of cloud-native architectures essential to their digital strategies. Moreover, adopting cloud-native platforms should unlock distinct advantages of the inherent capabilities within the cloud environment. By 2025, Gartner estimates that over 95% of new digital workloads will be deployed on cloud-native platforms, that means tripling up from 30% in 2021.

Worldwide Public Cloud Services End-User Spending Forecast



Source: Gartner 2021, AlsterResearch

Another growth area are low-code and no-code technologies due to their advantages in product development and integration capabilities. By 2025, 70% of new applications developed by organizations will use low-code or no-code technologies, up from less than 25% in 2020. In our view, the prospects are good that SHS will benefit from secular growth trends unlocked by its platform change.

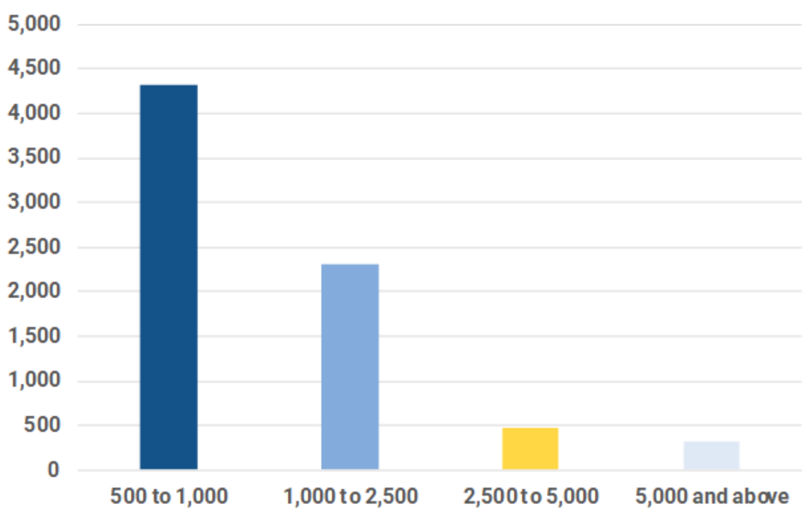
“Supply Chain Act” will trigger huge wave in demand

The approaching implementation of the “Lieferkettensorgfaltspflichtengesetz” (Supply Chain Act) in Germany certainly will have an enormous impact on market dynamics and trigger a substantial wave in demand. The law aims to foster sustainable and responsible corporate behavior throughout global value chains. Companies will be required to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights, such as child labor and exploitation of workers, and on the environment, for example pollution and biodiversity loss. This also includes the business units of suppliers. The law identifies forced labor, child labor, discrimination, violation of freedom of association, problematic employment and working conditions, and environmental damage as relevant risk areas. Fines can be imposed for violations of due diligence of up to 8 million euros or up to 2% of annual turnover.

From 2023, the first stage of the new law will apply to companies with more than 3,000 employees and a head office, main branch, or registered office in Germany. In a second stage from 2024, it will affect all companies with more than 1,000 employees.

To participate in the expectedly high market growth right from the start, SHS currently developing a new Supply Chain Compliance (SCC) solution to include data source- and industry-independent compliance requirements for supply chain management as a priority. SHS made the SCC solution a top priority, before including additional ESG requirements such as food compliance. The market launch is expected in September 2022. According to the business register from Destatis, this affects over 3,000 entities in Germany alone, which marks tremendous revenue potential even at low market penetration. Potentially, SHS could benefit from a snowball effect, when referred by customers among the supply chain.

Legal entities in Germany with >500 employees



Source: Statistisches Bundesamt (Destatis); AlsterResearch

AlsterResearch

Capital increase to fuel platform transformation, new products and new revenue streams

The planned capital increase is intended to facilitate SHS' growth plan. Two thirds of the planned proceeds are budgeted for products and innovation. The company considers the switching from its proprietary architecture to a low code platform as a major growth driver, given the underlying advantages inherent in the architecture. By using Tibco's proven platform, SHS is de-risking the transformation. New products like the SCC are being developed straight away on the new Tibco ecosystem, while the legacy products are planned to be rebuilt in parallel.

Marketplace for additive revenues

Setting up an open platform, SHS aims to extend the value chain by establishing a B2B marketplace with non-competitive products. In the future, SHS can add functionality through supplemental data and services from third party providers. If the capital increase goes according to plan, SHS intends to have the marketplace ready by end of 2022.

Internationalisation and partnerships to drive penetration

About one third of the planned capital increase is to be used for increasing the company's sales and marketing activities. While having built up several partnerships, SHS will continue to expand its partner network. The latest announced partnership was regarding msg Rethink Compliance, who offer consulting services as well as process and technology support in the field of anti-financial crime compliance for both international and DACH customers.

At the same time, the company will expand its own sales capacities. Management sees growth opportunities outside the DACH region since SHS' software is already running in 35 countries. For that purpose, SHS will need to invest in its sales force. A part of the capital increase will be used for additional sales staff.

Another area of focus is the strengthening of marketing. SHS plans to build up more brand awareness. For this purpose, the company plans to invest in marketing, e.g. for lead generation.

Growth in figures

SHS' top-line growth is driven by product innovation as well as strong demand for supply chain compliance. Our bottom-line growth reflects an improving cost profile. According to management, the new architecture allows for savings of development time and cost of at least 40%. Expenses should also decrease because of standardization, this will reduce implementation and customizing times.

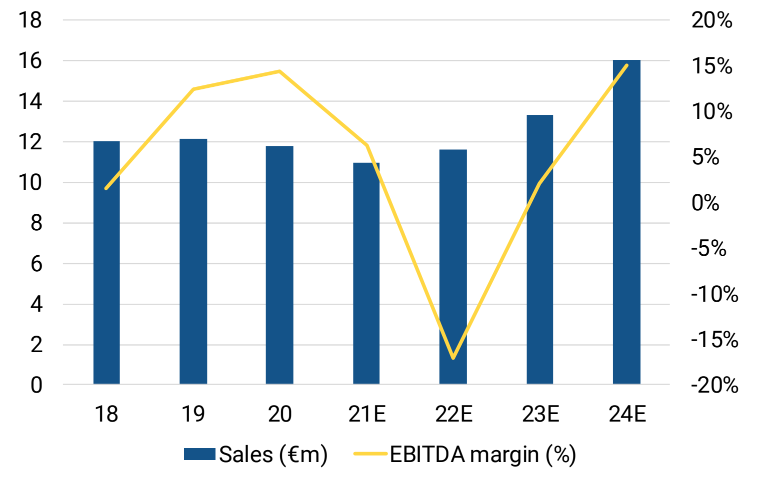
The shift to a SaaS delivery model is reflected in revenues with a delay, because of the deferral of payments over a longer period. In return, an improved visibility of revenues and profits kicks in. Since 2017, the company already managed to grow the share of recurring revenues from 35% to 55% in 2020. In the medium-term, the share significantly is to be increased to ca. 80% by 2026.

The planned expansion of products and market approach will require significant investments in FY22 and possibly also in FY23, which is why the full margin potential will not become visible before FY24/25. We model a conservative EBIT of 30% in the long-term. Due to the growing software share of product sales, we believe this is highly feasible.

Growth table (EURm)	2019	2020	2021E	2022E	2023E	2024E
Sales	12.1	11.8	11.0	11.6	13.4	16.0
Sales growth	0.8%	-2.8%	-7.1%	6.0%	15.0%	20.0%
EBIT	1.1	1.5	0.4	-2.3	-0.1	2.1
EBIT margin	9.0%	12.3%	4.1%	-19.4%	-0.7%	13.0%
Net profit	0.7	1.0	0.3	-1.6	-0.1	1.5

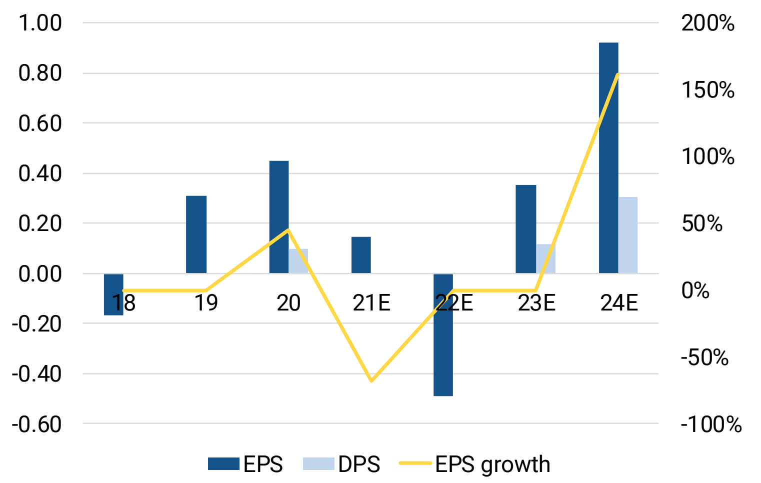
Source: Company data; AlsterResearch

Sales vs. EBITDA margin development



Source: Company data; AlsterResearch

EPS, DPS in EUR & yoy EPS growth



Source: Company data; AlsterResearch

Theme

SHS Viveon share price has suffered severely in the recent weeks, which we think is a mixture of bad news and the general market environment in relation to the war in the Ukraine. We assume that once the transformation of the business becomes better known in the market, and awareness of the attractive growth prospects starts to set in, the share price will have the potential for a re-rating.

The following aspects could serve as a catalyst to SHS Viveon's share price:

Downturn in FY21

FY21 ended on a downbeat note for SHS. Due to the delayed closing of new customer deals at the end of the year, unlike what management initially expected, as well as due to deferrals from realized new customer business beyond the end of the year, sales decreased by approx. 7% to EUR 10.6m according to preliminary figures. Unlike in the two years before, profits also were down, from EUR 1.7m in 2020 to EUR 659k on EBITDA-level. Net profit was down by two thirds to EUR 331k. Cash and cash equivalents decreased from EUR 5.8m to approximately EUR 3.3m per end of December 2021 due to cash-effective special items. The company pointed out extraordinary capital expenditures.

Capital increase

However, the company already has its focus set on progressing the planned transformation and product development. The management's immediate objective is to complete the upcoming capital increase as successfully as possible to raise the necessary funds in order to advance the strategic goals laid out for the current year.

Launch of SCC software prioritized to catch the expected wave in demand

If the company fails to raise the funds it is targeting, or raises them only in part, at least some of the innovations on the agenda can be achieved using the company's own resources. In this case, the company prioritizes the SCC solution, to be ready already in September 2022 to catch the expected wave in demand, when the Supply Chain Act comes into effect in January 2023.

Investors have to keep in mind that the envisaged expansion of products and market approach will require significant investments in FY22 and possibly also in FY23, which is why the full margin potential will not become visible before FY24/25.

AlsterResearch

Valuation

DCF Model

The DCF model results in a **fair value of EUR 15.60 per share**:

Top-line growth: We expect SHS VIVEON AG to continue benefitting from structural growth. Hence our growth estimates for 2021-28E is in the range of 12.0% p.a. The long-term growth rate is set at 2.0%.

EBIT margins: According to SHS' plan, operating margins are seen in the range of 40%. This is to be achieved through cost flexibility and a more favourable product mix. We conservatively model 30% EBIT margins in the long-run.

WACC. The averaged 1-, 3- and 5-year historical equity beta is calculated as 1.19. Unlevering and correcting for mean reversion yields an asset beta of 1.09. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 9.7%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30.0% and target debt/equity of 0.3 this results in a long-term WACC of 8.4%.

DCF (EUR m) (except per share data and beta)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal value
NOPAT	-1.6	-0.1	1.5	2.5	3.1	3.6	3.9	4.8	
Depreciation & amortization	0.3	0.4	0.3	0.3	0.2	0.2	0.2	0.2	
Change in working capital	0.9	-0.2	-0.4	-0.4	-0.4	-0.3	-0.2	-0.1	
Chg. in long-term provisions	0.1	0.3	0.5	0.4	0.5	0.4	0.3	0.1	
Capex	-2.9	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	
Cash flow	-3.1	-0.1	1.4	2.4	2.9	3.3	3.6	4.4	70.0
Present value	-3.0	-0.1	1.1	1.8	2.0	2.1	2.1	2.4	37.4
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.4%

DCF per share derived from	
Total present value	45.8
Mid-year adj. total present value	47.7
Net debt / cash at start of year	-3.3
Financial assets	0.1
Provisions and off b/s debt	0.8
Equity value	50.3
No. of shares outstanding	3.2
Discounted cash flow / share	**15.60**
upside/(downside)	**181.1%**
Share price	**5.55**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2021E - 2028E)	12.0%
Terminal value growth (2028E - infinity)	2.0%
Terminal year ROCE	27.2%
Terminal year WACC	8.4%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30.0%
Equity beta	1.19
Unlevered beta (industry or company)	1.09
Target debt / equity	0.3
Relevered beta	1.28
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	9.7%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.0%	1.5%	2.0%	2.5%	3.0%
2.0%	10.4	10.8	11.3	11.8	12.5
1.0%	11.9	12.5	13.1	13.9	14.8
0.0%	13.9	14.7	15.6	16.7	18.0
-1.0%	16.5	17.6	19.0	20.6	22.6
-2.0%	20.1	21.8	23.9	26.6	30.0

Share of present value	
2021E - 2024E	-0.2%
2025E - 2028E	18.5%
terminal value	81.7%

Source: AlsterResearch

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 -6.75 per share based on 2022E and EUR 20.51 per share on 2026E estimates. Due to the upcoming investment phase in FY22E and FY23E, **we value SHS VIVEON AG on 2024E-2026E, which yields an average price target of EUR 15.63**. It thus supports the DCF based fair value calculations.

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	2022E	2023E	2024E	2025E	2026E
EBITDA	**-2.0**	**0.3**	**2.4**	**3.9**	**4.7**
- Maintenance capex	0.3	0.3	0.3	0.2	0.2
- Minorities	0.0	0.0	0.0	0.0	0.0
- tax expenses	-0.7	-0.0	0.6	1.1	1.3
= Adjusted FCF	**-1.6**	**-0.0**	**1.5**	**2.6**	**3.2**
Actual Market Cap	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**
+ Net debt (cash)	-6.0	-5.9	-7.4	-9.3	-11.0
+ Pension provisions	0.8	0.9	1.1	1.3	1.5
+ Off B/S financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	0.1	0.1	0.1	0.1	0.1
- Acc. dividend payments	0.0	0.0	0.0	0.5	1.7
EV Reconciliations	-5.3	-5.1	-6.3	-8.6	-11.3
= Actual EV'	**6.7**	**6.9**	**5.7**	**3.4**	**0.7**
Adjusted FCF yield	**-23.4%**	**-0.4%**	**26.4%**	**75.5%**	**457.4%**
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	0.2%	0.2%	0.2%	0.2%	0.2%
adjusted hurdle rate	5.8%	5.8%	5.8%	5.8%	5.8%
Fair EV	**-27.1**	**-0.5**	**25.8**	**44.4**	**54.8**
- EV Reconciliations	-5.3	-5.1	-6.3	-8.6	-11.3
Fair Market Cap	**-21.8**	**4.6**	**32.1**	**53.0**	**66.1**
No. of shares (million)	3.2	3.2	3.2	3.2	3.2
Fair value per share in EUR	**-6.75**	**1.43**	**9.96**	**16.43**	**20.51**
Premium (-) / discount (+)	**-221.7%**	**-74.2%**	**79.4%**	**196.0%**	**269.5%**

Sensitivity analysis FV

Adjusted hurdle rate	3.8%	-11.2	1.4	14.2	23.7	29.5
	4.8%	-8.5	1.4	11.6	19.3	24.1
	5.8%	**-6.8**	**1.4**	**10.0**	**16.4**	**20.5**
	6.8%	-5.5	1.5	8.8	14.4	18.0
	7.8%	-4.6	1.5	7.9	12.9	16.2

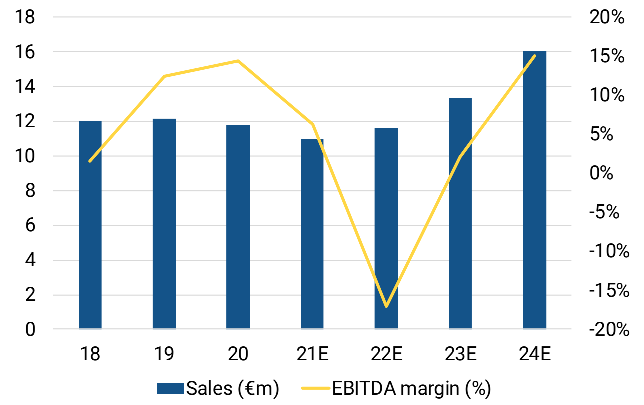
Source: Company data; AlsterResearch

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 6.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. 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.**

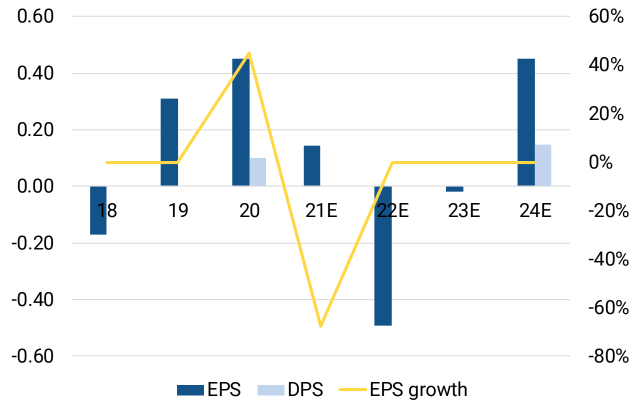
AlsterResearch

Financials in six charts

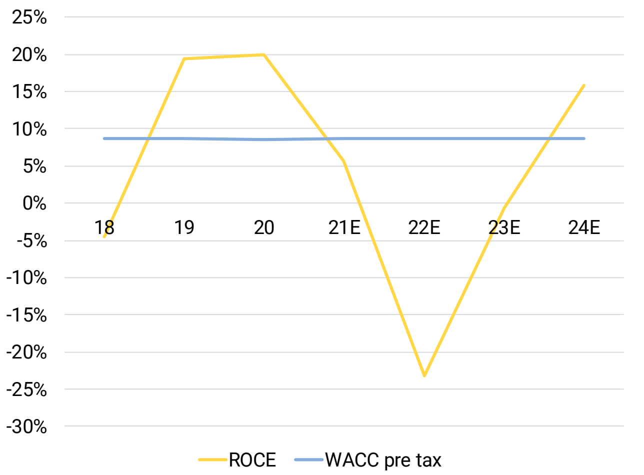
Sales vs. EBITDA margin development



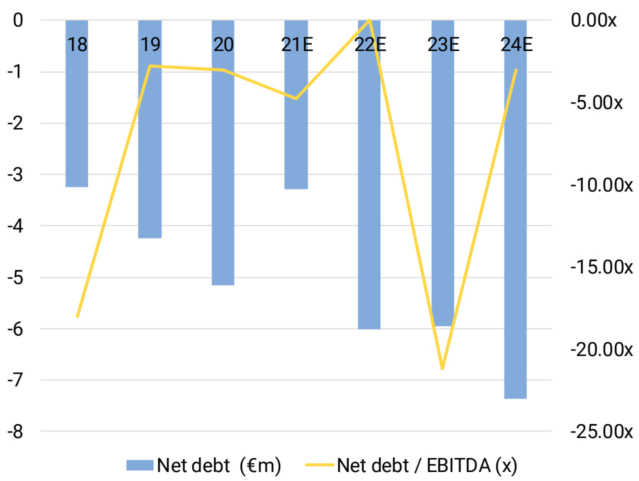
EPS, DPS in EUR & yoy EPS growth



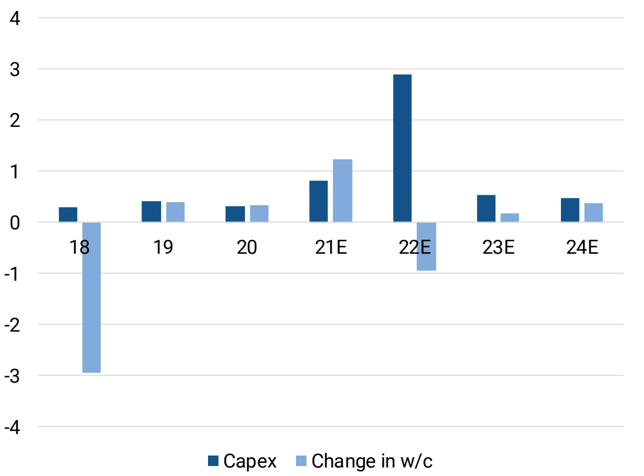
ROCE vs. WACC (pre tax)



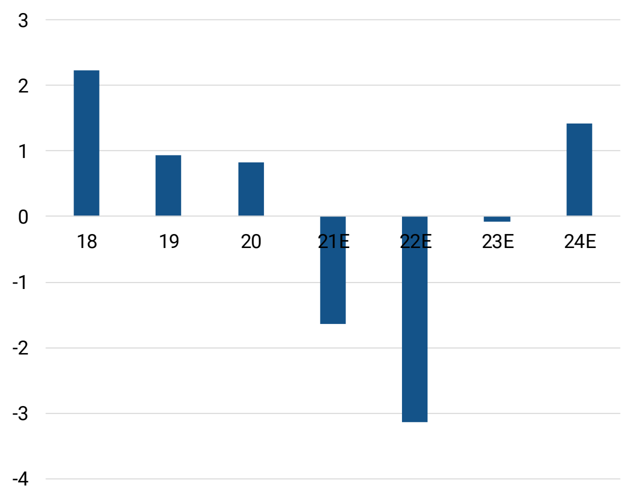
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; AlsterResearch

AlsterResearch

Financials

Profit and loss (EUR m)	2019	2020	2021E	2022E	2023E	2024E
Net sales	**12.1**	**11.8**	**11.0**	**11.6**	**13.4**	**16.0**
Sales growth	0.8%	-2.8%	-7.1%	6.0%	15.0%	20.0%
Change in finished goods and work-in-process	-0.2	-0.0	-0.0	-0.0	-0.0	-0.0
Total sales	**11.9**	**11.8**	**10.9**	**11.6**	**13.3**	**16.0**
Material expenses	0.7	0.9	0.4	0.5	0.5	0.7
Gross profit	**11.2**	**10.9**	**10.5**	**11.1**	**12.8**	**15.4**
Other operating income	0.3	0.3	0.3	0.3	0.3	0.4
Personnel expenses	7.6	7.4	7.1	7.5	8.1	8.8
Other operating expenses	2.4	2.0	3.0	5.8	4.7	4.5
EBITDA	**1.5**	**1.7**	**0.7**	**-2.0**	**0.3**	**2.4**
Depreciation	0.3	0.2	0.2	0.3	0.3	0.3
EBITA	1.3	1.5	0.4	-2.2	-0.1	2.1
Amortisation of goodwill and intangible assets	0.2	0.0	0.0	0.0	0.0	0.0
EBIT	**1.1**	**1.5**	**0.4**	**-2.3**	**-0.1**	**2.1**
Financial result	-0.0	-0.0	0.0	0.0	0.0	0.0
Recurring pretax income from continuing operations	1.1	1.4	0.4	-2.3	-0.1	2.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	1.1	1.4	0.4	-2.3	-0.1	2.1
Taxes	0.4	0.4	0.1	-0.7	-0.0	0.6
Net income from continuing operations	0.7	1.0	0.3	-1.6	-0.1	1.5
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**0.7**	**1.0**	**0.3**	**-1.6**	**-0.1**	**1.5**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	0.7	1.0	0.3	-1.6	-0.1	1.5
Average number of shares	2.14	2.16	2.16	3.22	3.22	3.22
EPS reported	**0.31**	**0.45**	**0.15**	**-0.49**	**-0.02**	**0.45**

Profit and loss (common size)	2019	2020	2021E	2022E	2023E	2024E
Net sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Change in finished goods and work-in-process	-2%	-0%	-0%	-0%	-0%	-0%
Total sales	**98%**	**100%**	**100%**	**100%**	**100%**	**100%**
Material expenses	6%	8%	4%	4%	4%	4%
Gross profit	**93%**	**92%**	**96%**	**96%**	**96%**	**96%**
Other operating income	2%	2%	2%	2%	2%	2%
Personnel expenses	63%	63%	64%	65%	61%	55%
Other operating expenses	20%	17%	27%	50%	35%	28%
EBITDA	**13%**	**14%**	**6%**	**-17%**	**2%**	**15%**
Depreciation	2%	2%	2%	2%	3%	2%
EBITA	10%	12%	4%	-19%	-0%	13%
Amortisation of goodwill and intangible assets	1%	0%	0%	0%	0%	0%
EBIT	**9%**	**12%**	**4%**	**-19%**	**-1%**	**13%**
Financial result	-0%	-0%	0%	0%	0%	0%
Recurring pretax income from continuing operations	9%	12%	4%	-19%	-1%	13%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	9%	12%	4%	-19%	-1%	13%
Taxes	3%	4%	1%	-6%	-0%	4%
Net income from continuing operations	5%	8%	3%	-14%	-0%	9%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**5%**	**8%**	**3%**	**-14%**	**-0%**	**9%**
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	**5%**	**8%**	**3%**	**-14%**	**-0%**	**9%**

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2019	2020	2021E	2022E	2023E	2024E
Intangible assets (exl. Goodwill)	**0.2**	**0.4**	**0.9**	**3.3**	**3.5**	**3.8**
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.4	0.3	0.4	0.7	0.6	0.5
Financial assets	0.1	0.1	0.1	0.1	0.1	0.1
FIXED ASSETS	**0.8**	**0.8**	**1.4**	**4.0**	**4.2**	**4.3**
Inventories	0.1	0.0	0.2	0.1	0.0	0.0
Accounts receivable	2.3	2.6	2.4	2.5	2.9	3.5
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Liquid assets	4.2	5.8	3.3	6.0	5.9	7.4
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.1	0.1	1.1	0.2	0.2	0.2
CURRENT ASSETS	**6.7**	**8.6**	**7.0**	**8.9**	**9.1**	**11.1**
TOTAL ASSETS	**7.5**	**9.5**	**8.4**	**12.9**	**13.3**	**15.4**
SHAREHOLDERS EQUITY	**4.3**	**5.4**	**5.5**	**9.8**	**9.7**	**11.2**
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	1.0	0.8	0.8	0.8	0.9	1.1
Other provisions	1.0	1.4	1.3	1.3	1.5	1.8
Non-current liabilities	**2.0**	**2.2**	**2.0**	**2.1**	**2.5**	**3.0**
short-term liabilities to banks	0.0	0.7	0.0	0.0	0.0	0.0
Accounts payable	0.3	0.5	0.3	0.3	0.3	0.4
Advance payments received on orders	0.4	0.2	0.2	0.2	0.2	0.3
Other liabilities (incl. from lease and rental contracts)	0.2	0.1	0.1	0.1	0.1	0.2
Deferred taxes	0.1	0.1	0.1	0.1	0.1	0.1
Deferred income	0.3	0.3	0.3	0.3	0.4	0.4
Current liabilities	**1.2**	**1.9**	**0.9**	**1.0**	**1.1**	**1.3**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**7.5**	**9.5**	**8.4**	**12.9**	**13.3**	**15.4**

Balance sheet (common size)	2019	2020	2021E	2022E	2023E	2024E
Intangible assets (excl. Goodwill)	**3%**	**4%**	**11%**	**25%**	**26%**	**24%**
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	6%	3%	4%	5%	5%	3%
Financial assets	2%	1%	1%	1%	1%	1%
FIXED ASSETS	**10%**	**9%**	**17%**	**31%**	**32%**	**28%**
Inventories	1%	0%	3%	1%	0%	0%
Accounts receivable	30%	28%	28%	20%	22%	22%
Other current assets	0%	0%	0%	0%	0%	0%
Liquid assets	57%	62%	39%	47%	45%	48%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	2%	1%	13%	1%	2%	2%
CURRENT ASSETS	**90%**	**91%**	**83%**	**69%**	**68%**	**72%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**58%**	**57%**	**65%**	**76%**	**73%**	**72%**
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	0%	0%	0%	0%	0%	0%
Provisions for pensions and similar obligations	13%	9%	9%	6%	7%	7%
Other provisions	13%	14%	15%	10%	12%	12%
Non-current liabilities	**27%**	**23%**	**24%**	**17%**	**19%**	**19%**
short-term liabilities to banks	0%	7%	0%	0%	0%	0%
Accounts payable	3%	5%	3%	2%	2%	2%
Advance payments received on orders	6%	2%	2%	1%	2%	2%
Other liabilities (incl. from lease and rental contracts)	2%	1%	1%	1%	1%	1%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred income	4%	3%	4%	3%	3%	3%
Current liabilities	**16%**	**20%**	**11%**	**8%**	**8%**	**9%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2019	2020	2021E	2022E	2023E	2024E
Net profit/loss	0.7	1.0	0.3	-1.6	-0.1	1.5
Depreciation of fixed assets (incl. leases)	0.4	0.2	0.2	0.3	0.3	0.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.7	0.3	-0.2	0.1	0.3	0.5
Cash flow from operations before changes in w/c	1.7	1.5	0.4	-1.2	0.6	2.3
Increase/decrease in inventory	-0.4	-0.3	-0.2	0.1	0.1	-0.0
Increase/decrease in accounts receivable	0.0	0.0	0.2	-0.1	-0.4	-0.5
Increase/decrease in accounts payable	-0.0	-0.0	-0.3	0.0	0.0	0.1
Increase/decrease in other w/c positions	0.0	-0.0	-1.0	1.0	0.1	0.1
Increase/decrease in working capital	-0.4	-0.3	-1.2	0.9	-0.2	-0.4
Cash flow from operating activities	**1.4**	**1.1**	**-0.8**	**-0.2**	**0.5**	**1.9**
CAPEX	-0.4	-0.3	-0.8	-2.9	-0.5	-0.5
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	**-0.4**	**-0.3**	**-0.8**	**-2.9**	**-0.5**	**-0.5**
Cash flow before financing	0.9	0.8	-1.6	-3.1	-0.1	1.4
Increase/decrease in debt position	-0.0	0.7	-0.7	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.1	0.0	5.9	0.0	0.0
Dividends paid	0.0	0.0	-0.2	0.0	0.0	0.0
Others	-0.0	-0.0	0.0	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	**-0.0**	**0.7**	**-0.9**	**5.9**	**0.0**	**0.0**
Increase/decrease in liquid assets	0.9	1.5	-2.5	2.7	-0.1	1.4
Liquid assets at end of period	**4.2**	**5.8**	**3.3**	**6.0**	**5.9**	**7.4**

Source: Company data; AlsterResearch

Regional sales split (EURm)	2019	2020	2021E	2022E	2023E	2024E
Domestic	7.3	5.5	5.5	6.4	6.7	7.2
Europe (ex domestic)	4.9	6.3	5.5	5.2	6.7	8.8
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	**12.1**	**11.8**	**11.0**	**11.6**	**13.4**	**16.0**

Regional sales split (common size)	2019	2020	2021E	2022E	2023E	2024E
Domestic	59.8%	47.0%	50.0%	55.0%	50.0%	45.0%
Europe (ex domestic)	40.2%	53.0%	50.0%	45.0%	50.0%	55.0%
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; AlsterResearch

Ratios	2019	2020	2021E	2022E	2023E	2024E
Per share data						
Earnings per share reported	0.31	0.45	0.15	-0.49	-0.02	0.45
Cash flow per share	0.51	0.41	-0.49	-0.16	0.04	0.50
Book value per share	2.01	2.49	2.53	3.03	3.01	3.46
Dividend per share	0.00	0.10	0.00	0.00	0.00	0.15
Valuation						
P/E	17.9x	12.3x	38.2x	-11.3x	-294.3x	12.3x
P/CF	10.8x	13.4x	-11.2x	-35.4x	144.0x	11.1x
P/BV	2.8x	2.2x	2.2x	1.8x	1.8x	1.6x
Dividend yield (%)	0.0%	1.8%	0.0%	0.0%	0.0%	2.7%
FCF yield (%)	9.3%	7.5%	-8.9%	-2.8%	0.7%	9.0%
EV/Sales	0.7x	0.7x	0.9x	0.6x	0.5x	0.4x
EV/EBITDA	5.8x	4.5x	13.7x	-3.4x	25.0x	2.4x
EV/EBIT	8.0x	5.3x	21.1x	-3.0x	-80.7x	2.8x
Income statement (EURm)						
Sales	12.1	11.8	11.0	11.6	13.4	16.0
yoy chg in %	0.8%	-2.8%	-7.1%	6.0%	15.0%	20.0%
Gross profit	11.2	10.9	10.5	11.1	12.8	15.4
Gross margin in %	92.6%	92.0%	95.6%	95.6%	95.8%	95.8%
EBITDA	1.5	1.7	0.7	-2.0	0.3	2.4
EBITDA margin in %	12.5%	14.4%	6.3%	-17.1%	2.1%	15.1%
EBIT	1.1	1.5	0.4	-2.3	-0.1	2.1
EBIT margin in %	9.0%	12.3%	4.1%	-19.4%	-0.7%	13.0%
Net profit	0.7	1.0	0.3	-1.6	-0.1	1.5
Cash flow statement (EURm)						
CF from operations	1.4	1.1	-0.8	-0.2	0.5	1.9
Capex	-0.4	-0.3	-0.8	-2.9	-0.5	-0.5
Maintenance Capex	0.3	0.2	0.2	0.3	0.3	0.3
Free cash flow	0.9	0.8	-1.6	-3.1	-0.1	1.4
Balance sheet (EURm)						
Intangible assets	0.2	0.4	0.9	3.3	3.5	3.8
Tangible assets	0.4	0.3	0.4	0.7	0.6	0.5
Shareholders' equity	4.3	5.4	5.5	9.8	9.7	11.2
Pension provisions	1.0	0.8	0.8	0.8	0.9	1.1
Liabilities and provisions	2.0	2.8	2.0	2.1	2.5	3.0
Net financial debt	-4.2	-5.2	-3.3	-6.0	-5.9	-7.4
w/c requirements	1.7	2.0	2.2	2.2	2.4	2.9
Ratios						
ROE	15.4%	18.1%	5.7%	-16.2%	-0.6%	13.1%
ROCE	17.4%	17.6%	6.0%	-18.9%	-0.7%	14.7%
Net gearing	-98.5%	-95.8%	-60.0%	-61.6%	-61.2%	-66.0%
Net debt / EBITDA	-2.8x	-3.0x	-4.7x	3.0x	-21.2x	-3.0x

Source: Company data; AlsterResearch

Conflicts of interest

Disclosures regarding research publications of SRH AlsterResearch 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 SRH AlsterResearch 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 SRH AlsterResearch 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
SHS VIVEON AG	2, 8

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 SRH AlsterResearch 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 SRH AlsterResearch AG. Reproduction of this document, in whole or in part, is not permitted without prior permission SRH AlsterResearch AG. All rights reserved. Under no circumstances shall SRH AlsterResearch 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 SRH AlsterResearch 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 AlsterResearch 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.alsterresearch.com.

SRH AlsterResearch AG uses the following three-step rating system for the analyzed companies:

- **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 SRH AlsterResearch 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 SRH AlsterResearch AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of SRH AlsterResearch 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
7-Apr-22 09:05:21

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. SRH AlsterResearch AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority SRH AlsterResearch 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.alsterresearch.com.

Contacts

SRH AlsterResearch AG
Himmelstr. 9
22299 Hamburg

Tel: +49 40 309 293-52
Fax: +49 40 556 330-54
E-Mail: info@alsterresearch.com

Research

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-53
E-Mail: h.gabert@alsterresearch.com

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-52
E-Mail: h.hof@alsterresearch.com

NIKOLAI RENKEN
Analyst
Tel: +49 40 309 293-54
E-Mail: n.renken@alsterresearch.com

KATHARINA SCHLÖTER
Analyst
Tel: +49 40 309 293-52
E-Mail: k.schloeter@alsterresearch.com

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

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: o.wojahn@alsterresearch.com

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

Sales

MARKUS KÖNIG-WEISS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: mkw@alsterresearch.com

mwb fairtrade Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

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

Equity Capital Markets / Trading

KAI JORDAN
Member of the Board
Tel: +49 40 36 0995-22
E-Mail: kjordan@mwbfairtrade.com

ALEXANDER DEUSS
Head of 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

Our research can be found under

RESEARCH HUB	www.research-hub.de
BLOOMBERG	www.bloomberg.com
FACTSET	www.factset.com
THOMSON REUTERS / REFINITIV	www.refinitiv.com
CAPITALIQ	www.capitaliq.com