



Researchstudie (IPO / Initial Coverage)

Neon Equity AG



Investor and founder of real estate, consulting and technology companies with successful track record

High hidden reserves available

Fair value: € 432.98 million

Fair value per share: € 10.81

IMPORTANT NOTICE:

Please note the disclaimer/risk notice

as well as the disclosure of possible conflicts of interest according to § 85 WpHG and Art. 20 MAR from page 34

Notice pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

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Neon Equity AG^{*5a,11}

Fair value: € 432.98 million
Fair value per share: € 10.81

Key data:

ISIN: DE000A3DW408
WKN: A3DW40
Number of shares³: 40.05
³in million / in EUR million

Free float: 10.1 %

Market segment:
Börse Düsseldorf
Accounting:
HGB

Financial year: 31.12.

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Company profile

Sector: Finance (investment company)

Focus: Real estate, consulting, technologies

Employees: 9 (as of November 2022)

Foundation: 2012

Registered office: Frankfurt am Main

Executive Board: Thomas Olek; Ole Nixdorff (from 01.01.2023)

The corporate focus of Neon Equity AG (formerly: TO-Holding GmbH) is essentially to invest in companies that are not yet capital market-oriented ("private equity") or to found new companies. NEON provides its portfolio companies with capital, expertise, know-how and an adequate industry-specific network. This is done with the aim of successively increasing the value of the company through the implementation and stringent realisation of a fully comprehensive and capital market-oriented development strategy. In addition, NEON not only acts as a pure strategic equity investor, but also offers its portfolio companies sound consulting services. The range of services includes the construction, structuring and implementation of financing and capital measures on the capital market. Overall, NEON's investment focus is mainly on the real estate industry, consulting and innovative technologies. The country focus of the target companies is on Europe.

P&L in EUR million \ FY-end	FY 2021	FY 2022e	FY 2023e	FY 2024e	FY 2025e
Revenues	0.50	0.36	1.80	3.24	4.14
EBIT	6.92	5.51	31.12	60.25	80.16
Net profit for the year	6.72	5.51	29.53	52.83	67.30

Key figures in EUR					
Earnings per share	0.17	0.14	0.74	1.32	1.68
Dividend per share	0.00	0.00	0.00	0.00	0.60

Key figures					
Target price/revenues	876.68	1212.74	242.55	134.75	105.46
Target price/EBIT	63.05	79.24	14.03	7.25	5.45
Target price/earnings ratio	64.95	79.24	14.78	8.26	6.49

Financial dates

**last research from GBC:

Date: Publication / Target price in EUR / Rating

-

** The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.

* Catalogue of possible conflicts of interest on page 35

EXECUTIVE SUMMARY

- Neon Equity AG participates as a strategic investor in companies or founds new innovative companies with future potential. The underlying strategic objective here is to sustainably increase the corporate value of the portfolio companies by implementing a capital market strategy. Within the framework of the investment approach, the portfolio companies are not only provided with capital, the companies can access the extensive industry know-how and the network of Neon Equity AG. Their investment focus is on small-to-medium-sized companies operating in the real estate, consulting or technology sectors. In principle, the portfolio candidates should have good development potential and be able to be developed into an IPO candidate in the long term.
- A look at the company's history illustrates Neon Equity AG's approach. Since its foundation in 2012, the company has supported its portfolio companies in IPOs that had a total market capitalisation of more than € 900 million at the time of their initial listing. In addition, the portfolio companies were supported in the issuance of securities (bonds; convertible bonds) with a total volume of almost € 800 million.
- Since the company was founded, Neon Equity AG has also carried out exit transactions with a total volume of € 605.97 million. After deducting the transaction costs, the company has always been able to show positive results. In addition to consulting fees and income from securities (dividends, interest income from bonds held), total income of between € 11.89 million and € 88.44 million was generated in the 2016 - 2021 financial years. The always positive net income for the year was between € 6.72 million and € 81.07 million in this period.
- Due to the retention of earnings, the company had equity of € 233.49 million and an equity ratio of 99.6%, which is high for an investment company, as of 31 December 2021. On the assets side, shares in affiliated companies and securities held as fixed assets total € 197.65 million. These are almost entirely related the shareholding in publity AG (shareholding ratio: 48.0%) and the publity bonds held. Cash and cash equivalents plus outstanding loans totalled € 36.44 million.
- For the coming financial years, we expect an expansion of the investment portfolio and also assume an increase in advisory mandates. A key aspect of the forecasts is the company's ability to identify and acquire portfolio candidates with development potential and then to develop them in a way that is suitable for the capital market. Then possible exit proceeds can be achieved. In the coming financial year, the sale of publity shares should generate notable proceeds, before new investments in the following years should ensure a strong increase in revenues and earnings.
- We have determined the fair value of Neon Equity AG within the framework of an NAV model and a DCF model. On average, the fair enterprise value we determined is € 432.98 million, which corresponds to a fair value per share of € 10.81

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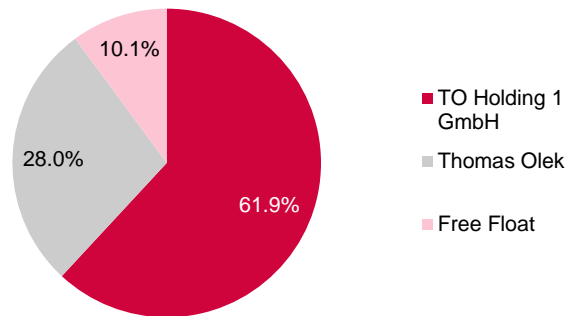
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COMPANY

Shareholder structure

Shareholder	Share
TO Holding 1 GmbH	61.9%
Thomas Olek	28.0%
Free float	10.1%

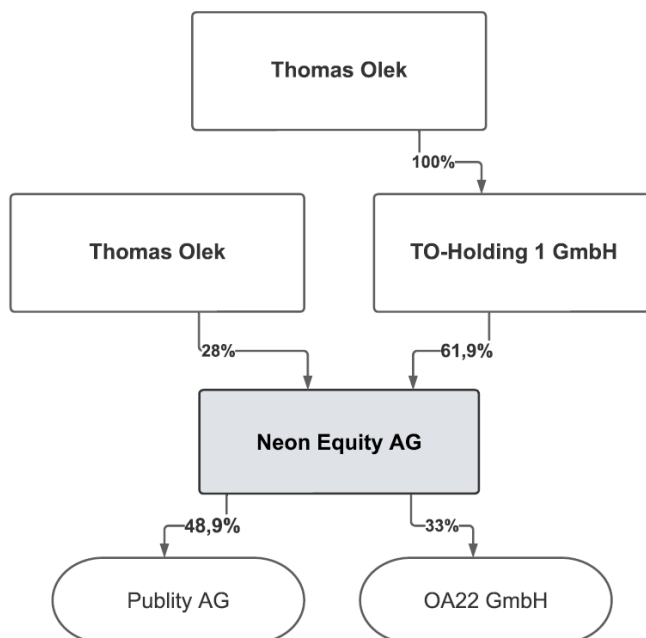
Source: Neon Equity AG (as at: 22.09.2022)



Business activity

In addition to founding new and innovative companies, Neon Equity AG focuses on identifying and ultimately investing in attractive, viable and ESG-compliant companies with a functioning business model from the real estate, consulting and technology sectors (investment focus) in Europe. Within this framework, Neon Equity AG provides its portfolio companies with capital, expertise, know-how and an adequate sector-specific network in order to develop companies operationally and to sustainably increase their respective company value. In addition, the company not only acts as a pure strategic equity investor, but also offers their portfolio companies sound and comprehensive advisory services. The comprehensive range of advisory services includes the construction, structuring and implementation of financing and capital measures on the capital market.

Organisational structure and shareholdings



Sources: Neon Equity AG (as of 18.09.22), GBC AG

Neon Equity AG was created in its current legal form through a change of form from TO-Holding GmbH to a public limited company. This change of legal form was initiated by the then sole shareholder and current Chairman of the Management Board, **Thomas Olek**. From October 2003 until the end of December 2020, Thomas Olek was also Chairman of the Board of Directors of the majority holding pubility AG. Until the respective IPOs, Mr

Olek also acted as Managing Director of Consus AG and as a member of the Management Board of PREOS AG.

At the time of the preparation of the present prospectus, **TO-Holding 1 GmbH** is the main shareholder of Neon Equity AG. In this context, the Chairman of the Board of Neon Equity AG, Mr Thomas Olek, indirectly holds approximately 89% of the shares and voting rights in Neon Equity AG via TO-Holding 1 GmbH, which he controls.

Neon Equity AG's current main holding is 48% of the total shares in **publity AG**, which gives it the status of a majority shareholder. publity AG ("publity") acts both as an asset manager and as a strategic investor, with a sector focus on office real estate. The company covers the core of the value chain in this sector, from the purchase to the development and sale of properties.

Through its majority shareholding in publity AG, Neon Equity AG indirectly holds shares in **PREOS Global Office Real Estate & Technology AG** and **GORE German Office Real Estate AG**.

GORE German Office Real Estate AG ("GORE") is a dynamically growing real estate investor with a focus on office properties in German metropolitan areas.

PREOS Global Office Real Estate & Technology AG ("PREOS") is an active real estate investor focused on office properties. PREOS operates as an efficient management holding company.

In addition, Neon Equity AG directly holds 33% of the shares in **OA22 GmbH** (property company). The corporate purpose of this company includes the trading and management of real estate and properties, the development of construction projects, the renovation and redevelopment of construction projects as well as the acquisition of investors and brokering of financial interests in construction projects.

Management Team

Board of Directors



Thomas Olek

CEO of Neon Equity AG since 2017

Founder and major shareholder of Neon Equity AG

Mr Thomas Olek was born in 1968 in Essen, North Rhine-Westphalia. He has been self-employed since 1991. In the period from 1998 to 2002, he worked as an advisor to the Sächsische Landesbank in close cooperation with the board members at that time. In April 2003, Thomas Olek became the majority shareholder of publity AG, for which he was appointed Chairman of the Management Board from October 2003. At the end of 2020, Mr Olek resigned from his position on the board of publity AG. Since then, Mr Olek has worked as a consultant for the publity group of companies. In addition, Thomas Olek has been a personal member of the "International Bankers Forum (IBF)" since October 2010. Furthermore, from March 2010 to May 2013 he was a member of the executive committee of the "Bundesvereinigung Kreditankauf und Servicing e. V. (BKS)".

In addition to these activities, Mr Olek has also held the position of board member or managing director in various other companies, including those in which Neon Equity AG has invested.



Ole Nixdorff (Master of Arts - Digital Management)

CFO of Neon Equity AG as of 01.01.2023

Mr Ole Nixdorff was born in 1992 in Essen, North Rhine-Westphalia. After graduating from high school, he studied medicine at the Ruhr University in Bochum (10/2011 to 09/2015). Afterwards, Mr. Nixdorff successfully completed a Bachelor of Science in Economics & Business Economics at Maastricht University (NL). This was with a focus on International Business Economics with a Major in Finance. After successfully completing his Bachelor's degree (B. Sc. Economics & Business Economics) in 2018, he successfully completed a Master of Arts with a focus on Digital Management at Teesside University / Hyper Island (07/2019 to 11/2019). The core focus of the course was on Design Thinking, Digital Technologies or Business Transformation. After his academic career, Mr Nixdorff began his career as a consultant at accoda GmbH & Co KG in 2019. In 2020, he was promoted to Senior Consultant. He was mainly responsible for managing strategy and transformation projects for clients in the Sparkassen-Finanzgruppe and the insurance industry. Then, in April 2022, he moved to Kampmann Management Consultants. He is still working here today as a senior consultant. Specifically, he is responsible for the implementation of digitalisation and sales projects in the German banking sector. Mr Nixdorff was appointed Chief Financial Officer of Neon Equity AG. He will take up this position starting on 01.01.2023.

Supervisory Board



Frank Baruth (Dipl. Verwaltungswirt)

Chairman of the Supervisory Board of Neon Equity AG since 22.08.2022

Mr Frank Baruth was born in 1961. After completing his school education, Mr Baruth entered the police service and remained there until he finished his service as a detective chief inspector of the North Rhine-Westphalia Police in 2017. In addition to his police career, Mr Baruth graduated in 1991 with a degree in administration in Wuppertal. From 1999 to 2000, he was a member of the supervisory board of Actior AG (Hamburg). Since 2010, Mr Baruth has also been managing director of DENQ Concept Holding GmbH (Hagen) and, since 2014, managing director of Restart One GmbH (Gelsenkirchen). Mr Baruth focuses in particular on the capital and real estate market as well as on the areas of Web 3.0 and blockchain applications.



Hansjörg Plaggemars (Business Economist)

Deputy Chairman of the Supervisory Board of Neon Equity AG since 22.08.2022

Mr Hansjörg Plaggemars was born in 1970. After graduating with a degree in business administration, Mr Plaggemars first worked at KPMG Corporate Finance from 1995 to 2000, most recently as Deputy Director. Subsequently, Mr Plaggemars worked as CFO for over 14 years in various industries, including software, retail, prefabricated housing and e-commerce. In 2014, he joined Deutsche Balaton AG, a German investment company, and founded his own consultancy, Value Consult, in 2017. In this role, Mr Plaggemars accompanies various special situations, mainly with a capital market orientation, and takes on both managing and non-managing positions in projects. His consultancy Value Consult specialises in the restructuring of shell companies. In addition, Mr Plaggemars holds other board and supervisory mandates.



Michael Huttner (Businessman)

Member of the Supervisory Board of Neon Equity AG since 22.08.2022

Mr Michael Huttner was born in 1968. After his school education, Mr. Huttner started his own business in financial services at the age of 19 and can now look back on 34 years of experience in this industry. After many years of sales experience, he founded Procept GmbH in 2002, with a focus on personnel placement in the banking and insurance sectors. Here he placed over 1,000 consultants, agents and bank employees in new positions. Since July 2021, he has been a board member of FI Procept AG, a bancassurance company that established itself among the top 30 in the industry in its first year under his leadership.

Business activity and strategic orientation

Company history at a glance

Year	Event
2012	Entry of Consus GmbH in the Commercial Register of the Leipzig District Court.
2013	Acquisition of the majority stake in publity AG.
2015	IPO of the majority shareholding - publity AG - and listing on the Open Market of the Frankfurt Stock Exchange. (Market capitalisation on the day of listing was € 142.5 million)
2016	Merger of Capitale GmbH into Consus GmbH.
2016	Acquisition of Consus Reals Estate AG ("Consus AG").
2017	Change of the company's name to TO-Holding GmbH (formerly: Consus GmbH).
2017	Transfer of the company's registered office from Leipzig to Frankfurt am Main.
2017	Consus AG's IPO resulted in a market capitalisation of around € 363 million on the day of listing.
2017	Contribution of publity AG's real estate portfolio to PREOS Global Office Real Estate & Technology AG ("PREOS AG") by way of a capital increase against contribution in kind. Publity AG becomes majority shareholder of PREOS AG.
2018	IPO of PREOS AG on the Regulated Unofficial Market of the Munich Stock Exchange. (Market capitalisation on the day of listing in the amount of € 158.4 million)
2019	Entry of TO-Holding GmbH as a strategic investor in GORE German Office Real Estate AG ("GORE AG")
2019	Merger of TO-Holding GmbH with Olek Holding GmbH with registered office in Frankfurt am Main.
2019	IPO of GORE AG , which resulted in a market capitalisation of approximately € 93.31 million on the day of listing.
2020	Further merger of TO-Holding GmbH with FORE AG based in Leipzig.
2021	Final merger of TO-Holding GmbH with TO-Holding 1 GmbH.
2022	Change of legal form of TO-Holding GmbH into Neon Equity AG

Source: Neon Equity AG

Business model

Neon Equity AG participates as a strategic investor in companies or founds new innovative companies with future potential. This is done with the strategic objective of sustainably increasing the enterprise value of the respective portfolio company through the stringent implementation of a capital market-oriented development strategy. In this context, Neon Equity AG essentially generates revenues from various recurring as well as non-recurring sources of income. On the one hand, these consist of dividend payments from the portfolio companies. On the other hand, revenues are generated for consulting services rendered. In addition, the company generates income from interest payments through the provision of debt capital in the context of subscribing to debt capital issues (bonds) of the portfolio companies. Neon Equity AG generates a large part of its revenues from the realisation of increases in the value of the portfolio companies in the course of exit transactions.

Neon Equity AG provides its portfolio companies not only with capital but also with expertise, extensive industry know-how and an adequate industry-specific network. Their investment focus comprises three relevant investment markets: real estate, consulting and technology. In addition, Neon Equity AG not only acts as a purely strategic equity investor, but also offers the portfolio companies sound consulting services. The range of services includes the construction, structuring and implementation of financing and capital measures on the capital market. In this context, the identification and selection of potential target

companies for the investment portfolio is an essential part of the corporate strategy. The country focus of the target companies is on Europe.

Portfolio Structure - Identification & Participation Criteria

The fungibility and availability of company shares play an essential role in the identification of potential target companies. In this context, Neon Equity AG can draw on a competent and comprehensive network consisting of commercial and investment banks, institutional investors or transaction advisors in the course of the identification process. Based on the stringent participation and investment model, it is important that the target companies meet the company's proprietary investment criteria. Overall, the investment focus is on small-to-medium-sized companies headquartered in Europe. In principle, the financing structure of the target companies should consist of a financing mix of equity and debt. In doing so, Neon Equity AG has a long-term investment horizon.

The main investment criteria of Neon Equity AG in the course of the investment decision are presented below:

- Headquarters in Europe
- Company size: small-to-medium-sized enterprises
- Company with a fast growth approach
- Capital market viability not yet given or not fully given
- Prospective capital market viability of the companies

As part of the implementation of a fully comprehensive investment and advisory approach, the company develops comprehensive and integrated capital market concepts for the portfolio companies with a focus on IPOs, investments and growth.

Initial public offerings (IPOs)

In the area of IPOs, the company supports the portfolio companies with corporate financing and with the development of sound concepts for their introduction to the capital market. For this purpose, the portfolio companies are accompanied, for example, in the preparation of classic IPOs, shell transactions (SPAC transactions) or in the listing process. Accordingly, Neon Equity AG evaluates the status quo of the partners or target companies and examines their capital market viability as well as their respective growth strategy derived from this. In this regard, the company has an experienced team of experts with extensive know-how on the relevant topics in the context of an equity-based capital market issue.

The company focus in the course of the investment process is on identifying qualitative, viable and above all ESG-compliant companies with attractive future potential. These companies should then provide a significant long-term and sustainable increase in shareholder value, which should have a positive impact on securities transaction turnover and ultimately on the revenue streams of Neon Equity AG. The company has an extraordinary track record in this regard. To date, Neon Equity AG has already supported IPOs with a total market capitalisation of € 902 million as a shareholder, advisor or activist investor.

Excerpt from the IPOs we have supported

Date	Market capitalisation at the time of listing	Company
02.04.2015	€ 142,500,000	Publity AG
13.04.2017	€ 363,000,000	Preos Global Office Real Estate & Technology AG
20.12.2018	€ 158,400,000	Preos Global Office Real Estate & Technologie AG
13.12.2019	€ 93,310,000	GORE German Office Real Estate AG
10.12.2021	€ 145,000,000	EasyMotionSkin Tec AG

Source: Neon Equity AG

Investments

In the Investments business area, Neon Equity AG develops financial concepts using capital market infrastructures. The company's product range includes capital market measures, the issuance of classic corporate bonds or convertible bonds, cash or non-cash capital increases as well as innovative and novel blockchain-based products. As part of its advisory services, Neon Equity AG covers, for example, the structuring of securities issues, the brokering and approaching of investors or the structuring and support of exit processes. The company's advisory services have so far been provided exclusively to portfolio companies; in the future, third-party companies are also to take advantage of the advisory services.

Track Record - Bonds and Convertible Bonds

Date	Volume	Company	Type of bond
13.11.2015	€ 50,000,000	Publity AG	Convertible bond
03.05.2019	€ 400,000,000	Consus AG	Convertible bond
15.11.2019	€ 219,400,000	Preos Global Office Real Estate & Technology AG	Convertible bond
29.05.2020	€ 100,000,000	Publity AG	Bond

Source: Neon Equity AG

Since the company was founded, Neon Equity AG has assisted its portfolio companies in issuing convertible bonds as well as a corporate bond with a total volume of € 769.4 million.

Growth (Growth)

The Growth division deals with the commissioning and preparation of equity analyses and research studies and the coordination of investor acquisition. In addition, Neon Equity AG provides its portfolio companies with extensive access to industry experts and investors. Furthermore, Neon Equity AG is concerned with orienting the portfolio companies towards the future and accordingly making the respective business models more efficient and resilient. Specifically, blockchain technologies or big data applications are implemented in the company processes in order to simplify processes and achieve efficiency increases in operational development. In this context, the company has already actively implemented a successful tokenisation of shares in a portfolio company.

Extract of innovative capital market transactions - tokenisation of securities

Date	Created volume	Transaction	Company
24.11.2020	€ 231,500,000	Creation of blockchain-based tokens	Preos Global Office Real Estate & Technology AG

Source: Neon Equity AG

MARKET AND MARKET ENVIRONMENT

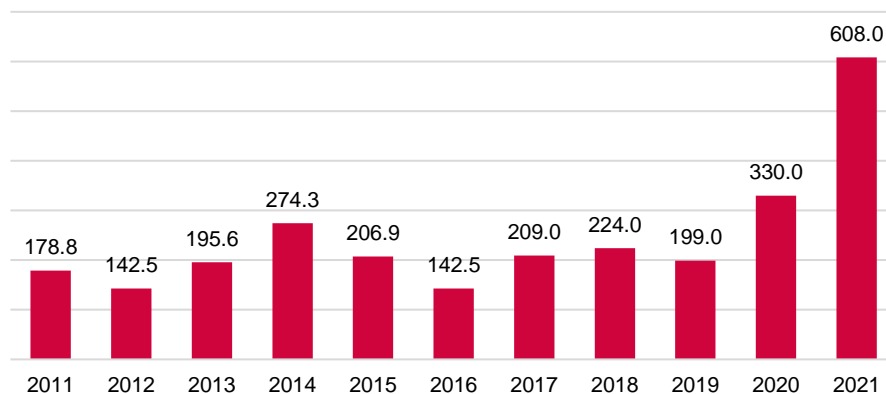
Neon Equity AG's investment model focuses on the investment markets of real estate, consulting and innovative technologies. Specifically, the company develops, accompanies and invests in corporate issues in the form of IPOs, debt issues or securitisations. In this context, the development of the capital markets represents an essential component of the orientation of the business activities. In addition, the company's investment behaviour depends on the investment and market situation of the individual investment markets of real estate, consulting and technology.

Development of the emissions markets

Global Emissions Market 2022

The global IPO issuance market is both dynamic and volatile. The size of the issuing volumes and the number of issuing activities (number of IPOs) depend on the willingness to invest and thus the liquidity of investors, but also on the general economic situation. In 2021, the issuing volume of total IPOs worldwide amounted to approximately 608 billion US dollars (previous year 2020: € 330.0 billion). Thus, 2021 has become an absolute record year in terms of issuing volume and issuing activities.

Issue volume of global IPOs from 2011 to 2021 (in billions of US dollars)



Sources: statista; GBC AG

However, the initial upswing from the record year 2021 for IPOs has been lost in 2022 in the face of increasing market volatility. Geopolitical tensions and unfavourable macroeconomic factors have played a significant role in this. This has led to a weaker development on the stock market and consequently a lower valuation of company values. In this context, according to this year's EY IPO Report Q3 2022, a total of 992 (previous year: 1,773) IPOs with an issue volume of USD 146 billion (previous year: USD 341.7 billion) have been carried out worldwide over the year to date, which corresponds to a decline of 57% in terms of volume.

In the course of the tightening of market liquidity, investors have become more selective and are once again focusing on companies that have robust business models and profitable growth and at the same time pursue ESG-compatible corporate strategies. This trend is continuing on the international capital markets, despite declining volumes: especially among larger investors, companies and financial instruments such as green bonds or ESG-linked loans are increasingly preferred and thus sustainability aspects are taken into account in the investment project. In this context, a high inflow of capital is expected for

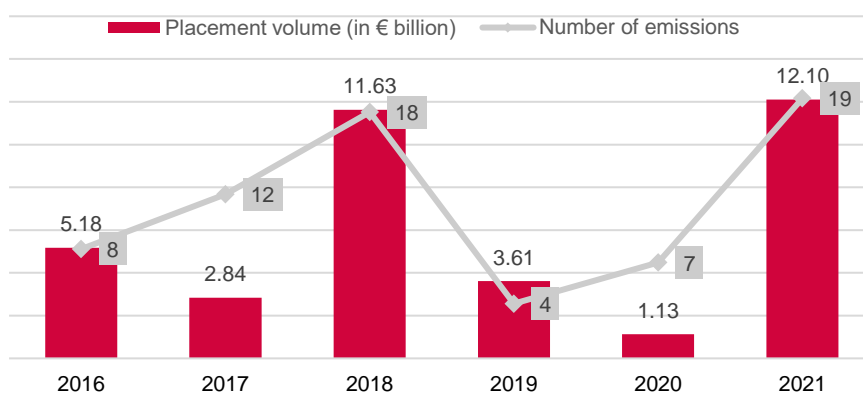
ESG-compliant companies or financial products in the course of increased regulation of the capital market with regard to sustainability.

The technology sector continues to be one of the leading sectors in IPO activity in terms of the number of IPOs completed, although the average deal size has declined from \$261m to \$123m due to market uncertainty. In contrast, the energy sector saw the largest increase in proceeds, up 176%, largely due to three of the five largest IPOs in 2022. The consumer goods sector shows the most significant decline in average deal size (-69 %).

Issuing market - Germany

A similar picture emerges in Germany, where a boom in new issues was recorded in 2018 and 2021. In these years, new record levels were reached in terms of placement volume, which also indicates, among other things, a high willingness to invest on the part of market participants. This is also related to flourishing corporate developments and share prices. Obviously, however, 2022 is unlikely to match the success of the previous year due to changed market conditions. A restraint and uncertainty among capital market players can be observed.

Placement volume and number of new issues on the Frankfurt primary market



Sources: Primary market statistics Deutsche Börse; GBC AG

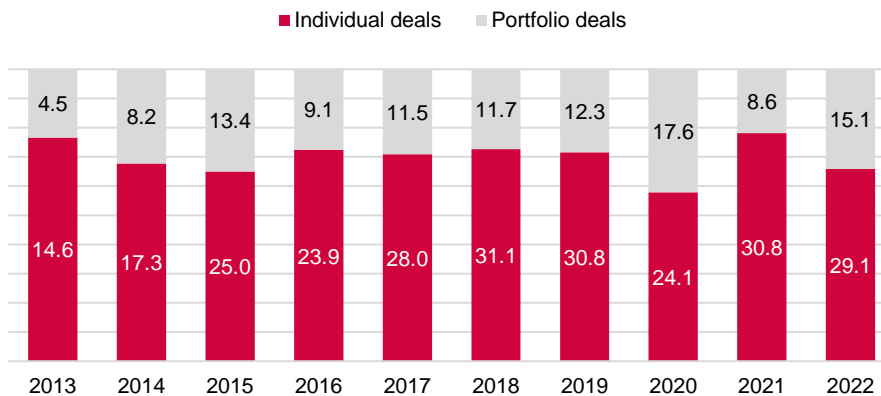
This year's PwC market analysis on Germany's issuance market shows that a difficult market environment has severely slowed the pace of growth and issuance activity, particularly in the areas of IPOs, capital increases and debt issuances. Specifically, galloping inflation, rising energy and procurement prices, global supply chain disruptions and geopolitical tensions are causing a massive downturn in international stock markets. By 31 October 2022, the Frankfurt Stock Exchange had registered a total of only four new issues or private placements (previous year: 17) with a placement volume totalling € 9.3 billion (previous year: € 12.06 billion). The IPO of Dr. Ing. h.c. F. Porsche AG was a particularly large-volume issue. Measured by the issue volume of € 9.4 billion or US \$9.1 billion, the Porsche IPO is by far the largest IPO worldwide in the third quarter and the second largest in the year to date. Adjusted for this IPO, however, new issue activity would have come to a virtual standstill.

Ultimately, it can be stated that a large number of potential IPOs have postponed or completely cancelled their issuing activities due to the uncertain overall market situation in conjunction with cautious market participants. Consequently, the pipeline of future IPOs is at a high level and in the course of a stabilising market situation, increased capital market transactions or debt capital issues are expected again. This is assuming that the overall market situation calms down again.

Investment market - Real estate industry

At the end of the first three quarters of 2022 (nine-month view), total commercial investment in the German real estate sector amounted to € 44.2bn (previous year's period 2021: € 39.46bn). This corresponds to an increase of +12% compared to the same period of the previous year 2021. In this context, the total investment volume thus exceeds the 10-year average by +31%. The record result is due in particular to a strong inflow of capital in the real estate sector from the first quarter of 2022. With investment turnover of a good € 19.7 billion, not only was the previous year's figure almost doubled, but a new record was also set for the first quarter.

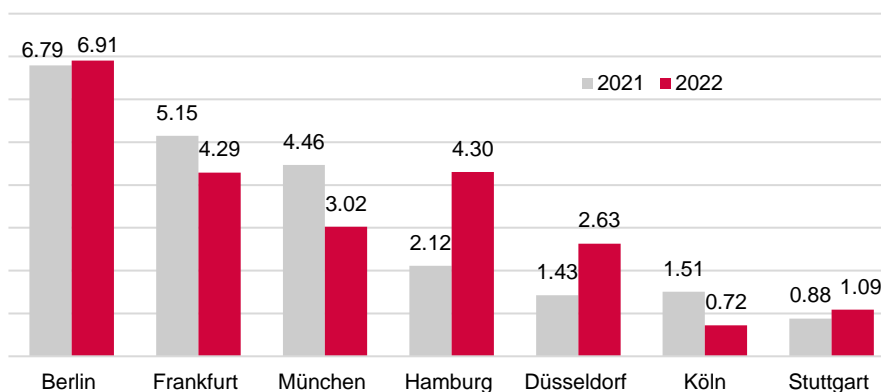
Investments in the German real estate market (in € billion)



Sources: BNP Paribas Real Estate GmbH (as at 30.09.2022); GBC AG

Individual deals accounted for the majority (2/3) of total commercial investments (€ 29.1 billion). Portfolio turnover increased by 75% to € 15.1 billion due to numerous, high-priced corporate investments. This happened despite significantly changed general conditions. In particular, the significant rise in interest rates and the weakening economy, combined with the sharp rise in energy costs, are slowing down the investment markets. The current market environment is thus clearly different from previous years, which were characterised by many exceptionally good results.

Investments in the A-locations in Q3 2022 (in € billion)



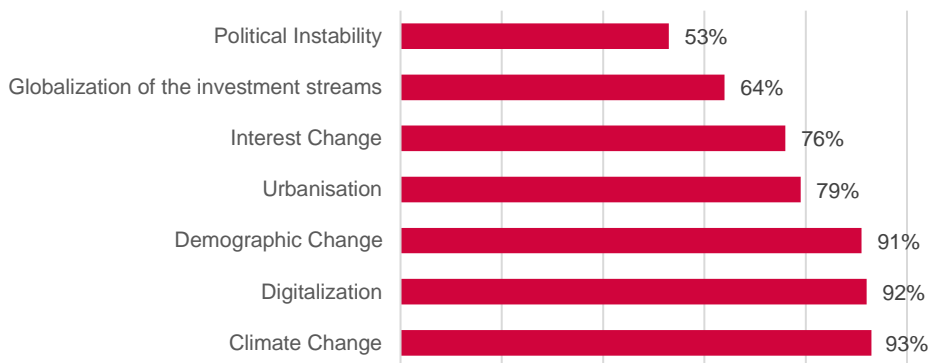
Source: BNP Paribas Real Estate GmbH (as at 30.09.2022)

In German A-locations such as Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart, a total investment volume of € 22.97bn was recorded in the third quarter of 2022. The transaction volume is thus slightly above the previous year's level (2021: € 22.33 billion) and at the same time above the average level of the last ten years. By far

the largest investment volume of € 6.91 billion (previous year: € 6.76 billion) was again realised in the important real estate location of Berlin.

The German real estate market has undergone a highly dynamic development in recent years. The demand for housing is growing, driven by factors such as urbanisation, new-work trends in the wake of the corona pandemic and an increasingly scarce supply. Consequently, the real estate sector is in an ongoing evolutionary process, which is characterised by numerous trends such as digitalisation (smart home), urbanisation and an increasing consideration of sustainability aspects (sustainable construction).

Presentation of the market trends that will most influence the German real estate market in the next 5 to 10 years



Sources: EY - Trend Barometer Real Estate Investment Market 2022; GBC AG

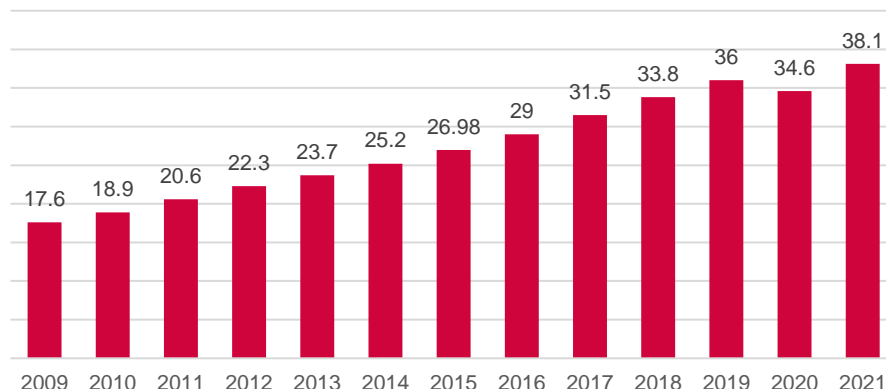
As part of this year's EY Trendbarometer in relation to the real estate investment market in 2022, a survey was conducted on the topic of megatrends regarding the future development of the German real estate market. Specifically, the survey asked about the megatrends that will have the greatest influence on the real estate market in Germany over the next five to ten years. Compared to the previous year, it is clear that, in addition to increasing digitalisation, the focus is particularly on climate change. 93% of respondents assume that climate change (keyword ESG compliance) will have a lasting impact on the real estate sector (previous year: 82% of respondents).

The survey also shows that interest rate developments will become a relevant factor in the coming years. Compared to the previous year, the approval rate has risen from 64% to 76%, which clearly shows that interest rate developments are once again becoming more relevant for investment decisions in the real estate market in the course of continuous interest rate increases by central banks.

Investment market - Consulting

The management and HR consulting industry in particular has undergone impressive market development in recent years. With the exception of a few years, the consulting industry in Germany has shown strong growth rates. Ever faster intervals of change - often caused by technological development steps - demand a constant and at the same time high degree of readiness to adapt from companies and the administrative apparatus. Simultaneously, the consulting sector itself is also affected by changes and thus represents a dynamic market segment. Overall, the consulting sector is an attractive growth market. Between 2010 and 2021, market growth in the consulting sector shows a compound annual growth rate (CAGR) of 7.3%.

Turnover development of the consulting industry in Germany (in € billion)



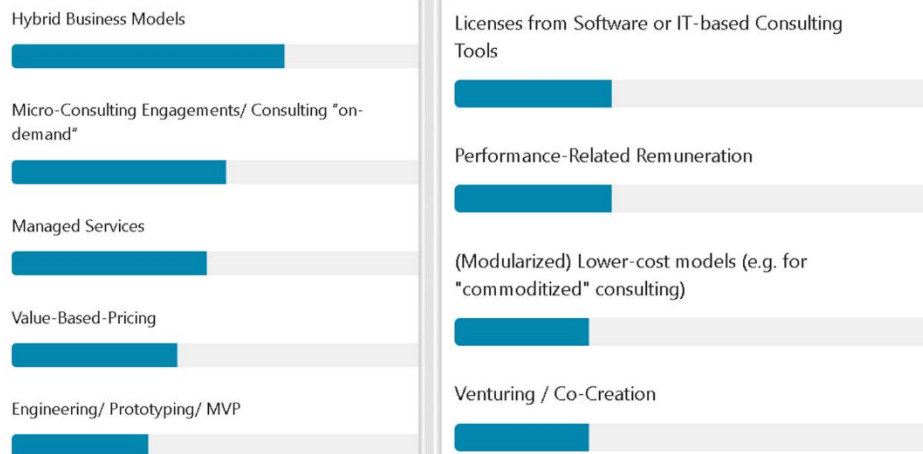
Sources: BDU; Statista

In the full year 2021, the consulting industry in Germany developed positively again after the pandemic shock. Total turnover in the 2021 financial year increased to € 38.1 billion (previous year: € 34.6 billion) and the losses of the first pandemic year 2020 were more than made up for with a significant market growth of 10.3%. This is the result of the BDU market study on the consulting market 2022. Within the framework of the annually conducted BDU market study "Facts & Figures on the Consulting Market 2022", around 400 consulting companies of all sizes from the entire consulting sector with a total turnover of around € 3.2 billion were surveyed in the survey period from the beginning of January to the beginning of February 2022. Last year, this sector was still one of the three weakest growth demand sectors. The consultants continue to expect positive business impulses in the course of the consulting business. These should come in particular from the health care sector, the public sector and the largest client sector, the insurance industry (+11.5% each). According to the results of a flash survey conducted by the BDU after the outbreak of war in Ukraine, the growth forecast for 2022 remains at a high level with a plus of 10.5%.

Increasing digitalisation also leads to continuous development and adaptation to new market trends in the consulting market. Specifically, hybrid consulting services and consulting-on-demand will play an increasingly important role in the portfolio of management consultancies in the future. This is the result of the survey "Consulting Market Trends" by the Swiss Cardea AG, in cooperation with the Rotterdam School of Management / Erasmus University, in which consulting clients as well as consulting firms mainly from the DACH region participated (approximately 130 persons in total). The study shows that both the differentiation and the visibility of advisory competences can be improved. According to the study, clients are particularly interested in innovative and flexible offers that reduce project runtimes, risks and costs.

In the development of new business models, management consultancies have focused on hybrid approaches such as micro-consulting and managed services over the past five years. Furthermore, the study shows that the industry has responded to this demand and adapted the business model accordingly. When asked what new business models have been introduced in the past five years, 51% mention hybrid-consulting models, 40% now offer micro-consulting or consulting-on-demand, 36% have added managed services to their portfolio and 31% have introduced value-based pricing.

New business models in guidance developed in the last 5 years



Source: Cardea AG "Consulting Market Trends"

In the course of implementing hybrid approaches in the business model, the traditional consulting business was successively expanded to include facets such as consulting-on-demand solutions, microconsulting and licence-based services. This adaptation is essential for the consulting business today and especially in the future.

The majority (90%) of consulting firms surveyed indicated that they have already invested in digital tools to enhance their business and service models. Similarly, the survey on consulting trends shows that around 60% of clients have not yet used digital consulting tools for the collaboration and conceptualisation phases. However, they would consider doing so in the future.

Networks and recommendations are the status quo in the guidance business for finding guidance practitioners. More than three quarters of the clients (77%) indicated this as their first or second source. In this context, 40% fall back on preferred suppliers or already known or renowned consulting firms.

Overall, it should be noted that the industry continues to be affected by uncertainty factors such as the corona pandemic, the war in Ukraine and the uncertain overall economic situation. Nevertheless, the demand for advice in all sectors is expected to remain at a high level in the future. The holistic demands on business and industry for sustainability are thus developing into a further growth driver for consulting demand. However, digitalisation topics also remain on the clients' agenda as a result of technological developments and innovations.

Investment market - technologies

Technologies such as data analytics, artificial intelligence or the Industrial Internet of Things (IIoT) are becoming increasingly relevant for companies to build up competitive advantages and maintain competitiveness. As a result, IT's contribution to value creation is increasing. However, it is by no means just about the technical implementation of individual software solutions and the adaptation of business processes. A comprehensive, holistic integration of digitalisation into the business model encompasses the entire corporate organisation, the corporate philosophy and strategic orientation. It is therefore not a matter of developing individual solutions in the individual departments, but of breaking down silo structures, looking at processes "end to end", using new measurement metrics and incentivisation tools, and ultimately viewing digitalisation as the core of business.

Well-known megatrends from the technology sector include 5G, the Internet of Things, analytics and artificial intelligence (AI), as well as new "as a service" business models (XaaS).

In addition, the software industry is increasingly advancing as an essential link to enable competition, which is still in its early stages, with disruptive and performance-enhancing technological advances. This process is driven by several, partly-interacting and overlapping waves of innovation. These are related, for example, to the provision of data in the cloud, nationwide deployment of 5G mobile communications, the expansion of the Internet of Things, the expanded application of artificial intelligence, quantum computing and developments in augmented reality (AR) and virtual reality (VR).

According to the industry association Bitkom e.V., spending on information technology, telecommunications and consumer electronics will increase by 4.3% in the current year compared to 2021 and is expected to reach a total volume of 189.4 billion euros.

In information technology, turnover of € 113 billion is expected for 2022 - this is a growth of 6.7% compared to 2021. Expenditure on software will record its largest growth in this segment with an expected 8.8% increase to € 32.4 billion. With a volume of € 43.6 billion, IT services will still account for the largest share of the IT market in 2022 (+3.7%), ahead of IT hardware. Expenditure on IT hardware will rise by 6.7% to € 37.0 billion in the current year.

Companies with software as a service (SaaS) revenues and, thus, recurring revenues grew much more dynamically than one-off revenues from software integration, especially in the recent past. Software that is integrated into IT landscapes and processes on site with a corresponding cloud connection and with which the use or (partial) outsourcing to external servers or the cloud is associated is likely to continue to enjoy strong demand.

Neon Equity's investment model focuses on the investment markets of real estate, consulting and innovative technologies. Accordingly, the investment company's investment focus is on high-growth and innovative industries. This enables the activist equity investor to participate in future prospering market segment developments through experienced investments in companies from the focus sectors and thus enabling it to generate significant returns from the investments.

HISTORICAL DEVELOPMENT OF THE COMPANY

Historical P&L ratios 2016 - 2021

in EUR m	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	0.00	0.06	0.00	0.60	1.89	0.50
Other operating income	70.53	83.25	13.67	69.77	56.15	8.32
Income from participations	2.32	6.62	4.23	6.73	0.00	0.00
Income from securities/interest income	0.85	0.90	0.41	0.18	0.87	3.07
Total earnings	78.00	88.44	14.08	77.27	58.91	11.89
Operational costs	-6.58	-6.21	-3.08	-3.90	-11.75	-4.97
Interest expense	-0.41	-0.25	-1.35	-0.95	-3.69	-0.16
Net profit for the year	70.41	81.07	9.65	72.33	42.80	6.72

Sources: Neon Equity AG; GBC AG

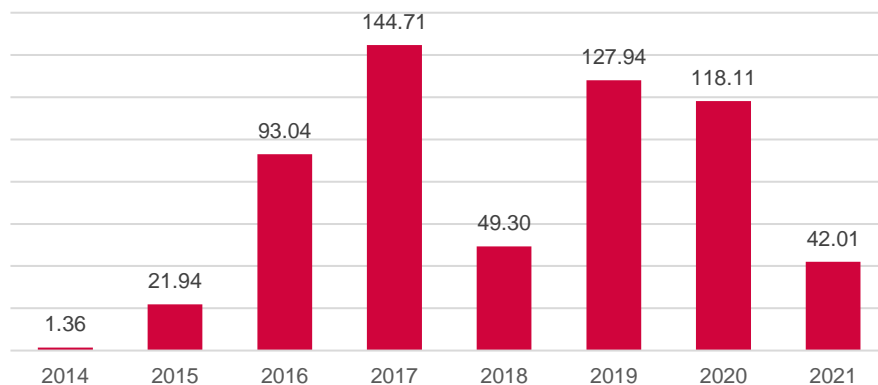
As is usual for investment companies, the earnings and result picture of Neon Equity AG is subject to high volatility. This is due in particular to the exit transactions carried out over the past few financial years, which have led to strong fluctuations in earnings year-on-year. Basically, the company's income can be divided into the following revenue sources:

- **Revenues:** revenues include advisory services to the portfolio companies. Consulting services are related to the development of the portfolio companies' capital market-ready development and the raising of capital (IPO, capital increase, bond issue). As a rule, consultancy agreements are concluded with all portfolio companies.
- **Other operating income:** in the past few business years, the majority of the NEON income was included here, as this is income from the sale of securities held. In this income item, the sales of shares are shown net, which means that the book values disposed of are taken into account here. In addition, write-ups on the shareholdings held are also reported here.
- **Income from investments/securities/interest income:** to the extent that the issuer provides debt capital to the portfolio companies, interest income is generated. For example, Neon Equity AG is the largest investor in pubity AG's 5.5% interest-bearing corporate bond. The company currently holds bonds with a nominal value of € 60.00 million.

Development of total revenues 2016 - 2021

Since the company was founded, Neon Equity AG has, according to its own information, carried out exit transactions with a total volume of € 598.40 million. These are the gross proceeds from the sale of securities, which are divided among the individual financial years as follows:

Exit transactions - gross (in € million)



Sources: Neon Equity AG; GBC AG

The basis for these exit proceeds is the investment activity implemented to date. After the company acquired publity AG from the majority shareholder Thomas Olek in 2013, various investments were made and sold in the following financial years. Following publity AG's IPO in the 2015 financial year, during which the first exit proceeds were generated, Neon Equity AG supported publity AG in building up a real estate portfolio from the 2017 financial year onwards.

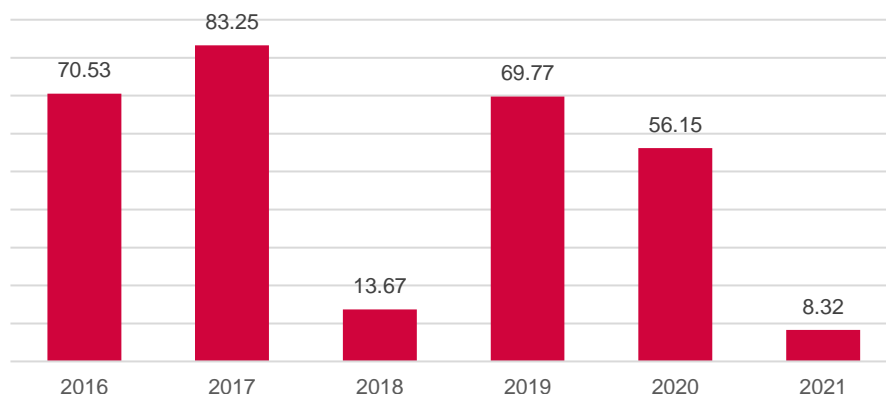
In the 2018 financial year, Neon Equity AG acquired PREOS AG and built it up into an office property portfolio holder with an injection of equity. Following the IPO of PREOS AG in 2018, publity AG contributed its real estate portfolio to PREOS AG in the 2019 financial year as part of a capital increase through contributions in kind. As part of this transaction, Neon Equity AG had contributed its shares in PREOS AG to publity AG, thereby expanding its stake in publity AG and making PREOS AG a subsidiary of publity AG.

Neon Equity AG also joined GORE AG as a strategic investor in the 2019 financial year and benefited from the company's successful IPO at the end of 2019. After PREOS AG contributed its portfolio of smaller commercial properties to GORE AG as part of a capital increase through contributions in kind in the 2020 financial year, Neon Equity AG had successively reduced its direct shareholding in GORE AG by mid-2020.

The exit income presented above also relates to the investment in Consus Real Estate AG, which Neon Equity AG had already acquired in the 2016 financial year. In 2017, Consus AG went public and in the course of the 2017 financial year Neon Equity AG sold its Consus share to a major investor, which explains the high exit transactions in the 2017 financial year.

The transactions presented were thus mainly responsible for the development of net income from the sale of securities, which is included in other operating income, which in turn is predominantly responsible for the earnings situation of Neon Equity AG.

Development of other operating income (in € million)

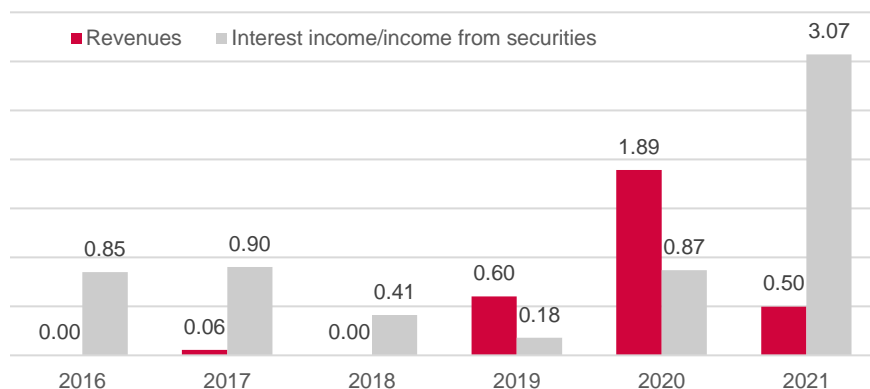


Sources: Neon Equity AG; GBC AG

To a much lesser extent, the company reports revenues from consulting services, which currently only include revenues from the consulting agreement with publicity AG. These comprise a lump-sum remuneration of € 0.36 million per year.

In addition, income from securities and interest income increased significantly to € 3.07 million in the past financial year, after no significant income was reported from this in previous years. This relates in particular to interest income from the publicity bond, in which Neon Equity AG holds shares with a nominal value of € 60.00 million.

Turnover and income from securities (in € million)



Source: Neon Equity AG; GBC AG

Earnings development 2016 - 2021

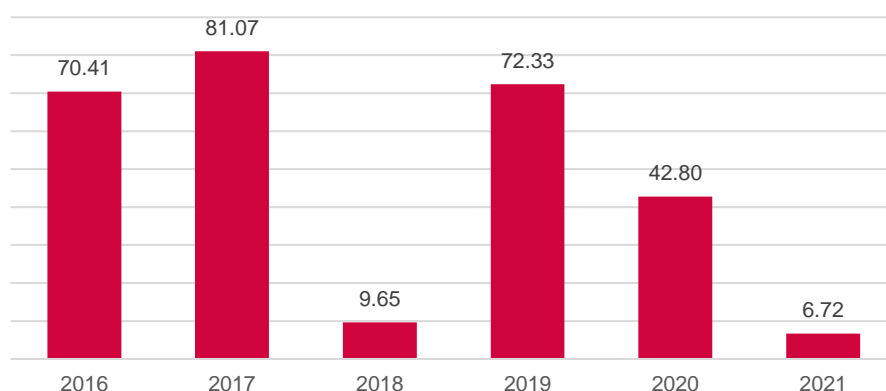
As Neon Equity AG has a lean cost structure overall, the company's total income is largely reflected in the after-tax result. The main cost block consists of other operating expenses, most of which are variable. In addition to losses from the sale of securities or write-downs on securities, this item also includes sales commissions, for example. This shows that this cost item is partly dependent on the transaction proceeds, although the cost ratio fluctuates greatly.

Financing of the new investments was primarily covered by the exit proceeds, which is also the reason why Neon Equity AG does not usually need to call on outside capital financing. Only in the 2020 financial year did Neon Equity AG have recourse to bank loans in the amount of € 10.15 million, but these have since been repaid in full.

In view of the loan utilisation in the 2020 financial year, unusually high interest expenses of € 3.69 million were incurred in that financial year. In the past financial year 2021, these were significantly reduced to € 0.16 million after the loan repayment. In the period from 2016 to 2021, annual financial expenses averaged € 1.13 million.

With regard to the tax expense, there is a special feature to be noted at Neon Equity AG. According to the company, 95% of the capital gains from the sale of shares are tax-exempt in accordance with §8b of the German Corporation Tax Act (KStG). This is evident from the very low tax expense reported by the company to date. With a pre-tax result of € 6.89 million, tax expenses of only € 0.04 million were reported in 2021. The picture is similar for the previous financial years.

Development of the after-tax result (in € million)



Sources: Neon Equity AG; GBC AG

Although the after-tax result is highly volatile, analogous to the high fluctuations in income from the sale of securities, Neon Equity AG has always been able to generate a positive net profit since the company was founded. On a cumulative basis, the company has generated net income of almost € 300 million (€ 297.45 million) between 2014 and 2021, based on a cumulative total volume in exit transactions of € 605.97 million. Up to now, the entire annual profit has been retained; in the future, dividend distributions could be included.

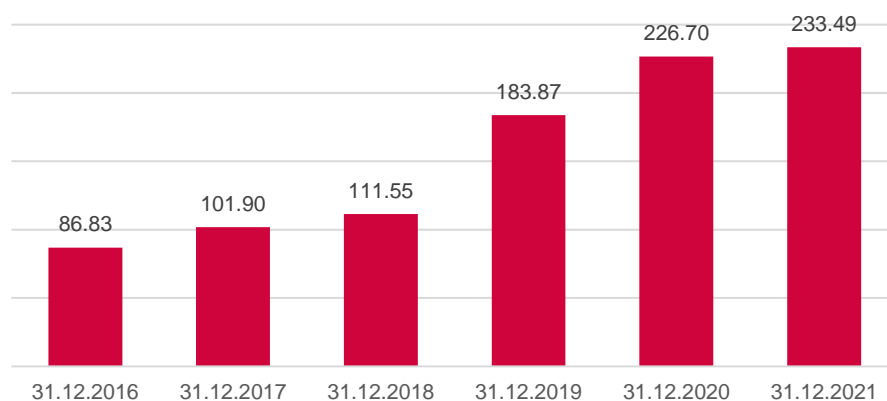
Historical development of the balance sheet ratios

in € m	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Equity	86.83	101.90	111.55	183.87	226.70	233.49
Shares in affiliated companies	20.26	0.12	54.46	130.97	149.85	141.36
Securities held as fixed assets	0.00	0.00	0.00	19.75	40.91	56.29
Cash and cash equivalents	33.22	51.75	3.89	5.93	8.86	7.51
Other assets	33.68	80.61	58.59	45.94	24.99	28.93
Liabilities to credit institutions	0.00	0.03	0.00	0.00	10.15	0.00

Sources: Neon Equity AG; GBC AG

The retention of annual profits has led to a continuous increase in equity to € 233.49 million. This largely corresponds to the annual net profit of € 297.45 million accumulated since the company was founded. Only in the 2017 financial year was a profit distribution made, which led to a smaller increase in equity compared to the after-tax result.

Equity (in € million)

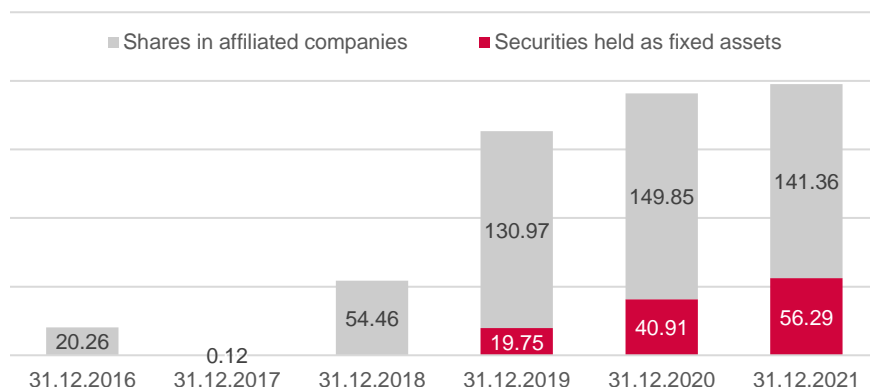


Sources: Neon Equity AG; GBC AG

It is also worth mentioning that Neon Equity AG has so far only used borrowed capital to a very limited extent. Only as of 31.12.2020 does the NEON balance sheet show bank liabilities in the amount of € 10.15 million. Therefore, Neon Equity AG has a high equity ratio typical for investment companies. Since the company was founded, this has averaged 90.6%, and at the end of 2021 (31.12.2021) it was even 99.6%.

The assets of Neon Equity AG on the assets side of the balance sheet consist in particular of the shares in affiliated companies and the securities held as fixed assets. The shares in affiliated companies in the amount of € 141.36 million as of 31 December 2021 are the direct investments in publyty AG and OA22 GmbH. The securities held as fixed assets in the amount of € 56.29 million are the corporate bonds held for the 5.5% corporate bond of publyty AG. Even though Neon Equity AG has successfully carried out exit transactions over the past financial years, new investments, which in turn were developed and floated on the stock exchange or sold to investors, have led to a gradual increase in the securities held.

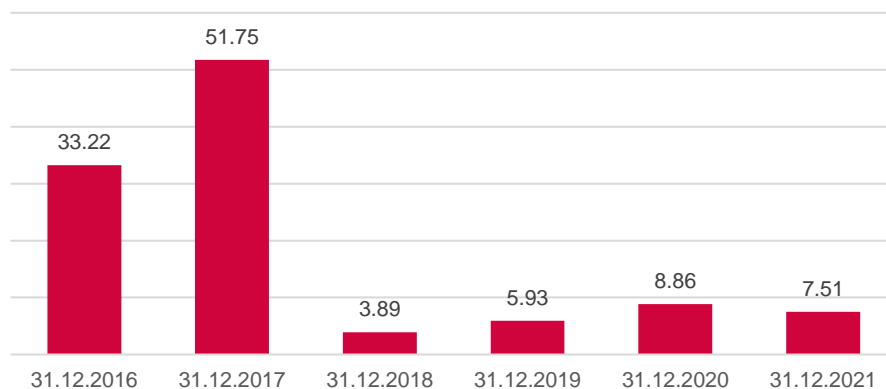
Participations and securities held as fixed assets (in € million)



Sources: Neon Equity AG; GBC AG

The development of liquid funds is directly related to the sale of securities and entry into new portfolio companies. Accordingly, for example, in the course of the high sales of securities, the liquidity balance at the end of the 2017 financial year was € 51.75 million. However, as the company has a high investment ratio as at 31 December 2021, it has a liquidity balance of € 7.51 million. The outstanding shareholder loans must be added here, which amounted to € 21.63 million as at 31.12.2021, but which are to be repaid at the end of the financial year 2022. In this respect, the company has sufficient flexibility to take advantage of further investment opportunities.

Liquid funds (in € million)



Sources: Neon Equity AG; GBC AG

SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Experienced management with extensive know-how in the capital market-ready development of companies. • As of 31 December 2021, the company has assets of € 234.09 million and equity of € 233.49 million. • Since the company was founded, Neon Equity AG has always reported a positive after-tax result. • With liquid funds of € 7.51 million and outstanding shareholder loans of € 21.63 million, investment opportunities can be taken advantage of flexibly. • The majority of capital gains are tax-exempt under §8b KStG. • The company has lean cost structures. 	<ul style="list-style-type: none"> • The financial assets consist almost entirely of securities of publity AG. There is a strong dependence on the operating performance of publity AG. • Neon Equity AG's earnings picture is predominantly made up of volatile disposal proceeds. • Following the listing, the free float of the Neon share is likely to be at a low level. • The development of the company's earnings depends heavily on capital market developments and thus on external influencing factors.
Opportunities	Risks
<ul style="list-style-type: none"> • Both the publity shares and the publity bonds held by Neon Equity AG are accompanied by high hidden reserves. • The real estate, consulting and technology markets addressed by the company offer high growth opportunities. • Companies in the pre-IPO phase usually have significantly higher valuation potentials than already listed companies. • According to the company, there are currently eight potential candidates under closer examination for inclusion in the portfolio. • publity AG is currently trading well below its own NAV. There is still upside potential here. Target price according to GBC: € 46.50. 	<ul style="list-style-type: none"> • Future development depends heavily on the ability to identify and attract new pre-IPO investments. • Capital market environment has a significant impact on the planned IPOs or on the performance of the investments. • We have assumed the issuance of NEON bonds to finance the portfolio expansion. The success of the issue is essential for the forecasts to materialise. • Due to the dependence on the major shareholder Thomas Olek, there is a key person risk. • The sale of publity shares could not take place at the desired price and thus not contribute to earnings.

FORECASTS AND MODEL ASSUMPTIONS

Corporate strategy as the basis for GBC forecasts

Identification of potential target companies

According to its own presentation, the future development of Neon Equity AG is primarily based on the planned further development of an investment portfolio. The portfolio candidates should be companies that are not yet fully ready for the capital market, but which can prospectively be developed into IPO candidates within a short period of time. High-quality companies that adhere to ESG criteria and are in a growth phase are considered as target companies, which makes an IPO possible in the years immediately following the NEON investment. A special sector focus is on the real estate industry, consulting and technologies.

Both majority and strong minority investments can be made, with a target volume in the low double-digit million range per investment.

Capital market-ready development of the participations

After inclusion in the portfolio, Neon Equity AG concludes a consultancy agreement with each investment. The aim of the consultancy agreement is to develop comprehensive capital market concepts and to implement these together with the portfolio companies. The focus in the development of the portfolio companies is on:

- **IPOs:** at the time of the initial investment, the shares of the portfolio companies are not traded on the stock exchange, which can be accompanied by correspondingly high potential returns in the event of an IPO or initial listing. Neon Equity AG will accompany the IPO within the scope of going public on the basis of the advisory agreements and support the respective portfolio company with the IPO know-how acquired to date. In addition, it is possible that Neon Equity AG will also provide equity capital as a co-investor.
- **investments:** in addition to the classic IPO, Neon Equity AG also supports its investments in the implementation of other capital market measures, such as the issue of bonds, convertible bonds, etc. Neon Equity AG can also provide capital as a co-investor. Neon Equity AG can also provide capital here as a co-investor.
- **Growth:** even after the IPO, Neon Equity AG supports the portfolio companies in the long-term implementation of the growth strategy. The focus here is on providing support with capital market-related tasks and coordinating the acquisition of investors. The portfolio companies can also use the know-how of Neon Equity AG in the implementation of promising technologies such as blockchain or big data.

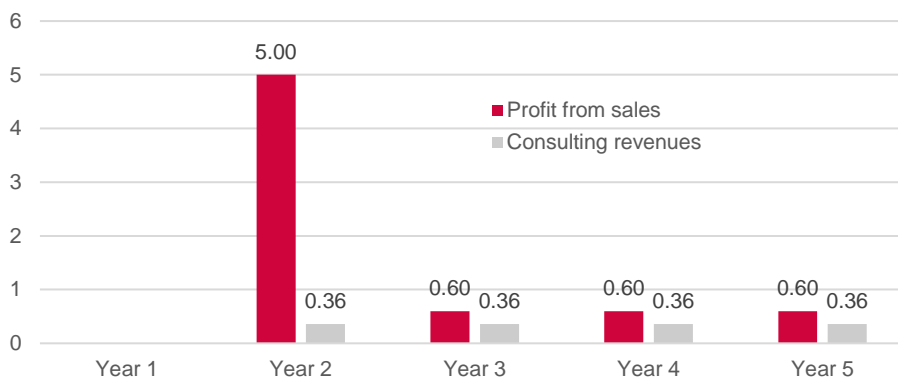
In principle, the implementation of this strategy is not only intended to achieve and realise increases in value, but Neon Equity AG also plans to generate recurring revenues as part of its advisory services. With the realisation of their growth strategy, increases in value will be realised in the context of exits or, independently of this, Neon Equity AG can participate in the success of the investments through dividend payments.

Successful development of a portfolio company (example)

In the following example we assume an investment in a company which, according to the NEON investment strategy, is in the pre-IPO phase. We use an investment volume of € 10.00 million as the starting point for our example calculation. Around 12 months after the initial investment, we assume a successful IPO, in the context of which Neon Equity AG benefits from an increase in the investment book value of 100%. For the following years we include a share price performance of 15.0 % p.a. in our calculation. After 18 months, the share portfolio is reduced by 50 % and in the following years by 10 % p.a., whereby the valuation income is realised.

As a recurring component, we assume consulting income of € 0.36 million annually from the time of the initial investment. This value is based on the current consultancy agreement with publicity AG.

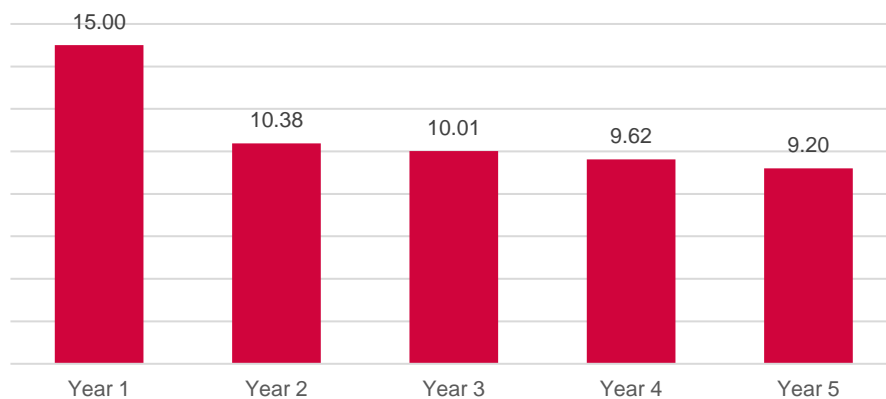
Example of possible returns on an investment (in € million)



Source: GBC AG

With the investment of € 10 million made in the first year, Neon Equity AG would, on this basis of calculation, report total income of € 8.24 million within five financial years. Furthermore, assuming a positive development, the book value of the investment would be € 9.20 million at the end of the fifth financial year, despite the disposals. In our example, the development of the book value of the participation would look as follows:

Exemplary development of the investment book value (in € million)



Source: GBC AG

According to statements by the company, eight companies are currently being analysed by the investment managers with regard to capital market viability and investment criteria. Two IPOs are expected for the coming business year.

Financing of the investments

Neon Equity AG plans to use different sources of financing for the investments. On the one hand, the company has an extensive securities portfolio as of 31 December 2021, which could be sold in part, thereby releasing a considerable amount of liquid funds. In addition, the prospective repayment of the shareholder loan at the end of the 2022 financial year, which had an outstanding volume of € 21.63 million on the last balance sheet date, should lead to a significant expansion of liquid funds.

A significant part of the financing could also be covered by issuing NEON bonds. Even though we do not have any concrete plans in this regard at present, we assume that financing through corporate bonds will be an essential financing component of the company. In our opinion, a first NEON bond could already be issued in the coming 2023 business year.

The majority of the annual profit is to be used for new investments. From the above example, substantial income and a high inflow of liquidity could be generated from the sales of the securities alone.

Revenue and earnings forecasts 2022 to 2025

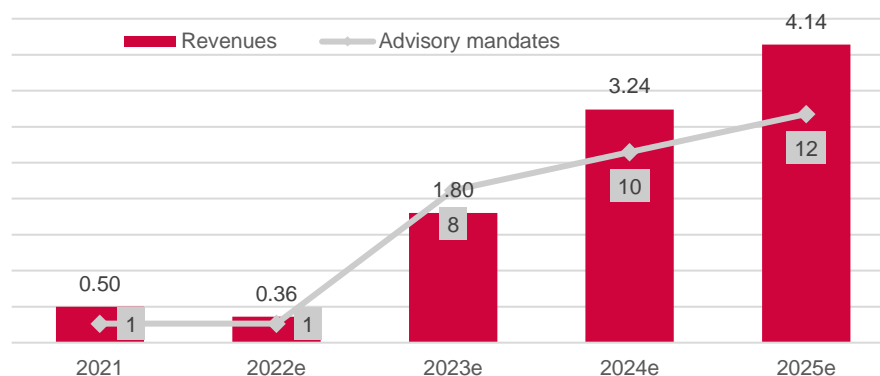
in EUR m	FY 2021	FY 2022e	FY 2023e	FY 2024e	FY 2025e
Revenues	0.50	0.36	1.80	3.24	4.14
Other operating income	8.32	2.50	28.50	55.27	73.02
Income from securities/interest income	3.07	3.30	3.53	5.00	6.25
Total earnings	11.89	6.16	33.83	63.51	83.41
Operational costs	-4.97	-0.65	-2.71	-3.26	-3.24
Interest expense	-0.16	0.00	0.00	-6.25	-12.50
Net profit for the year	6.72	5.51	29.53	52.83	67.30

Sources: Neon Equity AG, GBC AG

Total revenue forecasts

We have used the calculation example of a single investment already presented as the basis for our earnings forecasts. On the one hand, we include in our forecasts a gradual increase in advisory contracts, which could rise to 12 current advisory mandates by the end of the financial year 2025. These are mandates with our own portfolio companies as well as mandates with third-party companies. With annual revenues of € 360,000,000 per mandate, there should be a corresponding increase in recurring revenues:

Turnover (in € million) and number of mandates

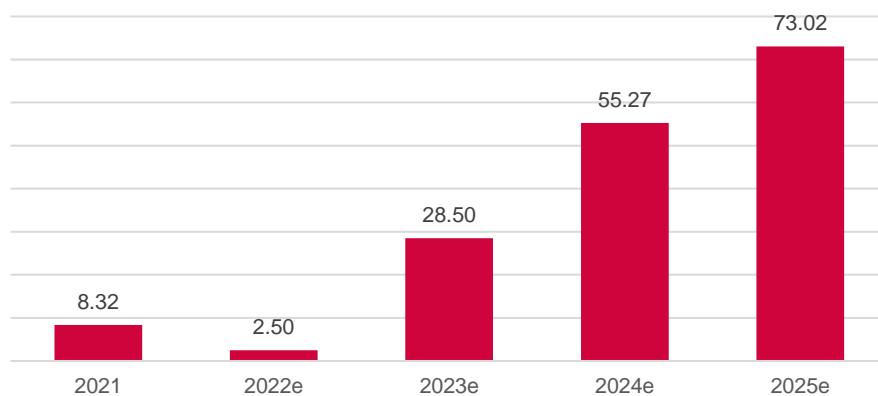


Source: GBC AG

However, the ability of Neon Equity AG to identify pre-IPO investments and win them as new portfolio companies in accordance with its own investment criteria will be of key importance for the future development of the company. Assuming a successful IPO that creates value for Neon Equity AG, the possible partial exit plays an important role in our total return forecasts. As shown in the calculation example, we assume a 50% exit in the first year after inclusion in the Neon portfolio and a further 10% sale of the shares held in each of the following years. We expect the book value of the investment to double in the course of the IPO, followed by further price increases of 15% in the following years. As a basis for our concrete earnings estimates for the financial years 2022 to 2025, we assume a pre-IPO total investment volume of just over € 230 million, divided into individual investments in the low single-digit million range. The first investment should take place in the coming financial year 2023 and the first exit proceeds should then be realised from the financial year 2024.

In the 2023 financial year, our forecast earnings will initially be dominated by the existing publicity investment. We anticipate a partial sale of securities here, which are recognised at a book value of €20.00/share according to information from Neon Equity AG. The current publicity share price is €29.80 (XETRA; 29.11.2022; 5:36 pm). The current financial year 2022, on the other hand, is likely to show only a lower total return level, as no securities have been sold to date:

Other operating income (in € million)

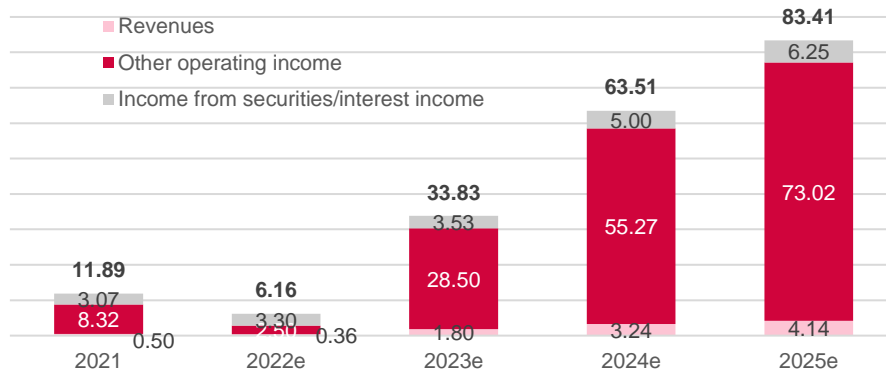


Source: GBC AG

In addition to the exit proceeds, the company plans to generate variable commission income from the placement of capital market instruments with the portfolio companies. These are related to the structuring of securities as well as investor brokerage.

The last income component to be added to the total income is the interest income from securities, in particular the corporate bonds held by publicity AG. Currently, Neon Equity AG holds publicity bonds with a total nominal value of € 60.00 million. In addition, the company plans to participate in the planned issue of the new publicity bond (6.5%; issue volume: € 100 million) in the coming financial years, which should visibly increase interest income in the coming financial years. This results in the following composition of total income forecast by us for the financial years 2022 - 2025:

Composition of total income (in € million)



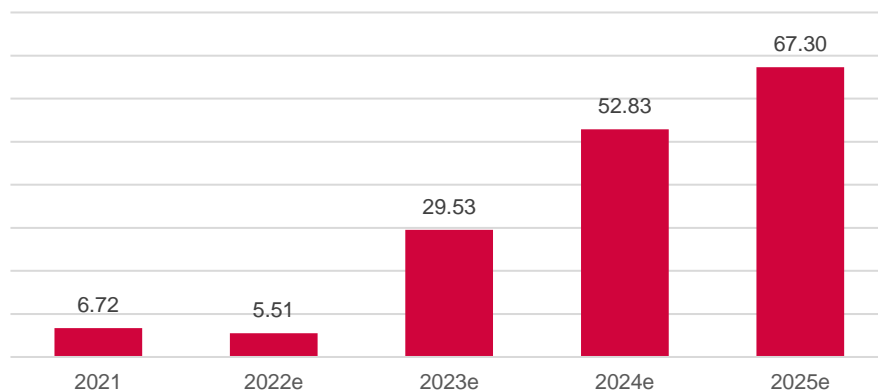
Source: GBC AG

Result forecasts

In order to be able to carry out the investments described, Neon Equity AG would have to raise external financing. For this purpose, we have assumed the issuance of corporate bonds in our forecasts, although the success of such a capital measure depends on various factors that are currently difficult to predict. In our forecasts for the coming financial years, we assume the issue of corporate bonds in a volume of € 100 million each at an interest rate of 6.25%. The related interest expenses represent the largest cost item for Neon Equity AG. From the 2024 financial year onwards, we expect interest expenses to amount to € 6.25 million, which should increase significantly to € 12.50 million in the 2025 financial year, in line with the higher issue volume.

In contrast, the personnel expenses and other operating expenses we expect are significantly lower at an average of € 2.47 million (estimated period 2022 - 2025). Based on the high earnings volume, Neon Equity AG should thus generate a clearly positive after-tax result.

Forecast after-tax result (in € million)



Source: GBC AG

EVALUATION

We use two valuation approaches for the valuation of Neon Equity AG. On the one hand, we derive the fair values of the current asset components (last status: 31 December 2021) within the framework of a NAV model (net asset value). As a second valuation model, we use a classic DCF model, which is based on our revenue and earnings forecasts presented above. Finally, the fair value of Neon Equity AG is formed from the average of the two models.

NAV valuation

Within the NAV valuation approach, we derive the fair value of the equity as a result of the market values of the assets less the borrowed capital as well as the present value of the future overhead costs estimated by us. As significant asset components, Neon Equity AG has shares in affiliated companies (in particular, shares in publicity AG), securities held as fixed assets (bonds of publicity AG), other assets (in particular loans to shareholders) and cash and cash equivalents as at 31 December 2021.

As the company prepares its accounts in accordance with HGB regulations, shares in affiliated companies and securities held as fixed assets are reported at acquisition cost. The shares in affiliated companies relate in particular to the shares held in publicity AG. The publicity Annual Report 2021 shows that Neon Equity AG had a shareholding of around 48% as at 31 December 2021, which corresponds to a share portfolio of 7.14 million. Based on a fair value of the publicity shares of € 46.50, determined within a GBC research study of 07.11.2022, the fair value of the publicity shares held by Neon Equity AG is likely to be € 332.04 million. This is accompanied by significant hidden reserves of € 190.69 million. Shares in affiliated companies also include 33% of the shares in OA22 GmbH, which are not taken into account in this analysis.

In addition to cash and cash equivalents, we also include the securities held as fixed assets and the other assets, which are predominantly made up of granted shareholder loans, in the NAV consideration. According to our expectations, the loans should have been repaid by the end of the 2022 financial year, which will significantly expand the liquidity portfolio.

in € m	HGB	fair value
Shares in affiliated companies	141.36	332.04
Securities held as fixed assets	56.29	56.37
Other assets	28.93	28.93
Cash	7.51	7.51
%. Other liabilities	0.18	0.18
%. Present value overhead costs		13.51
Total		411.16
Number of shares in million		40.05
NAV per share in €		10.27

Sources: Neon Equity AG; GBC AG

DCF model

Model assumptions

Neon Equity AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2022 to 2025 in phase 1, the forecast is made from 2026 to 2029 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 5.0%. 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 2.0%.

Determination of the cost of capital

The weighted average cost of capital (WACC) of Neon Equity 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 1.50 %.**

We set the historical market premium of 5.50% 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 1.70 is currently determined.

Using the assumptions made, we calculate a cost of equity of 10.83% (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 60 %, the weighted average cost of capital (WACC) is 8.28%.

Valuation result

Within the framework of our DCF valuation model, we have determined a fair enterprise value of € 454.81 million, which corresponds to a target price of € 11.36.

DCF model

Neon Equity AG - Discounted Cashflow (DCF) Valuation

Value driver of DCF-model after the estimate phase:

consistency - Phase		final - Phase	
Growth of total income	5.0%	Perpetual growth rate	2.0%
EBITDA-Margin	96.1%	Perpetual EBITA margin	96.1%
Depreciation on fixed assets	0.0%	Effective tax rate in terminal value	5.0%
Working capital to sales	2.4%		

Three-phase DCF - model:

Phase in mEUR	estimate				consistency				final TV
	FY 22e	FY 23e	FY 24e	GJ 25e	FY 26e	FY 27e	FY 28e	FY 29e	
Total income (TI)	6.16	33.83	63.51	83.41	87.58	91.96	96.56	101.39	
TI growth	-48.2%	449.1%	87.8%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%
TI to fixed assets	0.03	0.11	0.12	0.10	0.10	0.10	0.10	0.10	
EBITDA	5.51	31.12	60.25	80.16	84.16	88.37	92.79	97.43	
EBITDA-margin	89.4%	92.0%	94.9%	96.1%	96.1%	96.1%	96.1%	96.1%	
EBITA	5.51	31.12	60.25	80.16	84.16	88.37	92.79	97.43	
EBITA-margin	89.4%	92.0%	94.9%	96.1%	96.1%	96.1%	96.1%	96.1%	96.1%
Taxes on EBITA	0.00	-1.59	-3.01	-4.01	-4.21	-4.42	-4.64	-4.87	
Tax rate	0.0%	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
EBI (NOPLAT)	5.51	29.53	57.24	76.15	79.96	83.95	88.15	92.56	
Return on Capital	2.4%	14.5%	18.7%	14.6%	9.5%	9.5%	9.5%	9.5%	9.2%
Working Capital (WC)	7.19	1.20	1.50	1.97	2.07	2.17	2.28	2.39	
WC to sales	116.7%	3.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	
Investment in WC	21.63	5.99	-0.30	-0.47	-0.10	-0.10	-0.11	-0.11	
Operating fixed assets (OFA)	197.00	304.54	518.88	838.50	880.43	924.45	970.67	1019.20	
Depreciation on OFA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Depreciation to OFA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
CAPEX	0.94	-107.54	-214.33	-319.63	-41.93	-44.02	-46.22	-48.53	
Capital Employed	204.19	305.74	520.38	840.47	882.49	926.62	972.95	1021.60	
EBITDA	5.51	31.12	60.25	80.16	84.16	88.37	92.79	97.43	
Taxes on EBITA	0.00	-1.59	-3.01	-4.01	-4.21	-4.42	-4.64	-4.87	
Total Investment	22.58	-101.55	-214.63	-320.10	-42.02	-44.12	-46.33	-48.65	
Investment in OFA	0.94	-107.54	-214.33	-319.63	-41.93	-44.02	-46.22	-48.53	
Investment in WC	21.63	5.99	-0.30	-0.47	-0.10	-0.10	-0.11	-0.11	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free Cashflows	28.09	-72.02	-157.39	-243.95	37.93	39.83	41.82	43.91	1177.70

Value operating business (due date)	387.32	491.42
Net present value explicit free Cashflows	-287.44	-239.22
Net present value of terminal value	674.76	730.64
Net debt	-35.41	36.61
Value of equity	422.73	454.81
Minority interests	0.00	0.00
Value of share capital	422.73	454.81
Outstanding shares in m	40.05	40.05
Fair value per share in €	10.56	11.36

Cost of Capital:

Risk free rate	1.5%
Market risk premium	5.5%
Beta	1.70
Cost of equity	10.8%
Target weight	60.0%
Cost of debt	6.3%
Target weight	40.0%
Taxshield	28.7%
WACC	8.3%

Return on Capital	WACC				
	7.7%	8.0%	8.3%	8.6%	8.9%
8.7%	12.53	11.25	10.10	9.06	8.11
9.0%	13.25	11.92	10.73	9.65	8.67
9.2%	13.97	12.59	11.36	10.24	9.22
9.5%	14.69	13.27	11.99	10.83	9.78
9.7%	15.41	13.94	12.62	11.42	10.33

Valuation result

In the sum of the two valuation methods, whereby we form a simple average here, the fair enterprise value is € 432.98 million or € 10.81 per share.

Derivation of the fair value	
Fair value according to NAV valuation	€ 411.16 m
Fair value according to DCF valuation	€ 454.81 m
Mean value	€ 432.98 m
Number of shares	€ 40.05 m
Fair value per share	€ 10.81

APPENDIX

I.

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2. The research report is simultaneously made available to all interested investment services companies.

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BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

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