QUIRIN PRIVATBANK

COMPANY NOTE

QUIRIN PRIVATBANK EQUITY RESEARCH

25 October 2021

IGP Advantag AG

Rating	**Buy**
Share price (EUR)	**2.04**
Target price (EUR)	**3.75**
Bloomberg	A62 GY
Sector	Real Estate

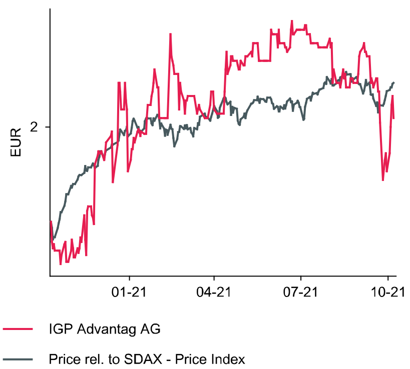
Share data

Shares out (m)	27.7
Daily volume shs (m)	0.0
Free float (%)	7.99
Market cap (EUR m)	57
EV (EUR m)	53
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	16.6
12 months (%)	9.7
12 months rel. (%)	-26.9
Index	SDAX

Share price performance



Source: Bloomberg

Next triggers

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AEC services provider to grow with green and health care building

IGP Advantag AG (IGP) is an integrated infrastructure services provider and operates along the complete value creation chain of the AEC industry. The company will grow organically and by acquisitions. It takes advantage of the growing infrastructure project portfolio including green buildings and health care real estate. The cash flow driven and lean business concept offers to grow into a high EBITDA margin of up to 20% in the core business. IGP aims to accelerate profitability by an expansion into proprietary development projects. IGP trades with comparative low multiples in an international peer group comparison. The high value of IGP is even better reflected in a DCF model. We estimate a fair equity value of around EUR 104m or EUR 3.75 per share. Given the upcoming strong profit and profitability momentum we initiate our coverage with a Buy Rec. and a TP of EUR 3.75.

M&A activity to strengthen group operations and prepare for upcoming growth
According to the group strategy in H1/21 IGP has added two new group companies into the participation portfolio. BRH Generalplaner is a highly profitable engineering service company with a focus on large residential construction projects. It operates mainly in the Berlin region. A second acquisition included DeepGreen Funding GmbH with major focus on green building concepts, a market segment which is growing strongly. In this respect IGP has acquired DeepGreen Funding GmbH. The company operates as a business consultant and adviser for public subsidized funding.

Strong FY21 driven by large projects in core operations
We forecast a significant increase in revenues for FY21e, to EUR 49m (+29.5% yoy). This development will be driven by large construction projects in infrastructure (BER Airport) and health care projects. Revenues from carbon emissions trading are likely to more than double due to a pick-up in trading volumes. We forecast an EBITDA increase to EUR 5.6m in FY21e. The EBITDA margin of IGP Group should reach 11.4%.

Current valuation does not reflect upcoming growth and extension of value chain
IGP owns a free float of currently just 8% and is relatively new to the capital markets. The stock trades with a huge discount to its DCF and Peer group based fair value. Especially the strong order book as well as the upcoming dynamic profit and profitability performance will help to close the value gap.

Key figures		2020	2021e	2022e	2023e
Sales	EUR m	38	49	62	68
EBITDA	EUR m	5	6	9	10
EBIT	EUR m	3	3	7	7
EPS	EUR	0.05	0.04	0.14	0.16
Sales growth	%	n.m.	29.5	27.3	9.0
EBIT growth	%	n.m.	-1.2	137.1	9.0
EPS growth	%	n.m.	-15.1	267.7	8.4
EBITDA margin	%	13.8	11.4	14.9	14.5
EBIT margin	%	7.6	5.8	10.8	10.8
Net margin	%	3.4	2.2	6.4	6.4
EV/Sales	ratio	1.38	1.08	0.82	0.74
EV/EBITDA	ratio	10.0	9.5	5.5	5.1
EV/EBIT	ratio	18.2	18.6	7.6	6.8
P/E	ratio	35.9	52.0	14.2	13.1
P/BV	ratio	1.4	1.6	1.5	1.3
Dividend yield	%	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Executive Summery

IGP is a leading provider of infrastructure services in the AEC industry

IGP Advantag AG is an integrated infrastructure services provider and operates along the complete value creation chain of the AEC (architecture, engineering and construction) industry. Its services range from the clarification of special planning or construction-law situations to general planning, project management, implementation and construction management.

Strategic focus on extending the value chain on two sides of the value chain

Investments into proprietary development projects have a strategic priority

IGP aims to expand the business concept on two sides of the value chain. While so far IGP projects were dominated by late stage projects the company aims to extend the project portfolio by early stage engineering services. The focus is on green building, residential and commercial projects. Large health care projects are also of growing importance. Second area to extend the value chain for IGP are proprietary development projects. In those cases IGP is operating not only as service provider but also as investor of the project. Both additions to the value chain are value enhancing and will lift margins in upcoming years.

Active M&A activity to strengthen fast growing engineering servicing areas

Strenghtening of green building position by acquisitions

IGP is steadily acquiring stakes in companies which operate in strongly growing future-oriented segments of the AEC market. This includes the most recent acquisition BRH Generalplaner GmbH. The company focuses on general planning services. It operates mainly in Berlin and its suburbs. A second major focus is on green building concepts, a market segment which is growing strongly. In this respect IGP has acquired DeepGreen Funding GmbH. The company operates as a business consultant and adviser for public subsidized funding.

H1/21 characterised by active M&A strategy and growing total output

IGP presented H1/21 figures in line with positive expectations and in line with the recent management guidance. Sales of EUR 18.7m are not comparable with the previous year. In order to get the full picture of business activity of IGP in H1/21 it is necessary to focus on Total output within H1/21. Total output accounted for EUR 24.9m and includes unsettled construction related services. Large projects in H1/21 included additional work on the Berlin Airport (BER), Allianz Treptow Towers and the major Project Health & Care Campus Steinfurt. Even if sales increased by more than 90% in H1/21 operational profits (EBITDA) fell to EUR 1.0m (-49.4%). The EBITDA figures of H1/21 hides that higher unsettled constructions services will be settled in H2/21 and sales and profits will only materialize at that later timeframe.

Strong H2/21 will lead to pick up of growth in full FY 21

We forecast a significant increase in revenues for FY21e, to EUR 49m (+29.5% yoy). This development is largely due to a jump in billing by IGP Ingenieur AG. Revenues from carbon emissions trading are likely to more than double to EUR 16m due to a pick-up in trading volumes. We forecast an above-average EBITDA increase to EUR 5.6m (+6.5% yoy) in FY21e. The EBITDA margin of IGP Group should reach 11.4%. We forecast a margin of 17% for the engineering services. This margin is diluted by carbon emissions trading, where value creation is comparatively low and margins amount only to 1.3%.

Stronger focus on the capital market to increase funding options

IGP might tap the capital market to fund its growth. As a pure engineering services company, IGP in its current state is nearly unlevered and has so far been able to grow on cash flow and a narrow working capital basis. Now, however, the company faces higher capital funding needs. This arises from the strategic approach to add proprietary development projects into the portfolio which require a higher capital investment.

IGP valuation

Our valuation model for IGP is largely based on capital-market considerations, even though the free float accounts currently only to around 8%. We largely rely on our DCF model, which takes into account the company's growing profitability and the bright outlook in a growing German construction and real estate market. Our DCF valuation leads to a fair equity value of EUR 104m or EUR 3.75 per share. We hedged our assumptions by an international peer group valuation, which backs our fair equity value. Accordingly, we initiate our coverage with a Buy Rec.

Valuation

Our valuation model for IGP is largely based on capital-market considerations, even though the free float accounts currently only to around 8%. We largely rely on our DCF model, which takes into account the company's growing profitability and the bright outlook in a still growing German construction market. DCF leads to fair equity value of EUR 104m or EUR 3.75 per share. We hedged our assumptions by an international peer group valuation, which backs our fair equity value. Accordingly, we initiate our coverage with a Buy Rec.

Valuation based on the DCF model and backed up by peer group comparison

Our valuation is largely based on a DCF model, which takes into account the company's above-average profitability in a sector comparison and the fact that IGP has achieved a strong and profitable performance in the past.

Current market cap significantly below DCF fair value

Based on only a short historical performance, we anticipate continued strong sales growth in the upcoming 5 years. Due to the high order backlog, which also includes long-term projects, the visibility of sales and operational profits is high. Given the extension of the value chain towards proprietary development projects, we also anticipate a strong rise in EBITDA margins.

Taking into account the lean business concept, which requires only low investments, the DCF is characterized by low financial debt and a large share of equity financing. Rising free cash flows and the low underlying capex requirements of the business model are key drivers for the DCF valuation.

Our terminal value is based on the assumption of a growth rate of 1.5%, consistently high profitability and an EBITDA margin of 18%, which assumes a continued expansion of the value chain of the business model.

We calculated a WACC of around 7.5% (Equity cost 7.5%; Financial debt cost 3.5%; tax shield 30%). While short-term beta currently stands at 0.9, we took a beta of 1.0 in the terminal value calculation. The model results to an equity value of c. EUR 104m or around EUR 3.75 per share.

Table: IGP DCF model

DCF model (EUR m)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	TV
Sales	49	62	68	77	77	81	86	90	
YOY change (%)	29.5	27.3	9.0	12.5	1.2	4.7	5.6	5.3	
EBIT	3	7	7	13	15	15	15	16	
EBIT margin (%)	5.8	10.8	10.8	17.0	20.0	18.0	18.0	18.0	
Depreciation	3	3	3	3	3	3	3	3	
Net working capital	6	8	8	9	9	10	10	11	
Taxes	2	3	3	5	6	5	5	6	
Tax rate (%)	64.0	44.0	44.4	40.0	40.0	35.0	35.0	35.0	30.0
Free cash flow	-2	-1	0	3	5	5	5	6	
WACC	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	7.5%
Discounted FCF	-2	-1	0	2	4	3	3	3	87
Contribution to EV	-2.4 %	-0.7 %	-0.1 %	2.1 %	3.7 %	3.2 %	3.4 %	3.4 %	87.3 %
Discounted EV	**99.6**								
Net Financial debt	-4.3								
Minorities	-0.1								
Shareholder value	103.9								
Fair value per share	3.7								

Source: Quirin Privatbank estimates

Unique business concept in the German AEC market

Peer Group – IGP trades with discount to peers – despite better prospects

We used a peer group valuation to hedge our DCF approach for a calculation of the fair equity value of IGP. IGP pursues a unique business concept, and there are no similar listed enterprises on the German stock market. We have therefore developed a peer group with strong links to the European construction and engineering markets, which includes companies with a cash-flow-driven business concept.

Selected peer group with cash-flow-driven business concepts

In creating a fitting peer group, we chose services-driven business concepts within the construction industry over project developers. While IGP is not a developer, its allocation of cash flows is mainly driven by services, which require considerable internal and external staff, but only limited capital investments.

Peer group multiples lead to fair equity value of EUR 4.41 per share

Within the peer group valuation, we rely mainly on EV multiples (EV/EBITDA, EV/Sales), which anticipate the different financing styles and level them out. IGP currently trades at sharp discounts between 37% and 59% to the median on EV/EBITDA and EV/Sales to its peers.

IGP: International Peer Group - Multiple valuation

Company	P/E 21	P/E 22e	EV/S 21e	EV/S 22e	EV/EBITDA 21e	EV/EBITDA 22e	EV/EBIT 21e	EV/EBIT 22e	EBITDA margin 22e
IGP Advantag AG	52,0x	14,2x	1,1x	0,8x	9,5x	5,5x	18,6x	7,6x	14,9%
AF Poyry AB	24,2x	21,2x	1,8x	1,7x	15,1x	13,3x	22,5x	19,3x	13,2%
Arcadis n.v.	24,8x	22,3x	1,4x	1,3x	12,5x	11,1x	19,7x	16,9x	11,5%
Projektengagemang Sweden AB	16,2x	10,5x	0,5x	0,5x	5,4x	4,4x	14,1x	10,0x	14,7%
Semeke Group AB	5,2x	7,5x	0,3x	0,3x	5,6x	5,3x	6,5x	6,0x	2,8%
SWECO AB	33,3x	29,7x	2,7x	2,6x	17,8x	17,6x	27,9x	24,2x	13,6%
Bonava AB	11,2x	9,6x	0,9x	0,9x	10,5x	8,5x	10,7x	8,8x	9,2%
Besqab AB	22,1x	10,0x	2,4x	1,9x	93,2x	22,5x	13,8x	10,6x	8,0%
Instone AG	11,4x	9,1x	1,5x	1,2x	9,1x	8,1x	9,3x	8,2x	18,8%
Noratis	15,8x	9,6x	5,1x	3,5x	28,5x	20,6x	28,4x	20,4x	21,3%
Accentro	10,8x	10,1x	4,6x	4,1x	17,2x	16,0x	16,1x	16,1x	26,2%
Eyemaxx Real Estate	6,0x	3,4x	10,8x	9,3x	17,2x	13,7x	18,4x	14,6x	69,4%
UBM Development	9,8x	7,7x	3,9x	3,1x	13,9x	12,9x	15,6x	14,4x	25,0%
Nemetschek	80,6x	79,0x	17,0x	15,6x	52,9x	51,3x	67,1x	65,1x	29,7%
AVERAGE	**20,9x**	**17,7x**	**4,1x**	**3,5x**	**23,0x**	**15,8x**	**20,8x**	**18,1x**	**20,26%**
VS. AVG.	**149%**	**-20%**	**-73%**	**-77%**	**-59%**	**-65%**	**-10%**	**-58%**	**-26%**
MEDIAN	**15,8x**	**10,0x**	**2,4x**	**1,9x**	**15,1x**	**13,3x**	**16,1x**	**14,6x**	**14,71%**
VS. MEDIAN	**230%**	**42%**	**-55%**	**-57%**	**-37%**	**-59%**	**16%**	**-48%**	**1%**

Source: Bloomberg, Quirin Privatbank estimates

In order to arrive at a fair equity value for IGP, we used the mean valuation based on the two most important ratios, EV/EBITDA, EV/Sales. These ratios were weighted equally and multiplied with the company's individual forecast figures.

In order to obtain a fair value of equity on the basis of enterprise value, net financial debt has to be subtracted. We arrive at this value by using the average of the relevant years 2021 and 2022. Computing the mean and dividing it by the number of shares gives the fair equity value per share.

IGP: Peer Group Valuation: Final assessment

	EV/Sales		EV/EBITDA		EV/EBIT		EPS	
in EUR m	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e
IGP Advantag AG QP *	49.0	62.4	5.6	9.3	2.8	6.7	0.04	0.14
Median Peer Group Multiple	2.38	1.90	15.1	13.3	16.1	14.6	15.8	10.0
Enterprise Value	116.52	118.81	84.22	123.74	45.63	98.29	-	-
Net financial debt (Average 2020e & 2021e)				-4.55				
Fair value of equity	121.07	123.36	88.77	128.29	50.18	102.84	0.63	1.40
Median				122.22				
Number of shares (m)				27.73				
Premium				0%				
Fair value per share				**4.41**				

Source: Bloomberg, Quirin Privatbank estimates

IGP: Close Peer group description

AF Poyry AB - provides engineering services. The company provides planning and consulting services in the energy, industry and infrastructure sectors. The company serves clients worldwide.

Arcadis N.V. offers consulting and engineering services worldwide. The Company performs feasibility studies, develops projects, and offers financial and legal consulting services, assists in the permitting process, and offers design and maintenance services.

Projektgagemang Sweden AB - is a consultant in civil engineering. The company provides consultancy services in the fields of architecture, electrics and telecommunications, heating, ventilation, air conditioning and sanitary engineering, infrastructure development and project management. The company serves clients in Sweden.

Serneke Group AB provides civil engineering, construction planning, project development and property management services. The company operates in Sweden.

SWECO AB is a consulting company specialising in engineering, environmental technology and architecture. The company's services include urban planning, feasibility studies, environmental projects, building construction, water treatment and IT technology. The company markets its services to companies and organisations worldwide.

Bonava AB is a residential construction company. The company develops and sells both single and multi-family houses in Northern European urban centres. Bonava AB offers its properties to customers in Sweden, Germany, Finland, Denmark, Norway, Russia, Estonia and Latvia.

Besqab AB offers a range of solutions in the construction sector, including the construction of owner-occupied flats, flats and customised houses, as well as online service and support. The company operates in Sweden.

Instone Real Estate Group AG provides real estate development services. The company is involved in the construction of residential properties and serves clients in Germany.

Noratis AG operates as a real estate company. The Company owns and develops individual homes, residential complexes, bungalows, and guest houses. Noratis serves customers in Germany.

Accentro Real Estate AG operates as a real estate company. The Company manages and sells residential properties. Accentro Real Estate serves customers in Germany.

Eyemaxx Real Estate AG is active as an international real estate developer in Germany, Austria and Central Europe. The Company's core business is the development of commercial properties in the area of retail parks as well as develops economy and low budget hotels.

UBM Development AG provides real estate development and construction services. The Company constructs and manages hotels, commercial, office buildings, and urban housing projects.

Nemetschek Group provides market-leading software solutions for the entire AEC/O lifecycle and covers the entire lifecycle of building projects and guides its clients into the future of digitalization.

SWOT Analysis

Strenghts

Experienced management team with outstanding track record

The management team of IGP has many years of experience in the real-estate sector. Stefan Gräf has a long-standing career history with leading German and international construction and engineering companies. He is not only the CEO of the newly formed IGP group, but also the major shareholder who owns 82% of the current share capital. Raik Oliver Heinzelmann has a commercial/financial background at a number of investment banking organisations and is the former CEO of Advantag AG, which used to be the initial entity before its merger with the IGP business to form the new IGP AG. Mr. Heinzelmann is currently in charge of finance and of the operative CO2 emission trading activities.

Long-standing track record in growing engineering services market

IGP has a strong position in the growing market for construction engineering services. It has particular expertise in turning around/restructuring construction projects in their late/final phase.

Strong and profitable order backlog

IGP has a high order backlog of profitable healthcare, green building and residential projects.

IGP operates in the AEC industry at the most profitable and less volatile part of the construction/ real estate value chain

The business activities of IGP cover engineering services within the construction and real estate industry. The business objective can be described as low risk, highly profitable and less volatile than other capital intensive parts of the building/real estate industry.

Low-risk business concept – low capital requirements in engineering services

IGP pursues a high-margin business model in the real estate/construction sector. It is an asset light concept and doesn’t tie up large amounts of capital. The company does not have any significant financial debt on its books.

Large parts of the business in non cyclical public construction market

Orders from high-quality public-sector clients make up a large share of IGP’s client, project and commission mix. As a result, the business model is not very cyclical.

Leading market position in growing “green building” processes

An efficient stakeholding management has enabled IGP to gain expertise in and access to the strongly growing market for green buildings.

Weaknesses

Carbon emissions trading business with high sales and low profitability

Carbon emissions trading, a former core business of IGP Advantag, registers very volatile sales developments. It is characterized as a low margin business. Therefore operational group margins are diluted by the segment.

Volatile earnings in the proprietary project development segment

In case of higher development costs than calculated it is possible that the expected profit could not be realized as investors are not willing to pay higher prices. This means that earnings are volatile in terms of timing and amount which would also have a negative impact on the margin.

Low capital-market awareness - rising funding needs to realize project pipeline

IGP does not have a capital-market track record. The expansion of the proprietary project development pipeline requires additional equity and debt funding.

Opportunities

Extension of the value chain to early stages of construction projects

IGP intends to expand its engineering services to the early stages of construction projects. Higher value creation per project should support revenue and margin development.

Extension of the value chain by proprietary projects

IGP plans to extend the value creation chain by realizing its own projects. The goal is to increase the profitability of individual projects markedly.

Promising strategy to grow margin level across business segments

Extending the value chain offers the opportunity to increase margins significantly.

Strong footprint in growing "green building" business

Due to its newly acquired share in DeepGreen Funding GmbH, IGP now has excellent expertise and better access to gain significant market shares in the strongly growing "green building" market.

Liquidity of the stock will increase with revenue growth

Rising earnings will further increase investors' awareness. This is likely to result in a positive development of the share price and will also help to get access to capital through the issuance of bonds/convertibles or through the increase of the share capital.

Threats

Rising interest rates

If interest rates rise strongly, prices for project developments may come under pressure due to lower demand for real estate assets. This may have a negative impact on the company's profitability. Moreover, such a development could also affect the privatization business so that the company will not be able to sell the properties for profit.

Rising risk profile by extending development pipeline

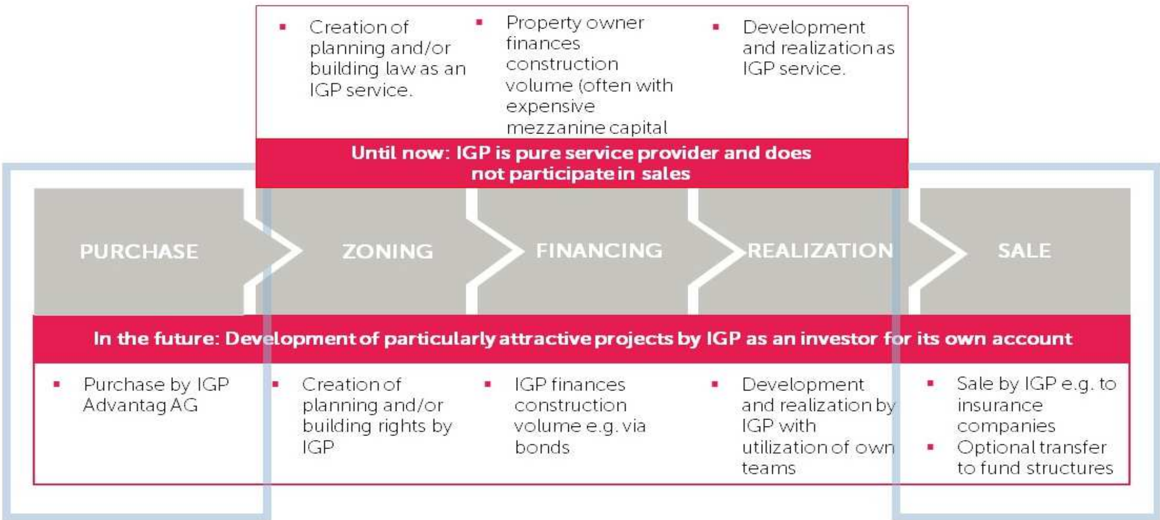
As the value chain is extended towards proprietary development projects, execution risks are rising.

Business Concept and Strategy

IGP Advantag AG is an integrated infrastructure services provider and operates along the complete value creation chain of the AEC (architecture, engineering and construction) industry. Its services range from the clarification of special planning or construction-law situations to general planning, project management, implementation and construction management as well as property and quality monitoring and operation. IGP Group can rely on years of experience and has more than 350 highly qualified employees.

IGP Advantag AG's market consists of numerous small, regional niche players and a few large real estate and construction groups. Against this background, the company offers a unique combination of deep value creation and important services. It enjoys an excellent competitive position, as its repeatedly successful participation in tenders for special-purpose buildings in the public sector and the completion of numerous international large-scale projects show. The Group has developed a proprietary BIM software, which provides a comprehensive solution for process digitisation and results in above-average efficiency and budget discipline.

Value chain of IGP Advantag projects



Source: IGP Advantag, Quirin Privatbank AG

In FY 2020, public-sector commissions made up between 30-60% of IGP's aggregate revenues depending on project status and time frame. The company focuses on education and healthcare buildings, "green" office buildings and key infrastructure projects such as airports, railway stations or logistics hubs. Buildings such as hospitals or schools often require lots of energy, which is why sustainability (from green building to emissions trading) is highly relevant to IGP Advantag AG. Overall, the Group's business places particular importance on long-term mega trends such as education, healthcare, climate protection or digitization.

Overarching holding structure

IGP Advantag AG has a holding structure; basically four business areas are cash flow generating and form the basis for a steady rising income stream combined with a rising profitability level.

1. IGP Ingenieur AG as core platform for engineering services

IGP has a specific know-how in fixing toxic public infrastructure projects

IGP Ingenieur AG is one of the very core operations of IGP group. It is responsible for the full range of engineering services offered by IGP. The company owns in this respect a specific know-how in acquiring late stage construction projects with difficulties i.e. cost overruns. Projects in the order portfolio include infrastructure real estate of public sector clients. Private commercial infrastructure projects focus to an increasing extend on the health care segment. Green building projects are taken into the contract portfolio and are mainly related to residential construction.

The strategic aim of IGP is to extend the value chain of services into early stage projects. The billing of projects is based on daily rates. As a general formula engineering services account for between 10-15% of the construction volume of the project. Given efficient costs structures at IPG EBITDA margins of standard projects account for up to 20%.

Extension of the corporate business through acquisition of BRH

IGP has taken over BRH Generalplaner GmbH with effect from Q2/21. The company looks set to achieve revenues of c. EUR 6.5m p.a. It focuses on general planning services, from the initial design to planning, construction management and ultimately property management of residential real estate. It operates mainly in Berlin and its suburbs. A second focus is on green building concepts, a market segment which is growing strongly. BRH has a very robust and stable client basis and order backlog. It works for the biggest German residential property companies. We believe the company to be highly profitable, at an EBITDA margin of c. 20%. The purchase price probably amounted to about EUR 5m.

IGP with increasing strategic focus on the growing "green building" projects

IGP to support Greenovation Campus in Berlin…

… which includes a carbon-neutral residential project with a gross space of more than 15k sqm

IGP is increasingly focusing on the strongly growing "green building" business. Apart from transport and the industrial sector, construction is one of the largest energy consumers and emissions sources. That is why the sector has to achieve considerable carbon reductions if the EU climate action targets are to be realized. In 2019, investments in certified "green buildings" made up 22.6% of total commercial investments. Green buildings have become an important segment of the real-estate market. Investors have replaced tenants as driving forces behind this uptrend. Against the background of the climate action goals and sustainable finance requirements, they focus increasingly on sustainability aspects. It has become almost impossible to build or renovate core assets at A locations without a sustainability certification. Commercial real-estate projects in particular have become very difficult to sell if ESG criteria are not adhered to. Since March 2021, capital management companies, financial advisors and real-estate special AIFs need to disclose their concrete ESG criteria and explain how and to what extent they include these criteria in their investment decisions. IGP benefits considerably from this development. The "Greenovation Campus" in Berlin is an example of a carbon-neutral wooden modular office and residential complex with gross space of 15,549 sqm; the project is to be completed in 2022. The shift towards sustainability criteria offers strong revenue and earnings potential for the future.

BIM software:

BIM software is a fast growing segment in the AEC industry

IGP intentds to sell its proprietary Software in a SaaS concept to external clients

IGP's proprietary BIM software contributes more and more to the company's aggregate revenues. Moreover, it provides the Group with a comprehensive solution for process digitalization. BIM software offers a holistic real-estate management system, which builders, general contractors and operative building companies can use to realize considerable cost and time savings. BIM differs from legacy CAD software for the planning phase in that it is the only solution that covers the procedures which begin once the tender has been allocated. The software matches information with individual construction phases and services and visualizes the construction process. The comprehensive software solution covers monitoring and documentation in construction management in order to ensure efficient and secure project management. It offers more detailed monitoring, up-to-date information and transparency during all phases of the construction project. BIM has been sold to third parties since 2020 and is scalable at both the national and the international level. The BIM software business is to become a strong growth, high-margin pillar of the IGP Advantag Group and to increase the share of recurrent revenue via SaaS licensing. In addition, the highly scalable software business should prop up the Group's margins.

2. Project business to be expanded

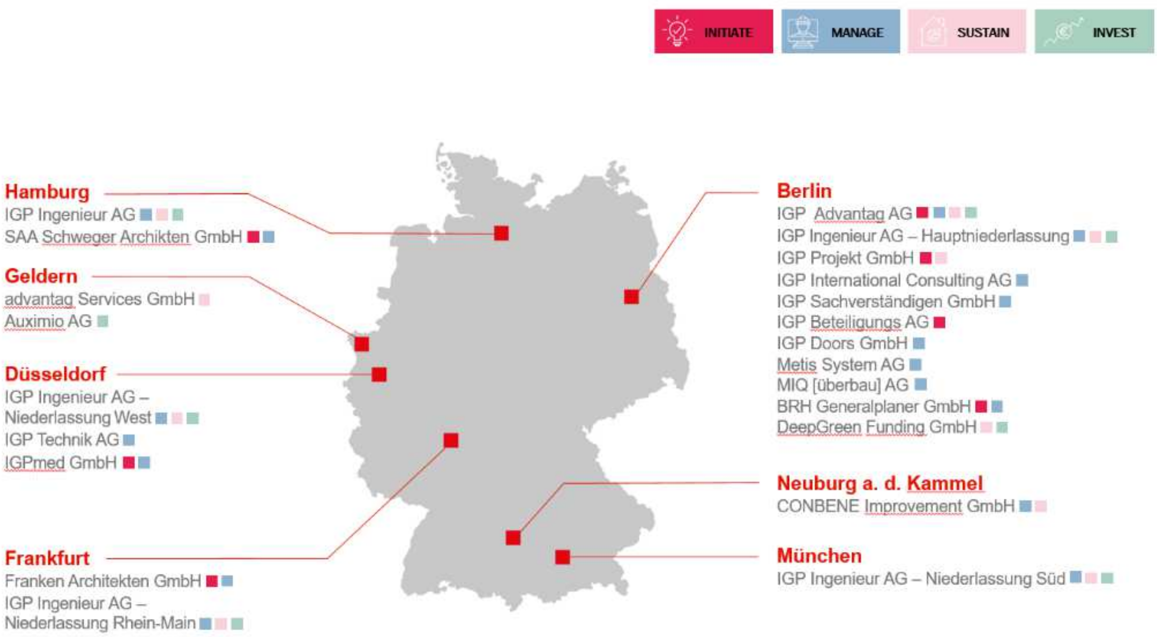
The project business is gaining importance; it is run by IGP Projekt GmbH. IGP often operates as general project contractor in this field. The Group has gained considerable expertise in taking on late-stage or difficult-to-realize projects, such as the BER airport. Once IGP had agreed to take on the construction management and monitoring process, more than 90,000 issues were resolved, and the project was successfully completed as the airport was opened to the public.

In the future, IGP plans to extend the project development business from services for third parties or affiliated companies to its own projects. This will extend the value creation chain of IGP Advantag Group and open up possibilities to generate considerable additional revenue. Proprietary project development is an important expansion step for the Group and may help considerably to increase profitability in the future. The focus remains on clarifying difficult planning or construction-law issues, a field in which IGP Advantag Group has significant expertise. In many cases, such projects are accessible at attractive terms and conditions. The company's own project business will initially focus on the Rhein/Ruhr area and Berlin.

3. Build up of participation portfolio to participate in fast growing industry segements

IGP is steadily acquiring stakes in companies which operate in strongly growing future-oriented servicing and project development segments of the construction and real estate market. In all cases, it aims at cross-selling effects with its established engineering construction segments in order to expand its project pipeline.

Locations and operations IGP Group



Source: IGP Advantag AG, Quirin Privatbank AG

IGP continously expands the group participation portfolio. The strategic aims is to build up a portfolio of participations in the most advanced technologies in engineering services i.e. digitization and green building. Examples include:

Acquisition of DeepGreen Funding

The acquisition of a 25.1% share in DeepGreen Funding GmbH in June 2021 should be seen in the context to get a deeper footprint in the green building market. The company helps its clients to take advantage of subsidies for efficient and climate-neutral construction. Its comprehensive advisory approach covers all facets, types and sources of promotional funding for the real estate sector. Funding is available for renovation and new construction projects as well as for the planning of complete city quarters. This is particularly important for innovative and climate-aware construction services providers such as IGP and its clients.

DeepGreen Funding's technology includes a comprehensive database, which identifies and evaluates subsidy programs and helps with applying for the funds. The company not only identifies suitable programs, but also helps its clients to apply for the programs and receive the money. DeepGreen Funding is therefore an ideal partner for IGP Advantag; it provides important additional services, as subsidies may be an important funding tool for clients. Thus, DeepGreen Funding is an ideal specialist in IGP's portfolio for all issues around funding options for construction projects. The company's expertise is to be used for proprietary projects, too.

4. Carbon emission allowance trading

IGP Advantag AG has grown from what is today Advantag Service GmbH.
Advantag Services GmbH trades carbon emission allowances within the framework of the obligatory EU Emissions Trading System (ETS). Advantag has established a network of OTC trading partners and has access to important markets. As a result, it is able to deal quickly with large trading requests.

Advantag Services GmbH trades carbon emission allowances and generates most of its revenues from the trade of carbon allowances in the framework of the EU ETS. It usually buys allowances on the exchange and from exchange members and re-sells them at a premium of 0.5 – 5% to banks, financial services providers, intermediaries or facility operators, which need these allowances to comply with their obligations. Advantag also provides advice to its clients, for example in the form of weekly carbon market reports.

The company's clients include banks, airlines, carmakers, universities, hospitals, ministries and manufacturing companies which need to pay carbon taxes because they belong to the sectors covered by the EU ETS.

In the future, more sectors, such as shipping and agriculture, will be included in the scheme in order to realise the targets for carbon emission reductions. Moreover, emission trading systems are being linked with each other. The Swiss and the EU schemes are a good example; in the future, the British system is to be included as well.

Many other countries and regions (including California, parts of the US east coast and some Chinese regions) also use emissions trading to set an adequate price for carbon emissions. These systems are to be linked with the EU ETS in the not-too-distant future.

Emission trading operations improved significantly in FY21

In 2021, demand for carbon allowances has increased markedly, as the number of allowances will be reduced owing to the EU's plans to raise its greenhouse gas emission reduction target for 2030 from 40% to 55% (compared to total emissions registered in 1990). These developments will influence the market for carbon allowances in 2021.

Moreover, Germany introduced a national emissions trading scheme (nEHS) this year by way of the Fuel Emissions Trading Act. This scheme will cover the transport and the real-estate sector. We expect IGP to make use of this new development in Germany to extend its emissions trading business to other sectors and to benefit from the new emissions trading system for global aviation (CORSIA).

We believe that, after a pandemic-related decline, IGP will be able to increase its revenues considerably in 2021, to at least EUR 16m. We forecast a clear turnaround in operative earnings (EBITDA), which should come to c. EUR 0.2m, and an EBITDA margin of 1.3%. Revenues from this business segment are likely to rise strongly in the coming years. As the number of market participants increases significantly, the share of direct business with affected companies (instead of intermediaries) is likely to grow and improve trading margins.

Side note: Carbon emissions trading in the EU

Carbon emissions trading

In 2005, the Kyoto Protocol (which had been adopted by the international community in 1997) entered into force. Its goal is to reduce global greenhouse gas emissions considerably. The international community decided at the important Paris Climate Change Conference (COP21) in December 2015 to limit global warming to considerably below 2°C in order to mitigate the impact of the greenhouse effect as much as possible. The EU and many other countries have adopted an economic approach, namely carbon emissions trading, for this purpose. That is why the EU Emissions Trading System (ETS) has been established. The EU Member States have committed to reducing their greenhouse gas emissions by 40% by 2030 (compared to 1990). By 2050, aggregate emission reductions are to be equivalent to 85 – 95% of the 1990 volume. The EU Emissions Trading System consists of four phases.

In phase 1, all necessary allowances were granted for free, and in phase 2, the allowances were allocated for free on the basis of past requirements. During phase 3, the number of free allowances was reduced steadily, from 85% (2013) to 30% (2020). At the same time, the aggregate free volume was reduced by 1.74% each year. In phase 4, which started at the beginning of 2021, the annual reduction factor will rise to 2.2%. Moreover, the EU introduced a market stability reserve in 2017, which entered into force from 2018. This scheme will take excess allowances off the market and thus stabilise trading. Any allowances that are not allocated for free are auctioned at the EEX Leipzig and ICE exchanges. Overall, c. 13,000 European installations are obliged to participate in emissions trading, with other sectors of the economy due to be included in the coming years.

As of 2014, Advantag Services GmbH has taken over the operative business of carbon emissions trading from Advantag AG. Advantag is a direct member of the Commodity Exchange Bratislava and has a network of OTC trading partners, which is why the company is able to cover large trading volumes quickly. When the MiFID Directive (Markets in Financial Instruments Directive) entered into force at the beginning of 2018, the company was obliged by law to make some organisational adjustments to its carbon emission allowance trading under the ETS.

In March 2021, Advantag Services GmbH also became a member of AirCarbon Exchange Singapore, an exchange for tokenised carbon emissions certificates for the international aviation industry. CORSIA, the Carbon Offsetting and Reduction Scheme for International Aviation, entered into force this year. It aims to offset and reduce carbon emissions by international civil aviation. As aviation is the source of considerable greenhouse gas emissions, ICAO decided in October 2016 to introduce a global mechanism to regulate greenhouse gas emissions from international civil aviation. Airlines are obliged to counterbalance their carbon emissions by "carbon offset certificates".

The system will be implemented in three stages. During the pilot phase (2021 – 2023) and the first phase (2024 – 2026), countries will participate voluntarily. During the second phase (2027 – 2035), all countries will be obliged to take part, apart from those whose share in global aviation is very small. The sector aims at carbon-neutral growth from 2020. As of 2021, verified emission reductions (VERs) which meet the globally recognised Gold Standard (GS) or certified emission reductions (CERs) issued by the Clean Development Mechanism (CDM) can be used as offsets.

In addition, Germany introduced its Fuel Emissions Trading Act ("Brennstoffemissionshandelsgesetz", BEHG) this year. The Act creates the basis for trading in fuel emissions certificates and sets a price for such emissions, unless they are already covered by the EU ETS. The buildings and transport sectors in particular will be affected. The goal of the scheme is to reach the national climate protection goals and climate neutrality by 2050. The German national emissions trading system aims to put a price on fossil fuel greenhouse gas emissions. It was developed in 2019 as part of the German government's climate action package. During the introductory phase (2021 – 2025), certificates will be sold at a fixed price, which is set to rise from an initial EUR 25/ton of carbon in 2021 to EUR 55/ton of carbon by 2025. From 2026, emissions rights are to be auctioned, with the price moving in a corridor between EUR 55 and EUR 65 per emission certificate. Free trading is to follow. In all probability, the Fuel Emissions Trading Act will be only an intermediate solution, which will apply only until prices for transport and building-sector emissions are set by the EU ETS.

Nevertheless, the Fuel Emissions Trading Act may result in a "third rent" for tenants in the coming years, depending on the type of heating used for the building in questions. For example, monthly expenses for office buildings heated by oil heaters may rise by more than EUR 1/sqm.

All in all, designing climate-friendly and climate-neutral buildings makes sense not only in ecological, but also in economic terms. So does renovating existing buildings with a view to reducing greenhouse gas emissions.

German Real Estate Market

Key takeaways for IGP

- Low interest rate environment leaves real estate investments and construction activity attractive
- The German real estate market is characterized by an under-supply of housing which can be solved by an increasing construction activity. This should also help to further increase revenues from construction-related services.
- Around 60% of IGP's revenues stemmed from projects for the public sector. Investments in public construction projects are still increasing which leaves room for further projects in future.
- IGP is focused on assets that are crisis resistant. The residential real estate market is less affected by the Corona pandemic as prices are still rising. There are also high investment needs for educational properties which should increase potential projects in that segment.
- Green buildings will become more important in future as Germany has commited to meet specific climate targets which should reduce CO2 emission significantly.

German Real Estate Market in detail

Real estate assets remain attractive

- Real estate remains an attractive asset class

Due to the low interest rate environment real estate remains an attractive asset class for investors. The effective interest rate for new housing loans to private investors was on average 1.27% in May 2021. The lowest level was reached in December 2021 with 1.16%.

Effective interest for private property loans in %

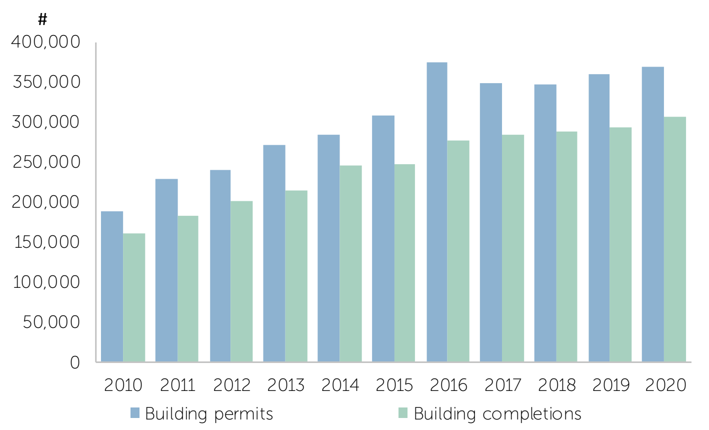
Source: Bundesbank, Quirin Privatbank

Under-supply of housing

- Construction activity remains low, i.e. demand should remain above the supply

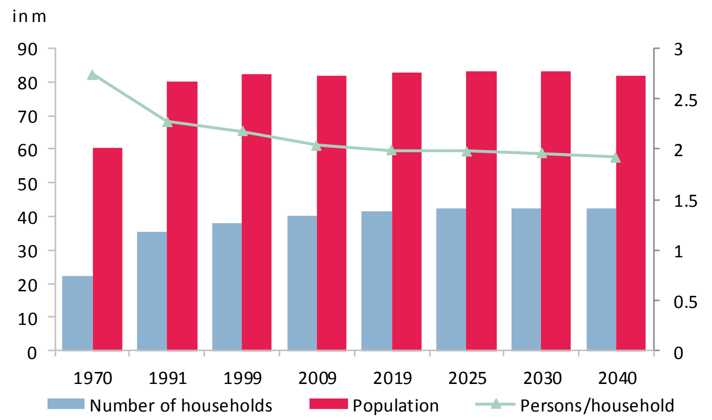
According to Destatis 10.5% of the GDP in Germany stemmed from construction in 2020 (vs. 2015: 9.6%). Despite the Corona pandemic the number of building permits did not decrease in 2020. In 2020 building permits amounted to 368,589 (+2% yoy) while 306,376 (+5% yoy) new apartments were completed. Despite an increased construction of new apartments in Germany in recent years, the construction activity does not cover the high demand. This means that the housing market in Germany is characterized by a lack of supply. We see the following reasons for the low construction activity: limited available land plots as well as long approval processes. According to empirica 300,000-400,000 new apartments are needed per year to cover the high demand for housing. Construction prices of new apartments increased by 6.4% yoy in May 2021 (source: Destatis), the highest increase yoy since May 2007 (+7.1% yoy). The producer prices of building materials such as timber, steel or isulating material also increased. Prices for solid construction timber were up by 83.3% yoy in May 2021, prices for roof battens by 45.7% yoy, prices for construction timber increased by 38.4% yoy and prices for reinforcing steel were up by 30.4% yoy. Main reasons for the increasing timber and steel prices are the increased demand (foreign and domestic) during the pandemic as well as problems in raw materials supply.

Building permits and completions



Source: Destatis, Quirin Privatbank

Development of population and households



Source: Destatis, Quirin Privatbank

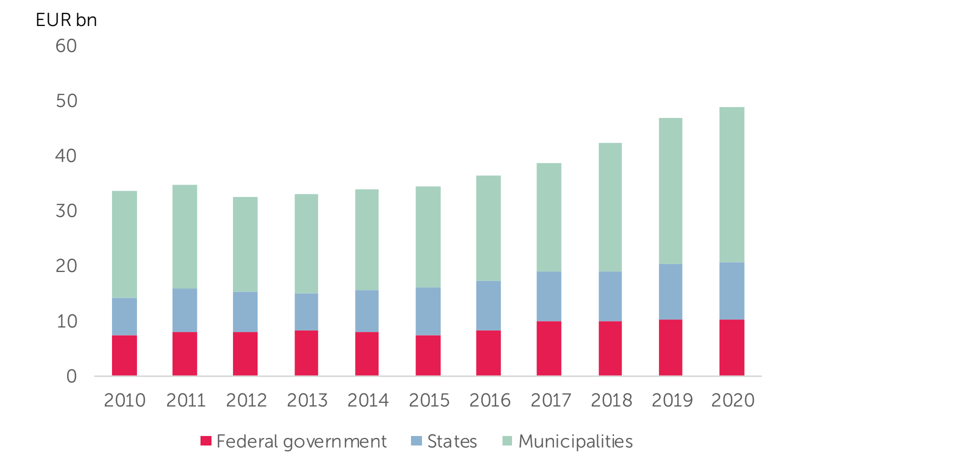
Overall, we expect under-supply of housing to continue. During the recent years the number of households in Germany increased faster than the population. There is also a trend towards smaller households. The number of households is expected to decrease from 2.04 persons per household in 2019 to 1.92 in 2040 and the population should decrease from 82.8m in 2019 to 81.7m in 2040. Compared to other European countries home ownership in Germany is still relatively low with 51% in 2019 compared to other European countries like Romania (95.8%), Poland (84.2%) or Spain (76.2%) for example (source: Eurostat).

State sector as an important client for the construction industry

- Investments in public construction projects still increasing

The state sector is an important client for the construction industry as around 30% of long-term revenues on average stemmed from constructions for the public authorities. Investments in public construction projects increased over time from EUR 33.6bn in 2010 to EUR 49.1bn in 2020.

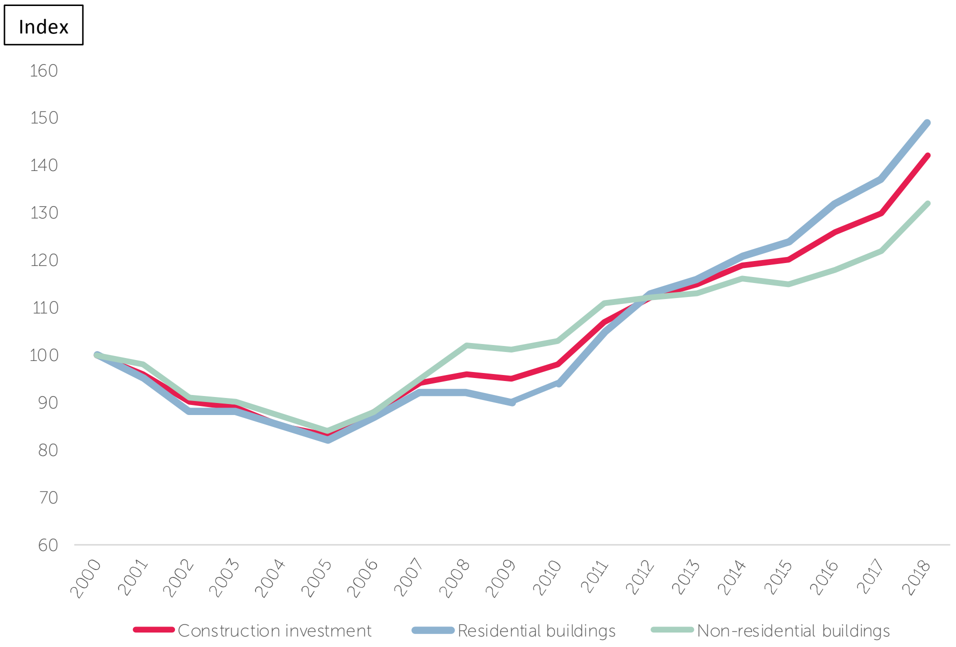
Investments in public construction projects



Source: Bauindustrie, Quirin Privatbank

From 2001 until 2018 construction investments of the state increased by 2.0% p.a.. The increase was stronger in the segment residential buildings with an increase of 2.2% p.a. while non-residential buildings increased by yearly 1.6%.

Construction investments of the state



Source: Destatis, Quirin Privatbank

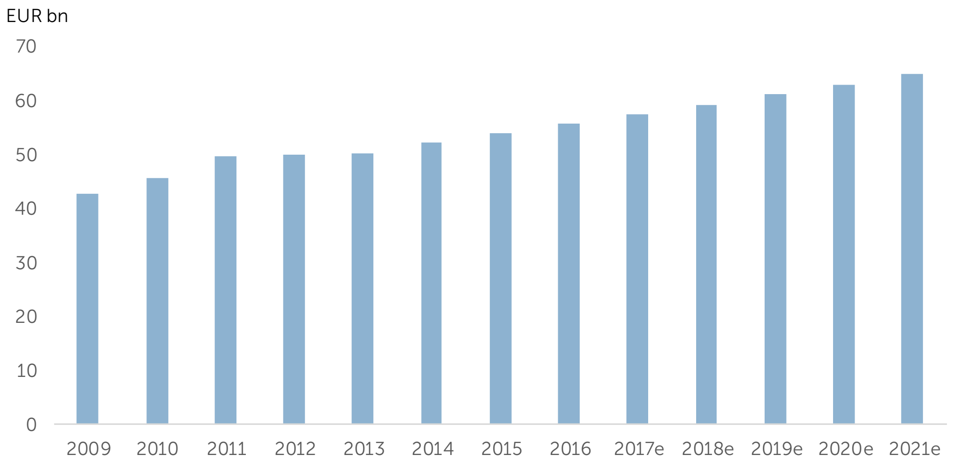
- High investment needs for educational properties

According to KfW-Kommunalpanel 2019 the total investment backlog in Germany amounted to EUR 138.4bn in Germany of which EUR 42.8bn related to schools (c. 31%).

- Revenues from construction-related services should further increase

In line with the consruction activity in Germany revenues from construction-related services increased since 2009 from EUR 42.9bn and is expected to reach EUR 65.1bn in 2021.

Development of revenues from construction-related services in Germany



Source: Statista, Quirin Privatbank

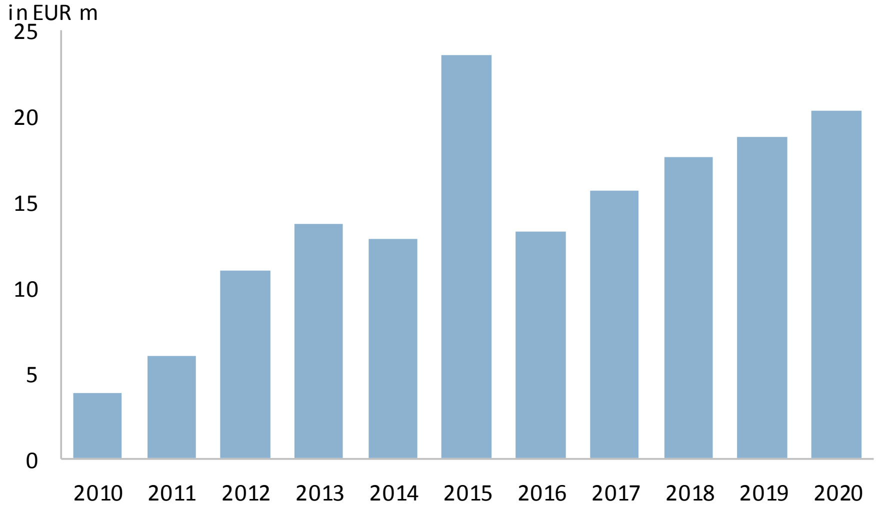
Residential real estate market to be less affected by the Corona pandemic…

- Prices for real estate properties should further increase

The development on the residential investment market shows that the sector is more crisis resistant than the commercial real estate market which suffered from the Corona pandemic. With a transaction volume of EUR 20.3bn in 2020 (+8% yoy) the second best result ever has been achieved. As of Q2 2021 the transaction volume reached nearly EUR 9.9bn which was a decline of 16% compared to last year. Note that a direct comparison is not very meaningful as the transaction volume in Q1 2020 was mainly driven by the takeover of ADLER Real Estate AG by ADO Properties.

For 2021e BNP Paribas Real Estate expects residential real estate prices to remain broadly stable or increase slightly. The transaction volume could achieve EUR 45-50bn as the takeover of Deutsche Wohnen by Vonovia is likely to be closed in H2 2021.

Residential transaction volume development



Source: E&Y, Quirin Privatbank

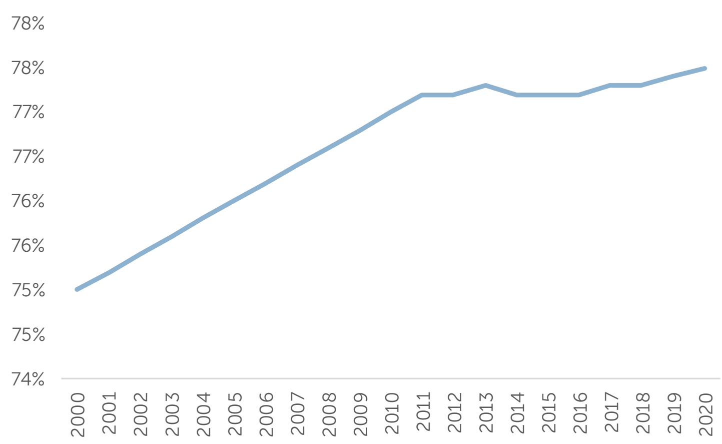
...as rents and prices further followed its upward trend

Despite the Corona pandemic rents and apartment prices further followed its upward trend. As of Q2 2021 rents in Germany increased by c. 4% yoy to EUR 8.67 per sqm. Compared to Q2 2011 rents have grown by 40%. The price development on the German residential real estate market show that prices have increased faster than rents. Prices for condominiums reached EUR 3,178 per sqm (+14% yoy) in Q2 2021 and showed an increase of more than 130% compared to 10 years ago. According to empirica rent and price increases were initially higher in metropolitan areas and can now be more seen in rural areas which can be explained by the fact that more and more people are working from home as a result of the Corona pandemic.

- Continuation of urbanization

Cities are getting more and more attractive as place to live for people in Germany. This can be seen as the urbanization trend continued in recent years as 77.5% of the German inhabitants lived in cities in 2020 compared to 75% in 2000. This trend should further continue.

Development of urbanization in Germany



Source: Statista, Quirin Privatbank

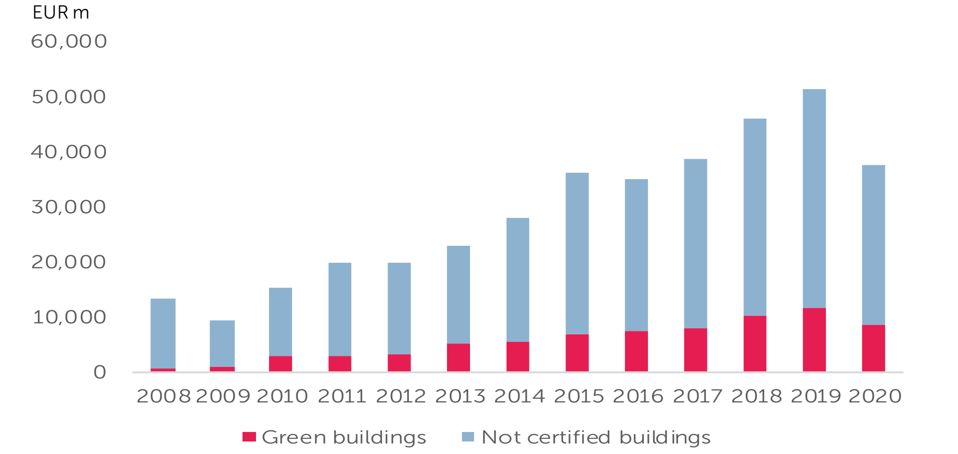
Note that the commercial transaction volume amounted to EUR 23.9bn in Q2 2021 of which around 55% related to Top-7 cities (source: BNP Paribas Real Estate). According to Colliers office assets were the most preferred asset class in Q2 2021 (48% of commercial transaction volume), followed by logistics (19%), retail (12%) and hotel (4%).

- Green buildings will become more important in future

Share of green buildings will increase to meet the planned climate targets in Germany

The transaction volume in certified green buildings amounted to EUR 8.4bn in 2020 and thus decreased by 27% yoy. Note that the transaction volume in certified green buildings reached a new record level with EUR 11.6bn in 2019 (c. +15% yoy). The development in 2020 can be explained by the Corona pandemic.

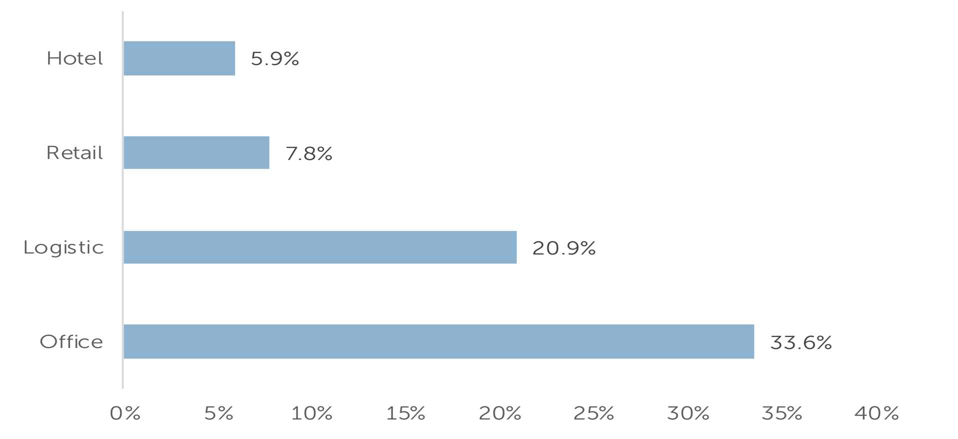
Commercial transaction volume in Germany



Source: BNP Paribas Real Estate, Quirin Privatbank

In 2020 around 34% of the office investment volume related to green buildings (vs. 31% in 2019), followed by logistic assets (20.9% vs 2019: 19%) and retail assets (7.8% vs. 2019: 13%)

Share of green buildings by asset classes



Source: BNP Paribas Real Estate, Quirin Privatbank

Germany has commited to meet specific climate targets. In 2030 a maximum of 70m tonnes of CO_2 is allowed to be emitted in the building sector, a decrease by 67% compared to 1990. Prices for emission certificates are planned to increase continuously from EUR 25 per tonne of CO_2 in 2021 to EUR 55 per tonne of CO_2 in 2025. From 2025 onwards certificates should be auctioned for at least EUR 55 per tonne of CO_2 and a maximum of EUR 65 per tonne of CO_2. The pricing is expected to lead to a reduction of emissions (source: BMWI).

Corporate History

1998	2001	2002	2009	2013	2014	2015-2017	2018	2019	2020-2021
Foundation IGP in Berlin and first Major order	Foundation IGP Project GmbH	First Foreign activity in London (GB)	Foundation Advantag AG	IPO Advantag AG, start of the activity for the FBB	Foundation Fur the subsidiaries of the IGP	Foundation of IGP branches in Düsseldorf, Cologne & Munich	Acquisition SAA Schweger Architects by the IGP Group, strengthened appearance of the IGP Projekt GmbH as project developer	Change of name of Advantag AG to IGP Advantag AG & expansion of the business purpose to the real estate sector; Foundation IGPmed GmbH	Insertion IGP Engineer AG & the IGP Projekt GmbH within the framework of a contribution in kind Acquisition of a 100% stake in BRH Gerneralplaner GmbH and a 25.1% stake in DeepGreen Funding GmbH

Source: IGP Advantag, Quirin Privatbank AG

Financials

Healthy balance sheet – Equity ratio of 71%

Almost no financial debt on the balance sheet – high equity ratio

Following the integration of the IGP operations into the Advantag AG the balance sheet of IGP group is very healthy. The equity ratio FY21e will amount to 71%. The business has not been very capital-intensive so far, which is why there is no major financial debt. Capex has been quite small. During the past two years, however, M&A activity has picked up, and IGP has acquired complementary stake holdings in order to expand its traditional business and extend value creation within the company. As IGP AG in its current form was created by contributions in kind and recent acquisitions, the balance sheet contains goodwill items worth EUR 28m (59% of FY21e total assets), which will be written down in the p&l over 15 years in line with German GAAP (German Commercial Code, "HGB"). We expect a shift towards international accounting rules (IFRS) from FY22 onwards. This would include no goodwill write down and significantly higher published EBIT and net results.

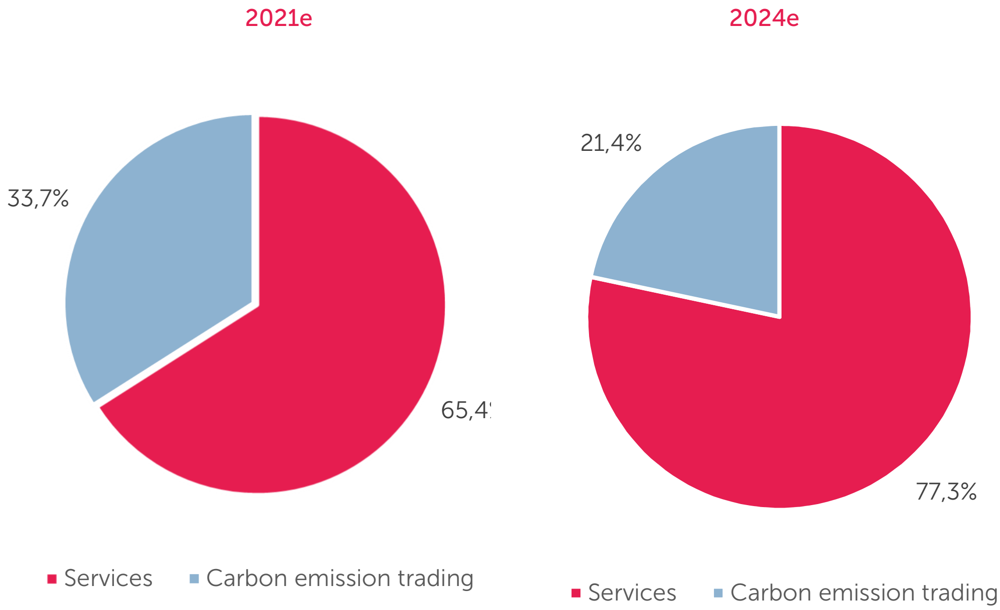
Extension of value chain potentially financed by capital markets

The company has financed its business mainly from free cash flows so far. It plans to extend its proprietary project development business in order to accelerate operative growth and increase value creation in the framework of the current projects. Our model does not include these possibilities yet. We believe that the company will need to tap the equity or debt capital markets for this purpose.

Sales mix largely influenced by emission trading

Following the structure of the newly formed IGP Group the sales volume in the group (FY21e: EUR 48.6m) includes not only the engineering sales of EUR 31.8m but also the emission trading activities with a volume of around EUR 16.4m. Both segments have a very different sales characteristics. Engineering services are dominating with around 65% of total sales and will moderately grow with a CAGR 21e-24e of 19%. The trading activities are hardly to estimate and might proof to be very volatile in upcoming years.
In order to provide a reliable basis for our group estimates we have assumed only a low CAGR of around 10% into our models.

IGP: Sales by segments



Source: IGP, Quirinprivatbank estimates

Commercial success mainly measured by EBITDA

Our assessment of the company's operative success is largely based on EBITDA. IGP Group has a holding structure and a comparatively flexible spending structure. Personnel expenses make up a large share of total expenses of the services businesses. Spending on materials is mostly spending on purchased services, for example costs for external staff, who may be employed for special tasks or to deal with demand peaks. The company's own capacities are always fully used. EBIT and other downstream figures do not appear useful on the grounds of the regular goodwill write-downs (FY 21e EUR 2.4m), which are not relevant to cash flow, however. Goodwill write-down accounts therefore for around 50% of the EBITDA and artificially reduces p/l profits.

Operating margins are diluted by the emission trading segment

When analyzing group EBITDA margins of the IGP group it needs to be considered, that high margins of the engineering operations are largely diluted by the very low trading margins of the emission trading activities. Margins in the later segment account in FY 21e for around 0.5%. This compares to the engineering segment where average margins in FY21e might account to around 17%.

Within our long term model we assume rising EBITDA margins in the group. This assumption is based on the expected extension of the value chain into a higher proportion of proprietary project developments.

Operational performance of H1 FY21 confirms expected growth path – Profits of FY 21e will be back end loaded

IGP presented H1/21 figures in line with positive expectations and in line with the recent management guidance. Sales of EUR 18.7m are not comparable with the previous year. It includes EUR 7.2m sales of construction related services. Carbon emission trading accounted for EUR 11m.

In order to get the full picture of business activity of IGP in H1/21 it is necessary to focus on Total output within H1/21. Total output accounted for EUR 24.9 m and includes unsettled construction related services. According to the special business concept and German GAAP accounting HGB) the higher total output will materialize into sales in H2/21. IGP took advantage of an ongoing high order backlog of construction projects. Large projects in H1/21 included additional work on the Berlin Airport (BER), Allianz Treptow Towers and the major Project Health & Care Campus Steinfurt.

IGP does not disclose detailed order intake. Nevertheless it is worth to mention, that several larger new projects in H1/21 were generated and will secure further growth in the upcoming years. New projects include the Health campus in Steinfurt (construction volume approx. EUR 50m).

Even if sales increased by more than 90% in H1/21 operational profits (EBITDA) fell to EUR 1.0m (-49.4%). Nevertheless the EBITDA figures of H1/21 hides that higher unsettled constructions services will be settled in H2/21 and sales and profits will only materialize at that later timeframe.

Management confirmed the recently increased FY21 guidance. Total output should reach a level of EUR 47-50m and EBITDA is indicated in a range between EUR 5-7m. In our QP estimates we forecast Sales of EUR 49m at the upper end of the range and EBITDA at midpoint guidance of EUR 5.6m.

IGP H1/21 Figures

EUR m	H1/20	H1/21	yoy %	H2/21e	FY21e	yoy %	FY22e	yoy %
Total revenues	9,7	18,7	93,1	30,3	49,0	29,5	62,4	27,3
EBITDA	2,1	1,0	-49,4	4,5	5,6	6,5	9,3	66,2
EBITDA margin %	21,2	5,5		15,0	11,4		14,9	
EBIT	-1,2	-0,1	n.m.	3,0	2,8	-1,2	6,7	137,1
EBIT margin %	-12,4	14,7		9,8	3,1		5,8	
Financial result	0,0	0,0	n.m.	0,0	0,0	-12,2	0,0	27,7
EBT	-1,2	-0,1	n.m.	3,0	2,9	-1,3	6,8	136,4
EBT margin %	-12,4	-0,8		9,9	5,8		10,8	
Taxes	0,7	0,4	-39,6	1,4	1,8	8,6	3,0	62,5
Tax rate %	-54,8	-270,3		47,6	64,0		44,0	
EAT	-1,9	-0,5	n.m.	1,6	1,1	-15,1	4,0	267,7
Number of shares m	27,7	27,7		27,7	27,7		27,7	
EPS in EUR	-0,07	-0,02		0,06	0,04		0,14	267,7

Source: IGP, Quirinprivatbank estimates

Financial year 2021

We forecast a significant increase in revenues for FY21e, to EUR 49m (+29.5% yoy). This development is largely due to a jump in billing by IGP Ingenieur AG. In addition, revenues from BRH Generalplaner GmbH, which was acquired in May 2021 and whose revenues will be newly consolidated for 6 months, need to be taken into account. Revenues from carbon emissions trading are likely to more than double to more than EUR 16m due to a pick-up in trading volumes.

EBITDA developments will have the biggest impact on the overall result. As order volumes increase, the company's own engineering capacities are used to a large extent and the stake in the highly profitable company BRH will be consolidated for the first time. We forecast an above-average EBITDA increase to EUR 5.6m (+6.5% yoy) in FY21e.

The EBITDA margin of IGP Group should reach 11.4% in FY21e. The profitability of the core business segments is reflected only to a limited extent by the aggregate earnings figure across the whole product mix. We forecast a margin of 17% for the engineering services. This margin is watered down by carbon emissions trading, where value creation is comparatively low and margins amount only to 1.3%.

Anticipating depreciation of EUR 2.7m (including goodwill amortization of EUR 2.4m), which do not affect cash flows, the EBIT estimate for FY21e does not adequately reflect the earnings power of IGP.

This is also evident from the comparatively high tax ratio of 64% (goodwill amortization not tax deductible). As a result, earnings per share (EPS) of EUR 0.04 are of limited informative value, too. Adjusted for goodwill write-downs, the EPS should be about EUR 0.13. Once the potential accounting shift to IFRS standards is completed, this effect will no longer play a role.

IGP: Medium term perspectives - Sales – EBITDA – EBITDA margin %

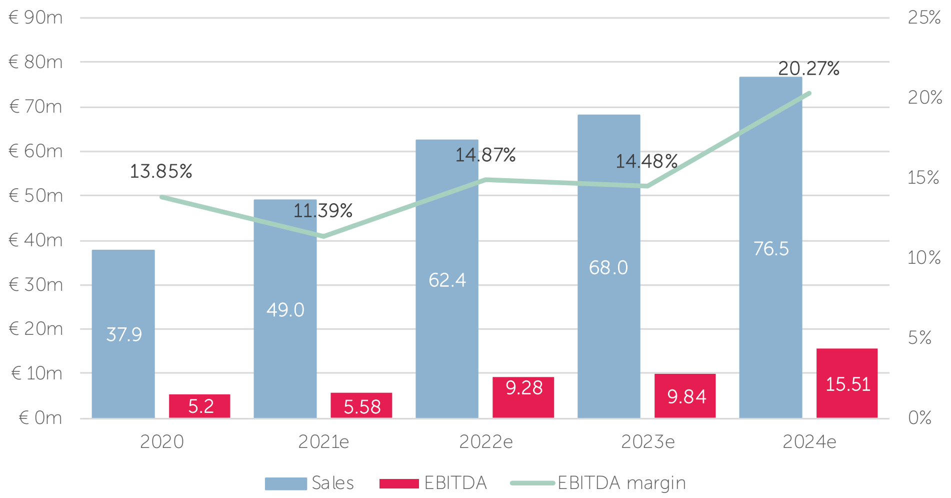
Upcoming profits take advantage of large orders in health care and greenbuilding

Strong growth, revenue growth and margin increases expected for 2021e – 2024e
Based on the high order backlog, which amounted to c. EUR 30m by the end of FY20 already, we forecast dynamic business and revenue growth for FY21e and the subsequent years. We put the revenue CAGR for FY 20–24e at 19.2%. This calculation is based only on the current order backlog, above all in the services segments.

Much of the expected jump in revenues will stem from the projects "Greenovation Berlin" and Weberquartier Steinfurt (also called "Health & Care Campus") run by IGP Projekt GmbH. The construction volume of these projects amounts to c. EUR 80m in 2022e –24e. As IGP should benefit from growing economies of scale, we expect profitability to improve markedly across all business segments. Based on the results expected for 2021e, the EBITDA margin is likely to roughly double by 2025e.

Moreover, IGP increasingly extends value creation to earlier stages of the engineering services chain. This should boost profitability as well. As the share of engineering services in overall earnings grows at an above-average rate, the lower-margin emissions trading business loses importance.

IGP group: Sales – EBITDA - Margin.



Source: IGP, Quirinprivatbank estimates

Management and Shareholder Structure

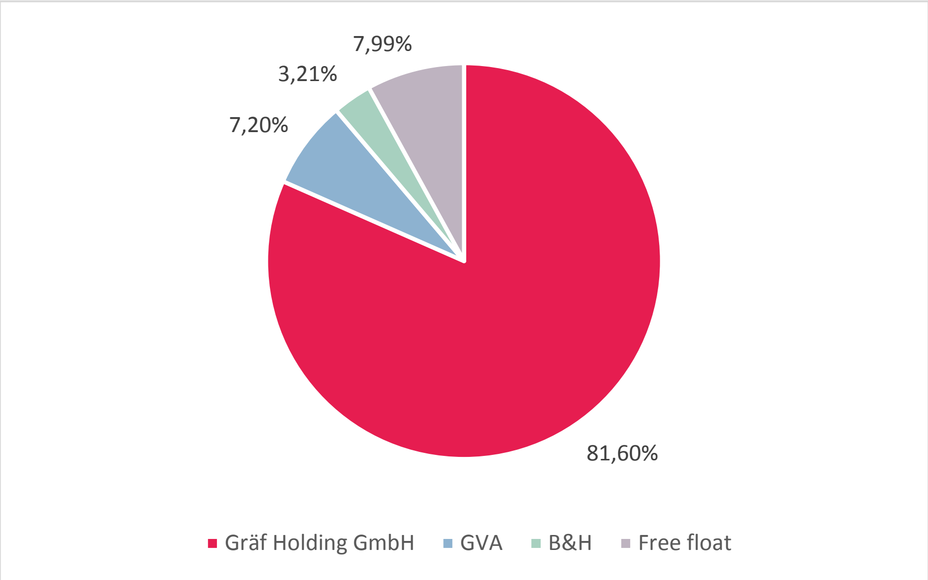
Management board:
The management of IGP Advantag AG consists of Stefan Gräf, CEO and Raik Oliver Heinzelmann, CFO.

Stefan Gräf (CEO)
Stefan Gräf is the founder and main shareholder of IGP Group. He has more than 20 years experience in company structuring, project development, project management and general planning. He has run large-scale international projects for leading construction and engineering companies.
At IGP, his main responsibilities are the management of the company's stakeholdings, the real estate business, group planning and strategy. He holds a degree in civil engineering.

Raik Oliver Heinzelmann (CFO)
Raik Oliver Heinzelmann is the CFO of IGP Group. He has been a Board member of the predecessor company Advantag AG since 2009 and has years of experience as a CFO. At IGP, he focuses on corporate funding, the management of the company's stakeholdings, emissions trading and climate policy (green building). He takes operative responsibility for the carbon emissions trading business. He is a banking and finance specialist and a certified spot market trader (EEX).

IGP shareholder structure
IGP owns a perfect alignment of the shareholder structure and management. Stefan Gräf is not only the CEO but also the major shareholder of IGP with more than 80% of the share capital

IGP: Shareholder Structure



Source: IGP Advantag, Quirin Privatbank AG

Appendix

EDUCATION

Marianne Buggenhagen-School, Berlin

General planning LPH 1-9

Construction volume: EUR 16.3m

Construction period: since 2020

OFFICE

Treptowers, Berlin

General planning

Construction volume: EUR 105m

Construction period: since 2018

SPECIAL CONSTRUCTION

BER Airport, Berlin

Substitute performance and object supervision

Construction volume: o.A.

Construction period: since 2013

HEALTH CARE

Charité, Berlin

Overall project management for project control Project stages 1-5, Coordination project management, Renewal of electrical engineering

Construction volume: EUR 41.2m

Construction period: 2015-2019

Centrovital, Berlin

Hotel ensembles with health center and medical practices for outpatient orthopedic rehabilitation

Construction volume: EUR 27.5m

Construction period: 2002-2005

LIVING

Andreas Quarter, Düsseldorf

Client representation, project management, coordination, construction management, TGA

Construction volume: EUR 280m

Construction period: 2013-2019

INTERNATIONAL

Jumeirah Hotel, Majorca

Project management LPH 6-8

Construction volume: EUR 51m

Construction period: 2010-2012

Airport, Dublin

Project management Pier D

Construction volume: EUR 8m

Construction period: 2006-2007

Wembley Stadium, London

Project management expansion

Construction volume: EUR 21m

Construction period: 2002-2006

Source: IGP Advantag, Quirin Privatbank AG

COMPLETED PROJECTS

Hotel Severin's Sylt (2003-2007)

New construction of a comfortable hotel and apartment complex

Purchase volume: EUR 8m

Construction volume: EUR 60m

Current value: EUR 80m

Telefunken site in Hanover (1999-2009)

Development of the contaminated site (40,000 m2) into an administration and office center office center of the state of Lower Saxony

Investment volume: EUR 3.5m

Project volume: EUR 45m

Current value: EUR 62m

ONGOING PROJECTS

Greenovation campus, Berlin

New construction of an office campus with 10% residential share in wood hybrid construction (CO2-neutral)

Investment volume: EUR 20m

Construction volume: EUR 55m

Project duration: 3 years

Expected sales price: EUR 100m (Respectable offers in corresponding amount from renowned buyers have already been received)

Health & Care Campus Steinfurt

New construction of a health campus with rehabilitation clinic, care facilities and residential facilities

Investment volume: EUR 10m

Construction volume: EUR 80m

Project duration: 5 years

Expected sales price: EUR 125m (Respectable offers in corresponding amount from renowned buyers have already been received)

Source: IGP Advantag, Quirin Privatbank AG

Profit & loss statement

Profit & loss statement (EUR m)	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Sales	37.9	0.0 %	49.0	29.5 %	62.4	27.3 %	68.0	9.0 %
Unfinished Goods	0.5		0.6		0.8		0.9	
Other own work capitalized	0.2		0.2		0.2		0.2	
Other operating earnings	0.5		0.8		0.8		0.9	
Cost of goods	18.7		24.2		30.9		33.6	
Gross profit	20.4		26.5		33.4		36.4	
Personnel expenses	9.9		12.8		16.4		17.8	
Depreciation	2.4		2.7		2.5		2.5	
Other operating expenses	5.2		8.0		7.8		8.7	
EBITDA	5.2	0.0 %	5.6	6.5 %	9.3	66.2 %	9.8	6.1 %
EBITDA margin (%)	13.85		11.39		14.87		14.48	
EBIT	2.9	0.0 %	2.8	-1.2 %	6.7	137.1 %	7.3	9.0 %
EBIT margin (%)	7.60		5.80		10.80		10.80	
Net interest	0.0		0.0		0.0		0.0	
Income from Participations	0.0		0.0		0.0		0.0	
Net financial result	0.0		0.0		0.0		0.0	
Exceptional items	0.0		0.0		0.0		0.0	
Pretax profit	2.9	0.0 %	2.9	-1.3 %	6.8	136.4 %	7.4	9.1 %
Pretax margin (%)	7.66		5.84		10.84		10.86	
Taxes	1.7		1.8		3.0		3.3	
Tax rate (%)	58.16		64.00		44.00		44.40	
Earnings after taxes	1.2		1.0		3.8		4.1	
Minorities	-0.1		-0.1		-0.2		-0.2	
Group attributable income	1.3	0.0 %	1.1	-15.1 %	4.0	267.7 %	4.3	8.4 %
No. of shares (m)	27.7		27.7		27.7		n.a.	
Earnings per share (EUR)	0.05	0.0 %	0.04	-15.1 %	0.14	267.7 %	0.16	8.4 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Assets								
Cash and cash equivalents	4.5		3.9		5.7		6.8	
Accounts receivables	5.7		7.4		9.5		10.3	
Inventories	2.7		3.5		4.5		4.9	
Other current assets	1.6		1.6		1.6		1.6	
Tax claims	0.0		0.0		0.0		0.0	
Total current assets	**14.6**	**19.5 %**	**16.5**	**13.1 %**	**21.3**	**28.7 %**	**23.7**	**11.2 %**
Fixed assets	0.3		2.6		5.6		9.1	
Goodwill	28.7		28.7		28.7		28.7	
Other intangible assets	0.5		0.5		0.5		0.5	
Financial assets	0.2		0.2		0.2		0.2	
Deferred taxes	0.0		0.0		0.0		0.0	
Other fixed assets	0.0		0.0		0.0		0.0	
Total fixed assets	**29.8**	**-6.5 %**	**32.1**	**7.6 %**	**35.0**	**9.2 %**	**38.5**	**10.0 %**
Total assets	**44.4**	**0.7 %**	**48.6**	**9.4 %**	**56.3**	**15.9 %**	**62.2**	**10.4 %**
Equity & Liabilities								
Subscribed capital	27.7		27.7		27.7		27.7	
Reserves & other	6.0		6.0		6.0		6.0	
Revenue reserves	-0.2		0.9		4.9		9.3	
Accumulated other comprehensive	0.0		0.0		0.0		0.0	
Shareholder's equity	**33.7**	**6.3 %**	**34.8**	**3.2 %**	**38.8**	**11.5 %**	**43.1**	**11.2 %**
Minorities	0.1		0.1		0.1		0.1	
Shareholder's equity incl. minorities	**33.7**	**6.3 %**	**34.8**	**3.2 %**	**38.8**	**11.5 %**	**43.1**	**11.2 %**
Long-term liabilities								
Pension provisions	0.0		0.0		0.0		0.0	
Financial liabilities	0.0		0.0		0.0		0.0	
Tax liabilities	0.0		0.0		0.0		0.0	
Other liabilities	0.0		0.0		0.0		0.0	
Total long-term debt	**0.2**	**-32.4 %**	**0.2**	**0.0 %**	**0.2**	**0.0 %**	**0.2**	**0.0 %**
Short-term debt								
Other provisions	4.4		5.7		7.3		7.9	
Trade payables	3.9		5.1		6.5		7.0	
Financial debt	0.0		0.0		0.0		0.0	
Other liabilities	1.2		1.6		2.1		2.2	
Total short-term debt	**10.5**	**-12.8 %**	**13.6**	**29.5 %**	**17.3**	**27.3 %**	**18.8**	**9.0 %**
Total equity & liabilities	**44.4**	**0.7 %**	**48.6**	**9.4 %**	**56.3**	**15.9 %**	**62.2**	**10.4 %**

Source: Company data, Quirin Privatbank estimates

DCF valuation

DCF model (EUR m)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	TV
Sales	49	62	68	77	77	81	86	90	
YOY change (%)	29.5	27.3	9.0	12.5	1.2	4.7	5.6	5.3	
EBIT	3	7	7	13	15	15	15	16	
EBIT margin (%)	5.8	10.8	10.8	17.0	20.0	18.0	18.0	18.0	
Depreciation	3	3	3	3	3	3	3	3	
Net working capital	6	8	8	9	9	10	10	11	
Taxes	2	3	3	5	6	5	5	6	
Tax rate (%)	64.0	44.0	44.4	40.0	40.0	35.0	35.0	35.0	30.0
Free cash flow	-2	-1	0	3	5	5	5	6	
WACC	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %	7.5%
Discounted FCF	-2	-1	0	2	4	3	3	3	87
Contribution to EV	-2.4 %	-0.7 %	-0.1 %	2.1 %	3.7 %	3.2 %	3.4 %	3.4 %	87.3 %
Discounted EV	**99.6**								
Net Financial debt	-4.3								
Minorities	-0.1								
Shareholder value	103.9								
Fair value per share	3.7								

Source: Quirin Privatbank estimates

WACC calculation	
TV growth rate	1.5%
Risk free interest rate	1.5%
Risk premium	6.0%
Beta	0.9
Company interest rate	3.5%
Company tax rate	64.0%
Cost of equity	6.9 %
Cost of debt	1.3 %
WACC	6.9%

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2020	2021e	2022e	2023e
Per share data (EUR)				
EPS	0.05	0.04	0.14	0.16
Book value per share	1.2	1.3	1.4	1.6
Dividend per share	0.00	0.00	0.00	0.00
Valuation ratios				
EV/Sales	1.38	1.08	0.82	0.74
EV/EBITDA	10.0	9.5	5.5	5.1
EV/EBIT	18.2	18.6	7.6	6.8
P/E	35.9	52.0	14.2	13.1
P/B	1.4	1.6	1.5	1.3
Dividend yield (%)	0.0	0.0	0.0	0.0
Growth				
Sales growth (%)	n.m.	29.5	27.3	9.0
EBITDA growth (%)	n.m.	6.5	66.2	6.1
EBIT growth (%)	n.m.	-1.2	137.1	9.0
EPS growth (%)	n.m.	-15.1	267.7	8.4
Profitability ratios				
EBITDA margin (%)	13.8	11.4	14.9	14.5
EBIT margin (%)	7.6	5.8	10.8	10.8
Net margin (%)	3.4	2.2	6.4	6.4
Financial ratios				
Total equity (EUR m)	33.7	34.8	38.8	43.1
Equity ratio (%)	75.8	71.6	68.9	69.3
Net financial debt (EUR m)	-4.3	-3.7	-5.4	-6.6
Net debt/Equity	0.0	0.7	0.7	0.7
Interest cover	130.7	129.2	306.3	333.8
Net debt/EBITDA	-0.8	-0.7	-0.6	-0.7
Payout ratio (%)	0.0	0.0	0.0	0.0
Working Capital (EUR m)	4.1	3.0	4.0	4.8
Working capital/Sales	0.11	0.06	0.06	0.07

Source: Company data, Quirin Privatbank estimates

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Date	Price target-EUR	Rating	Initiation
25.10.2021	3.75	Buy	25.10.2021

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