

# M1 Kliniken AG

Germany / Healthcare Facilities & Services  
 Frankfurt  
 Bloomberg: M12 GR  
 ISIN: DE000A0STSQ8

Update

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 18.00**

Return Potential 41.7%  
 Risk Rating High

## MORE THAN A BOUTIQUE BEAUTY CENTRE

We reiterate our Buy rating on M1 Kliniken AG (M1) and raise our TP to €18 (old: €13.2). In our view, the company's growth prospects are excellent. M1 was an early mover in Germany's lifestyle and beauty market and forged a disruptive network of branded clinics (YE23: 58 locations) for cosmetic treatments that now spans continental Europe, the UK, and Australia with sights set on America. M1's expansion is now drawing private equity interest. M1 brass have been informed that transactions in the beauty sector have fetched multiples of up to 30x EBITDA. M1 shares caught a bid on the announcement, and we expect good business momentum this year to stoke further upside.

**Upping forecasts on improving operational KPIs** M1 brass recently outlined their 2025 agenda (overleaf) at an investor conference and are calling for a Beauty segment EBIT margin north of 20% next year alongside a 3% operating margin for the Trade segment. We have bumped our targets accordingly (overleaf). Process and admin optimisations helped prod margins higher last year with 9M/23 Beauty EBIT hitting 23.5% of sales (9M/22: 8.2%). We expect this to continue and have upped our 2025 segment EBIT margin to 21% (old: 18.2%).

**Cosmetics treatments no longer exclusive to the well-heeled** For the beauty industry, erasing signs of aging is the holy grail, but at the turn of the century cosmetic treatments were considered a luxury and risky. This perception has changed, thanks largely to new technology and procedures. M1 specialises in non-invasive injectables, such as botox, which works by relaxing muscle movements that cause twitches and distressing wrinkles.

**More than just a boutique beauty centre** In our view, M1 distinguishes itself in an extremely fragmented cosmetic treatment market with a highly scalable business that is orchestrated by the M1 mother ship in Berlin. Strong purchasing power also entrenches M1 as a price leader and drives a self-reinforcing business model, whereby affordable pricing attracts new clients into a complete lifestyle and beauty ecosystem. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	159.59	314.61	285.29	305.44	329.96	363.19
Y-o-y growth	106.7%	97.1%	-9.3%	7.1%	8.0%	10.1%
EBIT (€m)	4.41	12.14	9.35	15.37	19.69	24.83
EBIT margin	2.8%	3.9%	3.3%	5.0%	6.0%	6.8%
Net income (€m)	6.83	8.90	4.32	7.14	9.12	11.47
EPS (diluted) (€)	0.37	0.45	0.22	0.37	0.48	0.60
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	12.65	15.90	19.65	9.57	14.49	20.23
Net gearing	7.5%	-10.8%	-20.4%	-20.9%	-23.7%	-29.1%
Liquid assets (€m)	21.96	37.87	35.15	34.94	42.26	56.73

### RISKS

Risks include, but are not limited to the ability to retain management and key medical staff, legal and market risks.

### COMPANY PROFILE

M1 Kliniken AG is a provider of aesthetic medical procedures at competitive prices. The company is headquartered in Berlin and controls an extensive network of ~60 beauty clinics across Germany, continental Europe, the UK, and Australia. The company also operates a pharmaceutical trade and parallel import business through its Haemato AG subsidiary.

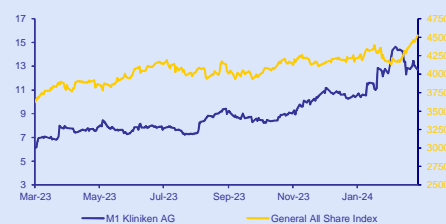
### MARKET DATA

As of 25 Mar 2024

Closing Price € 12.70  
 Shares outstanding 19.64m  
 Market Capitalisation € 249.47m  
 52-week Range € 6.14 / 14.65  
 Avg. Volume (12 Months) 10,477

Multiples	2022	2023E	2024E
P/E	57.8	34.4	26.7
EV/Sales	1.0	0.9	0.9
EV/EBIT	30.8	18.7	14.6
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2023

Liquid Assets € 23.30m  
 Current Assets € 115.29m  
 Intangible Assets € 60.23m  
 Total Assets € 203.23m  
 Current Liabilities € 42.19m  
 Shareholders' Equity € 146.35m

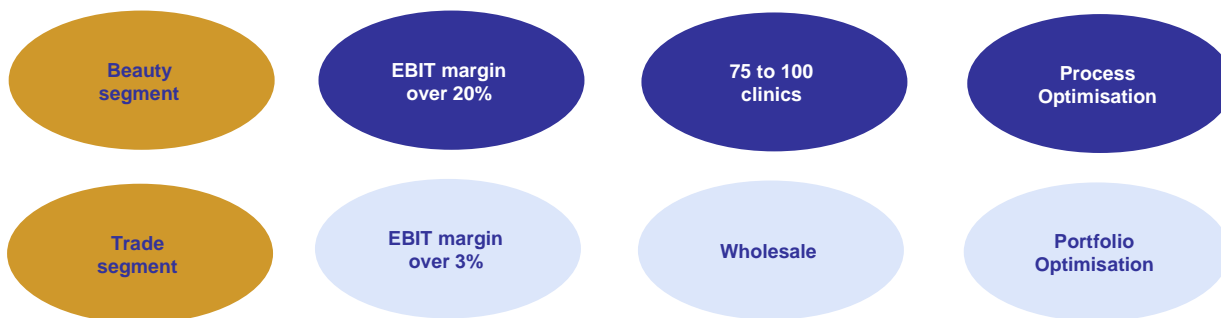
### SHAREHOLDERS

MPH Healthcare AG 69.1%  
 Free Float 30.9%

## PROFITABILITY IS IMPROVING

Earlier this year, M1 management outlined their 2025 agenda (figure 1) at an investor conference. The clinic expansion spotlight this year will be on M1's home market with a sharpened focus on Germany's smaller towns. The company highlighted the exceptional performance of the Erfurt clinic, which opened its doors in 2021. The town ranks 37<sup>th</sup> among Germany's most populated cities, and management pointed out that small-town locals have scant options for quality beauty treatments, much less at affordable pricing. The company also wants to put its operational flag in the ground in America, and we think a clinic could open its doors in Florida later in 2024.

Figure 1: Segment targets by YE25



Source: First Berlin equity research; M1 Kliniken AG

M1 brass are calling for Beauty segment EBIT to top 20% of sales driven by ongoing process optimisation begun last year. The number of clinics is also expected to land in the 75 to 100 range by YE25 (FBe: 78). Beauty earnings have been exceptionally strong of late, supporting management's outlook. Segment EBIT nearly trebled to €12.5m for the January-to-September period (9M/22: €3.4m) prodding the margin to 23.5% (9M/22: 8.2%). Germany led regional performance racking up €41.8m in sales and an EBIT margin of 29.2%, which easily overshoot M1's targeted 15% to 20% corridor for the sub-group.

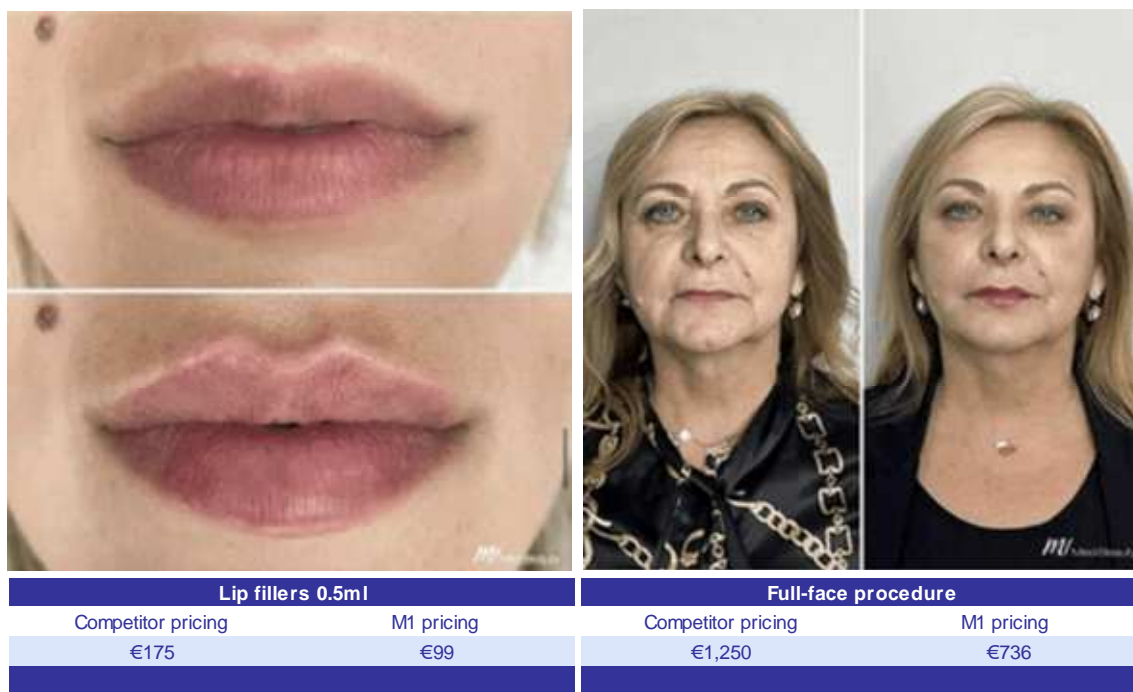
Meanwhile, the Trade segment continues to benefit from portfolio optimisation, while the more profitable Lifestyle & Aesthetics business has taken the growth reins of wholesale operations. M1 is targeting an EBIT margin north of 3% in 2025 for the Trade segment. Haemato's EBIT eclipsed 5% in Q3/23 and 4.5% for the January-to-September period.

## THE PREJUVINATION BUSINESS IS BOOMING

Not so long ago, cosmetic “enhancements” were largely frowned upon. But thanks to shifting social attitudes at the turn of the century, cosmetic treatments have become commonplace. Research and Markets, a firm of analysts, reckons that the global market for non-invasive aesthetic treatments was worth some \$61bn in 2022. These include Botox and other substances that relax / freeze facial muscles, and dermal fillers, which plump softer tissue. Meanwhile, Germans, not renowned for being beauty-obsessed, shelled out some €3.5bn for fresher appearances that year.

To capitalise on this market opportunity, M1 has built up a disruptive stable of branded beauty centres for non-invasive treatments and affiliated inpatient clinics for surgical procedures. A portfolio of 60 M1 Med Beauty clinics serves as the operational backbone with several more set to come online in the coming months.

**Figure 2: Outpricing rivals for treatments that work (before and after shots)**



Source: M1 Kliniken AG

**A closer look at M1’s injectables business** Management also revealed several KPIs for Beauty operations. M1 doctors perform up to 30 treatments per day generating around €10k in daily sales per beauty specialist. Client spend per treatment is roughly €260 at German clinics, while 20% of M1 patients shell out over €500. The company also profiled its client base:

- Mean customer age is 38;
- 80% of clients range between 20 to 47 years old;
- 85% of patients are female;
- Injectables treatments are equally (50/50) divided between botox and hyaluronic acid;
- The number of 20 year old patients roughly equals the number of 45 year old clients;
- The portion of 18 and 19 year old customers roughly equals the number of 60+ year old patients;
- One third of customers are new vs 2/3 returning patients;
- Nearly 50% of clients get biannual treatments.



## VALUATION MODEL

**Upping forecasts** Recalibrated forecasts now factor in: (1) better operating efficiency across both segments; (2) improved revenue per treatment KPIs; (3) a higher average number of daily treatments per doctor that reflects the improved ratio of mature clinics to offset the new centres; (4) 80 total beauty clinics by YE25 (old: 79); and (5) an updated share count reflecting the share buyback program that will wrap up in April. The revised assumptions now align 2025 FBe with management margin targets, and our DCF model points to a €18 target price (old: €13.2).

**Table 1: Changes to FBe and TP**

	old	new	revision	upside	dividend yield	total return
<b>Price target (€)</b>	<b>13.2</b>	<b>18.0</b>	<b>36.4%</b>	<b>41.7%</b>	<b>0.0%</b>	<b>41.7%</b>
	<b>2024E</b>			<b>2025E</b>		
<b>All figures in € '000</b>	<b>old</b>	<b>new</b>	<b>revision</b>	<b>old</b>	<b>new</b>	<b>revision</b>
Revenue	317,464	329,963	3.9%	346,137	363,195	4.9%
EBITDA	25,666	27,268	6.2%	30,926	32,866	6.3%
Margin (%)	8.1%	8.3%	-	8.9%	9.0%	-
EBIT	17,987	19,688	9.5%	23,403	24,829	6.1%
Margin (%)	5.7%	6.0%	-	6.8%	6.8%	-

Source: First Berlin equity research estimates

**Potential takeover multiples point to higher valuations** The recent press release regarding private equity interest sparked a surge in the M1 share price. According to Bloomberg, the street is calling for 2024 EBITDA of €26m. A 30x multiple implies a market cap of €780m vs the present €255m valuation. A deal for the Beauty business alone would generate €520m, more than double the current market cap of the entire company. We expect speculation to further fuel share price volatility but stick to our DCF valuation, which in our view reliably calculates fair value for the business.

**Table 2: DCF model**

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Sales</b>	<b>305,438</b>	<b>329,963</b>	<b>363,195</b>	<b>395,052</b>	<b>422,513</b>	<b>442,485</b>	<b>456,171</b>	<b>469,325</b>
<b>NOPLAT</b>	<b>11,524</b>	<b>14,766</b>	<b>18,622</b>	<b>25,551</b>	<b>30,397</b>	<b>34,868</b>	<b>37,338</b>	<b>39,773</b>
(+) depreciation & amortisation	6,651	7,581	8,037	7,923	8,102	7,590	7,668	7,056
<b>(=) Net operating cash flow</b>	<b>18,175</b>	<b>22,346</b>	<b>26,659</b>	<b>33,474</b>	<b>38,499</b>	<b>42,457</b>	<b>45,007</b>	<b>46,829</b>
(-) Total investments (CapEx and WC)	-14,130	-14,101	-13,488	-13,809	-11,765	-11,252	-10,263	-10,547
(-) Capital expenditures	-9,713	-11,693	-10,100	-10,791	-8,912	-9,101	-8,789	-9,109
(-) Working capital	-4,417	-2,407	-3,388	-3,018	-2,853	-2,151	-1,474	-1,438
<b>(=) Free cash flows (FCF)</b>	<b>4,046</b>	<b>8,245</b>	<b>13,171</b>	<b>19,665</b>	<b>26,734</b>	<b>31,205</b>	<b>34,744</b>	<b>36,282</b>
<b>PV of FCFs</b>	<b>4,046</b>	<b>7,635</b>	<b>11,034</b>	<b>14,903</b>	<b>18,329</b>	<b>19,355</b>	<b>19,495</b>	<b>18,417</b>

All figures in EUR '000		Terminal EBIT margin							
		10.3%	10.8%	11.3%	11.8%	12.3%	12.8%	13.3%	
PV of FCFs in explicit period	162,241	7.5%	25.57	26.77	27.96	29.16	30.36	31.56	32.75
PV of FCFs in terminal period	184,285	8.5%	21.50	22.42	23.35	24.28	25.20	26.13	27.06
Enterprise value (EV)	346,526	9.5%	18.50	19.24	19.97	20.71	21.44	22.18	22.91
+ Net cash / - net debt	29,181	10.5%	16.21	16.80	17.39	17.99	18.58	19.17	19.77
+ Investments / minority interests	-30,493	11.5%	14.39	14.88	15.36	15.85	16.34	16.82	17.31
Shareholder value	345,214	12.5%	12.92	13.32	13.73	14.13	14.53	14.94	15.34
<b>Fair value per share in EUR</b>	<b>18.00</b>	13.5%	11.70	12.04	12.38	12.72	13.05	13.39	13.73
		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	11.3%	7.5%	24.81	26.04	27.47	29.16	31.19	33.66	36.74
Pre-tax cost of debt	4.5%	8.5%	21.30	22.16	23.14	24.28	25.60	27.16	29.02
Tax rate	25.0%	9.5%	18.59	19.21	19.91	20.71	21.61	22.66	23.88
After-tax cost of debt	3.4%	10.5%	16.43	16.90	17.41	17.99	18.63	19.37	20.20
Share of equity capital	90.0%	11.5%	14.68	15.03	15.42	15.85	16.33	16.86	17.46
Share of debt capital	10.0%	12.5%	13.23	13.51	13.80	14.13	14.49	14.89	15.33
<b>WACC</b>	<b>10.5%</b>	13.5%	12.02	12.23	12.46	12.72	12.99	13.29	13.63

\*Please note our model runs through 2033 and we have only shown the abbreviated version for formatting purposes



## INCOME STATEMENT

	2020	2021	2022	2023E	2024E	2025E
<b>Revenues</b>	<b>159,591</b>	<b>314,610</b>	<b>285,291</b>	<b>305,438</b>	<b>329,963</b>	<b>363,195</b>
Cost of goods sold	-122,807	-259,305	-235,211	-248,812	-262,091	-282,377
<b>Gross profit</b>	<b>36,784</b>	<b>55,305</b>	<b>50,080</b>	<b>56,627</b>	<b>67,872</b>	<b>80,818</b>
Personnel expenses	-16,685	-22,129	-20,946	-20,392	-24,511	-28,863
Other operating expenses	-11,866	-16,232	-15,207	-14,779	-17,207	-20,243
Other operating income	655	879	1,483	562	1,114	1,154
<b>EBITDA</b>	<b>8,888</b>	<b>17,823</b>	<b>15,410</b>	<b>22,017</b>	<b>27,268</b>	<b>32,866</b>
Depreciation & amortisation	-4,483	-5,688	-6,062	-6,651	-7,581	-8,037
<b>Operating income (EBIT)</b>	<b>4,405</b>	<b>12,135</b>	<b>9,348</b>	<b>15,366</b>	<b>19,688</b>	<b>24,829</b>
Net financial result	-2,248	963	31	-643	-677	-714
Other financial results	6,622	1,327	854	888	924	961
<b>Pre-tax income (EBT)</b>	<b>8,779</b>	<b>14,425</b>	<b>10,232</b>	<b>15,611</b>	<b>19,934</b>	<b>25,076</b>
Tax result	-1,352	-3,545	-3,162	-3,903	-4,983	-6,269
Minority interests	-602	-1,975	-2,753	-4,566	-5,831	-7,335
<b>Net income / loss</b>	<b>6,825</b>	<b>8,905</b>	<b>4,317</b>	<b>7,142</b>	<b>9,120</b>	<b>11,472</b>
<b>Diluted EPS (in €)</b>	<b>0.37</b>	<b>0.45</b>	<b>0.22</b>	<b>0.37</b>	<b>0.48</b>	<b>0.60</b>
<b>Ratios</b>						
Gross margin	23.0%	17.6%	17.6%	18.5%	20.6%	22.3%
EBITDA margin	5.6%	5.7%	5.4%	7.2%	8.3%	9.0%
EBIT margin	2.8%	3.9%	3.3%	5.0%	6.0%	6.8%
Net margin	4.3%	2.8%	1.5%	2.3%	2.8%	3.2%
Tax rate	15.4%	24.6%	30.9%	25.0%	25.0%	25.0%
<b>Expenses as % of revenues</b>						
Personnel costs	10.5%	7.0%	7.3%	6.7%	7.4%	7.9%
Other operating expenses	7.4%	5.2%	5.3%	4.8%	5.2%	5.6%
Depreciation & amortisation	2.8%	1.8%	2.1%	2.2%	2.3%	2.2%
<b>Y-Y Growth</b>						
Revenues	106.7%	97.1%	-9.3%	7.1%	8.0%	10.1%
Operating income	-44.6%	175.5%	-23.0%	64.4%	28.1%	26.1%
Net income/ loss	-29.8%	30.5%	-51.5%	65.4%	27.7%	25.8%



## BALANCE SHEET

	2020	2021	2022	2023E	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>122,406</b>	<b>110,195</b>	<b>107,308</b>	<b>107,297</b>	<b>118,489</b>	<b>138,241</b>
Cash and cash equivalents	21,960	37,868	35,148	34,943	42,259	56,730
Short-term investments	32,184	18,155	17,102	17,615	18,144	18,688
Receivables	20,480	16,308	21,773	20,920	22,600	24,876
Inventories	42,327	35,202	27,586	27,949	29,440	31,719
Other current assets	5,455	2,662	5,699	5,869	6,046	6,227
<b>Non-current assets, total</b>	<b>66,336</b>	<b>87,916</b>	<b>89,716</b>	<b>93,004</b>	<b>97,353</b>	<b>99,661</b>
Property, plant & equipment	15,763	15,267	17,178	17,780	19,464	21,926
Goodwill & other intangibles	38,328	60,393	60,270	62,729	65,159	64,760
Financial assets	12,003	12,003	12,003	12,229	12,465	12,710
Other assets	242	253	265	265	265	265
<b>Total assets</b>	<b>188,741</b>	<b>198,111</b>	<b>197,024</b>	<b>200,301</b>	<b>215,842</b>	<b>237,902</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>58,070</b>	<b>43,417</b>	<b>37,466</b>	<b>31,257</b>	<b>33,716</b>	<b>36,746</b>
Short-term debt	25,536	18,432	2,842	0	0	0
Accounts payable	15,841	12,845	19,222	14,315	15,079	16,246
Accruals	3,506	3,821	3,977	4,375	4,812	5,293
Other current liabilities	13,187	8,319	11,425	12,568	13,824	15,207
<b>Long-term liabilities, total</b>	<b>15,353</b>	<b>14,791</b>	<b>16,508</b>	<b>16,719</b>	<b>16,936</b>	<b>17,157</b>
Long-term debt	5,027	4,375	3,125	3,125	3,125	3,125
Other liabilities	1,569	2,289	3,059	3,064	3,070	3,076
<b>Shareholders' equity</b>	<b>85,754</b>	<b>95,026</b>	<b>93,619</b>	<b>98,326</b>	<b>105,361</b>	<b>116,834</b>
Minority interests	29,565	44,877	49,432	53,999	59,829	67,164
<b>Total equity</b>	<b>115,319</b>	<b>139,903</b>	<b>143,051</b>	<b>152,324</b>	<b>165,191</b>	<b>183,998</b>
<b>Total consolidated equity and debt</b>	<b>188,741</b>	<b>198,111</b>	<b>197,025</b>	<b>200,301</b>	<b>215,842</b>	<b>237,902</b>
<b>Ratios</b>						
Current ratio (x)	7.9	4.1	2.1	2.5	2.9	3.4
Quick ratio (x)	7.6	4.0	1.4	1.7	2.1	2.5
Net debt/(net cash)	-25,234	-6,638	8,603	-15,061	-29,181	-31,818
Net debt / EBITDA	1.0	-0.8	-1.9	-1.4	-1.4	-1.6
Net gearing	-29.4%	-7.0%	9.2%	-15.3%	-27.7%	-27.2%
Equity ratio	61.1%	70.6%	72.6%	76.0%	76.5%	77.3%
Book value per share (in €)	4.4	4.8	4.8	5.0	5.4	5.9
Return on equity (ROE)	8.0%	9.4%	4.6%	7.3%	8.7%	9.8%



## CASH FLOW STATEMENT

	2020	2021	2022	2023E	2024E	2025E
<b>Net income</b>	<b>7,427</b>	<b>10,880</b>	<b>7,070</b>	<b>11,708</b>	<b>14,950</b>	<b>18,807</b>
Depreciation and amortisation	4,483	5,644	5,862	6,651	7,581	8,037
Tax expense	1,352	3,545	3,163	3,903	4,983	6,269
Other adjustments	-4,213	-1,150	-729	-888	-924	-961
Net interest result	417	437	199	869	913	959
<b>Operating cash flow</b>	<b>9,466</b>	<b>19,356</b>	<b>15,565</b>	<b>22,243</b>	<b>27,504</b>	<b>33,111</b>
Changes in working capital	-595	-3,650	7,585	-3,349	-1,201	-2,028
Tax paid	-726	-30	-2,164	-3,903	-4,983	-6,269
<b>Net operating cash flow</b>	<b>9,538</b>	<b>15,686</b>	<b>20,769</b>	<b>14,765</b>	<b>21,084</b>	<b>24,569</b>
CapEx	-1,446	-1,335	-1,773	-6,081	-7,517	-5,297
Other investments and disposals	4,390	1,069	28	888	924	961
Interest income	172	479	630	0	0	0
<b>Cash flow from investing</b>	<b>3,116</b>	<b>213</b>	<b>-1,115</b>	<b>-5,193</b>	<b>-6,594</b>	<b>-4,337</b>
<b>Free cash flow</b>	<b>12,654</b>	<b>15,899</b>	<b>19,654</b>	<b>9,572</b>	<b>14,490</b>	<b>20,232</b>
Debt financing, net	4,043	-4,219	-13,405	-2,842	0	0
Equity financing, net	0	14,485	0	0	0	0
Paid dividend	-129	-1,658	-1,823	0	0	0
Interest expense	-335	-506	-399	-869	-913	-959
Share buy-back	0	0	-2,146	-2,435	-2,084	0
Redemption rights	-3,201	-4,075	-4,594	-3,632	-4,176	-4,803
<b>Cash flow from financing</b>	<b>378</b>	<b>4,027</b>	<b>-22,367</b>	<b>-9,778</b>	<b>-7,173</b>	<b>-5,761</b>
Consolidation adjustments	-4,175	0	0	0	0	0
<b>Net cash flow</b>	<b>8,857</b>	<b>19,913</b>	<b>-2,720</b>	<b>-206</b>	<b>7,317</b>	<b>14,471</b>
Cash, start of the year	9,098	21,960	37,868	35,148	34,943	42,259
<b>Cash, end of the year</b>	<b>21,960</b>	<b>37,868</b>	<b>35,148</b>	<b>34,943</b>	<b>42,259</b>	<b>56,730</b>
<b>EBITDA/share (in €)</b>	<b>0.48</b>	<b>0.91</b>	<b>0.78</b>	<b>1.14</b>	<b>1.42</b>	<b>1.71</b>
<b>Y-Y Growth</b>						
Operating cash flow	-23.3%	104.5%	-19.6%	42.9%	23.7%	20.4%
Free cash flow	n.m.	25.6%	23.6%	-51.3%	51.4%	39.6%
EBITDA/share	-26.3%	89.7%	-13.5%	45.0%	24.9%	20.5%



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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	2 December 2021	€6.98	Buy	€14.00
2...3	↓	↓	↓	↓
4	7 June 2022	€6.54	Buy	€14.00
5	18 August 2022	€5.02	Buy	€11.70
6	31 August 2022	€4.70	Buy	€11.70
7	24 November 2022	€4.84	Buy	€11.10
8	2 May 2023	€7.78	Buy	€10.50
9	26 June 2023	€7.28	Buy	€10.50
10	28 September 2023	€9.16	Buy	€11.90
11	20 December 2023	€10.10	Buy	€13.20
12	Today	€12.70	Buy	€18.00

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