



ACATIS FAIR VALUE DEUTSCHLAND ELM

Investment report August 2024

Lübeck, August 12, 2024

We invest in German sustainability. We take the perspective of an owner with a long-term view. First, we screen and analyse only those companies that have successfully passed our sustainability filter. An investment depends on three success factors: a solid business model, good management and an attractive valuation. We look for companies that are leaders in their markets, with long-term competitive advantages and positive growth perspectives. The portfolio is highly concentrated.

Grenke AG

With its registered office in Baden-Baden, Grenke AG is one of Germany's largest leasing companies. The company's success story began in 1978, when Wolfgang Grenke helped his corporate customers invest in modern technologies (telephone systems, copy machines, computers). After just a year, he was already servicing 198 leasing contracts. Today, the company has around 1.05 million current contracts, with 87,000 new leasing contracts concluded in the second quarter; this represents a growth of around 10% compared to the previous year's quarter. In the second quarter, the volume of the new leasing business grew by 21% to EUR 790 million.

It is also important to note that Grenke's financing solutions make a great contribution to fighting climate change. In the last quarter, electric bikes, water treatment systems, solar facilities and other Green Economy items accounted for approximately 20% of financing solutions. As this sector becomes increasingly regulated, we believe that this sub-segment will be a large revenue driver for Grenke.

One of the main profitability indicators is the contribution margin 2 (DB2 margin). Put in simple terms, it measures the future (discounted) payments that are paid by a lessee (to Grenke) in relation to the acquisition costs for the lease object. This margin has improved from 16.1% (the low in 2022) to 16.6% currently, which is right on trend for a return to the pre-pandemic

margins of 17-18%. The targets that were set for 2024 will probably be reached: EUR 3 billion in new business with a DB2 margin of over 16.5%.

Grenke AG has been on our list of excellent quality companies for some time, due to its predictable profits and market position. In June, we had an opportunity to buy the company's shares at a price-to-book value of 0.7, which greatly undervalued the equity capital. At the time, the capital market expected that many companies would not be able to service their leasing obligations. Such an undervaluation of assets did not even occur during the 2007-2009 financial crisis.

We were proven right. The share price rose for several weeks and increased by over 40% to a price-to-book value of 1.

A key driver for this stock is the spin-off of the Factoring division, which is now for sale, since it does not have enough synergies with the core leasing business. In the last quarter, the new Factoring business grew by 11.3% to approximately EUR 230 million. The sales proceeds can be used efficiently to finance further growth and/or strengthen Grenke AG's capital situation.

Kind regards

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