February 3, 2025

Reactive Mixture

Alzchem combines unique competitive quality, strong growth growth catalysts and attractive valuation

Contacts

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Rating	Buy
Price target	**82.00 EUR**
Potential	**27%**

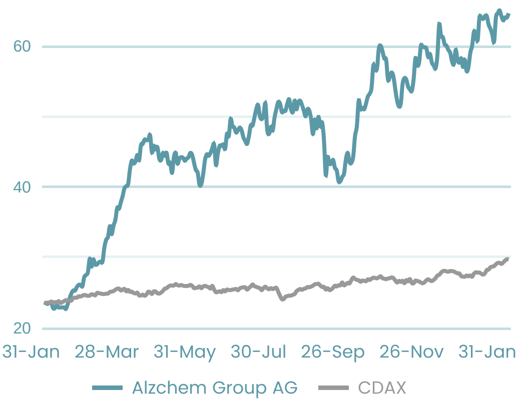
Share data

Share price (last close price in EUR)	64.60
Number of shares (in m)	10.2
Market cap. (in EUR m)	657.4
Trading vol. (Ø 3 months; in K shares)	11.6
Enterprise Value (in EUR m)	772.4
Ticker	XTRA:ACT

Guidance 2024

Sales (in EUR m)	ca. 570
EBITDA (in EUR m)	> 100

Share price (EUR)



Source: Capital IQ

Shareholder

Freefloat	61.9%
LIVIA Corporate Development SE	23.0%
four two na GmbH	15.1%
-	
-	

Calendar

HIT	February 5, 2025
FY 2024 results	February 28, 2025
Q1 results	April 30, 2025

Changes in estimates

	2024e	2025e	2026e
Sales (old)	557.9	580.4	624.6
Δ	-	-	-
EBIT (old)	77.8	84.5	97.1
Δ	-	-	-
EPS (old)	4.97	5.54	6.45
Δ	-	-	-

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As the only **fully integrated manufacturer of chemical products along the "NCN chain"** in the Western world, that is, organic products with a typical nitrogen (**N**)-carbon (**C**)-nitrogen (**N**) bond, the Alzchem Group already shows a special market positioning at first glance. The four production sites operating as an integrated network in the Bavarian chemical triangle, the vastly branched product family tree of currently over 900 registered brands, and the knowledge gained from decades of research and development work with currently more than 400 patents make the company, in our opinion, a unique player in the chemical industry.

While the German chemical industry has noticeably lost market share in recent years and has been confronted with structural location disadvantages due to high energy prices since 2022, Alzchem has been able to keep pace with the **global market growth of around 8% p.a.** (CAGR 2018-2023) despite energy-intensive production. The background to this is the consistent **strategic focus on the specialty chemicals business segment** (Segment Specialty Chemicals), which today already accounts for about 60% of the group's revenues and around 90% of the operating profit (EBITDA). Through this, Alzchem, as a leading non-Asian supplier of, for example, creatine monohydrate for the sports and fitness scene or guanidine salts (including nitroguanidine) used in the civil and defense sectors, serves attractive niches. Market experts expect growth of **approximately 18% p.a. for creatine supplements by 2030.**

Against this background, Alzchem has recently significantly expanded production capacities for creatine and also plans **to double the production capacity of nitroguanidine in Germany by the end of 2026**. The largest investment project in the company's history, with total CAPEX amounting to around 140 million EUR, is significantly financed by EU subsidies and grants from defense customers, underlining the enormous security policy importance and allowing Alzchem to proceed without additional equity or debt capital. The same applies to a potential production site in the USA, for which Alzchem has already received a funding commitment of 150 million USD from the U.S. Department of Defense, although we do not plan for this due to limited visibility.

Rather, the capacity expansion in Germany alone should further accelerate the profitable growth trajectory of recent years and drive the **group revenue to around EUR 700 million by 2027** (CAGR 2023-2027e: 6.8%) with an **EBITDA margin of approximately 21%** (vs. 2023: 15.1%). This is expected to dynamically increase the net profit by the end of the detailed planning phase (EPS 2027e: EUR 7.55), so we also anticipate notable dividend increases for a growth company.

In view of this, we consider the already excellent stock performance in 2024 (+116%) as far from exhausted. With an **EV/EBITDA 2025e of 6.9x and a P/E 2025 of 11.7x**, Alzchem is still moderately valued based on the current earnings situation and is **valued at a significant discount compared to its peers**.

Conclusion: The investment case combines high quality, strong drivers, and attractive multiples, resulting in our opinion in a reactive mixture for further price potential. We are initiating coverage of Alzchem with a "Buy" rating and a price target of EUR 82.00.

FYend: 31.12.	2022	2023	2024e	2025e	2026e
Sales	542.2	540.6	557.9	580.4	624.6
Growth yoy	28.4%	-0.3%	3.2%	4.0%	7.6%
EBITDA	61.4	81.4	103.8	111.4	130.5
EBIT	35.9	55.5	77.8	84.5	97.1
Net income	30.1	34.6	50.5	56.4	65.6
Gross profit margin	52.1%	58.6%	63.7%	64.0%	64.5%
EBITDA margin	11.3%	15.1%	18.6%	19.2%	20.9%
EBIT margin	6.6%	10.3%	14.0%	14.6%	15.6%
Net Debt	181.1	150.9	114.6	104.0	77.6
Net Debt/EBITDA	2.9	1.9	1.1	0.9	0.6
ROCE	11.9%	17.3%	24.7%	25.5%	27.3%
EPS	2.96	3.40	4.97	5.54	6.45
FCF per share	-3.24	5.12	4.77	2.74	4.49
Dividend	1.05	1.20	1.70	1.90	2.20
Dividend yield	1.6%	1.9%	2.6%	2.9%	3.4%
EV/Sales	1.4	1.4	1.4	1.3	1.2
EV/EBITDA	12.6	9.5	7.4	6.9	5.9
EV/EBIT	21.5	13.9	9.9	9.1	8.0
PER	21.8	19.0	13.0	11.7	10.0
P/B	4.6	4.1	3.3	2.7	2.3

Source: Company data, Montega, Capital IQ Figures in EUR m, EPS in EUR, Price: 64.60 EUR

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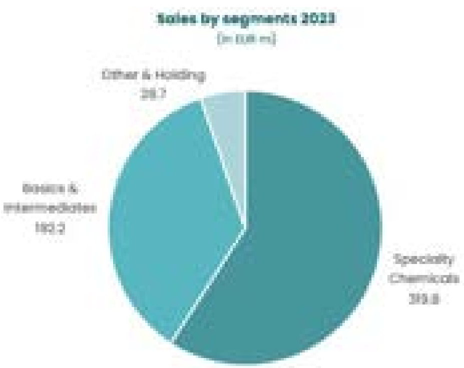
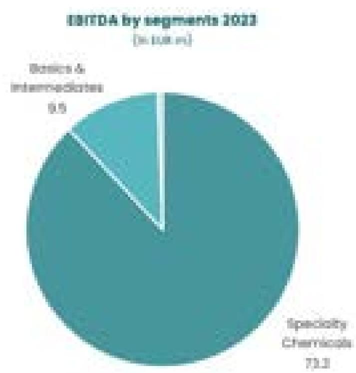
Investment Case

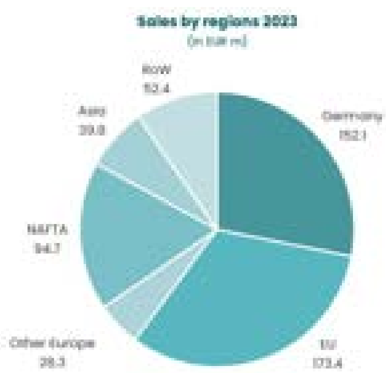
The Alzchem Group is a fully integrated manufacturer of various chemical products, which has undergone a consistent transformation towards specialty chemicals in recent years. The company acts as a technology leader for complex compounds along the so-called calcium carbide/calcium cyanamide chain. These are organic substances based on nitrogen-carbon-nitrogen bonds, which is why this niche market is also referred to as "NCN chemistry" according to the element symbols. Alzchem mainly requires the commodities lime, coke (carbon), and electrical energy (electricity) as raw materials, resulting in a vast product portfolio with applications in numerous end markets such as the food and feed industry, agriculture, pharmaceuticals, steel production, the renewable energy, automotive, and aviation sectors, up to defense.

Alzchem has a historically grown production network of the four plants Trostberg, Hart, Schalchen, and Waldkraiburg in the southeastern Bavarian Chemical Triangle, which are connected by their own rail logistics. Additionally, since 2014, there is a production facility in Sundsvall, Sweden (Nordic Carbide AB). The vertically integrated manufacturing enables flexible handling of demand changes in the diversified customer industries, where Alzchem usually holds a leading market position due to the specific product offering and sometimes acts as the only western manufacturer (e.g., in creatine, Creamino, guanidine salts, and nitroguanidine).

In light of the internationally high energy and raw material prices, as well as additional CO_2 costs, Alzchem has turned necessity into a virtue in recent years and strategically focused on growth in the **Specialty Chemicals** business segment, which today accounts for around 60% of the Group's revenues and approximately 90% of the operating result (EBITDA). In the **Basics & Intermediates** segment, where Alzchem is exposed to significantly more intense competition, especially with cheaper competitors from Asia and lacks comparable unique selling points, sales volumes are deliberately reduced, so that its importance in external perception gradually decreases. However, the basic products generated here often go into higher-margin specialty chemicals according to the integrated production along the NCN chain. The third segment, **Other & Holding**, primarily includes Alzchem's activities as the operator of the chemical parks in Trostberg and Hart.







Source: Company

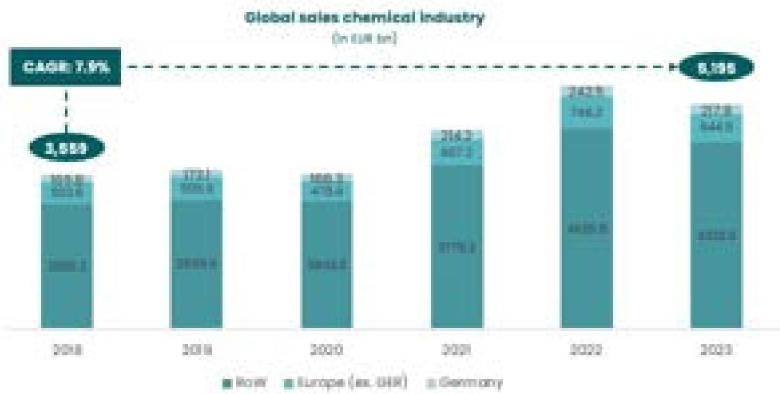
In addition to the domestic market, Alzchem, as an internationally positioned company, is present with its own sales companies in the important foreign markets of the USA, China, and the United Kingdom. The "location disadvantage" as an energy-intensive chemical producer with a manufacturing focus in Germany is offset by the company with its corporate strategy based on the factors of product quality, innovative strength, reliability of delivery, and sustainability successfully. This is evidenced by, on the one hand, the growth dynamics achieved in recent years (sales CAGR 2018-2023: 7.6%), which is significantly above the development of the domestic chemical sector, and on the other hand, the gradually increased foreign share, now >70%, measured by the group's sales.

Against the backdrop of a strong product portfolio with a focus on global issues such as population growth, healthy aging, climate protection, or safety, traditionally intensive R&D activities, continuous efficiency measures, and visible growth catalysts through extensive capacity expansions, we expect Alzchem to continue its profitable growth course over the coming years.

German chemical industry stumbles, Alzchem thrives thanks to booming niche markets

- Global chemical sales grow historically by about 8% p.a., while industry sales in Germany have been declining since 2022
- German companies face location disadvantages due to high energy costs
- Niche markets like creatine, Creamino, and nitroguanidine are decoupled from the economic downturn
- German companies facing location disadvantages due to high energy costs
- Niche markets like creatine, Creamino, and nitroguanidine decoupled from economic downturn

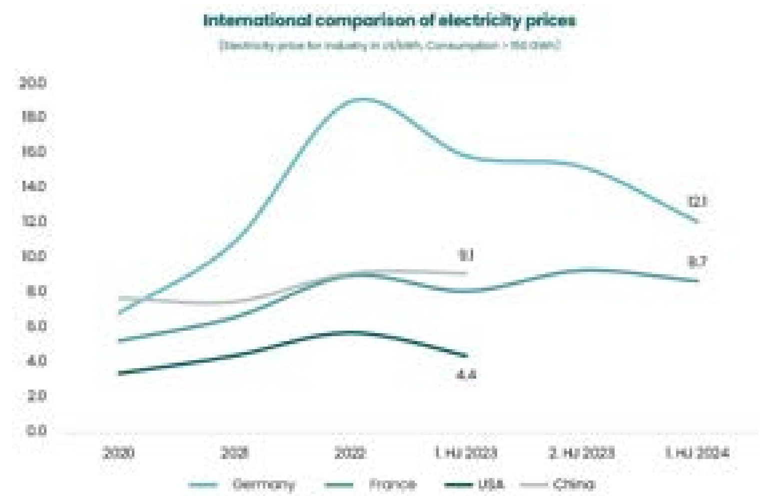
As a supplier of chemical products, Alzchem is active in a fundamentally cyclical, yet globally structurally growing overall market. The global sales of the chemical industry increased by a CAGR of 7.9% from 2018 to 2023, reaching approximately 5,195 billion EUR, despite the temporary Corona crisis. The chemical industry in Germany still holds a significant position with total sales of 218 billion EUR (world market share: approximately 4.2%), but it has experienced below-average growth over the past years (CAGR 2018-2023: 5.1%) and consequently lost market share.



Source: VCI

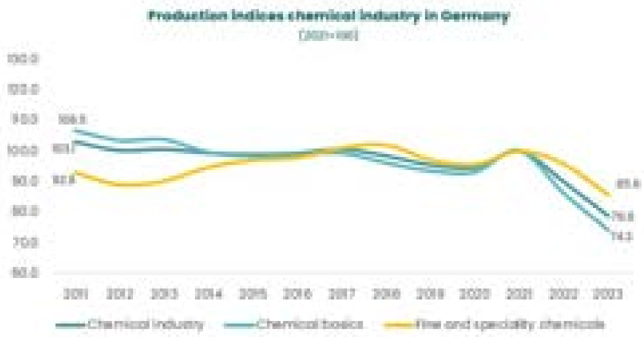
Currently, according to the German Chemical Industry Association (VCI), the industry is even in a "severe recession." In 2023, the industry's revenue fell by around 10% year-over-year to the aforementioned 218 billion euros, and for 2024, the VCI recently expected a further decline of 2% year-over-year. The weak industrial performance is attributed by the umbrella organization mainly to the structural location disadvantages due to higher energy costs of domestic companies, which "in international comparison [...] pay significantly higher prices for electricity and gas than other competitors."

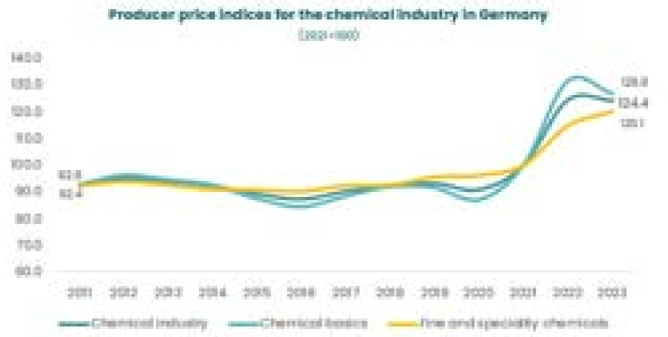
According to association data, the industrial electricity price for large consumers in this country was 12.1 cents/kWh in the first half of 2024, around 39% above that in neighboring France, although the price level had already significantly reduced compared to the peak reached in 2022 directly following the Russian attack on Ukraine. In the location competition with non-European comparison markets such as China and the USA, electricity costs in Germany are also significantly higher, while in 2020 they were even just below the Chinese level.



Source: VCI

Due to a dramatically worsened initial situation, the production volumes of the German chemical industry have noticeably declined recently, standing around 21% below the reference value of 2021 in 2023. The fine and specialty chemicals subsector managed to perform slightly better (-14% vs. 2021). Particularly in 2023, the chemical production of German manufacturers fell significantly by 12.6% year over year, while the US chemical industry experienced a slight increase of 1% year over year and China saw a rise of 9.5% year over year. Conversely, producer prices in Germany rose by around 24% compared to 2021 across the industry. The loss of competitiveness is reflected in a lack of orders and a declining capacity utilization rate of production facilities. In 2023, this rate was already significantly below the economically necessary baseline utilization of 82% according to VCI, averaging 77%, and further decreased to 74.8% by Q3/24, even falling below the lowest point during the first COVID-19 lockdown.





Source: VCI

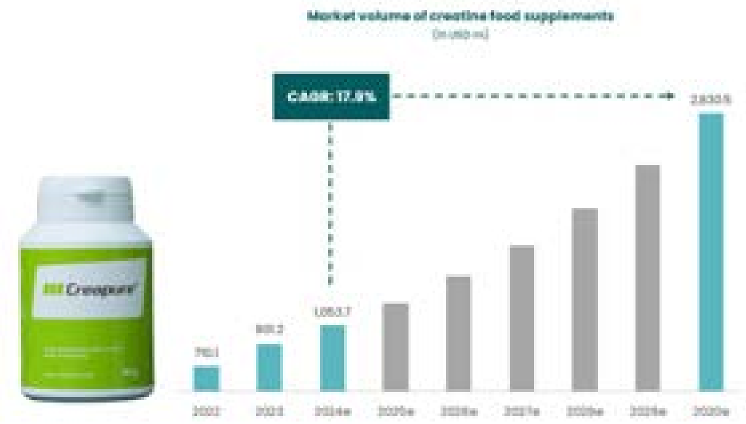
High energy or electricity costs directly affect Alzchem, as the group alone has an energy demand of nearly 200 GWh per year at its largest production site in Trostberg, Bavaria. In 2024 133 GWh (66%) of this was covered by purchased energy in the form of electricity, natural gas, and heating oil. At least a partial requirement is covered by the company itself. Thus another 54 GWh (27%) came from the energetic utilization of carbide furnace gas, which is produced as a byproduct at the Hart site. In addition, internal heat recovery avoided the purchase of 20 GWh. However, Alzchem obtains almost all of its group-wide electricity demand (2024: approx. 489 GWh) via the public power grids. A photovoltaic system installed at the headquarters in Trostberg in 2024 primarily serves to supply charging stations for e-cars in the employee parking lot. Self-supply of production is unrealistic given the enormous amounts of electricity the company needs.

In contrast to many other industry representatives, Alzchem currently does not record comparable underutilization, but was able to significantly increase capacities in some areas and plans further capacity expansions. The background to this is the specialty strategy pursued and the advantageous integrated production, which allows flexible adjustments of production quantities of less demanded products in favor of more demanded product areas.

Niche market creatine with double-digit growth rates

Capacities have been particularly expanded in the area of creatine. This is a bodily substance that is partially produced in the liver, kidneys, and pancreas and is of central importance for energy metabolism. Approximately 80 to 130g of creatine are stored in the skeletal muscles of a healthy person. The body particularly needs creatine during short and intense muscle movements and usually absorbs a large part of the requirement through food. However, only meat and fish contain larger amounts of creatine (about 2-7 g per kg), while only traces are found in fruits and vegetables. The supplementation of creatine can therefore be sensible during stronger physical exertions - such as in sports, mental stress, or increased immune system activity - especially for vegetarians and vegans.

In view of the recognized importance for physical performance, creatine is enjoying rapidly growing popularity not only in the fitness scene. According to Grand View Research, the market volume for creatine supplements in 2023 was globally 901.2 million USD. By 2030, an increase to about 2.831 billion USD is expected (CAGR: 17.9%). Drivers include not only the benefits of creatine supplementation for building muscle mass and strength but also a generally increasing awareness of health and exercise, as a sedentary lifestyle and unhealthy diet contribute to the rise of lifestyle diseases such as diabetes, cardiovascular diseases, obesity, and cancer.



Source: Grand View Research, Company

Kreatin may be on a similar winning streak beyond the sports and fitness world as protein, which is increasingly being promoted by food manufacturers as an essential macronutrient and now even features in classic chocolate bars as a "high protein" variant.

Turning point drives demand for Nitroguanidine

Apart from the growing interest in creatine, Alzchem also benefits from a recent strong increase in demand for Nitroguanidine (NQ). Nitroguanidine is a stable energy-rich compound that, in addition to agriculture and the automotive industry, is also used as a dual-use product in the defense sector. In civilian use, nitroguanidine serves, among other things, as a building block for modern crop protection agents and propellants for gas cartridges in the deployment of airbags, seatbelt tensioners, active headrests, and battery disconnect devices. In defense technology, nitroguanidine is particularly used as a propellant for 155mm caliber artillery ammunition, which is used by NATO state armed forces, among others. Compared to other propellants, NQ has the advantage that it explodes relatively "cold" (about 400 degrees Celsius), thereby protecting the gun barrel, allowing longer service times, and causing less muzzle flash.

Source: Rheinmetall, Montega

In consideration of the arms assistance for Ukraine and dwindling own reserves, the German Bundeswehr agreed in June 2024 to expand an existing framework agreement with Rheinmetall for the supply of 155mm artillery ammunition with a total value of up to EUR 8.5 billion starting from early 2025. For Rheinmetall, as the world's leading manufacturer of artillery shells, this also meant the largest order in the company's recent history. As a result, the defense and technology group is constructing a new ammunition factory in Unterlüß, Lower Saxony, which will initially have a capacity of 100,000 shells per year and is expected to produce 200,000 shells annually from the second year of production. For comparison: by the end of 2024, it is estimated that about one million artillery shells have already been delivered to the Ukrainian army by the supporting countries.

Rheinmetall intends to create a complete domestic value chain and offer the so-called "Full Shot" from a single source, meaning the projectile, the fuse, the explosive charge, and the propellant. However, this is just one example among many, as there is currently significant investment happening across the entire defense industry. Against this backdrop, Alzchem announced last year a doubling of production capacities for nitroguanidine. In addition to a new NQ production facility in Germany, the existing facilities for producing guanidine nitrate, the precursor of nitroguanidine, are also to be renewed or expanded. The total amount for the largest investment project in the company's history is estimated by the company at around 140 million EUR.

The commissioning of the new production capacities is expected to take place in the second half of 2026 and from 2027 onwards will lead to increasing revenues over time in the high double-digit million-euro range. According to Alzchem, supply contracts with several customers in the defense sector have already been concluded. In addition, customers make a significant contribution to the financing of the project through non-repayable advance payments, allowing Alzchem to proceed without significant external or internal capital. It should be noted that we believe these advance payments are made solely for an agreed increase and securing of delivery quantities and do not reduce the future invoice for goods. Not least, the company has already been granted an investment subsidy of 34.4 million EUR by the EU Commission over two years under the funding instrument "Act in Support of Ammunition Production" (ASAP).

In parallel with the extensive capacity expansions in Germany, Alzchem is planning to establish a new NQ production facility in the USA. For this purpose, a preliminary contract was concluded with the US Department of Defense , which currently concerns the search for a location in the first joint project step. If a suitable location is found by the end of 2026, Alzchem has been promised a subsidy of 150 million USD for the construction of the facility by the end of 2029. An internally formed project team under CSO Dr. Georg Weichselbaumer is taking the lead in the US settlement. In addition to a Green Field project, M&A measures are also being examined for this purpose. Due to the mentioned subsidies, this project should also be implemented without further capital measures.

Eminex as a potential game changer in climate protection

In our opinion, Eminex also shows great market potential in terms of climate targets. According to Alzchem, Eminex is an absolute novelty in the world market. The additive for slurry and biogas residues is added by farmers during storage and can permanently reduce three extremely climate-damaging greenhouse gases (GHG) - CO_2, methane, and nitrous oxide emissions - by 90 to 100%.

Alzchem estimates the emission reduction potential of Eminex based solely on the production capacities already available today to be about 4 to 5 million tons of CO_2 equivalents per year. The entire agricultural sector in Germany caused GHG emissions of almost 60 million tons of CO_2 equivalents in 2024, which corresponded to about 9% of Germany's total emissions (source: Agora Energiewende). This illustrates the enormous leverage that the sector can achieve in terms of climate neutrality with Eminex. In addition, the additive improves the fertilization quality and effect of the slurry and enhances work safety and animal welfare by reducing toxic hydrogen sulfide emissions in the barn.

The Eminex business is currently still being developed at Alzchem, but we believe the product has the potential to become another "blockbuster" for the company once regulatory CO_2 pricing reaches agriculture or as more and more farms focus on sustainability. In the short term, however, we see a sustained demand dynamic for creatine, Creamino, and nitroguanidine as the main growth drivers for Alzchem.

However, we attribute the resilience shown by the company in recent years, despite all the macroeconomic challenges, not solely to the special economic situation in the niche markets depicted. Rather, we believe it also reflects the excellent competitive quality of Alzchem.

Stronghold Trostberg: Business model protected by deep moats

- Integrated production, diversification, innovation, and sustainability as the central success factors of Alzchem
- High barriers to market entry due to capital intensity of the business model, patent protection, and regulation
- Diverse end markets mean resilience against economic fluctuations; top 10 customers account for only around 33% of the group's revenue

As an NCN specialist, Alzchem operates in the Western world as the last representative of this branch of chemistry, while the rest of the industry has almost completely shifted towards petrochemistry, i.e., the production of chemical products from oil and natural gas, over the past decades. This fact alone, coupled with the recent trend towards de-globalization ("De-Risking"), underscores the outstanding importance of the company, especially for customers from Europe and North America. The high competitive quality of Alzchem is also based, in our opinion, primarily on the following four pillars.

- **Integrated production:** In our opinion, integrated production is the core of Alzchem. Like a tree, it is a system that has grown over decades, where one production stage usually forms the basis for the next manufacturing step, or a product serves as a raw material for the next product. This is made possible by the proximity of the four Bavarian production sites. All major products of the company are based on the two input materials lime and coal, with the addition of nitrogen. This results in numerous synergies in the production process as well as in research & development.

Alzchem's integrated production

Source: Company

The integrated production at Alzchem allows for a high degree of independence from external suppliers and enables the company to respond flexibly to changes in demand, thus avoiding major production shutdowns. The lower parts of the NCN chain, which can be considered the trunk and the lower branches, represent the base and intermediate products in the value chain (Segment Basics & Intermediates). In the upper area, the tree crown, there are the higher-value specialties (Segment Specialty Chemicals). This is also where the Custom Manufacturing area is located, in which Alzchem typically produces custom products according to formulations for larger chemical companies. These multi-purpose facilities serve a wide-ranging product mix.

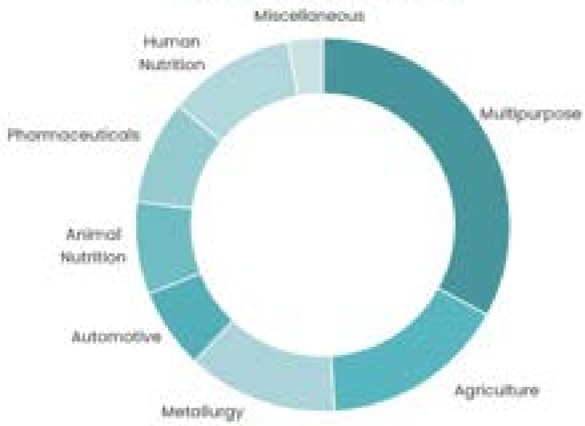
Integrated production by segments

Source: Company

For (potential) competitors, replicating the entire process chain is not only extremely expensive due to high capital intensity, but also largely pointless unless one has the same variety of products and customers. This is where another USP of the company comes into play.

- **Diversified product and customer base:** From the unique ecosystem of integrated production, Alzchem has developed a highly branched product tree with currently 937 registered brands and 61 brand applications (as of FY 2023). Among the most significant in terms of sales and results are the products of the creatine family, namely Creapure®, Creavitalis®, and LIVADUR®. The latter is also the first product from Alzchem to be sold directly to end customers (B2C). As the only manufacturer of creatine monohydrate outside of China, Alzchem's highly pure and top-quality creatine is considered the "gold standard" in the food industry. Nevertheless, the Human Nutrition sales field accounts for only about 11% of the group's total sales. A slightly larger portion is still held by agriculture with about 16%. Here too, Alzchem has established a globally recognized brand with the specialty fertilizer Perlka, making the name synonymous with lime nitrogen fertilizers in the industry. In the adjacent field of Animal Nutrition (MONe: sales share approx. 8%), the feed additive Creamino is enjoying rapidly growing popularity in livestock farming. After ingestion, it is naturally converted into creatine and provides the animals with additional energy, allowing conventional animal feed to be reduced.

Sales split by end markets 2023



Source: Montega

The mentioned examples illustrate that Alzchem has an extremely diversified product and customer base. Despite long-standing relationships and, in some cases, exclusive distribution partnerships with key customers, the top 10 customers account for only about 33% of total sales. The most notable customers include manufacturing corporations such as BASF, Bayer, Evonik, Merck, or ArcelorMittal, as well as wholesalers like BayWa or Beiselen. The following excerpt from Alzchem's product catalog presents the most important brands and their respective end markets.

Extract from Alzchem's product catalogue

Brand	Product description	End markets
Creapure	Premium brand for creatine monohydrate as a dietary supplement in sports nutrition	Human Nutrition
CREAMINO	Feed additive for the supply of creatine in livestock farming	Animal Nutrition
Dormex	Plant growth regulator for wine and fruit cultivation	Agriculture
Perlka	Special fertiliser with pearled calcium cyanamide	Agriculture
CaD	Calcium carbide-based metallurgical additive for hot metal desulphurisation	Metallurgy
NITRALZ	Diverse and high-quality aliphatic and aromatic nitriles as raw materials for pharmaceuticals, pigments, agrochemicals and biocides	Pharmacy, Agriculture, Basic chemicals
Eminex	Additive containing calcium cyanamide to reduce methane and CO2 emissions from liquid manure in livestock farming	Agriculture
Creavitalis	Creatine monohydrate as a fine, flavourless powder for the food and pharmaceutical industries (e.g. meat alternatives, milk substitutes)	Human Nutrition
Nitroguanidin	Dual-use product (propellant charge) for civil and defence applications (including airbags, belt tensioners, ammunition) and agricultural chemistry	Automotive, Defense, Agriculture
Silzot	Silicon nitride powder for high-performance ceramics in electronic circuit carriers	Electronics, Automotive
DYHARD	Hardeners and accelerators in powder, paste and liquid form for epoxy resins in composite and lightweight construction	Renewable energies, Automotive, Aviation
Bioselect	High-purity form of guanidine hydrochloride salts and guanidine thiocyanate for cancer diagnostics and corona test kits	Pharmacy
LIVA DUR	Dietary supplement with creatine in premium quality for active athletes	Human Nutrition

Source: Company, Montega

While the dynamically growing importance of nitroguanidine and the limited customer base in the defense sector may increase the concentration risk for Alzchem on one hand, we believe this is mitigated on the other hand by very long-term contracts and ultimately governmental customers.

- **High level of innovation and regulatory compliance:** We consider Alzchem's high level of innovation to be crucial for the company's success. By the end of the fiscal year 2023, the company held 426 patents and had 126 additional patent applications. Despite steadily increasing research and development costs in recent years (2023: EUR 11.4 million), the R&D ratio fell to 2.1% by 2023 due to stronger sales growth (average 2019-2023: 2.3%). In the Specialty Chemicals segment, the expenditure ratio (2.6%) is significantly higher than in Basics & Intermediates (1.0%). In 2023, a total of around 100 employees were engaged in research & development or innovation management. In addition to the extensive intellectual property rights and acquired know-how, the necessary certifications and regulatory requirements for chemical operations in Germany and the EU represent significant barriers to market entry. For example, the EU Chemicals Regulation REACH comprehensively regulates the registration, evaluation, authorization, and restriction of chemicals (**R**egistration, **E**valuation, **A**uthorisation and Restriction of **Ch**emicals) in the member states. Furthermore, Alzchem is certified according to the international food certification standard IFS FOOD.

- **Pioneer in sustainability:** For the first time in August 2024, Alzchem was awarded a platinum medal by the renowned independent CSR rating agency EcoVadis. With 84 out of 100 possible points, Alzchem ranks among the top 1% of companies assessed by EcoVadis worldwide and was able to improve its rating by seven points to the highest possible sustainability category, after several years of receiving a gold award and despite increased requirements.

Platinum award from EcoVadis

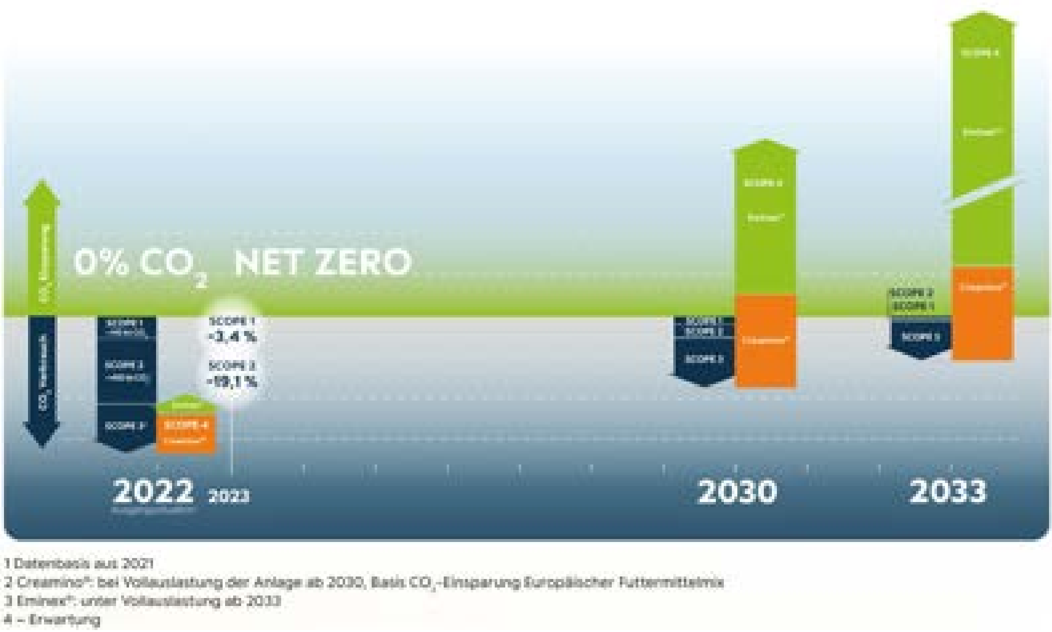
Source: Company

The background to this includes, among other things, the low CO_2 emissions in the production process compared to the industry. In total, about one-third of Scope 1 emissions can be internally recycled as raw material. The remaining approximately 69% (around 110,000 t; as of 2022) are to be reduced by 75% by 2030 according to the company's climate goals and completely avoided by 2033. About 24 million EUR are spent annually on measures to improve environmental and climate protection.

A significant contribution to the reduction of CO_2 emissions is now made at the Trostberg site by using surplus hydrogen. This is produced as a by-product of a production plant and is now fed to the flue gas incineration plant via a 500m long pipeline, allowing natural gas to be replaced as a fuel. The more sustainable process saves around 1,000 tons of CO_2 per year and also reduces production costs.

However, as is common in the industry, Alzchem's indirect - that is, those generated in the course of energy generation and the downstream value chain - Scope 2 and 3 emissions weigh more heavily. Conversely, Alzchem also markets products with an immediate positive climate impact (Scope 4). These include, for example, Creamino and especially Eminex. In its own model sketch, the company shows that with the expected full capacity utilization of the plants from 2030 or 2033, these should significantly exceed the ultimately unavoidable total emissions (Scope 1-3) and significantly improve the climate balance.

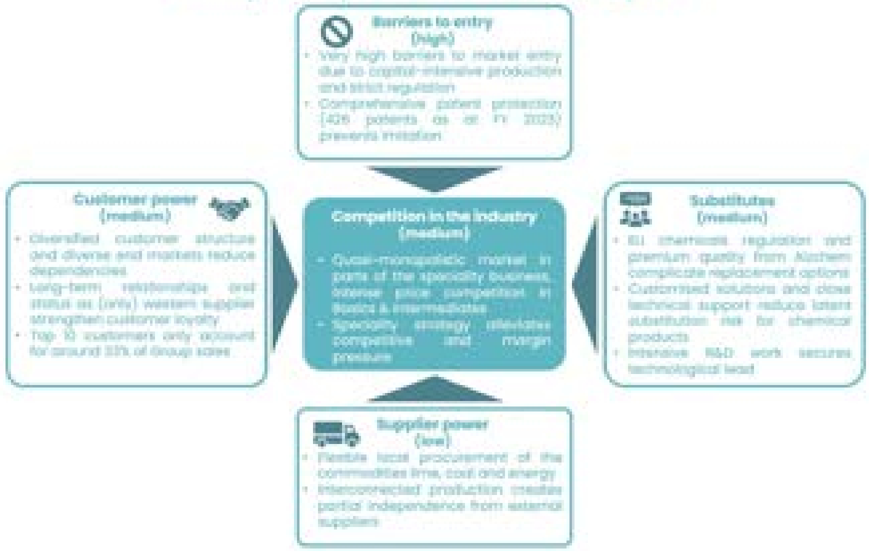
"Net zero" roadmap and CO_2 offsetting potential



Source: Company

In summary, we believe that Alzchem has a strong competitive position. We consider the barriers to entry as high and the power of suppliers as low. We assess the competition within the industry, the bargaining power of customers, and the threat of substitutes as moderate overall. Regarding these three factors, we believe that the competitive quality of the company in the specialty segment is significantly higher than in the basics and intermediates segment, which is why we also consider the strategic focus on the specialty business to be logical.

Competitive position of Alzchem Group AG

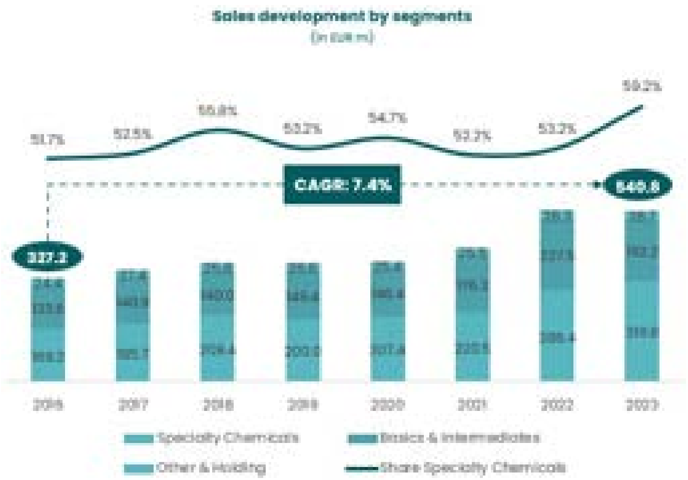


Source: Company

Visible catalysts in Specialty Chemicals - Profitable growth path should continue

- Recent development characterized by profitable growth: CAGR 2016-2023 of 7.4%, increase in EBITDA margin by 330 basis points to 15.1% in the same period
- Strong niche markets and new NQ capacities should drive group revenues to around 700 million EUR by 2027, increase of the higher-margin specialty business to about 70% of group sales expected (MONe)
- Free cash flows should remain consistently positive despite high CAPEX requirements; advance payments from NQ customers are expected to make a significant financing contribution without later price concessions

Since 2016, Alzchem has been able to increase group revenues with a CAGR of 7.4%. The driver of this development was the Specialty Chemicals segment, which grew by an average of 9.4% p.a. and was able to expand its sales share to 59.2% by the 2023 financial year. With a significantly lower growth rate of 5.3% p.a., the importance of the Basics & Intermediates segment for external sales correspondingly decreased. More than 70% of revenues are now generated abroad, while this share was below 60% in 2016.



Source: Company

The positive development of the top line reflects the resilience of the company, with Alzchem regularly benefiting from its broad product range. Even during the initial Corona years of 2020 and 2021, revenue was maintained or further expanded. At that time, the high-purity guanidine hydrochloride from the Bioselect brand experienced a veritable special boom as part of Corona test kits for the detection of SARS-CoV-2 and antibodies. The product is still in demand today in cancer diagnostics and mRNA technology.

In recent years, Alzchem has also achieved significant revenue growth with Creapure (Human Nutrition). Production capacities were more than tripled in several expansion stages between 2019 and 2023. Although Alzchem does not disclose exact sales or turnover figures for individual brands due to competitive reasons, the revenue share of the entire creatine family today is likely to account for more than a quarter of specialty sales, thus lying in the high double-digit million-euro range.

In the first nine months of 2024, the Specialty Chemicals segment recorded double-digit sales growth of 13.4% yoy to EUR 259.1 million, despite significant revenue declines in the Custom Manufacturing area due to economic conditions. This was mainly driven by volume (+11.3%) as well as price effects (+2.2%). In Q3/24, the sales momentum was even slightly higher (+15.5% yoy). Particularly pleasing developments were seen in the sales of Creapure, Creamino, and Nitroguanidin, but Bioselect was also in good demand according to Alzchem. Last but not least, the fertilizer Perlka experienced a significant recovery in demand from agriculture.

In contrast, revenues in Basics & Intermediates declined by 10.5% year-on-year to EUR 132.1 million after 9M/24, and Q3 marked the eighth consecutive quarter of declining sales for the more energy-intensive segment (-7.6% yoy). The reason for this is that Alzchem refrains from price wars with Asian competition and consciously accepts volume declines (9M/24: -5.2% yoy) in favor of better profitability. The similarly negative price effect in the recent revenue development, on the other hand, reflects the decline in important raw material prices, which Alzchem has passed on to customers due to price adjustment clauses.

Overall, the company's revenue increased by 4.4% yoy to EUR 415.2 million after 9M/24. The revenue share of the specialty business rose to 62.4% (previous year: 57.4%). For the entire fiscal year 2024, Alzchem continued to project consolidated revenues of approximately EUR 570 million. Meeting the target would mean a strong increase of about 8% yoy in Q4, so in the Q3 call, a target slightly below EUR 570 million was indicated.

We expect revenues of EUR 557.9 million (consensus: EUR 559.6 million), which means that revenues at the level of the strong previous year's quarter are likely to have been achieved in Q4 (approximately EUR 142.7 million). It is noteworthy that Alzchem has never significantly missed the initial revenue guidance in recent years. Rather, the company has often been able to positively surprise, especially in terms of results (see green marked fields).

Guidance track record Alzchem*

Guidance / year	2017	2018	2019	2020	2021	2022	2023	2024e
Sales guidance	n.a.	365-379	375-385	380-402	379-400	422-480	542-590	570
EBITDA guidance	n.a.	49-54	46.5-51.9	51.5	53-57	62-68	61-70	90
Reported sales	353.9	375.2	376.1	379.3	422.3	542.2	540.6	tba
Reported EBITDA	45.7	49.4	50.1	53.8	62.0	61.4	81.4	tba

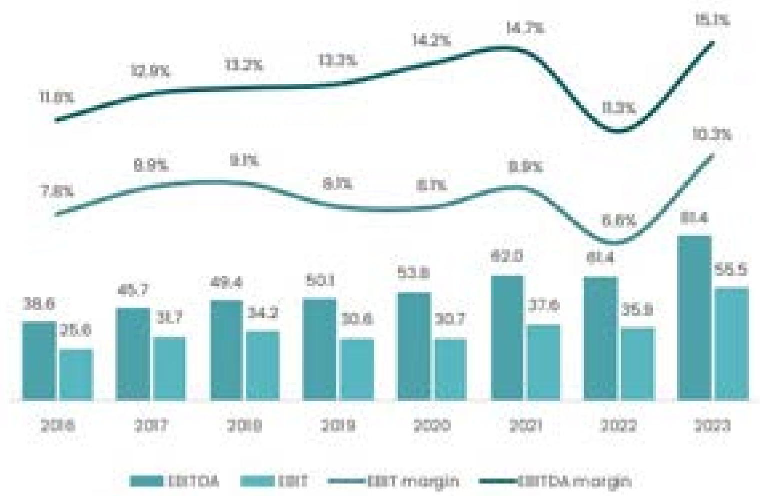
*based on the original guidance at the beginning of the year; Source: Company, Montega

Specialties strategy drives profitability to new heights

In terms of results, after 9M/24, an EBITDA of 76.8 million EUR and an EBIT of 57.4 million EUR were recorded. Compared to revenue, the operating profit levels were thus significantly increased disproportionately (EBITDA: +36.4% yoy; EBIT: +54.8% yoy). This reflects the shift in the product mix towards the higher-margin specialty business, which has been evident since 2023, and has now led the company to a new margin level of 18.5% for EBITDA (+430 BP yoy) and 13.8% for EBIT (+450 BP yoy). It should be noted that this was also contributed by the Basics & Intermediates segment, in which despite declining revenue in 9M/24, an EBITDA increase of 6.8% yoy was achieved, as Alzchem avoided businesses with negative contribution margins.

The overall extremely positive development of profitability over the past years was interrupted in 2022 by the temporarily massive rise in energy and raw material costs. Thanks to a successful price pass-through to customers, the result could be kept nearly stable even during this phase. In total, the EBITDA margin could be expanded by 330 BP to 15.1% and the EBIT margin by 250 BP to 10.3% in the period 2016-2023.

Development EBITDA, EBIT and margins
(in EUR m)



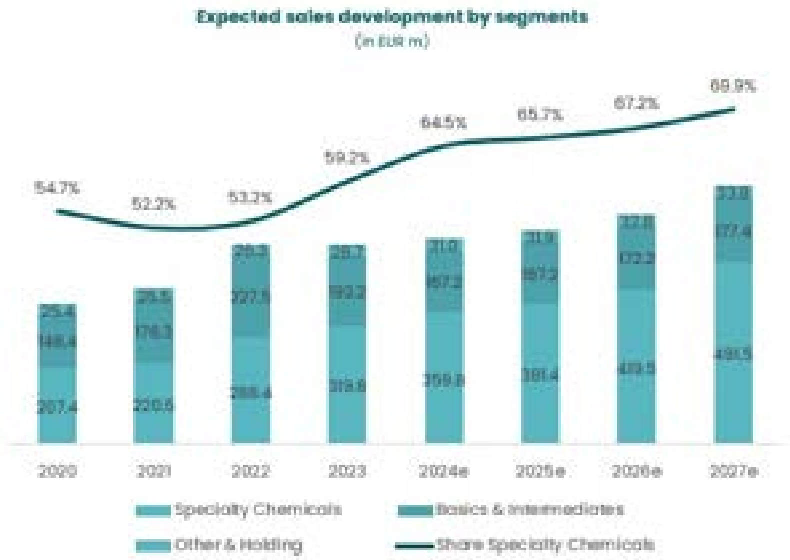
Source: Company

We are confident that Alzchem was able to meet the increased EBITDA target of >100 million EUR (originally: approx. 90 million EUR) as well as the EBITDA margin target of >17.5% (originally: 15.8%) for the past fiscal year 2024. This requires an EBITDA contribution of "only" >23 million EUR for Q4/24 (previous year: 25.1 million EUR). Specifically, we expect an EBITDA of 103.8 million EUR for FY 2024 (consensus: 103.2 million EUR) and an EBITDA margin of 18.6% (consensus: 18.4%), which should continue the strong profitability trend.

Next growth leap visible

For 2025, the management is likely to forecast a moderate continuation of the growth trajectory. We assume that sales prices can be kept stable this year, and further growth will mainly be achieved through an expansion of quantities. From 2027, the next significant growth leap is expected with the commissioning of new NQ capacities in Germany. We exclude the factory expansion into the USA from our forecasts due to the, in our opinion, still too low visibility.

Furthermore, we assume that growth in 2025 ff. will primarily be driven by specialty chemicals, whose revenue share is expected to rise to around 70% by 2027 (CAGR 2024-2027e: 11.0%). The revenue contribution from the added NQ sales alone is expected to amount to 70-90 million EUR at the end stage. However, we are calculating conservatively and do not yet assume full capacity utilization of the new production capacities in the last year of detailed planning. For Basics & Intermediates, we expect a stabilization of the recently declining sales in 2025 and only slight growth in the following years (CAGR 2024-2027e: 2.0%).



Source: Company, Montega

Our segment forecasts suggest an increase in group revenues to around 702.7 million EUR by 2027 (CAGR 2024-2027e: 8.0%). The share of revenues generated with defense customers is ultimately expected not to exceed 15%, despite the special growth catalysts in this area.

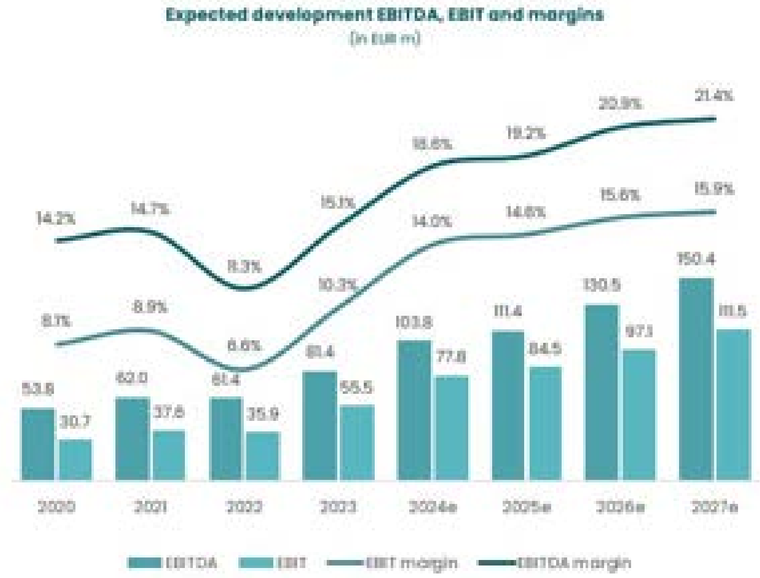
Economies of scale and product mix should continue to act as margin drivers

The recent profitability boost was, in our opinion, only the beginning of a longer phase of margin expansion. Regarding the essential expense ratios, our forecasts are based on the following assumptions:

- **Material expenses:** The material expenses include, among other things, the production-related electricity costs, so this item is associated with increased volatility and forecasting uncertainty. Between 2016 and 2021, the material expense ratio averaged around 39%, in 2022 it jumped to over 53%, and in 2023 normalization began, continuing in the past year and even bringing the ratio back below its original level to about 37%. We expect this to succeed in 2025 and beyond, allowing for further slight improvement by 2027. This should be aided by the further shift in sales towards the specialty chemicals sector, as these products are less electricity-intensive.
- **Personnel expenses**: Since 2016, personnel expenses increased operationally (adjusted for IPO bonuses paid in 2016) by an average of 4.0% per year, while the number of employees increased significantly less proportionally to a recent total of 1,689 (CAGR 2016-2023: 1.8%). The personnel expense ratio improved significantly in the same period to 26.9% in 2023 (-550 BP vs. 2016). We assume that the projected sales growth of the coming years can largely be managed with the current workforce and increased automation, especially since we are initially not planning for the US expansion as described. As of May 1, 2025, according to the latest agreements in the chemical industry, all tariff employees of Alzchem will receive a wage increase of 4.85%. On average, we expect moderate personnel cost increases of around 5% p.a. for 2025 and beyond, so that the expense ratio should gradually improve towards 26% by 2027.
- **Other operating expenses**: The overall view of recent years also showed a declining trend in the OOE ratio. Sales, environmental, and disposal costs, as well as maintenance expenses, represent the largest cost blocks, but external consulting, research, and development costs are also included. Based on economies of scale, we expect a further reduction of the expense ratio to around 18% by 2027.

*operating personnel expenses excluding employee bonuses for successful IPO; Source: Company, Montega

Overall, we consider a disproportionate increase in EBITDA to around 150 million EUR by 2027 as realistic, which corresponds to an EBITDA margin of 21.4%. In the NQ segment, we even consider EBITDA margins of around 35% in a steady state as realistic, so that there is further potential for margin improvement even after the end of the detailed planning phase. With regard to depreciation, we expect increases slightly disproportionate to sales as a result of recent and planned investment projects, in the course of which Alzchem regularly also performs and capitalizes its own construction work. From 2020 to 2023, an average of 6.3 million EUR in capitalized own work was reported. During the expansion phases in 2025 and 2026, we believe capitalizations could amount to up to 10 million EUR.



Source: Company, Montega

Thanks to a strong self-financing capacity, customer prepayments, and the granted subsidies, we assume that Alzchem can handle the NQ investment project without utilizing the available credit lines, including factoring (MONe: approximately 120 million EUR). As a result, we do not expect any deterioration but rather a slight improvement in the financial result (2023: -7.3 million EUR). Assuming a stable tax rate of around 28%, the EPS should rise to over 7.50 EUR by 2027, more than doubling compared to 2023 (3.40 EUR). Although we assume that management will choose a payout ratio at the lower end of the target corridor (30-50% of net profit) during the investment phase, this should result in a very attractive dividend yield of an average of >3% for a growth company in the coming years.

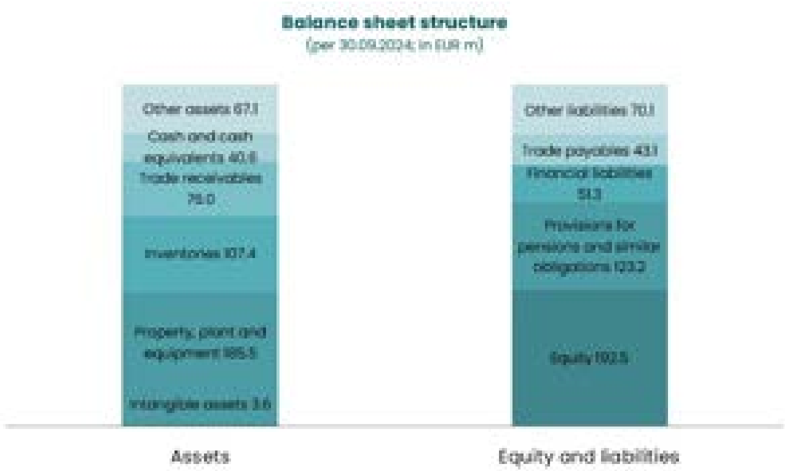
Source: Company, Montega

Balance sheet strength stands out in industry comparison

The latest balance sheet presented by Alzchem as of 30.09.2024 showed the largest item on the **assets side** as property, plant, and equipment valued at 185.5 million EUR (approximately 39% of the total balance sheet), clearly highlighting the capital intensity of the business model. Intangible assets amounted to only 3.6 million EUR and contained no goodwill.

Another significant asset item naturally comprised inventories at 107.4 million EUR, which showed only marginal changes compared to the value on 31.12.2023. However, Alzchem regularly engages in a deliberate inventory build-up through the so-called "electricity price-optimized furnace operation." This means that the production of carbide furnaces, as the largest electricity consumers, is reduced when electricity is particularly expensive and increased when electricity is cheapest. During the colder season, Alzchem typically shuts down one of the two carbide furnaces completely, while in the summer months, production is ramped up to full capacity. This allows Alzchem to effectively 'store' cheap electricity in the form of carbide inventory and continue to supply the production network relatively cost-effectively with carbide during times of higher electricity prices.

Receivables from goods and services amounted to 76.0 million EUR as of 30.09 and historically show a very low default risk (< 0.3%). Cash and cash equivalents stood at 40.6 million EUR and should be slightly higher upon closer inspection, as Alzchem records the securities provided to the government of Upper Bavaria for the operation of its own landfills (31.12.2023: 5.9 million EUR) as short-term restricted cash investments under other assets. Additionally, approximately 12 million EUR in short-term investments were recorded under other assets.



Source: Company

The **equity and liabilities side** is initially characterized by equity of 192.5 million EUR, which corresponds to an equity ratio of 40.1%. This gives Alzchem an above-average strong equity base compared to the industry. According to the Deutsche Bundesbank, the equity ratio of the chemical industry was only 33.0% on average in 2022, with a significantly declining trend compared to previous years (-4.0 PP vs. 2019). Compared to the 2019 level (equity ratio: 17.9%) Alzchem's equity cushion has more than doubled to date without capital measures.

Responsible for this, in addition to consistently positive annual results comfortably exceeding dividend payments, was also an interest-related revaluation of pension obligations. As of 30.09., these amounted to 98.1 million EUR and, together with other long-term provisions (22.7 million EUR; including provisions for landfills), constituted the largest debt item on the liabilities side. In addition, there were long-term bank loans of 42.7 million EUR. Thus, the fixed assets are financed over the long term. The short-term other provisions (2.4 million EUR) and short-term loan liabilities (8.7 million EUR) were of minor importance. The leasing liabilities amounted to a total of 4.1 million EUR.

Liabilities from trade payables were recently at 43.1 million EUR, with the net working capital amounting to 140.3 million EUR. Overall, we consider the balance sheet quality of the Alzchem Group to be above average, as the asset coverage ratio (equity/fixed assets) at just under 90% is well above the industry average (VCI: 64.1%; as of 2022) and the gearing at around 60% (VCI: 202.1%) is significantly lower.

Prepayments from NQ customers expected to ensure attractive cash flow profile despite high CAPEX

With the exception of 2022, Alzchem has been able to achieve significantly positive free cash flows in recent years despite expansion investments (2023: EUR 52.1 million). The outlier was mainly due to a significant inventory build-up, which the company felt compelled to undertake in view of strained supply chains.

We estimate Alzchem's "regular" CAPEX requirement for maintenance and other growth measures to be around EUR 35 million in 2025 and beyond. In addition, there are investments of EUR 140 million for NQ expansion, which we allocate half in 2025 and 2026. In contrast, there are almost EUR 35 million in EU subsidies (ASAP), which in 2025f. directly reduce the company's CAPEX volume in our forecasts. Alzchem should be able to cover the remaining capital requirement of approximately EUR 105 million largely (MONe: approximately EUR 75 million) from prepayments by NQ customers.

These will initially be recorded as "advance payments received" under liabilities on the liabilities side of the balance sheet and will strengthen operating cash flow in 2025 and 2026. Subsequently, with deliveries of the "new" NQ volumes from 2027 onwards, the resolution will be through revenue, whereby we assume that these revenues will come "on top" and that Alzchem did not have to make concessions regarding later NQ sales prices to receive the prepayments.

Thus, Alzchem is likely to be able to manage the large NQ investment as emphasized without further equity or debt capital requirements and, in parallel, to gradually reduce the already moderate net debt (September 30: EUR 115 million including pension obligations). This extremely advantageous financing pattern underscores once again, in our opinion, the importance of the group as a key supplier to the industry and should enable an average FCF yield of around 5.5% over the course of the detailed planning phase despite the investment cycle.

Source: Company, Montega

In this context, it should be noted that Alzchem annually has disbursements of approximately 1.9 million EUR for the repayment of lease liabilities, which, due to IFRS 16, only impact the financing cash flow in the historical financial metrics. However, in our valuation model, we have included these as part of the planning CAPEX in the FCF calculation.

Anchor shareholders reduce their stake after revaluation

Following the IPO in 2017, the shares of Alzchem Group AG initially did not show a sustainable upward trend. The stock hit a low point shortly after the outbreak of the coronavirus pandemic in early April 2020 at EUR 13.00, and the subsequent years were modest. However, in 2024, the stock underwent a revaluation and achieved an annual performance of approximately 116%, reaching a price level of EUR 57.00 as of December 30. According to our understanding, the significant profit dynamics, which exceeded the original analyst and market expectations, were primarily due to the strong sales development of Nitroguanidine and the announced expansion or establishment of NQ capacities in Germany and the USA.

Source: Capital IQ

On October 2, 2024, the stock was first included in the SDAX index of the Deutsche Börse. In early November last year, the management board also decided on a share buyback program that began in December 2024: Over a period of up to 12 months, up to 100,000 shares of the company are to be purchased at a total price of up to 6 million EUR (excluding transaction costs). So far, according to the current status, 40.7 thousand shares have already been repurchased at a weighted average price of 59.70 EUR (aggregate volume: 2.4 million EUR).

Also in December, it was announced that two of the three major shareholders, LIVIA Corporate Development SE and HDI Vier CE GmbH, reduced their stake in a private placement of 250,000 shares (equivalent to approximately 2.5% of the share capital) to institutional investors in order to increase the free float and thus the liquidity of the Alzchem share. The third major shareholder, four two na GmbH (shareholding: 15.1%), chairs the supervisory board, so we assume a long-term involvement here. The free float currently amounts to approximately 62%.

Operationally, as presented, we expect positive news flow for the current year, which should underpin the capital market's confidence in the continuation of the profitable growth trend and support the share price development.

Valuation level of the stock still favorable

After the strong price performance of the last twelve months, the stock of the Alzchem Group is currently trading above its historical multiples in terms of the 2025 multiples (EV/EBITDA 2025e: 6.9x; P/E 2025e: 11.7x) (average 5Y: EV/EBITDA: 4.0x; P/E: 9.3x). However, these appear very moderate in view of the high earnings growth rates, and the peer group companies also show significantly higher multiples.

We evaluated Alzchem using a DCF model and used a peer group analysis for validation.

- **DCF Model:** Our DCF model is based on a medium-term growth rate for 2024-2030e of 6.2% and an average EBIT margin of 16.0% during the planning period. We set the TV margin at a more conservative 13.0%, but this is above the average value over the last five years (Ø5Y: 9.5%), which appears feasible due to the focus on specialty chemicals. Based on a beta of 1.30 and a WACC of 8.25%, the DCF model derives a fair value per share of 82.00 EUR, whereby the model parameters are, in our opinion, chosen rather conservatively (see chapter "Valuation").
- **Peer Group Analysis**: The peer group consists of eight companies in the chemical industry that, in our opinion, largely address similar end markets. Alzchem is significantly smaller than the peers, which have an average market cap of around 12.8 billion EUR. The analysis shows that Alzchem is granted significantly lower multiples (Peers 2025e: EV/EBITDA 8.9x; P/E 15.7x), although the company is expected to achieve both higher operating margins and a higher free cash flow yield. We attribute the high valuation discount to the fact that the market has not yet fully recognized Alzchem's potential. Based on the forward earnings multiples EV/EBITDA and P/E 2025e, the fair value for the stock is approximately 86.50 EUR. Due to its smaller size, we consider a certain "small cap discount" justified in the current market environment.

Conclusion

The equity story of the Alzchem Group offers high company and competitive quality, strong catalysts for further profitable growth, and favorable valuation both fundamentally and relative to the peer group. At the same time, we consider the visibility for the forecasted development to be exceptionally high. All this makes the stock, in our opinion, an attractive investment for small-cap investors. We are initiating coverage on Alzchem with a "Buy" recommendation and a DCF-based target price of 82.00 EUR.

SWOT

The roots of today's Alzchem Group go back to the early 20th century. The company thus has an immense wealth of experience in NCN chemistry, i.e., in products with a typical nitrogen-carbon-nitrogen bond, and is the only remaining western supplier that can draw on the complete value chain in this field. This gives rise to the group's core strengths. The weaknesses arise in particular from a high dependency of production costs on energy and raw material prices, which currently entails location disadvantages for the entire chemical industry in Germany.

Strengths

- Vertically integrated composite production enables significant synergy effects along the NCN chain as well as through the geographical proximity of the four Bavarian production sites.
- High degree of diversification both on the product and customer side as well as through diverse and largely uncorrelated end markets provides stability.
- Excellent competitive position as the only Western manufacturer of, for example, creatine and guanidine salts gives extraordinary bargaining power.
- Strong track record in achieving guidance underscores high quality of management, resilience of the business model, and visibility of revenue and earnings development.
- Platinum rating from EcoVadis (Top 1% of surveyed companies) recognizes special efforts in climate protection and sustainability.

Weaknesses

- As an energy-intensive company, Alzchem, despite various relief regulations in Germany, is confronted with high electricity costs, which particularly reduce competitiveness in the more electricity-intensive segment Basics & Intermediates.
- Many of the addressed end markets, such as the steel industry or automotive, are cyclical, so Alzchem regularly faces demand fluctuations.
- High dependency on the home market of Germany or the EU (total revenue share approx. 60%), while growth potential in Asian countries is impaired by the significantly more intense competition there.
- Various environmental and emission regulations in the chemical industry sector as well as new regulations (e.g., the Supply Chain Due Diligence Act) make CSR reporting very time-consuming.

Alzchem's promising position is demonstrated, in our opinion, by the fact that the company, with its extremely broad product portfolio, can repeatedly provide solutions for current challenges. This was the case, for example, during the Corona pandemic with Guanidinhydrochlorid Bioselect for the diagnostics market and continues now in times of rising military expenditures due to Russian aggression in the field of guanidine salts (Nitroguanidin). Regardless of regular special economic situations, Alzchem's products contribute to megatrends such as population growth, fitness, healthy aging, and climate protection, which promises profitable growth in the long term. Risks exist not only in economic-related sales slumps but also in the application ban of certain chemical substances, as a number of Alzchem's key products are regularly the focus of regulatory processes and measures, especially by German and European authorities.

Opportunities

- Implementation of the plans to expand NQ capacity in the US could unlock additional significant revenue potential in the high double-digit to low triple-digit million-euro range from 2029, which is not yet reflected in our forecasts or consensus.
- Economic revitalization, particularly in Germany and the EU, could eliminate the current underutilization in the multipurpose plants (Custom Manufacturing) area in the short term.
- Scheduled completion of the NQ investment project in Germany is expected to lead to a significant profit increase from 2027 and result in noticeable dividend increases.
- The introduction of regulatory CO_2 pricing in agriculture could cause demand for Eminex to rise sharply and even turn Alzchem's climate balance positive (Scope 4).

Threats

- Pronounced sales weaknesses or strong demand fluctuations in individual end markets could lead to temporary overcapacities or increased switching costs along the NCN production chain.
- Health-hazardous substances could be restricted in use or completely banned. For example, the EU Commission prohibited the use of cyanamide as a biocide, which led to the expiration of the approval for the Alzchem product Alzogur, previously used for insect control in pigsties, on December 31, 2023. Alzchem has filed a lawsuit against this at the European Court of Justice.
- A potentially politically demanded higher CO_2 pricing or faster achievement of the net-zero goal would require higher expenditures or more investments in new process technologies and improved plant efficiency.
- Individual bestsellers in the specialty area could develop over time into commodity products with lower profit margins, especially when patent protection expires.

Valuation

We have evaluated the Alzchem Group using a DCF model and created a peer group analysis for plausibility. The assumptions underlying the DCF model and the companies of the peer group are described in more detail below.

DCF Model

Our DCF model reflects the promising medium to long-term growth potential, which arises from structural drivers in various niche markets (creatine, NQ, etc.), the announced capacity expansion in Germany, and Alzchem's strong competitive position. We expect an average organic growth rate of 8.0% until 2027. We then reduce this to a level of 4.0% by 2030 to account for economic fluctuations. To determine the Terminal Value, we assume a perpetual growth rate of 2.0%.

The scale effects associated with the top-line development, the gradually improved product mix through the expansion of the specialty business, and the ongoing efficiency measures of the company should allow for a gradual increase in the EBIT margin to around 17.5% by 2030. In the Terminal Value, we set the operating margin more cautiously at 13%. The NWC ratio (2023: 28.0%) should significantly reduce from 2025 onwards due to prepayments from NQ customers and normalize again from 2027. Despite the comprehensive investment plans, this should result in consistently positive free cash flows averaging 54 million EUR until 2030.

With the chosen beta of 1.30, we reflect the inherent cyclicality of the sales markets, regulatory risks, the strong dependency on volatile energy and raw material prices, and the high capital intensity of the business model. On the other hand, Alzchem is characterized in this environment by high resilience and adaptability, a strong market position, and decades of know-how, which is reflected in a remarkable track record regarding guidance.

The risk-free return is assumed to be 2.5% based on long-term fixed income securities. A market return of 9.0% is assumed, which results in a risk premium of 6.5%. Assuming a long-term debt ratio of 35.0%, a WACC of 8.25% results.

For the shares of Alzchem Group AG, we determine a fair value of 82.00 EUR based on our DCF model.

DCF Model

Figures in EUR m	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
Sales	**557.9**	**580.4**	**624.6**	**702.7**	**737.8**	**771.0**	**801.8**	**817.9**
Change yoy	3.2%	4.0%	7.6%	12.5%	5.0%	4.5%	4.0%	2.0%
EBIT	**77.8**	**84.5**	**97.1**	**111.5**	**127.6**	**134.9**	**140.3**	**106.3**
EBIT margin	14.0%	14.6%	15.6%	15.9%	17.3%	17.5%	17.5%	13.0%
NOPAT	**56.0**	**61.2**	**69.9**	**80.6**	**91.9**	**97.1**	**101.0**	**76.6**
Depreciation	**25.9**	**27.0**	**33.4**	**38.9**	**40.6**	**42.4**	**42.5**	**31.9**
in % of Sales	4.7%	4.7%	5.4%	5.5%	5.5%	5.5%	5.3%	3.9%
Change in Liquidity from								
- Working Capital	**8.7**	**34.2**	**36.3**	**-31.5**	**-88.4**	**-16.3**	**-16.3**	**-4.1**
- Capex	**-36.9**	**-89.9**	**-89.9**	**-40.9**	**-39.1**	**-37.0**	**-36.1**	**-32.7**
Capex in % of Sales	6.6%	15.5%	14.4%	5.8%	5.3%	4.8%	4.5%	4.0%
Other								
Free Cash Flow (WACC model)	**53.8**	**32.5**	**49.8**	**47.1**	**7.9**	**90.8**	**95.4**	**73.9**
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Present value	54.8	30.6	43.3	37.9	5.9	62.3	60.5	692.2
Total present value	**54.8**	**85.5**	**128.8**	**166.7**	**172.6**	**234.9**	**295.4**	**987.6**

Valuation	
Total present value (Tpv)	987.6
Terminal Value	692.2
Share of TV on Tpv	70%
Liabilities	164.7
Liquidity	11.9
Equity value	**834.7**

Number of shares (mln)	10.2
Value per share (EUR)	**82.0**
+Upside / -Downside	**27%**
Share price	**64.60**

Model parameter	
Debt ratio	35.0%
Costs of Debt	4.5%
Market return	9.0%
Risk free rate	2.5%

Beta	1.3
WACC	8.3%
Terminal Growth	2.0%

Growth: sales and margin		
Short term sales growth	2024-2027	8.0%
Mid term sales growth	2024-2030	6.2%
Long term sales growth	from 2031	2.0%
Short term EBIT margin	2024-2027	15.0%
Mid term EBIT margin	2024-2030	16.0%
Long term EBIT margin	from 2031	13.0%

Sensitivity Value per Share (EUR) — **Terminal Growth**

WACC	1.25%	1.75%	**2.00%**	2.25%	2.75%
8.75%	68.57	72.50	74.68	77.03	82.31
8.50%	71.55	75.82	78.21	80.78	86.61
8.25%	74.74	79.41	**82.03**	84.86	91.30
8.00%	78.18	83.29	86.17	89.30	96.45
7.75%	81.88	87.50	90.68	94.15	102.12

Sensitivity Value per Share (EUR) — **EBIT-margin from 2031e**

WACC	12.50%	12.75%	**13.00%**	13.25%	13.50%
8.75%	72.25	73.46	74.68	75.89	77.11
8.50%	75.64	76.93	78.21	79.49	80.77
8.25%	79.32	80.67	**82.03**	83.38	84.74
8.00%	83.30	84.74	86.17	87.60	89.04
7.75%	87.64	89.16	90.68	92.20	93.72

Source: Montega

Peer Group Analysis

Our competition analysis has already shown that no direct competitors with comparable expertise and product range like Alzchem can be found. Therefore, the peer group consists of the following six European and two US peers from the chemical industry, which, in our opinion, largely serve similar end markets and may also be Alzchem customers.

Wacker Chemie AG: Wacker Chemie is based in Munich and focuses on the main segments of polysilicon for the solar and semiconductor market, polymers, and silicones, mainly serving the construction, automotive, and paint industries, as well as biosolutions. The main sales regions are Asia with around 43% and Europe with 36% of revenues, which amounted to 6.4 billion EUR in 2023. The EBITDA was 824 million EUR, corresponding to a margin of approximately 13%.

DSM-Firmenich AG: DSM-Firmenich from Switzerland is strong in the segments of Health, Nutrition, Beauty, and Animal Nutrition & Health and achieved sales of approximately 9 billion EUR in 2023 with 21,000 employees, with an EBITDA margin of about 20%. Most sales are made in Europe (~35%) and Latin America (~30%). Nearly half of the sales are in the vitamins sector.

LANXESS Aktiengesellschaft: LANXESS is a German specialty chemicals group based in Cologne with about 12,400 employees. The company specializes in developing, manufacturing, and marketing chemical intermediates, additives, specialty chemicals, and plastics, serving various industries including agriculture, consumer goods, as well as automotive, construction, and electronics. In the fiscal year 2023, LANXESS achieved sales of 6.7 billion EUR, of which 30% were generated in the EMEA region (excluding Germany), 35% in North and South America, 19% in Asia-Pacific, and 16% in Germany. The EBITDA was 512 million EUR, which corresponds to a margin of 7.6%.

BASF SE: BASF from Ludwigshafen am Rhein is active in the segments of agriculture, nutrition & care, surface technologies, industrial solutions, materials, and chemicals. With around 112,000 employees worldwide, BASF achieved sales of 68.9 billion EUR in 2023. The EBITDA was 7.7 billion EUR (margin: 11.2%). Most of the sales were generated in Europe (38%). The rest is distributed across North America (27%), Asia-Pacific (25%), and South America, Africa, and the Middle East (8%).

Evonik Industries AG: Evonik Industries, based in Essen, is Germany's third-largest chemical company and operates as one of the world's leading companies in specialty chemicals. Evonik offers products in the five areas of Specialty Additives, Nutrition & Care, Smart Materials, Performance Materials, and Services. Of the 15.3 billion EUR in sales in 2023, 49% were achieved in Europe, Africa, and the Middle East, 25% in North America, 21% in the Asia-Pacific region, and 5% in the Central and South American economic area. The EBITDA was 1.7 billion EUR, corresponding to a margin of 10.8%.

Croda International PLC: Croda International is a producer and supplier of specialty chemicals from the UK. The company is divided into Consumer Care, Life Sciences, and Industrial Specialties. In 2023, a total revenue of £1.7 billion and an EBITDA of approximately £410 million was generated (margin: 24%). With 41%, the EMEA region is the largest sales market, followed by Asia with 25%, North America with 23%, and Latin America with 11%.

Balchem Corporation: Balchem generated revenue of $922 million in 2023, with an EBITDA margin of 25% ($231 million). The company, based in the USA, is also a producer of chemical products in the Animal and Human Nutrition & Health and Specialty Products sectors. About three-quarters of its revenue is made in the USA, with the rest mainly from Europe and Asia.

Ashland Inc.: Ashland also hails from the USA and serves clients worldwide in the Life Sciences, Personal Care, and Specialty Additives sectors. About 50% of revenues are generated in the Pharma and Coatings sectors. In 2024, the company's revenues amounted to approximately $2.1 billion with an EBITDA margin of 21.7%. Most of the revenues, around 42%, were generated in the EMEA region. North America and Asia-Pacific each contributed around 25%, and Latin America about 8%.

Peergroup AlzChem Group AG

Company	Share price (LC)	EV / Sales 2023	EV / Sales 2024e	EV / Sales 2025e	EV / Sales 2026e	Sales growth yoy 2023	Sales growth yoy 2024e	Sales growth yoy 2025e	Sales growth yoy 2026e
Wacker Chemie AG	66.40	0.8	0.9	0.8	0.8	-22.0%	-6.4%	7.2%	6.3%
DSM-Firmenich AG	98.82	2.5	2.4	2.2	2.2	46.7%	4.1%	4.8%	3.2%
LANXESS Aktiengesellschaft	26.26	0.8	0.8	0.8	0.8	-17.0%	-4.9%	2.6%	3.3%
BASF SE	46.81	1.0	1.0	1.0	1.0	-21.1%	-5.4%	3.1%	4.2%
Evonik Industries AG	18.14	0.9	0.9	0.9	0.9	-17.4%	-0.9%	0.6%	3.5%
Croda International Plc	33.44	3.1	3.2	3.0	2.8	-18.9%	-3.5%	5.8%	6.5%
Balchem Corporation	159.96	5.8	5.6	5.3	5.2	-2.1%	3.4%	6.6%	2.3%
Ashland Inc.	63.49	2.0	2.0	2.2	2.1	-8.7%	-3.6%	-0.0%	3.0%
Median		**1.5**	**1.5**	**1.6**	**1.6**	**-17.2%**	**-3.5%**	**4.0%**	**3.4%**
AlzChem Group AG	**64.60**	**1.4**	**1.4**	**1.3**	**1.2**	**0.0%**	**3.2%**	**4.0%**	**7.6%**
Potential/Difference		3%	11%	21%	25%	17.2 PP	6.7 PP	0.1 PP	4.2 PP
Fair value per share		**66.02**	**72.63**	**80.19**	**83.81**				

Company	EV (m LC)	EV / EBITDA 2023	EV / EBITDA 2024e	EV / EBITDA 2025e	EV / EBITDA 2026e	EBITDA margin 2023	EBITDA margin 2024e	EBITDA margin 2025e	EBITDA margin 2026e
Wacker Chemie AG	5.039	8.1	6.8	5.6	4.7	12.9%	12.8%	14.5%	16.1%
DSM-Firmenich AG	30.185	17.0	14.5	12.6	11.9	14.4%	16.2%	17.9%	18.2%
LANXESS Aktiengesellschaft	5.302	10.4	9.0	7.8	7.0	7.6%	9.2%	10.4%	11.2%
BASF SE	66.804	8.7	8.4	8.0	7.1	11.1%	12.2%	12.4%	13.4%
Evonik Industries AG	13.558	8.2	6.5	6.3	5.9	10.8%	13.8%	14.1%	14.6%
Croda International Plc	5.216	12.7	13.9	12.4	11.0	24.2%	23.0%	24.3%	25.7%
Balchem Corporation	5.373	23.3	21.5	20.9	20.0	25.0%	26.1%	25.2%	25.5%
Ashland Inc.	4.303	9.4	9.4	9.8	8.7	20.9%	21.7%	22.6%	24.7%
Median		**8.9**	**9.2**	**8.9**	**7.9**	**13.6%**	**15.0%**	**16.2%**	**17.1%**
AlzChem Group AG	**772**	**8.5**	**7.4**	**6.9**	**5.9**	**15.1%**	**18.6%**	**19.2%**	**20.8%**
Potential/Difference		4%	23%	28%	34%	1.4 PP	3.6 PP	3 PP	3.6 PP
Fair value per share		**67.61**	**82.17**	**86.08**	**90.09**				

Company	EV (m LC)	EV/EBIT 2023	EV/EBIT 2024e	EV/EBIT 2025e	EV/EBIT 2026e	EBIT margin 2023	EBIT margin 2024e	EBIT margin 2025e	EBIT margin 2026e
Wacker Chemie AG	5.039	12.4	17.7	11.8	8.9	6.3%	4.9%	6.9%	8.8%
DSM-Firmenich AG	30.185	35.5	26.4	22.2	20.2	6.9%	8.3%	10.1%	10.7%
LANXESS Aktiengesellschaft	5.302	neg.	134.1	38.8	23.8	-0.8%	0.6%	2.1%	3.3%
BASF SE	66.804	17.6	17.3	15.6	13.1	5.6%	5.9%	6.4%	7.3%
Evonik Industries AG	13.558	26.0	12.7	12.0	10.7	3.4%	7.1%	7.4%	8.1%
Croda International Plc	5.216	16.3	18.6	16.4	14.2	18.9%	17.1%	18.4%	20.0%
Balchem Corporation	5.373	33.8	28.0	28.0	24.3	17.3%	20.1%	20.4%	21.2%
Ashland Inc.	4.303	19.2	17.4	18.6	15.4	10.2%	11.7%	11.9%	13.9%
Median		**19.2**	**18.2**	**17.5**	**14.8**	**6.6%**	**7.7%**	**8.8%**	**9.7%**
AlzChem Group AG	**772**	**13.8**	**9.9**	**9.1**	**8.0**	**10.2%**	**14.0%**	**14.8%**	**15.6%**
Potential/Difference		38%	83%	91%	86%	3.7 PP	6.3 PP	5.8 PP	5.9 PP
Fair value per share		**93.46**	**127.73**	**133.95**	**130.05**				

Company	EV (m LC)	P/E 2023	P/E 2024e	P/E 2025e	P/E 2026e	Free Cashflow yield 2023	Free Cashflow yield 2024e	Free Cashflow yield 2025e	Free Cashflow yield 2026e
Wacker Chemie AG	5.039	10.5	16.9	11.5	8.4	4.5%	-2.8%	5.3%	6.3%
DSM-Firmenich AG	30.185	48.7	32.4	24.6	22.2	1.9%	3.2%	3.3%	3.7%
LANXESS Aktiengesellschaft	5.302	202.0	26.7	16.8	11.5	9.7%	0.2%	4.3%	5.0%
BASF SE	66.804	16.8	13.6	13.3	11.3	0.0%	0.0%	0.0%	0.0%
Evonik Industries AG	13.558	23.0	11.0	10.7	9.5	5.9%	6.2%	6.1%	6.8%
Croda International Plc	5.216	20.0	24.5	21.4	16.4	3.0%	3.2%	2.9%	3.5%
Balchem Corporation	5.373	40.0	36.7	32.7	30.0	2.7%	2.5%	3.2%	3.5%
Ashland Inc.	4.303	15.6	14.3	14.6	11.9	2.9%	7.8%	4.5%	6.5%
Median		**21.5**	**20.7**	**15.7**	**11.7**	**2.9%**	**2.8%**	**3.8%**	**4.4%**
AlzChem Group AG	**772**	**19.0**	**13.0**	**11.7**	**10.0**	**5.8%**	**7.0%**	**4.2%**	**6.4%**
Potential/Difference		13%	59%	34%	17%	2.9 PP	4.2 PP	0.4 PP	2.1 PP
Fair value per share		**72.98**	**102.87**	**85.82**	**75.30**				

Company Background

Alzchem Group AG is a vertically integrated specialty chemicals provider with a leading market position in selected and diversified niche markets such as Health & Pharma, Human & Animal Nutrition, Renewable Energies, Agriculture and Farming, Metallurgy, Fine Chemistry, as well as Automotive & Defense. Additionally, as a contract manufacturer (Custom Manufacturing), multipurpose plants for customer-specific solutions are operated. Alzchem's main chemical products are based on technological leadership along the calcium carbide/calcium cyanamide chain (known as the NCN chain), which are organic nitrogen-carbon-nitrogen bonds that branch out into a product tree with over 900 registered product brands ranging from basic chemicals to complex specialty chemicals. The roots of the entire NCN chain always lie in the commodities lime, coal (coke), and electricity, which are processed and globally marketed in a production network at four historically developed sites in the East Bavarian chemical triangle (Trostberg, Schalchen, Hart, Waldkraiburg) as well as in Sundsvall (Sweden).

Key Facts

Sector	Speciality chemicals
Ticker	ACT
Employees	1,689
Sales	540.6 m EUR
EBIT	55.5 m EUR
EBIT margin	10.3%
Business model	Development, production and distribution of high-quality and innovative speciality and basic chemicals for a wide range of solutions to global challenges such as climate change, nutrition, health and safety.
Core competence	Vertically integrated production (four plants in Germany, one in Sweden) based on the calcium carbide/calcium cyanamide chain (so-called NCN chain) with a strategic focus on growth in the Specialty Chemicals business segment.
Customer structure	Regionally and sectorally broadly diversified customer base and long-standing relationships with key customers; top 10 customers account for approx. 33% of sales revenue

Source: Company, Montega; Status: FY 2023

Key events in the company's history

The roots of the Alzchem Group and its predecessor companies date back to the late 19th and early 20th centuries, when chemists first succeeded in binding nitrogen from the air with earth alkali carbides (nitriding), and a few years later the benefits of calcium cyanamide as a fertilizer were recognized. In 1908, the entrepreneurial starting signal was finally given with the founding of the Bayerische Stickstoffwerke AG. The subsequent construction of the calcium cyanamide plant in Trostberg, the carbide plant in Schalchen, the factory channel, and two hydroelectric power plants at the two locations formed the nucleus for today's production network in southeastern Bavaria.

- **1908** Foundation of Bayerische Stickstoffwerke AG (BStW) with headquarters in Munich
- **1978** Renaming to SKW Trostberg AG
- **2001** Merger of Degussa Hüls AG with SKW Trostberg AG to form Degussa AG
- **2006** Merger of the sites Trostberg, Schalchen, Hart, and Waldkraiburg to form Alzchem Holding GmbH
- **2011** Renaming to Alzchem AG
- **2014** Acquisition of SKW Metallurgy Sweden AB and renaming to Nordic Carbide AB
- **2015** Investment in the Feed Additives sector and construction of a dedicated Creamino production plant

2017 Merger of Alzchem into the listed Alzchem Group AG (formerly: Softmatic AG)

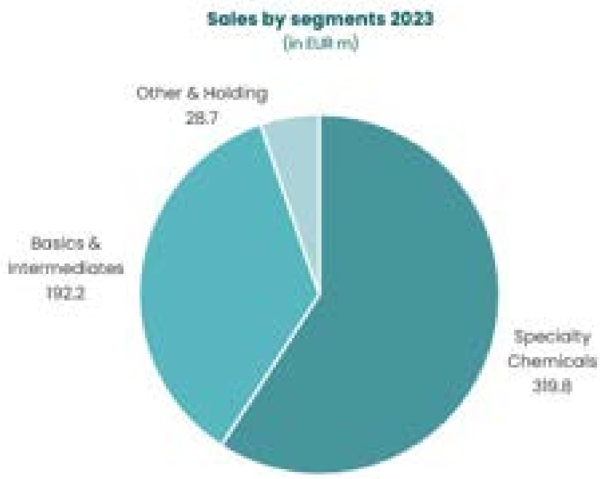
2019 Commissioning of the investment projects Creamino and Nitrile

2024 Promotion to the SDAX

2024 Announcement of the largest investment project in the company's history: Doubling of nitroguanidine production capacities in Germany planned by the end of 2026

Organizational and segment structure

The business activities of Alzchem are divided into three reporting segments: Specialty Chemicals, Basics & Intermediates, and Other & Holding. In the **Specialty Chemicals** segment, which is the most economically significant (revenue contribution: 59%; EBITDA contribution: 90%), the company focuses on the production and distribution of high-quality chemical products for numerous processing industries and end consumers. The **Basics & Intermediates** segment (revenue contribution: 36%; EBITDA contribution: 12%) produces chemical precursors and intermediates as a basis for refining in the group's own specialty chemicals as well as for direct sale to third parties. The smallest segment, **Other & Holding**, encompasses other activities, which mainly include services around the Trostberg and Hart chemical parks.

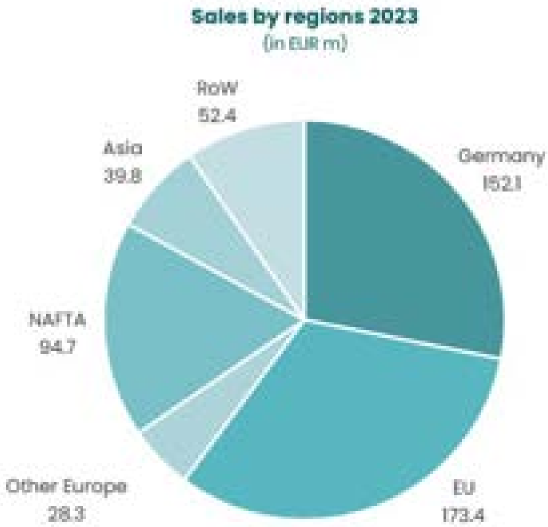


Source: Company

The holding functions for the Alzchem group are carried out by the **Alzchem Group AG** as the parent company. The consolidation scope also includes various production and distribution companies in Germany, Sweden, the UK, USA, and China, all of which are fully consolidated.

Markets and products

The most important sales regions of the company are the home market Germany (sales share 2023: 28%) and the rest of the EU (32%). These are followed by overseas markets in North America (18%) and Asia (7%). The rest of the world accounts for about 10%. The main end markets also show diversity: Agriculture is, in our opinion, the largest customer sector with a revenue share of around 16%.



Source: Company

The company's entire product portfolio includes more than 900 registered brands. One of the most important is, in our opinion, the premium brand Creapure for high-purity creatine monohydrate, with which Alzchem, as the only Western manufacturer, holds a leading market position in the sports nutrition industry. The creatine family includes LIVADUR, which is Alzchem's first own end-consumer product. Other flagship brands are the feed additive Creamino and the dual-use product Nitroguanidin, which as a very stable energetic compound is also suitable for defense applications.

Extract from Alzchem's product catalogue

Brand	Product description	End markets
Creapure®	Premium brand for creatine monohydrate as a dietary supplement in sports nutrition	Human Nutrition
CREAMINO®	Feed additive for the supply of creatine in livestock farming	Animal Nutrition
Dormex®	Plant growth regulator for wine and fruit cultivation	Agriculture
Perlka®	Special fertiliser with pearled calcium cyanamide	Agriculture
CaD®	Calcium carbide-based metallurgical additive for hot metal desulphurisation	Metallurgy
NITRALZ®	Diverse and high-quality aliphatic and aromatic nitriles as raw materials for pharmaceuticals, pigments, agrochemicals and biocides	Pharmacy, Agriculture, Basic chemicals
Eminex®	Additive containing calcium cyanamide to reduce methane and CO2 emissions from liquid manure in livestock farming	Agriculture
Creavitalis®	Creatine monohydrate as a fine, flavourless powder for the food and pharmaceutical industries (e.g. meat alternatives, milk substitutes)	Human Nutrition
Nitroguanidin	Dual-use product (propellant charge) for civil and defence applications (including airbags, belt tensioners, ammunition) and agricultural chemistry	Automotive, Defense, Agriculture
Silzot®	Silicon nitride powder for high-performance ceramics in electronic circuit carriers	Electronics, Automotive
DYHARD®	Hardeners and accelerators in powder, paste and liquid form for epoxy resins in composite and lightweight construction	Renewable energies, Automotive, Aviation
Bioselect®	High-purity form of guanidine hydrochloride salts and guanidine thiocyanate for cancer diagnostics and corona test kits	Pharmacy
LIVADUR	Dietary supplement with creatine in premium quality for active athletes	Human Nutrition

Source: Company, Montega

Management

The Alzchem Group is currently led by a five-member executive board team.

Andreas Niedermaier (CEO) has been with Alzchem since 1999 and has significantly shaped the successful development of the company as a board member since 2011. He was appointed CEO on July 1, 2019. As Chairman of the Board, Mr. Niedermaier is responsible for corporate strategy, as well as the areas of Supply Chain Management, Law, Patents & Trademarks, and Risk Management. His service contract was prematurely extended by three years until 2026 in mid-2023.

Andreas Lösler (CFO) has been the Chief Financial Officer of Alzchem since January 1, 2024. Mr. Lösler began his professional career at a consulting firm specializing in international accounting and, from 2007, advised companies on all matters of capital market-oriented accounting and reporting as the founder and managing director of DEOS Advisory GmbH. He has also been actively advising the Alzchem Group since 2012, supporting the company, especially during its IPO in 2017. His responsibilities include finance, controlling, and accounting as well as IT, human resources & social affairs, and investor relations & communication.

Klaus Dieter Engelmaier (COO) has been employed at Alzchem since 1988 and can thus draw on an extremely extensive wealth of experience in the company as Chief Operating Officer. Mr. Engelmaier is responsible on the board for the areas of production, technology, engineering, as well as environmental protection/safety/health/quality.

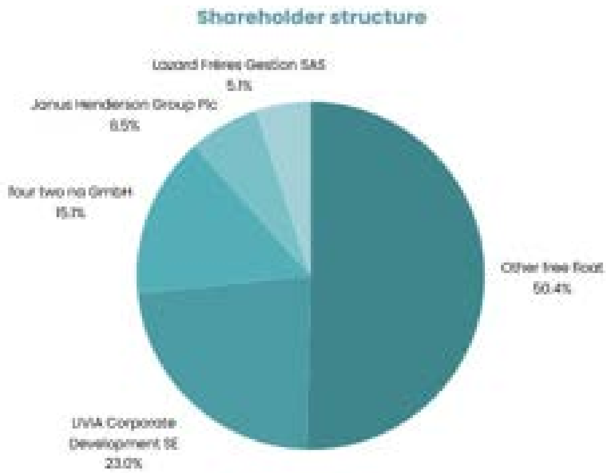
Dr. Georg Weichselbaumer (CSO) has been responsible for the business with some elements of the NCN chain and the multipurpose plants at Alzchem since 2012 and was appointed to the board in July 2019. Dr. Weichselbaumer studied chemistry at the TU in Munich followed by a doctorate in inorganic chemistry. He began his career in 1989 in the research division of Hoechst AG and worked as a New Business Development Manager at Hoechst Celanese in the USA in the early 1990s. Today, he is also leading the future project of establishing a US production.

Martina Spitzer (CSO) was appointed to the management board as Chief Sales Officer on January 1, 2025, and is responsible for the areas of Health & Nutrition (Creapure), Fine Chemicals (Chemicals & Applications), and Sustainability (ESG). Ms. Spitzer has been with Alzchem since 1999 and was appointed Head of the entire Chemical Sales Division of the group in 2020, before focusing on strategic corporate development, the introduction of the Sustainability division, and the optimization of key corporate processes from 2022 onwards.

Shareholder structure

Since October 5, 2017, the shares of Alzchem Group AG have been listed in the Prime Standard of the Frankfurt Stock Exchange. Apart from the IPO in 2017, no capital increases have been carried out since then. The subscribed capital amounts to approximately EUR 101.8 million and is divided into 10,176,335 no-par value bearer shares with a notional share in the share capital of EUR 10.00 each. On October 2, 2024, the share was included in the SDAX index.

The largest shareholder is currently the Munich investment company LIVIA Corporate Development SE with 23.0%, followed by the other financial investor four two na GmbH (15.1%). In addition, Janus Henderson Group holds 6.5% and Lazard Frères Gestion holds 5.1% of the shares in the free float of approximately 62%.



Source: Company

DCF Model

Figures in EUR m	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
Sales	**557.9**	**580.4**	**624.6**	**702.7**	**737.8**	**771.0**	**801.8**	**817.9**
Change yoy	3.2%	4.0%	7.6%	12.5%	5.0%	4.5%	4.0%	2.0%
EBIT	**77.8**	**84.5**	**97.1**	**111.5**	**127.6**	**134.9**	**140.3**	**106.3**
EBIT margin	14.0%	14.6%	15.6%	15.9%	17.3%	17.5%	17.5%	13.0%
NOPAT	**56.0**	**61.2**	**69.9**	**80.6**	**91.9**	**97.1**	**101.0**	**76.6**
Depreciation	**25.9**	**27.0**	**33.4**	**38.9**	**40.6**	**42.4**	**42.5**	**31.9**
in % of Sales	4.7%	4.7%	5.4%	5.5%	5.5%	5.5%	5.3%	3.9%
Change in Liquidity from								
- Working Capital	**8.7**	**34.2**	**36.3**	**-31.5**	**-88.4**	**-16.3**	**-16.3**	**-4.1**
- Capex	**-36.9**	**-89.9**	**-89.9**	**-40.9**	**-39.1**	**-37.0**	**-36.1**	**-32.7**
Capex in % of Sales	6.6%	15.5%	14.4%	5.8%	5.3%	4.8%	4.5%	4.0%
Other								
Free Cash Flow (WACC model)	**53.8**	**32.5**	**49.8**	**47.1**	**7.9**	**90.8**	**95.4**	**73.9**
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Present value	54.8	30.6	43.3	37.9	5.9	62.3	60.5	692.2
Total present value	**54.8**	**85.5**	**128.8**	**166.7**	**172.6**	**234.9**	**295.4**	**987.6**

Valuation	
Total present value (Tpv)	987.6
Terminal Value	692.2
Share of TV on Tpv	70%
Liabilities	164.7
Liquidity	11.9
Equity value	**834.7**

Number of shares (mln)	10.2
Value per share (EUR)	**82.0**
+Upside / -Downside	**27%**
Share price	**64.60**

Model parameter	
Debt ratio	35.0%
Costs of Debt	4.5%
Market return	9.0%
Risk free rate	2.5%

Beta	1.3
WACC	8.3%
Terminal Growth	2.0%

Growth: sales and margin		
Short term sales growth	2024-2027	8.0%
Mid term sales growth	2024-2030	6.2%
Long term sales growth	from 2031	2.0%
Short term EBIT margin	2024-2027	15.0%
Mid term EBIT margin	2024-2030	16.0%
Long term EBIT margin	from 2031	13.0%

Sensitivity Value per Share (EUR) — **Terminal Growth**

WACC	1.25%	1.75%	**2.00%**	2.25%	2.75%
8.75%	68.57	72.50	74.68	77.03	82.31
8.50%	71.55	75.82	78.21	80.78	86.61
8.25%	74.74	79.41	**82.03**	84.86	91.30
8.00%	78.18	83.29	86.17	89.30	96.45
7.75%	81.88	87.50	90.68	94.15	102.12

Sensitivity Value per Share (EUR) — **EBIT-margin from 2031e**

WACC	12.50%	12.75%	**13.00%**	13.25%	13.50%
8.75%	72.25	73.46	74.68	75.89	77.11
8.50%	75.64	76.93	78.21	79.49	80.77
8.25%	79.32	80.67	**82.03**	83.38	84.74
8.00%	83.30	84.74	86.17	87.60	89.04
7.75%	87.64	89.16	90.68	92.20	93.72

Source: Montega

P&L (in EUR m) Alzchem Group AG	2021	2022	2023	2024e	2025e	2026e
Sales	**422.3**	**542.2**	**540.6**	**557.9**	**580.4**	**624.6**
Increase / decrease in inventory	10.0	22.2	-3.8	0.0	0.0	0.0
Own work capitalised	6.7	7.2	4.9	3.9	9.3	9.4
Total sales	**439.0**	**571.6**	**541.7**	**561.8**	**589.7**	**633.9**
Material Expenses	170.7	288.9	225.1	206.4	218.2	231.1
Gross profit	**268.3**	**282.7**	**316.6**	**355.4**	**371.5**	**402.8**
Personnel expenses	132.2	137.1	145.6	156.8	161.9	168.0
Other operating expenses	78.8	101.1	98.5	106.0	109.7	116.8
Other operating income	4.7	17.0	9.0	11.2	11.6	12.5
EBITDA	**62.0**	**61.4**	**81.4**	**103.8**	**111.4**	**130.5**
Depreciation on fixed assets	23.8	24.8	25.2	25.1	26.1	32.5
EBITA	**38.2**	**36.6**	**56.2**	**78.7**	**85.3**	**98.1**
Amortisation of intangible assets	0.7	0.7	0.7	0.8	0.9	0.9
Impairment charges and Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**37.6**	**35.9**	**55.5**	**77.8**	**84.5**	**97.1**
Financial result	-1.1	5.4	-7.3	-7.3	-6.4	-5.6
Result from ordinary operations	**36.5**	**41.3**	**48.2**	**70.6**	**78.1**	**91.5**
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**36.5**	**41.3**	**48.2**	**70.6**	**78.1**	**91.5**
Taxes	8.7	11.1	13.4	19.8	21.5	25.6
Net Profit of continued operations	**27.8**	**30.2**	**34.8**	**50.8**	**56.6**	**65.9**
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**27.8**	**30.2**	**34.8**	**50.8**	**56.6**	**65.9**
Minority interests	0.2	0.2	0.2	0.2	0.2	0.2
Net profit	**27.6**	**30.1**	**34.6**	**50.5**	**56.4**	**65.6**

Source: Company (reported results), Montega (forecast)

P&L (in % of Sales) Alzchem Group AG	2021	2022	2023	2024e	2025e	2026e
Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Increase / decrease in inventory	2.4%	4.1%	-0.7%	0.0%	0.0%	0.0%
Own work capitalised	1.6%	1.3%	0.9%	0.7%	1.6%	1.5%
Total sales	**104.0%**	**105.4%**	**100.2%**	**100.7%**	**101.6%**	**101.5%**
Material Expenses	40.4%	53.3%	41.6%	37.0%	37.6%	37.0%
Gross profit	**63.5%**	**52.1%**	**58.6%**	**63.7%**	**64.0%**	**64.5%**
Personnel expenses	31.3%	25.3%	26.9%	28.1%	27.9%	26.9%
Other operating expenses	18.7%	18.7%	18.2%	19.0%	18.9%	18.7%
Other operating income	1.1%	3.1%	1.7%	2.0%	2.0%	2.0%
EBITDA	**14.7%**	**11.3%**	**15.1%**	**18.6%**	**19.2%**	**20.9%**
Depreciation on fixed assets	5.6%	4.6%	4.7%	4.5%	4.5%	5.2%
EBITA	**9.1%**	**6.8%**	**10.4%**	**14.1%**	**14.7%**	**15.7%**
Amortisation of intangible assets	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%
Impairment charges and Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	**8.9%**	**6.6%**	**10.3%**	**14.0%**	**14.6%**	**15.6%**
Financial result	-0.3%	1.0%	-1.3%	-1.3%	-1.1%	-0.9%
Result from ordinary operations	**8.6%**	**7.6%**	**8.9%**	**12.7%**	**13.5%**	**14.7%**
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	**8.6%**	**7.6%**	**8.9%**	**12.7%**	**13.5%**	**14.7%**
Taxes	2.1%	2.0%	2.5%	3.6%	3.7%	4.1%
Net Profit of continued operations	**6.6%**	**5.6%**	**6.4%**	**9.1%**	**9.8%**	**10.6%**
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit before minorities	**6.6%**	**5.6%**	**6.4%**	**9.1%**	**9.8%**	**10.6%**
Minority interests	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit	**6.5%**	**5.5%**	**6.4%**	**9.1%**	**9.7%**	**10.5%**

Source: Company (reported results), Montega (forecast)

Balance sheet (in EUR m) Alzchem Group AG	2021	2022	2023	2024e	2025e	2026e
ASSETS						
Intangible assets	2.3	3.0	3.7	2.8	2.0	1.0
Property, plant & equipment	178.8	181.5	177.3	189.1	252.9	310.3
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**181.2**	**184.5**	**181.0**	**191.9**	**254.8**	**311.3**
Inventories	86.7	122.4	107.5	107.3	111.6	117.8
Accounts receivable	40.8	55.7	75.2	76.4	79.5	77.0
Liquid assets	8.3	9.2	11.9	48.2	44.4	64.3
Other assets	60.7	51.0	49.2	49.2	49.2	49.2
Current assets	**196.5**	**238.4**	**243.7**	**281.1**	**284.6**	**308.2**
Total assets	**377.7**	**422.9**	**424.7**	**473.0**	**539.5**	**619.5**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**87.6**	**144.0**	**161.6**	**200.2**	**239.5**	**286.0**
Minority Interest	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**
Provisions	167.3	109.1	123.5	123.5	123.5	123.5
Financial liabilities	55.6	100.2	62.5	62.5	48.1	41.6
Accounts payable	32.8	37.4	31.6	41.3	42.9	47.9
Other liabilities	32.3	30.2	43.6	43.6	83.6	118.6
Liabilities	**288.1**	**276.9**	**261.1**	**270.9**	**298.1**	**331.6**
Total liabilities and shareholders' equity	**377.7**	**422.9**	**424.7**	**473.0**	**539.5**	**619.5**

Source: Company (reported results), Montega (forecast)

Balance sheet (in %) Alzchem Group AG	2021	2022	2023	2024e	2025e	2026e
ASSETS						
Intangible assets	0.6%	0.7%	0.9%	0.6%	0.4%	0.2%
Property, plant & equipment	47.3%	42.9%	41.7%	40.0%	46.9%	50.1%
Financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed assets	**48.0%**	**43.6%**	**42.6%**	**40.6%**	**47.2%**	**50.3%**
Inventories	22.9%	28.9%	25.3%	22.7%	20.7%	19.0%
Accounts receivable	10.8%	13.2%	17.7%	16.2%	14.7%	12.4%
Liquid assets	2.2%	2.2%	2.8%	10.2%	8.2%	10.4%
Other assets	16.1%	12.1%	11.6%	10.4%	9.1%	7.9%
Current assets	**52.0%**	**56.4%**	**57.4%**	**59.4%**	**52.8%**	**49.8%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	**23.2%**	**34.1%**	**38.1%**	**42.3%**	**44.4%**	**46.2%**
Minority Interest	**0.5%**	**0.5%**	**0.5%**	**0.4%**	**0.4%**	**0.3%**
Provisions	44.3%	25.8%	29.1%	26.1%	22.9%	19.9%
Financial liabilities	14.7%	23.7%	14.7%	13.2%	8.9%	6.7%
Accounts payable	8.7%	8.8%	7.4%	8.7%	8.0%	7.7%
Other liabilities	8.6%	7.1%	10.3%	9.2%	15.5%	19.1%
Total Liabilities	**76.3%**	**65.5%**	**61.5%**	**57.3%**	**55.3%**	**53.5%**
Total Liabilites and Shareholders' Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company (reported results), Montega (forecast)

Statement of cash flows (in EUR m) Alzchem Group AG	2021	2022	2023	2024e	2025e	2026e
Net income	27.8	30.2	34.8	50.8	56.6	65.9
Depreciation of fixed assets	23.8	24.8	25.2	25.1	26.1	32.5
Amortisation of intangible assets	0.7	0.7	0.7	0.8	0.9	0.9
Increase/decrease in long-term provisions	-1.8	-49.9	10.2	0.0	0.0	0.0
Other non-cash related payments	7.6	35.9	12.2	0.0	0.0	0.0
Cash flow	**58.1**	**41.8**	**83.1**	**76.7**	**83.6**	**99.3**
Increase / decrease in working capital	-15.1	-46.0	-10.4	8.7	34.2	36.3
Cash flow from operating activities	**43.0**	**-4.2**	**72.7**	**85.5**	**117.8**	**135.6**
CAPEX	-28.5	-29.1	-20.6	-36.9	-89.9	-89.9
Other	0.1	0.6	0.0	0.0	0.0	0.0
Cash flow from investing activities	**-28.5**	**-28.5**	**-20.5**	**-36.9**	**-89.9**	**-89.9**
Dividends paid	-7.8	-10.1	-10.6	-12.2	-17.3	-19.3
Change in financial liabilities	-13.4	44.6	-37.7	0.0	-14.4	-6.5
Other	-2.4	-0.8	-0.8	0.0	0.0	0.0
Cash flow from financing activities	**-23.7**	**33.6**	**-49.2**	**-12.2**	**-31.7**	**-25.8**
Effects of exchange rate changes on cash	0.3	0.1	-0.3	0.0	0.0	0.0
Change in liquid funds	**-9.1**	**0.9**	**3.0**	**36.3**	**-3.8**	**19.9**
Liquid assets at end of period	**8.3**	**9.2**	**11.9**	**48.2**	**44.4**	**64.3**

Source: Company (reported results), Montega (forecast)

Key figures Alzchem Group AG	2021	2022	2023	2024e	2025e	2026e
Earnings margins						
Gross margin (%)	63.5%	52.1%	58.6%	63.7%	64.0%	64.5%
EBITDA margin (%)	14.7%	11.3%	15.1%	18.6%	19.2%	20.9%
EBIT margin (%)	8.9%	6.6%	10.3%	14.0%	14.6%	15.6%
EBT margin (%)	8.6%	7.6%	8.9%	12.7%	13.5%	14.7%
Net income margin (%)	6.6%	5.6%	6.4%	9.1%	9.8%	10.6%
Return on capital						
ROCE (%)	13.9%	11.9%	17.3%	24.7%	25.5%	27.3%
ROE (%)	40.2%	33.6%	23.7%	30.9%	27.9%	27.2%
ROA (%)	7.3%	7.1%	8.2%	10.7%	10.4%	10.6%
Solvency						
YE net debt (in EUR)	187.4	181.1	150.9	114.6	104.0	77.6
Net debt / EBITDA	3.0	2.9	1.9	1.1	0.9	0.6
Net gearing (Net debt/equity)	2.1	1.2	0.9	0.6	0.4	0.3
Cash Flow						
Free cash flow (EUR m)	14.5	-32.8	52.1	48.6	27.9	45.7
Capex / sales (%)	6.8%	5.4%	3.8%	6.6%	15.5%	14.4%
Working capital / sales (%)	20.6%	21.7%	27.0%	26.3%	21.6%	14.4%
Valuation						
EV/Sales	1.8	1.4	1.4	1.4	1.3	1.2
EV/EBITDA	12.4	12.6	9.5	7.4	6.9	5.9
EV/EBIT	20.6	21.5	13.9	9.9	9.1	8.0
EV/FCF	53.3	-	14.8	15.9	27.7	16.9
PE	23.8	21.8	19.0	13.0	11.7	10.0
P/B	7.5	4.6	4.1	3.3	2.7	2.3
Dividend yield	1.5%	1.6%	1.9%	2.6%	2.9%	3.4%

Source: Company (reported results), Montega (forecast)

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Company	Disclosure (as of 03.02.2025)
Alzchem Group AG	1, 8, 9

Price history

Recommendation	Date	Price (EUR)	Price target (EUR)	Potential
Buy (Initiation)	03.02.2025	64.60	82.00	+27%