

ENRY'S ISLAND S.P.A. SOCIETÀ BENEFIT
(THE "COMPANY" OR THE "ISSUER" OR "ENRY'S ISLAND")

VALUE ASSESSMENT

**FOR THE PURPOSES OF THE ADMISSION OF THE ORDINARY SHARES TO TRADING
ON THE VIENNA MTF OF THE VIENNA STOCK EXCHANGE**

31 March 2023

1. General valuation approach and methodology

1.1. Financial planning in high growth cases

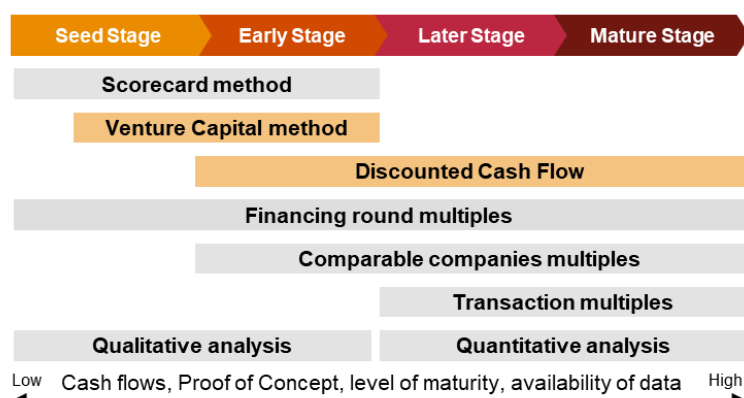
Based on the early stage of Enry's Island and the underlying growth assumptions in the business plan, the Issuer can be considered a high growth company. Growth businesses are businesses whose revenues are expected to achieve an above-average rate of growth. They are characterized in particular by product innovations which are typically associated with high investments and upfront expenditure in development, services and sales, together with a growing need for capital. In many cases businesses of this type are still at a loss-making stage at the time of valuation, meaning that an analysis of past data in order to test the reasonableness of projections of the future development of the business is generally not appropriate.

The projection of the financial cash flows is subject to considerable uncertainty in such cases. As a result, it is necessary to analyse the competitiveness of the business's range of products and services over the long term, its market share, the availability of resources, the restructuring of the business's internal organization due to the demands of growth, and the ability of the business to finance its growth. Particular attention should be paid to the assessment of risk. For the purpose of projecting the financial cash flows, it is recommended to apply scenario techniques considering also the likelihood of an insolvency.

1.2. Methodology selected

In practice, company valuations are carried out using various valuation methods. When valuing a high growth company, it must be questioned whether and which of the methods commonly used in practice are relevant and whether they can be applied due to the non-existent or very short history of the Start-Up. The picture below illustrates the valuation methods available and the one chosen.

Overview Start-Up valuation methods



Based on the history and the early stage of Enry's Island, the following two valuation methods have been selected:

- Discounted Cash Flow (DCF) including scenario techniques
- Venture Capital (VC)

1.2.1. DCF Entity Method

Discounted Cash Flow (DCF) analysis is an intrinsic value approach where an analyst forecasts the business' unlevered free cash flow into the future and discounts it back to today at the firm's Weighted Average Cost of Capital (WACC).

DCF attempts to measure the value created by a business directly and precisely. It is thus the most theoretically correct valuation method available: the value of a firm ultimately derives from the inherent value of its future cash flows to its stakeholders.

The DCF entity method using the WACC-approach is characterized by a two-stage procedure in the form of the gross approach. In the first step, the total market value of the company is determined as the sum of the cash values of all future financial surpluses that are available to equity and debt investors. In order to arrive at the market value of equity, the second step is to subtract the market value of debt from the total market value.

$$\frac{\text{PV free cash flows} - \text{market value of debt}}{\text{market value of equity}}$$

The starting point is the so-called free cash flow (FCF) available for equity and debt capital providers. The FCFs are determined after taxes but before servicing the debt capital (interest expenses, repayments), since the debt financing is subsequently included in the valuation by deducting the market value of debt on the valuation date.

Since the FCFs are determined under the fiction of complete self-financing, the interest on borrowed capital must be added and the tax savings (tax shield) associated with the tax deductibility of the interest on borrowed capital must be deducted.

The detailed forecast period for the DCF method should extend to a point in time when the company has reached a stable state. Only then can a perpetual annuity be applied, since one can assume stable market conditions that are representative of a long-term period. The free

cash flows are estimated for the individual years of the detailed forecast period. After that, a uniform flow of payments is assumed for the sake of simplicity.

In the entity method, the FCF before interest are first discounted with the cost of capital on the valuation date. According to this, the value of the FCFs accruing from the end of the forecast period is initially discounted to the end of this forecast period (so-called “terminal value”). This future value then has to be discounted to the valuation date and added to the present value of the FCF accruing during the forecast period, which has already been determined, in order to determine the total capital value of the company.

Assumptions in the terminal value such as dividend policy and the level of profitability are usually generalized and are of particular importance for the company value. It is important to note that a positive value contribution is only generated through growth if the expected return on net investments financed by retention is higher than the cost of capital.

Entrepreneurial activities always involve risks and opportunities. So future financial surpluses from investments in such activities cannot, in general, be forecasted certainly. Investors require compensation for taking this risk in the form of an excess return on a risk-free investment.

Thus, in order to value a business, future FCF need to be discounted back to the valuation date using an appropriate discount rate. The discount rate is based on the weighted average cost of equity and debt capital (“WACC”). Therefore, the weighting reflects the relative percentages of equity and debt in the company’s capital structure. The discount rate indicates the minimum return on capital that the company has to realize so that shareholders and creditors are not worse off than they would be while investing in the next best alternative.

For functional purposes, the WACC should be broken down into the components, cost of equity and cost of debt capital, while being determined.

Cost of equity is measured against the (expected) return on an adequate alternative capital investment. While determining objectified business values, the alternative investment and the corresponding yield are generally characterized by an investment in a bundle of publicly listed corporate shares (stock portfolio), adjusted to incorporate the risk structure of the business to be valued.

Interest yields on corporate share investments are typically broken down into their

components of a risk-free rate and a risk premium.

As the expected return and so the risk premium of a stock portfolio cannot be observed directly, theoretical models allowing to explain market prices and risk-return relationships in capital markets have been developed. Among these, the Capital Asset Pricing Model ('CAPM') has the greatest importance. The basic idea of the CAPM is that there is a linear relationship between the risk and the expected return of shares. The risk is measured using the normalized covariance, the so-called beta coefficient.

The interest on borrowed capital is derived from the risk-free rate plus a premium reflecting the compensation of the lenders for bearing the systematic and non-systematic risk (so-called "credit spread"). The credit spread is defined as the difference between the term-equivalent interest on debt capital and the risk-free rate.

1.2.2. Venture Capital method

The VC method is a common valuation method for Start-Up companies. It takes the prevailing market return expectations of venture capital companies into account. The VC method is particularly suitable for the valuation of Start-Ups that are in the seed and early growth stage and still generate negative but increasing cash flows, but where the key financial ratios can already be approximately estimated.

The first step is to calculate the exit value of the startup at a certain point in the future by applying the average industry-specific revenue multiplier to the projected revenue of the exit year.

If several industries are relevant for the Start-Up, industry-specific multiples are taken into account on the basis of individual industry weights. The basis for the calculation of the multiples are the industry-specific multiples provided by a capital market information service provider (e.g. Capital IQ). By multiplication with the comparative value of the Start-Up, one arrives at the exit value at the time of the exit.

The exit value is then discounted to the valuation date using a risk-adjusted discount rate. There are two possible approaches to the risk-adjusted discount rate. A purely quantitative approach considers a discount rate based on the weighted average cost of capital of comparable listed companies plus a VC premium. A second approach combines helpful qualitative criteria with the score card method, which uses a set of questions to produce a score based on 4 categories: Management Experience, Product, Market and Strategy.

2. Financial planning and scenarios

2.1. Scenario technique

In order to have a more comprehensive outlook on the potential development of revenues and profitability in the planning period, three different scenarios have been included in the value assessment. The management case was prepared according to management's expectations of the development of the Issuer. However, as described in the Business Plan section of Information Memorandum, there are certain risks inherit in the financial planning due to the early stage of Enry's Island. Hence, two complementary scenarios have been developed by adjusting the management scenario in certain key assumptions.

2.2. Management case

The management case corresponds to the financial planning as presented in the Information Memorandum.

Enry's Island - P&L (Management Case)

€ in thousands	FC 2022	Plan 2023	Plan 2024	Plan 2025	Plan 2026	Plan 2027
Net sales	528	1.612	5.889	14.380	19.785	22.213
Material expenses & services	(156)	(475)	(2.240)	(7.700)	(7.700)	(7.700)
Gross profit	372	1.137	3.649	6.680	12.085	14.513
Personnel expenses	(160)	(641)	(968)	(1.577)	(1.824)	(1.824)
Other operating expenses	(166)	(641)	(914)	(1.389)	(1.849)	(2.371)
EBITDA	46	(145)	1.767	3.714	8.412	10.318
Depreciation	(26)	(90)	(154)	(174)	(214)	(254)
EBIT	20	(235)	1.613	3.540	8.198	10.064
YoY change						
Net sales	700,0%	205,3%	265,3%	144,2%	37,6%	12,3%
As % of Net sales						
Gross profit	70,5%	70,5%	62,0%	46,5%	61,1%	65,3%
EBITDA	8,7%	(9,0%)	30,0%	25,8%	42,5%	46,5%
EBIT	3,8%	(14,6%)	27,4%	24,6%	41,4%	45,3%

2.3. Peer case 1 – Adjusted number of Exits

Peer case 1 reflects the fact that the peer group analysis shows that the average annual historic number of Exits (sale of shareholdings) achieved by the peer group companies was slightly below 1. Although, the publicly available information on Exits might not be complete and fully accurate, Peer case 1 limits the number of Exits for Enry's Island in the planning period with 1 Exit per year, while the Management Case assumes 3 Exits per year.

All other assumptions from the Management case in total numbers remain unchanged, resulting in the following financial projections:

Enry´s Island - P&L (Peer case 1 – Adjusted number of Exits)

€ in thousands	FC 2022	Plan 2023	Plan 2024	Plan 2025	Plan 2026	Plan 2027
Net sales	528	1.612	4.667	10.205	14.520	16.018
Material expenses & services	(156)	(475)	(1.775)	(5.465)	(5.651)	(5.553)
Gross profit	372	1.137	2.892	4.741	8.869	10.465
Personnel expenses	(160)	(641)	(968)	(1.577)	(1.824)	(1.824)
Other operating expenses	(166)	(641)	(914)	(1.389)	(1.849)	(2.371)
EBITDA	46	(145)	1.010	1.775	5.196	6.270
Depreciation	(26)	(90)	(154)	(174)	(214)	(254)
EBIT	20	(235)	856	1.601	4.982	6.016
YoY change						
Net sales	700,0%	205,3%	189,5%	118,7%	42,3%	10,3%
As % of Net sales						
Gross profit	70,5%	70,5%	62,0%	46,5%	61,1%	65,3%
EBITDA	8,7%	(9,0%)	21,6%	17,4%	35,8%	39,1%
EBIT	3,8%	(14,6%)	18,3%	15,7%	34,3%	37,6%

2.4. Peer case 2 – Adjusted revenue growth

Since the Management case shows very high overall revenue growth rates that are significant above the historic growth rates of comparable companies in a similar early stage, Peer case 2 limits the overall revenue growth to the average growth rate of the peer group between their 7th and 12th year of operations amounting to 26.0%.

In addition, EBITDA-margins of the management case show expectations above the peer group performance. Hence, Peer Case 2 also limits the EBITDA-margin to the average (positive) EBITDA-margin of the peer group companies for FY19-22 amounting to 16.2%.

Enry's Island - P&L (Peer case 2 – Adjusted revenue growth)

	<i>FC</i>	<i>Plan</i>	<i>Plan</i>	<i>Plan</i>	<i>Plan</i>	<i>Plan</i>
€ in thousands	2022	2023	2024	2025	2026	2027
Net sales	528	1.612	2.031	2.558	3.223	4.060
Material expenses & services	(156)	(475)	(772)	(1.370)	(1.254)	(1.407)
Gross profit	372	1.137	1.258	1.188	1.968	2.652
Personnel expenses	(160)	(641)	(654)	(667)	(680)	(694)
Other operating expenses	(166)	(641)	(276)	(108)	(767)	(1.302)
EBITDA	46	(145)	328	414	521	656
Depreciation	(26)	(90)	(154)	(174)	(214)	(254)
EBIT	20	(235)	174	240	307	402
YoY change						
Net sales	700,0%	205,3%	26,0%	26,0%	26,0%	26,0%
As % of Net sales						
Gross profit	70,5%	70,5%	62,0%	46,5%	61,1%	65,3%
EBITDA	8,7%	(9,0%)	16,2%	16,2%	16,2%	16,2%
EBIT	3,8%	(14,6%)	8,6%	9,4%	9,5%	9,9%

2.5. Probability weighting

The Peer case 1 – Adjusted number of Exits is considered for the valuation as the most probable scenario and therefore this scenario has been weighted with 50% probability. The other two scenarios, Management case and Peer case 2 – Adjusted revenue growth, have been weighted with probability of 25% each.

2.6. Likelihood of an insolvency

Since the Issuer is currently in an early stage and thus has a higher probability of default than a typical mature company, the resulting probability weighted free cash flows have been adjusted by the average probability of survival. This corresponding survival rate takes the failure in the initial phase of a growing company in the “other services” sector into account. Due to the nature of the Company’s business, a more accurate fit to the given sectors was not possible. The survival rates were derived from the US Bureau of Labor Statistics.

3. DCF-valuation

3.1. Derivation of cost of capital

The parameters required for the calculation of the WACC have been derived on the following assumptions:

- **Risk-free rate:** the risk-free rate was estimated as of 31 December 2022 amounting to 2.36% using the Svensson yield curve based on 30-year German government bonds.
- **Beta factor:** the beta factor was derived on the basis of a comparable group of companies (peer group) by performing a regression analysis against the STOXX Europe 600 Index using monthly returns. The following selection criteria have been applied: Sufficient data points (60); Significant t-test (≥ 2.002).
- **Market risk premium:** based on studies on the implicit market return, an expected market return as of 31 December 2022 of 8.5% was expected to be appropriate and plausible. The resulting market risk premium (market return less risk-free rate) amounts to 6.14%.
- **FX-risk:** in order to correctly reflect the currency risk, an inflation differential has to be considered. For this purpose, the difference in the expected inflation for Germany (basis for risk-free rate) and the countries from which EI receives revenue has been calculated. Subsequently, the inflation differentials have been weighted by the corresponding share in sales per country, in order to calculate the (sales weighted) inflation differentials for each of the years from the planning period (Source for inflation rates: IMF, World Economic Outlook Database; available until FY27; as of October 2022).
- **Country risk:** in general, return expectations for investments in markets with a higher risk of doing business (country risks), are taken into account with a country risk premium. For the determination, the country risk premia calculated and published by Prof. Damodaran have been used. The CRP of each country has been weighted with the share of the sales of the country in the total sales.

Enry's Island - WACC

	FY23 Plan	FY24 Plan	FY25 Plan	FY26 Plan	FY27 Plan	Terminal Value
Risk free rate	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%
Market risk premium	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%
Beta (unlevered)	1,06	1,06	1,06	1,06	1,06	1,06
D/E ratio	0,00	0,00	0,00	0,00	0,00	0,00
Beta (levered)	1,06	1,06	1,06	1,06	1,06	1,06
Country risk premium	2,4%	2,2%	2,6%	2,3%	3,0%	3,0%
Inflation differential	(0,6%)	(0,1%)	0,5%	0,9%	1,4%	1,4%
Cost of equity	10,7%	10,9%	12,0%	12,0%	13,3%	13,3%
Equity ratio	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Debt ratio	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Growth rate Terminal value						(1,0%)
Weighted Average Cost of Capital	10,7%	10,9%	12,0%	12,0%	13,3%	12,3%

3.2. Value assessment

The probability weighted scenarios – as presented in section 2 – constitute the basis for the DCF valuation, which is considered to represent a fair view on the risks and potentials in Enry's Island's business model.

Hence, based on these management expectations and peer group analysis, FY27 of the probability weighted scenarios has also been assumed to represent a sustainable year and revenues can be generated on a similar level afterwards. Hence, the assumptions in the Terminal Value (TV) are based on the last planning year (FY27) of the probability weighted scenarios.

The inflation-related growth rate amounts to 1.0% (50% of the long-term ECB inflation target). The EBITDA margin in the TV is assumed as the average EBITDA margin from FY24 to FY27 (whole planning period except for FY23 with a negative expected margin).

Sustainable CAPEX have been assumed to be at the level of depreciation of the last planning year. No major investments are required going forward.

For the phase after the detailed planning period, the convergence assumptions, that assumes that the return on new invested capital corresponds to the cost of capital in the long term, has been applied. Thus, the assumed growth of 1.0% results in a net investment (retention of profits) of €242k in the TV.

Enry's Island - Discounted Cash Flow Method (probability weighted scenarios)

€ in thousands	FY23 Plan	FY24 Plan	FY25 Plan	FY26 Plan	FY27 Plan	Terminal Value
Sales	1 612	4 314	9 337	13 012	14 577	14 723
YoY growth, %	n/a	167,6%	116,5%	39,4%	12,0%	1,0%
EBITDA	(145)	1 029	1 919	4 831	5 879	4 486
EBITDA-margin, %	(9,0%)	23,9%	20,6%	37,1%	40,3%	30,5%
EBIT	(235)	875	1 745	4 617	5 625	4 229
EBIT-margin, %	(14,6%)	20,3%	18,7%	35,5%	38,6%	28,7%
Corporate tax	-	(154)	(419)	(1 108)	(1 350)	(1 015)
Tax rate, %	0,0%	17,6%	24,0%	24,0%	24,0%	24,0%
NOPLAT	(235)	721	1 326	3 509	4 275	3 214
+ Depreciation	90	154	174	214	254	
- CAPEX	(346)	(320)	(101)	(200)	(200)	
+/- Net Working Capital	548	(778)	(338)	(406)	(394)	
- Net Investments TV						(242)
Free Cashflows (FCF)	57	(223)	1 062	3 117	3 935	2 972
Survival rate, %	96,7%	93,5%	90,7%	87,3%	84,8%	83,3%
FCF after Survival Rate	55	(208)	963	2 721	3 337	2 476
WACC, %	10,7%	10,9%	12,0%	12,0%	13,3%	12,3%
Discount factor	0,903	0,814	0,727	0,649	0,573	4,655
Discounted FCF	50	(170)	700	1 765	1 910	11 527
Entity Value as of 31Dec22	15 782					
+ Net Cash	51					
Equity Value as of 31Dec22	15 833					




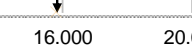
3.3. Sensitivity analysis

The calculated equity value has been analysed for sensitivity changes in the principal value drivers. As major value drivers the level of the discount rate (beta factor), the sustainable EBITDA-margin and the sustainable CAPEX level have been identified.

According to this analysis the business value of 100% of the equity of Enry's Island lies within a range of approx. €14.3m and approx. €17.4m.

Enry's Island - Sensitivity analysis

Sensitivity analysis Equity Value as of 31 December 2022

€ in thousands		Min	Basis	Max
DCF Value range	14.363  17.432			
Beta factor	14.105  17.937	1,26	1,06	0,86
Sustainable EBITDA margin	13.829  17.842	25,5%	30,5%	35,5%
Sustainable CAPEX	15.154  16.517	7	257	507

12.000 16.000 20.000

4. VC-valuation

4.1. Score Card

The qualitative scorecard assessment of the Issuer includes both views from management and results of a commercial analysis.

4.2. Exit multiple

The underlying multiple of 2.4x (LTM sales) was calculated by taking companies which are comparable with the business plan of EI into consideration.

4.3. VC discount rate

The maximum discount rate is based on a market study from 2022 and amounts to 65.0%. Based on the qualitative scorecard assessment of the Issuer, a discount of 73.3% (100% less relative share of 26.7% according to scorecard evaluation, see pages 4 to 5) on this maximum capitalization interest rate was derived. This results in a company specific VC discount rate of 17.3%, that was used in this analysis to discount the Exit Value to the valuation date.

4.4. Value derivation

The typical holding period of a VC is between 3 and 7 years or the time with the highest growth rate expectations for a company. Hence, for the valuation of Enry's Island an Exit scenario between 3 and 7 years, FY25 and FY29 respectively, has been used in order to determine a value range.

Venture Capital method as of 31 December 2022

€ in thousands	FY25	FY26	FY27	FY28	FY29
Time to exit (in years)	3	4	5	6	7
Sales at exit	9.337	13.012	14.577	14.723	14.870
Sales multiple	2,4x	2,4x	2,4x	2,4x	2,4x
Value at exit	22.048	30.726	34.422	34.766	35.113
VC Discount (Score x IRR)	17,3%	17,3%	17,3%	17,3%	17,3%
Entity Value as of 31Dec22	13.649	16.211	15.478	13.324	11.469
+ Net cash as of valuation date	51	51	51	51	51
Equity Value as of 31 December 2022	13.700	16.262	15.529	13.375	11.520
- Investment needed					
Pre-Money Equity Value as of 31 December 2022	13.700	16.262	15.529	13.375	11.520

Enry's Island - Trading Multiples

Company	EV/Sales	
	Enterprise Value	LTM
Digital Magics S.p.A.	31	7,9x
H-Farm S.p.A.	33	0,6x
LVenture Group S.p.A.	23	2,4x
The Trendlines Group Ltd.	55	24,6x
Clal Biotechnology Industries Ltd.	38	1,9x
	1. Quartile	1,9x
	Median	2,4x
	Average	7,5x
	3. Quartile	7,9x

Applying the derived median LTM revenue multiple of 2.4x, an Enterprise value range for 100% of Enry's Island from €11.5m to €16.3m can be calculated.

5. Valuation summary

Based on the management case and the defined additional scenarios for the financial planning, the DCF-method, the sensitivity analysis and the VC method, a value range between €11.5m and €17.4m for the equity value of Enry's Island can be derived.

Equity value range of Enry's Island as of 31 December 2022 € in thousands

