GBC AG
Investment Research

Research Report (Anno)

dynaCERT
Carbon Emission Reduction Technology

Significant leaps in sales to be expected

Possible technological revolution

Target price: CAD 2.20; USD 1.65; EUR 1.40
(previously: 1.90 CAD (1.43 USD; 1.30 €))

Rating: Buy

IMPORTANT NOTE:
Please note the disclaimer/risk warning
as well as the disclosure of possible conflicts of interest in accordance with § 85 WpHG and Art. 20 MAR from page 29

Note in accordance with MiFID II regulation for research "Minor non-monetary benefits": The research in question meets the requirements for classification as "Minor non-monetary benefits". For further information, please refer to the disclosure under "I. Research under MiFID II".

Date and time of study completion: English: 10.08.2020 (09:30)
Date and time of first transmission: English: 10.08.202 (10:00)
Target price valid until: 31.12.2021

DYNACERT INC. *5a,5b,11

Rating: Buy
Target price: CAD 2.20; USD 1.65; EUR 1.40 (previously: 1.90 CAD (1.43 USD; 1.30 EUR))

Current price: 0,60
04.08.2020 / TSX / 11:32
Currency: CAD

Master data:

ISIN: CA26780A1084
WKN: A1KBAV
TSX: DYA
OTCQX – DYFSF
FRA – DMJ
Number of shares[3]: 358,29
Marketcap[3]: 265,75
EV: 231,29
[3] in m / in m CAD
Free float: 24

Primary listing: TSX

Second listing: Frankfurt

Accounting: IFRS

End of financial year: 31.12.

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* Catalogue of possible conflicts of interest on page 29

Company profile

Industry: Clean tech

Focus: Retrofit technology to reduce emissions

Head office: Toronto, Canada

Management: James Payne (President & CEO); Wayne Hoffman (Chairman); Robert Maier (COO); Jean-Pierre Colin (Director and Executive Vice Preseident + Corporate Secretary)

dynaCERT Inc. produces and distributes a technology to reduce carbon dioxide emissions for use with internal combustion engines. As part of the growing global hydrogen economy, its patented technology produces hydrogen and oxygen on demand through a unique electrolysis system and delivers these gases through the air intake to improve combustion, resulting in lower CO2 emissions and greater fuel efficiency. The technology is designed for use with various types and sizes of diesel engines, including road vehicles, refrigerated trailers, off-road applications, power generation, mining and forestry equipment, ships and locomotives.

P&L in CAD million \ FY-ending	31/12/2019	31/12/2020e	31/12/2021e	31/12/2022e
Revenue	1.06	32.00	200.00	350.00
EBITDA	-7.68	-1.24	30.32	55.81
EBIT	-7.73	-1.34	30.02	55.31
Net profit for the year	-12.67	-1.34	21.76	40.10

Key figures in million CAD				
Earnings per share	-0.04	0.00	0.06	0.11
Dividend per share	0.00	0.00	0.00	0.00

Key figures				
EV/Sales	217.25	7.23	1.16	0.66
EV/EBITDA	-30.11	-187.24	7.63	4.14
EV/EBIT	-29.92	-173.22	7.71	4.18
P/E RATIO	-16.97	-161.00	9.88	5.36
KBV	11.36			

**last research by GBC:
Date: Publication / Target price in CAD / Rating
20.09.2019: RS / 1.90 CAD / BUY
02.12.2019: RS / 2.00 CAD / BUY

** the above-mentioned research studies can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg

Financial calendar

EXECUTIVE SUMMARY

- dynaCERT has a unique technology that makes it possible to achieve emission and fuel reductions. The research and development was carried out over several years and is now to be marketed. In our initial research report (20.09.2019), we expected a significant jump in sales in 2020 and we confirm our assumption with this report. Nevertheless, we expect a lower sales level due to the corona crisis. Because of the corona crisis, hardly any units could be produced in the first half of 2020, as the production facility had to remain closed. Production should now have resumed by now (August 2020). dynaCERT was able to continue successful sales negotiations despite the production being halted and therefore has a very large order intake.

- Production and sales got off to a good start at the end of 2019 and were then slowed down by the corona crisis. In the past 2019 financial year, sales revenues rose to CAD 1.06 million (previous year: CAD 0.09 million). A total of 305 systems were sold, of which 189 systems were sold in the fourth quarter. A net result of CAD -12.67 million was achieved in fiscal year 2019, with a very high gross margin of 71.4%. Overall, operating costs rose to CAD 8.79 million (PY: CAD 7.69 million), driven by higher marketing and corporate development costs.

- The first Quarter 2020 initially continued the positive trend and recorded sales increases until the corona crisis brought production to a halt. Sales revenues of CAD 0.31 million (previous year: CAD 0.00 million) were achieved with a net result of CAD -2.46 million (previous year: CAD -3.78 million). Sales continued successfully and, under an exclusive agreement for the truck market in the USA, Karbon Klean has guaranteed a minimum quantity of over 150,000 units for the next three years.

- In the past, technologies that contribute to fuel savings established themselves on the market extremely quickly. On the one hand, buyers can reduce their running costs and, on the other hand, competitors must also adopt the technology in order to remain competitive. For example, the market penetration of trailer skirts began in 2008 and reached a market penetration of over 60% just two years later. We expect that dynaCERT's technology will also establish itself dynamically in the market. We have drawn up conservative planning and still expect significant sales leaps. We expect sales revenues to increase to CAD 32.00 million in the current fiscal year 2020 and to reach CAD 200.00 million in 2021 and CAD 350.00 million in 2022. On the earnings side, a similar development should take place and we expect a net result of CAD -1.34 million in 2020, CAD 45.02 million in 2021 and CAD 76.26 million in 2022. This forecast model does not yet include the extensive sales and earnings potential from the CO2 certificates (carbon credits).

- The transition of the Company from TSX-Venture to the TSX demonstrates the quality of the Company and should provide even better access to institutional investors and capital.

- **Should the company be able to roll out the patent-protected technology on the market quickly, massive valuation leaps should be possible. On the basis of our DCF model, we are raising the price target to CAD 2.20 (USD 1.65; € 1.40) and assigning a Buy rating in view of the high upside potential.**

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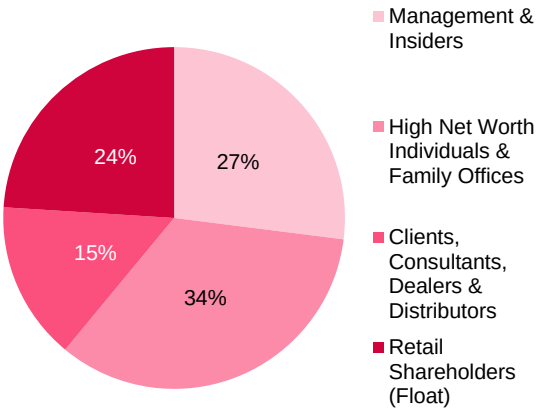
COMPANY

Shareholder structure

Shareholders as of August 12, 2019	%
Management and employees	27%
Wealthy individuals and family offices	34%
Customers, consultants, dealers and sales partners	15%
Private shareholders (free float)	24%
Total (undiluted)	100%

Sources: dynaCERT Inc., GBC AG



Ordinary shares (04.08.2020)	358,287,926
Options (at USD 0.10-0.94)	29,225,806
Warrants (at USD 0.35-1.00)	41,137,862

Corporate structure

dynaCERT stands for "Dynamic Combustion Emission Reduction Technology". It is an R&D company that has been developing a special technology to reduce carbon dioxide emissions from diesel engines for 15 years. The company's research and development work has resulted in a proprietary electrolysis solution, which in turn has led to the development of HydraGEN™, a real-time emission-reducing and fuel-efficient device for installation in diesel engines. The company holds a patent for its electrolysis technology and ECU chip controller.

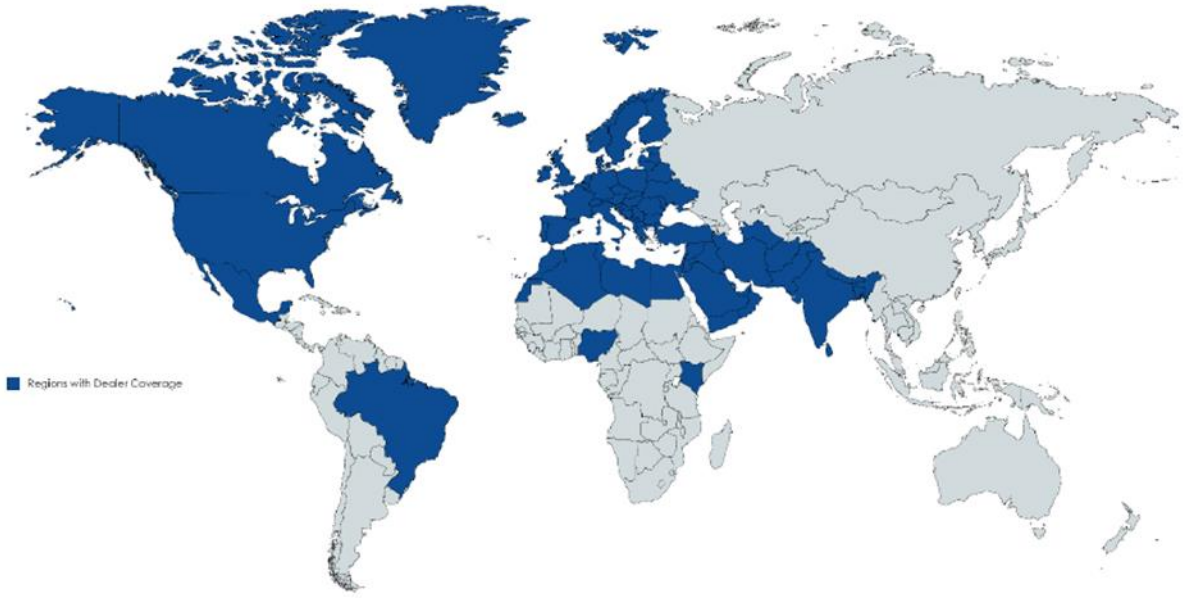
Corporate structure of dynaCERT

As a holding company, dynaCERT has a subsidiary: dynaCERT GmbH, which is based in Germany. dynaCERT GmbH is responsible for the European market, while the holding company is responsible for business operations in the rest of the world. dynaCERT was created through a "Transfer of Business Operations" from Dynamic Fuel Systems Inc. in 2012. dynaCERT has an assembly plant in Toronto, Canada, where research and development work is also located. dynaCERT currently employs a total of over 60 people. dynaCERT has established a 100%-owned subsidiary called dynaCERT International Strategic Holdings Inc. (“DISH”) to be used to support sales efforts worldwide with investments in strategically unique and exceptional CleanTech innovators directly related to dynaCERT’s business, including a subscription programme of dynaCERT’s HydraGEN™ Technologyto enhance end-user adoption.

Business model

dynaCERT has a worldwide distribution network that serves end users in their local jurisdictions. The international sales are financially supported by the Export Development Corporation of Canada, securing 90% of the financing for every unit sold outside Canada's borders. dynaCERT's geographical presence includes Austria, Bahrain, Bangladesh, Belgium, Bhutan, Brazil, Canada, Dubai, Egypt, Germany, Kuwait, India, Israel, Mexico, Myanmar, Nepal, Oman, Pakistan, Qatar, Saudi Arabia, Sri Lanka, Switzerland, the UK, the United Arab Emirates, and the USA.

Industry Presence and World Map of Distributors



Source: dynaCERT

dynaCERT has an established international footprint with units sold and installed in India, Europe, North America, Central America, Brazil and Saudi Arabia. dynaCERT has mayor distribution agreements with MOSOLF for Europe and KarbonKleen for the USA. The company's technology finds application in many industries. They have sold and installed their products in the mining, transportation, power generation, refrigeration and public transportation (government, etc.) sectors, to name just a few.

Range of Products and services offered

HydraGEN TM – Fuel economy and emissions reduction solution

dynaCERT offers a complete line of products for diesel engines. Their solutions are split up into six different HydraGEN TM models, which are adapted for different industries, engine sizes and mounting specifications. The company is establishing itself as the market leader in the technological reduction of emissions and fuel consumption in the world. Their product can be applied to any industry using diesel engines such as mining, long haul transportation, rail, marine, construction, refrigerated trucks and small trucks. All units are assembled at their Toronto manufacturing facility. They have a capacity of over 6,000 units monthly that could be raised to 12,000 units if needed. The company has used the Corona slowdown period to semi atomate its pro-duction line in Toronto. The company's product, HydraGEN TM, provides many advantages. It reduces fuel consumption, NOx emissions, CO emissions, CO2 emissions, THC emissions, and particular matter emissions. It also increases engine power and torque and can extend engine and oil life. The company's

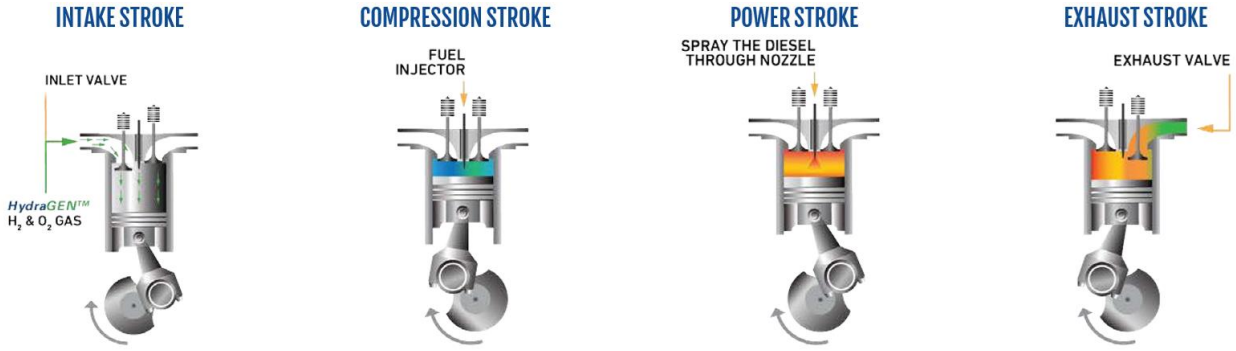
solution is particularly suited for regions that adopt drastic emission reduction regulations such as Europe or regions where particle matter count represents a real threat to public safety such as New Delhi or Mexico City.

dynaCERT HydraGEN TM product matrix			
HG145B		Diesel Trucks and small power generators	10-15L displacement engines Contains one HG1 reactor in a rugged black polymer housing
HG145R		Construction, Mining and agricultural applications	10-15L displacement engines Contains one HG1 reactor in a rugged steel housing
HG2		Straight trucks, pickup trucks, delivery vans, buses, and refrigerated trailers	1-8L displacement engines Contains one HG2 reactor in a rugged steel case
HG145-4C		Heavy mining equipment and large power generators	40-60L displacement engines Contains 4 HG1 reactors inside an enclosed rugged steel case
HG145-6C		Heavy mining equipment and large power generators	60-100L displacement engines Contains 6 HG1 reactors inside an enclosed rugged steel case

Sources: DynaCERT, GBC-AG

The workings of HydraGEN TM

Rudolf Diesel built his first prototype of a high-compression engine in 1897. The diesel engine transforms chemical energy (diesel) into mechanical energy through the combustion of a fuel-air mix in the internal combustion chamber. During combustion, the fuel ignites and produces high-temperature high-pressure gases that in turn move the pistons. There are many ways of achieving combustion. Mostly, diesel engines are four-stroke type engines.



Source: dynaCERT

The four-stroke engine is based on the piston having to make four full strokes to complete the combustion cycle. The first stroke, called the intake stroke is the moment where the first essential component is sucked into the combustion chamber: air. Then comes the compression stroke. During that phase, fuel is pushed into the combustion chamber and the fuel-air mix is compressed. That compression leads to the mix being self-ignited by the high pressure within the chamber. This is called the combustion stroke. This ignition is what creates the force of the engine, resulting in the transformation of chemical energy to mechanical energy. Finally, the last phase is the exhaust when the gases created by the explosion of the fuel air mix are evacuated.

The diesel engine provides more torque, better fuel efficiency and longevity but emits more pollutants than its gasoline counterpart. Tackling this major disadvantage is what has been dynaCERT's focus since its inception: dynaCERT's technology is based on the introduction of pure hydrogen during the intake stroke, modifying the air-fuel mix. Since hydrogen burns 10 times faster than diesel, it acts as a catalyst, accelerating the diesel burn rate, helping the engine burn the diesel more completely and altering the air-fuel ratio resulting in more power, less carbon fouling and a reduction of polluting emissions. Additionally, dynaCERT uses a proprietary electrolysis system to turn distilled water into pure H_2 and O_2 gases.

This technology is not new. Hydrogen-injection systems have been used for over 45 years. Two main issues were preventing the large-scale commercialization and adoption of these systems. First, there was no efficient way of producing hydrogen on demand (without a hydrogen tank) and, second, no real time optimization of hydrogen injection in the engine. Additionally, the lack of a low-cost room-temperature electrolysis system rendered the technology uneconomical. One of dynaCERT's remarkable technological achievements is the result of 15 years of research and development. The company has developed an electrolysis system that consumes less than one horsepower of the engine it draws its power from and can produce hydrogen in real time with only distilled water. Additionally, the company developed an ECU (Electronic Control Unit) chip that analyses the engine in real time and optimizes the amount of hydrogen that is added in the engine.

These two innovations combined provide fuel savings and pollution reduction no matter the moving speed or the size of the engine as their solution is easily scalable. The technology can be used for the long-haul trucking industry as well as mining trucks, refrigeration units, or supermax tankers with a diesel engine providing more than 100,000 horsepower.

HydraGEN TM: a unique solution

dynaCERT's solution is unique in its approach. The company is relying on a proven principle from the 1970s when scientists discovered that by adding hydrogen to a diesel stroke engine before the explosion phase, the engine would produce fewer emissions and be more fuel-efficient. Starting from this simple proven fact, the company has invested over USD 50M over the last 15 years in creating today's commercial product: HydraGEN TM.

HydraGEN TM components

HydraGEN TM is a small box that can be easily mounted near the diesel engine compartment. As an example, for long-haul trucks, the casing is installed on the back of the truck and then connected to the engine. Inside a HydraGEN TM unit's casing there are three main components: the reactor/electrolysis cell, KOH tanks, and the ECU. The distilled water reservoir is located next to the casing for easy filling by the truck driver.

The electrolysis cell is the heart of the system, which produces hydrogen on demand. It is powered by the truck's battery and consumes around one horsepower of the engine's output. The distilled water electrolysis generates hydrogen, enabling the entire system to be hazard-free. There is no need for a pressurized hydrogen tank to be installed and no high-temperature pressured gas is moved into the engine, making HydraGEN TM safer to use. Even more, the hydrogen produced is inserted into the air intake of the engine, therefore not modifying the engine in any way.

The brain of the system is the ECU computer. It is this patented computer chip that controls and adjusts the optimal amount of hydrogen to be added to the combustion chamber at every engine stroke. Prior to dynaCERT's success, no company had been able to deliver a single tailor-made hydrogen solution that can adapt to every type and model of diesel engine and, moreover, a product that optimizes the hydrogen production in real time to maximize the savings effects. The ECU, furthermore, compares the results from the engine on-board diagnostics data with a baseline for this exact engine in the exact same conditions (speed, rpm, etc.) and calculates the real time COx, NOx and fuel economy realized by using HydraGEN TM.

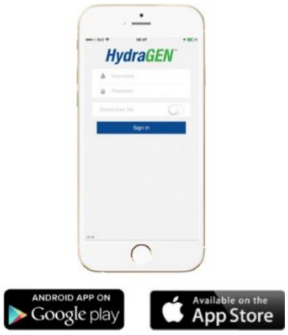
It is important to mention that HydraGEN TM takes up to approximately four weeks of burning-in and lapping before showing expected results. During that time, the engine combustion chamber gets cleaned through the higher temperature combustion made possible by the added hydrogen. Also, the ECU unit is pairing with the board computer, gathering and analyzing the data to optimize the quantity of hydrogen that must be injected at any moment. This lapping period has led to discrepancies in the results between tests. Tests conducted before that period had ended did not always demonstratesignificant emissions or fuel consumption savings when compared to tests done once the burning-in had been completed.

A HydraGEN TM unit also provides additional features. It is linked via Bluetooth to the driver's cell phone, updating in real time precious fleet-management data through the MyHydraGEN TM Technology App. All the data gathered by HydraGEN TM data is uploaded into the cloud, enabling the fleet manager to access it remotely in real time. The driver also receives an alert on his phone when the distilled water level is running low and

should be refilled. Refilling the distilled water is the only maintenance action that the truck driver has to perform to maintain HydraGEN TM operation.

HydraGEN TM has quickly become not only a way to ensure environmental compliance but also an investment that has an ROI of under a year and is, therefore, profitable starting from the 10th month of usage.

HydraLytica TM – Fleet Management software and future carbon credit generator



HydraLytica TM is engine-telemetry-device software that allows HydraGEN TM owners easy access to fuel savings and carbon-emissions-reduction monitoring and reporting. As soon as the HydraGEN TM unit is activated, the software downloads the historical data from the truck's on-board-diagnostic port consisting of total lifetime mileage and total lifetime hours and calculates the fuel consumed. This is how HydraLytica TM establishes the lifetime baseline of the truck that will serve for comparison purposes. Once the truck is in operation using HydraGEN TM, the software performs the same operation and determines the difference in fuel economy, resulting in a clear proportional reduction in CO2-equivalent emissions. The company can, therefore, monitor in real time its fuel savings and emissions-reduction performance. The system, provided with an Internet connection, also enables the use of additional telemetric data. The software continuously maps routes and truck position and can give historical routes. It allows both the truck drivers and the owners of the truck to monitor the performance of their vehicle. This allows HydraGEN TM, coupled with HydraLytica TM, to serve as a fleet management program.

Apart from relaying real-time data as fleet management software, HydraLytica TM will also serve as a basis for the company to generate carbon credits for its HydraGEN TM product. In March 2019, dynaCERT initiated the worldwide process of carbon credit applications for its HydraGEN TM Technology. For this purpose, the company commissioned the services of Environmental Partners Limited of the U.K.. With the precise calculations of consumption compared to the historical performance of a truck, dynaCERT holds the key to unlocking a possible massive new line of revenues by aggregating carbon credits for truck owners that would otherwise not have access to them. By managing carbon credits for their HydraGEN TM clients, dynaCERT's business model is based on sharing the revenues generated by the sale of carbon credits. We project the company to keep between 30% and 50% of the total carbon credit revenues generated depending on the fleet size of the client.

In order to receive accreditation for their carbon credit calculations, dynaCERT has created an innovative proprietary software algorithm: SMART ECU2 (patent awarded). This unit tracks the creation of carbon credits. In order to secure the data, dynaCERT has hired FinTech entrepreneur Brian Semkiw. Mr. Semkiw is known for developing the world's first third-generation processing payment company with emphasis on Blockchain and IOT payments processing solutions. We project that the company will use smart contracts based on a blockchain technology, or new state–of-the-art payment security software, to create and trade single carbon credit units with very low fees. This technology, both the carbon credit calculation and smart contracts, will provide dynaCERT with a unique opportunity that could become the company's biggest source of revenue when a certain threshold level of HydraGEN TM units has been sold. This solution can be offered to any client using HydraGEN TM, no matter the size of their fleet, from a single small delivery truck owner in Mexico City to a fleet of 40-ton mining trucks in Australia.

Projected revenues for long-haul trucks generated from carbon credit

CO2 reduction	5%	8,6%	10%	15%
Total CO2 emitted (kg)	163,592	163,592	163,592	163,592
Total CO2 saved with HydraGEN TM (kg)	8179.6	14068.9	16359.2	24538.8
Price Carbon credit per ton (USD)	44	44	44	44
Revenues / year (USD)	359.9	619.0	719.8	1079.7

Sources: DynaCERT, GBC-AG, based on 10L/100km and 161,000 km annually

HydraLytica TM offers a unique opportunity both for the company and their clients to capitalize on the full spectrum of their carbon-reducing technology advantages. In our opinion, under a subscription-based model, HydraLytica TM gives dynaCERT's clients an economical advantage over any competitive emissions-reduction solution as it not only allows for the ROI improvement of the HydraGEN TM units, but it also unlocks a completely different revenue source for the client. Additionally, dynaCERT will provide the monetizing services of the carbon credits, by aggregating and reselling them on the international market, delivering an all-in-one, easy-to-manage solution to their HydraGEN TM clients. Even if companies cannot yet benefit from the carbon credits, we expect dynaCERT to launch their product rapidly.

We believe that over 90% of the owners of HydraGEN TM units will choose to join the carbon credit program. With the projected sales of HydraGEN TM, the company's carbon-credit subscription business could develop into a major asset and its worldwide credit portfolio will give the company extreme flexibility. We believe that it could become dynaCERT's core business in the next few years when theproduct's development will be completed and released to their consumers.

What is also interesting is that dynaCERT evaluates the current ROI of less than a year based solely on fuel economy. The company did not include the carbon credit revenues generated, the costs of replacing old trucks that otherwise would not be compliant with new environmental laws or the savings realized due to the use of their fleet management program.

Projected economy for long haul trucks

	5%	8,6%	10%	15%
Cost (USD)	7,800	7,800	7,800	7,800
Avg. distance (km)	161,000	161,000	161,000	161,000
Fuel cost (USD/km)	0.48	0.48	0.48	0.48
Savings (USD/km)	0.024	0.041	0.048	0.072
ROI (years)	2.0	1.2	1.0	0.7

Sources: DynaCERT, GBC-AG

There is no known competitor to dynaCERT's HydraGEN TM unit, especially when combining it with the HydraLytica TM software that offers, in one solution, an emissions-and–fuel-consumption reduction device, a carbon-credit management program (projected) and a fleet management software. Adding all these elements together not only sets dynaCERT apart but makes it a closed ecosystem that, once implemented in a trucking fleet, will be extremely hard to replace by any other product.

Tested and Certified

HydraGEN TM's fuel efficiency and emission reduction systems have been tested and certified by different third-party verification companies such as the PIT Group in Montreal and Continental EMITEC (mandated by TÜV Süd). Emitec's testing was made more thorough by compiling data over two days of testing. The detailed tests results show major improvement, compared to the same truck running without HydraGEN, of up to 57.10% for THC, 27.20% in CO, 28.00% for NOx, 9.60% for CO2, 56.50% for ammonia, 55.30% in particulate matter, 95.10% in particle number and 8.60% fuel consumption.

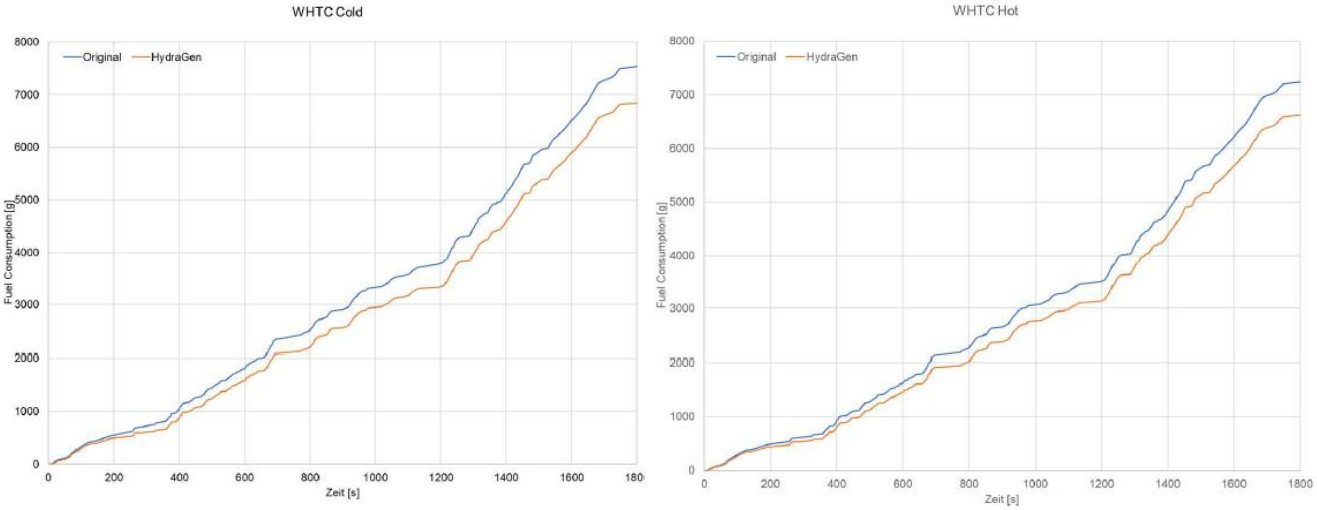
DynaCERT's Pit Group and Emitec WHTC tests results.

Data measured	Pit Group Improvement	Emitec Day 1 Improvement	Emitec Day 2 Improvement
THC	50%	-46.60%	57.10%
CO	53%	27.20%	15.00%
NOx	55%	28.00%	8.10%
CO2	-1%	7.30%	9.60%
Ammonia	Not tested	56.50%	36.20%
Particulate matter	Not tested	0.00%	55.30%
Particle number	Not tested	95.10%	90.90%
Fuel Consumption	5.53%	6.80%	8.60%

Sources: GBC-AG, Emitec, Pit Group, Emitec: Report Investigations on the CV Chassis Dynamometer as Basis for an Assessment by TÜV-Nord – Part 1; July 2019

In order to evaluate the real-world driving conditions emissions and fuel economy, many countries are now using the World Harmonized Steady-State Cycle (WHSC) and World Harmonized Transient Cycle (WHTC) over the European Stationary Cycle (ESC) and European Transient Cycle (ETC). DynaCERT's HydraGEN got tested under the WHTC certification tests. The WHTC test must be run both when engine is cold started and hot started. The results are as follow:

Fuel Consumption – Test Bench Measurement – WHTC Cold and WHTC Hot



Source: DynaCERT, Emitec: Report Investigations on the CV Chassis Dynamometer as Basis for an Assessment by TÜV-Nord – Part 1; July 2019

It is clear to us that, under these tests conditions which are adopted for a better representation of real-world conditions, fuel savings are important. We believe that the results would vary under different circumstances. With different engines, different roads and especially different drivers but if we eliminate these factors, just as the tests do, these results justify the use of the word "disruptive" when addressing DynaCERT's technology. These results provide improvements not just in CO and fuel savings but in all other emissions tested. These results show the complete array of advantages that HydraGEN can deliver.

DynaCERT's HydraGEN TM testing conditions

Source: DynaCERT, Emitec: Report Investigations on the CV Chassis Dynamometer as Basis for an Assessment by TÜV-Nord – Part 1; July 2019

Europe

TÜV Nord is a certification company for health and safety that was founded in 1910. As facilitated by the Federal Motor Transport Authority in Germany, dynaCERT mandated them to test and certificate HydraGEN TM for the EU market. Their certification is a must for any device installed on a vehicle. Without their ABE (Allgemeine Betriebserlaubnis) certification, an automobile component cannot be sold and installed legally in Europe.

TÜV Nord had never encountered any device like HydraGEN TM and the company was obligated to create a brand-new testing protocol for HydraGEN TM homologation. All the appropriate tests have been conducted and the HydraGEN TM technology has passed all test points. **The ABE certification was received by the company on August 26th, 2019. This certification was the missing key to mass adoption of HydraGEN TM by the transportation industry. We therefore project a swift influx of major orders of HydraGEN TM devices.**

North America (Canada, USA)

PIT Group, a division of FPInnovations is a neutral, third-party organization that tests heavy truck technologies, evaluates their operational effectiveness and offers fleet advisory services. Their goal is to accelerate large-scale implementation of technologies in each phase of the transportation system aimed at reducing costs and environmental impacts and increasing the safety of truck fleet operations. They have been active in the field of transportation for over 35 years. The PIT Group tests new technologies and prototypes on effectiveness and compliance with US and/or Canadian regulations, as well as assessing fleet operations and develops smart mobility solutions. PIT Group's Energotest is recognized in the trucking industry as the gold standard for fuel economy tests and is ISO-17025-certified by the Standards Council of Canada (SCC). Fleets across North America rely on PIT Group's insight and advice to select the best technology to reduce costs and environmental impacts and to improve their operations and maintenance. dynaCERT's HydraGEN TM was tested in two test segments between June and October 2017. The PIT Group found a fuel economy of up to 5.53% as well as serious emissions reductions of about half for THC, CO and NOx values.

http://thepitgroup.com

Asia

DynaCERT has received in January 2019 a notification of certification for India and South Asia from the International Centre for Automotive Technology (iCAT) for their HydraGEN TM product. The company is now authorized to sell their product in these regions.

HydraGEN TM has also won several innovation prizes. The two most important are the 2018 gold-medal Edison Award for Best New Product in the Vehicle Advancements Category and the 2019 German Innovation Awards Prize for Energy Solutions from the German Design Council. Also, dynaCERT is a European Society for Quality Research (ESQR) Quality Choice Prize 2019 winner.

The Edison Award is an annual competition that aims at identifying emerging trends and new market developments by honoring innovators.

The German Innovation Award honors products and solutions that distinguish themselves primarily through their user centricity and added value compared to earlier solutions across all industrial sectors. The competition makes outstanding achievements visible to a wide audience and ensures successful positioning in the market.[1]

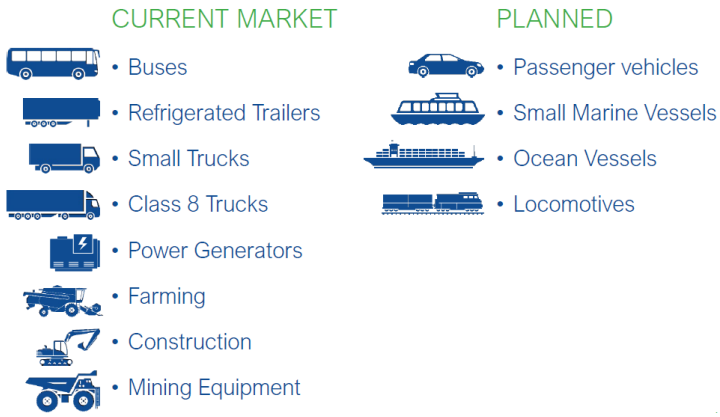
In the United Arab Emirates, where the company has an active dealer (Castle Star General Trading LLC), the company's products have recently received homologation of in the form of Certificates of Conformity and Schedules of Certification under the Emirates Conformity Assessment Scheme based on recent TÜV Süd tests in Germany. Therefore, the company's products can now be offered in numerous markets in Dubai and other parts of the UAE and Middle East.

[1] *https://www.german-innovation-award.de/en/*

MARKET AND MARKET ENVIRONMENT

dynaCERT as a technology provider in the field of optimization of combustion engines has focused on the truck sector in particular, in addition to the target markets of buses, power generators, construction, agricultural and mining machinery. According to its own statements, this technology company addresses a worldwide market consisting of more than one billion combustion engines, which are used in various types of commercial vehicles (trucks, buses, construction machinery, etc.). The regional focus of business activities is primarily on North America and Europe. Accordingly, the following explanations concentrate primarily on the truck sector and these geographical areas.

Current and future target markets of the company

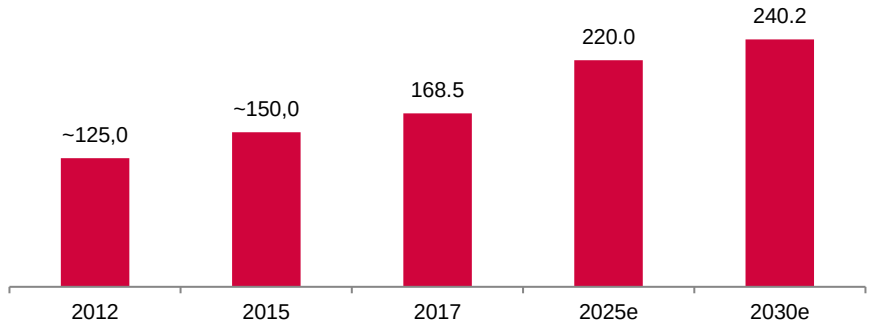


Source: DynaCERT

The global truck industry is considered a growth sector that is highly dependent on general economic development (the business cycle). In addition, this transport sector is very strongly influenced by regulation, in particular by stricter government climate and exhaust gas regulations (keyword: higher emission standards). For example, the EU stipulates that trucks must reduce their CO_2 emissions by 15.0% in 2025 and by 30.0% in 2030 compared to 2019. Manufacturers face heavy penalties for non-compliance.

According to industry experts, these increasingly stringent emissions regulations are one of the biggest challenges facing the world's leading truck manufacturers. As a result, the diesel drive technology often used in trucks is becoming more and more complex and at the same time more expensive (due to more complex exhaust aftertreatment).

Global market volume for medium and heavy trucks (>6t; billion €)

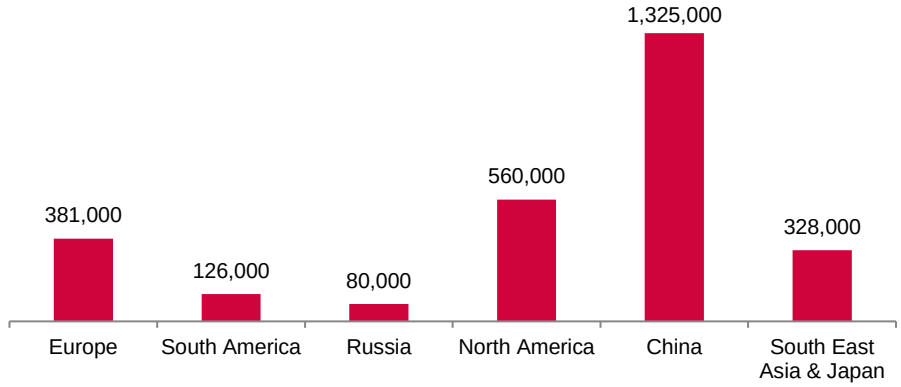


Sources: McKinsey; GBC AG

Due to the sustained growth of the global economy in recent years and the associated higher volumes of goods transported, the worldwide sales revenue from trucks (>6t) has also increased significantly in parallel. According to McKinsey market experts, the global market volume of medium and heavy-duty trucks increased significantly by around 35.0% to €168.5 billion in the period 2012 to 2017 (2012: ~€125.0 billion). For the years 2025 and 2030, they expect a further market increase to € 220 billion and then € 240.2 billion, respectively.

According to the well-known truck group Traton (Scania, MAN), around four million heavy trucks (>6t) were sold worldwide in 2018. The majority of these trucks were sold in the regions of Europe, North America and China. In terms of truck stock, dynaCERT assumes 145.0 million trucks for the region of Europe and 15.0 million class-8 trucks (>14.9t) for North America. For the latter region, we expect the total number of medium and heavy trucks to be in the high double-digit million range.

Sales figures for heavy trucks (>6 t) in selected regions in 2018



Sources: TRATON SE; GBC AG

When purchasing trucks, e.g. by freight forwarding companies, the focus of the buyer is primarily on the running costs (total cost of ownership). On the other hand, many other factors play a decisive role when buying a car, in addition to rational reasons such as fuel consumption or insurance costs. These include prestige and emotions (vehicle design etc.).

Trucks are capital goods: purchasing decisions depend on rational factors - Total Cost of Ownership

		Trucks	Cars
Sector		Commercial	Private
Customer expectations	Customer focus	Total cost of ownership	Cost / Emotions / Prestige
	Annual milage (km)	~ 130.000	~ 14.000
Product	Fuel consumption (l/100 km)	~ 30-35	~ 4-7
	Product life-cycle (years)	> 10	~ 4-5
	Yearly sales	~ 4 million	~ 84 million

Sources: TRATON SE; GBC AG

Traditionally, the purchase price of a truck in the USA and Europe only accounts for around 10% of the total operating costs, and the cost of employing a driver for around 30%. At

35%, fuel costs account for the largest share of total costs. According to industry experts, a new truck with 10% less fuel consumption is half self-financing.

The truck industry is currently undergoing major changes. Key elements of this transformation are digitalisation, autonomous driving, networking and alternative drive systems. Alternative drive technologies, such as the electric drive, have hardly established themselves in the global transport sector to date, and are only being used increasingly in "niche areas", if at all. As a result of the ongoing tightening of regulations in the area of exhaust emissions, the world's leading truck manufacturers are now also beginning to take alternative drive concepts, especially electric drives, into account in their future plans and are also increasing their financial commitments in this field.

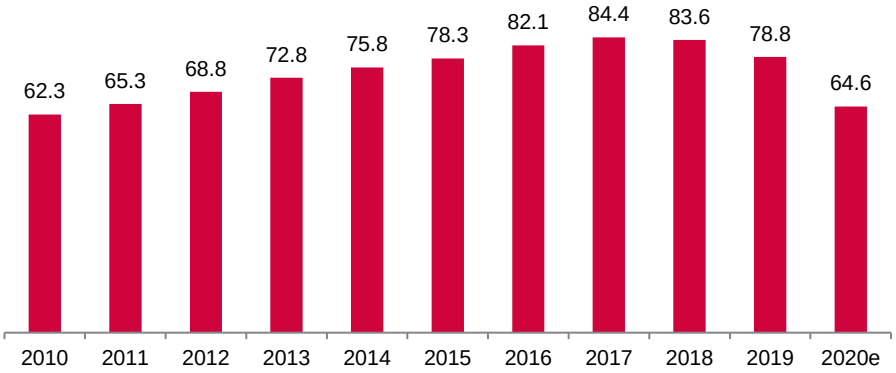
According to market experts, conventional drive systems in the truck industry, especially diesel engines, will continue to play a very important role in the global transport system, especially in the long-distance transport of passengers and goods. On the other hand, many industry observers expect that alternative drive technologies such as e-mobility will become much more important in urban transport than they are today.

Some experts even expect that the future transport system at urban level will be extremely "electric". Accordingly, they expect an increased number of battery-powered trucks in distribution transport or city buses, as well as a very high number of electric delivery vans.

The very large stock of trucks and the annual sales of commercial vehicles in the company's key regions in combination with the high cost focus of the commercial vehicle operators and the increased environmental regulations within the transport sector thus open up a high business potential for dynaCERT.

In addition, dynaCert also intends to expand its range of services to the worldwide passenger car sector in the future. With this step, the company would open up a further enormous market potential for motorized vehicles.

Development of worldwide passenger car sales figures (in million vehicles)



*Source: Center of Automotive Research(CAR); GBC AGm, *own estimate*

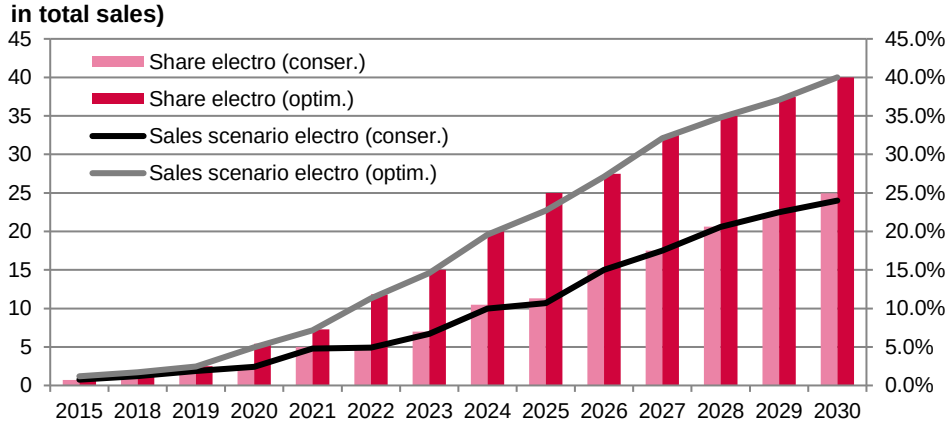
The global automotive industry has proven to be a growth sector in recent years. Following the outbreak of the economic and financial crisis in 2008/2009, this sector has been able to record steady growth. In addition to the up-and-coming emerging markets, the large Chinese economy in particular proved to be a growth engine. In 2019, around 80 million passenger cars were sold worldwide, less than in the particularly strong previous year (previous year: 83.6 million cars).

Similarly to the commercial vehicle industry, the global automotive industry is currently undergoing a comprehensive transformation. Alternative drive technologies, such as electric drives, are playing a central role in this structural change due to increased state regulation. In Europe, for example, increased regulation is taking place in the form of increasingly higher EU emission requirements for vehicles sold by European car manufacturers (so-called EU fleet quotas).

According to the automotive experts from CAM (the Center of Automotive Management), the share of electric cars in the total sales of motor vehicles in 2019 was less than 3.0%. Although e-mobility has so far been unable to establish itself in the global automotive sector due to various factors (e.g. high purchase price, short range, lack of charging infrastructure, etc.), automotive experts expect electric drives to gain in importance in the future simply because of tighter climate policy regulation.

By 2030, the experts from CAM estimate the worldwide share of electric cars in total sales to be around 24.0% (in a conservative scenario). This also means that traditional internal combustion engine-powered vehicles will continue to play a major role in the global mobility system in the coming years despite the prevailing "electric car boom".

Scenarios of the global electric car market boom (vehicle sales in million / share of electric cars in total sales)



Sources: Center of Automotive Management (CAM); GBC AG

Overall, we believe that dynaCERT is well positioned to play a significant role in the prevailing trends in the respective commercial vehicle sectors with its innovative technology on the way to more environmentally-friendly, energy-efficient drive systems. The company's technology can also help to improve the environmental friendliness and cost-effectiveness of the conventional drive technologies used in the retrofitting of existing motorized commercial vehicles. By addressing the global passenger car sector in the future, the company could tap into enormous market potential.

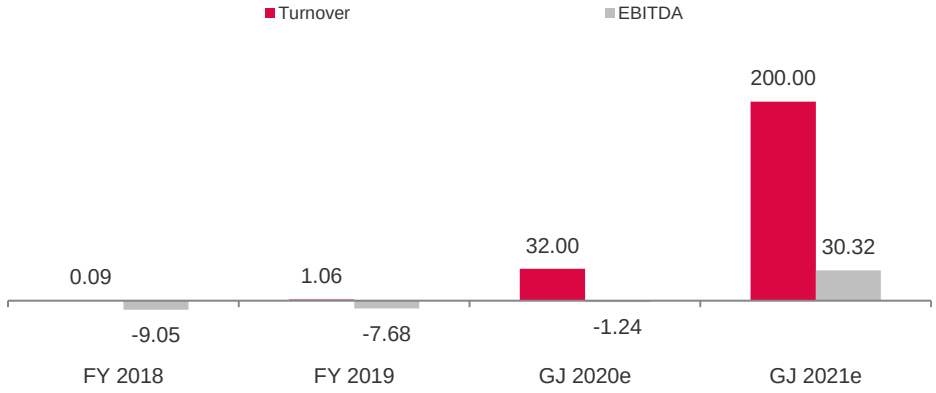
COMPANY DEVELOPMENT & FORECAST

Key figures at a glance

	FY 2018	FY 2019	GJ 2020e	GJ 2021e
Turnover	**0,09**	**1,06**	**32,00**	**200,00**
Cost of goods sold	-0,09	-0,30	-24,00	-150,00
Accumulation on promissory note	0,00	-0,06	0,00	0,00
Business development and marketing	-0,36	-1,91	-2,00	-10,10
General and administration	-1,27	-1,57	-1,89	0,00
Interest expense	-0,09	0,00	0,00	0,00
Interest income	0,00	0,01	0,00	0,00
Law and auditing	-0,19	-0,15	-0,16	-0,50
Research and development	-3,09	-2,62	-3,00	-4,80
Wages, benefits and external consultants	-2,62	-2,18	-2,29	-4,58
Exchange rate loss	-0,16	0,00	0,00	0,00
Exchange rate profit	0,00	0,09	0,00	0,00
Share-based payment	-1,91	-4,60	0,00	0,00
Loss on debt settlement	0,00	-0,42	0,00	0,00
Adjustment of the inventory	-1,75	0,00	0,00	0,00
Net result	**-11,41**	**-12,67**	**-1,34**	**21,76**
Turnover	0,09	1,06	32,00	200,00
EBITDA	-9,05	-7,68	-1,24	30,32
EBITDA margin	*-9879,9%*	*-721,5%*	*-3,9%*	*15,2%*
EBIT	-9,26	-7,73	-1,34	30,02
EBIT Margin	*-10110,8%*	*-726,2%*	*-4,2%*	*15,0%*
Net result	-11,41	-12,67	-1,34	21,76
Net Margin	*-12457,3%*	*-1189,7%*	*-4,2%*	*10,9%*

Source: GBC AG

Development of revenues, EBITDA and EBITDA margin



Sources: DynaCERT, GBC

Business development 2019

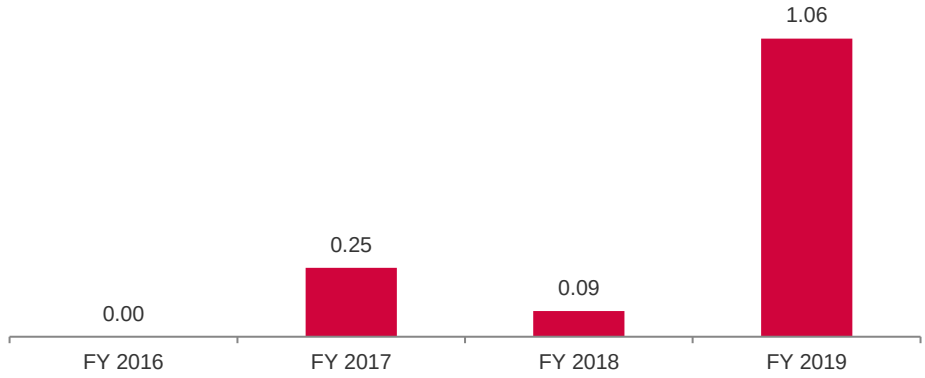
P&L (in million CAD)	FY 2017	FY 2018	FY 2019
Sales	0,25	0,09	1,06
EBITDA	-4,99	-9,05	-7,68
EBIT	-5,10	-9,26	-7,73
Net income	-6,62	-11,41	-12,67
EPS in $	-0,03	-0,04	-0,04

Sources: dynaCERT Inc; GBC AG

Sales development

In the 2019 fiscal year, sales revenues increased from CAD 0.09 million to CAD 1.06 million. The background to this development is the sales of HydraGENTM devices. The sales figure in the fourth quarter in particular increased significantly and 189 systems were sold. In the entire business year, 305 systems were sold.

Sales development (in million CAD)



Sources: dynaCERT Inc; GBC AG

Thus, a significant increase in the number of units and corresponding sales (Q4 2019: 0.85 million CAD) was achieved in the fourth quarter. The background to this development could be the successful implementation of the sales strategy as well as the receipt of the General Operating License (ABE) in Germany. By obtaining the ABE, retrofitting with dynaCERT technology should achieve a significantly higher acceptance in Germany and Europe. In addition, tests by TÜD-Nord and the PIT Group have proven the performance of the HydraGENTM devices. A further test with school buses (Q3 2019) showed that fuel consumption was reduced by 13.8% to 15.5% and the NOx values by 48% and 52% respectively. Fuel consumption was determined using the telematics device HydraLytica™, while the NOx values were measured with a PEMS (Portable Emissions Measurement System) at the end of the exhaust pipe.

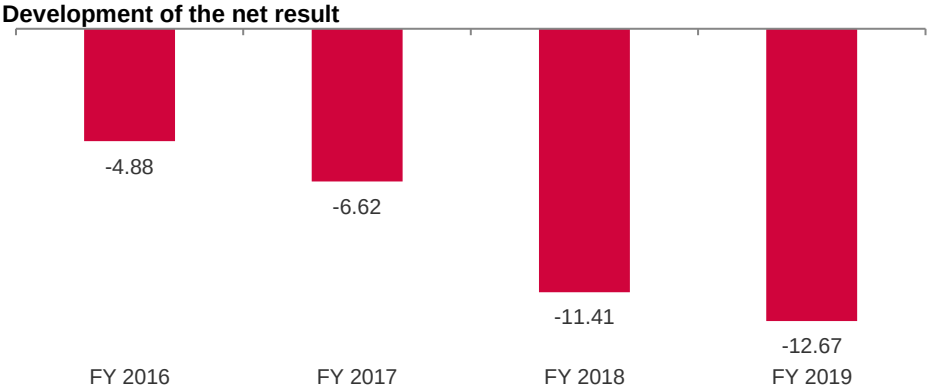
Although revenues were below our expectations of € 4.62 million, we believe that significantly longer sales cycles are responsible for this. We are optimistic that sales figures will continue to rise in the current financial year.

Development of earnings

Overall, costs still outweigh sales revenues, resulting in a net result of CAD -12.67 million (previous year: CAD -11.41 million). However, this was significantly higher than our earnings forecast of € -16.63 million, which indicates a cost trend. We assume that good margins could be achieved with future significant increases in sales, as the gross margin in the past financial year 2019 was already 71.4%. In addition, the gross margin should con-

tinue to improve as the number of units increases. Total operating costs of CAD 8.79 million (previous year: CAD 7.69 million) were reported. The first steps of the transformation of dynaCERT are already visible in the cost structure. Research and development costs were reduced to CAD 2.62 million (previous year: CAD 3.09 million) and corporate development and marketing expenses rose to CAD 1.91 million (previous year: CAD 0.36 million). In our opinion, this means that we are focusing more on marketing in order to achieve high growth rates in the coming years.

Development of the net result



Sources: dynaCERT Inc; GBC AG

The financial result was CAD -4.94 million (PY: CAD -3.81 million), of which CAD -4.60 million (PY: CAD -1.91 million) was share-based compensation and, therefore, non-cash.

Q1 2020 Sales and earnings development

in CAD million	Q1 2018	Q1 2019	Q1 2020
Revenue	0,00	0,00	0,31
EBITDA	-0,95	-2,08	-2,25
EBIT	-1,32	-2,13	-2,32
Net result	-2,75	-3,78	-2,46

Sources: dynaCERT, GBC

The first quarter of 2020 developed as expected. Due to the corona crisis, revenue did not increase significantly and we expect this development to continue in the second quarter.

However, production should restart in the third quarter and thus significant sales should be achieved. According to the management, the first quarter could nevertheless be used to continue selling units and thus increase order intake. SEDAR also announced on May 11, 2020 that Carbon Klean will purchase at least 150,000 units over the next three years. In return, an exclusivity for the truck market in the USA was granted. According to SEDAR, dynaCERT now indirectly holds 20% of Karbon Klean.

In addition, the first quarter was used to move from the TSX Venture Exchange (TSXV) to the Toronto Stock Exchange (TSX). Final approval of the TSX listing is subject to the company fulfilling all remaining conditions required by the TSX, including completion of a traditional subscribed prospectus offering with a minimum of 50 subscribers, the achievement of minimum gross proceeds of no less than $5 million and completion prior to August 12, 2020. On July 18, 2020, the company announced on SEDAR the successfully placed capital increase. A total of 12.3 million shares were placed at a price of CAD 0.68, representing gross proceeds of CAD 8.37 million.

Migrating to the TSX will provide very specific advantages to Dynacert. They will gain an easier access to international institutional investors, enhanced liquidity, be part of specialized indices, obtain greater international visibility and greater coverage. The company will also face stricker corporate governance policies and disclosure requirements.

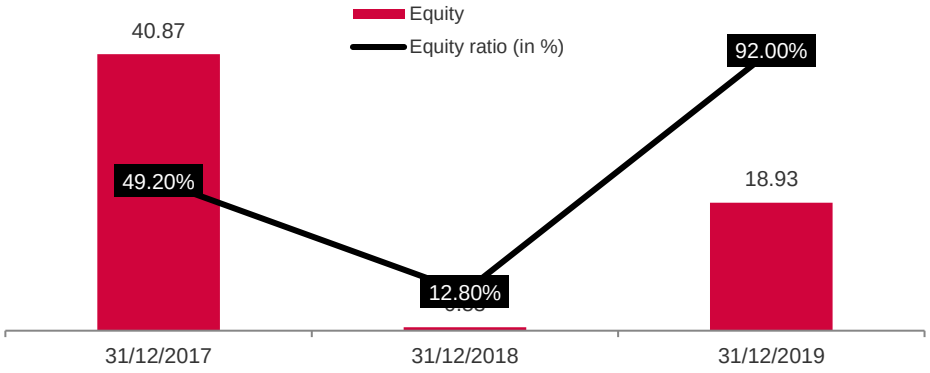
Balance sheet and financial situation

in CAD million	FY 2017	FY 2018	FY 2019
Equity	79.66	0.53	18.93
Equity ratio (in %)	96.0%	12.8%	92.0%
Operating fixed assets	0.66	0.86	1.36
Working capital	1.91	-0.63	1.32
Net cash	0.01	0.11	16.32

Sources: dynaCERT Inc., GBC AG

As of December 31, 2019, equity increased to CAD 18.93 million (December 31, 2018: CAD 0.53 million), resulting in an equity ratio of 92.0% (December 31, 2018: 12.8%). The increase in equity was due to successful private placements of shares and the exercise of warrants and stock options. A total of CAD 21.60 million was raised through share issues at an average price of CAD 0.40. In addition, CAD 4.89 million was raised through warrants and options.

Development of equity and equity ratio (in million CAD)



Sources: dynaCERT Inc., GBC AG

As a result, cash on hand also increased to CAD 16.32 million as of December 31, 2019 (December 31, 2018: CAD 0.11 million).

In millions	Quantity	Exercise prices (mean value)	Possible cash inflows
Shares	344.86		
Stock options	24.33	0.10 - 0.80 CAD (0.66 CAD)	CAD 11.74 million
Warrants	34.79	0.25 - 1.00 CAD (0.49 CAD)	CAD 17.09 million

Sources: dynaCERT Inc. (as of 31.12.2019), GBC AG

Currently the company should have sufficient liquidity through the capital increase and the stock options and warrants with expiry dates within the year 2020.

On July 18, 2020, the company announced on SEDAR that it had successfully placed a capital increase. A total of 12.30 million shares were placed at a price of CAD 0.68, representing gross proceeds of CAD 8.37 million.

SWOTanalysis

Strengths	Weaknesses
• Experienced management, which had to prove its commitment and competence • Patented and certified leading technology provider • Groundbreaking technology with equally groundbreaking business model • Scalable and adaptable solution for all diesel engines of all sizes from all industries • Geographical and industry-specific diversification • Strong control over the share structure by the major shareholder and management • High technological market barrier	• Earlier product launch in 2017 was unsuccessful • Currently still low sales figures • The company needed to restore customer confidence • Still very low revenue level • Further dilution expected through capital measures or through options and warrants
Opportunities	**Risks**
• Total number of diesel engines in all sectors not expected to decrease in the next few years • Tighter and more restrictive emission rules • Rising oil prices could boost demand for fuel-saving technologies • Possibility of opening up the market for emission certificates • Growth opportunities in various industries	• Falling oil price with a weakening of the global economy • Competition could develop competitive solution • Rapid development from a small R&D company into an international holding company with thousands of customers poses challenges • Product complexity, various specific tool sets required • Significant growth in selling expenses necessary • International product supply and maintenance of the distribution network necessary • Maintenance of quality control with increasing sales figures necessary for the success of the company

Prognosis and model assumptions

P&L (CAD million)	FY 2019	GJ 2020e	GJ 2021e	GJ 2022e
Sales	1.06	32.00	200.00	350.00
EBITDA	-7.68	-1.24	30.32	55.81
EBITDA margin	*-721.5%*	*-3.9%*	*15.2%*	*15.9%*
EBIT	-7.73	-1.34	30.02	55.31
EBIT Margin	*-726.2%*	*-4.2%*	*15.0%*	*15.8%*
Net income	-12.67	-1.34	21.76	40.10
EPS in $	-0.04	0.00	0.06	0.11

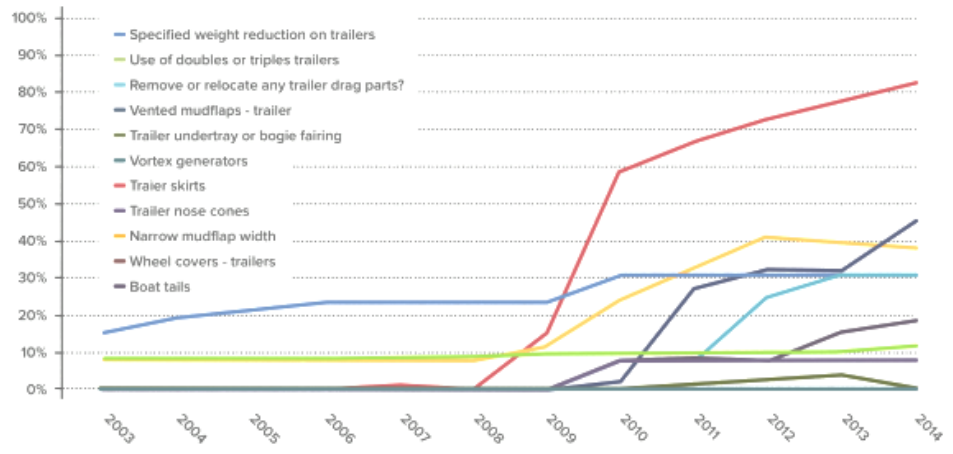
Source: GBC AG

Sales forecast

In our initial research report we predicted a significant jump in sales from 2020 onwards. We continue to assume that the company will achieve significant leaps in sales from 2020 onwards. Nevertheless, the company is also affected by the corona crisis. Production was stopped in the first half of the year and should now have resumed by now (August 2020). The company has also started to offer leasing solutions. As a result, sales revenues will be lower in the short term, but the margin will be significantly higher, as recurring sales can be booked almost entirely as revenue once break-even is reached.

With the dynaCERT technology there should be significant savings of diesel, which should lead to strong cost reductions. Companies with a large number of diesel engines, such as logistics companies and mining companies, will particularly benefit from this. The fact that such companies rely heavily on new technologies when it comes to ongoing cost reduction is shown in the chart. Thus, an adoption explosion occurs as soon as a new technology is used. The background to this development should be that competitors who use the new technology operate much more efficiently and either drive other competitors out of the market or force them to adopt it. This is particularly evident in the development of trailer skirts, which began their market penetration in 2008. After two years, the adoption rate was already over 60%.

Tech adoption – trailer aerodynamics

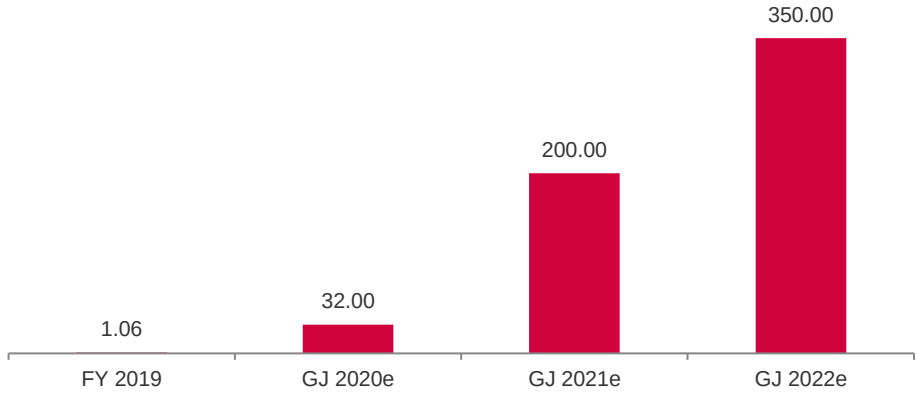


Source: NACFE

We assume that, on the one hand, the effectiveness of the dynaCERT technology is significantly higher than that of trailer skirts but, on the other hand, the equipment is significantly more expensive than trailer skirts. According to the Canadian Council of Energy Ministers, trailer skirts cost between 1500 and 2500 CAD and achieve fuel savings of between 4 and 7%. The dynaCERT technology has shown varying levels of fuel savings, often between 9% and 15%. This technology, with a sales price of 6000 CAD, would be about the same as the price/performance of trailer skirts.

On the basis of this model, we have prepared our medium-term sales forecast. We expect sales to increase to CAD 32 million in 2020, followed by CAD 200 million in 2021 and CAD 350 million in 2022. In light of the assumption of comparable developments in trailer skirts, our model can still be considered conservative. At the same time, the management is relying on leasing models in addition to selling the equipment. Leasing should enable us to penetrate the market much faster, as this is much less capital-intensive for customers. However, this leads to lower sales at dynaCERT in the short term, as the annual leasing installment is presumably lower than the one-time sales price. In the long term, however, this should be very positive, as the sales are recurring and hardly any costs are incurred.

Revenue forecast



Source: GBC

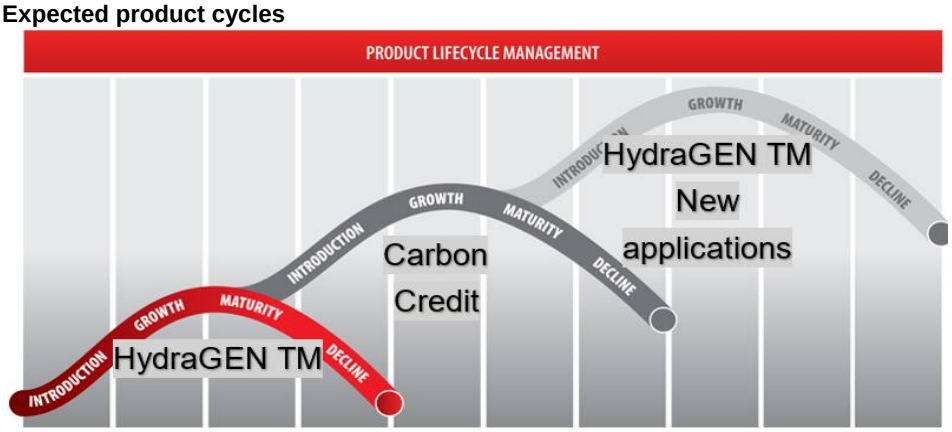
For 2020 we expect about 5000 units sold and another 3000 units sold in the leasing model. We assume that one unit will be sold at CAD 6000 and the leasing will pay for itself in about two years. A capacity limit should not be a limiting factor for the coming years. Currently, about 2,000 units can be produced per month, i.e. 24,000 per year, which corresponds to a turnover of about 144 million CAD. This would correspond to one production shift. With three shifts, the capacity could be tripled, i.e. increased to 432 million CAD turnover. We assume that the production line can also be expanded in the medium term and therefore no capacity limits will be reached.

The high sales growth should be supported by external sales. Thus, the company relies heavily on KarbonKlean for the USA and Mexico and on MOSOLF in Europe.

Extensive strategic declarations of intent have already been entered into with the German Mosolf SE & Co. AG, which is intended to serve the vertical penetration of European markets. Within this framework, an order for the first 1,000 units has already been placed. Mosulf and its subsidiaries will act as dealers in Germany, as well as in the Czech Republic, Poland, France and the Benelux countries. Within the scope of the cooperation, the extent to which the passenger car aftermarket can be addressed is also to be examined.

Our current sales forecast does not yet take into account the enormous potential from the CO_2 certificates "carbon credits". This business area could be even more profitable in the future than the classic sale of the dynaCERT units. By reducing fuel consumption in diesel engines while at the same time reducing carbon emissions and other pollutants, the dynaCERT technology can become very lucrative with the global market acceptance of CO_2 certificates. For example, it is estimated that at a market price of €/ 15 t CO_2, a class 8 truck can generate up to € 1500 per year (2278 CAD/year) in emission credits. We see this step as the next level of development for the company and it would again lead to a significant increase in sales and earnings.

Expected product cycles

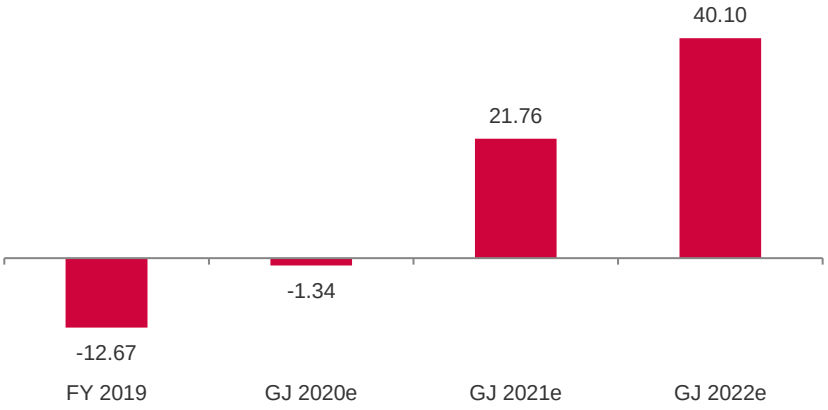


Source: GBC

Results forecast

On the earnings side, we expect dynamic development since, on the one hand, the gross margin of 50% is very high while, on the other hand, the leasing model should generate high recurring revenues with very low variable costs. We assume that costs will remain stable for the most part and will develop at a disproportionately low level. Furthermore, the gross margin should continue to rise in the medium term, as unit costs ought to continue to fall for a large number of units. We continue to see conditional cost increases in the R&D area, as the technology is likely to be continuously developed. In addition, we assume that the costs in the business-development area will also continue to rise.

Annual net profit forecast (in million CAD)



Source: GBC

In view of the as yet unanticipated revenues from carbon credits, we have prepared anearnings forecast based on product revenues. Currently, we expect CAD -1.34 million in the current fiscal year 2020 and CAD 21.76 million in 2021, followed by CAD 40.10 million in 2022.

EVALUATION

Model assumptions

dynaCERT Inc. was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2020, 2021 and 2022 in phase 1, the second phase covers the period from 2023 to 2027 and includes a forecast of the value drivers. We expect revenue growth of 20.5 %. We have conservatively assumed an EBITDA margin target of 16.0 %. We have included a tax rate of 15.0 % in phase 2. In the third phase, a residual value will be determined by means of the perpetual annuity after the end of the forecast horizon. We assume a growth rate of 2.0 % in the terminal value.

Determination of the cost of capital

The weighted average cost of capital (WACC) of dynaCERT Inc. is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

From now on, the risk-free interest rate will be derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) (Technical Committee for Company Valuations and Business Administration). The basis for this will be the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points.

The currently used value of the risk-free interest rate is 1.00 %. We use the historical market premium of 5.50 % as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the equity market is expected to outperform low-risk government bonds.

According to the GBC estimation method, a beta of 2.13 is currently determined.

Using the assumptions made, the cost of equity is calculated at 12,7 % (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 100%, the weighted average cost of capital (WACC) is 12.7%.

We have valued the outstanding options and warrants according to Black Scholes and value them as a liability with a value of CAD 16.16 million. For this purpose, we have assumed the undiluted value of 311.64 million shares.

Evaluation result

Future cash flows are discounted on the basis of the entity approach. We have calculated the corresponding cost of capital (WACC) at 12.7 %. The resulting fair value per share at the end of fiscal 2021 corresponds to a target price of CAD 2.20 (USD 1.65; € 1.40).

CAD to USD Conversion: 1 CAD = 0.746983 USD (16.09.2019 - 15:35 UTC)
CAD to EUR Conversion: 1 CAD = 0.636171 EUR (16.09.2019 - 15:35 UTC)

DCF model

DynaCERT - Discounted Cashflow (DCF) model

Value driver of the DCF model after the estimate phase:

consistency - Phase	
Sales growth rate	20.5%
EBITDA-Margin	16.0%
Depreciation to fixed assets	8.5%
Working Capital to Sales ratio	10.0%

final - Phase	
Eternal growth rate	2.0%
Eternal EBITDA-Margin	15.8%
Eternal effective tax rate	15.0%

Three phases - Model:

Phase	estimate			consistency					final
in m CAD	FY 20e	FY 21e	FY 22e	FY 23e	FY 14e	FY 25e	FY 26e	FY 27e	Termi-nal value
Sales	32.00	200.00	350.00	421.75	508.21	612.39	737.93	889.21	
Sales changes	2905.7%	525.0%	75.0%	20.5%	20.5%	20.5%	20.5%	20.5%	2.0%
Sales to fixed assets	14.22	48.19	44.41	44.41	44.41	44.41	44.41	44.41	
EBITDA	-1.24	30.32	55.81	67.48	81.31	97.98	118.07	142.27	
EBITDA-Margin	-3.9%	15.2%	15.9%	16.0%	16.0%	16.0%	16.0%	16.0%	
EBITA	-1.34	30.02	55.31	66.81	80.51	97.01	116.90	140.86	
EBITA-Margin	-4.2%	15.0%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%
Taxes on EBITA	0.00	-8.25	-8.30	-10.02	-12.08	-14.55	-17.53	-21.13	
Taxes to EBITA	0.0%	27.5%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
EBI (NOPLAT)	-1.34	21.76	47.01	56.79	68.43	82.46	99.36	119.73	
Return on capital	-0.50	5.12	3.32	1.73	1.32	1.32	1.32	1.32	112.1%
Working Capital (WC)	2.00	10.00	25.00	42.18	50.82	61.24	73.79	88.92	
WC to Sales	6.3%	5.0%	7.1%	10.0%	10.0%	10.0%	10.0%	10.0%	
Investment in WC	-0.68	-8.00	-15.00	-17.18	-8.65	-10.42	-12.55	-15.13	
Operating fixed assets (OAV)	2.25	4.15	7.88	9.50	11.44	13.79	16.62	20.02	
Depreciation on OAV	-0.10	-0.30	-0.50	-0.67	-0.81	-0.97	-1.17	-1.41	
Depreciation to OAV	4.4%	7.2%	6.3%	8.5%	8.5%	8.5%	8.5%	8.5%	
Investment in OAV	-0.99	-2.20	-4.23	-2.29	-2.75	-3.32	-4.00	-4.82	
Capital employed	4.25	14.15	32.88	51.67	62.26	75.03	90.41	108.94	
EBITDA	-1.24	30.32	55.81	67.48	81.31	97.98	118.07	142.27	
Taxes on EBITA	0.00	-8.25	-8.30	-10.02	-12.08	-14.55	-17.53	-21.13	
Total investment	-1.67	-10.20	-19.23	-19.46	-11.40	-13.74	-16.55	-19.95	
Investment in OAV	-0.99	-2.20	-4.23	-2.29	-2.75	-3.32	-4.00	-4.82	
Investment in WC	-0.68	-8.00	-15.00	-17.18	-8.65	-10.42	-12.55	-15.13	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	-2.91	11.86	28.28	38.00	57.84	69.69	83.98	101.20	1119.44

Value operating business (due date)	702.51	779.98
Net present value explicit free cash flows	218.20	234.08
Net present value of terminal value	484.31	545.89
Net debt	2.44	-9.42
Value of equity	700.07	789.40
Minority interests	0.00	0.00
Value of share capital	700.07	789.40
Outstanding shares in m (fully diluted)	358.29	358.29
Fair value per share in CAD	1.95	**2.20**
Fair value per share in USD	1.46	**1.65**
Fair value per share in EUR	1.24	**1.40**

Cost of Capital:

Risk free rate	1.0%
Market risk premium	5.5%
Beta	2.13
Cost of Equity	12.7%
Target weight	100.0%
Cost of Debt	1.0%
Target weight	0.0%
Taxshield	1.8%
WACC	**12.7%**

Return on capital	WACC CAD				
	10.7%	11.7%	12.7%	13.7%	14.7%
110.1%	2.73	2.42	2.18	1.98	1.81
111.1%	2.75	2.44	2.19	1.99	1.82
112.1%	2.77	2.45	**2.20**	2.00	1.83
113.1%	2.78	2.47	2.22	2.01	1.85
114.1%	2.80	2.48	2.23	2.03	1.86

Return on capital	WACC EUR				
	10.7%	11.7%	12.7%	13.7%	14.7%
110.1%	1.74	1.54	1.38	1.26	1.15
111.1%	1.75	1.55	1.39	1.27	1.16
112.1%	1.76	1.56	**1.40**	1.27	1.17
113.1%	1.77	1.57	1.41	1.28	1.17
114.1%	1.78	1.58	1.42	1.29	1.18

ANNEX

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