

## Investment Research

### Buy

Recommendation unchanged

Share price: EUR **8.70**

closing price as of 05/11/2015

Target price: EUR **13.00**

from Target Price: EUR **14.00**

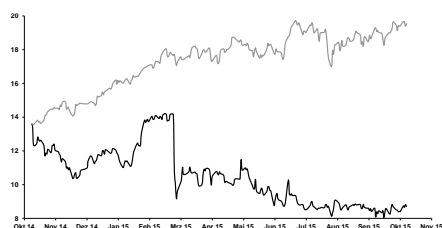
Reuters/Bloomberg

EUUC.DE/EUC.GY

|                                  |        |
|----------------------------------|--------|
| Daily avg. no. trad. sh. 12 mth  | 25,770 |
| Daily avg. trad. vol. 12 mth (m) | 221.28 |
| Price high 12 mth (EUR)          | 14.18  |
| Price low 12 mth (EUR)           | 8.05   |
| Abs. perf. 1 mth                 | 1.2%   |
| Abs. perf. 3 mth                 | -3.3%  |
| Abs. perf. 12 mth                | -36.0% |

|                              |      |
|------------------------------|------|
| Market capitalisation (EURm) | 62   |
| Current N° of shares (m)     | 7    |
| Free float                   | 100% |

| Key financials (EUR)       | 12/14 | 12/15e | 12/16e |
|----------------------------|-------|--------|--------|
| Sales (m)                  | 346   | 340    | 355    |
| EBITDA (m)                 | 21    | 11     | 22     |
| EBITDA margin              | 6.1%  | 3.2%   | 6.2%   |
| EBIT (m)                   | 11    | (4)    | 13     |
| EBIT margin                | 3.3%  | nm     | 3.8%   |
| Net Profit (adj.)(m)       | 6     | 2      | 7      |
| ROCE                       | 5.7%  | 0.7%   | 4.8%   |
| Net debt/(cash) (m)        | 76    | 91     | 76     |
| Net Debt Equity            | 0.7   | 0.9    | 0.7    |
| Net Debt/EBITDA            | 3.6   | 8.5    | 3.5    |
| Int. cover(EBITDA/Fin.int) | 5.7   | 2.9    | 6.5    |
| EV/Sales                   | 0.5   | 0.5    | 0.4    |
| EV/EBITDA                  | 8.1   | 15.5   | 7.0    |
| EV/EBITDA (adj.)           | 6.7   | 10.5   | 7.0    |
| EV/EBIT                    | 14.9  | nm     | 11.4   |
| P/E (adj.)                 | 14.3  | 27.8   | 9.4    |
| P/BV                       | 0.7   | 0.6    | 0.6    |
| OpFCF yield                | -8.2% | -23.8% | 23.7%  |
| Dividend yield             | 0.0%  | 0.0%   | 0.0%   |
| EPS (adj.)                 | 0.80  | 0.31   | 0.93   |
| BVPS                       | 15.33 | 14.31  | 15.23  |
| DPS                        | 0.00  | 0.00   | 0.00   |



Source: Factset — EUROMICRON AG — Tec Dax (Rebased)

For company description please see summary table footnote

## Top line and orders look solid relative to expectations PT lowered to EUR 13 (14) after EBITDA guidance cut

**The facts:** EUCA delivered solid sales in 3Q15 of EUR 86m which was actually up yoy by 1.6%. Here, our forecast stood at only EUR 81.5m. In fact, the quarterly top line would have even been better, but EUCA suffered under shifts in orders in the manufacturer area and from a halt of outstanding export licences. While the networks segment grew 5% yoy, distribution was solid with plus 6.8%, but the components division was down 10% yoy due to the aforementioned effects and lower POC recognition at Elabo.

The order intake came to about the same level in the quarter compared to sales and thus, btb stood at 1x. This was solid and broadly in line with our expectation.

As already released yesterday, the EBITDA after nine months came to EUR 5.8m and missed our forecast by c. EUR 1.3m. For 3Q15 this equalled about EUR 1.85m vs. EUR 3.2m.

One-offs came to EUR 3.2m after 9M and thus about EUR 0.9m higher than we expected while EUCA booked additional write-downs of EUR 1.9m, originating a charge for the EBIT.

Equity came to EUR 102m, down EUR 8.5m ytd (equity ratio 34%). The intended restructuring of the financing side will be moved into 2016. FCF adj. in the quarter came to EUR minus 6.6m (plus EUR 0.5m in 3Q14) as project financing was more pronounced than last year and since EUCA had to digest cash outflows as a result of restructuring.

EUCA already released yesterday that the EBITDA outlook will be lowered to 4-5% (down from 6-8%) for FY15. On reported level, one has to deduct about 1-2% (1%).

2015 revenues should continue to come in at the lower end of EUR 340-360m.

2016 should bring significant improvements to the profitability as a result of restructuring.

**Our analysis:** Considering that the bad news about the guidance / profitability was already out yesterday, the good message appears to be that the overall business trends seen from a top line perspective remain stable or even slightly positive. We have adjusted our figures as can be seen below to reflect the lower EBITDA outlook for 2015 and have adopted a more cautious stance for 2016/17 to be on the safe side. As regards 2015, one should take into account that another goodwill write down should be in the cards (as announced mid single-digit EUR m amount). We have factored in about EUR 5m already.

### Model changes

| EUR m             | 2015e old | 2015e new | change | 2016e old | 2016e new | change | 2017e old | 2017e new | change |
|-------------------|-----------|-----------|--------|-----------|-----------|--------|-----------|-----------|--------|
| Group Sales       | 340.0     | 340.0     | 0%     | 355.0     | 355.0     | 0%     | 369.0     | 369.2     | 0%     |
| Rep. group EBITDA | 16.5      | 10.8      | -35%   | 23.9      | 21.9      | -8%    | 29.8      | 27.8      | -7%    |
| EBITDA margin*    | 4.9%      | 3.2%      | -170bp | 6.7%      | 6.2%      | -60bp  | 8.1%      | 7.5%      | -60bp  |
| Rep. EBIT         | 2.3       | -4.3      | n/a    | 14.9      | 13.4      | -10%   | 20.8      | 19.1      | -8%    |
| EBIT margin*      | 0.7%      | -1.3%     | -200bp | 4.2%      | 3.8%      | -40bp  | 5.6%      | 5.2%      | -50bp  |
| Rep. EPS [EUR]    | -0.33     | -1.02     | 209%   | 1.13      | 0.93      | -18%   | 1.72      | 1.51      | -12%   |

Source: equinet estimates; \*) here relative to sales and not to total output=B2B

Nevertheless, 2016 should see some tailwinds from the dropped off Avalan loss and since Microsens' new intelligent switches product line for smart building should see strong demand after their respective launch.

**Conclusion & Action:** The revised model assumptions lead to a lower DCF based PT, i.e. EUR 13 after EUR 14. We reiterate our 'Buy' rating.

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For important disclosure information, please refer to the disclaimer page of this report



## Discounted Cash Flow model

| EUR m                             | Phase I      |              |              |              |              | Phase II     |              |              |              |               | Phase III    |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
|                                   | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024          | 2025         |
| <b>Sales</b>                      | <b>340.0</b> | <b>355.0</b> | <b>369.2</b> | <b>382.1</b> | <b>393.6</b> | <b>403.4</b> | <b>413.5</b> | <b>423.8</b> | <b>434.4</b> | <b>445.3</b>  | <b>454.2</b> |
| <i>Sales growth</i>               | -18%         | 4.4%         | 4.0%         | 3.5%         | 3.0%         | 2.5%         | 2.5%         | 2.5%         | 2.5%         | 2.5%          | 2.0%         |
| <b>EBIT</b>                       | <b>-4.3</b>  | <b>13.4</b>  | <b>19.1</b>  | <b>23.1</b>  | <b>25.1</b>  | <b>23.4</b>  | <b>24.2</b>  | <b>24.9</b>  | <b>25.7</b>  | <b>26.4</b>   | <b>27.1</b>  |
| <i>EBIT margin</i>                | -1.3%        | 3.8%         | 5.2%         | 6.0%         | 6.4%         | 5.8%         | 5.8%         | 5.9%         | 5.9%         | 5.9%          | 6.0%         |
| <b>Normative tax rate EBIT</b>    | <b>1.3</b>   | <b>(4.0)</b> | <b>(5.7)</b> | <b>(6.9)</b> | <b>(7.5)</b> | <b>(7.0)</b> | <b>(7.3)</b> | <b>(7.5)</b> | <b>(7.7)</b> | <b>(7.9)</b>  | <b>(8.1)</b> |
| <i>Tax rate</i>                   | 30.0%        | 30.0%        | 30.0%        | 30.0%        | 30.0%        | 30.0%        | 30.0%        | 30.0%        | 30.0%        | 30.0%         | 30.0%        |
| <b>NOPAT</b>                      | <b>(3.0)</b> | <b>9.4</b>   | <b>13.4</b>  | <b>16.2</b>  | <b>17.6</b>  | <b>16.4</b>  | <b>16.9</b>  | <b>17.5</b>  | <b>18.0</b>  | <b>18.5</b>   | <b>19.0</b>  |
| <b>Depreciation</b>               | <b>9.1</b>   | <b>8.5</b>   | <b>8.7</b>   | <b>8.8</b>   | <b>9.0</b>   | <b>9.2</b>   | <b>9.2</b>   | <b>9.3</b>   | <b>9.4</b>   | <b>9.5</b>    | <b>9.5</b>   |
| <i>in % of Sales</i>              | 2.7%         | 2.4%         | 2.3%         | 2.3%         | 2.3%         | 2.3%         | 2.2%         | 2.2%         | 2.2%         | 2.1%          | 2.1%         |
| <b>Capex</b>                      | <b>(8.5)</b> | <b>(8.9)</b> | <b>(9.2)</b> | <b>(9.6)</b> | <b>(9.8)</b> | <b>(9.1)</b> | <b>(9.3)</b> | <b>(9.5)</b> | <b>(9.8)</b> | <b>(10.0)</b> | <b>(9.7)</b> |
| <i>in % of Sales</i>              | 2.5%         | 2.5%         | 2.5%         | 2.5%         | 2.5%         | 2.3%         | 2.3%         | 2.3%         | 2.3%         | 2.3%          | 2.1%         |
| <b>Provision delta</b>            | <b>0.3</b>   | <b>0.3</b>   | <b>0.3</b>   | <b>0.3</b>   | <b>0.3</b>   | <b>0.2</b>   | <b>0.2</b>   | <b>0.2</b>   | <b>0.2</b>   | <b>0.2</b>    | <b>0.1</b>   |
| <i>in % of Sales</i>              | 0.1%         | 0.1%         | 0.1%         | 0.1%         | 0.1%         | 0.1%         | 0.1%         | 0.1%         | 0.1%         | 0.1%          | 0.0%         |
| <b>Change in working capital</b>  | <b>(1.4)</b> | <b>(3.0)</b> | <b>(2.8)</b> | <b>(2.6)</b> | <b>(2.3)</b> | <b>(2.0)</b> | <b>(2.0)</b> | <b>(2.1)</b> | <b>(2.1)</b> | <b>(2.2)</b>  | <b>(0.1)</b> |
| <i>in % of Sales</i>              | -0.4%        | -0.8%        | -0.8%        | -0.7%        | -0.6%        | -0.5%        | -0.5%        | -0.5%        | -0.5%        | -0.5%         | 0.0%         |
| <b>Other current assets delta</b> | <b>0.2</b>   | <b>0.1</b>   | <b>0.1</b>   | <b>0.1</b>   | <b>0.1</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>    | <b>(0.0)</b> |
| <i>in % of Sales</i>              | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%          | 0.0%         |
| <b>Free Cash Flow</b>             | <b>-3.4</b>  | <b>6.4</b>   | <b>10.4</b>  | <b>13.3</b>  | <b>14.9</b>  | <b>14.8</b>  | <b>15.1</b>  | <b>15.4</b>  | <b>15.7</b>  | <b>16.1</b>   | <b>18.9</b>  |
| <i>FCF growth</i>                 | nm           | nm           | 60.9%        | 27.9%        | 12.3%        | -1.0%        | 2.0%         | 2.1%         | 2.2%         | 2.3%          | 17.7%        |
| <b>Present Value FCF</b>          | <b>-3.3</b>  | <b>5.8</b>   | <b>8.5</b>   | <b>9.9</b>   | <b>10.2</b>  | <b>9.2</b>   | <b>8.5</b>   | <b>7.9</b>   | <b>7.4</b>   | <b>6.9</b>    | <b>106.1</b> |

|                                       |              |                             |                              |                    |             |             |             |       |
|---------------------------------------|--------------|-----------------------------|------------------------------|--------------------|-------------|-------------|-------------|-------|
| PV Phase I                            | 31.0         | MCap                        | 62.4                         | Targ. equity ratio | 79.9%       |             |             |       |
| PV Phase II                           | 40.0         | Risk premium                | 4.00%                        | Beta               | 1.52        |             |             |       |
| PV Phase III                          | 106.1        | Risk free rate              | 4.50%                        | WACC               | 9.66%       |             |             |       |
| <b>Total present value</b>            | <b>177.1</b> |                             |                              |                    |             |             |             |       |
| + capital increase/share buy back     | 0.0          |                             |                              |                    |             |             |             |       |
| + associates & other financial assets | 1.1          |                             |                              |                    |             |             |             |       |
| - market value of minorities          | 3.7          |                             |                              |                    |             |             |             |       |
| + cash and liquid assets              | 18.6         |                             |                              |                    |             |             |             |       |
| - interest bearing debt**             | 97.5         |                             |                              |                    |             |             |             |       |
| <b>Implied Mcap</b>                   | <b>95.5</b>  |                             |                              |                    |             |             |             |       |
| Number of shares                      | 7.2          |                             |                              |                    |             |             |             |       |
| <b>Implied value per share</b>        | <b>13.31</b> |                             |                              |                    |             |             |             |       |
|                                       |              | <b>Sensitivity Analysis</b> | <b>Growth rate Phase III</b> |                    |             |             |             |       |
|                                       |              |                             | <b>1.0%</b>                  | <b>1.5%</b>        | <b>2.0%</b> | <b>2.5%</b> | <b>3.0%</b> |       |
|                                       |              |                             | 9.18%                        | 13.19              | 14.12       | 15.19       | 16.42       | 17.85 |
|                                       |              |                             | 9.42%                        | 12.37              | 13.24       | 14.22       | 15.35       | 16.65 |
|                                       |              | <b>WACC</b>                 | 9.66%                        | 11.61              | 12.41       | 13.31       | 14.34       | 15.53 |
|                                       |              |                             | 9.90%                        | 10.88              | 11.62       | 12.46       | 13.41       | 14.49 |
|                                       |              |                             | 10.15%                       | 10.20              | 10.89       | 11.66       | 12.53       | 13.53 |

\*) relative to sales and not total output; \*\*) including pension provisions

Source: equinet

**Euromicron AG: Summary tables**

| PROFIT & LOSS (EURm)                                       | 12/2012        | 12/2013        | 12/2014        | 12/2015e        | 12/2016e        | 12/2017e        |
|--|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>Sales</b>   | <b>330</b>     | <b>326</b>     | <b>346</b>     | <b>340</b>      | <b>355</b>      | <b>369</b>      |
| Cost of Sales & Operating Costs                            | -301           | -311           | -321           | -324            | -333            | -341            |
| Non Recurrent Expenses/Income                              | -4.5           | -5.5           | -4.5           | -5.1            | 0.0             | 0.0             |
| <b>EBITDA</b>  | <b>25.0</b>    | <b>8.7</b>     | <b>21.1</b>    | <b>10.8</b>     | <b>21.9</b>     | <b>27.8</b>     |
| <b>EBITDA (adj.)*</b>                                      | <b>29.5</b>    | <b>14.2</b>    | <b>25.6</b>    | <b>15.9</b>     | <b>21.9</b>     | <b>27.8</b>     |
| Depreciation   | -3.2           | -3.5           | -3.3           | -3.5            | -3.7            | -3.9            |
| <b>EBITA</b>   | <b>21.8</b>    | <b>5.2</b>     | <b>17.8</b>    | <b>7.3</b>      | <b>18.3</b>     | <b>23.9</b>     |
| <b>EBITA (adj)*</b>  | <b>26.3</b>    | <b>10.7</b>    | <b>22.3</b>    | <b>12.4</b>     | <b>18.3</b>     | <b>23.9</b>     |
| Amortisations and Write Downs<br>of which PPA amortisation | -4.8<br>-2.0   | -5.4<br>-2.0   | -6.4<br>-1.5   | -11.6<br>-1.2   | -4.8<br>-1.2    | -4.8<br>-1.2    |
| <b>EBIT</b>  | <b>17.1</b>    | <b>-0.2</b>    | <b>11.4</b>    | <b>-4.3</b>     | <b>13.4</b>     | <b>19.1</b>     |
| <b>EBIT (adj.)*</b>  | <b>23.6</b>    | <b>7.3</b>     | <b>17.4</b>    | <b>2.0</b>      | <b>14.6</b>     | <b>20.3</b>     |
| Net Financial Interest                                     | -4.3           | -3.8           | -3.7           | -3.7            | -3.4            | -3.0            |
| Other Financials   | -0.5           | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             |
| Associates   | 0.0            | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             |
| Other Non Recurrent Items                                  | 0.0            | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             |
| <b>Earnings Before Tax (EBT)</b>                           | <b>12.2</b>    | <b>-4.0</b>    | <b>7.8</b>     | <b>-8.1</b>     | <b>10.0</b>     | <b>16.1</b>     |
| Tax  | -3.4           | -2.4           | -4.9           | 1.1             | -3.0            | -4.8            |
| <i>Tax rate</i>  | <i>27.8%</i>   | <i>n.m.</i>    | <i>63.4%</i>   | <i>13.5%</i>    | <i>30.0%</i>    | <i>30.0%</i>    |
| Discontinued Operations                                    | 0.0            | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             |
| Minorities   | -0.3           | -0.1           | -0.3           | -0.3            | -0.4            | -0.4            |
| <b>Net Profit (reported)</b>                               | <b>8.6</b>     | <b>-6.5</b>    | <b>2.6</b>     | <b>-7.3</b>     | <b>6.7</b>      | <b>10.8</b>     |
| <b>Net Profit (adj.)</b>                                   | <b>11.7</b>    | <b>-2.7</b>    | <b>5.7</b>     | <b>2.2</b>      | <b>6.7</b>      | <b>10.8</b>     |
| <b>CASH FLOW (EURm)</b>                                    | <b>12/2012</b> | <b>12/2013</b> | <b>12/2014</b> | <b>12/2015e</b> | <b>12/2016e</b> | <b>12/2017e</b> |
| Cash Flow from Operations before change in NWC             | 17.2           | 4.4            | 11.4           | -4.9            | 26.7            | 21.9            |
| Change in Net Working Capital                              | 6.3            | 15.6           | -11.7          | -1.4            | -3.0            | -2.8            |
| <b>Cash Flow from Operations</b>                           | <b>23.5</b>    | <b>20.0</b>    | <b>-0.3</b>    | <b>-6.4</b>     | <b>23.7</b>     | <b>19.1</b>     |
| Capex  | -10.8          | -6.4           | -6.4           | -8.5            | -8.9            | -9.2            |
| Net Financial Investments                                  | -3.2           | -10.6          | 0.0            | 0.0             | 0.0             | 0.0             |
| <b>Free Cash Flow</b>                                      | <b>9.5</b>     | <b>3.1</b>     | <b>-6.7</b>    | <b>-14.9</b>    | <b>14.8</b>     | <b>9.8</b>      |
| Dividends  | -6.0           | -2.0           | 0.0            | 0.0             | 0.0             | 0.0             |
| Other (incl. Capital Increase & share buy backs)           | -21.5          | 10.7           | -3.4           | 0.0             | 0.0             | 0.0             |
| <b>Change in Net Debt</b>                                  | <b>-18.0</b>   | <b>11.7</b>    | <b>-10.0</b>   | <b>-14.9</b>    | <b>14.8</b>     | <b>9.8</b>      |
| NOPLAT   | 17.0           | 5.1            | 12.2           | 1.4             | 10.2            | 14.2            |
| <b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>              | <b>12/2012</b> | <b>12/2013</b> | <b>12/2014</b> | <b>12/2015e</b> | <b>12/2016e</b> | <b>12/2017e</b> |
| Net Tangible Assets  | 16.3           | 14.5           | 14.1           | 14.9            | 15.6            | 16.4            |
| Net Intangible Assets (incl. Goodwill)                     | 127            | 137            | 134            | 127             | 127             | 126             |
| Net Financial Assets & Other                               | 0.9            | 1.1            | 1.0            | 1.0             | 1.0             | 1.0             |
| <b>Total Fixed Assets</b>                                  | <b>145</b>     | <b>153</b>     | <b>149</b>     | <b>143</b>      | <b>143</b>      | <b>144</b>      |
| Inventories  | 27.5           | 28.0           | 29.0           | 30.6            | 32.0            | 33.2            |
| Trade receivables  | 89.5           | 85.6           | 85.8           | 84.8            | 88.5            | 92.0            |
| Other current assets                                       | 9.5            | 8.9            | 4.7            | 5.0             | 5.4             | 5.8             |
| Cash (-)   | -5.6           | -41.3          | -18.6          | 0.6             | 0.4             | -9.5            |
| <b>Total Current Assets</b>                                | <b>132</b>     | <b>164</b>     | <b>138</b>     | <b>120</b>      | <b>125</b>      | <b>141</b>      |
| <b>Total Assets</b>  | <b>277</b>     | <b>316</b>     | <b>287</b>     | <b>262</b>      | <b>269</b>      | <b>284</b>      |
| Shareholders Equity  | 113            | 111            | 110            | 103             | 109             | 120             |
| Minority   | 0.5            | 0.4            | 0.4            | 0.7             | 1.1             | 1.5             |
| Total Equity   | 113            | 111            | 110            | 103             | 110             | 122             |
| Long term interest bearing debt                            | 45.6           | 40.1           | 45.7           | 41.4            | 26.9            | 26.9            |
| Provisions   | 11.0           | 13.1           | 12.2           | -0.5            | 11.0            | 13.4            |
| Other long term liabilities                                | 6.2            | 5.8            | 1.4            | 1.4             | 1.4             | 1.4             |
| <b>Total Long Term Liabilities</b>                         | <b>62.9</b>    | <b>59.0</b>    | <b>59.3</b>    | <b>42.3</b>     | <b>39.3</b>     | <b>41.7</b>     |
| Short term interest bearing debt                           | 37.8           | 67.2           | 49.0           | 49.0            | 49.0            | 49.0            |
| Trade payables   | 43.0           | 55.1           | 44.2           | 43.4            | 45.3            | 47.2            |
| Other current liabilities                                  | 19.9           | 24.0           | 24.5           | 24.4            | 24.6            | 24.7            |
| <b>Total Current Liabilities</b>                           | <b>101</b>     | <b>146</b>     | <b>118</b>     | <b>117</b>      | <b>119</b>      | <b>121</b>      |
| <b>Total Liabilities and Shareholders' Equity</b>          | <b>277</b>     | <b>316</b>     | <b>287</b>     | <b>262</b>      | <b>269</b>      | <b>284</b>      |
| <b>Net Capital Employed</b>                                | <b>208</b>     | <b>196</b>     | <b>200</b>     | <b>195</b>      | <b>199</b>      | <b>203</b>      |
| <b>Net Working Capital</b>                                 | <b>70.5</b>    | <b>54.9</b>    | <b>66.6</b>    | <b>68.0</b>     | <b>71.0</b>     | <b>73.9</b>     |
| <b>GROWTH &amp; MARGINS</b>                                | <b>12/2012</b> | <b>12/2013</b> | <b>12/2014</b> | <b>12/2015e</b> | <b>12/2016e</b> | <b>12/2017e</b> |
| <i>Sales growth</i>  | <i>8.1%</i>    | <i>-1.3%</i>   | <i>6.3%</i>    | <i>-1.8%</i>    | <i>4.4%</i>     | <i>4.0%</i>     |
| <b>EBITDA (adj.)* growth</b>                               | <b>-4.1%</b>   | <b>-51.9%</b>  | <b>80.6%</b>   | <b>-38.2%</b>   | <b>38.3%</b>    | <b>26.5%</b>    |
| <i>EBITA (adj.)* growth</i>                                | <i>-5.6%</i>   | <i>-59.5%</i>  | <i>109.2%</i>  | <i>-44.6%</i>   | <i>47.8%</i>    | <i>30.9%</i>    |
| <i>EBIT (adj)* growth</i>                                  | <i>-9.0%</i>   | <i>-69.0%</i>  | <i>138.9%</i>  | <i>-88.8%</i>   | <i>649.0%</i>   | <i>39.0%</i>    |



## Euromicron AG: Summary tables

|   | 12/2012     | 12/2013     | 12/2014     | 12/2015e    | 12/2016e    | 12/2017e   |
|---|-------------|-------------|-------------|-------------|-------------|------------|
| <b>GROWTH &amp; MARGINS</b>                     |             |             |             |             |             |            |
| Net Profit growth                               | -4.2%       | n.m.        | n.m.        | -60.8%      | 196.0%      | 62.7%      |
| EPS adj. growth                                 | -24.5%      | n.m.        | n.m.        | -60.8%      | 196.0%      | 62.7%      |
| DPS adj. growth                                 | -73.9%      | n.m.        |             |             |             |            |
| EBITDA (adj)* margin                            | 8.9%        | 4.4%        | 7.4%        | 4.7%        | 6.2%        | 7.5%       |
| EBITA (adj)* margin                             | 8.0%        | 3.3%        | 6.4%        | 3.6%        | 5.1%        | 6.5%       |
| EBIT (adj)* margin                              | 7.1%        | 2.2%        | 5.0%        | 0.6%        | 4.1%        | 5.5%       |
| <b>RATIOS</b>                                   |             |             |             |             |             |            |
| Net Debt/Equity                                 | 0.7         | 0.6         | 0.7         | 0.9         | 0.7         | 0.5        |
| Net Debt/EBITDA                                 | 3.1         | 7.6         | 3.6         | 8.5         | 3.5         | 2.4        |
| Interest cover (EBITDA/Fin.interest)            | 5.8         | 2.3         | 5.7         | 2.9         | 6.5         | 9.1        |
| Capex/D&A                                       | 136.4%      | 71.7%       | 66.1%       | 93.3%       | 104.1%      | 106.6%     |
| Capex/Sales                                     | 3.3%        | 2.0%        | 1.9%        | 2.5%        | 2.5%        | 2.5%       |
| NWC/Sales                                       | 21.4%       | 16.9%       | 19.2%       | 20.0%       | 20.0%       | 20.0%      |
| ROE (average)                                   | 10.1%       | -2.4%       | 5.2%        | 2.1%        | 6.3%        | 9.4%       |
| ROCE (adj.)                                     | 8.0%        | 2.5%        | 5.7%        | 0.7%        | 4.8%        | 6.6%       |
| WACC  | 9.7%        | 9.7%        | 9.7%        | 9.7%        | 9.7%        | 9.7%       |
| ROCE (adj.)/WACC                                | 0.8         | 0.3         | 0.6         | 0.1         | 0.5         | 0.7        |
| <b>PER SHARE DATA (EUR)***</b>                  |             |             |             |             |             |            |
| Average diluted number of shares                | 6.7         | 7.2         | 7.2         | 7.2         | 7.2         | 7.2        |
| EPS (reported)                                  | 1.29        | -0.91       | 0.36        | -1.02       | 0.93        | 1.51       |
| EPS (adj.)                                      | 1.76        | -0.37       | 0.80        | 0.31        | 0.93        | 1.51       |
| BVPS  | 16.92       | 15.44       | 15.33       | 14.31       | 15.23       | 16.74      |
| DPS   | 0.30        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00       |
| <b>VALUATION</b>                                |             |             |             |             |             |            |
| EV/Sales  | 0.6         | 0.6         | 0.5         | 0.5         | 0.4         | 0.4        |
| EV/EBITDA                                       | 8.4         | 20.7        | 8.1         | 15.5        | 7.0         | 5.2        |
| <b>EV/EBITDA (adj.)*</b>                        | <b>7.2</b>  | <b>12.7</b> | <b>6.7</b>  | <b>10.5</b> | <b>7.0</b>  | <b>5.2</b> |
| EV/EBITA  | 9.7         | 34.9        | 9.6         | 23.0        | 8.4         | 6.0        |
| <b>EV/EBITA (adj.)*</b>                         | <b>8.0</b>  | <b>16.9</b> | <b>7.7</b>  | <b>13.5</b> | <b>8.4</b>  | <b>6.0</b> |
| EV/EBIT   | 12.4        | n.m.        | 14.9        | n.m.        | 11.4        | 7.5        |
| <b>EV/EBIT (adj.)*</b>                          | <b>9.0</b>  | <b>24.7</b> | <b>9.8</b>  | <b>85.5</b> | <b>10.4</b> | <b>7.1</b> |
| <b>P/E (adj.)</b>                               | <b>10.3</b> | <b>n.m.</b> | <b>14.3</b> | <b>27.8</b> | <b>9.4</b>  | <b>5.8</b> |
| P/BV  | 1.1         | 0.9         | 0.7         | 0.6         | 0.6         | 0.5        |
| Total Yield Ratio                               | 1.7%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%       |
| EV/CE   | 1.0         | 0.9         | 0.8         | 0.8         | 0.7         | 0.7        |
| OpFCF yield                                     | 10.5%       | 13.2%       | -8.2%       | -23.8%      | 23.7%       | 15.7%      |
| OpFCF/EV  | 6.0%        | 7.6%        | -3.9%       | -8.9%       | 9.7%        | 6.9%       |
| Payout ratio                                    | 23.3%       | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%       |
| Dividend yield (gross)                          | 1.7%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%       |
| <b>EV AND MKT CAP (EURm)</b>                    |             |             |             |             |             |            |
| Price** (EUR)                                   | 18.14       | 14.35       | 11.39       | 8.70        | 8.70        | 8.70       |
| Outstanding number of shares for main stock     | 6.7         | 7.2         | 7.2         | 7.2         | 7.2         | 7.2        |
| <b>Total Market Cap</b>                         | <b>121</b>  | <b>103</b>  | <b>82</b>   | <b>62</b>   | <b>62</b>   | <b>62</b>  |
| <b>Net Debt</b>                                 | <b>78</b>   | <b>66</b>   | <b>76</b>   | <b>91</b>   | <b>76</b>   | <b>66</b>  |
| <i>o/w Cash &amp; Marketable Securities (-)</i> | <i>-6</i>   | <i>-41</i>  | <i>-19</i>  | <i>1</i>    | <i>0</i>    | <i>-9</i>  |
| <i>o/w Gross Debt (+)</i>                       | <i>83</i>   | <i>107</i>  | <i>95</i>   | <i>90</i>   | <i>76</i>   | <i>76</i>  |
| <b>Other EV components</b>                      | <b>13</b>   | <b>11</b>   | <b>13</b>   | <b>13</b>   | <b>14</b>   | <b>15</b>  |
| <b>Enterprise Value (EV adj.)</b>               | <b>211</b>  | <b>180</b>  | <b>171</b>  | <b>167</b>  | <b>153</b>  | <b>143</b> |

Source: Company, Equinet Bank estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Electronic & Electrical Equipment/Electrical Components & Equipment

Company Description: The euromicron Group with its extensive network of branch offices in Germany is a system house that is active in the future market of network and fiber optics technology. euromicron develops, produces and distributes network components based on copper, glass fiber and wireless technology and plans, implements and maintains communications, information and security networks for all applications.



## Recommendations and Disclosures

| Coverage                  | Analyst     | Target       | Rating           | Disc.   | Coverage             | Analyst       | Target    | Rating           | Disc.   |
|---------------------------|-------------|--------------|------------------|---------|----------------------|---------------|-----------|------------------|---------|
| 2GEnergy                  | Schäfer     | 24.00        | Buy              | 2/3/5   | KronesAG             | Rau           | 104.00    | Neutral          |         |
| 4SC                       | Miemietz    | 18.00        | Buy              | 7       | KTGAgrar             | Schäfer       | 21.00     | Buy              | 2/3/4/5 |
| Aareal Bank               | Häßler      | 41.00        | Buy              |         | KUKA                 | Rau           | 73.00     | Neutral          |         |
| Adler Modemaerkte         | Bast        | 13.00        | Neutral          | 5/7     | Lanxess              | Schäfer       | 54.00     | Neutral          |         |
| Adpepper                  | Bast        | 1.40         | Buy              | 2/3     | Leoni                | Schmidt       | 38.00     | Neutral          |         |
| adidas                    | Faust       | Suspended    | Rating Suspended |         | Linde                | Schäfer       | 160.00    | Neutral          |         |
| Aixtron                   | Pehl        | 5.00         | Neutral          | 2/3     | Logwin               | Rotenbacher   | 1.90      | Neutral          | 2/3     |
| Allianz                   | Häßler      | 170.00       | Buy              |         | Luftansa             | Rotenbacher   | 20.00     | Buy              |         |
| Axel Springer             | Bast        | 55.00        | Neutral          |         | Manz AG              | Rau           | 45.00     | Neutral          | 2/3/5   |
| BASF                      | Schäfer     | 95.00        | Accumulate       |         | MAXAutomation AG     | Rau           | 7.00      | Buy              | 2/3     |
| Bayer                     | Miemietz    | 134.00       | Neutral          |         | Merck                | Miemietz      | 96.00     | Neutral          |         |
| BayWa                     | Schäfer     | 33.00        | Neutral          | 5       | MLP                  | Häßler        | 4.20      | Accumulate       | 2/3     |
| BB Biotech                | Miemietz    | 317.00       | Buy              | 7       | MTU                  | Pehl          | 90.00     | Buy              | 2       |
| Beiersdorf                | Schäfer     | 64.00        | Sell             |         | Munich Re            | Häßler        | 200.00    | Accumulate       |         |
| Bilfinger SE              | Faust       | Suspended    | Rating Suspended |         | Nanogate AG          | van der Horst | Suspended | Rating Suspended | 2       |
| Biotest                   | Miemietz    | 18.00        | Neutral          | 2/3     | Nemetschek AG        | Droste        | 36.00     | Neutral          |         |
| BMW                       | Schmidt     | 110.00       | Accumulate       |         | NexusAG              | Pehl          | 21.00     | Buy              | 5       |
| Cenit                     | Pehl        | 20.00        | Buy              | 2/3     | OHB SE               | Pehl          | 22.50     | Accumulate       | 7       |
| comdirect                 | Häßler      | 10.00        | Neutral          |         | Osram Licht AG       | Jäkel         | Suspended | Rating Suspended | 2       |
| Commerzbank               | Häßler      | 13.00        | Buy              |         | OVB Holding AG       | Häßler        | 19.50     | Accumulate       | 2/3     |
| Continental               | Schmidt     | 260.00       | Buy              |         | Patrizia AG          | Häßler        | 19.09     | Neutral          |         |
| CTS Eventim               | Bast        | 33.00        | Neutral          |         | Pfeiffer Vacuum      | Pehl          | 108.00    | Neutral          |         |
| CytotoolsAG               | Miemietz    | 58.00        | Accumulate       | 2/3     | PSI                  | Schäfer       | 13.00     | Accumulate       | 2/3     |
| Daimler AG                | Schmidt     | 108.00       | Buy              |         | Puma                 | Faust         | Suspended | Rating Suspended |         |
| Daldrup & Soehne          | Schäfer     | 15.00        | Accumulate       | 2/3/5   | Rheinmetall          | Rau           | 72.00     | Buy              |         |
| Deutsche Bank             | Häßler      | 27.00        | Neutral          |         | Rhoen-Klinikum       | Lieder        | Suspended | Rating Suspended |         |
| Deutsche Boerse           | Häßler      | 82.00        | Neutral          |         | RIB Software         | Rotenbacher   | 15.50     | Buy              | 2/3/5   |
| Deutsche EuroShop         | Rotenbacher | 42.00        | Neutral          |         | RWE                  | Schäfer       | 25.00     | Neutral          |         |
| Deutsche Forfait          | Häßler      | Suspended    | Rating Suspended | 2/3/4/5 | SAF-Holland          | Schmidt       | 16.00     | Buy              | 7       |
| Deutsche Post             | Rotenbacher | 30.00        | Accumulate       |         | Seven PrinciplesAG   | Pehl          | Suspended | Rating Suspended | 2/3/5   |
| Deutsche Telekom          | Pehl        | 16.00        | Neutral          |         | Siegfried Holding AG | Miemietz      | 192.00    | Buy              |         |
| Deutz AG                  | Schmidt     | 2.80         | Sell             |         | SLM Solutions        | Pehl          | 27.50     | Buy              | 4       |
| DMGMori Seiki AG          | Rau         | 37.00        | Buy              |         | SMT Scharf AG        | Schmidt       | 14.00     | Neutral          | 2/3     |
| Draegerwerk AG & Co. KGaA | Rau         | 98.00        | Neutral          |         | Software AG          | Droste        | 26.00     | Neutral          |         |
| Drillisch                 | Pehl        | under review | under review     |         | STOSE & Co. KGaA     | Lieder        | Suspended | Rating Suspended |         |
| E.ON                      | Schäfer     | 10.50        | Accumulate       |         | SuessMicroTec        | Pehl          | 7.50      | Accumulate       | 2/3     |
| Elmos Semiconductor       | Pehl        | 17.50        | Buy              |         | Surteco              | Schmidt       | 30.00     | Buy              | 2/3     |
| EringKlinger              | Schmidt     | 21.00        | Neutral          |         | Symrise AG           | Schäfer       | 36.00     | Neutral          |         |
| elumeo SE                 | Bast        | 35.00        | Buy              | 4       | Szygy AG             | Bast          | 10.00     | Buy              | 2/3     |
| EpigenomicsAG             | Miemietz    | 5.00         | Buy              | 2/3/5   | Talanx Group         | Häßler        | 32.00     | Accumulate       |         |
| Euromicron AG             | Pehl        | 13.00        | Buy              | 2/3     | Technotrans          | Rau           | 22.00     | Buy              | 2/3     |
| Evonik                    | Schäfer     | 34.00        | Accumulate       |         | TUI                  | Rotenbacher   | 15.50     | Neutral          |         |
| Ferratum                  | Häßler      | 29.00        | Buy              | 5       | United Internet      | Pehl          | 48.50     | Accumulate       |         |
| Fielmann                  | Lieder      | Suspended    | Rating Suspended |         | VBH Holding          | Orzelek       | Suspended | Rating Suspended | 2/3/4/5 |
| Fraport                   | Rotenbacher | 61.00        | Neutral          |         | VIB Vermoegen        | Rotenbacher   | 16.50     | Neutral          |         |
| Freenet                   | Pehl        | 36.00        | Buy              | 2       | Viscom               | Pehl          | 16.50     | Buy              | 2/3/5   |
| Fresenius                 | Lieder      | Suspended    | Rating Suspended |         | Volkswagen           | Schmidt       | 104.00    | Neutral          |         |
| Fresenius Medical Care    | Lieder      | Suspended    | Rating Suspended |         | Vossloh              | Rau           | 74.00     | Buy              |         |
| Fuchs Petrolub            | Schäfer     | 28.00        | Reduce           |         | Wiflex               | Miemietz      | 5.52      | Buy              | 2/3     |
| GEA Group                 | Rau         | 49.00        | Buy              |         | Wincor Nixdorf       | Pehl          | 50.00     | Accumulate       | 2       |
| Gerresheimer AG           | Lieder      | Suspended    | Rating Suspended |         | Zumtobel Group AG    | Bast          | 27.00     | Buy              | 2/3     |
| Gerry Weber               | Faust       | Suspended    | Rating Suspended |         |                      |               |           |                  |         |
| Gesco                     | Rau         | 68.00        | Neutral          | 2/3     |                      |               |           |                  |         |
| GFT Technologies          | Droste      | 27.00        | Buy              | 2/3     |                      |               |           |                  |         |
| Gigaset                   | Pehl        | 1.00         | Accumulate       | 2/3/5   |                      |               |           |                  |         |
| Grand City Properties     | Häßler      | 17.00        | Accumulate       |         |                      |               |           |                  |         |
| Grenkeleasing AG          | Häßler      | 140.00       | Neutral          |         |                      |               |           |                  |         |
| Hannover Re               | Häßler      | 88.00        | Neutral          |         |                      |               |           |                  |         |
| Heidelberger Druck        | Rau         | 3.40         | Buy              |         |                      |               |           |                  |         |
| Henkel                    | Schäfer     | 82.00        | Neutral          |         |                      |               |           |                  |         |
| HHLA                      | Rotenbacher | 14.00        | Neutral          |         |                      |               |           |                  |         |
| Hochtief                  | Faust       | Suspended    | Rating Suspended |         |                      |               |           |                  |         |
| Hugo Boss                 | Faust       | Suspended    | Rating Suspended |         |                      |               |           |                  |         |
| Jenoptik                  | Rau         | 12.50        | Accumulate       |         |                      |               |           |                  |         |
| K+S AG                    | Schäfer     | 26.00        | Accumulate       |         |                      |               |           |                  |         |
| Kontron                   | Pehl        | 5.00         | Buy              |         |                      |               |           |                  |         |

Source: equinet Recommendations



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## Remarks

### Recommendation System

- Buy - The stock is expected to generate a total return of over 15% during the next 12 months time horizon.
- Accumulate - The stock is expected to generate a total return of 5% to 15% during the next 12 months time horizon.
- Hold - The stock is expected to generate a total return of -5% to 5% during the next 12 months time horizon
- Reduce - The stock is expected to generate a total return of -15% to -5% during the next 12 months time horizon
- Sell - The stock is expected to generate a total return below -15% during the next 12 months time horizon

### Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

### Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication unless stated otherwise in the research report.

### Sources

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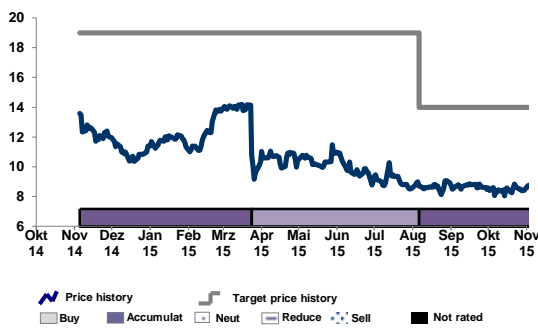
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-BaFin- (Federal Financial Supervisory Authority)  
Graurheindorfer Straße 108, 53117 Bonn and  
Marie-Curie-Str. 24-28, 60439 Frankfurt am Main.



Recommendation history for EUROMICRON AG

| Date       | Recommendation   | Target price | Price at change date |
|------------|------------------|--------------|----------------------|
| 06. Nov 15 | Buy              | 13.00        | 8.70                 |
| 06. Aug 15 | Buy              | 14.00        | 8.72                 |
| 24. Mrz 15 | Rating Suspended | 19.00        | 10.80                |
| 09. Apr 14 | Buy              | 19.00        | 12.70                |
| 12. Nov 13 | Buy              | 24.00        | 16.27                |

Source: Factset & ESN, price data adjusted for stock splits.  
 This chart shows Equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Adrian Pehl, CFA (since 28/04/2010)





## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

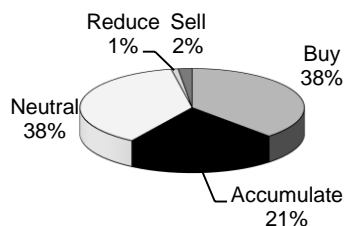
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

### Equinet Bank Ratings Breakdown



### History of ESN Recommendation System

**Since 1 April 2015**, the ESN Rec. System has been amended as follows:

- The term "Hold" has been replaced by the term "Neutral"
- Recommendations Total Return Range changed as showed in the picture at the start of the page

**Since 4 August 2008 until 30 March 2015**, the previous ESN Rec. System was amended as follow.

- Time horizon changed to 12 months (previously it was 6 months)
- Recommendations Total Return Range changed (see below):



**Since 18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.



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