



Investment Research

Reason: Rating Change

Buy

from Rating Suspended

Share price: EUR 9.00

closing price as of 05/08/2015

Target price: EUR 14.00

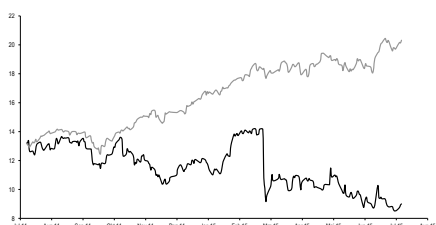
from Target Price: EUR 19.00

Reuters/Bloomberg EUCG.DE/EUC.GY

Daily avg. no. trad. sh. 12 mth	14,488
Daily avg. trad. vol. 12 mth (m)	129.39
Price high 12 mth (EUR)	14.18
Price low 12 mth (EUR)	8.52
Abs. perf. 1 mth	-1.5%
Abs. perf. 3 mth	-15.6%
Abs. perf. 12 mth	-31.9%

Market capitalisation (EURm)	65
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	16	24
EBITDA margin	6.1%	4.8%	6.7%
EBIT (m)	11	2	15
EBIT margin	3.3%	0.7%	4.2%
Net Profit (adj.)(m)	6	5	8
ROCE	5.7%	2.3%	5.3%
Net debt/(cash) (m)	76	82	69
Net Debt Equity	0.7	0.8	0.6
Net Debt/EBITDA	3.6	5.0	2.9
Int. cover(EBITDA/Fin.int)	5.7	5.2	8.5
EV/Sales	0.5	0.5	0.4
EV/EBITDA	8.1	9.7	6.2
EV/EBITDA (adj.)	6.7	8.1	6.2
EV/EBIT	14.9	68.2	9.9
P/E (adj.)	14.3	13.0	8.0
P/BV	0.7	0.6	0.6
OpFCF yield	-8.2%	-9.0%	19.7%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.80	0.69	1.13
BVPS	15.33	14.99	16.12
DPS	0.00	0.00	0.00



Source: Reuters/Bloomberg, EUCG.DE/EUC.GY

For company description please see summary table footnote

Return to 'normal' would unleash significant potential New 'Buy' rating, TP EUR 14

Euromicron (EUCA) experienced turbulences after project booking errors of FY12/13 were detected. During the assessment of the errors we suspended our rating. Now that 1/the booking errors have been mended and found to be smaller than initially feared, 2/management has seen a reshuffle and 3/that EUCA's strategy changed from growth to earnings and cash flow we rerate the company with a TP of EUR 14 and a Buy rating. We find EUCA well positioned in the Internet of Things (IoT) megatrend that it wants to focus on. We expect a solid order momentum in 2Q15 (August 7) to outweigh a weak start in 1Q15.

- ✓ **Project booking errors have been mended:** According to EUCA booking errors were detected at 25 projects of the FY12 and FY13. These errors mostly stemmed from underestimated costs and occurred due to the missing of harmonized project and risk management tools. Initial estimates of an impact on equity of EUR 15m were lowered to c. EUR 11m in accordance with IAS 8 after a diligent assessment by EUCA and external auditors. According to EUCA all project errors now have been mended and therefore the company can return to normal business. In addition, risk management processes were implemented and the harmonization of products pushed forward in order to prevent mistakes in the future.
- ✓ **New strategy has been announced:** EUCA wants to focus on the Internet of Things (IoT) megatrend and in our opinion has a promising product portfolio regarding the integration of IT infrastructures and environments. EUCA wants to focus on smart buildings as well as critical infrastructures. Furthermore, EUCA announced a focus on value instead of top line growth creation. This new focus also implies that low-margin large-scale projects are not pursued anymore which was already visible in Q1 numbers. In our opinion, the strategic decision is a wise lesson learnt.
- ✓ **Management reshuffle:** Dr. Späth resigned as the group CEO just after the project booking errors were detected and announced this March. Board member Hoffmann followed eight weeks afterwards. Mrs. Bettina Meyer who was responsible for the law department assumed the position of Spokeswoman of the Executive Board and was joined by Jürgen Hansjosten (responsible for the operating business, IT and strategy) to implement the new orientation of the group.
- ✓ **Q2 should return to EBIT break-even, FY15 a transition year:** EUCA is due to publish Q2 results on August 7. For Q2 we expect sales at EUR 82.4m, nearly flat yoy. Furthermore, we expect reported EBITDA at EUR 2.1m and a 2.5% margin for the quarter. Taking about EUR 800k one-offs for restructuring into account, we expect the adj. EBIT to return to break-even (equinet: EUR 0.6m) after 1Q15 saw a loss of EUR minus 1.0m (adjusted). We forecast order intake at EUR 81m, up 24% yoy, admittedly on a very weak 2Q14. Consequently, EUCA should have managed to hold bookings stable yoy more or less over 1H15 as announced at the AGM. For FY15 we adjusted our estimates and expect '15 sales at EUR 340m and group EBITDA margin at c. 5% which is as the lower end of the management guidance.
- ✓ **TP EUR 14, rating BUY.** We expect EUCA to be able to further improve the profitability thanks to the new strategy. With our DCF we yield a fair value of EUR 14 per share and thus retrieve a 'Buy' rating for EUCA (previously suspended).

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

What happened?

On March 23 EUCA announced that project booking errors had occurred in FY12 and FY13 and were detected in the process completing the 2014 consolidated financial statements. These errors led to an underestimation of costs at 25 large-scale projects that were part of the top line growth strategy targeted by then CEO Dr. Späth. Project errors included for example unbillable services, errors at proportion calculations and costs stemming from underestimated transition times of employees.

A first estimate indicated that these errors would lead to a reduction of the equity position in an amount of c. EUR 15m in accordance with IAS 8. In May the company announced that corrections would be in the amount of EUR 11.4m and thus substantially less than indicated at first sight. In line with the IAS 8 directive the equity position was adjusted. Thus, the corrected equity ratio was 35.1% on December 31 2013 and 38.4% on December 31 2014.

According to the company's new management team these errors stemmed from the missing of adequate risk management and controlling tools caused by high personnel fluctuation of project executives. With the implementation of a new risk management system, and after the hiring additional project controllers first errors were detected. A 'Team Major Projects' competence centre has been set up in 2014 and all larger projects are controlled and reviewed by the unit since inception. Overall, EUCA is pursuing the harmonization and standardization of processes of the different departments of the EUCA Group which continues throughout the year and probably beyond.

CEO Dr. Späth resigned with immediate effect after the errors were communicated to the market. Board Member Hoffmann also left about eight weeks afterwards. Mrs. Bettina Meyer assumed the position of the group Spokeswomen of the Executive Board. Mrs. Meyer gained experience at Deutsche Bank before becoming the head of EUCA's legal department. Jürgen Hansjosten took the reign for the operating business, IT and strategy. Before, he was heading euromicron networks GmbH. According to the company, EUCA has no further affiliations with Dr. Späth anymore and considers reclaiming corrected bonus payments for 2012/13.

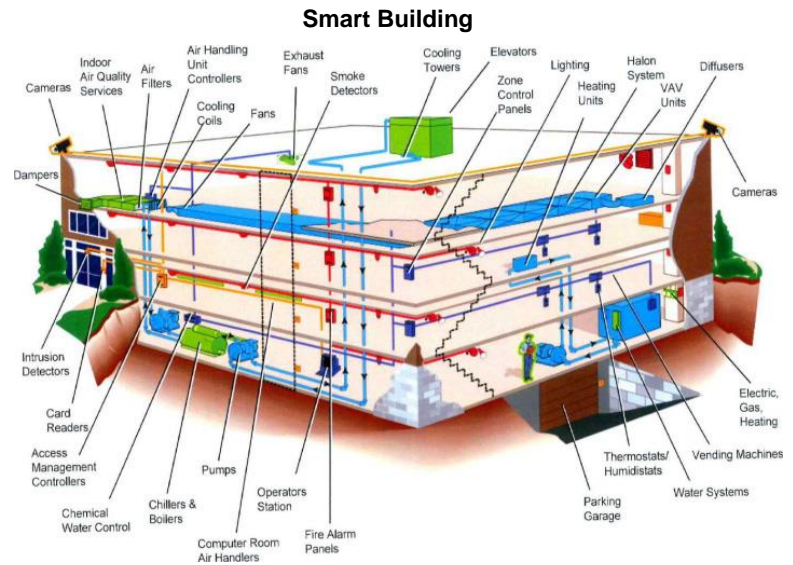
New strategic positioning

After the management change EUCA abandoned the top line growth orientation as primary goal and now wants to focus more on profitability and cash flow. According to the management this transition will have an impact on FY15.

On the one hand, the new strategy includes that small and medium sized deals are in focus and are pursued more diligently than in the past. On the other hand, that implies that complex large-scale deals with low or no profitability are to be neglected. We regard this decision as favourable since the accounting errors of 2012/13 stemmed all from large-scale projects with challenging complexity levels. This strategic decision was already implemented in 1Q15 when the management rejected deals with marginal profitability.

Furthermore, EUCA wants to enter the Internet of Things (IoT) market and sees itself in an advantageous position as a provider of critical enterprise communication and infrastructure solutions. EUCA wants to focus on the trends 1/ smart buildings and 2/ smart and critical infrastructure.

Smart buildings comprise of the production and development of intelligent control of light, access, fire detection systems, heating, air regulation, security and surveillance systems. Main drivers of the trend are 1/ increasing demand for digitalized and interconnected gadgets, 2/ increasing demand for ambient assisted living for elderly people and 3/ increasing demand for energy efficiency as well as 4/ security.



Source: Cisco Systems

Smart and critical infrastructures are about altering daily life efficiencies while maintaining or even increasing a high level of safety. Fields of application are connecting government infrastructure, public and private transportation as well as energy grids and smart meters. Smart and critical infrastructures offer cost optimization and efficiency advantages for a broad range of potential customers.

1Q15 recap

Sales were down 1.5% yoy to EUR 74.6m, largely due to negative contributions from the Süd-Segment while the Nord-Segment was up 2.3% and WAN flat.

The gross margin came to 47.7% and was thus 110bp below the level of the previous year (corrected values for 1Q14). At the same time, personnel expenses were up 3.5% including a EUR 0.6m one-off from restructuring. This caused the EBIT to come in actually in negative terrain at EUR minus 1.6m (1Q14: EUR 116k, adj. 2Q15 EBIT: EUR minus 1.0m). The EPS was released at EUR minus 0.27 (EUR minus 0.08).

The order intake came to EUR 79m and was thus about 20% below the level of EUR 99m of the previous year's 1Q15. The book-to-bill was nevertheless at 1x. The backlog of EUR 126m provides visibility for about 5 months. Management stated that it was deliberately less active in acquiring larger projects with lower margins. Furthermore, the product business intakes were affected from delays.

The operating cash flow was negative in 1Q15 at EUR minus 29.5m (1Q15: EUR minus 27.3m). The equity ratio stood at 37.2%. However, we rate it more important to look at the factoring adjusted cash flow figures. Here, EUCA achieved an improvement by about EUR 3.9m vs. 1Q14 and the absolute level stood at only EUR minus 2.9m.

Quarterly Development 2015

in EUR m	in % of total output			in % of total output			in % of total output			in % of total output		
	Q1/2015		yoy	Q2/2015e		yoy	Q3/2015e		yoy	Q4/2015e		yoy
Sales	74.562	98.1%	-1.5%	82.438	97.8%	-0.9%	81.500	98.2%	-3.6%	101.500	99.8%	-1.3%
Change in inventory / own work	1.432	1.9%	77.4%	1.818	2.2%	28.3%	1.500	1.8%	95.3%	0.250	0.2%	26.3%
Total output	75.994	100.0%	-0.7%	84.256	100.0%	-0.4%	83.000	100.0%	-2.8%	101.750	100.0%	-1.3%
COGS	-39.729	-52.3%	1.4%	-44.671	-53.0%	-0.9%	-44.900	-54.1%	-2.1%	-51.825	-50.9%	-1.0%
Gross result	36.265	47.7%	-2.9%	39.585	47.0%	0.2%	38.100	45.9%	-3.5%	49.925	49.1%	-1.6%
Personnel expenses	-25.483	-33.5%	3.5%	-25.517	-30.3%	-1.6%	-24.800	-29.9%	-1.5%	-25.975	-25.5%	-5.3%
Other operating expenses	-10.461	-13.8%	-0.9%	-12.539	-14.9%	13.4%	-11.500	-13.9%	8.7%	-13.283	-13.1%	4.7%
Other operating income	0.432	0.6%	-17.2%	0.568	0.7%	-21.0%	0.400	0.5%	210.1%	0.736	0.7%	-4.9%
EBITDA	0.753	1.0%	-71.8%	2.097	2.5%	-35.2%	2.200	2.7%	-42.8%	11.403	11.2%	0.1%
Depreciation and Amortisation	-2.359	-3.1%	-7.8%	-2.291	-2.7%	-6.0%	-2.250	-2.7%	-9.2%	-7.210	-7.1%	223.6%
EBIT	-1.606	-2.1%	-1484.5%	-0.194	-0.2%	-124.3%	-0.050	-0.1%	-103.6%	4.193	4.1%	-54.2%
Interest result	-0.797	-1.0%	-5.9%	-0.803	-1.0%	-16.5%	-0.785	-0.9%	-14.7%	-0.758	-0.7%	-20.2%
Other financial result	0.000	0.0%	n.a.	0.000	0.0%	n.a.	0.000	0.0%	n.a.	0.000	0.0%	n.a.
Financial result	-0.797	-1.0%	-5.9%	-0.803	-1.0%	-16.5%	-0.785	-0.9%	-14.7%	-0.758	-0.7%	-20.2%
EBT	-2.403	-3.2%	228.7%	-0.997	-1.2%	515.4%	-0.835	-1.0%	-285.1%	3.435	3.4%	-58.2%
Taxes (tax rate)	0.486	20.2%	121.9%	0.194	19.5%	304.2%	0.200	24.0%	-249.3%	-2.160	62.9%	-57.3%
Net result before minorities	-1.917	-2.5%	274.4%	-0.803	-1.0%	604.4%	-0.635	-0.8%	-300.3%	1.276	1.3%	-59.5%
Minorities	-0.039	-0.1%	-45.1%	-0.106	-0.1%	71.0%	-0.065	-0.1%	6.6%	-0.108	-0.1%	45.9%
Net result	-1.956	-2.6%	235.5%	-0.909	-1.1%	416.5%	-0.700	-0.8%	-373.4%	1.168	1.1%	-62.1%
Number of shares	7.176			7.176			7.176			7.176		
EPS [EUR]	-0.27			-0.13			-0.10			0.16		
<i>Additional information:</i>												
Total operating expenses	-37.871	-49.8%	1.8%	-39.779	-47.2%	2.8%	-38.150	-46.0%	0.1%	-45.732	-44.9%	10.0%
Adjustments	0.600	0.8%	n/m	0.800	0.9%	n/m	1.000	1.2%	n/m	6.100	6.0%	n/m
Adj. EBIT	-1.006	-1.3%	n/m	0.606	0.7%	n/m	0.950	1.1%	n/m	10.293	10.1%	n/m
Order intake	79.048	1.0	-19.9%	80.952	1.0	23.7%	84.000	1.0	-2.8%	101.000	1.0	12.7%
Order Backlog	126.014	1.7	-13.0%	124.528	1.5	-3.0%	127.028	1.5	-2.6%	126.500	1.2	4.1%

Source: company data, equinet estimates

2Q15 preview

EUCA is due to publish Q2 results on August 7. For Q2 we expect sales at EUR 82.4m, flat yoy. Furthermore, we expect reported EBITDA at EUR 2.1m and thus a margin of 2.5% for the quarter. On an adjusted basis, this figure should come to c. EUR 2.9m. We forecast the EBIT to be released at EUR minus 0.2m (EUR 0.6m adjusted). Net income should come in at EUR minus 1m and hence EPS at EUR minus 0.13. In addition, we expect order intake at EUR 81m, up 24% yoy, which should also outbalance the weak booking start in 1Q15.

FY15e and beyond

EUCA guided '15 sales between EUR 340m and 360m and EBITDA margin between 5% and 7% (adj. 6-8%, i.e. about 1% or EUR 3.4m for restructuring). The margin will be burdened by the transformation of the company with a new strategic focus on the Internet of Things megatrend. This and the new focus on value/profitability also include the disposal of low or no margin entities which will burden the '15 EBITDA margin.

We forecast EUCA's top line and EBITDA margin to come in at the lower end, i.e. at EUR 340m and c. 5%, respectively. EUCA guided that the margin would start improving by 2016 which we find plausible. The company targets an EBITDA margin of 8% to 11% in the midterm. We expect EUCA to have an advantageous edge in the IoT market with skilled employees with expert know-how and a competitive product range. We have nevertheless opted to stay cautious and forecast an EBITDA margin of 7% in FY16e and 8% in FY17e.

On the AGM in July, the company communicated that due to the strategic repositioning EUCA does not intend to pay dividends for the next 3 years. We find this step to be rational since EUCA further seeks financial stability. This also implies a focus on organic growth and no major M&A activities in the short-term.

The company further expects the 2016 IFRS tax rate to normalize at c. 30% due to the disposal of non-profitable entities of the EUCA group. Our financial model does not incorporate disposals. Those can however lead to a deviation from EUCA's and our planning. Furthermore, we have not included acquisitions. We rate bolt-on moves not impossible, but larger takeovers have been excluded by management as far as we understood.

One should take into account however that management stated on the AGM that there might be goodwill write-downs due to the potential disposals of barely profitable business units. We have thus factored in a EUR 5m write-down in 2015. We expect the equity ratio at year end to come in close to 40%.

Valuation and Conclusion & Action

We use a DCF to value EUCA. We derived the Beta of 1.44 with our ESN method which results in a WACC of 9.71%. We retrieve a fair value of c. EUR 14 per share which we take as our target price. We thus rate EUCA with a Buy. Our fair value would lead to a target 1Y forward EV/adj. EBIT multiple of 8.8x and a 2Y forward EV/adj. EBIT multiple of 6.6x which we rate attractive. Assuming our projections would become reality, EUCA would trade with a 5.2x P/E'17e.

Discounted Cash Flow model

EUR m	Phase I					Phase II					Phase III
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sales	340.0	355.0	369.2	382.1	393.6	403.4	413.5	423.8	434.4	445.3	454.2
<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%
EBIT	2.3	14.9	20.8	24.5	26.7	23.5	24.3	25.1	25.9	26.6	27.3
<i>EBIT margin</i>	0.7%	4.2%	5.6%	6.4%	6.8%	5.8%	5.9%	5.9%	6.0%	6.0%	6.0%
Normative tax rate EBIT	(0.7)	(4.5)	(6.2)	(7.4)	(8.0)	(7.0)	(7.3)	(7.5)	(7.8)	(8.0)	(8.2)
<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%
NOPAT	1.6	10.4	14.5	17.2	18.7	16.4	17.0	17.6	18.1	18.6	19.1
Depreciation	9.1	9.0	9.0	9.1	9.3	9.3	9.3	9.3	9.4	9.5	9.6
<i>in % of Sales</i>	2.7%	2.5%	2.4%	2.4%	2.4%	2.3%	2.2%	2.2%	2.2%	2.1%	2.1%
Capex	(8.5)	(8.9)	(9.2)	(9.6)	(9.8)	(9.1)	(9.3)	(9.5)	(9.8)	(10.0)	(9.7)
<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%
Provision delta	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1
<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%
Change in working capital	(1.4)	(3.0)	(2.8)	(2.6)	(2.3)	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)	(0.1)
<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%
Other current assets delta	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)
<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%
Free Cash Flow	1.3	8.0	11.9	14.6	16.2	14.9	15.2	15.5	15.9	16.2	19.0
<i>FCF growth</i>	nm	nm	49.4%	22.2%	11.3%	-8.0%	2.0%	2.1%	2.2%	2.2%	17.2%
Present Value FCF	1.3	7.0	9.5	10.6	10.8	9.0	8.4	7.8	7.3	6.8	103.2

PV Phase I	39.2	MCap	64.6	Targ. equity ratio	80.4%		
PV Phase II	39.4	Risk premium	4.00%	Beta	1.44		
PV Phase III	103.2	Risk free rate	4.50%	WACC	9.71%		
Total present value	181.8						
+ 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						
Implied Mcap	100.3						
Number of shares	7.2						
Implied value per share	13.97						
		Sensitivity Analysis	Growth rate Phase III				
			1.0%	1.5%	2.0%	2.5%	3.0%
		9.23%	13.90	14.81	15.85	17.04	18.42
		9.47%	13.09	13.93	14.88	15.97	17.22
		9.71%	12.32	13.10	13.97	14.97	16.12
		9.95%	11.60	12.32	13.12	14.04	15.09
		10.20%	10.91	11.58	12.33	13.17	14.13

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

Source: equinet



Valuation	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E
EUR m											
Pricing											
Share price	14.99	20.75	15.93	18.14	14.35	11.39	9.00	9.00	9.00	9.00	9.00
Market capitalisation	68.0	93.4	76.8	95.2	95.6	81.7	64.6	64.6	64.6	64.6	64.6
No. of shares	4.5	4.5	4.8	5.2	6.7	7.2	7.2	7.2	7.2	7.2	7.2
Net debt	58.2	50.6	59.7	77.7	66.0	76.1	81.9	69.2	57.5	43.3	32.0
Pension provisions	0.9	0.7	0.7	1.0	0.9	1.2	1.2	1.3	1.3	1.4	1.4
Enterprise Value (EV)	127.1	144.6	137.3	173.9	162.6	159.0	147.7	135.1	123.4	109.2	98.0
Multiples											
EV/Sales	0.71	0.71	0.45	0.53	0.50	0.46	0.43	0.38	0.33	0.29	0.25
EV/EBITDA	6.39	5.85	4.46	6.95	18.68	7.52	8.98	5.65	4.14	3.25	2.73
EV/EBIT	7.76	7.19	5.67	10.18	-829.56	13.89	63.04	9.07	5.94	4.45	3.67
EV/adj. EBIT	7.76	7.19	5.67	10.18	-829.56	9.97	11.50	6.97	5.11	4.45	3.67
P/E	6.9	8.7	6.8	14.1	-15.8	31.7	-26.9	8.0	5.2	4.3	3.8
Adj. P/E	6.9	8.7	6.8	10.3	-38.5	14.3	13.0	8.0	5.2	4.3	3.8
Cash adjusted P/E	13.1	13.6	12.3	19.0	-62.5	28.0	31.1	16.9	10.1	7.3	5.9
P/BV	1.03	1.31	0.86	0.79	0.84	0.74	0.58	0.60	0.55	0.50	0.41
Dividend yield	6.7%	5.3%	7.2%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	6.7%	6.7%
Operating FCF Yield	14.8%	6.1%	-19.4%	13.3%	14.3%	-8.2%	-9.0%	19.7%	18.0%	22.0%	23.9%
ROE (adj.)	14.9%	15.0%	12.6%	7.7%	-2.2%	5.2%	4.5%	7.5%	10.6%	11.6%	10.6%
Net debt/EBITDA	2.9	2.0	1.9	3.1	7.6	3.6	5.0	2.9	1.9	1.3	0.9
Days sales outstanding	91.4	88.6	89.4	107.5	89.2	81.4	80.7	75.5	78.2	78.0	79.0
Intrinsic Value											
@ 5Y EV/Sales Average (Historical)	15.57	22.87	29.75	23.04	18.24	14.77	10.86	12.93	13.48	13.95	13.81
@ 5Y EV/EBITDA Average (Historical)	18.65	28.28	25.44	12.80	1.01	14.85	9.77	22.02	29.16	21.47	20.12
@ 5Y P/Dividend yield (Historical)	17.92	18.51	17.14	4.87	n.a.	n.a.	n.a.	n.a.	n.a.	44.99	22.49
@ 7x EPS in 3Y (Forward)	9.00	-6.36	2.51	-2.34	7.88	12.05	14.67	16.38	n.a.	n.a.	n.a.
@ 8x EV/adj. EBIT in 1Y (Forward)	24.38	27.63	11.04	-10.28	7.01	2.73	11.79	18.75	21.12	25.09	n.a.

Source: FactSet, equinet Research

EUCA AG: Summary tables

PROFIT & LOSS (EURm)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Sales	330	326	346	340	355	369
Cost of Sales & Operating Costs	-301	-311	-321	-320	-331	-339
Non Recurrent Expenses/Income	-4.5	-5.5	-4.5	-3.4	0.0	0.0
EBITDA	25.0	8.7	21.1	16.5	23.9	29.8
EBITDA (adj.)*	29.5	14.2	25.6	19.9	23.9	29.8
Depreciation	-3.2	-3.5	-3.3	-3.5	-3.7	-3.9
EBITA	21.8	5.2	17.8	12.9	20.2	26.0
EBITA (adj)*	26.3	10.7	22.3	16.3	20.2	26.0
Amortisations and Write Downs of which PPA amortisation	-4.8 -2.0	-5.4 -2.0	-6.4 -1.5	-10.6 -1.2	-5.3 -1.2	-5.2 -1.2
EBIT	17.1	-0.2	11.4	2.3	14.9	20.8
EBIT (adj.)*	23.6	7.3	17.4	6.9	16.1	22.0
Net Financial Interest	-4.3	-3.8	-3.7	-3.1	-2.8	-2.5
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
Earnings Before Tax (EBT)	12.2	-4.0	7.8	-0.8	12.1	18.2
Tax	-3.4	-2.4	-4.9	-1.3	-3.6	-5.5
<i>Tax rate</i>	<i>27.8%</i>	<i>n.m.</i>	<i>63.4%</i>	<i>n.m.</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
Net Profit (reported)	8.6	-6.5	2.6	-2.4	8.1	12.4
Net Profit (adj.)	11.7	-2.7	5.7	5.0	8.1	12.4
CASH FLOW (EURm)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Cash Flow from Operations before change in NWC	17.2	4.4	11.4	4.1	24.6	23.7
Change in Net Working Capital	6.3	15.6	-11.7	-1.4	-3.0	-2.8
Cash Flow from Operations	23.5	20.0	-0.3	2.7	21.6	20.9
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
Free Cash Flow	9.5	3.1	-6.7	-5.8	12.7	11.7
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
Change in Net Debt	-18.0	11.7	-10.0	-5.8	12.7	11.7
NOPLAT	17.0	5.1	12.2	4.9	11.3	15.4
BALANCE SHEET & OTHER ITEMS (EURm)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Net Tangible Assets	16.3	14.5	14.1	14.9	15.6	16.4
Net Intangible Assets (incl. Goodwill)	127	137	134	128	127	126
Net Financial Assets & Other	0.9	1.1	1.0	1.0	1.0	1.0
Total Fixed Assets	145	153	149	144	144	144
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	-8.4	-6.6	-18.3
Total Current Assets	132	164	138	129	132	149
Total Assets	277	316	287	273	276	293
Shareholders Equity	113	111	110	108	116	128
Minority	0.5	0.4	0.4	0.7	1.1	1.5
Total Equity	113	111	110	108	117	130
Long term interest bearing debt	45.6	40.1	45.7	41.4	26.9	26.9
Provisions	11.0	13.1	12.2	4.6	12.1	14.4
Other long term liabilities	6.2	5.8	1.4	1.4	1.4	1.4
Total Long Term Liabilities	62.9	59.0	59.3	47.4	40.4	42.7
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
Total Current Liabilities	101	146	118	117	119	121
Total Liabilities and Shareholders' Equity	277	316	287	273	276	293
Net Capital Employed	208	196	200	196	200	203
Net Working Capital	70.5	54.9	66.6	68.0	71.0	73.9
GROWTH & MARGINS	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
<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>
EBITDA (adj.)* growth	-4.1%	-51.9%	80.6%	-22.6%	20.5%	24.7%
<i>EBITA (adj.)* growth</i>	<i>-5.6%</i>	<i>-59.5%</i>	<i>109.2%</i>	<i>-26.8%</i>	<i>23.8%</i>	<i>28.3%</i>
<i>EBIT (adj)* growth</i>	<i>-9.0%</i>	<i>-69.0%</i>	<i>138.9%</i>	<i>-60.2%</i>	<i>131.8%</i>	<i>36.6%</i>

**EUCA AG: Summary tables**

	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
GROWTH & MARGINS						
Net Profit growth	-4.2%	n.m.	n.m.	-13.0%	62.1%	52.9%
EPS adj. growth	-24.5%	n.m.	n.m.	-13.0%	62.1%	52.9%
DPS adj. growth	-73.9%	n.m.				
EBITDA (adj)* margin	8.9%	4.4%	7.4%	5.8%	6.7%	8.1%
EBITA (adj)* margin	8.0%	3.3%	6.4%	4.8%	5.7%	7.0%
EBIT (adj)* margin	7.1%	2.2%	5.0%	2.0%	4.5%	6.0%
RATIOS						
Net Debt/Equity	0.7	0.6	0.7	0.8	0.6	0.4
Net Debt/EBITDA	3.1	7.6	3.6	5.0	2.9	1.9
Interest cover (EBITDA/Fin.interest)	5.8	2.3	5.7	5.2	8.5	11.8
Capex/D&A	136.4%	71.7%	66.1%	93.3%	98.3%	102.1%
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%	4.6%	7.2%	10.1%
ROCE (adj.)	8.0%	2.5%	5.7%	2.3%	5.3%	7.1%
WACC	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%
ROCE (adj.)/WACC	0.8	0.3	0.6	0.2	0.5	0.7
PER SHARE DATA (EUR)***						
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	-0.33	1.13	1.72
EPS (adj.)	1.76	-0.37	0.80	0.69	1.13	1.72
BVPS	16.92	15.44	15.33	14.99	16.12	17.84
DPS	0.30	0.00	0.00	0.00	0.00	0.00
VALUATION						
EV/Sales	0.6	0.6	0.5	0.5	0.4	0.4
EV/EBITDA	8.4	20.7	8.1	9.7	6.2	4.6
EV/EBITDA (adj.)*	7.2	12.7	6.7	8.1	6.2	4.6
EV/EBITA	9.7	34.9	9.6	12.4	7.3	5.3
EV/EBITA (adj.)*	8.0	16.9	7.7	9.8	7.3	5.3
EV/EBIT	12.4	n.m.	14.9	68.2	9.9	6.6
EV/EBIT (adj.)*	9.0	24.7	9.8	23.0	9.2	6.2
P/E (adj.)	10.3	n.m.	14.3	13.0	8.0	5.2
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	0.6
OpFCF yield	10.5%	13.2%	-8.2%	-9.0%	19.7%	18.0%
OpFCF/EV	6.0%	7.6%	-3.9%	-3.6%	8.6%	8.5%
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%
EV AND MKT CAP (EURm)						
Price** (EUR)	18.14	14.35	11.39	9.00	9.00	9.00
Outstanding number of shares for main stock	6.7	7.2	7.2	7.2	7.2	7.2
Total Market Cap	121	103	82	65	65	65
Net Debt	78	66	76	82	69	58
<i>o/w Cash & Marketable Securities (-)</i>	<i>-6</i>	<i>-41</i>	<i>-19</i>	<i>-8</i>	<i>-7</i>	<i>-18</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>
Other EV components	13	11	13	13	14	15
Enterprise Value (EV adj.)	211	180	171	160	148	137

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	34.00	Buy	2/3/5	KTGAgrar	Schäfer	21.00	Buy	2/3/5
4SC	Miemietz	18.00	Buy	7	KUKA	Rau	73.00	Neutral	
Aareal Bank	Häßler	41.00	Accumulate		Lanxess	Schäfer	54.00	Neutral	
Adler Modemaerkte	Bast	13.00	Neutral	5/7	Leoni	Rau, Schmidt	74.00	Buy	
Adpepper	Bast	1.40	Buy	2/3	Linde	Schäfer	160.00	Neutral	
adidas	Faust	Suspended	Rating Suspended		Logwin	Rotenbacher	2.00	Neutral	2/3
Aixtron	Pehl	Under review	Neutral	2/3	Luft hansa	Rotenbacher	17.00	Buy	
Allianz	Häßler	160.00	Accumulate		Manz AG	Rau	91.00	Buy	2/3/5
Axel Springer	Bast	55.00	Neutral		MAXAutomation AG	Rau	5.00	Accumulate	2/3
BASF	Schäfer	95.00	Accumulate		Merck	Miemietz	96.00	Neutral	
Bayer	Miemietz	134.00	Neutral		MLP	Häßler	4.30	Accumulate	2/3
BayWa	Schäfer	42.00	Buy	5	MTU	Pehl	90.00	Accumulate	2
BB Biotech	Miemietz	321.00	Accumulate	7	Munich Re	Häßler	200.00	Accumulate	
Beiersdorf	Schäfer	64.00	Sell		Nanogate AG	van der Horst	Suspended	Rating Suspended	2
Bilfinger SE	Faust	Suspended	Rating Suspended		Nemetschek AG	Orzelek	34.00	Neutral	
Biotest	Miemietz	32.33	Buy	2/3	Osram Licht AG	Jäkel	Suspended	Rating Suspended	2
BMW	Schmidt	110.00	Accumulate		OVB Holding AG	Häßler	19.50	Accumulate	2/3
Cenit	Pehl	20.00	Buy	2/3	Patrizia AG	Häßler	21.00	Neutral	
comdirect	Häßler	10.00	Neutral		Pfeiffer Vacuum	Pehl	95.00	Accumulate	
Commerzbank	Häßler	13.00	Neutral		Postbank	Häßler	40.00	Accumulate	
Continental	Schmidt	260.00	Buy		PSI	Schäfer	13.00	Buy	2/3
CTS Eventim	Bast	33.00	Neutral		Puma	Faust	Suspended	Rating Suspended	
Cytotools AG	Miemietz	58.00	Accumulate	2/3	Rheinmetall	Rau	60.00	Buy	
Daimler AG	Schmidt	108.00	Buy		Rhoen-Klinikum	Lieder	Suspended	Rating Suspended	
Daldrup & Soehne	Schäfer	15.00	Accumulate	2/3/5	RIB Software	Rotenbacher	18.00	Buy	2/3/5
Deutsche Bank	Häßler	30.00	Neutral		RWE	Schäfer	25.00	Neutral	
Deutsche Boerse	Häßler	82.00	Neutral		SAF-Holland	Rau	14.00	Buy	7
Deutsche EuroShop	Rotenbacher	42.00	Neutral		Seven Principles AG	Pehl	Suspended	Rating Suspended	2/3/5
Deutsche Forfait	Häßler	Suspended	Rating Suspended	2/3/4/5	Siegfried Holding AG	Miemietz	192.00	Buy	
Deutsche Post	Rotenbacher	30.00	Neutral		SLM Solutions	Pehl	27.50	Buy	4
Deutsche Telekom	Pehl	16.00	Neutral		SMT Scharf AG	Schmidt	14.00	Neutral	2/3
Deutz AG	Schmidt	5.00	Neutral		Software AG	Orzelek	26.00	Neutral	
DMGMori Seiki AG	Rau	37.00	Buy		STOSE & Co. KGaA	Lieder	Suspended	Rating Suspended	
Draegerwerk AG & Co. KGaA	Rau	98.00	Neutral		SuessMicroTec	Pehl	6.00	Accumulate	2/3
Drillisch	Pehl	50.00	Accumulate		Surteco	Orzelek	30.00	Buy	2/3
E.ON	Schäfer	14.00	Neutral		Symrise AG	Schäfer	36.00	Neutral	
Elmos Semiconductor	Pehl	21.00	Buy		Syzygy AG	Bast	10.00	Buy	2/3
ErlingKlinger	Schmidt	25.00	Neutral		Talanx Group	Häßler	32.00	Accumulate	
Epigenomics AG	Miemietz	6.72	Buy	2/3/5	Technotrans	Rau	22.00	Buy	2/3
Euromicron AG	Pehl	14.00	Buy	2/3	TUI	Rotenbacher	14.00	Neutral	
Evonik	Schäfer	34.00	Accumulate		United Internet	Pehl	48.50	Accumulate	
Ferratum	Häßler	29.00	Buy	5	VBH Holding	Orzelek	Suspended	Rating Suspended	2/3
Fielmann	Lieder	Suspended	Rating Suspended		VB Vermoegen	Rotenbacher	16.50	Neutral	
Fraport	Rotenbacher	61.00	Neutral		Viscom	Pehl	17.50	Buy	2/3/5
Freenet	Pehl	35.00	Accumulate	2	Volkswagen	Schmidt	180.00	Reduce	
Fresenius	Lieder	Suspended	Rating Suspended		Vossloh	Rau	70.00	Buy	
Fresenius Medical Care	Lieder	Suspended	Rating Suspended		Willex	Miemietz	5.52	Buy	2/3
FuchsPetrolub	Schäfer	28.00	Reduce		Wincor Nixdorf	Pehl	42.00	Accumulate	2
GEA Group	Rau	57.00	Buy		Zumtobel Group AG	Bast	28.00	Buy	2/3
Gerrresheimer AG	Lieder	Suspended	Rating Suspended						
Gerry Weber	Faust	Suspended	Rating Suspended						
Gesco	Rau	68.00	Neutral	2/3					
GFT Technologies	Orzelek	27.00	Buy	2/3					
Gigaset	Pehl	1.00	Accumulate	2/3/4/5					
Grand City Properties	Häßler	17.00	Accumulate						
Grenkeleasing AG	Häßler	140.00	Neutral						
Hannover Re	Häßler	88.00	Reduce						
Heidelberger Druck	Rau	3.40	Buy						
Henkel	Schäfer	82.00	Neutral						
HHLA	Rotenbacher	18.00	Neutral						
Hochtief	Faust	Suspended	Rating Suspended						
Hugo Boss	Faust	Suspended	Rating Suspended						
Jenoptik	Rau	12.50	Buy						
K+S AG	Schäfer	55.00	Buy						
Kontron	Pehl	5.00	Buy						
Krones AG	Rau	87.00	Reduce						

Source: equinet Recommendations



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- Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.
- Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.
- Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon
- Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon
- Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

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Share prices

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Sources

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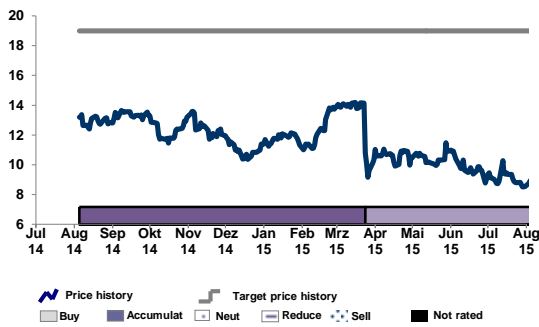


Recommendation history for EUROMICRON AG

Date	Recommendation	Target price	Price at change date
06. Aug 15	Buy	14.00	9.00
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
07. Sep 12	Buy	30.00	19.90

Source: Factset & ESN, price data adjusted for stock splits.

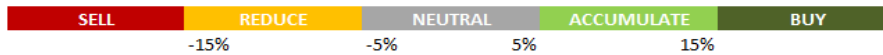
This chart shows Equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Adrian Pehl, CFA (since 28/04/2010)





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)**.

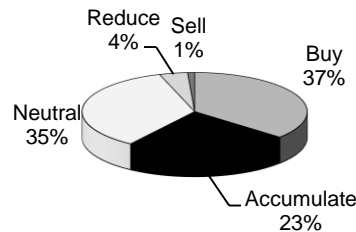
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

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

Equinet 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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