DATAGROUP

(Scale All Share, Software/IT)

WARBURG RESEARCH

Buy	
EUR 40.50	
Price	EUR 34.71
Upside	16.7 %

Value Indicators:	EUR
DCF:	40.40
FCF-Value Potential 19e:	30.90

Share data:	
Bloomberg:	D6H GR
Reuters:	D6HG
ISIN:	DE000A0JC8S7

Description:

IT service provider with focus on recurring services

Market Snapshot:	EUR m
Market cap:	289.8
No. of shares (m):	8.3
EV:	304.7
Freefloat MC:	142.6
Ø Trad. Vol. (30d):	674.48 th

Shareholders:	
Freefloat	49.2 %
HHS Beteiligungsges. mbH	50.8 %

Risk Profile (WRe):	2016/17e
Beta:	1.3
Price / Book:	5.4 x
Equity Ratio:	27 %
Net Fin. Debt / EBITDA:	0.3 x
Net Debt / EBITDA:	2.2 x

Q2: Strong organic growth and an outstanding margin

Stated Figures Q2/2016/17:

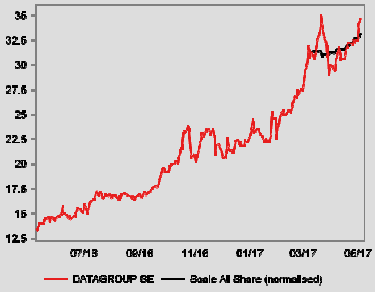
Figures in EUR m	Q2/17	Q2/17e	ΔWR	Q2/16	yoy	6M/17	6M/16	yoy
Sales	54.6	54.6	0.0%	41.1	32.9%	108.1	82.7	30.7%
EBITDA	6.3	5.5	14.2%	3.5	77.3%	11.5	6.0	91.6%
margin	*11.5%*	*10.1%*		*8.6%*		*10.6%*	*7.3%*	
EBIT	4.3	3.7	16.3%	1.9	123.6%	7.6	2.8	169.8%
margin	*7.9%*	*6.8%*		*4.7%*		*7.1%*	*3.4%*	
EPS in EUR	0.36	0.28	28.6%	0.13	176.9%	0.59	0.17	247.1%
Services and Maintenance	44.6	44.6	-0.1%	32.5	37.3%	88.0	65.1	35.2%
Service revenue share	*81.6%*	*81.7%*		*79.0%*		*81.5%*	*78.7%*	
Reselling	10.0	10.1	-0.8%	8.6	16.8%	20.0	17.5	14.1%

Comment on Figures:

- 10% organic growth
- Inorganic revenue contributions from the acquired HPE business activities
- The strong margin reflects the successful integration of the HPE business activities as well as an expansion of the Corbox revenue share.

- Datagroup has released strong Q2 figures and raised its FY guidance.
- **Revenues soared by more than 30%.** The top-line expansion was fuelled by strong organic growth of 10% and the takeover of IT specialists from Hewlett-Packard Enterprise in September 2016. The **margin expansion** reflects both a rising share of services revenues, especially Corbox-related services, as well as the successful integration of the business activities acquired from Hewlett Packard.
- **Corbox** (revenue 2016/17e: ca. EUR 120m) is at the heart of Datagroup's IT service offering. This is Datagroup's modular full-service offering for mainly medium-sized companies. The service offering, based on service level agreements and multi-year contracts, ranges from cloud-based data center services to security services to big data. It comprises a total of 12 core sets of IT services. Datagroup centralises and virtualises the service provision in the framework of the Corbox offering. This allows for efficient staff allocation and, at the same time, leads to slower growth in the number of employees than in the corresponding service revenues.
- Given the strong first half of the year as well as the contributions from the recently acquired HanseCom, management has increased its guidance for 2016/17e: 2016/17: sales: EUR 215-225m (previously: EUR 201-220m); EBITDA: EUR 22-23m (previously EUR 21.5-22m). The new targets have confirmed our estimates which are approximately in the middle of the given range.
- Helped by acquisitions, management aims to achieve **revenues of approx. EUR 500m by 2020/21**. Driven by an increasing share of high-margin Corbox revenues, EBITDA margins look set to increase further and reach 13% in the medium term.

The Q2 figures have underpinned our investment case. The Buy rating is confirmed.



Rel. Performance vs Scale All	
1 month:	8.3 %
6 months:	n/a
Year to date:	n/a
Trailing 12 months:	n/a

Company events:	
21.08.17	Q3

FY End: 30.9. in EUR m	CAGR (15/16-18/19e)	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Sales	15.4 %	156.9	152.4	157.6	174.9	221.7	249.0	269.0
Change Sales yoy		7.4 %	-2.9 %	3.4 %	11.0 %	26.7 %	12.3 %	8.0 %
Gross profit margin		*64.2 %*	*64.0 %*	*66.5 %*	*67.0 %*	*72.7 %*	*72.9 %*	*73.1 %*
EBITDA	15.6 %	10.8	10.3	15.3	19.1	22.7	26.3	29.5
Margin		*6.9 %*	*6.8 %*	*9.7 %*	*10.9 %*	*10.2 %*	*10.6 %*	*11.0 %*
EBIT adj.	17.5 %	9.4	9.1	12.4	15.3	18.7	22.1	24.8
Margin		*6.0 %*	*6.0 %*	*7.9 %*	*8.8 %*	*8.4 %*	*8.9 %*	*9.2 %*
EBIT	22.0 %	4.3	4.8	9.6	12.7	15.7	18.8	23.0
Net income	37.7 %	1.9	1.1	4.9	5.7	8.9	11.8	14.9
EPS	33.6 %	0.25	0.14	0.65	0.75	1.12	1.41	1.79
DPS	26.0 %	0.20	0.20	0.25	0.30	0.40	0.50	0.60
Dividend Yield		3.3 %	2.4 %	2.2 %	2.1 %	1.2 %	1.4 %	1.7 %
FCFPS		1.04	0.93	0.76	0.82	0.91	1.43	1.60
FCF / Market cap		16.9 %	11.2 %	6.6 %	5.6 %	2.5 %	4.1 %	4.6 %
EV / Sales		0.3 x	0.4 x	0.6 x	0.8 x	1.4 x	1.2 x	1.1 x
EV / EBITDA		5.0 x	6.6 x	6.6 x	7.8 x	13.4 x	11.3 x	9.8 x
EV / EBIT		12.5 x	14.1 x	10.5 x	11.7 x	19.4 x	15.8 x	12.5 x
EV / EBIT adj.		5.8 x	7.4 x	8.1 x	9.7 x	16.3 x	13.4 x	11.6 x
P / E		24.6 x	59.5 x	17.6 x	19.5 x	31.0 x	24.6 x	19.4 x
FCF Yield Potential		14.8 %	10.7 %	10.3 %	8.2 %	5.2 %	6.0 %	6.7 %
Net Debt		42.8	39.9	49.8	72.8	50.3	42.7	34.5
ROCE (NOPAT)		4.9 %	3.5 %	9.0 %	8.2 %	10.5 %	12.3 %	14.8 %
Guidance:	2016/17: sales: EUR 210-220m; EBITDA: EUR 21.5-22.5m							

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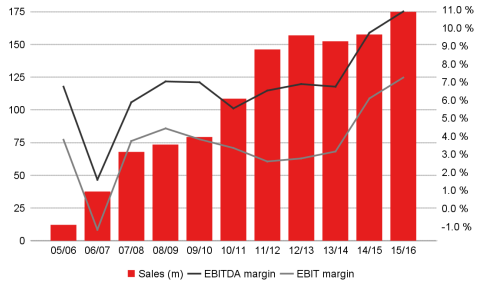
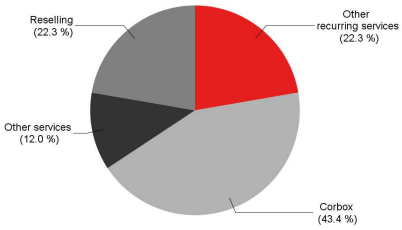
Sales development
in EUR m



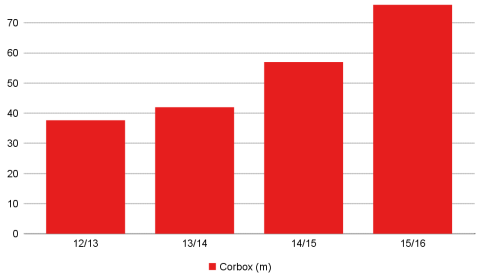
Source: Warburg Research

Revenue share
2015/16; in %



Source: Warburg Research

Corbox revenues
in EUR m



Source: Warburg Research

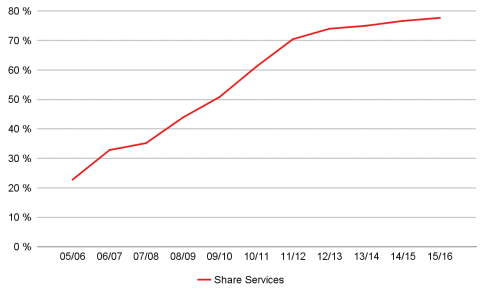
Company Background

- Datagroup is among the leading independent IT service providers in Germany and is present nationwide.
- Corbox is Datagroup's main offering. This is Datagroup's modular full-service offering, mainly for medium-sized companies, which is Datagroup's chief customer target group.
- Corbox services range from cloud-based data center services to security and big data. It comprises a total of 12 sets of IT services, which cover the essential elements of a company's IT.
- The offering is rounded off with project-related services and the reselling of IT.
- Acquisitions are an essential element of the corporate strategy. These include restructuring cases, successor regulation, as well as takeovers that complement and expand the portfolio.

Competitive Quality

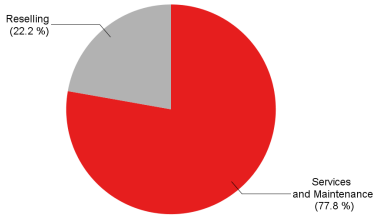
- With its wide service offering, Datagroup is positioned as a one-stop-shop for its customers.
- The focus on the service business means that Datagroup differentiates itself from the competition with the quality of its services (e.g. Services 24x7). The service level is signified by its ISO 20000 certification.
- The IT processes outsourced to Datagroup on the basis of multi-year contracts lead to high customer loyalty and a corresponding reduction in competition.
- Customer satisfaction of nearly 80% supports renewal rates of more than 98%.
- Datagroup has a successful takeover track record.

Services
in % of sales



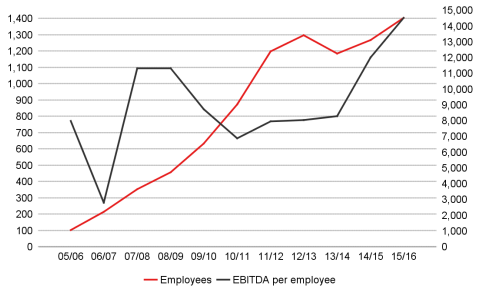
Source: Warburg Research

Sales by segments
2015/16; in %



Source: Warburg Research

Employees



Source: Warburg Research

DCF model

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	**16/17e**	**17/18e**	**18/19e**	**19/20e**	**20/21e**	**21/22e**	**22/23e**	**23/24e**	**24/25e**	**25/26e**	**26/27e**	**27/28e**	**28/29e**	
Sales	221.7	249.0	269.0	291.9	313.2	332.9	350.9	367.2	381.9	395.0	406.7	417.0	425.4	
Sales change	*26.7 %*	*12.3 %*	*8.0 %*	*8.5 %*	*7.3 %*	*6.3 %*	*5.4 %*	*4.6 %*	*4.0 %*	*3.4 %*	*3.0 %*	*2.5 %*	*2.0 %*	*2.0 %*
EBIT	15.7	18.8	23.0	25.4	28.2	30.0	31.6	33.0	34.4	35.6	36.6	37.5	38.3	
EBIT-margin	*7.1 %*	*7.6 %*	*8.6 %*	*8.7 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	
Tax rate (EBT)	*31.5 %*	*31.5 %*	*31.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	*32.5 %*	
NOPAT	10.7	12.9	15.8	17.1	19.0	20.2	21.3	22.3	23.2	24.0	24.7	25.3	25.8	
Depreciation	7.0	7.5	6.5	6.4	6.3	6.7	7.0	7.3	7.6	7.9	8.1	8.3	8.5	
in % of Sales	*3.2 %*	*3.0 %*	*2.4 %*	*2.2 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	
Changes in provisions	1.2	1.0	1.0	3.2	1.1	0.6	0.2	-0.1	-0.4	-0.7	-0.9	-1.1	-1.3	
Change in Liquidity from														
- Working Capital	4.7	2.6	3.2	-0.9	1.7	1.6	1.4	1.3	1.2	1.1	0.9	0.8	0.7	
- Capex	4.3	4.7	5.3	5.8	6.6	7.0	7.4	7.7	8.0	8.3	8.5	8.8	8.9	
Capex in % of Sales	*1.9 %*	*1.9 %*	*2.0 %*	*2.0 %*	*2.1 %*	*2.1 %*	*2.1 %*	*2.1 %*	*2.1 %*	*2.1 %*	*2.1 %*	*2.1 %*	*2.1 %*	
Other	0.0	0.0	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 (WACC Model)	9.9	14.1	14.8	21.7	18.1	19.0	19.8	20.5	21.2	21.8	22.4	23.0	23.4	26
PV of FCF	9.9	13.1	12.8	17.5	13.5	13.2	12.8	12.3	11.9	11.4	10.9	10.3	9.8	194
share of PVs	**10.13 %**			**34.92 %**										**54.95 %**

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	17.00 %	Financial Strength	1.50
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.25
Market return	7.00 %	Cyclicality	1.25
Risk free rate	1.50 %	Transparency	1.25
		Others	1.25
WACC	**7.54 %**	**Beta**	**1.30**

Valuation (m)

Present values 2028/29e	159		
Terminal Value	194		
Financial liabilities	55		
Pension liabilities	7		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	46	No. of shares (m)	8.3
Equity Value	**338**	**Value per share (EUR)**	**40.43**

Sensitivity Value per Share (EUR)

Terminal Growth

Beta	WACC	1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.52	8.5 %	32.01	32.57	33.17	33.82	34.53	35.29	36.11
1.41	8.0 %	34.62	35.31	36.05	36.85	37.72	38.67	39.72
1.35	7.8 %	36.08	36.84	37.67	38.56	39.54	40.61	41.79
1.30	7.5 %	37.65	38.50	39.43	**40.43**	41.53	42.74	44.08
1.25	7.3 %	39.36	40.31	41.35	42.48	43.72	45.10	46.62
1.19	7.0 %	41.22	42.29	43.45	44.73	46.14	47.71	49.47
1.08	6.5 %	45.48	46.84	48.33	49.99	51.84	53.93	56.28

Delta EBIT-margin

Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.52	8.5 %	27.56	29.65	31.74	33.82	35.91	38.00	40.09
1.41	8.0 %	30.07	32.33	34.59	36.85	39.11	41.37	43.64
1.35	7.8 %	31.48	33.84	36.20	38.56	40.92	43.28	45.64
1.30	7.5 %	33.03	35.50	37.96	**40.43**	42.90	45.36	47.83
1.25	7.3 %	34.73	37.31	39.89	42.48	45.06	47.65	50.23
1.19	7.0 %	36.59	39.31	42.02	44.73	47.44	50.16	52.87
1.08	6.5 %	40.95	43.96	46.98	49.99	53.00	56.02	59.03

- The intact outsourcing trend lays the basis for future growth.
- The rising service business share has a positive effect on the margin development.

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Net Income before minorities	1.9	1.1	4.9	5.7	8.9	11.8	14.9
+ Depreciation + Amortisation	6.5	5.5	5.7	6.4	7.0	7.5	6.5
- Net Interest Income	-1.9	-2.5	-1.8	-2.6	-2.6	-1.6	-1.2
- Maintenance Capex	2.2	1.8	2.1	2.7	2.8	2.9	3.3
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Free Cash Flow Potential	**8.0**	**7.2**	**10.4**	**12.1**	**15.8**	**18.0**	**19.4**
Free Cash Flow Yield Potential	14.8 %	10.7 %	10.3 %	8.2 %	5.2 %	6.0 %	6.7 %
WACC	7.54 %	7.54 %	7.54 %	7.54 %	7.54 %	7.54 %	7.54 %
= Enterprise Value (EV)	**54.0**	**67.7**	**101.0**	**148.1**	**304.7**	**297.1**	**288.9**
= Fair Enterprise Value	**106.1**	**95.8**	**138.3**	**160.2**	**209.3**	**238.3**	**257.2**
- Net Debt (Cash)	31.0	31.0	31.0	31.0	7.3	-1.3	-10.5
- Pension Liabilities	41.8	41.8	41.8	41.8	43.0	44.0	45.0
- Other	-35.4	-35.4	-35.4	-35.4	-35.4	-35.4	-35.4
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Fair Market Capitalisation	**68.7**	**58.4**	**100.8**	**122.8**	**194.3**	**231.0**	**258.0**
No. of shares (total) (m)	8.3	8.3	8.3	8.3	8.3	8.3	8.3
= Fair value per share (EUR)	**8.23**	**6.99**	**12.08**	**14.71**	**23.27**	**27.66**	**30.91**
premium (-) / discount (+) in %					-32.9 %	-20.3 %	-10.9 %

Sensitivity Fair value per Share (EUR)

	10.54 %	4.61	3.72	7.36	9.25	16.14	19.54	22.14
	9.54 %	5.56	4.58	8.60	10.68	18.02	21.68	24.45
	8.54 %	6.74	5.65	10.14	12.46	20.34	24.32	27.30
WACC	**7.54 %**	**8.23**	**6.99**	**12.08**	**14.71**	**23.27**	**27.66**	**30.91**
	6.54 %	10.17	8.75	14.61	17.65	27.11	32.03	35.62
	5.54 %	12.82	11.14	18.06	21.64	32.33	37.98	42.03
	4.54 %	16.63	14.58	23.03	27.40	39.85	46.54	51.28

- As an IT service provider, Datagroup has low investment requirements.
- Free cash flow was used for acquisitions, which supported FCF growth.
- FCF-Value-CAGR 2013-2019e: 25%

Valuation

	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Price / Book	2.1 x	3.0 x	3.6 x	3.9 x	5.4 x	4.6 x	4.0 x
Book value per share ex intangibles	-3.56	-3.32	-3.41	-2.63	0.06	1.40	2.44
EV / Sales	0.3 x	0.4 x	0.6 x	0.8 x	1.4 x	1.2 x	1.1 x
EV / EBITDA	5.0 x	6.6 x	6.6 x	7.8 x	13.4 x	11.3 x	9.8 x
EV / EBIT	12.5 x	14.1 x	10.5 x	11.7 x	19.4 x	15.8 x	12.5 x
EV / EBIT adj.*	5.8 x	7.4 x	8.1 x	9.7 x	16.3 x	13.4 x	11.6 x
P / FCF	5.9 x	9.0 x	15.0 x	17.8 x	40.1 x	24.3 x	21.6 x
P / E	24.6 x	59.5 x	17.6 x	19.5 x	31.0 x	24.6 x	19.4 x
P / E adj.*	12.8 x	59.5 x	17.6 x	19.5 x	31.0 x	24.6 x	19.4 x
Dividend Yield	3.3 %	2.4 %	2.2 %	2.1 %	1.2 %	1.4 %	1.7 %
Free Cash Flow Yield Potential	14.8 %	10.7 %	10.3 %	8.2 %	5.2 %	6.0 %	6.7 %

*Adjustments made for: PPA amortisation

Company Specific Items

	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Share Services	74.0 %	75.1 %	76.7 %	77.7 %	80.5 %	83.6 %	84.8 %
Employees	1,298	1,186	1,267	1,404	1,685	1,803	1,929
EBITDA per employee	8.0	8.3	12.0	14.5	16.7	18.9	20.5
Other recurring services	62.8	57.0	45.0	39.0	38.5	44.2	45.5
Corbox	37.7	42.0	57.0	76.0	122.6	143.3	162.2
Other services	15.7	15.0	19.0	21.0	20.6	21.0	21.0
Reselling	40.8	38.0	37.0	39.0	40.0	40.5	40.5

Consolidated profit & loss

In EUR m	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Sales	**156.9**	**152.4**	**157.6**	**174.9**	**221.7**	**249.0**	**269.0**
Change Sales yoy	7.4 %	-2.9 %	3.4 %	11.0 %	26.7 %	12.3 %	8.0 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.4	0.1	0.3	0.5	0.5	0.5	0.5
Total Sales	**157.4**	**152.5**	**157.9**	**175.4**	**222.2**	**249.5**	**269.5**
Material expenses	56.6	55.0	53.2	58.2	61.0	68.0	72.9
Gross profit	**100.8**	**97.5**	**104.7**	**117.2**	**161.2**	**181.5**	**196.6**
Gross profit margin	*64.2 %*	*64.0 %*	*66.5 %*	*67.0 %*	*72.7 %*	*72.9 %*	*73.1 %*
Personnel expenses	76.2	72.9	77.1	85.7	120.0	134.7	145.3
Other operating income	3.8	3.0	4.6	8.4	4.0	4.2	4.6
Other operating expenses	17.6	17.3	16.9	20.8	22.5	24.7	26.4
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**10.8**	**10.3**	**15.3**	**19.1**	**22.7**	**26.3**	**29.5**
Margin	*6.9 %*	*6.8 %*	*9.7 %*	*10.9 %*	*10.2 %*	*10.6 %*	*11.0 %*
Depreciation of fixed assets	2.4	2.6	2.8	3.8	4.0	4.2	4.7
EBITA	**8.4**	**7.7**	**12.5**	**15.3**	**18.7**	**22.1**	**24.8**
Amortisation of intangible assets	4.0	2.9	2.9	2.6	3.0	3.3	1.8
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**4.3**	**4.8**	**9.6**	**12.7**	**15.7**	**18.8**	**23.0**
Margin	*2.8 %*	*3.2 %*	*6.1 %*	*7.2 %*	*7.1 %*	*7.6 %*	*8.6 %*
EBIT adj.	**9.4**	**9.1**	**12.4**	**15.3**	**18.7**	**22.1**	**24.8**
Interest income	1.0	0.0	0.6	0.0	0.1	0.1	0.1
Interest expenses	2.9	2.5	2.4	2.6	2.7	1.7	1.3
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**2.5**	**2.4**	**7.8**	**10.1**	**13.0**	**17.2**	**21.8**
Margin	*1.6 %*	*1.5 %*	*4.9 %*	*5.8 %*	*5.9 %*	*6.9 %*	*8.1 %*
Total taxes	0.6	1.3	2.9	4.4	4.1	5.4	6.9
Net income from continuing operations	**1.9**	**1.1**	**4.9**	**5.7**	**8.9**	**11.8**	**14.9**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**1.9**	**1.1**	**4.9**	**5.7**	**8.9**	**11.8**	**14.9**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**1.9**	**1.1**	**4.9**	**5.7**	**8.9**	**11.8**	**14.9**
Margin	*1.2 %*	*0.7 %*	*3.1 %*	*3.3 %*	*4.0 %*	*4.7 %*	*5.6 %*
Number of shares, average	7.6	7.6	7.6	7.6	8.0	8.3	8.3
EPS	**0.25**	**0.14**	**0.65**	**0.75**	**1.12**	**1.41**	**1.79**
EPS adj.	0.48	0.14	0.65	0.75	1.12	1.41	1.79

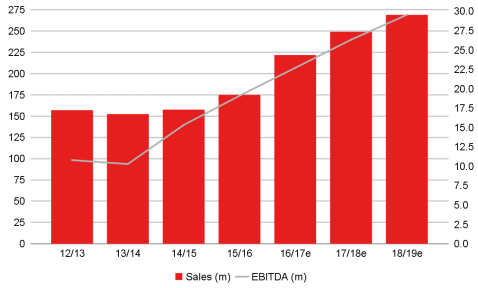
*Adjustments made for: PPA amortisation

Guidance: 2016/17: sales: EUR 210-220m; EBITDA: EUR 21.5-22.5m

Financial Ratios

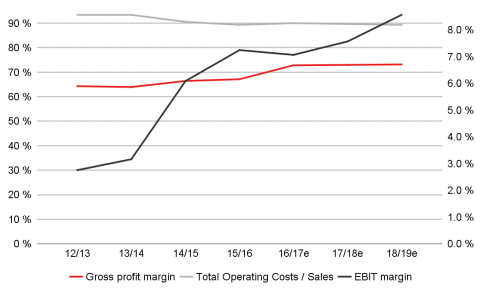
	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Total Operating Costs / Sales	93.4 %	93.3 %	90.5 %	89.4 %	90.0 %	89.6 %	89.2 %
Operating Leverage	1.9 x	-3.8 x	29.2 x	2.9 x	0.9 x	1.6 x	2.8 x
EBITDA / Interest expenses	3.7 x	4.2 x	6.5 x	7.4 x	8.4 x	16.0 x	22.7 x
Tax rate (EBT)	23.5 %	53.7 %	36.7 %	43.4 %	31.5 %	31.5 %	31.5 %
Dividend Payout Ratio	79.7 %	138.7 %	38.4 %	39.7 %	35.7 %	35.3 %	33.5 %
Sales per Employee	116,767	122,887	123,375	132,965	163,618	178,414	187,130

Sales, EBITDA
in EUR m



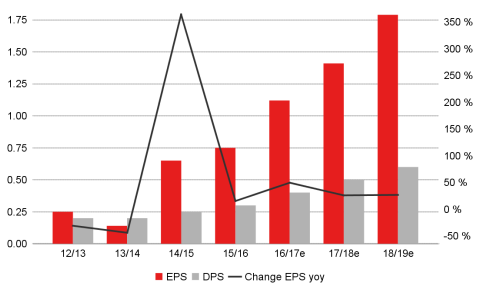
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

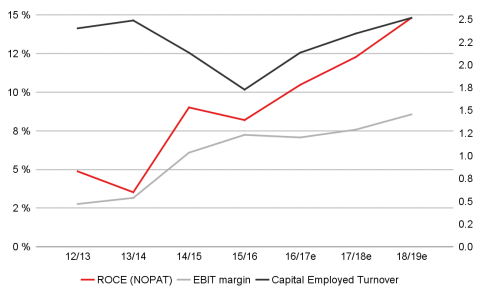
Consolidated balance sheet

In EUR m	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Assets							
Goodwill and other intangible assets	49.6	46.5	50.0	48.3	53.1	51.8	52.0
thereof other intangible assets	14.8	11.7	11.4	9.8	11.6	10.3	10.5
thereof Goodwill	34.8	34.8	38.5	38.5	41.5	41.5	41.5
Property, plant and equipment	4.7	3.9	7.3	7.3	5.8	4.3	2.9
Financial assets	11.9	11.9	14.7	10.9	10.9	10.9	10.9
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**66.1**	**62.3**	**71.9**	**66.5**	**69.8**	**67.0**	**65.8**
Inventories	1.5	1.1	1.5	1.4	1.8	2.0	2.2
Accounts receivable	15.2	13.7	19.7	19.1	24.3	26.6	28.7
Liquid assets	11.4	9.4	2.3	24.4	49.7	36.3	26.5
Other short-term assets	7.5	8.6	8.0	48.3	50.0	49.0	49.0
Current assets	**35.6**	**32.8**	**31.4**	**93.2**	**125.8**	**113.9**	**106.4**
Total Assets	**101.7**	**95.1**	**103.4**	**159.7**	**195.6**	**180.9**	**172.2**
Liabilities and shareholders' equity							
Subscribed capital	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Capital reserve	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Retained earnings	5.7	5.3	8.7	12.6	19.2	27.7	38.4
Other equity components	-2.5	-3.3	-4.0	-3.5	15.1	16.5	14.6
Shareholders' equity	22.5	21.3	24.1	28.4	53.6	63.5	72.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	**22.5**	**21.3**	**24.1**	**28.4**	**53.6**	**63.5**	**72.4**
Provisions	15.2	17.6	19.1	47.4	50.8	50.8	52.1
thereof provisions for pensions and similar obligations	10.7	11.9	12.8	41.8	43.0	44.0	45.0
Financial liabilities (total)	43.5	37.4	39.2	55.4	57.0	35.0	16.0
thereof short-term financial liabilities	7.7	7.5	14.6	3.5	4.0	5.0	6.0
Accounts payable	5.0	3.3	4.8	2.7	3.6	3.4	3.7
Other liabilities	15.5	15.5	16.3	25.9	30.6	28.2	28.0
Liabilities	**79.2**	**73.8**	**79.4**	**131.4**	**142.0**	**117.4**	**99.8**
Total liabilities and shareholders' equity	**101.7**	**95.1**	**103.4**	**159.7**	**195.6**	**180.9**	**172.2**

Financial Ratios

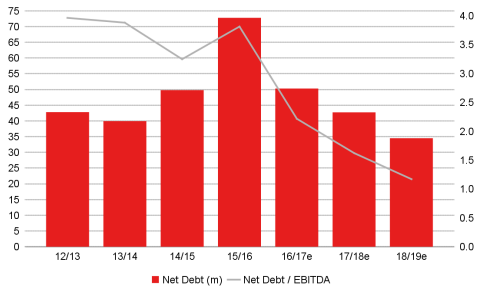
	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Efficiency of Capital Employment							
Operating Assets Turnover	9.6 x	10.0 x	6.7 x	8.3 x	9.2 x	9.8 x	9.9 x
Capital Employed Turnover	2.4 x	2.5 x	2.1 x	1.7 x	2.1 x	2.3 x	2.5 x
ROA	2.9 %	1.8 %	6.8 %	8.6 %	12.8 %	17.6 %	22.7 %
Return on Capital							
ROCE (NOPAT)	4.9 %	3.5 %	9.0 %	8.2 %	10.5 %	12.3 %	14.8 %
ROE	8.4 %	5.0 %	21.7 %	21.8 %	21.8 %	20.2 %	22.0 %
Adj. ROE	16.2 %	5.0 %	21.7 %	21.8 %	21.8 %	20.2 %	22.0 %
Balance sheet quality							
Net Debt	42.8	39.9	49.8	72.8	50.3	42.7	34.5
Net Financial Debt	32.1	28.0	37.0	31.0	7.3	-1.3	-10.5
Net Gearing	190.1 %	187.8 %	207.0 %	256.6 %	93.8 %	67.3 %	47.7 %
Net Fin. Debt / EBITDA	297.5 %	272.0 %	240.9 %	162.0 %	32.2 %	n.a.	n.a.
Book Value / Share	3.0	2.8	3.2	3.7	6.4	7.6	8.7
Book value per share ex intangibles	-3.6	-3.3	-3.4	-2.6	0.1	1.4	2.4

ROCE Development



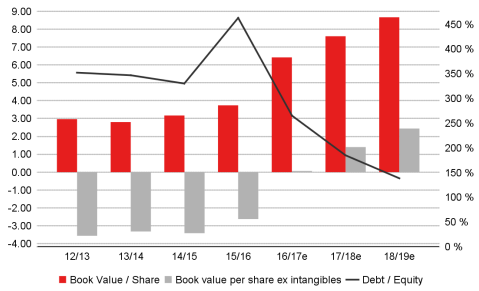
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

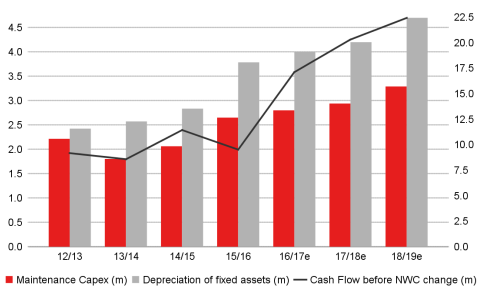
Consolidated cash flow statement

In EUR m	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Net income	1.9	1.1	4.9	5.7	8.9	11.8	14.9
Depreciation of fixed assets	2.4	2.6	2.8	3.8	4.0	4.2	4.7
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.0	2.9	2.9	2.6	3.0	3.3	1.8
Increase/decrease in long-term provisions	0.1	0.0	0.0	-0.1	1.2	1.0	1.0
Other non-cash income and expenses	0.8	2.0	0.8	-2.6	0.0	0.0	0.0
Cash Flow before NWC change	**9.2**	**8.6**	**11.4**	**9.5**	**17.1**	**20.3**	**22.4**
Increase / decrease in inventory	0.0	0.0	0.0	0.0	-0.4	-0.2	-0.2
Increase / decrease in accounts receivable	4.6	1.0	-1.5	-5.1	-5.2	-2.3	-2.1
Increase / decrease in accounts payable	-1.8	-1.0	-1.1	5.7	0.9	-0.1	-0.9
Increase / decrease in other working capital positions	-1.0	0.8	0.6	-0.6	-0.9	-1.1	-0.5
Increase / decrease in working capital (total)	1.8	0.7	-2.0	0.0	-5.6	-3.7	-3.7
Net cash provided by operating activities [1]	**10.9**	**9.3**	**9.4**	**9.5**	**11.5**	**16.6**	**18.7**
Investments in intangible assets	-0.7	-0.6	-1.6	-1.5	-1.8	-2.0	-2.0
Investments in property, plant and equipment	-2.3	-1.7	-2.1	-1.8	-2.5	-2.7	-3.3
Payments for acquisitions	-3.0	-2.2	-4.5	-2.0	-3.0	0.0	0.0
Financial investments	0.0	-2.3	-3.5	-4.2	0.0	0.0	0.0
Income from asset disposals	0.8	2.4	2.4	5.8	0.0	0.0	0.0
Net cash provided by investing activities [2]	**-5.2**	**-4.3**	**-9.3**	**-3.7**	**-7.3**	**-4.7**	**-5.3**
Change in financial liabilities	6.1	-3.8	-4.3	19.6	1.6	-22.0	-19.0
Dividends paid	-1.5	-1.5	-1.5	-1.9	-2.3	-3.3	-4.2
Purchase of own shares	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	21.7	0.0	0.0
Other	-1.7	-1.6	-1.7	-1.2	0.0	0.0	0.0
Net cash provided by financing activities [3]	**2.8**	**-6.9**	**-7.5**	**16.5**	**21.0**	**-25.3**	**-23.2**
Change in liquid funds [1]+[2]+[3]	**8.5**	**-2.0**	**-7.4**	**22.4**	**25.3**	**-13.4**	**-9.8**
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	**11.7**	**9.4**	**2.1**	**24.6**	**49.7**	**36.3**	**26.5**

Financial Ratios

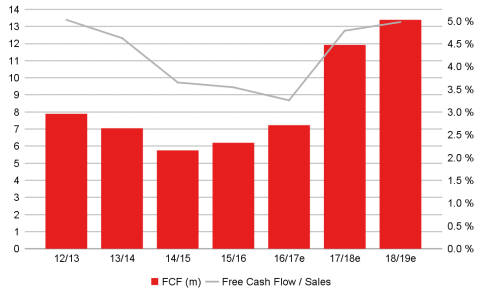
	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Cash Flow							
FCF	7.9	7.0	5.8	6.2	7.2	11.9	13.4
Free Cash Flow / Sales	5.0 %	4.6 %	3.7 %	3.5 %	3.3 %	4.8 %	5.0 %
Free Cash Flow Potential	8.0	7.2	10.4	12.1	15.8	18.0	19.4
Free Cash Flow / Net Profit	415.4 %	645.4 %	116.9 %	108.5 %	80.9 %	100.9 %	89.7 %
Interest Received / Avg. Cash	14.3 %	0.0 %	9.5 %	0.0 %	0.2 %	0.1 %	0.2 %
Interest Paid / Avg. Debt	6.9 %	6.1 %	6.2 %	5.5 %	4.8 %	3.6 %	5.1 %
Management of Funds							
Investment ratio	1.9 %	1.5 %	2.3 %	1.9 %	1.9 %	1.9 %	2.0 %
Maint. Capex / Sales	1.4 %	1.2 %	1.3 %	1.5 %	1.3 %	1.2 %	1.2 %
Capex / Dep	47.3 %	40.9 %	64.0 %	51.7 %	61.4 %	62.7 %	81.5 %
Avg. Working Capital / Sales	7.6 %	7.5 %	8.7 %	8.5 %	7.2 %	7.9 %	8.4 %
Trade Debtors / Trade Creditors	304.0 %	411.7 %	409.7 %	716.6 %	675.0 %	782.4 %	775.7 %
Inventory Turnover	37.4 x	51.0 x	34.7 x	41.8 x	33.9 x	34.0 x	33.1 x
Receivables collection period (days)	35	33	46	40	40	39	39
Payables payment period (days)	32	22	33	17	22	18	19
Cash conversion cycle (Days)	-22	-15	-23	-33	-34	-29	-21

CAPEX and Cash Flow
in EUR m



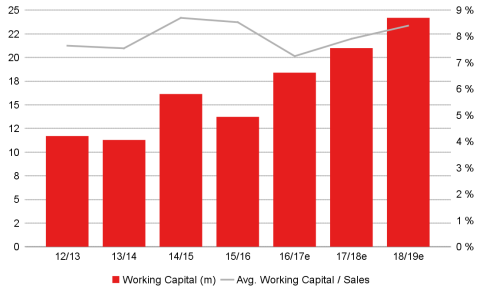
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
DATAGROUP	4, 5, 6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A0JC8S7.htm

INVESTMENT RECOMMENDATION

Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	**Sell:**	The price of the analysed financial instrument is expected to fall over the next 12 months.
"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	110	56
Hold	75	38
Sell	10	5
Rating suspended	1	1
Total	**196**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	27	71
Hold	8	21
Sell	2	5
Rating suspended	1	3
Total	**38**	**100**

PRICE AND RATING HISTORY DATAGROUP AS OF 08.05.2017

Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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