

# ADVA Optical Networking SE

Germany / Technology  
 Frankfurt  
 Bloomberg: ADV GR  
 ISIN: DE0005103006

Q3 2020 results

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 8.20**

Return Potential 29.3%  
 Risk Rating High

## ROBUST Q3 PROFITABILITY PROMPTS RISE IN PRICE TARGET

Q3/20 revenue at €146.7m was 1.6% above the prior year figure of €14.3m but about 1.7% below the consensus forecast of €149.2m. We estimate that revenue would have been €150.0m (+4.0% vs. Q3/19) on a constant currency basis, i.e. adjusting for USD depreciation. Ca. 48% of ADVA's revenues were USD-denominated in Q3/20. As in the first two quarters of the year, revenue growth was driven by communications services providers (CSPs) and internet content providers (ICPs), who between them account for around 75% of group revenues. Proforma EBIT at €11.1m (Q3/19: €7.4m) was 15.6% above the consensus forecast of €9.6m as the proforma gross margin widened to 35.4% (Q3/19: 34%) and total proforma operating costs fell to €40.9m (Q3/19: €41.7m). Ca. 75% of ADVA's cost of goods sold are denominated in US Dollars. The gross margin widened as US currency weakness outweighed a shift in the revenue mix from private enterprises (the most profitable customer group for ADVA) to CSPs and ICPs. The decline in operating costs was due mainly to a €1.4m drop in sales & marketing costs as the pandemic curtailed business travel. ADVA withdrew its previous 2020 guidance of revenue of €580m and a proforma EBIT margin above 5% in the Q1 report due to uncertainty as to the depth and duration of the pandemic-induced recession and gave no new guidance. In the Q3 report ADVA gave new 2020 guidance for revenue of €565m-€580m and a proforma EBIT margin of 5-6%. The mid-points of the new guidance imply full-year proforma EBIT of €31.5m compared with consensus ahead of the Q3 results of €25.8m. Although the second wave of the pandemic causes us to lower our 2021 and 2022 revenue numbers by 2% and 4% respectively, the impact of this on our forecasts is outweighed by adjustments reflecting our expectation that higher than expected Q3/20 profitability will be sustainable. We raise the price target from €8.00 to €8.20 and the recommendation from Add to Buy.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (€m)	514.47	501.98	556.82	572.49	601.11	673.24
Y-o-y growth	-9.2%	-2.4%	10.9%	2.8%	5.0%	12.0%
EBIT (€m)	4.40	14.99	12.00	23.42	32.77	34.15
EBIT margin	0.9%	3.0%	2.2%	4.1%	5.5%	5.1%
Net income (€m)	-4.23	9.68	7.05	15.85	22.47	24.03
EPS (diluted) (€)	-0.09	0.19	0.14	0.31	0.45	0.48
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-27.44	12.09	6.42	16.65	21.67	-0.77
Net gearing	19.4%	13.2%	26.9%	19.3%	10.5%	10.0%
Liquid assets (€m)	58.38	62.65	54.26	57.25	54.10	53.86

### RISKS

Risks include but are not limited to: the impact of the covid-19-induced recession on customer investment behaviour, currency risk (particularly USD appreciation/GBP depreciation), the US-China trade conflict.

### COMPANY PROFILE

ADVA develops, manufactures, and sells optical networking solutions to deliver data, storage, voice, and video services. To date, the company's networking solutions have been deployed in more than 10,000 enterprises and more than 300 carrier networks around the world. Founded in 1994 and headquartered in Munich, Germany, ADVA had 1,878 employees at the end of September 2020.

### MARKET DATA

As of 26 Oct 2020

Closing Price	€ 6.34
Shares outstanding	50.35m
Market Capitalisation	€ 319.25m
52-week Range	€ 4.04 / 8.44
Avg. Volume (12 Months)	156,831

Multiples	2019	2020E	2021E
P/E	44.0	20.2	14.2
EV/Sales	0.7	0.6	0.6
EV/EBIT	30.2	15.5	11.1
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Sep 2020

Liquid Assets	€ 68.29m
Current Assets	€ 261.75m
Intangible Assets	€ 22.63m
Total Assets	€ 520.64m
Current Liabilities	€ 146.35m
Shareholders' Equity	€ 256.94m

### SHAREHOLDERS

Teleios Capital Partners GmbH	19.9%
EGORA Group	14.8%
Dimensional Fund Advisors LP	3.2%
DNB SA	3.0%
Free float and other	59.2%



Figure 1: Q4/20E forecast and Q3/20 results vs. our estimates

€m	Q4/20E	Q4/19A	Δ%	Q3/20A	Q3/20 FBe	Δ%	Q3/19A	Q3/20A vs. Q3/19A Δ
Revenue	148.1	151.1	-2.0%	146.7	152.0	-3.5%	144.3	1.6%
Proforma gross profit	51.8	54.6	-5.1%	51.9	50.2	3.5%	49.1	5.8%
% revenue	35.0%	36.1%	-	35.4%	33.0%	-	34.0%	-
Proforma sales & marketing costs	14.2	18.9	-24.7%	14.0	14.9	-6.1%	15.4	-9.4%
% revenue	9.6%	12.5%	-	9.5%	9.8%	-	10.7%	-
Proforma general & admin. costs	9.8	8.1	21.4%	9.7	8.5	13.5%	8.5	13.4%
% revenue	6.6%	5.3%	-	6.6%	5.6%	-	5.9%	-
Proforma net R&D costs	18.1	18.1	0.0%	18.1	17.9	0.7%	18.2	-0.9%
% revenue	12.2%	11.9%	-	12.3%	11.8%	-	12.6%	-
Other operating result	0.8	0.7	15.6%	0.8	1.5	-45.1%	0.5	72.3%
Total operating costs	41.3	44.3	-6.9%	40.9	39.8	2.6%	41.7	-2.0%
Proforma EBIT	10.6	10.3	2.4%	11.1	10.3	7.3%	7.4	49.6%
margin (%)	7.1%	6.8%	-	7.5%	6.8%	-	5.1%	-

Source: ADVA Optical Networking SE; First Berlin Equity Research estimates

**Sequential sales up in all three reported regions in constant currencies** Increasing order activity from CSPs and ICPs so far this year has been based on rising demand for bandwidth due to the growing importance of remote working, media streaming and online gaming during the pandemic. As figure 2 below shows, Q3/20 revenue rose on both a y-o-y and sequential basis in both EMEA and APAC. On a constant currency basis, we calculate that revenue in the Americas would have reached €55.0m in Q3/20 - up slightly on Q2/20 but down 1.1% on Q3/19. Management has indicated that CSPs in the Americas have become more cautious after a strong first six months of the year. Demand from ICPs however remains strong. ADVA further reports that solid demand from CSPs continues in EMEA and that in the Asia-Pacific region demand from the largest CSP customer also remains solid. The Asia-Pacific business is also benefiting from strong demand for ADVA's network synchronisation products.

Figure 2: Revenue by geographic area Q1/2019-Q3/2020

€ 000's	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
Europe, Middle East and Africa	68,300	71,400	77,800	81,500	65,300	77,200	79,400
y-o-y change (%)	5.6%	25.0%	27.8%	22.6%	-4.4%	8.1%	2.1%
sequential change (%)	2.7%	4.5%	9.0%	4.8%	-19.9%	18.2%	2.8%
Americas	48,300	52,100	55,600	57,800	55,500	54,700	52,400
y-o-y change (%)	16.9%	0.4%	18.3%	11.4%	14.9%	5.0%	-5.8%
sequential change (%)	-6.9%	7.9%	6.7%	4.0%	-4.0%	-1.4%	-4.2%
Asia Pacific	11,600	9,700	10,900	11,800	11,900	13,200	14,800
y-o-y change (%)	-20.5%	-34.0%	-40.4%	-9.9%	2.6%	36.1%	35.8%
sequential change (%)	-11.5%	-16.4%	12.4%	8.3%	0.8%	10.9%	12.1%

Source: ADVA Optical Networking SE

#### Mid-point of 2020 revenue guidance implies 1% revenue increase in Q4/20 vs. Q3/20

The fourth quarter is usually the strongest quarter of the year for ADVA. In 2017, 2018 and 2019 Q4 revenue was respectively 5.4%, 4.2% and 4.7% above the Q3 level. The mid-point of ADVA's new 2020 revenue guidance of €565-€580m i.e. €572.5m implies Q4 revenue of €148.1m equating to sequential growth of 1.0% but a year-on-year decline 2.0%. In our view this guidance takes account of the second wave of the pandemic and the increasingly cautious investment stance of US CSPs noted by ADVA in the Q3 report.

#### Net gearing including leasing/pension liabilities 16.9% at end Q3/20 (end Q3/19: 31.9%)

Operating cashflow before changes in working capital climbed 16.9% to €23.7m (Q3/19: €20.3m) due largely to improved profitability. Working capital yielded €2.4m (Q3/19: €-11.0m) as trade receivables fell by €4.5m (Q3/19: rose by €8.2m). Operating cashflow climbed 178% to €25.1m (Q3/19: €9.0m).



Cashflow from investing was broadly stable at €-13.9m (Q3/19: €-15.0m) and so free cashflow came in at €11.2m (Q3/19: €-5.9m). Net debt including leasing and pension liabilities fell €9.8m during Q3/20 to €43.2m (equivalent to net gearing of 16.8%). During the prior year quarter the same figure rose €7.2m to €81.5m (equivalent to net gearing of 31.9%).

**Price target raised from €8.00 to €8.20, recommendaton from Add to Buy** We have revised up our 2020 forecasts to reflect higher than expected Q3 profitability and the company's new guidance. Our 2021 sales growth forecast of 5.0% is close to our previous projection of 5.2% but sales come down because of the new lower base in 2020. Although the second wave of the pandemic causes us to lower our 2021 and 2022 revenue numbers by 2% and 4% respectively, the impact of this on our forecasts is outweighed by adjustments reflecting our expectation that higher than expected Q3/20 profitability will be sustainable. The increase in our 2021 gross margin forecast reflects the resilience of this metric in the latter half of 2020. We now expect the proforma gross margin in H2/20 to be 35.2% - above the H2/19 level of 35.1%. We assume that the USDEUR rate remains at its current rate in 2021 and that the second half of the year sees the beginnings of a shift in the product mix back to higher margin private enterprise clients. We expect 2022 to be a year of thoroughgoing recovery with accelerating investment in the internet of things, 5G mobile telephony and fibre deep initiatives driving revenue growth of 12.0%. We also anticipate a shift in the sales mix towards the edge networking products where ADVA is strongest to widen the gross margin. Profitability should also benefit from a relaxation of the pandemic-related stresses on the supply chain. We have raised the price target from €8.00 to €8.20 and moved the recommendation from Add to Buy.

**Figure 3: Changes to our forecasts**

€000's	2020E			2021E			2022E		
	New	Old	Δ%	New	Old	Δ%	New	Old	Δ%
Sales	572,486	581,710	-1.6%	601,110	612,021	-1.8%	673,244	703,824	-4.3%
Proforma gross profit	196,244	192,039	2.2%	211,591	201,967	4.8%	245,734	249,858	-1.7%
margin (%)	34.3%	33.0%	-	35.2%	33.0%	-	36.5%	35.5%	-
Proforma EBIT	30,064	27,588	9.0%	38,952	25,705	51.5%	41,068	40,118	2.4%
margin (%)	5.3%	4.7%	-	6.5%	4.2%	-	6.1%	5.7%	-
Reported EBIT	23,425	20,621	13.6%	32,774	19,327	69.6%	34,148	32,784	4.2%
margin (%)	4.1%	3.5%	-	5.5%	3.2%	-	5.1%	4.7%	-
Net profit	15,850	14,442	9.7%	22,472	12,613	78.2%	24,032	23,022	4.4%
margin (%)	2.8%	2.5%	-	3.7%	2.1%	-	3.6%	3.3%	-
EPS (€)	0.31	0.29	9.7%	0.45	0.25	78.1%	0.48	0.45	5.8%

Source: First Berlin Equity Research estimates



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	572,486	601,110	673,244	734,845	801,005	871,327	947,751	1,030,434
<b>NOPLAT</b>	<b>19,783</b>	<b>25,607</b>	<b>26,761</b>	<b>38,462</b>	<b>54,068</b>	<b>58,815</b>	<b>63,973</b>	<b>65,845</b>
+ depreciation & amortisation	-53,821	-55,534	-60,592	-60,413	-65,682	-71,449	-77,716	-84,496
Net operating cash flow	73,604	81,141	87,353	98,876	119,750	130,263	141,689	150,340
- total investments (CAPEX and WC)	-61,081	-64,799	-94,871	-77,484	-99,251	-103,600	-112,675	-130,618
Capital expenditures	-58,888	-63,242	-72,422	-77,226	-84,045	-91,252	-99,178	-107,733
Working capital	-2,194	-1,557	-22,449	-258	-15,206	-12,348	-13,496	-22,885
Free cash flows (FCF)	12,523	16,343	-7,518	21,392	20,500	26,664	29,014	19,722
<b>PV of FCF's</b>	<b>12,312</b>	<b>14,607</b>	<b>-6,109</b>	<b>15,803</b>	<b>13,767</b>	<b>16,279</b>	<b>16,104</b>	<b>9,952</b>

All figures in thousands	
PV of FCFs in explicit period (2020E-2035E)	188,177
PV of FCFs in terminal period	247,563
Enterprise value (EV)	435,741
+ Net cash / - net debt	-43,203
+ PV cash proceeds of future option exercise	59,443
Shareholder value	451,981
Current shares outstanding	50,354
+ PV no shares issued against future option exercise	4,786
Proforma no shares	55,140
<b>Fair value per share in EUR</b>	<b>8.20</b>

WACC		Terminal growth rate						
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
6.00%	17.63	19.04	20.86	23.28	26.67	31.76	40.25	
7.00%	13.58	14.36	15.32	16.51	18.04	20.08	22.93	
8.00%	10.88	11.34	11.89	12.54	13.35	14.35	15.64	
9.00%	8.96	9.25	9.59	9.98	10.44	10.99	11.67	
10.00%	7.55	7.74	7.95	8.20	8.48	8.81	9.20	
11.00%	6.48	6.60	6.74	6.90	7.08	7.29	7.53	
12.00%	5.64	5.73	5.82	5.93	6.05	6.18	6.34	
13.00%	4.97	5.04	5.10	5.18	5.26	5.35	5.45	

\* for layout purposes the model shows numbers only to 2027, but runs until 2035



## INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>Revenues</b>	<b>514,471</b>	<b>501,981</b>	<b>556,821</b>	<b>572,486</b>	<b>601,110</b>	<b>673,244</b>
Cost of goods sold	-348,251	-320,253	-365,908	-379,345	-392,657	-431,024
<b>Gross profit</b>	<b>166,220</b>	<b>181,728</b>	<b>190,913</b>	<b>193,141</b>	<b>208,453</b>	<b>242,220</b>
Sales and marketing expenses	-62,889	-63,569	-72,828	-61,314	-65,352	-87,332
General and administrative expenses	-36,260	-35,024	-35,126	-36,659	-37,669	-42,728
Research and development expenses	-69,037	-76,588	-75,186	-73,792	-75,063	-80,705
Net other operating income	6,369	8,442	4,230	2,048	2,404	2,693
<b>Operating income (EBIT)</b>	<b>4,403</b>	<b>14,989</b>	<b>12,003</b>	<b>23,425</b>	<b>32,774</b>	<b>34,148</b>
Net interest income/(expense)	-785	-1,408	-2,304	-2,710	-2,355	-1,594
Other financial gains and losses, net	-3,809	-1,096	-770	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-191</b>	<b>12,485</b>	<b>8,929</b>	<b>20,715</b>	<b>30,419</b>	<b>32,554</b>
Income taxes	-4,037	-2,807	-1,884	-4,865	-7,947	-8,522
Minority interests	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-4,228</b>	<b>9,678</b>	<b>7,045</b>	<b>15,850</b>	<b>22,472</b>	<b>24,032</b>
<b>Diluted EPS (in €)</b>	<b>-0.09</b>	<b>0.19</b>	<b>0.14</b>	<b>0.31</b>	<b>0.45</b>	<b>0.48</b>
<b>EBITDA</b>	<b>51,267</b>	<b>64,356</b>	<b>72,578</b>	<b>84,000</b>	<b>95,400</b>	<b>102,684</b>
<b>Ratios</b>						
Gross margin	32.3%	36.2%	34.3%	33.7%	34.7%	36.0%
EBITDA margin on revenues	10.0%	12.8%	13.0%	14.7%	15.9%	15.3%
EBIT margin on revenues	0.9%	3.0%	2.2%	4.1%	5.5%	5.1%
Net margin on revenues	-0.8%	1.9%	1.3%	2.8%	3.7%	3.6%
Tax rate	2113.6%	-22.5%	-21.1%	-23.5%	-26.1%	-26.2%
<b>Expenses as % of revenues</b>						
Sales and marketing expenses	12.2%	12.7%	13.1%	10.7%	10.9%	13.0%
General and administrative expenses	7.0%	7.0%	6.3%	6.4%	6.3%	6.3%
Research and development expenses	13.4%	15.3%	13.5%	12.9%	12.5%	12.0%
<b>Y-Y Growth</b>						
Revenues	-9.2%	-2.4%	334.5%	3.6%	5.0%	12.0%
Operating income	-77.3%	240.4%	1282.8%	117.1%	39.9%	4.2%
Net income/ loss	n.m.	n.m.	580.0%	117.9%	41.8%	6.9%



## BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>Assets</b>						
<b>Current assets, total</b>	<b>232,639</b>	<b>257,216</b>	<b>269,240</b>	<b>279,113</b>	<b>284,052</b>	<b>311,406</b>
Cash and cash equivalents	58,376	62,652	54,263	57,249	54,100	53,859
Receivables	81,327	97,936	96,193	99,639	104,621	117,176
Contract assets	0	320	654	286	301	337
Inventories	81,694	85,734	105,355	108,772	111,205	124,550
Tax assets	1,438	1,675	1,857	1,717	1,803	2,020
Other current assets	9,804	8,899	10,918	11,450	12,022	13,465
<b>Non-current assets, total</b>	<b>231,249</b>	<b>229,322</b>	<b>267,122</b>	<b>265,677</b>	<b>266,793</b>	<b>271,939</b>
Right of use assets	0	0	31,985	25,230	18,138	10,195
Property, plant & equipment	26,898	29,052	32,622	33,791	35,480	39,738
Goodwill	68,036	70,400	72,023	72,863	73,703	74,543
Capitalised development projects	85,175	87,926	96,169	106,104	117,525	129,644
Intangible assets from acquisitions	30,505	26,012	20,864	16,257	11,448	6,062
Other intangible assets	6,280	5,512	3,704	1,434	0	0
Deferred tax assets	10,614	7,315	6,336	6,563	6,891	7,718
Other non-current assets	3,741	3,105	3,419	3,435	3,607	4,039
<b>Total assets</b>	<b>463,888</b>	<b>486,538</b>	<b>536,362</b>	<b>544,791</b>	<b>550,845</b>	<b>583,345</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>188,985</b>	<b>145,576</b>	<b>159,140</b>	<b>168,514</b>	<b>175,017</b>	<b>186,159</b>
Lease liabilities	0	0	6,082	3,668	624	-408
Financial liabilities	79,061	19,400	19,221	22,899	24,044	28,276
Accounts payable	39,193	63,195	73,398	76,027	79,829	78,096
Advance payments received	93	0	0	0	0	0
Current provisions	21,994	15,005	14,379	16,198	18,312	21,722
Tax liabilities	6,446	5,067	1,686	1,746	1,834	2,054
Contract liabilities	0	14,061	12,448	14,770	15,509	17,370
Other current liabilities	42,198	28,848	31,926	33,204	34,864	39,048
<b>Long-term liabilities, total</b>	<b>47,882</b>	<b>96,321</b>	<b>121,430</b>	<b>105,832</b>	<b>84,059</b>	<b>84,274</b>
Lease liabilities	0	0	28,348	17,099	2,911	-1,899
Financial liabilities	17,500	70,084	61,758	57,249	48,089	49,147
Provisions for pensions	5,822	5,531	7,756	8,587	9,017	10,099
Other provisions	1,478	1,453	1,380	1,429	1,501	1,681
Deferred tax liabilities	12,502	10,828	12,307	13,167	13,826	15,485
Other non-current liabilities	10,580	8,425	9,881	8,301	8,716	9,762
<b>Shareholders' equity</b>	<b>227,021</b>	<b>244,641</b>	<b>255,792</b>	<b>270,444</b>	<b>291,770</b>	<b>312,913</b>
<b>Total consolidated equity and debt</b>	<b>463,888</b>	<b>486,538</b>	<b>536,362</b>	<b>544,791</b>	<b>550,845</b>	<b>583,345</b>
<b>Ratios</b>						
Net debt	44,007	32,363	68,902	52,254	30,585	31,355
Net gearing	19.4%	13.2%	26.9%	19.3%	10.5%	10.0%
Book value per share (in €)	4.56	4.90	5.10	5.37	5.79	6.21
Return on equity (ROE)	-1.8%	4.1%	2.9%	6.0%	8.0%	7.9%



## CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>Income before tax</b>	<b>-191</b>	<b>12,485</b>	<b>8,929</b>	<b>20,715</b>	<b>30,419</b>	<b>32,554</b>
Depreciation and amortisation	46,864	49,367	62,191	60,575	62,626	68,535
Changes in working capital	-16,551	-2,207	-3,516	-2,194	-1,557	-22,449
Income tax paid	-1,666	-2,351	-1,684	-4,865	-7,947	-8,522
Other adjustments	-1,322	3,066	971	1,304	1,369	1,534
<b>Operating cash flow</b>	<b>27,134</b>	<b>60,360</b>	<b>66,891</b>	<b>75,536</b>	<b>84,910</b>	<b>71,652</b>
Investments in PP&E	-10,559	-14,029	-16,888	-14,908	-16,116	-20,415
Investments in intangibles	-44,014	-34,239	-43,584	-43,979	-47,125	-52,007
<b>Free cash flow</b>	<b>-27,439</b>	<b>12,092</b>	<b>6,419</b>	<b>16,648</b>	<b>21,669</b>	<b>-770</b>
Acquisitions & disposals, net	-36,213	0	0	0	0	0
Other	248	207	169	0	0	0
<b>Investment cash flow</b>	<b>-90,538</b>	<b>-48,061</b>	<b>-60,303</b>	<b>-58,888</b>	<b>-63,242</b>	<b>-72,422</b>
Debt financing, net	37,184	-7,083	-8,500	0	-7,585	6,372
Lease liabilities	0	0	-4,488	-13,663	-17,232	-5,842
Equity financing, exercise of stock options	1,029	810	1,257	0	0	0
Dividends paid	0	0	0	0	0	0
Other	-1,291	-1,953	-2,801	0	0	0
<b>Financing cash flow</b>	<b>36,922</b>	<b>-8,226</b>	<b>-14,532</b>	<b>-13,663</b>	<b>-24,817</b>	<b>530</b>
FOREX & other effects	-13	203	-445	0	0	0
<b>Net cash flows</b>	<b>-26,495</b>	<b>4,276</b>	<b>-8,389</b>	<b>2,986</b>	<b>-3,149</b>	<b>-240</b>
Cash, start of the year	84,871	58,376	62,652	54,263	57,249	54,100
<b>Cash, end of the year</b>	<b>58,376</b>	<b>62,652</b>	<b>54,263</b>	<b>57,249</b>	<b>54,100</b>	<b>53,859</b>
<b>EBITDA/share (in €)</b>	<b>1.02</b>	<b>1.28</b>	<b>1.44</b>	<b>1.67</b>	<b>1.89</b>	<b>2.03</b>
<b>Y-Y Growth</b>						
Operating cash flow	-55.8%	122.5%	10.8%	12.9%	12.4%	-15.6%
Free cash flow	n.m.	n.m.	-46.9%	159.4%	30.2%	n.m.
EBITDA/share	-13.2%	25.4%	12.8%	15.4%	13.4%	7.6%

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	17 September 2019	€6.53	Buy	€8.50
2...1	↓	↓	↓	↓
2	5 November 2019	€7.01	Add	€8.60
3	24 February 2020	€7.06	Add	€8.00
4	28 April 2020	€5.79	Add	€7.10
5	27 July 2020	€7.07	Add	€8.00
6	Today	€6.34	Buy	€8.20

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