

ADVA Optical Networking SE

Germany / Technology
 Frankfurt
 Bloomberg: ADV GR
 ISIN: DE0005103006

Q1 2021 results

RATING
BUY

PRICE TARGET
€ 13.00

Return Potential 29.5%
 Risk Rating High

RECORD Q1 SALES, PROFITABILITY, ORDERS AND CASH GENERATION

ADVA's Q1/21 sales climbed 8.9% to €144.5m (FBe: €145.5m; Q1/20: €132.7m) while proforma EBIT came in at €12.9m (FBe: €10.9m; Q1/20 €-1.7m). ADVA has never recorded higher sales, profitability, order intake and cash generation during the first quarter of its financial year. In Q1/21, the company continued to benefit from the increased pace of digitisation due to the pandemic as well as the ongoing shift in the sales mix towards higher margin products/customers and software and services. In Q1/21 software and services accounted for 26% of sales, up from 20% in FY2019. ADVA thus appears to be well on track to grow this contribution to the 30% targeted for 2023. ADVA sees the outlook for the current quarter as "very good". Full-year 2021 guidance given at the end of February was for sales of €580m-€610m and a proforma EBIT margin of 6%-9%. ADVA do not expect possible delivery delays stemming from the current semiconductor shortage to jeopardise the achievement of the full-year sales target which remains unchanged. In the Q1 report management raised the upper end of proforma EBIT margin guidance to 10% while the lower end of the range is unchanged at 6%. In our view this reflects on the one hand a faster than expected shift towards a higher margin product mix and on the other uncertainty as to the cost impact of the semiconductor shortage. Notwithstanding the semiconductor shortage, which we expect to be of relatively short duration, we continue to model a sales CAGR of 9.7% over the five year period to end 2025 driven in large part by increasing network edge investment on ADVA's carrier/NFV (network functions virtualisation) and network synchronisation technology segments (ca. 30% of 2020 sales). ADVA's margins are higher in these segments than in optical networking (ca. 70% of 2020 sales). We expect their faster growth to widen ADVA's proforma operating margin from 6.0% in 2020 to 10.1% in 2025. We expect to raise this figure once ADVA has demonstrated it can successfully negotiate the semiconductor shortage. We have raised the price target to €13.00 (previously: €12.50) to reflect a reduction in our tax charge forecasts. We maintain our Buy recommendation. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

| | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E |
|--------------------|--------|--------|--------|--------|--------|--------|
| Revenue (€m) | 514.47 | 501.98 | 556.82 | 564.96 | 595.00 | 675.21 |
| Y-o-y growth | -9.2% | -2.4% | 10.9% | 1.5% | 5.3% | 13.5% |
| EBIT (€m) | 4.40 | 14.99 | 12.00 | 27.47 | 42.36 | 51.24 |
| EBIT margin | 0.9% | 3.0% | 2.2% | 4.9% | 7.1% | 7.6% |
| Net income (€m) | -4.23 | 9.68 | 7.05 | 20.31 | 36.13 | 39.40 |
| EPS (diluted) (€) | -0.09 | 0.19 | 0.14 | 0.40 | 0.71 | 0.78 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FCF (€m) | -27.44 | 12.09 | 6.42 | 38.76 | 42.80 | 30.77 |
| Net gearing | 19.4% | 13.2% | 26.9% | 13.0% | -2.9% | -11.8% |
| Liquid assets (€m) | 58.38 | 62.65 | 54.26 | 64.88 | 93.42 | 101.28 |

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).

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 1,879 employees at the end of March 2021.

MARKET DATA

As of 26 Apr 2021

| | |
|-------------------------|----------------|
| Closing Price | € 10.04 |
| Shares outstanding | 50.50m |
| Market Capitalisation | € 506.99m |
| 52-week Range | € 5.49 / 10.24 |
| Avg. Volume (12 Months) | 119,928 |

| Multiples | 2020 | 2021E | 2022E |
|------------|------|-------|-------|
| P/E | 25.0 | 14.1 | 12.9 |
| EV/Sales | 0.9 | 0.9 | 0.8 |
| EV/EBIT | 19.2 | 12.4 | 10.3 |
| Div. Yield | 0.0% | 0.0% | 0.0% |

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2021

| | |
|----------------------|-----------|
| Liquid Assets | € 79.06m |
| Current Assets | € 271.43m |
| Intangible Assets | € 186.83m |
| Total Assets | € 524.27m |
| Current Liabilities | € 138.76m |
| Shareholders' Equity | € 279.64m |

SHAREHOLDERS

| | |
|-------------------------------|-------|
| EGORA Group | 15.0% |
| Teleios Capital Partners GmbH | 9.6% |
| Janus Henderson Group PLC | 3.3% |
| Dimensional Fund Advisors LP | 3.2% |
| Free float and other | 69.0% |

**Figure 1: Q2/21E forecast and Q1/21 results**

| €000's | Q2/21E | Q2/20A | Δ% | Q1/21A | Q1/21E | Δ% | Q1/20A | Δ% |
|----------------------------------|---------|---------|-------|---------|---------|-------|---------|-------|
| Sales | 150,100 | 145,024 | 3.5% | 144,473 | 145,500 | -0.7% | 132,686 | 8.9% |
| Proforma gross profit | 54,486 | 50,204 | 8.5% | 55,345 | 51,362 | 7.8% | 42,275 | 30.9% |
| margin (%) | 36.3% | 34.6% | - | 38.3% | 35.3% | - | 31.9% | - |
| Proforma selling/mkting expenses | -15,010 | -14,124 | - | -15,071 | -13,677 | - | -16,597 | - |
| % sales | -10.0% | -9.7% | - | -10.4% | -9.4% | - | -12.5% | - |
| Proforma G&A expenses | -9,456 | -8,370 | - | -8,458 | -9,312 | - | -8,459 | - |
| % sales | -6.3% | -5.8% | - | -5.9% | -6.4% | - | -6.4% | - |
| Proforma net R&D expenses | -18,762 | -18,029 | - | -19,622 | -18,188 | - | -18,878 | - |
| % sales | -12.5% | -12.4% | - | -13.6% | -12.5% | - | -14.2% | - |
| Other op. income and expenses | 750 | 426 | 76.2% | 666 | 728 | -8.5% | -12 | n.a. |
| % sales | 0.5% | 0.3% | - | 0.5% | 0.5% | - | 0.0% | - |
| Proforma EBIT | 12,008 | 10,107 | 18.8% | 12,860 | 10,913 | 17.8% | -1,671 | n.a. |
| margin (%) | 8.0% | 7.0% | - | 8.9% | 7.5% | - | -1.3% | - |
| Reported EBIT | 10,505 | 8,658 | 21.3% | 11,573 | 9,409 | 23.0% | -4,038 | n.a. |
| margin (%) | 7.0% | 6.0% | - | 8.0% | 6.5% | - | -3.0% | - |

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

Q1/21 proforma EBIT margin of 8.9% toward top end of 7-9% guidance range Q1/21 guidance given with the FY2020 numbers at the end of February was for revenue of €143m-€148m and a proforma EBIT margin of 7%-9%. The reported Q1 sales figure is slightly below the mid-point of guidance but the proforma EBIT number at 8.9% is towards the top end of the range.

EMEA sales up 47.4% y-o-y in Q1/21 As figure 2 below shows, from a geographic perspective the 8.9% increase in Q1/21 group sales was driven by the EMEA region where sales jumped 47.4% y-o-y. The increase was attributable to higher business volume with network operators, private enterprises and government agencies. In the Americas sales fell 33.4%. The weakening of the USDEUR exchange rate from 0.91 to 0.83 contributed to this development. ADVA also noted "some temporary softness with a few accounts due to more aggressive inventory management and the adoption of next generation equipment." ADVA's revenues in the Americas are generally more volatile than in EMEA. However, management notes a strong surge in the order intake from the Americas since the beginning of the year which suggests that regional sales will return to growth in the near term. Revenue from the Asia Pacific region was stable.

Figure 2: Geographic sales breakdown

| € 000's | Q1/20 | Q2/20 | Q3/20 | Q4/20 | FY/20 | Q1/21 |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| Europe, Middle East and Africa | 65,300 | 77,200 | 79,400 | 86,900 | 308,800 | 96,200 |
| y-o-y change (%) | -4.4% | 8.1% | 2.1% | 6.6% | 3.3% | 47.4% |
| sequential change (%) | -19.9% | 18.2% | 2.8% | 9.4% | 3.3% | 10.7% |
| Americas | 55,500 | 54,700 | 52,400 | 39,000 | 201,600 | 36,700 |
| y-o-y change (%) | 14.9% | 5.0% | -5.8% | -32.5% | -5.7% | -33.9% |
| sequential change (%) | -4.0% | -1.4% | -4.2% | -1.5% | -5.7% | -5.9% |
| Asia Pacific | 11,900 | 13,200 | 14,800 | 14,700 | 54,600 | 11,600 |
| y-o-y change (%) | 2.6% | 36.1% | 35.8% | 24.6% | 24.1% | -2.9% |
| sequential change (%) | 0.8% | 10.9% | 12.1% | -0.7% | 24.1% | -21.4% |
| Total | 132,700 | 145,100 | 146,600 | 140,600 | 565,000 | 144,500 |
| y-o-y change (%) | 3.5% | 8.9% | 1.6% | -6.9% | 1.5% | 8.9% |
| sequential change (%) | -12.2% | 9.3% | 1.0% | -4.1% | 1.5% | 2.8% |

Source: ADVA Optical Networking SE

Software and services accounted for 26% of Q1/21 sales – up from 20% in FY2019

The Q1/20 gross margin of 31.9% was adversely affected by pandemic-related supply chain problems but the Q1/21 gross margin of 38.3% was a record for the first quarter of ADVA's financial year. Apart from the easing of supply chain constraints, the improvement in profitability stemmed from the ongoing shift in the sales mix towards higher margin products/customers and software and services.



In general sales to private enterprises and government agencies are more profitable than sales to network operators while sales of software and services also generate relatively high margins. In Q1/21 sales to private enterprises and government agencies in EMEA outpaced the region's overall 47.4% growth while sales in the Americas region are more heavily weighted to network operators. Software and services accounted for 26% of Q1/21 sales, up from 23% in FY2020 and 20% in FY2019.

Total operating costs fell 3.3% y-o-y to €42.5m (Q1/20: €43.9m) despite an 8.9% increase in sales. The proforma operating margin widened from -1.3% to 8.9%. The biggest contributors to the decline were a €1.5m reduction in sales and marketing costs due mainly to lower travel expenses, and a €0.7m increase in net other operating income.

Net gearing including leasing liabilities down sharply at 7.0% (Q1/20: 30.4%)

Improved profitability meant that Q1/21 operating cashflow jumped 142% to €27.4m (Q1/20: €11.3m) despite working capital cash consumption of €2.9m (Q1/20: a contribution of €0.2m). Net cash used for investing activities fell to €12.3m (Q1/20:€17.5m) due mainly to lower investments in intangible assets. Net debt including lease liabilities was €19.5m at the end of Q1/21 (Q1/20: €75.8m) and net gearing including lease liabilities was 7.0% (Q1/20: 30.4%).

Multiple medium term sales growth and margin expansion drivers The advent of the Internet of Things, 5G mobile telephony and fibre deep initiatives are ending the dominance of centralised cloud computing and driving a wave of investment at the network edge. ADVA is very well placed to benefit having made timely investments in the requisite technology in the form of both acquisition activity and R&D spending. Meanwhile, security concerns are increasingly causing customers to shun Huawei, thereby creating further opportunities for ADVA. ADVA's recent presentation materials, including those from the capital markets day of 23 March feature a greater degree of transparency on the drivers of future growth than presentations during calendar 2020 which were more strongly focused on the response to the pandemic. We have summarised the major sales growth and margin expansion drivers identified by ADVA below.

- Sales share of software and services business to rise from 20% in 2020 to 30% in 2023
- Sales share of aggregation devices to rise from ca. 2% in 2020 to 15% by 2025
- Accelerating traction in growth verticals to raise share of higher-margin sales with non-communication service provider customers from 30% in 2020 to 40% by 2023
- 5G roll-out to drive rapid growth in ADVA's marketing leading network synchronisation business area (ca. 5% of 2020 sales).
- Market share gains from Huawei.

ADVA's higher margin software and services business climbed from below 20% to 23% of sales during the course of 2020 and reached 26% of sales in Q1/21. Management expect it to account for 30% of the total in 2023 with the Ensemble edge networking software suite as an important growth driver.

Aggregation devices such as the MicroMux/NanoMux product families accounted for around 2% of sales in 2020. ADVA are targeting 15% of sales within five years as these devices cater to a largely unserved niche market - namely smooth upgrades to legacy infrastructure within tight space and cost constraints. The average gross margin on these products is likely to be well above the 2020 group proforma figure of 35.2%. ADVA's development of new products in this area should also furnish it with components it previously sourced externally – thereby boosting margins further.



ADVA is also seeing accelerating traction in verticals including energy, government and OEMs. Business with the first two customer groups is benefitting from the increasing priority accorded to network security amid rising geopolitical tensions. Meanwhile, OEMs such as switching and routing manufacturers are likely to be customers for ADVA's expanded range of aggregation devices. Communications service providers accounted for ca. 70% of ADVA's sales in 2020. Business with this customer group is generally lower margin than with non-communications service providers. Management expect rapidly growing business with the above-mentioned verticals to boost the share of group sales made to non-communications service provider customers from 30% in 2020 to 40% by 2023.

Network synchronisation which accounted for 5% of 2020 sales, is ADVA's most profitable business area. Management has not given a % of sales target for this segment, but growth is likely to be brisk given its clear market leading position and the importance of synchronisation in 5G networks.

During the capital markets day in March, ADVA's management quantified the Huawei market opportunity over the next 24 months at €150m-€200m in EMEA and at 10's of USDm in the Americas.

Price target raised from €12.50 to €13.00. Buy Recommendation maintained

Notwithstanding the semiconductor shortage, which we expect to be of relatively short duration, we continue to model a sales CAGR of 9.7% and a widening of the proforma operating margin to 10.1% over the five year period to end 2025. The upper end of ADVA's 2021 margin guidance is as high as 10.0%, which given the Q1 figure of 8.9% does not look unachievable. We expect to raise our 2025 margin forecast once ADVA has demonstrated it can successfully negotiate the semiconductor shortage. The Q1 analysts' conference call included guidance on 2021 and medium term tax rates. On the basis of utilisation of tax loss carry-forwards management expect the 2021 tax rate to come in at 10% and the medium term tax rate to be ca. 20% (we had previously assumed 25% for the period 2021-2026). Reduced tax charge assumptions are the main reason for the increase in our price target from €12.50 to €13.00. Our forecasts are otherwiselargely unchanged. We maintain our Buy recommendation.

Figure 3: Changes to our forecasts

| €000's | 2021E | | | 2022E | | |
|------------------------|---------|---------|-------|---------|---------|------|
| | New | Old | Δ% | New | Old | Δ% |
| Sales | 595,000 | 595,000 | 0.0% | 675,205 | 675,205 | 0.0% |
| Proforma gross profit | 216,169 | 216,169 | 0.0% | 253,202 | 253,202 | 0.0% |
| margin (%) | 36.3% | 36.3% | - | 37.5% | 37.5% | - |
| Proforma sales & mktng | -58,772 | -58,772 | - | -77,649 | -77,649 | - |
| % sales | -9.9% | -9.9% | - | -11.5% | -11.5% | - |
| Proforma G&A | -36,626 | -37,626 | - | -41,863 | -41,863 | - |
| % sales | -6.2% | -6.3% | - | -6.2% | -6.2% | - |
| Proforma net R&D | -75,375 | -74,375 | - | -78,999 | -78,999 | - |
| % sales | -12.7% | -12.5% | - | -11.7% | -11.7% | - |
| Other operating income | 2,975 | 2,975 | 0.0% | 3,376 | 3,376 | 0.0% |
| % sales | 0.5% | 0.5% | - | 0.5% | 0.5% | - |
| Proforma EBIT | 48,371 | 48,371 | 0.0% | 58,068 | 58,068 | 0.0% |
| margin (%) | 8.1% | 8.1% | - | 8.6% | 8.6% | - |
| Reported EBIT | 42,359 | 42,359 | 0.0% | 51,245 | 51,245 | 0.0% |
| margin (%) | 7.1% | 7.1% | - | 7.6% | 7.6% | - |
| Net profit | 36,134 | 29,905 | 20.8% | 39,399 | 37,594 | 4.8% |
| margin (%) | 6.1% | 5.0% | - | 5.8% | 5.6% | - |
| EPS (€) | 0.71 | 0.59 | 20.6% | 0.78 | 0.74 | 4.9% |

Source: First Berlin Equity Research estimates



VALUATION MODEL

| DCF valuation model | | | | | | | | |
|------------------------------------|---------|---------|---------|---------|----------|----------|-----------|-----------|
| All figures in EUR '000 | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
| Net sales | 595,000 | 675,205 | 743,131 | 816,285 | 897,421 | 981,641 | 1,065,457 | 1,146,738 |
| NOPLAT | 39,250 | 41,869 | 56,592 | 65,544 | 72,058 | 78,821 | 85,551 | 92,077 |
| + depreciation & amortisation | -66,146 | -69,384 | -70,575 | -77,351 | -85,040 | -93,020 | -100,963 | -108,665 |
| Net operating cash flow | 105,396 | 111,254 | 127,167 | 142,895 | 157,098 | 171,841 | 186,514 | 200,742 |
| - total investments (CAPEX and WC) | -60,734 | -79,432 | -83,502 | -93,813 | -103,432 | -112,445 | -117,551 | -124,691 |
| Capital expenditures | -58,260 | -68,721 | -74,430 | -81,594 | -89,660 | -97,746 | -105,603 | -113,104 |
| Working capital | -2,474 | -10,712 | -9,072 | -12,219 | -13,772 | -14,698 | -11,948 | -11,587 |
| Free cash flows (FCF) | 44,662 | 31,821 | 43,665 | 49,081 | 53,666 | 59,396 | 68,962 | 76,051 |
| PV of FCF's | 41,862 | 27,115 | 33,826 | 34,566 | 34,360 | 34,572 | 36,492 | 36,586 |

| All figures in thousands | |
|------------------------------------------------------|---------|
| PV of FCFs in explicit period (2021E-2035E) | 446,284 |
| PV of FCFs in terminal period | 218,001 |
| Enterprise value (EV) | 664,285 |
| + Net cash / - net debt | -19,450 |
| + PV cash proceeds of future option exercise | 75,884 |
| Shareholder value | 720,719 |
| Current shares outstanding | 50,497 |
| + PV no shares issued against future option exercise | 4,960 |
| Proforma no shares | 55,457 |
| Fair value per share in EUR | 13.00 |

| WACC | | Terminal growth rate | | | | | | | |
|-----------------------------|-------|----------------------|-------|-------|-------|-------|-------|-------|-------|
| | | 1.5% | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% | 4.5% | |
| Cost of equity | 13.0% | 6.00% | 23.74 | 24.63 | 25.78 | 27.31 | 29.45 | 32.67 | 38.03 |
| Pre-tax cost of debt | 1.5% | 7.00% | 19.52 | 19.95 | 20.47 | 21.13 | 21.97 | 23.09 | 24.66 |
| Tax rate | 30.0% | 8.00% | 16.60 | 16.82 | 17.07 | 17.37 | 17.74 | 18.20 | 18.80 |
| After-tax cost of debt | 1.1% | 9.00% | 14.46 | 14.57 | 14.69 | 14.83 | 15.00 | 15.21 | 15.45 |
| Share of equity capital | 75.0% | 10.00% | 12.82 | 12.87 | 12.93 | 13.00 | 13.07 | 13.16 | 13.26 |
| Share of debt capital | 25.0% | 11.00% | 11.53 | 11.55 | 11.57 | 11.60 | 11.63 | 11.66 | 11.70 |
| | | 12.00% | 10.49 | 10.49 | 10.49 | 10.50 | 10.50 | 10.51 | 10.51 |
| Fair value per share in EUR | 13.00 | 13.00% | 9.63 | 9.62 | 9.61 | 9.61 | 9.60 | 9.59 | 9.58 |

* for layout purposes the model shows numbers only to 2028, but runs until 2035



INCOME STATEMENT

| All figures in EUR '000 | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | 514,471 | 501,981 | 556,821 | 564,958 | 595,000 | 675,205 |
| Cost of goods sold | -348,251 | -320,253 | -365,908 | -368,416 | -381,519 | -425,054 |
| Gross profit | 166,220 | 181,728 | 190,913 | 196,542 | 213,481 | 250,151 |
| Sales and marketing expenses | -62,889 | -63,569 | -72,828 | -60,803 | -61,448 | -80,686 |
| General and administrative expenses | -36,260 | -35,024 | -35,126 | -35,897 | -36,831 | -42,096 |
| Research and development expenses | -69,037 | -76,588 | -75,186 | -74,997 | -75,817 | -79,501 |
| Net other operating income | 6,369 | 8,442 | 4,230 | 2,628 | 2,975 | 3,376 |
| Operating income (EBIT) | 4,403 | 14,989 | 12,003 | 27,473 | 42,359 | 51,245 |
| Net interest income/(expense) | -785 | -1,408 | -2,304 | -2,607 | -2,070 | -1,320 |
| Other financial gains and losses,net | -3,809 | -1,096 | -770 | -47 | 0 | 0 |
| Pre-tax income (EBT) | -191 | 12,485 | 8,929 | 24,819 | 40,288 | 49,925 |
| Income taxes | -4,037 | -2,807 | -1,884 | -4,505 | -4,154 | -10,526 |
| Minority interests | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income / loss | -4,228 | 9,678 | 7,045 | 20,314 | 36,134 | 39,399 |
| Diluted EPS (in €) | -0.09 | 0.19 | 0.14 | 0.40 | 0.71 | 0.78 |
| EBITDA | 51,267 | 64,356 | 76,732 | 93,619 | 108,505 | 120,629 |
| Ratios | | | | | | |
| Gross margin | 32.3% | 36.2% | 34.3% | 34.8% | 35.9% | 37.0% |
| EBITDA margin on revenues | 10.0% | 12.8% | 13.8% | 16.6% | 18.2% | 17.9% |
| EBIT margin on revenues | 0.9% | 3.0% | 2.2% | 4.9% | 7.1% | 7.6% |
| Net margin on revenues | -0.8% | 1.9% | 1.3% | 3.6% | 6.1% | 5.8% |
| Tax rate | 2113.6% | -22.5% | -21.1% | -18.2% | -10.3% | -21.1% |
| Expenses as % of revenues | | | | | | |
| Sales and marketing expenses | 12.2% | 12.7% | 13.1% | 10.8% | 10.3% | 11.9% |
| General and administrative expenses | 7.0% | 7.0% | 6.3% | 6.4% | 6.2% | 6.2% |
| Research and development expenses | 13.4% | 15.3% | 13.5% | 13.3% | 12.7% | 11.8% |
| Y-Y Growth | | | | | | |
| Revenues | -9.2% | -2.4% | 334.5% | 1.5% | 5.3% | 13.5% |
| Operating income | -77.3% | 240.4% | 1282.8% | 128.9% | 54.2% | 21.0% |
| Net income/ loss | n.m. | n.m. | 580.0% | 188.3% | 77.9% | 9.0% |



BALANCE SHEET

| All figures in EUR '000 | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E |
|-------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | |
| Current assets, total | 232,639 | 257,216 | 269,240 | 247,575 | 301,903 | 337,872 |
| Cash and cash equivalents | 58,376 | 62,652 | 54,263 | 64,881 | 93,415 | 101,281 |
| Receivables | 81,327 | 97,936 | 96,193 | 83,880 | 98,175 | 111,409 |
| Contract assets | 0 | 320 | 654 | 442 | 476 | 540 |
| Inventories | 81,694 | 85,734 | 105,355 | 90,124 | 101,150 | 114,785 |
| Tax assets | 1,438 | 1,675 | 1,857 | 390 | 411 | 466 |
| Other current assets | 9,804 | 8,899 | 10,918 | 7,858 | 8,276 | 9,391 |
| Non-current assets, total | 231,249 | 229,322 | 267,122 | 252,397 | 245,276 | 246,041 |
| Right of use assets | 0 | 0 | 31,985 | 25,386 | 18,984 | 11,718 |
| Property, plant & equipment | 26,898 | 29,052 | 32,622 | 31,235 | 32,725 | 37,136 |
| Intangible assets | 189,996 | 189,850 | 192,760 | 185,949 | 182,975 | 185,165 |
| Deferred tax assets | 10,614 | 7,315 | 6,336 | 7,233 | 7,618 | 8,644 |
| Other non-current assets | 3,741 | 3,105 | 3,419 | 2,594 | 2,975 | 3,376 |
| Total assets | 463,888 | 486,538 | 536,362 | 499,972 | 547,179 | 583,913 |
| Shareholders' equity & debt | | | | | | |
| Current liabilities, total | 188,985 | 145,576 | 159,140 | 130,638 | 165,461 | 182,864 |
| Lease liabilities | 0 | 0 | 6,082 | 5,807 | 5,807 | 5,807 |
| Financial liabilities | 79,061 | 19,400 | 19,221 | 15,492 | 25,000 | 23,000 |
| Accounts payable | 39,193 | 63,195 | 73,398 | 44,151 | 64,260 | 72,922 |
| Advance payments received | 93 | 0 | 0 | 0 | 0 | 0 |
| Current provisions | 21,994 | 15,005 | 14,379 | 14,407 | 16,732 | 20,240 |
| Tax liabilities | 6,446 | 5,067 | 1,686 | 1,808 | 1,904 | 2,161 |
| Contract liabilities | 0 | 14,061 | 12,448 | 16,377 | 17,248 | 19,573 |
| Refund liabilities | 0 | 511 | 709 | 633 | 595 | 675 |
| Deferred revenues | 15,062 | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 27,136 | 28,337 | 31,217 | 31,963 | 33,915 | 38,487 |
| Other current liabilities | 42,198 | 28,848 | 31,926 | 32,596 | 34,510 | 39,162 |
| Long-term liabilities, total | 47,882 | 96,321 | 121,430 | 106,116 | 83,895 | 67,032 |
| Lease liabilities | 0 | 0 | 28,348 | 21,998 | 21,998 | 21,998 |
| Financial liabilities | 17,500 | 70,084 | 61,758 | 47,129 | 22,976 | 867 |
| Provisions for pensions | 5,822 | 5,531 | 7,756 | 8,545 | 8,925 | 10,128 |
| Other provisions | 1,478 | 1,453 | 1,380 | 1,558 | 1,641 | 1,862 |
| Deferred tax liabilities | 12,502 | 10,828 | 12,307 | 13,522 | 14,280 | 16,205 |
| Other non-current liabilities | 10,580 | 8,425 | 9,881 | 13,364 | 14,075 | 15,972 |
| Shareholders' equity | 227,021 | 244,641 | 255,792 | 263,218 | 297,823 | 334,017 |
| Total consolidated equity and debt | 463,888 | 486,538 | 536,362 | 499,972 | 547,179 | 583,913 |
| Ratios | | | | | | |
| Net debt | 44,007 | 32,363 | 68,902 | 34,090 | -8,709 | -39,481 |
| Net gearing | 19.4% | 13.2% | 26.9% | 13.0% | -2.9% | -11.8% |
| Book value per share (in €) | 4.56 | 4.90 | 5.10 | 5.21 | 5.90 | 6.61 |
| Return on equity (ROE) | -1.8% | 4.1% | 2.9% | 2.7% | 12.9% | 12.5% |



CASH FLOW STATEMENT

| All figures in EUR '000 | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Income before tax | -191 | 12,485 | 8,929 | 24,819 | 40,288 | 49,925 |
| Depreciation and amortisation | 46,864 | 49,367 | 62,191 | 64,729 | 66,146 | 69,384 |
| Changes in working capital | -16,551 | -2,207 | -3,516 | 11,968 | -2,474 | -10,712 |
| Income tax paid | -1,666 | -2,351 | -1,684 | -2,099 | -4,154 | -10,526 |
| Other adjustments | -1,322 | 3,066 | 971 | -2,274 | 1,252 | 1,421 |
| Operating cash flow | 27,134 | 60,360 | 66,891 | 97,143 | 101,059 | 99,493 |
| Investments in PP&E | -10,559 | -14,029 | -16,888 | -13,648 | -15,770 | -20,616 |
| Investments in intangibles | -44,014 | -34,239 | -43,584 | -44,740 | -42,490 | -48,104 |
| Free cash flow | -27,439 | 12,092 | 6,419 | 38,755 | 42,799 | 30,772 |
| Acquisitions & disposals, net | -36,213 | 0 | 0 | 0 | 0 | 0 |
| Other | 248 | 207 | 169 | 34 | 0 | 0 |
| Investment cash flow | -90,538 | -48,061 | -60,303 | -58,354 | -58,260 | -68,721 |
| Debt financing, net | 37,184 | -7,083 | -8,500 | -18,500 | -14,265 | -22,906 |
| Lease liabilities | 0 | 0 | -4,488 | -6,986 | 0 | 0 |
| Equity financing, exercise of stock options | 1,029 | 810 | 1,257 | 1,273 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | -1,291 | -1,953 | -2,801 | -2,553 | 0 | 0 |
| Financing cash flow | 36,922 | -8,226 | -14,532 | -26,766 | -14,265 | -22,906 |
| FOREX & other effects | -13 | 203 | -445 | -1,405 | 0 | 0 |
| Net cash flows | -26,495 | 4,276 | -8,389 | 10,618 | 28,534 | 7,866 |
| Cash, start of the year | 84,871 | 58,376 | 62,652 | 54,263 | 64,881 | 93,415 |
| Cash, end of the year | 58,376 | 62,652 | 54,263 | 64,881 | 93,415 | 101,281 |
| EBITDA/share (in €) | 1.02 | 1.28 | 1.44 | 1.85 | 2.14 | 2.38 |
| Y-Y Growth | | | | | | |
| Operating cash flow | -55.8% | 122.5% | 10.8% | 45.2% | 4.0% | -1.5% |
| Free cash flow | n.m. | n.m. | -46.9% | 503.8% | 10.4% | -28.1% |
| EBITDA/share | -13.2% | 25.4% | 12.8% | 28.2% | 15.4% | 11.2% |

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|--------------------------------------|----------------------------------------|---------------|-------------|
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| Strong Buy ¹ | 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% |

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

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|----------------|---------------------|----------------------------|----------------|--------------|
| 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 | 27 October 2020 | €6.34 | Buy | €8.20 |
| 7 | 12 January 2021 | €8.05 | Buy | €11.00 |
| 8 | 2 March 2021 | €9.63 | Buy | €12.50 |
| 9 | Today | €10.04 | Buy | €13.00 |

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