

ADVA Optical Networking SE

Germany / Technology
 Frankfurt
 Bloomberg: ADV GR
 ISIN: DE0005103006

Q1 2022 results

RATING
BUY

PRICE TARGET
€ 21.00

Return Potential 35.9%
 Risk Rating High

STRONG DEMAND WILL OUTLAST COMPONENTS SHORTAGE

Q1/22 results were characterised on the one hand by very strong sales and order intake and on the other by pressure on the gross margin due to supply chain bottlenecks and the depreciation of the Euro against the US Dollar. Sales jumped 18.0% to €170.5m (Q1/21: €144.5m) and were 5.4% above our forecast of €161.8m. Q1/22 order intake and backlog both reached record levels. However proforma gross profit declined 3.5% to €53.4m (FBe: €51.8m; Q1/21: €55.3m) equivalent to a margin of 31.3% (FBe: 32.0%; Q1/21: 38.3%) while proforma EBIT was 39.3% lower at €7.8m (FBe: €8.1m; Q1/21: €12.9m) equivalent to a margin of 4.6% (FBe: 5.0%; Q1/21: 8.9%). Higher semiconductor costs and the decrease in the average EURUSD rate to 1.122 (Q1/21:1.205) were major factors behind cost of goods outstripping sales growth. Management expect semiconductor shortages to persist throughout H2/22 and have moved to counter cost increases by selectively raising prices. We expect this to result in some recovery in profitability in Q3 and Q4 allowing the company to meet full-year proforma EBIT margin guidance of 6-10%, which is unchanged on the Q4/21 report published on 24 February. We have reduced our full-year standalone 2022E proforma EBIT forecast for ADVA by 4.9% to €50.4m (previously: €53.0m) to reflect lower Q1/22 profitability than forecast but raised our projections for 2023 and subsequent years on the back of higher sales assumptions. Based on a DCF valuation of the future merged ADVA/ADTRAN entity, we raise our price target for the ADVA share to €21.00 (previously: €20.00). We maintain our Buy recommendation.

Growth supported by powerful megatrends Digitalisation and modernisation of communications infrastructure continue to drive the growth of ADVA and the optical networking industry in general. These trends are reinforced by growing geopolitical tensions, which are raising demand for ADVA's network security solutions, and are further supported by public funding programmes. Over USD190bn of predominantly government funding of broadband infrastructure is planned in the US and Europe during 2021-2027. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS*

	2020	2021	2022E	2023E	2024E	2025E
Revenue (€m)	564.96	603.32	1310.20	1477.60	1632.08	1786.99
Y-o-y growth	9.8%	6.8%	117.2%	12.8%	10.5%	9.5%
EBIT (€m)	27.47	45.30	-13.31	87.20	192.71	223.90
EBIT margin	4.9%	7.5%	-1.0%	5.9%	11.8%	12.5%
Net income (€m)	20.31	59.22	-10.25	65.05	144.14	167.49
EPS (diluted) (€)	0.40	1.15	-0.11	0.67	1.46	1.66
DPS (€)	0.00	0.00	0.34	0.34	0.34	0.34
FCF (€m)	38.76	58.98	-34.43	29.88	104.57	127.47
Net gearing	13.0%	-8.5%	-4.8%	-4.2%	-11.5%	-19.0%
Liquid assets (€m)	64.88	108.99	150.82	161.26	189.60	278.33

*forecasts up to and including 2021 for ADVA standalone, from 2022 for the merged entity

RISKS

Risks include but are not limited to: higher prices and restricted availability of components due to the semiconductor crisis, 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 1,978 employees at the end of March 2022.

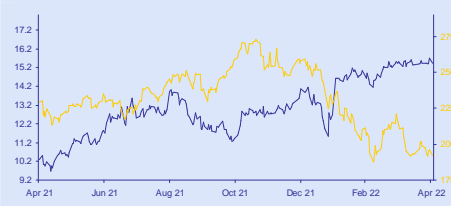
MARKET DATA

As of 02 May 2022

Closing Price	€ 15.45
Shares outstanding	51.45m
Market Capitalisation	€ 794.84m
52-week Range	€ 9.70 / 15.68
Avg. Volume (12 Months)	169,666

Multiples	2021	2022E	2023E
P/E	13.4	n.a.	23.1
EV/Sales	1.3	1.1	1.0
EV/EBIT	17.7	n.a.	16.2
Div. Yield	0.0%	2.2%	2.2%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2022

Liquid Assets	€ 73.00m
Current Assets	€ 317.30m
Intangible Assets	€ 11.23m
Total Assets	€ 590.25m
Current Liabilities	€ 175.17m
Shareholders' Equity	€ 347.87m

SHAREHOLDERS

EGORA Group	14.5%
JPMorgan Chase & Co	5.9%
UBS AG	5.5%
Samson Rock Capital LLP	5.0%
Free float and other	69.2%



Figure 1: Q2/22 FBe forecast and Q1/22 results

€000's	Q2/22E	Q2/21A	Δ%	Q1/22A	Q1/22E	Δ%	Q1/21A	Δ%
Sales	171,757	149,354	15.0%	170,498	161,810	5.4%	144,473	18.0%
Proforma gross profit	53,245	57,274	-7.0%	53,405	51,779	3.1%	55,345	-3.5%
margin (%)	31.0%	38.3%	-	31.3%	32.0%	-	38.3%	-
Proforma selling/mkting costs	-17,176	-15,240	-	-17,568	-16,181	-	-15,071	-
% sales	-10.0%	-10.2%	-	-10.3%	-10.0%	-	-10.4%	-
Proforma G&A costs	-9,275	-9,137	-	-9,312	-9,044	-	-8,458	-
% sales	-5.4%	-6.1%	-	-5.5%	-5.6%	-	-5.9%	-
Proforma net R&D costs	-20,096	-19,312	-	-20,069	-19,255	-	-19,622	-
% sales	-11.7%	-12.9%	-	-11.8%	-11.9%	-	-13.6%	-
Other op. income and costs	859	830	3.5%	1,356	809	67.6%	666	103.6%
% sales	0.5%	0.6%	-	0.8%	0.5%	-	0.5%	-
Proforma EBIT	7,557	14,415	-47.6%	7,812	8,108	-3.7%	12,860	-39.3%
margin (%)	4.4%	9.7%	-	4.6%	5.0%	-	8.9%	-
Reported EBIT	5,471	13,036	-58.0%	5,976	6,667	-10.4%	11,573	-48.4%
margin (%)	3.2%	8.7%	-	3.5%	4.1%	-	8.0%	-

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

As figure 2 below shows, sales in the Americas grew by 61.3% to €59.2m (Q1/21: €36.7m), thereby contributing over 80% of the €26m increase in group sales compared to the prior-year quarter. The growth was attributable to strong demand from network operators and also the 7.4% appreciation of the average USDEUR rate. ADVA's sales in the Americas are more volatile than in EMEA. Sales in the Americas are also generally less profitable than in EMEA, which was another factor behind the narrowing of margins in Q1/22.

Figure 2: Geographic sales breakdown

€ 000's	FY/20	Q1/21	Q2/21	Q3/21	Q4/21	FY/21	Q1/22
Europe, Middle East and Africa	308,800	96,237	96,363	88,196	100,597	381,393	96,333
y-o-y change (%)	3.3%	47.4%	27.1%	11.1%	15.7%	23.5%	0.1%
sequential change (%)	3.3%	10.7%	0.1%	-8.5%	14.1%	23.5%	-4.2%
Americas	201,600	36,703	41,683	48,272	39,378	166,036	59,164
y-o-y change (%)	-5.7%	-33.8%	13.6%	-8.1%	1.2%	-17.6%	61.2%
sequential change (%)	-5.7%	-5.9%	13.6%	15.8%	-18.4%	-17.6%	50.2%
Asia Pacific	54,600	11,560	11,354	15,332	17,725	55,972	15,004
y-o-y change (%)	24.1%	-3.2%	-13.9%	3.5%	20.1%	2.5%	29.8%
sequential change (%)	24.1%	-21.4%	-1.8%	35.0%	15.6%	2.5%	-15.4%
Total	565,000	144,500	149,400	151,800	157,700	603,400	170,500
y-o-y change (%)	1.5%	8.9%	3.0%	3.5%	12.2%	6.8%	18.0%
sequential change (%)	1.5%	2.8%	3.4%	1.6%	3.9%	6.8%	8.1%

Source: ADVA Optical Networking SE

Net gearing including leasing liabilities 2.0% at end March (Q1/21: 7.0%) Lower profitability and higher working capital cash expenditure meant that Q1/22 operating cashflow fell to €-12.7m (Q1/21: €27.4m). The biggest contributor to the cash outflow was working capital cash consumption of €36.7m (Q1/21: consumption of €2.9m). Net working capital was €102.1m at the end of March compared with €64.0m at the end of December as management increased prepayments and reduced trade payables in order to secure components. Net cash used in investing activities rose to €22.0m (Q1/21: €12.3m) due mainly to higher investments in intangible assets. Nevertheless, both net debt including lease liabilities of €6.9m and net gearing including lease liabilities of 2.0% were well down on the prior year figures of €19.5m and 7.0% respectively due to strong cashflow generation throughout 2021.



Figure 3: Changes to our ADVA standalone forecasts

€000's	FY/22 guidance	FY/22E Old	FY/22E New	Δ%	FY/23E Old	FY/23E New	Δ%
Sales	650,000 to 700,000	660,373	691,919	4.8%	726,410	761,111	4.8%
Proforma gross profit	-	229,758	234,331	2.0%	270,822	283,675	4.7%
margin (%)	-	34.8%	33.9%	-	37.3%	37.3%	-
Proforma selling/mkting costs	-	-66,037	-69,710	-	-72,641	-76,111	-
% sales	-	-10.0%	-10.1%	-	-10.0%	-10.0%	-
Proforma G&A costs	-	-35,467	-37,469	-	-39,444	-41,322	-
% sales	-	-5.4%	-5.4%	-	-5.4%	-5.4%	-
Proforma net R&D costs	-	-78,584	-80,722	-	-79,905	-83,722	-
% sales	-	-11.9%	-11.7%	-	-11.0%	-11.0%	-
Other op. income and costs	-	3,302	3,963	20.0%	3,632	3,806	4.8%
% sales	-	0.5%	0.6%	-	0.5%	0.5%	-
Proforma EBIT	39,000 to 70,000	52,971	50,394	-4.9%	82,463	86,325	4.7%
margin (%)	6% to 10%	8.0%	7.3%	-	11.4%	11.3%	-
Reported EBIT	-	46,748	43,874	-6.1%	75,618	79,154	4.7%
margin (%)	-	7.1%	6.3%	-	10.4%	10.4%	-

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

As figure 3 shows, we have raised our sales forecast for both 2022 and 2023 to reflect a stronger first quarter number than we had modelled, but lowered the proforma EBIT margin projection on the back of a weaker Q1/22 gross margin than we had expected. We continue to expect a margin recovery in 2023 due to the full-year impact of the price increases implemented this year and the easing of components shortages.

As we pointed out at greater length in our note of 4 March, sales and margins also continue to benefit from the drivers identified by management at the capital markets day in March 2021.

- The sales share of software and services was 20% in 2019, 25% in 2021, and is expected to reach 30% by the end of 2023;
- Sales share arising from ADVA's verticalisation initiative, including components such as pluggable aggregation devices, to rise 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 market-leading network synchronisation business area (ca. 5% of 2020 sales);
- Market share gains from Huawei.

Price target raised to €21.0 (previously: €20.0). Buy recommendation maintained

The changes to our ADVA standalone forecasts impact our projections for the combined ADVA/ADTRAN entity as shown in figure 4. As with ADVA standalone, for the combined entity we have lowered 2022 profit forecasts but raised projections for 2023 and subsequent years. Our 2022 forecast incorporates \$22.3m (€21.1m) of transaction costs and \$24.9m (€23.6m) of costs relating to the replacement of ADVA stock options and the modification of ADTRAN performance stock units. These costs are detailed in Form S-4. The proforma end June 2021 balance sheet in Form S-4 shows a net \$479.4m increase in intangible assets over and above the combined standalone balance sheets. This reflects developed technology, customer backlog, customer relationships and brand value identified at ADVA. We have assumed that this figure is written off against the combined entity's opening balance sheet and so have not shown any related depreciation in our forecasts from 2022.



Under the terms of the merger, each ADVA share will be exchanged for 0.8244x the value of each ADTRAN share. Based on an updated DCF valuation of the combined entity, we value the ADTRAN share at USD26.50. Multiplying this figure by 0.8244 and dividing by the current EURUSD exchange rate of 1.05 produces a value for the ADVA share of €20.70 (previously: €20.00). We maintain our Buy recommendation but raise the price target to €21.00 (previously: €20.00).

Figure 4: Changes to forecasts (merged entity)

€000's	2022E			2023E			2024E			2025E			2026E		
	New	Old	Δ%	New	Old	Δ%	New	Old	Δ%	New	Old	Δ%	New	Old	Δ%
Revenues	1,310,205	1,264,966	3.6%	1,477,604	1,421,032	4.0%	1,632,083	1,569,764	4.0%	1,786,995	1,718,823	4.0%	1,929,954	1,856,328	4.0%
Cost of goods sold	-853,636	-817,831	-	-904,646	-869,715	-	-923,123	-887,508	-	-1,013,538	-974,492	-	-1,094,621	-1,052,452	-
Gross profit	456,569	447,135	2.1%	572,958	551,318	3.9%	708,959	682,256	3.9%	773,457	744,330	3.9%	835,333	803,877	3.9%
margin (%)	34.8%	35.3%	-	38.8%	38.8%	-	43.4%	43.5%	-	43.3%	43.3%	-	43.3%	43.3%	-
S,G & A costs	-272,386	-262,978	-	-240,732	-231,567	-	-264,500	-254,489	-	-278,441	-267,829	-	-295,949	-284,634	-
R&D costs	-200,940	-193,809	-	-248,394	-238,736	-	-255,419	-245,560	-	-275,121	-264,542	-	-297,130	-285,706	-
Net other op. inc.	3,449	2,748	25.5%	3,367	3,046	10.5%	3,670	3,320	10.5%	4,000	3,619	10.5%	4,320	3,909	10.5%
EBIT	-13,308	-6,903	n.a.	87,199	84,060	3.7%	192,710	185,528	3.9%	223,896	215,578	3.9%	246,574	237,446	3.8%
margin (%)	-1.0%	-0.5%	-	5.9%	5.9%	-	11.8%	11.8%	-	12.5%	12.5%	-	12.8%	12.8%	-
Net interest	-358	-355	-	-462	-445	-	-522	-501	-	-574	-553	-	-629	-606	-
Pre-tax income (EBT)	-13,666	-7,258	n.a.	86,736	83,615	3.7%	192,188	185,027	3.9%	223,322	215,026	3.9%	245,945	236,840	3.8%
Income taxes	3,417	1,815	-	-21,684	-20,904	-	-48,047	-46,257	-	-55,830	-53,756	-	-61,486	-59,210	-
Net income / loss	-10,250	-5,444	n.a.	65,052	62,712	3.7%	144,141	138,770	3.9%	167,491	161,269	3.9%	184,459	177,630	3.8%
Diluted EPS (in €)	-0.11	-0.06	n.a.	0.67	0.65	3.7%	1.46	1.40	3.9%	1.66	1.60	3.9%	1.83	1.76	3.8%
Adjusted EBITDA	50,066	54,906	-8.8%	140,094	134,599	4.1%	252,391	242,575	4.0%	290,355	279,124	4.0%	318,962	306,665	4.0%
margin (%)	3.8%	4.3%	-	9.5%	9.5%	-	15.5%	15.5%	-	16.2%	16.2%	-	16.5%	16.5%	-

Source: First Berlin Equity Research estimates

Figure 5: DCF model

DCF valuation model								
All figures in USD 000s								
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	1,404,441	1,558,133	1,721,031	1,884,386	2,035,137	2,187,649	2,351,642	2,527,983
NOPLAT	-11,166	72,729	161,106	187,196	206,170	221,651	238,301	228,475
+ depreciation & amortisation	40,432	44,938	50,793	56,726	61,909	66,712	71,639	76,932
Stock compensation	27,500	10,840	12,141	13,355	14,423	15,577	16,823	18,169
Net operating cash flow	56,766	128,507	224,039	257,278	282,503	303,940	326,764	323,576
- total investments (CAPEX and WC)	-93,848	-92,867	-104,662	-112,284	-114,873	-112,412	-121,577	-131,479
Capital expenditures	-57,009	-69,321	-69,571	-74,052	-77,611	-83,000	-89,184	-95,830
Working capital	-36,839	-23,546	-35,091	-38,231	-37,262	-29,411	-32,393	-35,649
Free cash flows (FCF)	-37,082	35,640	119,378	144,994	167,630	191,529	205,187	192,096
PV of FCF's	-35,157	31,200	96,498	108,222	115,528	121,883	120,567	104,225
All figures in thousands								
PV of FCFs in explicit period (2022E-2035E)	1,284,148							
PV of FCFs in terminal period	1,251,863							
Enterprise value (EV)	2,536,011							
+ Net cash / - net debt	-76,099							
+ PV cash proceeds of future option exercise	63,225							
Shareholder value	2,675,334							
Current shares outstanding	96,121							
+ PV no shares issued against future option exercise	4,835							
Proforma no shares	100,956							
Fair value per ADTRAN share in USD	26.50							
WACC								
Cost of equity	8.3%							
Pre-tax cost of debt	9.5%							
Tax rate	2.0%							
After-tax cost of debt	25.0%							
Share of equity capital	1.5%							
Share of debt capital	85.0%							
Fair value per ADTRAN share in USD	15.0%							
Fair value per ADVA share in EUR	26.50							
	20.72							
Terminal growth rate								
	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
6.80%	35.96	36.12	36.32	36.57	36.90	37.35	37.99	
7.30%	32.52	32.50	32.48	32.45	32.42	32.38	32.33	
7.80%	29.63	29.51	29.36	29.18	28.95	28.67	28.30	
8.30%	27.18	26.99	26.77	26.50	26.18	25.78	25.28	
8.80%	25.08	24.85	24.58	24.27	23.90	23.46	22.91	
9.30%	23.25	23.00	22.72	22.39	22.00	21.55	20.99	
9.80%	21.65	21.39	21.10	20.77	20.39	19.94	19.40	

* for layout purposes the model shows numbers only to 2029, but runs until 2035

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in EUR '000	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Revenues	564,958	603,317	1,310,205	1,477,604	1,632,083	1,786,995	1,929,954
Cost of goods sold	-368,416	-384,759	-853,636	-904,646	-923,123	-1,013,538	-1,094,621
Gross profit	196,542	218,558	456,569	572,958	708,959	773,457	835,333
Sales, general & admin. expenses	-96,700	-101,754	-272,386	-240,732	-264,500	-278,441	-295,949
Research and development expenses	-74,997	-76,723	-200,940	-248,394	-255,419	-275,121	-297,130
Net other operating income	2,628	5,214	3,449	3,367	3,670	4,000	4,320
Operating income (EBIT)	27,473	45,295	-13,308	87,199	192,710	223,896	246,574
Net interest income/(expense)	-2,607	-1,735	-358	-462	-522	-574	-629
Other financial gains and losses, net	-47	2,676	0	0	0	0	0
Pre-tax income (EBT)	24,819	46,236	-13,666	86,736	192,188	223,322	245,945
Income taxes	-4,505	12,982	3,417	-21,684	-48,047	-55,830	-61,486
Net income / loss	20,314	59,218	-10,250	65,052	144,141	167,491	184,459
Diluted EPS (in €)	0.40	1.15	-0.11	0.67	1.46	1.66	1.83
Adjusted EBITDA	54,487	78,501	50,066	140,094	252,391	290,355	318,962
Ratios							
Gross margin	34.8%	36.2%	34.8%	38.8%	43.4%	43.3%	43.3%
Adjusted EBITDA margin on revenues	9.6%	13.0%	3.8%	9.5%	15.5%	16.2%	16.5%
EBIT margin on revenues	4.9%	7.5%	-1.0%	5.9%	11.8%	12.5%	12.8%
Net margin on revenues	3.6%	9.8%	-0.8%	4.4%	8.8%	9.4%	9.6%
Tax rate	-18.2%	28.1%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
Expenses as % of revenues							
Sales, general & admin. expenses	17.1%	16.9%	20.8%	16.3%	16.2%	15.6%	15.3%
Research and development expenses	13.3%	12.7%	15.3%	16.8%	15.6%	15.4%	15.4%
Y-Y Growth							
Revenues	1.5%	6.8%	117.2%	12.8%	10.5%	9.5%	8.0%
Operating income	128.9%	64.9%	n.m.	n.m.	121.0%	16.2%	10.1%
Net income/ loss	188.3%	191.5%	n.m.	n.m.	121.6%	16.2%	10.1%



BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Assets							
Current assets, total	247,575	335,653	767,345	862,486	960,233	1,122,804	1,297,594
Cash and cash equivalents	64,881	108,987	150,823	161,262	189,598	278,327	385,424
Restricted cash	0	0	62	54	99	207	358
Receivables	83,880	82,972	286,565	322,675	355,914	390,273	421,495
Inventories	90,124	129,205	302,901	347,585	380,915	417,123	450,493
Other current assets	8,690	14,489	26,993	30,909	33,707	36,873	39,823
Non-current assets, total	252,397	265,871	715,253	758,487	784,076	809,346	833,026
Property, plant & equipment	31,235	33,326	98,679	117,785	133,900	146,834	158,581
Goodwill	67,036	71,595	428,608	435,691	435,691	435,691	435,691
Other intangible assets	118,913	118,308	48,524	54,972	56,664	60,161	63,304
Deferred tax assets	7,233	15,339	18,685	21,459	23,562	25,812	27,877
Other non-current assets	27,980	27,303	120,758	128,580	134,259	140,849	147,573
Total assets	499,972	601,524	1,482,598	1,620,973	1,744,309	1,932,150	2,130,620
Shareholders' equity & debt							
Current liabilities, total	130,638	195,532	416,536	475,758	489,821	522,470	550,096
Financial liabilities	15,492	25,289	39,354	43,539	24,205	21,195	17,465
Accounts payable	44,151	83,223	205,185	235,693	250,859	265,973	277,717
Tax liabilities	1,808	5,769	13,713	15,747	17,283	18,932	20,447
Other current liabilities	69,187	81,251	158,285	180,780	197,474	216,370	234,466
Long-term liabilities, total	106,116	66,080	312,034	346,349	344,497	366,111	386,664
Lease liabilities	21,998	19,013	21,998	21,998	21,998	21,998	21,998
Financial liabilities	47,129	22,518	52,234	57,789	32,127	28,132	23,181
Provisions for pensions	8,545	7,401	22,732	26,116	28,696	31,441	33,956
Other provisions	1,558	2,440	1,908	2,099	2,288	2,494	2,693
Deferred tax liabilities	13,522	2,151	143,848	148,187	149,529	151,321	153,058
Other non-current liabilities	13,364	12,557	93,221	114,258	134,144	155,217	176,469
Shareholders' equity	263,218	339,912	754,028	798,866	909,992	1,043,569	1,193,860
Total consolidated equity and debt	499,972	601,524	1,482,598	1,620,973	1,744,309	1,932,150	2,130,620
Ratios							
Net debt	34,090	-28,765	-36,566	-33,873	-104,668	-197,766	-311,179
Net gearing	13.0%	-8.5%	-4.8%	-4.2%	-11.5%	-19.0%	-26.1%
Book value per share (in €)	5.24	6.71	7.76	8.07	9.04	10.33	11.77
Return on equity (ROE)	2.7%	19.6%	-1.9%	8.4%	16.9%	17.1%	16.5%



CASH FLOW STATEMENT

All figures in EUR '000	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Income before tax	24,819	46,236	-13,666	86,736	192,188	223,322	245,945
Depreciation and amortisation	64,729	70,407	37,719	42,616	48,167	53,795	58,710
Changes in working capital	11,968	6,511	-34,367	-22,329	-33,277	-36,256	-35,337
Income tax paid	-2,099	-1,911	3,417	-21,684	-48,047	-55,830	-61,486
Other adjustments inc. stock compensation	-2,274	2,010	25,655	10,280	11,513	12,665	13,678
Operating cash flow	97,143	123,253	18,758	95,619	170,545	197,695	221,510
Investments in PP&E	-13,648	-15,899	-38,418	-46,048	-48,829	-49,782	-52,079
Investments in intangibles	-44,740	-48,377	-14,766	-19,690	-17,146	-20,443	-21,521
Free cash flow	38,755	58,977	-34,426	29,881	104,569	127,470	147,910
Acquisitions & disposals, net	0	0	0	0	0	0	0
Other	34	5	0	0	0	0	0
Investment cash flow	-58,354	-64,271	-53,184	-65,738	-65,975	-70,225	-73,600
Debt financing, net	-18,500	-15,000	24,764	11,235	-42,414	-4,261	-6,165
Lease liabilities	-6,986	-4,627	0	0	0	0	0
Equity financing, exercise of stock options	1,273	6,608	0	0	0	0	0
Dividends paid	0	0	0	-33,178	-33,775	-34,372	-34,496
Other	-2,553	-1,780	0	0	0	0	0
Financing cash flow	-26,766	-14,799	24,764	-21,943	-76,189	-38,633	-40,661
FOREX & other effects	-1,405	-77	0	2,493	0	0	0
Net cash flows	10,618	44,106	-9,662	10,431	28,380	88,837	107,249
Cash, start of the year	54,263	64,881	160,547	150,885	161,316	189,696	278,534
Cash, end of the year	64,881	108,987	150,885	161,316	189,696	278,534	385,783
EBITDA/share (in €)	1.08	1.54	0.52	1.44	2.55	2.88	3.16
Y-Y Growth							
Operating cash flow	45.2%	26.9%	-84.8%	409.8%	78.4%	15.9%	12.0%
Free cash flow	503.8%	52.2%	n.m.	n.m.	250.0%	21.9%	16.0%
EBITDA/share	-25.4%	43.2%	-66.2%	176.8%	77.0%	13.0%	9.5%

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
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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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	17 September 2019	€6.53	Buy	€8.50
2...6	↓	↓	↓	↓
7	12 January 2021	€8.05	Buy	€11.00
8	2 March 2021	€9.63	Buy	€12.50
9	27 April 2021	€10.04	Buy	€13.00
10	27 July 2021	€13.56	Add	€14.40
11	2 September 2021	€13.72	Add	€14.40
12	10 January 2022	€13.64	Buy	€18.00
13	4 March 2022	€14.94	Buy	€20.00
14	12 April 2022	€15.54	Buy	€20.00
15	Today	€15.45	Buy	€21.00

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