PSI AG

Germany / Software
Primary exchange: Frankfurt
Bloomberg: PSAN GR
ISIN: DE000A0Z1JH9

Covid-19 update/
2019 annual report

RATING	**BUY**
PRICE TARGET	**€ 21.20**
Return Potential	28.5%
Risk Rating	Medium

CLIMATE PROTECTION THEME, ORDERS ON HAND LIMIT COVID-19 IMPACT

PSI's 2019 results came in above our forecasts, showing a 13.1% rise in sales to €225.2m (FBe: €220.1m; 2018: €199.2) and an 11.4% increase in EBIT to €17.2m (FBe: €16.5m; 2018: €15.5m). However, PSI serves several customer groups which are vulnerable in the current covid-19-induced recession. These include metals (22% of 2019 sales); automotive & industry (16% of 2019 sales); gas & oil (10% of 2019 sales). PSI's 2020 guidance is for declines in sales and EBIT of 5% and 20% respectively. Management justifies its belief in the relatively mild impact of covid-19 as follows: Firstly, PSI's working assumption is that the pandemic abates from Q3. Secondly, ongoing climate protection investments in Germany will ensure that the electrical network management, German gas network management and public transport businesses will continue to grow this year. In the logistics business a very strong 2019 order intake (+ ca. 25%) and exposure to online private consumption also suggest a further growth year. Together these businesses accounted for ca. 53% of 2019 sales. Thirdly, at PSI Metals and Automotive & Industry high order backlogs and a high level of software maintenance revenue will ensure high capacity utilisation well into Q3/20. Looking beyond covid-19, prospects are very favourable. PSI continues to benefit from the growing share of German electricity generation taken by renewables and gas. The Production Management segment offers participation in the world's leading metals production software business as well as Internet of Things exposure through the Automotive & Industry segment. Meanwhile the EBIT margin should rise beyond 10% over the next few years as operating costs fall with the completion of software platform harmonisation. We find management's arguments regarding 2020 plausible and reduce our price target only modestly from €22.40 to €21.20. We move the recommendation from Add to Buy because the upside to our price target is now >25%.

Group order intake up 8.8% The order intake grew 8.8% to €236m (2018: €217m) after a rise of 14.2% in 2018. The order intake rose …(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (€ m)	186.10	199.16	225.18	213.10	246.53	261.50
Y-o-y growth	5.2%	7.0%	13.1%	-5.4%	15.7%	6.1%
EBIT (€ m)	13.37	15.45	17.20	13.72	22.81	25.46
EBIT margin	7.2%	7.8%	7.6%	6.4%	9.3%	9.7%
Net income (€ m)	9.50	10.59	14.26	9.28	16.22	18.57
EPS (diluted) (€)	0.61	0.68	0.91	0.59	1.04	1.19
DPS (€)	0.23	0.25	0.05	0.25	0.35	0.45
FCF (€m)	-2.92	11.57	3.75	14.69	12.12	20.59
Net gearing	18.7%	9.8%	42.0%	30.2%	25.5%	16.7%
Liquid assets (€ m)	38.13	44.58	38.66	47.24	50.52	60.39

RISKS

Risks include a renewed downturn in the prices of oil, gas and steel.

COMPANY PROFILE

PSI makes software control systems, primarily for energy, utility companies and metals producers. Customers also include manufacturers and the operators of transportation networks. The company's control system products are widespread in its core German market.

MARKET DATA

As of 03 Apr 2020

Closing Price	€ 16.50
Shares outstanding	15.70m
Market Capitalisation	€ 259.01m
52-week Range	€ 12.00 / 23.40
Avg. Volume (12 Months)	7,794

Multiples	2019	2020E	2021E
P/E	18.1	27.8	15.9
EV/Sales	1.3	1.4	1.2
EV/EBIT	17.4	21.8	13.1
Div. Yield	0.3%	1.5%	2.1%

STOCK OVERVIEW

COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 38.66m
Current Assets	€ 136.31m
Intangible Assets	€ 64.42m
Total Assets	€ 248.84m
Current Liabilities	€ 70.71m
Shareholders' Equity	€ 94.54m

SHAREHOLDERS

InvAG für langfristige Investoren TGV	20.7%
Innogy SE	17.8%
Management and employees	15.0%
Harvinder Singh	8.1%
Free float and other	38.4%

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Figure 1: FY/19 results versus our forecasts

€ 000s	FY 19A	FY 19E	Δ FY 19A vs. FY 19E	FY 18A	Δ FY 19A vs. FY 18A
External sales	**225,180**	**220,100**	**2.3%**	**199,156**	**13.1%**
by division:					
Energy Management	115,755	115,700	0.0%	99,706	16.1%
Production Management	109,425	104,400	4.8%	99,450	10.0%
EBIT	**17,205**	**16,500**	**4.3%**	**15,450**	11.4%
margin	**7.6%**	**7.5%**		**7.8%**	
by division:					
Energy Management	7,199	7,400	-2.7%	6,766	6.4%
margin	*6.1%*	*6.2%*		*6.6%*	
Production Management	11,763	10,700	9.9%	10,004	17.6%
margin	*9.9%*	*9.4%*		*9.3%*	
Reconciliation	-1,757	-1,600		-1,320	
EPS (€)	**0.91**	**0.73**	**24.7%**	**0.68**	**33.8%**

Source: PSI AG; First Berlin Equity Research estimates

…in Energy Management's electrical energy business and at the Product Management segments PSI Metals and Automotive & Industry. Order intake also rose at Oil & Gas (Energy Management) and Logistics (Product Management) but orders at the public transport business PSI Transcom (Energy Management) fell after the record order intake (2x sales) booked in 2018. The group's year-end order backlog climbed 2.2% to €142m (2018: €139m). The reported 2019 EBIT margin narrowed to 7.6% (2018: 7.8%) due to integration costs in connection with the acquisition of the smart grid software business PRINS from BTC AG. Stripping out this acquisition, the EBIT margin would have continued its upward path of recent years (the 2014 figure was 4.4%) to 8.9%. The inclusion of previously unrecognised tax losses in the deferred tax asset calculation lowered the 2019 tax charge to 13.2% (2018: 27.1%). This was the main reason for the much larger increase in EPS than EBIT. In view of the expected reduction in profitability this year, the Management and Supervisory Boards will propose a reduced dividend of €0.05 (2018: €0.25) to the AGM.

Major Energy Management businesses all saw higher sales/profits in 2019 Energy Management (encompasses the electrical energy, oil and gas, energy trading, public transport, south east Asia businesses) climbed 16.1% to €115.8m (2018: €99.7m) while divisional EBIT came in at €7.2m (2018: €6.8m) equivalent to a margin of 6.1% (2018: 6.6%). On an organic basis, i.e. excluding the PRINS acquisition which we estimate contributed €8.0m to sales and an integration cost-related €-2.1m to EBIT, we estimate that divisional sales climbed 7.9% while the EBIT margin widened to 8.6%. Orders and sales at the electrical energy business continued to benefit from higher demand for smart grid solutions in Germany due to the increasing share of renewable energies in the country's energy mix as well as from rising investment in charging infrastructure for electric vehicles. The German government's decision that coal production in Germany should cease by 2038 at the latest is leading to increased investment in gas networks. Meanwhile, Russia returned as a significant source of gas & oil business. Between 2015 and 2018 sales to Russia almost came to a standstill due to a government-imposed moratorium on the purchase of western software. Public transport segment orders fell after very strong bookings in 2018 but sales jumped 45%, profits doubled and the new charging and depot management software for electric buses became a hit product in both Germany and France. PSI has greatly reduced exposure to South East Asia via its subsidiary Incontrol in recent years. We gather the 2019 result was ca. €-0.5m.

Metals, Automotive/Engineering, Logistics all saw higher orders, sales, profits in 2019 Sales at Production Management (encompasses the metals, automotive & industry, logistics, fuzzy logic and neurosystems businesses) rose 10.0% to €109.4m (2018: €99.5m). Divisional EBIT was €11.8m (2018: €10.0m) equivalent to a margin of 9.9% (2018: 9.3%).

Q4/19 was particularly strong: Sales rose 14.6% to €30.7m y-o-y (Q4/18: €26.8m) while the Q4/19 EBIT margin came in at 14.2% (Q4/18: 11.9%). Order intake, sales and profitability rose at PSI Metals as growing business volume from China, Russia and the US outweighed reduced activity in Europe. In the US tax cuts and tariffs on imported steel prompted investment in the domestic industry, while PSI's business in China benefited from a state-led investment programme to renew steel plants. In Europe investment was down due to growing imports and uncertainty over tariffs. The Automotive & Industry subsegment likewise saw increased orders (+20%), sales (+6%) and profitability as upgrade contracts helped the business counter the diesel and particulate matter crises. The increase in orders, sales and profits at the logistics subsegment was clearly double-digit following investment in capacity expansion in 2018 which took the unit's workforce to over 200 employees.

Some of FY/19 €39m cash position could be used for targeted acquisitions Cashflow from operations before investment in working capital rose 37.8% to €26.2m in 2019 (2018: €19.0m). In 2019 working capital consumed €13.8m whereas in 2018 only €0.1m was consumed. The largest element in the high working capital cash outflow in 2019 was an increase in net receivables relating to long term contracts. Net operating cash flow fell 34.3% to €12.5m (2018: €19.0m). Cash flow from investing activities amounted to €-8.7m (2017: €-7.4m). The increase was mainly attributable to the acquisition of the BTC Smart-Grid division for €3.5m. The largest acquisition in 2018 was Moveo Software GmbH (planning, disposition and invoicing of transportation operations) for €1.5m. Free cashflow was €3.7m (2018: €11.6m). Dividend payments and share buybacks climbed to €4.2m (2017: €4.0m) while repayment of leasing liabilities consumed €4.8m. The FY/19 cash position was €39m (FY/18: €45m). Management state that some of these funds may be used for targeted acquisitions. Net debt including pension liabilities and leasing liabilities was €39.7m at the end of 2019 equivalent to net gearing of 42.0%. PSI has not provided proforma figures for 2018 including leasing liabilities. If leasing liabilities are excluded from the numbers, FY/19 net debt was €17.2m, equivalent to net gearing of 18.2% (FY/18: net debt of €8.5m, equivalent to net gearing of 9.8%).

As figure 2 below shows, we have left our forecasts for 2021, 2022 and subsequent years largely unchanged as we assume that the impact of covid-19 will be restricted to 2020.

Figure 2: Changes to our forecasts

€m	2020		Δ %	2021		Δ %	2022		Δ %
	New	Old		New	Old		New	Old	
External sales	**213.1**	**232.4**	**-8.3%**	**246.5**	**246.5**	**0.0%**	**261.5**	**261.5**	**0.0%**
by division:									
Energy Man.	121.5	123.8	-1.9%	132.4	132.4	0.0%	141.7	141.7	0.0%
Production Man.	91.6	108.6	-15.6%	114.1	114.0	0.0%	119.8	119.7	0.0%
Total EBIT	**13.7**	**20.4**	**-32.8%**	**22.8**	**22.8**	**0.0%**	**25.5**	**25.8**	**0.0%**
margin (%)	***6.4%***	***8.8%***	**-**	***9.3%***	***9.3%***	**-**	***9.7%***	***9.9%***	**-**
by division:									
Energy Man.	7.5	10.6	-29.3%	12.0	12.0	0.0%	13.8	13.8	0.0%
margin (%)	*6.0%*	*8.7%*	-	*8.8%*	*8.8%*	-	*9.5%*	*10.2%*	-
Production Man.	7.5	11.7	-35.8%	13.0	13.0	0.0%	14.0	14.4	-2.7%
margin (%)	*7.5%*	*9.9%*	-	*10.4%*	*10.4%*	-	*10.7%*	*11.1%*	-
Reconciliation	-1.3	-1.9	-	-2.1	-2.1	-	-2.4	-2.4	-
EPS (€)	**0.59**	**0.91**	**-34.7%**	**1.04**	**1.04**	**0.0%**	**1.19**	**1.21**	**0.0%**

Source: PSI AG; First Berlin Equity Research estimates

In the presentation accompanying the 2019 earnings call PSI for the first time gave a breakdown of its sales by subsegment (see figure 3 below). Historically the company only split sales between the Energy Management and Production Management segments.

Figure 3: PSI's 2019 sales by segment and subsegment

	2019 sales (€m)	% total
PSI Group	225	100%
of which:		
Energy Management	116	51%
of which:		
Electricity networks	75	34%
Gas networks/oil	22	10%
Energy trading	5	2%
Public transport	14	6%
Production Management	109	49%
of which:		
Metals/mining	49	22%
Automotive & Industry	36	16%
Logistics	25	11%

Source: PSI

PSI's electricity networks business growing in line with deployment of renewables As figure 3 shows, PSI's largest single subsegment is electricity networks. 36% of electricity consumed in Germany derived from renewable sources in 2017. The German government's Climate Protection Programme 2030 published last autumn outlines measures to promote the achievement of a figure of 65% by 2030. One of the main drivers of growth at PSI's electrical energy business is investment in smart grids to accommodate the increasing proportion of electricity generated in Germany through renewables. Given that they provide critical infrastructure, the German utilities' financial health is overseen by regulatory authorities. Against this background we do not expect any pause in the utilities' investment spending this year.

Decision to cease coal production in Germany boosts PSI's gas network business Last year the German government took the decision that domestic coal production should cease by 2038. This decision is boosting investment in PSI's gas network control systems. The German gas network business accounted for around 60% of the sales of the gas networks/oil subsegment last year. A large part of the balance of the subsegment's 2019 sales stemmed from Russia. The continuation of this business at last year's level is vulnerable to the sharp fall in the oil price since the beginning of this year. We also understand that Russian sales contribute disproportionately to the subsegment's profitability as sales contain a higher than average portion of license income.

Incontrol has been downsized several times and PSI's exposure is limited Incontrol is a 100%-owned Malaysian subsidiary of PSI. The business is a specialist in energy network management. Infrastructure spending in Malaysia is linked to the oil price and so Incontrol revenues are likely to be under pressure this year. However, PSI has substantially downsized Incontrol in recent years and has made a further 15-20% of its Malaysian workforce redundant so far in 2020. Against this background, we do not expect the subsidiary's losses to exceed €0.2m this year.

2020 will be another year of growth at public transport The 45% rise in the public transport business' sales in 2019 stemmed mainly from a large order won in 2018. This order will be completed this year and is expected to help push 2020 sales 5-10% above the 2019 level.

The business' growth prospects are in large part linked to the electrification of public transport. The German government has declared its intention to invest in this area, and so prospects look bright – especially given the recent success of PSI's new charging and depot management software for electric buses.

Existing orders ensure high capacity utilisation at PSI Metals for next two quarters PSI Metals began 2020 with a good order backlog based on orders won last year in China and Russia. New business was forthcoming at the beginning of 2020 from the USA. Management tell us that the unit's capacity is currently 100% and will remain at this level into Q3/20. Even by the end of Q3/20 capacity utilisation is still expected to be over 95%. PSI Metals' business is characterised by long life contracts as international steel producers and processors of other metals roll out PSI software across multiple sites. PSI's management sees little danger that clients will retreat from these contracts.

Automotive & Industry subsegment also well positioned for next two quarters The automotive & industry business also began 2020 with a good order backlog and we gather that even without further orders capacity utilisation will remain high into August. Revenue and profitability at the subsegment are also supported by the highest level of maintenance revenue within the PSI group. Maintenance revenue accounts for ca. 50% of the subsegment's revenue compared with around a third for PSI as a whole. A large part of German automotive production capacity is currently shut down due to covid-19-induced interruptions in supply chains and demand reduction. Industry profitability will be well below last year's level and this is likely to reduce investment in PSI products. The subsegment's industrial clients are beset by similar issues although on the whole their capacity utilisation has not fallen as far as that of the automotive sector.

Logistics: one part booming, one part under pressure Capacity utilisation at PSI's logistics business is also currently at an extremely high level following the third year in a row of +25% order intake growth in 2019. The subsegment's business splits roughly 50/50 between consumer-oriented and industry-oriented clients. The consumer-oriented side of the business is currently benefiting from booming B2C e-commerce but the industrial side of the business is under pressure.

Price target lowered to €21.20 (previously: €22.40), but rating raised from Add to Buy Having gone through each of PSI's businesses in turn, we expect just over half of PSI's 2020 revenue base to see further growth this year. The balance of the business is to some extent cushioned by orders on hand and in the case of automotive & industry by a high level of maintenance income. We find management's 2020 guidance for declines in sales and EBIT of 5% and 20% respectively plausible provided that covid-19 is firmly in retreat by Q3/20. We therefore reduce our price target only modestly from €22.40 to €21.20 and move the recommendation from Add to Buy because the upside to our price target is now >25%.

VALUATION MODEL

€000s	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	213,096	246,527	261,502	274,577	288,306	302,721	316,217	329,594
NOPLAT	9,601	16,536	18,891	19,077	20,563	21,927	22,911	23,884
+ Depreciation and amortisation	9,256	11,201	11,882	12,476	13,099	13,754	14,368	14,975
= net operating cash flow	18,857	27,737	30,773	31,552	33,663	35,681	37,279	38,859
- total investments (Capex and WC)	-3,545	-14,983	-9,528	-15,067	-13,487	-12,489	-11,413	-11,707
Capital expenditure	-7,364	-8,716	-8,164	-8,257	-8,670	-9,103	-9,323	-9,635
working capital	3,819	-6,268	-1,364	-6,810	-4,817	-3,386	-2,090	-2,072
= Free cash flow (FCF)	15,312	12,754	21,245	16,486	20,176	23,192	25,866	27,153
PV of FCF's	14,508	11,226	17,372	12,523	14,238	15,204	15,752	15,361

€000s	
PVs of FCFs explicit period (2019-30)*	224,396
PVs of FCFs in terminal period	148,107
Enterprise Value (EV)	372,502
Net cash/(net debt)	-39,716
Shareholder value	332,786
Value per share (€)	21.20

WACC	7.65%
Cost of equity	9.5%
Pre-tax cost of debt	3.0%
Normal tax rate	30.0%
After-tax cost of debt	2.1%
Share of equity	75.0%
Share of debt	25.0%
Terminal growth	2.0%

Sensitivity analysis

Fair value per share

Terminal growth rate (%)

WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
4.65%	36.95	39.38	42.58	46.98	53.44	63.82	83.26
5.65%	28.99	30.25	31.80	33.79	36.40	40.00	45.28
6.65%	23.61	24.31	25.15	26.18	27.45	29.07	31.20
7.65%	19.72	20.14	20.63	21.20	21.89	22.72	23.76
8.65%	16.78	17.04	17.34	17.68	18.08	18.54	19.10
9.65%	14.48	14.65	14.84	15.05	15.29	15.57	15.89
10.65%	12.64	12.75	12.87	13.01	13.16	13.33	13.52
11.65%	11.13	11.21	11.29	11.37	11.47	11.58	11.70

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

Source: First Berlin Equity Research estimates

INCOME STATEMENT

All figures in €'000	2017	2018	2019	2020E	2021E	2022E
Revenues	**186,096**	**199,156**	**225,180**	**213,096**	**246,527**	**261,502**
Cost of materials	-27,228	-28,919	-32,259	-30,899	-35,007	-37,133
Gross profit	**158,868**	**170,237**	**192,921**	**182,197**	**211,520**	**224,369**
Total personnel costs	-112,343	-121,279	-137,795	-134,251	-150,381	-159,516
Net other operating costs	-28,809	-28,897	-27,089	-24,975	-27,129	-27,511
Depreciation & amortisation	-4,351	-4,611	-10,832	-9,256	-11,201	-11,882
EBIT	**13,365**	**15,450**	**17,205**	**13,716**	**22,808**	**25,459**
Net interest	-983	-1,061	-1,053	-894	-880	-885
Associates	142	134	288	302	318	333
Pretax profit	**12,524**	**14,523**	**16,440**	**13,125**	**22,246**	**24,908**
Income taxes	-3,027	-3,938	-2,178	-3,847	-6,030	-6,340
Net income / loss	**9,497**	**10,585**	**14,262**	**9,278**	**16,215**	**18,568**
EPS (€)	**0.61**	**0.68**	**0.91**	**0.59**	**1.04**	**1.19**
EBITDA	**17,716**	**20,061**	**28,037**	**22,972**	**34,010**	**37,341**
Ratios						
Gross margin	85.4%	85.5%	85.7%	85.5%	85.8%	85.8%
EBIT margin	7.2%	7.8%	7.6%	6.4%	9.3%	9.7%
EBITDA margin	9.5%	10.1%	12.5%	10.8%	13.8%	14.3%
Net income margin	5.1%	5.3%	6.3%	4.4%	6.6%	7.1%
Tax rate	24.2%	27.1%	13.2%	29.3%	27.1%	25.5%
Expenses as % of output						
Personnel	-60.4%	-60.9%	-61.2%	-63.0%	-61.0%	-61.0%
Net other operating income/expenses	-15.5%	-14.5%	-12.0%	-11.7%	-11.0%	-10.5%
Depreciation & amortisation	-2.3%	-2.3%	-4.8%	-4.3%	-4.5%	-4.5%
Y-o-y growth						
Total revenues	5.2%	7.0%	13.1%	-5.4%	15.7%	6.1%
EBIT	12.9%	15.6%	11.4%	-20.3%	66.3%	11.6%
Net income / loss	11.1%	11.5%	34.7%	-34.9%	74.8%	14.5%

BALANCE SHEET

All figures in €'000	2017	2018	2019	2020E	2021E	2022E
Assets						
Current assets, total	**116,463**	**127,787**	**136,310**	**137,338**	**157,219**	**173,572**
Cash and cash equivalents	38,132	44,579	38,656	47,237	50,519	60,390
Trade accounts and notes receivables	31,611	34,407	38,455	36,391	42,101	44,658
Inventories	7,823	8,712	10,612	10,043	11,618	12,324
Receivables relating to long term contracts	33,118	34,367	40,725	36,226	44,375	47,070
Other current assets	5,779	5,722	7,862	7,440	8,607	9,130
Non-current assets, total	**77,547**	**80,884**	**112,527**	**116,093**	**122,121**	**126,474**
Property, plant and equipment	12,531	13,592	37,039	39,149	41,516	44,038
Goodwill	48,289	49,417	54,892	54,892	54,892	54,892
Other intangible assets	8,200	9,468	9,531	11,294	13,066	13,860
Associates	150	440	440	742	1,060	1,393
Deferred tax assets	8,377	7,967	10,625	10,016	11,587	12,291
Other non-current assets	0	0	0	0	0	0
Total assets	**194,010**	**208,671**	**248,837**	**253,431**	**279,341**	**300,046**
Shareholders' equity & debt						
Current liabilities, total	**59,679**	**65,960**	**70,710**	**65,863**	**76,196**	**81,314**
Interest bearing debt	2,622	1,795	1,112	0	0	0
Trade accounts payable	14,564	16,440	17,454	16,517	19,109	20,269
Liabilities relating to long term contracts	13,287	16,531	17,212	16,288	18,844	19,988
Provisions	0	0	0	0	0	0
Other current liabilities	29,206	31,194	34,932	33,057	38,244	41,056
Non-current liabilities, total	**54,034**	**56,081**	**83,588**	**82,972**	**85,339**	**87,441**
Interest bearing debt	0	0	0	0	0	0
Leasing liabilities	0	0	22,523	23,806	25,246	26,779
Pension provisons	50,540	51,284	54,737	55,011	55,286	55,562
Deferred tax liabilities	3,494	4,797	6,328	4,155	4,807	5,099
Consolidated equity	**80,297**	**86,630**	**94,539**	**104,595**	**117,806**	**131,292**
Shareholders' equity	80,297	86,630	94,539	104,595	117,806	131,292
Minorities	0	0	0	0	0	0
Total consolidated equity and debt	**194,010**	**208,671**	**248,837**	**253,431**	**279,341**	**300,046**

Ratios						
Current ratio (x)	1.95	1.94	1.93	2.09	2.06	2.13
Quick ratio (x)	1.82	1.81	1.78	1.93	1.91	1.98
Equity ratio	41.4%	41.5%	38.0%	41.3%	42.2%	43.8%
Net gearing	18.7%	9.8%	42.0%	30.2%	25.5%	16.7%
Equity per share	5.12	5.52	6.02	6.66	7.51	8.36
Interest coverage ratio (x)	13.60	14.56	16.34	15.35	25.91	28.78
Capital employed (CE)	89,815	95,229	103,431	112,050	117,471	124,518
Return on capital employed (ROCE)	10.4%	11.4%	11.6%	8.6%	14.1%	15.2%

CASH FLOW STATEMENT

All figures in €'000	2017	2018	2019	2020E	2021E	2022E
Pretax result	**12,524**	**14,523**	**16,440**	**13,125**	**22,246**	**24,908**
Depreciation and amortisation	4,351	4,611	10,832	9,256	11,201	11,882
Other	-1,098	-94	-1,030	-4,149	-6,348	-6,674
Operating cash flow	**15,777**	**19,040**	**26,242**	**18,232**	**27,099**	**30,116**
Investment in working capital	-14,609	-51	-13,764	3,819	-6,268	-1,364
Net operating cash flow	**1,168**	**18,989**	**12,478**	**22,051**	**20,832**	**28,752**
Cashflow from investing	-4,089	-7,424	-8,729	-7,364	-8,716	-8,164
Free cash flow	**-2,921**	**11,565**	**3,749**	**14,686**	**12,116**	**20,589**
Dividend paid	-3,439	-3,596	-3,919	-785	-3,924	-5,494
Share buy back	-297	-422	-275	0	0	0
New share capital	0	0	0	0	0	0
Debt financing	2,622	-827	-683	0	0	0
Lease liabilities	0	0	-4,759	-4,482	-5,185	-5,500
Other	0	0	-544	0	0	0
Cash flow from financing	**-1,114**	**-4,845**	**-10,180**	**-5,267**	**-9,109**	**-10,994**
Other	**-841**	**-273**	**508**	**-838**	**275**	**276**
Change in cash	**-4,876**	**6,447**	**-5,923**	**8,581**	**3,281**	**9,871**
Cash, start of the year	43,008	38,132	44,579	38,656	47,237	50,519
Cash, end of the year	38,132	44,579	38,656	47,237	50,519	60,390
Free cash flow per share in €	**-0.19**	**0.74**	**0.24**	**0.94**	**0.78**	**1.32**
Y-o-y growth						
Operating cash flow	5%	21%	38%	-31%	49%	11%
Net operating cash flow	-91%	1526%	-34%	77%	-6%	38%
Free cash flow	n.m.	n.m.	-68%	292%	-18%	70%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	15 July 2003	€4.96	Market Perform	€5.00
2...66	↓	↓	↓	↓
67	2 April 2019	€17.00	Add	€19.00
68	2 May 2019	€18.45	Add	€19.00
69	6 November 2019	€19.10	Add	€22.40
70	Today	€16.50	Buy	€21.20

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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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- **key sources of information in the preparation of this research report**
- **valuation methods and principles**
- **sensitivity of valuation parameters**

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