

ULTRASONIC AG

May 16, 2014

Basic Report Update

Analysts

Dr. Roger Becker, CEFA
David Szabadvari, CEFA
+49 69 71 91 838-46, -48
roger.becker@bankm.de, david.szabadvari@bankm.de

Evaluation Result

BUY

(prev.: BUY)

Fair Value

€21.53

(prev.: €20.20)



Strong Results - Change of Dividend Policy?

Record sales in the fourth quarter of 2013 have rounded out the solid full year revenues of Ultrasonic. The Company achieved a revenue growth rate of 9.9% which was a bit below last year's spring guidance. In light of the postponed delivery of children footwear to Walmart China, the result is still very positive. Again, the major driver was the branded urban footwear segment with a growth rate of 27.9%. The implementation of the e-commerce strategy (ULTRASONIC-branded products can now be bought on four different online platforms) added ca. €2.5m to the branded segment with revenues of €37.6m. With regards to the production launch of the new factory, we are rather on the conservative side; therefore, our sales growth forecast is slightly lower than Ultrasonic's guidance of 10% - 15% and in the mid-range of its EBT margin guidance of 23% - 27%. We see the currently discussed share buyback program as a more appropriate approach to share the high earnings with the investors compared to the option dividend policy of the last years.

Getting the new factory running will be one of the major tasks of the Company for this fiscal year. The construction has been heavily delayed by government- and weather related infrastructure problems as well as the re-conception of on-site employee homes. The latter has become necessary as the site is not located nearby a large city which makes the employment of workers rather difficult. Nevertheless, with refurbished apartments and a competitive wage rate, the Company expects to recruit 150-200 additional workers this year and to start the production of the children shoes in 2Q14 at the latest.

Ultrasonic's order book at the end of the year reveals mixed figures: On the one hand, all OEM-segments showed significantly higher orders than in the previous year which is consistent with the positive trade fair results of some of the major customers such as Anta Sports. On the other hand, the orders for branded products declined by almost 25% compared to last year. However, the order coverage was 50 days only, so we don't want to over-interpret these figures. For the whole year we therefore are confident that the branded segment will gain momentum especially when the children footwear products will be available.

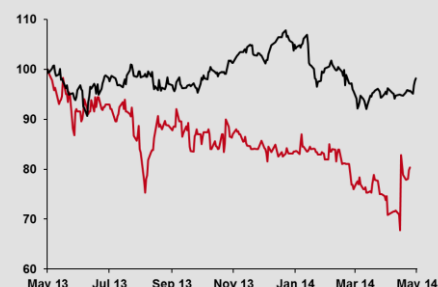
Key data / Earnings

| Year | Sales (€ m) | EBITDA (€ m) | EBIT (€ m) | EBT (€ m) | Net Profit (€ m) | EPS (€) | PDS* up to (€) | EBIT- Margin | Net- Margin |
|-------|----------------|-----------------|---------------|--------------|---------------------|------------|-------------------|-----------------|----------------|
| 2013a | 163.8 | 48.9 | 47.4 | 47.5 | 35.0 | 2.82 | 0.53 | 29.0% | 21.4% |
| 2014e | 178.0 | 49.0 | 46.7 | 47.1 | 35.3 | 2.78 | n.n. | 26.2% | 19.8% |
| 2015e | 198.5 | 52.8 | 50.4 | 50.9 | 38.2 | 3.01 | n.n. | 25.4% | 19.2% |
| 2016e | 214.9 | 59.6 | 56.1 | 56.7 | 42.6 | 3.35 | n.n. | 26.1% | 19.8% |
| 2017e | 231.3 | 63.6 | 59.6 | 60.3 | 45.2 | 3.56 | n.n. | 25.8% | 19.6% |

* Profit distribution / shr.

Source: Ultrasonic AG, BankM Research

| | | | |
|---|---------------------------------------|--------------|--------------|
| Sector | Clothing and Footwear | | |
| WKN | A1KREX | | |
| ISIN | DE000A1KREX3 | | |
| Bloomberg/Reuters | US5 GY/US5G.DE | | |
| Accounting standard | IFRS | | |
| Financial year | Dec 31 | | |
| Financial reporting 1Q14 | May 29, 2014 | | |
| Market segment | Regulated Market | | |
| Transparency standard | Prime Standard | | |
| Financial ratios | 2014e | 2015e | 2016e |
| EV/Sales | neg. | neg. | neg. |
| EV/EBITDA | neg. | neg. | neg. |
| EV/EBIT | neg. | neg. | neg. |
| P/E adj. | 2.7 | 2.5 | 2.3 |
| Price/Bookvalue | 0.5 | 0.4 | 0.3 |
| Price/FCF | 3.4 | 4.1 | 3.0 |
| ROE (in %) | 19.9 | 17.8 | 16.7 |
| Dividend yield (in %) | n.a. | n.a. | n.a. |
| Number of shares outs. (in '000) | 12,698 | | |
| MarketCap / EV (in € m) | 96.27 / neg. | | |
| Free float (in %) | 12.4 | | |
| Ø daily trading vol. (3M, in €) | 20,452 | | |
| 12M high/low (in €; XETRA-close) | 10.71 / 6.70 | | |
| Price May 15, 2014 (in €; XETRA-close) | 7.58 | | |
| Performance | 1M | 6M | 12M |
| absolute (in %) | 3.9 | -11.8 | -23.3 |
| relative (in %) | 0.1 | -8.3 | -23.4 |
| Benchmark index | DAXSubsector Clothing and Footwear | | |



ULTRASONIC AG (red/grey), Performance since IPO vs. DAXsubsec. Clothing & Footwear (black)

Source: Bloomberg

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This document has been prepared due to a service agreement with the respective issuer. BankM – Repräsentanz der biw AG was Sole Bookrunner and Sole Lead Manager for the IPO, was Sole Lead Manager for the most recent capital increase and is the designated sponsor of the company's stock and in its function as a designated sponsor regularly holds a trading stock or long or short positions in the company's stock. Equity investments generally involve high risks. Potential investors should take into account that share prices may fall and rise and that income from an investment may fluctuate considerably. Investors may lose some or all of the money invested. Investors make their decisions at their own risk. biw Bank für Investments und Wertpapiere AG, Willich, is responsible for the preparation of this document.

Discussion of Operations and Outlook

In 2013, Ultrasonic generated revenues of ca. €163.7m which translates into a growth rate of 9.9%. Again, the fourth quarter showed the strongest figures with sales of ca. €45.7m (ca. 27.9% of full year sales), the first quarter the lowest sales of ca. €33.7m (ca. 20.7% of total revenues).

Gross profit and margin improved steadily: while the first quarter only contributed €10.3m gross profit with a margin of 30.5%, the fourth quarter generated €14.8m with a margin of 32.4%.

Solid results across all segments; branded urban footwear products are main growth driver

The breakdown of the revenues by segment revealed, that branded footwear products again showed the highest growth figures and accounted for ca. 23.0% of revenues (19.7% in 2012). Here, the main driver was the extension of the sales network by ca. 10 stores and the implementation of the online retails strategy. For further growth in this area, Ultrasonic has to invest more into marketing activities and extend its sales network to a meaningful level. Compared to leading players in the footwear industry, who invest up to 20% of their revenues in marketing activities, Ultrasonic just spent ca. 1% of the revenues for marketing purposes (ca. 4.8% of the ULTRASONIC branded segment revenues). The envisaged increase of the marketing expenses to €2m – 3m is a step in the right direction but a more aggressive extension of the number of stores to increase visibility is imperative. Beyond that, the sandals and slippers segment generated a growth rate of 9.2% and thereby retook the position as the biggest segment across the Ultrasonic lineup (ca. €50.9m and 31.1% of total sales). The shoe sole segment performed well (+4.1% yoy), given that major customers such as Anta Sports or Xtep posted decreasing revenues. Only the OEM-urban footwear segment (apart from the minute accessories segment) remained stable at ca. €25.8m.

Domestic revenues are becoming more important

Ultrasonic is going to sell its new children footwear products branded “Happy Dogs” via the Chinese supermarkets of Walmart. Together with the online retail strategy, this will shift the sales composition further towards domestic revenues. Ultrasonic - in our view reasonably - expects higher potential in the Chinese consumer market than in the foreign markets as the consumption growth rate will likely stay in the double digit area due to the prevailing urbanization trend and increasing wage rates.

ULTRASONIC´S Stock and Valuation

With the publication of the preliminary results, Ultrasonic announced that it will not pursue its optiondividend policy of the previous years. We like this measure as the Company has repeatedly realienated the shares acquired via the program in the market which counteracted the initial purpose of the whole measure. In contrast, a traditional share buyback with the commitment to retire the acquired shares, which is currently discussed by the management, makes sense in our view because it lets the investors directly participate on the Company’s earnings and thereby raises the confidence level within the capital market. It should consequently have a positive effect on the overall stock performance. However, a regular dividend policy would promote these effects even better.

We have adjusted our previous forecasts as published in our information analysis from December 11, 2013. We reiterate our “Buy” rating at a fair value of €21.53 per share.

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ULTRASONIC AG

May 16, 2014

Valuation - 3/11 -

Valuation

DCF Analysis

| | 2013a | Phase 1 | | | | | Phase 2 | | | | Terminal Value |
|---|----------------|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | | 2014e | 2015e | 2016e | 2017e | 2018e | 2019e | 2020e | 2021e | | |
| in € '000 | Basis | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | |
| Growth | 9.9% | 8.7% | 11.5% | 8.3% | 7.6% | CAGR - 5.6% | | | | 1.0% | |
| Revenues | 163,798 | 178,026 | 198,480 | 214,893 | 231,258 | 244,923 | 260,473 | 275,100 | 287,580 | 290,456 | |
| EBIT | 47,438 | 46,670 | 50,385 | 56,123 | 59,555 | 54,134 | 48,064 | 40,721 | 32,072 | 21,784 | |
| - Tax | 11,860 | 11,667 | 12,596 | 14,031 | 14,889 | 13,533 | 12,016 | 10,180 | 8,018 | 5,446 | |
| + Depreciation and amortization | 1,415 | 2,297 | 2,427 | 3,474 | 4,033 | 4,118 | 4,164 | 4,233 | 4,323 | 900 | |
| + Change in long-term provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Change in net working capital | -807 | -4,595 | 5,366 | 3,582 | 3,813 | 2,182 | 3,104 | 2,920 | 3,066 | 2,905 | |
| - Other non-cash items | -1,252 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Capex | 3,935 | 13,340 | 11,949 | 10,300 | 1,900 | 900 | 900 | 900 | 900 | 900 | |
| = Free Cash Flow | 35,118 | 28,555 | 22,901 | 31,684 | 42,986 | 41,636 | 36,207 | 30,954 | 24,412 | 13,434 | |
| Terminal Value | | | | | | | | | | 121,571 | |
| Discount factor | n.a. | 0.89 | 0.80 | 0.72 | 0.64 | 0.57 | 0.51 | 0.45 | 0.40 | 0.40 | |
| NPV of Free Cash Flows | n.a. | 25,555 | 18,342 | 22,708 | 27,562 | 23,650 | 18,347 | 13,987 | 9,834 | | |
| NPV of Terminal Value | | | | | | | | | | 48,973 | |
| Valuation | | Contribution to EV | | | | | | | | | |
| Result of Future Cash Flows | 159,984 | 77% | | | | | | | | | |
| + Result of Terminal Value | 48,973 | 23% | | | | | | | | | |
| = Value of the Entity | 208,957 | | | | | | | | | | |
| + Cash (as of Dec 31, 2013) | 108,482 | | | | | | | | | | |
| - Financial Debt (as of Dec 31, 2013) | 2,833 | | | | | | | | | | |
| = Value of Equity | 314,606 | | | | | | | | | | |
| Current No. of Shares (in '000) outstanding | 12,698 | | | | | | | | | | |
| Price per Share | 24.78 | | | | | | | | | | |

Source: BankM Research

Key Model Assumptions

| | Source | 2014e | 2015e | 2016e | 2017e | 2018e | 2019e | 2020e | 2021e | TV |
|----------------------------|-----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Riskfree Return | Bloomberg | 0.37% | 0.39% | 0.46% | 0.59% | 0.75% | 0.92% | 1.10% | 1.26% | 2.17% |
| Expected Market Return | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Beta | Bloomberg | 0.93 | 0.93 | 0.93 | 0.93 | 0.88 | 0.88 | 0.88 | 0.88 | 1.00 |
| Country Risk Premium China | Damodaran | 1.05% | 1.05% | 1.05% | 1.05% | 1.05% | 1.05% | 1.05% | 1.05% | 1.05% |
| Company Specific Risk | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Cost of Equity | | 12.38% | 12.38% | 12.38% | 12.39% | 11.98% | 12.00% | 12.02% | 12.04% | 13.05% |
| Target Weight | | 90% | 90% | 90% | 90% | 100% | 100% | 100% | 100% | 100% |
| Cost of Debt | | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Target Weight | | 10% | 10% | 10% | 10% | 0% | 0% | 0% | 0% | 0% |
| Tax Shield | | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| WACC | | 11.74% | 11.74% | 11.74% | 11.75% | 11.98% | 12.00% | 12.02% | 12.04% | 13.05% |

Source: Bloomberg, BankM Research

Sensitivity Analysis

Discount rate of Terminal Value

| | 10.00% | 11.00% | 12.00% | 12.05% | 13.00% | 14.00% | 15.00% |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Growth in Terminal Value | | | | | | | |
| -1.00% | 24.70 | 24.39 | 24.12 | 24.11 | 23.89 | 23.69 | 23.52 |
| 0.00% | 25.13 | 24.75 | 24.43 | 24.41 | 24.16 | 23.93 | 23.73 |
| 1.00% | 25.65 | 25.18 | 24.79 | 24.78 | 24.47 | 24.20 | 23.96 |
| 2.00% | 26.31 | 25.71 | 25.23 | 25.21 | 24.84 | 24.51 | 24.24 |
| 3.00% | 27.15 | 26.38 | 25.77 | 25.74 | 25.28 | 24.89 | 24.56 |

EBIT Margin in TV

| | 5.00% | 6.00% | 7.00% | 7.50% | 8.00% | 9.00% | 10.00% |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Growth in Terminal Value | | | | | | | |
| -1.00% | 22.81 | 23.33 | 23.85 | 24.11 | 24.37 | 24.89 | 25.40 |
| 0.00% | 22.99 | 23.56 | 24.13 | 24.41 | 24.70 | 25.27 | 25.83 |
| 1.00% | 23.21 | 23.84 | 24.46 | 24.78 | 25.09 | 25.71 | 26.34 |
| 2.00% | 23.48 | 24.17 | 24.86 | 25.21 | 25.56 | 26.25 | 26.95 |
| 3.00% | 23.80 | 24.57 | 25.35 | 25.74 | 26.13 | 26.91 | 27.69 |

Source: BankM Research

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Sector Peer Group

| Peer Group | Mkt Cap | | EV | | | EV/Revenues | | | EV/EBITDA | | | P/E | | | P/B | | |
|---|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|
| | prev. Day | prev. Day | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e |
| Multiples | | | | | | | | | | | | | | | | | |
| Daphne International Holdings | 474.9 | 501.3 | 0.6 | 0.5 | 0.5 | 6.6 | 5.6 | 4.9 | 16.8 | 10.6 | 9.0 | - | - | - | - | - | - |
| Taiya Shoes Co Ltd | - | - | 4.0 | - | - | 59.5 | - | - | 298.4 | - | - | - | - | - | - | - | - |
| Brown Shoe Co Inc | 790.3 | 880.8 | 0.5 | 0.5 | 0.5 | 8.4 | 7.3 | 7.1 | 41.3 | 27.6 | 16.8 | - | - | - | - | - | - |
| Rocky Brands Inc | 82.8 | 110.8 | 0.6 | 0.5 | 0.5 | 7.5 | 7.1 | - | 14.3 | 12.3 | 10.5 | - | - | 0.3 | - | - | 0.3 |
| RG Barry Corp | 153.5 | 135.2 | 1.2 | 1.3 | 1.2 | 7.7 | - | - | 15.5 | 15.4 | 16.1 | 0.8 | - | 0.8 | - | - | 0.7 |
| Skechers U.S.A. Inc | 1,517.9 | 1,405.9 | 0.8 | 0.9 | 0.8 | 10.3 | 8.9 | 7.8 | 29.5 | 19.2 | 15.8 | 0.2 | - | 0.2 | - | - | 0.1 |
| Crocs Inc | 962.4 | 820.7 | 0.9 | 0.9 | 0.9 | 9.2 | 9.7 | 7.3 | 130.1 | 26.4 | 18.1 | - | - | - | - | - | - |
| Geox SpA | 728.9 | 702.9 | 0.9 | 0.9 | 0.8 | 28.4 | 16.2 | 9.8 | neg. | neg. | 42.0 | 0.3 | - | 0.3 | - | - | 0.3 |
| Median | 728.9 | 702.9 | 0.8 | 0.9 | 0.8 | 8.8 | 8.1 | 7.3 | 29.5 | 17.3 | 16.1 | 0.6 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Mean (for information purposes, only) | 673.0 | 651.1 | 1.2 | 0.8 | 0.7 | 17.2 | 9.1 | 7.4 | 78.0 | 18.6 | 18.3 | 0.6 | - | 0.4 | - | - | 0.4 |
| Ultronsonic AG | 96.27 | neg. | neg. | neg. | neg. | neg. | neg. | neg. | 2.96 | 2.73 | 2.52 | 0.65 | 0.53 | 0.44 | | | |
| *Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates | | | | | | | | | | | | | | | | | |
| Enterprise Value Ultrasonic | n.a. | 157.37 | 161.75 | n.a. | 397.55 | 383.70 | n.a. | 611.37 | 615.45 | n.a. | 57.85 | 64.45 | | | | | |
| -net debt (as of December, 2013) | n.a. | -103.96 | -103.96 | n.a. | -103.96 | -103.96 | n.a. | 611.37 | 615.45 | n.a. | 57.85 | 64.45 | | | | | |
| Value of the Equity | n.a. | 261.32 | 265.71 | n.a. | 501.51 | 487.66 | n.a. | 611.37 | 615.45 | n.a. | 57.85 | 64.45 | | | | | |

| Year | 2014e | 2015e |
|----------------|-------|-------|
| Implicit Price | 28.19 | 28.22 |

| | 2014 | 2015 |
|---|--------|--------|
| Equity value based on EV/Revenues (€ m) | 261.32 | 265.71 |
| Equity value based on EV/EBITDA (€ m) | 501.51 | 487.66 |
| Equity value based on P/E (€ m) | 611.37 | 615.45 |
| Equity value based on P/B (€ m) | 57.85 | 64.45 |
| Mean | 358.01 | 358.31 |
| No. of shares ('000)* | 12,698 | 12,698 |
| Price/share (€) | 28.19 | 28.22 |

Source: Bloomberg, BankM Research

China Prime Standard Peer Group

| Peer Group | Mkt Cap | | EV | | | EV/Revenues | | | EV/EBITDA | | | P/E | | | P/B | | |
|---|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------|-------|-------|
| | prev. Day | prev. Day | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e | 2013a | 2014e | 2015e |
| Multiples | | | | | | | | | | | | | | | | | |
| Asian Bamboo AG | 16.66 | 32.51 | 1.18 | - | - | 1.20 | - | - | neg. | - | - | - | - | - | - | - | - |
| China Specialty Glass AG | 34.55 | neg. | neg. | - | - | neg. | - | - | 0.92 | 0.55 | - | - | - | - | - | - | - |
| FAST Casualwear AG | 11.77 | 20.90 | - | - | - | - | - | - | 1.16 | - | - | - | - | - | - | - | - |
| Firstextile AG | 111.44 | 78.69 | 0.48 | 0.34 | 0.26 | 2.03 | 1.32 | 1.02 | 3.58 | 2.81 | 2.17 | 0.86 | 0.68 | 0.53 | - | - | - |
| Haikui Seafood AG | 45.21 | neg. | 0.07 | - | - | 0.59 | - | - | 5.12 | 3.82 | 3.86 | - | - | 0.27 | 0.25 | - | - |
| Joyou AG | 306.78 | 300.98 | 0.81 | 0.78 | 0.73 | 4.72 | 4.47 | 4.09 | 12.79 | 8.43 | 7.47 | 0.85 | 0.75 | 0.70 | - | - | - |
| Ming Le Sports AG | 30.90 | neg. | neg. | - | - | neg. | - | - | 1.77 | 0.67 | 0.57 | 0.20 | 0.15 | 0.14 | - | - | - |
| Powerland AG | 36.00 | 75.64 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| United Power Technology AG | 34.44 | 2.04 | 0.07 | 0.02 | 0.02 | 0.35 | 0.12 | 0.10 | 3.78 | 3.50 | 2.99 | 0.31 | 0.30 | 0.28 | - | - | - |
| Tintbright AG | 39.00 | - | - | - | - | - | - | - | - | 1.66 | 1.51 | - | - | - | - | - | - |
| Vancamel AG | 58.65 | 12.07 | 0.02 | 0.07 | 0.06 | 0.09 | 0.27 | 0.25 | 1.41 | 1.73 | 1.61 | - | - | - | - | - | - |
| Vtion Wireless Technology AG | 42.25 | neg. | - | - | - | - | - | - | 11.43 | 9.60 | 10.31 | 0.31 | 0.27 | 0.26 | - | - | - |
| Youbisheng Green Paper AG | 41.89 | 18.84 | 0.05 | 0.19 | 0.19 | 0.19 | 0.72 | 0.69 | 2.54 | 2.29 | 2.18 | - | - | - | - | - | - |
| Zhongde Waste Technology AG | 33.80 | neg. | 1.90 | - | - | neg. | - | - | neg. | neg. | neg. | 0.30 | 0.30 | 0.31 | - | - | - |
| Median | 37.50 | 26.71 | 0.27 | 0.19 | 0.19 | 0.59 | 0.72 | 0.69 | 3.06 | 2.55 | 2.18 | 0.31 | 0.30 | 0.28 | | | |
| Mean (for information purposes, only) | 60.24 | 67.46 | 0.57 | 0.28 | 0.25 | 1.31 | 1.38 | 1.23 | 4.45 | 3.51 | 3.63 | 0.47 | 0.39 | 0.35 | | | |
| Ultronsonic AG | 96.27 | neg. | neg. | neg. | neg. | neg. | neg. | neg. | 2.96 | 2.73 | 2.52 | 0.65 | 0.49 | 0.41 | | | |
| *Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates | | | | | | | | | | | | | | | | | |
| Enterprise Value Ultrasonic | n.a. | 34.12 | 37.03 | n.a. | 35.08 | 36.18 | n.a. | 90.13 | 83.32 | n.a. | 57.85 | 64.45 | | | | | |
| -net debt (as of December, 2013) | n.a. | -103.96 | -103.96 | n.a. | -103.96 | -103.96 | n.a. | 90.13 | 83.32 | n.a. | 57.85 | 64.45 | | | | | |
| Value of the Equity | n.a. | 138.08 | 140.98 | n.a. | 139.04 | 140.14 | n.a. | 90.13 | 83.32 | n.a. | 57.85 | 64.45 | | | | | |

| Year | 2014 | 2015 |
|----------------|------|------|
| Implicit Price | 8.37 | 8.44 |

| | 2014 | 2015 |
|---|--------|--------|
| Equity value based on EV/Revenues (€ m) | 138.08 | 140.98 |
| Equity value based on EV/EBITDA (€ m) | 139.04 | 140.14 |
| Equity value based on P/E (€ m) | 90.13 | 83.32 |
| Equity value based on P/B (€ m) | 57.85 | 64.45 |
| Mean | 106.27 | 107.22 |
| No. of shares ('000)* | 12,698 | 12,698 |
| Price/share (€) | 8.37 | 8.44 |

Source: Bloomberg, BankM Research

ULTRASONIC AG

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Tables

Profit & Loss Account

| Fiscal Year 31.12 (IFRS) | 2012a | 2013a | 2014e | 2015e | 2016e | 2017e | 4y - CAGR 2013 - 2017 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------|
| in € '000 | | | | | | | |
| Total Sales | 149,011 | 163,798 | 178,026 | 198,480 | 214,893 | 231,258 | |
| <i>Growth Rate (in %)</i> | 24.8 | 9.9 | 8.7 | 11.5 | 8.3 | 7.6 | 9.0 |
| Cost of Sales | 102,917 | 112,286 | 123,296 | 139,037 | 149,252 | 161,728 | |
| Gross Profit | 46,094 | 51,512 | 54,730 | 59,443 | 65,640 | 69,530 | |
| <i>Growth Rate (in %)</i> | 25.0 | 11.8 | 6.2 | 8.6 | 10.4 | 5.9 | 7.8 |
| Selling and Distribution Expenses | 1,552 | 2,605 | 4,674 | 5,557 | 6,017 | 6,475 | |
| Administration Expenses | 2,771 | 2,834 | 3,387 | 3,500 | 3,500 | 3,500 | |
| Net Other Income | 7 | 1,365 | 0 | 0 | 0 | 0 | |
| EBIT | 41,778 | 47,438 | 46,670 | 50,385 | 56,123 | 59,555 | |
| <i>Growth Rate (in %)</i> | 25.6 | 13.5 | -1.6 | 8.0 | 11.4 | 6.1 | 5.9 |
| Interest Income | 360 | 330 | 434 | 536 | 630 | 760 | |
| Interest Expense | 307 | 227 | 7 | 7 | 7 | 7 | |
| EBT | 41,831 | 47,541 | 47,097 | 50,915 | 56,747 | 60,308 | |
| <i>Growth Rate (in %)</i> | 25.8 | 13.7 | -0.9 | 8.1 | 11.5 | 6.3 | 6.1 |
| Taxes on Income (Exp.+/Inc.-) | 11,022 | 12,529 | 11,774 | 12,729 | 14,187 | 15,077 | |
| Net profit | 30,809 | 35,012 | 35,323 | 38,186 | 42,560 | 45,231 | |
| <i>Growth Rate (in %)</i> | 23.6 | 13.6 | 0.9 | 8.1 | 11.5 | 6.3 | 6.6 |
| <i>For information purposes</i> | | | | | | | |
| Depreciation and amortization | 1,375 | 1,415 | 2,297 | 2,427 | 3,474 | 4,033 | |
| <i>in % of total sales</i> | 0.9 | 0.9 | 1.3 | 1.2 | 1.6 | 1.7 | |
| EBITDA | 43,153 | 48,853 | 48,967 | 52,812 | 59,597 | 63,588 | |
| <i>Growth Rate (in %)</i> | 24.9 | 13.2 | 0.2 | 7.9 | 12.8 | 6.7 | 6.8 |
| No. of shares (Ø outstanding) | 11,475 | 12,432 | 12,698 | 12,698 | 12,698 | 12,698 | |
| Net profit / share (EPS) | 2.68 | 2.82 | 2.78 | 3.01 | 3.35 | 3.56 | |
| Adj. net profit / share (adj. EPS) | 2.48 | 2.82 | 2.78 | 3.01 | 3.35 | 3.56 | |

Source: Ultrasonic AG, BankM Research

P&L Margins

| in % | 2012a | 2013a | 2014e | 2015e | 2016e | 2017e |
|---------------------|-------|-------|-------|-------|-------|-------|
| Gross Profit Margin | 30.9 | 31.4 | 30.7 | 29.9 | 30.5 | 30.1 |
| EBITDA Margin | 29.0 | 29.8 | 27.5 | 26.6 | 27.7 | 27.5 |
| EBIT Margin | 28.0 | 29.0 | 26.2 | 25.4 | 26.1 | 25.8 |
| EBT Margin | 28.1 | 29.0 | 26.5 | 25.7 | 26.4 | 26.1 |
| Net Profit Margin | 20.7 | 21.4 | 19.8 | 19.2 | 19.8 | 19.6 |

Source: Ultrasonic AG, BankM Research

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Cash Flow Statement

| Fiscal Year 31.12 (IFRS) | 2012a | 2013a | 2014e | 2015e | 2016e | 2017e | 4y - CAGR |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------|
| in € '000 | | | | | | | |
| EBT | 41,831 | 47,541 | 47,097 | 50,915 | 56,747 | 60,308 | |
| + Depreciation and Amortization | 1,375 | 1,415 | 2,297 | 2,427 | 3,474 | 4,033 | |
| - Taxes paid | 10,360 | 11,414 | 12,356 | 12,490 | 13,822 | 14,854 | |
| = Cash Earnings | 32,846 | 37,542 | 37,038 | 40,852 | 46,398 | 49,488 | |
| <i>Growth Rate (in %)</i> | 26.2 | 14.3 | -1.3 | 10.3 | 13.6 | 6.7 | 7.2 |
| + Other non-cash Items | -7 | -1,252 | 0 | 0 | 0 | 0 | |
| - Change in net Working Capital | 14,211 | -807 | -4,595 | 5,366 | 3,582 | 3,813 | |
| = Operating Cash Flow | 18,628 | 37,097 | 41,633 | 35,486 | 42,816 | 45,675 | |
| <i>Growth Rate (in %)</i> | -36.5 | 99.1 | 12.2 | -14.8 | 20.7 | 6.7 | 5.3 |
| - Capex (net) | 19,702 | 3,935 | 13,340 | 11,949 | 10,300 | 1,900 | |
| = Free Cash Flow | -1,074 | 33,162 | 28,294 | 23,536 | 32,516 | 43,775 | |
| <i>Growth Rate (in %)</i> | -103.7 | -3,187.7 | -14.7 | -16.8 | 38.2 | 34.6 | 7.2 |
| + Net other Items | -6 | -300 | 0 | 0 | 0 | 0 | |
| + Increase in Share Capital | 495 | 5,999 | 0 | 0 | 0 | 0 | |
| - Outflow from Share Buyback | 381 | 938 | 0 | 0 | 0 | 0 | |
| + Proceeds from Sale of Shares | 187 | 283 | 0 | 0 | 0 | 0 | |
| +/- Bank Loans | -713 | -2,567 | -2,710 | 0 | 0 | 0 | |
| = Incr. in Cash (+)/Decr. in Cash (-) | -1,492 | 35,639 | 25,584 | 23,536 | 32,516 | 43,775 | |

Source: Ultrasonic AG, BankM Research

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ULTRASONIC AG

May 16, 2014

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Balance Sheet

| Fiscal Year 31.12 (IFRS) | 2012a | 2013a | 2014e | 2015e | 2016e | 2017e |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| in € '000 | | | | | | |
| Assets | | | | | | |
| Tangible Assets | 15,489 | 16,735 | 27,921 | 36,736 | 43,660 | 41,624 |
| Intangible Assets incl. Land Use Rights | 2,119 | 2,541 | 2,438 | 3,118 | 2,999 | 2,879 |
| Deferred Tax & other fixed Assets | 316 | 216 | 235 | 262 | 283 | 305 |
| Total Fixed Assets | 17,924 | 19,493 | 30,594 | 40,116 | 46,942 | 44,809 |
| Inventories | 748 | 1,435 | 3,236 | 5,073 | 5,823 | 6,813 |
| Accounts Receivable | 49,406 | 47,525 | 51,653 | 57,588 | 62,350 | 67,098 |
| Total liquid Funds | 74,525 | 108,482 | 134,066 | 157,602 | 190,118 | 233,893 |
| Other current (financial) assets | 6,964 | 8,851 | 0 | 0 | 0 | 0 |
| Total Current Assets | 131,643 | 166,293 | 188,955 | 220,263 | 258,291 | 307,804 |
| Balance Sheet Total | 149,567 | 185,786 | 219,549 | 260,379 | 305,234 | 352,612 |
| Shareholder's Equity / Liabilities | | | | | | |
| Subscribed Capital | 11,475 | 12,698 | 12,698 | 12,698 | 12,698 | 12,698 |
| Treasury Stock | -27 | -102 | 0 | 0 | 0 | 0 |
| Share Premium | 4,456 | 8,817 | 8,817 | 8,817 | 8,817 | 8,817 |
| Retained Earnings & other Reserves | 106,417 | 138,707 | 174,030 | 212,216 | 254,776 | 300,007 |
| Shareholders Equity | 122,321 | 160,120 | 195,545 | 233,731 | 276,291 | 321,522 |
| Long term Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Short term Liabilities < 1 Year | 27,246 | 25,666 | 24,004 | 26,648 | 28,943 | 31,090 |
| <i>t/o Accounts Payable & pre-Payments</i> | 18,762 | 19,264 | 20,937 | 23,343 | 25,273 | 27,198 |
| <i>t/o Tax Payable</i> | 2,948 | 3,525 | 2,944 | 3,182 | 3,547 | 3,769 |
| <i>t/o Bank Loans</i> | 5,410 | 2,833 | 123 | 123 | 123 | 123 |
| <i>t/o Other current Liabilities</i> | 126 | 44 | 0 | 0 | 0 | 0 |
| Total Liabilities | 27,246 | 25,666 | 24,004 | 26,648 | 28,943 | 31,090 |
| Balance Sheet Total | 149,567 | 185,786 | 219,549 | 260,379 | 305,234 | 352,612 |

Source: Ultrasonic AG, BankM Research

Balance Sheet Ratios

| in % of Total Assets | 2012a | 2013a | 2014e | 2015e | 2016e | 2017e |
|------------------------|-------|-------|-------|-------|-------|-------|
| Total Fixed Assets | 12.0 | 10.5 | 13.9 | 15.4 | 15.4 | 12.7 |
| Total Current Assets | 88.0 | 89.5 | 86.1 | 84.6 | 84.6 | 87.3 |
| Inventories | 0.5 | 0.8 | 1.5 | 1.9 | 1.9 | 1.9 |
| Trade receivables | 33.0 | 25.6 | 23.5 | 22.1 | 20.4 | 19.0 |
| Total liquid funds | 49.8 | 58.4 | 61.1 | 60.5 | 62.3 | 66.3 |
| Shareholders Equity | 81.8 | 86.2 | 89.1 | 89.8 | 90.5 | 91.2 |
| Long Term Liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short Term Liabilities | 18.2 | 13.8 | 10.9 | 10.2 | 9.5 | 8.8 |
| Total Liabilities | 18.2 | 13.8 | 10.9 | 10.2 | 9.5 | 8.8 |

Source: Ultrasonic AG, BankM Research

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Key Ratios

| | 2012a | 2013a | 2014e | 2015e | 2016e | 2017e |
|--------------------------------|--------|--------|--------|--------|--------|--------|
| Return on Assets (in %) | 23.0 | 20.9 | 17.4 | 15.9 | 15.0 | 13.8 |
| Return on Equity (in %) | 28.5 | 24.8 | 19.9 | 17.8 | 16.7 | 15.1 |
| Gross Profit Margin (in %) | 30.9 | 31.4 | 30.7 | 29.9 | 30.5 | 30.1 |
| EBIT Margin (in %) | 28.0 | 29.0 | 26.2 | 25.4 | 26.1 | 25.8 |
| Net Profit Margin (in %) | 20.7 | 21.4 | 19.8 | 19.2 | 19.8 | 19.6 |
| Current Ratio | 4.83 | 6.48 | 7.87 | 8.27 | 8.92 | 9.90 |
| Quick Ratio | 4.55 | 6.08 | 7.74 | 8.08 | 8.72 | 9.68 |
| Leverage | 0.18 | 0.14 | 0.11 | 0.10 | 0.09 | 0.09 |
| Gearing | 0.22 | 0.16 | 0.12 | 0.11 | 0.10 | 0.10 |
| Interest Coverage Ratio | 136.08 | 208.98 | n.a. | n.a. | n.a. | n.a. |
| Earnings per Share | 2.68 | 2.82 | 2.78 | 3.01 | 3.35 | 3.56 |
| Dividends per Share | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Dividend Payout Ratio | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| FCF per Share | -0.09 | 2.67 | 2.23 | 1.85 | 2.56 | 3.45 |
| Book Value per Share | 10.66 | 12.88 | 15.40 | 18.41 | 21.76 | 25.32 |
| Days Sales Outstanding | 101.03 | 108.00 | 101.67 | 100.45 | 101.86 | 102.16 |
| Days in Inventory | 2.42 | 3.55 | 6.91 | 10.91 | 13.32 | 14.26 |
| Days in Payables | 63.86 | 61.80 | 59.51 | 58.12 | 59.45 | 59.21 |
| Cash Conversion Cycle | 39.59 | 49.74 | 49.08 | 53.23 | 55.74 | 57.20 |
| Total Asset Turnover | 1.11 | 0.98 | 0.88 | 0.83 | 0.76 | 0.70 |
| Working Capital to Sales | 0.38 | 0.35 | 0.31 | 0.32 | 0.32 | 0.32 |
| CAPEX to Sales | 0.13 | 0.02 | 0.07 | 0.06 | 0.05 | 0.01 |
| Depreciation/Sales | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 | 0.02 |
| Tax Rate (in %) | 26.3 | 26.4 | 25.0 | 25.0 | 25.0 | 25.0 |
| Number of Employees | 1,432 | 1,415 | 1,600 | 1,800 | 2,000 | 2,150 |
| Sales/Employee in \$ '000 | 104.06 | 115.76 | 111.27 | 110.27 | 107.45 | 107.56 |
| Net Profit/Employee in \$ '000 | 21.51 | 24.74 | 22.08 | 21.21 | 21.28 | 21.04 |

Source: Ultrasonic AG, BankM Research

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Authors: Dr. Roger Becker, CEFA and David Szabadvari, CEFA, Analysts

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| Analysts | Date | Evaluation result | Fair value |
|------------------------------------|--------------------|-------------------|------------|
| Dr. Roger Becker, David Szabadvari | September 10, 2012 | Buy | €20.78 |
| Dr. Roger Becker, David Szabadvari | November 9, 2012 | Buy | €21.50 |
| Dr. Roger Becker, David Szabadvari | February 20, 2013 | Buy | €23.44 |
| Dr. Roger Becker, David Szabadvari | April 30, 2013 | Buy | €21.55 |
| Dr. Roger Becker, David Szabadvari | June 18, 2013 | Buy | €21.52 |
| Dr. Roger Becker, David Szabadvari | September 5, 2013 | Buy | €20.84 |
| Dr. Roger Becker, David Szabadvari | December 11, 2013 | Buy | €20.20 |

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