



# German Small Caps 2017

Sifting the wheat from the chaff

06/12/2016



Bankhaus Lampe

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# Executive Summary

## Sifting the wheat from the chaff

06/12/2016

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For 2017, we once again select seven small-cap top BUY ratings. For these stocks, we assume that these companies' strategic positioning, strong business models and management qualities should lead to positive performance – regardless of the fact that global economic growth is likely to be well below the long-term average. This portfolio is not only geared towards yield opportunities, it also includes a risk assessment and is therefore diversified. We augment our compilation with three SELL recommendations, where we see downside risk.

### MAIN SMALL-CAP RECOMMENDATIONS

At the following companies, we see significant up/downside with clear company-specific catalysts:

#### Top BUY recommendations in small-cap sector

The focus of our top picks is in harmony with our strategy in defensive stocks. We include here: Capital Stage, and Leifheit. DIC Asset represents the real-estate sector. We believe that the revaluation of WashTec has not yet come to an end. Our equity strategy team advises investors in financial stocks to favour insurers, which in our top picks are represented by W&W. SHW and VTG complete our list.

#### Top SELL recommendations in small-cap sector

We continue to see risks for Delticom because its core business is encumbered with structural weaknesses. Corporate governance and communications are points that underpin our assessment. We also have a negative stance towards Hawesko due to the stock price and the ongoing transformation process. For windeln.de we doubt that the current liquidity cushion will be enough to achieve breakeven in the operational business.

#### Sifting the wheat from the chaff

Following the high volatility of share prices in 2016, overall it will become increasingly important to sift the wheat from the chaff in 2017.

| Company                | Bloomberg | Rating | Previous rating | Price target | Previous price target | Closing price 30/11/2016 | Dividend yield 2016e | PER 2016e |
|------------------------|-----------|--------|-----------------|--------------|-----------------------|--------------------------|----------------------|-----------|
| Capital Stage AG       | CAP GY    | BUY    | BUY             | 9.00 EUR     | 9.00 EUR              | 6.34 EUR                 | 3.2%                 | n/a       |
| DIC Asset AG           | DIC GY    | BUY    | BUY             | 9.90 EUR     | 9.90 EUR              | 8.51 EUR                 | 4.3%                 | 22.8      |
| Leifheit AG            | LEI GY    | BUY    | BUY             | 60.00 EUR    | 60.00 EUR             | 56.00 EUR                | 5.3%                 | 17.4      |
| SHW AG                 | SW1 GY    | BUY    | BUY             | 37.00 EUR    | 37.00 EUR             | 33.10 EUR                | 3.0%                 | 16.7      |
| VTG Aktiengesellschaft | VT9 GY    | BUY    | BUY             | 34.00 EUR    | 34.00 EUR             | 28.47 EUR                | 1.9%                 | 19.9      |
| Wüstenrot Et           | WUW GY    | BUY    | BUY             | 23.00 EUR    | 23.00 EUR             | 17.95 EUR                | 3.6%                 | 7.1       |
| WashTec AG             | WSU GR    | BUY    | BUY             | 51.00 EUR    | 51.00 EUR             | 48.25 EUR                | 3.8%                 | 23.4      |
| Delticom AG            | DEX GY    | SELL   | SELL            | 16.00 EUR    | 16.00 EUR             | 16.35 EUR                | 1.8%                 | 23.5      |
| Hawesko Holding AG     | HAW GY    | SELL   | SELL            | 37.00 EUR    | 37.00 EUR             | 40.90 EUR                | 3.2%                 | 18.9      |
| windeln.de SE          | WDL GR    | HOLD   | HOLD            | 7.00 EUR     | 7.00 EUR              | 3.36 EUR                 | 0.0%                 | n/a       |

Source: Company information, Bankhaus Lampe Research estimates

**STOCK PICKING WILL ALSO BE IMPORTANT IN 2017**

Since the start of the bull market in 2009, small-and-mid caps have beaten the large caps driven by share price gains across the whole equity market. The overall picture has changed slightly in 2016. Since our last Small Cap publication on 28/01/2016, it has been possible to draw close parallels between the performance the DAX (+9.9%), the MDAX (+8.5%) and the SDAX (+9.0%). By contrast, the TecDAX (+2.3%) trailed some way behind in 2016. Our key message is therefore: Investors must be more selective in their choice of small-and-mid caps.

**A LOOK BACK AT OUR RECOMMENDATIONS FOR 2016**

We find a glance back at our recommendations from 28/01/2016 for 2016 encouraging. With this portfolio we managed to produce a very positive performance and outperform the relevant indices, even though not every stock we picked lived up to our expectations. Yet it is important to underline that we have made some rating changes in the course of the year. This was either because our price targets were achieved earlier than expected or because macro and/or microeconomic developments made changes necessary.

**Overview of our top picks**

| Share                    | Share price at recomm. | Price target | Current share price | Perf. since recomm. | Avg. perform. BUY | Outperformance vs. SDAX | Avg. outperform. vs. SDAX |
|--------------------------|------------------------|--------------|---------------------|---------------------|-------------------|-------------------------|---------------------------|
| <b>BUY</b>               |                        |              |                     |                     |                   |                         |                           |
| CEWE Stiftung & Co. KGaA | 48.51                  | 60.00        | 85.70               | +76.7%              | +37.1%            | 67.7%                   | +28.1%                    |
| Capital Stage AG         | 7.56                   | 10.60        | 6.07                | -19.7%              |                   | -28.7%                  |                           |
| DIC Asset AG             | 8.70                   | 10.50        | 8.43                | -3.1%               |                   | -12.1%                  |                           |
| Evotec AG                | 3.47                   | 4.60         | 6.06                | +74.6%              |                   | 65.6%                   |                           |
| Grammer AG               | 26.70                  | 32.00        | 47.34               | +77.3%              |                   | 68.3%                   |                           |
| Leifheit AG              | 46.13                  | 60.00        | 56.45               | +22.4%              |                   | 13.4%                   |                           |
| QSC AG                   | 1.55                   | 2.20         | 2.04                | +31.4%              |                   | 22.4%                   |                           |
| <b>SELL</b>              |                        |              |                     |                     |                   |                         |                           |
| Delticom AG              | 18.20                  | 16.00        | 16.25               | -10.7%              | +3.4%             | -19.7%                  | -5.6%                     |
| Hawesko Holding AG       | 40.34                  | 37.00        | 41.40               | +2.6%               |                   | -6.4%                   |                           |
| SGL Carbon SE            | 8.81                   | 8.00         | 10.43               | +18.3%              |                   | 9.3%                    |                           |
| <b>Indices</b>           |                        |              |                     |                     |                   |                         |                           |
| Germany DAX (TR)         | 9,736.25               |              | 10,699.27           | +9.9%               |                   |                         |                           |
| Germany MDAX             | 19,280.10              |              | 20,911.80           | +8.5%               |                   |                         |                           |
| Germany SDAX             | 8,327.86               |              | 9,077.23            | +9.0%               |                   |                         |                           |
| Germany TECDAX (TR)      | 1,688.47               |              | 1,726.64            | +2.3%               |                   |                         |                           |

Source: Bankhaus Lampe Research

Nevertheless, three of our seven BUY ratings (CEWE, Evotec and Grammer) fared better than expected with a performance of more than +75%. But QSC (+31%) and Leifheit (+22%) also represented very solid drivers for the portfolio. By contrast, DIC Asset (-3%) tended to move sideways and Capital Stage has proved a disappointment with a loss of -19%. The takeover of CHORUS and now-familiar

ideas about a potential end to the subsidies for future projects have certainly been contributory factors in this regard.

Among our SELL recommendations, Delticom registered a substantial negative performance of -11%. Hawesko virtually trod water (+3%) because, as expected, no catalysts appeared. On a 12-month horizon, SGL did not turn out to be a sell (+18%) although we already upgraded this stock in the course of the year due to a change in the newsflow situation.

### OUR STOCK-PICK UNIVERSE

Our universe includes German companies with a free float market capitalisation of less than € 500 m (as per: 01/11/2016) that are included in our coverage.

### TOP BUY PICKS

#### Capital Stage (BUY, € 9.00, upside potential 46%)

The business model generates steady and reliable revenues with attractive yields independent of the economic conditions. In light of the company's strong acquisition pipeline, we expect to see steady positive newsflow. Our price target is based on the current portfolio. This also applies to the company's own guidance. Acquisitions should lead to a systematic uptrend in the business projections.

#### DIC Asset (BUY, € 9.90, upside potential 20%)

DIC Asset is a real-estate portfolio company that focuses on office properties. Despite the debt reduction and the extensive withdrawal from the development business, this stock continues to trade at a large discount to its NAV. With growth already strong in the fund business, there are opportunities to reduce the vacancy rate.

#### Leifheit (BUY, € 65.00, upside potential 17%)

Despite initially disappointing Q3 results, we do not believe Leifheit's equity story is in doubt at all. This is because the high-margin core Brand Business (revenue share >80%) should grow by 5% this year. Instead, the high-volume business was responsible for the setback. However, the priority here is clearly profitability ahead of revenue. Leifheit remains a clear dividend story for us. With a dividend yield of around 5% and the prospect of rising dividend pay-outs, we stand by our BUY rating.

#### SHW (BUY, € 37.00, upside potential 16%)

After the sales targets for 2016 and 2017 had to be lowered by € 30 m each in the summer, SHW's autumn report contained some good news. Firstly, the company received its first order for electric axle drive pumps and therefore gained a foothold in the market for electric vehicles, which will be important in future. Secondly, the company's results are showing a further improvement in operating efficiency.

#### VTG (BUY, € 34.00, upside potential 20%)

VTG has by far Europe's largest private fleet of rail freight cars for hire. Multi-year lease agreements with high renewal rates and a limited production capacity for new

wagons provide good visibility and relatively low earnings volatility. In our view, the very low cyclical character of the business model coupled with solid growth prospects and an attractive valuation make the share attractive.

**W&W (BUY, € 23.00, upside potential 28%)**

We reiterate our BUY rating for Wüstenrot & Württembergische (W&W) with an unaltered price target of € 23.00. The main argument in favour of our BUY rating remains the very favourable valuation, the highly profitable P&C insurance business and the outstanding cost controls. In addition, we see W&W as one of the main beneficiaries of the current rise in interest rates.

**WashTec (BUY, € 55.00, upside potential 13%)**

The strong Q3 results have clearly shown that our optimistic forecasts for WashTec AG were still too cautious. We have raised our estimates thanks to the prospect of double-digit growth in Q4 and a very positive gain in Q1 2017 as well. Our price target consequently rises from € 51.00 to € 55.00 and we confirm our BUY rating.

**TOP SELL PICKS**

**Delticom (SELL, € 12.00, potential -27%)**

The trend from offline to online gives Delticom structural support. Nonetheless, the competitive environment remains difficult, because the European tyre market is not growing structurally, the entry barriers for online tyre retail are low and key advantage of an e-commerce business model – the elimination of bricks-and-mortar retail – is only partially effective as the customer almost always requires a garage for a tyre change. High logistics costs could also mean that greater unit sales do not always lead to higher earnings.

**Hawesko (SELL, € 37.00, potential -10%)**

In our view, Hawesko is still undergoing a transformation phase because the advances in digitalisation are changing purchasing processes and even the premium wine trade is becoming increasingly cross-channel. Before we become more bullish, we expect stronger growth so that Hawesko can also show the scalability of its business, which would make an EBIT margin of 7% possible.

**windeln.de (SELL, € 3.00, potential -12%)**

Even at a lower share price level, we still see further risks for the company. Our balance sheet model shows that the company cannot reach breakeven with its current liquidity. windeln.de has disappointed investors several times this year and must now restore investor confidence. Overall, we believe the risks clearly dominate the picture.

| Company                    | Bloomberg | Rating | Previous rating | Price target  | Previous price target | Close<br>01.12.2016 | Dividend<br>yield 16e | P/E ratio<br>16e |
|----------------------------|-----------|--------|-----------------|---------------|-----------------------|---------------------|-----------------------|------------------|
| Adler Modemärkte AG        | ADD GY    | Hold   | Hold            | 5.00 EUR      | 7.90 EUR              | 4.75 EUR            | 5.30%                 | n.m.             |
| Ahlers AG                  | AAH3 GR   | Hold   | Hold            | 8.00 EUR      | 8.00 EUR              | 6.85 EUR            | 3.60%                 | 35.3             |
| AIXTRON SE                 | AIXA GY   | Hold   | Hold            | 3.60 EUR      | 3.60 EUR              | 3.86 EUR            | 0.00%                 | n.m.             |
| Amadeus FRe AG             | AAD GY    | Hold   | Hold            | 75.00 EUR     | 68.00 EUR             | 72.60 EUR           | 5.00%                 | 20.2             |
| Bastei Lübbe AG            | BST GR    | Hold   | Buy             | 6.00 EUR      | 8.50 EUR              | 5.57 EUR            | 5.40%                 | 15.8             |
| BAUER Aktiengesellschaft   | B5A GY    | Hold   | Hold            | 13.00 EUR     | 13.00 EUR             | 9.98 EUR            | 1.50%                 | 16.5             |
| BayWa AG                   | BYW6 GY   | Hold   | Hold            | 33.00 EUR     | 33.00 EUR             | 29.96 EUR           | 2.90%                 | 22.3             |
| Bor. Dort. GmbH & Co. KGaA | BVB GY    | Buy    | Buy             | 7.00 EUR      | 5.00 EUR              | 4.90 EUR            | 1.20%                 | 15.0             |
| Capital Stage AG           | CAP GY    | Buy    | Buy             | 9.00 EUR      | 9.00 EUR              | 6.15 EUR            | 3.30%                 | n.m.             |
| CEWE Stiftung & Co. KGaA   | CWC GY    | Hold   | Hold            | 77.00 EUR     | 72.00 EUR             | 79.82 EUR           | 2.20%                 | 16.7             |
| comdirect bank AG          | COM GR    | Hold   | Hold            | 9.00 EUR      | 9.00 EUR              | 9.61 EUR            | 3.10%                 | 15.3             |
| DATRON AG                  | DAR GY    | Buy    | Buy             | 12.00 EUR     | 12.50 EUR             | 9.00 EUR            | 2.20%                 | 15.3             |
| Delticom AG                | DEX GY    | Sell   | Sell            | 12.00 EUR     | 16.00 EUR             | 16.51 EUR           | 0.00%                 | 51.0             |
| Deutsche Beteiligungs AG   | DBAN GY   | Buy    | Buy             | 36.50 EUR     | 35.00 EUR             | 30.72 EUR           | 3.90%                 | 8.6              |
| Deutz AG                   | DEZ GY    | Hold   | Hold            | 4.40 EUR      | 4.40 EUR              | 5.21 EUR            | 1.30%                 | 38.6             |
| DIC Asset AG               | DIC GY    | Buy    | Buy             | 9.90 EUR      | 9.90 EUR              | 8.27 EUR            | 4.50%                 | 22.1             |
| EDAG Engin. Group AG       | ED4 GY    | Hold   | Hold            | 16.00 EUR     | 16.00 EUR             | 13.51 EUR           | 5.60%                 | 18.8             |
| ElringKlinger AG           | ZIL2 GY   | Hold   | Hold            | 13.00 EUR     | 13.00 EUR             | 13.23 EUR           | 4.20%                 | 10.5             |
| euromicron AG              | EUCA GY   | Hold   | Hold            | 7.00 EUR      | 7.00 EUR              | 5.95 EUR            | 0.00%                 | n.m.             |
| Gesco AG                   | GSC1 GY   | Hold   | Hold            | 71.00 EUR     | 73.00 EUR             | 68.95 EUR           | 2.90%                 | 19.3             |
| GfK SE                     | GFK GY    | Hold   | Hold            | 26.00 EUR     | 27.00 EUR             | 29.89 EUR           | 2.20%                 | n.m.             |
| Hawesko Holding AG         | HAW GY    | Sell   | Sell            | 37.00 EUR     | 37.00 EUR             | 40.95 EUR           | 3.20%                 | 13.0             |
| HolidayCheck Group AG      | HOC GY    | Hold   | Hold            | 2.50 EUR      | 3.20 EUR              | 2.20 EUR            | 0.00%                 | 18.6             |
| Leifheit AG                | LEI GY    | Buy    | Buy             | 65.00 EUR     | 60.00 EUR             | 55.60 EUR           | 4.90%                 | 18.4             |
| LPKF Laser & Electr. AG    | LPK GR    | Hold   | Hold            | 7.00 EUR      | 7.00 EUR              | 5.99 EUR            | 0.00%                 | n.m.             |
| Manz AG                    | M5Z GY    | Buy    | Buy             | 40.00 EUR     | 40.00 EUR             | 32.83 EUR           | 0.00%                 | n.m.             |
| Masterflex SE              | MZX GR    | Hold   | Hold            | 7.00 EUR      | 5.50 EUR              | 6.60 EUR            | 0.00%                 | 17.4             |
| MLP AG                     | MLP GY    | Hold   | Hold            | 3.50 EUR      | 3.50 EUR              | 4.20 EUR            | 2.40%                 | 29.0             |
| PUMA SE                    | PUM GY    | Sell   | Sell            | 133.00<br>EUR | 133.00 EUR            | 232.05 EUR          | 0.30%                 | 57.0             |
| QSC AG                     | QSC GR    | Hold   | Hold            | 2.00 EUR      | 2.00 EUR              | 2.03 EUR            | 1.50%                 | n.m.             |
| R. STAHL AG                | RSL2 GY   | Hold   | Hold            | 28.00 EUR     | 28.00 EUR             | 28.74 EUR           | 1.30%                 | 72.6             |
| Schaltbau Holding AG       | SLT GR    | Hold   | Hold            | 26.00 EUR     | 26.00 EUR             | 30.51 EUR           | 0.00%                 | 106.2            |
| SGL CARBON SE              | SGL GY    | Hold   | Hold            | 10.00 EUR     | 10.00 EUR             | 8.85 EUR            | 0.00%                 | n.m.             |
| SHW AG                     | SW1 GY    | Buy    | Buy             | 37.00 EUR     | 37.00 EUR             | 33.10 EUR           | 3.00%                 | 16.0             |
| SÜSS MicroTec AG           | SMHN GR   | Hold   | Hold            | 8.00 EUR      | 8.00 EUR              | 6.11 EUR            | 0.00%                 | 19.5             |
| technotrans AG             | TTR1 GY   | Buy    | Buy             | 26.00 EUR     | 26.00 EUR             | 24.15 EUR           | 2.40%                 | 22.1             |
| VIB Vermögen AG            | VIH GY    | Buy    | Buy             | 21.00 EUR     | 21.00 EUR             | 18.64 EUR           | 2.90%                 | 13.4             |
| Villeroy & Boch AG         | VIB3 GR   | Hold   | Hold            | 13.00 EUR     | 13.00 EUR             | 13.81 EUR           | 4.00%                 | 19.6             |
| VTG Aktiengesellschaft     | VT9 GY    | Buy    | Buy             | 34.00 EUR     | 34.00 EUR             | 28.47 EUR           | 1.90%                 | 12.7             |
| Wacker Neuson SE           | WAC GR    | Hold   | Hold            | 13.00 EUR     | 13.00 EUR             | 13.59 EUR           | 2.90%                 | 17.9             |
| WashTec AG                 | WSU GR    | Buy    | Buy             | 51.00 EUR     | 51.00 EUR             | 48.25 EUR           | 3.80%                 | 22.3             |
| windeln.de SE              | WDL GR    | Hold   | Hold            | 7.00 EUR      | 7.00 EUR              | 3.36 EUR            | 0.00%                 | n.m.             |
| Wüstenrot & Württ. AG      | WUW GY    | Buy    | Buy             | 23.00 EUR     | 23.00 EUR             | 17.95 EUR           | 3.60%                 | 7.0              |

Source: Bankhaus Lampe, FactSet



# Equities under fiscal spell

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- There are enough reasons for equity investors to be alert: Global growth is well below the long-term average and corporate earnings have correspondingly been stagnating for some time. The ability of central banks to influence equity markets *sustainably* has lessened. The (geo)political risks have increased – and the unresolved question is: What repercussions will ensue from the election of an less predictable US president (up to now at least)? The global equity market is undergoing a mature phase of the business cycle – US equities are enjoying the third-longest bull market since 1930. Capital market interest rates have picked up visibly of late – and it was ultra-low interest rates that secured equities due to the hunt for yield. A sharp rise in interest rates – due to an expectation of policy-driven reflation – could prove to be a boomerang for stocks.

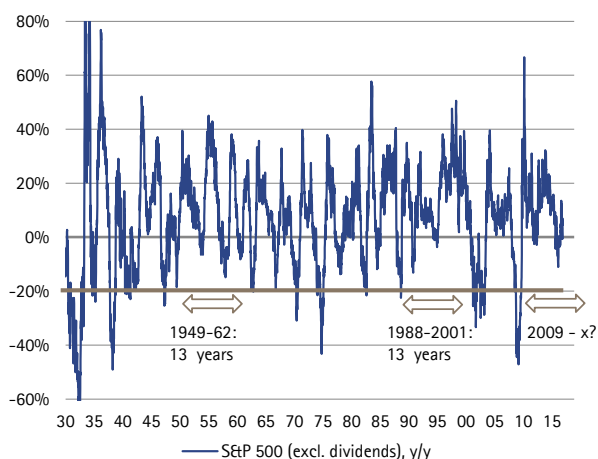
High volatility, but positive equity returns on the cards for 2017

The least that can be forecast for 2017 is therefore: The existing risks and the great political uncertainty are set to lead to greater price volatility. However, mid-single-digit total returns should be achievable with equities over the year as a whole. Equity investors' hopes are also likely to rest mainly on a fiscal stimulus package in the USA.

The key points of our equity outlook are:

1. Central banks have boosted equity prices massively around the world with their ultra-expansive monetary policymaking. In principle, this makes equity markets susceptible to corrections if there is a sustained and substantial rise in interest rates and/or the central banks pull back. However, we do not anticipate this. The expected interest rate corridor has shifted upwards and there is also likely to be considerable volatility on the bond market. However, interest rates still remain relatively low overall. The hunt for yield, which in principle favours equities, is still with us – although to a lesser degree.

Mature cycle: Third-longest bull market without losses of 20% in the history of US stocks



Source: Thomson Reuters Datastream

DAX valuation: High, but not strained given low interest rates



Source: Bloomberg



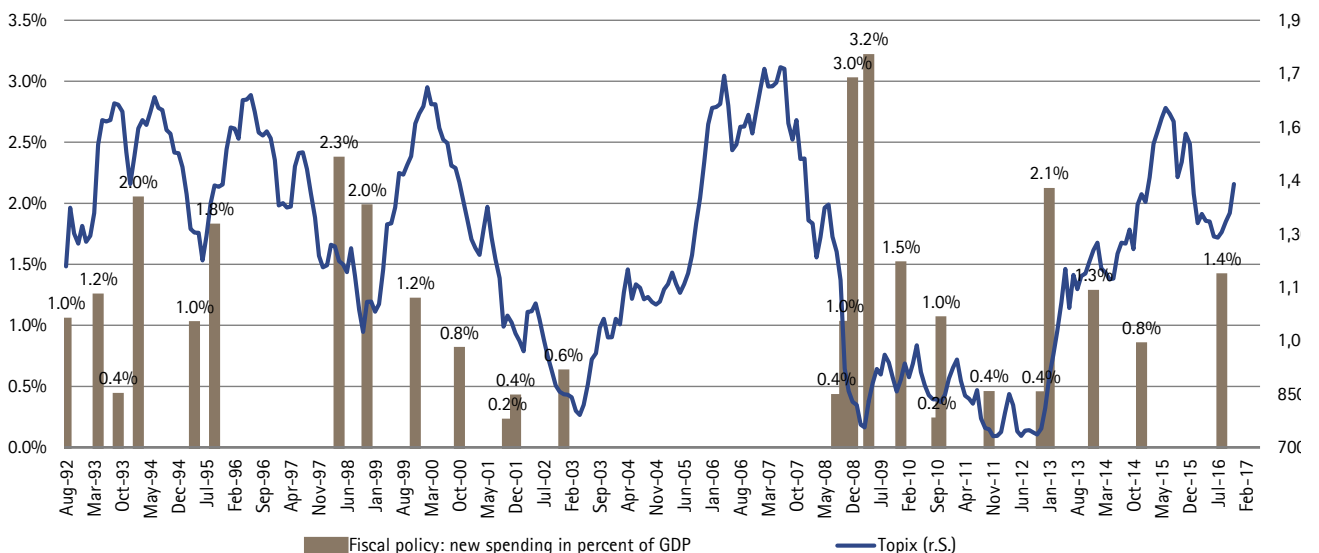
Small earnings growth in 2017 – investors hoping for US stimulus-driven corporate earnings in 2018

- 2. Global real growth is also likely to remain well below the long-term average in 2017 and only slightly higher than in 2016 (BHL 2017e: 3.1%, vs. 2.9% in 2016). Any US stimulus package will probably only have a marginal impact on 2017, but may have an effect in 2018. Inflation rates are picking up a little. Overall, the slow-growth environment will also put a cap on potential corporate earnings increases in 2017. The optimistic earnings estimates of the consensus analysts (~10% for 2017 and 2018) are therefore too high. Nevertheless, nominal earnings growth of about 3% should be possible for the DAX in 2017. Besides this, the prospect of a US economic stimulus package could limit the revision risks for 2018.

Equity investors will act as though a US fiscal package is coming

- 3. A potential US stimulus package will overshadow much and is likely to crucially shape investors' expectations next year. Analysing previous fiscal programmes shows that equities do indeed respond strongly to government economic stimulus packages, but this effect may not be sustainable, as the Japanese experience shows clearly. This can lead to a mini-cycle of hope and potential disappointment, if previously sky-high expectations are brought to naught or the economic impact later proves to be a flash-in-the-pan. If a stimulus package is adopted in the USA, it would probably take until Q4 2017 to have a certain effect. More clarity about this will only emerge in H1 2017. It is therefore too early to build up substantial positions to cover this topic. A US stimulus package could permit more positive performance in equities over the further course of the year – at least for a certain period of time. How long this persists will then depend on how the package is designed.

Example Japan: fiscal policy influences the stock market – but, often only temporarily



Source: Thomson Reuters Datastream, BHL Research

- However, it is essential that: the new US administration does not cause too many dislocations in international trade. The populist wave that bore Donald Trump into the Oval Office does not carry eurosceptic parties into power in any of Europe's governments (risks: constitutional referendum in Italy in December, French election in April).

DAX year-end target for 2017 at 11,400 points – trading between 9,200 and 12,200

Tactically still defensive positioning – reallocations to cyclicals and deflation winners later on

- In terms of valuations little has changed: The absolute valuation of German and European equities is above-average, but not excessive. The relative valuation of equities vs. bonds remains attractive. Our price targets are based on a quantitative regression model with leading indicators, interest rates and earnings estimates. The model points to a year-end target for the DAX of 11,400 points, although this should be achieved amid considerable volatility. The expected lower limit of the range stands at 9,200 (with temporarily falling leading indicators and major political event risks in the eurozone). The upper limit is at 12,200 points (mainly if fiscal expectations become exuberant). As a result of the considerable valuation discount – over the course of 2017 – the DAX should show relative strength vs. the highly valued S&P 500.
- Since the expected interest rate corridor has shifted upwards and interest rates should no longer fall for a sustained period, it is probably no longer appropriate to focus strongly on defensive themes. Once there is greater clarity about stimuli in the USA, shifting into more cyclical sectors (chemicals, industrials), or even some banks could make sense. The latest sector rotations, however, may well have gone too far for the short term. Given the existing risks, better prices for moving into deflation winners should therefore emerge if German interest rates again temporarily approach 0%. At the moment, investors should hold on to the beneficiaries of ultra-low interest rates, such as household goods, food, pharmaceuticals and real estate. Within the financials segment, insurance companies are to be favoured.

### Mid-single-digit stock yields including dividend – DAX has slight yield advantage over S&P 500

| Earnings                                     | DAX   |       |        |      | MDAX  |        |        |      | Euro Stoxx 50 |       |        |      | Stoxx 50 |        |        |      | S&P 500 |       |        |      |
|--|-------|-------|--------|------|-------|--------|--------|------|---------------|-------|--------|------|----------|--------|--------|------|---------|-------|--------|------|
|  | 2015  | 2016  | 2017   | 2018 | 2015  | 2016   | 2017   | 2018 | 2015          | 2016  | 2017   | 2018 | 2015     | 2016   | 2017   | 2018 | 2015    | 2016  | 2017   | 2018 |
| Consensus index earnings expectations (IBES) | 778   | 769   | 857    | 935  | 1116  | 1154   | 1295   | 1482 | 218           | 207   | 233    | 258  | 192      | 180    | 204    | 225  | 116     | 117   | 130    | 146  |
| BHL index earnings expectations              | 770   | 790   | 820    |      | 1130  | 1160   | 1210   |      | 207           | 213   | 221    |      | 179      | 183    | 189    |      | 117     | 120   | 126    |      |
| Consensus growth expectations                | -1.2% | 11.4% | 9.2%   |      | 3.4%  | 12.2%  | 14.4%  |      | -4.8%         | 12.2% | 10.7%  |      | -6.2%    | 13.2%  | 10.0%  |      | 0.8%    | 11.3% | 11.8%  |      |
| BHL growth expectations                      | -1.0% | 2.6%  | 3.8%   |      | 1.3%  | 2.7%   | 4.3%   |      | -5.0%         | 2.9%  | 3.8%   |      | -7.0%    | 2.2%   | 3.3%   |      | 0.7%    | 2.6%  | 5.0%   |      |
| Deviation BHL – consensus                    | 0.1%  | -7.8% | -12.3% |      | -2.1% | -10.4% | -18.4% |      | -0.2%         | -8.4% | -14.2% |      | -0.8%    | -10.4% | -15.9% |      | 0.0%    | -7.9% | -13.5% |      |

Index earnings for 2015 refer to actual earnings as of End April 2016 as reported by Datastream

| Index targets and valuation  | DAX      |  |  |  | MDAX     |  |  |  | Euro Stoxx 50 |  |  |  | Stoxx 50 |  |  |  | S&P 500  |  |  |  |
|--|----------|--|--|--|----------|--|--|--|---------------|--|--|--|----------|--|--|--|----------|--|--|--|
|  | End 2017 |  |  |  | End 2017 |  |  |  | End 2017      |  |  |  | End 2017 |  |  |  | End 2017 |  |  |  |
| Current prices (24 November 2016)  | 10,689   |  |  |  | 20,780   |  |  |  | 3,041         |  |  |  | 2,828    |  |  |  | 2,205    |  |  |  |
| Index targets  | 11,400   |  |  |  | 22,000   |  |  |  | 3,150         |  |  |  | 2,900    |  |  |  | 2,250    |  |  |  |
| Upside/downside  | 6.7%     |  |  |  | 5.9%     |  |  |  | 3.6%          |  |  |  | 2.5%     |  |  |  | 2.0%     |  |  |  |
| Current dividend yield (next payment; to be taken into account at price indices Euro Stoxx 50, Stoxx 50 and S&P 500) | 2.9%     |  |  |  | 2.5%     |  |  |  | 4.5%          |  |  |  | 4.8%     |  |  |  | 2.2%     |  |  |  |
| Current PE (earnings estimates next 12 months)   | 12.5     |  |  |  | 16.2     |  |  |  | 13.2          |  |  |  | 14.1     |  |  |  | 17.0     |  |  |  |
| Current risk premium (earnings yield less 10y bond yield)  | 7.7%     |  |  |  | 5.9%     |  |  |  | 7.3%          |  |  |  | 6.8%     |  |  |  | 3.5%     |  |  |  |

Source: Bankhaus Lampe, DataStream

# Company Portraits

# Adler Modemärkte AG

## Still too early

06/12/2016

**Hold** (Hold)  
**5.00 EUR** (7.90 EUR)

Close 01/12/2016 4.75 EUR  
Bloomberg: ADD GY WKN: A1H8MU  
Sector Retail

### Share price performance

52 week high 10.81 EUR  
52 week low 4.62 EUR  
Compared to Prime All Share  
YTD -48.4%  
1 month -7.6%  
12 months -48.5%



### Share data

EV (m EUR; 2016) 125.0  
Market Cap (m EUR) 87.9  
No. of shares (m) 18.5  
Free float 42.2%

### Next event

Annual Results 16/03/2017

### Change in model

|       | Sales | EBIT   | EPS     |
|-------|-------|--------|---------|
| 2016e | -2.5% | -98.1% | -166.8% |
| 2017e | -2.5% | -26.8% | -38.2%  |
| 2018e | -2.5% | -23.5% | -31.2%  |

### Analyst

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See end of document for disclaimer.

Adler was also not spared by the effects of the weak German fashion sector in the past few months. But we continue to assume that Adler is active in an attractive market niche. However, an upgrade would require improved newsflow from the textile retail sector.

### INVESTMENT CASE

With another guidance correction at the end of October, Adler disappointed investors once again. The company needs to win back the investors' trust in the coming quarters. The recent figures show that the group's consolidated revenues in Q4 have declined slightly yoy due to decreasing consumption and the resulting pricing pressure in the textile industry. Correspondingly, the 2016 annual revenues are expected to come in significantly below last year's level of € 566 m (BHLe: € 544 m). The company forecasts an EBITDA in a range of € 14-17 m (BHLe: € 16.7 m) and thus, we expect a negative after-tax result (BHLe: € -3 m or € -0.18 per share). Our dividend estimate stays unchanged at € 0.25, which could provide support. There are uncertainties with regard to the shareholder structure as the now insolvent Steilmann group is a majority shareholder with a 52.8% stake. Since we currently do not see any strategic investors being interested in this package, we expect a placement with financial investors. Here, the dividend proposal could help despite the current slump in earnings.

### CATALYSTS

The release of the annual results on 16 March 2017 will focus attention on the weak earnings trend. However, the dividend proposal should have a positive effect.

### VALUATION

The stock is currently trading at a 2018e PER of 12x, which appears attractive at first glance. However, this also reflects the investors' disappointment.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 535.3 | 566.1 | 541.0 | 543.7 | 554.6 |
| EBIT                       | 26.2  | 17.0  | 0.2   | 12.2  | 15.4  |
| EBIT margin                | 4.9%  | 3.0%  | 0.0%  | 2.2%  | 2.8%  |
| Net financial debt         | -8.8  | 11.7  | 31.0  | 25.7  | 24.8  |
| Free cash-flow             | 24.9  | 2.9   | -10.1 | 9.9   | 5.5   |
| EPS (in EUR)               | 0.77  | 0.43  | -0.18 | 0.27  | 0.40  |
| DPS (in EUR)               | 0.50  | 0.50  | 0.25  | 0.25  | 0.25  |
| Dividend yield             | 3.7%  | 5.0%  | 5.3%  | 5.3%  | 5.3%  |
| EV/Sales                   | 0.5   | 0.4   | 0.2   | 0.2   | 0.2   |
| EV/EBIT                    | 9.4   | 12.0  | 555.4 | 9.9   | 7.7   |
| Price Earnings ratio (P/E) | 17.6  | 23.6  | -26.5 | 17.4  | 12.0  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- High level of brand recognition in Germany
- Strong customer retention thanks to loyalty card
- Growth in international markets
- Adler is benefiting from demographic trends

### Weaknesses/Threats (Risks)

- Highly competitive environment
- Unit sales of new collection are dependent on weather conditions
- Changes in consumer behaviour
- Increasing competitive pressure

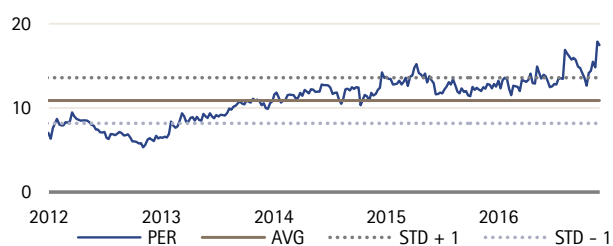
## MANAGEMENT

- Lothar Schäfer (CEO)
- Karsten Odemann (CFO)

## SHORT-TERM GUIDANCE

- 2016: revenue to fall short of prior year
- 2016: EBITDA of € 14 - 17 m
- 2016: negative earnings after tax

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 16/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e    | 17e   | 18e   |
|----------------------|-------|-------|--------|-------|-------|
| R&D/Sales            | -     | -     | -      | -     | -     |
| Capex/Sales          | 2.2%  | 2.3%  | 3.6%   | 3.3%  | 3.3%  |
| Capex/Depreciation   | 0.8   | 0.8   | 1.2    | 1.0   | 1.0   |
| ROCE                 | 15.1% | 9.7%  | 0.1%   | 7.5%  | 9.3%  |
| Free cash flow yield | 27.6% | 1.5%  | -11.1% | 10.9% | 6.0%  |
| Equity ratio         | 43.2% | 43.1% | 39.1%  | 39.0% | 39.5% |
| Net debt / Equity    | -8%   | 11%   | 34%    | 28%   | 26%   |
| Net debt / EBITDA    | -0.2  | 0.4   | 1.9    | 0.9   | 0.8   |
| Interest cover       | > 10  | > 10  | 0.0    | > 10  | > 10  |

## COMPANY BACKGROUND

Adler is a fashion retailer with stores in Germany, Austria, Luxembourg and Switzerland. The company has a long history spanning over 60 years. Its product range and business strategy focus on the 45+ target group.

## MEDIUM-TERM GUIDANCE

- 2017: Cost savings of approximately € 10 m

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                              |      |
|------------------------------|------|
| S&E Kapital GmbH             | 52.8 |
| Gerhard Woehrl               | 5.0  |
| Hauck & Aufhäuser Investment | 3.1  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 541.0 | 543.7 | 554.6 |
| Consensus        | 540.7 | 551.3 | 563.1 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 0.2   | 12.2  | 15.4  |
| Consensus        | 10.0  | 13.4  | 14.7  |
| EPS (EUR)        |       |       |       |
| BHL              | -0.18 | 0.27  | 0.40  |
| Consensus        | -0.21 | 0.31  | 0.41  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Adler Modemärkte AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 535.3  | 566.1  | 541.0  | 543.7  | 554.6  |
| Own work capitalised                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Total sales                          | 535.3  | 566.1  | 541.0  | 543.7  | 554.6  |
| Material expenses                    | -243.2 | -261.2 | -257.0 | -255.5 | -257.9 |
| Personnel expenses                   | -95.2  | -102.5 | -103.5 | -105.0 | -106.0 |
| Unusual or infrequent items          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -155.3 | -169.1 | -163.8 | -154.0 | -157.8 |
| EBITDA                               | 41.5   | 33.3   | 16.7   | 29.2   | 32.9   |
| Depreciation                         | 15.4   | 16.3   | 16.5   | 17.0   | 17.5   |
| EBITA                                | 26.2   | 17.0   | 0.2    | 12.2   | 15.4   |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 26.2   | 17.0   | 0.2    | 12.2   | 15.4   |
| Financial result                     | -5.0   | -4.9   | -5.0   | -5.0   | -5.0   |
| Income on ordinary activities        | 21.2   | 12.1   | -4.7   | 7.2    | 10.5   |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 21.2   | 12.1   | -4.7   | 7.2    | 10.5   |
| Taxes                                | -7.1   | -4.2   | 1.4    | -2.2   | -3.1   |
| Net income from cont. operations     | 14.1   | 7.9    | -3.3   | 5.0    | 7.3    |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                    | 14.1   | 7.9    | -3.3   | 5.0    | 7.3    |
| No. of shares                        | 18.5   | 18.5   | 18.5   | 18.5   | 18.5   |
| EPS                                  | 0.77   | 0.43   | -0.18  | 0.27   | 0.40   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 54.6% | 53.9% | 52.5% | 53.0% | 53.5% |
| EBITDA margin     | 7.8%  | 5.9%  | 3.1%  | 5.4%  | 5.9%  |
| EBITA margin      | 4.9%  | 3.0%  | 0.0%  | 2.2%  | 2.8%  |
| EBIT margin       | 4.9%  | 3.0%  | 0.0%  | 2.2%  | 2.8%  |
| EBT margin        | 4.0%  | 2.1%  | -0.9% | 1.3%  | 1.9%  |
| Net profit margin | 2.6%  | 1.4%  | -0.6% | 0.9%  | 1.3%  |
| Tax rate          | 33.3% | 34.8% | 30.0% | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Sales             | 1.3%   | 5.8%   | -4.4%  | 0.5%  | 2.0%  |
| EBITDA            | -3.1%  | -19.9% | -49.7% | 74.4% | 12.9% |
| EBIT              | -9.3%  | -35.1% | -98.7% | >100% | 26.8% |
| EBT               | -13.7% | -42.8% | ---    | ---   | 45.2% |
| Net income (adj.) | -23.7% | -44.1% | ---    | ---   | 45.2% |
| EPS               | -27.4% | -44.1% | ---    | ---   | 45.2% |

Source: Company information, Bankhaus Lampe Research estimates

## Adler Modemärkte AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 93.1  | 99.7  | 102.6 | 103.3 | 104.1 |
| Property, plant and equipment          | 72.5  | 81.6  | 79.6  | 80.4  | 81.2  |
| Intangible assets                      | 6.8   | 6.7   | 6.6   | 6.5   | 6.5   |
| Financial assets                       | 1.5   | 0.4   | 0.4   | 0.4   | 0.4   |
| Other long-term assets                 | 12.3  | 11.0  | 16.0  | 16.0  | 16.0  |
| Current assets                         | 151.2 | 143.7 | 133.7 | 134.5 | 137.6 |
| Inventories                            | 75.6  | 81.3  | 90.0  | 85.0  | 86.7  |
| Accounts receivable                    | 0.2   | 1.9   | 2.0   | 2.0   | 2.1   |
| Other current assets                   | 5.5   | 8.2   | 8.6   | 9.0   | 9.5   |
| Securities                             | 0.3   | 0.3   | 0.3   | 0.3   | 0.3   |
| Cash                                   | 69.7  | 52.1  | 32.8  | 38.1  | 39.0  |
| Total assets                           | 244.3 | 243.4 | 236.3 | 237.8 | 241.7 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 105.6 | 104.9 | 92.3  | 92.7  | 95.4  |
| Shareholders' equity (before minority) | 105.6 | 104.9 | 92.3  | 92.7  | 95.4  |
| Minorities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Non-current liabilities                | 63.5  | 64.6  | 64.8  | 65.1  | 65.3  |
| Pension provisions                     | 7.1   | 5.9   | 6.0   | 6.2   | 6.4   |
| Other provisions                       | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   |
| Long-term financial debt               | 50.9  | 52.4  | 52.4  | 52.4  | 52.4  |
| Other long-term debt                   | 4.0   | 4.8   | 4.9   | 5.0   | 5.0   |
| Current liabilities                    | 75.1  | 74.0  | 79.2  | 80.0  | 80.9  |
| Short-term debt                        | 10.2  | 11.7  | 11.7  | 11.7  | 11.7  |
| Other accruals short-term              | 4.2   | 3.4   | 3.4   | 3.4   | 3.4   |
| Accounts payable                       | 38.0  | 38.8  | 44.0  | 44.9  | 45.8  |
| Other liabilities                      | 22.8  | 20.0  | 20.0  | 20.0  | 20.0  |
| Total equity and liabilities           | 244.3 | 243.4 | 236.3 | 237.8 | 241.7 |

Source: Company information, Bankhaus Lampe Research estimates

## Adler Modemärkte AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 38.1% | 40.9% | 43.4% | 43.5% | 43.1% |
| Property, plant and equipment | 29.7% | 33.5% | 33.7% | 33.8% | 33.6% |
| Intangible assets             | 2.8%  | 2.8%  | 2.8%  | 2.7%  | 2.7%  |
| Current assets                | 61.9% | 59.1% | 56.6% | 56.5% | 56.9% |
| Inventories                   | 30.9% | 33.4% | 38.1% | 35.7% | 35.9% |
| Accounts receivable           | 0.1%  | 0.8%  | 0.8%  | 0.9%  | 0.9%  |
| Cash                          | 28.5% | 21.4% | 13.9% | 16.0% | 16.2% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 43.2% | 43.1% | 39.1% | 39.0% | 39.5% |
| Non-current liabilities       | 26.0% | 26.5% | 27.4% | 27.4% | 27.0% |
| Pension provisions            | 2.9%  | 2.4%  | 2.6%  | 2.6%  | 2.7%  |
| Long-term financial debt      | 20.9% | 21.5% | 22.2% | 22.0% | 21.7% |
| Current liabilities           | 30.7% | 30.4% | 33.5% | 33.7% | 33.5% |
| Short-term debt               | 4.2%  | 4.8%  | 5.0%  | 4.9%  | 4.8%  |
| Accounts payable              | 15.6% | 15.9% | 18.6% | 18.9% | 18.9% |

Source: Company information, Bankhaus Lampe Research estimates



# Ahlers AG

## Market environment still challenging

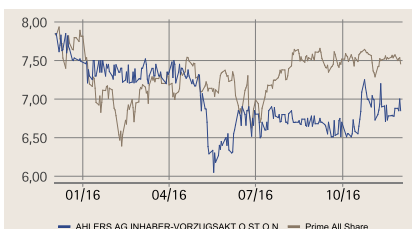
06/12/2016

**Hold** (Hold)  
**8.00 EUR** (8.00 EUR)

Close 01/12/2016 6.85 EUR  
Bloomberg: AAH3 GR WKN: 500973  
Sector Retail

### Share price performance

52 week high 7.85 EUR  
52 week low 6.05 EUR  
Compared to Prime All Share  
YTD -3.9%  
1 month -3.4%  
12 months -4.2%



### Share data

EV (m EUR; 2016) 132.2  
Market Cap (m EUR) 95.8  
No. of shares (m) 13.7  
Free float 48.0%

### Next event

Annual Results 14/03/2017

### Change in model

|          | Sales | EBIT   | EPS    |
|----------|-------|--------|--------|
| 2015/16e | -0.8% | -10.8% | -15.6% |
| 2016/17e | -2.7% | -21.1% | -25.8% |
| 2017/18e | -3.2% | -21.1% | -24.2% |

### Analyst

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See end of document for disclaimer.

As a result of the still-difficult market environment for clothing, we stand by our HOLD rating for Ahlers AG shares.

### INVESTMENT CASE

In Germany, the bricks-and-mortar clothing business has not been able to utilise the good environment up to now and we do not believe this will change in the months ahead. Besides this, the warm September across Europe has not been good for the start of the 2016 autumn/winter season. The relevant textile retail markets in Europe are also not following the slightly upward trend in private consumption.

Against this backdrop, we believe there is a realistic prospect of Ahlers ending its financial year with a slight fall in revenue. This projection is based on the assumption of a virtually stable Q4 (delay in winter wear sales). Ahlers should fare better than last year on the earnings side in Q4 because the revenue benefits from catch-up turnover and the operating expenses should decrease moderately.

At this point in time, any information about the dividend is shrouded with uncertainty. However, based on past experience, the ownership structure and the balance sheet, we assume that dividend pay-out will be on a par with last year at € 0.25, which at the current share price would lead to a dividend yield of around 4%.

### CATALYSTS

Progress in the growth areas: Strengthening and expanding the premium brands, growth in specialist retail and expansion of e-commerce and retail should provide the share will support.

### VALUATION

The share is currently trading at a dividend yield of close to 4%. This is one of the major factors behind our analysis of Ahlers.

| in m EUR                   | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|----------------------------|---------|---------|----------|----------|----------|
| Sales                      | 257.1   | 241.9   | 239.0    | 242.6    | 249.9    |
| EBIT                       | 9.2     | 2.4     | 4.8      | 6.9      | 8.8      |
| EBIT margin                | 3.6%    | 1.0%    | 2.0%     | 2.8%     | 3.5%     |
| Net financial debt         | 26.8    | 25.8    | 28.9     | 29.7     | 28.9     |
| Free cash-flow             | 7.2     | 6.9     | 0.8      | 2.6      | 4.3      |
| EPS (in EUR)               | 0.42    | 0.08    | 0.20     | 0.30     | 0.42     |
| DPS (in EUR)               | 0.45    | 0.25    | 0.25     | 0.25     | 0.30     |
| Dividend yield             | 4.0%    | 3.2%    | 3.6%     | 3.6%     | 4.4%     |
| EV/Sales                   | 0.7     | 0.6     | 0.6      | 0.5      | 0.5      |
| EV/EBIT                    | 20.4    | 57.6    | 27.5     | 19.0     | 14.8     |
| Price Earnings ratio (P/E) | 26.5    | 92.7    | 35.4     | 22.7     | 16.3     |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Attractive dividend yield
- Vertical integration of business models yields opportunities for growth
- Increasing internationalisation
- Continuous optimisation of procurement and logistical processes
- -

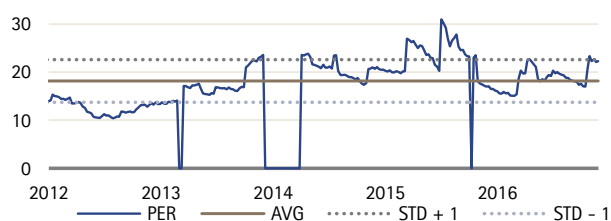
## MANAGEMENT

- Dr. Stella Ahlers (CEO)
- Dr. Karsten Kölsch (CFO)

## SHORT-TERM GUIDANCE

- 2015/16: stable revenue trend, slight decline possible
- 2015/16: Net income clearly above last year's figure

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 14/03/2017 Annual Results

## KEY RATIOS

|                      | 13/14 | 14/15 | 15/16e | 16/17e | 17/18e |
|----------------------|-------|-------|--------|--------|--------|
| R&D/Sales            | -     | -     | -      | -      | -      |
| Capex/Sales          | 2.4%  | 2.9%  | 2.7%   | 2.2%   | 2.2%   |
| Capex/Depreciation   | 1.1   | 1.1   | 1.2    | 1.0    | 1.0    |
| ROCE                 | 6.2%  | 1.7%  | 3.3%   | 4.7%   | 6.0%   |
| Free cash flow yield | 4.7%  | 6.2%  | 0.8%   | 2.9%   | 4.6%   |
| Equity ratio         | 57.9% | 58.3% | 56.8%  | 56.9%  | 57.5%  |
| Net debt / Equity    | 24%   | 25%   | 28%    | 28%    | 27%    |
| Net debt / EBITDA    | 1.8   | 3.0   | 2.9    | 2.4    | 2.0    |
| Interest cover       | > 10  | > 10  | > 10   | > 10   | 0.0    |

### Weaknesses/Threats (Risks)

- Stronger branding necessary
- Capital structure with ordinary and preference shares is outdated
- Low liquidity of the share
- -
- -

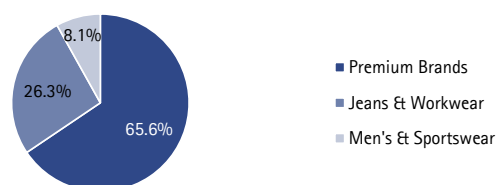
## COMPANY BACKGROUND

Ahlers AG is one of Europe's largest exchange-listed fashion makers with a focus on men's wear. The company sells clothing under various brands, including Baldessarini, Otto Kern, Pierre Cardin (License), Pioneer Jeans, Pionier Workwear and Jupiter. Ahlers is headquartered in Herford, Germany.

## MEDIUM-TERM GUIDANCE

- -
- -

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                    |      |
|--------------------|------|
| Vz: Stella Ahlers  | 21.0 |
| St: Stella Ahlers  | 76.7 |
| Schmitz & Cie GmbH | 0.7  |

## BHL VS. CONSENSUS

|                  | 15/16e | 16/17e | 17/18e |
|------------------|--------|--------|--------|
| Sales (in m EUR) |        |        |        |
| BHL              | 239.0  | 242.6  | 249.9  |
| Consensus        | 238.5  | 241.8  | 249.0  |
| EBIT (in m EUR)  |        |        |        |
| BHL              | 4.8    | 6.9    | 8.8    |
| Consensus        | 4.3    | 6.7    | 9.8    |
| EPS (EUR)        |        |        |        |
| BHL              | 0.20   | 0.30   | 0.42   |
| Consensus        | 0.20   | 0.31   | 0.48   |

Source: Company information, FactSet, BHL estimates

# Key figures

## Ahlers AG – Income statement

| in m EUR                          | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-----------------------------------|---------|---------|----------|----------|----------|
| Sales                             | 257.1   | 241.9   | 239.0    | 242.6    | 249.9    |
| Own work capitalised              | 2.9     | -3.5    | 0.0      | 0.0      | 0.0      |
| Total sales                       | 260.0   | 238.4   | 239.0    | 242.6    | 249.9    |
| Material expenses                 | -131.7  | -119.5  | -121.9   | -122.5   | -126.2   |
| Personnel expenses                | -55.2   | -53.7   | -52.0    | -52.8    | -54.4    |
| Unusual or infrequent items       | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Other operating result            | -58.5   | -56.5   | -55.0    | -55.0    | -55.0    |
| EBITDA                            | 14.6    | 8.7     | 10.1     | 12.3     | 14.3     |
| Depreciation                      | 5.4     | 6.3     | 5.3      | 5.4      | 5.5      |
| EBITA                             | 9.2     | 2.4     | 4.8      | 6.9      | 8.8      |
| Amortisation of goodwill          | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Amortisation of intangible assets | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| EBIT                              | 9.2     | 2.4     | 4.8      | 6.9      | 8.8      |
| Financial result                  | -0.7    | -0.5    | -0.5     | -0.5     | -0.5     |
| Income on ordinary activities     | 8.4     | 1.9     | 4.4      | 6.4      | 8.3      |
| Extraordinary income/loss         | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| EBT                               | 8.4     | 1.9     | 4.4      | 6.4      | 8.3      |
| Taxes                             | -2.4    | -0.6    | -1.4     | -2.0     | -2.6     |
| Net income from cont. operations  | 6.0     | 1.4     | 3.0      | 4.4      | 5.8      |
| Net income from disc. operations  | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Minority interest                 | -0.3    | -0.2    | -0.3     | -0.3     | 0.0      |
| Net income (adj.)                 | 5.8     | 1.1     | 2.7      | 4.1      | 5.8      |
| No. of shares                     | 13.7    | 13.7    | 13.7     | 13.7     | 13.7     |
| EPS                               | 0.42    | 0.08    | 0.20     | 0.30     | 0.42     |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-------------------|---------|---------|----------|----------|----------|
| Gross margin      | 48.8%   | 50.6%   | 49.0%    | 49.5%    | 49.5%    |
| EBITDA margin     | 5.7%    | 3.6%    | 4.2%     | 5.1%     | 5.7%     |
| EBITA margin      | 3.6%    | 1.0%    | 2.0%     | 2.8%     | 3.5%     |
| EBIT margin       | 3.6%    | 1.0%    | 2.0%     | 2.8%     | 3.5%     |
| EBT margin        | 3.3%    | 0.8%    | 1.8%     | 2.6%     | 3.3%     |
| Net profit margin | 2.2%    | 0.5%    | 1.1%     | 1.7%     | 2.3%     |
| Tax rate          | 28.3%   | 29.4%   | 31.0%    | 31.0%    | 31.0%    |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-------------------|---------|---------|----------|----------|----------|
| Sales             | 4.2%    | -5.9%   | -1.2%    | 1.5%     | 3.0%     |
| EBITDA            | 15.5%   | -40.5%  | 16.6%    | 21.5%    | 16.4%    |
| EBIT              | 24.8%   | -73.6%  | 98.8%    | 43.0%    | 27.9%    |
| EBT               | 26.1%   | -77.1%  | >100%    | 47.5%    | 29.8%    |
| Net income (adj.) | 11.1%   | -80.1%  | >100%    | 52.8%    | 39.3%    |
| EPS               | 11.1%   | -80.1%  | >100%    | 52.8%    | 39.3%    |

Source: Company information, Bankhaus Lampe Research estimates

## Ahlers AG – Balance sheet

| Assets (in m EUR)                      | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|--|---------|---------|----------|----------|----------|
| Fixed assets                           | 60.7    | 62.1    | 63.1     | 63.1     | 63.1     |
| Property, plant and equipment          | 27.4    | 27.0    | 28.0     | 28.0     | 28.0     |
| Intangible assets                      | 12.7    | 13.7    | 13.7     | 13.7     | 13.7     |
| Financial assets                       | 1.7     | 1.5     | 1.5      | 1.5      | 1.5      |
| Other long-term assets                 | 18.9    | 19.8    | 19.8     | 19.8     | 19.8     |
| Current assets                         | 129.7   | 118.6   | 121.1    | 121.8    | 124.1    |
| Inventories                            | 79.4    | 73.5    | 74.0     | 75.5     | 77.0     |
| Accounts receivable                    | 36.5    | 33.5    | 33.0     | 33.0     | 33.0     |
| Other current assets                   | 7.4     | 6.4     | 8.0      | 8.0      | 8.0      |
| Securities                             | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Cash                                   | 6.3     | 5.2     | 6.1      | 5.3      | 6.1      |
| Total assets                           | 190.4   | 180.6   | 184.2    | 184.9    | 187.2    |
| Equity and liabilities in m EUR        |         |         |          |          |          |
| Shareholders' equity                   | 110.3   | 105.3   | 104.6    | 105.3    | 107.6    |
| Shareholders' equity (before minority) | 107.9   | 102.9   | 102.1    | 102.9    | 105.2    |
| Minorities                             | 2.3     | 2.4     | 2.4      | 2.4      | 2.4      |
| Non-current liabilities                | 32.8    | 32.9    | 34.6     | 34.6     | 34.6     |
| Pension provisions                     | 4.9     | 4.6     | 5.1      | 5.1      | 5.1      |
| Other provisions                       | 0.5     | 0.5     | 0.5      | 0.5      | 0.5      |
| Long-term financial debt               | 24.2    | 25.2    | 26.0     | 26.0     | 26.0     |
| Other long-term debt                   | 3.2     | 2.7     | 3.0      | 3.0      | 3.0      |
| Current liabilities                    | 47.4    | 42.5    | 45.0     | 45.0     | 45.0     |
| Short-term debt                        | 8.9     | 5.9     | 9.0      | 9.0      | 9.0      |
| Other accruals short-term              | 3.8     | 2.9     | 4.0      | 4.0      | 4.0      |
| Accounts payable                       | 20.5    | 20.6    | 18.0     | 18.0     | 18.0     |
| Other liabilities                      | 14.1    | 13.0    | 14.0     | 14.0     | 14.0     |
| Total equity and liabilities           | 190.4   | 180.6   | 184.2    | 184.9    | 187.2    |

Source: Company information, Bankhaus Lampe Research estimates

## Ahlers AG – Balance sheet structure

| Assets                        | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-------------------------------|---------|---------|----------|----------|----------|
| Fixed assets                  | 31.9%   | 34.4%   | 34.3%    | 34.1%    | 33.7%    |
| Property, plant and equipment | 14.4%   | 14.9%   | 15.2%    | 15.1%    | 15.0%    |
| Intangible assets             | 6.7%    | 7.6%    | 7.5%     | 7.4%     | 7.3%     |
| Current assets                | 68.1%   | 65.6%   | 65.7%    | 65.9%    | 66.3%    |
| Inventories                   | 41.7%   | 40.7%   | 40.2%    | 40.8%    | 41.1%    |
| Accounts receivable           | 19.2%   | 18.5%   | 17.9%    | 17.8%    | 17.6%    |
| Cash                          | 3.3%    | 2.9%    | 3.3%     | 2.9%     | 3.3%     |
| Equity and liabilities        |         |         |          |          |          |
| Shareholders' equity          | 57.9%   | 58.3%   | 56.8%    | 56.9%    | 57.5%    |
| Non-current liabilities       | 17.2%   | 18.2%   | 18.8%    | 18.7%    | 18.5%    |
| Pension provisions            | 2.6%    | 2.5%    | 2.8%     | 2.8%     | 2.7%     |
| Long-term financial debt      | 12.7%   | 13.9%   | 14.1%    | 14.1%    | 13.9%    |
| Current liabilities           | 24.9%   | 23.5%   | 24.4%    | 24.3%    | 24.0%    |
| Short-term debt               | 4.7%    | 3.3%    | 4.9%     | 4.9%     | 4.8%     |
| Accounts payable              | 10.8%   | 11.4%   | 9.8%     | 9.7%     | 9.6%     |

Source: Company information, Bankhaus Lampe Research estimates

# AIXTRON SE

## Fresh start required

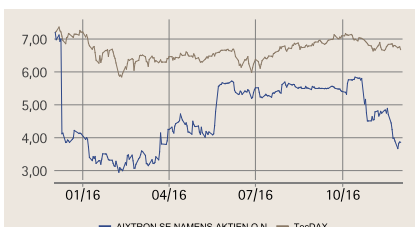
06/12/2016

**Hold** (Hold)  
**3.60 EUR** (3.60 EUR)

Close 01/12/2016 3.86 EUR  
Bloomberg: AIXA GY WKN: AOWMPJ  
Sector Technology

### Share price performance

52 week high 7.12 EUR  
52 week low 2.95 EUR  
Compared to TecDAX  
YTD 0.9%  
1 month -15.6%  
12 months -38.7%



### Share data

EV (m EUR; 2016) 271.2  
Market Cap (m EUR) 433.1  
No. of shares (m) 112.2  
Free float 99.0%

### Next event

- -

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2015  | ---   | ---  | --- |
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

A successful takeover by GCI looks increasingly unlikely. If the transaction fails, the company will need a fresh start, in our view, both in terms of investors and customers. This process will take some time.

### INVESTMENT CASE

The involvement of US and German politicians means that the takeover process has taken a surprising turn. We now assume a failure of the transaction and additional restructuring. We have pushed out the expected breakeven by another year. Based on our current figures, we expect continued losses in 2017. More importantly, we fear that the takeover has hurt Aixtron's reputation at key customers (including important OLED prospects in Korea).

### CATALYSTS

- We expect the official failure of the transaction to be announced early next year (by the end of February at the latest).
- As already indicated by the management, this would trigger additional restructuring and a streamlining of the product portfolio.
- We expect Osram to place the order for the expansion in Malaysia at the end of 2016/ early 2017. This is the largest MOCVD order that has been placed by any LED customer in a very long time. Although we expect a larger share for competitor Veeco, the remaining share for Aixtron is still attractive, in our view.

### VALUATION

Our DCF-based price target stands at € 3.60 (thereof net cash of € 1.40 per share). This corresponds to a cash-adjusted P/E<sub>2018e</sub> of just 21x.

| in m EUR                   | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|----------------------------|--------|--------|--------|--------|--------|
| Sales                      | 193.8  | 197.8  | 190.0  | 218.0  | 254.0  |
| EBIT                       | -58.3  | -26.7  | -24.8  | -4.1   | 14.9   |
| EBIT margin                | -30.1% | -13.5% | -13.1% | -1.9%  | 5.9%   |
| Net financial debt         | -268.1 | -209.4 | -162.0 | -152.9 | -152.5 |
| Free cash-flow             | -47.0  | -65.4  | -47.4  | -9.1   | -0.4   |
| EPS (in EUR)               | -0.56  | -0.26  | -0.15  | -0.02  | 0.10   |
| DPS (in EUR)               | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   |
| Dividend yield             | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| EV/Sales                   | 4.0    | 1.3    | 1.4    | 1.3    | -0.6   |
| EV/EBIT                    | -13.4  | -9.5   | -10.9  | -69.0  | -10.2  |
| Price Earnings ratio (P/E) | -16.8  | -15.9  | -26.0  | -202.2 | 38.9   |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- LED lighting cycle is just in its infancy
- LED end market offers >20% volume growth p.a.
- Oligopolistic competitive situation
- No significant competitor in Asia
- Technology can be scaled to address different markets

## MANAGEMENT

- Martin Goetzeler (CEO)
- Dr. Bernd Schulte (COO)

## SHORT-TERM GUIDANCE

- Revenues of € 190 m in 2015
- Positive EBITDA in H2 2015
- Stable revenues in 2016

## HISTORICAL P/E



## COMPANY EVENTS

Next event: - -

## KEY RATIOS

|                      | 14     | 15     | 16e    | 17e   | 18e   |
|----------------------|--------|--------|--------|-------|-------|
| R&D/Sales            | 34.4%  | 28.0%  | 28.4%  | 23.9% | 19.7% |
| Capex/Sales          | 6.8%   | 6.6%   | 23.7%  | 4.6%  | 4.7%  |
| Capex/Depreciation   | 0.8    | 0.9    | 3.8    | 0.8   | -     |
| ROCE                 | -14.0% | -6.7%  | -6.5%  | -1.1% | 3.8%  |
| Free cash flow yield | -6.0%  | -14.9% | -10.8% | -2.1% | -     |
| Equity ratio         | 77.9%  | 82.3%  | 79.7%  | 78.6% | 77.7% |
| Net debt / Equity    | -64%   | -53%   | -43%   | -40%  | -39%  |
| Net debt / EBITDA    | 6.5    | 17.9   | 12.7   | -19.3 | -10.2 |
| Interest cover       | 0.0    | 0.0    | 0.0    | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- Very cyclical end market
- Low market share in China
- Prolonged downturn
- USD/EUR FX risk

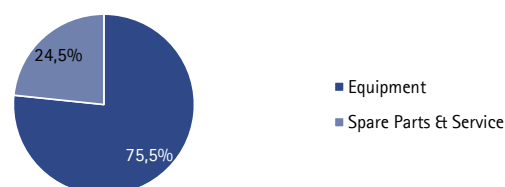
## COMPANY BACKGROUND

AIXTRON SE produces systems for the manufacture of compound semiconductors. The company's tools are mainly used for the production of LEDs, power semiconductors and memory chips. In recent years, the LED market grew by ~20% p.a. Aixtron's biggest customers are in China, Taiwan and Korea. Its biggest competitor is US-based Veeco. Aixtron currently has a market share of about 40%. The new management's strategy focuses on developing new end markets (e.g. OLED and power semiconductors).

## MEDIUM-TERM GUIDANCE

- Gross margin >40%

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                               |     |
|-------------------------------|-----|
| Argonaut Capital Partners LLP | 7.7 |
| Baillie Gifford & Co.         | 5.2 |
| JUERGENSEN HOLGER             | 5.0 |

## BHL VS. CONSENSUS

|                  | 15    | 16e   | 17e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 197.8 | 190.0 | 218.0 |
| Consensus        | 197.8 | 185.0 | 219.0 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | -26.7 | -24.8 | -4.1  |
| Consensus        | -26.7 | -24.8 | -6.6  |
| EPS (EUR)        |       |       |       |
| BHL              | -0.26 | -0.15 | -0.02 |
| Consensus        | -0.26 | -0.23 | -0.05 |

Source: Company information, FactSet, BHL estimates

# Key figures

## AIXTRON SE – Income statement

| in m EUR                          | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|-----------------------------------|--------|--------|--------|--------|--------|
| Sales                             | 193.8  | 197.8  | 190.0  | 218.0  | 254.0  |
| Cost of Sales                     | -152.3 | -147.9 | -136.8 | -146.1 | -165.1 |
| Gross profit                      | 41.5   | 49.9   | 53.2   | 71.9   | 88.9   |
| Sales and marketing               | -16.0  | -11.5  | -12.0  | -12.0  | -12.0  |
| General and administration        | -19.3  | -16.3  | -16.0  | -16.0  | -16.0  |
| Research and development          | -66.7  | -55.4  | -54.0  | -52.0  | -50.0  |
| Other operating result            | 2.2    | 6.7    | 4.0    | 4.0    | 4.0    |
| EBITDA                            | -41.3  | -11.7  | -12.8  | 7.9    | 14.9   |
| Depreciation                      | 17.0   | 15.0   | 12.0   | 12.0   | 0.0    |
| EBITA                             | -58.3  | -26.7  | -24.8  | -4.1   | 14.9   |
| Amortisation of goodwill          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                              | -58.3  | -26.7  | -24.8  | -4.1   | 14.9   |
| Financial result                  | 1.2    | 0.8    | 1.0    | 1.0    | 1.0    |
| Income on ordinary activities     | -57.1  | -25.9  | -23.8  | -3.1   | 15.9   |
| Extraordinary income/loss         | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                               | -57.1  | -25.9  | -23.8  | -3.1   | 15.9   |
| Taxes                             | -5.4   | -3.2   | 7.1    | 0.9    | -4.8   |
| Net income from cont. operations  | -62.5  | -29.1  | -16.7  | -2.1   | 11.1   |
| Net income from disc. operations  | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                 | -62.5  | -29.1  | -16.7  | -2.1   | 11.1   |
| No. of shares                     | 112.2  | 112.2  | 112.2  | 112.2  | 112.2  |
| EPS (in EUR)                      | -0.56  | -0.26  | -0.15  | -0.02  | 0.10   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Gross margin      | 21.4%  | 25.2%  | 28.0%  | 33.0% | 35.0% |
| EBITDA margin     | -21.3% | -5.9%  | -6.7%  | 3.6%  | 5.9%  |
| EBITA margin      | -30.1% | -13.5% | -13.1% | -1.9% | 5.9%  |
| EBIT margin       | -30.1% | -13.5% | -13.1% | -1.9% | 5.9%  |
| EBT margin        | -29.5% | -13.1% | -12.5% | -1.4% | 6.3%  |
| Net profit margin | -32.3% | -14.7% | -8.8%  | -1.0% | 4.4%  |
| Tax rate          | -9.4%  | -12.3% | 30.0%  | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e  | 2018e |
|-------------------|--------|--------|--------|--------|-------|
| Sales             | 6.0%   | 2.1%   | -3.9%  | 14.7%  | 16.5% |
| EBITDA            | -39.2% | -71.7% | 9.6%   | ---    | 87.7% |
| EBIT              | -39.1% | -54.2% | -7.1%  | -83.6% | ---   |
| EBT               | -40.0% | -54.6% | -8.2%  | -87.1% | ---   |
| Net income (adj.) | -38.1% | -53.4% | -42.8% | -87.1% | ---   |
| EPS               | -42.5% | -53.4% | -42.8% | -87.1% | ---   |

Source: Company information, Bankhaus Lampe Research estimates



## AIXTRON SE – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 149.2 | 167.6 | 200.6 | 198.6 | 198.6 |
| Property, plant and equipment          | 77.3  | 81.3  | 74.3  | 72.3  | 72.3  |
| Intangible assets                      | 67.3  | 82.3  | 122.3 | 122.3 | 122.3 |
| Financial assets                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other long-term assets                 | 4.6   | 3.9   | 3.9   | 3.9   | 3.9   |
| Current assets                         | 384.4 | 314.4 | 275.8 | 282.2 | 301.9 |
| Inventories                            | 81.7  | 70.8  | 79.2  | 90.8  | 105.8 |
| Accounts receivable                    | 26.3  | 26.0  | 26.4  | 30.3  | 35.3  |
| Other current assets                   | 8.3   | 8.2   | 8.2   | 8.2   | 8.2   |
| Securities                             | 151.5 | 93.1  | 93.1  | 93.1  | 93.1  |
| Cash                                   | 116.6 | 116.3 | 68.9  | 59.8  | 59.4  |
| Total assets                           | 533.5 | 482.0 | 476.3 | 480.8 | 500.4 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 415.7 | 396.5 | 379.8 | 377.7 | 388.8 |
| Shareholders' equity (before minority) | 415.7 | 396.5 | 379.8 | 377.7 | 388.8 |
| Minorities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Non-current liabilities                | 1.3   | 3.6   | 3.6   | 3.6   | 3.6   |
| Pension provisions                     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other provisions                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Long-term financial debt               | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other long-term debt                   | 1.3   | 3.6   | 3.6   | 3.6   | 3.6   |
| Current liabilities                    | 116.5 | 81.9  | 92.9  | 99.5  | 108.0 |
| Short-term debt                        | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other accruals short-term              | 28.1  | 20.2  | 20.2  | 20.2  | 20.2  |
| Accounts payable                       | 16.4  | 9.8   | 13.2  | 15.1  | 17.6  |
| Other liabilities                      | 72.1  | 51.9  | 59.5  | 64.2  | 70.2  |
| Total equity and liabilities           | 533.5 | 482.0 | 476.3 | 480.8 | 500.4 |

Source: Company information, Bankhaus Lampe Research estimates

## AIXTRON SE – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 28.0% | 34.8% | 42.1% | 41.3% | 39.7% |
| Property, plant and equipment | 14.5% | 16.9% | 15.6% | 15.0% | 14.5% |
| Intangible assets             | 12.6% | 17.1% | 25.7% | 25.4% | 24.4% |
| Current assets                | 72.0% | 65.2% | 57.9% | 58.7% | 60.3% |
| Inventories                   | 15.3% | 14.7% | 16.6% | 18.9% | 21.1% |
| Accounts receivable           | 4.9%  | 5.4%  | 5.5%  | 6.3%  | 7.0%  |
| Cash                          | 21.8% | 24.1% | 14.5% | 12.4% | 11.9% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 77.9% | 82.3% | 79.7% | 78.6% | 77.7% |
| Non-current liabilities       | 0.2%  | 0.7%  | 0.8%  | 0.7%  | 0.7%  |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Current liabilities           | 21.8% | 17.0% | 19.5% | 20.7% | 21.6% |
| Short-term debt               | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts payable              | 3.1%  | 2.0%  | 2.8%  | 3.1%  | 3.5%  |

Source: Company information, Bankhaus Lampe Research estimates

# Amadeus FiRe AG

## Endless regulation

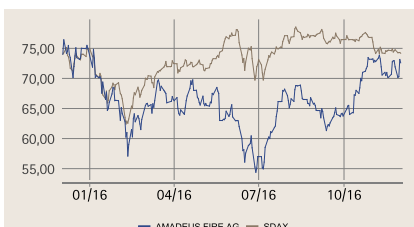
06/12/2016

**Hold** (Hold)  
**75.00 EUR** (68.00 EUR)

Close 01/12/2016 72.60 EUR  
Bloomberg: AAD GY WKN: 509310  
Sector Industrial

### Share price performance

52 week high 76.42 EUR  
52 week low 54.40 EUR  
Compared to SDAX  
YTD -2.2%  
1 month 1.0%  
12 months -3.7%



### Share data

EV (m EUR; 2016) 335.8  
Market Cap (m EUR) 377.4  
No. of shares (m) 5.2  
Free float 100.0%

### Next event

Preliminary Results 09/02/2017

### Change in model

|       | Sales | EBIT | EPS   |
|-------|-------|------|-------|
| 2016e | -2.0% | 6.8% | 12.3% |
| 2017e | -2.9% | 5.8% | 10.3% |
| 2018e | -3.9% | 4.8% | 9.0%  |

### Analyst

Christoph Schlienke, Investmentanalyst DVFA  
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christoph.schlienke@bankhaus-lampe.de

See end of document for disclaimer.

We are convinced of the business model's quality and the medium-term growth prospects. In the short term, however, we anticipate rather moderate newsflow. We have updated our estimates (expenses shifted from 2016 to 2017, better financial result), and are raising our price target but stick to our HOLD rating.

### INVESTMENT CASE

Looking at the draft legislation on the reform of the employee lending law, the business outlook for 2017 is uncertain in some aspects. The new law, which is set to come into effect on 1 January 2017, limits the period for employing temporary staff to a maximum of 18 months per client company. It also entitles temporary workers to equal pay after nine months at the hiring company. However, up to now, the legislator has yet to define which remuneration components will be covered by the equal-pay principle. In this respect, the market is shaped by uncertainties and the extent of the possible implication is hard to quantify. A highly competitive labour market and a positive economic trend are making it difficult for the sector to find qualified worker. Temporary staffing agencies are also facing the challenge of filling open position with qualified personnel as they are equally affected by the strained situation on the job market. Further education should perform seasonally better in the second half of the year than in the last six months. We do not expect an exceptional business trend in this regard.

### CATALYSTS

We anticipate the release of the 2016 annual figures to have a positive effect. Due to the uncertainties, however, the outlook at the start of the year could be subdued.

### VALUATION

Our price target is based on a DCF model. An attractive dividend yield of around 5% should support the stock.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 161.1 | 169.7 | 173.0 | 178.2 | 183.5 |
| EBIT                       | 26.8  | 28.7  | 29.2  | 30.1  | 31.0  |
| EBIT margin                | 16.6% | 16.9% | 16.9% | 16.9% | 16.9% |
| Net financial debt         | -41.7 | -42.0 | -41.8 | -42.5 | -43.1 |
| Free cash-flow             | 19.6  | 19.0  | 17.8  | 19.3  | 19.7  |
| EPS (in EUR)               | 3.37  | 3.53  | 3.62  | 3.72  | 3.84  |
| DPS (in EUR)               | 3.37  | 3.53  | 3.62  | 3.72  | 3.84  |
| Dividend yield             | 5.4%  | 4.7%  | 5.0%  | 5.1%  | 5.3%  |
| EV/Sales                   | 1.8   | 2.1   | 1.9   | 1.9   | 1.8   |
| EV/EBIT                    | 10.6  | 12.1  | 11.5  | 11.1  | 10.8  |
| Price Earnings ratio (P/E) | 18.5  | 21.2  | 20.1  | 19.5  | 18.9  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Specialised personnel services provider with a focus on finance and accounting
- Mastering the challenge of consistently recruiting qualified professionals
- High operating margins
- Market leader in the field of finance and accounting in Germany

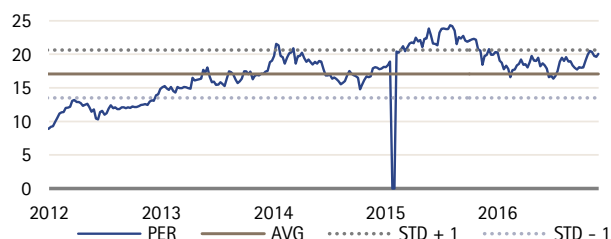
## MANAGEMENT

- Peter Haas (CEO)
- Robert von Wülfing (CFO)

## SHORT-TERM GUIDANCE

- 2016: EBITA on a par with last year

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 09/02/2017 Preliminary Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Capex/Sales          | 0.9%  | 1.3%  | 1.3%  | 1.2%  | 1.2%  |
| Capex/Depreciation   | 1.7   | 2.9   | 2.8   | 2.8   | 2.8   |
| ROCE                 | 61.2% | 64.3% | 64.8% | 66.0% | 67.1% |
| Free cash flow yield | 6.0%  | 4.9%  | 4.7%  | 5.1%  | 5.2%  |
| Equity ratio         | 64.3% | 62.1% | 61.7% | 61.2% | 60.9% |
| Net debt / Equity    | -95%  | -94%  | -93%  | -93%  | -93%  |
| Net debt / EBITDA    | -1.5  | -1.4  | -1.4  | -1.4  | -1.4  |
| Interest cover       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- Temporary employment correlates strongly with economic cycle
- Highly dependent on German market
- Negative reputation of temporary employment
- General dependence on changes / regulations

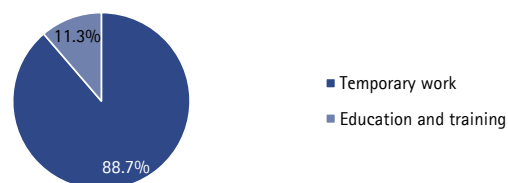
## COMPANY BACKGROUND

Amadeus FiRe AG is one of the leading recruiting services providers in Germany. The company offers flexible personnel solutions recruiting professionals and executives in the fields of accounting, office, banking and IT services in 19 locations. Through its subsidiaries Steuer-Fachschule Dr. Endriss and Akademie für Internationale Rechnungslegung, Amadeus FiRe offers a broad range of complementary services, which are custom-tailored to companies' individual needs.

## MEDIUM-TERM GUIDANCE

- By 2018-2020: revenues of € 200 m; EBITA of € 30 m

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                                    |      |
|------------------------------------|------|
| Deutsche Asset & Wealth Management | 10.2 |
| MainFirst Bank AG                  | 10.0 |
| BNP Paribas                        | 4.9  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 173.0 | 178.2 | 183.5 |
| Consensus        | 0.0   | 0.0   | 0.0   |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 29.2  | 30.1  | 31.0  |
| Consensus        | 0.0   | 0.0   | 0.0   |
| EPS (EUR)        |       |       |       |
| BHL              | 3.62  | 3.72  | 3.84  |
| Consensus        | 0.00  | 0.00  | 0.00  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Amadeus FiRe AG – Income statement

| in m EUR                             | 2014  | 2015  | 2016e | 2017e  | 2018e  |
|--------------------------------------|-------|-------|-------|--------|--------|
| Sales                                | 161.1 | 169.7 | 173.0 | 178.2  | 183.5  |
| Cost of Sales                        | -93.2 | -97.0 | -97.6 | -100.5 | -103.5 |
| Gross profit                         | 67.8  | 72.8  | 75.4  | 77.7   | 80.0   |
| Sales and marketing                  | 0.0   | 0.0   | 0.0   | 0.0    | 0.0    |
| General and administration           | -41.1 | -44.3 | -46.4 | -47.8  | -49.2  |
| Research and development             | 0.0   | 0.0   | 0.0   | 0.0    | 0.0    |
| Other operating result               | 0.1   | 0.2   | 0.2   | 0.2    | 0.2    |
| EBITDA                               | 27.6  | 29.5  | 30.0  | 30.9   | 31.8   |
| Depreciation                         | 0.8   | 0.8   | 0.8   | 0.8    | 0.8    |
| EBITA                                | 26.8  | 28.7  | 29.2  | 30.1   | 31.0   |
| Amortisation of goodwill             | 0.0   | 0.0   | 0.0   | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0   | 0.0   | 0.0   | 0.0    | 0.0    |
| EBIT                                 | 26.8  | 28.7  | 29.2  | 30.1   | 31.0   |
| Financial result                     | -0.1  | -0.5  | 0.0   | 0.0    | 0.0    |
| Income on ordinary activities        | 26.7  | 28.2  | 29.2  | 30.0   | 30.9   |
| Extraordinary income/loss            | 0.0   | 0.0   | 0.0   | 0.0    | 0.0    |
| EBT                                  | 26.7  | 28.2  | 29.2  | 30.0   | 30.9   |
| Taxes                                | -8.1  | -8.6  | -9.0  | -9.3   | -9.6   |
| Net income from cont. operations     | 18.5  | 19.6  | 20.1  | 20.7   | 21.3   |
| Net income from discount. operations | 0.0   | 0.0   | 0.0   | 0.0    | 0.0    |
| Minority interest                    | -1.0  | -1.2  | -1.3  | -1.4   | -1.4   |
| Net income (adj.)                    | 17.5  | 18.4  | 18.8  | 19.3   | 19.9   |
| No. of shares                        | 5.2   | 5.2   | 5.2   | 5.2    | 5.2    |
| EPS (in EUR)                         | 3.37  | 3.53  | 3.62  | 3.72   | 3.84   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 42.1% | 42.9% | 43.6% | 43.6% | 43.6% |
| EBITDA margin     | 17.1% | 17.4% | 17.3% | 17.3% | 17.3% |
| EBITA margin      | 16.6% | 16.9% | 16.9% | 16.9% | 16.9% |
| EBIT margin       | 16.6% | 16.9% | 16.9% | 16.9% | 16.9% |
| EBT margin        | 16.6% | 16.6% | 16.9% | 16.9% | 16.9% |
| Net profit margin | 11.5% | 11.5% | 11.6% | 11.6% | 11.6% |
| Tax rate          | 30.5% | 30.5% | 31.0% | 31.0% | 31.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015 | 2016e | 2017e | 2018e |
|-------------------|-------|------|-------|-------|-------|
| Sales             | 13.4% | 5.4% | 1.9%  | 3.0%  | 3.0%  |
| EBITDA            | 14.5% | 6.8% | 1.8%  | 2.9%  | 2.9%  |
| EBIT              | 15.1% | 7.1% | 1.9%  | 3.0%  | 3.0%  |
| EBT               | 17.4% | 5.6% | 3.5%  | 3.0%  | 3.0%  |
| Net income (adj.) | 19.0% | 4.9% | 2.5%  | 2.7%  | 3.2%  |
| EPS               | 19.0% | 4.9% | 2.5%  | 2.7%  | 3.2%  |

Source: Company information, Bankhaus Lampe Research estimates

## Amadeus FiRe AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 10.0 | 11.5 | 12.8  | 13.0  | 13.2  |
| Property, plant and equipment          | 1.3  | 1.6  | 1.8   | 2.0   | 2.2   |
| Intangible assets                      | 7.8  | 9.0  | 10.0  | 10.0  | 10.0  |
| Financial assets                       | 0.1  | 0.1  | 0.1   | 0.1   | 0.1   |
| Other long-term assets                 | 0.7  | 0.9  | 0.9   | 0.9   | 0.9   |
| Current assets                         | 58.1 | 60.4 | 60.3  | 61.5  | 62.7  |
| Inventories                            | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Accounts receivable                    | 15.9 | 17.9 | 18.0  | 18.6  | 19.1  |
| Other current assets                   | 0.6  | 0.5  | 0.5   | 0.5   | 0.6   |
| Securities                             | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Cash                                   | 41.7 | 42.0 | 41.8  | 42.5  | 43.1  |
| Total assets                           | 68.1 | 71.9 | 73.1  | 74.5  | 75.9  |
| Equity and liabilities (in m EUR)      |      |      |       |       |       |
| Shareholders' equity                   | 43.8 | 44.6 | 45.1  | 45.6  | 46.2  |
| Shareholders' equity (before minority) | 43.5 | 44.4 | 44.8  | 45.3  | 46.0  |
| Minorities                             | 0.3  | 0.2  | 0.2   | 0.2   | 0.2   |
| Non-current liabilities                | 6.0  | 5.9  | 6.2   | 6.4   | 6.6   |
| Pension provisions                     | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Other provisions                       | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Long-term financial debt               | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Other long-term debt                   | 6.0  | 5.9  | 6.2   | 6.4   | 6.6   |
| Current liabilities                    | 18.4 | 21.4 | 21.8  | 22.5  | 23.2  |
| Short-term debt                        | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Other accruals short-term              | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Accounts payable                       | 1.3  | 1.4  | 1.4   | 1.5   | 1.5   |
| Other liabilities                      | 17.1 | 20.0 | 20.4  | 21.0  | 21.7  |
| Total equity and liabilities           | 68.1 | 71.9 | 73.1  | 74.5  | 75.9  |

Source: Company information, Bankhaus Lampe Research estimates

## Amadeus FiRe AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 14.6% | 16.0% | 17.4% | 17.4% | 17.4% |
| Property, plant and equipment | 1.9%  | 2.2%  | 2.5%  | 2.7%  | 2.9%  |
| Intangible assets             | 11.5% | 12.5% | 13.7% | 13.4% | 13.2% |
| Current assets                | 85.4% | 84.0% | 82.5% | 82.6% | 82.6% |
| Inventories                   | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts receivable           | 23.4% | 24.9% | 24.6% | 24.9% | 25.2% |
| Cash                          | 61.2% | 58.5% | 57.2% | 57.0% | 56.7% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 64.3% | 62.1% | 61.7% | 61.2% | 60.9% |
| Non-current liabilities       | 8.8%  | 8.2%  | 8.5%  | 8.6%  | 8.7%  |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 0.0%  | 0.0%  | 0.0%  | -     | -     |
| Current liabilities           | 26.9% | 29.7% | 29.9% | 30.2% | 30.5% |
| Short-term debt               | 0.0%  | -     | -     | -     | -     |
| Accounts payable              | 1.9%  | 1.9%  | 1.9%  | 2.0%  | 2.0%  |

Source: Company information, Bankhaus Lampe Research estimates

# Bastei Lübbe AG

## Transition with uncertainties

06/12/2016

**Hold** (Buy)  
**6.00 EUR** (8.50 EUR)

Close 01/12/2016 5.57 EUR  
Bloomberg: BST GR WKN: A1X3YY  
Sector Media

### Share price performance

|              |                 |
|--------------|-----------------|
| 52 week high | 7.95 EUR        |
| 52 week low  | 5.15 EUR        |
| Compared to  | Prime All Share |
| YTD          | -20.1%          |
| 1 month      | -4.6%           |
| 12 months    | -16.1%          |



### Share data

|                    |       |
|--------------------|-------|
| EV (m EUR; 2016)   | 129   |
| Market Cap (m EUR) | 74    |
| No. of shares (m)  | 13    |
| Free float         | 44.9% |

### Next event

Quarterly Results 24/02/2017

### Change in model

|          | Sales  | EBIT   | EPS    |
|----------|--------|--------|--------|
| 2016/17e | -8.3%  | -25.8% | -34.7% |
| 2017/18e | -10.1% | -18.2% | -26.0% |
| 2018/19e | ---    | ---    | ---    |

### Analyst

Christoph Schlienke, Investmentanalyst DVFA  
Phone: +49 (0)211 4952-311  
christoph.schlienke@bankhaus-lampe.de

See end of document for disclaimer.

Strategically, Bastei Lübbe is evolving into a digital, international media company. However, the road appears to be rockier than we had expected. The launch of Oolipo is taking longer than thought and balance sheet issues have obviously continued to unsettle investors. Although higher share prices are fundamentally possible, the current newsflow may only allow sideways movement until there is a clearer outlook with respect to Daedalic and Oolipo.

### INVESTMENT CASE

Digital revenue is set to increase with the significant expansion of the Daedalic Entertainment segment and the launch of the Oolipo streaming platform. However, Oolipo has yet to be launched and is now scheduled for early 2017. A positive aspect, in our view, is that the company is in negotiations with international publishers, which are interested in acquiring the business idea for Oolipo outside of the German-speaking region as well as the UK and the US. This was also confirmed by Bastei Lübbe.

With respect to our analysis, it should be noted that the significant increase in revenue in 2016/17 is due to the full consolidation of BuchPartner from 1 April 2016. However, the company still has to invest in the better utilisation of soft-cover books and approaching new customers and thus, the positive effects from the acquisition will probably not be visible in the figures yet.

### CATALYSTS

Positive newsflow on Oolipo and Daedalic as well as alliances with new business partners would be the most important catalysts for the stock.

### VALUATION

Our valuation is based on a DCF model. We have applied a risk discount of 30% and arrive at a price target of € 6.00.

| in m EUR                   | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|----------------------------|---------|---------|----------|----------|----------|
| Sales                      | 110     | 105     | 150      | 170      | 190      |
| EBIT                       | 7       | 3       | 9        | 18       | 24       |
| EBIT margin                | 6.6%    | 2.7%    | 6.1%     | 10.6%    | 12.7%    |
| Net financial debt         | 20      | 34      | 52       | 51       | 49       |
| Free cash-flow             | -4      | -11     | -17      | 5        | 7        |
| EPS (in EUR)               | 0.25    | -0.04   | 0.35     | 0.59     | 0.89     |
| DPS (in EUR)               | 0.30    | 0.10    | 0.30     | 0.35     | 0.40     |
| Dividend yield             | 3.8%    | 1.4%    | 5.4%     | 6.3%     | 7.2%     |
| EV/Sales                   | 1.2     | 1.3     | 0.9      | 0.8      | 0.7      |
| EV/EBIT                    | 17.6    | 46.6    | 14.0     | 7.1      | 5.2      |
| Price Earnings ratio (P/E) | 31.2    | -204.3  | 16.0     | 9.5      | 6.3      |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Digitalisation is opening up growth opportunities
- Internationalisation is presenting opportunities
- Digitalisation is improving cost structures and margins
- Long-term collaboration with best-selling author Ken Follett
- New syndicated loan signed in October 2015

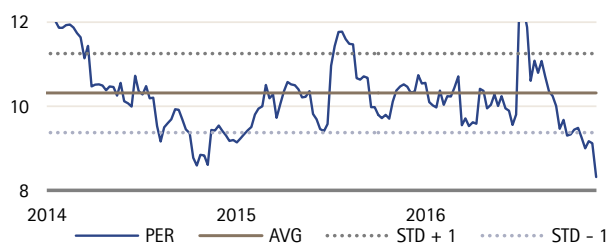
## MANAGEMENT

- Thomas Schierack (CEO & CFO)
- Klaus Kluge

## SHORT-TERM GUIDANCE

- 2016/17: Revenues around € 150 m
- 2016/17: EBITDA of between € 13 -15 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 24/02/2017 Quarterly Results

## KEY RATIOS

|                      | 14/15 | 15/16  | 16/17e | 17/18e | 18/19e |
|----------------------|-------|--------|--------|--------|--------|
| RE&D/Sales           | -     | -      | -      | -      | -      |
| Capex/Sales          | 5.5%  | 8.6%   | -11.4% | 1.7%   | 3.7%   |
| Capex/Depreciation   | 1.9   | 2.3    | -4.1   | 0.9    | 2.2    |
| ROCE                 | 8.3%  | 3.4%   | 8.5%   | 16.6%  | 21.4%  |
| Free cash flow yield | -4.0% | -11.1% | -22.1% | 6.5%   | 9.2%   |
| Equity ratio         | 45.6% | 44.4%  | 37.0%  | 38.9%  | 42.0%  |
| Net debt / Equity    | 38%   | 69%    | 98%    | 90%    | 76%    |
| Net debt / EBITDA    | 1.9   | 5.1    | 3.9    | 2.4    | 1.8    |
| Interest cover       | > 10  | > 10   | > 10   | > 10   | 0.0    |

### Weaknesses/Threats (Risks)

- Business performance dependent on best-selling authors
- Market acceptance of digital products
- Internationalisation is not a given
- Self-publishing can weaken position of publishers

## COMPANY BACKGROUND

Based in Cologne, Bastei Lübbe AG has 335 staff and is the largest family-run SME in German publishing. Founded 60 years ago, its 12 publishers have ~ 3,600 titles (fiction, non-fiction, and books for children and young people). Top authors, such as Ken Follett, Dan Brown, Jeff Kinney, Rebecca Gablé and Andreas Eschbach as well as bestsellers, such as the "Pillars of the Earth", "The Da Vinci Code" and "Jesus Video" have made Bastei Lübbe the undisputed market leader among German language publishers. The company has three segments: Books, Paperbacks/Puzzle Magazines and Non-Book.

## MEDIUM-TERM GUIDANCE

- Revenue set to increase to € 190 - 200 m in the next two years

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                           |      |
|---------------------------|------|
| Birgit Lübbe              | 33.1 |
| Allianz                   | 9.8  |
| Lazard Freres Gestion SAS | 3.1  |

## BHL VS. CONSENSUS

|                  | 16/17e | 17/18e | 18/19e |
|------------------|--------|--------|--------|
| Sales (in m EUR) |        |        |        |
| BHL              | 150    | 170    | 190    |
| Consensus        | 152    | 171    | 184    |
| EBIT (in m EUR)  |        |        |        |
| BHL              | 9      | 18     | 24     |
| Consensus        | 11     | 15     | 15     |
| EPS (EUR)        |        |        |        |
| BHL              | 0.35   | 0.59   | 0.89   |
| Consensus        | 0.45   | 0.66   | 0.64   |

Source: Company information, FactSet, BHL estimates



# Key figures

## Bastei Lübbe AG – Income statement

| in m EUR                             | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|--------------------------------------|---------|---------|----------|----------|----------|
| Sales                                | 110     | 105     | 150      | 170      | 190      |
| Own work capitalised                 | 0       | 1       | 0        | 0        | 0        |
| Total sales                          | 111     | 105     | 150      | 170      | 190      |
| Material expenses                    | -53     | -47     | -78      | -90      | -105     |
| Personnel expenses                   | -22     | -24     | -33      | -35      | -36      |
| Unusual or infrequent items          | 0       | 0       | 0        | 0        | 0        |
| Other operating result               | -25     | -28     | -26      | -24      | -22      |
| EBITDA                               | 10      | 7       | 13       | 21       | 27       |
| Depreciation                         | 3       | 4       | 4        | 3        | 3        |
| EBITA                                | 7       | 3       | 9        | 18       | 24       |
| Amortisation of goodwill             | 0       | 0       | 0        | 0        | 0        |
| Amortisation of intangible assets    | 0       | 0       | 0        | 0        | 0        |
| EBIT                                 | 7       | 3       | 9        | 18       | 24       |
| Financial result                     | -2      | -2      | -3       | -2       | -2       |
| Income on ordinary activities        | 5       | 1       | 6        | 16       | 22       |
| Extraordinary income/loss            | 0       | 0       | 0        | 0        | 0        |
| EBT                                  | 5       | 1       | 6        | 16       | 22       |
| Taxes                                | -2      | -1      | -2       | -5       | -7       |
| Net income from cont. operations     | 3       | 0       | 4        | 11       | 15       |
| Net income from discount. operations | 0       | 0       | 0        | 0        | 0        |
| Minority interest                    | 0       | 0       | 0        | -3       | -3       |
| Net income (adj.)                    | 3       | 0       | 5        | 8        | 12       |
| No. of shares                        | 13      | 13      | 13       | 13       | 13       |
| EPS                                  | 0.25    | -0.04   | 0.35     | 0.59     | 0.89     |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|-------------------|---------|---------|----------|----------|----------|
| Gross margin      | 51.8%   | 55.2%   | 48.0%    | 47.1%    | 44.8%    |
| EBITDA margin     | 9.5%    | 6.4%    | 8.9%     | 12.4%    | 14.4%    |
| EBITA margin      | 6.6%    | 2.7%    | 6.1%     | 10.6%    | 12.7%    |
| EBIT margin       | 6.6%    | 2.7%    | 6.1%     | 10.6%    | 12.7%    |
| EBT margin        | 4.6%    | 0.5%    | 4.1%     | 9.3%     | 11.4%    |
| Net profit margin | 3.0%    | -0.5%   | 3.1%     | 4.6%     | 6.2%     |
| Tax rate          | 40.6%   | 150.4%  | 32.0%    | 32.0%    | 32.0%    |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|-------------------|---------|---------|----------|----------|----------|
| Sales             | 2.5%    | -4.8%   | 43.0%    | 13.3%    | 11.9%    |
| EBITDA            | -35.6%  | -35.3%  | 98.8%    | 56.7%    | 30.0%    |
| EBIT              | -49.8%  | -60.4%  | >100%    | 95.7%    | 33.9%    |
| EBT               | -58.3%  | -88.9%  | >100%    | >100%    | 37.3%    |
| Net income (adj.) | -61.1%  | ---     | ---      | 67.8%    | 51.8%    |
| EPS               | -66.0%  | ---     | ---      | 67.8%    | 51.8%    |

Source: Company information, Bankhaus Lampe Research estimates

## Bastei Lübbe AG – Balance sheet

| Assets (in m EUR)                      | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|--|---------|---------|----------|----------|----------|
| Fixed assets                           | 61      | 67      | 68       | 69       | 74       |
| Property, plant and equipment          | 3       | 3       | 3        | 3        | 3        |
| Intangible assets                      | 27      | 32      | 11       | 14       | 17       |
| Financial assets                       | 4       | 1       | 24       | 25       | 26       |
| Other long-term assets                 | 27      | 30      | 30       | 27       | 28       |
| Current assets                         | 57      | 45      | 75       | 77       | 78       |
| Inventories                            | 20      | 20      | 30       | 32       | 33       |
| Accounts receivable                    | 17      | 18      | 25       | 26       | 26       |
| Other current assets                   | 6       | 6       | 17       | 18       | 19       |
| Securities                             | 0       | 0       | 0        | 0        | 0        |
| Cash                                   | 14      | 1       | 3        | 1        | 0        |
| Total assets                           | 117     | 112     | 143      | 146      | 152      |
| Equity and liabilities in m EUR        |         |         |          |          |          |
| Shareholders' equity                   | 53      | 50      | 53       | 57       | 64       |
| Shareholders' equity (before minority) | 51      | 47      | 50       | 54       | 61       |
| Minorities                             | 3       | 3       | 3        | 3        | 3        |
| Non-current liabilities                | 35      | 5       | 55       | 50       | 45       |
| Pension provisions                     | 0       | 0       | 0        | 0        | 0        |
| Other provisions                       | 0       | 0       | 0        | 0        | 0        |
| Long-term financial debt               | 30      | 0       | 50       | 45       | 40       |
| Other long-term debt                   | 5       | 5       | 5        | 5        | 5        |
| Current liabilities                    | 29      | 57      | 35       | 39       | 43       |
| Short-term debt                        | 4       | 35      | 5        | 7        | 9        |
| Other accruals short-term              | 6       | 7       | 8        | 9        | 10       |
| Accounts payable                       | 12      | 12      | 18       | 19       | 20       |
| Other liabilities                      | 6       | 4       | 4        | 4        | 4        |
| Total equity and liabilities           | 117     | 112     | 143      | 146      | 152      |

Source: Company information, Bankhaus Lampe Research estimates

## Bastei Lübbe AG – Balance sheet structure

| Assets                        | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|-------------------------------|---------|---------|----------|----------|----------|
| Fixed assets                  | 51.8%   | 59.6%   | 47.5%    | 47.2%    | 48.4%    |
| Property, plant and equipment | 2.9%    | 2.9%    | 2.1%     | 1.9%     | 1.7%     |
| Intangible assets             | 22.7%   | 28.7%   | 7.7%     | 9.6%     | 11.2%    |
| Current assets                | 48.2%   | 40.4%   | 52.5%    | 52.8%    | 51.6%    |
| Inventories                   | 16.8%   | 18.2%   | 21.0%    | 21.9%    | 21.7%    |
| Accounts receivable           | 14.4%   | 16.3%   | 17.5%    | 17.8%    | 17.1%    |
| Cash                          | 11.7%   | 0.5%    | 2.2%     | 0.7%     | 0.3%     |
| Equity and liabilities        |         |         |          |          |          |
| Shareholders' equity          | 45.6%   | 44.4%   | 37.0%    | 38.9%    | 42.0%    |
| Non-current liabilities       | 29.9%   | 4.3%    | 38.5%    | 34.4%    | 29.7%    |
| Pension provisions            | 0.0%    | 0.0%    | 0.0%     | 0.0%     | 0.0%     |
| Long-term financial debt      | 25.3%   | 0.0%    | 34.9%    | 30.9%    | 26.3%    |
| Current liabilities           | 24.5%   | 51.3%   | 24.4%    | 26.7%    | 28.3%    |
| Short-term debt               | 3.6%    | 31.1%   | 3.5%     | 4.8%     | 5.9%     |
| Accounts payable              | 10.5%   | 10.7%   | 12.6%    | 13.0%    | 13.2%    |

Source: Company information, Bankhaus Lampe Research estimates

# BAUER Aktiengesellschaft

## Lower expectations

06/12/2016

**Hold** (Hold)  
**13.00 EUR** (13.00 EUR)

Close 01/12/2016 9.98 EUR  
Bloomberg: B5A GY WKN: 516810  
Sector Construction

### Share price performance

52 week high 18.25 EUR  
52 week low 9.98 EUR  
Compared to Prime All Share  
YTD -38.1%  
1 month -20.2%  
12 months -37.7%



### Share data

EV (m EUR; 2016) 961.9  
Market Cap (m EUR) 171.0  
No. of shares (m) 17.1  
Free float 51.8%

### Next event

Annual Results 13/04/2017

### Change in model

|       | Sales | EBIT | EPS    |
|-------|-------|------|--------|
| 2016e | ---   | ---  | -27.5% |
| 2017e | ---   | ---  | -18.7% |
| 2018e | ---   | ---  | -15.7% |

### Analyst

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See end of document for disclaimer.

At the 9M stage of this financial year, BAUER Group had failed to live up to expectations and had to correct its guidance. Until the FY 2016 results are reported, we fail to see any decisive catalyst that could propel the share price upwards.

### INVESTMENT CASE

The Bauer group has three segments: Construction, Equipment and Resources. As a result of its broadly diversified business model, Bauer is present in around 70 countries worldwide with more than 110 subsidiaries. At the end of September, total group revenues were down by 4.1% yoy (€ 1,146.3 m vs. € 1,194.9 m last year). The EBIT improved by 4.4 % from € 36.4 m to € 38.0 m; we now expect € 65 m for 2016. The weaker results can be mostly attributed to the Construction segment (9M/16 revenue: -8.5% to € 516 m, EBIT +1.7% to € 12.6 m). Firstly, foreign subsidiaries were hit financially by order shortages. Secondly, there were delays to some major projects, which negatively affected the expected revenue. In the Equipment segment, total group revenue fell by 6.2% from € 496.6 m to € 465.7 m. The EBIT stood at € 22.8 m, which is 7.3% less than a year ago (€ 24.6 m), although the equivalent quarter last year included a one-off effect arising from the sale of 50% of the stake in SPANTEC Spann- & Ankertechnik GmbH stake and the revaluation of the remaining 40% stake. The Resources segment reported an EBIT of € 3.4 m, but the EBIT for the full year will at breakeven at best.

### CATALYSTS

- We do not expect any major catalysts until the annual report press conference on 13/04/2017.
- The order backlog remained stable at just over € 1 bn (close to its record high).

### VALUATION

We arrive at our price target of € 13.00 based on a combination of a DCF model and a peer-group model.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 1,376 | 1,379 | 1,395 | 1,437 | 1,480 |
| EBIT                       | 76.4  | 90.7  | 64.6  | 70.0  | 75.0  |
| EBIT margin                | 5.6%  | 6.6%  | 4.6%  | 4.9%  | 5.1%  |
| Net financial debt         | 642.7 | 648.5 | 666.2 | 648.7 | 643.0 |
| Free cash-flow             | 67.9  | -5.0  | -15.2 | 20.1  | 10.0  |
| EPS (in EUR)               | 0.85  | 1.73  | 0.57  | 0.94  | 1.17  |
| DPS (in EUR)               | 0.15  | 0.15  | 0.15  | 0.25  | 0.30  |
| Dividend yield             | 1.1%  | 0.9%  | 1.5%  | 2.5%  | 3.0%  |
| EV/Sales                   | 0.7   | 0.8   | 0.7   | 0.7   | 0.6   |
| EV/EBIT                    | 13.2  | 11.8  | 14.9  | 13.5  | 12.5  |
| Price Earnings ratio (P/E) | 15.8  | 10.0  | 17.4  | 10.6  | 8.6   |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Business model includes three future-oriented segments with strong potential for synergies
- Global market leader for foundations and excavation base sealing for dams
- High demand for infrastructure construction globally (new construction and restoration)
- Broad diversification through roughly 600 construction projects per year around the world (volume € 0.1 - 70 m)

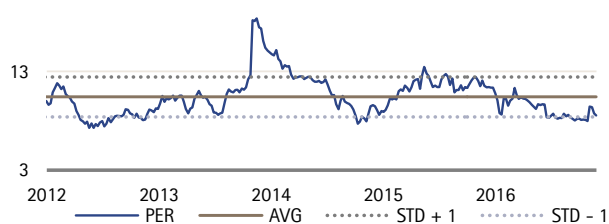
## MANAGEMENT

- Thomas Bauer (CEO)
- Hartmut Beutler (CFO)
- Heinz Kaltenecker (until end of 2016)
- Peter Hingott

## SHORT-TERM GUIDANCE

- EBIT 2016: roughly € 65 m - net profit before minorities: € 10-15 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 13/04/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| REtD/Sales           | -     | -     | -     | -     | -     |
| Capex/Sales          | 5.0%  | 5.9%  | 6.9%  | 6.8%  | 6.6%  |
| Capex/Depreciation   | 0.7   | 0.9   | 1.0   | 1.0   | 1.0   |
| ROCE                 | 6.3%  | 7.2%  | 5.1%  | 5.5%  | 5.9%  |
| Free cash flow yield | 29.7% | -1.7% | -7.2% | 9.5%  | 4.7%  |
| Equity ratio         | 26.6% | 27.2% | 27.2% | 27.6% | 28.2% |
| Net debt / Equity    | 153%  | 144%  | 145%  | 137%  | 132%  |
| Net debt / EBITDA    | 3.8   | 3.5   | 4.1   | 3.9   | 3.7   |
| Interest cover       | > 10  | > 10  | > 10  | > 10  | > 10  |

### Weaknesses/Threats (Risks)

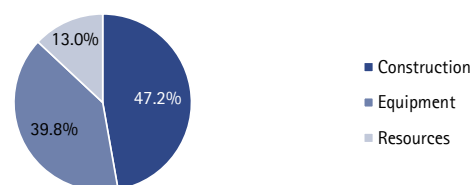
- Production capacity in equipment segment not yet fully utilised after ramp-up
- In mechanical engineering, higher competition means more pressure on margins
- BAUER failed to deliver its earnings forecasts in the last few years
- Project delays as well as restructuring costs burdened the results.

## COMPANY BACKGROUND

Bauer AG's activities primarily focus on deep mining as well as on engineering and the construction of machinery and equipment for special foundation construction and resource exploration.

## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                                   |      |
|-----------------------------------|------|
| Bauer family                      | 48.2 |
| Norges Bank Investment Management | 2.9  |
| Dimensional Fund Advisors L       | 2.3  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 1,395 | 1,437 | 1,480 |
| Consensus        | 1,395 | 1,456 | 1,509 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 64.6  | 70.0  | 75.0  |
| Consensus        | 64.3  | 76.3  | 87.0  |
| EPS (EUR)        |       |       |       |
| BHL              | 0.57  | 0.94  | 1.17  |
| Consensus        | 0.87  | 1.40  | 1.68  |

Source: Company information, FactSet, BHL estimates

# Key figures

## BAUER Aktiengesellschaft – Income statement

| in m EUR                            | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|-------------------------------------|--------|--------|--------|--------|--------|
| Sales                               | 1,376  | 1,379  | 1,395  | 1,437  | 1,480  |
| Own work capitalised                | 41.3   | 51.7   | 51.7   | 44.7   | 46.7   |
| Total sales                         | 1,417  | 1,431  | 1,446  | 1,481  | 1,526  |
| Material expenses                   | -749.2 | -752.5 | -754.8 | -768.5 | -799.0 |
| Personnel expenses                  | -355.3 | -376.1 | -387.4 | -399.0 | -411.0 |
| Unusual or infrequent items         | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result              | -141.5 | -117.0 | -143.5 | -145.5 | -143.2 |
| EBITDA                              | 171.0  | 185.1  | 160.8  | 168.2  | 173.2  |
| Depreciation                        | 94.6   | 94.3   | 96.2   | 98.1   | 98.1   |
| EBITA                               | 76.4   | 90.7   | 64.6   | 70.0   | 75.0   |
| Amortisation of goodwill            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets   | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                | 76.4   | 90.7   | 64.6   | 70.0   | 75.0   |
| Financial result                    | -38.6  | -34.3  | -41.7  | -39.2  | -38.0  |
| Income on ordinary activities       | 37.8   | 56.4   | 22.9   | 30.9   | 37.1   |
| Extraordinary income/loss           | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                 | 37.8   | 56.4   | 22.9   | 30.9   | 37.1   |
| Taxes                               | -22.1  | -27.4  | -10.1  | -11.7  | -14.1  |
| Net income from cont. operations    | 15.7   | 29.0   | 12.8   | 19.1   | 23.0   |
| Net income from discont. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                   | -1.2   | 0.7    | -3.0   | -3.0   | -3.0   |
| Net income (adj.)                   | 14.5   | 29.7   | 9.8    | 16.1   | 20.0   |
| No. of shares                       | 17.1   | 17.1   | 17.1   | 17.1   | 17.1   |
| EPS                                 | 0.85   | 1.73   | 0.57   | 0.94   | 1.17   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 45.5% | 45.4% | 45.9% | 46.5% | 46.0% |
| EBITDA margin     | 12.4% | 13.4% | 11.5% | 11.7% | 11.7% |
| EBITA margin      | 5.6%  | 6.6%  | 4.6%  | 4.9%  | 5.1%  |
| EBIT margin       | 5.6%  | 6.6%  | 4.6%  | 4.9%  | 5.1%  |
| EBT margin        | 2.7%  | 4.1%  | 1.6%  | 2.1%  | 2.5%  |
| Net profit margin | 1.1%  | 2.2%  | 0.7%  | 1.1%  | 1.3%  |
| Tax rate          | 58.4% | 48.6% | 44.0% | 38.0% | 38.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015  | 2016e  | 2017e | 2018e |
|-------------------|-------|-------|--------|-------|-------|
| Sales             | -1.9% | 0.2%  | 1.1%   | 3.0%  | 3.0%  |
| EBITDA            | 37.9% | 8.2%  | -13.1% | 4.6%  | 3.0%  |
| EBIT              | >100% | 18.7% | -28.8% | 8.5%  | 7.1%  |
| EBT               | ---   | 49.2% | -59.4% | 34.8% | 20.0% |
| Net income (adj.) | ---   | >100% | -66.9% | 64.3% | 23.7% |
| EPS               | ---   | >100% | -66.9% | 64.3% | 23.7% |

Source: Company information, Bankhaus Lampe Research estimates

## BAUER Aktiengesellschaft – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 594.8 | 618.2 | 618.2 | 618.2 | 618.2 |
| Property, plant and equipment          | 446.9 | 404.4 | 404.4 | 404.4 | 404.4 |
| Intangible assets                      | 34.4  | 27.5  | 27.5  | 27.5  | 27.5  |
| Financial assets                       | 74.9  | 136.2 | 136.2 | 136.2 | 136.2 |
| Other long-term assets                 | 38.5  | 50.3  | 50.3  | 50.3  | 50.3  |
| Current assets                         | 980.3 | 1,039 | 1,066 | 1,093 | 1,109 |
| Inventories                            | 439.2 | 444.6 | 474.6 | 489.6 | 504.6 |
| Accounts receivable                    | 443.6 | 473.4 | 498.4 | 493.4 | 508.4 |
| Other current assets                   | 55.7  | 73.2  | 73.2  | 73.2  | 73.2  |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 41.8  | 47.4  | 19.7  | 37.2  | 22.9  |
| Total assets                           | 1,575 | 1,657 | 1,684 | 1,712 | 1,727 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 418.9 | 451.2 | 458.5 | 472.0 | 487.7 |
| Shareholders' equity (before minority) | 399.3 | 438.8 | 446.1 | 459.7 | 475.4 |
| Minorities                             | 19.6  | 12.4  | 12.4  | 12.4  | 12.4  |
| Non-current liabilities                | 523.3 | 533.9 | 523.9 | 523.9 | 523.9 |
| Pension provisions                     | 116.4 | 112.3 | 112.3 | 112.3 | 112.3 |
| Other provisions                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Long-term financial debt               | 390.9 | 389.3 | 379.3 | 379.3 | 379.3 |
| Other long-term debt                   | 16.0  | 32.3  | 32.3  | 32.3  | 32.3  |
| Current liabilities                    | 632.9 | 671.8 | 701.8 | 715.8 | 715.8 |
| Short-term debt                        | 293.6 | 306.6 | 306.6 | 306.6 | 286.6 |
| Other accruals short-term              | 27.3  | 35.3  | 35.3  | 35.3  | 35.3  |
| Accounts payable                       | 217.7 | 185.0 | 215.0 | 229.0 | 249.0 |
| Other liabilities                      | 94.3  | 144.9 | 144.9 | 144.9 | 144.9 |
| Total equity and liabilities           | 1,575 | 1,657 | 1,684 | 1,712 | 1,727 |

Source: Company information, Bankhaus Lampe Research estimates

## BAUER Aktiengesellschaft – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 37.8% | 37.3% | 36.7% | 36.1% | 35.8% |
| Property, plant and equipment | 28.4% | 24.4% | 24.0% | 23.6% | 23.4% |
| Intangible assets             | 2.2%  | 1.7%  | 1.6%  | 1.6%  | 1.6%  |
| Current assets                | 62.2% | 62.7% | 63.3% | 63.9% | 64.2% |
| Inventories                   | 27.9% | 26.8% | 28.2% | 28.6% | 29.2% |
| Accounts receivable           | 28.2% | 28.6% | 29.6% | 28.8% | 29.4% |
| Cash                          | 2.7%  | 2.9%  | 1.2%  | 2.2%  | 1.3%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 26.6% | 27.2% | 27.2% | 27.6% | 28.2% |
| Non-current liabilities       | 33.2% | 32.2% | 31.1% | 30.6% | 30.3% |
| Pension provisions            | 7.4%  | 6.8%  | 6.7%  | 6.6%  | 6.5%  |
| Long-term financial debt      | 24.8% | 23.5% | 22.5% | 22.2% | 22.0% |
| Current liabilities           | 40.2% | 40.5% | 41.7% | 41.8% | 41.4% |
| Short-term debt               | 18.6% | 18.5% | 18.2% | 17.9% | 16.6% |
| Accounts payable              | 13.8% | 11.2% | 12.8% | 13.4% | 14.4% |

Source: Company information, Bankhaus Lampe Research estimates

# BayWa AG

## Difficult Agricultural business

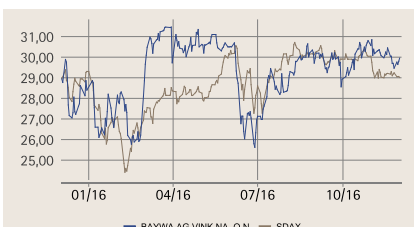
06/12/2016

**Hold** (Hold)  
**33.00 EUR** (33.00 EUR)

Close 01/12/2016 29.96 EUR  
Bloomberg: BYW6 GY WKN: 519406  
Sector Food & Beverages

### Share price performance

52 week high 31.46 EUR  
52 week low 25.62 EUR  
Compared to SDAX  
YTD 6.5%  
1 month 0.7%  
12 months 2.6%



### Share data

EV (m EUR; 2016) 4,287  
Market Cap (m EUR) 1,034  
No. of shares (m) 34.5  
Free float 38.7%

### Next event

Annual Results 30/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

Following the report of the 9M figures for 2016, we confirm our HOLD rating for BayWa stock and our price target of € 33.00. Although we expect the final quarter to be once again the strongest quarter, we project an EBIT of merely € 150 m for the full year.

### INVESTMENT CASE

Through acquisitions in the last few years, BayWa is now among the top five largest agricultural trading companies in the world. However, declining cereal prices for the last three years have put a strain on the agricultural markets and the income situation of farmers is increasingly deteriorating. Against this backdrop, BayWa's Agricultural EBIT is expected to fall considerably short of expectations this fiscal year (9M 2016: decline of 30% to € 45 m). Merely the Fruit trade business in this segment has performed well to date (9M EBIT € 35.4 m, +66%), benefiting from a one-off gain.

In contrast, the Energy segment has performed very well. For the first nine months of 2016, the Energy segment achieved an operating profit of € 57.7 m and thus contributed the lion's share to group EBIT (67.5% of € 85.4 m).

The Building Materials segment maintained the good performance of the previous quarters.

### CATALYSTS

- We do not expect any major catalysts until the 2016 annual report press conference on 30 March 2017 in Munich.
- Increasing cereal prices should influence the share price positively.

### VALUATION

Our price target of € 33.00 is based on a sum-of-the-parts model. We apply a conglomerate discount of 5% (previously: 15%).

| in m EUR                   | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|----------------------------|--------|--------|--------|--------|--------|
| Sales                      | 15,202 | 14,928 | 15,192 | 15,444 | 15,599 |
| EBIT                       | 117.3  | 150.6  | 150.0  | 183.1  | 199.4  |
| EBIT margin                | 0.8%   | 1.0%   | 1.0%   | 1.2%   | 1.3%   |
| Net financial debt         | 1,985  | 2,288  | 2,351  | 2,365  | 2,331  |
| Free cash-flow             | -318.2 | -124.4 | -25.8  | 22.6   | 72.6   |
| EPS (in EUR)               | 1.78   | 1.39   | 1.34   | 2.04   | 2.22   |
| DPS (in EUR)               | 0.80   | 0.85   | 0.88   | 0.93   | 0.95   |
| Dividend yield             | 2.6%   | 3.0%   | 2.9%   | 3.1%   | 3.2%   |
| EV/Sales                   | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    |
| EV/EBIT                    | 33.9   | 27.9   | 28.6   | 23.5   | 21.4   |
| Price Earnings ratio (P/E) | 17.2   | 20.4   | 22.4   | 14.7   | 13.5   |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Expansion of the international agricultural business with a trading target of 40 million tonnes of cereals (CAGR 5%) by 2020
- Higher share of services in the agricultural equipment business
- Tripled EBIT at BayWa Renewable Energy since 2010
- Renewable energies segment has been the earnings driver recently

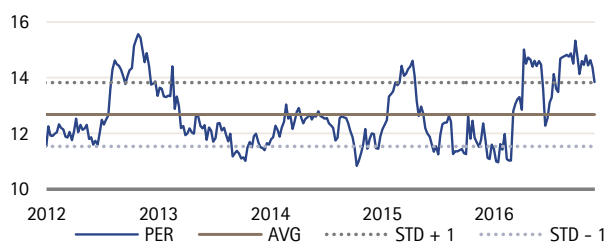
### MANAGEMENT

- Prof. Klaus-Josef Lutz (CEO)
- Andreas Helber (CFO)
- Matthias Taft
- Roland Schuler
- Reinhard Wolf

### SHORT-TERM GUIDANCE

- 2016: previous year's operating EBIT is likely too ambitious

### HISTORICAL P/E



### COMPANY EVENTS

Next event: 30/03/2017 Annual Results

### KEY RATIOS

|                      | 14     | 15     | 16e   | 17e   | 18e   |
|----------------------|--------|--------|-------|-------|-------|
| R&D/Sales            | -      | -      | -     | -     | -     |
| Capex/Sales          | 1.1%   | 1.2%   | 1.0%  | 0.8%  | 0.8%  |
| Capex/Depreciation   | 1.3    | 1.3    | 1.1   | 1.0   | 1.0   |
| ROCE                 | 3.1%   | 3.7%   | 3.6%  | 4.3%  | 4.6%  |
| Free cash flow yield | -30.1% | -12.5% | -2.5% | 2.2%  | 7.0%  |
| Equity ratio         | 18.6%  | 17.8%  | 18.0% | 18.4% | 19.0% |
| Net debt / Equity    | 189%   | 213%   | 215%  | 209%  | 198%  |
| Net debt / EBITDA    | 8.1    | 8.2    | 8.4   | 7.8   | 7.3   |
| Interest cover       | > 10   | > 10   | > 10  | > 10  | > 10  |

### Weaknesses/Threats (Risks)

- Agricultural earnings trend shaped by volatile markets
- Heating oil sales have been falling for years - shrinking business
- Building materials remains in the group
- Anti-trust authorities are investigating allegations regarding price fixing in e.g. agricultural equipment and plant protection

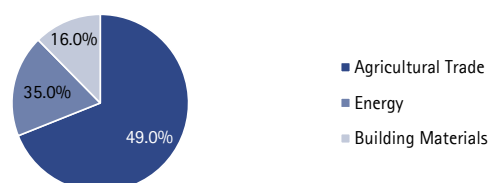
### COMPANY BACKGROUND

BayWa AG is an international trading and services group with a focus on three core segments: agriculture, building materials and energy. The company's largest segment, Agriculture, trades in agricultural products and raw materials. The Energy segment is involved in the trade of fossil fuels and builds and operates renewable energy plants. The Building Materials segment mainly trades in building materials. The company was founded in 1923 and is headquartered in Munich, Germany.

### MEDIUM-TERM GUIDANCE

- Medium-term EBIT target of € 250 m, of which € 150 m from the agricultural business

### REVENUE BREAKDOWN (LAST ACTUAL YEAR)



### MAJOR SHAREHOLDERS (%)

|   |      |
|---|------|
| Bayerische Raiffeisen-Beteiligungs-AG       | 36.5 |
| Leipnik-Lundenburger Invest Beteiligungs AG | 25.6 |
| Dimensional Fund Advisors LP                | 1.4  |

### BHL VS. CONSENSUS

|                  | 16e    | 17e    | 18e    |
|------------------|--------|--------|--------|
| Sales (in m EUR) |        |        |        |
| BHL              | 15,192 | 15,444 | 15,599 |
| Consensus        | 15,390 | 15,777 | 16,128 |
| EBIT (in m EUR)  |        |        |        |
| BHL              | 150.0  | 183.1  | 199.4  |
| Consensus        | 168.3  | 211.2  | 198.0  |
| EPS (EUR)        |        |        |        |
| BHL              | 1.34   | 2.04   | 2.22   |
| Consensus        | 1.54   | 2.42   | 2.31   |

Source: Company information, FactSet, BHL estimates

# Key figures

## BayWa AG – Income statement

| in m EUR                          | 2014    | 2015    | 2016e   | 2017e   | 2018e   |
|-----------------------------------|---------|---------|---------|---------|---------|
| Sales                             | 15,202  | 14,928  | 15,192  | 15,444  | 15,599  |
| Own work capitalised              | -37.8   | 90.5    | 42.0    | 45.0    | 45.0    |
| Total sales                       | 15,164  | 15,019  | 15,234  | 15,489  | 15,644  |
| Material expenses                 | -13,817 | -13,575 | -13,868 | -14,094 | -14,223 |
| Personnel expenses                | -793.1  | -825.2  | -839.2  | -853.2  | -861.7  |
| Unusual or infrequent items       | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Other operating result            | -309.1  | -337.5  | -246.2  | -239.2  | -239.9  |
| EBITDA                            | 245.0   | 280.7   | 280.1   | 303.1   | 319.4   |
| Depreciation                      | 127.7   | 130.2   | 130.1   | 120.0   | 120.0   |
| EBITA                             | 117.3   | 150.6   | 150.0   | 183.1   | 199.4   |
| Amortisation of goodwill          | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Amortisation of intangible assets | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| EBIT                              | 117.3   | 150.6   | 150.0   | 183.1   | 199.4   |
| Financial result                  | -36.8   | -62.5   | -62.0   | -51.1   | -51.5   |
| Income on ordinary activities     | 80.4    | 88.1    | 88.0    | 132.0   | 147.9   |
| Extraordinary income/loss         | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| EBT                               | 80.4    | 88.1    | 88.0    | 132.0   | 147.9   |
| Taxes                             | 0.3     | -26.5   | -22.0   | -38.3   | -45.9   |
| Net income from cont. operations  | 80.7    | 61.6    | 66.0    | 93.7    | 102.1   |
| Net income from disc. operations  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Minority interest                 | -19.3   | -13.4   | -19.8   | -23.4   | -25.5   |
| Net income (adj.)                 | 61.4    | 48.2    | 46.2    | 70.3    | 76.6    |
| No. of shares                     | 34.5    | 34.7    | 34.5    | 34.5    | 34.5    |
| EPS                               | 1.78    | 1.39    | 1.34    | 2.04    | 2.22    |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 9.1%  | 9.1%  | 8.7%  | 8.7%  | 8.8%  |
| EBITDA margin     | 1.6%  | 1.9%  | 1.8%  | 2.0%  | 2.0%  |
| EBITA margin      | 0.8%  | 1.0%  | 1.0%  | 1.2%  | 1.3%  |
| EBIT margin       | 0.8%  | 1.0%  | 1.0%  | 1.2%  | 1.3%  |
| EBT margin        | 0.5%  | 0.6%  | 0.6%  | 0.9%  | 0.9%  |
| Net profit margin | 0.4%  | 0.3%  | 0.3%  | 0.5%  | 0.5%  |
| Tax rate          | -0.3% | 30.0% | 25.0% | 29.0% | 31.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e | 2017e | 2018e |
|-------------------|--------|--------|-------|-------|-------|
| Sales             | -4.7%  | -1.8%  | 1.8%  | 1.7%  | 1.0%  |
| EBITDA            | -13.0% | 14.6%  | -0.2% | 8.2%  | 5.4%  |
| EBIT              | -14.7% | 28.4%  | -0.4% | 22.1% | 8.9%  |
| EBT               | 7.1%   | 9.5%   | 0.0%  | 50.0% | 12.1% |
| Net income (adj.) | 96.6%  | -21.5% | -4.1% | 52.1% | 8.9%  |
| EPS               | 96.6%  | -21.9% | -3.7% | 52.1% | 8.9%  |

Source: Company information, Bankhaus Lampe Research estimates

## BayWa AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 2,262 | 2,287 | 2,302 | 2,300 | 2,298 |
| Property, plant and equipment          | 1,397 | 1,420 | 1,435 | 1,435 | 1,435 |
| Intangible assets                      | 148.1 | 166.8 | 168.1 | 168.1 | 168.1 |
| Financial assets                       | 450.8 | 428.0 | 428.0 | 428.0 | 428.0 |
| Other long-term assets                 | 266.2 | 272.6 | 270.8 | 269.1 | 267.4 |
| Current assets                         | 3,390 | 3,749 | 3,767 | 3,861 | 3,910 |
| Inventories                            | 1,986 | 2,142 | 2,163 | 2,206 | 2,206 |
| Accounts receivable                    | 1,084 | 1,255 | 1,267 | 1,275 | 1,283 |
| Other current assets                   | 190.6 | 258.9 | 258.9 | 258.9 | 258.9 |
| Securities                             | 20.6  | 9.8   | 9.8   | 9.8   | 9.8   |
| Cash                                   | 108.4 | 84.5  | 68.5  | 111.3 | 152.2 |
| Total assets                           | 5,652 | 6,037 | 6,069 | 6,161 | 6,208 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 1,050 | 1,076 | 1,093 | 1,133 | 1,177 |
| Shareholders' equity (before minority) | 786.5 | 809.7 | 826.4 | 866.6 | 911.2 |
| Minorities                             | 263.9 | 266.2 | 266.2 | 266.2 | 266.2 |
| Non-current liabilities                | 2,147 | 2,221 | 2,205 | 2,212 | 2,219 |
| Pension provisions                     | 666.9 | 655.3 | 635.6 | 638.6 | 641.6 |
| Other provisions                       | 83.1  | 82.6  | 82.6  | 82.6  | 82.6  |
| Long-term financial debt               | 946.5 | 1,068 | 1,079 | 1,090 | 1,101 |
| Other long-term debt                   | 450.8 | 415.1 | 408.0 | 401.1 | 394.3 |
| Current liabilities                    | 2,454 | 2,739 | 2,771 | 2,816 | 2,811 |
| Short-term debt                        | 1,167 | 1,314 | 1,350 | 1,397 | 1,393 |
| Other accruals short-term              | 171.2 | 175.9 | 176.8 | 177.7 | 178.6 |
| Accounts payable                       | 745.0 | 792.2 | 800.1 | 810.1 | 820.3 |
| Other liabilities                      | 370.9 | 457.0 | 444.3 | 432.0 | 420.0 |
| Total equity and liabilities           | 5,652 | 6,037 | 6,069 | 6,161 | 6,208 |

Source: Company information, Bankhaus Lampe Research estimates

## BayWa AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 40.0% | 37.9% | 37.9% | 37.3% | 37.0% |
| Property, plant and equipment | 24.7% | 23.5% | 23.6% | 23.3% | 23.1% |
| Intangible assets             | 2.6%  | 2.8%  | 2.8%  | 2.7%  | 2.7%  |
| Current assets                | 60.0% | 62.1% | 62.1% | 62.7% | 63.0% |
| Inventories                   | 35.1% | 35.5% | 35.6% | 35.8% | 35.5% |
| Accounts receivable           | 19.2% | 20.8% | 20.9% | 20.7% | 20.7% |
| Cash                          | 1.9%  | 1.4%  | 1.1%  | 1.8%  | 2.5%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 18.6% | 17.8% | 18.0% | 18.4% | 19.0% |
| Non-current liabilities       | 38.0% | 36.8% | 36.3% | 35.9% | 35.7% |
| Pension provisions            | 11.8% | 10.9% | 10.5% | 10.4% | 10.3% |
| Long-term financial debt      | 16.7% | 17.7% | 17.8% | 17.7% | 17.7% |
| Current liabilities           | 43.4% | 45.4% | 45.7% | 45.7% | 45.3% |
| Short-term debt               | 20.7% | 21.8% | 22.2% | 22.7% | 22.4% |
| Accounts payable              | 13.2% | 13.1% | 13.2% | 13.1% | 13.2% |

Source: Company information, Bankhaus Lampe Research estimates

# Borussia Dortmund GmbH & Co. KGaA

## Structural improvements

06/12/2016

**Buy** (Buy)  
**7.00 EUR** (5.00 EUR)

Close 01/12/2016 4.90 EUR  
Bloomberg: BVB GY WKN: 549309  
Sector Media

### Share price performance

52 week high 5.86 EUR  
52 week low 3.61 EUR  
Compared to Prime All Share  
YTD 26.7%  
1 month -15.1%  
12 months 30.0%



### Share data

EV (m EUR; 2016) 418.1  
Market Cap (m EUR) 450.8  
No. of shares (m) 92.0  
Free float 60.8%

### Next event

- -

### Change in model

|          | Sales | EBIT  | EPS   |
|----------|-------|-------|-------|
| 2015/16  | ---   | ---   | ---   |
| 2016/17e | 22.2% | 15.7% | 12.2% |
| 2017/18e | 18.1% | 21.3% | 21.2% |

### Analyst

Christoph Schlienke, Investmentanalyst DVFA  
Phone: +49 (0)211 4952-311  
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See end of document for disclaimer.

BVB shares have significantly trended up in recent weeks, thus reflecting the continued structural improvements. Up to now, we had calculated our price target accounting for a risk discount of 25% on the fair value, which is no longer justified in our view. We raise our price target from € 5.00 to € 7.00 and confirm our BUY rating.

### INVESTMENT CASE

We see upside potential in the sustained sporting success and the resulting additional marketing revenues. In particular, we expect significant revenue growth from the marketing of the national and international TV rights.

This year alone, we anticipate an increase in revenue from € 83 m to € 108 m.

There is additional potential for revenue growth due to the club's transfer policy of signing and/or developing young, talented players, in our view. This provides significant upside potential in terms of player values. Among them are, in particular, Felix Passlack (18), Christian Pulisic (18), and Ousmane Dembélé (19).

From an investor's point of view, it should also be noted that the risk management still has the highest priority for the company, i.e. avoiding economic risks or keep them at a manageable level.

### CATALYSTS

Getting through to the third round of the DFB Cup and the club's current position in the league are the best pre-requisites, in our view, to ensure it will be in next year's Champions League too. BVB have also made it through to the knock-out stage of this year's Champions League.

### VALUATION

In our price target of € 7.00, we take account of the adjusted value of the squad and the team's brand value.

| in m EUR                   | 2013/14 | 2014/15 | 2015/16 | 2016/17e | 2017/18e |
|----------------------------|---------|---------|---------|----------|----------|
| Sales                      | 260.7   | 276.0   | 376.3   | 340.0    | 345.0    |
| EBIT                       | 18.5    | 13.2    | 36.4    | 19.1     | 22.5     |
| EBIT margin                | 7.1%    | 4.8%    | 9.7%    | 5.6%     | 6.5%     |
| Net financial debt         | 43.3    | -32.1   | -32.7   | 6.8      | -0.6     |
| Free cash-flow             | 17.6    | -55.5   | 6.1     | -36.8    | 12.9     |
| EPS (in EUR)               | 0.19    | 0.06    | 0.32    | 0.13     | 0.16     |
| DPS (in EUR)               | 0.10    | 0.05    | 0.06    | 0.06     | 0.06     |
| Dividend yield             | 3.0%    | 1.2%    | 1.2%    | 1.2%     | 1.2%     |
| EV/Sales                   | 1.4     | 1.2     | 1.1     | 1.3      | 1.3      |
| EV/EBIT                    | 19.2    | 25.7    | 11.5    | 23.9     | 20.0     |
| Price Earnings ratio (P/E) | 17.8    | 66.9    | 15.3    | 36.8     | 30.2     |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Sporting success has a leverage effect on the revenue structure
- Continuity in sporting and commercial management
- Improvement of infrastructure

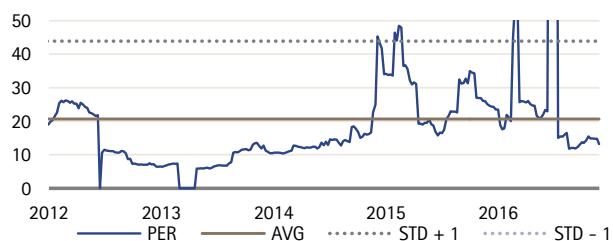
## MANAGEMENT

- Hans-Joachim Watzke (CEO)
- Thomas Tress (CFO)

## SHORT-TERM GUIDANCE

- 2015/16: Revenue of € 285 m
- 2016/17: EBIT in low single-digit millions
- 2016/17: Depreciation of € 61 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: - -

## KEY RATIOS

|                      | 13/14 | 14/15  | 15/16 | 16/17e | 17/18e |
|----------------------|-------|--------|-------|--------|--------|
| R&D/Sales            | -     | -      | -     | -      | -      |
| Capex/Sales          | 4.2%  | 3.8%   | 2.6%  | 34.5%  | 18.6%  |
| Capex/Depreciation   | 0.4   | 0.2    | 0.2   | 1.9    | 1.0    |
| ROCE                 | 8.9%  | 4.3%   | 11.1% | 5.7%   | 6.5%   |
| Free cash flow yield | 6.0%  | -17.9% | 1.6%  | -      | -      |
| Equity ratio         | 49.7% | 74.0%  | 72.9% | 70.9%  | 71.5%  |
| Net debt / Equity    | 30%   | -11%   | -11%  | 2%     | 0%     |
| Net debt / EBITDA    | 0.9   | -0.6   | -0.4  | 0.1    | 0.0    |
| Interest cover       | > 10  | > 10   | 0.0   | 0.0    | 0.0    |

### Weaknesses/Threats (Risks)

- Challenge of accommodating both sporting and financial objectives
- Particular need to improve marketing in Asia
- Sporting success cannot be relied upon
- Sporting injuries and periods of weak form are imponderables

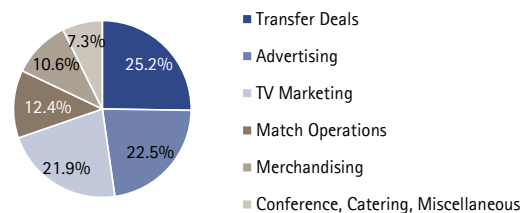
## COMPANY BACKGROUND

Borussia Dortmund GmbH & Co. KGaA operates a professional football club. The company generates most of its revenues from ticketing, marketing television broadcast rights, advertising, the sale of merchandise, and transfers. The company was founded in 1909.

## MEDIUM-TERM GUIDANCE

- 2018: Revenue of € 300 m

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                              |      |
|------------------------------|------|
| Evonik                       | 14.8 |
| Bernd Geske                  | 8.8  |
| BV Borussia 09 e.V. Dortmund | 5.5  |

## BHL VS. CONSENSUS

|                  | 15/16 | 16/17e | 17/18e |
|------------------|-------|--------|--------|
| Sales (in m EUR) |       |        |        |
| BHL              | 376.3 | 340.0  | 345.0  |
| Consensus        | 341.6 | 354.7  | 412.3  |
| EBIT (in m EUR)  |       |        |        |
| BHL              | 36.4  | 19.1   | 22.5   |
| Consensus        | 36.4  | 18.1   | 40.0   |
| EPS (EUR)        |       |        |        |
| BHL              | 0.32  | 0.13   | 0.16   |
| Consensus        | 0.17  | 0.13   | 0.32   |

Source: Company information, FactSet, BHL estimates

# Key figures

## Borussia Dortmund GmbH & Co. KGaA – Income statement

| in m EUR                             | 2013/14 | 2014/15 | 2015/16 | 2016/17e | 2017/18e |
|--------------------------------------|---------|---------|---------|----------|----------|
| Sales                                | 260.7   | 276.0   | 376.3   | 340.0    | 345.0    |
| Own work capitalised                 | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| Total sales                          | 260.7   | 276.0   | 376.3   | 340.0    | 345.0    |
| Material expenses                    | -20.3   | -20.7   | -25.7   | -23.4    | -24.0    |
| Personnel expenses                   | -107.8  | -117.9  | -140.2  | -140.0   | -140.0   |
| Unusual or infrequent items          | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| Other operating result               | -83.5   | -81.8   | -123.7  | -96.5    | -96.5    |
| EBITDA                               | 49.1    | 55.6    | 86.7    | 80.1     | 84.5     |
| Depreciation                         | 30.7    | 42.4    | 50.2    | 61.0     | 62.0     |
| EBITA                                | 18.5    | 13.2    | 36.4    | 19.1     | 22.5     |
| Amortisation of goodwill             | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| Amortisation of intangible assets    | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| EBIT                                 | 18.5    | 13.2    | 36.4    | 19.1     | 22.5     |
| Financial result                     | -3.9    | -7.2    | -2.1    | -1.4     | -0.9     |
| Income on ordinary activities        | 14.6    | 6.0     | 34.3    | 17.7     | 21.6     |
| Extraordinary income/loss            | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| EBT                                  | 14.6    | 6.0     | 34.3    | 17.7     | 21.6     |
| Taxes                                | -2.6    | -0.5    | -4.9    | -5.5     | -6.7     |
| Net income from cont. operations     | 12.0    | 5.5     | 29.4    | 12.2     | 14.9     |
| Net income from discount. operations | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| Minority interest                    | -0.3    | 0.0     | 0.0     | 0.0      | 0.0      |
| Net income (adj.)                    | 11.7    | 5.5     | 29.4    | 12.2     | 14.9     |
| No. of shares                        | 61.4    | 92.0    | 92.0    | 92.0     | 92.0     |
| EPS                                  | 0.19    | 0.06    | 0.32    | 0.13     | 0.16     |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2013/14 | 2014/15 | 2015/16 | 2016/17e | 2017/18e |
|-------------------|---------|---------|---------|----------|----------|
| Gross margin      | 92.2%   | 92.5%   | 93.2%   | 93.1%    | 93.0%    |
| EBITDA margin     | 18.8%   | 20.1%   | 23.0%   | 23.6%    | 24.5%    |
| EBITA margin      | 7.1%    | 4.8%    | 9.7%    | 5.6%     | 6.5%     |
| EBIT margin       | 7.1%    | 4.8%    | 9.7%    | 5.6%     | 6.5%     |
| EBT margin        | 5.6%    | 2.2%    | 9.1%    | 5.2%     | 6.3%     |
| Net profit margin | 4.5%    | 2.0%    | 7.8%    | 3.6%     | 4.3%     |
| Tax rate          | 18.0%   | 7.8%    | 14.3%   | 31.0%    | 31.0%    |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2013/14 | 2014/15 | 2015/16 | 2016/17e | 2017/18e |
|-------------------|---------|---------|---------|----------|----------|
| Sales             | -14.5%  | 5.9%    | 36.3%   | -9.6%    | 1.5%     |
| EBITDA            | -43.9%  | 13.2%   | 55.9%   | -7.6%    | 5.5%     |
| EBIT              | -71.7%  | -28.7%  | >100%   | -47.5%   | 17.8%    |
| EBT               | -75.7%  | -58.9%  | >100%   | -48.3%   | 22.0%    |
| Net income (adj.) | -77.1%  | -52.6%  | >100%   | -58.4%   | 22.0%    |
| EPS               | -77.1%  | -68.3%  | >100%   | -58.4%   | 22.0%    |

Source: Company information, Bankhaus Lampe Research estimates

## Borussia Dortmund GmbH &amp; Co. KGaA – Balance sheet

| Assets (in m EUR)                      | 2013/14 | 2014/15 | 2015/16 | 2016/17e | 2017/18e |
|--|---------|---------|---------|----------|----------|
| Fixed assets                           | 249.5   | 289.5   | 302.8   | 359.1    | 361.1    |
| Property, plant and equipment          | 184.5   | 189.5   | 188.4   | 190.0    | 192.0    |
| Intangible assets                      | 61.6    | 96.3    | 65.3    | 120.0    | 120.0    |
| Financial assets                       | 0.1     | 0.5     | 0.1     | 0.1      | 0.1      |
| Other long-term assets                 | 3.3     | 3.2     | 49.0    | 49.0     | 49.0     |
| Current assets                         | 42.8    | 97.0    | 121.8   | 87.2     | 94.6     |
| Inventories                            | 5.9     | 9.4     | 10.2    | 12.0     | 12.0     |
| Accounts receivable                    | 14.9    | 29.7    | 51.1    | 50.0     | 50.0     |
| Other current assets                   | 4.1     | 4.2     | 8.8     | 12.0     | 12.0     |
| Securities                             | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| Cash                                   | 17.9    | 53.7    | 51.7    | 13.2     | 20.6     |
| Total assets                           | 292.3   | 386.5   | 424.5   | 446.3    | 455.7    |
| Equity and liabilities in m EUR        |         |         |         |          |          |
| Shareholders' equity                   | 145.2   | 286.1   | 309.5   | 316.3    | 325.7    |
| Shareholders' equity (before minority) | 144.9   | 285.8   | 309.5   | 316.3    | 325.7    |
| Minorities                             | 0.3     | 0.3     | 0.0     | 0.0      | 0.0      |
| Non-current liabilities                | 76.0    | 38.8    | 36.2    | 40.0     | 40.0     |
| Pension provisions                     | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| Other provisions                       | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |
| Long-term financial debt               | 52.3    | 21.6    | 19.0    | 20.0     | 20.0     |
| Other long-term debt                   | 23.8    | 17.2    | 17.2    | 20.0     | 20.0     |
| Current liabilities                    | 71.0    | 61.6    | 78.8    | 90.0     | 90.0     |
| Short-term debt                        | 8.9     | 0.0     | 0.0     | 0.0      | 0.0      |
| Other accruals short-term              | 0.0     | 0.0     | 1.4     | 0.0      | 0.0      |
| Accounts payable                       | 18.1    | 22.8    | 14.6    | 25.0     | 25.0     |
| Other liabilities                      | 44.0    | 38.8    | 62.8    | 65.0     | 65.0     |
| Total equity and liabilities           | 292.3   | 386.5   | 424.5   | 446.3    | 455.7    |

Source: Company information, Bankhaus Lampe Research estimates

## Borussia Dortmund GmbH &amp; Co. KGaA – Balance sheet structure

| Assets                        | 2013/14 | 2014/15 | 2015/16 | 2016/17e | 2017/18e |
|-------------------------------|---------|---------|---------|----------|----------|
| Fixed assets                  | 85.4%   | 74.9%   | 71.3%   | 80.5%    | 79.2%    |
| Property, plant and equipment | 63.1%   | 49.0%   | 44.4%   | 42.6%    | 42.1%    |
| Intangible assets             | 21.1%   | 24.9%   | 15.4%   | 26.9%    | 26.3%    |
| Current assets                | 14.6%   | 25.1%   | 28.7%   | 19.5%    | 20.8%    |
| Inventories                   | 2.0%    | 2.4%    | 2.4%    | 2.7%     | 2.6%     |
| Accounts receivable           | 5.1%    | 7.7%    | 12.0%   | 11.2%    | 11.0%    |
| Cash                          | 6.1%    | 13.9%   | 12.2%   | 3.0%     | 4.5%     |
| Equity and liabilities        |         |         |         |          |          |
| Shareholders' equity          | 49.7%   | 74.0%   | 72.9%   | 70.9%    | 71.5%    |
| Non-current liabilities       | 26.0%   | 10.0%   | 8.5%    | 9.0%     | 8.8%     |
| Pension provisions            | 0.0%    | 0.0%    | 0.0%    | 0.0%     | 0.0%     |
| Long-term financial debt      | 17.9%   | 5.6%    | 4.5%    | 4.5%     | 4.4%     |
| Current liabilities           | 24.3%   | 15.9%   | 18.6%   | 20.2%    | 19.8%    |
| Short-term debt               | 3.0%    | 0.0%    | 0.0%    | 0.0%     | 0.0%     |
| Accounts payable              | 6.2%    | 5.9%    | 3.4%    | 5.6%     | 5.5%     |

Source: Company information, Bankhaus Lampe Research estimates

# Capital Stage AG

## Bigger and improved

06/12/2016

**Buy** (Buy)  
**9.00 EUR** (9.00 EUR)

Close 01/12/2016 6.15 EUR

Bloomberg: CAP GY WKN: 609500

Sector Financial Services

### Share price performance

52 week high 9.00 EUR

52 week low 5.68 EUR

Compared to SDAX

YTD -21.1%

1 month -3.0%

12 months -30.8%



### Share data

EV (m EUR; 2016) 1,986

Market Cap (m EUR) 777

No. of shares (m) 126

Free float 70.1%

### Next event

Annual Results 31/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

The takeover of Chorus Clean Energy was value accretive for the shareholders, in our view, despite the dilution. We reiterate our BUY rating for Capital Stage with a price target of € 9.00. The stock has come under pressure after the US election as the President-elect Donald Trump announced that renewable energies will be put on the backburner. However, Capital Stage does not have any exposure to the US and thus, we think this generalisation is unjustified.

### INVESTMENT CASE

Capital Stage's business model is generating steady and predictable cash flows. In addition, we consider the Chorus takeover value accretive for the following reasons:

- Complementary profile of energy sources
- The bigger size of the company should open up M&A opportunities
- Synergy effects in terms of costs and financing

In addition, the capital market profile of Capital Stage should improve as the group is now among the largest listed solar and wind park operators in Europe. Moreover, the stock market liquidity should improve appreciably and thus attract new investors.

### CATALYSTS

We expect the company to quantify the synergy effects of the Chorus takeover in the next few weeks. As these are not yet included in the current consensus, in our view, we see upside potential with respect to the estimates.

### VALUATION

Our valuation of Capital Stage is based on a modified DCF model. In our model, we do not assume any further acquisitions and thus, our price target reflects the value of the cash flows of the current portfolios. At the same time, the M&A pipeline is well filled, which means that any acquisition should lead to systematic increases of the price target.

| in m EUR                   | 2014  | 2015  | 2016e   | 2017e | 2018e |
|----------------------------|-------|-------|---------|-------|-------|
| Sales                      | 72    | 113   | 147     | 255   | 257   |
| EBIT                       | 51    | 53    | 43      | 92    | 94    |
| EBIT margin                | 71.4% | 46.6% | 29.0%   | 36.2% | 36.7% |
| Net financial debt         | 509   | 821   | 1,189   | 1,080 | 966   |
| Free cash-flow             | -38   | -12   | -362    | 127   | 143   |
| EPS (in EUR)               | 0.35  | 0.25  | 0.00    | 0.25  | 0.28  |
| DPS (in EUR)               | 0.15  | 0.18  | 0.20    | 0.23  | 0.26  |
| Dividend yield             | 3.1%  | 2.3%  | 3.3%    | 3.7%  | 4.2%  |
| EV/Sales                   | 12.0  | 12.6  | 13.5    | 7.4   | 6.9   |
| EV/EBIT                    | 16.8  | 27.0  | 46.5    | 20.3  | 18.7  |
| Price Earnings ratio (P/E) | 13.6  | 31.4  | 5,776.4 | 25.1  | 21.6  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Low-risk business model
- New projects (e.g. in the UK) improving regional diversification
- Focus on investment in "safe" countries
- Alternative financing options as opportunities
- Well-filled acquisition pipeline

## MANAGEMENT

- Prof. Dr. Klaus-Dieter Maubach (CEO) until 31.12.2016
- Dr. Christoph Husmann (CFO)
- Holger Götze (COO)

### Weaknesses/Threats (Risks)

- Dependent on national subsidy programmes for renewable energies
- Raising capital to finance projects represents risk
- Technical risk and degradation

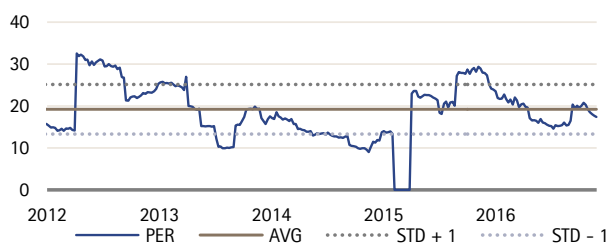
## COMPANY BACKGROUND

Capital Stage invests in solar parks and wind farms. The company is Germany's largest solar park operator.

## SHORT-TERM GUIDANCE

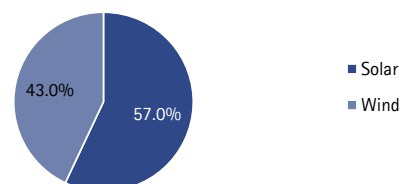
- 2016: Sales increase to more than € 140 m
- 2016: Operating EBITDA increase to more than € 104 m
- 2016: Operating cash-flow increase to more than € 98 m

## HISTORICAL P/E



## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 31/03/2017 Annual Results

## KEY RATIOS

|                      | 14     | 15    | 16e    | 17e   | 18e   |
|----------------------|--------|-------|--------|-------|-------|
| RE&D/Sales           | -      | -     | -      | -     | -     |
| Capex/Sales          | 49.6%  | 21.9% | 312.3% | 0.0%  | 0.0%  |
| Capex/Depreciation   | 1.0    | 0.5   | 6.6    | 0.0   | 0.0   |
| ROCE                 | 5.9%   | 4.4%  | 2.2%   | 4.9%  | 5.3%  |
| Free cash flow yield | -11.0% | -2.0% | -60.3% | 14.9% | 16.8% |
| Equity ratio         | 24.7%  | 19.8% | 24.7%  | 26.2% | 27.8% |
| Net debt / Equity    | 209%   | 314%  | 228%   | 202%  | 178%  |
| Net debt / EBITDA    | 5.9    | 8.2   | 10.6   | 5.4   | 4.8   |
| Interest cover       | > 10   | > 10  | > 10   | > 10  | > 10  |

## MAJOR SHAREHOLDERS (%)

|                                 |      |
|---------------------------------|------|
| AMCO Service GmbH (Büll family) | 17.6 |
| Dr. Liedtke WV                  | 6.8  |
| Peter Heidecker                 | 5.5  |

## BHL VS. CONSENSUS

|                  | 16e  | 17e  | 18e  |
|------------------|------|------|------|
| Sales (in m EUR) |      |      |      |
| BHL              | 147  | 255  | 257  |
| Consensus        | 146  | 171  | 222  |
| EBIT (in m EUR)  |      |      |      |
| BHL              | 43   | 92   | 94   |
| Consensus        | 71   | 80   | 86   |
| EPS (EUR)        |      |      |      |
| BHL              | 0.00 | 0.25 | 0.28 |
| Consensus        | 0.37 | 0.42 | 0.50 |

Source: Company information, FactSet, BHL estimates

# Key figures

## Capital Stage AG – Income statement

| in m EUR                             | 2014 | 2015 | 2016e | 2017e | 2018e |
|--------------------------------------|------|------|-------|-------|-------|
| Sales                                | 72   | 113  | 147   | 255   | 257   |
| Own work capitalised                 | 0    | 0    | 0     | 0     | 0     |
| Total sales                          | 72   | 113  | 147   | 255   | 257   |
| Material expenses                    | -1   | -1   | -1    | -2    | -2    |
| Personnel expenses                   | -4   | -6   | -8    | -11   | -11   |
| Unusual or infrequent items          | 0    | 0    | 0     | 0     | 0     |
| Other operating result               | 19   | -6   | -27   | -42   | -43   |
| EBITDA                               | 86   | 100  | 112   | 200   | 202   |
| Depreciation                         | 35   | 48   | 69    | 107   | 107   |
| EBITA                                | 51   | 53   | 43    | 92    | 94    |
| Amortisation of goodwill             | 0    | 0    | 0     | 0     | 0     |
| Amortisation of intangible assets    | 0    | 0    | 0     | 0     | 0     |
| EBIT                                 | 51   | 53   | 43    | 92    | 94    |
| Financial result                     | -22  | -33  | -38   | -52   | -48   |
| Income on ordinary activities        | 29   | 19   | 5     | 40    | 46    |
| Extraordinary income/loss            | 0    | 0    | 0     | 0     | 0     |
| EBT                                  | 29   | 19   | 5     | 40    | 46    |
| Taxes                                | 2    | 0    | -4    | -8    | -9    |
| Net income from cont. operations     | 31   | 19   | 1     | 33    | 38    |
| Net income from discount. operations | -5   | 0    | 0     | 0     | 0     |
| Minority interest                    | -1   | -1   | -1    | -2    | -2    |
| Net income (adj.)                    | 26   | 19   | 0     | 31    | 36    |
| No. of shares                        | 72   | 75   | 89    | 126   | 126   |
| EPS                                  | 0.35 | 0.25 | 0.00  | 0.25  | 0.28  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014   | 2015  | 2016e | 2017e | 2018e |
|-------------------|--------|-------|-------|-------|-------|
| Gross margin      | 99.2%  | 99.2% | 99.2% | 99.2% | 99.2% |
| EBITDA margin     | 119.5% | 89.0% | 75.9% | 78.3% | 78.4% |
| EBITA margin      | 71.4%  | 46.6% | 29.0% | 36.2% | 36.7% |
| EBIT margin       | 71.4%  | 46.6% | 29.0% | 36.2% | 36.7% |
| EBT margin        | 40.4%  | 17.2% | 3.4%  | 15.9% | 18.0% |
| Net profit margin | 35.4%  | 16.6% | 0.1%  | 12.2% | 14.0% |
| Tax rate          | -6.9%  | 0.3%  | 87.4% | 19.6% | 19.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e  | 2017e | 2018e |
|-------------------|-------|--------|--------|-------|-------|
| Sales             | 26.6% | 56.4%  | 30.7%  | 73.0% | 1.0%  |
| EBITDA            | 71.0% | 16.6%  | 11.5%  | 78.3% | 1.1%  |
| EBIT              | 62.6% | 2.1%   | -18.8% | >100% | 2.3%  |
| EBT               | 83.9% | -33.4% | -74.3% | >100% | 14.5% |
| Net income (adj.) | 81.8% | -26.6% | -99.5% | >100% | 15.8% |
| EPS               | 41.1% | -29.1% | -99.6% | >100% | 15.8% |

Source: Company information, Bankhaus Lampe Research estimates

## Capital Stage AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015  | 2016e | 2017e | 2018e |
|--|------|-------|-------|-------|-------|
| Fixed assets                           | 843  | 1,173 | 1,807 | 1,702 | 1,595 |
| Property, plant and equipment          | 676  | 958   | 1,397 | 1,311 | 1,226 |
| Intangible assets                      | 148  | 184   | 352   | 330   | 309   |
| Financial assets                       | 0    | 0     | 6     | 9     | 9     |
| Other long-term assets                 | 20   | 32    | 52    | 52    | 52    |
| Current assets                         | 143  | 145   | 307   | 338   | 360   |
| Inventories                            | 2    | 1     | 2     | 2     | 2     |
| Accounts receivable                    | 9    | 19    | 31    | 38    | 38    |
| Other current assets                   | 13   | 25    | 36    | 44    | 45    |
| Securities                             | 0    | 0     | 0     | 0     | 0     |
| Cash                                   | 119  | 99    | 239   | 255   | 275   |
| Total assets                           | 986  | 1,319 | 2,114 | 2,040 | 1,955 |
| Equity and liabilities in m EUR        |      |       |       |       |       |
| Shareholders' equity                   | 243  | 262   | 521   | 535   | 543   |
| Shareholders' equity (before minority) | 236  | 254   | 501   | 515   | 521   |
| Minorities                             | 8    | 8     | 20    | 21    | 21    |
| Non-current liabilities                | 676  | 965   | 1,436 | 1,349 | 1,263 |
| Pension provisions                     | 0    | 0     | 0     | 0     | 0     |
| Other provisions                       | 6    | 10    | 15    | 15    | 15    |
| Long-term financial debt               | 585  | 864   | 1,324 | 1,237 | 1,151 |
| Other long-term debt                   | 85   | 91    | 97    | 97    | 97    |
| Current liabilities                    | 66   | 92    | 157   | 156   | 149   |
| Short-term debt                        | 42   | 57    | 104   | 97    | 91    |
| Other accruals short-term              | 1    | 3     | 5     | 6     | 6     |
| Accounts payable                       | 13   | 11    | 18    | 23    | 23    |
| Other liabilities                      | 9    | 21    | 29    | 29    | 29    |
| Total equity and liabilities           | 986  | 1,319 | 2,114 | 2,040 | 1,955 |

Source: Company information, Bankhaus Lampe Research estimates

## Capital Stage AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 85.5% | 89.0% | 85.5% | 83.4% | 81.6% |
| Property, plant and equipment | 68.5% | 72.7% | 66.1% | 64.3% | 62.7% |
| Intangible assets             | 15.0% | 13.9% | 16.7% | 16.2% | 15.8% |
| Current assets                | 14.5% | 11.0% | 14.5% | 16.6% | 18.4% |
| Inventories                   | 0.2%  | 0.1%  | 0.1%  | 0.1%  | 0.1%  |
| Accounts receivable           | 0.9%  | 1.5%  | 1.4%  | 1.8%  | 1.9%  |
| Cash                          | 12.0% | 7.5%  | 11.3% | 12.5% | 14.1% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 24.7% | 19.8% | 24.7% | 26.2% | 27.8% |
| Non-current liabilities       | 68.6% | 73.2% | 67.9% | 66.1% | 64.6% |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 59.4% | 65.5% | 62.6% | 60.6% | 58.9% |
| Current liabilities           | 6.7%  | 7.0%  | 7.4%  | 7.6%  | 7.6%  |
| Short-term debt               | 4.3%  | 4.3%  | 4.9%  | 4.8%  | 4.6%  |
| Accounts payable              | 1.3%  | 0.8%  | 0.9%  | 1.1%  | 1.2%  |

Source: Company information, Bankhaus Lampe Research estimates

# CEWE Stiftung & Co. KGaA

## CEO change with record result

06/12/2016

**Hold** (Hold)  
**77.00 EUR** (72.00 EUR)

Close 01/12/2016 79.82 EUR  
Bloomberg: CWC GY WKN: 540390  
Sector Consumer

### Share price performance

52 week high 90.55 EUR  
52 week low 47.11 EUR  
Compared to SDAX  
YTD 47.2%  
1 month -3.8%  
12 months 45.4%



### Share data

EV (m EUR; 2016) 557.0  
Market Cap (m EUR) 568.3  
No. of shares (m) 7.1  
Free float 70.5%

### Next event

Analyst conference 23/03/2017

### Change in model

|       | Sales | EBIT | EPS  |
|-------|-------|------|------|
| 2016e | 1.7%  | 0.0% | 0.0% |
| 2017e | 1.7%  | 1.2% | 1.5% |
| 2018e | 1.7%  | 5.3% | 5.6% |

### Analyst

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See end of document for disclaimer.

Following solid results, which exceeded our already optimistic expectations, we are raising our price target from € 72.00 to € 77.00. However, due to the current valuation, we stick to our HOLD rating.

### INVESTMENT CASE

As expected, CEWE upped its earnings guidance along with the 9M results. The company is now aiming for an EBIT of between € 40 m and € 46 m (previously: € 38-44 m). We still feel comfortable with our estimate of € 47 m given the current growth momentum, even though higher EBIT figures would be justifiable due to the scalability of the business. CEWE clearly stated that it is planning to increase its marketing expenditure in Q4 by additional € 3-4 m to further improve its brand awareness. In addition, the management team is not ruling out smaller goodwill impairment charges in line with its conservative approach to accounting. Nevertheless, we believe that a result above the current guidance is possible, because the longstanding CEO Rolf Hollander is leaving the company in mid-2017. He probably wants to sign off with a good set of numbers. His successor Christian Friege, currently in charge of national and international sales, recently explained that brand and innovation are set to remain pillars of strength in the coming years and determine CEWE's business. Thus, we assume that the company will not divert from its path.

### CATALYSTS

About 90% of annual earnings are generated in Q4. Smaller deviations from the high-pinned expectations can be regarded as risk factors.

### VALUATION

With a PER of 17x, the valuation is above the long-term average of 13.8; the PBV of 2.9 is also above the long-term average of 13.8.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 523.8 | 554.2 | 592.0 | 609.8 | 628.1 |
| EBIT                       | 32.6  | 36.8  | 47.0  | 50.5  | 54.6  |
| EBIT margin                | 6.2%  | 6.6%  | 7.9%  | 8.3%  | 8.7%  |
| Net financial debt         | -23.5 | -15.0 | -33.8 | -53.5 | -75.7 |
| Free cash-flow             | 28.1  | 4.4   | 27.8  | 32.1  | 34.9  |
| EPS (in EUR)               | 3.08  | 3.24  | 4.74  | 4.79  | 5.19  |
| DPS (in EUR)               | 1.55  | 1.60  | 1.75  | 1.80  | 1.85  |
| Dividend yield             | 3.0%  | 2.9%  | 2.2%  | 2.3%  | 2.3%  |
| EV/Sales                   | 0.7   | 0.7   | 0.9   | 0.9   | 0.8   |
| EV/EBIT                    | 11.0  | 10.8  | 11.9  | 10.6  | 9.4   |
| Price Earnings ratio (P/E) | 16.7  | 16.8  | 16.9  | 16.6  | 15.4  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Trend points towards value-added products
- Large product variety in order to exploit pricing potential
- Growth potential in online print

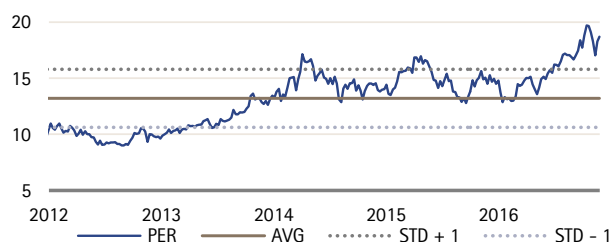
## MANAGEMENT

- Dr. Rolf Hollander (CEO)
- Dr. Olaf Holzkämper (CFO)
- Dr. Christian Friege (Member of the Board)
- Frank Zweigle (Member of the Board)
- Dr. Reiner Fageth (Member of the Board)
- Carsten Heitkamp (Member of the Board)
- Thomas Mehls (Member of the Board)

## SHORT-TERM GUIDANCE

- 2016: Revenues of between € 555 m and € 575 m
- 2016: EBIT of between € 40 m and € 46 m
- 2016: EPS of between € 4.00 and € 4.57

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 23/03/2017 Analyst conference

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| RE&D/Sales           | -     | -     | -     | -     | -     |
| Capex/Sales          | 6.8%  | 6.9%  | 7.2%  | 6.1%  | 6.1%  |
| Capex/Depreciation   | 1.1   | 1.0   | 1.2   | 1.0   | 1.0   |
| ROCE                 | 16.3% | 17.0% | 19.6% | 19.3% | 19.1% |
| Free cash flow yield | 7.8%  | 1.1%  | 4.3%  | 5.0%  | 5.4%  |
| Equity ratio         | 51.1% | 52.7% | 55.2% | 57.7% | 60.1% |
| Net debt / Equity    | -14%  | -8%   | -16%  | -23%  | -30%  |
| Net debt / EBITDA    | -0.4  | -0.2  | -0.4  | -0.6  | -0.8  |
| Interest cover       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

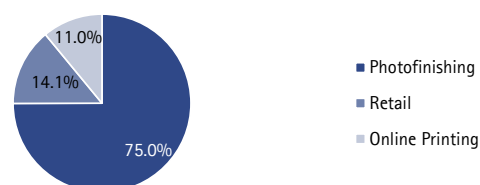
- Highly dependent on the Christmas business
- P&L structure is changing due to value-added products
- Digital imaging also declining currently

## COMPANY BACKGROUND

CEWE Stiftung & Co. KGaA is Europe's leading photofinishing company offering printing services and related products such as photo books, gift articles, cameras and accessories. The company markets its products through both retail stores and e-commerce with more than 30,000 retail partners in 24 European countries. Together with the Cewe Photoworld division, which encompasses photo retail and photo services, Cewe-Print.de, Saxoprint und Viaprinto, Cewe's online printer, represent the core of the family brand "Cewe best in print".

## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                              |      |
|------------------------------|------|
| Erbengemeinschaft Neumüller  | 27.4 |
| Acadian Asset Management LLC | 3.0  |
| Sparinvest                   | 2.4  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 592.0 | 609.8 | 628.1 |
| Consensus        | 584.9 | 603.5 | 621.0 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 47.0  | 50.5  | 54.6  |
| Consensus        | 44.5  | 47.1  | 51.0  |
| EPS (EUR)        |       |       |       |
| BHL              | 4.74  | 4.79  | 5.19  |
| Consensus        | 4.40  | 4.53  | 4.92  |

Source: Company information, FactSet, BHL estimates

# Key figures

## CEWE Stiftung & Co. KGaA – Income statement

| in m EUR                          | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|-----------------------------------|--------|--------|--------|--------|--------|
| Sales                             | 523.8  | 554.2  | 592.0  | 609.8  | 628.1  |
| Own work capitalised              | 1.1    | 1.3    | 0.0    | 1.3    | 1.3    |
| Total sales                       | 524.9  | 555.4  | 592.0  | 611.1  | 629.4  |
| Material expenses                 | -162.7 | -162.2 | -173.2 | -178.4 | -183.8 |
| Personnel expenses                | -135.9 | -143.7 | -153.6 | -158.2 | -162.9 |
| Unusual or infrequent items       | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result            | -160.3 | -174.4 | -182.2 | -187.0 | -190.0 |
| EBITDA                            | 66.0   | 75.1   | 83.0   | 87.5   | 92.6   |
| Depreciation                      | 33.5   | 38.4   | 36.0   | 37.0   | 38.0   |
| EBITA                             | 32.6   | 36.8   | 47.0   | 50.5   | 54.6   |
| Amortisation of goodwill          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                              | 32.6   | 36.8   | 47.0   | 50.5   | 54.6   |
| Financial result                  | -1.0   | -0.5   | -0.4   | -0.4   | -0.4   |
| Income on ordinary activities     | 31.5   | 36.3   | 46.6   | 50.1   | 54.2   |
| Extraordinary income/loss         | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                               | 31.5   | 36.3   | 46.6   | 50.1   | 54.2   |
| Taxes                             | -10.1  | -13.6  | -13.4  | -16.5  | -17.9  |
| Net income from cont. operations  | 21.4   | 22.7   | 33.2   | 33.5   | 36.3   |
| Net income from disc. operations  | 0.0    | 0.4    | 0.0    | 0.0    | 0.0    |
| Minority interest                 | 0.0    | 0.0    | 0.5    | 0.6    | 0.6    |
| Net income (adj.)                 | 21.4   | 23.1   | 33.7   | 34.1   | 36.9   |
| No. of shares                     | 7.0    | 7.1    | 7.1    | 7.1    | 7.1    |
| EPS                               | 3.08   | 3.24   | 4.74   | 4.79   | 5.19   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 68.9% | 70.7% | 70.7% | 70.7% | 70.7% |
| EBITDA margin     | 12.6% | 13.6% | 14.0% | 14.3% | 14.8% |
| EBITA margin      | 6.2%  | 6.6%  | 7.9%  | 8.3%  | 8.7%  |
| EBIT margin       | 6.2%  | 6.6%  | 7.9%  | 8.3%  | 8.7%  |
| EBT margin        | 6.0%  | 6.6%  | 7.9%  | 8.2%  | 8.6%  |
| Net profit margin | 4.1%  | 4.2%  | 5.7%  | 5.6%  | 5.9%  |
| Tax rate          | 32.0% | 37.4% | 28.7% | 33.0% | 33.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Sales             | -2.3% | 5.8%  | 6.8%  | 3.0%  | 3.0%  |
| EBITDA            | -1.2% | 13.8% | 10.5% | 5.4%  | 5.9%  |
| EBIT              | 12.5% | 13.0% | 27.8% | 7.4%  | 8.3%  |
| EBT               | 15.9% | 15.2% | 28.3% | 7.4%  | 8.4%  |
| Net income (adj.) | -4.3% | 7.8%  | 46.0% | 1.2%  | 8.2%  |
| EPS               | -9.6% | 5.4%  | 46.0% | 1.2%  | 8.2%  |

Source: Company information, Bankhaus Lampe Research estimates

## CEWE Stiftung &amp; Co. KGaA – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 167.8 | 182.3 | 188.8 | 188.8 | 188.8 |
| Property, plant and equipment          | 102.5 | 108.6 | 115.0 | 115.0 | 115.0 |
| Intangible assets                      | 44.7  | 54.7  | 54.7  | 54.7  | 54.7  |
| Financial assets                       | 8.2   | 9.4   | 9.4   | 9.4   | 9.4   |
| Other long-term assets                 | 12.4  | 9.7   | 9.7   | 9.7   | 9.7   |
| Current assets                         | 171.9 | 173.3 | 190.5 | 212.2 | 236.4 |
| Inventories                            | 48.9  | 50.7  | 53.0  | 55.0  | 57.0  |
| Accounts receivable                    | 84.3  | 90.4  | 85.0  | 85.0  | 85.0  |
| Other current assets                   | 11.0  | 10.5  | 11.0  | 11.0  | 11.0  |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 27.7  | 21.7  | 41.5  | 61.2  | 83.4  |
| Total assets                           | 339.7 | 355.6 | 379.3 | 401.0 | 425.1 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 173.6 | 187.2 | 209.6 | 231.2 | 255.4 |
| Shareholders' equity (before minority) | 173.6 | 187.6 | 209.9 | 231.6 | 255.7 |
| Minorities                             | 0.0   | -0.4  | -0.4  | -0.4  | -0.4  |
| Non-current liabilities                | 27.8  | 27.5  | 30.8  | 30.8  | 30.8  |
| Pension provisions                     | 21.9  | 22.9  | 22.9  | 22.9  | 22.9  |
| Other provisions                       | 0.2   | 0.2   | 0.2   | 0.2   | 0.2   |
| Long-term financial debt               | 2.7   | 1.8   | 2.7   | 2.7   | 2.7   |
| Other long-term debt                   | 3.0   | 2.6   | 5.0   | 5.0   | 5.0   |
| Current liabilities                    | 138.2 | 140.9 | 139.0 | 139.0 | 139.0 |
| Short-term debt                        | 1.6   | 4.9   | 5.0   | 5.0   | 5.0   |
| Other accruals short-term              | 7.7   | 10.0  | 8.0   | 8.0   | 8.0   |
| Accounts payable                       | 96.1  | 90.9  | 91.0  | 91.0  | 91.0  |
| Other liabilities                      | 32.8  | 35.0  | 35.0  | 35.0  | 35.0  |
| Total equity and liabilities           | 339.7 | 355.6 | 379.3 | 401.0 | 425.1 |

Source: Company information, Bankhaus Lampe Research estimates

## CEWE Stiftung &amp; Co. KGaA – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 49.4% | 51.3% | 49.8% | 47.1% | 44.4% |
| Property, plant and equipment | 30.2% | 30.5% | 30.3% | 28.7% | 27.1% |
| Intangible assets             | 13.2% | 15.4% | 14.4% | 13.6% | 12.9% |
| Current assets                | 50.6% | 48.7% | 50.2% | 52.9% | 55.6% |
| Inventories                   | 14.4% | 14.3% | 14.0% | 13.7% | 13.4% |
| Accounts receivable           | 24.8% | 25.4% | 22.4% | 21.2% | 20.0% |
| Cash                          | 8.1%  | 6.1%  | 11.0% | 15.3% | 19.6% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 51.1% | 52.7% | 55.2% | 57.7% | 60.1% |
| Non-current liabilities       | 8.2%  | 7.7%  | 8.1%  | 7.7%  | 7.2%  |
| Pension provisions            | 6.5%  | 6.5%  | 6.0%  | 5.7%  | 5.4%  |
| Long-term financial debt      | 0.8%  | 0.5%  | 0.7%  | 0.7%  | 0.6%  |
| Current liabilities           | 40.7% | 39.6% | 36.6% | 34.7% | 32.7% |
| Short-term debt               | 0.5%  | 1.4%  | 1.3%  | 1.2%  | 1.2%  |
| Accounts payable              | 28.3% | 25.6% | 24.0% | 22.7% | 21.4% |

Source: Company information, Bankhaus Lampe Research estimates

# comdirect bank AG

Above-average growth and returns already in the price

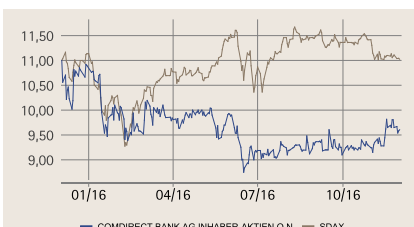
06/12/2016

**Hold** (Hold)  
**9.00 EUR** (9.00 EUR)

Close 01/12/2016 9.61 EUR  
Bloomberg: COM GR WKN: 542800  
Sector Banks

## Share price performance

52 week high 10.92 EUR  
52 week low 8.75 EUR  
Compared to SDAX  
YTD -10.9%  
1 month 6.1%  
12 months -12.4%



## Share data

Market Cap (m EUR) 1,356  
No. of shares (m) 141.2  
Free float 18.7%

## Next event

Annual Results 31/01/2017

## Change in model

|       | PBT   | EPS   | DPS |
|-------|-------|-------|-----|
| 2016e | 20.8% | 23.9% | --- |
| 2017e | 9.4%  | 11.6% | --- |
| 2018e | -9.0% | -7.8% | --- |

## Analyst

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neil.smith@bankhaus-lampe.de

See end of document for disclaimer.

We believe that Comdirect (COM) can maintain a steady 5-10% asset growth rate over the medium term in spite of growing competition from traditional banks in the online banking market. However, we believe that this is already more than adequately reflected in the valuation.

## INVESTMENT CASE

### Positive

- Low cost per customer (~50% less than for a branch network)
- Potential increase in share liquidity (if CBK reduces its 81% stake)
- Steady growth (~10% p.a.) and ROTe (~10%) above the sector average (~8%)

### Negative

- CET1 and leverage ratio (CRD IV, standalone basis) not disclosed
- Significant exposure to CBK debt (€ 11 bn) (large exposure risk)
- Intense competition (most branch banks now also have on-line capability)

## CATALYSTS

Q4 2016 results may benefit from a recovery in trading volumes (post US election)

## VALUATION

Based on FactSet consensus estimates (+2YR)

- Assuming the P/E (23.4x) reverts to the LTA (17.6x) suggests € 7.36 (-25%)
- Assuming the P/TB (2.20x) reverts to the LTA (2.19x) suggests € 9.76 (+0%)
- The ROTe (9.4%) suggests a P/TB of 1.00x and € 4.44 (-55%) (sector regression)

Our PT of € 9.00 (-8%) would suggest a P/TB of 2.0x which represents a premium to the European Banks sector (STOXX Europe 600) of ~125% (in line with the long term average premium). We believe that this more than adequately reflects the above average growth and ROTe.

| in EUR m                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Total income               | 338.8 | 365.8 | 340.2 | 355.2 | 370.7 |
| Profit before tax          | 82.5  | 90.6  | 118.6 | 79.5  | 80.1  |
| CET1 ratio %               | 7.9%  | 7.4%  | 6.4%  | 6.5%  | 6.5%  |
| EPS                        | 0.47  | 0.46  | 0.63  | 0.42  | 0.42  |
| TNAV per share             | 4.00  | 4.22  | 4.00  | 4.12  | 4.23  |
| Dividend per share         | 0.40  | 0.40  | 0.30  | 0.30  | 0.30  |
| Price Earnings ratio (P/E) | 17.68 | 23.70 | 15.28 | 22.92 | 22.89 |
| P/TNAV                     | 2.08  | 2.58  | 2.40  | 2.33  | 2.27  |
| Dividend yield             | 4.8%  | 3.7%  | 3.1%  | 3.1%  | 3.1%  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Low cost per customer (c.50% of cost for branch banks)
- Potential increase in share liquidity (if CBK reduces 81% stake)
- Steady growth in customer numbers (2011-2015 c.5% p.a.)

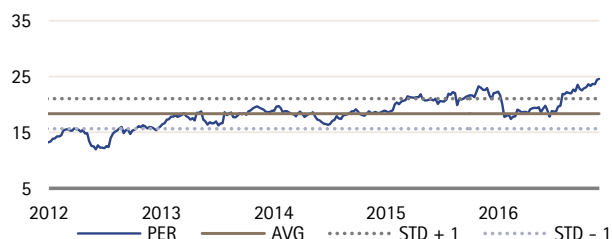
### MANAGEMENT

- Arno Walter (CEO)
- Dietmar von Blücher (CFO)
- -
- Martina Palte (COO)

## SHORT-TERM GUIDANCE

- Tangible decline in net interest income (NII) (2016)
- Decrease in Net Commission Income (NCI) (2016)
- Admin expenses broadly flat (2016)

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 31/01/2017 Annual Results

## KEY RATIOS

| in EUR m                   | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------------|-------|-------|-------|-------|-------|
| Total income               | 338.8 | 365.8 | 340.2 | 355.2 | 370.7 |
| Profit before tax          | 82.5  | 90.6  | 118.6 | 79.5  | 80.1  |
| CET1 ratio %               | 7.9%  | 7.4%  | 6.4%  | 6.5%  | 6.5%  |
| EPS                        | 0.47  | 0.46  | 0.63  | 0.42  | 0.42  |
| TNAV per share             | 4.00  | 4.22  | 4.00  | 4.12  | 4.23  |
| Dividend per share         | 0.40  | 0.40  | 0.30  | 0.30  | 0.30  |
| Price Earnings ratio (P/E) | 17.68 | 23.70 | 15.28 | 22.92 | 22.89 |
| P/TNAV                     | 2.08  | 2.58  | 2.40  | 2.33  | 2.27  |
| Dividend yield             | 4.8%  | 3.7%  | 3.1%  | 3.1%  | 3.1%  |

### Weaknesses/Threats (Risks)

- CET1 and leverage ratio (CRD IV, standalone basis) not disclosed
- Significant exposure to CBK debt (€ 11 bn)
- Intense competition (most banks now have on-line capability)

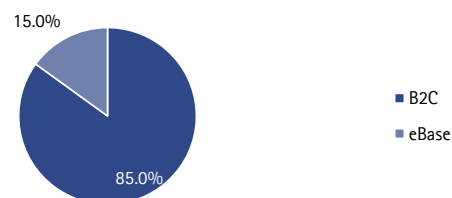
## COMPANY BACKGROUND

comdirect comprises two divisions. The B2C division (comdirect) provides online banking services to private customers in Germany (including securities trading). The B2B division (ebase) offers online banking services to institutional clients (e.g. insurance companies, asset managers, IFAs) in Germany.

## MEDIUM-TERM GUIDANCE

- 2020 strategy disclosed in 2016, but no measurable targets

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                                 |      |
|---------------------------------|------|
| Commerzbank AG                  | 81.3 |
| Shareholder Value Management AG | 0.9  |
| ACATIS Investment GmbH          | 0.7  |

## BHL VS. CONSENSUS

|           | 16e   | 17e  | 18e  |
|-----------|-------|------|------|
| PBT (m)   |       |      |      |
| BHL       | 118.6 | 79.5 | 80.1 |
| Consensus | 112.2 | 71.9 | 74.0 |
| DPS (EUR) |       |      |      |
| BHL       | 0.30  | 0.30 | 0.30 |
| Consensus | 0.40  | 0.30 | 0.30 |
| EPS (EUR) |       |      |      |
| BHL       | 0.63  | 0.42 | 0.42 |
| Consensus | 0.59  | 0.38 | 0.38 |

Source: Company information, FactSet, BHL estimates

# Key figures

## comdirect bank AG – Income statement

| EURm                     | 2014         | 2015         | 2016e        | 2017e        | 2018e        |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income      | 145.8        | 137.4        | 128.2        | 132.5        | 136.8        |
| Other income             | 193.0        | 228.4        | 212.0        | 222.7        | 233.9        |
| <b>Total income</b>      | <b>338.8</b> | <b>365.8</b> | <b>340.2</b> | <b>355.2</b> | <b>370.7</b> |
| Loan loss provisions     | -0.3         | -2.9         | -0.9         | -2.0         | -3.2         |
| Costs                    | -270.9       | -280.0       | -268.1       | -281.6       | -295.8       |
| Other income / expense   | 14.8         | 7.7          | 47.4         | 8.0          | 8.4          |
| <b>Profit before tax</b> | <b>82.5</b>  | <b>90.6</b>  | <b>118.6</b> | <b>79.5</b>  | <b>80.1</b>  |
| Taxes                    | -16.3        | -25.6        | -29.8        | -19.7        | -19.5        |
| <b>Profit after tax</b>  | <b>66.1</b>  | <b>65.0</b>  | <b>88.8</b>  | <b>59.9</b>  | <b>60.7</b>  |
| NCI & other (PL)         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Earnings</b>          | <b>66.1</b>  | <b>65.0</b>  | <b>88.8</b>  | <b>59.9</b>  | <b>60.7</b>  |

Source: Company information, Bankhaus Lampe Research estimates

## comdirect bank AG – Balance sheet

| EURm                     | 2014          | 2015          | 2016e         | 2017e         | 2018e         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Customer loans           | 235.4         | 341.8         | 387.3         | 406.9         | 427.4         |
| Intangible assets        | 24.8          | 23.1          | 23.0          | 23.6          | 24.2          |
| Other assets             | 14,910        | 16,399        | 17,790        | 18,688        | 19,631        |
| <b>Total assets</b>      | <b>15,170</b> | <b>16,764</b> | <b>18,201</b> | <b>19,119</b> | <b>20,083</b> |
| Customer deposits        | 14,455        | 16,045        | 17,436        | 18,316        | 19,240        |
| Other liabilities        | 124.4         | 99.5          | 176.2         | 197.9         | 221.6         |
| NCI & other (BS)         | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| Shareholders' equity     | 590.2         | 619.5         | 588.1         | 605.0         | 621.8         |
| <b>Total liabilities</b> | <b>15,170</b> | <b>16,764</b> | <b>18,201</b> | <b>19,119</b> | <b>20,083</b> |

Source: Company information, Bankhaus Lampe Research estimates

## comdirect bank AG – Balance sheet structure

|                          | 2014          | 2015          | 2016e         | 2017e         | 2018e         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Customer loans           | 1.6%          | 2.0%          | 2.1%          | 2.1%          | 2.1%          |
| Intangible assets        | 0.2%          | 0.1%          | 0.1%          | 0.1%          | 0.1%          |
| Other assets             | 98.3%         | 97.8%         | 97.7%         | 97.7%         | 97.8%         |
| <b>Total assets</b>      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| Customer deposits        | 95.3%         | 95.7%         | 95.8%         | 95.8%         | 95.8%         |
| Other liabilities        | 0.8%          | 0.6%          | 1.0%          | 1.0%          | 1.1%          |
| NCI & other (BS)         | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| Shareholders' equity     | 3.9%          | 3.7%          | 3.2%          | 3.2%          | 3.1%          |
| <b>Total liabilities</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

Source: Company information, Bankhaus Lampe Research estimates

## comdirect bank AG – Ratios

|                                | 2014  | 2015  | 2016e | 2017e  | 2018e |
|--------------------------------|-------|-------|-------|--------|-------|
| <b>Per Share Data</b>          |       |       |       |        |       |
| No. of shares (m)              | 141.2 | 141.2 | 141.2 | 141.2  | 141.2 |
| Number of Shares (Average) (m) | 141.2 | 141.2 | 141.2 | 141.2  | 141.2 |
| EPS                            | 0.47  | 0.46  | 0.63  | 0.42   | 0.42  |
| TNAV per share                 | 4.00  | 4.22  | 4.00  | 4.12   | 4.23  |
| Dividend per share             | 0.40  | 0.40  | 0.30  | 0.30   | 0.30  |
| <b>Profit &amp; loss data</b>  |       |       |       |        |       |
| CIR                            | 79.9% | 76.5% | 78.8% | 79.3%  | 79.8% |
| Tax ratio                      | 19.8% | 28.2% | 25.1% | 24.7%  | 24.3% |
| PBT growth                     | -     | 9.9%  | 30.9% | -32.9% | 0.8%  |
| EPS growth                     | -     | -2.1% | 36.7% | -33.3% | 0.1%  |
| ROTE                           | 11.7% | 10.9% | 15.7% | 10.2%  | 9.9%  |
| <b>Balance sheet data</b>      |       |       |       |        |       |
| RWA (m)                        | 66.1  | 65.0  | 88.8  | 59.9   | 60.7  |
| CET1 ratio %                   | 7.9%  | 7.4%  | 6.4%  | 6.5%   | 6.5%  |
| Tier 1 ratio %                 | 7.9%  | 7.4%  | 6.4%  | 6.8%   | 7.1%  |
| Leverage ratio %               | 2.7%  | 2.6%  | 2.2%  | 2.3%   | 2.4%  |
| LCR %                          | -     | -     | -     | -      | -     |
| NSFR %                         | -     | -     | -     | -      | -     |
| <b>Valuation ratios</b>        |       |       |       |        |       |
| Price Earnings ratio (P/E)     | 17.7  | 23.7  | 15.3  | 22.9   | 22.9  |
| P/TNAV                         | 2.1   | 2.6   | 2.4   | 2.3    | 2.3   |
| Dividend yield                 | 4.8%  | 3.7%  | 3.1%  | 3.1%   | 3.1%  |

Source: Company information, Bankhaus Lampe Research estimates

# DATRON AG

## Successful niche player

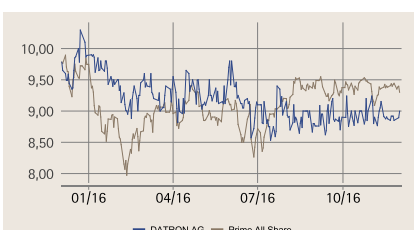
06/12/2016

**Buy** (Buy)  
**12.00 EUR** (12.50 EUR)

Close 01/12/2016 9.00 EUR  
Bloomberg: DAR GY WKN: A0V9LA  
Sector Engineering

### Share price performance

52 week high 10.30 EUR  
52 week low 8.53 EUR  
Compared to Prime All Share  
YTD -4.4%  
1 month -2.3%  
12 months 1.5%



### Share data

EV (m EUR; 2016) 30.3  
Market Cap (m EUR) 36.0  
No. of shares (m) 4.0  
Free float 27.5%

### Next event

Annual Results 02/03/2017

### Change in model

|       | Sales | EBIT   | EPS    |
|-------|-------|--------|--------|
| 2016e | -4.2% | -15.3% | -15.5% |
| 2017e | -2.1% | -1.5%  | -1.5%  |
| 2018e | -2.1% | -1.6%  | -1.6%  |

### Analyst

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See end of document for disclaimer.

Following our latest discussions with the management team, we still believe that the company has good growth prospects. We are therefore reiterating our BUY rating with a price target of € 12.00.

### INVESTMENT CASE

Datron recently published solid Q3 results. In this period, the company recorded revenue of € 12.4 m, order intake of € 11.8 m and an EBIT of € 1.4 m, which corresponds to a margin of 11.5%. These figures clearly illustrate the scalability of the business model: With quarterly revenues of more than € 10 m, the company can achieve double-digit margins. However, the performance by segment varied. While the business with Dental CAM milling and grind machines has slowed down further over the past three months, the largest division – CNC milling machines – has been showing sustained growth momentum. In H2 2016, this was also helped by the recently introduced compact CNC milling machine, DATRON neo. Overall, we have lowered our 2016 EBIT estimates by € 0.2 m. On balance, we expect to see an organic revenue increase of 10% in the next few years. This growth could also be supported by acquisitions. The production capacities require, in our view, no step-fixed cost increase.

### CATALYSTS

Datron plans to give a detailed 2017 guidance at the beginning of March. This should clearly underpin that the company is significantly outperforming the global sector.

### VALUATION

Our peer group is trading at a PER<sub>2017e</sub> of 18x (Datron: 12x). This results in upside potential for the stock. Our DCF model confirmed the price target of € 12.00.

| in m EUR                   | 2014 | 2015 | 2016e | 2017e | 2018e |
|----------------------------|------|------|-------|-------|-------|
| Sales                      | 38.2 | 42.6 | 46.0  | 51.7  | 56.9  |
| EBIT                       | 3.0  | 3.3  | 3.3   | 4.3   | 4.7   |
| EBIT margin                | 7.9% | 7.7% | 7.2%  | 8.3%  | 8.2%  |
| Net financial debt         | -5.7 | -5.3 | -5.7  | -5.8  | -6.2  |
| Free cash-flow             | 1.1  | 0.6  | 1.0   | 0.9   | 1.4   |
| EPS (in EUR)               | 0.52 | 0.56 | 0.57  | 0.75  | 0.83  |
| DPS (in EUR)               | 0.15 | 0.15 | 0.20  | 0.25  | 0.30  |
| Dividend yield             | 1.7% | 1.5% | 2.2%  | 2.8%  | 3.3%  |
| EV/Sales                   | 0.8  | 0.8  | 0.7   | 0.6   | 0.5   |
| EV/EBIT                    | 9.7  | 10.5 | 9.2   | 7.0   | 6.4   |
| Price Earnings ratio (P/E) | 16.7 | 17.6 | 15.7  | 12.0  | 10.8  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- High-tech products for fast-growing markets
- Considerable barriers prevent rivals from entering Datron's market
- Highly innovative
- Large volume of machines installed worldwide (>3,400)
- Using synergy potential for internationalisation

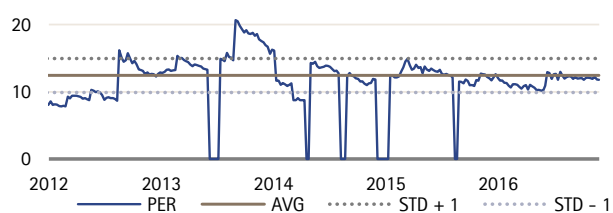
## MANAGEMENT

- Dr. rer. pol. Arne Brüsch (CEO)
- Michael Daniel (CFO)
- Thorsten Müller
- Thomas Frank

## SHORT-TERM GUIDANCE

- 2016: Revenue € 46 m
- 2016: EBIT€ 3 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 02/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 0.5%  | 2.9%  | 2.2%  | 2.2%  | 2.1%  |
| Capex/Depreciation   | 0.3   | 1.7   | 1.4   | 1.4   | 1.3   |
| ROCE                 | 14.8% | 14.8% | 13.9% | 16.6% | 16.6% |
| Free cash flow yield | 3.1%  | 1.5%  | 3.0%  | 2.4%  | 4.1%  |
| Equity ratio         | 82.1% | 82.4% | 82.9% | 83.6% | 84.0% |
| Net debt / Equity    | -28%  | -24%  | -24%  | -22%  | -22%  |
| Net debt / EBITDA    | -1.5  | -1.3  | -1.4  | -1.1  | -1.1  |
| Interest cover       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- As SME, reliant upon highly skilled staff
- As engineering company, Datron depends on industry investment activity
- Corporate structure has to be adjusted constantly to meet growth requirements

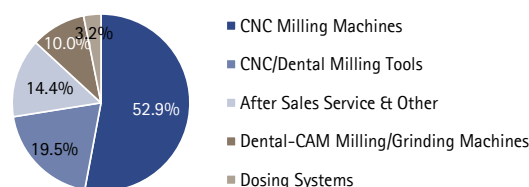
## COMPANY BACKGROUND

Datron develops, produces and sells innovative CNC milling machines for modern materials and composites, dental milling machines for the efficient finishing of all common dentures in dental labs, high-speed milling tools as well as high-performance dosing machines for industrial sealing and adhesive applications.

## MEDIUM-TERM GUIDANCE

- 2017: 10% organic revenue growth

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                         |      |
|-------------------------|------|
| Dr. Arne Brüsch (CEO)   | 64.6 |
| Rest of Management team | 2.0  |
| Manfred Becker          | 4.9  |

## BHL VS. CONSENSUS

|                  | 16e  | 17e  | 18e  |
|------------------|------|------|------|
| Sales (in m EUR) |      |      |      |
| BHL              | 46.0 | 51.7 | 56.9 |
| Consensus        | 48.0 | 52.8 | 58.1 |
| EBIT (in m EUR)  |      |      |      |
| BHL              | 3.3  | 4.3  | 4.7  |
| Consensus        | 3.9  | 4.4  | 4.8  |
| EPS (EUR)        |      |      |      |
| BHL              | 0.57 | 0.75 | 0.83 |
| Consensus        | 0.68 | 0.76 | 0.84 |

Source: Company information, FactSet, BHL estimates

# Key figures

## DATRON AG – Income statement

| in m EUR                             | 2014  | 2015  | 2016e | 2017e | 2018e |
|--------------------------------------|-------|-------|-------|-------|-------|
| Sales                                | 38.2  | 42.6  | 46.0  | 51.7  | 56.9  |
| Own work capitalised                 | 1.3   | 1.2   | 1.2   | 1.2   | 1.2   |
| Total sales                          | 39.5  | 43.7  | 47.2  | 52.9  | 58.0  |
| Material expenses                    | -17.3 | -19.3 | -20.7 | -23.3 | -25.6 |
| Personnel expenses                   | -12.6 | -14.0 | -14.8 | -16.3 | -17.7 |
| Unusual or infrequent items          | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other operating result               | -5.9  | -6.5  | -7.6  | -8.1  | -9.1  |
| EBITDA                               | 3.7   | 4.0   | 4.0   | 5.1   | 5.6   |
| Depreciation                         | 0.7   | 0.7   | 0.8   | 0.8   | 0.9   |
| EBITA                                | 3.0   | 3.3   | 3.3   | 4.3   | 4.7   |
| Amortisation of goodwill             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Amortisation of intangible assets    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBIT                                 | 3.0   | 3.3   | 3.3   | 4.3   | 4.7   |
| Financial result                     | 0.0   | 0.1   | 0.0   | 0.0   | 0.1   |
| Income on ordinary activities        | 3.0   | 3.3   | 3.3   | 4.3   | 4.8   |
| Extraordinary income/loss            | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBT                                  | 3.0   | 3.3   | 3.3   | 4.3   | 4.8   |
| Taxes                                | -0.9  | -1.1  | -1.0  | -1.3  | -1.4  |
| Net income from cont. operations     | 2.1   | 2.3   | 2.3   | 3.0   | 3.3   |
| Net income from discount. operations | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Minority interest                    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Net income (adj.)                    | 2.1   | 2.3   | 2.3   | 3.0   | 3.3   |
| No. of shares                        | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   |
| EPS                                  | 0.52  | 0.56  | 0.57  | 0.75  | 0.83  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 54.6% | 54.7% | 54.9% | 54.9% | 54.9% |
| EBITDA margin     | 9.7%  | 9.3%  | 8.8%  | 9.9%  | 9.8%  |
| EBITA margin      | 7.9%  | 7.7%  | 7.2%  | 8.3%  | 8.2%  |
| EBIT margin       | 7.9%  | 7.7%  | 7.2%  | 8.3%  | 8.2%  |
| EBT margin        | 7.9%  | 7.8%  | 7.1%  | 8.3%  | 8.4%  |
| Net profit margin | 5.5%  | 5.3%  | 5.0%  | 5.8%  | 5.8%  |
| Tax rate          | 30.1% | 32.2% | 30.0% | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Sales             | 13.9% | 11.5% | 8.0%  | 12.4% | 10.0% |
| EBITDA            | 52.0% | 7.7%  | 1.7%  | 26.2% | 9.3%  |
| EBIT              | 63.4% | 8.6%  | 1.1%  | 30.1% | 9.2%  |
| EBT               | 66.1% | 10.6% | -1.5% | 31.1% | 10.7% |
| Net income (adj.) | 67.0% | 7.4%  | 1.7%  | 31.1% | 10.7% |
| EPS               | 67.0% | 7.4%  | 1.7%  | 31.1% | 10.7% |

Source: Company information, Bankhaus Lampe Research estimates

## DATRON AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 4.0  | 5.1  | 5.4   | 5.7   | 6.0   |
| Property, plant and equipment          | 3.4  | 3.9  | 4.2   | 4.5   | 4.8   |
| Intangible assets                      | 0.1  | 0.2  | 0.2   | 0.2   | 0.2   |
| Financial assets                       | 0.5  | 1.0  | 1.0   | 1.0   | 1.0   |
| Other long-term assets                 | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Current assets                         | 20.8 | 21.6 | 23.2  | 25.3  | 27.6  |
| Inventories                            | 8.6  | 9.5  | 10.3  | 11.5  | 12.7  |
| Accounts receivable                    | 5.2  | 5.6  | 6.1   | 6.8   | 7.5   |
| Other current assets                   | 1.3  | 1.2  | 1.2   | 1.2   | 1.2   |
| Securities                             | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Cash                                   | 5.7  | 5.3  | 5.7   | 5.8   | 6.2   |
| Total assets                           | 24.8 | 26.7 | 28.6  | 31.0  | 33.6  |
| Equity and liabilities in m EUR        |      |      |       |       |       |
| Shareholders' equity                   | 20.4 | 22.0 | 23.7  | 25.9  | 28.2  |
| Shareholders' equity (before minority) | 20.4 | 22.0 | 23.7  | 25.9  | 28.2  |
| Minorities                             | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Non-current liabilities                | 2.4  | 2.2  | 2.2   | 2.2   | 2.2   |
| Pension provisions                     | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Other provisions                       | 2.4  | 2.2  | 2.2   | 2.2   | 2.2   |
| Long-term financial debt               | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Other long-term debt                   | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Current liabilities                    | 2.0  | 2.5  | 2.7   | 2.9   | 3.2   |
| Short-term debt                        | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Other accruals short-term              | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Accounts payable                       | 1.5  | 2.0  | 2.2   | 2.4   | 2.7   |
| Other liabilities                      | 0.5  | 0.5  | 0.5   | 0.5   | 0.5   |
| Total equity and liabilities           | 24.8 | 26.7 | 28.6  | 31.0  | 33.6  |

Source: Company information, Bankhaus Lampe Research estimates

## DATRON AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 16.2% | 19.2% | 18.9% | 18.4% | 17.9% |
| Property, plant and equipment | 13.7% | 14.8% | 14.7% | 14.5% | 14.3% |
| Intangible assets             | 0.5%  | 0.7%  | 0.7%  | 0.6%  | 0.6%  |
| Current assets                | 83.7% | 80.9% | 81.1% | 81.7% | 82.1% |
| Inventories                   | 34.6% | 35.5% | 35.8% | 37.2% | 37.7% |
| Accounts receivable           | 20.8% | 21.0% | 21.2% | 21.9% | 22.3% |
| Cash                          | 23.1% | 19.9% | 19.9% | 18.7% | 18.6% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 82.1% | 82.4% | 82.9% | 83.6% | 84.0% |
| Non-current liabilities       | 9.6%  | 8.4%  | 7.7%  | 7.1%  | 6.5%  |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Current liabilities           | 8.1%  | 9.3%  | 9.3%  | 9.4%  | 9.4%  |
| Short-term debt               | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts payable              | 6.2%  | 7.5%  | 7.6%  | 7.9%  | 8.0%  |

Source: Company information, Bankhaus Lampe Research estimates

# Deutsche Beteiligungs AG

Very good prospects for growth

06/12/2016

**Buy** (Buy)  
**36.50 EUR** (35.00 EUR)

Close 01/12/2016 30.72 EUR  
Bloomberg: DBAN GY WKN: A1TNUT  
Sector Financial Services

## Share price performance

52 week high 31.49 EUR  
52 week low 23.53 EUR  
Compared to SDAX  
YTD 4.2%  
1 month 4.5%  
12 months 5.3%



## Share data

EV (m EUR; 2016) 306.7  
Market Cap (m EUR) 410.6  
No. of shares (m) 13.9  
Free float 77.3%

## Next event

Annual Results 15/12/2016

## Change in model

|          | Sales | EBIT  | EPS   |
|----------|-------|-------|-------|
| 2015/16e | ---   | 20.5% | 18.6% |
| 2016/17e | 3.4%  | 5.4%  | -4.2% |
| 2017/18e | 5.0%  | 7.5%  | -2.3% |

## Analyst

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See end of document for disclaimer.

We are sticking to our positive view on Deutsche Beteiligungs AG (DBAG). With a return on equity well above the equity capital costs and an attractive dividend yield, the business model is appealing to long-term investors, in our view. We have taken account of the recent newsflow including the dilution due to the capital increase in our model. We confirm our BUY rating with a new price target of € 36.50.

## INVESTMENT CASE

With this stock, investors can participate in above-average yields, which private equity is able to generate. This is mainly due to DBAG's entrepreneurial approach of not only acting as an investor but also developing the companies further. The investment managers are highly incentivised and therefore have the clear objective to further the investment case. Overall, this approach is leading to above-average yields compared with traditional investments, which should be positively reflected in the share price.

We have taken account of the expected fee income from the follow-up fund, DBAG Fund VII, and the 10% capital increase (cash inflow of € 37 m) in our model. After the latest transactions, we expect 2015/16 group earnings for DBAG of between € 48 m and € 52 m, which significantly exceeds our previous estimate (€ 41.3 m).

## CATALYSTS

The catalysts for stock are, in our view, potential divestments, which show that the previous valuation approach was often too cautious with respect to sales to strategic investors.

## VALUATION

To arrive at our price target, we use a twofold approach: We calculate the net asset value to reflect the investment holding business and use a DCF model for the valuation of the fund business.

| in m EUR                   | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|----------------------------|---------|---------|----------|----------|----------|
| Sales                      | 72.9    | 48.4    | 65.4     | 70.7     | 84.0     |
| EBIT                       | 48.2    | 26.8    | 50.0     | 45.3     | 57.1     |
| EBIT margin                | 66.1%   | 55.3%   | 76.4%    | 64.1%    | 68.0%    |
| Net financial debt         | -59.8   | -32.0   | -112.7   | -110.1   | -119.0   |
| Free cash-flow             | 33.5    | 27.2    | 55.8     | 15.5     | 26.9     |
| EPS (in EUR)               | 3.51    | 1.98    | 3.58     | 3.00     | 3.78     |
| DPS (in EUR)               | 2.00    | 1.00    | 1.20     | 1.20     | 1.20     |
| Dividend yield             | 9.3%    | 4.0%    | 4.1%     | 3.9%     | 3.9%     |
| EV/Sales                   | 3.3     | 6.6     | 4.7      | 5.1      | 4.2      |
| EV/EBIT                    | 5.0     | 11.7    | 6.1      | 7.9      | 6.2      |
| Price Earnings ratio (P/E) | 6.1     | 12.6    | 8.3      | 10.2     | 8.1      |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Broadly diversified portfolio in Germany's "Mittelstand"
- Equity investments with good prospects for growth
- High equity ratio (>90%) gives the company considerable investment resources and strong foundations

### MANAGEMENT

- Torsten Grede (Spokesman of the Executive Board)
- Dr. Rolf Scheffels
- Susanne Zeidler

### SHORT-TERM GUIDANCE

- 2015/16: Net Income in a range of between € 48 and 52 m
- 2015/16: ROE per share "significantly above cost of equity"

### HISTORICAL P/E



### COMPANY EVENTS

Next event: 15/12/2016 Annual Results

### KEY RATIOS

|                      | 13/14 | 14/15 | 15/16e | 16/17e | 17/18e |
|----------------------|-------|-------|--------|--------|--------|
| R&D/Sales            | -     | -     | -      | -      | -      |
| Capex/Sales          | 0.9%  | 2.1%  | 0.0%   | 0.0%   | 0.0%   |
| Capex/Depreciation   | -     | -     | -      | -      | -      |
| ROCE                 | 15.4% | 8.6%  | 12.9%  | 10.9%  | 12.6%  |
| Free cash flow yield | 11.2% | 8.0%  | 13.6%  | 3.4%   | 5.9%   |
| Equity ratio         | 91.1% | 92.6% | 93.8%  | 93.7%  | 93.8%  |
| Net debt / Equity    | -20%  | -11%  | -30%   | -27%   | -27%   |
| Net debt / EBITDA    | -1.2  | -1.2  | -2.3   | -2.4   | -2.1   |
| Interest cover       | 0.0   | 0.0   | 0.0    | 0.0    | 0.0    |

### Weaknesses/Threats (Risks)

- Business cycle can have major financial impact
- Extended phase of low interest rates is intensifying competitive situation and may influence the number of transaction opportunities

### COMPANY BACKGROUND

Deutsche Beteiligungs AG, a listed private equity company that raises closed-end private equity funds and invests alongside the DBAG funds in well-positioned SMEs with potential for growth. DBAG focuses on industrial sectors in which Germany's Mittelstand is particularly strong in global terms. With its longstanding experience, expertise and equity capital, DBAG helps its portfolio companies to implement corporate strategies that create sustainable value. Its entrepreneurial approach to investing has made DBAG a sought-after investment partner in the German-speaking world.

### MEDIUM-TERM GUIDANCE

- 2016/17 and 2017/18: significantly better result from fund business

### REVENUE BREAKDOWN (LAST ACTUAL YEAR)



### MAJOR SHAREHOLDERS (%)

|                            |      |
|----------------------------|------|
| Rossmann Beteiligungs GmbH | 18.1 |
| Portabella Peralta Ricardo | 4.6  |
| JP Morgan AM               | 2.7  |

### BHL VS. CONSENSUS

|                  | 15/16e | 16/17e | 17/18e |
|------------------|--------|--------|--------|
| Sales (in m EUR) |        |        |        |
| BHL              | 65.4   | 70.7   | 84.0   |
| Consensus        | 65.4   | 71.4   | 80.7   |
| EBIT (in m EUR)  |        |        |        |
| BHL              | 50.0   | 45.3   | 57.1   |
| Consensus        | 40.3   | 45.4   | 49.9   |
| EPS (EUR)        |        |        |        |
| BHL              | 3.58   | 3.00   | 3.78   |
| Consensus        | 2.84   | 3.07   | 3.12   |

Source: Company information, FactSet, BHL estimates

# Key figures

## Deutsche Beteiligungs AG – Income statement

| in m EUR                          | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-----------------------------------|---------|---------|----------|----------|----------|
| Sales                             | 72.9    | 48.4    | 65.4     | 70.7     | 84.0     |
| Own work capitalised              | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Total sales                       | 72.9    | 48.4    | 65.4     | 70.7     | 84.0     |
| Material expenses                 | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Personnel expenses                | -16.6   | -14.8   | -16.0    | -17.0    | -18.0    |
| Unusual or infrequent items       | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Other operating result            | -8.1    | -6.8    | 0.6      | -8.4     | -8.9     |
| EBITDA                            | 48.2    | 26.8    | 50.0     | 45.3     | 57.1     |
| Depreciation                      | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| EBITA                             | 48.2    | 26.8    | 50.0     | 45.3     | 57.1     |
| Amortisation of goodwill          | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Amortisation of intangible assets | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| EBIT                              | 48.2    | 26.8    | 50.0     | 45.3     | 57.1     |
| Financial result                  | 0.2     | 0.3     | 0.3      | 0.3      | 0.3      |
| Income on ordinary activities     | 48.4    | 27.1    | 50.2     | 45.5     | 57.4     |
| Extraordinary income/loss         | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| EBT                               | 48.4    | 27.1    | 50.2     | 45.5     | 57.4     |
| Taxes                             | -0.4    | 0.0     | -0.5     | -0.5     | -0.6     |
| Net income from cont. operations  | 48.0    | 27.1    | 49.7     | 45.1     | 56.8     |
| Net income from disc. operations  | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Minority interest                 | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Net income (adj.)                 | 48.0    | 27.0    | 49.7     | 45.1     | 56.8     |
| No. of shares                     | 13.7    | 13.7    | 13.9     | 15.0     | 15.0     |
| EPS                               | 3.51    | 1.98    | 3.58     | 3.00     | 3.78     |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-------------------|---------|---------|----------|----------|----------|
| Gross margin      | -       | -       | -        | -        | -        |
| EBITDA margin     | 66.1%   | 55.3%   | 76.4%    | 64.1%    | 68.0%    |
| EBITA margin      | 66.1%   | 55.3%   | 76.4%    | 64.1%    | 68.0%    |
| EBIT margin       | 66.1%   | 55.3%   | 76.4%    | 64.1%    | 68.0%    |
| EBT margin        | 66.4%   | 55.9%   | 76.8%    | 64.4%    | 68.3%    |
| Net profit margin | 65.8%   | 55.8%   | 76.1%    | 63.8%    | 67.6%    |
| Tax rate          | 0.8%    | 0.1%    | 1.0%     | 1.0%     | 1.0%     |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-------------------|---------|---------|----------|----------|----------|
| Sales             | 21.7%   | -33.6%  | 35.0%    | 8.2%     | 18.9%    |
| EBITDA            | 43.3%   | -44.5%  | 86.5%    | -9.3%    | 26.1%    |
| EBIT              | 43.3%   | -44.5%  | 86.5%    | -9.3%    | 26.1%    |
| EBT               | 43.4%   | -44.1%  | 85.4%    | -9.3%    | 26.0%    |
| Net income (adj.) | 48.5%   | -43.7%  | 84.0%    | -9.3%    | 26.0%    |
| EPS               | 48.5%   | -43.7%  | 81.2%    | -16.3%   | 26.0%    |

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche Beteiligungs AG – Balance sheet

| Assets (in m EUR)                      | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|--|---------|---------|----------|----------|----------|
| Fixed assets                           | 246.3   | 278.6   | 273.6    | 303.6    | 333.6    |
| Property, plant and equipment          | 1.3     | 1.2     | 1.2      | 1.2      | 1.2      |
| Intangible assets                      | 0.2     | 0.6     | 0.6      | 0.6      | 0.6      |
| Financial assets                       | 244.4   | 276.6   | 271.6    | 301.6    | 331.6    |
| Other long-term assets                 | 0.4     | 0.2     | 0.2      | 0.2      | 0.2      |
| Current assets                         | 86.3    | 48.6    | 129.3    | 128.4    | 139.3    |
| Inventories                            | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Accounts receivable                    | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Other current assets                   | 26.5    | 16.6    | 16.6     | 18.3     | 20.3     |
| Securities                             | 31.3    | 3.7     | 3.7      | 3.7      | 3.7      |
| Cash                                   | 28.4    | 28.2    | 108.9    | 106.3    | 115.2    |
| Total assets                           | 332.6   | 327.2   | 402.9    | 432.0    | 472.8    |
| Equity and liabilities in m EUR        |         |         |          |          |          |
| Shareholders' equity                   | 303.0   | 303.1   | 377.8    | 404.9    | 443.6    |
| Shareholders' equity (before minority) | 303.0   | 303.1   | 377.7    | 404.8    | 443.5    |
| Minorities                             | 0.0     | 0.0     | 0.1      | 0.1      | 0.1      |
| Non-current liabilities                | 9.7     | 8.9     | 8.9      | 9.9      | 10.9     |
| Pension provisions                     | 9.4     | 8.7     | 8.7      | 9.7      | 10.7     |
| Other provisions                       | 0.2     | 0.1     | 0.1      | 0.1      | 0.1      |
| Long-term financial debt               | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Other long-term debt                   | 0.1     | 0.1     | 0.1      | 0.1      | 0.1      |
| Current liabilities                    | 19.8    | 15.1    | 16.1     | 17.2     | 18.3     |
| Short-term debt                        | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Other accruals short-term              | 18.9    | 14.0    | 15.0     | 16.0     | 17.0     |
| Accounts payable                       | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Other liabilities                      | 0.9     | 1.1     | 1.1      | 1.2      | 1.3      |
| Total equity and liabilities           | 332.6   | 327.2   | 402.9    | 432.0    | 472.8    |

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche Beteiligungs AG – Balance sheet structure

| Assets                        | 2013/14 | 2014/15 | 2015/16e | 2016/17e | 2017/18e |
|-------------------------------|---------|---------|----------|----------|----------|
| Fixed assets                  | 74.1%   | 85.1%   | 67.9%    | 70.3%    | 70.5%    |
| Property, plant and equipment | 0.4%    | 0.4%    | 0.3%     | 0.3%     | 0.3%     |
| Intangible assets             | 0.0%    | 0.2%    | 0.2%     | 0.1%     | 0.1%     |
| Current assets                | 25.9%   | 14.9%   | 32.1%    | 29.7%    | 29.5%    |
| Inventories                   | 0.0%    | 0.0%    | 0.0%     | 0.0%     | 0.0%     |
| Accounts receivable           | 0.0%    | 0.0%    | 0.0%     | 0.0%     | 0.0%     |
| Cash                          | 8.5%    | 8.6%    | 27.0%    | 24.6%    | 24.4%    |
| Equity and liabilities        |         |         |          |          |          |
| Shareholders' equity          | 91.1%   | 92.6%   | 93.8%    | 93.7%    | 93.8%    |
| Non-current liabilities       | 2.9%    | 2.7%    | 2.2%     | 2.3%     | 2.3%     |
| Pension provisions            | 2.8%    | 2.7%    | 2.2%     | 2.2%     | 2.3%     |
| Long-term financial debt      | 0.0%    | 0.0%    | 0.0%     | 0.0%     | 0.0%     |
| Current liabilities           | 6.0%    | 4.6%    | 4.0%     | 4.0%     | 3.9%     |
| Short-term debt               | -       | -       | -        | -        | -        |
| Accounts payable              | -       | -       | -        | -        | -        |

Source: Company information, Bankhaus Lampe Research estimates

# Delticom AG

## Wheeler dealer

06/12/2016

**Sell** (Sell)  
**12.00 EUR** (16.00 EUR)

Close 01/12/2016 16.51 EUR

Bloomberg: DEX GY WKN: 514680

Sector Retail

### Share price performance

52 week high 21.39 EUR

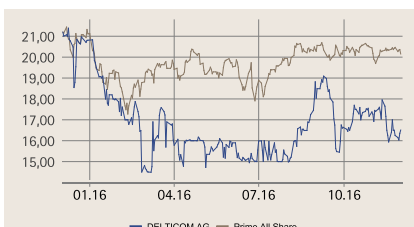
52 week low 14.49 EUR

Compared to Prime All Share

YTD -16.1%

1 month -3.7%

12 months -15.2%



### Share data

EV (m EUR; 2016) 205.3

Market Cap (m EUR) 195.8

No. of shares (m) 11.9

Free float 52.0%

### Next event

- -

### Change in model

|       | Sales | EBIT   | EPS    |
|-------|-------|--------|--------|
| 2016e | 13.9% | -50.9% | -53.5% |
| 2017e | 15.6% | -43.7% | -44.7% |
| 2018e | 15.6% | -14.7% | -15.1% |

### Analyst

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See end of document for disclaimer.

Delticom reported only rough 9M figures and therefore did not improve the reputation of its communications. The increasing price transparency in the market is leading to a price squeeze despite rising unit sales figures and thus, the earnings performance remains insufficient, in our view. We are therefore confirming our SELL rating. With further reduced estimates, we have lowered the price target from € 16.00 to € 12.00.

### INVESTMENT CASE

In mid-November, Delticom published 9M figures and confirmed its earnings target of € 16 m for 2016. Unfortunately, the 9M report does not contain an EBITDA figure for the period; it merely states that earnings were lower than for the same period last year. If we extrapolate this statement, Delticom needs an EBITDA increase of 30% in Q4 in order to achieve its FY target. This is ambitious and thus, we put our estimate of € 15.3 m just below the guidance.

A risk factor to our assumption is the possible takeover by a tyre manufacturer, but we would rule out Continental. At the current share price level, Delticom is trading at an EV/revenue of 0.4 - much lower than zooplus (0.7) or Zalando (1.7), which are showing significantly better structural growth trends.

### CATALYSTS

- Our expectations are below the FactSet consensus (€ 16 m) and thus, we see a need for correction.
- The milder the start of winter, the poorer the winter tyre business. So far, there is no cold spell in sight.

### VALUATION

Even though Delticom's valuation appears cheap with an EV/sales multiple of 0.4x, given the environment and the structural challenges, we do not recommend taking up a buyer's position.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 501.7 | 559.8 | 625.0 | 656.3 | 679.2 |
| EBIT                       | 7.1   | 5.6   | 6.3   | 12.3  | 19.3  |
| EBIT margin                | 1.4%  | 1.0%  | 1.0%  | 1.9%  | 2.8%  |
| Net financial debt         | -10.2 | 3.7   | 8.1   | -0.9  | -14.6 |
| Free cash-flow             | 35.0  | -11.3 | 2.2   | 9.0   | 13.7  |
| EPS (in EUR)               | 0.24  | 0.28  | 0.32  | 0.68  | 1.08  |
| DPS (in EUR)               | 0.25  | 0.50  | 0.00  | 0.00  | 0.50  |
| Dividend yield             | 1.3%  | 2.4%  | 0.0%  | 0.0%  | 3.0%  |
| EV/Sales                   | 0.4   | 0.4   | 0.3   | 0.3   | 0.3   |
| EV/EBIT                    | 30.2  | 45.0  | 32.8  | 15.9  | 9.5   |
| Price Earnings ratio (P/E) | 77.6  | 73.6  | 51.1  | 24.3  | 15.3  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Biggest online tyre retailer in Europe with corresponding purchasing power
- Own warehousing capacity
- Multi-brand strategy, e.g. Tirendo and reifendirekt

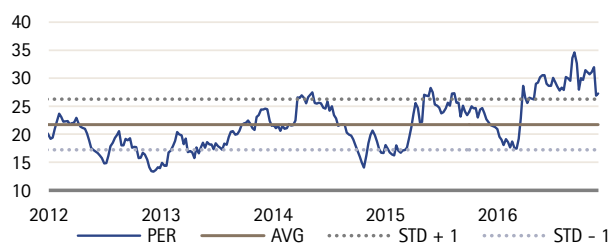
## MANAGEMENT

- Andreas Prüfer (Co-CEO, CFO)
- Philip von Grolman (Co-CEO)
- Susan Dörsel-Müller (Wholesale Operation Centre, B2B)
- Thierry Delesalle (B2C, Marketing)

## SHORT-TERM GUIDANCE

- 2016: Revenue between € 620 m and € 630 m
- 2016: EBITDA € 16 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: - -

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 0.3%  | 0.4%  | 0.6%  | 0.6%  | 0.6%  |
| Capex/Depreciation   | 0.2   | 0.3   | 0.4   | 0.4   | 0.5   |
| ROCE                 | 10.2% | 8.4%  | 9.2%  | 17.3% | 24.1% |
| Free cash flow yield | 15.6% | -4.6% | 1.1%  | 4.3%  | 6.6%  |
| Equity ratio         | 30.7% | 32.0% | 29.6% | 33.2% | 38.1% |
| Net debt / Equity    | -20%  | 7%    | 17%   | -2%   | -21%  |
| Net debt / EBITDA    | -0.7  | 0.3   | 0.5   | 0.0   | -0.5  |
| Interest cover       | 8.9   | 0.0   | 9.6   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

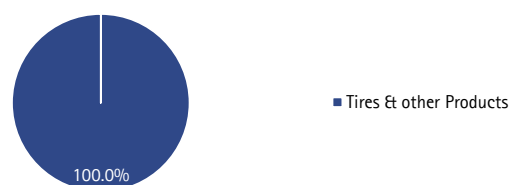
- Low market entry barriers
- Prices in market coming under major structural pressure
- Winter tyre business is very weather dependent
- Weather-related shifts between quarters and base effects vs. previous year are unavoidable

## COMPANY BACKGROUND

Delticom AG is Europe's leading online tyre retailer with roughly 300 online shops in 45 countries. Besides tyres for cars and motorcycles, the company also offers selected car parts and accessories as well as motor oil and batteries..

## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                |      |
|----------------|------|
| Andreas Prüfer | 34.5 |
| Rainer Binder  | 17.5 |
| Acatis         | 10.5 |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 625.0 | 656.3 | 679.2 |
| Consensus        | 622.0 | 662.5 | 740.1 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 6.3   | 12.3  | 19.3  |
| Consensus        | 8.4   | 11.7  | 15.5  |
| EPS (EUR)        |       |       |       |
| BHL              | 0.32  | 0.68  | 1.08  |
| Consensus        | 0.40  | 0.61  | 0.78  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Delticom AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 501.7  | 559.8  | 625.0  | 656.3  | 679.2  |
| Own work capitalised                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Total sales                          | 501.7  | 559.8  | 625.0  | 656.3  | 679.2  |
| Material expenses                    | -378.8 | -427.6 | -468.8 | -492.2 | -502.6 |
| Personnel expenses                   | -15.6  | -9.5   | -14.5  | -15.2  | -15.8  |
| Unusual or infrequent items          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -92.0  | -108.5 | -126.5 | -127.5 | -132.6 |
| EBITDA                               | 15.4   | 14.3   | 15.3   | 21.3   | 28.3   |
| Depreciation                         | 8.3    | 8.7    | 9.0    | 9.0    | 9.0    |
| EBITA                                | 7.1    | 5.6    | 6.3    | 12.3   | 19.3   |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 7.1    | 5.6    | 6.3    | 12.3   | 19.3   |
| Financial result                     | -0.8   | -0.4   | -0.6   | -0.5   | -0.5   |
| Income on ordinary activities        | 6.3    | 5.2    | 5.6    | 11.9   | 18.8   |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 6.3    | 5.2    | 5.6    | 11.9   | 18.8   |
| Taxes                                | -3.4   | -1.8   | -1.8   | -3.8   | -6.0   |
| Net income from cont. operations     | 2.9    | 3.4    | 3.8    | 8.1    | 12.8   |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                    | 2.9    | 3.4    | 3.8    | 8.1    | 12.8   |
| No. of shares                        | 11.9   | 11.9   | 11.9   | 11.9   | 11.9   |
| EPS                                  | 0.24   | 0.28   | 0.32   | 0.68   | 1.08   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 24.5% | 23.6% | 25.0% | 25.0% | 26.0% |
| EBITDA margin     | 3.1%  | 2.6%  | 2.4%  | 3.3%  | 4.2%  |
| EBITA margin      | 1.4%  | 1.0%  | 1.0%  | 1.9%  | 2.8%  |
| EBIT margin       | 1.4%  | 1.0%  | 1.0%  | 1.9%  | 2.8%  |
| EBT margin        | 1.3%  | 0.9%  | 0.9%  | 1.8%  | 2.8%  |
| Net profit margin | 0.6%  | 0.6%  | 0.6%  | 1.2%  | 1.9%  |
| Tax rate          | 53.7% | 35.1% | 32.0% | 32.0% | 32.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e | 2017e | 2018e |
|-------------------|--------|--------|-------|-------|-------|
| Sales             | -0.8%  | 11.6%  | 11.6% | 5.0%  | 3.5%  |
| EBITDA            | -30.7% | -7.1%  | 6.8%  | 39.9% | 32.5% |
| EBIT              | -60.1% | -21.4% | 11.7% | 97.4% | 56.1% |
| EBT               | -64.2% | -18.3% | 8.4%  | >100% | 58.4% |
| Net income (adj.) | -75.0% | 16.0%  | 14.2% | >100% | 58.4% |
| EPS               | -75.0% | 16.0%  | 14.2% | >100% | 58.4% |

Source: Company information, Bankhaus Lampe Research estimates

## Delticom AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 58.1  | 52.0  | 47.0  | 42.0  | 37.2  |
| Property, plant and equipment          | 9.0   | 6.5   | 5.7   | 5.2   | 4.7   |
| Intangible assets                      | 47.9  | 43.6  | 39.1  | 34.6  | 30.1  |
| Financial assets                       | 0.7   | 0.4   | 0.5   | 0.5   | 0.5   |
| Other long-term assets                 | 0.5   | 1.5   | 1.7   | 1.8   | 1.8   |
| Current assets                         | 105.9 | 108.0 | 119.4 | 130.3 | 146.4 |
| Inventories                            | 56.2  | 61.8  | 72.0  | 75.0  | 80.0  |
| Accounts receivable                    | 14.5  | 18.6  | 18.6  | 21.6  | 22.3  |
| Other current assets                   | 5.3   | 16.1  | 17.9  | 18.8  | 19.5  |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 30.0  | 11.5  | 10.9  | 14.9  | 24.6  |
| Total assets                           | 164.0 | 160.0 | 166.4 | 172.3 | 183.6 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 50.3  | 51.3  | 49.2  | 57.2  | 70.0  |
| Shareholders' equity (before minority) | 49.3  | 49.9  | 47.8  | 55.9  | 68.7  |
| Minorities                             | 1.0   | 1.4   | 1.4   | 1.4   | 1.4   |
| Non-current liabilities                | 16.7  | 12.1  | 15.4  | 10.4  | 5.4   |
| Pension provisions                     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other provisions                       | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   |
| Long-term financial debt               | 15.4  | 10.9  | 15.0  | 10.0  | 5.0   |
| Other long-term debt                   | 0.9   | 0.8   | 0.0   | 0.0   | 0.0   |
| Current liabilities                    | 97.1  | 96.6  | 101.9 | 104.7 | 108.3 |
| Short-term debt                        | 4.4   | 4.2   | 4.0   | 4.0   | 5.0   |
| Other accruals short-term              | 1.5   | 2.3   | 2.6   | 2.7   | 2.8   |
| Accounts payable                       | 75.9  | 78.2  | 82.0  | 84.0  | 86.0  |
| Other liabilities                      | 15.2  | 11.9  | 13.3  | 14.0  | 14.4  |
| Total equity and liabilities           | 164.0 | 160.0 | 166.4 | 172.3 | 183.6 |

Source: Company information, Bankhaus Lampe Research estimates

## Delticom AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 35.4% | 32.5% | 28.2% | 24.4% | 20.2% |
| Property, plant and equipment | 5.5%  | 4.0%  | 3.4%  | 3.0%  | 2.6%  |
| Intangible assets             | 29.2% | 27.3% | 23.5% | 20.1% | 16.4% |
| Current assets                | 64.6% | 67.5% | 71.8% | 75.6% | 79.7% |
| Inventories                   | 34.2% | 38.7% | 43.3% | 43.5% | 43.6% |
| Accounts receivable           | 8.8%  | 11.6% | 11.2% | 12.5% | 12.1% |
| Cash                          | 18.3% | 7.2%  | 6.5%  | 8.6%  | 13.4% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 30.7% | 32.0% | 29.6% | 33.2% | 38.1% |
| Non-current liabilities       | 10.2% | 7.6%  | 9.2%  | 6.0%  | 2.9%  |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 9.4%  | 6.8%  | 9.0%  | 5.8%  | 2.7%  |
| Current liabilities           | 59.2% | 60.4% | 61.2% | 60.7% | 59.0% |
| Short-term debt               | 2.7%  | 2.6%  | 2.4%  | 2.3%  | 2.7%  |
| Accounts payable              | 46.3% | 48.9% | 49.3% | 48.8% | 46.8% |

Source: Company information, Bankhaus Lampe Research estimates

# Deutz AG

## Weak end markets appear to be bottoming out

06/12/2016

**Hold** (Hold)  
**4.40 EUR** (4.40 EUR)

Close 01/12/2016 5.21 EUR  
Bloomberg: DEZ GY WKN: 630500  
Sector Engineering

### Share price performance

52 week high 5.21 EUR  
52 week low 2.65 EUR  
Compared to SDAX  
YTD 42.1%  
1 month 21.4%  
12 months 44.8%



### Share data

EV (m EUR; 2016) 741  
Market Cap (m EUR) 630  
No. of shares (m) 121  
Free float 75.0%

### Next event

Annual Results 16/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

The majority of Deutz's end markets appear to be in a weak state. At best, we currently see signs of them bottoming out. Since the share has already responded positively to the outcome of the US election, without the announcement of any measures, we confirm our HOLD rating.

### INVESTMENT CASE

Demand for construction and agricultural machinery, and for oil, gas and mining equipment is currently weak. Deutz's results are also correspondingly. Besides this, unit sales figures in 2016 are still being negatively affected by pull-forward effects. Customers stocked up massively with engines in 2014. The unit sales figures for the Chinese JV (in the largely local truck market) have probably declined in 2016.

The winding down of pull-forward effects should lead to markedly higher unit sales in 2017. The unit sales figures should then correspond again to the demand from customers at the time. However, we do not yet expect a market-side recovery in demand in H1. At best, we currently anticipate demand bottoming out.

The outcome of the US election has recently lent the share some tailwind. We put the company's US exposure at about 15-20%. As it is currently impossible to tell which fiscal stimulus measures the Trump administration will adopt, the potential positive effects for Deutz are difficult to quantify.

### CATALYSTS

- One reason for the weak unit sales is the low cost of raw materials (wheat, oil/gas, etc.). Rising prices would also stimulate demand for the company's products.
- A recovery in US / Chinese markets for construction machinery.

### VALUATION

At this point in time we would regard our estimates as conservative, but we are leaving them unaltered due to the inherent uncertainties. We analyse this share based on a DCF model.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 1,530 | 1,247 | 1,246 | 1,379 | 1,432 |
| EBIT                       | 13    | 5     | 22    | 40    | 47    |
| EBIT margin                | 0.8%  | 0.4%  | 1.8%  | 2.9%  | 3.3%  |
| Net financial debt         | -14   | -39   | -80   | -105  | -160  |
| Free cash-flow             | 58    | 39    | 50    | 31    | 63    |
| EPS (in EUR)               | 0.18  | 0.04  | 0.13  | 0.25  | 0.29  |
| DPS (in EUR)               | 0.07  | 0.07  | 0.07  | 0.07  | 0.12  |
| Dividend yield             | 1.8%  | 1.9%  | 1.3%  | 1.3%  | 2.3%  |
| EV/Sales                   | 0.5   | 0.5   | 0.6   | 0.5   | 0.5   |
| EV/EBIT                    | 54.4  | 122.2 | 33.4  | 17.7  | 14.1  |
| Price Earnings ratio (P/E) | 22.8  | 82.6  | 39.1  | 20.8  | 17.7  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Strong brand in Europe.
- Investments to meet new emission standards completed => high FCF potential
- Successfully acquired new customers
- Strong balance sheet

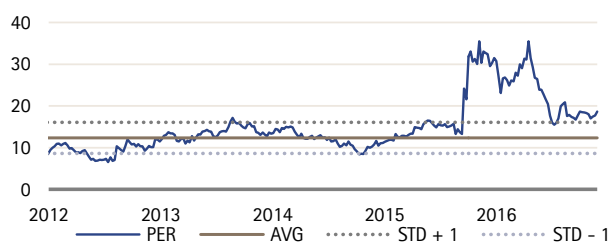
## MANAGEMENT

- Dr. Helmut Leube (CEO)
- Dr. Magarete Haase (CFO)
- Michael Wellenzohn (CSO)

## SHORT-TERM GUIDANCE

- 2016 revenues: flat or slightly up
- 2016 EBIT margin: moderate improvement

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 16/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | 4.9%  | 6.1%  | 6.3%  | 5.7%  | 5.5%  |
| Capex/Sales          | 4.0%  | 5.5%  | 4.8%  | 4.6%  | 4.2%  |
| Capex/Depreciation   | 1.2   | 1.3   | 1.3   | 1.4   | 1.3   |
| ROCE                 | 1.6%  | 0.6%  | 2.9%  | 5.2%  | 5.9%  |
| Free cash flow yield | 12.0% | 8.7%  | 10.0% | 6.3%  | 12.6% |
| Equity ratio         | 44.5% | 45.5% | 46.1% | 45.8% | 46.9% |
| Net debt / Equity    | -3%   | -8%   | -16%  | -20%  | -29%  |
| Net debt / EBITDA    | -0.1  | -0.3  | -0.7  | -0.8  | -1.2  |
| Interest cover       | > 10  | 1.0   | > 10  | > 10  | > 10  |

### Weaknesses/Threats (Risks)

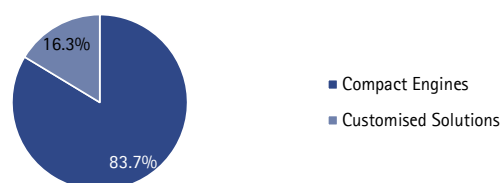
- Repeatedly fallen short of market expectations
- Very volatile business
- Biggest customer (Volvo) is also major shareholder
- Margins always low compared with the capital goods sector

## COMPANY BACKGROUND

Deutz AG is one of the largest independent manufacturers of diesel engines in the power range up to 500 kW. The company's engines are mainly used in agricultural machinery, stationary machines (emergency power supply), and mobile machinery (construction, logistics). Deutz was founded in 1864 and is headquartered in Cologne, Germany.

## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                          |      |
|--------------------------|------|
| Volvo                    | 25.0 |
| Norges Bank              | 4.0  |
| Acadian Asset Management | 3.1  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 1,246 | 1,379 | 1,432 |
| Consensus        | 1,255 | 1,382 | 1,442 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 22    | 40    | 47    |
| Consensus        | 21    | 44    | 54    |
| EPS (EUR)        |       |       |       |
| BHL              | 0.13  | 0.25  | 0.29  |
| Consensus        | 0.16  | 0.28  | 0.36  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Deutz AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 1,530  | 1,247  | 1,246  | 1,379  | 1,432  |
| Cost of Sales                        | -1,328 | -1,055 | -1,033 | -1,139 | -1,181 |
| Gross profit                         | 203    | 193    | 212    | 240    | 251    |
| Sales and marketing                  | -66    | -68    | -69    | -73    | -76    |
| General and administration           | -34    | -37    | -35    | -39    | -40    |
| Research and development             | -74    | -76    | -79    | -79    | -79    |
| Other operating result               | -16    | -7     | -7     | -9     | -9     |
| EBITDA                               | 120    | 112    | 114    | 132    | 139    |
| Depreciation                         | 52     | 54     | 46     | 46     | 46     |
| EBITA                                | 69     | 58     | 68     | 86     | 93     |
| Amortisation of goodwill             | 9      | 0      | 0      | 0      | 0      |
| Amortisation of intangible assets    | 47     | 53     | 46     | 46     | 46     |
| EBIT                                 | 13     | 5      | 22     | 40     | 47     |
| Financial result                     | -6     | -4     | -4     | -4     | -4     |
| Income on ordinary activities        | 7      | 1      | 18     | 36     | 43     |
| Extraordinary income/loss            | 0      | 0      | 0      | 0      | 0      |
| EBT                                  | 7      | 1      | 18     | 36     | 43     |
| Taxes                                | 13     | 3      | -3     | -6     | -7     |
| Net income from cont. operations     | 20     | 4      | 15     | 30     | 36     |
| Net income from discount. operations | 0      | 0      | 0      | 0      | 0      |
| Minority interest                    | 2      | 2      | 1      | 0      | 0      |
| Net income (adj.)                    | 21     | 5      | 16     | 30     | 36     |
| No. of shares                        | 121    | 121    | 121    | 121    | 121    |
| EPS (in EUR)                         | 0.18   | 0.04   | 0.13   | 0.25   | 0.29   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014    | 2015    | 2016e | 2017e | 2018e |
|-------------------|---------|---------|-------|-------|-------|
| Gross margin      | 13.2%   | 15.4%   | 17.0% | 17.4% | 17.5% |
| EBITDA margin     | 7.9%    | 9.0%    | 9.2%  | 9.6%  | 9.7%  |
| EBITA margin      | 4.5%    | 4.7%    | 5.5%  | 6.3%  | 6.5%  |
| EBIT margin       | 0.8%    | 0.4%    | 1.8%  | 2.9%  | 3.3%  |
| EBT margin        | 0.4%    | 0.1%    | 1.5%  | 2.6%  | 3.0%  |
| Net profit margin | 1.3%    | 0.3%    | 1.2%  | 2.2%  | 2.5%  |
| Tax rate          | -191.0% | -288.9% | 17.0% | 17.0% | 17.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e | 2017e | 2018e |
|-------------------|--------|--------|-------|-------|-------|
| Sales             | 5.3%   | -18.5% | -0.1% | 10.7% | 3.8%  |
| EBITDA            | -15.3% | -6.7%  | 1.8%  | 15.9% | 4.8%  |
| EBIT              | -73.1% | -61.7% | >100% | 82.0% | 15.8% |
| EBT               | -83.9% | -86.6% | >100% | >100% | 17.5% |
| Net income (adj.) | -41.1% | -74.5% | >100% | 87.6% | 17.5% |
| EPS               | -41.1% | -74.5% | >100% | 87.6% | 17.5% |

Source: Company information, Bankhaus Lampe Research estimates

## Deutz AG – Balance sheet

| Assets (in m EUR)                      | 2014         | 2015         | 2016e        | 2017e        | 2018e        |
|--|--------------|--------------|--------------|--------------|--------------|
| Fixed assets                           | 626          | 590          | 558          | 536          | 504          |
| Property, plant and equipment          | 292          | 289          | 279          | 271          | 261          |
| Intangible assets                      | 212          | 177          | 155          | 134          | 112          |
| Financial assets                       | 60           | 55           | 55           | 55           | 55           |
| Other long-term assets                 | 62           | 69           | 69           | 76           | 76           |
| Current assets                         | 523          | 499          | 534          | 610          | 673          |
| Inventories                            | 245          | 252          | 250          | 290          | 301          |
| Accounts receivable                    | 122          | 101          | 101          | 117          | 122          |
| Other current assets                   | 55           | 33           | 33           | 36           | 38           |
| Securities                             | 0            | 0            | 0            | 0            | 0            |
| Cash                                   | 102          | 113          | 150          | 167          | 212          |
| <b>Total assets</b>                    | <b>1,149</b> | <b>1,088</b> | <b>1,092</b> | <b>1,146</b> | <b>1,177</b> |
| Equity and liabilities (in m EUR)      |              |              |              |              |              |
| Shareholders' equity                   | 511          | 496          | 503          | 525          | 552          |
| Shareholders' equity (before minority) | 486          | 490          | 498          | 520          | 547          |
| Minorities                             | 25           | 5            | 5            | 5            | 5            |
| Non-current liabilities                | 337          | 295          | 291          | 283          | 274          |
| Pension provisions                     | 202          | 187          | 187          | 187          | 187          |
| Other provisions                       | 58           | 47           | 47           | 47           | 47           |
| Long-term financial debt               | 73           | 59           | 55           | 45           | 35           |
| Other long-term debt                   | 4            | 3            | 3            | 5            | 6            |
| Current liabilities                    | 301          | 297          | 297          | 338          | 351          |
| Short-term debt                        | 15           | 15           | 15           | 16           | 17           |
| Other accruals short-term              | 71           | 67           | 67           | 74           | 77           |
| Accounts payable                       | 171          | 170          | 169          | 196          | 204          |
| Other liabilities                      | 44           | 46           | 46           | 51           | 53           |
| <b>Total equity and liabilities</b>    | <b>1,149</b> | <b>1,088</b> | <b>1,092</b> | <b>1,146</b> | <b>1,177</b> |

Source: Company information, Bankhaus Lampe Research estimates

## Deutz AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 54.5% | 54.2% | 51.1% | 46.8% | 42.8% |
| Property, plant and equipment | 25.4% | 26.6% | 25.6% | 23.6% | 22.2% |
| Intangible assets             | 18.4% | 16.2% | 14.2% | 11.7% | 9.5%  |
| Current assets                | 45.5% | 45.8% | 48.9% | 53.2% | 57.2% |
| Inventories                   | 21.3% | 23.2% | 22.9% | 25.3% | 25.6% |
| Accounts receivable           | 10.6% | 9.3%  | 9.3%  | 10.2% | 10.3% |
| Cash                          | 8.8%  | 10.3% | 13.8% | 14.5% | 18.0% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 44.5% | 45.5% | 46.1% | 45.8% | 46.9% |
| Non-current liabilities       | 29.4% | 27.1% | 26.7% | 24.7% | 23.3% |
| Pension provisions            | 17.6% | 17.1% | 17.1% | 16.3% | 15.9% |
| Long-term financial debt      | 6.4%  | 5.4%  | 5.0%  | 3.9%  | 3.0%  |
| Current liabilities           | 26.2% | 27.3% | 27.2% | 29.5% | 29.8% |
| Short-term debt               | 1.3%  | 1.4%  | 1.4%  | 1.4%  | 1.5%  |
| Accounts payable              | 14.9% | 15.6% | 15.5% | 17.1% | 17.3% |

Source: Company information, Bankhaus Lampe Research estimates

# DIC Asset AG

## Chance to improve

06/12/2016

**Buy** (Buy)  
**9.90 EUR** (9.90 EUR)

Close 01/12/2016 8.27 EUR  
Bloomberg: DIC GY WKN: A1X3XX  
Sector Real Estate

### Share price performance

52 week high 9.36 EUR  
52 week low 7.43 EUR  
Compared to SDAX  
YTD -10.3%  
1 month -0.5%  
12 months -5.3%



### Share data

EV (m EUR; 2016) 1,676  
Market Cap (m EUR) 567.1  
No. of shares (m) 68.6  
Free float 67.9%

### Next event

- -

### Change in model

|       | Sales | FFO | EPS |
|-------|-------|-----|-----|
| 2016e | ---   | --- | --- |
| 2017e | ---   | --- | --- |
| 2018e | ---   | --- | --- |

### Analyst

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See end of document for disclaimer.

DIC Asset is a real-estate portfolio company that focuses on office properties. Despite the debt reduction and the extensive withdrawal from the development business, this stock continues to trade at a large discount to its NAV. With growth already strong in the fund business, there are also opportunities to reduce the vacancy rate.

### INVESTMENT CASE

Despite the reduced size of the portfolio resulting from the debt reduction, the company has not experienced a dramatic slump because fee income in the FFO from the fund business has compensated for lost revenue. The refinancing still offers considerable potential. The average remaining term of the liabilities is quite short at 3.2 years.

We assume that the portfolio reduction will come to a halt in 2017 and that the rental performance will also be reflected by a reduction of the vacancy rate (11.9% as per 30.9.2016) and higher rent income. The company already has strong growth in the fund business (by the end of 2016, the AuM should have risen to about € 1.6 bn (2015: € 830 m)), and we assume that prodigious growth will be achieved here in future, too.

### CATALYSTS

- News about potential cooperation with WCM
- Early refinancing could have substantial effect on FFO
- Improved reporting on real estate portfolio could have positive effect

### VALUATION

DIC Asset is trading at a very high discount to the NAV. Besides this, the dividend yield is above-average, and measured in terms of P/FFO ratio, the share is also cheaper than the average for the real estate stocks in our coverage universe.

| in m EUR                  | 2014  | 2015  | 2016e | 2017e | 2018e |
|---------------------------|-------|-------|-------|-------|-------|
| Sales                     | 147.5 | 136.7 | 110.1 | 103.5 | 105.5 |
| FFO                       | 47.9  | 49.0  | 46.7  | 43.5  | 46.5  |
| FFO margin                | 32.5% | 35.9% | 42.4% | 42.0% | 44.1% |
| Net financial debt        | 1,569 | 1,131 | 1,104 | 1,069 | 991.7 |
| Net asset value per share | 12.61 | 12.89 | 12.61 | 12.66 | 12.97 |
| FFOPS (in EUR)            | 0.70  | 0.72  | 0.68  | 0.63  | 0.68  |
| DPS (in EUR)              | 0.35  | 0.37  | 0.37  | 0.37  | 0.37  |
| Dividend yield            | 4.7%  | 4.0%  | 4.5%  | 4.5%  | 4.5%  |
| EV/EBITDA                 | 17.1  | 14.9  | 15.2  | 19.5  | 17.8  |
| P/NAV                     | 0.6   | 0.7   | 0.7   | 0.7   | 0.6   |
| P/FFO                     | 10.6  | 13.0  | 12.1  | 13.0  | 12.2  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Discount to NAV, low P/FFO ratio
- Strong cash flow
- Reduction of debt and interest burden
- Opportunities for vacancy reduction
- Excellent progress of the MainTor project

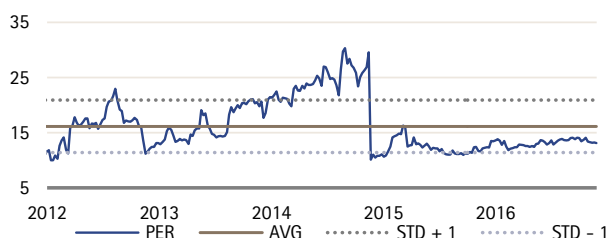
## MANAGEMENT

- Aydin Karaduman (CEO)
- Sonja Wärntges (CFO)
- Johannes von Mutius (CIO)

## SHORT-TERM GUIDANCE

- 2016: FFO of € 43-45 m, rental income of about € 100 m
- 2016: Funds volume to increase by € 500 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: - -

## KEY RATIOS

|                   | 14    | 15    | 16e    | 17e   | 18e   |
|-------------------|-------|-------|--------|-------|-------|
| ROCE              | 3.2%  | 3.6%  | 3.9%   | 2.7%  | 3.0%  |
| Gross Yield       | 6.9%  | 8.0%  | 6.9%   | 6.6%  | 6.8%  |
| EBITDA margin     | 82.5% | 87.0% | 100.4% | 81.5% | 83.5% |
| FFO-Marge         | 32.5% | 35.9% | 42.4%  | 42.0% | 44.1% |
| FFO-Yield         | 5.5%  | 5.5%  | 5.4%   | 5.0%  | 5.2%  |
| Equity ratio      | 30.5% | 32.3% | 39.3%  | 39.3% | 40.9% |
| Net gearing       | 2.0   | 1.4   | 1.4    | 1.4   | 1.3   |
| Net debt / EBITDA | 12.9  | 9.5   | 10.0   | 12.7  | 11.3  |
| Interest cover    | 1.0   | > 10  | > 10   | 1.0   | > 10  |

### Weaknesses/Threats (Risks)

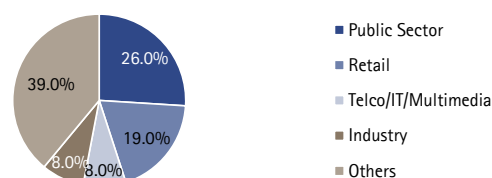
- Low equity ratio
- Ownership structure
- Dilutive capital increases
- Average remaining term of liabilities is quite short at 3.2 years
- 2016 rental income likely to be lower due to portfolio reduction

## COMPANY BACKGROUND

DIC Asset AG is a German commercial real estate company with property assets worth roughly € 2.2 bn and total AuM of more than € 3 bn. Office properties account for some 72% of the company's portfolio. 90% of its own property assets are held in a commercial portfolio, and roughly 10% are co-investments (funds and developments). DIC Asset offers property management services (DIC Onsite) with branch offices in Frankfurt, Mannheim, Dusseldorf, Hamburg, Berlin and Munich.

## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                            |      |
|----------------------------|------|
| Dt. Imm. Chancen-Gruppe    | 31.8 |
| British Empire Trust/AVI   | 5.3  |
| solvia Vermögensverwaltung | 5.1  |

## BHL VS. CONSENSUS

|                   | 16e   | 17e   | 18e   |
|-------------------|-------|-------|-------|
| Sales (in m EUR)  |       |       |       |
| BHL               | 110.1 | 103.5 | 105.5 |
| Consensus         | 110.1 | 101.3 | 103.5 |
| EBITDA (in m EUR) |       |       |       |
| BHL               | 110.5 | 84.3  | 88.1  |
| Consensus         | 113.5 | 89.5  | 93.0  |
| EPS (EUR)         |       |       |       |
| BHL               | 0.37  | 0.21  | 0.33  |
| Consensus         | 0.40  | 0.24  | 0.27  |

Source: Company information, FactSet, BHL estimates

# Key figures

## DIC Asset AG – Income statement

| in m EUR                            | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------------|-------|-------|-------|-------|-------|
| Sales                               | 147.5 | 136.7 | 110.1 | 103.5 | 105.5 |
| Own work capitalised                | 38.2  | 33.7  | 42.9  | 33.8  | 36.3  |
| Total sales                         | 185.7 | 170.4 | 153.0 | 137.3 | 141.8 |
| Material expenses                   | -48.3 | -42.7 | -37.5 | -33.8 | -34.3 |
| Personnel expenses                  | -23.4 | -23.7 | -25.2 | -25.1 | -25.4 |
| Unusual or infrequent items         | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other operating result              | 7.7   | 15.0  | 20.3  | 6.0   | 6.0   |
| EBITDA                              | 121.7 | 119.0 | 110.5 | 84.3  | 88.1  |
| Depreciation                        | 43.0  | 42.7  | 34.4  | 32.3  | 33.0  |
| EBITA                               | 78.6  | 76.3  | 76.1  | 52.0  | 55.1  |
| Amortisation of goodwill            | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Amortisation of intangible assets   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBIT                                | 78.6  | 76.3  | 76.1  | 52.0  | 55.1  |
| Financial result                    | -62.9 | -52.1 | -45.4 | -35.4 | -29.6 |
| Income on ordinary activities       | 15.7  | 24.1  | 30.7  | 16.7  | 25.6  |
| Extraordinary income/loss           | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBT                                 | 15.7  | 24.1  | 30.7  | 16.7  | 25.6  |
| Taxes                               | -1.7  | -3.4  | -5.0  | -1.9  | -2.5  |
| Net income from cont. operations    | 14.0  | 20.7  | 25.8  | 14.8  | 23.1  |
| Net income from discont. operations | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Minority interest                   | 0.8   | -0.3  | -0.2  | -0.2  | -0.2  |
| Net income (adj.)                   | 14.8  | 20.4  | 25.6  | 14.5  | 22.9  |
| No. of shares                       | 68.6  | 68.6  | 68.6  | 68.6  | 68.6  |
| EPS                                 | 0.22  | 0.30  | 0.37  | 0.21  | 0.33  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e  | 2017e | 2018e |
|-------------------|-------|-------|--------|-------|-------|
| Gross margin      | 67.2% | 68.8% | 65.9%  | 67.3% | 67.5% |
| EBITDA margin     | 82.5% | 87.0% | 100.4% | 81.5% | 83.5% |
| EBITA margin      | 53.3% | 55.8% | 69.1%  | 50.3% | 52.3% |
| EBIT margin       | 53.3% | 55.8% | 69.1%  | 50.3% | 52.3% |
| EBT margin        | 10.6% | 17.7% | 27.9%  | 16.1% | 24.2% |
| Net profit margin | 10.0% | 14.9% | 23.2%  | 14.0% | 21.7% |
| Tax rate          | 10.5% | 14.2% | 16.2%  | 11.3% | 9.7%  |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015  | 2016e  | 2017e  | 2018e |
|-------------------|--------|-------|--------|--------|-------|
| Sales             | 17.8%  | -7.4% | -19.5% | -5.9%  | 1.9%  |
| EBITDA            | 16.1%  | -2.2% | -7.1%  | -23.6% | 4.5%  |
| EBIT              | 13.3%  | -3.0% | -0.2%  | -0.2%  | 6.0%  |
| EBT               | -12.8% | 53.9% | 27.3%  | -45.8% | 53.6% |
| Net income (adj.) | -7.0%  | 37.7% | 25.3%  | -43.2% | 57.4% |
| EPS               | -33.6% | 37.7% | 25.3%  | -43.2% | 57.4% |

Source: Company information, Bankhaus Lampe Research estimates

## DIC Asset AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 2,276 | 1,851 | 1,827 | 1,821 | 1,821 |
| Property, plant and equipment          | 2,145 | 1,701 | 1,596 | 1,580 | 1,562 |
| Intangible assets                      | 1.3   | 1.0   | 1.0   | 1.0   | 1.0   |
| Financial assets                       | 101.6 | 126.1 | 205.9 | 217.0 | 234.8 |
| Other long-term assets                 | 28.3  | 23.5  | 23.5  | 23.5  | 23.5  |
| Current assets                         | 261.2 | 604.7 | 192.1 | 167.1 | 84.5  |
| Inventories                            | 1.7   | 249.9 | 9.9   | 9.9   | 9.9   |
| Accounts receivable                    | 13.3  | 8.3   | 8.3   | 8.3   | 8.3   |
| Other current assets                   | 148.8 | 142.0 | 142.0 | 102.0 | 22.0  |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 97.4  | 204.6 | 31.9  | 47.0  | 44.3  |
| Total assets                           | 2,537 | 2,456 | 2,019 | 1,988 | 1,906 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 774.8 | 792.1 | 792.5 | 781.9 | 779.6 |
| Shareholders' equity (before minority) | 770.1 | 787.1 | 787.5 | 776.9 | 774.6 |
| Minorities                             | 4.7   | 5.0   | 5.0   | 5.0   | 5.0   |
| Non-current liabilities                | 1,324 | 1,342 | 1,145 | 1,125 | 1,045 |
| Pension provisions                     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other provisions                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Long-term financial debt               | 1,260 | 1,300 | 1,100 | 1,080 | 1,000 |
| Other long-term debt                   | 63.7  | 41.7  | 44.0  | 44.0  | 44.0  |
| Current liabilities                    | 438.1 | 321.8 | 81.8  | 81.8  | 81.8  |
| Short-term debt                        | 405.8 | 35.5  | 35.5  | 35.5  | 35.5  |
| Other accruals short-term              | 0.7   | 0.5   | 0.5   | 0.5   | 0.5   |
| Accounts payable                       | 1.5   | 0.8   | 0.8   | 0.8   | 0.8   |
| Other liabilities                      | 30.0  | 285.0 | 45.0  | 45.0  | 45.0  |
| Total equity and liabilities           | 2,537 | 2,456 | 2,019 | 1,988 | 1,906 |

Source: Company information, Bankhaus Lampe Research estimates

## DIC Asset AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 89.7% | 75.4% | 90.5% | 91.6% | 95.6% |
| Property, plant and equipment | 84.5% | 69.2% | 79.1% | 79.4% | 82.0% |
| Intangible assets             | 0.1%  | 0.0%  | 0.0%  | 0.1%  | 0.1%  |
| Current assets                | 10.3% | 24.6% | 9.5%  | 8.4%  | 4.4%  |
| Inventories                   | 0.1%  | 10.2% | 0.5%  | 0.5%  | 0.5%  |
| Accounts receivable           | 0.5%  | 0.3%  | 0.4%  | 0.4%  | 0.4%  |
| Cash                          | 3.8%  | 8.3%  | 1.6%  | 2.4%  | 2.3%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 30.5% | 32.3% | 39.3% | 39.3% | 40.9% |
| Non-current liabilities       | 52.2% | 54.6% | 56.7% | 56.6% | 54.8% |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 49.7% | 52.9% | 54.5% | 54.3% | 52.5% |
| Current liabilities           | 17.3% | 13.1% | 4.1%  | 4.1%  | 4.3%  |
| Short-term debt               | 16.0% | 1.4%  | 1.8%  | 1.8%  | 1.9%  |
| Accounts payable              | 0.1%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |

Source: Company information, Bankhaus Lampe Research estimates

# EDAG Engineering Group AG

## Volkswagen still holds the balance

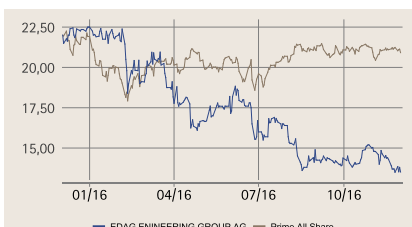
06/12/2016

**Hold** (Hold)  
**16.00 EUR** (16.00 EUR)

Close 01/12/2016 13.51 EUR  
Bloomberg: ED4 GY WKN: A143NB  
Sector Automotive

### Share price performance

52 week high 22.50 EUR  
52 week low 13.50 EUR  
Compared to Prime All Share  
YTD -35.4%  
1 month -10.0%  
12 months -28.3%



### Share data

EV (m EUR; 2016) 453.0  
Market Cap (m EUR) 337.8  
No. of shares (m) 25.0  
Free float 40.3%

### Next event

Annual Results 05/04/2017

### Change in model

|       | Sales | EBIT  | EPS   |
|-------|-------|-------|-------|
| 2016e | ---   | ---   | ---   |
| 2017e | ---   | -0.2% | -0.2% |
| 2018e | ---   | -0.2% | -0.2% |

### Analyst

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See end of document for disclaimer.

Weak order placement by the Volkswagen group in 2016 has led to structural problems and excess capacity at EDAG, which the company is combating with cost-cutting measures. It aims to achieve savings worth € 11 m. We are confirming our HOLD rating and our price target of € 16.00.

### INVESTMENT CASE

After the difficult trend in 2016, due to weak order placement by the VW group, Volkswagen is will probably continue to hold the balance in 2017 as well. The previously announced cost-cutting measures suggest that the group has cut its R&D budget by about 20%. At the same time, the few details available about the model strategy at VW provide few hints about the possible repercussions for EDAG AG. We welcome the fact that EDAG has further reduced its reliance on the VW group by winning further orders from independent electric vehicle manufacturers in China and much larger orders from Daimler. The structural problems presented by the larger workforce, however, will still remain a feature in H1 2017. The cost optimisation programme initiated in H1 2016 (savings worth € 11 m in 2016) are also likely to lead to savings worth roughly € 7 m p.a. in the years thereafter and therefore help the company to achieve an adj. EBIT margin of 10.0% in the long term.

### CATALYSTS

In the short term, the strongest trigger remains the publication of the Volkswagen group's model strategy, which we believe will be revealed in December. The annual report in April 2017 should show a positive cash flow.

### VALUATION

Our DCF-based price target evaluates EDAG using a PER<sub>2017e</sub> of 13.3x. This corresponds to a discount of ~ 20% vs. Bertrandt. We consider this to be justified given the lack of track record on the capital markets and highly volatile profitability.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 697.5 | 722.1 | 730.0 | 762.0 | 817.3 |
| EBIT                       | 87.6  | 60.2  | 35.5  | 52.3  | 67.0  |
| EBIT margin                | 12.6% | 8.3%  | 4.9%  | 6.9%  | 8.2%  |
| Net financial debt         | 126.6 | 92.8  | 84.4  | 77.1  | 55.5  |
| Free cash-flow             | 24.1  | 41.2  | 27.5  | 25.6  | 39.5  |
| EPS (in EUR)               | 2.33  | 1.45  | 0.71  | 1.20  | 1.62  |
| DPS (in EUR)               | 0.75  | 0.75  | 0.75  | 0.75  | 0.75  |
| Dividend yield             | -     | 3.3%  | 5.6%  | 5.6%  | 5.6%  |
| EV/Sales                   | -     | 0.9   | 0.6   | 0.6   | 0.5   |
| EV/EBIT                    | -     | 11.3  | 12.8  | 8.5   | 6.4   |
| Price Earnings ratio (P/E) | -     | 15.5  | 19.0  | 11.2  | 8.3   |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Largest independent, global engineering services provider
- Unique know-how in handling the development and implementation of production processes and capacities
- International presence and customer relations with Asian OEMs are a major growth opportunity

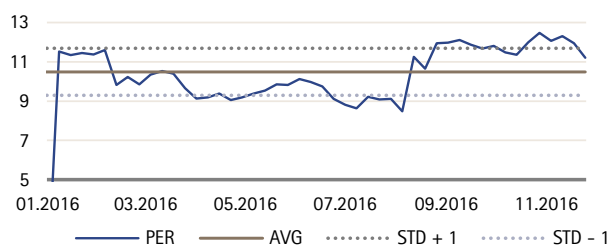
## MANAGEMENT

- Thomas Eichelmann (Chairman of Board of Directors)
- Jörg Ohlsen (CEO)
- Jürgen Vogt (CFO)

## SHORT-TERM GUIDANCE

- Low single-digit revenue growth
- Adjusted EBIT margin: 6-8%
- CAPEX: 4% of sales

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 05/04/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 3.6%  | 4.2%  | 4.0%  | 4.0%  | 4.0%  |
| Capex/Depreciation   | 1.0   | 1.2   | 1.1   | 1.1   | 1.1   |
| ROCE                 | 28.6% | 17.6% | 11.0% | 16.6% | 21.1% |
| Free cash flow yield | -     | 11.1% | 7.4%  | 6.9%  | 10.7% |
| Equity ratio         | 24.2% | 32.6% | 34.1% | 36.7% | 40.8% |
| Net debt / Equity    | 108%  | 60%   | 55%   | 47%   | 30%   |
| Net debt / EBITDA    | 1.1   | 1.1   | 1.3   | 1.0   | 0.6   |
| Interest cover       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

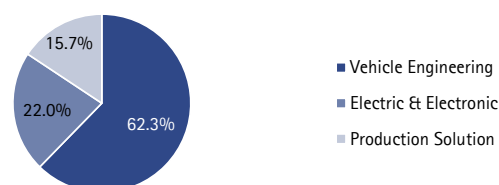
- High exposure (40% of sales) to Volkswagen (VW, Audi, Porsche)
- Growth was mainly driven by M&A activity in the past
- Small testing activities

## COMPANY BACKGROUND

EDAG Engineering Group AG is the leading independent engineering services for the automotive industry. In the segments Vehicle Engineering, Production Solutions, and Electric and Electronics, EDAG offers services for the entire development cycle, from design through to complete vehicle development. The expertise in the development and optimisation of production plant and processes is the company's unique selling point on the market.

## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|   |      |
|---|------|
| ATON GmbH                                 | 59.8 |
| Shareholder Value Management AG           | 4.8  |
| Deutsche Asset Management Investment GmbH | 4.6  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 730.0 | 762.0 | 817.3 |
| Consensus        | 726.8 | 761.0 | 809.7 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 35.5  | 52.3  | 67.0  |
| Consensus        | 38.0  | 54.0  | 66.5  |
| EPS (EUR)        |       |       |       |
| BHL              | 0.71  | 1.20  | 1.62  |
| Consensus        | 0.75  | 1.10  | 1.55  |

Source: Company information, FactSet, BHL estimates

# Key figures

## EDAG Engineering Group AG – Income statement

| in m EUR                          | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|-----------------------------------|--------|--------|--------|--------|--------|
| Sales                             | 697.5  | 722.1  | 730.0  | 762.0  | 817.3  |
| Own work capitalised              | -7.7   | -0.2   | -6.1   | 0.5    | 0.5    |
| Total sales                       | 689.7  | 722.0  | 723.9  | 762.5  | 817.8  |
| Material expenses                 | -115.8 | -100.0 | -93.4  | -94.9  | -99.9  |
| Personnel expenses                | -417.3 | -447.0 | -472.5 | -491.9 | -523.3 |
| Unusual or infrequent items       | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result            | -43.4  | -89.1  | -94.8  | -95.1  | -97.1  |
| EBITDA                            | 113.3  | 85.8   | 63.2   | 80.7   | 97.5   |
| Depreciation                      | 25.6   | 25.6   | 27.7   | 28.4   | 30.5   |
| EBITA                             | 87.6   | 60.2   | 35.5   | 52.3   | 67.0   |
| Amortisation of goodwill          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                              | 87.6   | 60.2   | 35.5   | 52.3   | 67.0   |
| Financial result                  | -10.7  | -6.8   | -8.6   | -7.0   | -6.0   |
| Income on ordinary activities     | 76.9   | 53.4   | 26.8   | 45.3   | 61.0   |
| Extraordinary income/loss         | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                               | 76.9   | 53.4   | 26.8   | 45.3   | 61.0   |
| Taxes                             | -18.7  | -17.0  | -9.0   | -15.2  | -20.5  |
| Net income from cont. operations  | 58.2   | 36.3   | 17.8   | 30.1   | 40.5   |
| Net income from disc. operations  | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                 | 58.2   | 36.3   | 17.8   | 30.1   | 40.5   |
| No. of shares                     | 25.0   | 25.0   | 25.0   | 25.0   | 25.0   |
| EPS                               | 2.33   | 1.45   | 0.71   | 1.20   | 1.62   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 83.4% | 86.1% | 87.2% | 87.6% | 87.8% |
| EBITDA margin     | 16.2% | 11.9% | 8.7%  | 10.6% | 11.9% |
| EBITA margin      | 12.6% | 8.3%  | 4.9%  | 6.9%  | 8.2%  |
| EBIT margin       | 12.6% | 8.3%  | 4.9%  | 6.9%  | 8.2%  |
| EBT margin        | 11.0% | 7.4%  | 3.7%  | 5.9%  | 7.5%  |
| Net profit margin | 8.4%  | 5.0%  | 2.4%  | 3.9%  | 5.0%  |
| Tax rate          | 24.3% | 31.9% | 33.6% | 33.6% | 33.6% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e  | 2017e | 2018e |
|-------------------|-------|--------|--------|-------|-------|
| Sales             | 12.5% | 3.5%   | 1.1%   | 4.4%  | 7.3%  |
| EBITDA            | 78.3% | -24.3% | -26.3% | 27.7% | 20.8% |
| EBIT              | >100% | -31.3% | -41.1% | 47.4% | 28.2% |
| EBT               | >100% | -30.6% | -49.8% | 68.8% | 34.7% |
| Net income (adj.) | >100% | -37.6% | -51.0% | 68.8% | 34.7% |
| EPS               | >100% | -37.6% | -51.0% | 68.8% | 34.7% |

Source: Company information, Bankhaus Lampe Research estimates

## EDAG Engineering Group AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 183.2 | 192.6 | 194.0 | 196.0 | 198.1 |
| Property, plant and equipment          | 55.6  | 67.9  | 69.4  | 71.4  | 73.6  |
| Intangible assets                      | 109.9 | 105.6 | 105.6 | 105.5 | 105.5 |
| Financial assets                       | 15.7  | 16.9  | 16.9  | 16.9  | 16.9  |
| Other long-term assets                 | 2.0   | 2.1   | 2.1   | 2.1   | 2.1   |
| Current assets                         | 301.4 | 283.0 | 258.7 | 254.7 | 260.8 |
| Inventories                            | 6.9   | 1.6   | 0.0   | 0.0   | 0.4   |
| Accounts receivable                    | 247.5 | 205.0 | 200.0 | 208.8 | 212.9 |
| Other current assets                   | 6.8   | 5.0   | 5.0   | 4.9   | 4.9   |
| Securities                             | 0.8   | 0.6   | 0.2   | 0.2   | 0.2   |
| Cash                                   | 39.5  | 70.7  | 53.5  | 40.8  | 42.4  |
| Total assets                           | 484.6 | 475.5 | 452.6 | 450.7 | 458.9 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 117.4 | 155.2 | 154.3 | 165.6 | 187.4 |
| Shareholders' equity (before minority) | 117.3 | 155.2 | 154.2 | 165.5 | 187.3 |
| Minorities                             | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   |
| Non-current liabilities                | 201.1 | 171.1 | 134.0 | 115.5 | 97.5  |
| Pension provisions                     | 22.4  | 22.0  | 30.8  | 31.7  | 32.6  |
| Other provisions                       | 5.0   | 3.2   | 3.3   | 3.4   | 3.7   |
| Long-term financial debt               | 162.0 | 135.2 | 89.2  | 69.2  | 49.2  |
| Other long-term debt                   | 11.8  | 10.7  | 10.8  | 11.3  | 12.1  |
| Current liabilities                    | 166.0 | 149.2 | 164.3 | 169.5 | 174.0 |
| Short-term debt                        | 4.9   | 28.9  | 48.9  | 48.9  | 48.9  |
| Other accruals short-term              | 12.8  | 12.5  | 12.6  | 13.2  | 14.1  |
| Accounts payable                       | 134.7 | 103.1 | 98.0  | 102.3 | 105.4 |
| Other liabilities                      | 13.7  | 4.7   | 4.7   | 5.1   | 5.5   |
| Total equity and liabilities           | 484.6 | 475.5 | 452.6 | 450.7 | 458.9 |

Source: Company information, Bankhaus Lampe Research estimates

## EDAG Engineering Group AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 37.8% | 40.5% | 42.9% | 43.5% | 43.2% |
| Property, plant and equipment | 11.5% | 14.3% | 15.3% | 15.8% | 16.0% |
| Intangible assets             | 22.7% | 22.2% | 23.3% | 23.4% | 23.0% |
| Current assets                | 62.2% | 59.5% | 57.1% | 56.5% | 56.8% |
| Inventories                   | 1.4%  | 0.3%  | 0.0%  | 0.0%  | 0.1%  |
| Accounts receivable           | 51.1% | 43.1% | 44.2% | 46.3% | 46.4% |
| Cash                          | 8.2%  | 14.9% | 11.8% | 9.1%  | 9.2%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 24.2% | 32.6% | 34.1% | 36.7% | 40.8% |
| Non-current liabilities       | 41.5% | 36.0% | 29.6% | 25.6% | 21.3% |
| Pension provisions            | 4.6%  | 4.6%  | 6.8%  | 7.0%  | 7.1%  |
| Long-term financial debt      | 33.4% | 28.4% | 19.7% | 15.3% | 10.7% |
| Current liabilities           | 34.3% | 31.4% | 36.3% | 37.6% | 37.9% |
| Short-term debt               | 1.0%  | 6.1%  | 10.8% | 10.9% | 10.7% |
| Accounts payable              | 27.8% | 21.7% | 21.7% | 22.7% | 23.0% |

Source: Company information, Bankhaus Lampe Research estimates

# ElringKlinger AG

## More stormy weather ahead

06/12/2016

**Hold** (Hold)  
**13.00 EUR** (13.00 EUR)

Close 01/12/2016 13.23 EUR  
Bloomberg: ZIL2 GY WKN: 785602  
Sector Automotive

### Share price performance

52 week high 24.09 EUR  
52 week low 12.82 EUR  
Compared to SDAX  
YTD -42.7%  
1 month -4.5%  
12 months -42.6%



### Share data

EV (m EUR; 2016) 1,531  
Market Cap (m EUR) 838  
No. of shares (m) 63  
Free float 48.0%

### Next event

Annual Results 30/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

After a profit warning in July, ElringKlinger published weak Q3 results. This makes a further cut in earnings expectations (currently: € 140-150 m) much more probable. It also means that positive free cash flows are becoming a remote prospect. Until we can see that the company is returning to profitable growth, we stick to our HOLD rating for the stock.

### INVESTMENT CASE

The homemade problems in the Shielding Systems segment (BHLe: revenue ~ € 400 m) continue to weigh on the group's earnings. For 2016, we expect a loss of € 20 m. A new management team and additional capacities in France and Hungary have not improved the situation so far.

We believe that under these circumstances, the company is unlikely to achieve its medium-term target for the EBIT margin of 13-15%. Moreover, the high investment in new capacities and technologies (hybrid products, lightweight components) is putting a strain on cash flows.

The product portfolio focuses strongly on the combustion engine (~ 80% of revenue). Although ElringKlinger is already offering the first products in chassis and lightweight construction, the trend towards e-mobility continues to pose a risk to the existing business model.

### CATALYSTS

- Revision of estimates is likely to put pressure on the stock
- New orders for lightweight components would give more confidence about a successful transformation of the business model.

### VALUATION

Our price target is based on a DCF model. The current multiples are on a par with the peer group (EV/Sales<sub>2017e</sub> 0.8x; EBIT<sub>2017e</sub> 9.9x). We reiterate our HOLD rating.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 1,326 | 1,507 | 1,555 | 1,608 | 1,668 |
| EBIT                       | 154   | 135   | 129   | 145   | 163   |
| EBIT margin                | 11.6% | 9.0%  | 8.3%  | 9.1%  | 9.8%  |
| Net financial debt         | 348   | 487   | 537   | 571   | 587   |
| Free cash-flow             | -18   | -89   | -16   | 0     | 19    |
| EPS (in EUR)               | 1.67  | 1.45  | 1.25  | 1.44  | 1.64  |
| DPS (in EUR)               | 0.55  | 0.55  | 0.55  | 0.55  | 0.55  |
| Dividend yield             | 1.9%  | 2.3%  | 4.2%  | 4.2%  | 4.2%  |
| EV/Sales                   | 1.8   | 1.4   | 1.0   | 1.0   | 1.0   |
| EV/EBIT                    | 15.1  | 15.7  | 11.9  | 10.8  | 9.7   |
| Price Earnings ratio (P/E) | 17.3  | 16.3  | 10.6  | 9.2   | 8.0   |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Oligopoly for cylinder head and special gaskets
- Manufacturing of own metal processing tools secures technological edge
- Strong industrialisation know-how secures margins
- New products with hydroforming hybrid technology opens door to chassis market

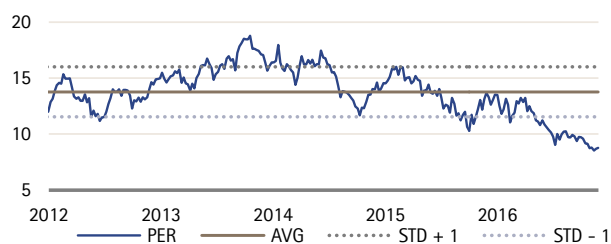
### MANAGEMENT

- Dr. Stefan Wolf (CEO)
- Thomas Jessulat (CFO)
- Theo Becker

## SHORT-TERM GUIDANCE

- 2016 revenue growth: +5-7% organically
- 2016 adj. EBIT: € 140-150 m (low end)
- Capex: approx. € 190 m (11.8% capex ratio)

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 30/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | 4.3%  | 4.1%  | 4.2%  | 4.1%  | 4.0%  |
| Capex/Sales          | 12.3% | 12.6% | 12.2% | 11.0% | 10.0% |
| Capex/Depreciation   | 2.2   | 2.3   | 2.1   | 1.8   | 1.6   |
| ROCE                 | 11.7% | 9.0%  | 8.0%  | 8.6%  | 9.2%  |
| Free cash flow yield | -1.0% | -6.0% | -1.9% | 0.0%  | 2.3%  |
| Equity ratio         | 49.7% | 48.5% | 48.3% | 49.3% | 50.5% |
| Net debt / Equity    | 45%   | 57%   | 60%   | 60%   | 57%   |
| Net debt / EBITDA    | 1.5   | 2.2   | 2.4   | 2.3   | 2.2   |
| Interest cover       | > 10  | > 10  | > 10  | > 10  | 0.0   |

### Weaknesses/Threats (Risks)

- Strong growth in the last few years came at the cost of profitability
- Product focus on combustion engines (limited growth potential); existing e mobility business to stay loss-making in long term (BHL € 6 m p.a.)
- High capex requirements of business model limit free cash flow generation

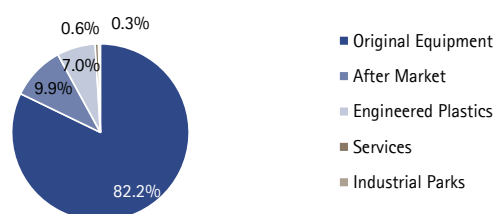
## COMPANY BACKGROUND

ErlingKlinger AG manufactures and markets cylinder head and special gaskets, heat shields and injection-moulded plastic housing modules for cars and commercial vehicles. Aside from its gasket parts business, the company also produces flexible, Teflon-based plastic products for industrial applications.

## MEDIUM-TERM GUIDANCE

- EBIT margin 13-15%
- Capex ratio 7-9% of revenue

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                            |      |
|----------------------------|------|
| Lechler family             | 51.0 |
| Hkl Holding Stiftung       | 4.9  |
| Capital Guardian Trust Co. | 4.7  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 1,555 | 1,608 | 1,668 |
| Consensus        | 1,555 | 1,630 | 1,709 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 129   | 145   | 163   |
| Consensus        | 133   | 155   | 182   |
| EPS (EUR)        |       |       |       |
| BHL              | 1.25  | 1.44  | 1.64  |
| Consensus        | 1.30  | 1.56  | 1.78  |

Source: Company information, FactSet, BHL estimates

# Key figures

## ElringKlinger AG – Income statement

| in m EUR                             | 2014  | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|-------|--------|--------|--------|--------|
| Sales                                | 1,326 | 1,507  | 1,555  | 1,608  | 1,668  |
| Cost of Sales                        | -967  | -1,133 | -1,171 | -1,204 | -1,242 |
| Gross profit                         | 358   | 374    | 384    | 403    | 426    |
| Sales and marketing                  | -93   | -116   | -119   | -121   | -125   |
| General and administration           | -61   | -69    | -77    | -78    | -79    |
| Research and development             | -57   | -61    | -66    | -67    | -67    |
| Other operating result               | 8     | 8      | 7      | 8      | 8      |
| EBITDA                               | 233   | 223    | 223    | 246    | 271    |
| Depreciation                         | 76    | 82     | 89     | 96     | 104    |
| EBITA                                | 157   | 140    | 134    | 150    | 167    |
| Amortisation of goodwill             | 3     | 5      | 5      | 5      | 4      |
| Amortisation of intangible assets    | 0     | 0      | 0      | 0      | 0      |
| EBIT                                 | 154   | 135    | 129    | 145    | 163    |
| Financial result                     | -1    | -6     | -14    | -13    | -13    |
| Income on ordinary activities        | 153   | 129    | 115    | 132    | 150    |
| Extraordinary income/loss            | 0     | 0      | 0      | 0      | 0      |
| EBT                                  | 153   | 129    | 115    | 132    | 150    |
| Taxes                                | -42   | -33    | -32    | -36    | -41    |
| Net income from cont. operations     | 111   | 96     | 83     | 96     | 109    |
| Net income from discount. operations | 0     | 0      | 0      | 0      | 0      |
| Minority interest                    | -5    | -4     | -4     | -5     | -5     |
| Net income (adj.)                    | 106   | 92     | 79     | 91     | 104    |
| No. of shares                        | 63    | 63     | 63     | 63     | 63     |
| EPS (in EUR)                         | 1.67  | 1.45   | 1.25   | 1.44   | 1.64   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 27.0% | 24.8% | 24.7% | 25.1% | 25.6% |
| EBITDA margin     | 17.6% | 14.8% | 14.3% | 15.3% | 16.2% |
| EBITA margin      | 11.9% | 9.3%  | 8.6%  | 9.3%  | 10.0% |
| EBIT margin       | 11.6% | 9.0%  | 8.3%  | 9.1%  | 9.8%  |
| EBT margin        | 11.5% | 8.5%  | 7.4%  | 8.2%  | 9.0%  |
| Net profit margin | 8.3%  | 6.4%  | 5.4%  | 6.0%  | 6.5%  |
| Tax rate          | 27.8% | 25.6% | 27.5% | 27.5% | 27.5% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e  | 2017e | 2018e |
|-------------------|-------|--------|--------|-------|-------|
| Sales             | 15.3% | 13.7%  | 3.1%   | 3.4%  | 3.8%  |
| EBITDA            | -2.9% | -4.5%  | 0.1%   | 10.4% | 10.1% |
| EBIT              | -6.2% | -12.2% | -4.6%  | 12.8% | 12.2% |
| EBT               | 2.8%  | -15.9% | -10.7% | 15.2% | 13.4% |
| Net income (adj.) | 0.3%  | -13.4% | -13.7% | 15.5% | 14.1% |
| EPS               | 0.3%  | -13.4% | -13.7% | 15.5% | 14.1% |

Source: Company information, Bankhaus Lampe Research estimates

## ElringKlinger AG – Balance sheet

| Assets (in m EUR)                      | 2014         | 2015         | 2016e        | 2017e        | 2018e        |
|--|--------------|--------------|--------------|--------------|--------------|
| Fixed assets                           | 924          | 1,074        | 1,174        | 1,254        | 1,316        |
| Property, plant and equipment          | 708          | 827          | 928          | 1,009        | 1,072        |
| Intangible assets                      | 185          | 214          | 213          | 212          | 211          |
| Financial assets                       | 13           | 15           | 15           | 15           | 15           |
| Other long-term assets                 | 17           | 18           | 18           | 18           | 18           |
| Current assets                         | 635          | 691          | 689          | 687          | 715          |
| Inventories                            | 290          | 322          | 315          | 326          | 338          |
| Accounts receivable                    | 245          | 287          | 277          | 286          | 297          |
| Other current assets                   | 31           | 33           | 34           | 35           | 37           |
| Securities                             | 0            | 0            | 0            | 0            | 0            |
| Cash                                   | 69           | 49           | 63           | 39           | 43           |
| <b>Total assets</b>                    | <b>1,559</b> | <b>1,766</b> | <b>1,864</b> | <b>1,941</b> | <b>2,031</b> |
| Equity and liabilities (in m EUR)      |              |              |              |              |              |
| Shareholders' equity                   | 775          | 856          | 900          | 956          | 1,026        |
| Shareholders' equity (before minority) | 744          | 822          | 866          | 922          | 991          |
| Minorities                             | 32           | 34           | 34           | 34           | 34           |
| Non-current liabilities                | 439          | 486          | 514          | 519          | 520          |
| Pension provisions                     | 124          | 119          | 122          | 125          | 126          |
| Other provisions                       | 17           | 12           | 13           | 13           | 13           |
| Long-term financial debt               | 269          | 326          | 350          | 350          | 350          |
| Other long-term debt                   | 30           | 29           | 30           | 31           | 30           |
| Current liabilities                    | 344          | 424          | 450          | 466          | 486          |
| Short-term debt                        | 149          | 210          | 250          | 260          | 280          |
| Other accruals short-term              | 17           | 16           | 17           | 18           | 17           |
| Accounts payable                       | 69           | 86           | 67           | 69           | 71           |
| Other liabilities                      | 110          | 112          | 116          | 119          | 117          |
| <b>Total equity and liabilities</b>    | <b>1,559</b> | <b>1,766</b> | <b>1,864</b> | <b>1,941</b> | <b>2,031</b> |

Source: Company information, Bankhaus Lampe Research estimates

## ElringKlinger AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 59.3% | 60.9% | 63.0% | 64.6% | 64.8% |
| Property, plant and equipment | 45.4% | 46.8% | 49.8% | 52.0% | 52.8% |
| Intangible assets             | 11.9% | 12.1% | 11.4% | 10.9% | 10.4% |
| Current assets                | 40.7% | 39.1% | 37.0% | 35.4% | 35.2% |
| Inventories                   | 18.6% | 18.2% | 16.9% | 16.8% | 16.7% |
| Accounts receivable           | 15.7% | 16.3% | 14.9% | 14.7% | 14.6% |
| Cash                          | 4.4%  | 2.8%  | 3.4%  | 2.0%  | 2.1%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 49.7% | 48.5% | 48.3% | 49.3% | 50.5% |
| Non-current liabilities       | 28.2% | 27.5% | 27.6% | 26.7% | 25.6% |
| Pension provisions            | 8.0%  | 6.7%  | 6.5%  | 6.4%  | 6.2%  |
| Long-term financial debt      | 17.2% | 18.5% | 18.8% | 18.0% | 17.2% |
| Current liabilities           | 22.1% | 24.0% | 24.1% | 24.0% | 23.9% |
| Short-term debt               | 9.5%  | 11.9% | 13.4% | 13.4% | 13.8% |
| Accounts payable              | 4.4%  | 4.9%  | 3.6%  | 3.6%  | 3.5%  |

Source: Company information, Bankhaus Lampe Research estimates

# euromicron AG

## First sign of stabilisation

06/12/2016

**Hold** (Hold)  
**7.00 EUR** (7.00 EUR)

Close 01/12/2016 5.95 EUR  
Bloomberg: EUCA GY WKN: A1K030  
Sector Technology

### Share price performance

52 week high 10.44 EUR  
52 week low 5.70 EUR  
Compared to Prime All Share  
YTD -16.8%  
1 month -17.6%  
12 months -20.2%



### Share data

EV (m EUR; 2016) 112.1  
Market Cap (m EUR) 42.7  
No. of shares (m) 7.2  
Free float 100.0%

### Next event

Annual Results 29/03/2017

### Change in model

|       | Sales | EBITDA | EPS |
|-------|-------|--------|-----|
| 2016e | ---   | ---    | --- |
| 2017e | ---   | ---    | --- |
| 2018e | ---   | ---    | --- |

### Analyst

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See end of document for disclaimer.

Since 2012, Euromicron is undergoing a restructuring phase that is squeezing the order book, revenue, margins and FCF. We consider the market's widely held optimism about a turnaround in 2017 to be too ambitious.

### INVESTMENT CASE

With stable revenue yoy and a clearly positive EBITDA, the Q3 2016 results showed the first sign that the business is stabilising. However, we consider market's widely held optimism about a turnaround in 2017 to be too ambitious. While the guidance reduced at the half year stage for FY 2016 permits a broad EBITDA range of € 2.6-11.1 m (median: € 7.0 m), the consensus for 2017 stands at € 17 m. In view of a different pitch strategy in project marketing (e.g. deliberately dispensing with business as a sub-contractor) and the shrinking order book (-6% vs. 9M 2015), we believe there is less potential for EBITDA growth. We do not expect the FCF to turn positive again before FY 2018. The company's high leverage (net debt 9M 2016: € 100.9 m) limits its scope for up-front project financing and bolt-on acquisitions.

### CATALYSTS

- Completion of restructuring programme by late 2016/early 2017
- Order inventory growth (BHLe: € 103 m at year-end 2016, stable yoy)
- Guidance for 2017 (BHLe: revenue € 340-350 m; EBITDA margin 3-5%)

### VALUATION

Our negative estimates for FCF and EPS in 2016 leave little scope for a comparison with peer-group companies based on multiples. Our valuation is therefore solely based on a DCF model, which leads us to a value of € 7.00.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e  | 2018e |
|----------------------------|-------|-------|-------|--------|-------|
| Sales                      | 346.3 | 344.9 | 338.7 | 354.5  | 369.3 |
| EBITDA                     | 21.1  | 6.9   | 6.5   | 14.6   | 17.8  |
| EBITDA margin              | 6.1%  | 2.0%  | 1.9%  | 4.1%   | 4.8%  |
| Net financial debt         | 54.4  | 59.2  | 67.8  | 67.9   | 65.8  |
| Free cash-flow             | -16.2 | -5.2  | -8.6  | -0.3   | 1.9   |
| EPS (in EUR)               | 0.36  | -1.85 | -0.93 | -0.03  | 0.36  |
| DPS (in EUR)               | 0.00  | 0.00  | 0.00  | 0.00   | 0.00  |
| Dividend yield             | 0.0%  | 0.0%  | 0.0%  | 0.0%   | 0.0%  |
| EV/Sales                   | 0.4   | 0.3   | 0.3   | 0.3    | 0.3   |
| EV/EBITDA                  | 6.5   | 16.6  | 17.2  | 7.7    | 6.2   |
| Price Earnings ratio (P/E) | 32.1  | -4.1  | -6.4  | -187.7 | 16.7  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Positioning in structural growth markets
- Options for bolt-on acquisitions
- Potential acquisition target
- Resolving investment logjam at important customers
- New regional market entries

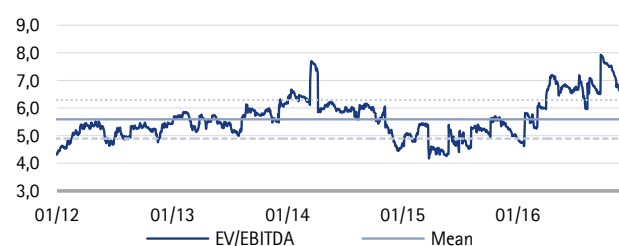
## MANAGEMENT

- Bettina Meyer (CFO)
- Jürgen Hansjosten (CEO)

## SHORT-TERM GUIDANCE

- 2016: revenue € 330-350 m; operating EBITDA margin 2-4%, Restructuring costs € 3-4 m

## HISTORICAL P/E EV/EBITDA



## COMPANY EVENTS

Next event: 29/03/2017 Annual Results

## KEY RATIOS

|                      | 14     | 15    | 16e    | 17e   | 18e   |
|----------------------|--------|-------|--------|-------|-------|
| R&D/Sales            | -      | -     | -      | -     | -     |
| Capex/Sales          | 1.8%   | 2.1%  | 2.7%   | 2.8%  | 2.7%  |
| Capex/Depreciation   | 0.7    | 0.5   | 0.9    | 1.0   | 1.1   |
| ROCE                 | 6.3%   | -5.1% | -2.1%  | 3.0%  | 5.2%  |
| Free cash flow yield | -19.8% | -9.6% | -16.3% | -0.6% | 3.6%  |
| Equity ratio         | 38.4%  | 35.8% | 35.6%  | 35.0% | 35.0% |
| Net debt / Equity    | 49%    | 61%   | 75%    | 75%   | 71%   |
| Net debt / EBITDA    | 2.6    | 8.5   | 10.4   | 4.7   | 3.7   |
| Interest cover       | > 10   | < -10 | -0.8   | 1.0   | > 10  |

### Weaknesses/Threats (Risks)

- Loss of investor confidence after profit warnings in 2014/15/16
- Stagnating order book
- Pricing pressure in the high-margin manufacturing business
- Strengthening of equity capital might be necessary
- Resuming of dividend payment not decided yet

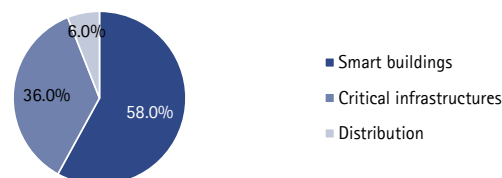
## COMPANY BACKGROUND

Frankfurt-based euromicron AG is a provider of complete infrastructure solutions for communications, transport, security and data networks. The company acts as a manufacturer, system integrator and distributor. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on optical transmission technology.

## MEDIUM-TERM GUIDANCE

- EBITDA margin 8-11%

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|  |     |
|--|-----|
| Lazard Freres Gestion SAS                          | 3.5 |
| Bischoff Christian                                 | 3.0 |
| Universal-Investment-Gesellschaft mbH (Invst Mgmt) | 3.0 |

## BHL VS. CONSENSUS

|                   | 16e   | 17e   | 18e   |
|-------------------|-------|-------|-------|
| Sales (in m EUR)  |       |       |       |
| BHL               | 338.7 | 354.5 | 369.3 |
| Consensus         | 346.9 | 361.9 | 375.7 |
| EBITDA (in m EUR) |       |       |       |
| BHL               | 6.5   | 14.6  | 17.8  |
| Consensus         | 0.0   | 0.0   | 0.0   |
| EPS (EUR)         |       |       |       |
| BHL               | -0.93 | -0.03 | 0.36  |
| Consensus         | 0.07  | 1.07  | 1.75  |

Source: Company information, FactSet, BHL estimates

# Key figures

## euromicron AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 346.3  | 344.9  | 338.7  | 354.5  | 369.3  |
| Own work capitalised                 | 5.4    | 6.8    | 4.5    | 5.0    | 5.2    |
| Total sales                          | 351.7  | 351.7  | 343.2  | 359.5  | 374.5  |
| Material expenses                    | -182.5 | -189.8 | -177.8 | -184.4 | -190.5 |
| Personnel expenses                   | -103.2 | -107.9 | -111.1 | -112.4 | -116.3 |
| Unusual or infrequent items          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -44.9  | -47.1  | -47.8  | -48.2  | -49.9  |
| EBITDA                               | 21.1   | 6.9    | 6.5    | 14.6   | 17.8   |
| Depreciation                         | 9.7    | 15.6   | 10.0   | 9.8    | 9.3    |
| EBITA                                | 11.4   | -8.6   | -3.5   | 4.8    | 8.5    |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 11.4   | -8.6   | -3.5   | 4.8    | 8.5    |
| Financial result                     | -3.7   | -4.1   | -4.6   | -4.8   | -4.8   |
| Income on ordinary activities        | 7.8    | -12.7  | -8.1   | 0.0    | 3.7    |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 7.8    | -12.7  | -8.1   | 0.0    | 3.7    |
| Taxes                                | -4.9   | -0.4   | 1.5    | 0.0    | -0.9   |
| Net income from cont. operations     | 2.9    | -13.1  | -6.6   | 0.0    | 2.8    |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | -0.3   | -0.1   | -0.1   | -0.2   | -0.2   |
| Net income (adj.)                    | 2.6    | -13.2  | -6.7   | -0.2   | 2.6    |
| No. of shares                        | 7.2    | 7.2    | 7.2    | 7.2    | 7.2    |
| EPS                                  | 0.36   | -1.85  | -0.93  | -0.03  | 0.36   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 47.3% | 45.0% | 47.5% | 48.0% | 48.4% |
| EBITDA margin     | 6.1%  | 2.0%  | 1.9%  | 4.1%  | 4.8%  |
| EBITA margin      | 3.3%  | -2.5% | -1.0% | 1.3%  | 2.3%  |
| EBIT margin       | 3.3%  | -2.5% | -1.0% | 1.3%  | 2.3%  |
| EBT margin        | 2.2%  | -3.7% | -2.4% | 0.0%  | 1.0%  |
| Net profit margin | 0.7%  | -3.8% | -2.0% | -0.1% | 0.7%  |
| Tax rate          | 63.2% | -3.3% | 18.6% | 0.0%  | 24.6% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e  | 2017e  | 2018e |
|-------------------|-------|--------|--------|--------|-------|
| Sales             | 5.1%  | -0.4%  | -1.8%  | 4.7%   | 4.2%  |
| EBITDA            | 46.7% | -67.2% | -5.6%  | >100%  | 21.8% |
| EBIT              | >100% | ---    | -59.9% | ---    | 77.2% |
| EBT               | >100% | ---    | -36.5% | -99.7% | ---   |
| Net income (adj.) | ---   | ---    | -49.7% | -96.6% | ---   |
| EPS               | ---   | ---    | -49.7% | -96.6% | ---   |

Source: Company information, Bankhaus Lampe Research estimates

## euromicron AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 150.7 | 142.0 | 141.1 | 141.2 | 141.9 |
| Property, plant and equipment          | 14.1  | 15.3  | 14.5  | 14.5  | 15.2  |
| Intangible assets                      | 134.3 | 125.7 | 125.7 | 125.7 | 125.7 |
| Financial assets                       | 0.9   | 0.7   | 0.7   | 0.8   | 0.8   |
| Other long-term assets                 | 1.5   | 0.2   | 0.2   | 0.2   | 0.2   |
| Current assets                         | 136.7 | 128.9 | 112.6 | 116.7 | 122.6 |
| Inventories                            | 29.0  | 30.8  | 27.8  | 29.1  | 30.4  |
| Accounts receivable                    | 85.8  | 80.7  | 76.1  | 78.7  | 80.9  |
| Other current assets                   | 6.3   | 6.7   | 6.6   | 6.9   | 7.2   |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 15.6  | 10.7  | 2.1   | 2.0   | 4.1   |
| Total assets                           | 287.4 | 270.8 | 253.7 | 257.9 | 264.5 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 110.4 | 97.0  | 90.4  | 90.1  | 92.7  |
| Shareholders' equity (before minority) | 110.0 | 96.6  | 90.0  | 89.7  | 92.3  |
| Minorities                             | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   |
| Non-current liabilities                | 57.6  | 31.0  | 30.8  | 31.2  | 31.6  |
| Pension provisions                     | 1.2   | 1.3   | 1.2   | 1.3   | 1.3   |
| Other provisions                       | 1.9   | 1.8   | 1.8   | 1.9   | 1.9   |
| Long-term financial debt               | 47.1  | 22.3  | 22.3  | 22.3  | 22.3  |
| Other long-term debt                   | 7.4   | 5.6   | 5.5   | 5.8   | 6.0   |
| Current liabilities                    | 119.4 | 142.8 | 132.5 | 136.5 | 140.2 |
| Short-term debt                        | 22.9  | 47.5  | 47.5  | 47.5  | 47.5  |
| Other accruals short-term              | 1.7   | 2.1   | 2.0   | 2.1   | 2.2   |
| Accounts payable                       | 44.2  | 48.4  | 39.0  | 40.8  | 42.5  |
| Other liabilities                      | 50.6  | 44.7  | 43.9  | 46.0  | 47.9  |
| Total equity and liabilities           | 287.4 | 270.8 | 253.7 | 257.9 | 264.5 |

Source: Company information, Bankhaus Lampe Research estimates

## euromicron AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 52.4% | 52.4% | 55.6% | 54.8% | 53.7% |
| Property, plant and equipment | 4.9%  | 5.7%  | 5.7%  | 5.6%  | 5.7%  |
| Intangible assets             | 46.7% | 46.4% | 49.6% | 48.8% | 47.5% |
| Current assets                | 47.6% | 47.6% | 44.4% | 45.2% | 46.3% |
| Inventories                   | 10.1% | 11.4% | 11.0% | 11.3% | 11.5% |
| Accounts receivable           | 29.9% | 29.8% | 30.0% | 30.5% | 30.6% |
| Cash                          | 5.4%  | 4.0%  | 0.8%  | 0.8%  | 1.6%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 38.4% | 35.8% | 35.6% | 35.0% | 35.0% |
| Non-current liabilities       | 20.0% | 11.4% | 12.2% | 12.1% | 12.0% |
| Pension provisions            | 0.4%  | 0.5%  | 0.5%  | 0.5%  | 0.5%  |
| Long-term financial debt      | 16.4% | 8.2%  | 8.8%  | 8.7%  | 8.4%  |
| Current liabilities           | 41.6% | 52.7% | 52.2% | 52.9% | 53.0% |
| Short-term debt               | 8.0%  | 17.6% | 18.7% | 18.4% | 18.0% |
| Accounts payable              | 15.4% | 17.9% | 15.4% | 15.8% | 16.1% |

Source: Company information, Bankhaus Lampe Research estimates

# Gesco AG

## Ongoing headwinds

06/12/2016

**Hold** (Hold)  
**71.00 EUR** (73.00 EUR)

Close 01/12/2016 68.95 EUR  
Bloomberg: GSC1 GY WKN: A1K020  
Sector Industrial

### Share price performance

52 week high 75.77 EUR  
52 week low 66.03 EUR  
Compared to Prime All Share  
YTD 1.8%  
1 month -5.5%  
12 months 6.3%



### Share data

EV (m EUR; 2016) 330.4  
Market Cap (m EUR) 229.2  
No. of shares (m) 3.3  
Free float 71.3%

### Next event

Quarterly Results 14/02/2017

### Change in model

|          | Sales | EBIT   | EPS    |
|----------|-------|--------|--------|
| 2016/17e | -2.8% | -16.0% | -20.2% |
| 2017/18e | -2.8% | -9.6%  | -12.8% |
| 2018/19e | -2.8% | -9.2%  | -12.1% |

### Analyst

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See end of document for disclaimer.

In the current financial year Gesco is still facing headwinds, which have forced it to lower its earnings guidance when presenting its H1 results. Having revised our forecasts, we lower our price target from € 73.00 to € 71.00. We reiterate our HOLD rating.

### INVESTMENT CASE

Importantly for Gesco, the capital goods industry remains subdued because ongoing problems in the Eurozone, low oil prices and political uncertainties are curbing willingness to invest. Overall, many service providers are registering low capacity utilisation, which increases the pressure on prices. For instance, the market for industrial toolmaking is affected and the market for tool steel is subject to considerable consolidation pressure and a price squeeze. Moreover, Q2 was also negatively affected because some customers postponed the delivery of major orders until Q3. According to preliminary figures, however, revenue in Q3 was still 3% down on a year ago. Gesco is responding to this business environment by introducing cost-cutting measures and reviewing any non-essential investments. Moreover, in line with the implementation of its portfolio strategy, the group has set up optimisation projects for its various subsidiaries that are intended to examine costs and opportunities thereby improving margins in the medium term.

### CATALYSTS

The company announced a stock split of 3:1 that should take effect at the end of December. We regard returning the company to a growth trajectory as a pre-requisite for a BUY rating.

### VALUATION

Overall, we believe Gesco should be able to return to its former profitability levels in the medium term and therefore to an EBIT margin of 8-10% (BHL 2016/17: 4.8%). Our price target of € 71.00 is based on a DCF model.

| in m EUR                   | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|----------------------------|---------|---------|----------|----------|----------|
| Sales                      | 451.4   | 494.0   | 478.0    | 487.6    | 497.3    |
| EBIT                       | 27.3    | 31.5    | 22.8     | 29.2     | 31.3     |
| EBIT margin                | 6.0%    | 6.4%    | 4.8%     | 6.0%     | 6.3%     |
| Net financial debt         | 79.2    | 80.6    | 69.2     | 56.4     | 56.5     |
| Free cash-flow             | -14.1   | 6.2     | 18.1     | 15.8     | 18.2     |
| EPS (in EUR)               | 3.72    | 4.85    | 3.46     | 4.77     | 5.18     |
| DPS (in EUR)               | 1.75    | 2.00    | 2.00     | 2.20     | 2.40     |
| Dividend yield             | 2.3%    | 2.7%    | 2.9%     | 3.2%     | 3.5%     |
| EV/Sales                   | 0.8     | 0.7     | 0.7      | 0.7      | 0.6      |
| EV/EBIT                    | 13.4    | 11.4    | 14.5     | 10.9     | 10.2     |
| Price Earnings ratio (P/E) | 20.5    | 15.3    | 19.9     | 14.4     | 13.3     |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Focused on market-leading niche companies
- Prudent acquisition strategy; good track record
- Solid balance sheet with limited goodwill
- Diversified portfolio reduces earnings volatility
- Attractive and sustainable dividend policy

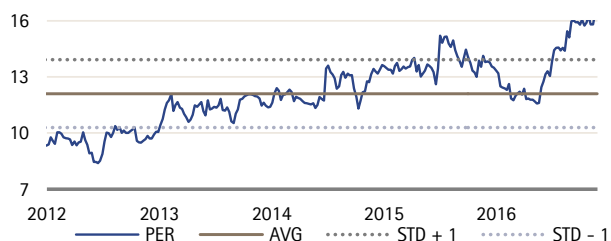
## MANAGEMENT

- Dr. Eric Bernhard (CEO)
- Robert Spartmann
- Dr. Hans-Gert Mayrose until 31.12.2016

## SHORT-TERM GUIDANCE

- 2016/17: Revenue at best € 480 m
- 2016/17: Annual net profit after minorities of € 11.5-12.5 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 14/02/2017 Quarterly Results

## KEY RATIOS

|                      | 14/15 | 15/16 | 16/17e | 17/18e | 18/19e |
|----------------------|-------|-------|--------|--------|--------|
| RE&D/Sales           | -     | -     | -      | -      | -      |
| Capex/Sales          | 6.9%  | 5.0%  | 3.8%   | 3.8%   | 3.8%   |
| Capex/Depreciation   | 1.6   | 1.1   | 0.9    | 0.9    | 0.9    |
| ROCE                 | 8.7%  | 9.6%  | 6.8%   | 8.5%   | 8.9%   |
| Free cash flow yield | -5.6% | 2.5%  | 7.7%   | 6.7%   | 7.7%   |
| Equity ratio         | 45.3% | 47.7% | 48.3%  | 48.9%  | 51.2%  |
| Net debt / Equity    | 43%   | 41%   | 34%    | 27%    | 26%    |
| Net debt / EBITDA    | 1.7   | 1.5   | 1.6    | 1.1    | 1.1    |
| Interest cover       | > 10  | 0.0   | > 10   | > 10   | 0.0    |

### Weaknesses/Threats (Risks)

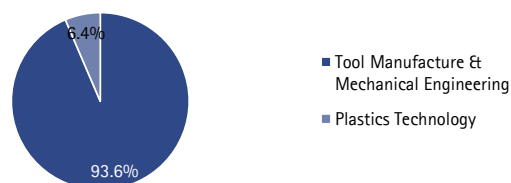
- Periodic capital increases
- Dörrenberg accounts for more than one fifth of revenue
- Holding structure is unpopular with institutional investors

## COMPANY BACKGROUND

As a holding company, Gesco AG acquires profitable, strategically interesting German industrial SMEs in order to own them for some time and develop the companies. The portfolio currently encompasses 17 companies. The takeovers essentially take place when the former owner sells because there is no successor to run the company. The new CEO appointed by Gesco usually has a 10-20% stake in the capital stock and therefore also bears a part of the entrepreneurial risk.

## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|   |      |
|---|------|
| Stefan Heimöller                          | 14.7 |
| Investment companies, long-term investors | 13.9 |
| Dimensional Fund Advisors LP              | 1.5  |

## BHL VS. CONSENSUS

|                  | 16/17e | 17/18e | 18/19e |
|------------------|--------|--------|--------|
| Sales (in m EUR) |        |        |        |
| BHL              | 478.0  | 487.6  | 497.3  |
| Consensus        | 479.1  | 493.0  | 507.5  |
| EBIT (in m EUR)  |        |        |        |
| BHL              | 22.8   | 29.2   | 31.3   |
| Consensus        | 21.5   | 27.7   | 34.2   |
| EPS (EUR)        |        |        |        |
| BHL              | 3.46   | 4.77   | 5.18   |
| Consensus        | 3.75   | 4.77   | 5.82   |

Source: Company information, FactSet, BHL estimates

# Key figures

## Gesco AG – Income statement

| in m EUR                          | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|-----------------------------------|---------|---------|----------|----------|----------|
| Sales                             | 451.4   | 494.0   | 478.0    | 487.6    | 497.3    |
| Own work capitalised              | 16.3    | -6.5    | 0.0      | 0.0      | 0.0      |
| Total sales                       | 467.8   | 487.5   | 478.0    | 487.6    | 497.3    |
| Material expenses                 | -236.1  | -242.9  | -238.2   | -242.9   | -247.8   |
| Personnel expenses                | -131.5  | -139.7  | -135.8   | -138.5   | -141.2   |
| Unusual or infrequent items       | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Other operating result            | -54.0   | -51.6   | -60.3    | -56.0    | -56.0    |
| EBITDA                            | 46.2    | 53.3    | 43.8     | 50.2     | 52.3     |
| Depreciation                      | 18.9    | 21.8    | 21.0     | 21.0     | 21.0     |
| EBITA                             | 27.3    | 31.5    | 22.8     | 29.2     | 31.3     |
| Amortisation of goodwill          | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Amortisation of intangible assets | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| EBIT                              | 27.3    | 31.5    | 22.8     | 29.2     | 31.3     |
| Financial result                  | -2.7    | -2.6    | -2.9     | -2.9     | -2.9     |
| Income on ordinary activities     | 24.6    | 28.8    | 19.8     | 26.2     | 28.3     |
| Extraordinary income/loss         | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| EBT                               | 24.6    | 28.8    | 19.8     | 26.2     | 28.3     |
| Taxes                             | -10.4   | -10.3   | -6.5     | -8.3     | -8.9     |
| Net income from cont. operations  | 14.2    | 18.5    | 13.3     | 18.0     | 19.4     |
| Net income from disc. operations  | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Minority interest                 | -1.8    | -2.4    | -1.8     | -2.1     | -2.2     |
| Net income (adj.)                 | 12.4    | 16.1    | 11.5     | 15.9     | 17.2     |
| No. of shares                     | 3.3     | 3.3     | 3.3      | 3.3      | 3.3      |
| EPS                               | 3.72    | 4.85    | 3.46     | 4.77     | 5.18     |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|-------------------|---------|---------|----------|----------|----------|
| Gross margin      | 47.7%   | 50.8%   | 50.2%    | 50.2%    | 50.2%    |
| EBITDA margin     | 10.2%   | 10.8%   | 9.2%     | 10.3%    | 10.5%    |
| EBITA margin      | 6.0%    | 6.4%    | 4.8%     | 6.0%     | 6.3%     |
| EBIT margin       | 6.0%    | 6.4%    | 4.8%     | 6.0%     | 6.3%     |
| EBT margin        | 5.4%    | 5.8%    | 4.2%     | 5.4%     | 5.7%     |
| Net profit margin | 2.7%    | 3.3%    | 2.4%     | 3.3%     | 3.5%     |
| Tax rate          | 42.4%   | 35.8%   | 33.0%    | 31.5%    | 31.5%    |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|-------------------|---------|---------|----------|----------|----------|
| Sales             | -0.4%   | 9.4%    | -3.2%    | 2.0%     | 2.0%     |
| EBITDA            | -5.2%   | 15.4%   | -17.8%   | 14.6%    | 4.2%     |
| EBIT              | -14.7%  | 15.2%   | -27.6%   | 28.0%    | 7.3%     |
| EBT               | -15.4%  | 17.4%   | -31.2%   | 32.2%    | 8.1%     |
| Net income (adj.) | -31.8%  | 30.6%   | -28.7%   | 38.0%    | 8.5%     |
| EPS               | -31.7%  | 30.4%   | -28.7%   | 38.0%    | 8.5%     |

Source: Company information, Bankhaus Lampe Research estimates

## Gesco AG – Balance sheet

| Assets (in m EUR)                      | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|--|---------|---------|----------|----------|----------|
| Fixed assets                           | 165.9   | 167.8   | 165.0    | 162.5    | 160.4    |
| Property, plant and equipment          | 128.8   | 134.1   | 131.3    | 128.8    | 126.7    |
| Intangible assets                      | 29.9    | 26.8    | 26.8     | 26.8     | 26.8     |
| Financial assets                       | 2.0     | 2.2     | 2.2      | 2.2      | 2.2      |
| Other long-term assets                 | 5.3     | 4.7     | 4.7      | 4.7      | 4.7      |
| Current assets                         | 237.8   | 242.4   | 250.0    | 266.6    | 268.9    |
| Inventories                            | 135.1   | 132.6   | 130.0    | 132.6    | 135.3    |
| Accounts receivable                    | 55.1    | 61.6    | 60.4     | 61.6     | 61.4     |
| Other current assets                   | 12.3    | 11.5    | 11.5     | 11.5     | 11.5     |
| Securities                             | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      |
| Cash                                   | 35.3    | 36.6    | 48.0     | 60.8     | 60.7     |
| Total assets                           | 403.7   | 410.2   | 415.0    | 429.1    | 429.3    |
| Equity and liabilities in m EUR        |         |         |          |          |          |
| Shareholders' equity                   | 182.8   | 195.8   | 200.6    | 209.8    | 219.7    |
| Shareholders' equity (before minority) | 168.3   | 180.1   | 184.9    | 194.1    | 204.0    |
| Minorities                             | 14.5    | 15.7    | 15.7     | 15.7     | 15.7     |
| Non-current liabilities                | 103.7   | 100.7   | 100.7    | 104.4    | 93.4     |
| Pension provisions                     | 17.1    | 16.3    | 16.3     | 16.3     | 16.3     |
| Other provisions                       | 0.6     | 0.6     | 0.6      | 0.6      | 0.6      |
| Long-term financial debt               | 79.0    | 76.5    | 76.5     | 76.5     | 76.5     |
| Other long-term debt                   | 7.0     | 7.4     | 7.4      | 11.0     | 0.0      |
| Current liabilities                    | 117.2   | 113.7   | 113.6    | 114.9    | 116.2    |
| Short-term debt                        | 35.5    | 40.8    | 40.8     | 40.8     | 40.8     |
| Other accruals short-term              | 13.6    | 8.8     | 10.0     | 10.0     | 10.0     |
| Accounts payable                       | 41.2    | 35.5    | 34.8     | 35.5     | 36.2     |
| Other liabilities                      | 27.0    | 28.6    | 28.0     | 28.6     | 29.2     |
| Total equity and liabilities           | 403.7   | 410.2   | 415.0    | 429.1    | 429.3    |

Source: Company information, Bankhaus Lampe Research estimates

## Gesco AG – Balance sheet structure

| Assets                        | 2014/15 | 2015/16 | 2016/17e | 2017/18e | 2018/19e |
|-------------------------------|---------|---------|----------|----------|----------|
| Fixed assets                  | 41.1%   | 40.9%   | 39.8%    | 37.9%    | 37.4%    |
| Property, plant and equipment | 31.9%   | 32.7%   | 31.6%    | 30.0%    | 29.5%    |
| Intangible assets             | 7.4%    | 6.5%    | 6.5%     | 6.2%     | 6.2%     |
| Current assets                | 58.9%   | 59.1%   | 60.2%    | 62.1%    | 62.6%    |
| Inventories                   | 33.5%   | 32.3%   | 31.3%    | 30.9%    | 31.5%    |
| Accounts receivable           | 13.7%   | 15.0%   | 14.6%    | 14.4%    | 14.3%    |
| Cash                          | 8.7%    | 8.9%    | 11.6%    | 14.2%    | 14.1%    |
| Equity and liabilities        |         |         |          |          |          |
| Shareholders' equity          | 45.3%   | 47.7%   | 48.3%    | 48.9%    | 51.2%    |
| Non-current liabilities       | 25.7%   | 24.6%   | 24.3%    | 24.3%    | 21.7%    |
| Pension provisions            | 4.2%    | 4.0%    | 3.9%     | 3.8%     | 3.8%     |
| Long-term financial debt      | 19.6%   | 18.6%   | 18.4%    | 17.8%    | 17.8%    |
| Current liabilities           | 29.0%   | 27.7%   | 27.4%    | 26.8%    | 27.1%    |
| Short-term debt               | 8.8%    | 9.9%    | 9.8%     | 9.5%     | 9.5%     |
| Accounts payable              | 10.2%   | 8.7%    | 8.4%     | 8.3%     | 8.4%     |

Source: Company information, Bankhaus Lampe Research estimates

# GfK SE

## Uncertainties remain

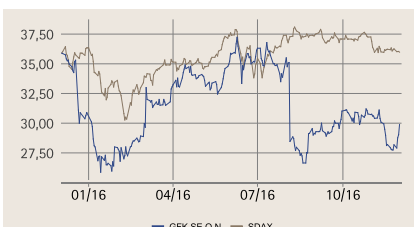
06/12/2016

**Hold** (Hold)  
**26.00 EUR** (27.00 EUR)

Close 01/12/2016 29.89 EUR  
 Bloomberg: GFK GY WKN: 587530  
 Sector Media

### Share price performance

52 week high 37.23 EUR  
 52 week low 25.87 EUR  
 Compared to SDAX  
 YTD -2.3%  
 1 month -1.2%  
 12 months -14.4%



### Share data

EV (m EUR; 2016) 1,424  
 Market Cap (m EUR) 1,088  
 No. of shares (m) 36.4  
 Free float 43.5%

### Next event

Preliminary Results 31/01/2017

### Change in model

|       | Sales | EBIT  | EPS   |
|-------|-------|-------|-------|
| 2016e | -1.5% | n.a.  | n.a.  |
| 2017e | -1.5% | -1.9% | -2.3% |
| 2018e | -1.5% | -1.9% | -2.2% |

### Analyst

Christoph Schlienke, Investmentanalyst DVFA  
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See end of document for disclaimer.

After a disappointing business performance year to date, we do not expect any appreciable improvements in the final quarter of 2016. The market environment is set to remain challenging. We have slightly revised our forecasts and are lowering our price target from € 27.00 to € 26.00.

### INVESTMENT CASE

New, digital offerings continue to replace traditional, personnel and time-consuming offerings in ad-hoc research. GfK is responding to this trend by reducing businesses that are unable to hold their own against the competition or which do not meet the company's margin requirements. At the same time, the pace of innovation with respect to investing in the development of new pioneering products will remain high in 2016 to make the group fit for the future.

In view of a still-challenging market environment in the ad-hoc research business, 2016 was not an easy year for Consumer Experiences, in our view. GfK therefore expects significant declines in revenue for the fiscal year. In terms of operating performance, the company still has to increase efficiency. With a solid point-of-sales measurement, the Consumer Choices segment still has a core business that is being expanded by new product categories, industries and services as well as complemented by online evaluation options. This opens up new opportunities for growth and potential for margin improvements. Delays in TV research orders are still having a negative effect.

### CATALYSTS

Positive newsflow with respect to TV research orders and strategic thoughts about a potential future CEO are possible catalysts.

### VALUATION

Our valuation is based on a DCF model.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 1,453 | 1,543 | 1,497 | 1,542 | 1,588 |
| EBIT                       | 71.9  | 106.2 | -27.1 | 150.0 | 167.2 |
| EBIT margin                | 5.0%  | 6.9%  | -1.8% | 9.7%  | 10.5% |
| Net financial debt         | 328.8 | 333.6 | 319.6 | 310.8 | 291.6 |
| Free cash-flow             | 98.0  | 94.6  | 62.5  | 38.9  | 48.9  |
| EPS (in EUR)               | 0.16  | 1.01  | -2.94 | 2.39  | 2.72  |
| DPS (in EUR)               | 0.65  | 0.65  | 0.65  | 0.65  | 0.65  |
| Dividend yield             | 1.9%  | 2.1%  | 2.2%  | 2.2%  | 2.2%  |
| EV/Sales                   | 1.1   | 1.0   | 1.0   | 0.9   | 0.9   |
| EV/EBIT                    | 22.5  | 13.9  | -52.6 | 9.4   | 8.3   |
| Price Earnings ratio (P/E) | 211.2 | 30.6  | -10.2 | 12.5  | 11.0  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Important parts of market research grow faster than the economy overall
- Flagship contracts in Audience Measurement
- Consumer Choices is an earnings mainstay with margins above 20%

### Weaknesses/Threats (Risks)

- Transformation not yet fully completed
- Number of legal entities still too high
- Consumer Experiences needs to pick up

## MANAGEMENT

- Gerhard Hausruckinger (CEO)
- Christian Diedrich (CFO)
- Matthias Hartmann until 31.12.2016
- David Krajicek
- Alessandra Cama

## COMPANY BACKGROUND

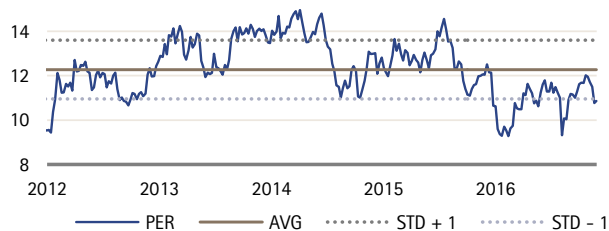
GfK SE is one of the world's largest research companies with around 13,000 experts analysing markets in over 100 countries. Its Consumer Choices segment focuses on market sizing and currencies, convergent media, and sales channels. Its Consumer Experiences segment deals with consumer behaviour, perceptions, and attitudes. The company was founded in 1984 and is headquartered in Nuremberg, Germany.

## SHORT-TERM GUIDANCE

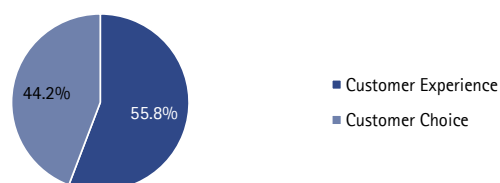
- 2016: margin below prior year's level

## MEDIUM-TERM GUIDANCE

## HISTORICAL P/E



## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 31/01/2017 Preliminary Results

## MAJOR SHAREHOLDERS (%)

|                   |      |
|-------------------|------|
| GfK Nürnberg e.V. | 56.4 |
| Parvus Asset      | 4.9  |
| RWC Focus         | 3.3  |

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Capex/Sales          | 6.4%  | 6.2%  | 8.2%  | 6.2%  | 6.2%  |
| Capex/Depreciation   | 3.6   | 3.5   | 0.5   | 1.4   | 1.4   |
| ROCE                 | 6.4%  | 9.0%  | -2.6% | 13.7% | 14.5% |
| Free cash flow yield | 7.9%  | 8.4%  | 5.6%  | 3.5%  | 4.4%  |
| Equity ratio         | 39.9% | 39.1% | 34.8% | 36.9% | 39.4% |
| Net debt / Equity    | 47%   | 46%   | 55%   | 48%   | 41%   |
| Net debt / EBITDA    | 1.6   | 1.4   | 1.4   | 1.4   | 1.2   |
| Interest cover       | > 10  | > 10  | -0.6  | > 10  | > 10  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 1,497 | 1,542 | 1,588 |
| Consensus        | 1,496 | 1,518 | 1,551 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | -27.1 | 150.0 | 167.2 |
| Consensus        | -23.2 | 149.0 | 161.0 |
| EPS (EUR)        |       |       |       |
| BHL              | -2.94 | 2.39  | 2.72  |
| Consensus        | -2.91 | 2.20  | 2.45  |

Source: Company information, FactSet, BHL estimates

# Key figures

## GfK SE – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 1,453  | 1,543  | 1,497  | 1,542  | 1,588  |
| Cost of Sales                        | -990.6 | -1,062 | -1,033 | -1,050 | -1,072 |
| Gross profit                         | 462.3  | 481.5  | 464.1  | 491.9  | 516.2  |
| Sales and marketing                  | -301.0 | -302.2 | -293.2 | -302.0 | -311.0 |
| General and administration           | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Research and development             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -89.4  | -73.1  | -198.0 | -40.0  | -38.0  |
| EBITDA                               | 202.2  | 231.2  | 223.9  | 218.0  | 237.2  |
| Depreciation                         | 26.1   | 27.3   | 251.0  | 68.0   | 70.0   |
| EBITA                                | 176.1  | 203.9  | -27.1  | 150.0  | 167.2  |
| Amortisation of goodwill             | 104.2  | 97.7   | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 71.9   | 106.2  | -27.1  | 150.0  | 167.2  |
| Financial result                     | -24.4  | -18.3  | -11.0  | -16.5  | -16.5  |
| Income on ordinary activities        | 47.6   | 87.9   | -38.1  | 133.5  | 150.7  |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 47.6   | 87.9   | -38.1  | 133.5  | 150.7  |
| Taxes                                | -28.2  | -47.2  | -64.0  | -41.4  | -46.7  |
| Net income from cont. operations     | 19.4   | 40.7   | -102.1 | 92.1   | 104.0  |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | -13.5  | -4.0   | -5.0   | -5.0   | -5.0   |
| Net income (adj.)                    | 5.9    | 36.8   | -107.1 | 87.1   | 99.0   |
| No. of shares                        | 36.4   | 36.4   | 36.4   | 36.4   | 36.4   |
| EPS (in EUR)                         | 0.16   | 1.01   | -2.94  | 2.39   | 2.72   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e   | 2017e | 2018e |
|-------------------|-------|-------|---------|-------|-------|
| Gross margin      | 31.8% | 31.2% | 31.0%   | 31.9% | 32.5% |
| EBITDA margin     | 13.9% | 15.0% | 15.0%   | 14.1% | 14.9% |
| EBITA margin      | 12.1% | 13.2% | -1.8%   | 9.7%  | 10.5% |
| EBIT margin       | 5.0%  | 6.9%  | -1.8%   | 9.7%  | 10.5% |
| EBT margin        | 3.3%  | 5.7%  | -2.5%   | 8.7%  | 9.5%  |
| Net profit margin | 1.3%  | 2.6%  | -6.8%   | 6.0%  | 6.5%  |
| Tax rate          | 59.3% | 53.7% | -168.2% | 31.0% | 31.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015  | 2016e | 2017e | 2018e |
|-------------------|--------|-------|-------|-------|-------|
| Sales             | -2.8%  | 6.2%  | -3.0% | 3.0%  | 3.0%  |
| EBITDA            | -10.3% | 14.4% | -3.1% | -2.7% | 8.8%  |
| EBIT              | >100%  | 47.5% | ---   | ---   | 11.5% |
| EBT               | >100%  | 84.7% | ---   | ---   | 12.9% |
| Net income (adj.) | ---    | >100% | ---   | ---   | 13.7% |
| EPS               | ---    | >100% | ---   | ---   | 13.7% |

Source: Company information, Bankhaus Lampe Research estimates

## GfK SE – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 1,231 | 1,222 | 1,094 | 1,122 | 1,150 |
| Property, plant and equipment          | 115.9 | 105.2 | 123.0 | 121.0 | 119.0 |
| Intangible assets                      | 1,039 | 1,046 | 900.0 | 930.0 | 960.0 |
| Financial assets                       | 9.0   | 5.6   | 5.6   | 5.6   | 5.6   |
| Other long-term assets                 | 67.1  | 65.1  | 65.1  | 65.1  | 65.1  |
| Current assets                         | 536.1 | 620.6 | 581.7 | 614.1 | 653.4 |
| Inventories                            | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Accounts receivable                    | 384.7 | 396.3 | 394.3 | 417.9 | 443.0 |
| Other current assets                   | 57.3  | 93.4  | 57.0  | 57.0  | 57.0  |
| Securities                             | 0.9   | 1.5   | 1.5   | 1.0   | 1.0   |
| Cash                                   | 93.2  | 129.5 | 129.0 | 138.2 | 152.4 |
| Total assets                           | 1,767 | 1,842 | 1,675 | 1,736 | 1,803 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 705.3 | 720.5 | 583.8 | 641.2 | 710.5 |
| Shareholders' equity (before minority) | 651.7 | 704.6 | 567.9 | 625.3 | 694.6 |
| Minorities                             | 53.6  | 15.9  | 15.9  | 15.9  | 15.9  |
| Non-current liabilities                | 523.8 | 440.7 | 555.6 | 555.6 | 555.6 |
| Pension provisions                     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other provisions                       | 79.3  | 80.6  | 80.6  | 80.6  | 80.6  |
| Long-term financial debt               | 359.2 | 256.4 | 390.0 | 390.0 | 390.0 |
| Other long-term debt                   | 85.3  | 103.8 | 85.0  | 85.0  | 85.0  |
| Current liabilities                    | 538.3 | 681.1 | 536.0 | 539.0 | 537.0 |
| Short-term debt                        | 63.7  | 208.2 | 60.0  | 60.0  | 55.0  |
| Other accruals short-term              | 36.6  | 17.3  | 18.0  | 18.0  | 18.0  |
| Accounts payable                       | 95.5  | 90.9  | 93.0  | 96.0  | 99.0  |
| Other liabilities                      | 342.4 | 364.8 | 365.0 | 365.0 | 365.0 |
| Total equity and liabilities           | 1,767 | 1,842 | 1,675 | 1,736 | 1,803 |

Source: Company information, Bankhaus Lampe Research estimates

## GfK SE – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 69.7% | 66.3% | 65.3% | 64.6% | 63.8% |
| Property, plant and equipment | 6.6%  | 5.7%  | 7.3%  | 7.0%  | 6.6%  |
| Intangible assets             | 58.8% | 56.8% | 53.7% | 53.6% | 53.2% |
| Current assets                | 30.3% | 33.7% | 34.7% | 35.4% | 36.2% |
| Inventories                   | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts receivable           | 21.8% | 21.5% | 23.5% | 24.1% | 24.6% |
| Cash                          | 5.3%  | 7.0%  | 7.7%  | 8.0%  | 8.5%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 39.9% | 39.1% | 34.8% | 36.9% | 39.4% |
| Non-current liabilities       | 29.6% | 23.9% | 33.2% | 32.0% | 30.8% |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 20.3% | 13.9% | 23.3% | 22.5% | 21.6% |
| Current liabilities           | 30.5% | 37.0% | 32.0% | 31.1% | 29.8% |
| Short-term debt               | 3.6%  | 11.3% | 3.6%  | 3.5%  | 3.1%  |
| Accounts payable              | 5.4%  | 4.9%  | 5.6%  | 5.5%  | 5.5%  |

Source: Company information, Bankhaus Lampe Research estimates

# Hawesko Holding AG

## Ongoing transformation

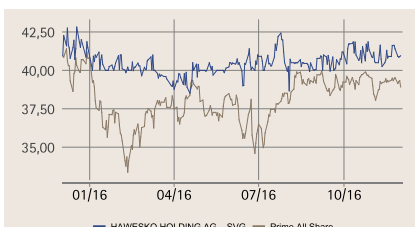
06/12/2016

**Sell** (Sell)  
**37.00 EUR** (37.00 EUR)

Close 01/12/2016 40.95 EUR  
 Bloomberg: HAW GY WKN: 604270  
 Sector Retail

### Share price performance

52 week high 42.82 EUR  
 52 week low 38.52 EUR  
 Compared to Prime All Share  
 YTD 3.3%  
 1 month -1.8%  
 12 months 6.9%



### Share data

EV (m EUR; 2016) 374.0  
 Market Cap (m EUR) 367.7  
 No. of shares (m) 9.0  
 Free float 27.4%

### Next event

Preliminary Results 02/02/2017

### Change in model

|       | Sales | EBIT  | EPS   |
|-------|-------|-------|-------|
| 2016e | -0.4% | 0.8%  | 1.9%  |
| 2017e | -0.4% | -2.7% | -2.8% |
| 2018e | -0.4% | -2.6% | -2.7% |

### Analyst

Christoph Schlienkamp, Investmentanalyst DVFA  
 Phone: +49 (0)211 4952-311  
 christoph.schlienkamp@bankhaus-lampe.de

See end of document for disclaimer.

In our view, Hawesko is still undergoing a transformation phase because the advances in digitalisation are changing purchasing processes and even the premium wine trade is becoming increasingly cross-channel. Before we become more bullish, we expect stronger growth so that Hawesko can also show the scalability of its business, which would make an EBIT margin of 7% possible.

### INVESTMENT CASE

In future, Hawesko will also focus its activities on price classes above € 4.00 per bottle in the German market. However, the brand offering from discounters both in bricks-and-mortar and in online shopping still represents strong competition, in our view. These providers can also address customers in a targeted manner with corresponding marketing support measures. This means that Hawesko must stand apart from its competitors by means of expert advice and high levels of service. In our view, the targeted medium-term revenue growth of around 5% (CAGR) is difficult to imagine right now. In our model, we first assume organic growth of 2% in 2017 and 2.5% in 2018. This means that Hawesko will have to rely on external growth via M&A activities in order to achieve its own targets. Admittedly, the old management team did not have a positive track record in the more intensive internationalisation of the business.

### CATALYSTS

We view the presentation of the preliminary figures for 2016 in early February neutrally. Although we believe Hawesko is likely to report a much-improved EBIT margin (BHLe: from 4.2% to 6.4%), 60 bp of this can be attributed to provisions.

### VALUATION

Our peer-group analysis and the EV/sales, EV/EBIT, PER and P/BV valuation components bring us to our price target of € 37.00. Our cash-flow-yield model supports this finding.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 472.8 | 476.8 | 478.5 | 488.1 | 500.3 |
| EBIT                       | 20.1  | 20.1  | 30.6  | 28.5  | 30.0  |
| EBIT margin                | 4.2%  | 4.2%  | 6.4%  | 5.8%  | 6.0%  |
| Net financial debt         | 12.7  | 6.5   | -0.9  | -5.3  | -9.9  |
| Free cash-flow             | 14.2  | 20.3  | 20.3  | 16.3  | 16.5  |
| EPS (in EUR)               | 1.65  | 1.36  | 2.20  | 2.07  | 2.19  |
| DPS (in EUR)               | 1.30  | 1.30  | 1.30  | 1.30  | 1.30  |
| Dividend yield             | 3.1%  | 3.1%  | 3.2%  | 3.2%  | 3.2%  |
| EV/Sales                   | 0.8   | 0.8   | 0.8   | 0.8   | 0.7   |
| EV/EBIT                    | 19.6  | 19.2  | 12.2  | 13.0  | 12.2  |
| Price Earnings ratio (P/E) | 25.1  | 30.5  | 18.6  | 19.8  | 18.7  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Development of traditional sales channels facilitating growth
- Consistent multi-channel strategy
- Further acquisitions are to contribute to value faster
- Expansion of corporate growth is improving position
- Trend towards higher quality wines is a mainstay of the business model

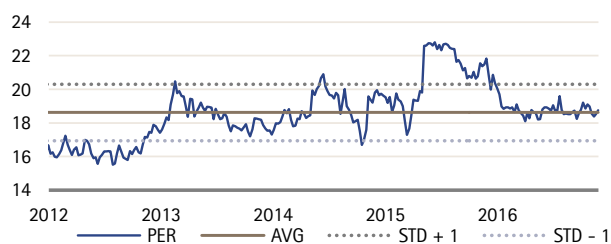
## MANAGEMENT

- Thorsten Hermelink (CEO)
- Nikolas von Haugwitz (Member of the Board)
- Alexander Borwitzky (Member of the Board)
- Bernd G. Siebdrat (Member of the Board)
- Raimund Hackenberger (CFO) ab 1.3.2017

## SHORT-TERM GUIDANCE

- 2016: stable Revenue development
- 2016: EBIT € 30.2 - 31.2 m (operational: € 28-29 m)
- 2015: EBIT (adj.) € 26-27 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 02/02/2017 Preliminary Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 1.1%  | 1.4%  | 1.6%  | 1.5%  | 1.5%  |
| Capex/Depreciation   | 0.8   | 0.9   | 1.0   | 1.0   | 1.0   |
| ROCE                 | 17.3% | 17.8% | 25.6% | 22.9% | 23.0% |
| Free cash flow yield | 3.8%  | 5.4%  | 5.6%  | 4.5%  | 4.5%  |
| Equity ratio         | 41.9% | 41.6% | 44.4% | 46.8% | 49.2% |
| Net debt / Equity    | 14%   | 7%    | -1%   | -5%   | -9%   |
| Net debt / EBITDA    | 0.5   | 0.2   | 0.0   | -0.1  | -0.3  |
| Interest cover       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- Strong dependency on the Christmas period
- Repeated investments in quality of service necessary
- Fragmented market with price squeeze
- -
- -

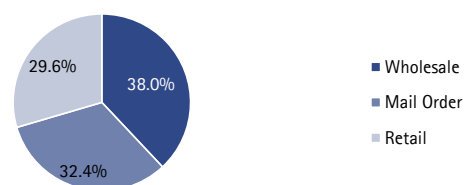
## COMPANY BACKGROUND

Hawesko Holding AG is Germany's largest integrated merchant for premium wines and champagnes. It operates through three business segments: Hanseatisches Wein- und Sekt-Kontor, a wine mail-order and online business, Jacques' Wein-Depot, a specialist wine retailer, and Wein Wolf and CWD Champagner und Wein Distributionsgesellschaft, which are wine wholesalers. Hawesko Holding was founded in 1964 and is headquartered in Hamburg, Germany.

## MEDIUM-TERM GUIDANCE

- Sales CAGR 5%
- EBIT margin of 7%
- ROCE of 16%

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                                  |      |
|----------------------------------|------|
| Detlev Meyer                     | 72.6 |
| Augendum WV                      | 5.6  |
| March Asset Management SGIIC SAU | 1.3  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 478.5 | 488.1 | 500.3 |
| Consensus        | 477.9 | 494.5 | 524.3 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 30.6  | 28.5  | 30.0  |
| Consensus        | 30.8  | 31.5  | 34.2  |
| EPS (EUR)        |       |       |       |
| BHL              | 2.20  | 2.07  | 2.19  |
| Consensus        | 2.19  | 2.26  | 2.45  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Hawesko Holding AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 472.8  | 476.8  | 478.5  | 488.1  | 500.3  |
| Own work capitalised                 | 0.7    | 0.9    | 0.0    | 0.0    | 0.0    |
| Total sales                          | 473.5  | 477.7  | 478.5  | 488.1  | 500.3  |
| Material expenses                    | -274.8 | -278.3 | -278.0 | -283.1 | -289.7 |
| Personnel expenses                   | -52.4  | -59.4  | -54.0  | -55.0  | -56.0  |
| Unusual or infrequent items          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -119.5 | -112.5 | -108.5 | -114.0 | -117.0 |
| EBITDA                               | 26.9   | 27.4   | 38.0   | 36.0   | 37.6   |
| Depreciation                         | 6.8    | 7.3    | 7.4    | 7.5    | 7.6    |
| EBITA                                | 20.1   | 20.1   | 30.6   | 28.5   | 30.0   |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 20.1   | 20.1   | 30.6   | 28.5   | 30.0   |
| Financial result                     | 1.3    | -1.1   | -0.8   | -0.8   | -0.8   |
| Income on ordinary activities        | 21.4   | 19.0   | 29.8   | 27.7   | 29.2   |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 21.4   | 19.0   | 29.8   | 27.7   | 29.2   |
| Taxes                                | -6.5   | -6.6   | -9.2   | -8.6   | -9.1   |
| Net income from cont. operations     | 14.8   | 12.5   | 20.6   | 19.1   | 20.2   |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | 0.0    | -0.2   | -0.8   | -0.5   | -0.5   |
| Net income (adj.)                    | 14.8   | 12.2   | 19.8   | 18.6   | 19.7   |
| No. of shares                        | 9.0    | 9.0    | 9.0    | 9.0    | 9.0    |
| EPS                                  | 1.65   | 1.36   | 2.20   | 2.07   | 2.19   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 41.9% | 41.6% | 41.9% | 42.0% | 42.1% |
| EBITDA margin     | 5.7%  | 5.7%  | 7.9%  | 7.4%  | 7.5%  |
| EBITA margin      | 4.2%  | 4.2%  | 6.4%  | 5.8%  | 6.0%  |
| EBIT margin       | 4.2%  | 4.2%  | 6.4%  | 5.8%  | 6.0%  |
| EBT margin        | 4.5%  | 4.0%  | 6.2%  | 5.7%  | 5.8%  |
| Net profit margin | 3.1%  | 2.6%  | 4.1%  | 3.8%  | 3.9%  |
| Tax rate          | 30.6% | 34.6% | 31.0% | 31.0% | 31.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e | 2017e | 2018e |
|-------------------|--------|--------|-------|-------|-------|
| Sales             | 1.6%   | 0.8%   | 0.4%  | 2.0%  | 2.5%  |
| EBITDA            | -8.5%  | 1.9%   | 38.6% | -5.3% | 4.5%  |
| EBIT              | -11.1% | 0.4%   | 52.0% | -6.9% | 5.4%  |
| EBT               | -15.5% | -10.8% | 56.6% | -7.1% | 5.5%  |
| Net income (adj.) | -8.5%  | -17.7% | 61.9% | -5.8% | 5.7%  |
| EPS               | -8.5%  | -17.7% | 61.9% | -5.8% | 5.7%  |

Source: Company information, Bankhaus Lampe Research estimates

## Hawesko Holding AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 60.3  | 60.3  | 60.4  | 60.4  | 60.4  |
| Property, plant and equipment          | 21.3  | 20.9  | 20.7  | 20.7  | 20.7  |
| Intangible assets                      | 33.0  | 32.1  | 32.4  | 32.4  | 32.4  |
| Financial assets                       | 2.4   | 3.5   | 3.5   | 3.5   | 3.5   |
| Other long-term assets                 | 3.6   | 3.8   | 3.8   | 3.8   | 3.8   |
| Current assets                         | 156.9 | 159.5 | 163.4 | 167.1 | 171.9 |
| Inventories                            | 95.4  | 91.9  | 92.0  | 93.8  | 96.2  |
| Accounts receivable                    | 44.5  | 45.8  | 44.5  | 44.0  | 43.8  |
| Other current assets                   | 6.1   | 7.3   | 7.0   | 7.0   | 7.0   |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 10.9  | 14.5  | 19.9  | 22.3  | 24.9  |
| Total assets                           | 217.2 | 219.8 | 223.9 | 227.5 | 232.3 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 91.1  | 91.3  | 99.4  | 106.4 | 114.4 |
| Shareholders' equity (before minority) | 84.7  | 85.2  | 93.3  | 100.2 | 108.2 |
| Minorities                             | 6.5   | 6.2   | 6.2   | 6.2   | 6.2   |
| Non-current liabilities                | 17.1  | 22.5  | 21.4  | 21.1  | 20.9  |
| Pension provisions                     | 1.1   | 1.1   | 1.1   | 1.1   | 1.1   |
| Other provisions                       | 1.4   | 1.8   | 1.8   | 1.8   | 1.8   |
| Long-term financial debt               | 3.7   | 4.0   | 4.0   | 4.0   | 4.0   |
| Other long-term debt                   | 10.9  | 15.6  | 14.5  | 14.2  | 14.0  |
| Current liabilities                    | 109.0 | 105.9 | 103.0 | 100.0 | 97.0  |
| Short-term debt                        | 19.9  | 17.0  | 15.0  | 13.0  | 11.0  |
| Other accruals short-term              | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Accounts payable                       | 65.8  | 62.9  | 62.0  | 61.0  | 60.0  |
| Other liabilities                      | 23.3  | 26.0  | 26.0  | 26.0  | 26.0  |
| Total equity and liabilities           | 217.2 | 219.8 | 223.9 | 227.5 | 232.3 |

Source: Company information, Bankhaus Lampe Research estimates

## Hawesko Holding AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 27.8% | 27.4% | 27.0% | 26.6% | 26.0% |
| Property, plant and equipment | 9.8%  | 9.5%  | 9.2%  | 9.1%  | 8.9%  |
| Intangible assets             | 15.2% | 14.6% | 14.5% | 14.2% | 13.9% |
| Current assets                | 72.2% | 72.6% | 73.0% | 73.4% | 74.0% |
| Inventories                   | 43.9% | 41.8% | 41.1% | 41.2% | 41.4% |
| Accounts receivable           | 20.5% | 20.8% | 19.9% | 19.3% | 18.9% |
| Cash                          | 5.0%  | 6.6%  | 8.9%  | 9.8%  | 10.7% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 41.9% | 41.6% | 44.4% | 46.8% | 49.2% |
| Non-current liabilities       | 7.9%  | 10.2% | 9.6%  | 9.3%  | 9.0%  |
| Pension provisions            | 0.5%  | 0.5%  | 0.5%  | 0.5%  | 0.5%  |
| Long-term financial debt      | 1.7%  | 1.8%  | 1.8%  | 1.8%  | 1.7%  |
| Current liabilities           | 50.2% | 48.2% | 46.0% | 44.0% | 41.8% |
| Short-term debt               | 9.2%  | 7.8%  | 6.7%  | 5.7%  | 4.7%  |
| Accounts payable              | 30.3% | 28.6% | 27.7% | 26.8% | 25.8% |

Source: Company information, Bankhaus Lampe Research estimates

# HolidayCheck Group AG

Focusing on customer satisfaction

06/12/2016

**Hold** (Hold)  
**2.50 EUR** (3.20 EUR)

Close 01/12/2016 2.20 EUR  
Bloomberg: HOC GY WKN: 549532  
Sector Media

## Share price performance

52 week high 3.59 EUR  
52 week low 2.13 EUR  
Compared to Prime All Share  
YTD -33.4%  
1 month -0.8%  
12 months -27.6%



## Share data

EV (m EUR; 2016) 83  
Market Cap (m EUR) 128  
No. of shares (m) 58  
Free float 41.2%

## Next event

Annual Results 24/03/2017

## Change in model

|       | Sales  | EBIT   | EPS    |
|-------|--------|--------|--------|
| 2016e | -7.2%  | 31.7%  | 14.9%  |
| 2017e | -14.6% | -95.7% | -92.8% |
| 2018e | -19.3% | -70.2% | -68.8% |

## Analyst

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See end of document for disclaimer.

Hawesko is still undergoing a transformation phase. For the current management, customer satisfaction is the number one priority. Due to the currently tough business environment, our rating is HOLD.

## INVESTMENT CASE

In 2016, the main focus of attention for the management team is to establish the foundation for a sustainable, successful development of the group and its brands. We assume that the organic investment in existing and new products and services will lead to organic revenue growth for the group as of Q4 2016. However, the extent to which the bankruptcy of Unister Travel in September will change the competitive environment in the medium-to-long term is difficult to quantify. For the time being, we believe the company will spend heavily on marketing to expand its competitive position. However, the group should manage to report at least a breakeven EBITDA for 2016. The group has a strong balance sheet with an equity ratio of 80% and net cash worth more than € 40 m. This should put it in a good position to meet the challenges posed by restructuring. The management recently emphasised that acquisitions can be useful additions to the portfolio, but only if the business area is complementary.

## CATALYSTS

The adjustments to our estimates are mostly based on the change in the consolidated companies since our last update. The somewhat more optimistic outlook for 2017, which we expect to be announced along with the 2016 results on 24 March 2017, could lend the share some tailwind.

## VALUATION

In a growing market that is not beset with uncertainties, we consider EV/EBITDA multiples of up to 15 to be realistic. However, this would require a brighter business environment.

| in m EUR                   | 2014  | 2015   | 2016e | 2017e | 2018e |
|----------------------------|-------|--------|-------|-------|-------|
| Sales                      | 100   | 103    | 107   | 111   | 115   |
| EBIT                       | 13    | -16    | -3    | 0     | 7     |
| EBIT margin                | 12.9% | -15.4% | -3.1% | 0.4%  | 6.5%  |
| Net financial debt         | 29    | -48    | -45   | -49   | -54   |
| Free cash-flow             | 4     | 83     | -4    | 5     | 5     |
| EPS (in EUR)               | -0.06 | 0.71   | -0.07 | 0.01  | 0.10  |
| DPS (in EUR)               | 0.06  | 0.00   | 0.00  | 0.00  | 0.00  |
| Dividend yield             | 1.6%  | 0.0%   | 0.0%  | 0.0%  | 0.0%  |
| EV/Sales                   | 2.5   | 1.5    | 0.8   | 0.7   | 0.6   |
| EV/EBIT                    | 19.4  | -10.0  | -25.3 | 164.9 | 9.8   |
| Price Earnings ratio (P/E) | -60.1 | 5.0    | -33.8 | 220.2 | 21.9  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Following the disposals, TFA today is concentrating on travel
- Travel also undergoing structural shift from offline to online
- HolidayCheck is posting growth and should be enhanced by further acquisitions

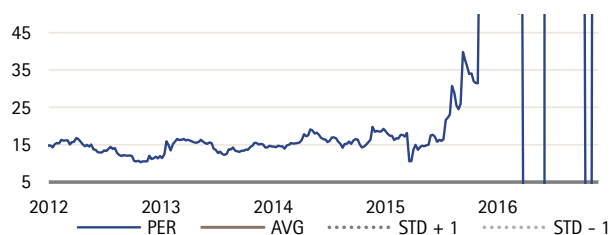
### MANAGEMENT

- Georg Hesse (CEO)
- Dr. Dirk Schmelzer (CFO)
- Timo Salzieder (COO)

### SHORT-TERM GUIDANCE

- 2016: Sales revenue percentage growth in the mid-single digits
- 2016: At least breakeven operating group EBITDA

### HISTORICAL P/E



### COMPANY EVENTS

Next event: 24/03/2017 Annual Results

### KEY RATIOS

|                      | 14    | 15     | 16e   | 17e   | 18e   |
|----------------------|-------|--------|-------|-------|-------|
| R&D/Sales            | -     | -      | -     | -     | -     |
| Capex/Sales          | 17.1% | 9.6%   | -0.9% | 1.4%  | 4.8%  |
| Capex/Depreciation   | 2.8   | 0.6    | -0.2  | 0.3   | 1.0   |
| ROCE                 | 6.7%  | 0.0%   | 0.0%  | 0.3%  | 5.3%  |
| Free cash flow yield | 1.7%  | 40.0%  | -     | -     | -     |
| Equity ratio         | 53.7% | 76.3%  | 81.5% | 81.6% | 82.5% |
| Net debt / Equity    | 23%   | -29%   | -27%  | -30%  | -31%  |
| Net debt / EBITDA    | 1.5   | -200.4 | -20.2 | -8.2  | -4.2  |
| Interest cover       | > 10  | < -10  | < -10 | > 10  | 0.0   |

### Weaknesses/Threats (Risks)

- Economic downturn will lead to fewer bookings in Travel business
- Marketing measures must be designed flexibly depending on competition
- Must always have state-of-the-art technology

### COMPANY BACKGROUND

HolidayCheck Group AG operates in the online travel business.

### MEDIUM-TERM GUIDANCE

- -

### REVENUE BREAKDOWN (LAST ACTUAL YEAR)



### MAJOR SHAREHOLDERS (%)

|                                     |      |
|-------------------------------------|------|
| Burda                               | 58.8 |
| Deutsche Asset Et Wealth Management | 8.3  |
| LBBW                                | 3.0  |

### BHL VS. CONSENSUS

|                  | 16e   | 17e  | 18e  |
|------------------|-------|------|------|
| Sales (in m EUR) |       |      |      |
| BHL              | 107   | 111  | 115  |
| Consensus        | 108   | 116  | 124  |
| EBIT (in m EUR)  |       |      |      |
| BHL              | -3    | 0    | 7    |
| Consensus        | -2    | 2    | 5    |
| EPS (EUR)        |       |      |      |
| BHL              | -0.07 | 0.01 | 0.10 |
| Consensus        | -0.02 | 0.01 | 0.07 |

Source: Company information, FactSet, BHL estimates

# Key figures

## HolidayCheck Group AG – Income statement

| in m EUR                             | 2014  | 2015 | 2016e | 2017e | 2018e |
|--------------------------------------|-------|------|-------|-------|-------|
| Sales                                | 100   | 103  | 107   | 111   | 115   |
| Own work capitalised                 | 3     | 3    | 4     | 3     | 0     |
| Total sales                          | 103   | 106  | 111   | 114   | 115   |
| Material expenses                    | -54   | -69  | -60   | -60   | -62   |
| Personnel expenses                   | -26   | -32  | -31   | -31   | -32   |
| Unusual or infrequent items          | 0     | 0    | 0     | 0     | 0     |
| Other operating result               | -4    | -5   | -18   | -17   | -8    |
| EBITDA                               | 19    | 0    | 2     | 6     | 13    |
| Depreciation                         | 6     | 16   | 6     | 6     | 6     |
| EBITA                                | 13    | -16  | -3    | 0     | 7     |
| Amortisation of goodwill             | 0     | 0    | 0     | 0     | 0     |
| Amortisation of intangible assets    | 0     | 0    | 0     | 0     | 0     |
| EBIT                                 | 13    | -16  | -3    | 0     | 7     |
| Financial result                     | -3    | -2   | 0     | 0     | 0     |
| Income on ordinary activities        | 9     | -18  | -3    | 1     | 8     |
| Extraordinary income/loss            | 0     | 0    | 0     | 0     | 0     |
| EBT                                  | 9     | -18  | -3    | 1     | 8     |
| Taxes                                | -3    | 0    | -1    | 0     | -2    |
| Net income from cont. operations     | 7     | -18  | -4    | 1     | 6     |
| Net income from discount. operations | -11   | 59   | 0     | 0     | 0     |
| Minority interest                    | 0     | 0    | 0     | 0     | 0     |
| Net income (adj.)                    | -4    | 41   | -4    | 1     | 6     |
| No. of shares                        | 58    | 58   | 58    | 58    | 58    |
| EPS                                  | -0.06 | 0.71 | -0.07 | 0.01  | 0.10  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015   | 2016e  | 2017e | 2018e |
|-------------------|-------|--------|--------|-------|-------|
| Gross margin      | 45.8% | 33.2%  | 43.8%  | 45.9% | 45.9% |
| EBITDA margin     | 18.9% | 0.2%   | 2.1%   | 5.4%  | 11.3% |
| EBITA margin      | 12.9% | -15.4% | -3.1%  | 0.4%  | 6.5%  |
| EBIT margin       | 12.9% | -15.4% | -3.1%  | 0.4%  | 6.5%  |
| EBT margin        | 9.5%  | -17.2% | -3.0%  | 0.7%  | 6.8%  |
| Net profit margin | -3.7% | 39.9%  | -3.6%  | 0.5%  | 5.1%  |
| Tax rate          | 27.4% | 0.0%   | -18.8% | 25.0% | 25.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Sales             | -33.7% | 3.0%   | 3.5%   | 4.0%  | 4.0%  |
| EBITDA            | -35.4% | -98.7% | >100%  | >100% | >100% |
| EBIT              | -35.1% | ---    | -79.3% | ---   | >100% |
| EBT               | -37.2% | ---    | -82.0% | ---   | >100% |
| Net income (adj.) | ---    | ---    | ---    | ---   | >100% |
| EPS               | ---    | ---    | ---    | ---   | >100% |

Source: Company information, Bankhaus Lampe Research estimates

## HolidayCheck Group AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 178  | 138  | 132   | 128   | 128   |
| Property, plant and equipment          | 4    | 3    | 3     | 4     | 4     |
| Intangible assets                      | 170  | 127  | 120   | 115   | 115   |
| Financial assets                       | 2    | 7    | 7     | 7     | 7     |
| Other long-term assets                 | 2    | 2    | 2     | 2     | 2     |
| Current assets                         | 56   | 83   | 71    | 75    | 80    |
| Inventories                            | 0    | 0    | 0     | 0     | 0     |
| Accounts receivable                    | 26   | 15   | 26    | 26    | 26    |
| Other current assets                   | 4    | 5    | 0     | 0     | 0     |
| Securities                             | 0    | 0    | 0     | 0     | 0     |
| Cash                                   | 27   | 64   | 45    | 49    | 54    |
| Total assets                           | 234  | 221  | 202   | 203   | 208   |
| Equity and liabilities in m EUR        |      |      |       |       |       |
| Shareholders' equity                   | 125  | 169  | 165   | 166   | 172   |
| Shareholders' equity (before minority) | 125  | 169  | 165   | 166   | 172   |
| Minorities                             | 0    | 0    | 0     | 0     | 0     |
| Non-current liabilities                | 66   | 8    | 7     | 7     | 7     |
| Pension provisions                     | 2    | 1    | 0     | 0     | 0     |
| Other provisions                       | 0    | 0    | 0     | 0     | 0     |
| Long-term financial debt               | 55   | 0    | 0     | 0     | 0     |
| Other long-term debt                   | 9    | 7    | 7     | 7     | 7     |
| Current liabilities                    | 43   | 44   | 30    | 30    | 29    |
| Short-term debt                        | 1    | 15   | 0     | 0     | 0     |
| Other accruals short-term              | 1    | 1    | 1     | 1     | 0     |
| Accounts payable                       | 12   | 12   | 14    | 14    | 14    |
| Other liabilities                      | 28   | 16   | 16    | 16    | 16    |
| Total equity and liabilities           | 234  | 221  | 202   | 203   | 208   |

Source: Company information, Bankhaus Lampe Research estimates

## HolidayCheck Group AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 75.9% | 62.5% | 65.2% | 63.0% | 61.5% |
| Property, plant and equipment | 1.6%  | 1.4%  | 1.7%  | 2.2%  | 2.1%  |
| Intangible assets             | 72.6% | 57.2% | 59.3% | 56.6% | 55.3% |
| Current assets                | 24.1% | 37.5% | 34.8% | 37.0% | 38.5% |
| Inventories                   | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts receivable           | 11.2% | 6.7%  | 12.8% | 12.8% | 12.5% |
| Cash                          | 11.4% | 28.8% | 22.0% | 24.2% | 26.0% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 53.7% | 76.3% | 81.5% | 81.6% | 82.5% |
| Non-current liabilities       | 28.1% | 3.7%  | 3.6%  | 3.6%  | 3.5%  |
| Pension provisions            | 0.8%  | 0.5%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 23.3% | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Current liabilities           | 18.2% | 20.0% | 14.9% | 14.8% | 14.0% |
| Short-term debt               | 0.4%  | 6.9%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts payable              | 5.2%  | 5.6%  | 6.7%  | 6.6%  | 6.5%  |

Source: Company information, Bankhaus Lampe Research estimates

# Leifheit AG

## Brand business is driving growth

06/12/2016

**Buy** (Buy)  
**65.00 EUR** (60.00 EUR)

Close 01/12/2016 55.60 EUR  
Bloomberg: LEI GY WKN: 646450  
Sector Consumer

### Share price performance

52 week high 60.24 EUR  
52 week low 43.50 EUR  
Compared to Prime All Share  
YTD 16.9%  
1 month -6.7%  
12 months 20.4%



### Share data

EV (m EUR; 2016) 265.3  
Market Cap (m EUR) 264.2  
No. of shares (m) 4.8  
Free float 76.6%

### Next event

Capital Market Day 13/02/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

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See end of document for disclaimer.

At first glance, we believe the disappointing Q3 results do not put Leifheit's equity story in doubt at all. The high-margin core business with brand products (revenue share >80%) should grow by 5% this year. The volume business was responsible for the setback. The priority here is clearly profitability ahead of revenue. For us Leifheit remains a clear dividend story. In view of a dividend yield of around 5% and the prospect of rising dividends, we re-affirm our BUY rating.

### INVESTMENT CASE

The expected growth in the Brand Business of 5% in 2016 in our view, results from the "Leifheit 2020" strategy adopted a good two years ago. The aim is to position Leifheit as an expert in easy and effortless home cleaning and care with an integrated category approach.

In the months ahead, we believe Leifheit will primarily want to consolidate this strategy: We assume that the company will still want to concentrate uncompromisingly on addressing customer needs and strengthening its capacity for innovation. We are therefore optimistic about 2017 and expect many new products and innovations at the leading international trade fair Ambiente in Frankfurt in February 2017.

### CATALYSTS

During the Ambiente, Leifheit wants to publish its preliminary figures and host an investor day. Both are likely to be well received by the market.

### VALUATION

Our valuation is based 50:50 on a DCF model and a cash-flow-yield model. Even though the share is too expensive considering the traditional multiples (EV/EBIT, PER), the dividend (current yield ~5%) and the expectation of higher pay-outs make the share attractive.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 220.7 | 231.8 | 239.0 | 250.0 | 262.5 |
| EBIT                       | 21.5  | 21.7  | 21.4  | 22.0  | 24.0  |
| EBIT margin                | 9.8%  | 9.3%  | 9.0%  | 8.8%  | 9.1%  |
| Net financial debt         | -62.8 | -68.2 | -65.4 | -65.2 | -65.2 |
| Free cash-flow             | 15.4  | 14.1  | 10.6  | 12.9  | 14.2  |
| EPS (in EUR)               | 2.97  | 3.02  | 2.99  | 3.08  | 3.37  |
| DPS (in EUR)               | 1.80  | 2.75  | 2.75  | 3.00  | 3.25  |
| Dividend yield             | 3.9%  | 5.6%  | 4.9%  | 5.4%  | 5.8%  |
| EV/Sales                   | 1.0   | 1.0   | 1.1   | 1.1   | 1.0   |
| EV/EBIT                    | 10.5  | 10.8  | 12.4  | 12.1  | 11.1  |
| Price Earnings ratio (P/E) | 15.6  | 16.4  | 18.6  | 18.1  | 16.5  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Leading positions in Germany and many European markets
- Non-cyclical business with brands for everyday consumer goods
- Dividend expected to increase steadily in the coming years
- Strong balance sheet with € 60 m in cash permits M&A without dilution

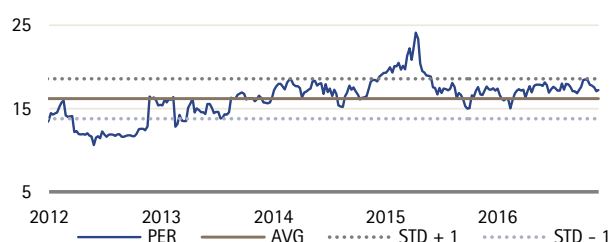
### MANAGEMENT

- Thomas Radke (CEO)
- Dr. Claus-Otto Zacharias (CFO)
- Ansgar Lengeling (COO)

### SHORT-TERM GUIDANCE

- 2016: Consolidated sales growth at the lower end of 3-4% range
- 2016: EBIT at the lower end of € 21-22 m

### HISTORICAL P/E



### COMPANY EVENTS

Next event: 13/02/2017 Capital Market Day

### KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | 1.7%  | 2.1%  | 2.1%  | 2.0%  | 1.9%  |
| Capex/Sales          | 2.8%  | 3.1%  | 2.7%  | 2.6%  | 2.6%  |
| Capex/Depreciation   | 1.0   | 1.2   | 0.9   | 1.0   | 1.0   |
| ROCE                 | 13.1% | 12.5% | 12.3% | 12.5% | 13.5% |
| Free cash flow yield | 7.0%  | 6.0%  | 4.3%  | 5.2%  | 5.8%  |
| Equity ratio         | 42.5% | 44.9% | 44.7% | 44.8% | 45.1% |
| Net debt / Equity    | -66%  | -64%  | -61%  | -60%  | -59%  |
| Net debt / EBITDA    | -2.3  | -2.5  | -2.3  | -2.3  | -2.1  |
| Interest cover       | > 10  | 0.0   | 0.0   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- Expansion of international distribution activities necessary
- Reassessment of kitchen segment necessary
- Soehnle requires new positioning

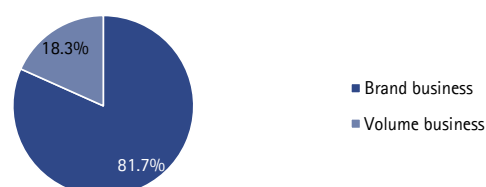
### COMPANY BACKGROUND

Leifheit AG is one of Europe's leading producers of household products. Its product portfolio focuses on the core areas of cleaning, laundry care, kitchen products and well-being. Apart from Leifheit, the company's brands also include Soehnle, Birambeau and Herby. The group employs some 1,000 people mostly in Germany, the Czech Republic and France. It was founded in 1959 and is headquartered in Nassau, Germany.

### MEDIUM-TERM GUIDANCE

- Organic growth of 5-6% per year up to 2020
- External growth through M&A up to 2020
- EBIT margin target of 8%

### REVENUE BREAKDOWN (LAST ACTUAL YEAR)



### MAJOR SHAREHOLDERS (%)

|                               |      |
|-------------------------------|------|
| Manuel Knapp Voith            | 10.0 |
| Joachim Loh                   | 8.3  |
| Capital Research & Management | 5.6  |

### BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 239.0 | 250.0 | 262.5 |
| Consensus        | 240.0 | 250.0 | 262.5 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 21.4  | 22.0  | 24.0  |
| Consensus        | 21.0  | 23.8  | 24.7  |
| EPS (EUR)        |       |       |       |
| BHL              | 2.99  | 3.08  | 3.37  |
| Consensus        | 2.98  | 3.26  | 3.48  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Leifheit AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 220.7  | 231.8  | 239.0  | 250.0  | 262.5  |
| Cost of Sales                        | -115.4 | -123.6 | -126.7 | -138.0 | -144.9 |
| Gross profit                         | 105.2  | 108.3  | 112.3  | 112.0  | 117.6  |
| Sales and marketing                  | -69.4  | -70.2  | -73.0  | -76.0  | -81.0  |
| General and administration           | -16.8  | -15.3  | -14.6  | -15.0  | -15.8  |
| Research and development             | -3.8   | -4.8   | -5.0   | -5.0   | -5.0   |
| Other operating result               | 6.2    | 3.7    | 1.7    | 6.0    | 8.2    |
| EBITDA                               | 27.8   | 27.4   | 28.1   | 28.9   | 31.1   |
| Depreciation                         | 6.3    | 5.8    | 6.7    | 6.9    | 7.1    |
| EBITA                                | 21.5   | 21.7   | 21.4   | 22.0   | 24.0   |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 21.5   | 21.7   | 21.4   | 22.0   | 24.0   |
| Financial result                     | -1.7   | -1.4   | -1.4   | -1.4   | -1.4   |
| Income on ordinary activities        | 19.8   | 20.2   | 20.0   | 20.6   | 22.6   |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 19.8   | 20.2   | 20.0   | 20.6   | 22.6   |
| Taxes                                | -5.7   | -5.9   | -5.8   | -6.0   | -6.6   |
| Net income from cont. operations     | 14.1   | 14.3   | 14.2   | 14.6   | 16.0   |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                    | 14.1   | 14.3   | 14.2   | 14.6   | 16.0   |
| No. of shares                        | 4.8    | 4.8    | 4.8    | 4.8    | 4.8    |
| EPS (in EUR)                         | 2.97   | 3.02   | 2.99   | 3.08   | 3.37   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 47.7% | 46.7% | 47.0% | 44.8% | 44.8% |
| EBITDA margin     | 12.6% | 11.8% | 11.8% | 11.6% | 11.8% |
| EBITA margin      | 9.8%  | 9.3%  | 9.0%  | 8.8%  | 9.1%  |
| EBIT margin       | 9.8%  | 9.3%  | 9.0%  | 8.8%  | 9.1%  |
| EBT margin        | 9.0%  | 8.7%  | 8.4%  | 8.2%  | 8.6%  |
| Net profit margin | 6.4%  | 6.2%  | 5.9%  | 5.8%  | 6.1%  |
| Tax rate          | 28.7% | 29.2% | 29.0% | 29.0% | 29.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Sales             | -0.1% | 5.0%  | 3.1%  | 4.6%  | 5.0%  |
| EBITDA            | 27.8% | -1.4% | 2.6%  | 2.7%  | 7.6%  |
| EBIT              | 44.3% | 0.5%  | -1.0% | 2.7%  | 9.1%  |
| EBT               | 48.7% | 2.2%  | -1.1% | 2.8%  | 9.7%  |
| Net income (adj.) | 37.7% | 1.6%  | -0.8% | 2.8%  | 9.7%  |
| EPS               | 37.7% | 1.5%  | -0.8% | 2.8%  | 9.7%  |

Source: Company information, Bankhaus Lampe Research estimates

## Leifheit AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 68.6  | 70.4  | 70.0  | 69.7  | 69.5  |
| Property, plant and equipment          | 35.0  | 36.1  | 36.5  | 36.2  | 36.0  |
| Intangible assets                      | 18.5  | 18.7  | 18.5  | 18.5  | 18.5  |
| Financial assets                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other long-term assets                 | 15.1  | 15.5  | 15.0  | 15.0  | 15.0  |
| Current assets                         | 154.7 | 167.6 | 171.4 | 174.2 | 177.2 |
| Inventories                            | 35.4  | 43.0  | 50.0  | 51.0  | 52.0  |
| Accounts receivable                    | 48.6  | 46.1  | 48.0  | 50.0  | 52.0  |
| Other current assets                   | 7.8   | 10.3  | 8.0   | 8.0   | 8.0   |
| Securities                             | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   |
| Cash                                   | 58.8  | 64.2  | 61.4  | 61.2  | 61.2  |
| Total assets                           | 223.3 | 237.9 | 241.4 | 243.9 | 246.7 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 94.8  | 106.7 | 107.8 | 109.4 | 111.2 |
| Shareholders' equity (before minority) | 94.8  | 106.7 | 107.8 | 109.4 | 111.2 |
| Minorities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Non-current liabilities                | 73.7  | 72.9  | 72.5  | 72.5  | 72.5  |
| Pension provisions                     | 69.0  | 66.4  | 66.4  | 66.4  | 66.4  |
| Other provisions                       | 2.1   | 2.1   | 2.1   | 2.1   | 2.1   |
| Long-term financial debt               | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other long-term debt                   | 2.6   | 4.4   | 4.0   | 4.0   | 4.0   |
| Current liabilities                    | 54.8  | 58.3  | 61.0  | 62.0  | 63.0  |
| Short-term debt                        | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other accruals short-term              | 6.0   | 6.5   | 7.0   | 7.0   | 7.0   |
| Accounts payable                       | 47.8  | 50.8  | 51.0  | 52.0  | 53.0  |
| Other liabilities                      | 1.0   | 1.0   | 3.0   | 3.0   | 3.0   |
| Total equity and liabilities           | 223.3 | 237.9 | 241.4 | 243.9 | 246.7 |

Source: Company information, Bankhaus Lampe Research estimates

## Leifheit AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 30.7% | 29.6% | 29.0% | 28.6% | 28.2% |
| Property, plant and equipment | 15.7% | 15.2% | 15.1% | 14.8% | 14.6% |
| Intangible assets             | 8.3%  | 7.9%  | 7.7%  | 7.6%  | 7.5%  |
| Current assets                | 69.3% | 70.4% | 71.0% | 71.4% | 71.8% |
| Inventories                   | 15.9% | 18.1% | 20.7% | 20.9% | 21.1% |
| Accounts receivable           | 21.8% | 19.4% | 19.9% | 20.5% | 21.1% |
| Cash                          | 26.3% | 27.0% | 25.4% | 25.1% | 24.8% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 42.5% | 44.9% | 44.7% | 44.8% | 45.1% |
| Non-current liabilities       | 33.0% | 30.6% | 30.0% | 29.7% | 29.4% |
| Pension provisions            | 30.9% | 27.9% | 27.5% | 27.2% | 26.9% |
| Long-term financial debt      | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Current liabilities           | 24.5% | 24.5% | 25.3% | 25.4% | 25.5% |
| Short-term debt               | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts payable              | 21.4% | 21.4% | 21.1% | 21.3% | 21.5% |

Source: Company information, Bankhaus Lampe Research estimates

# LPKF Laser & Electronics AG

## Limited visibility

06/12/2016

**Hold** (Hold)  
**7.00 EUR** (7.00 EUR)

Close 01/12/2016 5.99 EUR  
Bloomberg: LPK GR WKN: 645000  
Sector Technology

### Share price performance

52 week high 10.64 EUR  
52 week low 5.41 EUR  
Compared to Prime All Share  
YTD -12.2%  
1 month -12.9%  
12 months -16.4%



### Share data

EV (m EUR; 2016) 176.0  
Market Cap (m EUR) 133.4  
No. of shares (m) 22.3  
Free float 90.0%

### Next event

Annual Results 22/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

While the near-term outlook remains muted, we understand that the company is making good progress in cutting costs. Visibility about the financial impact of new products is still limited.

### INVESTMENT CASE

- The order rate was weak recently (only € 17.6 m in Q3) and the company had to announce inventory write-downs. We are less concerned about these non-cash write-offs (which were mostly LDS-related), but feel discouraged by the fact that the company could not sell these LDS systems despite offering them to customers at a significant rebate. We are also negatively surprised that the ongoing LDS weakness is still being mentioned as a reason for the most recent guidance reduction. We had understood from previous comments that the remaining impact on the guidance is negligible.
- The recent trends in the solar market may have a negative impact in the near term, but they are extremely positive in the longer term. LPKF customers are shutting down old capacity and are accelerating the move to new technologies, which will require significant investment in laser machinery.
- Moreover, we appreciate the progress being made in reducing the fixed-cost base. Despite the low revenues of only € 21 m in Q3, the company achieved breakeven (when adjusting for one-offs). This suggests that the targeted revenue breakeven (of € 90 m in 2017) was already reached in Q3.

### CATALYSTS

We see potential orders for new technologies in the solar sector as the major catalyst. However, any visibility about the exact timing is currently limited.

### VALUATION

Our DCF-based price target stands at € 7.00. This corresponds to a P/E<sub>2017e</sub> of 20x and is in line with the company's historical multiples.

| in m EUR                   | 2014  | 2015  | 2016e  | 2017e | 2018e |
|----------------------------|-------|-------|--------|-------|-------|
| Sales                      | 119.7 | 87.3  | 92.0   | 107.0 | 117.0 |
| EBIT                       | 12.7  | -3.7  | -10.5  | 10.7  | 18.0  |
| EBIT margin                | 10.6% | -4.3% | -11.4% | 10.0% | 15.4% |
| Net financial debt         | 30.2  | 37.2  | 42.2   | 43.2  | 45.8  |
| Free cash-flow             | -13.2 | -3.7  | -5.0   | 1.9   | 2.3   |
| EPS (in EUR)               | 0.38  | -0.16 | -0.35  | 0.31  | 0.54  |
| DPS (in EUR)               | 0.16  | 0.00  | 0.00   | 0.13  | 0.22  |
| Dividend yield             | 1.4%  | 0.0%  | 0.0%   | 2.1%  | 3.6%  |
| EV/Sales                   | 2.3   | 2.3   | 1.9    | 1.7   | 0.4   |
| EV/EBIT                    | 21.4  | -53.2 | -16.8  | 16.6  | 2.6   |
| Price Earnings ratio (P/E) | 28.3  | -46.1 | -17.1  | 19.1  | 11.0  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Excellent track record
- Clear and focused business model
- Diversified customer base (no individual customer exceeds 10%)
- Penetration of LDS antennas in smartphones still increasing
- New applications for laser equipment (outside the electronics industry)

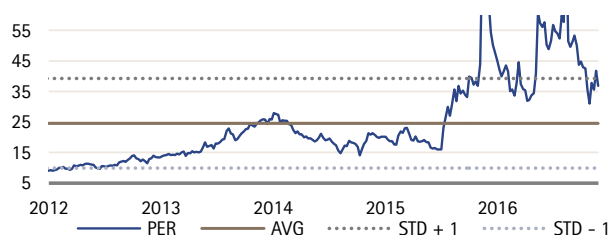
## MANAGEMENT

- Dr. Ingo Bretthauer (CEO)
- Kai Bentz (CFO)
- Bernd Lange (CTO)
- Dr. Christian Bieniek (COO)

## SHORT-TERM GUIDANCE

- Revenue € 132 - 140 m in 2015
- EBIT margin of 12-15% in 2015

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 22/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e    | 17e   | 18e   |
|----------------------|-------|-------|--------|-------|-------|
| R&D/Sales            | -     | -     | -      | -     | -     |
| Capex/Sales          | 8.2%  | 6.8%  | 3.3%   | 7.5%  | 8.5%  |
| Capex/Depreciation   | 1.2   | 0.8   | 0.4    | 0.9   | 1.1   |
| ROCE                 | 12.1% | -3.5% | -10.3% | 10.0% | 15.8% |
| Free cash flow yield | -6.8% | -1.8% | -2.4%  | 0.9%  | 1.1%  |
| Equity ratio         | 53.5% | 53.4% | 47.3%  | 48.6% | 51.2% |
| Net debt / Equity    | 44%   | 59%   | 76%    | 72%   | 68%   |
| Net debt / EBITDA    | 1.5   | 10.8  | -17.1  | 2.2   | 1.7   |
| Interest cover       | 0.0   | < -10 | < -10  | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- High working capital reduces FCF potential
- Cyclical PCB market
- Increasing number of LDS patent infringements

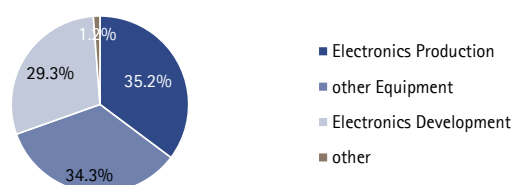
## COMPANY BACKGROUND

LPKF makes machinery and laser systems mainly used in electronics (PCBs) and increasingly in the automotive and medical technology sectors. LPKF has grown steadily since 2003, even during crises such as in 2009 (average 16% p.a.). Laser production systems for high-tech antennas for smartphones/tablets (LDS, Laser Direct Structuring) have mainly driven its growth in recent years. LPKF holds major patents in this area. Plastic welding for the auto and medical technology sectors has also driven growth recently.

## MEDIUM-TERM GUIDANCE

- 10% revenue growth p.a.
- EBIT margin of 15-17%

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                           |      |
|---------------------------|------|
| BANTLEON JOERG            | 10.0 |
| Lazard Freres Gestion SAS | 5.6  |
| Foyer Finance SA          | 5.1  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 92.0  | 107.0 | 117.0 |
| Consensus        | 91.1  | 104.0 | 119.0 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | -10.5 | 10.7  | 18.0  |
| Consensus        | -7.1  | 5.9   | 8.2   |
| EPS (EUR)        |       |       |       |
| BHL              | -0.35 | 0.31  | 0.54  |
| Consensus        | -0.29 | 0.24  | 0.35  |

Source: Company information, FactSet, BHL estimates

# Key figures

## LPKF Laser & Electronics AG – Income statement

| in m EUR                             | 2014  | 2015  | 2016e | 2017e | 2018e |
|--------------------------------------|-------|-------|-------|-------|-------|
| Sales                                | 119.7 | 87.3  | 92.0  | 107.0 | 117.0 |
| Own work capitalised                 | 6.8   | 6.7   | 6.0   | 6.0   | 6.0   |
| Total sales                          | 126.5 | 94.0  | 98.0  | 113.0 | 123.0 |
| Material expenses                    | -38.0 | -24.9 | -34.5 | -31.3 | -34.0 |
| Personnel expenses                   | -43.4 | -43.7 | -44.0 | -41.0 | -41.0 |
| Unusual or infrequent items          | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other operating result               | -24.5 | -22.0 | -22.0 | -21.0 | -21.0 |
| EBITDA                               | 20.6  | 3.4   | -2.5  | 19.7  | 27.0  |
| Depreciation                         | 7.9   | 7.2   | 8.0   | 9.0   | 9.0   |
| EBITA                                | 12.7  | -3.7  | -10.5 | 10.7  | 18.0  |
| Amortisation of goodwill             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Amortisation of intangible assets    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBIT                                 | 12.7  | -3.7  | -10.5 | 10.7  | 18.0  |
| Financial result                     | -0.8  | -0.7  | -0.7  | -0.7  | -0.7  |
| Income on ordinary activities        | 11.9  | -4.4  | -11.2 | 10.0  | 17.3  |
| Extraordinary income/loss            | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBT                                  | 11.9  | -4.4  | -11.2 | 10.0  | 17.3  |
| Taxes                                | -3.4  | 0.9   | 3.4   | -3.0  | -5.2  |
| Net income from cont. operations     | 8.5   | -3.5  | -7.8  | 7.0   | 12.1  |
| Net income from discount. operations | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Minority interest                    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Net income (adj.)                    | 8.5   | -3.5  | -7.8  | 7.0   | 12.1  |
| No. of shares                        | 22.3  | 22.3  | 22.3  | 22.3  | 22.3  |
| EPS                                  | 0.38  | -0.16 | -0.35 | 0.31  | 0.54  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e  | 2017e | 2018e |
|-------------------|-------|-------|--------|-------|-------|
| Gross margin      | 68.2% | 71.5% | 62.5%  | 70.7% | 70.9% |
| EBITDA margin     | 17.2% | 3.9%  | -2.7%  | 18.4% | 23.1% |
| EBITA margin      | 10.6% | -4.3% | -11.4% | 10.0% | 15.4% |
| EBIT margin       | 10.6% | -4.3% | -11.4% | 10.0% | 15.4% |
| EBT margin        | 10.0% | -5.0% | -12.1% | 9.3%  | 14.8% |
| Net profit margin | 7.1%  | -4.0% | -8.5%  | 6.5%  | 10.3% |
| Tax rate          | 28.6% | 20.8% | 30.0%  | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e | 2017e | 2018e |
|-------------------|--------|--------|-------|-------|-------|
| Sales             | -7.6%  | -27.1% | 5.4%  | 16.3% | 9.3%  |
| EBITDA            | -33.7% | -83.3% | ---   | ---   | 37.1% |
| EBIT              | -45.5% | ---    | >100% | ---   | 68.4% |
| EBT               | -47.1% | ---    | >100% | ---   | 73.1% |
| Net income (adj.) | -43.5% | ---    | >100% | ---   | 73.1% |
| EPS               | -43.5% | ---    | >100% | ---   | 73.1% |

Source: Company information, Bankhaus Lampe Research estimates

## LPKF Laser &amp; Electronics AG – Balance sheet

| Assets (in m EUR)                      | 2014         | 2015         | 2016e        | 2017e        | 2018e        |
|--|--------------|--------------|--------------|--------------|--------------|
| Fixed assets                           | 60.3         | 67.5         | 67.5         | 71.5         | 77.5         |
| Property, plant and equipment          | 49.0         | 50.7         | 45.7         | 44.7         | 45.7         |
| Intangible assets                      | 8.5          | 13.5         | 18.5         | 23.5         | 28.5         |
| Financial assets                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other long-term assets                 | 2.8          | 3.4          | 3.4          | 3.4          | 3.4          |
| Current assets                         | 67.9         | 51.3         | 50.1         | 51.8         | 53.4         |
| Inventories                            | 32.2         | 31.1         | 28.1         | 29.7         | 32.5         |
| Accounts receivable                    | 29.6         | 16.4         | 18.1         | 19.1         | 20.6         |
| Other current assets                   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Securities                             | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Cash                                   | 6.0          | 3.9          | 3.9          | 3.0          | 0.3          |
| <b>Total assets</b>                    | <b>128.2</b> | <b>118.9</b> | <b>117.6</b> | <b>123.3</b> | <b>131.0</b> |
| Equity and liabilities in m EUR        |              |              |              |              |              |
| Shareholders' equity                   | 68.6         | 63.5         | 55.7         | 59.9         | 67.1         |
| Shareholders' equity (before minority) | 68.6         | 63.5         | 55.7         | 59.9         | 67.1         |
| Minorities                             | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Non-current liabilities                | 19.3         | 27.1         | 27.1         | 27.1         | 27.1         |
| Pension provisions                     | 0.3          | 0.4          | 0.4          | 0.4          | 0.4          |
| Other provisions                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Long-term financial debt               | 16.1         | 25.5         | 25.5         | 25.5         | 25.5         |
| Other long-term debt                   | 2.9          | 1.3          | 1.3          | 1.3          | 1.3          |
| Current liabilities                    | 40.4         | 28.2         | 34.8         | 36.3         | 36.8         |
| Short-term debt                        | 20.1         | 15.6         | 20.6         | 20.6         | 20.6         |
| Other accruals short-term              | 5.1          | 3.3          | 3.3          | 3.3          | 3.3          |
| Accounts payable                       | 4.8          | 2.3          | 3.8          | 5.4          | 5.9          |
| Other liabilities                      | 10.3         | 7.0          | 7.0          | 7.0          | 7.0          |
| <b>Total equity and liabilities</b>    | <b>128.2</b> | <b>118.8</b> | <b>117.6</b> | <b>123.3</b> | <b>131.0</b> |

Source: Company information, Bankhaus Lampe Research estimates

## LPKF Laser &amp; Electronics AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 47.0% | 56.8% | 57.4% | 58.0% | 59.2% |
| Property, plant and equipment | 38.2% | 42.6% | 38.9% | 36.2% | 34.9% |
| Intangible assets             | 6.7%  | 11.3% | 15.7% | 19.0% | 21.7% |
| Current assets                | 53.0% | 43.2% | 42.6% | 42.0% | 40.8% |
| Inventories                   | 25.1% | 26.2% | 23.9% | 24.1% | 24.8% |
| Accounts receivable           | 23.1% | 13.8% | 15.4% | 15.5% | 15.8% |
| Cash                          | 4.7%  | 3.3%  | 3.3%  | 2.4%  | 0.2%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 53.5% | 53.4% | 47.3% | 48.6% | 51.2% |
| Non-current liabilities       | 15.0% | 22.8% | 23.0% | 22.0% | 20.7% |
| Pension provisions            | 0.2%  | 0.3%  | 0.3%  | 0.3%  | 0.3%  |
| Long-term financial debt      | 12.6% | 21.4% | 21.7% | 20.7% | 19.5% |
| Current liabilities           | 31.5% | 23.7% | 29.6% | 29.4% | 28.1% |
| Short-term debt               | 15.7% | 13.2% | 17.5% | 16.7% | 15.7% |
| Accounts payable              | 3.8%  | 1.9%  | 3.3%  | 4.3%  | 4.5%  |

Source: Company information, Bankhaus Lampe Research estimates

# Manz AG

## Solar order ever more important

06/12/2016

**Buy** (Buy)  
**40.00 EUR** (40.00 EUR)

Close 01/12/2016 32.83 EUR  
Bloomberg: M5Z GY WKN: A0JQ5U  
Sector Technology

### Share price performance

52 week high 43.26 EUR  
52 week low 22.75 EUR  
Compared to Prime All Share  
YTD 0.3%  
1 month -2.5%  
12 months -13.7%



### Share data

EV (m EUR; 2016) 230.9  
Market Cap (m EUR) 216.1  
No. of shares (m) 6.6  
Free float 55.7%

### Next event

Annual Results 07/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

In the light of slow progress in the non-solar business, the long-awaited CIGS solar order is becoming ever more important. The order is due in December. Although the timetable is known by investors, we still expect a markedly positive share price reaction if and when the order comes through.

### INVESTMENT CASE

We are somewhat disappointed by the impact of the restructuring efforts. A programme was initiated at the end of last year, but has had only a minor impact on the results so far. Given the attractive end markets (battery and display incl. OLED), we are convinced that the non-solar business will find its way back to growth next year. However, this business needs to focus more on profitability than it has done in the past. Otherwise, the solar business may have to cross-subsidise the non-solar segment next year, which would be an unfortunate reversal of the situation we witnessed in recent years.

### CATALYSTS

- The solar order is now expected to be placed in mid-December. As the customers are now carrying operating losses of € 1.5 m per month, another (minor) delay harbours small fundamental risks, in our view.
- We still expect a shareholder agreement to be signed early next year which would trigger a mandatory offer (of at least € 34.74 per share).
- Provided that the solar order comes through, investor focus is likely to shift towards execution, including the ramp-up of the solar line in China.

### VALUATION

We focus our valuation on 2018, for which we assume a level of solar revenues that we regard as sustainable in the longer term. Our price target of € 40.00 is derived from a DCF model.

| in m EUR                   | 2014   | 2015   | 2016e  | 2017e | 2018e |
|----------------------------|--------|--------|--------|-------|-------|
| Sales                      | 305.9  | 222.0  | 216.0  | 302.0 | 397.0 |
| EBIT                       | -32.8  | -58.2  | -34.6  | 2.4   | 30.8  |
| EBIT margin                | -10.7% | -26.2% | -16.0% | 0.8%  | 7.8%  |
| Net financial debt         | 9.3    | 48.5   | 2.6    | 12.9  | 4.2   |
| Free cash-flow             | -1.7   | -79.4  | -29.1  | -10.3 | 8.7   |
| EPS (in EUR)               | -7.75  | -12.21 | -5.41  | 0.13  | 2.89  |
| DPS (in EUR)               | 0.00   | 0.00   | 0.00   | 0.00  | 0.00  |
| Dividend yield             | 0.0%   | 0.0%   | 0.0%   | 0.0%  | 0.0%  |
| EV/Sales                   | 1.0    | 1.1    | 1.1    | 0.9   | 0.7   |
| EV/EBIT                    | -9.0   | -4.1   | -6.7   | 118.3 | 8.8   |
| Price Earnings ratio (P/E) | -7.2   | -2.8   | -6.1   | 249.3 | 11.4  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Broad range of products & technologies; diversified end markets
- Flexible business model
- Rising demand for automation from direct smartphone customers
- Business with Li-ion batteries is growing fast
- Solar option

## MANAGEMENT

- Dieter Manz (CEO)
- Martin Hipp (CFO)
- Martin Drasch (COO)

## SHORT-TERM GUIDANCE

- Significant revenue and EBIT growth in 2016
- Balanced EBITDA in 2016

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 07/03/2017 Annual Results

## KEY RATIOS

|                      | 14     | 15     | 16e    | 17e   | 18e   |
|----------------------|--------|--------|--------|-------|-------|
| R&D/Sales            | -      | -      | -      | -     | -     |
| Capex/Sales          | 4.7%   | 8.3%   | 5.6%   | 4.3%  | 3.8%  |
| Capex/Depreciation   | 0.3    | 1.1    | 0.8    | 0.8   | 1.0   |
| ROCE                 | -18.1% | -26.9% | -13.5% | 0.9%  | 11.1% |
| Free cash flow yield | -1.0%  | -44.6% | -13.0% | -3.9% | 3.3%  |
| Equity ratio         | 55.2%  | 42.8%  | 51.0%  | 48.7% | 49.3% |
| Net debt / Equity    | 7%     | 39%    | 2%     | 8%    | 2%    |
| Net debt / EBITDA    | 0.7    | -1.2   | -0.1   | 0.7   | 0.1   |
| Interest cover       | < -10  | < -10  | < -10  | > 10  | 0.0   |

### Weaknesses/Threats (Risks)

- High R&D costs in the solar segment
- Some products still have small market share
- Single customer risk (largest customer accounts for >25% of revenues)
- Cyclical nature of the display market

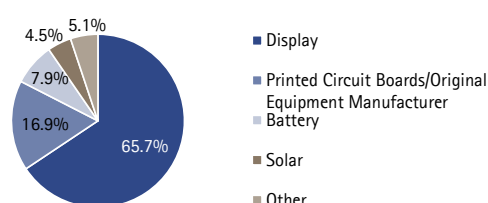
## COMPANY BACKGROUND

Manz AG develops and builds machines for the production of displays, batteries, solar cells, printed circuit boards and other products. Founded in 1987 as a specialist in automation technology, its core competencies today also include laser processes, metrology and vacuum coating. The takeover of Taiwan's Intech in 2008 added wet chemical processing equipment to the company's portfolio. More than 70% of its revenues are generated with customers in Asia. The company's largest customer in the smartphone segment accounts for more than 25% of revenues.

## MEDIUM-TERM GUIDANCE

- EBIT margin 10%

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                   |      |
|-------------------|------|
| Dieter Manz       | 24.7 |
| Ulrike Manz       | 2.7  |
| Shanghai Electric | 19.7 |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 216.0 | 302.0 | 397.0 |
| Consensus        | 224.8 | 330.0 | 381.0 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | -34.6 | 2.4   | 30.8  |
| Consensus        | -31.6 | 7.7   | 17.5  |
| EPS (EUR)        |       |       |       |
| BHL              | -5.41 | 0.13  | 2.89  |
| Consensus        | -5.05 | 0.44  | 1.36  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Manz AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 305.9  | 222.0  | 216.0  | 302.0  | 397.0  |
| Own work capitalised                 | 2.8    | 7.8    | 5.0    | 5.0    | 5.0    |
| Total sales                          | 308.8  | 229.8  | 221.0  | 307.0  | 402.0  |
| Material expenses                    | -180.2 | -147.8 | -132.7 | -179.2 | -240.8 |
| Personnel expenses                   | -72.4  | -84.0  | -76.5  | -80.0  | -85.0  |
| Unusual or infrequent items          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -42.3  | -39.9  | -31.0  | -30.0  | -30.0  |
| EBITDA                               | 13.9   | -41.9  | -19.2  | 17.8   | 46.2   |
| Depreciation                         | 46.7   | 16.3   | 15.4   | 15.4   | 15.4   |
| EBITA                                | -32.8  | -58.2  | -34.6  | 2.4    | 30.8   |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | -32.8  | -58.2  | -34.6  | 2.4    | 30.8   |
| Financial result                     | -1.8   | -3.5   | -1.0   | -1.0   | -1.0   |
| Income on ordinary activities        | -34.6  | -61.7  | -35.6  | 1.4    | 29.8   |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | -34.6  | -61.7  | -35.6  | 1.4    | 29.8   |
| Taxes                                | -3.6   | -2.5   | 0.0    | -0.3   | -7.5   |
| Net income from cont. operations     | -38.2  | -64.2  | -35.6  | 1.0    | 22.4   |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                    | -38.2  | -64.2  | -35.6  | 1.0    | 22.4   |
| No. of shares                        | 4.9    | 5.3    | 6.6    | 7.7    | 7.7    |
| EPS                                  | -7.75  | -12.21 | -5.41  | 0.13   | 2.89   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Gross margin      | 41.1%  | 33.4%  | 38.6%  | 40.6% | 39.3% |
| EBITDA margin     | 4.5%   | -18.9% | -8.9%  | 5.9%  | 11.6% |
| EBITA margin      | -10.7% | -26.2% | -16.0% | 0.8%  | 7.8%  |
| EBIT margin       | -10.7% | -26.2% | -16.0% | 0.8%  | 7.8%  |
| EBT margin        | -11.3% | -27.8% | -16.5% | 0.5%  | 7.5%  |
| Net profit margin | -12.5% | -28.9% | -16.5% | 0.3%  | 5.6%  |
| Tax rate          | -10.4% | -4.1%  | 0.0%   | 25.0% | 25.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Sales             | 14.9%  | -27.4% | -2.7%  | 39.8% | 31.5% |
| EBITDA            | -48.5% | ---    | -54.1% | ---   | >100% |
| EBIT              | ---    | 77.5%  | -40.6% | ---   | >100% |
| EBT               | ---    | 78.5%  | -42.3% | ---   | >100% |
| Net income (adj.) | >100%  | 68.2%  | -44.6% | ---   | >100% |
| EPS               | >100%  | 57.6%  | -55.7% | ---   | >100% |

Source: Company information, Bankhaus Lampe Research estimates

## Manz AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 117.4 | 130.1 | 126.7 | 124.3 | 123.9 |
| Property, plant and equipment          | 40.3  | 42.8  | 39.4  | 37.0  | 36.6  |
| Intangible assets                      | 74.7  | 81.6  | 81.6  | 81.6  | 81.6  |
| Financial assets                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other long-term assets                 | 2.4   | 5.7   | 5.7   | 5.7   | 5.7   |
| Current assets                         | 136.0 | 162.4 | 195.9 | 216.0 | 257.3 |
| Inventories                            | 48.3  | 36.6  | 42.0  | 58.7  | 77.2  |
| Accounts receivable                    | 58.7  | 83.8  | 66.0  | 79.7  | 93.7  |
| Other current assets                   | 6.0   | 7.6   | 7.6   | 7.6   | 7.6   |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 23.0  | 34.4  | 80.3  | 70.0  | 78.7  |
| Total assets                           | 253.5 | 292.5 | 322.6 | 340.4 | 381.2 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 140.0 | 125.3 | 164.7 | 165.7 | 188.0 |
| Shareholders' equity (before minority) | 140.0 | 121.0 | 160.4 | 161.4 | 183.7 |
| Minorities                             | 0.0   | 4.3   | 4.3   | 4.3   | 4.3   |
| Non-current liabilities                | 36.4  | 13.5  | 13.5  | 13.5  | 13.5  |
| Pension provisions                     | 8.4   | 7.8   | 7.8   | 7.8   | 7.8   |
| Other provisions                       | 3.6   | 2.5   | 2.5   | 2.5   | 2.5   |
| Long-term financial debt               | 22.1  | 1.9   | 1.9   | 1.9   | 1.9   |
| Other long-term debt                   | 2.3   | 1.3   | 1.3   | 1.3   | 1.3   |
| Current liabilities                    | 77.2  | 153.8 | 144.5 | 161.2 | 179.7 |
| Short-term debt                        | 10.2  | 81.0  | 81.0  | 81.0  | 81.0  |
| Other accruals short-term              | 3.5   | 6.3   | 6.3   | 6.3   | 6.3   |
| Accounts payable                       | 42.3  | 40.8  | 36.0  | 50.3  | 66.2  |
| Other liabilities                      | 21.2  | 25.7  | 21.2  | 23.6  | 26.2  |
| Total equity and liabilities           | 253.5 | 292.5 | 322.6 | 340.4 | 381.2 |

Source: Company information, Bankhaus Lampe Research estimates

## Manz AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 46.3% | 44.5% | 39.3% | 36.5% | 32.5% |
| Property, plant and equipment | 15.9% | 14.6% | 12.2% | 10.9% | 9.6%  |
| Intangible assets             | 29.5% | 27.9% | 25.3% | 24.0% | 21.4% |
| Current assets                | 53.7% | 55.5% | 60.7% | 63.5% | 67.5% |
| Inventories                   | 19.1% | 12.5% | 13.0% | 17.3% | 20.3% |
| Accounts receivable           | 23.2% | 28.6% | 20.5% | 23.4% | 24.6% |
| Cash                          | 9.1%  | 11.8% | 24.9% | 20.6% | 20.7% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 55.2% | 42.8% | 51.0% | 48.7% | 49.3% |
| Non-current liabilities       | 14.3% | 4.6%  | 4.2%  | 4.0%  | 3.5%  |
| Pension provisions            | 3.3%  | 2.7%  | 2.4%  | 2.3%  | 2.1%  |
| Long-term financial debt      | 8.7%  | 0.7%  | 0.6%  | 0.6%  | 0.5%  |
| Current liabilities           | 30.5% | 52.6% | 44.8% | 47.3% | 47.1% |
| Short-term debt               | 4.0%  | 27.7% | 25.1% | 23.8% | 21.2% |
| Accounts payable              | 16.7% | 14.0% | 11.2% | 14.8% | 17.4% |

Source: Company information, Bankhaus Lampe Research estimates

# Masterflex SE

## Double-digit growth is possible too

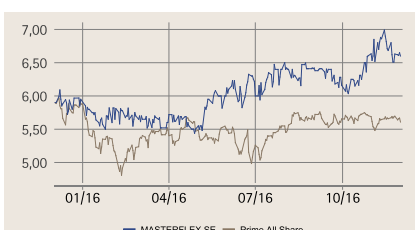
06/12/2016

**Hold** (Hold)  
**7.00 EUR** (5.50 EUR)

Close 01/12/2016 6.60 EUR  
Bloomberg: MZX GR WKN: 549293  
Sector Industrial

### Share price performance

52 week high 6.99 EUR  
52 week low 5.44 EUR  
Compared to Prime All Share  
YTD 15.5%  
1 month -  
12 months 20.0%



### Share data

EV (m EUR; 2016) 73.8  
Market Cap (m EUR) 58.5  
No. of shares (m) 8.9  
Free float 58.0%

### Next event

Annual Results 31/03/2017

### Change in model

|       | Sales | EBIT  | EPS  |
|-------|-------|-------|------|
| 2016e | 1.0%  | 10.4% | 0.9% |
| 2017e | 1.0%  | 6.4%  | 5.8% |
| 2018e | 1.0%  | 6.3%  | 5.7% |

### Analyst

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See end of document for disclaimer.

After the good 9M results (revenue +4.2%, EBIT +9.5%), we have raised our estimates and are increasing our price target from € 5.50 to € 7.00.

### INVESTMENT CASE

The company has been focusing on the costs issues since the end of 2015, which is visible in all relevant positions at the 9M stage: The material cost ratio has decreased by 50 bp to 31.4%, and the personnel expenses ratio dropped by 20 bp to 38.3% yoy. In addition, write-downs fell further too. However, they are set to increase again slightly as new buildings and plants are being put into operation. Reducing the complexity of the product portfolio and the offering of individual solutions remains a key topic for Masterflex. The following tasks are on the agenda:

- Streamlining the management structures
- Optimising the marketing model
- Simplifying the product portfolio
- Improving the internal processes

We expect the expansion at the central location in Gelsenkirchen, which was put into operation recently, to yield further gains in efficiency. Some external sites will no longer be needed in future, which should lead to cost savings and optimised production and logistics processes, in our view. Against this backdrop, the company should be able to generate sustainable double-digit margins.

### CATALYSTS

Masterflex is set to publish its 2016 annual results in March 2017 along with its guidance for 2017, which should highlight the company's growth potential.

### VALUATION

Our price target is based on a DCF model and assumes a medium-term growth rate of 5%. Once the complexity has been reduced, the visibility should improve and may well allow a growth rate of 10%.

| in m EUR                   | 2014  | 2015 | 2016e | 2017e | 2018e |
|----------------------------|-------|------|-------|-------|-------|
| Sales                      | 62.5  | 64.1 | 67.0  | 70.4  | 73.9  |
| EBIT                       | 6.3   | 4.9  | 6.8   | 7.6   | 8.2   |
| EBIT margin                | 10.1% | 7.6% | 10.1% | 10.8% | 11.0% |
| Net financial debt         | 15.8  | 16.1 | 15.4  | 12.4  | 11.3  |
| Free cash-flow             | 3.4   | 0.2  | 0.5   | 3.0   | 1.1   |
| EPS (in EUR)               | 0.34  | 0.22 | 0.38  | 0.48  | 0.52  |
| DPS (in EUR)               | 0.00  | 0.00 | 0.00  | 0.00  | 0.00  |
| Dividend yield             | 0.0%  | 0.0% | 0.0%  | 0.0%  | 0.0%  |
| EV/Sales                   | 1.2   | 1.1  | 1.1   | 1.0   | 0.9   |
| EV/EBIT                    | 12.3  | 14.1 | 10.9  | 9.3   | 8.6   |
| Price Earnings ratio (P/E) | 20.3  | 27.1 | 17.4  | 13.9  | 12.8  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Expertise in materials, applications and technology
- Internationalisation and innovation are mainstays of growth
- Room to manoeuvre financially to gain further technological expertise via acquisitions
- High quality of products and good availability are the basis for success
- -

## MANAGEMENT

- Dr. Andreas Bastin (CEO)
- Mark Becks (CFO)

## SHORT-TERM GUIDANCE

- 2016: Revenue growth of more than 3%
- 2016: EBIT significantly above 2015 (€ 4.9 m)
- -

## HISTORICAL P/E

## COMPANY EVENTS

Next event: 31/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 6.0%  | 5.5%  | 8.9%  | 5.0%  | 4.9%  |
| Capex/Depreciation   | 1.5   | 1.2   | 2.0   | 1.1   | 1.1   |
| ROCE                 | 14.3% | 10.6% | 13.3% | 13.8% | 13.8% |
| Free cash flow yield | 5.4%  | 0.3%  | 0.7%  | 4.8%  | 1.7%  |
| Equity ratio         | 45.9% | 47.7% | 48.7% | 52.1% | 57.2% |
| Net debt / Equity    | 66%   | 62%   | 52%   | 37%   | 30%   |
| Net debt / EBITDA    | 1.7   | 2.1   | 1.6   | 1.2   | 1.0   |
| Interest cover       | > 10  | > 10  | > 10  | > 10  | > 10  |

### Weaknesses/Threats (Risks)

- Needs to reduce the complexity of the extensive product portfolio
- Needs to improve efficiency by optimising internal processes
- Needs to constantly differentiate itself from the competition
- -
- -

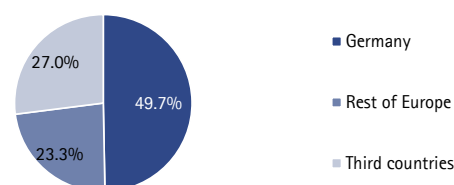
## COMPANY BACKGROUND

Masterflex SE is an international group that specialises in hoses manufactured from high-tech plastics.

## MEDIUM-TERM GUIDANCE

- Growth through acquisitions
- Return to dividends
- -

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                                   |      |
|-----------------------------------|------|
| SVB GmbH & Co KG / Schmidt family | 19.9 |
| Monolith                          | 14.4 |
| BBC GmbH / Dr. Bastin, Becks      | 6.1  |

## BHL VS. CONSENSUS

|                         | 16e  | 17e  | 18e  |
|-------------------------|------|------|------|
| <b>Sales (in m EUR)</b> |      |      |      |
| BHL                     | 67.0 | 70.4 | 73.9 |
| Consensus               | 67.0 | 71.7 | 77.4 |
| <b>EBIT (in m EUR)</b>  |      |      |      |
| BHL                     | 6.8  | 7.6  | 8.2  |
| Consensus               | 6.3  | 7.7  | 8.7  |
| <b>EPS (EUR)</b>        |      |      |      |
| BHL                     | 0.38 | 0.48 | 0.52 |
| Consensus               | 0.34 | 0.48 | 0.54 |

Source: Company information, FactSet, BHL estimates

# Key figures

## Masterflex SE – Income statement

| in m EUR                             | 2014  | 2015  | 2016e | 2017e | 2018e |
|--------------------------------------|-------|-------|-------|-------|-------|
| Sales                                | 62.5  | 64.1  | 67.0  | 70.4  | 73.9  |
| Own work capitalised                 | 0.6   | 1.7   | 0.0   | 0.0   | 0.0   |
| Total sales                          | 63.0  | 65.8  | 67.0  | 70.4  | 73.9  |
| Material expenses                    | -20.4 | -20.8 | -21.6 | -22.7 | -23.7 |
| Personnel expenses                   | -23.3 | -26.0 | -25.2 | -24.5 | -26.7 |
| Unusual or infrequent items          | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other operating result               | -10.2 | -11.4 | -10.4 | -12.5 | -12.1 |
| EBITDA                               | 9.2   | 7.7   | 9.8   | 10.7  | 11.4  |
| Depreciation                         | 2.9   | 2.8   | 3.0   | 3.1   | 3.2   |
| EBITA                                | 6.3   | 4.9   | 6.8   | 7.6   | 8.2   |
| Amortisation of goodwill             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Amortisation of intangible assets    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBIT                                 | 6.3   | 4.9   | 6.8   | 7.6   | 8.2   |
| Financial result                     | -1.1  | -1.0  | -1.1  | -1.1  | -1.1  |
| Income on ordinary activities        | 5.2   | 3.9   | 5.7   | 6.5   | 7.1   |
| Extraordinary income/loss            | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBT                                  | 5.2   | 3.9   | 5.7   | 6.5   | 7.1   |
| Taxes                                | -2.0  | -1.6  | -1.7  | -2.3  | -2.5  |
| Net income from cont. operations     | 3.2   | 2.3   | 4.0   | 4.2   | 4.6   |
| Net income from discount. operations | -0.2  | -0.4  | -0.6  | 0.0   | 0.0   |
| Minority interest                    | 0.0   | 0.1   | 0.0   | 0.0   | 0.0   |
| Net income (adj.)                    | 3.0   | 1.9   | 3.4   | 4.2   | 4.6   |
| No. of shares                        | 8.9   | 8.9   | 8.9   | 8.9   | 8.9   |
| EPS                                  | 0.34  | 0.22  | 0.38  | 0.48  | 0.52  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 67.4% | 67.5% | 67.7% | 67.8% | 67.9% |
| EBITDA margin     | 14.7% | 12.0% | 14.6% | 15.2% | 15.4% |
| EBITA margin      | 10.1% | 7.6%  | 10.1% | 10.8% | 11.0% |
| EBIT margin       | 10.1% | 7.6%  | 10.1% | 10.8% | 11.0% |
| EBT margin        | 8.3%  | 6.0%  | 8.4%  | 9.2%  | 9.6%  |
| Net profit margin | 4.9%  | 3.0%  | 5.0%  | 6.0%  | 6.2%  |
| Tax rate          | 37.8% | 41.8% | 30.0% | 35.0% | 35.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e | 2017e | 2018e |
|-------------------|-------|--------|-------|-------|-------|
| Sales             | 7.9%  | 2.6%   | 4.5%  | 5.0%  | 5.0%  |
| EBITDA            | 4.6%  | -16.4% | 27.2% | 9.6%  | 6.2%  |
| EBIT              | 3.3%  | -22.9% | 38.8% | 12.4% | 7.4%  |
| EBT               | 14.5% | -25.5% | 46.2% | 14.8% | 8.6%  |
| Net income (adj.) | 17.2% | -36.0% | 72.6% | 25.6% | 8.6%  |
| EPS               | 17.2% | -36.0% | 72.6% | 25.6% | 8.6%  |

Source: Company information, Bankhaus Lampe Research estimates

## Masterflex SE – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 29.6 | 29.5 | 32.5  | 32.9  | 33.3  |
| Property, plant and equipment          | 22.6 | 23.4 | 26.4  | 26.8  | 27.2  |
| Intangible assets                      | 4.1  | 4.0  | 4.0   | 4.0   | 4.0   |
| Financial assets                       | 0.3  | 0.3  | 0.3   | 0.3   | 0.3   |
| Other long-term assets                 | 2.6  | 1.8  | 1.8   | 1.8   | 1.8   |
| Current assets                         | 22.4 | 25.0 | 27.8  | 31.6  | 33.5  |
| Inventories                            | 11.7 | 13.6 | 14.1  | 14.5  | 14.9  |
| Accounts receivable                    | 5.4  | 6.5  | 6.6   | 7.2   | 7.8   |
| Other current assets                   | 0.9  | 1.0  | 1.0   | 1.0   | 1.0   |
| Securities                             | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Cash                                   | 4.4  | 4.0  | 6.1   | 8.9   | 9.8   |
| Total assets                           | 52.0 | 54.5 | 60.3  | 64.5  | 66.8  |
| Equity and liabilities in m EUR        |      |      |       |       |       |
| Shareholders' equity                   | 23.8 | 26.0 | 29.4  | 33.6  | 38.2  |
| Shareholders' equity (before minority) | 23.4 | 26.1 | 29.4  | 33.6  | 38.2  |
| Minorities                             | 0.4  | 0.0  | 0.0   | 0.0   | 0.0   |
| Non-current liabilities                | 17.2 | 13.1 | 18.2  | 18.2  | 18.2  |
| Pension provisions                     | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| Other provisions                       | 0.2  | 0.2  | 0.2   | 0.2   | 0.2   |
| Long-term financial debt               | 15.1 | 11.2 | 16.0  | 16.0  | 16.0  |
| Other long-term debt                   | 1.9  | 1.8  | 2.0   | 2.0   | 2.0   |
| Current liabilities                    | 11.0 | 15.4 | 12.7  | 12.7  | 10.4  |
| Short-term debt                        | 5.2  | 8.9  | 5.5   | 5.3   | 5.1   |
| Other accruals short-term              | 2.3  | 2.2  | 2.5   | 2.5   | 2.5   |
| Accounts payable                       | 1.5  | 1.5  | 1.9   | 2.1   | 0.0   |
| Other liabilities                      | 2.0  | 2.8  | 2.8   | 2.8   | 2.8   |
| Total equity and liabilities           | 52.0 | 54.5 | 60.3  | 64.5  | 66.8  |

Source: Company information, Bankhaus Lampe Research estimates

## Masterflex SE – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 56.9% | 54.2% | 53.9% | 51.0% | 49.8% |
| Property, plant and equipment | 43.6% | 43.0% | 43.8% | 41.5% | 40.7% |
| Intangible assets             | 7.8%  | 7.3%  | 6.6%  | 6.1%  | 5.9%  |
| Current assets                | 43.1% | 45.8% | 46.1% | 49.0% | 50.2% |
| Inventories                   | 22.5% | 24.9% | 23.4% | 22.5% | 22.4% |
| Accounts receivable           | 10.3% | 11.9% | 10.9% | 11.2% | 11.7% |
| Cash                          | 8.5%  | 7.3%  | 10.2% | 13.9% | 14.7% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 45.9% | 47.7% | 48.7% | 52.1% | 57.2% |
| Non-current liabilities       | 33.0% | 24.0% | 30.1% | 28.2% | 27.2% |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 29.0% | 20.5% | 26.6% | 24.8% | 24.0% |
| Current liabilities           | 21.1% | 28.2% | 21.1% | 19.7% | 15.6% |
| Short-term debt               | 9.9%  | 16.3% | 9.1%  | 8.2%  | 7.6%  |
| Accounts payable              | 2.9%  | 2.7%  | 3.2%  | 3.3%  | -     |

Source: Company information, Bankhaus Lampe Research estimates

# MLP AG

## Retirement provision probably bottoming out

06/12/2016

**Hold** (Hold)  
**3.50 EUR** (3.50 EUR)

Close 01/12/2016 4.20 EUR  
Bloomberg: MLP GY WKN: 656990  
Sector Financial Services

### Share price performance

52 week high 4.25 EUR  
52 week low 2.57 EUR  
Compared to Prime All Share  
YTD 18.9%  
1 month 12.2%  
12 months 18.5%



### Share data

Market Cap (m EUR) 452.8  
No. of shares (m) 107.9  
Free float 49.7%

### Next event

Annual Results 23/02/2017

### Change in model

|       | PBT | EPS | DPS |
|-------|-----|-----|-----|
| 2016e | --- | --- | --- |
| 2017e | --- | --- | --- |
| 2018e | --- | --- | --- |

### Analyst

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See end of document for disclaimer.

In Q3, MLP reported solid growth in commissions and fees, especially in the Asset Management segment. For 2017, we once again expect to see a recovery in commissions and fees and a successful implementation of the restructuring programme.

### INVESTMENT CASE

- After the first nine months, MLP reported largely steady commissions and fees even excluding the acquisition of DOMCURA.
- In the retirement provision business, the sales performance increased by 3% to € 2.08 bn for the first nine months. Only 11% of the sales performance is still generated by traditional life insurance policies with conventional guaranteed benefits. New types of products with modified guarantees now account for 76% of new business.
- The AuM reached a new record high of € 30 bn in Q3.
- The cost optimisation programme is going according to plan. The results are likely to be hit by restructuring expenses of ~ € 10 m in Q4.

### CATALYSTS

MLP is due to publish its FY 2016 results in February 2017. We also expect the fourth quarter to show a mild increase in commissions and fees. Taking account of the envisaged € 15 m reduction in costs, our EBIT estimate for 2017 stands at € 50 m.

### VALUATION

Based on our estimates, MLP is trading at a PER of at least 12x for FY 2017E. Taking account of a long-term pay-out ratio of 60-70%, the dividend yield is now 5%.

| in EUR m                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Total income               | 531.1 | 557.2 | 610.6 | 624.6 | 635.9 |
| Profit before tax          | 37.7  | 28.0  | 21.5  | 49.6  | 50.9  |
| CET1 ratio %               | 13.6% | 14.3% | 14.5% | 15.0% | 15.0% |
| EPS                        | 0.27  | 0.18  | 0.14  | 0.33  | 0.34  |
| TNAV per share             | 3.49  | 3.53  | 3.59  | 3.68  | 3.82  |
| Dividend per share         | 0.17  | 0.12  | 0.10  | 0.21  | 0.22  |
| Price Earnings ratio (P/E) | 13.82 | 20.28 | 29.29 | 12.67 | 12.35 |
| P/TNAV                     | 1.06  | 1.04  | 1.17  | 1.14  | 1.10  |
| Dividend yield             | 4.6%  | 3.3%  | 2.4%  | 5.0%  | 5.2%  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- One of the leading independent financial advisors in Germany
- Attractive client base with a strong focus on academics

## MANAGEMENT

- Dr. Uwe Schroeder-Wildberg (CEO)
- Reinhard Loose (CFO)
- Manfred Bauer

## SHORT-TERM GUIDANCE

- Administrative costs of € 255 m

## HISTORICAL P/E

### Weaknesses/Threats (Risks)

- Environment for old-age provision and health insurance remains difficult
- Regulatory environment still uncertain

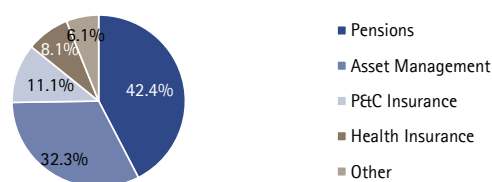
## COMPANY BACKGROUND

MLP AG is one of Germany's leading financial consultancy firms, specialising in pension and insurance products. More than 1,900 advisors support around 515,000 private and some 18,000 corporate clients in Germany. MLP also provides asset management solutions to institutional investors and high net worth individuals via its subsidiary Feri. The company was founded in 1971 and is headquartered in Wiesloch, Germany.

## MEDIUM-TERM GUIDANCE

- -

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 23/02/2017 Annual Results

## KEY RATIOS

| in EUR m                   | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------------|-------|-------|-------|-------|-------|
| Total income               | 531.1 | 557.2 | 610.6 | 624.6 | 635.9 |
| Profit before tax          | 37.7  | 28.0  | 21.5  | 49.6  | 50.9  |
| CET1 ratio %               | 13.6% | 14.3% | 14.5% | 15.0% | 15.0% |
| EPS                        | 0.27  | 0.18  | 0.14  | 0.33  | 0.34  |
| TNAV per share             | 3.49  | 3.53  | 3.59  | 3.68  | 3.82  |
| Dividend per share         | 0.17  | 0.12  | 0.10  | 0.21  | 0.22  |
| Price Earnings ratio (P/E) | 13.82 | 20.28 | 29.29 | 12.67 | 12.35 |
| P/TNAV                     | 1.06  | 1.04  | 1.17  | 1.14  | 1.10  |
| Dividend yield             | 4.6%  | 3.3%  | 2.4%  | 5.0%  | 5.2%  |

## MAJOR SHAREHOLDERS (%)

|                       |      |
|-----------------------|------|
| Lautenschläger family | 29.2 |
| Talanx AG             | 9.4  |
| Allianz SE            | 6.2  |

## BHL VS. CONSENSUS

|           | 16e  | 17e  | 18e  |
|-----------|------|------|------|
| PBT (m)   |      |      |      |
| BHL       | 21.5 | 49.6 | 50.9 |
| Consensus | 21.5 | 43.7 | 49.0 |
| DPS (EUR) |      |      |      |
| BHL       | 0.10 | 0.21 | 0.22 |
| Consensus | 0.10 | 0.17 | 0.19 |
| EPS (EUR) |      |      |      |
| BHL       | 0.14 | 0.33 | 0.34 |
| Consensus | 0.11 | 0.27 | 0.30 |

Source: Company information, FactSet, BHL estimates

# Key figures

## MLP AG – Income statement

| EURm                     | 2014         | 2015         | 2016e        | 2017e        | 2018e        |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income      | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other income             | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total income</b>      | <b>531.1</b> | <b>557.2</b> | <b>610.6</b> | <b>624.6</b> | <b>635.9</b> |
| Loan loss provisions     | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Costs                    | -256.8       | -272.8       | -292.0       | -267.0       | -274.0       |
| Other income / expense   | -236.7       | -256.4       | -297.1       | -308.0       | -311.0       |
| <b>Profit before tax</b> | <b>37.7</b>  | <b>28.0</b>  | <b>21.5</b>  | <b>49.6</b>  | <b>50.9</b>  |
| Taxes                    | -8.7         | -8.2         | -5.8         | -13.4        | -13.7        |
| <b>Profit after tax</b>  | <b>29.0</b>  | <b>19.8</b>  | <b>15.7</b>  | <b>36.2</b>  | <b>37.2</b>  |
| NCI & other (PL)         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Earnings</b>          | <b>29.0</b>  | <b>19.8</b>  | <b>15.7</b>  | <b>36.2</b>  | <b>37.2</b>  |

Source: Company information, Bankhaus Lampe Research estimates

## MLP AG – Balance sheet

| EURm                     | 2014         | 2015         | 2016e        | 2017e        | 2018e        |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Customer loans           | 1,055        | 1,143        | 1,143        | 1,143        | 1,143        |
| Intangible assets        | 156.2        | 174.5        | 174.5        | 174.5        | 174.5        |
| Other assets             | 413.6        | 435.2        | 410.8        | 415.8        | 420.8        |
| <b>Total assets</b>      | <b>1,625</b> | <b>1,753</b> | <b>1,728</b> | <b>1,733</b> | <b>1,738</b> |
| Customer deposits        | 1,025        | 1,126        | 1,095        | 1,090        | 1,079        |
| Other liabilities        | 222.8        | 241.3        | 241.3        | 241.3        | 241.3        |
| NCI & other (BS)         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Shareholders' equity     | 376.8        | 385.8        | 392.0        | 402.0        | 418.0        |
| <b>Total liabilities</b> | <b>1,625</b> | <b>1,753</b> | <b>1,728</b> | <b>1,733</b> | <b>1,738</b> |

Source: Company information, Bankhaus Lampe Research estimates

## MLP AG – Balance sheet structure

|                          | 2014          | 2015          | 2016e         | 2017e         | 2018e         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Customer loans           | 64.9%         | 65.2%         | 66.1%         | 65.9%         | 65.8%         |
| Intangible assets        | 9.6%          | 10.0%         | 10.1%         | 10.1%         | 10.0%         |
| Other assets             | 25.5%         | 24.8%         | 23.8%         | 24.0%         | 24.2%         |
| <b>Total assets</b>      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| Customer deposits        | 63.1%         | 64.2%         | 63.4%         | 62.9%         | 62.1%         |
| Other liabilities        | 13.7%         | 13.8%         | 14.0%         | 13.9%         | 13.9%         |
| NCI & other (BS)         | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| Shareholders' equity     | 23.2%         | 22.0%         | 22.7%         | 23.2%         | 24.0%         |
| <b>Total liabilities</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

Source: Company information, Bankhaus Lampe Research estimates

## MLP AG – Ratios

|                                | 2014  | 2015   | 2016e  | 2017e  | 2018e |
|--------------------------------|-------|--------|--------|--------|-------|
| <b>Per Share Data</b>          |       |        |        |        |       |
| No. of shares (m)              | 107.9 | 109.3  | 109.3  | 109.3  | 109.3 |
| Number of Shares (Average) (m) | 107.9 | 109.3  | 109.3  | 109.3  | 109.3 |
| EPS                            | 0.27  | 0.18   | 0.14   | 0.33   | 0.34  |
| TNAV per share                 | 3.49  | 3.53   | 3.59   | 3.68   | 3.82  |
| Dividend per share             | 0.17  | 0.12   | 0.10   | 0.21   | 0.22  |
| <b>Profit &amp; loss data</b>  |       |        |        |        |       |
| CIR                            | 87.2% | 90.4%  | 93.3%  | 84.5%  | 84.5% |
| Tax ratio                      | 23.1% | 29.2%  | 27.0%  | 27.0%  | 27.0% |
| PBT growth                     | 13.8% | -25.8% | -23.2% | 131.2% | 2.6%  |
| EPS growth                     | 13.6% | -32.6% | -20.8% | 131.2% | 2.6%  |
| ROTE                           | -     | -      | -      | -      | -     |
| <b>Balance sheet data</b>      |       |        |        |        |       |
| RWA (m)                        | 0.0   | 0.0    | 0.0    | 0.0    | 0.0   |
| CET1 ratio %                   | 13.6% | 14.3%  | 14.5%  | 15.0%  | 15.0% |
| Tier 1 ratio %                 | -     | -      | -      | -      | -     |
| Leverage ratio %               | -     | -      | -      | -      | -     |
| LCR %                          | -     | -      | -      | -      | -     |
| NSFR %                         | -     | -      | -      | -      | -     |
| <b>Valuation ratios</b>        |       |        |        |        |       |
| Price Earnings ratio (P/E)     | 13.8  | 20.3   | 29.3   | 12.7   | 12.3  |
| P/TNAV                         | 1.1   | 1.0    | 1.2    | 1.1    | 1.1   |
| Dividend yield                 | 4.6%  | 3.3%   | 2.4%   | 5.0%   | 5.2%  |

Source: Company information, Bankhaus Lampe Research estimates

# PUMA SE

## First positive results of repositioning

06/12/2016

**Sell** (Sell)  
**170.00 EUR** (133.00 EUR)

Close 01/12/2016 232.15 EUR  
Bloomberg: PUM GY WKN: 696960  
Sector Consumer

### Share price performance

52 week high 248.55 EUR  
52 week low 168.20 EUR  
Compared to SDAX  
YTD 17.9%  
1 month 4.6%  
12 months 13.1%



### Share data

EV (m EUR; 2016) 3,186  
Market Cap (m EUR) 3,468  
No. of shares (m) 15  
Free float 13.2%

### Next event

Annual Results 23/02/2017

### Change in model

|       | Sales | EBIT  | EPS   |
|-------|-------|-------|-------|
| 2015  | ---   | ---   | ---   |
| 2016e | 3.9%  | 7.8%  | 12.5% |
| 2017e | 5.8%  | 11.9% | 19.0% |

### Analyst

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See end of document for disclaimer.

Puma is still in a phase of repositioning. After the first nine months of 2016, we are seeing the first positive results, in particular with respect to profitability. We have taken account of the improvements in our model and raised our estimates and price target. However, we stick to our SELL rating as we feel that the stock's valuation is excessive.

### INVESTMENT CASE

Puma is currently repositioning itself under the tagline "Forever Faster". The focus on performance products – primarily in the football and running segments – is the right move, in our view. However, we believe that the repositioning of a brand takes at least three to five years. In the first nine months of 2016, Puma has achieved the first positive results in improving its brand awareness. Despite the intermediate successes, the repositioning process is not completed yet, in our view. Compared with its strong competitors, Puma is still growing at a slower pace and should therefore not be able to gain market share. We have taken account of the improved operating profitability in our model and increased our EPS estimates for 2017 and 2018 by 13% and 19%, respectively.

### CATALYSTS

On 23 February, Puma will publish its 2016 annual results. We expect them to be in line with the company's guidance.

### VALUATION

We are raising our DCF-based price target to € 170.00. Based on our 2017e EPS estimates, the share is trading at a PER of 38.6x. We believe the main reason for the high valuation is recurring speculation about a squeeze-out by Kering or a takeover.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 2,972 | 3,387 | 3,597 | 3,849 | 4,119 |
| EBIT                       | 128   | 96    | 119   | 163   | 195   |
| EBIT margin                | 4.3%  | 2.8%  | 3.3%  | 4.2%  | 4.7%  |
| Net financial debt         | -381  | -318  | -316  | -339  | -480  |
| Free cash-flow             | 39    | -99   | 6     | 34    | 148   |
| EPS (in EUR)               | 4.30  | 2.48  | 4.10  | 6.14  | 7.59  |
| DPS (in EUR)               | 0.50  | 0.50  | 0.70  | 1.00  | 1.40  |
| Dividend yield             | 0.3%  | 0.3%  | 0.3%  | 0.4%  | 0.6%  |
| EV/Sales                   | 0.8   | 0.8   | 0.9   | 0.8   | 0.7   |
| EV/EBIT                    | 17.5  | 27.9  | 26.7  | 19.4  | 15.5  |
| Price Earnings ratio (P/E) | 40.2  | 80.0  | 56.6  | 37.8  | 30.6  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Strong brand name with a long-standing history
- Potential market share gains thanks to brand repositioning

### Weaknesses/Threats (Risks)

- Multi-year restructuring period with falling revenues and margins
- Still-high proportion of lifestyle products
- Highly competitive environment hindering market share gains
- Must regain retailer/consumer confidence in its performance products
- Highly sensitive to currency fluctuations

## MANAGEMENT

- Björn Gulden (CEO)
- Michael Lämmermann (CFO)
- Lars Soerensen (COO)

## COMPANY BACKGROUND

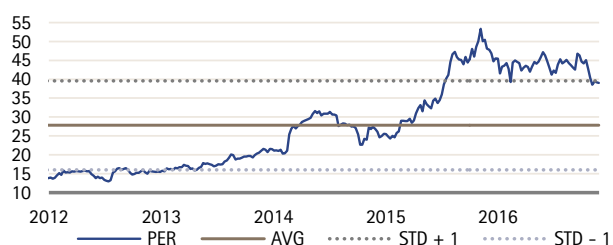
Puma is one of the world's leading sports brands. The company designs, manufactures and markets footwear, apparel and accessories for numerous disciplines including football, running, fitness, golf, and motorsports. Puma distributes its products in more than 120 countries and employs some 10,000 people. The company was founded in 1948 and is headquartered in Herzogenaurach, Germany.

## SHORT-TERM GUIDANCE

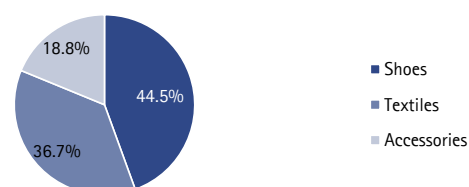
- High single-digit revenue growth in 2016 (currency-adjusted)
- Gross margin at previous year's level of 45.5%
- 2016 EBIT of € 115-125 m

## MEDIUM-TERM GUIDANCE

## HISTORICAL P/E



## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 23/02/2017 Annual Results

## MAJOR SHAREHOLDERS (%)

|                                   |      |
|-----------------------------------|------|
| Kering                            | 85.8 |
| Union Investment Privatfonds GmbH | 1.9  |
| Own shares                        | 1.0  |

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 2.4%  | 2.3%  | 2.3%  | 2.2%  | 2.2%  |
| Capex/Depreciation   | 1.4   | 1.4   | 1.3   | 1.3   | 1.3   |
| ROCE                 | 7.7%  | 5.8%  | 6.9%  | 9.0%  | 10.3% |
| Free cash flow yield | 1.5%  | -3.8% | 0.2%  | 1.3%  | 5.6%  |
| Equity ratio         | 63.5% | 61.8% | 61.7% | 62.0% | 58.1% |
| Net debt / Equity    | -24%  | -20%  | -19%  | -19%  | -26%  |
| Net debt/EBITDA      | -2.1  | -2.1  | -1.7  | -1.5  | -1.8  |
| Interest cover       | 0.0   | > 10  | > 10  | 0.0   | 0.0   |

## BHL VS. CONSENSUS

|                  | 15    | 16e   | 17e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 3,387 | 3,597 | 3,849 |
| Consensus        | 3,387 | 3,611 | 3,879 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 96    | 119   | 163   |
| Consensus        | 96    | 127   | 186   |
| EPS (EUR)        |       |       |       |
| BHL              | 2.48  | 4.10  | 6.14  |
| Consensus        | 2.48  | 4.04  | 6.21  |

Source: Company information, FactSet, BHL estimates

# Key figures

## PUMA SE – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 2,972  | 3,387  | 3,597  | 3,849  | 4,119  |
| Cost of Sales                        | -1,587 | -1,847 | -1,961 | -2,082 | -2,220 |
| Gross profit                         | 1,385  | 1,540  | 1,637  | 1,767  | 1,899  |
| Sales and marketing                  | -1,277 | -1,461 | -1,543 | -1,632 | -1,734 |
| General and administration           | 0      | 0      | 0      | 0      | 0      |
| Research and development             | 0      | 0      | 0      | 0      | 0      |
| Other operating result               | 20     | 17     | 25     | 28     | 30     |
| EBITDA                               | 179    | 154    | 181    | 228    | 265    |
| Depreciation                         | 51     | 58     | 61     | 65     | 70     |
| EBITA                                | 128    | 96     | 119    | 163    | 195    |
| Amortisation of goodwill             | 0      | 0      | 0      | 0      | 0      |
| Amortisation of intangible assets    | 0      | 0      | 0      | 0      | 0      |
| EBIT                                 | 128    | 96     | 119    | 163    | 195    |
| Financial result                     | -6     | -11    | -5     | -3     | -2     |
| Income on ordinary activities        | 122    | 85     | 114    | 160    | 193    |
| Extraordinary income/loss            | 0      | 0      | 0      | 0      | 0      |
| EBT                                  | 122    | 85     | 114    | 160    | 193    |
| Taxes                                | -37    | -23    | -33    | -46    | -56    |
| Net income from cont. operations     | 85     | 62     | 81     | 114    | 137    |
| Net income from discount. operations | 0      | 0      | 0      | 0      | 0      |
| Minority interest                    | -21    | -25    | -20    | -22    | -24    |
| Net income (adj.)                    | 64     | 37     | 61     | 92     | 113    |
| No. of shares                        | 15     | 15     | 15     | 15     | 15     |
| EPS (in EUR)                         | 4.30   | 2.48   | 4.10   | 6.14   | 7.59   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 46.6% | 45.5% | 45.5% | 45.9% | 46.1% |
| EBITDA margin     | 6.0%  | 4.5%  | 5.0%  | 5.9%  | 6.4%  |
| EBITA margin      | 4.3%  | 2.8%  | 3.3%  | 4.2%  | 4.7%  |
| EBIT margin       | 4.3%  | 2.8%  | 3.3%  | 4.2%  | 4.7%  |
| EBT margin        | 4.1%  | 2.5%  | 3.2%  | 4.2%  | 4.7%  |
| Net profit margin | 2.9%  | 1.8%  | 2.3%  | 3.0%  | 3.3%  |
| Tax rate          | 30.4% | 27.4% | 29.0% | 29.0% | 29.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e | 2017e | 2018e |
|-------------------|-------|--------|-------|-------|-------|
| Sales             | -0.4% | 14.0%  | 6.2%  | 7.0%  | 7.0%  |
| EBITDA            | 53.6% | -13.8% | 17.4% | 26.4% | 16.0% |
| EBIT              | >100% | -24.8% | 24.0% | 36.3% | 19.6% |
| EBT               | >100% | -30.3% | 34.6% | 39.9% | 20.4% |
| Net income (adj.) | >100% | -42.2% | 65.1% | 49.7% | 23.6% |
| EPS               | >100% | -42.2% | 65.1% | 49.7% | 23.6% |

Source: Company information, Bankhaus Lampe Research estimates

## PUMA SE – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 867   | 935   | 955   | 975   | 877   |
| Property, plant and equipment          | 224   | 233   | 253   | 273   | 293   |
| Intangible assets                      | 391   | 403   | 403   | 403   | 403   |
| Financial assets                       | 73    | 80    | 80    | 80    | 80    |
| Other long-term assets                 | 179   | 220   | 220   | 220   | 220   |
| Current assets                         | 1,683 | 1,685 | 1,754 | 1,852 | 2,285 |
| Inventories                            | 572   | 657   | 696   | 738   | 782   |
| Accounts receivable                    | 449   | 483   | 515   | 548   | 584   |
| Other current assets                   | 260   | 206   | 206   | 206   | 206   |
| Securities                             | 0     | 0     | 0     | 0     | 0     |
| Cash                                   | 402   | 339   | 337   | 360   | 501   |
| Total assets                           | 2,550 | 2,620 | 2,709 | 2,828 | 3,162 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 1,618 | 1,619 | 1,673 | 1,754 | 1,837 |
| Shareholders' equity (before minority) | 1,595 | 1,611 | 1,665 | 1,746 | 1,829 |
| Minorities                             | 23    | 8     | 8     | 8     | 8     |
| Non-current liabilities                | 109   | 121   | 122   | 124   | 135   |
| Pension provisions                     | 26    | 24    | 25    | 27    | 29    |
| Other provisions                       | 23    | 24    | 24    | 24    | 39    |
| Long-term financial debt               | 0     | 7     | 7     | 7     | 7     |
| Other long-term debt                   | 60    | 67    | 67    | 67    | 67    |
| Current liabilities                    | 823   | 880   | 914   | 950   | 879   |
| Short-term debt                        | 20    | 14    | 14    | 14    | 14    |
| Other accruals short-term              | 70    | 53    | 55    | 58    | 61    |
| Accounts payable                       | 515   | 520   | 551   | 584   | 619   |
| Other liabilities                      | 218   | 294   | 294   | 294   | 294   |
| Total equity and liabilities           | 2,550 | 2,620 | 2,709 | 2,828 | 3,162 |

Source: Company information, Bankhaus Lampe Research estimates

## PUMA SE – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 34.0% | 35.7% | 35.3% | 34.5% | 27.7% |
| Property, plant and equipment | 8.8%  | 8.9%  | 9.3%  | 9.6%  | 9.3%  |
| Intangible assets             | 15.3% | 15.4% | 14.9% | 14.3% | 12.8% |
| Current assets                | 66.0% | 64.3% | 64.7% | 65.5% | 72.3% |
| Inventories                   | 22.4% | 25.1% | 25.7% | 26.1% | 24.7% |
| Accounts receivable           | 17.6% | 18.4% | 19.0% | 19.4% | 18.5% |
| Cash                          | 15.7% | 12.9% | 12.4% | 12.7% | 15.8% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 63.5% | 61.8% | 61.7% | 62.0% | 58.1% |
| Non-current liabilities       | 4.3%  | 4.6%  | 4.5%  | 4.4%  | 4.3%  |
| Pension provisions            | 1.0%  | 0.9%  | 0.9%  | 0.9%  | 0.9%  |
| Long-term financial debt      | 0.0%  | 0.3%  | 0.3%  | 0.3%  | 0.2%  |
| Current liabilities           | 32.3% | 33.6% | 33.7% | 33.6% | 27.8% |
| Short-term debt               | 0.8%  | 0.5%  | 0.5%  | 0.5%  | 0.4%  |
| Accounts payable              | 20.2% | 19.8% | 20.3% | 20.6% | 19.6% |

Source: Company information, Bankhaus Lampe Research estimates

# QSC AG

## Cloud business to provide momentum

06/12/2016

**Hold** (Hold)  
**2.00 EUR** (2.00 EUR)

Close 01/12/2016 1.94 EUR  
Bloomberg: QSC GR WKN: 513700  
Sector Technology

### Share price performance

52 week high 2.20 EUR  
52 week low 1.09 EUR  
Compared to Prime All Share  
YTD 33.2%  
1 month 3.4%  
12 months 35.5%



### Share data

EV (m EUR; 2016) 336.6  
Market Cap (m EUR) 241.3  
No. of shares (m) 124.2  
Free float 75.0%

### Next event

Quarterly Results 08/05/2017

### Change in model

|       | Sales | EBITDA | EPS    |
|-------|-------|--------|--------|
| 2016e | -0.8% | -2.1%  | -15.6% |
| 2017e | ---   | ---    | ---    |
| 2018e | ---   | ---    | ---    |

### Analyst

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See end of document for disclaimer.

Besides its ongoing restructuring programme, the company has made significant progress in developing new services. However, we believe that this is adequately reflected in the share price, which has significantly increased since the summer.

### INVESTMENT CASE

The ongoing restructuring programme „Clarity“, which was implemented in 2014, should be completed by the end of 2016 and lower the cost base by ~ € 30 m p.a. We expect that some of the savings will be reinvested in the development of new products and services (in particular the cloud platform PEC). This should help opening up new growth markets and will also require the hiring of qualified staff. Demand for cloud-based IT services from QSC's core customer group – the German Mittelstand – looks set to remain strong and is opening up new growth prospects for the company, in our view. However, QSC also has to deal with the ongoing decline of the traditional IT outsourcing business and conventional telecoms services. The group's return to EBITDA growth could therefore be lower than the booming cloud market may suggest.

### CATALYSTS

- (+) Completing the restructuring programme (end of 2016)
- (+/-) Winning new customers for the cloud platform PEC
- (+/-) Insider trading of the management
- (-) Decreasing earnings in the IT outsourcing and telecoms segments

### VALUATION

Our price target is based on a DCF analysis. The stock is trading at a slight premium in terms of common multiples such as EV/EBITDA, PER, P/FCF for 2017/18e compared with its peer group companies.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 431.4 | 402.4 | 389.0 | 389.7 | 385.0 |
| EBITDA                     | 35.0  | 32.5  | 37.5  | 43.1  | 46.7  |
| EBITDA margin              | 8.1%  | 8.1%  | 9.6%  | 11.1% | 12.1% |
| Net financial debt         | 91.3  | 92.4  | 88.8  | 85.0  | 82.1  |
| Free cash-flow             | -24.9 | 7.1   | 7.2   | 7.6   | 9.1   |
| EPS (in EUR)               | -0.27 | -0.20 | -0.03 | 0.02  | 0.06  |
| DPS (in EUR)               | 0.10  | 0.03  | 0.03  | 0.05  | 0.05  |
| Dividend yield             | 5.7%  | 2.0%  | 1.5%  | 2.6%  | 2.6%  |
| EV/Sales                   | 0.7   | 0.7   | 0.9   | 0.9   | 0.9   |
| EV/EBITDA                  | 9.0   | 8.8   | 9.0   | 7.7   | 7.1   |
| Price Earnings ratio (P/E) | -6.4  | -7.5  | -63.5 | 105.0 | 32.7  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Positioning in the synthesis of information technology and telecommunication
- Highly innovative in cloud computing
- Growing demand for customer-specific solutions
- Established brand among German SMEs

## MANAGEMENT

- Jürgen Hermann (CEO)
- Stefan Baustert (CFO)
- Felix Höger (CTO)
- Udo Faulhaber (CSO)

## SHORT-TERM GUIDANCE

- 2016: Revenue: € 380-390 m, EBITDA € 34-38 m, FCF > € 7.1m

## HISTORICAL P/EV/EBITDA



## COMPANY EVENTS

Next event: 08/05/2017 Quarterly Results

## KEY RATIOS

|                      | 14     | 15    | 16e   | 17e   | 18e   |
|----------------------|--------|-------|-------|-------|-------|
| R&D/Sales            | -      | -     | -     | -     | -     |
| Capex/Sales          | 6.1%   | 6.8%  | 6.2%  | 7.4%  | 7.5%  |
| Capex/Depreciation   | 0.4    | 0.5   | 0.7   | 0.8   | 0.9   |
| ROCE                 | -10.2% | -7.0% | 0.8%  | 3.1%  | 5.3%  |
| Free cash flow yield | -11.5% | 3.8%  | 3.0%  | 3.1%  | 3.8%  |
| Equity ratio         | 35.9%  | 34.6% | 32.5% | 32.3% | 32.6% |
| Net debt / Equity    | 63%    | 74%   | 76%   | 74%   | 71%   |
| Net debt / EBITDA    | 2.6    | 2.8   | 2.4   | 2.0   | 1.8   |
| Interest cover       | < -10  | < -10 | 0.4   | > 10  | > 10  |

### Weaknesses/Threats (Risks)

- Declining legacy telecoms business
- Established IT systems providers make the market highly competitive
- Dependent upon regulation in telecoms sector
- Shortage of qualified specialists

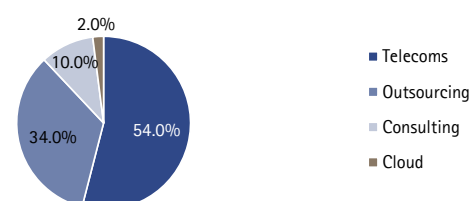
## COMPANY BACKGROUND

QSC AG is one of the leading providers of ICT services in Germany with an extensive offering that ranges from telephony, data transfer, housing and hosting to IT outsourcing and IT consulting. With its own network infrastructure, as well as TÜV- and ISO-certified data centres in Germany, QSC employs around 1,500 people and is included in the TecDAX index. The company was founded in 1997 and is headquartered in Cologne, Germany.

## MEDIUM-TERM GUIDANCE

- -

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                     |      |
|---------------------|------|
| Gerd Eickers        | 12.6 |
| Dr. Bernd Schlobohm | 12.5 |
| Kempen              | 5.1  |

## BHL VS. CONSENSUS

|                   | 16e   | 17e   | 18e   |
|-------------------|-------|-------|-------|
| Sales (in m EUR)  |       |       |       |
| BHL               | 389.0 | 389.7 | 385.0 |
| Consensus         | 389.0 | 384.5 | 386.5 |
| EBITDA (in m EUR) |       |       |       |
| BHL               | 37.5  | 43.1  | 46.7  |
| Consensus         | 38.7  | 41.2  | 43.4  |
| EPS (EUR)         |       |       |       |
| BHL               | -0.03 | 0.02  | 0.06  |
| Consensus         | -0.01 | 0.01  | 0.05  |

Source: Company information, FactSet, BHL estimates

# Key figures

## QSC AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 431.4  | 402.4  | 389.0  | 389.7  | 385.0  |
| Cost of Sales                        | -327.1 | -292.3 | -286.5 | -285.3 | -281.5 |
| Gross profit                         | 104.4  | 110.1  | 102.5  | 104.4  | 103.5  |
| Sales and marketing                  | -39.5  | -34.9  | -34.1  | -35.3  | -33.8  |
| General and administration           | -38.3  | -37.9  | -29.9  | -26.0  | -23.0  |
| Research and development             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -8.4   | -4.8   | -1.0   | 0.0    | 0.0    |
| EBITDA                               | 35.0   | 32.5   | 37.5   | 43.1   | 46.7   |
| Depreciation                         | 69.0   | 53.3   | 35.3   | 34.3   | 31.5   |
| EBITA                                | -34.0  | -20.8  | 2.2    | 8.8    | 15.2   |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | -34.0  | -20.8  | 2.2    | 8.8    | 15.2   |
| Financial result                     | -6.2   | -5.9   | -5.6   | -5.8   | -5.6   |
| Income on ordinary activities        | -40.2  | -26.7  | -3.4   | 3.0    | 9.6    |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | -40.2  | -26.7  | -3.4   | 3.0    | 9.6    |
| Taxes                                | 6.2    | 1.8    | -0.4   | -0.7   | -2.2   |
| Net income from cont. operations     | -33.9  | -25.0  | -3.8   | 2.3    | 7.4    |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                    | -33.9  | -25.0  | -3.8   | 2.3    | 7.4    |
| No. of shares                        | 124.1  | 124.1  | 124.2  | 124.3  | 124.4  |
| EPS (in EUR)                         | -0.27  | -0.20  | -0.03  | 0.02   | 0.06   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e  | 2017e | 2018e |
|-------------------|-------|-------|--------|-------|-------|
| Gross margin      | 24.2% | 27.4% | 26.3%  | 26.8% | 26.9% |
| EBITDA margin     | 8.1%  | 8.1%  | 9.6%   | 11.1% | 12.1% |
| EBITA margin      | -7.9% | -5.2% | 0.6%   | 2.3%  | 3.9%  |
| EBIT margin       | -7.9% | -5.2% | 0.6%   | 2.3%  | 3.9%  |
| EBT margin        | -9.3% | -6.6% | -0.9%  | 0.8%  | 2.5%  |
| Net profit margin | -7.9% | -6.2% | -1.0%  | 0.6%  | 1.9%  |
| Tax rate          | 15.5% | 6.6%  | -11.8% | 23.3% | 22.9% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Sales             | -5.3%  | -6.7%  | -3.3%  | 0.2%  | -1.2% |
| EBITDA            | -54.7% | -7.1%  | 15.2%  | 14.9% | 8.4%  |
| EBIT              | ---    | -38.8% | ---    | >100% | 72.7% |
| EBT               | ---    | -33.5% | -87.3% | ---   | >100% |
| Net income (adj.) | ---    | -26.4% | -84.8% | ---   | >100% |
| EPS               | ---    | -26.5% | -84.8% | ---   | >100% |

Source: Company information, Bankhaus Lampe Research estimates

## QSC AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 236.2 | 204.5 | 192.9 | 187.6 | 185.0 |
| Property, plant and equipment          | 102.1 | 87.5  | 76.2  | 70.9  | 68.4  |
| Intangible assets                      | 120.8 | 108.5 | 108.5 | 108.5 | 108.5 |
| Financial assets                       | 10.4  | 8.2   | 7.9   | 7.9   | 7.8   |
| Other long-term assets                 | 2.9   | 0.3   | 0.3   | 0.3   | 0.3   |
| Current assets                         | 169.3 | 154.0 | 165.6 | 169.6 | 172.5 |
| Inventories                            | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Accounts receivable                    | 52.1  | 48.7  | 57.9  | 58.0  | 58.3  |
| Other current assets                   | 29.3  | 31.3  | 30.3  | 30.3  | 30.0  |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 87.8  | 74.0  | 77.5  | 81.3  | 84.2  |
| Total assets                           | 405.5 | 358.5 | 358.6 | 357.3 | 357.6 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 145.6 | 124.2 | 116.7 | 115.2 | 116.4 |
| Shareholders' equity (before minority) | 145.6 | 124.2 | 116.7 | 115.2 | 116.4 |
| Minorities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Non-current liabilities                | 177.8 | 169.8 | 169.5 | 169.5 | 169.4 |
| Pension provisions                     | 7.3   | 6.7   | 6.5   | 6.5   | 6.4   |
| Other provisions                       | 0.3   | 1.6   | 1.6   | 1.6   | 1.6   |
| Long-term financial debt               | 170.2 | 161.4 | 161.4 | 161.4 | 161.4 |
| Other long-term debt                   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Current liabilities                    | 82.0  | 64.5  | 72.4  | 72.5  | 71.7  |
| Short-term debt                        | 8.9   | 4.9   | 4.9   | 4.9   | 4.9   |
| Other accruals short-term              | 18.9  | 14.0  | 13.5  | 13.5  | 13.4  |
| Accounts payable                       | 44.8  | 30.6  | 39.4  | 39.5  | 39.0  |
| Other liabilities                      | 9.4   | 15.1  | 14.6  | 14.6  | 14.4  |
| Total equity and liabilities           | 405.5 | 358.5 | 358.6 | 357.3 | 357.6 |

Source: Company information, Bankhaus Lampe Research estimates

## QSC AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 58.2% | 57.0% | 53.8% | 52.5% | 51.8% |
| Property, plant and equipment | 25.2% | 24.4% | 21.3% | 19.9% | 19.1% |
| Intangible assets             | 29.8% | 30.3% | 30.3% | 30.4% | 30.3% |
| Current assets                | 41.8% | 43.0% | 46.2% | 47.5% | 48.2% |
| Inventories                   | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts receivable           | 12.9% | 13.6% | 16.1% | 16.2% | 16.3% |
| Cash                          | 21.7% | 20.6% | 21.6% | 22.8% | 23.6% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 35.9% | 34.6% | 32.5% | 32.3% | 32.6% |
| Non-current liabilities       | 43.8% | 47.4% | 47.3% | 47.4% | 47.4% |
| Pension provisions            | 1.8%  | 1.9%  | 1.8%  | 1.8%  | 1.8%  |
| Long-term financial debt      | 42.0% | 45.0% | 45.0% | 45.2% | 45.1% |
| Current liabilities           | 20.2% | 18.0% | 20.2% | 20.3% | 20.1% |
| Short-term debt               | 2.2%  | 1.4%  | 1.4%  | 1.4%  | 1.4%  |
| Accounts payable              | 11.1% | 8.5%  | 11.0% | 11.1% | 10.9% |

Source: Company information, Bankhaus Lampe Research estimates

# R. STAHL AG

## Still no improvement in sight

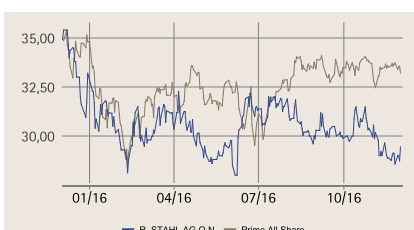
06/12/2016

**Hold** (Hold)  
**26.00 EUR** (28.00 EUR)

Close 01/12/2016 29.45 EUR  
Bloomberg: RSL2 GY WKN: A1PHBB  
Sector Industrial

### Share price performance

52 week high 35.40 EUR  
52 week low 28.00 EUR  
Compared to Prime All Share  
YTD -6.7%  
1 month -4.9%  
12 months -8.7%



### Share data

EV (m EUR; 2016) 322.5  
Market Cap (m EUR) 189.6  
No. of shares (m) 6.4  
Free float 38.9%

### Next event

Quarterly Results 09/05/2017

### Change in model

|       | Sales | EBIT   | EPS    |
|-------|-------|--------|--------|
| 2016e | ---   | -41.7% | -56.7% |
| 2017e | ---   | -51.1% | -63.2% |
| 2018e | ---   | -43.7% | -49.6% |

### Analyst

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See end of document for disclaimer.

In recent weeks, the situation in R. Stahl's end markets has deteriorated further and led to another profit warning. We expect the results to get worse in 2017.

### INVESTMENT CASE

R. Stahl is suffering from the low level of raw material and refining charges because its most important customer groups are in oil and gas production (32% of revenue in 2015) and in the processing industry (17%). This is leading to lower order volumes in the market and very weak margins. According to the company, it is having to accept some projects with a discount of 10% vs. pre-crisis levels. In addition, R. Stahl's revenue mix deteriorated. There is less demand for high-margin products.

About a year ago, the management team has launched a programme to cut costs and reduce its dependency on the oil and gas industry. No further wide-ranging measures to ease the burden on costs are planned at present. By acquiring a stake in a Russian (25%) and a South African company (35%), R. Stahl has recently made strategic investments. But we believe their effect on the balance sheet will be negligible for the short term.

### CATALYSTS

R. Stahl's results will presumably not improve significantly until the oil price reaches a sustainably higher level. In our view, it will be tough to get reduced prices back to a higher level again. As such, R. Stahl must do everything possible to introduce new products.

### VALUATION

The share price recently decoupled itself from the weak operating performance and has been stable. Given the correspondingly high valuation of the share, we believe it is extremely doubtful that better results will also lead to a higher share price. We confirm our HOLD rating, but lower our price target from € 28.00 to € 26.00.

| in m EUR                   | 2014  | 2015     | 2016e | 2017e | 2018e |
|----------------------------|-------|----------|-------|-------|-------|
| Sales                      | 308.5 | 312.9    | 280.0 | 275.0 | 286.0 |
| EBIT                       | 18.3  | 3.9      | 7.0   | 5.3   | 8.4   |
| EBIT margin                | 5.9%  | 1.2%     | 2.5%  | 1.9%  | 2.9%  |
| Net financial debt         | 32.7  | 17.4     | 27.6  | 26.1  | 26.0  |
| Free cash-flow             | -15.5 | -3.8     | -6.0  | 5.4   | 2.7   |
| EPS (in EUR)               | 1.67  | -0.02    | 0.40  | 0.31  | 0.64  |
| DPS (in EUR)               | 0.80  | 0.60     | 0.60  | 0.40  | 0.40  |
| Dividend yield             | 2.0%  | 1.8%     | 2.0%  | 1.4%  | 1.4%  |
| EV/Sales                   | 1.2   | 1.0      | 1.2   | 1.2   | 1.1   |
| EV/EBIT                    | 20.8  | 81.2     | 46.1  | 60.2  | 38.4  |
| Price Earnings ratio (P/E) | 23.7  | -1,892.1 | 72.8  | 95.5  | 46.2  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Strong market position (global number two)
- High market entry barriers due to tough security requirements
- High percentage of recurring revenues (roughly 30%)
- European ICE standard is gaining market share vs. US NEC standard
- Market share gains from acquisitions

## MANAGEMENT

- Martin Schomaker (CEO)
- Bernd Marx (CFO)

### Weaknesses/Threats (Risks)

- Margin too low given the strong market position
- Low oil price: 50% exposure to oil & gas industry
- Customers with cyclical investment behaviour

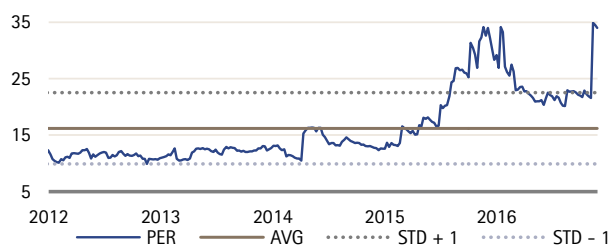
## COMPANY BACKGROUND

R. Stahl AG is a leading supplier of products, systems and services for explosion protection. Its products prevent explosions wherever there are explosive gas-air mixtures or dusts (chemical and pharmaceutical industry, food sector, oil and gas industry). As a European company, R.STAHL specialises in products certified according to the European IEC standards.

## SHORT-TERM GUIDANCE

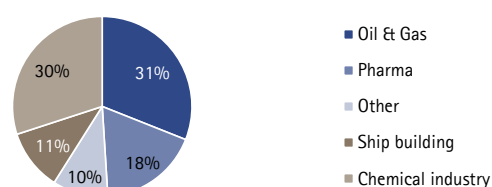
- 2016: Sales of € 275 - 285 m
- EBIT margin 2016: 2% to 3%

## HISTORICAL P/E



## MEDIUM-TERM GUIDANCE

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 09/05/2017 Quarterly Results

## MAJOR SHAREHOLDERS (%)

|  |      |
|--|------|
| Stahl Family   | 51.0 |
| RAG Foundation   | 10.0 |
| Baden-Württ. Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte | 9.8  |

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 6.1%  | 7.4%  | 4.5%  | 4.0%  | 4.0%  |
| Capex/Depreciation   | 2.6   | 1.7   | 1.0   | 0.9   | 0.9   |
| ROCE                 | 8.4%  | 1.8%  | 3.2%  | 2.4%  | 3.8%  |
| Free cash flow yield | -6.7% | -1.8% | -3.0% | 2.7%  | 1.3%  |
| Equity ratio         | 27.3% | 36.2% | 29.5% | 29.1% | 29.3% |
| Net debt / Equity    | 44%   | 17%   | 34%   | 33%   | 32%   |
| Net debt / EBITDA    | 1.0   | 1.0   | 1.4   | 1.5   | 1.2   |
| Interest cover       | > 10  | > 10  | > 10  | > 10  | > 10  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 280.0 | 275.0 | 286.0 |
| Consensus        | 278.5 | 282.5 | 302.0 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 7.0   | 5.3   | 8.4   |
| Consensus        | 0.0   | 0.0   | 0.0   |
| EPS (EUR)        |       |       |       |
| BHL              | 0.40  | 0.31  | 0.64  |
| Consensus        | 0.34  | 0.89  | 1.73  |

Source: Company information, FactSet, BHL estimates

# Key figures

## R. STAHL AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 308.5  | 312.9  | 280.0  | 275.0  | 286.0  |
| Own work capitalised                 | 8.7    | 2.9    | 5.0    | 3.0    | 3.0    |
| Total sales                          | 317.2  | 315.8  | 285.0  | 278.0  | 289.0  |
| Material expenses                    | -110.3 | -109.2 | -100.0 | -97.3  | -101.2 |
| Personnel expenses                   | -121.1 | -128.6 | -119.0 | -120.4 | -123.0 |
| Unusual or infrequent items          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result               | -54.8  | -60.6  | -46.5  | -42.5  | -43.5  |
| EBITDA                               | 31.1   | 17.4   | 19.5   | 17.8   | 21.4   |
| Depreciation                         | 7.3    | 13.5   | 12.5   | 12.5   | 13.0   |
| EBITA                                | 23.8   | 3.9    | 7.0    | 5.3    | 8.4    |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 5.5    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 18.3   | 3.9    | 7.0    | 5.3    | 8.4    |
| Financial result                     | -3.6   | -3.2   | -3.2   | -2.5   | -2.5   |
| Income on ordinary activities        | 14.7   | 0.7    | 3.8    | 2.8    | 5.9    |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 14.7   | 0.7    | 3.8    | 2.8    | 5.9    |
| Taxes                                | -4.9   | -0.8   | -1.1   | -0.9   | -1.8   |
| Net income from cont. operations     | 9.8    | -0.1   | 2.7    | 2.0    | 4.1    |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | -0.1   | 0.0    | -0.1   | 0.0    | 0.0    |
| Net income (adj.)                    | 9.8    | -0.1   | 2.6    | 2.0    | 4.1    |
| No. of shares                        | 5.9    | 5.9    | 5.9    | 5.9    | 5.9    |
| EPS                                  | 1.67   | -0.02  | 0.40   | 0.31   | 0.64   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015   | 2016e | 2017e | 2018e |
|-------------------|-------|--------|-------|-------|-------|
| Gross margin      | 64.3% | 65.1%  | 64.3% | 64.6% | 64.6% |
| EBITDA margin     | 10.1% | 5.6%   | 7.0%  | 6.5%  | 7.5%  |
| EBITA margin      | 7.7%  | 1.2%   | 2.5%  | 1.9%  | 2.9%  |
| EBIT margin       | 5.9%  | 1.2%   | 2.5%  | 1.9%  | 2.9%  |
| EBT margin        | 4.8%  | 0.2%   | 1.4%  | 1.0%  | 2.1%  |
| Net profit margin | 3.2%  | 0.0%   | 0.9%  | 0.7%  | 1.4%  |
| Tax rate          | 33.1% | 109.2% | 30.0% | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e  | 2018e |
|-------------------|--------|--------|--------|--------|-------|
| Sales             | 1.4%   | 1.4%   | -10.5% | -1.8%  | 4.0%  |
| EBITDA            | -15.7% | -44.1% | 12.1%  | -8.6%  | 19.8% |
| EBIT              | -26.5% | -78.6% | 79.1%  | -23.8% | 56.8% |
| EBT               | -31.0% | -95.1% | >100%  | -25.5% | >100% |
| Net income (adj.) | -36.2% | ---    | ---    | -23.8% | >100% |
| EPS               | -35.6% | ---    | ---    | -23.8% | >100% |

Source: Company information, Bankhaus Lampe Research estimates

## R. STAHL AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 124.6 | 133.9 | 138.9 | 137.4 | 135.8 |
| Property, plant and equipment          | 58.0  | 66.6  | 63.5  | 59.3  | 54.8  |
| Intangible assets                      | 40.1  | 40.6  | 43.7  | 46.5  | 49.3  |
| Financial assets                       | 8.4   | 8.1   | 13.1  | 13.1  | 13.1  |
| Other long-term assets                 | 18.1  | 18.6  | 18.6  | 18.6  | 18.6  |
| Current assets                         | 149.3 | 144.9 | 134.0 | 132.7 | 137.3 |
| Inventories                            | 56.4  | 57.3  | 57.0  | 55.6  | 57.8  |
| Accounts receivable                    | 59.4  | 60.4  | 60.0  | 58.5  | 60.8  |
| Other current assets                   | 17.7  | 8.9   | 8.9   | 8.9   | 8.9   |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 15.8  | 18.3  | 8.1   | 9.6   | 9.7   |
| Total assets                           | 273.9 | 278.8 | 272.9 | 270.1 | 273.1 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 74.9  | 101.0 | 80.4  | 78.6  | 80.1  |
| Shareholders' equity (before minority) | 74.6  | 100.7 | 80.2  | 78.3  | 79.8  |
| Minorities                             | 0.3   | 0.3   | 0.3   | 0.3   | 0.3   |
| Non-current liabilities                | 111.4 | 110.5 | 129.5 | 129.5 | 129.5 |
| Pension provisions                     | 93.7  | 85.7  | 105.0 | 105.0 | 105.0 |
| Other provisions                       | 1.7   | 1.7   | 1.7   | 1.7   | 1.7   |
| Long-term financial debt               | 12.9  | 19.2  | 19.2  | 19.2  | 19.2  |
| Other long-term debt                   | 3.2   | 3.9   | 3.5   | 3.5   | 3.5   |
| Current liabilities                    | 87.6  | 67.3  | 63.0  | 62.0  | 63.6  |
| Short-term debt                        | 35.6  | 16.5  | 16.5  | 16.5  | 16.5  |
| Other accruals short-term              | 6.1   | 7.2   | 7.2   | 7.2   | 7.2   |
| Accounts payable                       | 17.9  | 14.9  | 13.4  | 13.1  | 13.6  |
| Other liabilities                      | 28.0  | 28.7  | 25.9  | 25.3  | 26.3  |
| Total equity and liabilities           | 273.9 | 278.8 | 272.9 | 270.1 | 273.1 |

Source: Company information, Bankhaus Lampe Research estimates

## R. STAHL AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 45.5% | 48.0% | 50.9% | 50.9% | 49.7% |
| Property, plant and equipment | 21.2% | 23.9% | 23.3% | 21.9% | 20.1% |
| Intangible assets             | 14.7% | 14.6% | 16.0% | 17.2% | 18.1% |
| Current assets                | 54.5% | 52.0% | 49.1% | 49.1% | 50.3% |
| Inventories                   | 20.6% | 20.5% | 20.9% | 20.6% | 21.2% |
| Accounts receivable           | 21.7% | 21.7% | 22.0% | 21.7% | 22.3% |
| Cash                          | 5.8%  | 6.6%  | 3.0%  | 3.6%  | 3.6%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 27.3% | 36.2% | 29.5% | 29.1% | 29.3% |
| Non-current liabilities       | 40.7% | 39.6% | 47.4% | 47.9% | 47.4% |
| Pension provisions            | 34.2% | 30.7% | 38.5% | 38.9% | 38.4% |
| Long-term financial debt      | 4.7%  | 6.9%  | 7.0%  | 7.1%  | 7.0%  |
| Current liabilities           | 32.0% | 24.1% | 23.1% | 23.0% | 23.3% |
| Short-term debt               | 13.0% | 5.9%  | 6.0%  | 6.1%  | 6.0%  |
| Accounts payable              | 6.5%  | 5.3%  | 4.9%  | 4.9%  | 5.0%  |

Source: Company information, Bankhaus Lampe Research estimates

# Schaltbau Holding AG

## Uncertainty after profit warning and staff changes

06/12/2016

**Hold** (Hold)  
**30.00 EUR** (26.00 EUR)

Close 01/12/2016 13.86 EUR  
Bloomberg: SLT GR WKN: 717030  
Sector Transport & Logistics

### Share price performance

|              |                 |
|--------------|-----------------|
| 52 week high | 52.35 EUR       |
| 52 week low  | 26.50 EUR       |
| Compared to  | Prime All Share |
| YTD          | -35.2%          |
| 1 month      | 10.8%           |
| 12 months    | -31.7%          |



### Share data

|                    |       |
|--------------------|-------|
| EV (m EUR; 2016)   | 407   |
| Market Cap (m EUR) | 187   |
| No. of shares (m)  | 6     |
| Free float         | 68.0% |

### Next event

|   |   |
|---|---|
| - | - |
|---|---|

### Change in model

|       | Sales | EBIT  | EPS   |
|-------|-------|-------|-------|
| 2016e | ---   | ---   | ---   |
| 2017e | ---   | ---   | ---   |
| 2018e | 1.9%  | 17.2% | 24.8% |

### Analyst

Christoph Schlienke, Investmentanalyst DVFA  
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See end of document for disclaimer.

After several profit warnings and the resignation of the long-standing CEO, the management team is concentrating on winning back investor confidence. Even though the valuation appears cheap at first glance, due to the latest uncertainty we do not expect the share price to recover in the short term until the new management team is fully on board.

### INVESTMENT CASE

Schaltbau's business model focuses on niche products with a manageable number of competitors and a top 3 position in the global market in all of the major business units. The sales activities concentrate on stable markets and are long term in nature. Nevertheless, it is evident that the markets are often dominated by public-sector clients, which does not always make the projects straightforward, primarily due to budgetary restrictions. Moreover, Schaltbau is facing the challenge of:

- Accelerating market consolidation and
- Increasing competition from Chinese companies.

The latest information from the company shows that its evident problems are complex (slumping revenue due to sharply reduced orders from Chinese railway authorities, poor business trend in mobile transportation technology and brakes). Given the complexity of the issues involved, we do not really believe that restructuring measures and process adjustments can provide a quick solution.

### CATALYSTS

For investors, we feel it is important that Schaltbau systematically delivers the improvements promised for the next few years.

### VALUATION

Our price target is based on a DCF model.

| in m EUR                   | 2014 | 2015 | 2016e | 2017e | 2018e |
|----------------------------|------|------|-------|-------|-------|
| Sales                      | 430  | 497  | 497   | 545   | 578   |
| EBIT                       | 27   | 37   | 10    | 27    | 36    |
| EBIT margin                | 6.4% | 7.4% | 2.0%  | 5.0%  | 6.2%  |
| Net financial debt         | 80   | 129  | 148   | 138   | 127   |
| Free cash-flow             | -12  | -20  | 0     | 10    | 16    |
| EPS (in EUR)               | 4.04 | 2.90 | 0.29  | 2.03  | 3.01  |
| DPS (in EUR)               | 1.00 | 1.00 | 0.00  | 1.00  | 1.00  |
| Dividend yield             | 2.4% | 2.0% | 0.0%  | 3.3%  | 3.3%  |
| EV/Sales                   | 0.9  | 1.0  | 0.8   | 0.7   | 0.7   |
| EV/EBIT                    | 14.5 | 13.8 | 40.7  | 14.7  | 10.9  |
| Price Earnings ratio (P/E) | 10.4 | 17.6 | 106.3 | 15.1  | 10.2  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Broadly diversified via subsidiaries
- Increasing demand for public transport infrastructure
- M&A is another option for growth
- Exhibited price discipline when making acquisitions in the past

### Weaknesses/Threats (Risks)

- Limited growth in niche markets
- Still under-represented in the emerging markets
- Project-related risks
- Developments in Chinese railway sector

## MANAGEMENT

- Dr. Thoams Dippolt (CFO) as of 1.1.2017
- Ralf Klädtke
- Helmut Meyer

## COMPANY BACKGROUND

Schaltbau Holding AG and its subsidiaries develop, manufacture and distribute high quality components and systems for transportation technology and for the investment goods industry.

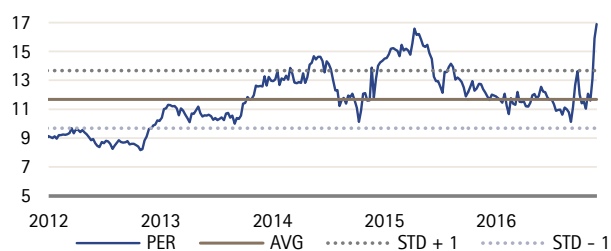
## SHORT-TERM GUIDANCE

- 2016: revenue of ~ € 500 m
- 2016: EBIT of ~ € 10 m
- 2016: EPS of € 0.28

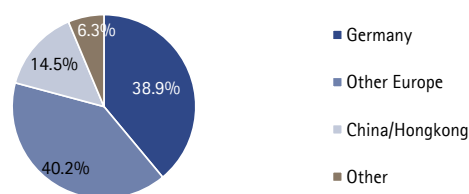
## MEDIUM-TERM GUIDANCE

- 2017: revenue of ~ € 550 m
- 2016: EBIT of ~ € 27.5 m
- 2017: EPS of € 2.00

## HISTORICAL P/E



## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: - -

## MAJOR SHAREHOLDERS (%)

|                   |      |
|-------------------|------|
| Dr. Camman family | 11.6 |
| Zimmermann family | 11.2 |
| Monolith N.V.     | 6.8  |

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 5.5%  | 4.4%  | -1.1% | 2.8%  | 2.6%  |
| Capex/Depreciation   | 2.1   | 1.7   | -0.4  | 1.1   | 1.1   |
| ROCE                 | 10.6% | 11.2% | 3.1%  | 8.1%  | 10.3% |
| Free cash flow yield | -4.6% | -6.5% | 0.1%  | 6.4%  | 10.1% |
| Equity ratio         | 31.2% | 28.5% | 28.4% | 30.2% | 31.9% |
| Net debt / Equity    | 71%   | 99%   | 118%  | 100%  | 85%   |
| Net debt / EBITDA    | 2.1   | 2.6   | 6.2   | 3.3   | 2.6   |
| Interest cover       | > 10  | > 10  | > 10  | > 10  | > 10  |

## BHL VS. CONSENSUS

|                  | 16e  | 17e  | 18e  |
|------------------|------|------|------|
| Sales (in m EUR) |      |      |      |
| BHL              | 497  | 545  | 578  |
| Consensus        | 499  | 545  | 561  |
| EBIT (in m EUR)  |      |      |      |
| BHL              | 10   | 27   | 36   |
| Consensus        | 9    | 23   | 31   |
| EPS (EUR)        |      |      |      |
| BHL              | 0.29 | 2.03 | 3.01 |
| Consensus        | 0.28 | 2.00 | 2.58 |

Source: Company information, FactSet, BHL estimates

# Key figures

## Schaltbau Holding AG – Income statement

| in m EUR                             | 2014 | 2015 | 2016e | 2017e | 2018e |
|--------------------------------------|------|------|-------|-------|-------|
| Sales                                | 430  | 497  | 497   | 545   | 578   |
| Own work capitalised                 | 11   | 4    | 7     | 10    | 10    |
| Total sales                          | 440  | 501  | 504   | 555   | 588   |
| Material expenses                    | -222 | -247 | -275  | -283  | -300  |
| Personnel expenses                   | -138 | -157 | -170  | -179  | -186  |
| Unusual or infrequent items          | 0    | 0    | 0     | 0     | 0     |
| Other operating result               | -41  | -47  | -35   | -52   | -52   |
| EBITDA                               | 38   | 49   | 24    | 41    | 50    |
| Depreciation                         | 11   | 13   | 14    | 14    | 14    |
| EBITA                                | 27   | 37   | 10    | 27    | 36    |
| Amortisation of goodwill             | 0    | 0    | 0     | 0     | 0     |
| Amortisation of intangible assets    | 0    | 0    | 0     | 0     | 0     |
| EBIT                                 | 27   | 37   | 10    | 27    | 36    |
| Financial result                     | 8    | -5   | 2     | -4    | -4    |
| Income on ordinary activities        | 35   | 31   | 12    | 24    | 32    |
| Extraordinary income/loss            | 0    | 0    | 0     | 0     | 0     |
| EBT                                  | 35   | 31   | 12    | 24    | 32    |
| Taxes                                | -6   | -8   | -4    | -7    | -10   |
| Net income from cont. operations     | 29   | 23   | 8     | 16    | 22    |
| Net income from discount. operations | 0    | 0    | 0     | 0     | 0     |
| Minority interest                    | -4   | -6   | -7    | -4    | -4    |
| Net income (adj.)                    | 25   | 17   | 2     | 12    | 18    |
| No. of shares                        | 6    | 6    | 6     | 6     | 6     |
| EPS                                  | 4.04 | 2.90 | 0.29  | 2.03  | 3.01  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 48.2% | 50.2% | 44.7% | 48.0% | 48.0% |
| EBITDA margin     | 8.9%  | 10.0% | 4.8%  | 7.5%  | 8.6%  |
| EBITA margin      | 6.4%  | 7.4%  | 2.0%  | 5.0%  | 6.2%  |
| EBIT margin       | 6.4%  | 7.4%  | 2.0%  | 5.0%  | 6.2%  |
| EBT margin        | 8.2%  | 6.3%  | 2.4%  | 4.3%  | 5.5%  |
| Net profit margin | 5.8%  | 3.5%  | 0.4%  | 2.3%  | 3.2%  |
| Tax rate          | 17.4% | 24.7% | 30.0% | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Sales             | 10.0%  | 15.6%  | 0.1%   | 9.7%  | 6.0%  |
| EBITDA            | -15.1% | 29.3%  | -51.5% | 71.2% | 20.8% |
| EBIT              | -24.2% | 34.2%  | -72.7% | >100% | 31.6% |
| EBT               | 4.5%   | -11.6% | -62.1% | 99.2% | 36.4% |
| Net income (adj.) | 16.0%  | -29.6% | -89.9% | >100% | 48.1% |
| EPS               | 16.0%  | -28.1% | -90.1% | >100% | 48.1% |

Source: Company information, Bankhaus Lampe Research estimates

## Schaltbau Holding AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 149  | 200  | 201   | 202   | 203   |
| Property, plant and equipment          | 69   | 76   | 76    | 77    | 78    |
| Intangible assets                      | 52   | 83   | 83    | 83    | 83    |
| Financial assets                       | 13   | 27   | 27    | 27    | 27    |
| Other long-term assets                 | 15   | 15   | 15    | 15    | 15    |
| Current assets                         | 212  | 254  | 240   | 253   | 267   |
| Inventories                            | 86   | 89   | 100   | 103   | 106   |
| Accounts receivable                    | 80   | 109  | 110   | 110   | 110   |
| Other current assets                   | 21   | 25   | 21    | 21    | 21    |
| Securities                             | 0    | 0    | 0     | 0     | 0     |
| Cash                                   | 26   | 31   | 9     | 20    | 30    |
| Total assets                           | 361  | 454  | 441   | 456   | 470   |
| Equity and liabilities in m EUR        |      |      |       |       |       |
| Shareholders' equity                   | 113  | 130  | 125   | 138   | 150   |
| Shareholders' equity (before minority) | 93   | 96   | 91    | 104   | 116   |
| Minorities                             | 19   | 34   | 34    | 34    | 34    |
| Non-current liabilities                | 146  | 209  | 196   | 196   | 196   |
| Pension provisions                     | 39   | 37   | 38    | 38    | 38    |
| Other provisions                       | 4    | 4    | 4     | 4     | 4     |
| Long-term financial debt               | 93   | 144  | 145   | 145   | 145   |
| Other long-term debt                   | 9    | 23   | 9     | 9     | 9     |
| Current liabilities                    | 103  | 116  | 119   | 121   | 123   |
| Short-term debt                        | 12   | 15   | 12    | 12    | 12    |
| Other accruals short-term              | 30   | 26   | 30    | 30    | 30    |
| Accounts payable                       | 32   | 38   | 40    | 42    | 44    |
| Other liabilities                      | 29   | 37   | 37    | 37    | 37    |
| Total equity and liabilities           | 361  | 454  | 441   | 456   | 470   |

Source: Company information, Bankhaus Lampe Research estimates

## Schaltbau Holding AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 41.3% | 44.1% | 45.6% | 44.4% | 43.2% |
| Property, plant and equipment | 19.0% | 16.7% | 17.2% | 16.9% | 16.6% |
| Intangible assets             | 14.5% | 18.3% | 18.8% | 18.2% | 17.7% |
| Current assets                | 58.7% | 55.9% | 54.4% | 55.6% | 56.8% |
| Inventories                   | 23.7% | 19.5% | 22.7% | 22.6% | 22.6% |
| Accounts receivable           | 22.2% | 24.1% | 24.9% | 24.1% | 23.4% |
| Cash                          | 7.1%  | 6.8%  | 2.1%  | 4.4%  | 6.4%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 31.2% | 28.5% | 28.4% | 30.2% | 31.9% |
| Non-current liabilities       | 40.3% | 45.9% | 44.5% | 43.1% | 41.8% |
| Pension provisions            | 10.8% | 8.2%  | 8.6%  | 8.3%  | 8.1%  |
| Long-term financial debt      | 25.7% | 31.7% | 32.9% | 31.8% | 30.9% |
| Current liabilities           | 28.6% | 25.6% | 27.1% | 26.6% | 26.3% |
| Short-term debt               | 3.4%  | 3.4%  | 2.8%  | 2.7%  | 2.6%  |
| Accounts payable              | 8.7%  | 8.4%  | 9.1%  | 9.2%  | 9.4%  |

Source: Company information, Bankhaus Lampe Research estimates

# SGL CARBON SE

## 2017 will be better – new shares for € 6.00

06/12/2016

**Hold** (Hold)  
**9.00 EUR** (10.00 EUR)

Close 01/12/2016 8.70 EUR  
Bloomberg: SGL GY WKN: 723530  
Sector Chemicals

### Share price performance

52 week high 14.14 EUR  
52 week low 8.44 EUR  
Compared to SDAX  
YTD -31.7%  
1 month -20.2%  
12 months -38.5%



### Share data

EV (m EUR; 2016) 1,103  
Market Cap (m EUR) 807.0  
No. of shares (m) 92.8  
Free float 37.9%

### Next event

Annual Results 21/03/2017

### Change in model

|       | Sales | EBIT    | EPS   |
|-------|-------|---------|-------|
| 2016e | ---   | -117.5% | 10.7% |
| 2017e | ---   | 19.5%   | 6.5%  |
| 2018e | ---   | 17.6%   | ---   |

### Analyst

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See end of document for disclaimer.

Following the cost saving programmes and the sale of the unprofitable graphite electrode business, SGL's prospects for next year are better, in our view. In 2017, we also expect a book profit of € 75 m from the sale of the remaining Performance Products business.

### INVESTMENT CASE

After the sale of the Performance Products units, SGL Carbon wants to focus on the two growth segments Graphite Materials Systems (GMS) and Composite Fibres Materials (CFM). Lightweight materials for the automotive sector and other industries are a major component to drive electro-mobility and reduce the CO<sub>2</sub> emissions of vehicles.

As the global market leader in the GMS segment, SGL Carbon produces anodes for lithium-ion battery manufacturers. But the LED and the solar industries are also important customer groups – their market growth should reach 6% p.a. by 2020.

After its transformation, SGL Carbon should be perceived more as a technology company.

### CATALYSTS

- From the sale of the remaining PP business (expected in the spring of 2017), we project a book profit of about € 75 m.
- SGL is set to place up to 30 million new shares from 30 November to 13 December 2016 at a price of € 6.00. BMW & Kion are subscribing in full, while VW and Voith will be diluted.
- The price of the new shares (€ 6.00) is attractive for new investors.

### VALUATION

In the last few years, SGL stock was rarely inexpensive. For 2017 and 2018, we expect the operating EBIT to still stay below € 50 m. Based on our DCF model and taking account of the capital increase with a volume of € 180 m, we arrive at a fair value of rounded € 9.00.

| in m EUR                   | 2014   | 2015  | 2016e  | 2017e | 2018e |
|----------------------------|--------|-------|--------|-------|-------|
| Sales                      | 1,336  | 789.5 | 777.4  | 837.4 | 905.7 |
| EBIT                       | -48.5  | 6.4   | -3.3   | 49.0  | 57.6  |
| EBIT margin                | -3.6%  | 0.8%  | -0.4%  | 5.9%  | 6.4%  |
| Net financial debt         | 265.1  | 479.3 | -70.3  | -72.1 | -95.7 |
| Free cash-flow             | -189.2 | 36.4  | 62.9   | 233.3 | 23.7  |
| EPS (in EUR)               | -3.26  | -1.73 | -1.92  | 0.67  | 0.10  |
| DPS (in EUR)               | 0.00   | 0.00  | 0.00   | 0.00  | 0.00  |
| Dividend yield             | 0.0%   | 0.0%  | 0.0%   | 0.0%  | 0.0%  |
| EV/Sales                   | 1.3    | 2.6   | 1.4    | 1.6   | 1.5   |
| EV/EBIT                    | -35.2  | 322.0 | -332.1 | 27.6  | 23.2  |
| Price Earnings ratio (P/E) | -4.2   | -7.5  | -4.5   | 13.0  | 83.7  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Price of new shares (€ 6.00) is attractive for new investors
- Strong market position as high-quality producer for CFM and Graphite Specialties
- The age of carbon has only just started in the automotive industry
- Key competences in high-temperature applications.

### Weaknesses/Threats (Risks)

- Lightweight materials (aluminium, steel) might skirt the carbon fibres potential in automotive.
- Reduction of financial debt after the sale of remaining industrial activities at the earliest

## MANAGEMENT

- Dr. Jürgen Köhler (CEO)
- Dr. Michael Majerus (CFO)
- Dr. Gerd Wingefeld (CTO) (until 31.12.2016)

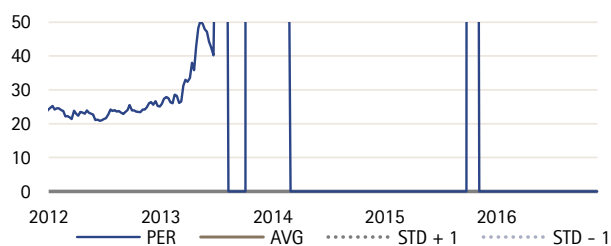
## COMPANY BACKGROUND

SGL Carbon SE is one of the world's leading manufacturers of carbon-based products. The company's product portfolio ranges from carbon and graphite products through carbon fibres to composites.

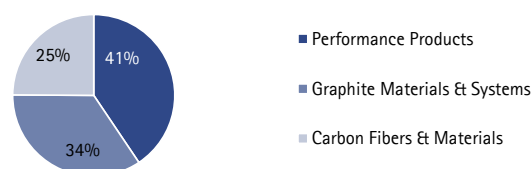
## SHORT-TERM GUIDANCE

## MEDIUM-TERM GUIDANCE

## HISTORICAL P/E



## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 21/03/2017 Annual Results

## MAJOR SHAREHOLDERS (%) (30.9.2016)

|               |      |
|---------------|------|
| Skion         | 27.5 |
| BMW AG        | 18.4 |
| Volkswagen AG | 9.8  |

## KEY RATIOS

|                      | 14     | 15    | 16e   | 17e   | 18e   |
|----------------------|--------|-------|-------|-------|-------|
| R&D/Sales            | 2.8%   | 3.8%  | 3.8%  | 4.0%  | 4.1%  |
| Capex/Sales          | 9.9%   | 9.5%  | 5.1%  | 4.8%  | 4.4%  |
| Capex/Depreciation   | 1.6    | 0.8   | 0.8   | 1.0   | 1.0   |
| ROCE                 | -2.9%  | 0.4%  | -0.2% | 4.1%  | 4.8%  |
| Free cash flow yield | -18.2% | 3.1%  | 6.7%  | 18.8% | 1.9%  |
| Equity ratio         | 26.9%  | 16.5% | 17.9% | 27.2% | 27.6% |
| Net debt / Equity    | 45%    | 157%  | -23%  | -18%  | -24%  |
| Net debt / EBITDA    | 8.1    | 2.8   | -1.6  | -0.8  | -1.0  |
| Interest cover       | < -10  | 0.1   | -0.1  | > 10  | > 10  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 777.4 | 837.4 | 905.7 |
| Consensus        | 774.7 | 825.0 | 882.0 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | -3.3  | 49.0  | 57.6  |
| Consensus        | 8.6   | 33.4  | 70.7  |
| EPS (EUR)        |       |       |       |
| BHL              | -1.92 | 0.67  | 0.10  |
| Consensus        | -1.14 | -0.06 | 0.04  |

Source: Company information, FactSet, BHL estimates

# Key figures

## SGL CARBON SE – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 1,336  | 789.5  | 777.4  | 837.4  | 905.7  |
| Cost of Sales                        | -1,115 | -649.4 | -655.5 | -628.1 | -661.1 |
| Gross profit                         | 221.0  | 140.1  | 121.9  | 209.4  | 244.5  |
| Sales and marketing                  | -145.0 | -75.3  | -68.1  | -73.3  | -75.8  |
| General and administration           | -60.9  | -45.4  | -44.7  | -48.2  | -52.1  |
| Research and development             | -38.0  | -29.7  | -29.7  | -33.7  | -37.1  |
| Other operating result               | -25.6  | 16.7   | 17.2   | -5.2   | -22.0  |
| EBITDA                               | 32.9   | 173.8  | 44.7   | 89.0   | 97.6   |
| Depreciation                         | 81.4   | 88.5   | 48.0   | 40.0   | 40.0   |
| EBITA                                | -48.5  | 85.3   | -3.3   | 49.0   | 57.6   |
| Amortisation of goodwill             | 0.0    | 78.9   | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | -48.5  | 6.4    | -3.3   | 49.0   | 57.6   |
| Financial result                     | -55.9  | -51.8  | -47.8  | -37.0  | -37.6  |
| Income on ordinary activities        | -104.4 | -45.4  | -51.1  | 12.0   | 20.0   |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | -104.4 | -45.4  | -51.1  | 12.0   | 20.0   |
| Taxes                                | -21.4  | -22.1  | -10.0  | -3.4   | -5.6   |
| Net income from cont. operations     | -125.8 | -67.5  | -61.1  | 8.6    | 14.4   |
| Net income from discount. operations | -119.2 | -89.7  | -115.0 | 75.0   | 0.0    |
| Minority interest                    | -2.0   | -1.7   | -1.7   | -1.7   | -1.7   |
| Net income (adj.)                    | -247.0 | -158.9 | -177.8 | 81.9   | 12.7   |
| No. of shares                        | 75.7   | 91.6   | 92.8   | 122.3  | 122.3  |
| EPS (in EUR)                         | -3.26  | -1.73  | -1.92  | 0.67   | 0.10   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014   | 2015   | 2016e  | 2017e | 2018e |
|-------------------|--------|--------|--------|-------|-------|
| Gross margin      | 16.5%  | 17.7%  | 15.7%  | 25.0% | 27.0% |
| EBITDA margin     | 2.5%   | 22.0%  | 5.7%   | 10.6% | 10.8% |
| EBITA margin      | -3.6%  | 10.8%  | -0.4%  | 5.9%  | 6.4%  |
| EBIT margin       | -3.6%  | 0.8%   | -0.4%  | 5.9%  | 6.4%  |
| EBT margin        | -7.8%  | -5.8%  | -6.6%  | 1.4%  | 2.2%  |
| Net profit margin | -18.3% | -19.9% | -22.6% | 10.0% | 1.6%  |
| Tax rate          | -20.5% | -48.7% | -19.6% | 28.0% | 28.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015   | 2016e  | 2017e | 2018e  |
|-------------------|--------|--------|--------|-------|--------|
| Sales             | -6.1%  | -40.9% | -1.5%  | 7.7%  | 8.1%   |
| EBITDA            | ---    | >100%  | -74.3% | 99.2% | 9.7%   |
| EBIT              | -51.5% | ---    | ---    | ---   | 17.6%  |
| EBT               | -35.2% | -56.5% | 12.5%  | ---   | 67.3%  |
| Net income (adj.) | -22.1% | -35.7% | 11.9%  | ---   | -84.5% |
| EPS               | -6.0%  | -46.8% | 10.5%  | ---   | -84.5% |

Source: Company information, Bankhaus Lampe Research estimates

## SGL CARBON SE – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 1,059 | 939.6 | 634.0 | 634.0 | 634.0 |
| Property, plant and equipment          | 893.9 | 789.6 | 490.0 | 490.0 | 490.0 |
| Intangible assets                      | 45.3  | 43.7  | 43.7  | 43.7  | 43.7  |
| Financial assets                       | 41.7  | 43.3  | 43.3  | 43.3  | 43.3  |
| Other long-term assets                 | 77.8  | 63.0  | 57.0  | 57.0  | 57.0  |
| Current assets                         | 1,112 | 916.5 | 1,224 | 937.2 | 962.9 |
| Inventories                            | 463.3 | 463.7 | 256.6 | 241.4 | 241.4 |
| Accounts receivable                    | 175.5 | 149.5 | 100.0 | 100.0 | 100.0 |
| Other current assets                   | 47.1  | 37.8  | 50.0  | 75.0  | 75.0  |
| Securities                             | 78.2  | 28.7  | 231.6 | 0.0   | 0.0   |
| Cash                                   | 347.5 | 236.8 | 585.5 | 520.9 | 546.5 |
| Total assets                           | 2,170 | 1,856 | 1,858 | 1,571 | 1,597 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 584.7 | 305.8 | 308.0 | 389.9 | 402.7 |
| Shareholders' equity (before minority) | 567.6 | 289.3 | 291.5 | 373.4 | 386.2 |
| Minorities                             | 17.1  | 16.5  | 16.5  | 16.5  | 16.5  |
| Non-current liabilities                | 1,083 | 1,205 | 1,127 | 820.2 | 830.5 |
| Pension provisions                     | 384.7 | 380.2 | 350.0 | 343.0 | 353.3 |
| Other provisions                       | 53.7  | 30.1  | 15.0  | 15.0  | 15.0  |
| Long-term financial debt               | 592.2 | 742.2 | 742.2 | 442.2 | 442.2 |
| Other long-term debt                   | 52.5  | 52.3  | 20.0  | 20.0  | 20.0  |
| Current liabilities                    | 502.5 | 345.5 | 286.4 | 225.0 | 227.6 |
| Short-term debt                        | 98.6  | 2.6   | 4.6   | 6.6   | 8.6   |
| Other accruals short-term              | 112.6 | 125.5 | 66.8  | 67.4  | 68.1  |
| Accounts payable                       | 176.4 | 162.9 | 95.0  | 96.0  | 96.0  |
| Other liabilities                      | 114.9 | 54.5  | 120.0 | 55.0  | 55.0  |
| Total equity and liabilities           | 2,170 | 1,856 | 1,722 | 1,435 | 1,461 |

Source: Company information, Bankhaus Lampe Research estimates

## SGL CARBON SE – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 48.8% | 50.6% | 34.1% | 40.4% | 39.7% |
| Property, plant and equipment | 41.2% | 42.5% | 26.4% | 31.2% | 30.7% |
| Intangible assets             | 2.1%  | 2.4%  | 2.4%  | 2.8%  | 2.7%  |
| Current assets                | 51.2% | 49.4% | 65.9% | 59.6% | 60.3% |
| Inventories                   | 21.3% | 25.0% | 13.8% | 15.4% | 15.1% |
| Accounts receivable           | 8.1%  | 8.1%  | 5.4%  | 6.4%  | 6.3%  |
| Cash                          | 16.0% | 12.8% | 31.5% | 33.1% | 34.2% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 26.9% | 16.5% | 17.9% | 27.2% | 27.6% |
| Non-current liabilities       | 49.9% | 64.9% | 65.5% | 57.2% | 56.9% |
| Pension provisions            | 17.7% | 20.5% | 20.3% | 23.9% | 24.2% |
| Long-term financial debt      | 27.3% | 40.0% | 43.1% | 30.8% | 30.3% |
| Current liabilities           | 23.2% | 18.6% | 16.6% | 15.7% | 15.6% |
| Short-term debt               | 4.5%  | 0.1%  | 0.3%  | 0.5%  | 0.6%  |
| Accounts payable              | 8.1%  | 8.8%  | 5.5%  | 6.7%  | 6.6%  |

Source: Company information, Bankhaus Lampe Research estimates

# SHW AG

## Foothold gained in e-mobility

06/12/2016

**Buy** (Buy)  
**37.00 EUR** (37.00 EUR)

Close 01/12/2016 31.91 EUR  
Bloomberg: SW1 GY WKN: A1JBPV  
Sector Automotive

### Share price performance

52 week high 35.08 EUR  
52 week low 18.70 EUR  
Compared to Prime All Share  
YTD 23.2%  
1 month 1.0%  
12 months 29.9%



### Share data

EV (m EUR; 2016) 221.2  
Market Cap (m EUR) 205.3  
No. of shares (m) 6.4  
Free float 94.6%

### Next event

RPC 20/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

After the sales targets for 2016 and 2017 had to be lowered by € 30 m each in the summer, SHW's autumn report contained some good news. Firstly, the company received its first order for electric axle drive pumps and therefore gained a foothold in the market for electric vehicles, which will be important in future. Secondly, the company's results for Q3 show a further improvement in operating efficiency. We confirm our BUY rating with a price target of € 37.00.

### INVESTMENT CASE

In view of a long-term, international growth story, the investment case remains intact:

- The first order for electric axle drive pumps, with a lifetime revenue of ~ € 100 m over five years, marks the gaining of an important foothold in the e-mobility business for this technological leader.
- Relieving the bottlenecks in Powder Metallurgy provided further positive impetus for the segment margin performance (+190 bp yoy) in Q3. We anticipate an EBITDA margin of 11.1% in 2016.
- Driven by good unit sales figures for composite brake discs, the EBITDA margin of the Brake Disc segment rose to 12.7% in Q3. Our forecast for FY 2016 stands at 10.0% (9M 2016: 9.8%). The company won two further new orders for composite brake discs worth € 55 m over seven years (~ 120,000 items p.a.) in Q3. By the end of the year, the company intends to expand its production capacity to about one million items p.a.

### CATALYSTS

Publication of the FY 2016 report on 20/03/2017

### VALUATION

Our valuation is based on a DCF model. Our long-term scenario analyses SHW based on a PER<sub>2020e</sub> of 7.6x. The dividend yield of 3.0% is also attractive.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 430.0 | 463.5 | 409.6 | 424.7 | 493.5 |
| EBIT                       | 16.6  | 20.1  | 18.3  | 19.0  | 25.1  |
| EBIT margin                | 3.9%  | 4.3%  | 4.5%  | 4.5%  | 5.1%  |
| Net financial debt         | 14.3  | -12.3 | -10.8 | -9.2  | -18.1 |
| Free cash-flow             | -5.5  | 9.1   | 4.8   | 4.9   | 15.4  |
| EPS (in EUR)               | 1.82  | 2.26  | 1.98  | 2.01  | 2.73  |
| DPS (in EUR)               | 1.00  | 1.00  | 1.00  | 1.00  | 1.00  |
| Dividend yield             | 2.7%  | 3.7%  | 3.1%  | 3.1%  | 3.1%  |
| EV/Sales                   | 0.6   | 0.4   | 0.5   | 0.5   | 0.4   |
| EV/EBIT                    | 15.6  | 9.2   | 12.1  | 11.7  | 8.6   |
| Price Earnings ratio (P/E) | 20.2  | 11.9  | 16.1  | 15.9  | 11.7  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Products will be required in order to comply with emissions regulations
- Production is mostly assembly, which does not tie up much capital
- Efficiency programmes implemented and taking effect
- Internationalisation brings significant top-line potential

### Weaknesses/Threats (Risks)

- Internationalisation is very limited
- Too little investment in the past
- Large dependence on BMW and VW (>50% of sales)
- No sales growth in FY 2016e & 2017e due to order cancellations

## MANAGEMENT

- Dr. Frank Boshoff (CEO)
- Andreas Rydzewski
- Martin Simon (CFO)

## COMPANY BACKGROUND

SHW AG is an automotive supplier and manufacturer of engine components (oil and water pumps, sintered parts) that contribute significantly to the reduction of fuel consumption and therefore CO2 emissions. In addition, the company operates its own foundry, which produces up to 5 million brake discs per year. SHW AG dates back to 1365. The company is headquartered in Aalen, Germany.

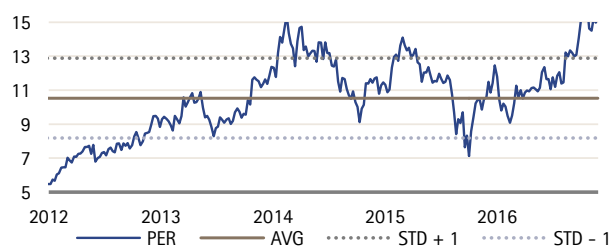
## SHORT-TERM GUIDANCE

- 2016 sales: € 410 - 430 m
- 2016 EBITDA: ~ € 43 m
- 2016 capex : € 32 - 35 m

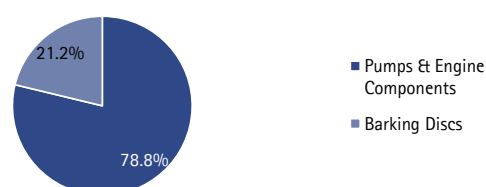
## MEDIUM-TERM GUIDANCE

- 2020 sales: € 630 - 660 m
- 2018 EBITDA margin >12%
- 2020 capex : € 29 - 32 m

## HISTORICAL P/E



## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 20/03/2017 RPC

## MAJOR SHAREHOLDERS (%)

|   |     |
|---|-----|
| Anhui ARN Group Co., Ltd.                     | 6.1 |
| Franklin Templeton Investment Management Ltd. | 5.5 |
| TETTAMANTI TITO                               | 5.4 |

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | 2.2%  | 1.6%  | 1.7%  | 1.9%  | 2.0%  |
| Capex/Sales          | 8.3%  | 5.0%  | 6.8%  | 7.9%  | 5.4%  |
| Capex/Depreciation   | 1.9   | 1.0   | 1.1   | 1.3   | 0.9   |
| ROCE                 | 13.0% | 13.9% | 11.9% | 11.9% | 14.6% |
| Free cash flow yield | -3.3% | 5.4%  | 2.8%  | 2.9%  | 9.1%  |
| Equity ratio         | 40.3% | 50.4% | 53.7% | 54.3% | 54.0% |
| Net debt / Equity    | 17%   | -11%  | -9%   | -7%   | -13%  |
| Net debt / EBITDA    | 0.4   | -0.3  | -0.3  | -0.2  | -0.3  |
| Interest cover       | -     | -     | -     | -     | -     |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 409.6 | 424.7 | 493.5 |
| Consensus        | 409.6 | 420.0 | 457.7 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 18.3  | 19.0  | 25.1  |
| Consensus        | 19.4  | 20.6  | 27.4  |
| EPS (EUR)        |       |       |       |
| BHL              | 1.98  | 2.01  | 2.73  |
| Consensus        | 2.00  | 2.31  | 3.14  |

Source: Company information, FactSet, BHL estimates

# Key figures

## SHW AG – Income statement

| in m EUR                             | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|--------------------------------------|--------|--------|--------|--------|--------|
| Sales                                | 430.0  | 463.5  | 409.6  | 424.7  | 493.5  |
| Cost of Sales                        | -385.9 | -416.3 | -366.6 | -377.6 | -436.7 |
| Gross profit                         | 44.1   | 47.2   | 43.0   | 47.1   | 56.7   |
| Sales and marketing                  | -5.3   | -7.0   | -6.8   | -7.2   | -8.5   |
| General and administration           | -9.7   | -11.9  | -12.1  | -12.2  | -12.4  |
| Research and development             | -9.5   | -7.5   | -7.0   | -8.0   | -10.0  |
| Other operating result               | -3.0   | -0.7   | 1.2    | -0.7   | -0.7   |
| EBITDA                               | 34.9   | 42.7   | 42.9   | 45.0   | 53.9   |
| Depreciation                         | 18.3   | 22.5   | 24.6   | 26.0   | 28.8   |
| EBITA                                | 16.6   | 20.1   | 18.3   | 19.0   | 25.1   |
| Amortisation of goodwill             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                                 | 16.6   | 20.1   | 18.3   | 19.0   | 25.1   |
| Financial result                     | -1.7   | 0.1    | -0.9   | -0.9   | -0.9   |
| Income on ordinary activities        | 14.9   | 20.3   | 17.4   | 18.2   | 24.3   |
| Extraordinary income/loss            | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                                  | 14.9   | 20.3   | 17.4   | 18.2   | 24.3   |
| Taxes                                | -4.2   | -5.9   | -4.7   | -5.2   | -6.7   |
| Net income from cont. operations     | 10.7   | 14.4   | 12.8   | 12.9   | 17.5   |
| Net income from discount. operations | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Net income (adj.)                    | 10.7   | 14.4   | 12.8   | 12.9   | 17.5   |
| No. of shares                        | 5.9    | 6.4    | 6.4    | 6.4    | 6.4    |
| EPS (in EUR)                         | 1.82   | 2.26   | 1.98   | 2.01   | 2.73   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 10.3% | 10.2% | 10.5% | 11.1% | 11.5% |
| EBITDA margin     | 8.1%  | 9.2%  | 10.5% | 10.6% | 10.9% |
| EBITA margin      | 3.9%  | 4.3%  | 4.5%  | 4.5%  | 5.1%  |
| EBIT margin       | 3.9%  | 4.3%  | 4.5%  | 4.5%  | 5.1%  |
| EBT margin        | 3.5%  | 4.4%  | 4.3%  | 4.3%  | 4.9%  |
| Net profit margin | 2.5%  | 3.1%  | 3.1%  | 3.0%  | 3.6%  |
| Tax rate          | 28.2% | 29.2% | 26.7% | 28.8% | 27.7% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015  | 2016e  | 2017e | 2018e |
|-------------------|--------|-------|--------|-------|-------|
| Sales             | 17.6%  | 7.8%  | -11.6% | 3.7%  | 16.2% |
| EBITDA            | 0.1%   | 22.4% | 0.5%   | 5.0%  | 19.8% |
| EBIT              | -19.7% | 21.5% | -9.1%  | 4.0%  | 32.1% |
| EBT               | -21.6% | 36.3% | -14.1% | 4.2%  | 33.6% |
| Net income (adj.) | -20.6% | 34.5% | -11.1% | 1.2%  | 35.8% |
| EPS               | -20.6% | 23.7% | -12.1% | 1.2%  | 35.8% |

Source: Company information, Bankhaus Lampe Research estimates

## SHW AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 119.0 | 135.5 | 142.8 | 151.0 | 152.0 |
| Property, plant and equipment          | 91.5  | 94.8  | 104.7 | 112.2 | 109.9 |
| Intangible assets                      | 21.3  | 18.4  | 18.4  | 18.4  | 18.4  |
| Financial assets                       | 2.8   | 17.6  | 15.5  | 16.1  | 18.7  |
| Other long-term assets                 | 3.4   | 4.7   | 4.1   | 4.3   | 5.0   |
| Current assets                         | 90.5  | 95.0  | 85.8  | 86.8  | 107.7 |
| Inventories                            | 42.4  | 41.6  | 37.0  | 38.4  | 44.6  |
| Accounts receivable                    | 44.7  | 34.4  | 30.3  | 31.4  | 36.5  |
| Other current assets                   | 3.2   | 4.2   | 3.7   | 3.8   | 4.4   |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 0.3   | 14.8  | 14.8  | 13.2  | 22.1  |
| Total assets                           | 209.5 | 230.5 | 228.6 | 237.8 | 259.7 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 84.5  | 116.2 | 122.7 | 129.1 | 140.3 |
| Shareholders' equity (before minority) | 84.5  | 116.2 | 122.7 | 129.1 | 140.3 |
| Minorities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Non-current liabilities                | 40.4  | 42.6  | 42.0  | 43.0  | 45.9  |
| Pension provisions                     | 28.1  | 26.3  | 26.7  | 27.2  | 27.9  |
| Other provisions                       | 4.0   | 4.0   | 3.5   | 3.6   | 4.2   |
| Long-term financial debt               | 5.0   | 1.3   | 2.0   | 2.0   | 2.0   |
| Other long-term debt                   | 3.3   | 11.1  | 9.8   | 10.2  | 11.8  |
| Current liabilities                    | 84.6  | 71.6  | 63.9  | 65.7  | 73.6  |
| Short-term debt                        | 9.6   | 1.2   | 2.0   | 2.0   | 2.0   |
| Other accruals short-term              | 3.5   | 10.0  | 8.8   | 9.1   | 10.6  |
| Accounts payable                       | 56.2  | 43.5  | 38.2  | 39.6  | 46.0  |
| Other liabilities                      | 15.3  | 16.9  | 15.0  | 15.0  | 15.0  |
| Total equity and liabilities           | 209.5 | 230.5 | 228.6 | 237.8 | 259.7 |

Source: Company information, Bankhaus Lampe Research estimates

## SHW AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 56.8% | 58.8% | 62.5% | 63.5% | 58.5% |
| Property, plant and equipment | 43.7% | 41.1% | 45.8% | 47.2% | 42.3% |
| Intangible assets             | 10.2% | 8.0%  | 8.0%  | 7.7%  | 7.1%  |
| Current assets                | 43.2% | 41.2% | 37.5% | 36.5% | 41.5% |
| Inventories                   | 20.2% | 18.1% | 16.2% | 16.1% | 17.2% |
| Accounts receivable           | 21.3% | 14.9% | 13.3% | 13.2% | 14.1% |
| Cash                          | 0.1%  | 6.4%  | 6.5%  | 5.6%  | 8.5%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 40.3% | 50.4% | 53.7% | 54.3% | 54.0% |
| Non-current liabilities       | 19.3% | 18.5% | 18.4% | 18.1% | 17.7% |
| Pension provisions            | 13.4% | 11.4% | 11.7% | 11.4% | 10.7% |
| Long-term financial debt      | 2.4%  | 0.6%  | 0.9%  | 0.8%  | 0.8%  |
| Current liabilities           | 40.4% | 31.1% | 28.0% | 27.6% | 28.3% |
| Short-term debt               | 4.6%  | 0.5%  | 0.9%  | 0.8%  | 0.8%  |
| Accounts payable              | 26.8% | 18.9% | 16.7% | 16.6% | 17.7% |

Source: Company information, Bankhaus Lampe Research estimates

# SÜSS MicroTec AG

## Another year of transition

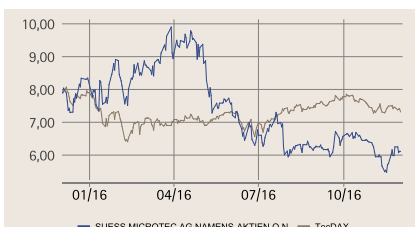
06/12/2016

**Hold** (Hold)  
**7.00 EUR** (7.00 EUR)

Close 01/12/2016 6.11 EUR  
Bloomberg: SMHN GR WKN: A1K023  
Sector Technology

### Share price performance

52 week high 9.90 EUR  
52 week low 5.48 EUR  
Compared to TecDAX  
YTD -19.4%  
1 month -2.8%  
12 months -14.8%



### Share data

EV (m EUR; 2016) 79  
Market Cap (m EUR) 117  
No. of shares (m) 19  
Free float 100.0%

### Next event

Annual Results 30/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2015e | ---   | ---  | --- |
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

We expect 2017 to be another year of transition before the company finds its way back to growth in 2018. We like the structural growth drivers in Süß's end markets (the trend to fan-out WLP technology, in particular), but we would prefer to see evidence of an improving order rate before we put a Buy rating on this stock.

### INVESTMENT CASE

- Order rate was still weak during Q3. Apparently, customers are still digesting the unusual order rush from Q4 2015.
- In the coming quarters, we will focus on measures taken by the new CEO to address the company's historically problematic areas, i.e. technical execution and profitability of new products. In this respect, we expect 2017 to be a year of transition.
- The company (and investors) have been watching losses in the Bonder division and more recently also in the Scanner business for long enough, in our view.
- We appreciate that the new CEO has been buying shares, which we take as a good sign of his commitment to drive shareholder value.

### CATALYSTS

- Along with its preliminary figures, the company is due to issue its guidance for 2017 in early February. We do not expect any surprises here.
- We see potential for a much-improved order rate in 2017 (which is not yet included in our estimates), relating to investments from customers into the new fan-out WLP technology

### VALUATION

Our DCF price target stands at €7.00. The share is trading close to its book value (almost 30% of which is net cash). Historically, this has often provided downside protection.

| in m EUR                   | 2013   | 2014 | 2015e | 2016e | 2017e |
|----------------------------|--------|------|-------|-------|-------|
| Sales                      | 135    | 145  | 142   | 170   | 165   |
| EBIT                       | -19    | 8    | 4     | 9     | 11    |
| EBIT margin                | -14.4% | 5.8% | 3.0%  | 5.6%  | 6.5%  |
| Net financial debt         | -36    | -38  | -42   | -43   | -46   |
| Free cash-flow             | 6      | 4    | 4     | 3     | 3     |
| EPS (in EUR)               | -0.85  | 0.24 | 0.13  | 0.31  | 0.35  |
| DPS (in EUR)               | 0.00   | 0.00 | 0.00  | 0.00  | 0.00  |
| Dividend yield             | 0.0%   | 0.0% | 0.0%  | 0.0%  | 0.0%  |
| EV/Sales                   | 0.7    | 0.4  | 0.9   | 0.5   | 0.5   |
| EV/EBIT                    | -4.6   | 6.6  | 28.5  | 8.3   | 7.0   |
| Price Earnings ratio (P/E) | -7.6   | 19.4 | 62.6  | 19.7  | 17.3  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Niche player with good market position
- Return of the old CEO
- Ongoing MEMS market growth
- New packaging technology as a growth driver
- Larger product range through Tamarack acquisition

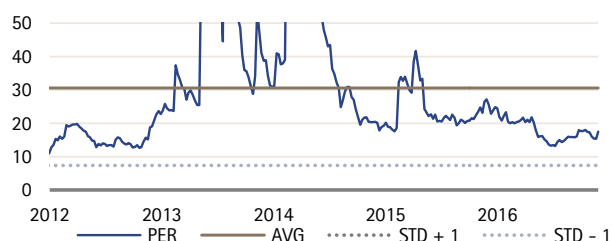
## MANAGEMENT

- Dr. Franz Richter (CEO)
- Michael Knopp (CFO)
- Walter Braun (COO)

## SHORT-TERM GUIDANCE

- Revenue of € 170-180 m in 2016
- EBIT of € 9-13 m in 2016

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 30/03/2017 Annual Results

## KEY RATIOS

|                      | 13     | 14    | 15e   | 16e   | 17e   |
|----------------------|--------|-------|-------|-------|-------|
| REtD/Sales           | 7.6%   | 7.2%  | 9.2%  | 8.5%  | 9.1%  |
| Capex/Sales          | 9.1%   | 2.0%  | 3.2%  | 2.6%  | 2.9%  |
| Capex/Depreciation   | 2.0    | 0.7   | 1.1   | 1.2   | 1.3   |
| ROCE                 | -15.6% | 6.4%  | 3.2%  | 6.8%  | 7.4%  |
| Free cash flow yield | 5.6%   | 4.1%  | 3.8%  | -     | -     |
| Equity ratio         | 60.7%  | 69.1% | 68.6% | 68.6% | 69.8% |
| Net debt / Equity    | -33%   | -33%  | -36%  | -35%  | -35%  |
| Net debt / EBITDA    | 3.6    | -2.7  | -4.2  | -3.2  | -3.2  |
| Interest cover       | < -10  | 0.0   | > 10  | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- Ongoing losses in the Bonder division
- The company is small compared to most of its customers
- Cyclical semiconductor market

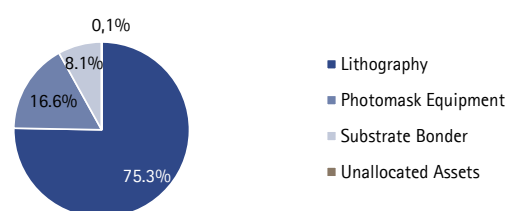
## COMPANY BACKGROUND

SÜSS MicroTec AG makes systems that are used in the production of MEMS sensors and in the packaging of semiconductor chips. The company's biggest customers include packaging foundries, such as Amkor, ASE and the Asian-based firm Spil. The company's biggest competitors are EV Group, Tokyo Electron and Ultratech.

## MEDIUM-TERM GUIDANCE

- Revenue of € 160 m in 2017

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|  |     |
|--|-----|
| Sycamore Asset Management SA                       | 5.2 |
| Universal-Investment-Gesellschaft mbH (Invst Mgmt) | 5.0 |
| Henderson Global Investors Ltd.                    | 4.2 |

## BHL VS. CONSENSUS

|                  | 15e  | 16e  | 17e  |
|------------------|------|------|------|
| Sales (in m EUR) |      |      |      |
| BHL              | 142  | 170  | 165  |
| Consensus        | 149  | 175  | 162  |
| EBIT (in m EUR)  |      |      |      |
| BHL              | 4    | 9    | 11   |
| Consensus        | 5    | 11   | 11   |
| EPS (EUR)        |      |      |      |
| BHL              | 0.13 | 0.31 | 0.35 |
| Consensus        | 0.01 | 0.34 | 0.36 |

Source: Company information, FactSet, BHL estimates

# Key figures

## SÜSS MicroTec AG – Income statement

| in m EUR                             | 2013  | 2014 | 2015e | 2016e | 2017e |
|--------------------------------------|-------|------|-------|-------|-------|
| Sales                                | 135   | 145  | 142   | 170   | 165   |
| Cost of Sales                        | -113  | -97  | -94   | -113  | -107  |
| Gross profit                         | 22    | 49   | 48    | 57    | 58    |
| Sales and marketing                  | -17   | -18  | -17   | -20   | -19   |
| General and administration           | -15   | -14  | -14   | -13   | -13   |
| Research and development             | -10   | -10  | -13   | -15   | -15   |
| Other operating result               | 1     | 2    | 0     | 0     | 0     |
| EBITDA                               | -10   | 14   | 10    | 13    | 14    |
| Depreciation                         | 6     | 4    | 4     | 4     | 4     |
| EBITA                                | -16   | 10   | 6     | 9     | 11    |
| Amortisation of goodwill             | 0     | 0    | 0     | 0     | 0     |
| Amortisation of intangible assets    | 3     | 2    | 2     | 0     | 0     |
| EBIT                                 | -19   | 8    | 4     | 9     | 11    |
| Financial result                     | 0     | 0    | 0     | 0     | 0     |
| Income on ordinary activities        | -20   | 8    | 4     | 9     | 10    |
| Extraordinary income/loss            | 0     | 0    | 0     | 0     | 0     |
| EBT                                  | -20   | 8    | 4     | 9     | 10    |
| Taxes                                | 4     | -4   | -1    | -3    | -4    |
| Net income from cont. operations     | -16   | 5    | 3     | 6     | 7     |
| Net income from discount. operations | 0     | 0    | 0     | 0     | 0     |
| Minority interest                    | 0     | 0    | 0     | 0     | 0     |
| Net income (adj.)                    | -16   | 5    | 3     | 6     | 7     |
| No. of shares                        | 19    | 19   | 19    | 19    | 19    |
| EPS (in EUR)                         | -0.85 | 0.24 | 0.13  | 0.31  | 0.35  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2013   | 2014  | 2015e | 2016e | 2017e |
|-------------------|--------|-------|-------|-------|-------|
| Gross margin      | 16.2%  | 33.6% | 34.0% | 33.5% | 35.0% |
| EBITDA margin     | -7.4%  | 9.7%  | 7.1%  | 7.9%  | 8.8%  |
| EBITA margin      | -11.9% | 6.8%  | 4.1%  | 5.6%  | 6.5%  |
| EBIT margin       | -14.4% | 5.8%  | 3.0%  | 5.6%  | 6.5%  |
| EBT margin        | -14.5% | 5.6%  | 2.8%  | 5.4%  | 6.3%  |
| Net profit margin | -11.9% | 3.2%  | 1.8%  | 3.5%  | 4.1%  |
| Tax rate          | 18.3%  | 43.7% | 35.0% | 35.0% | 35.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2013   | 2014 | 2015e  | 2016e | 2017e |
|-------------------|--------|------|--------|-------|-------|
| Sales             | -17.9% | 8.0% | -2.3%  | 19.7% | -2.9% |
| EBITDA            | ---    | ---  | -29.3% | 33.3% | 8.2%  |
| EBIT              | ---    | ---  | -49.0% | >100% | 13.8% |
| EBT               | ---    | ---  | -51.6% | >100% | 13.7% |
| Net income (adj.) | ---    | ---  | -44.4% | >100% | 13.7% |
| EPS               | ---    | ---  | -45.0% | >100% | 13.7% |

Source: Company information, Bankhaus Lampe Research estimates

## SÜSS MicroTec AG – Balance sheet

| Assets (in m EUR)                      | 2013 | 2014 | 2015e | 2016e | 2017e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 47   | 45   | 45    | 44    | 45    |
| Property, plant and equipment          | 21   | 20   | 20    | 20    | 20    |
| Intangible assets                      | 20   | 20   | 21    | 21    | 22    |
| Financial assets                       | 0    | 0    | 0     | 0     | 0     |
| Other long-term assets                 | 6    | 5    | 5     | 3     | 3     |
| Current assets                         | 133  | 123  | 128   | 138   | 143   |
| Inventories                            | 71   | 59   | 59    | 66    | 69    |
| Accounts receivable                    | 11   | 13   | 14    | 17    | 16    |
| Other current assets                   | 4    | 3    | 3     | 3     | 3     |
| Securities                             | 2    | 1    | 1     | 0     | 0     |
| Cash                                   | 45   | 47   | 51    | 52    | 56    |
| Total assets                           | 180  | 168  | 173   | 182   | 188   |
| Equity and liabilities (in m EUR)      |      |      |       |       |       |
| Shareholders' equity                   | 109  | 116  | 119   | 125   | 132   |
| Shareholders' equity (before minority) | 109  | 116  | 119   | 125   | 131   |
| Minorities                             | 0    | 0    | 0     | 0     | 0     |
| Non-current liabilities                | 15   | 14   | 14    | 13    | 13    |
| Pension provisions                     | 4    | 5    | 5     | 5     | 5     |
| Other provisions                       | 0    | 0    | 0     | 0     | 0     |
| Long-term financial debt               | 10   | 9    | 9     | 8     | 8     |
| Other long-term debt                   | 1    | 0    | 0     | 0     | 0     |
| Current liabilities                    | 56   | 38   | 40    | 44    | 44    |
| Short-term debt                        | 1    | 1    | 1     | 1     | 1     |
| Other accruals short-term              | 48   | 32   | 32    | 32    | 32    |
| Accounts payable                       | 6    | 3    | 6     | 7     | 7     |
| Other liabilities                      | 1    | 1    | 1     | 3     | 3     |
| Total equity and liabilities           | 180  | 168  | 173   | 182   | 188   |

Source: Company information, Bankhaus Lampe Research estimates

## SÜSS MicroTec AG – Balance sheet structure

| Assets                        | 2013  | 2014  | 2015e | 2016e | 2017e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 26.1% | 26.6% | 26.0% | 24.2% | 23.9% |
| Property, plant and equipment | 11.6% | 12.0% | 11.5% | 11.0% | 10.8% |
| Intangible assets             | 11.0% | 11.9% | 11.9% | 11.5% | 11.5% |
| Current assets                | 73.9% | 73.4% | 74.0% | 75.8% | 76.1% |
| Inventories                   | 39.5% | 35.1% | 34.2% | 36.4% | 36.5% |
| Accounts receivable           | 6.2%  | 8.0%  | 8.0%  | 9.1%  | 8.5%  |
| Cash                          | 25.1% | 28.2% | 29.7% | 28.7% | 29.5% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 60.7% | 69.1% | 68.6% | 68.6% | 69.8% |
| Non-current liabilities       | 8.1%  | 8.3%  | 8.0%  | 7.2%  | 7.0%  |
| Pension provisions            | 2.1%  | 2.8%  | 2.7%  | 2.8%  | 2.7%  |
| Long-term financial debt      | 5.7%  | 5.4%  | 5.3%  | 4.4%  | 4.2%  |
| Current liabilities           | 31.2% | 22.6% | 23.4% | 24.2% | 23.2% |
| Short-term debt               | 0.7%  | 0.7%  | 0.7%  | 0.7%  | 0.6%  |
| Accounts payable              | 3.1%  | 2.1%  | 3.4%  | 3.9%  | 3.6%  |

Source: Company information, Bankhaus Lampe Research estimates

# technotrans AG

## Print industry no longer the dominant sales driver

06/12/2016

**Buy** (Buy)  
**26.00 EUR** (26.00 EUR)

Close 01/12/2016 24.10 EUR  
 Bloomberg: TTR1 GY WKN: A0XYGA  
 Sector Engineering

### Share price performance

52 week high 24.53 EUR  
 52 week low 15.75 EUR  
 Compared to Prime All Share  
 YTD 29.5%  
 1 month 6.6%  
 12 months 38.8%



### Share data

EV (m EUR; 2016) 165  
 Market Cap (m EUR) 158  
 No. of shares (m) 7  
 Free float 94.6%

### Next event

Annual Results 08/03/2017

### Change in model

|       | Sales | EBIT  | EPS   |
|-------|-------|-------|-------|
| 2016e | 3.9%  | -3.8% | -6.2% |
| 2017e | 1.6%  | -3.6% | -8.3% |
| 2018e | 1.6%  | -4.0% | -8.9% |

### Analyst

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See end of document for disclaimer.

With the acquisition of gwk, non-printing industry business now accounts for ~ 55% of all revenue (2015: 35%). We believe that Technotrans will continue to grow strongly in these end markets. It is now important for the management team to improve gwk's below-average margin significantly.

### INVESTMENT CASE

We welcome the recent acquisition of gwk: Technologically, there are parallels with the company's existing activities and therefore obviously synergy potential. The results recently achieved by gwk (EBIT margin of 3% in 2015) offer credible potential for improvement and the purchase price (~ 0.5x revenue) appears reasonable to us. In the medium term, we foresee gwk's margin rising to at least 8%.

Business with the printing industry is set to grow healthily in 2016 (BHL: >5%), and we are cautiously optimistic about continued growth in 2017 (BHL: +3%). Following the muted start to the year in laser cooling, we only expect modest growth in 2016; but this business should grow more dynamically again in 2017 because several new projects are in the start-up phase.

Due to higher-than-expected revenue in Q3, we have slightly raised our revenue forecast. The reported EBIT is slightly lower due to the inclusion of PPA effects from gwk (BHL: € 1 m). The higher number of shares after the placement of the company's own shares had a negative impact on the EPS.

### CATALYSTS

- Our forecasts are currently above the consensus estimates (Source: FactSet).
- Continued successful marketing of the promising solutions in the quite young business areas, such as cooling solutions for batteries.
- Still-positive newsflow from major clients in the printing industry

### VALUATION

We analyse this share based on a DCF model. The higher number of shares is largely offset by lower financial debt. We therefore confirm our price target of € 26.00.

| in m EUR                   | 2014 | 2015 | 2016e | 2017e | 2018e |
|----------------------------|------|------|-------|-------|-------|
| Sales                      | 112  | 123  | 152   | 197   | 212   |
| EBIT                       | 7    | 8    | 10    | 15    | 19    |
| EBIT margin                | 6.1% | 6.9% | 6.6%  | 7.8%  | 8.7%  |
| Net financial debt         | -6   | -12  | 6     | -2    | -9    |
| Free cash-flow             | 5    | 8    | -18   | 11    | 12    |
| EPS (in EUR)               | 0.67 | 0.89 | 1.08  | 1.53  | 1.86  |
| DPS (in EUR)               | 0.33 | 0.48 | 0.54  | 0.77  | 0.93  |
| Dividend yield             | 3.6% | 2.5% | 2.2%  | 3.2%  | 3.9%  |
| EV/Sales                   | 0.5  | 0.9  | 1.1   | 0.8   | 0.7   |
| EV/EBIT                    | 8.1  | 13.5 | 16.3  | 10.7  | 8.5   |
| Price Earnings ratio (P/E) | 13.8 | 21.7 | 22.2  | 15.7  | 13.0  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- High-level of engineering expertise, strong reputation
- High-margin Service business accounts for 40% of revenue
- Solid balance sheet (equity ratio ~60%)
- Transfer of know-how to new industries (outside the printing industry)
- Growth by acquisition outside the printing machine industry

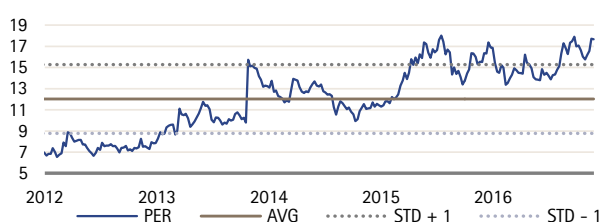
## MANAGEMENT

- Henry Brickenkamp (CEO)
- Dirk Engel (CFO)
- Dr. Christof Soest (CTO)

## SHORT-TERM GUIDANCE

- 2016: Revenues of ~ € 150 m
- 2016: EBIT of € 9.5-10.5 m

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 08/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e    | 17e   | 18e   |
|----------------------|-------|-------|--------|-------|-------|
| R&D/Sales            | 3.0%  | 3.5%  | 3.2%   | 2.8%  | 3.0%  |
| Capex/Sales          | 1.3%  | 1.4%  | 1.5%   | 1.5%  | 1.5%  |
| Capex/Depreciation   | 0.8   | 1.0   | 1.2    | 1.1   | 1.1   |
| ROCE                 | 11.6% | 14.2% | 11.6%  | 16.5% | 18.3% |
| Free cash flow yield | 8.0%  | 6.4%  | -11.1% | 6.7%  | 7.1%  |
| Equity ratio         | 63.7% | 68.0% | 59.2%  | 60.8% | 62.1% |
| Net debt / Equity    | -12%  | -23%  | 8%     | -3%   | -12%  |
| Net debt / EBITDA    | -0.6  | -1.0  | 0.4    | -0.1  | -0.4  |
| Interest cover       | 0.0   | 0.0   | 0.0    | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- High revenue share of printing machine manufacturers; limited growth potential in this segment
- Process from innovation to serial production often lengthy
- Risk of a holding discount

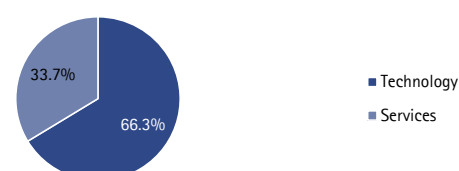
## COMPANY BACKGROUND

Technotrans AG specialises in fluid technologies for temperature control, filtration and separation, measuring and dispensing technology, and process control. The business with customers outside the printing industry has been expanded considerably in recent years and in 2017 is likely to account for around 55% of revenue. Technologies from the printing industry have been successfully transferred to other industries. In addition, the company has made three acquisitions. The new markets are the laser, plastics, medical and battery industries, which are essentially supplied with cooling systems.

## MEDIUM-TERM GUIDANCE

- -

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                      |     |
|----------------------|-----|
| Lazard Feres Gestion | 6.3 |
| Mildlin NV           | 4.9 |
| Gerlin NV            | 4.8 |

## BHL VS. CONSENSUS

|                  | 16e  | 17e  | 18e  |
|------------------|------|------|------|
| Sales (in m EUR) |      |      |      |
| BHL              | 152  | 197  | 212  |
| Consensus        | 147  | 189  | 200  |
| EBIT (in m EUR)  |      |      |      |
| BHL              | 10   | 15   | 19   |
| Consensus        | 11   | 14   | 18   |
| EPS (EUR)        |      |      |      |
| BHL              | 1.08 | 1.53 | 1.86 |
| Consensus        | 1.10 | 1.37 | 1.65 |

Source: Company information, FactSet, BHL estimates

# Key figures

## technotrans AG – Income statement

| in m EUR                             | 2014 | 2015 | 2016e | 2017e | 2018e |
|--------------------------------------|------|------|-------|-------|-------|
| Sales                                | 112  | 123  | 152   | 197   | 212   |
| Cost of Sales                        | -75  | -81  | -101  | -131  | -140  |
| Gross profit                         | 37   | 41   | 50    | 66    | 72    |
| Sales and marketing                  | -16  | -17  | -21   | -28   | -29   |
| General and administration           | -13  | -13  | -15   | -17   | -18   |
| Research and development             | -3   | -4   | -5    | -6    | -6    |
| Other operating result               | 2    | 1    | 0     | 0     | 0     |
| EBITDA                               | 10   | 12   | 14    | 21    | 24    |
| Depreciation                         | 2    | 2    | 2     | 3     | 3     |
| EBITA                                | 8    | 10   | 12    | 18    | 21    |
| Amortisation of goodwill             | 0    | 1    | 1     | 2     | 1     |
| Amortisation of intangible assets    | 1    | 1    | 1     | 1     | 1     |
| EBIT                                 | 7    | 8    | 10    | 15    | 19    |
| Financial result                     | -1   | 0    | 0     | -1    | -1    |
| Income on ordinary activities        | 6    | 8    | 10    | 15    | 18    |
| Extraordinary income/loss            | 0    | 0    | 0     | 0     | 0     |
| EBT                                  | 6    | 8    | 10    | 15    | 18    |
| Taxes                                | -2   | -2   | -3    | -4    | -5    |
| Net income from cont. operations     | 4    | 6    | 7     | 11    | 13    |
| Net income from discount. operations | 0    | 0    | 0     | 0     | 0     |
| Minority interest                    | 0    | 0    | 0     | 0     | 0     |
| Net income (adj.)                    | 4    | 6    | 7     | 11    | 13    |
| No. of shares                        | 6    | 6    | 7     | 7     | 7     |
| EPS (in EUR)                         | 0.67 | 0.89 | 1.08  | 1.53  | 1.86  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 33.3% | 33.7% | 33.1% | 33.6% | 34.0% |
| EBITDA margin     | 8.8%  | 9.6%  | 9.0%  | 10.6% | 11.1% |
| EBITA margin      | 7.2%  | 8.2%  | 7.7%  | 9.2%  | 9.7%  |
| EBIT margin       | 6.1%  | 6.9%  | 6.6%  | 7.8%  | 8.7%  |
| EBT margin        | 5.6%  | 6.7%  | 6.5%  | 7.5%  | 8.4%  |
| Net profit margin | 3.9%  | 4.7%  | 4.7%  | 5.4%  | 6.0%  |
| Tax rate          | 29.5% | 30.1% | 28.0% | 28.5% | 28.5% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Sales             | 6.8%  | 9.3%  | 23.6% | 29.7% | 7.9%  |
| EBITDA            | 26.4% | 19.7% | 15.0% | 53.4% | 13.2% |
| EBIT              | 47.6% | 24.1% | 19.0% | 53.0% | 20.4% |
| EBT               | 67.5% | 31.2% | 20.4% | 49.6% | 21.3% |
| Net income (adj.) | 45.3% | 32.0% | 23.1% | 48.5% | 21.3% |
| EPS               | 44.6% | 32.0% | 21.7% | 41.2% | 21.3% |

Source: Company information, Bankhaus Lampe Research estimates

## technotrans AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 27   | 25   | 44    | 42    | 40    |
| Property, plant and equipment          | 15   | 15   | 24    | 24    | 24    |
| Intangible assets                      | 10   | 9    | 16    | 14    | 12    |
| Financial assets                       | 0    | 0    | 0     | 0     | 0     |
| Other long-term assets                 | 2    | 1    | 4     | 4     | 4     |
| Current assets                         | 48   | 51   | 67    | 78    | 89    |
| Inventories                            | 15   | 18   | 28    | 29    | 32    |
| Accounts receivable                    | 13   | 12   | 20    | 21    | 23    |
| Other current assets                   | 2    | 2    | 4     | 4     | 5     |
| Securities                             | 0    | 0    | 0     | 0     | 0     |
| Cash                                   | 17   | 20   | 15    | 23    | 30    |
| Total assets                           | 75   | 76   | 111   | 120   | 129   |
| Equity and liabilities (in m EUR)      |      |      |       |       |       |
| Shareholders' equity                   | 47   | 52   | 66    | 73    | 80    |
| Shareholders' equity (before minority) | 46   | 51   | 65    | 72    | 79    |
| Minorities                             | 1    | 1    | 1     | 1     | 1     |
| Non-current liabilities                | 11   | 8    | 23    | 24    | 24    |
| Pension provisions                     | 0    | 0    | 0     | 0     | 0     |
| Other provisions                       | 1    | 1    | 3     | 3     | 3     |
| Long-term financial debt               | 8    | 6    | 19    | 19    | 19    |
| Other long-term debt                   | 2    | 1    | 1     | 1     | 1     |
| Current liabilities                    | 16   | 16   | 22    | 24    | 25    |
| Short-term debt                        | 3    | 2    | 2     | 2     | 2     |
| Other accruals short-term              | 5    | 5    | 7     | 7     | 8     |
| Accounts payable                       | 5    | 6    | 8     | 8     | 9     |
| Other liabilities                      | 3    | 3    | 6     | 6     | 6     |
| Total equity and liabilities           | 75   | 76   | 111   | 120   | 129   |

Source: Company information, Bankhaus Lampe Research estimates

## technotrans AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 36.1% | 33.2% | 39.8% | 34.9% | 31.2% |
| Property, plant and equipment | 20.3% | 19.3% | 21.7% | 20.2% | 18.9% |
| Intangible assets             | 13.5% | 11.9% | 14.5% | 11.3% | 8.9%  |
| Current assets                | 63.9% | 66.8% | 60.2% | 65.1% | 68.8% |
| Inventories                   | 20.7% | 23.1% | 24.9% | 24.5% | 24.4% |
| Accounts receivable           | 17.4% | 15.2% | 17.8% | 17.5% | 17.5% |
| Cash                          | 23.1% | 26.3% | 13.9% | 19.6% | 23.4% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 63.7% | 68.0% | 59.2% | 60.8% | 62.1% |
| Non-current liabilities       | 14.7% | 10.6% | 20.7% | 19.6% | 18.4% |
| Pension provisions            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Long-term financial debt      | 11.2% | 8.0%  | 17.1% | 15.9% | 14.7% |
| Current liabilities           | 21.7% | 21.4% | 20.1% | 19.6% | 19.5% |
| Short-term debt               | 4.4%  | 2.6%  | 1.8%  | 1.7%  | 1.5%  |
| Accounts payable              | 6.2%  | 7.6%  | 7.2%  | 7.1%  | 7.1%  |

Source: Company information, Bankhaus Lampe Research estimates

# VIB Vermögen AG

Logistics, Bavaria and more

06/12/2016

**Buy** (Buy)  
**21.00 EUR** (21.00 EUR)

Close 01/12/2016 18.29 EUR  
Bloomberg: VIH GY WKN: 245751  
Sector Real Estate

## Share price performance

52 week high 20.31 EUR  
52 week low 15.37 EUR  
Compared to Prime All Share  
YTD 11.6%  
1 month -7.1%  
12 months 13.5%



## Share data

EV (m EUR; 2016) 1,083  
Market Cap (m EUR) 504.4  
No. of shares (m) 27.6  
Free float 80.4%

## Next event

- -

## Change in model

|       | Sales | FFO | EPS |
|-------|-------|-----|-----|
| 2016e | ---   | --- | --- |
| 2017e | ---   | --- | --- |
| 2018e | ---   | --- | --- |

## Analyst

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See end of document for disclaimer.

VIB Immobilien is Germany's only exchange-listed commercial real estate firm with a strong exposure to the booming logistics segment. The company is mainly active in Bavaria with a focus on the prosperous region of Ingolstadt. Thanks to internal development, expansion and close co-operation with the tenants, its initial yields are higher than average.

## INVESTMENT CASE

The company's property portfolio, which comprises rental space of more than one million square metres, is mainly focused on logistics and industrial assets (61%) as well as retail properties (32%), and it offers a relatively high rental yield of more than 7%. In addition, the regional focus on the prosperous region of Ingolstadt has a favourable impact on rent levels and vacancy rates. Thanks to internal development and expansion, VIB achieves comparatively high initial yields (some 8% of late). The portfolio still includes two larger plots of land (136,000 sqm) located in the Interpark Kösching near Ingolstadt, which are designated for new logistics facilities. With high-interest liabilities expiring, the earnings potential from property expansion is increasing.

## CATALYSTS

- Expansion of the property portfolio
- Steady improvement in operating results thanks to portfolio expansion and high-interest loans expiring

## VALUATION

Due to a low payout ratio, VIB offers lower-than-average dividend yields, although based on the P/FFO, it has one of the lowest valuations in the real estate sector. In addition, the company is showing steady growth both in its operating numbers and in the NAV.

| in m EUR                  | 2014  | 2015  | 2016e | 2017e | 2018e |
|---------------------------|-------|-------|-------|-------|-------|
| Sales                     | 69.9  | 75.1  | 79.3  | 82.7  | 88.0  |
| FFO                       | 28.6  | 32.6  | 35.3  | 39.2  | 44.7  |
| FFO margin                | 40.9% | 43.4% | 44.4% | 47.4% | 50.8% |
| Net financial debt        | 483.9 | 516.7 | 557.2 | 571.0 | 579.4 |
| Net asset value per share | 14.54 | 15.69 | 16.71 | 17.85 | 19.10 |
| FFOPS (in EUR)            | 1.27  | 1.27  | 1.33  | 1.42  | 1.62  |
| DPS (in EUR)              | 0.48  | 0.51  | 0.54  | 0.57  | 0.62  |
| Dividend yield            | 3.4%  | 3.0%  | 3.0%  | 3.1%  | 3.4%  |
| EV/EBITDA                 | 14.4  | 13.4  | 16.1  | 15.7  | 15.5  |
| P/NAV                     | 1.0   | 1.1   | 1.1   | 1.0   | 1.0   |
| P/FFO                     | 11.3  | 13.5  | 13.7  | 12.9  | 11.3  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Focus on a prosperous region with above-average growth prospects
- Highly-diversified commercial property portfolio
- High-yielding portfolio reduces risk of valuation losses
- Good network especially in the Ingolstadt region
- Extensions and early collaboration with tenants offer additional potential

### MANAGEMENT

- Ludwig Schlosser (CEO)
- Holger Pilgenröther (CFO)
- Martin Pfandzelter (COO)

### Weaknesses/Threats (Risks)

- High share of tenants with exposure to the automotive industry
- Dehner (gardening store chain) accounts for nearly 10% of rental income
- Equity is needed for stronger growth
- The Ingolstadt region is largely dependent on the performance of Audi
- Certain interest rate risk as average maturity of interest rate agreements is about 4.5 years

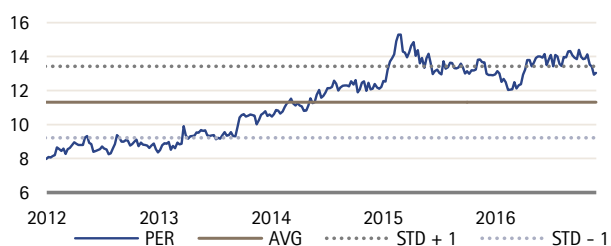
### COMPANY BACKGROUND

VIB Vermögen is a property company with a regional focus on Bavaria. Most of its properties are logistics and industrial sites. A significant portion of its portfolio is invested in retail properties (specialty stores and retail parks).

## SHORT-TERM GUIDANCE

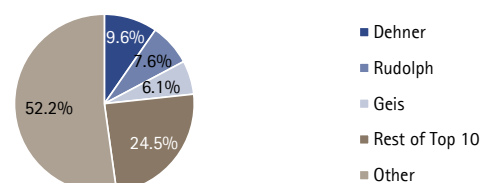
- 2016 operating revenue € 78 - 82 m
- EBIT before valuation € 58 -61 m, EBT before valuation € 38 - 40.5 m
- FFO 2016 to increase to € 33 - 35.5 m

## HISTORICAL P/E



## MEDIUM-TERM GUIDANCE

## TOP TENANTS (JULY 2016 IN %)



## COMPANY EVENTS

Next event: - -

## MAJOR SHAREHOLDERS (%)

|                                       |     |
|---------------------------------------|-----|
| Kreissparkasse Biberach               | 8.5 |
| Raiffeisen-Volksbank Neuburg/Donau eG | 5.0 |
| Ennismore Fund Management Ltd:        | 4.8 |

## KEY RATIOS

|                   | 14    | 15    | 16e   | 17e   | 18e   |
|-------------------|-------|-------|-------|-------|-------|
| ROCE              | 6.6%  | 7.7%  | 6.7%  | 6.6%  | 6.5%  |
| Gross Yield       | 7.8%  | 7.7%  | 7.6%  | 7.6%  | 7.8%  |
| EBITDA margin     | 84.7% | 97.8% | 84.6% | 84.7% | 81.4% |
| FFO-Marge         | 40.9% | 43.4% | 44.4% | 47.4% | 50.8% |
| FFO-Yield         | 8.7%  | 8.1%  | 8.0%  | 8.0%  | 8.5%  |
| Equity ratio      | 39.4% | 40.3% | 40.8% | 41.1% | 41.8% |
| Net gearing       | 1.3   | 1.3   | 1.3   | 1.2   | 1.2   |
| Net debt / EBITDA | 8.2   | 7.0   | 8.3   | 8.1   | 8.1   |
| Interest cover    | > 10  | > 10  | > 10  | > 10  | > 10  |

## BHL VS. CONSENSUS

|                   | 16e  | 17e  | 18e  |
|-------------------|------|------|------|
| Sales (in m EUR)  |      |      |      |
| BHL               | 79.3 | 82.7 | 88.0 |
| Consensus         | 80.3 | 84.2 | 88.7 |
| EBITDA (in m EUR) |      |      |      |
| BHL               | 67.1 | 70.1 | 71.7 |
| Consensus         | 70.4 | 74.2 | 74.6 |
| EPS (EUR)         |      |      |      |
| BHL               | 1.39 | 1.47 | 1.58 |
| Consensus         | 1.45 | 1.58 | 1.70 |

Source: Company information, FactSet, BHL estimates

# Key figures

## VIB Vermögen AG – Income statement

| in m EUR                             | 2014  | 2015  | 2016e | 2017e | 2018e |
|--------------------------------------|-------|-------|-------|-------|-------|
| Sales                                | 69.9  | 75.1  | 79.3  | 82.7  | 88.0  |
| Cost of Sales                        | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Gross profit                         | 69.9  | 75.1  | 79.3  | 82.7  | 88.0  |
| Sales and marketing                  | -13.8 | -13.6 | -14.0 | -14.8 | -16.5 |
| General and administration           | -3.0  | -3.3  | -3.5  | -3.5  | -3.6  |
| Research and development             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Other operating result               | 6.1   | 15.3  | 5.3   | 5.7   | 3.7   |
| EBITDA                               | 59.2  | 73.5  | 67.1  | 70.1  | 71.7  |
| Depreciation                         | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   |
| EBITA                                | 59.1  | 73.4  | 67.0  | 70.0  | 71.5  |
| Amortisation of goodwill             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Amortisation of intangible assets    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBIT                                 | 59.1  | 73.4  | 67.0  | 70.0  | 71.5  |
| Financial result                     | -20.8 | -20.7 | -20.5 | -18.8 | -16.3 |
| Income on ordinary activities        | 38.3  | 52.8  | 46.5  | 51.2  | 55.3  |
| Extraordinary income/loss            | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| EBT                                  | 38.3  | 52.8  | 46.5  | 51.2  | 55.3  |
| Taxes                                | -5.9  | -8.7  | -7.9  | -8.7  | -9.4  |
| Net income from cont. operations     | 32.4  | 44.0  | 38.6  | 42.5  | 45.9  |
| Net income from discount. operations | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Minority interest                    | -1.1  | -3.9  | -2.0  | -2.1  | -2.2  |
| Net income (adj.)                    | 31.3  | 40.1  | 36.6  | 40.4  | 43.7  |
| No. of shares                        | 22.6  | 25.7  | 26.4  | 27.6  | 27.6  |
| EPS (in EUR)                         | 1.39  | 1.56  | 1.39  | 1.47  | 1.58  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | -     | -     | -     | -     | -     |
| EBITDA margin     | 84.7% | 97.8% | 84.6% | 84.7% | 81.4% |
| EBITA margin      | 84.6% | 97.7% | 84.5% | 84.6% | 81.3% |
| EBIT margin       | 84.6% | 97.7% | 84.5% | 84.6% | 81.3% |
| EBT margin        | 54.8% | 70.3% | 58.6% | 61.8% | 62.8% |
| Net profit margin | 46.4% | 58.6% | 48.7% | 51.3% | 52.1% |
| Tax rate          | 15.4% | 16.6% | 17.0% | 17.0% | 17.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015  | 2016e  | 2017e | 2018e |
|-------------------|-------|-------|--------|-------|-------|
| Sales             | 7.6%  | 7.5%  | 5.6%   | 4.3%  | 6.4%  |
| EBITDA            | 8.9%  | 24.2% | -8.7%  | 4.4%  | 2.3%  |
| EBIT              | 9.0%  | 24.2% | -8.8%  | -8.8% | 2.3%  |
| EBT               | 9.1%  | 37.8% | -11.9% | 10.0% | 8.0%  |
| Net income (adj.) | 15.6% | 28.1% | -8.8%  | 10.4% | 8.0%  |
| EPS               | 9.4%  | 12.9% | -11.4% | 5.8%  | 8.0%  |

Source: Company information, Bankhaus Lampe Research estimates

## VIB Vermögen AG – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 897.8 | 973.1 | 1,046 | 1,093 | 1,139 |
| Property, plant and equipment          | 894.5 | 970.0 | 1,043 | 1,090 | 1,136 |
| Intangible assets                      | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Financial assets                       | 3.1   | 3.1   | 3.1   | 3.1   | 3.1   |
| Other long-term assets                 | 0.2   | 0.0   | 0.0   | 0.0   | 0.0   |
| Current assets                         | 44.5  | 36.3  | 17.0  | 27.2  | 32.8  |
| Inventories                            | 2.8   | 0.0   | 0.0   | 0.0   | 0.0   |
| Accounts receivable                    | 3.5   | 3.1   | 3.1   | 3.1   | 3.1   |
| Other current assets                   | 0.3   | 0.0   | 0.0   | 0.0   | 0.0   |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 37.8  | 33.1  | 13.9  | 24.1  | 29.6  |
| Total assets                           | 942.2 | 1,009 | 1,063 | 1,121 | 1,171 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 371.7 | 406.8 | 433.4 | 460.3 | 489.8 |
| Shareholders' equity (before minority) | 359.1 | 388.8 | 413.5 | 438.3 | 465.6 |
| Minorities                             | 12.6  | 17.9  | 19.9  | 22.0  | 24.2  |
| Non-current liabilities                | 535.7 | 571.9 | 601.7 | 632.4 | 653.7 |
| Pension provisions                     | 1.3   | 1.6   | 1.7   | 1.8   | 1.8   |
| Other provisions                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Long-term financial debt               | 495.1 | 528.0 | 552.0 | 576.0 | 590.0 |
| Other long-term debt                   | 39.3  | 42.2  | 48.0  | 54.6  | 61.9  |
| Current liabilities                    | 34.8  | 30.7  | 27.9  | 27.9  | 27.9  |
| Short-term debt                        | 26.6  | 21.9  | 19.1  | 19.1  | 19.1  |
| Other accruals short-term              | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Accounts payable                       | 8.2   | 8.4   | 8.4   | 8.4   | 8.4   |
| Other liabilities                      | 0.0   | 0.5   | 0.5   | 0.5   | 0.5   |
| Total equity and liabilities           | 942.2 | 1,009 | 1,063 | 1,121 | 1,171 |

Source: Company information, Bankhaus Lampe Research estimates

## VIB Vermögen AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 95.3% | 96.4% | 98.4% | 97.6% | 97.2% |
| Property, plant and equipment | 94.9% | 96.1% | 98.1% | 97.3% | 96.9% |
| Intangible assets             | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Current assets                | 4.7%  | 3.6%  | 1.6%  | 2.4%  | 2.8%  |
| Inventories                   | 0.3%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Accounts receivable           | 0.4%  | 0.3%  | 0.3%  | 0.3%  | 0.3%  |
| Cash                          | 4.0%  | 3.3%  | 1.3%  | 2.1%  | 2.5%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 39.4% | 40.3% | 40.8% | 41.1% | 41.8% |
| Non-current liabilities       | 56.9% | 56.7% | 56.6% | 56.4% | 55.8% |
| Pension provisions            | 0.1%  | 0.2%  | 0.2%  | 0.2%  | 0.2%  |
| Long-term financial debt      | 52.5% | 52.3% | 51.9% | 51.4% | 50.4% |
| Current liabilities           | 3.7%  | 3.0%  | 2.6%  | 2.5%  | 2.4%  |
| Short-term debt               | 2.8%  | 2.2%  | 1.8%  | 1.7%  | 1.6%  |
| Accounts payable              | 0.9%  | 0.8%  | 0.8%  | 0.7%  | 0.7%  |

Source: Company information, Bankhaus Lampe Research estimates

# Villeroy & Boch AG

Wine and dine must be fine

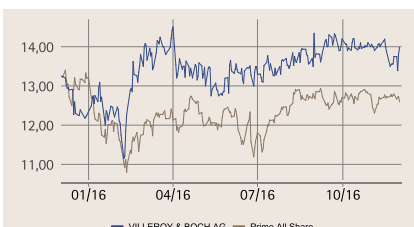
06/12/2016

**Hold** (Hold)  
**13.00 EUR** (13.00 EUR)

Close 01/12/2016 13.98 EUR  
Bloomberg: VIB3 GR WKN: 765723  
Sector Consumer

## Share price performance

52 week high 14.50 EUR  
52 week low 11.15 EUR  
Compared to Prime All Share  
YTD 18.7%  
1 month -1.4%  
12 months 13.0%



## Share data

EV (m EUR; 2016) 541  
Market Cap (m EUR) 369  
No. of shares (m) 26  
Free float 88.0%

## Next event

Annual Results 09/02/2017

## Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

## Analyst

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See end of document for disclaimer.

We reiterate our HOLD rating for Villeroy & Boch with an unchanged price target of € 13.00. The group has been making good strategic progress of late. However, the market for tableware would first have to pick up for the stock to gain momentum, in our view.

## INVESTMENT CASE

Villeroy & Boch has been undergoing change for a number of years. The idea is to evolve from a manufacturer of ceramics into a modern consumer goods company. Progress with production, in particular in the Bath and Wellness division, has had a positive impact on margins recently. In addition, the company has sold properties no longer needed for operation, which has increased its financial flexibility. The move should continue to show positive effects in future. While the Bath and Wellness division put in a surprisingly good performance recently, the Tabletop & Décor segment fell short of expectations. The group will have to review its market positioning and sales structure and optimise processes. It has already made investments, e.g. in a higher number of showrooms for the Bath and Wellness division and larger selling space in China (revenue share China/Russia: 7%). Although Russia is showing signs of a slow, gradual recovery, economic activity in China is still subject to uncertainties.

## CATALYSTS

Villeroy & Boch is to release its 2016 results early next year on the occasion of the Ambiente trade show (9 February). This should increase visibility in terms of the expected business trend in markets deemed to be difficult.

## VALUATION

Our price target is based on a DCF model. With a P/E<sub>2018e</sub> of 11x, the share looks cheap at first sight. However, sales risks in individual markets put the number in a different perspective. The dividend yield of roughly 4% is a positive point for investors, paired with expectations of slightly rising payouts in the next few years.

| in m EUR                   | 2014 | 2015 | 2016e | 2017e | 2018e |
|----------------------------|------|------|-------|-------|-------|
| Sales                      | 766  | 804  | 828   | 853   | 878   |
| EBIT                       | 43   | 44   | 47    | 50    | 53    |
| EBIT margin                | 5.6% | 5.4% | 5.7%  | 5.9%  | 6.1%  |
| Net financial debt         | -16  | -15  | -56   | -73   | -91   |
| Free cash-flow             | 18   | 10   | 55    | 31    | 33    |
| EPS (in EUR)               | 0.93 | 1.03 | 1.10  | 1.18  | 1.27  |
| DPS (in EUR)               | 0.44 | 0.49 | 0.55  | 0.59  | 0.64  |
| Dividend yield             | 3.7% | 4.0% | 3.9%  | 4.2%  | 4.6%  |
| EV/Sales                   | 0.7  | 0.6  | 0.7   | 0.6   | 0.6   |
| EV/EBIT                    | 12.3 | 11.9 | 11.5  | 10.5  | 9.5   |
| Price Earnings ratio (P/E) | 12.9 | 11.8 | 12.8  | 11.8  | 11.0  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Innovative strength in design, functionality and manufacturing processes
- Pressing ahead with product standardisation
- Innovations in process technologies e.g. 3D printing
- Opportunities in connecting the bricks-and-mortar business with the digital world
- High brand awareness especially in Western Europe

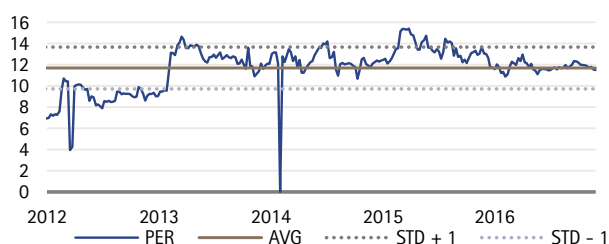
### MANAGEMENT

- Frank Göring (CEO)
- Dr. Markus Warncke (CFO)
- Nicolas Luc Villeroy (CEO Tableware)
- Andreas Pfeiffer (CEO Bath and Wellness)

### SHORT-TERM GUIDANCE

- 2016: revenue growth of 3-6 %
- 2016: EBIT increase of 5 - 10%

### HISTORICAL P/E



### COMPANY EVENTS

Next event: 09/02/2017 Annual Results

### KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Capex/Sales          | 5.8%  | 3.6%  | 4.3%  | 3.2%  | 3.1%  |
| Capex/Depreciation   | 1.7   | 1.1   | 1.3   | 1.0   | 1.0   |
| ROCE                 | 10.2% | 10.2% | 10.2% | 10.5% | 10.8% |
| Free cash flow yield | 5.7%  | 3.2%  | 16.9% | 9.5%  | 10.2% |
| Equity ratio         | 23.2% | 26.0% | 27.4% | 29.2% | 31.1% |
| Net debt / Equity    | -11%  | -9%   | -31%  | -37%  | -42%  |
| Net debt / EBITDA    | -0.2  | -0.2  | -0.8  | -0.9  | -1.1  |
| Interest cover       | > 10  | > 10  | > 10  | > 10  | > 10  |

### Weaknesses/Threats (Risks)

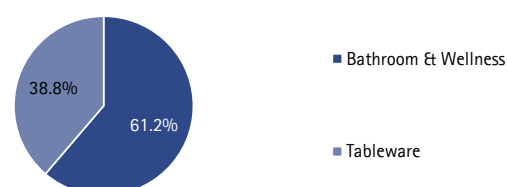
- Merchandising risk in e.g. China, Russia and the Middle East
- Volatility of raw material prices

### COMPANY BACKGROUND

Villeroy Et Boch's business activities focus on the divisions Bath & Wellness and Tableware. The company has locations in 125 countries including 14 production sites in Europe, Mexico and Thailand. This listed company's headquarters are in Mettlach/Saarland.

### MEDIUM-TERM GUIDANCE

### REVENUE BREAKDOWN (LAST ACTUAL YEAR)



### MAJOR SHAREHOLDERS (%)

|   |      |
|---|------|
| Pref.: Villeroy Et Boch AG, Ord. not listed | 12.0 |
| Tweedy, Browne Co. LLC                      | 2.0  |
| KBC Asset Management NV                     | 0.9  |

### BHL VS. CONSENSUS

|                  | 16e  | 17e  | 18e  |
|------------------|------|------|------|
| Sales (in m EUR) |      |      |      |
| BHL              | 828  | 853  | 878  |
| Consensus        | 830  | 860  | 887  |
| EBIT (in m EUR)  |      |      |      |
| BHL              | 47   | 50   | 53   |
| Consensus        | 47   | 49   | 52   |
| EPS (EUR)        |      |      |      |
| BHL              | 1.10 | 1.18 | 1.27 |
| Consensus        | 1.12 | 1.20 | 1.27 |

Source: Company information, FactSet, BHL estimates

# Key figures

## Villeroy & Boch AG – Income statement

| in m EUR                             | 2014 | 2015 | 2016e | 2017e | 2018e |
|--------------------------------------|------|------|-------|-------|-------|
| Sales                                | 766  | 804  | 828   | 853   | 878   |
| Cost of Sales                        | -425 | -443 | -454  | -466  | -478  |
| Gross profit                         | 341  | 361  | 374   | 387   | 401   |
| Sales and marketing                  | -255 | -269 | -277  | -285  | -294  |
| General and administration           | -45  | -47  | -48   | -49   | -51   |
| Research and development             | 0    | 0    | 0     | 0     | 0     |
| Other operating result               | 2    | -2   | -2    | -2    | -2    |
| EBITDA                               | 70   | 71   | 74    | 78    | 81    |
| Depreciation                         | 27   | 27   | 27    | 27    | 27    |
| EBITA                                | 43   | 44   | 47    | 50    | 53    |
| Amortisation of goodwill             | 0    | 0    | 0     | 0     | 0     |
| Amortisation of intangible assets    | 0    | 0    | 0     | 0     | 0     |
| EBIT                                 | 43   | 44   | 47    | 50    | 53    |
| Financial result                     | -8   | -6   | -6    | -6    | -6    |
| Income on ordinary activities        | 35   | 38   | 41    | 45    | 48    |
| Extraordinary income/loss            | 0    | 0    | 0     | 0     | 0     |
| EBT                                  | 35   | 38   | 41    | 45    | 48    |
| Taxes                                | -11  | -11  | -12   | -13   | -14   |
| Net income from cont. operations     | 25   | 27   | 29    | 31    | 33    |
| Net income from discount. operations | 0    | 0    | 0     | 0     | 0     |
| Minority interest                    | 0    | 0    | 0     | 0     | 0     |
| Net income (adj.)                    | 25   | 27   | 29    | 31    | 33    |
| No. of shares                        | 26   | 26   | 26    | 26    | 26    |
| EPS (in EUR)                         | 0.93 | 1.03 | 1.10  | 1.18  | 1.27  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 44.6% | 44.9% | 45.2% | 45.4% | 45.6% |
| EBITDA margin     | 9.1%  | 8.8%  | 9.0%  | 9.1%  | 9.2%  |
| EBITA margin      | 5.6%  | 5.4%  | 5.7%  | 5.9%  | 6.1%  |
| EBIT margin       | 5.6%  | 5.4%  | 5.7%  | 5.9%  | 6.1%  |
| EBT margin        | 4.6%  | 4.7%  | 5.0%  | 5.2%  | 5.4%  |
| Net profit margin | 3.2%  | 3.4%  | 3.5%  | 3.7%  | 3.8%  |
| Tax rate          | 30.1% | 28.0% | 30.0% | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014 | 2015  | 2016e | 2017e | 2018e |
|-------------------|------|-------|-------|-------|-------|
| Sales             | 2.8% | 4.9%  | 3.0%  | 3.0%  | 3.0%  |
| EBITDA            | 0.9% | 1.1%  | 4.9%  | 4.3%  | 4.3%  |
| EBIT              | 0.0% | 0.7%  | 7.9%  | 6.8%  | 6.6%  |
| EBT               | 3.2% | 7.7%  | 9.1%  | 7.7%  | 7.5%  |
| Net income (adj.) | 1.7% | 11.0% | 6.0%  | 7.7%  | 7.5%  |
| EPS               | 1.7% | 11.0% | 6.0%  | 7.7%  | 7.5%  |

Source: Company information, Bankhaus Lampe Research estimates

## Villeroy &amp; Boch AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 284  | 273  | 281   | 281   | 281   |
| Property, plant and equipment          | 160  | 161  | 162   | 162   | 162   |
| Intangible assets                      | 37   | 37   | 37    | 37    | 37    |
| Financial assets                       | 32   | 26   | 26    | 26    | 26    |
| Other long-term assets                 | 56   | 49   | 56    | 56    | 56    |
| Current assets                         | 339  | 364  | 380   | 396   | 414   |
| Inventories                            | 140  | 151  | 140   | 140   | 140   |
| Accounts receivable                    | 109  | 120  | 109   | 109   | 109   |
| Other current assets                   | 24   | 27   | 24    | 24    | 24    |
| Securities                             | 0    | 0    | 0     | 0     | 0     |
| Cash                                   | 67   | 66   | 107   | 124   | 142   |
| Total assets                           | 623  | 637  | 661   | 677   | 695   |
| Equity and liabilities (in m EUR)      |      |      |       |       |       |
| Shareholders' equity                   | 144  | 165  | 181   | 198   | 216   |
| Shareholders' equity (before minority) | 144  | 165  | 181   | 198   | 216   |
| Minorities                             | 0    | 0    | 0     | 0     | 0     |
| Non-current liabilities                | 266  | 275  | 267   | 267   | 267   |
| Pension provisions                     | 228  | 209  | 228   | 228   | 228   |
| Other provisions                       | 1    | 2    | 2     | 2     | 2     |
| Long-term financial debt               | 25   | 50   | 25    | 25    | 25    |
| Other long-term debt                   | 12   | 14   | 12    | 12    | 12    |
| Current liabilities                    | 213  | 196  | 212   | 212   | 212   |
| Short-term debt                        | 26   | 1    | 26    | 26    | 26    |
| Other accruals short-term              | 33   | 33   | 33    | 33    | 33    |
| Accounts payable                       | 70   | 78   | 70    | 70    | 70    |
| Other liabilities                      | 83   | 85   | 83    | 83    | 83    |
| Total equity and liabilities           | 623  | 637  | 661   | 677   | 695   |

Source: Company information, Bankhaus Lampe Research estimates

## Villeroy &amp; Boch AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 45.6% | 42.9% | 42.5% | 41.5% | 40.4% |
| Property, plant and equipment | 25.7% | 25.3% | 24.5% | 23.9% | 23.3% |
| Intangible assets             | 5.9%  | 5.8%  | 5.6%  | 5.5%  | 5.3%  |
| Current assets                | 54.4% | 57.1% | 57.5% | 58.5% | 59.6% |
| Inventories                   | 22.4% | 23.8% | 21.2% | 20.7% | 20.1% |
| Accounts receivable           | 17.5% | 18.8% | 16.5% | 16.1% | 15.7% |
| Cash                          | 10.7% | 10.3% | 16.2% | 18.3% | 20.4% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 23.2% | 26.0% | 27.4% | 29.2% | 31.1% |
| Non-current liabilities       | 42.7% | 43.2% | 40.5% | 39.5% | 38.4% |
| Pension provisions            | 36.5% | 32.8% | 34.5% | 33.6% | 32.7% |
| Long-term financial debt      | 4.0%  | 7.9%  | 3.8%  | 3.7%  | 3.6%  |
| Current liabilities           | 34.1% | 30.9% | 32.1% | 31.3% | 30.5% |
| Short-term debt               | 4.2%  | 0.1%  | 3.9%  | 3.8%  | 3.7%  |
| Accounts payable              | 11.3% | 12.2% | 10.6% | 10.3% | 10.1% |

Source: Company information, Bankhaus Lampe Research estimates

# VTG Aktiengesellschaft

On the right track

06/12/2016

**Buy** (Buy)  
**34.00 EUR** (34.00 EUR)

Close 01/12/2016 28.40 EUR  
Bloomberg: VT9 GY WKN: VTG999  
Sector Transport & Logistics

## Share price performance

52 week high 29.52 EUR  
52 week low 22.70 EUR  
Compared to SDAX  
YTD 0.8%  
1 month 5.4%  
12 months 0.6%



## Share data

EV (m EUR; 2016) 2,806  
Market Cap (m EUR) 816.5  
No. of shares (m) 28.8  
Free float 40.7%

## Next event

Annual Results 06/04/2017

## Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

## Analyst

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See end of document for disclaimer.

Thanks to the very low cyclicality of the business, solid growth prospects and an attractive valuation, the share is an interesting investment, in our view.

## INVESTMENT CASE

VTG owns by far the largest fleet of rail freight cars for hire in Europe. Long-term lease agreements with high renewal rates and limited production capacity for new rail cars make for good visibility and relatively low earnings volatility. Over the past few months, VTG's shareholder structure has changed significantly. Now that Wilbur Ross and Andreas Goer have sold their shareholdings in VTG (35% and 29%, respectively), Joachim Herz Stiftung (10%), Kuehne Holding AG (20%) and Morgan Stanley Infrastructure (29%: share purchasing agreement between Andreas Goer and Morgan Stanley Infrastructure is subject to merger control clearance) are the company's main shareholders. In light of the new shareholder structure, we believe VTG may come under greater pressure to increase the dividend. The growth momentum of the past few years is set to continue up to 2018, in our view (EBITDA CAGR<sub>2015-18e</sub>: 4.6%). Thanks to the refinancing exercise completed at the start of the year and a declining tax rate we project a significant increase in EPS (CAGR<sub>2015-18e</sub>: 46.3%).

## CATALYSTS

We expect the Q4 2016 results and the outlook for 2017 to be positive, which should underpin that the growth trend is intact.

## VALUATION

Our valuation is based on a DCF model, which is supported by a peer-group analysis (discount of 16-23% based on EV/EBITDA and PER). Our price target implies a PER<sub>2017e</sub> of 17.6x, which we regard as appropriate in view of the company's infrastructure character.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 818.3 | 1,028 | 1,026 | 1,057 | 1,090 |
| EBIT                       | 83.5  | 144.1 | 152.7 | 171.3 | 186.5 |
| EBIT margin                | 10.2% | 14.0% | 14.9% | 16.2% | 17.1% |
| Net financial debt         | 829.1 | 1,668 | 1,654 | 1,635 | 1,610 |
| Free cash-flow             | -11.2 | 201.4 | 98.8  | 104.2 | 112.8 |
| EPS (in EUR)               | 0.93  | 0.75  | 1.43  | 1.93  | 2.35  |
| DPS (in EUR)               | 0.45  | 0.50  | 0.55  | 0.60  | 0.66  |
| Dividend yield             | 2.5%  | 1.8%  | 1.9%  | 2.1%  | 2.3%  |
| EV/Sales                   | 1.6   | 2.7   | 2.7   | 2.6   | 2.5   |
| EV/EBIT                    | 15.5  | 19.6  | 18.4  | 16.3  | 14.8  |
| Price Earnings ratio (P/E) | 19.8  | 37.9  | 19.8  | 14.7  | 12.1  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Strong market position
- Diversified customer portfolio
- Low cyclical character and price sensitivity of the wagon hire business
- Long-term contracts with high renewal rate

### Weaknesses/Threats (Risks)

- Logistics segments offer limited margin potential
- High maintenance investments weigh on FCF
- High net debt
- Highly dependent on Europe

## MANAGEMENT

- Dr. Heiko Fischer (CEO)
- Dr. Kai Kleeberg (CFO)
- Günter-Friedrich Maas (Director Logistics and Security)
- Mark Stevenson (Director Treasury, Finances and Tax)

## COMPANY BACKGROUND

With more than 80,000 rail freight cars, VTG AG has by far Europe's largest private fleet of rail freight cars for hire with a focus on transportation of fluids and sensitive goods. Its fleet includes primarily tank wagons, intermodal wagons, modern high-capacity and flatbed wagons. The company also offers services to organise the rail transport of goods and the worldwide intermodal transport of liquids in tank containers. VTG's customers come from the chemicals, mineral oil, automotive and paper industry.

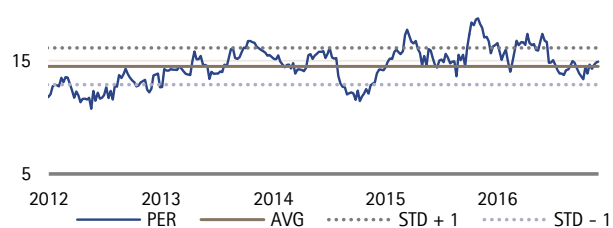
## SHORT-TERM GUIDANCE

- 2016e revenues: € 1.030-1.070 m
- 2016e EBITDA: € 345-355 m

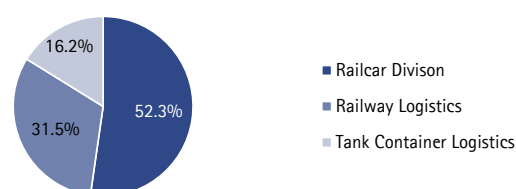
## MEDIUM-TERM GUIDANCE

- 2018e EPS: € 2.50

## HISTORICAL P/E



## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## COMPANY EVENTS

Next event: 06/04/2017 Annual Results

## MAJOR SHAREHOLDERS (%)

|                         |      |
|-------------------------|------|
| Andreas Goer            | 29.0 |
| Michael Kuehne          | 20.3 |
| Joachim Herz foundation | 10.0 |

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 24.0% | 16.6% | 21.8% | 22.0% | 22.0% |
| Capex/Depreciation   | 1.8   | 0.9   | 1.2   | 1.2   | 1.2   |
| ROCE                 | 6.3%  | 5.6%  | 5.8%  | 6.4%  | 6.9%  |
| Free cash flow yield | -2.9% | 24.6% | 12.3% | 12.9% | 14.0% |
| Equity ratio         | 20.3% | 24.6% | 25.1% | 25.8% | 26.8% |
| Net debt / Equity    | 244%  | 223%  | 213%  | 201%  | 186%  |
| Net debt / EBITDA    | 4.3   | 5.0   | 4.8   | 4.5   | 4.2   |
| Interest cover       | > 10  | > 10  | > 10  | > 10  | > 10  |

## BHL VS. CONSENSUS

| debt             | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 1,026 | 1,057 | 1,090 |
| Consensus        | 1,015 | 1,051 | 1,082 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 152.7 | 171.3 | 186.5 |
| Consensus        | 156.7 | 169.5 | 184.2 |
| EPS (EUR)        |       |       |       |
| BHL              | 1.43  | 1.93  | 2.35  |
| Consensus        | 1.60  | 1.92  | 2.39  |

Source: Company information, FactSet, BHL estimates

# Key figures

## VTG Aktiengesellschaft – Income statement

| in m EUR                          | 2014   | 2015   | 2016e  | 2017e  | 2018e  |
|-----------------------------------|--------|--------|--------|--------|--------|
| Sales                             | 818.3  | 1,028  | 1,026  | 1,057  | 1,090  |
| Own work capitalised              | -1.1   | -1.0   | -0.5   | -0.6   | -0.6   |
| Total sales                       | 817.3  | 1,027  | 1,026  | 1,056  | 1,090  |
| Material expenses                 | -451.4 | -467.3 | -460.3 | -466.7 | -477.6 |
| Personnel expenses                | -86.8  | -100.7 | -101.7 | -103.7 | -105.8 |
| Unusual or infrequent items       | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Other operating result            | -88.1  | -122.0 | -118.7 | -119.5 | -120.9 |
| EBITDA                            | 191.0  | 336.5  | 345.2  | 366.3  | 385.5  |
| Depreciation                      | 107.5  | 192.4  | 192.5  | 195.0  | 199.0  |
| EBITA                             | 83.5   | 144.1  | 152.7  | 171.3  | 186.5  |
| Amortisation of goodwill          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Amortisation of intangible assets | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBIT                              | 83.5   | 144.1  | 152.7  | 171.3  | 186.5  |
| Financial result                  | -53.7  | -98.2  | -70.3  | -70.1  | -70.0  |
| Income on ordinary activities     | 29.8   | 45.9   | 82.4   | 101.2  | 116.5  |
| Extraordinary income/loss         | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| EBT                               | 29.8   | 45.9   | 82.4   | 101.2  | 116.5  |
| Taxes                             | -11.0  | -16.5  | -28.7  | -32.9  | -36.1  |
| Net income from cont. operations  | 18.8   | 29.4   | 53.7   | 68.3   | 80.4   |
| Net income from disc. operations  | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority interest                 | 1.1    | -7.8   | -12.5  | -12.7  | -12.8  |
| Net income (adj.)                 | 19.8   | 21.6   | 41.2   | 55.6   | 67.6   |
| No. of shares                     | 21.4   | 28.8   | 28.8   | 28.8   | 28.8   |
| EPS                               | 0.93   | 0.75   | 1.43   | 1.93   | 2.35   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 44.8% | 54.5% | 55.2% | 55.8% | 56.2% |
| EBITDA margin     | 23.3% | 32.7% | 33.6% | 34.7% | 35.4% |
| EBITA margin      | 10.2% | 14.0% | 14.9% | 16.2% | 17.1% |
| EBIT margin       | 10.2% | 14.0% | 14.9% | 16.2% | 17.1% |
| EBT margin        | 3.6%  | 4.5%  | 8.0%  | 9.6%  | 10.7% |
| Net profit margin | 2.4%  | 2.1%  | 4.0%  | 5.3%  | 6.2%  |
| Tax rate          | 37.0% | 36.0% | 34.8% | 32.5% | 31.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e | 2017e | 2018e |
|-------------------|-------|--------|-------|-------|-------|
| Sales             | 4.4%  | 25.6%  | -0.1% | 3.0%  | 3.2%  |
| EBITDA            | 4.0%  | 76.2%  | 2.6%  | 6.1%  | 5.2%  |
| EBIT              | 7.4%  | 72.7%  | 5.9%  | 12.2% | 8.9%  |
| EBT               | 8.6%  | 54.2%  | 79.4% | 22.8% | 15.1% |
| Net income (adj.) | 30.4% | 8.7%   | 90.9% | 34.9% | 21.5% |
| EPS               | 30.4% | -19.1% | 90.9% | 34.9% | 21.5% |

Source: Company information, Bankhaus Lampe Research estimates

## VTG Aktiengesellschaft – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 1,418 | 2,708 | 2,739 | 2,777 | 2,818 |
| Property, plant and equipment          | 1,162 | 2,197 | 2,229 | 2,266 | 2,307 |
| Intangible assets                      | 213.2 | 439.7 | 439.7 | 439.7 | 439.7 |
| Financial assets                       | 1.5   | 2.9   | 2.9   | 2.9   | 2.9   |
| Other long-term assets                 | 41.0  | 68.1  | 68.1  | 68.1  | 68.1  |
| Current assets                         | 255.2 | 339.0 | 354.3 | 377.8 | 409.1 |
| Inventories                            | 21.1  | 24.1  | 24.6  | 25.4  | 26.2  |
| Accounts receivable                    | 109.0 | 148.2 | 148.8 | 153.2 | 158.1 |
| Other current assets                   | 44.7  | 68.9  | 68.9  | 68.9  | 68.9  |
| Securities                             | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash                                   | 80.4  | 97.8  | 112.0 | 130.3 | 155.9 |
| Total assets                           | 1,673 | 3,047 | 3,094 | 3,155 | 3,227 |
| Equity and liabilities in m EUR        |       |       |       |       |       |
| Shareholders' equity                   | 340.5 | 748.2 | 775.0 | 814.8 | 865.1 |
| Shareholders' equity (before minority) | 333.5 | 488.8 | 515.6 | 555.4 | 605.7 |
| Minorities                             | 7.0   | 259.4 | 259.4 | 259.4 | 259.4 |
| Non-current liabilities                | 1,095 | 1,938 | 1,940 | 1,941 | 1,943 |
| Pension provisions                     | 64.6  | 74.5  | 76.0  | 77.5  | 79.1  |
| Other provisions                       | 12.9  | 10.6  | 10.6  | 10.6  | 10.6  |
| Long-term financial debt               | 892.6 | 1,664 | 1,664 | 1,664 | 1,664 |
| Other long-term debt                   | 125.2 | 189.1 | 189.1 | 189.1 | 189.1 |
| Current liabilities                    | 237.7 | 360.8 | 379.1 | 398.8 | 419.1 |
| Short-term debt                        | 17.0  | 101.7 | 101.7 | 101.7 | 101.7 |
| Other accruals short-term              | 47.1  | 59.0  | 59.0  | 59.0  | 59.0  |
| Accounts payable                       | 127.0 | 131.6 | 134.5 | 138.4 | 142.8 |
| Other liabilities                      | 46.6  | 68.5  | 83.9  | 99.6  | 115.5 |
| Total equity and liabilities           | 1,673 | 3,047 | 3,094 | 3,155 | 3,227 |

Source: Company information, Bankhaus Lampe Research estimates

## VTG Aktiengesellschaft – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 84.7% | 88.9% | 88.5% | 88.0% | 87.3% |
| Property, plant and equipment | 69.5% | 72.1% | 72.0% | 71.8% | 71.5% |
| Intangible assets             | 12.7% | 14.4% | 14.2% | 13.9% | 13.6% |
| Current assets                | 15.3% | 11.1% | 11.5% | 12.0% | 12.7% |
| Inventories                   | 1.3%  | 0.8%  | 0.8%  | 0.8%  | 0.8%  |
| Accounts receivable           | 6.5%  | 4.9%  | 4.8%  | 4.9%  | 4.9%  |
| Cash                          | 4.8%  | 3.2%  | 3.6%  | 4.1%  | 4.8%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 20.3% | 24.6% | 25.1% | 25.8% | 26.8% |
| Non-current liabilities       | 65.4% | 63.6% | 62.7% | 61.5% | 60.2% |
| Pension provisions            | 3.9%  | 2.4%  | 2.5%  | 2.5%  | 2.5%  |
| Long-term financial debt      | 53.3% | 54.6% | 53.8% | 52.7% | 51.6% |
| Current liabilities           | 14.2% | 11.8% | 12.3% | 12.6% | 13.0% |
| Short-term debt               | 1.0%  | 3.3%  | 3.3%  | 3.2%  | 3.2%  |
| Accounts payable              | 7.6%  | 4.3%  | 4.3%  | 4.4%  | 4.4%  |

Source: Company information, Bankhaus Lampe Research estimates

# Wüstenrot & Württembergische AG

## P&C performance still strong

06/12/2016

**Buy** (Buy)  
**23.00 EUR** (23.00 EUR)

Close 01/12/2016 17.98 EUR  
 Bloomberg: WUW GY WKN: 805100  
 Sector Insurance

### Share price performance

52 week high 20.05 EUR  
 52 week low 15.61 EUR  
 Compared to SDAX  
 YTD -8.9%  
 1 month 2.1%  
 12 months -6.8%



### Share data

Market Cap (m EUR) 1,686  
 No. of shares (m) 94  
 Free float 20.0%

### Next event

Annual Results 31/03/2017

### Change in model

|       | NEP | EBT | EPS |
|-------|-----|-----|-----|
| 2016e | --- | --- | --- |
| 2017e | --- | --- | --- |
| 2018e | --- | --- | --- |

### Analyst

Andreas Schäfer, Analyst  
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 andreas.schaefer@bankhaus-lampe.de

See end of document for disclaimer.

We reiterate our BUY rating for Wüstenrot & Württembergische (W&W) with an unchanged price target of € 23.00. The very cheap valuation, strong profitability in the P&C business and strict cost control continue to be the main arguments supporting our recommendation. In addition, we believe that W&W is one of the main beneficiaries of the current rise in interest rates.

### INVESTMENT CASE

- The P&C segment continues to be the company's best performer by some margin. With a combined ratio of 91.3% (gross) after nine months and premium growth of 2.5%, W&W is once more outgrowing the German market in 2016.
- With a decline in administrative costs of 1.1% in spite of growth in all segments, W&W has proven its ability to keep costs efficiently at bay again in 2016. The rise in interest rates in the last few weeks should benefit W&W in the medium term both operationally and in terms of the solvency rate.

### CATALYSTS

- W&W is due to release its FY 2016 results on 31/03/2017. We expect to see net profits of € 240 m and an increase in the dividend to € 0.65 per share.
- Guidance for 2017 should remain unchanged at € 220–250 m.

### VALUATION

W&W is trading at a FY 2017 P/E of 7x, which corresponds to a discount of 33% to the STOXX Insurance index. The stock offers a dividend yield of 3.6% with a far below-average payout ratio of only 26%.

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| NEP                        | 3,939 | 3,983 | 4,017 | 4,071 | 4,131 |
| Combined ratio             | 95.9% | 91.7% | 96.0% | 96.0% | 96.0% |
| EBT                        | 283   | 324   | 286   | 276   | 276   |
| Tax ratio                  | 14.5% | 15.2% | 17.1% | 16.9% | 16.7% |
| EPS (in EUR)               | 2.52  | 2.88  | 2.53  | 2.44  | 2.45  |
| DPS (in EUR)               | 0.50  | 0.60  | 0.65  | 0.70  | 0.75  |
| Dividend yield             | 2.8%  | 3.0%  | 3.6%  | 3.9%  | 4.2%  |
| Return on equity (ROE)     | 6.9%  | 7.5%  | 6.3%  | 5.9%  | 5.7%  |
| Return on NAV              | 7.2%  | 7.7%  | 6.5%  | 6.0%  | 5.9%  |
| Price Earnings ratio (P/E) | 7.1   | 6.9   | 7.1   | 7.4   | 7.4   |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Profitable P&C insurance
- Focus on low-risk clients
- Modest valuation and admission to the SDAX
- Extensive distribution network

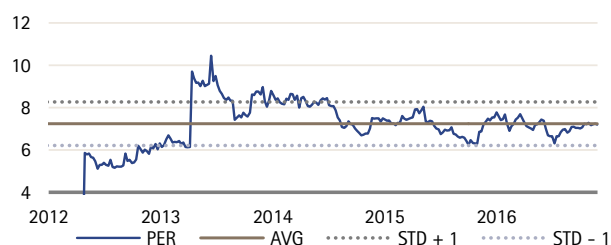
## MANAGEMENT

- Dr. Alexander Erdland (CEO)
- Dr. Michael Gutjahr (CFO)
- Jens Wieland
- Bernd Hertweck
- Norbert Heinen
- Jürgen Albert Junker

## SHORT-TERM GUIDANCE

- Combined ratio of 94%
- Net profit of more than € 220 m in 2016

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 31/03/2017 Annual Results

## KEY RATIOS

|                            | 14     | 15     | 16e    | 17e    | 18e    |
|----------------------------|--------|--------|--------|--------|--------|
| Solvency ratio             | 148.6% | 136.0% | 140.0% | 145.0% | 150.0% |
| Equity ratio               | 4.7%   | 4.9%   | 5.1%   | 5.2%   | 5.3%   |
| Return on investments      | 6.3%   | 5.7%   | 5.4%   | 5.2%   | 5.2%   |
| Pay out ratio              | 19.8%  | 20.8%  | 25.7%  | 28.7%  | 30.7%  |
| Price Earnings ratio (P/E) | 7.1    | 6.9    | 7.1    | 7.4    | 7.4    |
| Combined ratio             | 95.9%  | 91.7%  | 96.0%  | 96.0%  | 96.0%  |
| Return on equity (ROE)     | 6.9%   | 7.5%   | 6.3%   | 5.9%   | 5.7%   |
| Dividend yield             | 2.8%   | 3.0%   | 3.6%   | 3.9%   | 4.2%   |
| Shareholders' equity       | 3,561  | 3,644  | 3,817  | 3,935  | 4,049  |

### Weaknesses/Threats (Risks)

- Low free float
- Low interest rates negative for Life Insurance, Home Loan & Savings Bank
- Return on equity is below average compared with sector
- Relatively low dividend yield

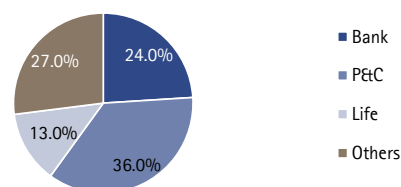
## COMPANY BACKGROUND

Wüstenrot & Württembergische AG (W&W) is an independent financial services group based in Stuttgart that was established in 1999 from the merger of Wüstenrot und Württembergische. The three business segments are Home Loan and Savings Bank, Life and Health Insurance and Property and Casualty Insurance.

## MEDIUM-TERM GUIDANCE

- Combined ratio of 96%
- Net profit of € 220 - 250 m

## OPERATING PROFIT (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                                  |      |
|----------------------------------|------|
| Wüstenrot Holding AG             | 66.6 |
| Horus Finanzholding GmbH         | 13.4 |
| ETHENEA Independent Investors SA | 1.6  |

## BHL VS. CONSENSUS

|                | 16e   | 17e   | 18e   |
|----------------|-------|-------|-------|
| NEP (in m EUR) |       |       |       |
| BHL            | 4,017 | 4,071 | 4,131 |
| Consensus      | 0     | 0     | 0     |
| EBT (in m EUR) |       |       |       |
| BHL            | 286   | 276   | 276   |
| Consensus      | 306   | 319   | 329   |
| EPS (EUR)      |       |       |       |
| BHL            | 2.53  | 2.44  | 2.45  |
| Consensus      | 0.00  | 0.00  | 0.00  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Wüstenrot & Württembergische AG – Income statement

| in m EUR                                   | 2014         | 2015         | 2016e        | 2017e        | 2018e        |
|--|--------------|--------------|--------------|--------------|--------------|
| Net premiums                               | 3,939        | 3,983        | 4,017        | 4,071        | 4,131        |
| Regular investment income                  | 2,344        | 2,136        | 2,088        | 2,055        | 2,025        |
| Net realised capital gains                 | 0            | 0            | 0            | 0            | 0            |
| Net gains/losses from unit-linked policies | 0            | 0            | 0            | 0            | 0            |
| Commission + fee income                    | 0            | 0            | 0            | 0            | 0            |
| Other revenues                             | 0            | 0            | 0            | 0            | 0            |
| <b>Total revenues</b>                      | <b>6,283</b> | <b>6,119</b> | <b>6,105</b> | <b>6,126</b> | <b>6,156</b> |
| Expenses for claims and benefits           | -4,427       | -4,284       | -4,276       | -4,305       | -4,332       |
| Commission expenses                        | -403         | -392         | -402         | -405         | -408         |
| General and administration expenses        | -1,108       | -1,108       | -1,112       | -1,113       | -1,114       |
| Other expenses                             | -62          | -11          | -29          | -28          | -26          |
| <b>EBT</b>                                 | <b>283</b>   | <b>324</b>   | <b>286</b>   | <b>276</b>   | <b>276</b>   |
| Taxes                                      | -41          | -49          | -49          | -46          | -46          |
| Minorities                                 | -9           | -4           | -1           | -1           | -1           |
| <b>Net income (adj.)</b>                   | <b>233</b>   | <b>270</b>   | <b>237</b>   | <b>229</b>   | <b>229</b>   |
| No. of shares                              | 93           | 94           | 94           | 94           | 94           |
| EPS (in EUR)                               | 2.52         | 2.88         | 2.53         | 2.44         | 2.45         |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy                       | 2014  | 2015  | 2016e  | 2017e  | 2018e |
|--|-------|-------|--------|--------|-------|
| NEP                                    | 2.6%  | 1.1%  | 0.9%   | 1.3%   | 1.5%  |
| EBT                                    | 53.3% | 14.4% | -11.6% | -3.7%  | 0.1%  |
| Net income (adj.)                      | 63.0% | 15.8% | -12.4% | -12.4% | 0.3%  |
| EPS                                    | 61.5% | 14.4% | -12.4% | -3.5%  | 0.3%  |
| Total assets                           | 4.7%  | -5.7% | 1.8%   | 0.9%   | 0.9%  |
| Shareholders' equity (before minority) | 12.4% | 2.3%  | 4.8%   | 3.1%   | 2.9%  |
| Book value per share                   | 11.5% | 1.2%  | 4.8%   | 3.1%   | 2.9%  |
| DPS                                    | 0.0%  | 20.0% | 8.3%   | 7.7%   | 7.1%  |

Source: Company information, Bankhaus Lampe Research estimates

## Wüstenrot &amp; Württembergische AG – Balance sheet

| Assets in m EUR                        | 2014          | 2015          | 2016e         | 2017e         | 2018e         |
|--|---------------|---------------|---------------|---------------|---------------|
| Investments                            | 75,686        | 72,346        | 73,691        | 74,343        | 75,000        |
| Unit-linked investments                | 0             | 0             | 0             | 0             | 0             |
| Reinsurance recoverables               | 1,354         | 333           | 333           | 333           | 333           |
| Deferred acquisition costs             | 0             | 0             | 0             | 0             | 0             |
| Goodwill                               | 0             | 0             | 0             | 0             | 0             |
| Intangible assets                      | 117           | 90            | 88            | 87            | 86            |
| Other assets                           | 1,379         | 1,318         | 1,271         | 1,271         | 1,271         |
| <b>Total assets</b>                    | <b>78,536</b> | <b>74,087</b> | <b>75,383</b> | <b>76,033</b> | <b>76,690</b> |
| Equity and liabilities m EUR           |               |               |               |               |               |
| Shareholders' equity                   | 3,674         | 3,662         | 3,835         | 3,953         | 4,068         |
| Shareholders' equity (before minority) | 3,561         | 3,644         | 3,817         | 3,935         | 4,049         |
| Minorities                             | 114           | 18            | 18            | 19            | 19            |
| Technical provisions                   | 32,909        | 32,861        | 32,186        | 32,108        | 32,108        |
| Financial liabilities                  | 616           | 570           | 570           | 570           | 570           |
| Other liabilities                      | 41,337        | 37,012        | 38,792        | 39,401        | 39,944        |
| <b>Total equity and liabilities</b>    | <b>78,536</b> | <b>74,104</b> | <b>75,383</b> | <b>76,033</b> | <b>76,690</b> |

Source: Company information, Bankhaus Lampe Research estimates

## Wüstenrot &amp; Württembergische AG – Balance sheet structure

| Assets                                 | 2014          | 2015          | 2016e         | 2017e         | 2018e         |
|--|---------------|---------------|---------------|---------------|---------------|
| Investments                            | 96.4%         | 97.7%         | 97.8%         | 97.8%         | 97.8%         |
| Unit-linked investments                | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| Reinsurance recoverables               | 1.7%          | 0.4%          | 0.4%          | 0.4%          | 0.4%          |
| Deferred acquisition costs             | -             | -             | -             | -             | -             |
| Goodwill                               | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| Intangible assets                      | 0.1%          | 0.1%          | 0.1%          | 0.1%          | 0.1%          |
| Other assets                           | 1.8%          | 1.8%          | 1.7%          | 1.7%          | 1.7%          |
| <b>Total assets</b>                    | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| Equity and liabilities                 |               |               |               |               |               |
| Shareholders' equity                   | 4.7%          | 4.9%          | 5.1%          | 5.2%          | 5.3%          |
| Shareholders' equity (before minority) | 4.5%          | 4.9%          | 5.1%          | 5.2%          | 5.3%          |
| Minorities                             | 0.1%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| Technical provisions                   | 41.9%         | 44.3%         | 42.7%         | 42.2%         | 41.9%         |
| Financial liabilities                  | 0.8%          | 0.8%          | 0.8%          | 0.7%          | 0.7%          |
| Other liabilities                      | 52.6%         | 49.9%         | 51.5%         | 51.8%         | 52.1%         |
| <b>Total equity and liabilities</b>    | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

Source: Company information, Bankhaus Lampe Research estimates

# Wacker Neuson SE

## Europe a stable anchor, growth markets behind schedule

06/12/2016

**Hold** (Hold)  
**13.00 EUR** (13.00 EUR)

Close 01/12/2016 13.60 EUR  
Bloomberg: WAC GR WKN: WACK01  
Sector Construction

### Share price performance

52 week high 15.98 EUR  
52 week low 11.44 EUR  
Compared to SDAX  
YTD -3.4%  
1 month 8.1%  
12 months 4.1%



### Share data

EV (m EUR; 2016) 1,242  
Market Cap (m EUR) 957  
No. of shares (m) 70  
Free float 36.3%

### Next event

Annual Results 16/03/2017

### Change in model

|       | Sales | EBIT | EPS |
|-------|-------|------|-----|
| 2016e | ---   | ---  | --- |
| 2017e | ---   | ---  | --- |
| 2018e | ---   | ---  | --- |

### Analyst

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See end of document for disclaimer.

2016 has been a year of transition for the group, in our view. Wacker Neuson lowered its growth expectations during the year as business with agricultural customers and the oil and gas sector has declined significantly since H2 2015. We see these end markets recover in the medium term at best.

### INVESTMENT CASE

Nevertheless, the group is seizing opportunities. It is still banking on strategic internationalisation with new plants in Brazil and China. The company kept its revenues stable at just over € 1 bn after the first nine months of 2016, although the EBIT margin declined from 8% to 6.9%. Due to its plans for expansion, the American and Asian regions look set to incur losses in FY 2016.

Wacker Neuson lowered its expectations in the course of the year as the growth markets in the Americas and Asia/Pacific regions in particular had still not become profitable. The core region of Europe, however, is generating robust results. The company projects full-year revenue and earnings at the lower end of the guidance range (revenue € 1.375–1.425 bn; EBIT margin 6.5–7.5%).

### CATALYSTS

- Expectations of a recovery in the ailing end markets are unlikely to return in the short term, in our view.
- Wacker Neuson should stay on a path of growth in the medium term as the trend towards smaller construction machinery in the American and Asian regions is consolidating. The group has been focusing its expansion plans on this development.

### VALUATION

Our two cash-flow models (CF yield and DCF) each lead us to a fair value for the share of € 13.20. We reiterate our HOLD rating for the stock and our price target of € 13.00 (rounded).

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 1,284 | 1,375 | 1,375 | 1,463 | 1,542 |
| EBIT                       | 136   | 104   | 84    | 101   | 111   |
| EBIT margin                | 10.6% | 7.5%  | 6.1%  | 6.9%  | 7.2%  |
| Net financial debt         | 180   | 199   | 231   | 241   | 217   |
| Free cash-flow             | 21    | 18    | -1    | 15    | 48    |
| EPS (in EUR)               | 1.30  | 0.94  | 0.75  | 0.92  | 1.02  |
| DPS (in EUR)               | 0.50  | 0.50  | 0.40  | 0.40  | 0.50  |
| Dividend yield             | 2.9%  | 3.5%  | 2.9%  | 2.9%  | 3.7%  |
| EV/Sales                   | 1.1   | 0.9   | 0.9   | 0.9   | 0.8   |
| EV/EBIT                    | 10.4  | 12.1  | 14.8  | 12.4  | 11.0  |
| Price Earnings ratio (P/E) | 13.0  | 15.1  | 18.2  | 14.8  | 13.3  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Premium supplier with >300 products and synergy potential in distribution
- Solid balance sheet of this family-run company allows acquisitions
- Growth drivers: New markets (Americas, Asia) and the service business
- Strong European footprint

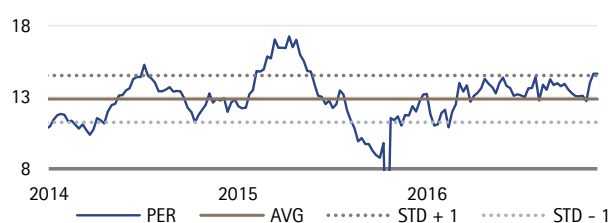
## MANAGEMENT

- Cem Peksaglam (CEO)
- Martin Lehner (deputy CEO)
- Wilfried Trepels (CFO as of 1.1.2017)
- Jan Willem Jongert
- Günther C. Binder (CFO until 31.12.2016)

## SHORT-TERM GUIDANCE

- 2016: Revenues € 1.375 -1.425 bn
- 2016: EBIT margin 6.5%-7.5%
- 9-month-report: lower end of ranges likely

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 16/03/2017 Annual Results

## KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | 2.2%  | 2.4%  | 2.6%  | 2.5%  | 2.4%  |
| Capex/Sales          | 7.0%  | 8.6%  | 7.2%  | 6.6%  | 4.7%  |
| Capex/Depreciation   | 1.5   | 1.7   | 1.5   | 1.4   | 1.0   |
| ROCE                 | 10.9% | 7.7%  | 6.1%  | 7.1%  | 7.6%  |
| Free cash flow yield | 1.8%  | 1.8%  | -0.1% | 1.5%  | 4.8%  |
| Equity ratio         | 70.2% | 68.9% | 67.7% | 68.0% | 68.3% |
| Net debt / Equity    | 18%   | 19%   | 21%   | 21%   | 19%   |
| Net debt / EBITDA    | 0.9   | 1.2   | 1.5   | 1.4   | 1.2   |
| Interest cover       | 0.0   | 0.0   | > 10  | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

- End of strategic alliance with CAT and Claas
- Margins with leasing companies (~ 20% of business) less than for direct sales
- Cyclical agricultural machinery business still accounts for not enough of business (15%)
- Visibility in construction machinery very low - current assets increasing

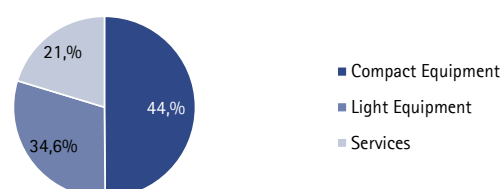
## COMPANY BACKGROUND

The Wacker Neuson group manufactures construction machinery (Light Equipment and Compact Equipment) and offers associated services via >140 sales and service stations as well as >12,000 sales and service partners worldwide. The company was founded in 1848. Today it has more than 40 subsidiaries and employs more than 4,000 people. The company is headquartered in Munich, Germany.

## MEDIUM-TERM GUIDANCE

- Revenue should grow with a CAGR of 10% to above € 2 bn (probably by 2019e)

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

|                              |      |
|------------------------------|------|
| Wacker family                | 33.0 |
| Neunteufel family            | 30.0 |
| Dimensional Fund Advisors LP | 1.4  |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 1,375 | 1,463 | 1,542 |
| Consensus        | 1,377 | 1,445 | 1,525 |
| EBIT (in m EUR)  |       |       |       |
| BHL              | 84    | 101   | 111   |
| Consensus        | 89    | 99    | 112   |
| EPS (EUR)        |       |       |       |
| BHL              | 0.75  | 0.92  | 1.02  |
| Consensus        | 0.82  | 0.97  | 1.11  |

Source: Company information, FactSet, BHL estimates

# Key figures

## Wacker Neuson SE – Income statement

| in m EUR                             | 2014  | 2015  | 2016e  | 2017e  | 2018e  |
|--------------------------------------|-------|-------|--------|--------|--------|
| Sales                                | 1,284 | 1,375 | 1,375  | 1,463  | 1,542  |
| Cost of Sales                        | -903  | -991  | -1,012 | -1,075 | -1,128 |
| Gross profit                         | 381   | 384   | 362    | 388    | 414    |
| Sales and marketing                  | -171  | -187  | -187   | -194   | -204   |
| General and administration           | -64   | -71   | -71    | -70    | -74    |
| Research and development             | -29   | -34   | -35    | -36    | -37    |
| Other operating result               | 18    | 10    | 14     | 13     | 13     |
| EBITDA                               | 196   | 171   | 151    | 171    | 184    |
| Depreciation                         | 60    | 68    | 67     | 70     | 72     |
| EBITA                                | 136   | 104   | 84     | 101    | 111    |
| Amortisation of goodwill             | 0     | 0     | 0      | 0      | 0      |
| Amortisation of intangible assets    | 0     | 0     | 0      | 0      | 0      |
| EBIT                                 | 136   | 104   | 84     | 101    | 111    |
| Financial result                     | -6    | -6    | -8     | -8     | -8     |
| Income on ordinary activities        | 130   | 98    | 76     | 93     | 103    |
| Extraordinary income/loss            | 0     | 0     | 0      | 0      | 0      |
| EBT                                  | 130   | 98    | 76     | 93     | 103    |
| Taxes                                | -38   | -31   | -23    | -28    | -31    |
| Net income from cont. operations     | 92    | 67    | 53     | 65     | 72     |
| Net income from discount. operations | 0     | 0     | 0      | 0      | 0      |
| Minority interest                    | -1    | -1    | -1     | -1     | -1     |
| Net income (adj.)                    | 92    | 66    | 52     | 65     | 72     |
| No. of shares                        | 70    | 70    | 70     | 70     | 70     |
| EPS (in EUR)                         | 1.30  | 0.94  | 0.75   | 0.92   | 1.02   |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 29.7% | 28.0% | 26.4% | 26.5% | 26.8% |
| EBITDA margin     | 15.3% | 12.5% | 11.0% | 11.7% | 11.9% |
| EBITA margin      | 10.6% | 7.5%  | 6.1%  | 6.9%  | 7.2%  |
| EBIT margin       | 10.6% | 7.5%  | 6.1%  | 6.9%  | 7.2%  |
| EBT margin        | 10.1% | 7.1%  | 5.5%  | 6.4%  | 6.7%  |
| Net profit margin | 7.2%  | 4.8%  | 3.8%  | 4.5%  | 4.7%  |
| Tax rate          | 29.2% | 31.6% | 30.0% | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015   | 2016e  | 2017e | 2018e |
|-------------------|-------|--------|--------|-------|-------|
| Sales             | 10.8% | 7.1%   | 0.0%   | 6.4%  | 5.4%  |
| EBITDA            | 27.9% | -12.7% | -12.0% | 13.7% | 7.1%  |
| EBIT              | 43.6% | -23.9% | -19.2% | 21.0% | 10.0% |
| EBT               | 47.8% | -25.1% | -22.5% | 23.3% | 10.9% |
| Net income (adj.) | 49.4% | -27.7% | -20.8% | 23.5% | 11.0% |
| EPS               | 49.4% | -27.9% | -20.8% | 23.5% | 11.0% |

Source: Company information, Bankhaus Lampe Research estimates

## Wacker Neuson SE – Balance sheet

| Assets (in m EUR)                      | 2014  | 2015  | 2016e | 2017e | 2018e |
|--|-------|-------|-------|-------|-------|
| Fixed assets                           | 814   | 851   | 883   | 910   | 910   |
| Property, plant and equipment          | 389   | 419   | 449   | 474   | 473   |
| Intangible assets                      | 354   | 362   | 362   | 362   | 362   |
| Financial assets                       | 18    | 18    | 18    | 18    | 19    |
| Other long-term assets                 | 53    | 52    | 53    | 55    | 57    |
| Current assets                         | 634   | 701   | 723   | 743   | 797   |
| Inventories                            | 424   | 475   | 498   | 523   | 549   |
| Accounts receivable                    | 173   | 180   | 185   | 191   | 197   |
| Other current assets                   | 22    | 22    | 22    | 23    | 24    |
| Securities                             | 0     | 0     | 0     | 0     | 0     |
| Cash                                   | 14    | 25    | 17    | 5     | 27    |
| Total assets                           | 1,448 | 1,552 | 1,605 | 1,652 | 1,707 |
| Equity and liabilities (in m EUR)      |       |       |       |       |       |
| Shareholders' equity                   | 1,016 | 1,069 | 1,086 | 1,123 | 1,167 |
| Shareholders' equity (before minority) | 1,012 | 1,064 | 1,081 | 1,118 | 1,162 |
| Minorities                             | 4     | 5     | 5     | 5     | 5     |
| Non-current liabilities                | 209   | 206   | 214   | 223   | 232   |
| Pension provisions                     | 45    | 48    | 49    | 50    | 51    |
| Other provisions                       | 4     | 0     | 0     | 0     | 0     |
| Long-term financial debt               | 127   | 124   | 128   | 132   | 136   |
| Other long-term debt                   | 33    | 34    | 37    | 41    | 45    |
| Current liabilities                    | 222   | 277   | 305   | 307   | 309   |
| Short-term debt                        | 67    | 99    | 120   | 114   | 108   |
| Other accruals short-term              | 13    | 13    | 14    | 14    | 15    |
| Accounts payable                       | 65    | 80    | 83    | 85    | 88    |
| Other liabilities                      | 77    | 84    | 89    | 93    | 98    |
| Total equity and liabilities           | 1,448 | 1,552 | 1,605 | 1,652 | 1,707 |

Source: Company information, Bankhaus Lampe Research estimates

## Wacker Neuson SE – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 56.2% | 54.8% | 55.0% | 55.1% | 53.3% |
| Property, plant and equipment | 26.9% | 27.0% | 28.0% | 28.7% | 27.7% |
| Intangible assets             | 24.5% | 23.3% | 22.5% | 21.9% | 21.2% |
| Current assets                | 43.8% | 45.2% | 45.0% | 44.9% | 46.7% |
| Inventories                   | 29.3% | 30.6% | 31.0% | 31.7% | 32.2% |
| Accounts receivable           | 12.0% | 11.6% | 11.6% | 11.6% | 11.5% |
| Cash                          | 1.0%  | 1.6%  | 1.0%  | 0.3%  | 1.6%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 70.2% | 68.9% | 67.7% | 68.0% | 68.3% |
| Non-current liabilities       | 14.4% | 13.3% | 13.3% | 13.5% | 13.6% |
| Pension provisions            | 3.1%  | 3.1%  | 3.1%  | 3.0%  | 3.0%  |
| Long-term financial debt      | 8.7%  | 8.0%  | 8.0%  | 8.0%  | 8.0%  |
| Current liabilities           | 15.4% | 17.8% | 19.0% | 18.6% | 18.1% |
| Short-term debt               | 4.6%  | 6.4%  | 7.5%  | 6.9%  | 6.3%  |
| Accounts payable              | 4.5%  | 5.2%  | 5.1%  | 5.1%  | 5.1%  |

Source: Company information, Bankhaus Lampe Research estimates

# WashTec AG

## Car washes becoming a cash cow

06/12/2016

**Buy** (Buy)  
**55.00 EUR** (51.00 EUR)

Close 01/12/2016 48.80 EUR  
Bloomberg: WSU GR WKN: 750750  
Sector Industrial

### Share price performance

52 week high 48.80 EUR  
52 week low 26.50 EUR  
Compared to SDAX  
YTD 61.0%  
1 month 11.5%  
12 months 53.7%



### Share data

EV (m EUR; 2016) 661  
Market Cap (m EUR) 653  
No. of shares (m) 13  
Free float 87.4%

### Next event

Annual Results 22/03/2017

### Change in model

|       | Sales | EBIT | EPS  |
|-------|-------|------|------|
| 2016e | 1.6%  | 5.2% | 5.3% |
| 2017e | 2.6%  | 4.1% | 4.1% |
| 2018e | 2.6%  | 2.3% | 2.3% |

### Analyst

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Phone: +49 (0)211 4952-311  
christoph.schlienke@bankhaus-lampe.de

See end of document for disclaimer.

The strong Q3 results have clearly shown that our optimistic forecasts for WashTec AG were still too cautious. We have raised our estimates thanks to the prospect of double-digit growth in Q4 and a very positive gain in Q1 2017 as well. Our price target consequently rises from € 51.00 to € 55.00 and we confirm our BUY rating.

### INVESTMENT CASE

The latest figures again show that the measures taken in recent quarters to strengthen the global sales and marketing activities and improve the company's operations are having a positive effect and will be pursued in a targeted manner. Since WashTec previously held out the prospect of a double-digit EBIT margin for 2016 (2015: 10.7%), a renewed increase of the guidance was unavoidable after the 9M results. The group currently expects its EBIT margin to be up on last year (BHLe: 11.5%). Our EBIT projection is based not least on the expectation of double-digit revenue growth in Q4, which should underscore the scalability of the business model. Due to the high level of orders on hand and the ongoing positive trend both in business with major clients and other customer groups, we expect the last quarter to show high capacity utilisation in the North American and European production facilities and installations.

### CATALYSTS

According to the company, WashTec the outlook for early 2017 is clear. Adopting its now familiar tone, the company is already speaking of appreciable growth – which is an excellent sign that the positive newsflow will continue.

### VALUATION

Given the company's strong cash flow, our valuation is DCF based. Now that we have raised our estimates, we arrive at a new price target of € 55.00 (prev.: € 51.00).

| in m EUR                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|----------------------------|-------|-------|-------|-------|-------|
| Sales                      | 303   | 341   | 365   | 387   | 406   |
| EBIT                       | 18    | 36    | 42    | 45    | 48    |
| EBIT margin                | 6.1%  | 10.7% | 11.5% | 11.7% | 11.8% |
| Net financial debt         | -10   | 3     | -1    | -7    | -12   |
| Free cash-flow             | 25    | 26    | 33    | 31    | 33    |
| EPS (in EUR)               | 0.91  | 1.78  | 2.17  | 2.35  | 2.48  |
| DPS (in EUR)               | 1.65  | 1.70  | 1.90  | 2.10  | 2.30  |
| Dividend yield             | 12.6% | 5.6%  | 3.9%  | 4.3%  | 4.7%  |
| EV/Sales                   | 0.6   | 1.3   | 1.8   | 1.7   | 1.6   |
| EV/EBIT                    | 9.9   | 11.9  | 15.7  | 14.5  | 13.6  |
| Price Earnings ratio (P/E) | 14.3  | 17.1  | 22.5  | 20.8  | 19.7  |

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Modular concept permits all customer needs to be addressed optimally
- WashTec regards itself as a full service provider
- Having auwa Chemie as part of the group enables it to support its clientele with an even wider range of cleaning chemicals and establish itself as a full-service provider
- Growth of global activities should lead to economies of scale in procurement and production and lead to increasing margins
- Many innovations developed by Washtec have won awards, which has boosted sales

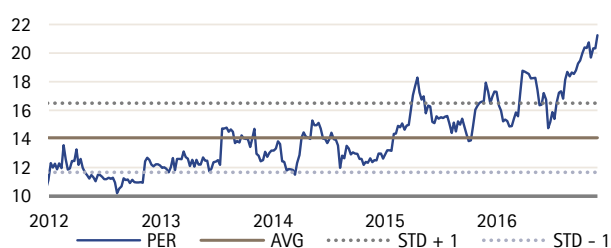
### MANAGEMENT

- Dr. Volker Zimmermann (CTO & CEO)
- Rainer Springs (CFO)
- Karoline Kalb (CHRO)
- Stephan Weber (CSO)

### SHORT-TERM GUIDANCE

- 2016: Q4 with double-digit growth
- 2016: EBIT margin above 2015 level

### HISTORICAL P/E



### COMPANY EVENTS

Next event: 22/03/2017 Annual Results

### KEY RATIOS

|                      | 14    | 15    | 16e   | 17e   | 18e   |
|----------------------|-------|-------|-------|-------|-------|
| R&D/Sales            | -     | -     | -     | -     | -     |
| Capex/Sales          | 1.4%  | 2.1%  | 3.2%  | 2.3%  | 2.3%  |
| Capex/Depreciation   | 0.4   | 0.7   | 1.2   | 0.9   | 0.9   |
| ROCE                 | 17.2% | 36.3% | 40.1% | 40.7% | 41.1% |
| Free cash flow yield | 13.8% | 6.2%  | 5.2%  | 5.0%  | 5.3%  |
| Equity ratio         | 48.9% | 42.2% | 43.7% | 45.4% | 46.7% |
| Net debt / Equity    | -11%  | 3%    | -1%   | -8%   | -13%  |
| Net debt / EBITDA    | -0.3  | 0.1   | 0.0   | -0.1  | -0.2  |
| Interest cover       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

### Weaknesses/Threats (Risks)

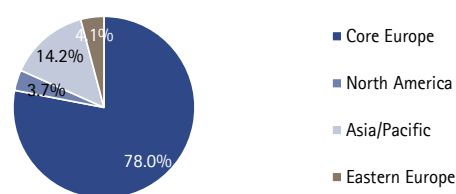
- Many petrochemical companies have stopped investments for master supply agreements
- Changes in driving habits or legal requirements can cut vehicle usage and therefore lead to fewer car washes
- Fluctuations in demand during the year harbour capacity utilisation risks

### COMPANY BACKGROUND

The WashTec group is the world's leading company in the area of cleaning technology for traffic systems. The company employs more than 1,700 staff to manufacture and maintain a product range for all types of vehicle.

### MEDIUM-TERM GUIDANCE

### REVENUE BREAKDOWN (LAST ACTUAL YEAR)



### MAJOR SHAREHOLDERS (%)

|                  |     |
|------------------|-----|
| Kempen           | 9.6 |
| EQMC Europe      | 9.8 |
| Dr. Kurt Schwarz | 8.4 |

### BHL VS. CONSENSUS

|                  | 16e  | 17e  | 18e  |
|------------------|------|------|------|
| Sales (in m EUR) |      |      |      |
| BHL              | 365  | 387  | 406  |
| Consensus        | 367  | 380  | 396  |
| EBIT (in m EUR)  |      |      |      |
| BHL              | 42   | 45   | 48   |
| Consensus        | 43   | 44   | 48   |
| EPS (EUR)        |      |      |      |
| BHL              | 2.17 | 2.35 | 2.48 |
| Consensus        | 2.15 | 2.31 | 2.49 |

Source: Company information, FactSet, BHL estimates

# Key figures

## WashTec AG – Income statement

| in m EUR                             | 2014 | 2015 | 2016e | 2017e | 2018e |
|--------------------------------------|------|------|-------|-------|-------|
| Sales                                | 303  | 341  | 365   | 387   | 406   |
| Own work capitalised                 | 1    | 3    | 2     | 2     | 2     |
| Total sales                          | 303  | 344  | 367   | 389   | 408   |
| Material expenses                    | -120 | -139 | -144  | -155  | -162  |
| Personnel expenses                   | -111 | -113 | -120  | -126  | -131  |
| Unusual or infrequent items          | 0    | 0    | 0     | 0     | 0     |
| Other operating result               | -43  | -46  | -52   | -53   | -57   |
| EBITDA                               | 29   | 46   | 52    | 55    | 58    |
| Depreciation                         | 10   | 10   | 10    | 10    | 10    |
| EBITA                                | 18   | 36   | 42    | 45    | 48    |
| Amortisation of goodwill             | 0    | 0    | 0     | 0     | 0     |
| Amortisation of intangible assets    | 0    | 0    | 0     | 0     | 0     |
| EBIT                                 | 18   | 36   | 42    | 45    | 48    |
| Financial result                     | -1   | -1   | 0     | 0     | 0     |
| Income on ordinary activities        | 18   | 36   | 42    | 45    | 47    |
| Extraordinary income/loss            | 0    | 0    | 0     | 0     | 0     |
| EBT                                  | 18   | 36   | 42    | 45    | 47    |
| Taxes                                | -5   | -11  | -13   | -13   | -14   |
| Net income from cont. operations     | 13   | 25   | 29    | 31    | 33    |
| Net income from discount. operations | 0    | 0    | 0     | 0     | 0     |
| Minority interest                    | 0    | 0    | 0     | 0     | 0     |
| Net income (adj.)                    | 13   | 25   | 29    | 31    | 33    |
| No. of shares                        | 14   | 14   | 13    | 13    | 13    |
| EPS                                  | 0.91 | 1.78 | 2.17  | 2.35  | 2.48  |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Gross margin      | 60.3% | 59.3% | 60.6% | 60.0% | 60.0% |
| EBITDA margin     | 9.5%  | 13.5% | 14.2% | 14.3% | 14.3% |
| EBITA margin      | 6.1%  | 10.7% | 11.5% | 11.7% | 11.8% |
| EBIT margin       | 6.1%  | 10.7% | 11.5% | 11.7% | 11.8% |
| EBT margin        | 5.8%  | 10.5% | 11.5% | 11.6% | 11.7% |
| Net profit margin | 4.2%  | 7.2%  | 8.0%  | 8.1%  | 8.2%  |
| Tax rate          | 28.1% | 31.7% | 30.5% | 30.0% | 30.0% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------|-------|-------|-------|-------|-------|
| Sales             | 1.0%  | 12.6% | 7.1%  | 6.0%  | 5.0%  |
| EBITDA            | 5.8%  | 61.1% | 12.6% | 6.3%  | 5.0%  |
| EBIT              | 7.3%  | 98.5% | 15.5% | 7.3%  | 5.7%  |
| EBT               | 12.2% | >100% | 16.3% | 7.3%  | 5.8%  |
| Net income (adj.) | 13.6% | 93.0% | 18.3% | 8.1%  | 5.8%  |
| EPS               | 13.6% | 95.4% | 21.7% | 8.1%  | 5.8%  |

Source: Company information, Bankhaus Lampe Research estimates

## WashTec AG – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 87   | 86   | 88    | 87    | 86    |
| Property, plant and equipment          | 33   | 32   | 34    | 33    | 32    |
| Intangible assets                      | 49   | 48   | 48    | 48    | 48    |
| Financial assets                       | 0    | 0    | 0     | 0     | 0     |
| Other long-term assets                 | 6    | 6    | 6     | 6     | 6     |
| Current assets                         | 99   | 104  | 109   | 116   | 122   |
| Inventories                            | 35   | 40   | 41    | 42    | 43    |
| Accounts receivable                    | 42   | 46   | 46    | 46    | 46    |
| Other current assets                   | 6    | 11   | 11    | 11    | 11    |
| Securities                             | 0    | 0    | 0     | 0     | 0     |
| Cash                                   | 16   | 8    | 11    | 17    | 22    |
| Total assets                           | 186  | 190  | 196   | 202   | 208   |
| Equity and liabilities in m EUR        |      |      |       |       |       |
| Shareholders' equity                   | 91   | 80   | 86    | 92    | 97    |
| Shareholders' equity (before minority) | 91   | 80   | 86    | 92    | 97    |
| Minorities                             | 0    | 0    | 0     | 0     | 0     |
| Non-current liabilities                | 23   | 22   | 22    | 22    | 22    |
| Pension provisions                     | 10   | 10   | 10    | 10    | 10    |
| Other provisions                       | 3    | 3    | 3     | 3     | 3     |
| Long-term financial debt               | 4    | 4    | 4     | 4     | 4     |
| Other long-term debt                   | 6    | 6    | 6     | 6     | 6     |
| Current liabilities                    | 72   | 87   | 89    | 89    | 89    |
| Short-term debt                        | 2    | 7    | 6     | 6     | 6     |
| Other accruals short-term              | 15   | 13   | 15    | 15    | 15    |
| Accounts payable                       | 6    | 8    | 8     | 8     | 8     |
| Other liabilities                      | 49   | 60   | 60    | 60    | 60    |
| Total equity and liabilities           | 186  | 190  | 196   | 202   | 208   |

Source: Company information, Bankhaus Lampe Research estimates

## WashTec AG – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 46.9% | 45.1% | 44.6% | 42.8% | 41.2% |
| Property, plant and equipment | 17.6% | 16.7% | 17.3% | 16.3% | 15.4% |
| Intangible assets             | 26.1% | 25.1% | 24.2% | 23.5% | 22.9% |
| Current assets                | 53.1% | 54.9% | 55.4% | 57.2% | 58.8% |
| Inventories                   | 19.1% | 21.0% | 20.9% | 20.8% | 20.7% |
| Accounts receivable           | 22.4% | 24.1% | 23.4% | 22.7% | 22.2% |
| Cash                          | 8.4%  | 4.1%  | 5.5%  | 8.3%  | 10.6% |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 48.9% | 42.2% | 43.7% | 45.4% | 46.7% |
| Non-current liabilities       | 12.4% | 11.8% | 11.2% | 10.9% | 10.6% |
| Pension provisions            | 5.3%  | 5.1%  | 4.9%  | 4.8%  | 4.7%  |
| Long-term financial debt      | 2.0%  | 1.9%  | 1.8%  | 1.7%  | 1.7%  |
| Current liabilities           | 38.7% | 46.0% | 45.1% | 43.7% | 42.6% |
| Short-term debt               | 1.2%  | 3.6%  | 3.1%  | 3.0%  | 2.9%  |
| Accounts payable              | 3.2%  | 4.0%  | 3.8%  | 3.7%  | 3.6%  |

Source: Company information, Bankhaus Lampe Research estimates

# windeln.de SE

## Out of sight, out of mind

06/12/2016

**Sell** (Hold)  
**3.00 EUR** (7.00 EUR)

Close 28/11/2016 3.39 EUR

Bloomberg: WDL GR WKN: WNDL11

Sector Retail

### Share price performance

52 week high 10.83 EUR

52 week low 3.36 EUR

Compared to Prime All Share

YTD -63.4%

1 month -18.3%

12 months -59.7%



### Share data

EV (m EUR; 2016) 37

Market Cap (m EUR) 89

No. of shares (m) 26

Free float 55.6%

### Next event

Analyst conference 15/03/2017

### Change in model

|       | Sales  | EBIT   | EPS   |
|-------|--------|--------|-------|
| 2016e | -15.6% | 13.0%  | -4.0% |
| 2017e | -18.8% | 40.7%  | 10.9% |
| 2018e | -18.8% | 107.9% | 43.1% |

### Analyst

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See end of document for disclaimer.

Even at the lower share price level, we still see risks for the company. Our balance sheet model shows that the break-even cannot be achieved with the current liquidity. Windeln.de has disappointed investors a few times this year and now needs to regain their trust. Overall, we see further risks and downgrade the stock, which is trading at a significantly lower share price level, to SELL.

### INVESTMENT CASE

At the end of July, the company had implemented measures to take a customer-oriented focus on the business activities, improve the operating processes and cut costs. It also gave up its shopping club. The Nakiki brand was repositioned and today functions as a ready-to-ship platform in the German shop segment. The company has been setting up a new shop at the Nakiki website through which it is selling primarily clothing, toys and accessories for children up to six years of age. Before value adjustments on inventories, we expect one-off costs of € 2 m. Our projected revenue growth for the next few years reflects the low penetration rate on the market for baby and infant products compared with other product areas (e.g. consumer electronics, shoes, etc.), due to the growing online affinity of young families, which provides the structural pre-requisites for growth. However, we believe that although the negative margin is improving, it will stay in the red and thus, we anticipate capital measures by 2018 at the latest.

### CATALYSTS

We do not expect the company to breakeven before the end of 2018.

### VALUATION

The peer-group median is currently trading at a 2017e EV/sales multiple of 0.7x. At first glance, windeln.de is inexpensive with a multiple of 0.4x, however, we feel this discount is justified since the company's IPO.

| in m EUR                   | 2014   | 2015   | 2016e  | 2017e  | 2018e |
|----------------------------|--------|--------|--------|--------|-------|
| Sales                      | 101    | 179    | 196    | 245    | 306   |
| EBIT                       | -12    | -27    | -32    | -26    | -21   |
| EBIT margin                | -11.6% | -15.4% | -16.4% | -10.4% | -7.0% |
| Net financial debt         | -32    | -85    | -52    | -22    | 4     |
| Free cash-flow             | -7     | -39    | -33    | -31    | -26   |
| EPS (in EUR)               | -0.49  | -1.28  | -1.19  | -0.93  | -0.78 |
| DPS (in EUR)               | 0.00   | 0.00   | 0.00   | 0.00   | 0.00  |
| Dividend yield             | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%  |
| EV/Sales                   | 0.4    | 0.0    | 0.2    | 0.3    | 0.3   |
| EV/EBIT                    | -3.6   | 0.2    | -1.2   | -2.7   | -4.3  |
| Price Earnings ratio (P/E) | -6.9   | -2.6   | -2.9   | -3.6   | -4.4  |

Source: Company information, Bankhaus Lampe Research estimates



# Company Overview

## SWOT

### Strengths/Opportunities

- Structural change from offline to online
- Internationally fragmented market, opportunity arises from consolidation
- Organic growth is strengthened via acquisitions
- Expanding product range to include new product categories
- Scalability should improve margins in medium term

## MANAGEMENT

- Konstantin Urban
- Alexander Brand
- Dr. Nikolaus Weinberger (CFO)
- Jürgen Vedic (COO)

## SHORT-TERM GUIDANCE

- 2016: Revenue of between € 190 and 200 m
- 2016: adj. EBIT margin of -12% and -14%

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 15/03/2017 Analyst conference

## KEY RATIOS

|                      | 14     | 15     | 16e    | 17e    | 18e    |
|----------------------|--------|--------|--------|--------|--------|
| R&D/Sales            | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| Capex/Sales          | 0.1%   | 0.6%   | 1.0%   | 1.6%   | 1.6%   |
| Capex/Depreciation   | 0.8    | 3.0    | 0.9    | 6.3    | 7.0    |
| ROCE                 | -27.5% | -23.2% | -37.7% | -42.0% | -48.4% |
| Free cash flow yield | -2.0%  | -15.3% | -30.5% | -28.4% | -23.8% |
| Equity ratio         | 60.7%  | 72.0%  | 62.3%  | 49.5%  | 33.4%  |
| Net debt / Equity    | -93%   | -74%   | -62%   | -36%   | 11%    |
| Net debt / EBITDA    | 2.8    | 3.1    | 1.7    | 0.9    | -0.2   |
| Interest cover       | < -10  | -9.4   | 0.0    | 0.0    | 0.0    |

### Weaknesses/Threats (Risks)

- Low barriers to market entry
- Exposure to China associated with possible regulatory changes
- Concentration on manufacturer level
- Infrastructure und technology must always be up to date

## COMPANY BACKGROUND

windeln.de is one of the leading pure online retailers for baby and children's products in Europe offering one of the most comprehensive product ranges including nappies, baby food, children's furniture, toys, clothing, baby phones and car seats. Customers are won over with entry-level products,, which permits cross-selling of higher-margin in products. This leads to a re-purchase rate of >80% and marketing costs per purchase of € 3.60.

## MEDIUM-TERM GUIDANCE

- Reduction of cost of sales as % of revenue sales
- Minimising of fulfilment costs as % of revenue

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)

n.a.

## MAJOR SHAREHOLDERS (%)

|                        |      |
|------------------------|------|
| DN Capital Ltd.        | 13.8 |
| Acton Capital Partners | 11.1 |
| MCI Capital TFI SA     | 15.0 |

## BHL VS. CONSENSUS

|                  | 16e   | 17e   | 18e   |
|------------------|-------|-------|-------|
| Sales (in m EUR) |       |       |       |
| BHL              | 196   | 245   | 306   |
| Consensus        | 204   | 241   | 285   |
| EBIT (in m EUR)  |       |       |       |
| BHL              | -32   | -26   | -21   |
| Consensus        | 0     | 0     | 0     |
| EPS (EUR)        |       |       |       |
| BHL              | -1.19 | -0.93 | -0.78 |
| Consensus        | -1.26 | -0.96 | -0.79 |

Source: Company information, FactSet, BHL estimates

# Key figures

## windeln.de SE – Income statement

| in m EUR                             | 2014  | 2015  | 2016e | 2017e | 2018e |
|--------------------------------------|-------|-------|-------|-------|-------|
| Sales                                | 101   | 179   | 196   | 245   | 306   |
| Cost of Sales                        | -78   | -131  | -143  | -179  | -224  |
| Gross profit                         | 23    | 47    | 53    | 66    | 83    |
| Sales and marketing                  | -27   | -54   | -68   | -78   | -92   |
| General and administration           | -9    | -23   | -24   | -25   | -26   |
| Research and development             | 0     | 0     | 0     | 0     | 0     |
| Other operating result               | 0     | 3     | 7     | 12    | 14    |
| EBITDA                               | -12   | -27   | -30   | -25   | -21   |
| Depreciation                         | 0     | 0     | 2     | 1     | 1     |
| EBITA                                | -12   | -27   | -32   | -26   | -21   |
| Amortisation of goodwill             | 0     | 0     | 0     | 0     | 0     |
| Amortisation of intangible assets    | 0     | 0     | 0     | 0     | 0     |
| EBIT                                 | -12   | -27   | -32   | -26   | -21   |
| Financial result                     | 2     | -3    | 1     | 1     | 1     |
| Income on ordinary activities        | -10   | -30   | -31   | -25   | -20   |
| Extraordinary income/loss            | 0     | 0     | 0     | 0     | 0     |
| EBT                                  | -10   | -30   | -31   | -25   | -20   |
| Taxes                                | 0     | 0     | 0     | 0     | 0     |
| Net income from cont. operations     | -10   | -30   | -31   | -25   | -20   |
| Net income from discount. operations | 0     | 0     | 0     | 0     | 0     |
| Minority interest                    | 0     | 0     | 0     | 0     | 0     |
| Net income (adj.)                    | -10   | -30   | -31   | -25   | -20   |
| No. of shares                        | 20    | 24    | 26    | 26    | 26    |
| EPS (in EUR)                         | -0.49 | -1.28 | -1.19 | -0.93 | -0.78 |

Source: Company information, Bankhaus Lampe Research estimates

|                   | 2014   | 2015   | 2016e  | 2017e  | 2018e |
|-------------------|--------|--------|--------|--------|-------|
| Gross margin      | 23.1%  | 26.4%  | 27.0%  | 27.0%  | 27.0% |
| EBITDA margin     | -11.4% | -15.2% | -15.3% | -10.2% | -6.8% |
| EBITA margin      | -11.6% | -15.4% | -16.4% | -10.4% | -7.0% |
| EBIT margin       | -11.6% | -15.4% | -16.4% | -10.4% | -7.0% |
| EBT margin        | -9.5%  | -17.0% | -15.9% | -10.0% | -6.7% |
| Net profit margin | -9.7%  | -17.0% | -15.9% | -10.0% | -6.7% |
| Tax rate          | -2.5%  | 0.0%   | 0.0%   | 0.0%   | 0.0%  |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy  | 2014   | 2015  | 2016e | 2017e  | 2018e  |
|-------------------|--------|-------|-------|--------|--------|
| Sales             | >100%  | 76.3% | 9.7%  | 25.0%  | 25.0%  |
| EBITDA            | -4.8%  | >100% | 10.6% | -16.8% | -16.7% |
| EBIT              | -4.1%  | >100% | 17.0% | -20.6% | -15.9% |
| EBT               | -21.7% | >100% | 2.5%  | -21.3% | -16.5% |
| Net income (adj.) | -19.9% | >100% | 2.6%  | -21.3% | -16.5% |
| EPS               | 3.2%   | >100% | -7.5% | -21.4% | -16.5% |

Source: Company information, Bankhaus Lampe Research estimates

## windeln.de SE – Balance sheet

| Assets (in m EUR)                      | 2014 | 2015 | 2016e | 2017e | 2018e |
|--|------|------|-------|-------|-------|
| Fixed assets                           | 5    | 34   | 34    | 37    | 41    |
| Property, plant and equipment          | 0    | 1    | 1     | 2     | 2     |
| Intangible assets                      | 4    | 32   | 32    | 35    | 39    |
| Financial assets                       | 0    | 0    | 0     | 0     | 0     |
| Other long-term assets                 | 0    | 0    | 1     | 1     | 1     |
| Current assets                         | 53   | 125  | 101   | 83    | 74    |
| Inventories                            | 11   | 27   | 37    | 48    | 59    |
| Accounts receivable                    | 2    | 4    | 5     | 5     | 6     |
| Other current assets                   | 6    | 5    | 6     | 7     | 8     |
| Securities                             | 0    | 0    | 0     | 0     | 0     |
| Cash                                   | 34   | 89   | 54    | 23    | 1     |
| Total assets                           | 57   | 159  | 134   | 120   | 116   |
| Equity and liabilities (in m EUR)      |      |      |       |       |       |
| Shareholders' equity                   | 35   | 115  | 84    | 59    | 39    |
| Shareholders' equity (before minority) | 35   | 115  | 84    | 59    | 39    |
| Minorities                             | 0    | 0    | 0     | 0     | 0     |
| Non-current liabilities                | 7    | 10   | 8     | 8     | 13    |
| Pension provisions                     | 6    | 0    | 0     | 0     | 0     |
| Other provisions                       | 0    | 0    | 0     | 0     | 0     |
| Long-term financial debt               | 0    | 4    | 1     | 1     | 5     |
| Other long-term debt                   | 0    | 6    | 7     | 7     | 8     |
| Current liabilities                    | 16   | 34   | 43    | 52    | 64    |
| Short-term debt                        | 2    | 0    | 1     | 1     | 1     |
| Other accruals short-term              | 1    | 2    | 3     | 4     | 4     |
| Accounts payable                       | 11   | 22   | 29    | 38    | 48    |
| Other liabilities                      | 2    | 10   | 10    | 10    | 12    |
| Total equity and liabilities           | 57   | 159  | 134   | 120   | 116   |

Source: Company information, Bankhaus Lampe Research estimates

## windeln.de SE – Balance sheet structure

| Assets                        | 2014  | 2015  | 2016e | 2017e | 2018e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets                  | 7.9%  | 21.4% | 25.1% | 30.9% | 35.6% |
| Property, plant and equipment | 0.8%  | 0.8%  | 1.0%  | 1.3%  | 1.5%  |
| Intangible assets             | 7.1%  | 20.3% | 23.8% | 29.3% | 33.7% |
| Current assets                | 92.1% | 78.6% | 74.9% | 69.1% | 64.4% |
| Inventories                   | 18.9% | 17.0% | 27.2% | 39.8% | 51.4% |
| Accounts receivable           | 3.5%  | 2.6%  | 3.3%  | 4.2%  | 4.8%  |
| Cash                          | 59.4% | 55.6% | 39.8% | 19.2% | 1.2%  |
| Equity and liabilities        |       |       |       |       |       |
| Shareholders' equity          | 60.7% | 72.0% | 62.3% | 49.5% | 33.4% |
| Non-current liabilities       | 12.0% | 6.4%  | 5.9%  | 7.0%  | 11.2% |
| Pension provisions            | 11.2% | 0.1%  | 0.1%  | 0.2%  | 0.2%  |
| Long-term financial debt      | 0.1%  | 2.3%  | 0.7%  | 0.8%  | 4.3%  |
| Current liabilities           | 27.4% | 21.6% | 31.8% | 43.5% | 55.4% |
| Short-term debt               | 2.7%  | 0.0%  | 0.4%  | 0.4%  | 0.4%  |
| Accounts payable              | 19.0% | 14.1% | 21.8% | 31.8% | 41.1% |

Source: Company information, Bankhaus Lampe Research estimates

# Screening tables

## Overview German Small Caps

| Company          | Analyst                | Reco | Price Target | Free Float factor |
|------------------|------------------------|------|--------------|-------------------|
| Adler Mode       | Schlienkamp, Christoph | Hold | 5.00         | 0.05              |
| Ahlers           | Schlienkamp, Christoph | Hold | 8.00         | 0.04              |
| Aixtron          | Iltgen, Karsten        | Hold | 3.60         | 0.00              |
| Amadeus FiRe     | Schlienkamp, Christoph | Hold | 75.00        | 0.05              |
| Bastei Lübbe     | Schlienkamp, Christoph | Hold | 6.00         | 0.06              |
| Bauer            | Gabriel, Marc          | Hold | 13.00        | 0.03              |
| BayWa            | Gabriel, Marc          | Hold | 33.00        | 0.03              |
| BVB              | Schlienkamp, Christoph | Buy  | 7.00         | 0.01              |
| Capital Stage    | Schlienkamp, Christoph | Buy  | 9.00         | 0.04              |
| CEWE             | Schlienkamp, Christoph | Hold | 77.00        | 0.02              |
| comdirect        | Smith, Neil            | Hold | 9.00         | 0.03              |
| Datron           | Schlienkamp, Christoph | Buy  | 12.00        | 0.03              |
| Delticom         | Schlienkamp, Christoph | Sell | 12.00        | 0.00              |
| DBAG             | Schlienkamp, Christoph | Buy  | 36.50        | 0.04              |
| Deutz            | Schönell, Gordon       | Hold | 4.40         | 0.01              |
| DIC Asset        | Kanders, Georg         | Buy  | 9.90         | 0.04              |
| EDAG             | Schmidt, Malte Janek   | Hold | 16.00        | 0.06              |
| ElringKlinger    | Ludwig, Christian      | Hold | 13.00        | 0.04              |
| euromicron       | Specht, Wolfgang       | Hold | 7.00         | 0.00              |
| Gesco            | Schlienkamp, Christoph | Hold | 71.00        | 0.03              |
| GfK              | Schlienkamp, Christoph | Hold | 26.00        | 0.02              |
| Grammer          | Ludwig, Christian      | Hold | 52.00        | 0.03              |
| Hawesko          | Schlienkamp, Christoph | Sell | 37.00        | 0.03              |
| Leifheit         | Schlienkamp, Christoph | Buy  | 65.00        | 0.05              |
| LPKF             | Iltgen, Karsten        | Hold | 7.00         | 0.02              |
| Manz             | Iltgen, Karsten        | Buy  | 40.00        | 0.00              |
| Masterflex       | Schlienkamp, Christoph | Hold | 7.00         | 0.00              |
| MLP              | Schäfer, Andreas       | Hold | 3.50         | 0.05              |
| Puma             | Steiner, Peter         | Sell | 170.00       | 0.00              |
| QSC              | Specht, Wolfgang       | Hold | 2.00         | 0.03              |
| R. Stahl         | Schönell, Gordon       | Hold | 26.00        | 0.01              |
| Schaltbau        | Schlienkamp, Christoph | Hold | 30.00        | 0.03              |
| SGL Carbon       | Gabriel, Marc          | Hold | 9.00         | 0.00              |
| SHW              | Schmidt, Malte Janek   | Buy  | 37.00        | 0.03              |
| SÜSS MicroTec    | Iltgen, Karsten        | Hold | 7.00         | 0.00              |
| technotrans      | Schönell, Gordon       | Buy  | 26.00        | 0.03              |
| VIB              | Kanders, Georg         | Buy  | 21.00        | 0.03              |
| VTG              | Bauer, Stephan         | Buy  | 34.00        | 0.02              |
| Villeroy Et Boch | Schlienkamp, Christoph | Hold | 13.00        | 0.04              |
| Wacker Neuson    | Gabriel, Marc          | Hold | 13.00        | 0.03              |
| WashTec          | Schlienkamp, Christoph | Buy  | 55.00        | 0.04              |
| windeln.de       | Schlienkamp, Christoph | Sell | 3.00         | 0.00              |
| W&W              | Schäfer, Andreas       | Buy  | 23.00        | 0.04              |

Source: Bankhaus Lampe, FactSet

## Performance

| Company                           | Kurs   | Performance |        |        |       |        |        |        |
|-----------------------------------|--------|-------------|--------|--------|-------|--------|--------|--------|
|                                   |        | YTD         | 1M     | 3M     | 1J    | 3J     | 5J     | 10J    |
| Adler Modemaerkte AG              | 4.74   | -53.1%      | -3.3%  | -32.8% | -1.0% | -46.9% | n.a.   | n.a.   |
| Ahlers AG                         | 7.13   | -8.0%       | 1.8%   | 3.9%   | 1.8%  | -35.8% | -26.9% | -57.3% |
| AIXTRON SE                        | 3.83   | -7.2%       | -19.9% | -30.5% | -0.7% | -61.9% | -60.0% | 23.6%  |
| Amadeus FiRe AG                   | 73.01  | -2.6%       | 0.3%   | 15.0%  | 2.3%  | 44.6%  | 170.4% | 444.4% |
| Bastei Luebbe AG                  | 5.50   | -25.7%      | -4.4%  | -9.8%  | 4.8%  | n.a.   | n.a.   | n.a.   |
| BAUER AG                          | 9.45   | -45.7%      | -19.5% | -25.4% | -5.4% | -47.8% | -55.5% | n.a.   |
| BayWa AG                          | 29.90  | 5.3%        | -0.9%  | -0.2%  | 1.8%  | -19.8% | -6.2%  | 18.3%  |
| Borussia Dortmund GmbH & Co. KGaA | 4.79   | 19.2%       | -14.9% | 11.0%  | 0.5%  | 28.3%  | 126.2% | 115.2% |
| Capital Stage AG                  | 6.30   | -20.1%      | 0.5%   | -6.3%  | 0.3%  | 79.6%  | 99.0%  | 231.4% |
| CEWE Stiftung & Co. KGaA          | 78.95  | 44.6%       | -5.1%  | 4.6%   | -2.9% | 90.7%  | 173.5% | 140.0% |
| CHORUS Clean Energy AG            | 10.98  | 12.6%       | -0.2%  | 4.6%   | n.a.  | n.a.   | n.a.   | n.a.   |
| comdirect bank AG                 | 9.61   | -11.8%      | 2.8%   | 2.5%   | 1.3%  | 17.2%  | 26.1%  | 16.6%  |
| Datron AG                         | 8.77   | -11.4%      | -1.5%  | -3.5%  | 3.3%  | 9.6%   | n.a.   | n.a.   |
| Delticom AG                       | 16.49  | -20.8%      | -5.3%  | -11.9% | -3.1% | -53.2% | -76.2% | n.a.   |
| DEUTZ AG                          | 5.15   | 39.4%       | 19.7%  | 28.4%  | -4.1% | -17.2% | 25.5%  | -47.9% |
| DIC Asset AG                      | 8.24   | -11.6%      | -3.5%  | -7.2%  | -0.7% | 30.2%  | 43.9%  | -65.4% |
| EDAG Engineering Group AG         | 13.43  | -40.3%      | -9.2%  | -4.7%  | -0.9% | n.a.   | n.a.   | n.a.   |
| ElringKlinger AG                  | 13.13  | -44.1%      | -6.1%  | -17.7% | -0.8% | -55.6% | -29.2% | -16.8% |
| euromicron AG                     | 5.91   | -21.9%      | -16.5% | -17.4% | 1.0%  | -58.5% | -63.8% | -70.6% |
| Evotec AG                         | 6.11   | 46.5%       | 24.2%  | 33.5%  | -0.9% | 57.0%  | 154.2% | 97.1%  |
| GESCO AG                          | 66.90  | -5.7%       | -5.5%  | -2.7%  | 0.6%  | -6.2%  | 3.7%   | 65.6%  |
| GfK SE                            | 30.07  | -2.7%       | -1.1%  | 2.6%   | -6.6% | -28.9% | -3.0%  | -11.8% |
| Hawesko Holding AG                | 40.85  | -1.5%       | 0.9%   | -0.2%  | -2.0% | 6.1%   | 14.1%  | 96.4%  |
| HolidayCheck Group AG             | 2.25   | -36.6%      | 4.6%   | -13.5% | -0.4% | -45.2% | -33.9% | -8.2%  |
| Leifheit AG                       | 55.13  | 11.4%       | -4.9%  | -1.7%  | -0.1% | 80.4%  | 171.7% | 220.2% |
| LPKF Laser & Electronics AG       | 6.11   | -15.1%      | -3.2%  | -36.4% | -2.5% | -67.0% | 47.0%  | 145.4% |
| Manz AG                           | 31.98  | -5.4%       | -2.9%  | -5.4%  | -0.4% | -48.5% | 83.6%  | n.a.   |
| Masterflex SE                     | 6.60   | 10.9%       | 1.2%   | 3.1%   | 0.0%  | -3.8%  | 35.3%  | -66.1% |
| MLP AG                            | 4.15   | 13.1%       | 15.3%  | 10.7%  | 0.8%  | -17.5% | -16.0% | -72.7% |
| PUMA SE                           | 233.65 | 17.6%       | 6.9%   | 3.6%   | -0.5% | 0.4%   | 4.8%   | -16.6% |
| QSC AG                            | 1.94   | 28.5%       | 6.5%   | 1.7%   | -3.3% | -51.9% | -15.3% | -61.8% |
| R. Stahl AG                       | 29.40  | -11.5%      | -2.6%  | -5.8%  | 0.0%  | -23.2% | 47.0%  | -8.1%  |
| Schaltbau Holding AG              | 30.66  | -39.9%      | 11.2%  | -8.8%  | 1.5%  | -34.7% | 27.7%  | 243.2% |
| SGL Carbon SE                     | 8.71   | -25.7%      | -12.4% | -12.3% | 1.2%  | -66.6% | -77.5% | -43.7% |
| SHW AG                            | 31.75  | 18.0%       | 0.6%   | 12.1%  | -2.6% | -27.9% | n.a.   | n.a.   |
| SUSS MicroTec AG                  | 6.07   | -27.3%      | 2.0%   | -3.7%  | -2.8% | -1.3%  | -14.8% | -10.9% |
| technotrans AG                    | 23.99  | 24.3%       | 7.6%   | 8.3%   | 1.6%  | 209.5% | 451.1% | 3.9%   |
| VIB Vermoegen AG                  | 18.53  | 8.4%        | -3.1%  | -4.5%  | -0.5% | 56.2%  | 176.6% | n.a.   |
| Villeroy & Boch AG Pref           | 13.94  | 13.8%       | 0.3%   | 1.0%   | -1.1% | 36.7%  | 128.6% | 9.9%   |
| Wacker Neuson SE                  | 13.35  | -6.2%       | 8.2%   | 1.1%   | -1.0% | 11.3%  | 45.9%  | n.a.   |
| WashTec AG                        | 48.40  | 58.7%       | 8.0%   | 18.0%  | -3.2% | 361.0% | 617.0% | 252.0% |
| windeln.de SE                     | 3.30   | -68.9%      | -19.0% | -17.0% | 3.4%  | n.a.   | n.a.   | n.a.   |
| Wustenrot & Wurttembergische AG   | 17.73  | -11.2%      | -0.6%  | -2.2%  | -0.6% | 5.8%   | 26.5%  | -12.5% |

Source: Bankhaus Lampe, FactSet

## EV/Sales

| Company                           | EV/ Sales |       |       |
|-----------------------------------|-----------|-------|-------|
|                                   | 2016e     | 2017e | 2018e |
| Adler Modemärkte AG               | 0.24      | 0.23  | 0.22  |
| Ahlers AG                         | 0.55      | 0.53  | 0.51  |
| AIXTRON SE                        | 1.45      | 1.31  | -0.60 |
| Amadeus FiRe AG                   | 1.95      | 1.89  | 1.83  |
| Bastei Lübbe AG                   | 0.87      | 0.76  | 0.67  |
| BAUER Aktiengesellschaft          | 0.72      | 0.69  | 0.66  |
| BayWa AG                          | 0.28      | 0.28  | 0.27  |
| Borussia Dortmund GmbH & Co. KGaA | 0.90      | 0.02  | 0.00  |
| Capital Stage AG                  | 12.28     | 7.65  | 7.14  |
| CEWE Stiftung & Co. KGaA          | 1.07      | 1.01  | 0.94  |
| comdirect bank AG                 | n.a.      | n.a.  | n.a.  |
| DATRON AG                         | 0.64      | 0.57  | 0.51  |
| Delticom AG                       | 0.35      | 0.32  | 0.29  |
| Deutsche Beteiligungs AG          | 4.69      | 5.03  | 4.14  |
| Deutz AG                          | 0.49      | 0.42  | 0.37  |
| DIC Asset AG                      | 15.70     | 16.36 | 15.31 |
| EDAG Engineering Group AG         | 0.66      | 0.63  | 0.56  |
| ErlingKlinger AG                  | 0.99      | 0.98  | 0.95  |
| euromicron AG                     | 0.36      | 0.34  | 0.33  |
| Gesco AG                          | 0.71      | 0.67  | 0.65  |
| GfK SE                            | 0.97      | 0.94  | 0.90  |
| Grammer AG                        | 0.48      | 0.44  | 0.40  |
| Hawesko Holding AG                | 0.77      | 0.75  | 0.72  |
| Leifheit AG                       | 1.04      | 0.99  | 0.95  |
| LPKF Laser & Electronics AG       | 2.78      | 2.40  | 2.21  |
| Manz AG                           | 1.10      | 0.95  | 0.70  |
| Masterflex SE                     | 1.15      | 1.06  | 0.99  |
| MLP AG                            | n.a.      | n.a.  | n.a.  |
| PUMA SE                           | 0.65      | 0.60  | 0.53  |
| QSC AG                            | 0.86      | 0.85  | 0.86  |
| R. STAHL AG                       | 1.19      | 1.20  | 1.15  |
| Schaltbau Holding AG              | 0.77      | 0.68  | 0.63  |
| SGL CARBON SE                     | 1.59      | 1.82  | 1.67  |
| SHW AG                            | 0.45      | 0.44  | 0.36  |
| SÜSS MicroTec AG                  | -0.22     | -0.25 | -0.27 |
| technotrans AG                    | 1.10      | 0.85  | 0.75  |
| VIB Vermögen AG                   | 13.56     | 13.46 | 12.77 |
| VTG Aktiengesellschaft            | 2.72      | 2.63  | 2.53  |
| Villeroy & Boch AG                | 0.60      | 0.57  | 0.53  |
| Wacker Neuson SE                  | 0.93      | 0.88  | 0.82  |
| WashTec AG                        | 1.75      | 1.63  | 1.54  |
| windeln.de SE                     | 0.29      | 0.36  | 0.37  |
| Wüstenrot & Württembergische AG   | n.a.      | n.a.  | n.a.  |

Source: Bankhaus Lampe, FactSet

## EV/EBIT

| Company                           | EV/ EBIT |        |        |
|-----------------------------------|----------|--------|--------|
|                                   | 2016e    | 2017e  | 2018e  |
| Adler Modemärkte AG               | 567.79   | 10.08  | 7.90   |
| Ahlers AG                         | 27.53    | 18.80  | 14.60  |
| AIXTRON SE                        | -11.11   | -70.13 | -10.24 |
| Amadeus FiRe AG                   | 11.53    | 11.18  | 10.83  |
| Bastei Lübbe AG                   | 14.23    | 7.22   | 5.30   |
| BAUER Aktiengesellschaft          | 15.52    | 14.06  | 13.05  |
| BayWa AG                          | 28.63    | 23.55  | 21.47  |
| Borussia Dortmund GmbH & Co. KGaA | 9.28     | 0.36   | -0.03  |
| Capital Stage AG                  | 42.37    | 21.13  | 19.45  |
| CEWE Stiftung & Co. KGaA          | 13.48    | 12.16  | 10.83  |
| comdirect bank AG                 | n.a.     | n.a.   | n.a.   |
| DATRON AG                         | 8.94     | 6.85   | 6.18   |
| Delticom AG                       | 34.91    | 16.96  | 10.15  |
| Deutsche Beteiligungs AG          | 6.14     | 7.85   | 6.09   |
| Deutz AG                          | 27.50    | 14.50  | 11.34  |
| DIC Asset AG                      | 22.71    | 32.55  | 29.30  |
| EDAG Engineering Group AG         | 13.68    | 9.16   | 6.84   |
| ElringKlinger AG                  | 11.91    | 10.81  | 9.74   |
| euromicron AG                     | -35.23   | 25.62  | 14.22  |
| Gesco AG                          | 14.81    | 11.13  | 10.38  |
| GfK SE                            | -53.82   | 9.65   | 8.54   |
| Grammer AG                        | 12.39    | 9.46   | 7.90   |
| Hawesko Holding AG                | 12.10    | 12.84  | 12.03  |
| Leifheit AG                       | 11.58    | 11.29  | 10.35  |
| LPKF Laser & Electronics AG       | -24.41   | 24.01  | 14.41  |
| Manz AG                           | -6.87    | 121.70 | 9.04   |
| Masterflex SE                     | 11.44    | 9.78   | 8.98   |
| MLP AG                            | n.a.     | n.a.   | n.a.   |
| PUMA SE                           | 19.61    | 14.25  | 11.20  |
| QSC AG                            | 152.71   | 37.76  | 21.68  |
| R. STAHL AG                       | 47.51    | 62.09  | 39.49  |
| Schaltbau Holding AG              | 38.13    | 13.73  | 10.14  |
| SGL CARBON SE                     | -372.17  | 31.17  | 26.28  |
| SHW AG                            | 10.12    | 9.84   | 7.12   |
| SÜSS MicroTec AG                  | -4.02    | -3.84  | -4.56  |
| technotrans AG                    | 16.53    | 10.82  | 8.62   |
| VIB Vermögen AG                   | 16.05    | 15.92  | 15.72  |
| VTG Aktiengesellschaft            | 18.31    | 16.22  | 14.77  |
| Villeroy & Boch AG                | 10.65    | 9.64   | 8.71   |
| Wacker Neuson SE                  | 15.31    | 12.75  | 11.39  |
| WashTec AG                        | 15.14    | 13.98  | 13.12  |
| windeln.de SE                     | -1.78    | -3.45  | -5.29  |
| Wüstenrot & Württembergische AG   | n.a.     | n.a.   | n.a.   |

Source: Bankhaus Lampe, FactSet

## Dividend yield

| Company                           | Dividend yield |       |       |
|-----------------------------------|----------------|-------|-------|
|                                   | 2016e          | 2017e | 2018e |
| Adler Modemärkte AG               | 5.1%           | 5.1%  | 5.1%  |
| Ahlers AG                         | 3.6%           | 3.7%  | 4.5%  |
| AIXTRON SE                        | 0.0%           | 0.0%  | 0.0%  |
| Amadeus FiRe AG                   | 5.0%           | 5.1%  | 5.3%  |
| Bastei Lübbe AG                   | 5.2%           | 6.1%  | 7.0%  |
| BAUER Aktiengesellschaft          | 1.2%           | 2.0%  | 2.4%  |
| BayWa AG                          | 2.9%           | 3.1%  | 3.1%  |
| Borussia Dortmund GmbH & Co. KGaA | 1.5%           | 0.0%  | 0.0%  |
| Capital Stage AG                  | 3.0%           | 3.4%  | 3.9%  |
| CEWE Stiftung & Co. KGaA          | 1.9%           | 2.0%  | 2.0%  |
| comdirect bank AG                 | 3.1%           | 3.1%  | 3.1%  |
| DATRON AG                         | 2.3%           | 2.8%  | 3.4%  |
| Delticom AG                       | 0.0%           | 0.0%  | 2.8%  |
| Deutsche Beteiligungs AG          | 4.1%           | 4.0%  | 4.0%  |
| Deutz AG                          | 1.7%           | 1.7%  | 2.8%  |
| DIC Asset AG                      | 4.1%           | 4.1%  | 4.1%  |
| EDAG Engineering Group AG         | 5.1%           | 5.1%  | 5.1%  |
| ElringKlinger AG                  | 4.1%           | 4.1%  | 4.1%  |
| euromicron AG                     | 0.0%           | 0.0%  | 0.0%  |
| Gesco AG                          | 2.8%           | 3.1%  | 3.4%  |
| GfK SE                            | 2.1%           | 2.1%  | 2.1%  |
| Grammer AG                        | 1.9%           | 2.4%  | 2.8%  |
| Hawesko Holding AG                | 3.2%           | 3.2%  | 3.2%  |
| Leifheit AG                       | 5.3%           | 5.8%  | 6.3%  |
| LPKF Laser & Electronics AG       | 0.0%           | 1.3%  | 2.3%  |
| Manz AG                           | 0.0%           | 0.0%  | 0.0%  |
| Masterflex SE                     | 0.0%           | 0.0%  | 0.0%  |
| MLP AG                            | 2.4%           | 5.0%  | 5.2%  |
| PUMA SE                           | 0.4%           | 0.6%  | 0.8%  |
| QSC AG                            | 1.5%           | 2.6%  | 2.6%  |
| R. STAHL AG                       | 1.9%           | 1.3%  | 1.3%  |
| Schaltbau Holding AG              | 0.0%           | 3.8%  | 3.8%  |
| SGL CARBON SE                     | 0.0%           | 0.0%  | 0.0%  |
| SHW AG                            | 3.5%           | 3.5%  | 3.5%  |
| SÜSS MicroTec AG                  | 0.0%           | 0.0%  | 0.0%  |
| technotrans AG                    | 2.2%           | 3.1%  | 3.8%  |
| VIB Vermögen AG                   | 2.9%           | 3.0%  | 3.3%  |
| VTG Aktiengesellschaft            | 2.0%           | 2.1%  | 2.4%  |
| Villeroy & Boch AG                | 4.4%           | 4.7%  | 5.1%  |
| Wacker Neuson SE                  | 2.8%           | 2.8%  | 3.5%  |
| WashTec AG                        | 4.0%           | 4.5%  | 4.9%  |
| windeln.de SE                     | 0.0%           | 0.0%  | 0.0%  |
| Wüstenrot & Württembergische AG   | 3.6%           | 3.9%  | 4.2%  |

Source: Bankhaus Lampe, FactSet



## Price/earnings ratio

| Company                           | P/E    |        |       |
|-----------------------------------|--------|--------|-------|
|                                   | 2016e  | 2017e  | 2018e |
| Adler Modemärkte AG               | n.m.   | 17.38  | 11.97 |
| Ahlers AG                         | 35.33  | 23.13  | 16.61 |
| AIXTRON SE                        | n.m.   | n.m.   | 38.63 |
| Amadeus FiRe AG                   | 20.16  | 19.64  | 19.03 |
| Bastei Lübbe AG                   | 15.76  | 9.39   | 6.19  |
| BAUER Aktiengesellschaft          | 16.47  | 10.03  | 8.11  |
| BayWa AG                          | 22.34  | 14.68  | 13.48 |
| Borussia Dortmund GmbH & Co. KGaA | 14.96  | 35.97  | 29.49 |
| Capital Stage AG                  | n.m.   | 25.69  | 22.18 |
| CEWE Stiftung & Co. KGaA          | 16.67  | 16.47  | 15.21 |
| comdirect bank AG                 | 15.29  | 22.93  | 22.91 |
| DATRON AG                         | 15.31  | 11.68  | 10.54 |
| Delticom AG                       | 51.02  | 24.24  | 15.30 |
| Deutsche Beteiligungs AG          | 8.58   | 10.25  | 8.14  |
| Deutz AG                          | 38.62  | 20.59  | 17.52 |
| DIC Asset AG                      | 22.11  | 38.91  | 24.72 |
| EDAG Engineering Group AG         | 18.85  | 11.16  | 8.29  |
| ElingKlinger AG                   | 10.53  | 9.11   | 7.99  |
| euromicron AG                     | n.m.   | n.m.   | 16.60 |
| Gesco AG                          | 19.35  | 14.02  | 12.92 |
| GfK SE                            | n.m.   | 12.57  | 11.06 |
| Grammer AG                        | 13.03  | 9.87   | 8.53  |
| Hawesko Holding AG                | 18.56  | 19.71  | 18.65 |
| Leifheit AG                       | 18.43  | 17.92  | 16.34 |
| LPKF Laser & Electronics AG       | n.m.   | 19.48  | 11.25 |
| Manz AG                           | n.m.   | 242.76 | 11.08 |
| Masterflex SE                     | 17.41  | 13.86  | 12.76 |
| MLP AG                            | 28.97  | 12.53  | 12.21 |
| PUMA SE                           | 56.99  | 38.07  | 30.80 |
| QSC AG                            | n.m.   | 104.88 | 32.62 |
| R. STAHL AG                       | 72.63  | 95.31  | 46.10 |
| Schaltbau Holding AG              | 106.16 | 15.11  | 10.20 |
| SGL CARBON SE                     | n.m.   | 13.01  | 83.83 |
| SHW AG                            | 15.99  | 15.80  | 11.64 |
| SÜSS MicroTec AG                  | 19.51  | 17.16  | 18.02 |
| technotrans AG                    | 22.13  | 15.67  | 12.92 |
| VIB Vermögen AG                   | 13.37  | 12.65  | 11.70 |
| VTG Aktiengesellschaft            | 19.56  | 14.49  | 11.92 |
| Villeroy & Boch AG                | 12.72  | 11.81  | 10.99 |
| Wacker Neuson SE                  | 17.91  | 14.50  | 13.06 |
| WashTec AG                        | 22.29  | 20.63  | 19.50 |
| windeln.de SE                     | n.m.   | n.m.   | n.m.  |
| Wüstenrot & Württembergische AG   | 7.02   | 7.27   | 7.25  |

Source: Bankhaus Lampe, FactSet

## Price/book ratio

| Company                           | Price/book value |       |       |
|-----------------------------------|------------------|-------|-------|
|                                   | 2016e            | 2017e | 2018e |
| Adler Modemärkte AG               | 0.95             | 0.95  | 0.92  |
| Ahlers AG                         | 0.62             | 0.62  | 0.60  |
| AIXTRON SE                        | 1.40             | 1.41  | 1.37  |
| Amadeus FiRe AG                   | 0.55             | 0.54  | 0.53  |
| Bastei Lübbe AG                   | 1.18             | 1.10  | 0.98  |
| BAUER Aktiengesellschaft          | 0.18             | 0.18  | 0.17  |
| BayWa AG                          | 0.20             | 0.19  | 0.18  |
| Borussia Dortmund GmbH & Co. KGaA | 1.41             | 1.38  | 1.34  |
| Capital Stage AG                  | 0.81             | 1.12  | 1.10  |
| CEWE Stiftung & Co. KGaA          | 0.16             | 0.15  | 0.13  |
| comdirect bank AG                 | n.a.             | n.a.  | n.a.  |
| DATRON AG                         | 0.80             | 0.73  | 0.67  |
| Delticom AG                       | 1.14             | 0.98  | 0.80  |
| Deutsche Beteiligungs AG          | 0.17             | 0.18  | 0.16  |
| Deutz AG                          | 1.14             | 1.09  | 1.04  |
| DIC Asset AG                      | 0.41             | 0.42  | 0.42  |
| EDAG Engineering Group AG         | 0.77             | 0.72  | 0.63  |
| ElingKlinger AG                   | 0.33             | 0.31  | 0.29  |
| euromicron AG                     | 0.38             | 0.38  | 0.37  |
| Gesco AG                          | 0.08             | 0.08  | 0.07  |
| GfK SE                            | 0.30             | 0.27  | 0.24  |
| Grammer AG                        | 0.19             | 0.16  | 0.14  |
| Hawesko Holding AG                | 0.43             | 0.40  | 0.37  |
| Leifheit AG                       | 0.21             | 0.21  | 0.20  |
| LPKF Laser & Electronics AG       | 1.89             | 1.76  | 1.57  |
| Manz AG                           | 0.19             | 0.22  | 0.20  |
| Masterflex SE                     | 1.43             | 1.25  | 1.10  |
| MLP AG                            | n.a.             | n.a.  | n.a.  |
| PUMA SE                           | 0.04             | 0.04  | 0.04  |
| QSC AG                            | 5.05             | 5.11  | 5.06  |
| R. STAHL AG                       | 0.38             | 0.39  | 0.38  |
| Schaltbau Holding AG              | 0.23             | 0.21  | 0.19  |
| SGL CARBON SE                     | 1.43             | 1.49  | 1.44  |
| SHW AG                            | 0.25             | 0.24  | 0.22  |
| SÜSS MicroTec AG                  | 0.73             | 0.69  | 0.66  |
| technotrans AG                    | 0.47             | 0.45  | 0.41  |
| VIB Vermögen AG                   | 0.29             | 0.28  | 0.27  |
| VTG Aktiengesellschaft            | 0.18             | 0.17  | 0.16  |
| Villeroy & Boch AG                | 0.69             | 0.63  | 0.58  |
| Wacker Neuson SE                  | 0.31             | 0.30  | 0.29  |
| WashTec AG                        | 0.74             | 0.69  | 0.65  |
| windeln.de SE                     | 1.48             | 2.11  | 3.22  |
| Wüstenrot & Württembergische AG   | 0.12             | 0.11  | 0.11  |

Source: Bankhaus Lampe, FactSet

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# Disclaimer

## Analyst declaration

The relevant research analysts, as named on the front cover of this research report, certify that (a) all of the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this research report; and (b) that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views expressed by them in this research report.

## Rating system

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

## Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Overview of changes in our recommendations/price targets in the previous twelve months for: Adler Modemärkte AG (ADD GY), Close (02/12/2016): 4.74 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 11/08/2016          | 7.03 EUR                | Hold   | 7.90 EUR     |
| 17/12/2015          | 9.50 EUR                | Hold   | 10.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Ahlers AG (AAH3 GR), Close (02/12/2016): 6.99 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 06/04/2016          | 7.28 EUR                | Hold   | 8.00 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: AIXTRON SE (AIXA GY), Close (02/12/2016): 3.83 EUR, Analyst: Dr. Karsten Iltgen (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 30/11/2016          | 3.83 EUR                | Hold   | 3.60 EUR     |
| 24/05/2016          | 5.56 EUR                | Hold   | 6.00 EUR     |
| 19/02/2016          | 3.48 EUR                | Hold   | 4.00 EUR     |
| 11/12/2015          | 4.12 EUR                | Hold   | 6.00 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: Amadeus FiRe AG (AAD GY), Close (02/12/2016): 73.01 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 16/02/2016          | 61.50 EUR               | Hold   | 68.00 EUR    |
| 05/02/2016          | 65.15 EUR               | Hold   | 73.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Bastei Lübbe AG (BST GR), Close (02/12/2016): 5.50 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 07/07/2016          | 7.13 EUR                | Buy    | 8.50 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: BAUER Aktiengesellschaft (B5A GY), Close (02/12/2016): 9.45 EUR, Analyst: Marc Gabriel (CIIA, CEFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 04/11/2016          | 11.75 EUR               | Hold   | 13.00 EUR    |
| 19/04/2016          | 14.70 EUR               | Hold   | 16.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: BayWa AG (BYW6 GY), Close (02/12/2016): 29.90 EUR, Analyst: Marc Gabriel (CIIA, CEFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 05/04/2016          | 31.10 EUR               | Hold   | 33.00 EUR    |
| 22/02/2016          | 25.89 EUR               | Hold   | 30.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Borussia Dortmund GmbH & Co. KGaA (BVB GY), Close (02/12/2016): 4.79 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
|---------------------|-------------------------|--------|--------------|

Overview of changes in our recommendations/price targets in the previous twelve months for: Capital Stage AG (CAP GY), Close (02/12/2016): 6.30 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 16/11/2016          | 6.18 EUR                | Buy    | 9.00 EUR     |
| 08/09/2016          | 6.73 EUR                | Buy    | 8.00 EUR     |
| 02/02/2016          | 7.79 EUR                | Buy    | 10.60 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: CEWE Stiftung & Co. KGaA (CWC GY), Close (02/12/2016): 78.95 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 16/08/2016          | 76.09 EUR               | Hold   | 72.00 EUR    |
| 06/04/2016          | 58.47 EUR               | Buy    | 65.00 EUR    |
| 12/02/2016          | 47.40 EUR               | Buy    | 60.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: comdirect bank AG (COM GR), Close (02/12/2016): 9.61 EUR, Analyst: Neil Smith (ACA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 28/04/2016          | 9.96 EUR                | Hold   | 9.00 EUR     |
| 22/01/2016          | 9.47 EUR                | Hold   | 10.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: DATRON AG (DAR GY), Close (02/12/2016): 8.77 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 13/06/2016          | 9.25 EUR                | Buy    | 12.50 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche Beteiligungs AG (DBAN GY), Close (02/12/2016): 30.72 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 10/03/2016          | 26.26 EUR               | Buy    | 35.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Delticom AG (DEX GY), Close (02/12/2016): 16.49 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
|---------------------|-------------------------|--------|--------------|

Overview of changes in our recommendations/price targets in the previous twelve months for: Deutz AG (DEZ GY), Close (02/12/2016): 5.15 EUR, Analyst: Gordon Schönell (CIIA, CEFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 18/08/2016          | 3.96 EUR                | Hold   | 4.40 EUR     |
| 11/03/2016          | 3.14 EUR                | Hold   | 3.50 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: DIC Asset AG (DIC GY), Close (02/12/2016): 8.24 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 05/08/2016          | 8.68 EUR                | Buy    | 9.90 EUR     |
| 08/03/2016          | 7.71 EUR                | Buy    | 9.50 EUR     |
| 07/12/2015          | 8.72 EUR                | Buy    | 10.50 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: EDAG Engineering Group AG (ED4 GY), Close (02/12/2016): 13.43 EUR, Analyst: Malte Janek Schmidt.

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
|---------------------|-------------------------|--------|--------------|

Overview of changes in our recommendations/price targets in the previous twelve months for: ElringKlinger AG (ZIL2 GY), Close (02/12/2016): 13.13 EUR, Analyst: Christian Ludwig (CFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 10/11/2016          | 13.00 EUR               | Hold   | 13.00 EUR    |
| 04/11/2016          | 14.08 EUR               | Hold   | 17.00 EUR    |
| 01/04/2016          | 24.09 EUR               | Buy    | 29.00 EUR    |
| 24/02/2016          | 20.76 EUR               | Buy    | 25.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: euromicron AG (EUCA GY), Close (02/12/2016): 5.91 EUR, Analyst: Wolfgang Specht (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 23/09/2016          | 7.35 EUR                | Hold   | 7.00 EUR     |
| 04/05/2016          | 8.16 EUR                | Hold   | 7.70 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: Gesco AG (GSC1 GY), Close (02/12/2016): 66.90 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 13/06/2016          | 71.00 EUR               | Hold   | 73.00 EUR    |
| 16/02/2016          | 70.72 EUR               | Hold   | 74.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: GfK SE (GFK GY), Close (02/12/2016): 30.07 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 09/08/2016          | 28.85 EUR               | Hold   | 27.00 EUR    |
| 28/07/2016          | 34.16 EUR               | Hold   | 36.00 EUR    |
| 06/05/2016          | 33.61 EUR               | Buy    | 43.00 EUR    |
| 17/12/2015          | 34.26 EUR               | Buy    | 45.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Hawesko Holding AG (HAW GY), Close (02/12/2016): 40.85 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 29/01/2016          | 40.25 EUR               | Sell   | 37.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: HolidayCheck Group AG (HOC GY), Close (02/12/2016): 2.25 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 06/04/2016          | 2.70 EUR                | Hold   | 3.20 EUR     |
| 18/03/2016          | 3.00 EUR                | Hold   | 3.90 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: Leifheit AG (LEI GY), Close (02/12/2016): 55.13 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 05/02/2016          | 46.85 EUR               | Buy    | 60.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: LPKF Laser & Electronics AG (LPK GR), Close (02/12/2016): 6.11 EUR, Analyst: Dr. Karsten Iltgen (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 30/11/2016          | 6.08 EUR                | Hold   | 7.00 EUR     |
| 23/09/2016          | 9.53 EUR                | Hold   | 10.00 EUR    |
| 18/03/2016          | 7.71 EUR                | Buy    | 8.50 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: Manz AG (M5Z GY), Close (02/12/2016): 31.98 EUR, Analyst: Dr. Karsten Iltgen (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 23/11/2016          | 33.60 EUR               | Buy    | 40.00 EUR    |
| 21/06/2016          | 31.51 EUR               | Buy    | 42.00 EUR    |
| 10/06/2016          | 40.05 EUR               | Buy    | 50.00 EUR    |
| 24/03/2016          | 36.28 EUR               | Hold   | 40.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Masterflex SE (MZX GR), Close (02/12/2016): 6.60 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 13/04/2016          | 5.57 EUR                | Hold   | 5.50 EUR     |
| 24/03/2016          | 5.52 EUR                | Hold   | 6.00 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: MLP AG (MLP GY), Close (02/12/2016): 4.15 EUR, Analyst: Andreas Schäfer (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 29/02/2016          | 2.65 EUR                | Hold   | 3.50 EUR     |



Overview of changes in our recommendations/price targets in the previous twelve months for: PUMA SE (PUM GY), Close (02/12/2016): 233.65 EUR, Analyst: Peter Steiner (CFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 22/04/2016          | 193.50 EUR              | Sell   | 133.00 EUR   |

Overview of changes in our recommendations/price targets in the previous twelve months for: QSC AG (QSC GR), Close (02/12/2016): 1.94 EUR, Analyst: Wolfgang Specht (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 26/09/2016          | 2.15 EUR                | Hold   | 2.00 EUR     |
| 03/05/2016          | 1.33 EUR                | Buy    | 2.00 EUR     |
| 26/02/2016          | 1.39 EUR                | Buy    | 2.20 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: R. STAHL AG (RSL2 GY), Close (02/12/2016): 29.40 EUR, Analyst: Gordon Schönell (CIIA, CEFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 17/08/2016          | 30.73 EUR               | Hold   | 28.00 EUR    |
| 22/04/2016          | 30.84 EUR               | Hold   | 29.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Schaltbau Holding AG (SLT GR), Close (02/12/2016): 30.66 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 11/11/2016          | 26.52 EUR               | Hold   | 26.00 EUR    |
| 28/10/2016          | 28.48 EUR               | Hold   | 32.00 EUR    |
| 15/06/2016          | 46.49 EUR               | Buy    | 53.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: SGL CARBON SE (SGL GY), Close (02/12/2016): 8.71 EUR, Analyst: Marc Gabriel (CIIA, CEFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 28/10/2016          | 11.28 EUR               | Hold   | 10.00 EUR    |
| 05/04/2016          | 9.07 EUR                | Sell   | 7.00 EUR     |
| 01/03/2016          | 9.64 EUR                | Sell   | 8.00 EUR     |
| 09/12/2015          | 13.83 EUR               | Sell   | 9.00 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: SHW AG (SW1 GY), Close (02/12/2016): 31.75 EUR, Analyst: Malte Janek Schmidt.

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 05/10/2016          | 34.00 EUR               | Buy    | 37.00 EUR    |
| 05/04/2016          | 23.80 EUR               | Hold   | 25.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: SÜSS MicroTec AG (SMHN GR), Close (02/12/2016): 6.07 EUR, Analyst: Dr. Karsten Iltgen (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 02/12/2016          | 6.11 EUR                | Hold   | 7.00 EUR     |
| 29/04/2016          | 9.00 EUR                | Hold   | 8.00 EUR     |

Overview of changes in our recommendations/price targets in the previous twelve months for: technotrans AG (TTR1 GY), Close (02/12/2016): 23.99 EUR, Analyst: Gordon Schönell (CIIA, CEFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 24/08/2016          | 21.33 EUR               | Buy    | 26.00 EUR    |
| 16/03/2016          | 16.85 EUR               | Buy    | 20.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: VIB Vermögen AG (VIH GY), Close (02/12/2016): 18.53 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 27/07/2016          | 18.58 EUR               | Buy    | 21.00 EUR    |
| 07/12/2015          | 16.87 EUR               | Buy    | 19.50 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Villeroy & Boch AG (VIB3 GR), Close (02/12/2016): 13.94 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 05/02/2016          | 12.05 EUR               | Hold   | 13.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: VTG Aktiengesellschaft (VT9 GY), Close (02/12/2016): 28.01 EUR, Analyst: Stephan Bauer.

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 11/11/2016          | 27.82 EUR               | Buy    | 34.00 EUR    |
| 26/08/2016          | 26.86 EUR               | Buy    | 33.00 EUR    |
| 11/04/2016          | 27.70 EUR               | Buy    | 34.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Wüstenrot & Württembergische AG (WUW GY), Close (02/12/2016): 17.73 EUR, Analyst: Andreas Schäfer (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 15/03/2016          | 19.76 EUR               | Buy    | 23.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: Wacker Neuson SE (WAC GR), Close (02/12/2016): 13.35 EUR, Analyst: Marc Gabriel (CIIA, CEFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 26/08/2016          | 13.71 EUR               | Hold   | 13.00 EUR    |
| 17/03/2016          | 15.23 EUR               | Hold   | 16.00 EUR    |
| 11/03/2016          | 14.48 EUR               | Buy    | 16.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: WashTec AG (WSU GR), Close (02/12/2016): 48.40 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 26/10/2016          | 44.30 EUR               | Buy    | 51.00 EUR    |
| 28/07/2016          | 36.90 EUR               | Buy    | 41.00 EUR    |

Overview of changes in our recommendations/price targets in the previous twelve months for: windeln.de SE (WDL GR), Close (02/12/2016): 3.30 EUR, Analyst: Christoph Schlienkamp (Investmentanalyst DVFA).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 19/05/2016          | 5.76 EUR                | Hold   | 7.00 EUR     |

The distribution of recommendations in our investments universe is currently as follows (date: 01/10/2016)

| Rating       | Basis: all analysed companies | Basis: companies with investment banking relationships |
|--------------|-------------------------------|--|
| Buy          | 56.0%                         | 66.7%  |
| Hold         | 38.0%                         | 33.3%  |
| Sell         | 5.0%                          | 0.0%   |
| Under Review | 0.0%                          | 0.0%   |

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| HolidayCheck Group AG             | ---        |
| Leifheit AG                       | 6          |
| LPKF Laser & Electronics AG       | ---        |
| Manz AG                           | 3, 4       |
| Masterflex SE                     | ---        |
| MLP AG                            | ---        |
| PUMA SE                           | ---        |
| QSC AG                            | ---        |
| R. STAHL AG                       | 5          |
| Schaltbau Holding AG              | ---        |
| SGL CARBON SE                     | ---        |
| SHW AG                            | 5          |
| SÜSS MicroTec AG                  | ---        |
| technotrans AG                    | 4, 5       |
| VIB Vermögen AG                   | 6          |
| Villeroy & Boch AG                | ---        |

|                                 |     |
|---------------------------------|-----|
| VTG Aktiengesellschaft          | 6   |
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06 December 2016

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