

Euromicron AG

Germany/Electronic & Electrical Equipment

Analysers



Buy

Recommendation unchanged

Share price: EUR 15.76

closing price as of 07/05/2013

Target price: EUR 24.00

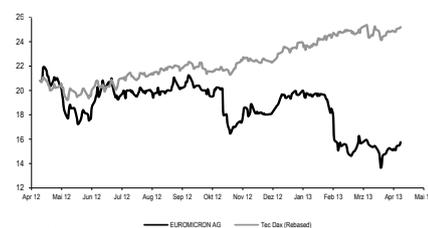
Target Price unchanged

Reuters/Bloomberg

EUCG.DE/EUC GY

Market capitalisation (EURm)	105
Current N° of shares (m)	7
Free float	100%
Daily avg. no. trad. sh. 12 mth	25,793
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	21.91
Price low 12 mth (EUR)	13.67
Abs. perf. 1 mth	1.35%
Abs. perf. 3 mth	-19.14%
Abs. perf. 12 mth	-24.79%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	330	357	384
EBITDA (m)	25	26	32
EBITDA margin	7.6%	7.2%	8.3%
EBIT (m)	17	17	23
EBIT margin	5.2%	4.8%	6.0%
Net Profit (adj.) (m)	13	13	15
ROCE	7.7%	7.1%	7.7%
Net debt/(cash) (m)	78	84	77
Net Debt/Equity	0.7	0.7	0.6
Debt/EBITDA	3.1	3.3	2.4
Int. cover(EBITDA/Fin. int)	5.8	5.2	6.7
EV/Sales	0.6	0.6	0.5
EV/EBITDA	8.4	8.0	6.2
EV/EBITDA (adj.)	7.2	6.8	5.8
EV/EBIT	12.4	11.8	8.5
P/E (adj.)	9.3	8.2	7.2
P/BV	1.0	0.8	0.8
OpFCF yield	5.1%	-4.6%	8.4%
Dividend yield	1.9%	1.9%	5.1%
EPS (adj.)	1.96	1.91	2.18
BVPS	17.79	18.72	20.30
DPS	0.30	0.30	0.80



Source: Factset

— EUROMICRON AG — Target Price (Rebased)

1Q13 earnings in line – sales outlook confirmed

The facts: Euromicron (EUCA) reiterated the FY13 top line outlook of EUR 350-365m today, corresponding to c. 5-10% organic growth yoy. 1Q13 revenues came in at c. EUR 77.2m and down c. 3% yoy on a calm February as we learned, but the meaning of a single quarter's sales and the March period in particular is probably limited and 1Q12 was strong both in terms of sales and earnings.

Nevertheless, EUCA proved good OPEX discipline and the respective 1Q13 EBIT was released at c. EUR 4.1m. Thus, the margin was 5.3% whereas our expectation would have been rather in the range of 4-4.5%. The adjusted earnings should have been even better netting out some restructuring/integration costs that should have been booked in 1Q13 (probably c. EUR 4.5m for full year as in FY12).

The company released a net result of EUR 2.2m and a corresponding EPS of EUR 0.33 in 1Q13 which we rate solid relative to our expectation.

1Q13 review

EUR m	1Q13a	1Q12	yoy	FY13e	FY12	delta
Order backlog	132.4	134.4	-1.5%	143.2	125.2	14.4%
Sales	77.3	80.5	-3.9%	357.0	330.0	8.2%
EBIT	4.1	5.7	-27.7%	17.2	17.1	0.8%
EBIT margin	5.3%	7.1%	-170bp	4.8%	5.2%	-40bp
Net result	2.2	3.4	-33.8%	8.3	8.6	-3.7%
EPS [EUR]	0.33	0.50	-33.8%	1.24	1.29	-3.7%

Source: company data, equinet estimates

EUCA released an order backlog of EUR 132.4m which is actually up c. EUR 7m vs. 4Q12, still providing good visibility for the next half year.

Furthermore, EUCA released of targeting cost savings of an accumulated amount of c. EUR 10m over the integration and implementation phase that is still running until next year. The company continues to be on the route to achieve annualised revenues of EUR 500m ('Agenda 500') which shall be achieved in FY15.

The operating cash flow was improved largely yoy and came in at EUR minus 3m (1Q12: EUR minus 8.4m). Bank financing was increased as a result of the current and upcoming project pipeline by c. EUR 13m.

Our analysis: Admittedly, sales were a bit weaker than we would have expected, but as said before, we are not concerned as the respective 1Q13 earnings were in line or even a bit better supported by a solid backlog. The re-affirmed outlook improves confidence. Clearly, EUCA needs stronger quarters to come and in particular a stronger 2H12/13, but the comparison in 3Q13 vs. the weak previous year's quarter should be easy and – more importantly – support should stem from solid budget spending at the customer level. The vectoring decision should be finally due in summer 2013 and thus, EUCA might enjoy additional support from respective capex released by Deutsche Telekom. However, management does not include this aspect into the guidance.

Conclusion & Action: For the time being, we feel limited need to alter our model assumptions and thus confirm our 'Buy'/PT EUR 24 rating. The EV/EBITDA of c. 6.2x for FY14e is not stretched and our target P/E'14e comes to c. 11x.

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