



## Buy

Recommendation unchanged

**Share price: EUR 7.00**

closing price as of 07/11/2016

**Target price: EUR 13.00**

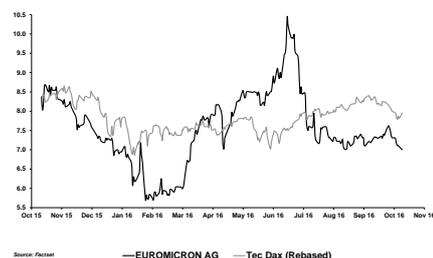
Target Price unchanged

Reuters/Bloomberg

EUCG.DE/EUCA.GY

Market capitalisation (EURm)	50
Current N° of shares (m)	7
Free float	100%
Daily avg. no. trad. sh. 12 mth	10
Daily avg. trad. vol. 12 mth (m)	88
Price high 12 mth (EUR)	10.44
Price low 12 mth (EUR)	5.70
Abs. perf. 1 mth	-2.91%
Abs. perf. 3 mth	-7.89%
Abs. perf. 12 mth	-20.53%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	345	355	369
EBITDA (m)	7	14	24
EBITDA margin	2.0%	3.9%	6.4%
EBIT (m)	(3)	4	14
EBIT margin	nm	1.2%	3.9%
Net Profit (adj.)(m)	(5)	2	8
ROCE	0.8%	2.8%	5.3%
Net debt/(cash) (m)	77	82	72
Net Debt/Equity	0.8	0.8	0.7
Debt/EBITDA	11.1	6.0	3.1
Int. cover(EBITDA/Fin. int)	1.8	4.0	7.6
EV/Sales	0.4	0.4	0.4
EV/EBITDA	20.7	10.6	5.7
EV/EBITDA (adj.)	12.5	9.0	5.7
EV/EBIT	nm	33.0	9.4
P/E (adj.)	nm	22.1	6.5
P/BV	0.6	0.5	0.5
OpFCF yield	-5.3%	-11.2%	20.4%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.67)	0.32	1.07
BVPS	13.47	13.54	14.61
DPS	0.00	0.00	0.00



### Analyst(s):

Sebastian Droste, equinet Bank  
 sebastian.droste@equinet-ag.de  
 +49 69 58 99 74 34

## Positive trend in Q3 expected to continue in Q4

**The facts:** This morning euromicron reported Q3 2016 results and confirmed its outlook for FY 2016.

**Our analysis:** The company reported Q3 2016 revenues of EUR 86.7m (+0.9% yoy), 5.1% above our estimate. EBITDA rose to EUR 2.07m and significantly increased compared to last year with EUR -0.12m. Net income was EUR -0.81m and also improved from EUR -4.64m last year. Overall Q3 numbers came in better than expected.

These numbers are still significantly impacted by euromicron Deutschland GmbH which finds itself in an extensive reorganisation – we saw stabilizing performance in Q3, though. The realignment therefore temporarily affects the Group's sales and its profitability. Moreover, restrictive policy in accepting major projects and unproductive work required in completing old projects had a negative effect here.

Furthermore, revenue was affected by the management's decision to discontinue the business operations of the former subsidiaries Avalan and Euromicron NBG Fiber Optics GmbH effective the end of 2015 since they were loss-making and not strategically relevant.

### Comparison Table

EUR m	Q3 2015	Q3 2016	yoy	equinet	Δ
Revenue	85.9	86.7	0.9%	82.5	5.1%
EBITDA	-0.12	2.07	n.a.	-0.93	n.a.
EBITDA margin	-0.1%	2.4%	n.a.	-1.1%	350bp
Net income	-4.64	-0.81	n.a.	-3.8	n.a.

Q3 2015 include Avalan and euromicron n NBG Fiber Optics GmbH

Source: euromicron AG, equinet Research

**Guidance 2016:** Euromicron confirmed its forecast for 2016, as we expected. As a reminder, for the full year 2016 the company expects revenues within a range of between EUR 330m and EUR 350m (equinet 2016e: 355m), EBITDA margin is expected to range between 2% and 4% (equinet 2016e: 3.9%). For FY 2016 the shortfall of earnings is expected to be reduced but not completely compensated by the end of the year due to the further reorganization of euromicron Deutschland GmbH which remains the biggest challenge.

**Conclusion & Action:** Euromicron reported revenue and EBITDA figures well above our expectations. However, knock-on effects from the reorganisation still have a significant impact. Euromicron finds itself in a transformation phase right now - business areas are being geared to the new strategy with focus on digital networks and the Group is positioning itself in the target markets "Digital Buildings", "Smart Industry" and "Critical Infrastructures". We continue to see improvements ahead and assume profitability will return to desired levels in the midterm due to the ongoing networking megatrend. We expect the positive trend to continue with a strong Q4 – however, the negative effects on sales and income in H1 2016 will not be fully compensated by the end of the year as flagged by the company.

We keep our price target of EUR 13.00 based on our DCF valuation, and reiterate our Buy recommendation.

## History of equinet's Recommendations

On each "company recommendation history", please visit the ESN website and consult our database ([www.esnpartnership.eu](http://www.esnpartnership.eu)).

## Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2GEnergy	Schmidt	24.00	Buy	2/3/5	Logwin	Rothenbacher	2.20	Neutral	2/3/5
4SC	Miemietz	3.50	Buy	7	Manz AG	Kruchevska	33.00	Neutral	2/3
Aareal Bank	Häßler	37.00	Accumulate		MAXAutomation AG	Schmidt	7.00	Accumulate	2/3/5
Adpepper	Heilmann	3.00	Buy	2/3	Merck	Miemietz	91.00	Neutral	
adidas	Josefson	139.00	Neutral		Merkur Bank	Häßler	8.20	Buy	2/3
Adler Modemaerkte	Josefson	8.90	Buy	7	MLP	Häßler	4.30	Accumulate	2/3
ADLER Real Estate	Häßler	16.00	Buy		Munich Re	Häßler	180.00	Neutral	
Aixtron	Kruchevska	6.00	Accumulate	2/3	Nemetschek SE	Droste	47.00	Reduce	5
Allianz	Häßler	160.00	Buy		NexusAG	Droste	20.00	Buy	
Axel Springer	Josefson	51.00	Neutral		Norma Group	Schmidt	60.00	Buy	
BASF	Schäfer*	95.00	Accumulate		OHB SE	Kruchevska	20.00	Neutral	7
Bayer	Miemietz	118.00	Buy		OVH Holding AG	Häßler	20.00	Buy	2/3/5
BayWa	Schäfer*	33.00	Neutral	5	Patrizia AG	Häßler	26.00	Accumulate	
BB Biotech	Miemietz	52.00	Buy	7	Pfeiffer Vacuum	Sen	92.00	Buy	
Beiersdorf	Schäfer*	64.00	Sell		PSI	Droste	13.00	Accumulate	2/3
Biotest	Miemietz	18.00	Buy	2/3	Rheinmetall	Rau*	79.00	Buy	
BMW	Schmidt	96.00	Accumulate		RIB Software	Droste	14.00	Buy	2/3
Cenit	Droste	22.50	Buy	2/3	RTL Group	Josefson	81.00	Accumulate	
comdirect	Häßler	10.00	Neutral		RWE	Schäfer*	13.00	Neutral	
Commerzbank	Häßler	7.50	Buy		SAF-Holland	Schmidt	13.50	Buy	7
Continental	Schmidt	240.00	Buy		Siegfried Holding AG	Miemietz	220.00	Accumulate	
CTS Eventim	Josefson	31.00	Neutral		SLM Solutions	Sen	27.50	Buy	
Cytotools AG	Heilmann	11.50	Accumulate	2/3	SMT Scharf AG	Schmidt	11.00	Neutral	2/3
Daimler AG	Schmidt	83.00	Buy		Software AG	Droste	30.00	Neutral	
Daldrup & Soehne	Schäfer*	15.00	Accumulate	2/3/5	SuessMicroTec	Kruchevska	7.00	Neutral	2/3
Demire	Mayer	4.50	Buy		Surteco	Schmidt	27.00	Buy	2/3
Deutsche Bank	Häßler	13.00	Neutral		Symrise AG	Schäfer*	36.00	Neutral	
Deutsche Boerse	Häßler	79.00	Neutral		Szygy AG	Heilmann	13.00	Neutral	2/3
Deutsche EuroShop	Rothenbacher	42.00	Neutral		Talanx Group	Häßler	32.00	Accumulate	
Deutsche Pfandbriefbank	Häßler	12.30	Buy		Technotrans	Kruchevska	24.00	Accumulate	2/3
Deutsche Telekom	Sen	15.50	Neutral		TELECOLUMBUS	Sen	10.00	Buy	2
Deutz AG	Schmidt	5.00	Buy		United Internet	Sen	55.00	Buy	
Draegerwerk AG & Co. KGaA	Rau*	98.00	Neutral		VIB Vermoegen	Rothenbacher	22.00	Buy	
Drillisch	Sen	41.00	Neutral		Viscom	Kruchevska	14.50	Accumulate	2/3
E.ON	Schäfer*	10.50	Accumulate		Volkswagen	Schmidt	166.00	Buy	
Elmos Semiconductor	Kruchevska	15.00	Buy		Vossloh	Rau*	74.00	Buy	
EringKlinger	Schmidt	17.00	Neutral		WCM AG	Häßler	3.25	Accumulate	2/3
elumeo SE	Josefson	14.00	Buy		Wilex	Miemietz	4.00	Buy	2/3
Epigenomics AG	Miemietz	6.70	Buy	2/3	Wincor Nixdorf	Sen	50.00	Accumulate	
Euromicron AG	Droste	13.00	Buy	2/3	Zumtobel Group AG	Kruchevska	18.50	Buy	2/3/5
Evonik	Schäfer*	34.00	Accumulate						
Ferratum	Häßler	27.00	Buy						
Fielmann	Heilmann	58.00	Reduce						
Freenet	Sen	36.00	Buy	2					
FuchsPetrolub	Schäfer*	37.00	Neutral						
GEA Group	Rau*	49.00	Buy						
Gerry Weber	Josefson	9.50	Reduce						
Gesco	Schmidt	65.00	Neutral	2/3/5					
GFT Technologies	Droste	28.00	Buy	2/3/5					
Gigaset	Sen	0.65	Accumulate	2/3					
Grand City Properties	Häßler	20.00	Neutral						
Grenke	Häßler	200.00	Buy						
Hannover Re	Häßler	100.00	Neutral						
Heidelberger Druck	Rau*	3.40	Buy						
Henkel	Schäfer*	82.00	Neutral						
Hugo Boss	Josefson	72.00	Buy						
Hypoport AG	Häßler	100.00	Buy	7					
Jenoptik	Rau*	14.00	Neutral						
K+S AG	Schäfer*	22.00	Accumulate						
Kontron	Sen	3.60	Buy						
Krones AG	Rau*	104.00	Neutral						
KWS	Hinkel	346.00	Buy						
Lanxess	Schäfer*	54.00	Neutral						
Leoni	Schmidt	35.00	Accumulate						
Linde	Hinkel	160.00	Buy						

\*=Coverage suspended

Source: equinet Recommendations

## Notice according to § 34 b (German) Securities Trading Act (“Wertpapierhandelsgesetz”)

This document is issued by equinet Bank AG (“equinet”). It has been prepared by its authors independently of the Company, and none of equinet, the Company or its shareholders has independently verified any of the information given in this document.

equinet possesses relations to the covered companies as detailed in the table on the previous page. Additional information and disclosures will be made available upon request and/or can be looked up on our website <http://www.equinet-ag.de>

- 1 - equinet and/or its affiliate(s) hold(s) more than 5% of the share capital of this company calculated under computational methods required by German law.
- 2 - equinet acts as a designated sponsor for this company, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. equinet receives a commission from the company for the provision of the designated sponsor services.
- 3 – The designated sponsor services include a contractually agreed provision of research services.
- 4 – Within the last twelve months, equinet was involved as a lead or co-lead manager in the public offering of securities which are/whose issuer is the subject of this report.
- 5 – Within the last twelve months, equinet and/or its affiliate(s) provided investment banking- and/or other consultancy services for this company and/or it's shareholders.
- 6 - equinet and/or its affiliate(s) has/have other substantial financial interests in relation to this issuer.
- 7 – equinet has entered into an agreement with this company about the preparation of research reports and – in return - receives a compensation.

Companies of the equinet group and/or its directors, officers and employees or clients may take positions in, and may make purchases and/or sales as principal or agent in the securities or related financial instruments discussed in our reports. The equinet group may provide investment banking and other services to and/or serve as directors of the companies referred to in our reports.

In compliance with Para 5 Sec. 4 of the Ordinance on the Analysis of Financial Instruments (FinAnV) equinet has realized additional internal and organizational measures, such as specific research guidelines, to prevent or manage conflicts of interest.

Neither the company nor its employees are allowed to receive donations from third parties with a special interest in the content of the analysis.

The salary of the research analysts of equinet Bank AG does not depend on the investment banking transactions of the company. Nevertheless, this does not rule out the payment of a bonus which depends on the overall financial performance of the bank.

Particular care is taken that the individual performance of each research analyst of equinet Bank AG is not being assessed by a manager of another business division with similar or same interests.

To assure a highest degree of transparency equinet Bank AG regularly provides - on a quarterly basis – a summary according to Para 5 Sec. 4 No. 3 of the Ordinance on the Analysis of Financial Instruments (FinAnV). It informs about the overall analysts recommendations and sets them in a relationship to those companies, for which equinet provided investment banking services within the last twelve months. This summary is published via our website <http://www.equinet-ag.de>.

Furthermore, we refer to our conflict of interest policy as well as the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV) provided in the download area of our website <http://www.equinet-ag.de>.

## Remarks

### Recommendation System

- Buy - The stock is expected to generate a total return of over 15% during the next 12 months time horizon.
- Accumulate - The stock is expected to generate a total return of 5% to 15% during the next 12 months time horizon.
- Neutral - The stock is expected to generate a total return of -5% to +5% during the next 12 months time horizon
- Reduce - The stock is expected to generate a total return of -5% to -15% during the next 12 months time horizon
- Sell - The stock is expected to generate a total return below -15% during the next 12 months time horizon

### Basis of Valuation

Equinet uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

### Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

### Sources

equinet has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

### Actualizations

Opinions expressed in this analysis are our current opinions as of the issuing date indicated on this document. We do not commit ourselves in advance to whether and in which intervals updates are made.

---

## **DISCLAIMER**

THE PREPARATION OF THIS DOCUMENT IS SUBJECT TO REGULATION BY GERMAN LAW. THIS DOCUMENT IS BEING SUPPLIED TO YOU SOLELY IN YOUR CAPACITY AS A PROFESSIONAL INSTITUTIONAL INVESTOR FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE. NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA, CANADA OR JAPAN OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT THEREOF.

THE DELIVERY OF THIS RESEARCH REPORT TO U.S. PERSONS IN THE UNITED STATES OF AMERICA IS MADE BY AND UNDER THE RESPONSIBILITY OF GSN NA, INC. (REGISTERED WITH THE SEC). THIS RESEARCH REPORT IS ONLY INTENDED FOR PERSONS WHO QUALIFY AS MAJOR U.S. INSTITUTIONAL INVESTORS, AS DEFINED IN SECURITIES EXCHANGE ACT RULE 15A-6, AND DEAL WITH GSN NA, INC. HOWEVER, THE DELIVERY OF THIS RESEARCH REPORT OR SUMMARY TO ANY U.S. PERSON SHALL NOT BE DEEMED A RECOMMENDATION OF GSN NA, INC. TO EFFECT ANY TRANSACTIONS IN THE SECURITIES DISCUSSED HEREIN OR AN ENDORSEMENT OF ANY OPINION EXPRESSED HEREIN. GSN NA, INC. MAY FURNISH UPON REQUEST ALL INVESTMENT INFORMATION AVAILABLE TO IT SUPPORTING ANY RECOMMENDATIONS MADE IN THIS RESEARCH REPORT. ALL TRADES WITH U.S. RECIPIENTS OF THIS RESEARCH SHALL BE EXECUTED THROUGH GSN NA, INC.

THIS DOCUMENT IS FOR DISTRIBUTION IN THE U.K. ONLY TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") OR (ii) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, NAMELY HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED UPON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS OR TO RESIDENTS OF OTHER JURISDICTIONS MAY ALSO BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT YOU AGREE TO BE BOUND BY THE FOREGOING INSTRUCTIONS. YOU SHALL INDEMNIFY EQUINET BANK AGAINST ANY DAMAGES, CLAIMS, LOSSES, AND DETRIMENTS RESULTING FROM OR IN CONNECTION WITH THE UNAUTHORIZED USE OF THIS DOCUMENT.

This report is for informational purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors: readers must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position.

The information herein is believed by equinet to be reliable and has been obtained from sources believed to be reliable, but equinet makes no representation as to the accuracy or completeness of such information. The information given in this report is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the Company. Opinions expressed herein may differ or be contrary to opinions expressed by other business areas of the equinet group as a result of using different assumptions and criteria. equinet is under no obligation to update or keep the information current. equinet provides data concerning the future development of securities in the context of its usual research activity. However, if a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the price or value of, or the income derived from, the financial instrument, and such investor effectively assumes currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Furthermore, past performance is not necessarily indicative of future results. Neither the author nor equinet accepts any liability whatsoever for any loss howsoever arising from any use of this publication or its contents or otherwise arising in connection herewith, except as provided for under applicable regulations.

equinet shall only be liable for any damages intentionally caused or which result from any gross negligence of equinet. Further equinet shall be liable for the breach of a material obligation of equinet, however, limited to the amount of the typical foreseeable which shall in no event exceed the amount of EUR 10,000. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt/Main (Germany).

### **Competent Supervisory Authority:**

Bundesanstalt für Finanzdienstleistungsaufsicht  
-BaFin- (Federal Financial Supervisory Authority)  
Graurheindorfer Straße 108, 53117 Bonn and  
Marie-Curie-Str. 24-28, 60439 Frankfurt am Main.

---