

November 17, 2014

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 14,80

Overview

Industry: IT Services & Software
Country: Germany
ISIN: DE000A1K0300
Reuters: PSAGn.DE
Bloomberg: PSAN GR
Website: www.psi.de

Last price: 12.34
High 14.78 Low 11.32
Price 52 W.: 14.78 11.32
Market cap. (EURm) 193.45
Number of shares (m) 15.68
Avg. trading volume (shares) 4,665

Shareholders

RWE AG 17.77%
Employee consortium 9.35%
Harvinder Singh 8.10%
Free float 64.78%

Performance

4 weeks -3.09%
13 weeks -4.29%
26 weeks -12.82%
52 weeks -9.00%
YTD -7.54%

Dividend

	in EUR	in %
2011	0.25	2.03%
2012	0.30	2.43%
2013	0.00	0.00%
2014E	0.30	2.43%

52-Week Chart



DR. KALLIWODA RESEARCH on
Bloomberg Page: KALL

Analyst

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PSI AG

Improvement expected for Q4/14

- In the first 9 months of 2014, PSI generated revenues of €127.22m, which were 1.5% lower y-o-y. While order intake (€133mvs. €143m) represented a small decline due to world situation in east of Europe and Russia. The EBIT for the segment Energy Management, which was negative in the previous year (€ -0.966m), improved to 2.622 million Euros, while the group net result improved significantly to 1,977 million which is encouraging for the last semester results.
- Between January and September 2014, Energy management was the only segment to report improving sales y-o-y (+6% to €457m). The EBIT margin has also improved to 2.6m. The segment benefitted especially from strong results in the areas of Electrical Energy and Oil & Gas and the electrical energy business continue its upward trend with strong new orders and this should lead to a significant improvement of the EBIT. The gas and oil business increased its sales and profits again.
- Due to an increase of the net profit in the first 9 months of 2014 compared to the last year's level, the operating cash flow improved from €-2,837m to € 2,812m. While cash flow from investing improved from € -2,499m to €-1,886m, cash flow from financing improved from €6,416m to €-12k.
- We have decided to increase our sales revenue estimates for 2014 because Q3 showed a strong activity. We can explain this by the development of the energy management, which has known a great success as it has improved the earnings as well as the production management who launched new products and had had some new orders. Management has raised guidance for the full year order intake from €180m to €185m implying Q4. We expect an increase for next years as well so we would recommend to buy the stock.

Key Figures

in EURm	2011	2012	2013	2014E	2015E	2016E
Net sales	169,54	180,89	176,33	175,45	184,22	192,14
EBITDA	14,65	16,92	7,99	13,80	16,15	19,34
EBIT	10,67	12,89	4,17	10,00	12,16	15,18
Net income	7,44	9,36	0,37	6,16	7,60	9,65
EPS	0,47	0,60	0,02	0,39	0,48	0,62
BVPS	4,60	4,70	4,29	4,39	4,57	4,88
RoE	10,56%	12,77%	0,53%	9,05%	10,82%	13,02%
EBIT margin	6,29 %	7,12 %	2,36 %	5,70 %	6,60 %	7,90 %
P/E	26,26	20,67	521,43	31,40	25,45	20,05
P/BVPS	2,68x	2,63x	2,87x	2,81x	2,70x	2,53x
EV/EBITDA	15,20x	13,16x	27,87x	16,13x	13,79x	11,51x

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1 Company profile

PSI AG is a group of companies with 1,660 employees, which develops and distributes software product solutions for process control. These solutions automate complex core processes of PSI's customers in the segments Energy, Production and Infrastructure management. PSI, which was founded in 1969, operates at numerous German and international sites in Europe, Asia and North America. It develops software products and complete systems for the operation of large energy networks and complex production and logistics processes with the objective to design customers' value creation processes more efficiently. In the segment Energy management systems, PSI provides solutions for operations' management, network utilization, pipeline management, leakage detection and localization, portfolio management, energy trading and distribution. The segment Production management creates optimization and control-technical solutions for production, telematics, logistics, metals and mining. In the Infrastructure segment, the company supplies solutions for traffic systems.

2 Investment case

In the near future, the key development to be watched will be PSI's success in the energy infrastructure game in Germany. In our view, software systems for the control of energy networks are associated with high switching costs. Energy providers will either switch suppliers or decide to stick to them in the long run. Only the winners of the game will face attractive upgrades and maintenance revenues. Given the number of energy networks, there is no room for many survivors. Coming out as a winner will also clear the way for exports of energy products to countries that follow Germany's approach in the long run. Many other growth opportunities besides energy exist for PSI, however due to the stated reasons a large part of the company's value depends on its success in the German energy segment.

PSI's management expects not only increasing revenues but also significant margin improvements. The main drivers of the latter are expected to be (1) scale effects through exports (2) transformation of PSI into a pure software company (3) lower average labor costs resulting from a higher share of the labor pool in target export markets with lower wages and (4) efficiency improvements stemming from a new technology platform. Management expects to increase revenues by an average of 8% a year, while raising EBIT margins by 1% to 2% a year until 2016. By that year, 800 of the then 2,000 employees are expected to work in export markets. In the future, management plan to generate 65% of total revenues in the growth markets Brazil, Canada, Eastern Europe, Russia, Asia, Middle East and Turkey.

We view PSI's competitive position as strong due to the company's focus on its core competency in network control flow systems and experience in this area. In the past, the company has proved to be able to spot market trends and to position itself accordingly to benefit from these trends. In our view, its dominant market position, specialized workforce, ability to innovate and to react flexibly given its size and software focus provide valuable competitive advantages as well as entry barriers particularly in the German energy market. We believe that PSI is well-positioned to benefit from its growth opportunities and reach its stated goals. Our investment case based valuation does not include a premium for a potential takeover of PSI by a competitor. However, we note that speculation about a takeover does provide a bottom for the share price.

3 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • PSI's focus on core competencies in process control technology with decades of experience, along with its innovation strength and a highly specialized workforce are important competitive advantages and create entry barriers. PSI's products are of high functionality, complexity and carry many unique features. PSI enjoys a first mover advantage and is the quality and volume leader in many of its key growth areas, namely energy smart grid infrastructure, gas & oil, metals, mining and infrastructure. • Pilot project approach: When entering new product and geographic markets the company works together with sector leaders on pilot projects. Performing the research and development decentralized at the location of demand translates into a close customer relationship, a gain of sector knowledge, lower market entry risk, as well as the mitigation of financial risk. 	<ul style="list-style-type: none"> • Buyers force: PSI main customers operate in capital intensive sectors which naturally consist of a few large players. PSI itself is a medium sized player resulting in an unfavorable negotiating position. However a resulting pricing power of its customer is lessened by the facts that software expenditures should resemble a smaller portion of PSI customers overall budget, that PSI produces high-quality products that make a customer's operation more efficient translating in fast amortization, and PSI's complex products are mainly located in important parts of the value chain where quality is more important than price. • Business cycle risk: PSI's customers are mainly from very cyclical sectors. The exposure to business cycle risk is somewhat diminished by the fact that the company delivers products mainly related to efficiency and cost cutting gains.
Opportunities	Threats
<ul style="list-style-type: none"> • Energy segment: The „Energiewende“ gives PSI the potential to achieve scale effects by shifting its existing product portfolio from high voltage systems to lower network levels. Additionally, the demand for new software solutions such as volatility and resource software components, gas network control systems and software solutions for energy storage systems will increase. • Production segment: New sensor and network technology increases data availability in production processes. This opens up new markets for PSI software solutions, which make production processes more efficient. Recent market entries by PSI are PSImining and solutions for the turbine manufacturing and aircraft maintenance sectors. In the automobile sector, new product developments should lead to more orders. • Export growth: PSI focuses on Eastern markets as it sees the greatest growth potential there while currently facing low competition locally. A positive effect besides larger revenues and scale effects is the diversification away from a sole dependency on the German market. Expansion takes place by winning key reference customers. 	<ul style="list-style-type: none"> • Increasing rivalry among competitors in the Energy Infrastructure market: Large hardware suppliers recently acquired PSI's software competitors. On the one hand, this permits them to differentiate themselves from fellow hardware suppliers. If on the other hand the intention was to gain control of the energy software market then rivalry will intensify e.g. by price competition or hardware suppliers locking their systems to alien software providers. Management note that PSI enjoys greater economic independence in acquiring software related contracts relative to its software competitors, which are now entangled in powerful hardware divisions. • A lack of qualified staff evoked from a current structural shortage of supply in the software labor sector would impede the seizure of the company's opportunities. PSI mitigates the risk by investing heavily in the training of its employees and collaborating with universities. Part of the routine software development has been moved to Eastern Europe and the technology platform enables an efficient knowledge transfer and standardization. These moves set free valuable engineering capacity.

4 Valuation

In order to value PSI, we have used our DCF model, which derives a 12-months price target for the stock of €14.79. Compared to current market level, this corresponds to an upside of 20%.

DCF model

Discounted Cash Flow Model (Basis 8/2014)

in EURm	Phase 1									
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	
Net sales	175,45	184,22	192,14	199,44	205,83	212,00	217,30	222,30	226,74	
(y-o-y change)	-0,5%	5,0%	4,3%	3,8%	3,2%	3,0%	2,5%	2,3%	2,0%	
EBIT	10,00	12,16	15,18	18,55	19,02	19,47	19,82	20,15	20,42	
(EBIT margin)	5,7%	6,6%	7,9%	9,3%	9,2%	9,2%	9,1%	9,1%	9,0%	
NOPLAT	7,00	8,51	10,63	12,98	13,31	13,63	13,88	14,10	14,29	
+ Depreciation	3,80	3,99	4,16	4,32	4,46	4,59	4,71	4,82	4,91	
= Net operating cash flow	10,80	12,50	14,79	17,30	17,77	18,22	18,58	18,92	19,21	
- Total investments (Capex and WC)	-3,23	-5,04	-5,02	-5,04	-4,99	-5,06	-5,01	-5,04	-5,03	
Capital expenditure	-3,83	-4,27	-4,42	-4,56	-4,67	-4,80	-4,90	-5,00	-5,08	
Working capital	0,60	-0,77	-0,60	-0,48	-0,32	-0,26	-0,11	-0,05	0,05	
= Free cash flow (FCF)	7,57	7,47	9,77	12,27	12,78	13,16	13,58	13,88	14,18	
PV of FCFs	7,51	6,93	8,47	9,95	9,70	9,34	9,01	8,61	8,23	

PV of FCFs in explicit period	77,74
PV of FCFs in terminal period	168,29
Enterprise value (EV)	246,03
+ Net cash / - net debt (30 June 2014)	-29,18
+ Investments / - Minorities	0,00
Shareholder value	216,85
Number of shares outstanding (m)	15,68

WACC	6,9%
Equity costs	9,0%
Debt costs before tax	7,0%
Tax rate	30,0%
Debt costs after tax	4,9%
Equity ratio	50,0%
Debt ratio	50,0%
Fair value per share in € (today)	13,83
Fair value per share in € (in 12 months)	14,79

Sensitivity analysis		Terminal EBIT margin						
		6,1%	7,1%	8,1%	9,1%	10,1%	11,1%	12,1%
WACC	3,9%	28,40	32,58	36,77	40,95	45,13	49,32	53,50
	4,9%	18,63	21,17	23,72	26,27	28,82	31,37	33,92
	5,9%	13,79	15,55	17,31	19,07	20,83	22,59	24,35
	6,9%	10,89	12,19	13,49	14,79	16,09	17,39	18,69
	7,9%	8,95	9,95	10,96	11,96	12,96	13,96	14,96
	8,9%	7,56	8,35	9,15	9,94	10,74	11,53	12,33

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5 Q1-Q3/14 results

Revenues

In Q1-Q3/14, PSI generated total sales of €127,22m, (vs Q1-Q3 2013 €129,092m) which were 1.5% lower than last year. License and maintenance fees amounted to €45.452m or 35.7% of total revenues compared to €46.132m or 35.72% in Q1-Q3/13, which in our view resulted from postponements of license orders in the area Metal industry (segment Production management) and weak business development in South East Asia (segment Infrastructure management).

In Q1-Q3/14, the main growth driver was again the segment Energy management (Gas, Oil, Electrical Power, Heat, Energy Trading), where sales attained 6 % higher of € 45.748m in the first nine months compared to last year (€43,053m Q1-Q3 2013). While in Infrastructure management (Traffic, Public Security, Ecology) sales dropped a little (Q1-Q3 2014 €20,728m vs Q1-Q3 2013 €22,712m) and EBIT margin slightly declined y-o-y due to weaker than expected business development in South East Asia, Production management (Resources, Metal production, Automotive, Machinery, Logistics) reported lower results due to write-downs, restructuring costs and order postponements.

Q1-Q3/14 vs. previous year

Q1-Q3/14 vs. Last year's level

in EURm	Q1-Q3/14	Q1-Q3/13	change y-o-y
Net sales	127,22	129,09	-1,5%
EBITDA	6,43	2,66	141,4%
EBITDA margin	5,1%	2,1%	
EBIT	4,60	0,80	475,0%
EBIT margin	3,6%	0,6%	
Net income	1,98	-2,77	-171,5%
Net margin	1,6%	-2,1%	

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Sales and EBIT margins according to segments Q1-Q3/14 vs. Q1-Q3/13

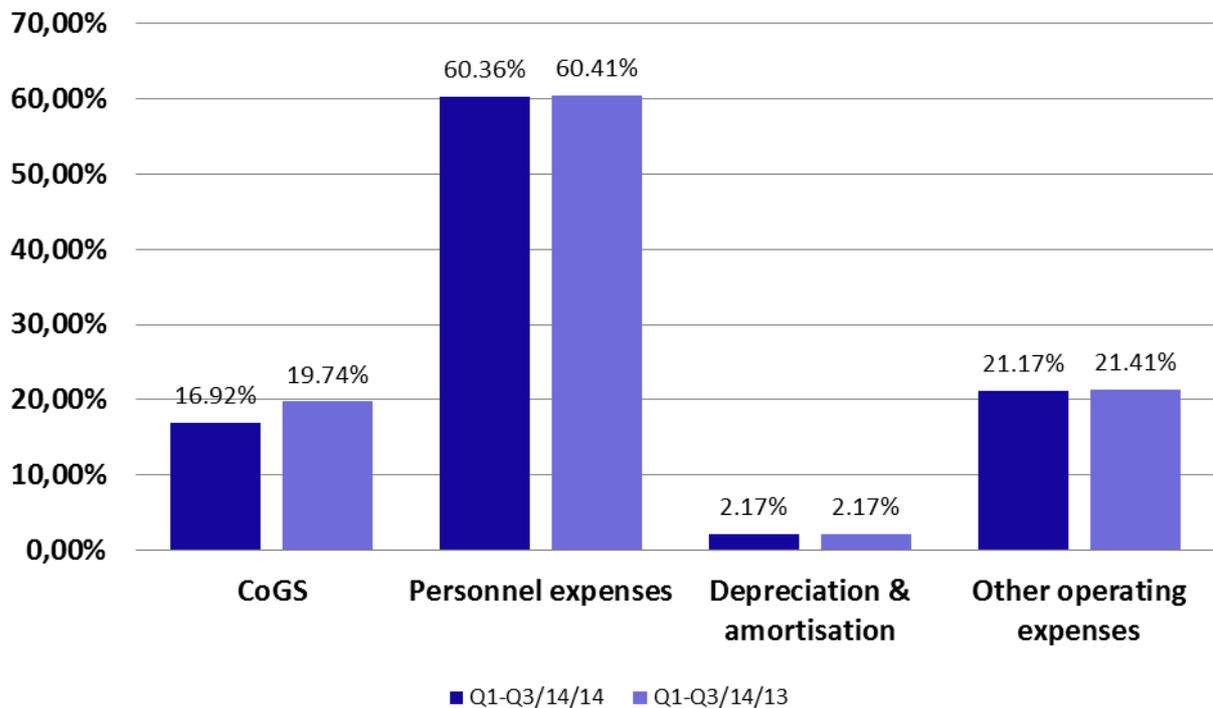
Sales and EBIT margins according to segments Q1-Q3/14/14 vs. Q1-Q3/14/13

	Q1-Q3/14	Q1-Q3/13		Q1-Q3/14	Q1-Q3/13
Energy management			Infrastructure management		
Sales €m	45,75	43,05	Sales €m	20,73	22,71
Share in total sales	36,0%	33,4%	Share in total sales	16,3%	17,6%
EBIT margin	5,6%	-2,3%	EBIT margin	6,3%	10,8%
Production management			Group		
Sales €m	60,74	63,33	Total Sales	127,22	129,09
Share in total sales	47,7%	2,0%	change y-o-y	-1,5%	
EBIT margin	2,8%	0,4%			

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Profitability

Share in total sales Q1-Q3/14 vs. Q1-Q3/13



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In Q1-Q3/14, PSI generated an EBIT of €4.597m, vs an EBIT of €0,777m in Q1-Q3/13. Due to write-downs in the Logistics area of the segment Production management EBIT went down more than sales. Net income decreased by 1.5% y-o-y to.

6 Outlook

After encouraging Q1-Q3/14 results, we have decided to increase our estimates for 2014 and beyond results in a new 12-months DCF-based price target of €14.79 (previously €13.50). While PSI's management expect stronger order intake in Q4/14 stemming from contracts for a new energy control system and orders from the North American aluminum and steel industry, we do not see much upside for the stock in the short term due to (1) political tensions in Ukraine and Russia and (2) relatively weak stock markets in general.

Nevertheless, we continue to see enormous long-term growth potential for the company. In our view, it should be able to strongly benefit from (1) its focus on IT solutions aiming to make the key areas Energy, Production and Infrastructure more efficiency and (2) growth in emerging markets such as Poland, Russia and China.

Sales model 2014E-2016E

Sales estimates according to segments 2014E-16E

in EURm	2014E	2015E	2016E
Energy management	60,49	63,33	65,86
change y-o-y	-0,79%	4,70%	4,00%
share in total sales	34,47%	34,37%	34,27%
Production manager	83,65	87,83	91,61
change y-o-y	-0,50%	5,00%	4,30%
share in total sales	47,68%	47,68%	47,68%
Infrastructure manager	31,31	33,06	34,68
change y-o-y	0,06%	5,59%	4,88%
share in total sales	17,85%	17,95%	18,05%
Total sales	175,45	184,22	192,14
change y-o-y	-0,5%	5,0%	4,3%

Source: Dr. Kalliwoda Research GmbH © Copyright 2014

Changes to our forecasts 2014E-2016E

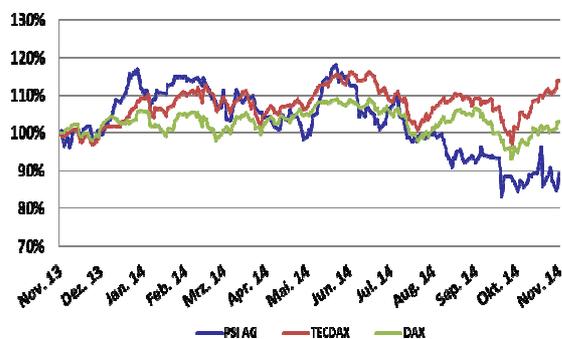
Our forecasts 2014E - 2016E

in EURm	2014E		2015E		2016E	
	new	old	new	old	new	old
Net sales	175,45	172,80	184,22	181,44	192,14	189,25
EBITDA	13,80	13,59	16,15	15,91	19,34	19,05
EBITDA margin	7,9%	7,9%	8,8%	8,8%	10,1%	10,1%
EBIT	10,00	9,85	12,16	11,98	15,18	14,95
EBIT margin	5,7%	5,7%	6,6%	6,6%	7,9%	7,9%
Net income	6,16	6,06	7,60	7,47	9,65	9,49
Net margin	3,5%	3,5%	4,1%	4,1%	5,0%	5,0%

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7 Stock and shareholder structure

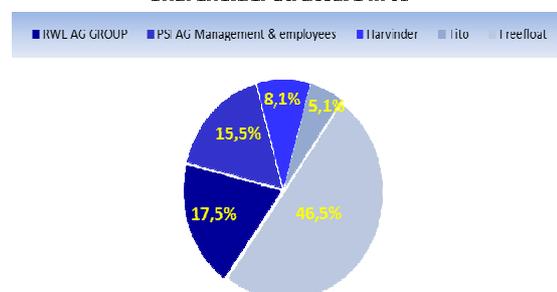
Stock Price Development



Source: Thomson Reuters Eikon

Shareholder Structure

Shareholder Structure in %



Source: Company data, Dr. Kalliwoda Research GmbH © Copyright 2014

8 Profit and loss statements

Profit and loss statement - PSI AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Sales split						
<i>Energy management</i>	68,89	62,29	60,97	60,49	63,33	65,86
<i>Production management</i>	78,59	89,42	84,07	83,65	87,83	91,61
<i>Infrastructure management</i>	22,07	29,17	31,30	31,31	33,06	34,68
Net sales	169,54	180,89	176,33	175,45	184,22	192,14
<i>Change in inventories</i>	-0,03	-0,22	0,00	0,00	0,00	0,00
Total Output	169,52	180,66	176,33	175,45	184,22	192,14
<i>Cost of goods sold</i>	-31,12	-36,13	-34,78	-34,61	-36,34	-37,90
Gross profit	138,39	144,54	141,55	140,84	147,88	154,24
<i>Other operating income</i>	5,06	8,52	5,84	3,51	3,68	3,84
<i>Personnel costs</i>	-95,78	-100,85	-104,24	-103,37	-108,17	-112,44
<i>Depreciation & Amortization</i>	-3,98	-4,03	-3,82	-3,80	-3,99	-4,16
<i>Other operating expenses</i>	-33,03	-35,29	-35,16	-27,18	-27,25	-26,30
EBIT	10,67	12,89	4,17	10,00	12,16	15,18
<i>Net financial results</i>	-1,94	-1,55	-1,10	-1,20	-1,30	-1,40
EBT	8,72	11,34	3,07	8,80	10,86	13,78
<i>Income taxes</i>	-1,28	-1,98	-2,70	-2,64	-3,26	-4,13
<i>Minority interests</i>	0,00	0,00	0,00	0,00	0,00	0,00
Net income / loss	7,44	9,36	0,37	6,16	7,60	9,65
<i>EPS</i>	0,47	0,60	0,02	0,39	0,48	0,62
<i>DPS</i>	0,25	0,30	0,00	0,30	0,30	0,31
Change y-o-y						
<i>Net sales</i>	n.a	6,69%	-2,52%	-0,50%	5,00%	4,30%
<i>Total Output</i>	n.a	6,58%	-2,40%	-0,50%	5,00%	4,30%
<i>Cost of goods sold</i>	n.a	16,07%	-3,71%	-0,50%	5,00%	4,30%
<i>Gross profit</i>	n.a	4,44%	-2,07%	-0,50%	5,00%	4,30%
<i>Other operating income</i>	n.a	68,51%	-31,43%	-39,96%	5,00%	4,30%
<i>Personnel costs</i>	n.a	5,30%	3,36%	-0,84%	4,64%	3,94%
<i>Depreciation & Amortization</i>	n.a	1,33%	-5,30%	-0,50%	5,00%	4,30%
<i>Other operating expenses</i>	n.a	6,85%	-0,38%	-22,71%	0,25%	-3,46%
<i>EBIT</i>	n.a	20,82%	-67,64%	139,88%	21,58%	24,84%
<i>Net financial results</i>	n.a	-20,14%	-29,10%	9,10%	8,34%	7,70%
<i>EBT</i>	n.a	29,93%	-72,92%	186,70%	23,38%	26,89%
<i>Income taxes</i>	n.a	54,45%	36,52%	-2,17%	23,38%	26,89%
<i>Minority interests</i>	n.a	n.a	n.a	n.a	n.a	n.a
<i>Net income / loss</i>	n.a	25,71%	-96,04%	1560,67%	23,38%	26,89%
<i>EPS</i>	n.a	27,01%	-96,04%	1560,67%	23,38%	26,89%
<i>DPS</i>	n.a	20,00%	-100,00%	n.a	0,00%	n.a
Share in total sales						
<i>Net sales</i>	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %
<i>Total Output</i>	99,98 %	99,88 %	100,00 %	100,00 %	100,00 %	100,00 %
<i>Cost of goods sold</i>	-18,36 %	-19,97 %	-19,73 %	-19,73 %	-19,73 %	-19,73 %
<i>Gross profit</i>	81,63 %	79,91 %	80,27 %	80,27 %	80,27 %	80,27 %
<i>Other operating income</i>	2,98 %	4,71 %	3,31 %	2,00 %	2,00 %	2,00 %
<i>Personnel costs</i>	-56,49 %	-55,75 %	-59,12 %	-58,92 %	-58,72 %	-58,52 %
<i>Depreciation & Amortization</i>	-2,35 %	-2,23 %	-2,17 %	-2,17 %	-2,17 %	-2,17 %
<i>Other operating expenses</i>	-19,48 %	-19,51 %	-19,94 %	-15,49 %	-14,79 %	-13,69 %
<i>EBIT</i>	6,29 %	7,12 %	2,36 %	5,70 %	6,60 %	7,90 %
<i>Net financial results</i>	-1,14 %	-0,86 %	-0,62 %	-0,68 %	-0,71 %	-0,73 %
<i>EBT</i>	5,15 %	6,27 %	1,74 %	5,02 %	5,89 %	7,17 %
<i>Income taxes</i>	-0,75 %	-1,09 %	-1,53 %	-1,50 %	-1,77 %	-2,15 %
<i>Net income / loss</i>	4,39 %	5,17 %	0,21 %	3,51 %	4,13 %	5,02 %

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9 Balance sheets

Balance sheet - PSI AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Assets						
Cash and cash equivalents	33,85	33,34	21,80	27,09	30,77	36,37
Inventories	4,05	4,02	3,89	3,87	4,06	4,24
Trade accounts and notes receivables	31,16	34,07	39,91	39,23	40,68	41,91
Receivables from long-term manufacturing	37,55	42,24	37,89	37,53	39,22	40,71
Other current assets	3,86	4,63	5,29	5,26	5,53	5,76
Current assets	110,47	118,30	108,78	112,98	120,26	128,99
Property, plant and equipment	14,46	14,24	13,78	13,83	13,88	13,93
Other intangibles assets	2,26	2,96	4,57	4,55	4,78	4,98
Goodwill	43,92	44,53	44,53	44,53	44,53	44,53
Shares in associated companies	0,21	0,43	0,30	0,30	0,31	0,32
Deferred tax assets	4,33	5,98	6,07	0,00	0,00	0,00
Non-current assets	65,19	68,14	69,26	63,21	63,50	63,77
Total assets	175,66	186,44	178,03	176,18	183,76	192,76
Liabilities						
Trade payables	16,98	15,65	15,40	15,13	15,69	16,16
Other liabilities	27,71	27,98	25,73	25,60	26,88	28,03
Liabilities from long-term manufacturing	20,23	18,55	20,10	20,00	21,00	21,90
Financial liabilities	2,34	5,45	3,54	3,44	3,34	3,24
Provisions	0,24	0,18	0,01	0,01	0,01	0,01
Current liabilities	67,50	67,80	64,78	64,18	66,92	69,34
Long-term bank debt	0,80	3,90	3,39	3,34	3,29	3,24
Pension provisions	32,10	39,00	40,09	39,89	41,88	43,68
Deferred tax liabilities	2,36	2,11	2,46	0,00	0,00	0,00
Long-term liabilities	35,26	45,00	45,94	43,22	45,17	46,92
Total liabilities	102,75	112,80	110,71	107,40	112,09	116,26
Shareholders equity	72,91	73,64	67,32	68,78	71,68	76,50
Minority interests	0,00	0,00	0,00	0,00	0,00	0,00
Total equity and liabilities	175,66	186,44	178,03	176,18	183,76	192,76

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10 Cash flow statements

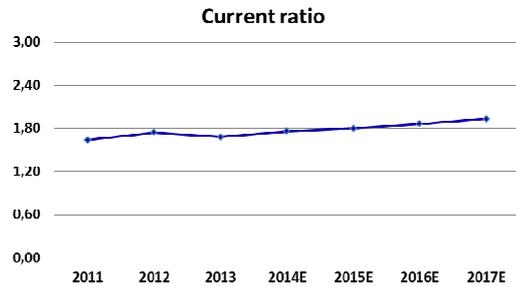
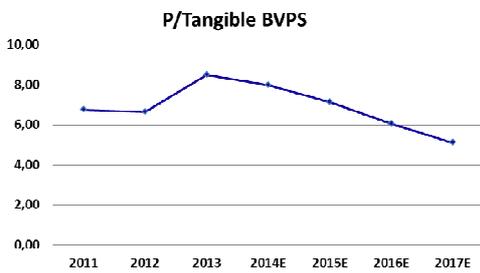
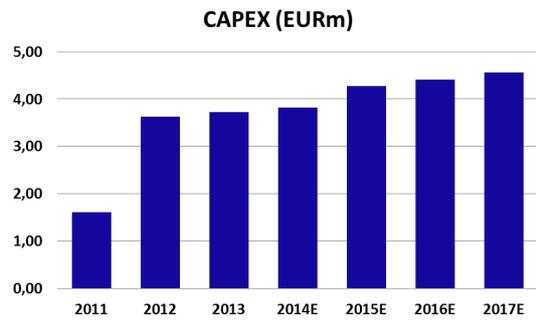
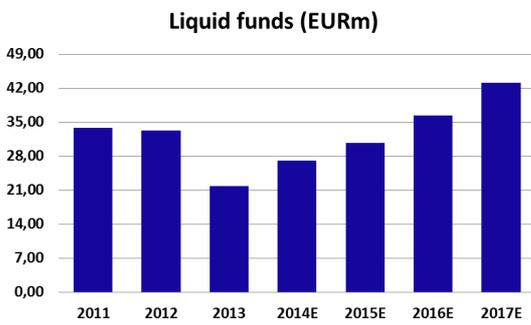
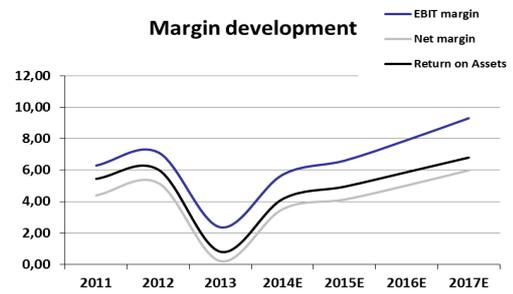
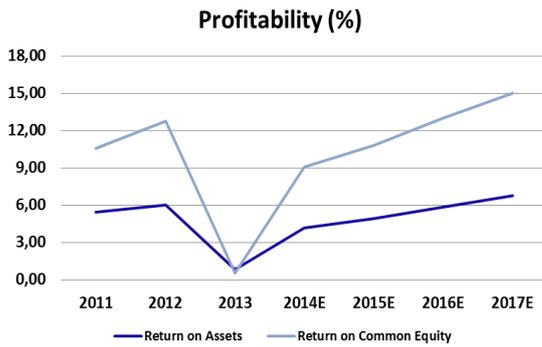
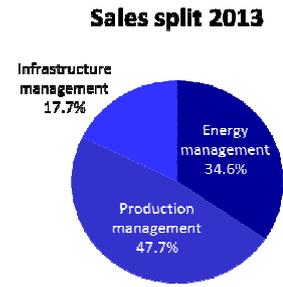
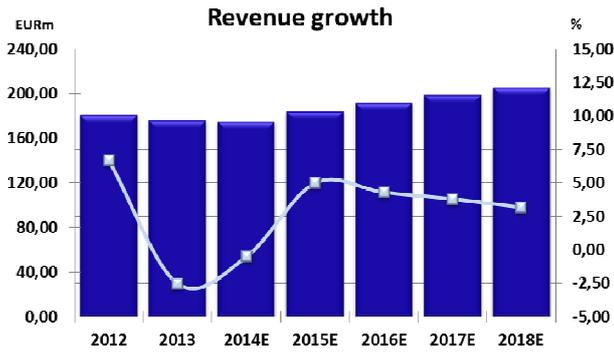
Cash flow statement - PSI AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Net income / loss	7,44	9,36	0,37	6,16	7,60	9,65
Depreciation & Amortization	3,98	4,03	3,82	3,80	3,99	4,16
Change of working capital	-2,82	-8,97	-2,39	0,60	-0,77	-0,60
Others	6,76	-3,62	-1,93	3,61	0,00	0,00
Net operating cash flow	15,37	0,81	-0,12	14,17	10,82	13,21
Cash flow from investment	-1,60	-3,63	-3,73	-3,83	-4,27	-4,42
Free cash flow	13,76	-2,82	-3,85	10,34	6,56	8,79
Cash flow from financing	-8,95	2,27	-7,20	-5,05	-2,87	-3,19
Change of cash	4,96	-0,51	-11,54	5,29	3,68	5,60
Cash at the beginning of the period	28,88	33,85	33,34	21,80	27,09	30,77
Cash at the end of the period	33,85	33,34	21,80	27,09	30,77	36,37

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11 Financial ratios

Fiscal year	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Gross margin	81,64%	80,00%	80,27%	80,27%	80,27%	80,27%	80,27%	80,27%
EBITDA margin	8,64%	9,35%	4,53%	7,87%	8,77%	10,07%	11,47%	11,41%
EBIT margin	6,29%	7,13%	2,36%	5,70%	6,60%	7,90%	9,30%	9,24%
Net margin	4,39%	5,18%	0,21%	3,51%	4,13%	5,02%	5,98%	5,92%
Return on equity (ROE)	10,56%	12,77%	0,53%	9,05%	10,82%	13,02%	15,01%	14,26%
Return on assets (ROA)	5,44%	6,02%	0,81%	4,16%	4,95%	5,87%	6,80%	6,66%
Return on capital employed (ROCE)	8,41%	8,97%	0,44%	6,25%	7,28%	8,61%	9,91%	9,61%
Net debt (in EURm)	1,39	15,01	25,22	19,58	17,74	13,79	8,55	3,00
Net gearing	1,91%	20,38%	37,46%	28,47%	24,75%	18,03%	10,37%	3,39%
Equity ratio	41,51%	39,50%	37,81%	39,04%	39,01%	39,69%	40,72%	41,80%
Current ratio	1,64	1,74	1,68	1,76	1,80	1,86	1,94	2,01
Quick ratio	1,02	1,06	1,03	1,12	1,15	1,21	1,29	1,36
Net interest cover	5,49	8,31	3,79	8,34	9,36	10,85	12,37	11,90
Net debt/EBITDA	0,09	0,89	3,16	1,42	1,10	0,71	0,37	0,13
Tangible BVPS	1,83	1,86	1,45	1,55	1,73	2,04	2,42	2,81
Capex/Sales	-2,56%	-2,83%	-2,82%	-2,18%	-2,32%	-2,30%	-2,29%	-2,27%
Working capital/Sales	6,90%	12,60%	14,61%	14,34%	14,07%	13,81%	13,54%	13,28%
EV/Sales	1,31	1,23	1,26	1,27	1,21	1,16	1,12	1,08
EV/EBITDA	15,20	13,16	27,87	16,13	13,79	11,51	9,73	9,48
EV/EBIT	20,87	17,28	53,40	22,26	18,31	14,67	12,00	11,70
P/Tangible BVPS	6,74	6,65	8,49	7,98	7,13	6,05	5,10	4,39
P/E	26,26	20,67	521,43	31,40	25,45	20,05	16,21	15,86
P/FCF	14,04	-68,62	-50,21	18,69	29,47	21,99	17,23	16,57

Source: Company data, Dr. Kalliwoda Research GmbH



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