

August 6th, 2013

Europe | Germany | IT &amp; Software

**DR. KALLIWODA**  
RESEARCH GmbH

## Update

### ACCUMULATE

Target price: EUR 14.20

#### Overview

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

Last price:	13.16
	<b>High</b> <b>Low</b>
Price 52 W.:	17.53    12.96
Market cap. (EURm)	206.58
Number of shares (m)	15.70

#### Shareholders

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

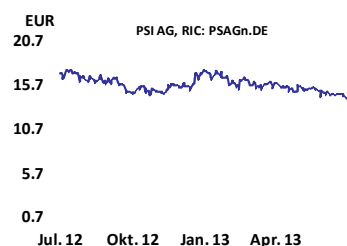
#### Performance

4 weeks	-3.15%
13 weeks	-10.29%
26 weeks	-17.33%
52 weeks	-15.84%
YTD	-11.02%

#### Dividend

	in EUR	in %
2009	0.21	1.60%
2010	0.23	1.75%
2011	0.25	1.90%
2012	0.30	2.28%

#### 52-Week Chart



#### Analyst

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## PSI AG

### Rating down after disappointing H1/13

- PSI's H1/13 figures came in lower than expected. Revenues equaled €87.7m and were 2.4% higher y-o-y. However, EBIT (-30.8% to €3.5m) and net income (-59.1% to €1.7m) were weaker than last year due to a higher share of CoGS and personnel expenses. Compared to H1/12, order backlog and intake decreased by 3.5% to €137m and 4.4% to €109m respectively.
- The best-performing segment in H1/13 was Infrastructure management. Due to strong business development in South East Asia and Poland revenues increased by +31.3% y-o-y to €14.8m and the EBIT margin improved from 9.9% in H1/12 to 11.6%. However, Production and Energy management reported slightly lower revenues, while also generating weaker EBIT margins y-o-y due to investments
- Due to lower investments into working capital the operating cash flow improved from €-4.1m in H1/12 to €-1.6m. As the cash flow from investing reached €-1.3m (H1/12: €-1.7m) and financing €-6.6m (€-2.6m), PSI's total cash position decreased from €33.3m at the beginning of 2013 to €23.9m. As of 30 June 2013, the company had a net gearing of 31.6% (31/12/2012: 20.4%).
- After lower than expected H1/13 results, we have decreased our estimates and the 12-months DCF-based price target, which now equals €14.20 (previously: €17.70). Consequently, our rating goes down from BUY to ACCUMULATE. Given lower order backlog and intake y-o-y, we do not consider our previous profit estimates for 2013 achievable. However, we continue to believe that PSI's software solutions have enormous potential in the long run and welcome especially the company's expansion into Eastern Europe, Asia and Latin America.

#### Key Figures

EURm	2009	2010	2011	2012	2013E	2014E
Net sales	146.99	158.69	169.54	180.89	189.93	208.55
EBITDA	11.45	13.94	14.65	16.92	12.77	16.94
EBIT	7.81	9.51	10.67	12.89	8.54	12.29
Net income	6.60	7.05	7.44	9.36	4.51	7.06
EPS	0.46	0.45	0.47	0.60	0.29	0.45
BVPS	4.62	4.35	4.60	4.70	4.69	4.68
RoE	13.20%	10.49%	10.56%	12.77%	6.12%	9.60%
EBIT margin	5.32 %	6.00 %	6.29 %	7.12 %	4.49 %	5.89 %
P/E	28.61	29.24	28.00	22.05	45.85	29.25
P/BVPS	2.85	3.03	2.86	2.80	2.81	2.81
EV/EBITDA	20.01	16.43	15.63	13.53	17.93	13.52

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## 1 Company profile

PSI AG is a group of companies with over 1,600 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 expect 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 expect to increase revenues by an average of 8% a year, while raising EBIT margins by 1% to 2% a year until 2015. 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. For full-year 2013, PSI guides for order intake of €200m, revenues of €190m and an EBIT of €14m-17m.

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

- **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.

#### Opportunities

- **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.

#### Weaknesses

- **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.

#### Threats

- **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 €14.20. Compared to the current market level, this corresponds to an upside of 7.9%.

### DCF model

#### Discounted Cash Flow Model (Basis 07/2013)

in EURm	Phase 1								
	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
<b>Net sales</b>	<b>189.93</b>	<b>208.55</b>	<b>225.86</b>	<b>241.66</b>	<b>252.54</b>	<b>261.88</b>	<b>269.74</b>	<b>276.48</b>	<b>282.01</b>
(y-o-y change)	5.0%	9.8%	8.3%	7.0%	4.5%	3.7%	3.0%	2.5%	2.0%
<b>EBIT</b>	<b>8.54</b>	<b>12.29</b>	<b>15.34</b>	<b>19.55</b>	<b>23.96</b>	<b>24.85</b>	<b>25.33</b>	<b>25.68</b>	<b>25.96</b>
(EBIT margin)	4.5%	5.9%	6.8%	8.1%	9.5%	9.5%	9.4%	9.3%	9.2%
<b>NOPLAT</b>	<b>5.98</b>	<b>8.60</b>	<b>10.74</b>	<b>13.69</b>	<b>16.77</b>	<b>17.40</b>	<b>17.73</b>	<b>17.98</b>	<b>18.17</b>
+ Depreciation	4.24	4.65	5.04	5.39	5.63	5.84	6.02	6.17	6.29
= Net operating cash flow	10.21	13.25	15.77	19.08	22.41	23.24	23.74	24.14	24.46
- Total investments (Capex and WC)	0.94	-7.80	-8.09	-8.32	-8.06	-8.13	-8.16	-8.21	-29.83
Capital expenditure	-5.38	-5.96	-6.32	-6.65	-6.81	-6.99	-7.14	-7.28	-7.38
Working capital	6.33	-1.84	-1.77	-1.67	-1.25	-1.14	-1.02	-0.93	-22.45
= Free cash flow (FCF)	11.16	5.46	7.69	10.76	14.34	15.11	15.58	15.94	-5.37
<b>PV of FCF's</b>	<b>10.81</b>	<b>4.91</b>	<b>6.42</b>	<b>8.35</b>	<b>10.33</b>	<b>10.10</b>	<b>9.67</b>	<b>9.18</b>	<b>-2.87</b>

PV of FCFs in explicit period	66.90
PV of FCFs in terminal period	162.15
<b>Enterprise value (EV)</b>	<b>229.06</b>
+ Net cash / - net debt (30 June 2013)	-22.38
+ Investments / - Minorities	0.00
<b>Shareholder value</b>	<b>206.68</b>
Number of shares outstanding (m)	<b>15.68</b>
WACC	7.71%
Equity costs	9.2%
Debt costs before tax	6.0%
Tax rate	30.0%
Debt costs after tax	4.2%
Equity ratio	70.0%
Debt ratio	30.0%
<b>Fair value per share in € (today)</b>	<b>13.18</b>
<b>Fair value per share in € (in 12 months)</b>	<b>14.20</b>

Sensitivity analysis		Terminal EBIT margin						
		6.2%	7.2%	8.2%	9.2%	10.2%	11.2%	12.2%
WACC	4.7%	22.99	26.46	29.93	33.40	36.87	40.34	43.81
	5.7%	16.48	18.82	21.16	23.50	25.84	28.17	30.51
	6.7%	12.74	14.44	16.14	17.84	19.54	21.25	22.95
	7.7%	10.31	11.61	12.90	14.20	15.50	16.79	18.09
	8.7%	8.60	9.62	10.65	11.67	12.69	13.71	14.73
	9.7%	7.34	8.16	8.99	9.81	10.63	11.45	12.28

Source: Dr. Kalliwoda Research GmbH

## 5 H1/13 results

### Revenues

In H1/13, PSI generated total sales of €87.7m, which corresponded to a growth of 2.4% y-o-y. While order backlog and intake declined by 3.5% to €137m and 4.4% to €109m respectively, it must be noted that in Q2/12 order intake was positively impacted by two large export orders worth €10m, which consisted of licence sales totalling over €2m.

With 49.3%, the segment Production management had again the highest share in total sales. Its revenues (-1.1% to €43.2m) remained flat y-o-y, although the area “metal industry” benefitted from strong order intake from the US following significantly lower energy prices there. The other two segments developed differently. While sales of Energy management, which were mainly positively impacted by the area “Oil & Gas”, decreased by 3.3% to €29.7m, Infrastructure management (+31.3% to €14.8m) continued to benefit from strong demand from South East Asia and Poland.

H1/13 vs. previous year			
in EURm	H1/13	H1/12	change y-o-y (%)
Net sales	87.68	85.65	2.4%
EBITDA	5.40	7.07	-23.6%
EBITDA margin	6.2%	8.2%	
EBIT	3.53	5.11	-30.8%
EBIT margin	4.0%	6.0%	
Net income	1.69	4.12	-59.1%
Net margin	1.9%	4.8%	

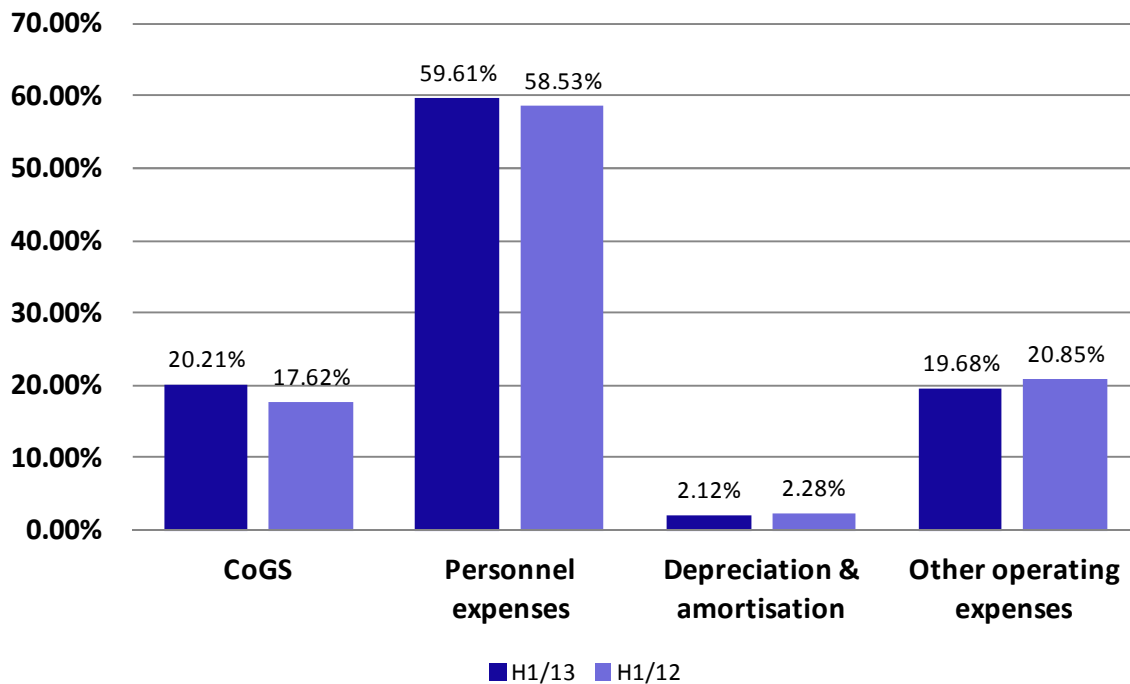
Source: Company data, Dr. Kalliwoda Research GmbH

Sales and EBIT margins according to segments H1/13 vs. H1/12				
	H1/13	H1/12	H1/13	H1/12
Energy management		Infrastructure management		
Sales €m	29.71	30.74	Sales €m	14.75
Share in total sales	33.9%	35.9%	Share in total sales	16.8%
EBIT margin	1.9%	5.6%	EBIT margin	11.6%
Production		Group		
Sales €m	43.21	43.68	Total Sales	87.68
Share in total sales	49.3%	51.0%	change y-o-y	2.4%
EBIT margin	4.4%	6.9%		

Source: Company data, Dr. Kalliwoda Research GmbH

## Profitability

### Share in total sales H1/13 vs. H1/12



Source: Company data, Dr. Kalliwoda Research GmbH

In H1/13, PSI's profitability was negatively affected by the expansion of workforce in export markets (at the end of H1/13 it had 1,667 employees vs. 1,552 in June 2012) and investments into product functionality. Hence, EBIT went down by 30.8% to €35m and the operating margin from 6% to 4%. Net income, which declined by 59.1% to €1.7m, was additionally impacted by a much higher effective tax rate y-o-y (46.1% vs. 6.2%), which resulted from higher deferred tax assets.

On the segment level, Infrastructure management improved its EBIT margin from 9.9% to 11.6%, while Energy management (1.9% vs. 5.6% in H1/12) and Production management (4.4% vs. 6.9%) were less profitable y-o-y. This stemmed from investments e.g. in special features for Asian clients (area "electrical energy" of the segment Energy management) and software for the optimization and control of larger logistic networks (segment Production management).

### Balance Sheet and Cash Flow

At the end of June 2013, the most important positions on PSI's balance sheet were (1) equity of €70.8m (equity ratio of 37.8%) (2) intangible assets of €48.7m and (3) Receivables from long-term manufacturing totalling €47.7m. With interest-bearing debt of €46.3m (thereof long-term pension provisions of €39.1m) and liquid funds of €23.9m, the gearing equalled 31.6% (31/12/12: 20.4%).

Despite an improvement of operating cash flow (€-16m vs. €4.1m in H1/12), PSI reported a cash outflow of €9.5m compared to 31 December 2012. The reason was a higher dividend payout and debt repayment, which resulted in a larger cash outflow from financing y-o-y (€6.6m vs. €2.6m).

## 6 Outlook

Although for now PSI left its 2013 guidance unchanged (order intake of €200m, sales of €190m, EBIT of €14-17m), we have decided to lower our estimates on the profit level, which decreases our price target from previously €17.70 to €14.20 and our rating from BUY to ACCUMULATE. In H1/13, the company generated only 23% of our previous 2013 EBIT and 18.1% of our net profit estimates. Although PSI's business is very seasonal and management expect much better H2/13 (especially Q4/13), we do not think that our previous forecasts are achievable anymore given weak order intake and backlog.

However, we remain optimistic for the coming years, especially in terms of business development in emerging markets such as Eastern Europe, South East Asia and Latin America. With the investments in the current fiscal-year, PSI strengthens its product portfolio further in order to be a major beneficiary of the long-term trends energy, material and work efficiency.

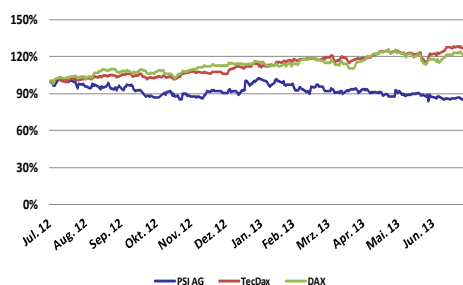
### Our forecasts 2013E - 2015E

in EURm	2013E		2014E		2015E	
	old	new	old	new	old	new
Net sales	189.93	189.93	208.55	208.55	225.86	225.86
EBITDA	19.60	12.77	24.02	16.94	27.60	20.38
EBITDA margin	10.3%	6.7%	11.5%	8.1%	12.2%	9.0%
EBIT	15.37	8.54	19.37	12.29	22.56	15.34
EBIT margin	8.1%	4.5%	9.3%	5.9%	10.0%	6.8%
Net income	9.29	4.51	12.02	7.06	12.33	9.13
Net margin	4.9%	2.4%	5.8%	3.4%	5.5%	4.0%

Source: Dr. Kalliwoda Research GmbH

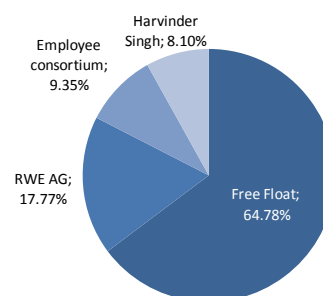
## 7 Stock and shareholder structure

### Stock Price Development



Source: Thomson Reuters Knowledge

### Shareholder Structure



Source: Company data, Dr. Kalliwoda Research GmbH



## 8 Profit and loss statements

Profit and loss statement - PSI AG						
in EURm	Fiscal year					
	2009	2010	2011	2012	2013E	2014E
<b>Sales split</b>						
Energy management	59.79	65.46	68.89	62.29	64.39	70.49
Production management	62.21	67.27	78.59	89.42	93.51	103.09
Infrastructure management	24.98	25.96	22.07	29.17	32.03	34.96
<b>Net sales</b>	<b>146.99</b>	<b>158.69</b>	<b>169.54</b>	<b>180.89</b>	<b>189.93</b>	<b>208.55</b>
Change in inventories	0.07	0.06	-0.03	-0.22	-0.24	-0.25
<b>Total Output</b>	<b>147.06</b>	<b>158.75</b>	<b>169.52</b>	<b>180.66</b>	<b>189.69</b>	<b>208.29</b>
Cost of goods sold	-28.49	-26.30	-31.12	-36.13	-37.93	-41.65
<b>Gross profit</b>	<b>118.57</b>	<b>132.45</b>	<b>138.39</b>	<b>144.54</b>	<b>151.76</b>	<b>166.64</b>
Other operating income	3.59	6.66	5.06	8.52	3.79	4.17
Personnel costs	-83.63	-94.16	-95.78	-100.85	-112.87	-123.52
Depreciation & Amortization	-3.63	-4.43	-3.98	-4.03	-4.24	-4.65
Other operating expenses	-27.09	-31.00	-33.03	-35.29	-29.92	-30.35
<b>EBIT</b>	<b>7.81</b>	<b>9.51</b>	<b>10.67</b>	<b>12.89</b>	<b>8.54</b>	<b>12.29</b>
Net financial results	-0.87	-1.64	-1.94	-1.55	-2.10	-2.20
<b>EBT</b>	<b>6.95</b>	<b>7.88</b>	<b>8.72</b>	<b>11.34</b>	<b>6.44</b>	<b>10.09</b>
Income taxes	-0.34	-0.83	-1.28	-1.98	-1.93	-3.03
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net income / loss</b>	<b>6.60</b>	<b>7.05</b>	<b>7.44</b>	<b>9.36</b>	<b>4.51</b>	<b>7.06</b>
EPS	0.46	0.45	0.47	0.60	0.29	0.45
DPS	0.21	0.23	0.25	0.30	0.31	0.32
<b>Change y-o-y</b>						
Net sales	n.a	7.96%	6.84%	6.69%	5.00%	9.80%
Total Output	n.a	7.95%	6.78%	6.58%	5.00%	9.81%
Cost of goods sold	n.a	-7.67%	18.32%	16.07%	5.00%	9.81%
Gross profit	n.a	11.70%	4.49%	4.44%	5.00%	9.81%
Other operating income	n.a	85.38%	-24.00%	68.51%	-55.49%	9.81%
Personnel costs	n.a	12.60%	1.71%	5.30%	11.92%	9.44%
Depreciation & Amortization	n.a	21.87%	-10.03%	1.33%	5.00%	9.80%
Other operating expenses	n.a	14.44%	6.56%	6.85%	-15.23%	1.45%
EBIT	n.a	21.76%	12.10%	20.82%	-33.75%	43.97%
Net financial results	n.a	88.26%	18.64%	-20.14%	35.48%	4.76%
EBT	n.a	13.43%	10.74%	29.93%	-43.22%	56.76%
Income taxes	n.a	142.98%	54.03%	54.45%	-2.33%	56.76%
Net income / loss	n.a	6.72%	5.63%	25.71%	-51.86%	56.76%
EPS	n.a	-2.17%	4.44%	27.01%	-51.92%	56.76%
DPS	n.a	n.a	8.70%	20.00%	3.33%	3.23%
<b>Share in total sales</b>						
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Total Output	86.74 %	93.63 %	99.98 %	106.56 %	111.88 %	122.86 %
Cost of goods sold	-16.80 %	-15.51 %	-18.36 %	-19.97 %	-19.97 %	-19.97 %
Gross profit	69.93 %	78.12 %	81.63 %	79.91 %	79.90 %	79.91 %
Other operating income	2.12 %	3.93 %	2.98 %	4.71 %	2.00 %	2.00 %
Personnel costs	-49.33 %	-55.54 %	-56.49 %	-55.75 %	-59.42 %	-59.23 %
Depreciation & Amortization	-2.14 %	-2.61 %	-2.35 %	-2.23 %	-2.23 %	-2.23 %
Other operating expenses	-15.98 %	-18.28 %	-19.48 %	-19.51 %	-15.75 %	-14.55 %
EBIT	4.61 %	5.61 %	6.29 %	7.12 %	4.49 %	5.89 %
Net financial results	-0.51 %	-0.96 %	-1.14 %	-0.86 %	-1.11 %	-1.05 %
EBT	4.10 %	4.65 %	5.15 %	6.27 %	3.39 %	4.84 %
Income taxes	-0.20 %	-0.49 %	-0.75 %	-1.09 %	-1.02 %	-1.45 %
Net income / loss	3.89 %	4.16 %	4.39 %	5.17 %	2.37 %	3.39 %

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## 9 Balance sheets

Balance sheet - PSI AG						
in EURm	Fiscal year					
	2009	2010	2011	2012	2013E	2014E
<b>Assets</b>						
Cash and cash equivalents	20.77	28.88	33.85	33.34	39.72	44.99
Inventories	2.84	3.40	4.05	4.02	4.22	4.63
Trade accounts and notes receivables	33.75	27.94	31.16	34.07	35.77	39.28
Receivables from long-term manufacturing	32.69	37.24	37.55	42.24	42.07	46.19
Other current assets	3.50	6.68	3.86	4.63	4.32	4.75
<b>Current assets</b>	<b>93.54</b>	<b>104.15</b>	<b>110.47</b>	<b>118.30</b>	<b>126.10</b>	<b>139.84</b>
Property, plant and equipment	9.34	13.71	14.46	14.24	15.24	16.24
Other intangibles assets	4.66	2.67	2.26	2.96	3.11	3.41
Goodwill	43.92	43.92	43.92	44.53	44.53	44.53
Shares in associated companies	0.36	0.40	0.21	0.43	0.23	0.26
Deferred tax assets	2.90	4.31	4.33	5.98	4.63	0.00
<b>Non-current assets</b>	<b>61.19</b>	<b>65.01</b>	<b>65.19</b>	<b>68.14</b>	<b>67.74</b>	<b>64.44</b>
<b>Total assets</b>	<b>154.74</b>	<b>169.16</b>	<b>175.66</b>	<b>186.44</b>	<b>193.85</b>	<b>204.28</b>
<b>Liabilities</b>						
Trade payables	14.61	15.41	16.98	15.65	16.22	17.58
Other liabilities	23.15	25.77	27.71	27.98	31.04	34.08
Liabilities from long-term manufacturing	15.40	16.15	20.23	18.55	22.67	24.89
Financial liabilities	1.56	2.49	2.34	5.45	5.35	5.25
Provisions	0.48	0.29	0.24	0.18	0.19	0.21
<b>Current liabilities</b>	<b>55.19</b>	<b>60.11</b>	<b>67.50</b>	<b>67.80</b>	<b>75.46</b>	<b>82.00</b>
Long-term bank debt	0.84	5.67	0.80	3.90	3.85	3.80
Pension provisions	30.10	33.61	32.10	39.00	40.95	44.96
Deferred tax liabilities	2.31	1.67	2.36	2.11	0.00	0.00
<b>Long-term liabilities</b>	<b>33.25</b>	<b>40.95</b>	<b>35.26</b>	<b>45.00</b>	<b>44.80</b>	<b>48.76</b>
<b>Total liabilities</b>	<b>88.45</b>	<b>101.07</b>	<b>102.75</b>	<b>112.80</b>	<b>120.26</b>	<b>130.76</b>
<b>Shareholders equity</b>	<b>66.29</b>	<b>68.09</b>	<b>72.91</b>	<b>73.64</b>	<b>73.59</b>	<b>73.52</b>
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total equity and liabilities</b>	<b>154.74</b>	<b>169.16</b>	<b>175.66</b>	<b>186.44</b>	<b>193.85</b>	<b>204.28</b>

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## 10 Cash flow statements

Cash flow statement - PSI AG						
in EURm	Fiscal year					
	2009	2010	2011	2012	2013E	2014E
Net income / loss	6.60	7.05	7.44	9.36	4.51	7.06
Depreciation & Amortization	3.63	4.43	3.98	4.03	4.24	4.65
Change of working capital	-5.65	-0.21	-2.82	-8.97	6.33	-1.84
Others	-0.19	1.88	6.76	-3.62	-0.74	4.65
<b>Net operating cash flow</b>	<b>4.40</b>	<b>13.14</b>	<b>15.37</b>	<b>0.81</b>	<b>14.32</b>	<b>14.52</b>
<b>Cash flow from investment</b>	<b>-15.87</b>	<b>-6.82</b>	<b>-1.60</b>	<b>-3.63</b>	<b>-5.38</b>	<b>-5.96</b>
Free cash flow	-11.47	6.32	13.76	-2.82	8.94	8.57
<b>Cash flow from financing</b>	<b>8.58</b>	<b>1.46</b>	<b>-8.95</b>	<b>2.27</b>	<b>-2.56</b>	<b>-3.30</b>
Change of cash	-2.89	8.12	4.96	-0.51	6.38	5.27
Cash at the beginning of the period	23.65	20.77	28.88	33.85	33.34	39.72
Cash at the end of the period	20.77	28.88	33.85	33.34	39.72	44.99

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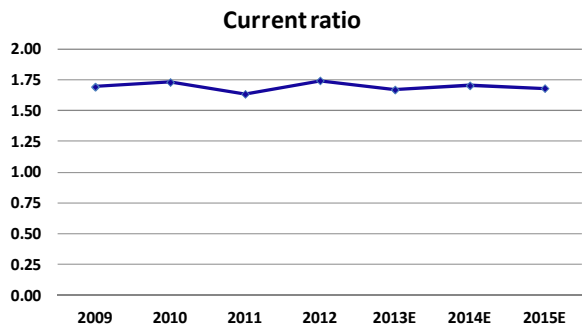
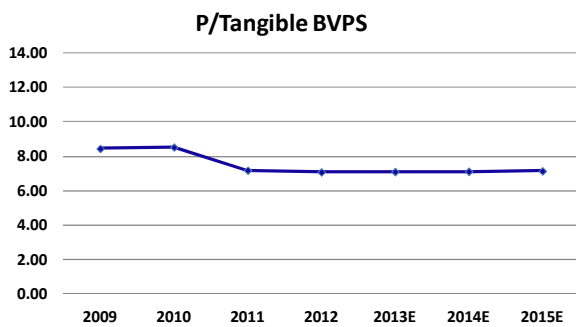
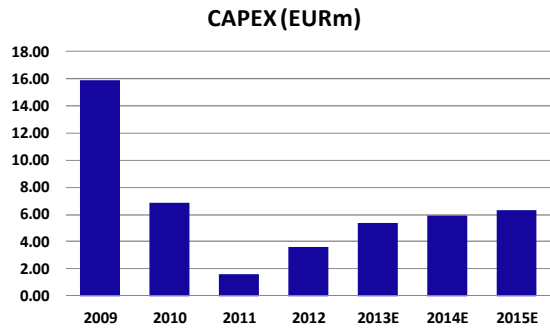
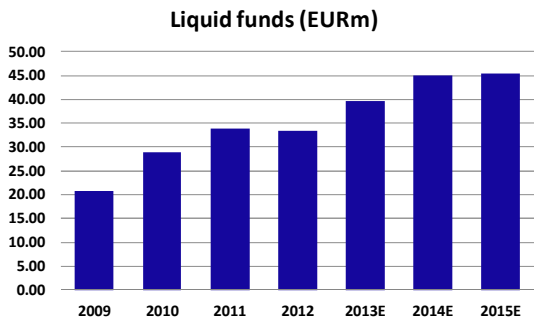
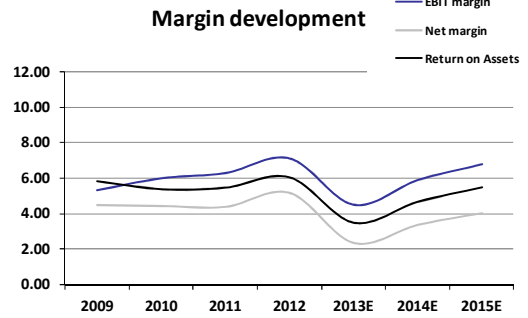
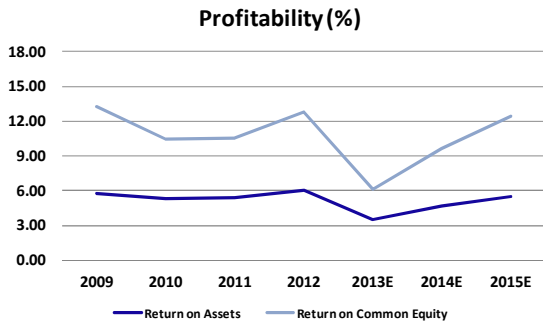
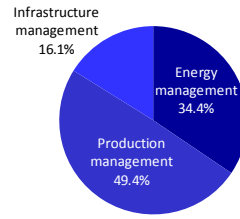
## 11 Financial ratios

Fiscal year	2009	2010	2011	2012	2013E	2014E	2015E	2016E
Gross margin	80.63%	83.43%	81.64%	80.00%	80.00%	80.00%	80.00%	80.00%
EBITDA margin	7.79%	8.78%	8.64%	9.35%	6.72%	8.12%	9.02%	10.32%
EBIT margin	5.31%	5.99%	6.29%	7.13%	4.50%	5.90%	6.80%	8.10%
Net margin	4.49%	4.44%	4.39%	5.18%	2.38%	3.39%	4.05%	4.97%
Return on equity (ROE)	13.20%	10.49%	10.56%	12.77%	6.12%	9.60%	12.42%	16.37%
Return on assets (ROA)	5.81%	5.36%	5.44%	6.02%	3.47%	4.65%	5.47%	6.60%
Return on capital employed (ROCE)	7.46%	7.80%	8.41%	8.97%	5.05%	7.04%	8.53%	10.60%
Net debt (in EURm)	11.74	12.89	1.39	15.01	10.43	9.02	12.16	15.22
Net gearing	17.70%	18.93%	1.91%	20.38%	14.17%	12.26%	16.57%	20.77%
Equity ratio	42.84%	40.25%	41.51%	39.50%	37.96%	35.99%	34.33%	32.93%
Current ratio	1.69	1.73	1.64	1.74	1.67	1.71	1.68	1.66
Quick ratio	1.05	1.06	1.02	1.06	1.06	1.09	1.06	1.03
Net interest cover	8.99	5.82	5.49	8.31	4.06	5.59	6.67	8.15
Net debt/EBITDA	1.03	0.92	0.09	0.89	0.82	0.53	0.60	0.61
Tangible BVPS	1.56	1.54	1.83	1.86	1.85	1.85	1.84	1.83
Capex/Sales	-23.74%	-4.28%	-2.56%	-2.83%	-2.83%	-2.86%	-2.80%	-2.75%
Working capital/Sales	13.35%	11.30%	6.90%	12.60%	8.67%	8.78%	8.88%	8.99%
EV/Sales	1.56	1.44	1.35	1.27	1.21	1.10	1.01	0.95
EV/EBITDA	20.01	16.43	15.63	13.53	17.93	13.52	11.24	9.18
EV/EBIT	29.30	24.07	21.47	17.77	26.82	18.63	14.93	11.71
P/Tangible BVPS	8.45	8.53	7.19	7.09	7.11	7.13	7.15	7.18
P/E	28.61	29.24	28.00	22.05	45.85	29.25	22.63	17.21
P/FCF	32.61	14.97	-73.18	23.05	24.05	33.80	22.66	16.35

Source: Company data, Dr. Kalliwoda Research GmbH



### Sales split 2012



Source: Company data, Dr. Kalliwoda Research GmbH

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