

April 14, 2014

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

ACCUMULATE

Target price: EUR 13.80

PSI AG

Ready to grow again after transition year

Overview

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

Last price:	13.01
	High Low
Price 52 W.:	16.64 11.32
Market cap. (EURm)	203.95
Number of shares (m)	15.68

Shareholders

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

Performance

4 weeks	-8.68%
13 weeks	-3.73%
26 weeks	8.68%
52 weeks	-19.59%
YTD	-5.01%

Dividend

	in EUR	in %
2011	0.25	1.92%
2012	0.30	2.31%
2013E	0.00	0.00%
2014E	0.30	2.31%

52-Week Chart



Analyst

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■ As expected, PSI's 2013 results came in weaker y-o-y. While revenues declined by 2.5% to €176.3m, EBIT (-67.6% to €4.2m) and net income (€0.4m vs. €9.4m in 2012) were much lower than last year due to one-off effects and higher deferred tax assets. However, order backlog and intake remained stable y-o-y at €118m (2012: €118m), respectively €185m (-1.6% y-o-y).

■ The strongest segment in 2013 was Infrastructure management, with revenues of €31.3m (+7.3% y-o-y) and an EBIT margin of 10.4%. The area benefitted from strong business development in South East Asia and Poland. On the other hand, Energy management (€61m, -2.1% y-o-y; EBIT margin of 1%) and Production management (€84.1m, -6% y-o-y; EBIT margin of 1.7%) both suffered from higher development costs and write-downs.

■ Due to weaker net income the operating cash flow went down from €0.8m in 2012 to €-0.1m. With €-3.9m (2012: €-2.8m), the free cash flow was also negative. As the cash flow from financing equaled to €-7.2m due to a dividend payout of €0.20 per share and a repayment of debt, PSI's cash position went down by €11.5m since January 2013. However, both liquid funds (€21.8m) and net gearing (37.5%) remained at a very comfortable level.

■ We have adjusted our estimates for PSI and WACC. Although compared to management's guidance (+5-10% revenue growth y-o-y; EBIT of €12m), we are cautious for 2014, our 12-months DCF-based price target increases from previously €13.20 to €13.80. Due to its product portfolio around the trend topic "Production, Resource and Work Efficiency", an increasing share of high-margin software license and maintenance fees as well as growing exports, which have increased from 13% of total sales in 2004 to 53%, we see great potential for PSI in the long run. Thus, despite current weakness, we maintain our ACCUMULATE rating for the stock.

Key Figures

in EURm	2011	2012	2013	2014E	2015E	2016E
Net sales	169.54	180.89	176.33	186.56	195.88	204.31
EBITDA	14.65	16.92	7.99	14.68	17.17	20.57
EBIT	10.67	12.89	4.17	10.63	12.93	16.14
Net income	7.44	9.36	0.37	6.60	8.14	10.32
EPS	0.47	0.60	0.02	0.42	0.52	0.66
BVPS	4.60	4.70	4.29	4.42	4.62	4.92
RoE	10.56%	12.77%	0.53%	9.67%	11.49%	13.80%
EBIT margin	6.29%	7.12%	2.36%	5.70%	6.60%	7.90%
P/E	27.68	21.79	549.74	30.88	25.05	19.77
P/BVPS	2.83x	2.77x	3.03x	2.95x	2.81x	2.65x
EV/EBITDA	15.65x	13.55x	28.69x	15.62x	13.35x	11.14x

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1 Company profile

PSI AG is a group of companies with 1,692 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 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. For full-year 2014, PSI guides for revenue growth of 5-10% y-o-y and an EBIT of €12m.

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 €13.80. Compared to current market level, this corresponds to an upside of 6.1%.

DCF model

Discounted Cash Flow Model (Basis 3/2014)

in EURm	Phase 1								
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	186.56	195.88	204.31	212.07	218.86	225.42	231.06	236.37	241.10
(y-o-y change)	5.8%	5.0%	4.3%	3.8%	3.2%	3.0%	2.5%	2.3%	2.0%
EBIT	10.63	12.93	16.14	19.93	20.46	20.95	21.35	21.72	22.02
(EBIT margin)	5.7%	6.6%	7.9%	9.4%	9.3%	9.3%	9.2%	9.2%	9.1%
NOPLAT	7.44	9.05	11.30	13.95	14.32	14.67	14.95	15.20	15.42
+ Depreciation	4.04	4.24	4.43	4.59	4.74	4.88	5.01	5.12	5.22
= Net operating cash flow	11.49	13.29	15.72	18.55	19.06	19.55	19.95	20.32	20.64
- Total investments (Capex and WC)	-5.35	-5.35	-5.34	-5.35	-5.30	-5.38	-5.32	-23.96	-5.46
Capital expenditure	-4.36	-4.54	-4.69	-4.85	-4.97	-5.10	-5.20	-5.31	-5.40
Working capital	-1.00	-0.82	-0.64	-0.51	-0.34	-0.27	-0.12	-18.65	-0.06
= Free cash flow (FCF)	6.13	7.94	10.39	13.19	13.76	14.17	14.63	-3.63	15.18
PV of FCF's	5.81	7.02	8.57	10.16	9.88	9.50	9.15	-2.12	8.26

PV of FCFs in explicit period	66.23
PV of FCFs in terminal period	160.85
Enterprise value (EV)	227.08
+ Net cash / - net debt (31 December 2013)	-25.22
+ Investments / - Minorities	0.00
Shareholder value	201.87
Number of shares outstanding (m)	15.68

WACC	7.2%
Equity costs	9.5%
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)	12.88
Fair value per share in € (in 12 months)	13.80

Sensitivity analysis		Terminal EBIT margin						
		6.2%	7.2%	8.2%	9.2%	10.2%	11.2%	12.2%
WACC	4.2%	25.61	29.36	33.11	36.86	40.61	44.36	48.11
	5.2%	17.21	19.58	21.95	24.32	26.68	29.05	31.42
	6.2%	12.81	14.47	16.13	17.79	19.45	21.11	22.77
	7.2%	10.10	11.34	12.57	13.80	15.04	16.27	17.50
	8.2%	8.26	9.21	10.17	11.12	12.07	13.03	13.98
	9.2%	6.93	7.68	8.44	9.20	9.95	10.71	11.47

Source: Dr. Kalliwoda Research GmbH

5 Fiscal-year 2013 results

Revenues

In fiscal-year 2013, PSI generated total sales of €176.3m, which were 2.5% lower than last year and 7.2% below our forecasts. Positive was the increase of high-margin maintenance and license fees by 5.7% to €42.9m and 11.5% to €19.4m respectively, which is in-line with one of the company's long-term strategic objectives. Order backlog remained stable at €118m and intake decreased by 1.6% to €185m as management did not focus that much on project-based contracts anymore.

The main growth driver was the segment Infrastructure management (Traffic, Public Security, Ecology), where due to strong sales in Asia (PSI Incontrol) and Poland (PSI Polen) revenues increased by 7.3% to €31.3m. PSI Poland was able to gain first contracts with Polish utilities.

On the other hand, the segments Energy management (Gas, Oil, Electrical Power, Heat, Energy Trading) and Production management (Resources, Metal production, Automotive, Machinery, Logistics) declined y-o-y by 2.1% to €61m and 6% to €84.1m respectively. Despite strong development of the "gas and oil" business in Asia and Eastern Europe, Energy management was again hit hard by the energy policy in Germany. In Production management, the area "metal industry" continued to benefit from dynamic growth in North America resulting from the shale gas boom, however together with "machinery" was not able to offset weak development of the "logistics" business.

2013 vs. previous year and our estimates

2013 vs. previous year and our estimates					
in EURm	2013	2013E	2012	2013 vs. 2013E	2013 vs. 2012
Net sales	176.33	189.93	180.89	-7.2%	-2.5%
EBITDA	7.99	9.36	16.92	-14.6%	-52.8%
EBITDA margin	4.5%	4.9%	9.4%		
EBIT	4.17	5.12	12.89	-18.6%	-67.6%
EBIT margin	2.4%	2.7%	7.1%		
Net income	0.37	2.12	9.36	-82.5%	-96.0%
Net margin	0.2%	1.1%	5.2%		

Source: Company data, Dr. Kalliwoda Research GmbH

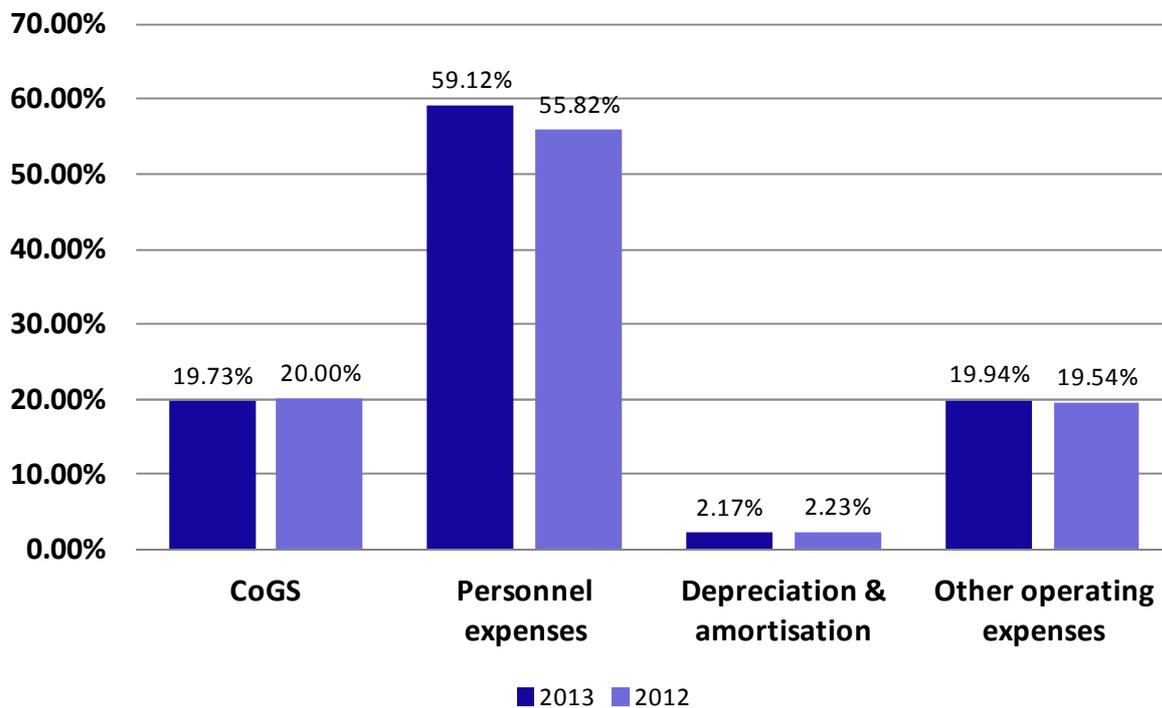
Sales and EBIT margins according to segments 2013 vs. 2012

Sales and EBIT margins according to segments 2013 vs. 2012					
	2013	2012		2013	2012
Energy management			Infrastructure management		
Sales €m	60.97	62.29	Sales €m	31.30	29.17
Share in total sales	34.6%	34.4%	Share in total sales	17.7%	16.1%
EBIT margin	1.0%	5.1%	EBIT margin	10.4%	14.9%
Production management			Group		
Sales €m	84.07	89.42	Total Sales	176.33	180.89
Share in total sales	47.7%	49.4%	change y-o-y	-2.5%	
EBIT margin	1.7%	7.4%			

Source: Company data, Dr. Kalliwoda Research GmbH

Profitability

Share in total sales 2013 vs. 2012



Source: Company data, Dr. Kalliwoda Research GmbH

In 2013, PSI generated an EBIT of €4.2m, which was 67.6% lower y-o-y. The decline resulted from (1) a significant increase of the share of personnel expenses as PSI expanded its workforce particularly in export markets (1,692 vs. 1,591 as of 31 December 2012) (2) a one-off write-down of €0.8m due to an assumed detrimental purchase of a shareholding by an investor in 2009 as well as (3) one-off expenses of €4.1m relating to the development of an energy management system for railways and a transport management system for providers of logistics services. Net income, which went down from €9.4m in 2012 to €0.4m, was additionally negatively impacted by high deferred tax assets.

Balance Sheet and Cash Flow

At the end of 2013, PSI had an equity ratio of 37.8% (2012: 39.5%) and working capital of €25.8m (€22.8m). Interest-bearing debt, which totalled €47m (€48.3m), mainly consisted of long-term pension provisions.

The operating cash flow decreased from €0.8m in 2012 to €-0.1m, in-line with net income. While cash outflow from investing activity remained stable at €-3.7m following investments in intangible assets, cash flow from financing decreased from €2.3m to €7.2m due to debt repayments and a dividend payout of €4.7m. In total, between January and December 2013 PSI's liquid funds position declined by €11.5m to €21.8m. As of 31 December 2013, the company had a net gearing of 37.5%.

6 Outlook

2013 was a transition year for PSI with large investments and a generational change within management. The results were relatively weak as investments, which the company has not activated, e.g. the change from project- to product-based business in the area “electrical energy” and a creation of a large transport system in the “logistics” area, turned to be much more expensive than previously expected.

Nevertheless, we remain strongly convinced about the quality of PSI and its management and regard the company as very attractive especially for long-term oriented value investors. In our opinion, with the introduction of the unified company-wide software platform and other investments in the recent past PSI has positioned itself very well to be a major beneficiary of the global trend “Energy, Resource and Work Efficiency”. Moreover, it is in our view very positive that the company has put a strong focus on expansion into markets such as Asia, Eastern Europe and Latin America, which given current weakness in Germany due to the uncertainty relating to the government’s energy policy should be the main source of growth in the near future.

As the German energy sector remains in the most serious structural crisis in its history, which continues to negatively affect investment activity, we have adjusted our forecasts for 2014 and beyond. Due to last year’s experience we have chosen to be at the lower end of management guidance for 2014 (5-10% sales growth and €12m in EBIT). Nevertheless, given lower WACC, our 12-months DCF-based price target goes up from €13.20 to €13.80. We maintain our ACCUMULATE rating for the stock and believe that better results will allow PSI to pay out a dividend again in 2014 (KRe: dividend yield of 2.3%).

Sales model 2014E-2016E

Sales estimates according to segments 2014E-16E			
in EURm	2014E	2015E	2016E
Energy management	63.06	66.01	68.65
change y-o-y	3.43%	4.69%	3.99%
share in total sales	33.80%	33.70%	33.60%
Production management	91.85	96.44	100.59
change y-o-y	9.26%	5.00%	4.30%
share in total sales	49.24%	49.24%	49.24%
Infrastructure management	31.65	33.43	35.07
change y-o-y	1.13%	5.62%	4.91%
share in total sales	16.96%	17.06%	17.16%
Total sales	186.56	195.88	204.31

Source: Dr. Kalliwoda Research GmbH

Our forecasts 2014E-2016E

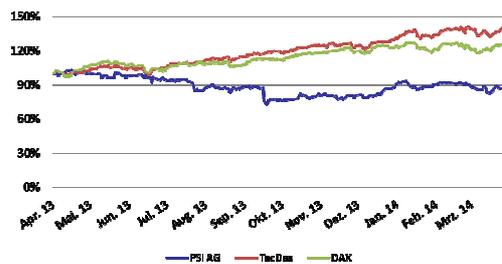
Our forecasts 2014E - 2016E

in EURm	2014E		2015E		2016E	
	old	new	old	new	old	new
Net sales	208.55	176.33	225.86	186.56	241.66	195.88
EBITDA	16.52	7.99	19.93	14.68	24.46	17.17
EBITDA margin	7.9%	4.5%	8.8%	7.9%	10.1%	8.8%
EBIT	11.87	4.17	14.89	10.63	19.07	12.93
EBIT margin	5.7%	2.4%	6.6%	5.7%	7.9%	6.6%
Net income	6.77	0.37	8.81	6.60	11.67	8.14
Net margin	3.2%	0.2%	3.9%	3.5%	4.8%	4.2%

Source: Dr. Kalliwoda Research GmbH

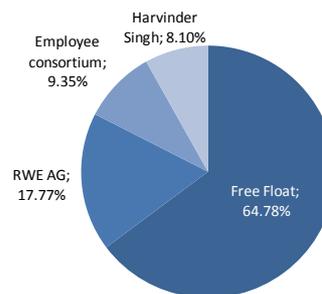
7 Stock and shareholder structure

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					
	2011	2012	2013	2014E	2015E	2016E
Sales split						
<i>Energy management</i>	68.89	62.29	60.97	63.06	66.01	68.65
<i>Production management</i>	78.59	89.42	84.07	91.85	96.44	100.59
<i>Infrastructure management</i>	22.07	29.17	31.30	31.65	33.43	35.07
Net sales	169.54	180.89	176.33	186.56	195.88	204.31
<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	186.56	195.88	204.31
<i>Cost of goods sold</i>	-31.12	-36.13	-34.78	-36.80	-38.64	-40.30
Gross profit	138.39	144.54	141.55	149.76	157.24	164.01
<i>Other operating income</i>	5.06	8.52	5.84	3.73	3.92	4.09
<i>Personnel costs</i>	-95.78	-100.85	-104.24	-109.92	-115.02	-119.56
<i>Depreciation & Amortization</i>	-3.98	-4.03	-3.82	-4.04	-4.24	-4.43
<i>Other operating expenses</i>	-33.03	-35.29	-35.16	-28.90	-28.97	-27.97
EBIT	10.67	12.89	4.17	10.63	12.93	16.14
<i>Net financial results</i>	-1.94	-1.55	-1.10	-1.20	-1.30	-1.40
EBT	8.72	11.34	3.07	9.43	11.63	14.74
<i>Income taxes</i>	-1.28	-1.98	-2.70	-2.83	-3.49	-4.42
<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	6.60	8.14	10.32
<i>EPS</i>	0.47	0.60	0.02	0.42	0.52	0.66
<i>DPS</i>	0.25	0.30	0.00	0.30	0.30	0.33
Change y-o-y						
<i>Net sales</i>	n.a	6.69%	-2.52%	5.80%	5.00%	4.30%
<i>Total Output</i>	n.a	6.58%	-2.40%	5.80%	5.00%	4.30%
<i>Cost of goods sold</i>	n.a	16.07%	-3.71%	5.80%	5.00%	4.30%
<i>Gross profit</i>	n.a	4.44%	-2.07%	5.80%	5.00%	4.30%
<i>Other operating income</i>	n.a	68.51%	-31.43%	-36.15%	5.00%	4.30%
<i>Personnel costs</i>	n.a	5.30%	3.36%	5.44%	4.64%	3.94%
<i>Depreciation & Amortization</i>	n.a	1.33%	-5.30%	5.80%	5.00%	4.30%
<i>Other operating expenses</i>	n.a	6.85%	-0.38%	-17.81%	0.25%	-3.46%
<i>EBIT</i>	n.a	20.82%	-67.64%	155.07%	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%	207.32%	23.26%	26.76%
<i>Income taxes</i>	n.a	54.45%	36.52%	4.87%	23.26%	26.76%
<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%	1680.14%	23.26%	26.76%
<i>EPS</i>	n.a	27.01%	-96.04%	1680.14%	23.26%	26.76%
<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 %	-0.64 %	-0.66 %	-0.68 %
<i>EBT</i>	5.15 %	6.27 %	1.74 %	5.06 %	5.94 %	7.22 %
<i>Income taxes</i>	-0.75 %	-1.09 %	-1.53 %	-1.52 %	-1.78 %	-2.16 %
<i>Net income / loss</i>	4.39 %	5.17 %	0.21 %	3.54 %	4.16 %	5.05 %

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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	28.16	32.44	38.44
Inventories	4.05	4.02	3.89	4.11	4.32	4.50
Trade accounts and notes receivables	31.16	34.07	39.91	41.71	43.26	44.56
Receivables from long-term manufacturing	37.55	42.24	37.89	39.90	41.70	43.29
Other current assets	3.86	4.63	5.29	5.60	5.88	6.13
Current assets	110.47	118.30	108.78	119.48	127.60	136.93
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	4.84	5.08	5.30
Goodwill	43.92	44.53	44.53	44.53	44.53	44.53
Shares in associated companies	0.21	0.43	0.30	0.32	0.33	0.35
Deferred tax assets	4.33	5.98	6.07	0.00	0.00	0.00
Non-current assets	65.19	68.14	69.26	63.51	63.82	64.11
Total assets	175.66	186.44	178.03	183.00	191.42	201.03
Liabilities						
Trade payables	16.98	15.65	15.40	16.09	16.68	17.18
Other liabilities	27.71	27.98	25.73	27.22	28.58	29.81
Liabilities from long-term manufacturing	20.23	18.55	20.10	21.26	22.33	23.29
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	68.03	70.94	73.53
Long-term bank debt	0.80	3.90	3.39	3.34	3.29	3.24
Pension provisions	32.10	39.00	40.09	42.41	44.53	46.45
Deferred tax liabilities	2.36	2.11	2.46	0.00	0.00	0.00
Long-term liabilities	35.26	45.00	45.94	45.75	47.82	49.68
Total liabilities	102.75	112.80	110.71	113.77	118.76	123.21
Shareholders equity	72.91	73.64	67.32	69.22	72.66	77.82
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total equity and liabilities	175.66	186.44	178.03	183.00	191.42	201.03

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10 Cash flow statements

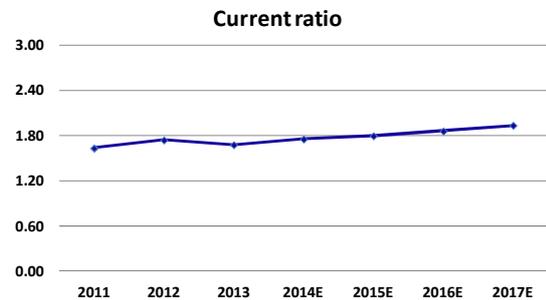
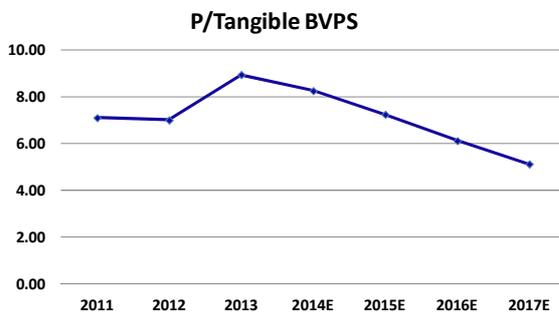
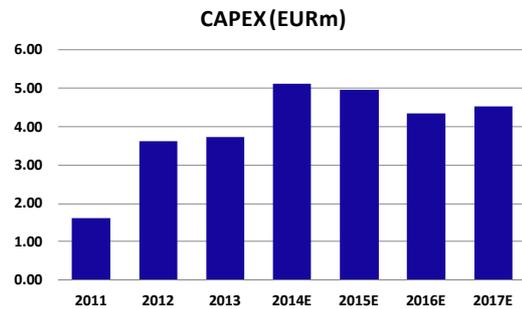
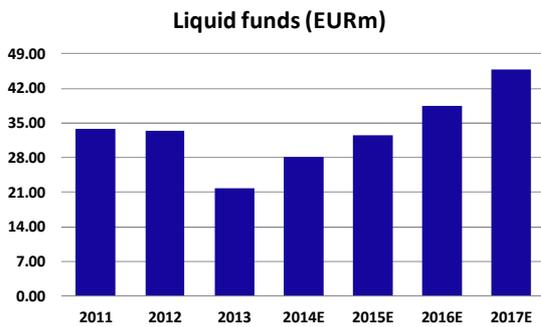
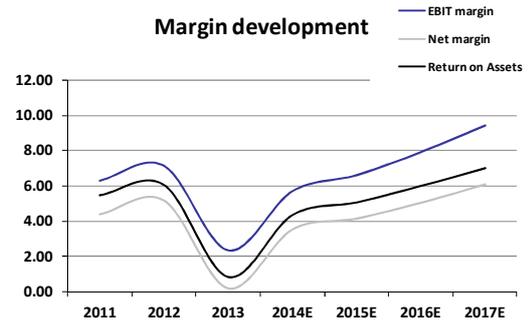
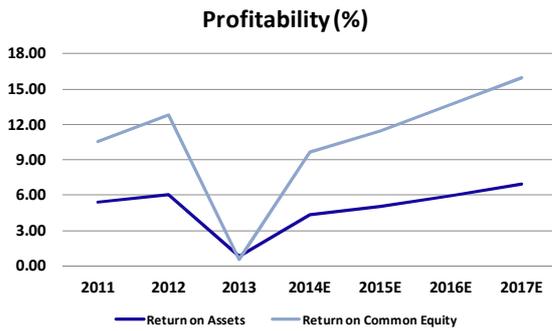
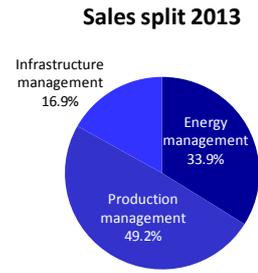
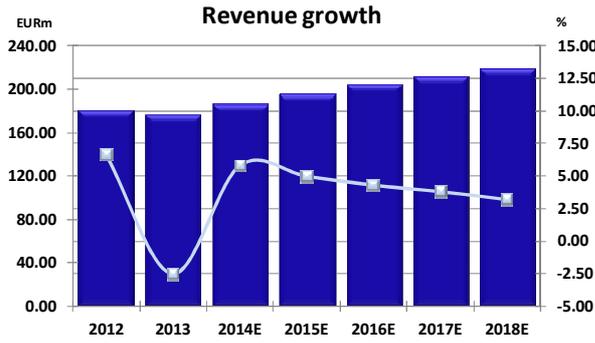
Cash flow statement - PSI AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Net income / loss	7.44	9.36	0.37	6.60	8.14	10.32
Depreciation & Amortization	3.98	4.03	3.82	4.04	4.24	4.43
Change of working capital	-2.82	-8.97	-2.39	-11.08	-2.97	-1.00
Others	6.76	-3.62	0.61	-1.97	0.10	3.61
Net operating cash flow	15.37	0.81	-0.12	-2.40	9.52	17.36
Cash flow from investment	-1.60	-3.63	-3.73	-5.11	-4.98	-4.36
Free cash flow	13.76	-2.82	-3.85	-7.52	4.54	13.00
Cash flow from financing	-8.95	2.27	-7.20	13.87	-0.26	-7.00
Change of cash	4.96	-0.51	-11.54	6.36	4.28	6.00
Cash at the beginning of the period	28.88	33.85	33.34	21.80	28.16	32.44
Cash at the end of the period	33.85	33.34	21.80	28.16	32.44	38.44

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11 Financial ratios

Fiscal year	2011	2012	2013E	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%	11.57%	11.51%
EBIT margin	6.29%	7.13%	2.36%	5.70%	6.60%	7.90%	9.40%	9.35%
Net margin	4.39%	5.18%	0.21%	3.54%	4.16%	5.05%	6.09%	6.03%
Return on equity (ROE)	10.56%	12.77%	0.53%	9.67%	11.48%	13.71%	15.92%	15.07%
Return on assets (ROA)	5.44%	6.02%	0.81%	4.32%	5.04%	5.97%	6.98%	6.83%
Return on capital employed (ROCE)	8.41%	8.97%	0.44%	6.47%	7.51%	8.86%	10.29%	9.96%
Net debt (in EURm)	1.39	15.01	25.22	21.04	18.72	14.49	8.81	2.78
Net gearing	1.91%	20.38%	37.46%	30.39%	25.77%	18.62%	10.45%	3.06%
Equity ratio	41.51%	39.50%	37.81%	37.83%	37.96%	38.71%	39.84%	41.00%
Current ratio	1.64	1.74	1.68	1.76	1.80	1.86	1.94	2.02
Quick ratio	1.02	1.06	1.03	1.11	1.15	1.21	1.29	1.36
Net interest cover	5.49	8.31	3.79	8.87	9.95	11.54	13.30	12.79
Net debt/EBITDA	0.09	0.89	3.16	1.43	1.09	0.70	0.36	0.11
Tangible BVPS	1.83	1.86	1.45	1.58	1.79	2.12	2.54	2.96
Capex/Sales	-2.56%	-2.83%	-2.82%	-2.34%	-2.32%	-2.30%	-2.28%	-2.27%
Working capital/Sales	6.90%	12.60%	14.61%	14.34%	14.07%	13.81%	13.54%	13.28%
EV/Sales	1.35	1.27	1.30	1.23	1.17	1.12	1.08	1.05
EV/EBITDA	15.65	13.55	28.69	15.62	13.35	11.14	9.34	9.09
EV/EBIT	21.49	17.79	54.97	21.55	17.73	14.20	11.50	11.20
P/Tangible BVPS	7.11	7.01	8.95	8.26	7.25	6.13	5.13	4.40
P/E	27.68	21.79	549.74	30.88	25.05	19.77	15.80	15.45
P/FCF	14.80	-72.35	-52.93	-27.11	44.86	15.67	16.77	16.16

Source: Company data, Dr. Kalliwoda Research GmbH



Source: Company data, Dr. Kalliwoda Research GmbH

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