

August 26, 2014

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 3.80

Overview

Industry:	IT Services & Software
Country:	Germany
ISIN:	DE0007008906
Reuters:	RTCG.DE
Bloomberg:	RTC GR
Website:	www.realtech.de

Last price:	3,15
	High Low
Price 52 W.:	3,79 2,75
Market cap. (EURm)	16,85
Number of shares (m)	5,35

Shareholders

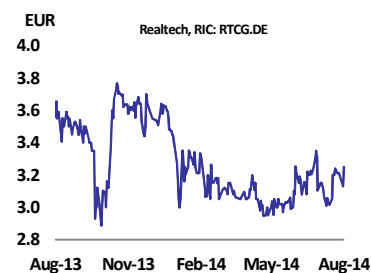
Daniele Di Croco	16,44%
Rainer Schmidt	14,22%
Peter Stier	13,84%
BW-Versorgungsanstalt	5,39%
Free float	50,11%

Performance

4 weeks	-2,73%
13 weeks	7,07%
26 weeks	-1,23%
52 weeks	-13,24%
YTD	-9,32%

Dividend

	in EUR	in %
2011	0,30	9,52%
2012	0,00	0,00%
2013	0,00	0,00%
2014E	0,00	0,00%



Analyst

Dr. Norbert Kalliwoda
Email: nk@kalliwoda.com
Phone: +49 69 97 20 58 53

REALTECH AG

Improving margin trends might indicate turn-around

- In Q2/2014 revenues of €8.52m (vs. Q2/2013: €9.35m) showed the negative impact of the company's restructuring commitments. While revenues decreased slightly, EBIT and net income did improve significantly by 85.5% and 79.5% respectively and REALTECH is almost profitable again with EBIT of €-0.26m and net income of €-0.40m after a phase of intense restructuring. Lower capacity utilization and time delays negatively affected the revenue of the Consulting segment (€ 5.79m vs Q/2013: € 6.59m), whereas the Software segment reported revenues of €2.73 (-1.12% y-o-y).
- REALTECH's profitability improved remarkably due to an almost ten percentage points lower Cost of Sales (53.95% vs. 62.66%) and 25.85% lower distribution costs in H1/2014 compared to H1/2013. By those figures we do conclude that the overall situation of the company is steadily ameliorating and turn-around could be achieved in the following quarters.
- Due to a better net income y-o-y and a reduction of the number of financial assets held by the company, operating cash flow increased to €0.423m in H1/2014 from a negative €0.698m in H1/2013. Together with a cash outflow from investing of €-0.526m (€-0.792m) and financing activities of €-0.044m (€-1.746m), this resulted in a reduction of the cash position by €2.117m to €7.392m in H1/2014. At the end of June 2014, REALTECH had interest-bearing debt of €7m and a net cash position of €0.308m. As a result net gearing (net debt/equity) amounted to -2.05%.
- From our perspective, after weak Q1/2014 figures due to restructuring efforts we see good potential for a healthy recovery in H2/2014, which could in the best case result in a black zero EBIT figure. This would be in line with the management's guidance of an EBIT range of -€1.0m to €0.0m for fiscal-year 2014 and assumed relatively stable sales. Consequently we have kept both our estimates and 12-months DCF-based price target of €3.80 unchanged. Our BUY rating is backed by a potential turn-around in terms of profitability.

Key Figures

in EURm	2011	2012	2013	2014E	2015E	2016E
Net sales	39.18	39.84	39.14	39.34	43.27	46.52
EBITDA	1.41	1.65	-4.95	0.55	2.53	3.34
EBIT	0.17	0.42	-6.49	-0.98	0.87	1.58
Net income	0.81	-0.21	-7.10	-0.86	0.47	0.99
EPS	0.15	-0.04	-1.32	-0.16	0.09	0.18
BVPS	4.77	4.40	3.04	2.88	2.97	3.15
RoE	3.22%	-0.84%	-35.42%	-5.42%	2.99%	6.02%
EBIT margin	0.43 %	1.05 %	-16.58 %	-2.50 %	2.00 %	3.40 %
P/E	20.10x	neg	neg	neg	34.58x	16.41x
P/BVPS	0.63x	0.69x	0.99x	1.05x	1.02x	0.96x
EV/EBITDA	9.90x	8.45x	neg	25.52x	5.51x	4.16x

Content

1	Company profile	3
2	SWOT Analysis	4
3	Valuation	5
4	Q2/14 and H1/2014 results	6
5	Outlook	8
6	Profit and loss statements	9
7	Balance sheets	10
8	Cash flow statements	11
9	Financial ratios	11

1 Company profile

REALTECH AG is one of the leading German IT consultancies. The company was founded in 1994 in Walldorf, near Heidelberg, and has been listed on the Frankfurt stock exchange since 1999. Apart from Germany, REALTECH also has operations in other European countries, Asia/Pacific and North America. At the end of June 2014, it had 341 employees, thereof 261 in Germany.

In the past, the fast progress of IT technology has resulted in a high number of enterprise application systems as well as a diverse, heterogenic IT landscape. Especially, non-integrated standalone systems, proprietary software and isolated applications have led to significant integration deficits, which at company level have limited cross-functional work processes and complicated information supply for disposition tasks. REALTECH's IT consulting services can facilitate an instant integration of customers and suppliers into the value chain, which in turn can prevent media disruption and redundancies and allow new forms of intercompany collaboration. REALTECH's products allow IT departments or IT outsourcers to run a variety of applications and IT systems securely and efficiently and reduce IT costs significantly.

2 SWOT Analysis

Strength	Weaknesses
<ul style="list-style-type: none"> • Due to the long-standing co-operation with and proximity to SAP REALTECH has a know-how edge when it comes to SAP applications. • A unique selling point in the area of Consulting is the combination of SAP knowledge as well as supplemental business and strategic consulting. Thus, REALTECH can provide a fast and long-term project success. Due to the partnership, which is also valid in foreign markets, it is also possible to integrate international locations into a comprehensive IT landscape. • theGuard! product family is an internationally unique software portfolio for the monitoring and the secure operation of IT systems for company-wide use. In Europe, REALTECH is the largest manufacturer of IT service management solutions. Unique selling points are the close connection of all disciplines, the centralized storage according to standards such as ITIL as well as the application in small companies, simultaneously guaranteeing future scalability of product use. 	<ul style="list-style-type: none"> • Concentration on SAP solutions means a high dependence on market acceptance and SAP's existing customers. Thus, there is high business risk. However, a wide geographic diversification with branches in Europe, Asia and the US and cross-industry product distribution in over 25 countries reduce the above-mentioned risk. • There is strong competition in the area of Consulting.
Opportunities	Threats
<ul style="list-style-type: none"> • The OEM contract with SAP in the area of IT infrastructure management as well as expansion of SAP solutions should all contribute to internationalization and growth of high-margin sales. • Due to standardization of the consulting portfolio, product sales in new countries and third-party sales of the enterprise solution for SAP ByDesign, there is an opportunity to generate high scale effects. • A higher demand for change management support, driven by the trend to use external suppliers in order to further develop SAP software should lead to additional sales. • IT systems increasingly constitute the basis for cross-departmental business processes, which lead to a higher level of complexity. Thus, there is higher demand for REALTECH's solutions for flexible, automated and failsafe systems. 	<ul style="list-style-type: none"> • The ongoing consolidation within the IT industry can intensify competition through new or stronger competitors. This would result in a loss of revenues or lower prices. • A lack of qualified personnel caused by a structural shortage of supply in the industry would make it more difficult for the company to become aware of its opportunities. This is being counteracted by REALTECH's reputation as an attractive training provider, which stems from the company's SAP know-how.

3 Valuation

In order to value REALTECH, we have used our DCF model, which derives a 12-months price target for the stock of €3.80. Compared to the current market level, this corresponds to an upside of 20.6%.

DCF model

Discounted Cash Flow Model (Basis 8/2014)

in EURm	Phase 1								
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	39,34	43,27	46,52	48,84	50,80	52,32	53,63	54,81	55,91
(y-o-y change)	0,5%	10,0%	7,5%	5,0%	4,0%	3,0%	2,5%	2,2%	2,0%
EBIT	-0,98	0,87	1,58	2,44	2,90	2,93	2,95	2,96	2,96
(EBIT margin)	-2,5%	2,0%	3,4%	5,0%	5,7%	5,6%	5,5%	5,4%	5,3%
NOPLAT	-0,69	0,61	1,11	1,71	2,03	2,05	2,06	2,07	5,04
+ Depreciation	1,53	1,66	1,76	1,83	1,87	1,90	1,92	1,94	1,95
= Net operating cash flow	0,84	2,27	2,87	3,53	3,90	3,95	3,99	4,01	6,99
- Total investments (Capex and WC)	-1,87	-2,40	-2,35	-2,29	-2,28	-2,25	-2,21	-2,20	-2,21
Capital expenditure	-1,65	-1,81	-1,91	-1,96	-2,01	-2,04	-2,06	-2,07	-2,08
Working capital	-0,22	-0,58	-0,44	-0,32	-0,27	-0,21	-0,16	-0,13	-0,13
= Free cash flow (FCF)	-1,03	-0,13	0,52	1,25	1,62	1,71	1,77	1,82	4,78
PV of FCFs	-1,00	-0,11	0,41	0,91	1,07	1,03	0,97	0,90	2,16

PV of FCFs in explicit period	6,35
PV of FCFs in terminal period	11,17
Enterprise value (EV)	17,52
+ Net cash / - net debt	2,35
+ Investments / - Minorities	-0,81
Shareholder value	19,06
Number of shares outstanding (m)	5,39
WACC	9,9%
Equity costs	9,9%
Debt costs before tax	6,0%
Tax rate	30,0%
Debt costs after tax	4,2%
Equity ratio	100,0%
Debt ratio	0,0%
Fair value per share in € (today)	3,54
Fair value per share in € (in 12 months)	3,89

Sensitivity analysis		Terminal EBIT margin						
		2,5%	3,5%	4,5%	5,5%	6,5%	7,5%	8,5%
WACC	6,9%	3,67	4,62	5,57	6,51	7,46	8,40	9,35
	7,9%	3,16	3,89	4,62	5,34	6,07	6,80	7,52
	8,9%	2,78	3,36	3,94	4,51	5,09	5,66	6,24
	9,9%	2,49	2,96	3,42	3,89	4,35	4,82	5,29
	10,9%	2,25	2,64	3,02	3,40	3,79	4,17	4,56
	11,9%	2,06	2,38	2,70	3,02	3,34	3,66	3,98

Source: Dr. Kalliwoda Research GmbH

4 Q2/14 and H1/2014 results

Revenues

In Q2/14, REALTECH generated total sales of €8.52m, which were 8.9% below last year. Revenues of the high-margin Software division almost remained flat y-o-y and gross margin improved slightly to 79.6% (H1/2014: 77.0%) during the last six months. In contrast to stable revenues in the Software segment, the Consulting division's revenue decreased by 12.9% to €11.51m (H1/2014), but REALTECH seems to address the problem of overcapacity of consultants by having reduced the number of consultants by 5%.

In terms of geographic sales split for H1/2014, the US was once again the only market with positive y-o-y growth of 20.0% to €1.2m. Consequently sales in Germany, REALTECH's largest market, and Asia/Pacific fell by 8.5% to €11.9m, respectively 23.9% to €3.5m.

Q2/14 vs. previous year

Q2/14 vs. our previous year

in EURm	Q2/14	Q2/13	Q2/14 vs. Q2/13
Net sales	8,52	9,35	-8,9%
EBITDA	0,03	-1,35	102,1%
EBITDA margin	0,3%	-14,5%	
EBIT	-0,26	-1,81	85,5%
EBIT margin	-3,1%	-19,3%	
Net income	-0,40	-1,93	79,5%
Net margin	-4,7%	-20,7%	

Source: Company information, Dr. Kalliwoda Research GmbH

Sales and Gross margins according to segments

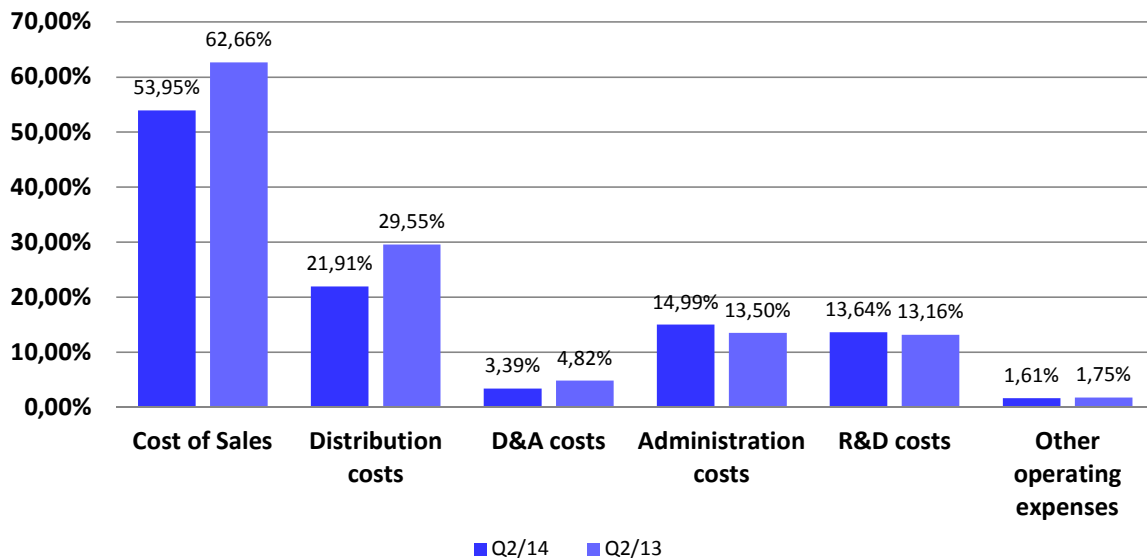
Sales and Gross margins according to segments H1/14 vs. H1/13

	H1/14	H1/13		H1/14	H1/13
Consulting			Group		
Sales €m	11,51	13,21	Total sales	16,93	18,83
share in total sales	68,0%	70,2%	change y-o-y	-10,1%	
Gross margin	26,1%	23,4%			
Software					
Sales €m	5,42	5,62			
share in total sales	32,0%	29,8%			
Gross margin	79,6%	77,0%			
Germany			USA		
Sales €m	11,90	13,00	Sales €m	1,20	1,00
share in total sales	70,3%	69,0%	share in total sales	7,1%	5,3%
RoE (Portugal, Nordic)			Asia/Pacific		
Sales €m	0,30	0,20	Sales €m	3,50	4,60
share in total sales	1,8%	1,1%	share in total sales	20,7%	24,4%

Source: Company information, Dr. Kalliwoda Research GmbH

Profitability

Share in total sales Q2/14 vs. Q2/13



Source: Company information, Dr. Kalliwoda Research GmbH

Despite better EBIT and net income margins in Q2/2014, both EBIT and net income were negative. However we would like to point out that increasing cost efficiency and further cost-cutting (as part of the restructuring) has helped to decrease Cost of Sales and Distribution costs significantly from 62.66% to 53.95% and 29.55% to 21.91% respectively. For H1/2014 the company was able to raise gross margin for both of its operating segments (Consulting and Software), which we interpret as a commitment to positive earnings and the willingness to sacrifice revenues for this goal.

Balance Sheet and Cash Flow

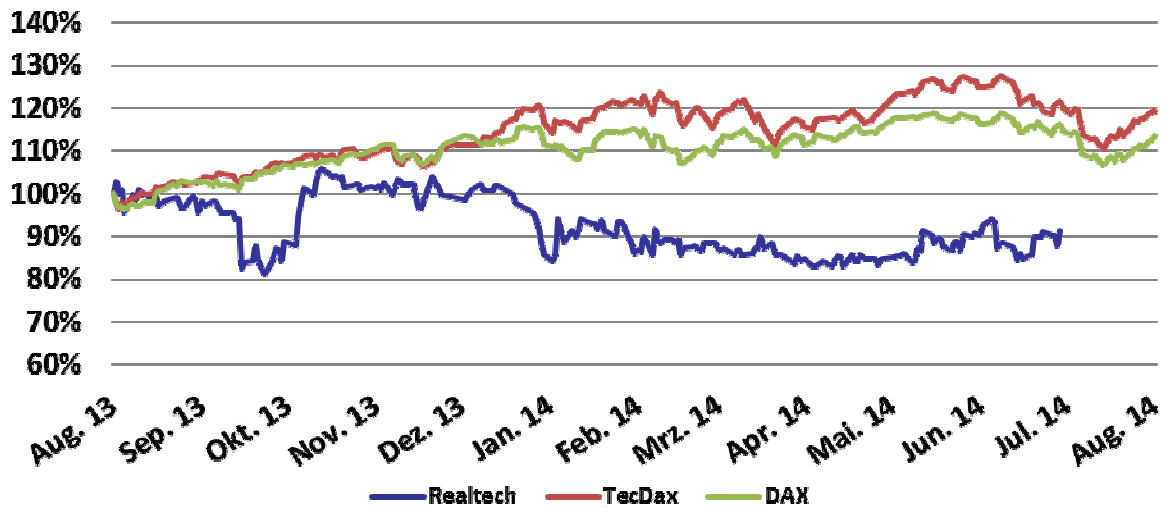
At the end of the first six month of 2014 the most important positions on REALTECH's balance sheet were (1) PPE of €12.44m (2) trade receivables of €82m and (3) cash and cash equivalents of €7.39m. Interest-bearing debt stayed constant at €7m compared to March 2014.

Despite a net loss, the operating cash flow improved from €-0.698m in H1/13 to €0.423m. Free cash flow amounted to €0.04m compared to €-1.74m last year. Between January and June, REALTECH's cash position increased from €7.35m to €7.39m.

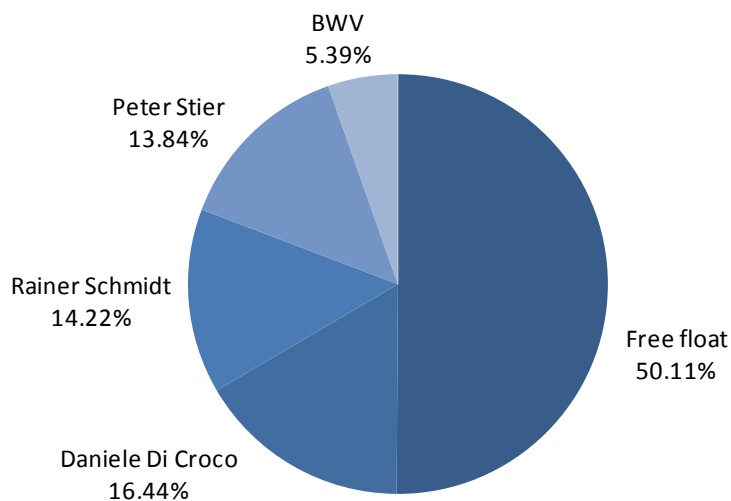
5 Outlook

The consolidation and efficiency improvements, which were initiated at the beginning of 2014, had shown first positive effects in Q1 of 2014 and the most recent Q2/2014 figures confirmed this trend towards improving margins and therefore we believe the company will be able to return to a positive net income in a decent time horizon. In our view, there is no reason, why REALTECH should not achieve its guidance (stable revenues, EBIT of up to €-1m) in 2014, especially given a positive market sentiment in the IT sector in Germany. Hence, we have kept both our estimates and the 12-months DCF-based price target of €3.80 (BUY rating) unmodified. In our opinion REALTECH is well-equipped to complete its ongoing restructuring successfully and without additional capital measures. We expect a return to regular dividend payouts, which have historically reached >50% of annual net profit, from 2015.

Stock and shareholder structure



Shareholder Structure



6 Profit and loss statements

Profit and loss statement - Realtech AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Sales split						
Consulting	26.43	27.56	25.68	27.28	30.04	32.33
Software	12.74	12.28	13.46	12.06	13.23	14.19
Net sales	39.18	39.84	39.14	39.34	43.27	46.52
Change in inventories	0.00	0.00	0.00	0.00	0.00	0.00
Total Output	39.18	39.84	39.14	39.34	43.27	46.52
Cost of goods sold	-20.99	-20.52	-22.25	-18.69	-19.26	-20.47
Gross profit	18.18	19.32	16.89	20.65	24.02	26.05
Other operating income	1.05	1.32	1.07	1.09	1.11	1.14
Distribution costs	-7.61	-8.22	-11.05	-9.83	-10.39	-11.00
Depreciation & Amortization	-1.24	-1.23	-1.54	-1.53	-1.66	-1.76
Administration costs	-4.97	-5.44	-5.73	-5.65	-6.08	-6.40
R&D costs	-4.30	-4.36	-5.11	-5.14	-5.65	-6.07
Other operating expenses	-0.94	-0.97	-1.01	-0.58	-0.49	-0.37
EBIT	0.17	0.42	-6.49	-0.98	0.87	1.58
Net financial results	-0.21	0.09	-0.23	-0.22	-0.21	-0.20
EBT	-0.04	0.51	-6.72	-1.20	0.66	1.38
Income taxes	-0.17	-0.47	-0.26	0.36	-0.20	-0.41
Minority interests	-0.09	-0.24	-0.12	-0.02	0.01	0.02
Net income / loss	-0.30	-0.21	-7.10	-0.86	0.47	0.99
EPS	0.15	-0.04	-1.32	-0.16	0.09	0.18
DPS	0.30	0.00	0.00	0.00	0.00	0.00
Change y-o-y						
Net sales	n.a	1.68%	-1.74%	0.50%	10.00%	7.50%
Total Output	n.a	1.68%	-1.74%	0.50%	10.00%	7.50%
Cost of goods sold	n.a	-2.27%	8.44%	-16.02%	3.05%	6.29%
Gross profit	n.a	6.25%	-12.56%	22.26%	16.29%	8.47%
Other operating income	n.a	26.61%	-19.18%	2.00%	2.00%	2.00%
Distribution costs	n.a	7.98%	34.42%	-11.02%	5.60%	5.93%
Depreciation & Amortization	n.a	-0.71%	25.33%	-0.78%	8.59%	6.10%
Administration costs	n.a	9.33%	5.45%	-1.56%	7.70%	5.20%
R&D costs	n.a	1.53%	17.13%	0.50%	10.00%	7.50%
Other operating expenses	n.a	3.89%	4.13%	-42.49%	-16.16%	-24.12%
EBIT	n.a	148.79%	-1651.46%	-84.84%	-188.00%	82.75%
Net financial results	n.a	-144.79%	-350.07%	-4.35%	-4.55%	-4.77%
EBT	n.a	-1474.92%	-1416.97%	-82.09%	-154.48%	110.76%
Income taxes	n.a	174.83%	-44.62%	-237.44%	-154.48%	110.76%
Minority interests	n.a	161.28%	-51.01%	-82.09%	-154.48%	110.76%
Net income / loss	n.a	-31.81%	3343.96%	-87.84%	-154.48%	110.76%
EPS	n.a	-125.47%	3343.32%	-87.84%	-154.48%	110.76%
DPS	n.a	-100.00%	n.a	n.a	n.a	n.a
Share in total sales						
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Total Output	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-53.59 %	-51.50 %	-56.84 %	-47.50 %	-44.50 %	-44.00 %
Gross profit	46.41 %	48.50 %	43.16 %	52.50 %	55.50 %	56.00 %
Other operating income	2.67 %	3.32 %	2.73 %	2.77 %	2.57 %	2.44 %
Distribution costs	-19.44 %	-20.64 %	-28.24 %	-25.00 %	-24.00 %	-23.65 %
Depreciation & Amortization	-3.16 %	-3.09 %	-3.94 %	-3.89 %	-3.84 %	-3.79 %
Administration costs	-12.70 %	-13.65 %	-14.65 %	-14.35 %	-14.05 %	-13.75 %
R&D costs	-10.97 %	-10.95 %	-13.06 %	-13.06 %	-13.06 %	-13.06 %
Other operating expenses	-2.39 %	-2.44 %	-2.58 %	-1.48 %	-1.13 %	-0.80 %
EBIT	0.43 %	1.05 %	-16.58 %	-2.50 %	2.00 %	3.40 %
Net financial results	-0.52 %	0.23 %	-0.59 %	-0.56 %	-0.48 %	-0.43 %
EBT	-0.09 %	1.28 %	-17.16 %	-3.06 %	1.52 %	2.97 %
Income taxes	-0.44 %	-1.19 %	-0.67 %	0.92 %	-0.45 %	-0.89 %
Minority interests	-0.24 %	-0.61 %	-0.30 %	-0.05 %	0.03 %	0.05 %
Net income / loss	-0.77 %	-0.52 %	-18.14 %	-2.20 %	1.09 %	2.13 %

Dr. Kalliwoda | Research © 2014

7 Balance sheets

Balance sheet - Realtech AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Assets						
Cash and cash equivalents	13.22	11.26	7.35	6.10	6.19	6.85
Securities	0.00	0.00	0.00	0.00	0.00	0.00
Trade accounts and notes receivables	9.88	11.44	8.07	8.11	8.92	9.58
Other current assets	4.93	5.47	2.94	2.95	3.25	3.49
Current assets	28.04	28.17	18.35	17.16	18.35	19.93
Property, plant and equipment	13.64	13.29	12.79	12.91	13.04	13.16
Other intangible assets	0.44	0.47	0.27	0.28	0.30	0.33
Goodwill	4.33	4.33	4.33	4.33	4.33	4.33
Other financial assets	0.66	0.30	0.22	0.22	0.24	0.26
Deferred tax assets	2.91	3.10	1.37	1.62	1.48	1.19
Non-current assets	21.98	21.50	18.98	19.37	19.40	19.27
Total assets	50.02	49.68	37.34	36.52	37.75	39.20
Liabilities						
Trade payables	1.36	1.95	1.17	0.99	1.02	1.08
Other liabilities	10.25	11.94	4.89	4.92	5.41	5.81
Short-term leasing debt	1.82	2.05	2.92	2.93	2.94	2.95
Provisions	3.05	2.58	4.77	4.80	5.28	5.67
Current liabilities	16.48	18.52	13.76	13.63	14.64	15.52
Long-term leasing debt	5.14	4.69	4.67	4.57	4.47	4.37
Deferred tax liabilities	1.84	1.88	1.81	2.07	1.93	1.63
Long-term liabilities	6.99	6.57	6.49	6.64	6.40	6.01
Total liabilities	23.47	25.09	20.24	20.27	21.04	21.52
Shareholders equity	25.61	23.71	16.38	15.51	15.98	16.98
Minority interests	0.93	0.87	0.72	0.74	0.73	0.70
Total equity and liabilities	50.02	49.68	37.34	36.52	37.75	39.20

Dr. Kalliwoda | Research © 2014

8 Cash flow statements

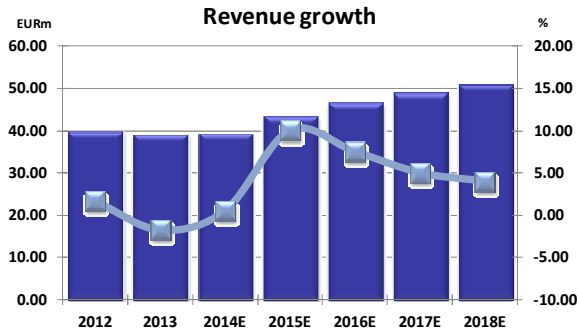
Cash flow statement - Realtech AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Net income / loss	0.81	-0.21	-7.10	-0.86	0.47	0.99
Depreciation & Amortization	1.24	1.23	1.54	1.53	1.66	1.76
Change of working capital	6.73	-0.97	2.60	-0.22	-0.58	-0.44
Others	-6.23	0.74	2.18	0.02	0.48	0.40
Net operating cash flow	2.54	0.79	-0.77	0.47	2.03	2.71
Cash flow from investment	4.33	-0.52	-2.40	-1.65	-1.81	-1.91
Free cash flow	6.88	0.27	-3.17	-1.18	0.22	0.80
Cash flow from financing	-0.05	-2.08	-0.22	-0.07	-0.12	-0.13
Change of cash	6.86	-1.96	-3.91	-1.25	0.09	0.67
Cash at the beginning of the period	6.36	13.22	11.26	7.35	6.10	6.19
Cash at the end of the period	13.22	11.26	7.35	6.10	6.19	6.85

Dr. Kalliwoda | Research © 2014

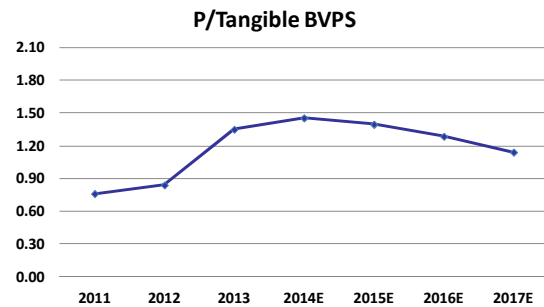
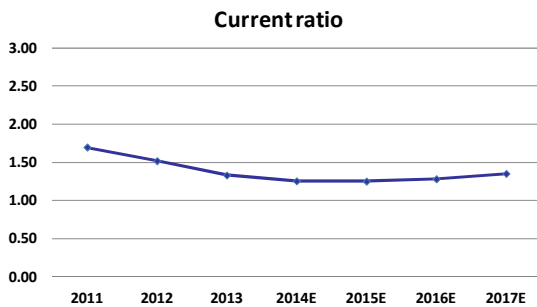
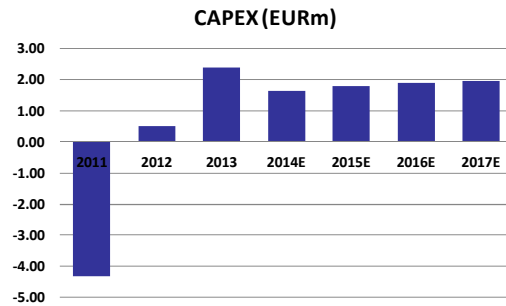
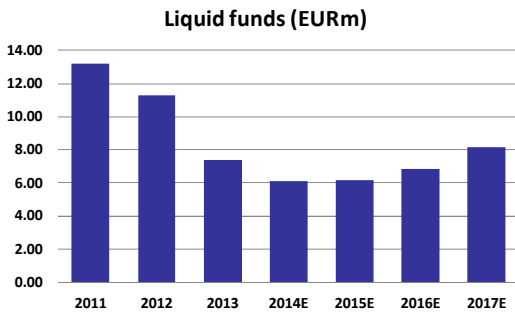
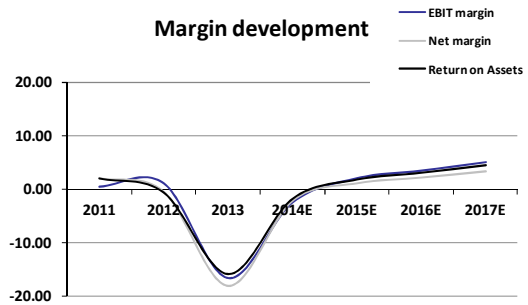
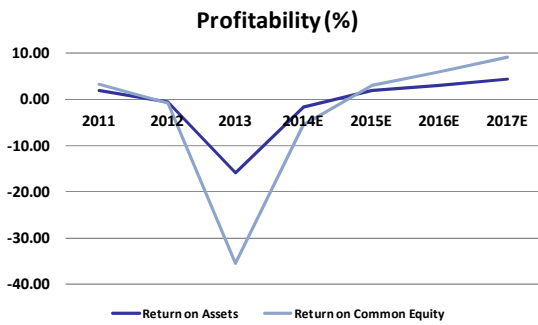
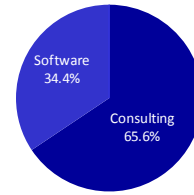
9 Financial ratios

Fiscal year	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Gross margin	46.41%	48.50%	43.16%	52.50%	55.50%	56.00%	56.50%	57.00%
EBITDA margin	3.59%	4.14%	-12.64%	1.39%	5.84%	7.19%	8.74%	9.39%
EBIT margin	0.43%	1.05%	-16.58%	-2.50%	2.00%	3.40%	5.00%	5.70%
Net margin	2.06%	-0.52%	-18.14%	-2.20%	1.09%	2.13%	3.31%	3.84%
Return on equity (ROE)	3.22%	-0.84%	-35.42%	-5.42%	2.99%	6.02%	9.09%	9.96%
Return on assets (ROA)	2.03%	-0.60%	-15.79%	-1.74%	1.83%	3.10%	4.51%	5.11%
Return on capital employed (ROCE)	2.83%	0.09%	-28.59%	-3.01%	2.62%	4.67%	6.93%	7.83%
Net debt (in EURm)	-6.25	-4.52	0.24	1.40	1.22	0.47	-0.92	-2.64
Net gearing	-24.41%	-19.05%	1.47%	9.05%	7.64%	2.74%	-4.95%	-12.84%
Equity ratio	51.21%	47.73%	43.86%	42.48%	42.34%	43.31%	45.55%	48.27%
Current ratio	1.70	1.52	1.33	1.26	1.25	1.28	1.36	1.44
Quick ratio	1.40	1.23	1.12	1.04	1.03	1.06	1.13	1.21
Net interest cover	0.82	-4.55	-28.23	-4.47	4.12	7.91	12.86	16.10
Net debt/EBITDA	-4.45	-2.74	-0.05	2.57	0.48	0.14	-0.22	-0.55
Tangible BVPS	3.97	3.60	2.24	2.08	2.16	2.35	2.65	3.01
Capex/Sales	-0.96%	-2.30%	-2.14%	-4.20%	-4.19%	-4.10%	-4.02%	-3.96%
Working capital/Sales	8.19%	7.59%	12.62%	13.11%	13.27%	13.30%	13.32%	13.35%
EV/Sales	0.36	0.35	0.36	0.35	0.32	0.30	0.29	0.27
EV/EBITDA	9.90	8.45	-2.81	25.52	5.51	4.16	3.26	2.92
EV/EBIT	82.83	33.29	-2.15	-14.16	16.09	8.80	5.70	4.81
P/Tangible BVPS	0.76	0.84	1.35	1.45	1.40	1.29	1.14	1.00
P/E	20.10	-78.91	-2.29	-18.84	34.58	16.41	10.06	8.35
P/FCF	2.34	58.91	-5.07	-13.59	74.62	20.12	11.17	9.05

Source: Company information, Dr. Kalliwoda Research GmbH



Sales split 2013



Source: Company information, Dr. Kalliwoda Research GmbH

<u>DR. KALLIWODA</u> RESEARCH GmbH		Arndtstr. 47 60325 Frankfurt Tel.: 069-97 20 58 53 Fax: 069-13 81 92 15 www.kalliwoda.com
Primary Research Fair Value Analysis International Roadshows		
Head/CEO: Dr. Norbert Kalliwoda E-Mail: nk@kalliwoda.com	CEFA-Analyst; University of Frankfurt/Main; PhD in Economics; Dipl.-Kfm.	<u>Sectors:</u> IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
Dr. Peter Arendarski E-Mail: pa@kalliwoda.com	Senior-Analyst, Msc & Ph.D in Finance (Poznan Univers. of Economics), CFA Level 3 Candidate	<u>Sectors:</u> Technology, Raw Materials, Banks & Insurances, Financial-Modelling (Quant., Buyside)
Harald Gruber E-Mail: hg@kalliwoda.com	DVFA-Senior-Analyst, Diplom-Ökonom (Universität Giessen)	<u>Sectors:</u> Technology/Special Situations
Patrick Bellmann E-Mail: pb@kalliwoda.com	Junior-Analyst; WHU - Otto Beisheim School of Management, Vallendar	<u>Sectors:</u> Support Research and Quantitative Approach
Michael John E-Mail: mj@kalliwoda.com	Dipl.-Ing. (Aachen)	<u>Sectors:</u> Chemicals, Chemical Engineering, Basic Metals, Renewable Energies, Laser/Physics
Rainer Koch E-Mail: rk@kalliwoda.com	Computer-Science/Dipl.-Betriebsw., (Frankfurt); seasoned international Executive IT-Industry	<u>Sectors:</u> IT, IT-Services, Internet, Media, Internet, Emerging Markets
Olaf Köster E-Mail: ok@kalliwoda.com	Dipl.-Betriebswirt, EBS	<u>Sectors:</u> Renewable Energy/Technology
Adrian Kowollik E-Mail: ak@kalliwoda.com	Dipl.-Kfm.; Humboldt-Universität zu Berlin, CFA Candidate	<u>Sectors:</u> Media, Internet, Gaming, Technology, Eastern European stocks
Christoph Löffel E-Mail: cl@kalliwoda.com	Bachelor Betriebswirtschaftslehre Universität Mannheim	<u>Sectors:</u> Financials, Real Estate
Dr. Christoph Piechaczek E-Mail: cp@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke.	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
Dario Maugeri E-Mail: dm@kalliwoda.com	Master of Science in Corporate Finance; Rotterdam School of Management	<u>Sectors:</u> Automotive, Technology
Nele Rave E-Mail: nr@kalliwoda.com	Lawyer; Native Speaker, German School London,	<u>Legal adviser</u>
Hellmut Schaarschmidt; E-Mail: hs@kalliwoda.com	Dipl.-Geophysicists; University of Frankfurt/Main.	<u>Sectors:</u> Oil, Regenerative Energies, Specialities Chemicals, Utilities
Dr. Erik Schneider E-Mail: es@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg.	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
Hans-Georg Sutter E-Mail: hsu@kalliwoda.com	Dipl.-Wirtschaftsingenieur University Kaiserslautern	<u>Sectors:</u> IT/e-commerce
Rainer Wochele E-Mail: rw@kalliwoda.com	Bachelor of Science in Economics and Business Administration (Goethe University Frankfurt M. / Graduation Fall 2013)	<u>Junior-Analyst</u>

Also view Sales and Earnings Estimates:

DR. KALLIWODA | RESEARCH on Terminals of Bloomberg, Thomson Reuters, vwd group, Capital IQ and Factset
Bloomberg Page: KALL

Analyst of this research:
Dr. Norbert Kalliwoda,
CEFA



1 Essential information, disclosures and disclaimer

A. Essential information

Investments in financial instruments and securities (e.g. equities, bonds) generally involve high risks. It is possible that investors lose some or all of their invested money. Potential investors should be aware of the fact that prices of securities could fall and rise. Thus, the income from such investments might be subject to considerable fluctuations. Investment strategies are not appropriate at all times and past results are not a guarantee of the future performance. Investors should make their own and independent decisions as to whether undertake a risky investment.

B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and the German Regulation governing the Analysis of Financial Instruments (FinAnV).

I. Information about the company held accountable and regulatory authority:

Company responsible for the content of this document: DR. KALLIWODA | RESEARCH GmbH, Frankfurt am Main, Germany.

Regulatory authority for DR. KALLIWODA | RESEARCH GmbH is the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgallee 12, 60439 Frankfurt am Main, Germany.

II. Additional Information:

1. Sources of information:

Essential sources of information for the compilation of this document are publications from domestic and international information services and media (e.g. Bloomberg, dpa-AFX, Reuters, VWD, among others), financial press (e.g. Allgemeine Zeitung Frankfurter, Börsenzeitung, Financial Times Handelsblatt and others), specialized trade press, published statistics, rating agencies as well as publications by peer group companies and the company itself. This document was made available to the company before publishing to ensure the correctness of the information provided.

2. Summary of the basis of valuation principles and methods used to prepare this document:

Within the scope of the evaluation of companies, the following valuation methods are applied: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITDA), peer group comparisons, historic valuation methods, discounting models, sum-of-the-parts-approaches, substance-valuation methods and SWOT-analyses. The valuation principles and models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Moreover, the value of enterprises is affected by market moods and market sentiment. The approaches are based on expectations that could change rapidly and in advance warning according to developments specific to the individual branch. The valuation results and fair values derived from the models might therefore change accordingly.

The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of twelve-months. Nevertheless, evaluation results are subject to changing market conditions and constitute merely a snapshot. The evaluation results and fair values may be reached faster or slower than expected by the analysts. The results and fair values may be scaled upwards or downwards.

DR. KALLIWODA | RESEARCH GmbH uses the following rating model:

BUY:	Based on our analysis, we expect the stock to appreciate and produce a total return of at least 10% over the next twelve months
ACCUMULATE:	Based on our analysis, we expect the stock to appreciate and produce a total return between 5% - 10% over the next twelve months
HOLD:	Based on our analysis, we expect the stock to produce a total return between -5% and +5% over the next twelve months
REDUCE:	Based on our analysis, we expect the stock to cause a negative return between -5% and -10% over the next twelve months
SELL:	Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

3. Updates:

A specific update of this document has currently not been set. The research reflects the author's judgement on the date of

this publication and is subject to change without any notice. The document might be incomplete or shortened and it may not contain all information concerning the company covered. It is in the sole decision of DR. KALLIWODA | RESEARCH GmbH whether and when a potential update of this research is made.

III. Disclosures about potential conflicts of interest:

The business model of DR. KALLIWODA | RESEARCH GmbH is based on business relationships with issuer company, their broker or IR/PR agency, as well as equity transactions to be performed on the issuer's stock. Dr. Kalliwoda Research has entered into an agreement on the preparation of this document with the issuer itself.

Conflicts of interest may be in existence with employees of DR. KALLIWODA | RESEARCH GmbH who are the authors of this document as well as other persons that were involved in the preparation of this research or related parties. Following conflicts of interest might exist:

1. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have a major shareholding (holding more than 5%) of the share capital of the issuer that is, or whose financial instruments are, the subject of the research.
2. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties are possibly holders of instruments that are mentioned in this research (or that are linked to these instruments) or might become holders and could regularly trade the issuer's securities or securities based on these issues as principal or agent.
3. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties could have participated in leading a consortium for the issuer via a public offering of the financial instruments that are the subject of this research.
4. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have been party to an agreement on the provision of investment banking services with the issuer which is the subject of this research, or have received services or a pledge to perform under the terms of such an arrangement during the same period.
5. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties may have other substantial economic interests concerning to the issuer, who is the subject of this research.

The analysts have limited access to information that possibly could constitute a conflict of interest for the institution. DR. KALLIWODA | RESEARCH GmbH keeps insider registers appropriate to sec. 15 WpHG for assignees that normally have approach to inside information. Insiders' dealings appropriate to sec. 14 WpHG are categorically prohibited.

The analysts that composed this research did not receive or acquire shares in the issuer that is the subject of this document at any time. The analysts hereby certify that all of the views expressed accurately reflect the individual views about the issuer. No part of the remuneration was, is or will be, directly or indirectly, linked to the evaluation result or views expressed by the analyst in this research.

C. Disclaimer:

This document is published and being distributed by DR. KALLIWODA | RESEARCH GmbH solely for informational purposes and for the personal use by persons in Continental Europe. This research is not intended to be in any form an offer or advice to buy or sell the securities referred to herein. This research is intended to provide information to assist investors in making their own investment decisions. Any decision to purchase any securities of the issuer must be made solely on the basis of the information contained in the offering documents from the issuer relating to such securities and not on the contents hereof.

Potential investors should seek professional and individual information and advice before making their investment decisions. This document neither constitutes a contract nor any kind of obligation. Neither this document nor any copy, in whole or in part, thereof may be distributed in any other jurisdiction where its distribution might be restricted by law.

The information within this document has been obtained from sources believed by DR. KALLIWODA | RESEARCH GmbH to be reliable. DR. KALLIWODA | RESEARCH GmbH does not examine if the information is verified and complete, nor guarantees its correctness and completeness. Although due attention has been taken during the compilation of this document, it cannot be excluded that the information given is not complete or the document contains mistakes.

The liability of DR. KALLIWODA | RESEARCH GmbH shall be restricted to gross negligence and willful misconduct. Possible faults or incompleteness of this document may be corrected by DR. KALLIWODA | RESEARCH GmbH and do not constitute reasons for liability, neither with regard to indirect nor to direct or consequential losses. Moreover, DR. KALLIWODA | RESEARCH GmbH does not accept any responsibility and liability for any damage arising from using this research or its contents or otherwise arising in relation herewith. In each case, the liability and responsibility of DR. KALLIWODA | RESEARCH GmbH is limited to typical, predictable damages and the liability for any direct or indirect losses is excluded.

This document is subject to the laws of the Federal Republic of Germany. Place of jurisdiction is Frankfurt am Main, Germany.

In the United Kingdom this document is to be distributed only to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves of any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or transmitted into the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any Failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

By accepting this document the reader or user agrees and accepts to be bound by all of the foregoing provisions and this disclaimer. Moreover, the user accepts not to distribute this document to unauthorized persons. The user of this document has to compensate DR. KALLIWODA | RESEARCH GmbH for any disadvantages, damages, claims and losses resulting from or in relation with the unauthorized use of this document.

© 2014 DR. KALLIWODA | RESEARCH GmbH, Arndtstraße 47, D-60325 Frankfurt am Main. All rights reserved.

Essential information, disclosures and disclaimer

A. Essential information

Investments in financial instruments and securities (e.g. equities, bonds) generally involve high risks. It is possible that investors lose some or all of their invested money. Potential investors should be aware of the fact that prices of securities could fall and rise. Thus, the income from such investments might be subject to considerable fluctuations. Investment strategies are not appropriate at all times and past results are not a guarantee of the future performance. Investors should make their own and independent decisions as to whether undertake a risky investment.

B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and the German Regulation governing the Analysis of Financial Instruments (FinAnV).

I. Information about the company held accountable and regulatory authority:

Company responsible for the content of this document: DR. KALLIWODA | RESEARCH GmbH, Frankfurt am Main, Germany.

Regulatory authority for DR. KALLIWODA | RESEARCH GmbH is the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

II. Additional Information:

1. Sources of information:

Essential sources of information for the compilation of this document are publications from domestic and international information services and media (e.g. Bloomberg, dpa-AFX, Reuters, VWD, among others), financial press (e.g. Allgemeine Zeitung Frankfurter, Börsenzeitung, Financial Times Handelsblatt and others), specialized trade press, published statistics, rating agencies as well as publications by peer group companies and the company itself. This document was made available to the company before publishing to ensure the correctness of the information provided.

2. Summary of the basis of valuation principles and methods used to prepare this document:

Within the scope of the evaluation of companies, the following valuation methods are applied: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITDA), peer group comparisons, historic valuation methods, discounting models, sum-of-the-parts-approaches, substance-valuation methods and SWOT-analyses. The valuation principles and models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Moreover, the value of enterprises is affected by market moods and market sentiment. The approaches are based on expectations that could change rapidly and in advance warning according to developments specific to the individual branch. The valuation results and fair values derived from the models might therefore change accordingly. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of twelve-months. Nevertheless, evaluation results are subject to changing market conditions and constitute merely a snapshot. The evaluation results and fair values may be reached faster or slower than expected by the analysts. The results and fair values may be scaled upwards or downwards.

DR. KALLIWODA | RESEARCH GmbH uses the following rating model:

BUY:	Based on our analysis, we expect the stock to appreciate and produce a total return of at least 10% over the next twelve months
ACCUMULATE:	Based on our analysis, we expect the stock to appreciate and produce a total return between 5%- 10% over the next twelve months
HOLD:	Based on our analysis, we expect the stock to produce a total return between -5% and +5% over the next twelve months
REDUCE:	Based on our analysis, we expect the stock to cause a negative return between -5% and -10% over the next twelve months
SELL:	Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

3. Updates:

A specific update of this document has currently not been set. The research reflects the author's judgment on the date of this publication and is subject to change without any notice. The document might be incomplete or shortened and it may not contain all information concerning the company covered. It is in the sole decision of DR. KALLIWODA | RESEARCH GmbH whether and when a potential update of this research is made.

III. Disclosures about potential conflicts of interest:

The business model of DR. KALLIWODA | RESEARCH GmbH is based on business relationships with issuer company, their broker or IR/PR agency, as well as equity transactions to be performed on the issuer's stock. Dr. Kalliwoda Research has entered into an agreement on the preparation of this document with the issuer himself.

Conflicts of interest may be in existence with employees of DR. KALLIWODA | RESEARCH GmbH who are the authors of this document as well as other persons that were involved in the preparation of this research or related parties. Following conflicts of interest might exist:

6. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have a major shareholding (holding more than 5%) of the share capital of the issuer that is, or whose financial instruments are, the subject of the research.
7. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties are possibly holders of instruments that are mentioned in this research (or that are linked to these instruments) or might become holders and could regularly trade the issuer's securities or securities based on these issues as principal or agent.
8. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties could have participated in leading a consortium for the issuer via a public offering of the financial instruments that are the subject of this research.
9. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have been party to an agreement on the provision of investment banking services with the issuer which is the subject of this research, or have received services or a pledge to perform under the terms of such an arrangement during the same period.
10. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties may have other substantial economic interests concerning to the issuer, who is the subject of this research.

The analysts have limited access to information that possibly could constitute a conflict of interest for the institution. DR. KALLIWODA | RESEARCH GmbH keeps insider registers appropriate to sec. 15 WpHG for assignees that normally have approach to inside information. Insiders' dealings appropriate to sec. 14 WpHG are categorically prohibited.

The analysts that composed this research did not receive or acquire shares in the issuer that is the subject of this document at any time. The analysts hereby certify that all of the views expressed accurately reflect the individual views about the issuer. No part of the remuneration was, is or will be, directly or indirectly, linked to the evaluation result or views expressed by the analyst in this research.

C. Disclaimer:

This document is published and being distributed by DR. KALLIWODA | RESEARCH GmbH solely for informational purposes and for the personal use by persons in Continental Europe. This research is not intended to be in any form an offer or advice to buy or sell the securities referred to herein. This research is intended to provide information to assist investors in making their own investment decisions. Any decision to purchase any securities of the issuer must be made solely on the basis of the information contained in the offering documents from the issuer relating to such securities and not on the contents hereof.

Potential investors should seek professional and individual information and advice before making their investment decisions. This document neither constitutes a contract nor any kind of obligation.

Neither this document nor any copy, in whole or in part, thereof may be distributed in any other jurisdiction where its distribution might be restricted by law.

The information within this document has been obtained from sources believed by DR. KALLIWODA | RESEARCH GmbH to be reliable. DR. KALLIWODA | RESEARCH GmbH does not examine if the information is verified and complete, nor guarantees its correctness and completeness. Although due attention has been taken during the compilation of this document, it cannot be excluded that the information given is not complete or the document contains mistakes.

The liability of DR. KALLIWODA | RESEARCH GmbH shall be restricted to gross negligence and willful misconduct. Possible faults or incompleteness of this document may be corrected by DR. KALLIWODA | RESEARCH GmbH and do not constitute reasons for liability, neither with regard to indirect nor to direct or consequential losses. Moreover, DR. KALLIWODA | RESEARCH GmbH does not accept any responsibility and liability for any damage arising from using this research or its contents or otherwise arising in relation herewith. In each case, the liability and responsibility of DR. KALLIWODA | RESEARCH GmbH is limited to typical, predictable damages and the liability for any direct or indirect losses is excluded.

This document is subject to the laws of the Federal Republic of Germany. Place of jurisdiction is Frankfurt am Main, Germany.

In the United Kingdom this document is to be distributed only to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves of any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or transmitted into the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any Failure to comply with

these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

By accepting this document the reader or user agrees and accepts to be bound by all of the foregoing provisions and this disclaimer. Moreover, the user accepts not to distribute this document to unauthorized persons. The user of this document has to compensate DR. KALLIWODA | RESEARCH GmbH for any disadvantages, damages, claims and losses resulting from or in relation with the unauthorized use of this document.

© 2014 DR. KALLIWODA | RESEARCH GmbH, Arndtstraße 47, D-60325 Frankfurt am Main. All rights reserved.