

# Euromicron AG

Germany/Electronic &amp; Electrical Equipment

Analysers



## Buy

Recommendation unchanged

**Share price: EUR 18.21**

closing price as of 29/03/2011

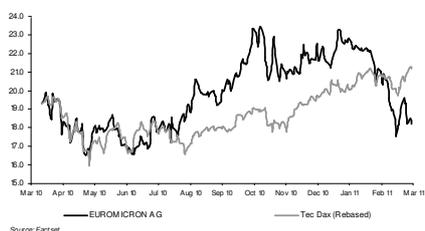
**Target price: EUR 29.00**

Target Price unchanged

Reuters/Bloomberg EUCG.DE/EUC.GY

<b>Market capitalisation (EURm)</b>	93
Current N° of shares (m)	5
<b>Free float</b>	100%
Daily avg. no. trad. sh. 12 mth	24,919
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	23.42
Price low 12 mth (EUR)	16.40
Abs. perf. 1 mth	-13.54%
Abs. perf. 3 mth	-19.09%
Abs. perf. 12 mth	4.33%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	187	208	223
EBITDA (m)	21	24	26
EBITDA margin	11.3%	11.7%	11.8%
EBIT (m)	18	20	22
EBIT margin	9.6%	9.8%	9.7%
Net Profit (adj.)(m)	11	12	14
ROCE	9.1%	9.3%	9.6%
Net debt/(cash) (m)	58	52	48
Net Debt/Equity	0.7	0.5	0.5
Debt/EBITDA	2.8	2.1	1.8
Int. cover(EBITDA/Fin. int)	7.4	11.8	12.6
EV/Sales	0.7	0.8	0.7
EV/EBITDA	6.6	6.8	5.8
EV/EBITDA (adj.)	6.6	6.8	5.8
EV/EBIT	7.7	8.1	7.0
P/E (adj.)	6.5	8.4	6.7
P/BV	0.9	1.1	0.9
OpFCF yield	12.0%	2.1%	9.5%
Dividend yield	5.5%	6.6%	6.6%
EPS (adj.)	2.39	2.57	2.70
BVPS	17.55	19.09	19.56
DPS	1.00	1.20	1.20



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## EBIT meets our expectation perfectly

**The facts:** EUC released last Friday preliminary figures. **FY10 sales will come in at around EUR 203m which is thus in line with the company guidance range of EUR 200-210m. Our forecast of EUR 207.5m was not fully achieved, however, we consider the actual number to be broadly in line with expectations** as revenue recognition timing of EUC's project business (probably c. 60% of group sales) is not always easy to predict. We note here, that EUC managed to achieve a top line growth of 8.4% which is in line with the management's organic expectation of 5-10%.

Nevertheless, the **operating profit ratios appear to be perfectly in line with our forecasts. EUC reported an EBITDA of EUR 24m and an EBIT of slightly more than EUR 20m. This compares to our forecast of EUR 24.2m and EUR 20.3m.** In fact, the corresponding margin (relative to sales as the total output is not known yet) came in better at 11.8% and c. 10%, respectively. Here, we had 11.7% for EBITDA and 9.8% for EBIT. The operating profit achieved a yoy growth of 10.9%.

Assuming an average tax rate of 30% - which has finally not been determined yet – **the net result was said to be in a range of EUR 11-12m. This appears to be somewhat below our forecast of EUR 12.5m, but as 1/company estimates might be somewhat gross here and 2/effects are non-operating, we do not interpret this number as a significant miss.**

Further in Friday's release, EUC mentioned to keep the existing pay-out policy. **This surely means that the company will allocate 50% of the EPS as dividend.**

**EUC has not yet provided an outlook for FY11, but will most likely do so on April 21 which was assumed as new date for the final release. The latter had to be postponed as PwC's audit could not be in time.** Please remember that EUC's previous auditor BDO stepped down from the mandate late 2010 and PwC was only able to start in December 2010.

**Our analysis:** We consider the reporting to be broadly in line overall and our operating profit forecast was met. We will adopt the achieved FY10 figures with the full release when all relevant factors down to net profit are known.

We will also wait for further comments as regards the outlook and order trend. **We have however already formulated our expectation for EUC's FY11 top line that might come in the range of EUR 235-240m including the recently acquired entities from Leoni. We also expect EUC to stick to its longer-term strategic margin outlook of 8-11%, but have not yet included acquisition effects into our assumptions.**

As far as the dividend payment is concerned, we interpret EUC's statements in the way that the company intends to pay at least EUR 1.00. Our estimate stands at EUR 1.20 and is thus still within reach, depending on the final net profit outcome. **In any case, an increase of at least 10 Cents yoy would be a good sign for capital markets, but already the stable dividend of EUR 1.00 renders the yield attractive (5.5%).**

**Conclusion & Action:** We confirm both rating ('Buy') and PT (EUR 29) for the time being. We will revise our model assumptions with the final release.