

Euromicron AG

Germany/Electronic & Electrical Equipment

Analysier



Buy

Recommendation unchanged

Share price: EUR 13.12

closing price as of 08/05/2014

Target price: EUR 19.00

Target Price unchanged

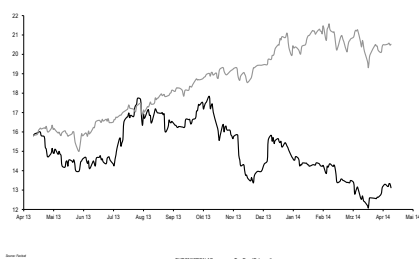
Reuters/Bloomberg

EUCG.DE/EUC GY

Market capitalisation (EURm)	94
Current N° of shares (m)	7
Free float	100%

Daily avg. no. trad. sh. 12 mth	8,852
Daily avg. trad. vol. 12 mth (m)	43
Price high 12 mth (EUR)	17.84
Price low 12 mth (EUR)	12.09
Abs. perf. 1 mth	4.79%
Abs. perf. 3 mth	-8.89%
Abs. perf. 12 mth	-17.38%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	329	344	365
EBITDA (m)	14	21	29
EBITDA margin	4.4%	6.1%	8.0%
EBIT (m)	6	12	20
EBIT margin	1.7%	3.5%	5.5%
Net Profit (adj.)(m)	3	7	12
ROCE	-2.7%	4.8%	6.5%
Net debt/(cash) (m)	66	69	65
Net Debt/Equity	0.5	0.5	0.5
Debt/EBITDA	4.6	3.3	2.2
Int. cover(EBITDA/Fin. int)	3.8	5.1	8.2
EV/Sales	0.5	0.5	0.5
EV/EBITDA	12.5	8.4	5.9
EV/EBITDA (adj.)	9.1	7.6	5.9
EV/EBIT	32.7	14.6	8.5
P/E (adj.)	34.8	13.8	8.2
P/BV	0.8	0.7	0.7
OpFCF yield	12.7%	-2.5%	6.1%
Dividend yield	0.0%	1.5%	3.4%
EPS (adj.)	0.41	0.95	1.61
BVPS	17.03	17.79	19.19
DPS	0.00	0.20	0.45



1Q14 earnings forecast slightly exceeded – strong order intake leads to record order backlog

The facts: Euromicron (EUCA) released a group top line of EUR 80.1m in the quarter. This was in line with our estimate of EUR 80.1m and actually up 3.5% yoy. Clearly, this should be partly attributable to acquired entities in 2013.

We note that obviously the demand situation is improving which should be the case for both the project and the product business. **EUCA achieved an order intake in 1Q14 of EUR 98.7m. This was quite strong and our forecast of EUR 86m was topped by nearly 13m.** As a consequence, order backlog soared 9.6% yoy to a record level of EUR 145.1m.

Despite further one-off costs for integration in the quarter - and we believe actually higher than in 1Q13 – **the EBIT came in at EUR 2.3m, slightly exceeding our forecast by EUR 300k.** The respective margin came to 2.9% (minus 240bp yoy).

EUCA released a net result of EUR 1.0m which was about EUR 400k ahead of our projection. The EPS was released at EUR 0.13, EUR 0.04 better than our forecast.

1Q14 review

EUR m	1Q14a	1Q14e	delta	1Q13	yoy	FY14e	FY13	delta
Order backlog	145.1	132.0	9.9%	132.4	9.6%	132.5	126.5	4.7%
Sales	80.1	80.5	-0.5%	77.3	3.5%	344.0	329.4	4.4%
EBIT	2.3	2.0	16.1%	4.1	-43.5%	12.0	5.5	117.9%
EBIT margin	2.9%	2.5%	40bp	5.3%	-240bp	3.5%	1.7%	180bp
Net result	1.0	0.6	54.3%	2.2	-56.8%	5.4	-0.9	n/a
EPS	0.13	0.09	39.1%	0.33	-61.1%	0.76	-0.12	n/a

Source: company data, equinet estimates

As we would have expected, management confirmed the outlook for sales of EUR 340-360m and for the EBITDA margin of 6-8%.

The company intends to **conclude the integration phase basically in 1H14.** Management will furthermore optimize structures and resources in the second half of this year. At the same time, EUCA will focus on improving its competence centre and shared-service units.

Clearly, EUCA continues targeting EUR 500m annualised revenues and intends to acquire a larger entity in 2015 and 2016 (**Agenda 500**).

Our analysis: Although 1Q14 earnings are below last year's level, one should take into account that the integration costs were higher. Beyond that, **we expect a different earnings distribution throughout the quarters** relative to FY13 as we forecast a more evenly development from 1Q14-3Q14 and a stronger 4Q14.

We clearly rate the strong order intake as a sign that the situation is improving and network infrastructure projects and related product demand appears to brighten up. **The record backlog of EUR 145m provides nearly two quarters visibility.**

Conclusion & Action: Relative to our expectations, we assess the reporting solid and point to the strong order intake / backlog. With an EV/EBITDA'15e of 5.9x we continue to rate the investment attractive. Consequently, we confirm our 'Buy' rating on unchanged estimates and our PT of EUR 19.

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