

Sales Desk

Jens Buchmüller
Tel.: +49 69 58997 229

Stefan Bremer
Tel.: +49 69 58997 426

Alexander Kravkov
Tel.: +49 69 58997 428

Konrad Lieder
Tel.: +49 69 58997 436

Marc Schellenberger
Tel.: +49 69 58997 404

Guido Schickentanz
Tel.: +49 69 58997 407

Michael Schuhmacher
Tel.: +49 69 58997 400

Andreas Wessel
Tel.: +49 69 58997 423

Heinz Zörgiebel
Tel.: +49 69 58997 406

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Statistics

Index	Closing	1 Day	1 Month	6 Months	Ytd	52w High	52w Low
DAX	11,585	-0.4%	8.5%	6.8%	18.1%	12,391	8,355
MDAX	21,402	0.1%	10.2%	12.7%	26.4%	21,657	14,398
Tec-DAX	1,794	-1.3%	10.4%	19.1%	30.8%	1,840	1,090
SDAX	9,156	0.4%	7.8%	16.6%	27.4%	9,183	6,088
Bund-Future	154	0.1%	-0.1%	-2.9%	-1.3%	161	148

DAX Movers

Most up	1 Day	Most down	1 Day
VOLKSWAGEN-P	2.5%	K+S AG-REG	-1.0%
BAYER AG-REG	2.0%	INFINEON TEC	-0.3%
HEIDELBERGCE	1.9%	E.ON SE	-0.2%
DEUTSCHE BAN	1.7%	RWE AG	0.3%
ADIDAS AG	1.6%	MUENCHENER R	0.4%

MDAX Movers

Most up	1 Day	Most down	1 Day
GERRESHEIMER	12.4%	DUERR AG	-2.7%
GERRY WEBER	4.5%	SYMRISE AG	-0.9%
TALANX AG	3.9%	ZALANDO SE	-0.4%
WACKER CHEMI	3.3%	ELRINGKLINGE	-0.3%
AURUBIS AG	3.3%	DEUTSCHE EUR	-0.2%

TecDax Movers

Most up	1 Day	Most down	1 Day
GFT TECHNOLO	6.7%	AIXTRON SE	-5.1%
ADVA OPTICAL	6.0%	QSC AG	-2.7%
XING AG	4.0%	MANZ AG	-2.2%
NORDEX SE	3.4%	LPKF LASER &	-1.9%
RIB SOFTWARE	3.4%	WIRECARD AG	-1.4%

SDAX Movers

Most up	1 Day	Most down	1 Day
AMADEUS FIRE	3.4%	TOM TAILOR H	-4.7%
DEUTSCHE BET	3.2%	WACKER NEUSO	-1.9%
CEWE STIFTUN	3.2%	GFK SE	-1.4%
VILLEROY & B	3.1%	GRAMMER AG	-1.2%
TELE COLUMBU	3.1%	GESCO AG	-0.9%

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equinet Bank AG
60487 Frankfurt, Gräfrstr. 97
Website: www.equinet-ag.de

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Buy

Recommendation unchanged

Share price: EUR 8.72

closing price as of 06/08/2015

Target price: EUR 14.00

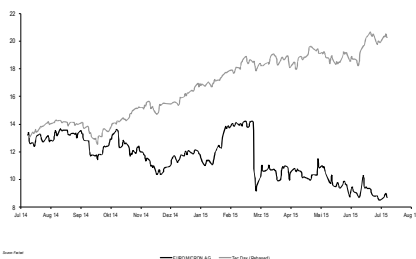
Target Price unchanged

Reuters/Bloomberg

EUCG.DE/EUC GY

Market capitalisation (EURm)	63
Current N° of shares (m)	7
Free float	100%
Daily avg. no. trad. sh. 12 mth	15,191
Daily avg. trad. vol. 12 mth (m)	134
Price high 12 mth (EUR)	14.18
Price low 12 mth (EUR)	8.52
Abs. perf. 1 mth	-3.39%
Abs. perf. 3 mth	-17.60%
Abs. perf. 12 mth	-34.03%

Key financials (EUR)	12/14	12/15e	12/16e
Sales (m)	346	340	355
EBITDA (m)	21	16	24
EBITDA margin	6.1%	4.8%	6.7%
EBIT (m)	11	2	15
EBIT margin	3.3%	0.7%	4.2%
Net Profit (adj.)(m)	6	5	8
ROCE	5.7%	2.3%	5.3%
Net debt/(cash) (m)	76	82	69
Net Debt/Equity	0.7	0.8	0.6
Debt/EBITDA	3.6	5.0	2.9
Int. cover(EBITDA/Fin. int)	5.7	5.2	8.5
EV/Sales	0.5	0.5	0.4
EV/EBITDA	8.1	9.6	6.1
EV/EBITDA (adj.)	6.7	8.0	6.1
EV/EBIT	14.9	67.4	9.8
P/E (adj.)	14.3	12.6	7.7
P/BV	0.7	0.6	0.5
OpFCF yield	-8.2%	-9.3%	20.3%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.80	0.69	1.13
BVPS	15.33	14.99	16.12
DPS	0.00	0.00	0.00



Strong order intake, margin weaker / outlook at lower end

The facts: We have rated the stock new Buy yesterday (after rating suspended) and determined a price target of EUR 14. Today, EUCA reported its 1H15.

The company released a solid 2Q15 top line of EUR 82.2m which was nearly perfectly in line with our forecast of EUR 82.4m.

The reported EBITDA fell slightly short of expectations by c. EUR 0.3k and the adjusted figure by c. EUR 0.4m. Thus, the adjusted EBITDA margin was about 40bp below our forecast.

The net result was released at EUR minus 1.1m which compares to our forecast of EUR minus 0.9m and EPS came to EUR minus 0.16 vs. EUR minus 0.13.

The order intake developed strongly and was released at EUR 88.7m. This was up 35.5% yoy on an admittedly weak 2Q14. Please recall that management stated at the AGM that bookings will catch up with the weak start in 1Q15 to bring the half year level at least towards 1H14 figure of EUR 164m. Finally, EUCA outperformed by c. EUR 3m.

1H15 saw EUR 1.3m one-off cost for restructuring (equinet: EUR 1.4m). We expect the company to book about EUR 3.4m in the full year.

The adjusted cash flow was released at EUR minus 8.5m in 1H15 (2Q15: EUR minus 5.6m) after EUR minus 12.3m in 1H14 (2Q14: EUR minus 5.5m). EUCA adjusts its CF for factoring effects.

The equity ratio came to 35.5% in the quarter (Dec. 31, 2014: 38.4%).

Management will form a new euromicron Deutschland GmbH unit consisting of the North and South segment as well as of euromicron networks. Thus, EUCA will have two main units next to the WAN activities (telent). The euromicron Deutschland GmbH will focus on so-called 'smart buildings'.

2Q15 review

EUR m	2Q15a	2Q15e	delta	2Q14	yoy	FY15e	FY14	yoy
Order intake	88.7	81.0	9.5%	65.4	35.5%	345.0	340.1	1.4%
Sales	82.2	82.4	-0.3%	83.2	-1.2%	340.0	346.3	-1.8%
EBITDA	1.8	2.1	-11.9%	3.2	-43.0%	16.5	21.1	-22.2%
EBITDA margin	2.2%	2.5%	-30bp	3.9%	-160bp	4.8%	6.1%	-130bp
Adj. EBITDA	2.5	2.9	-12.1%	n/m	n/a	25.0	n/m	n/a
EBITDA margin	3.1%	3.5%	-40bp	n/m	n/a	7.3%	n/m	n/a
Net result	-1.1	-0.9	23.2%	-0.2	536.4%	-2.4	2.6	n/a
EPS	-0.16	-0.13	26.3%	-0.02	552.4%	-0.33	0.36	n/a

Source: company data, equinet estimates

Management kept the FY15 outlook for sales of EUR 340-360m and for a reported EBITDA margin of 5-7% (adj. 6-8%), but alluded to the lower end being most likely reached in the press release.

Our analysis: We rate the 2Q15 P&L broadly in line. Absolute deviations on the earnings level are limited. We like the strong order intake which provides confidence about the full year top line – albeit most likely at the lower end of EUR 340m. We have expected this and the change in wording could be anticipated after a weaker 1Q15 and the AGM in our opinion. Thus, we see limited need to alter our projections. With respect to earnings, our reported margin forecast stands at 4.8%. Clearly, 4Q15 has to show up with a strong performance and the fiscal year of EUCA has become more back-end loaded, increasing the visibility risk. However, with the measures being implemented, we are optimistic that EUCA will meet the outlook.

Conclusion & Action: We stick to our 'Buy'/PT EUR 14 rating. A return to margin normalization should unleash significant upside potential for the stock.

Analyst(s):

Adrian Pehl, CFA, Equinet Bank
adrian.pehl@equinet-ag.de

+49 69 58997 438

Benedikt Orzelek Equinet Bank

benedikt.orzelek@equinet-ag.de

+49 69 58997431

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- Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.
- Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.
- Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon
- Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon
- Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

Basis of Valuation

Equinet uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

Sources

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Marie-Curie-Str. 24-28, 60439 Frankfurt am Main.
