



## Buy

Recommendation unchanged

**Share price: EUR 7.10**

closing price as of 08/08/2016

**Target price: EUR 13.00**

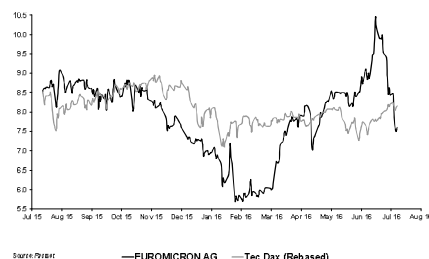
Target Price unchanged

Reuters/Bloomberg

EUCG.DE/EUC GY

Market capitalisation (EURm)	55
Current N° of shares (m)	7
Free float	100%
Daily avg. no. trad. sh. 12 mth	1,207
Daily avg. trad. vol. 12 mth (m)	9
Price high 12 mth (EUR)	10.44
Price low 12 mth (EUR)	5.70
Abs. perf. 1 mth	-15.11%
Abs. perf. 3 mth	-7.00%
Abs. perf. 12 mth	-15.52%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	345	355	369
EBITDA (m)	7	14	24
EBITDA margin	2.0%	3.9%	6.4%
EBIT (m)	(3)	4	14
EBIT margin	nm	1.2%	3.9%
Net Profit (adj.)(m)	(5)	2	8
ROCE	0.8%	2.8%	5.3%
Net debt/(cash) (m)	77	82	72
Net Debt/Equity	0.8	0.8	0.7
Debt/EBITDA	11.1	6.0	3.1
Int. cover(EBITDA/Fin. int)	1.8	4.0	7.6
EV/Sales	0.4	0.4	0.4
EV/EBITDA	20.7	10.9	5.9
EV/EBITDA (adj.)	12.5	9.2	5.9
EV/EBIT	nm	34.0	9.7
P/E (adj.)	nm	24.0	7.1
P/BV	0.6	0.6	0.5
OpFCF yield	-5.3%	-10.3%	18.8%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.67)	0.32	1.07
BVPS	13.47	13.54	14.61
DPS	0.00	0.00	0.00



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## Q2 preliminary figures confirmed

**The facts:** After preliminary figures, together with a reduced guidance, have been announced already on August 4 euromicron today confirms final Q2 2016 figures.

**Our analysis:** As a reminder, the company reported Q2 2016 revenue of EUR 74.6m, -1.9% below our estimate. Operating EBITDA, adjusted for special effects of reorganization, declined to EUR -0.73m in Q2 and was -4.1% below our expectation. EBIT came in at EUR -2.8m (equinet estimate: EUR -2.9m) and net income was EUR -3.9m (equinet estimate: EUR -4.0m), both slightly above our forecast.

These numbers are significantly impacted by the delay in reorganizing euromicron Deutschland GmbH which finds itself in an extensive reorganisation. The high heterogeneity within the subsidiary due to the merger of several small companies delays the structural measures more than initially expected. The realignment of euromicron Deutschland GmbH therefore temporarily affects the Group's sales volume and its profitability.

Moreover, revenue was affected by the management's decision to discontinue the business operations of the former subsidiaries Avalan and Euromicron NBG Fiber Optics GmbH effective the end of 2015 since they were loss-making and not strategically relevant.

### Comparison Table

EUR m	Q2 2015	Q2 2016	yoy	equinet	Δ
Revenue	82.2	74.6	-9.3%	76.0	-1.9%
EBITDA	2.5	-0.73	n.a.	-0.71	-3.0%
EBITDA margin	3.1%	-1.0%	n.a.	-0.9%	0bp
EBIT	0.24	-2.8	n.a.	-2.7	-3.3%
EBIT margin	0.3%	-3.8%	n.a.	-3.6%	-20bp
Net income	-1.3	-3.9	n.a.	-3.8	-1.6%

Q2 2015 include Avalan and euromicron NBG Fiber Optics GmbH

Source: euromicron AG, equinet Research

\*adjusted for special effects of reorganization

**Guidance 2016 lowered:** As already announced euromicron consequently adjusted its forecast for FY 2016. Revenue now lies within a range of between EUR 330m and EUR 350m (equinet 2016e: 355m) compared to the previous revenue guidance range of between EUR 350m and 370m. In addition, for FY 2016 euromicron expects the EBITDA margin to range between 2% and 4% (equinet 2016e: 3.9%) compared to the previous outlook of 4.5 – 5.5%. Despite the expected strong second half of the year, the shortfall of earnings is expected to be reduced, but not completely compensated by the end of the year. Sales and earnings expectations are negatively affected by the realignment of sales, a restrictive policy in awarding large projects, and unproductive work required in competing old projects.

**Conclusion & Action:** Preliminary figures as well as the reduced guidance have been reported already, therefore there were no big surprises today. Euromicron reported preliminary revenue and EBITDA figures slightly below our expectations due to knock-on effects from the reorganisation. The lowered revenue guidance for FY 2016 now lies slightly below our forecasts. Nonetheless, we expect revenue and profitability to pick up in H2. We continue to see significant improvements ahead and assume profitability will return to desired levels in the midterm due to the ongoing networking megatrend and IoT roll-outs. Moreover we believe the management has implemented the right steps.

We revise our estimates and maintain our target price of EUR 13.00 for the time being based on our DCF valuation. We reiterate our Buy rating.