

Euromicron AG

Germany/Electronic & Electrical Equipment

Analysers



Buy

Recommendation unchanged

Share price: EUR 21.26

closing price as of 11/11/2010

Target price: EUR 32.00

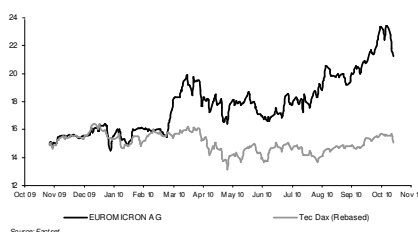
Target Price unchanged

Reuters/Bloomberg

EUCG.DE/EUC.GY

Market capitalisation (EURm)	103
Current N° of shares (m)	5
Free float	86%
Daily avg. no. trad. sh. 12 mth	21,631
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	23.42
Price low 12 mth (EUR)	13.80
Abs. perf. 1 mth	2.21%
Abs. perf. 3 mth	23.43%
Abs. perf. 12 mth	55.75%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	187	212	225
EBITDA (m)	21	26	27
EBITDA margin	11.3%	12.1%	12.2%
EBIT (m)	18	22	23
EBIT margin	9.6%	10.4%	10.4%
Net Profit (adj.)(m)	11	13	14
ROCE	9.1%	9.9%	10.2%
Net debt/(cash) (m)	58	54	50
Net Debt/Equity	0.7	0.6	0.5
Debt/EBITDA	2.8	2.1	1.8
Int. cover(EBITDA/Fin. int)	7.4	10.2	11.1
EV/Sales	0.7	0.8	0.7
EV/EBITDA	6.6	6.5	6.1
EV/EBITDA (adj.)	6.6	6.5	6.1
EV/EBIT	7.7	7.6	7.1
P/E (adj.)	6.5	7.7	7.3
P/BV	0.9	1.1	1.0
OpFCF yield	12.0%	3.7%	9.3%
Dividend yield	4.4%	6.1%	6.6%
EPS (adj.)	2.39	2.76	2.91
BVPS	17.55	19.43	20.58
DPS	0.93	1.30	1.40



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3Q10 broadly in line – order intake a bit weaker

The facts: Euromicron reported 3Q10 revenues of EUR 53.6m today which compares to our forecast of EUR 50.3m. Thus, the company posted 7% higher sales than expected.

- The group EBIT came in at EUR 3.2m and exceeded our forecast of EUR 3.0m slightly. The respective margin was said to be 5.9% (measured relative to sales), whereas we expected 6.0%.
- The company released a 3Q10 EPS of EUR 0.32 and thus, our expectation was over-achieved by EUR 0.01. The EPS was up 57.3% after 3Q09 saw an extraordinary high tax rate.
- The order intake came in at a level of EUR 45.5m which fell short of our forecast by EUR 6.5m. Nevertheless, the order backlog remained above EUR 100m, i.e. at EUR 100.3m (equinet: EUR 102.6m).
- The DPR audit will lead to a non-P&L relevant effect on equity in the FY10 report.

3Q10 review

EUR m	3Q10a	3Q10e	delta	3Q09	yoy	9M10a	9M10e	delta	9M09	yoy
Group Sales	53.6	50.3	7%	43.3	24%	149.8	146.4	2%	131.0	14%
Group EBIT	3.2	3.0	6%	2.5	28%	10.3	10.1	2%	8.6	19%
EBIT margin*	5.9%	6.0%	-10bp	5.8%	+10bp	6.9%	6.9%	-10bp	6.6%	+30bp
EPS [EUR]	0.32	0.31	4%	0.20	57%	1.17	1.16	1%	0.92	27%
Order intake	45.5	52.0	-13%	42.5	7%	154.0	160.5	-4%	131.0	18%
Order backlog	100.3	102.6	-2%	80.1	25%	100.3	102.6	-2%	80.1	25%

Source: company data, equinet estimates

- EUC expects FY10 sales to reach EUR 200m at an adjusted EBIT-margin of 8-11% which translates to an EBIT range of EUR 16-22m.

Our analysis: We consider the P&L figures reported today in line with our forecast and FY10 estimates. The order intake in 3Q10 was somewhat weaker than expected, but the 9M10 order intake growth of 17.5% is still above the sales growth that we expect for FY10 and FY11 (13.2% and 6.1%, respectively).

- Euromicron stated in the release that it expected an unchanged outlook for FY10. However, our opinion is that the company originally envisaged sales of more than EUR 200m at an EBIT of 19-21m. In a chat with the company, we learned that the CEO keeps the 8-11% guidance as a long-term projection, but he intends to come up with at around EUR 20m for this year.
- The DPR audit led to the result that EUC will have to re-model PPA for the past three years, which will be booked as a charge for equity amounting to c. EUR 7.5m.

Conclusion & Action: For the time being, we stick to both our 'Buy' rating and price target of EUR 32.