

Euromicron AG

Germany/Electronic & Electrical Equipment

Analysers



Buy

Recommendation unchanged

Share price: EUR 13.47

closing price as of 06/11/2014

Target price: EUR 19.00

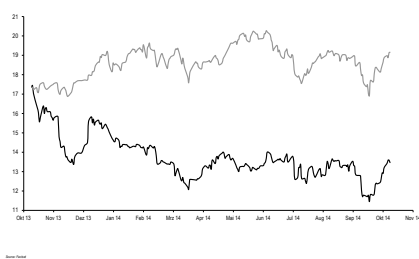
Target Price unchanged

Reuters/Bloomberg

EUCG.DE/EUC GY

Market capitalisation (EURm)	97
Current N° of shares (m)	7
Free float	100%
Daily avg. no. trad. sh. 12 mth	2,325
Daily avg. trad. vol. 12 mth (m)	31
Price high 12 mth (EUR)	17.44
Price low 12 mth (EUR)	11.45
Abs. perf. 1 mth	5.20%
Abs. perf. 3 mth	1.89%
Abs. perf. 12 mth	-22.39%

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	8.5	6.0
EV/EBITDA (adj.)	9.1	7.8	6.0
EV/EBIT	32.7	14.8	8.6
P/E (adj.)	34.8	14.2	8.4
P/BV	0.8	0.8	0.7
OpFCF yield	12.7%	-2.5%	5.9%
Dividend yield	0.0%	1.5%	3.3%
EPS (adj.)	0.41	0.95	1.61
BVPS	17.03	17.79	19.19
DPS	0.00	0.20	0.45



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3Q14 in line – outlook ranges confirmed

The facts: Euromicron (EUCA) released a **3Q14 group top line of EUR 84.4m**. This was about 1% better than our estimate of EUR 83.5m and actually up a 5.2% yoy. Clearly, this should be partly attributable to acquired entities in 2013, but EUCA should have exhibited organic growth.

We note that the demand situation is stabilizing, but seasonal patterns cannot be ignored. EUCA achieved an order intake in 3Q14 of EUR 86.4m, down from the strong 3Q14 level of EUR 94.4m, but broadly in line with the average of 1Q14 and 2Q14. The book-to-bill in 3Q14 was slightly above 1x. **The order backlog was said to be EUR 130.4m (equinet: EUR 129.9m).**

Despite further one-off costs for integration in the quarter (EUR 3.6m in 9M14) **the 3Q14 EBIT came in at EUR 2.2m, nearly in line with our forecast**. The respective margin came to 2.6% (minus 40bp yoy).

EUCA released a net result of EUR 0.9m which was about EUR 150k ahead of our projection. The EPS was released at EUR 0.12, EUR 0.02 better than our forecast.

The adj. operating cash flow in the quarter has come to EUR minus 0.2m. After 9M4e, this number remains still negative – which is not unusual – at EUR minus 11.9m (better EUR 2.4m yoy).

EUCA was able to secure a promissory note amounting to EUR 20m on low interest rates. The short/long-term ratio of financial positions comes now to 50/50. The net debt declined yoy to EUR 87.2m (9M14: EUR 94.8m). The equity ratio is still at a solid 40%.

3Q14 review

EUR m	3Q14a	3Q14e	delta	3Q13	yoy	FY14e	FY13	yoy
Order backlog	130.4	129.9	0.4%	141.1	-7.6%	132.5	126.5	4.7%
Sales	84.4	83.5	1.1%	80.2	5.2%	344.0	329.4	4.4%
EBIT	2.2	2.3	-1.2%	2.4	-9.3%	12.3	5.5	123.8%
EBIT margin	2.6%	2.7%	-10bp	3.1%	-40bp	3.6%	1.7%	190bp
Net result	0.9	0.7	15.5%	0.9	-3.4%	5.5	-0.9	n/a
EPS	0.12	0.10	16.9%	0.13	-9.2%	0.77	-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%. Management alluded to a more difficult situation as regards the political crisis in the world. Some influences on higher margin hardware businesses cannot be ignored.

Clearly, EUCA continues targeting EUR 500m annualised revenues and intends to acquire a larger entity in 2015 and 2016 (**Agenda 500**). Management focus on M&A targets takeovers in the product business to achieve this goal.

Our analysis: We rate **3Q14 in line with expectations** and EUCA remains on a good track to achieve the guidance. Here, please take into account that our EBITDA and top line forecasts are rather at the lower end of the management ranges. The one-off costs in FY14e might slightly exceed the projected EUR 4m, but should not endanger our EBITDA expectations.

We feel confirmed to have expected a more evenly development of the quarters from 1Q14-3Q14 which should end-up in a stronger 4Q14. **The order backlog of nearly EUR 130m provides still more than 1.5x quarter's visibility.**

Conclusion & Action: Relative to our expectations, we assess the reporting solid. With an EV/EBITDA'15e of 6.0x we continue to rate the investment attractive. Consequently, we confirm our 'Buy' rating on unchanged estimates and our PT of EUR 19.