



Buy

Recommendation unchanged

Share price: EUR 7.00

closing price as of 07/11/2016

Target price: EUR 13.00

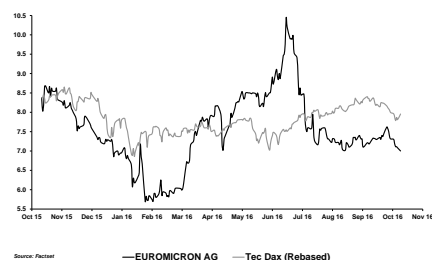
Target Price unchanged

Reuters/Bloomberg

EUCG.DE/EUCA.GY

Market capitalisation (EURm)	50
Current N° of shares (m)	7
Free float	100%
Daily avg. no. trad. sh. 12 mth	10
Daily avg. trad. vol. 12 mth (m)	88
Price high 12 mth (EUR)	10.44
Price low 12 mth (EUR)	5.70
Abs. perf. 1 mth	-2.91%
Abs. perf. 3 mth	-7.89%
Abs. perf. 12 mth	-20.53%

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	10.6	5.7
EV/EBITDA (adj.)	12.5	9.0	5.7
EV/EBIT	nm	33.0	9.4
P/E (adj.)	nm	22.1	6.5
P/BV	0.6	0.5	0.5
OpFCF yield	-5.3%	-11.2%	20.4%
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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Positive trend in Q3 expected to continue in Q4

The facts: This morning euromicron reported Q3 2016 results and confirmed its outlook for FY 2016.

Our analysis: The company reported Q3 2016 revenues of EUR 86.7m (+0.9% yoy), 5.1% above our estimate. EBITDA rose to EUR 2.07m and significantly increased compared to last year with EUR -0.12m. Net income was EUR -0.81m and also improved from EUR -4.64m last year. Overall Q3 numbers came in better than expected.

These numbers are still significantly impacted by euromicron Deutschland GmbH which finds itself in an extensive reorganisation – we saw stabilizing performance in Q3, though. The realignment therefore temporarily affects the Group's sales and its profitability. Moreover, restrictive policy in accepting major projects and unproductive work required in completing old projects had a negative effect here.

Furthermore, 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	Q3 2015	Q3 2016	yoy	equinet	Δ
Revenue	85.9	86.7	0.9%	82.5	5.1%
EBITDA	-0.12	2.07	n.a.	-0.93	n.a.
EBITDA margin	-0.1%	2.4%	n.a.	-1.1%	350bp
Net income	-4.64	-0.81	n.a.	-3.8	n.a.

Q3 2015 include Avalan and euromicron n NBG Fiber Optics GmbH

Source: euromicron AG, equinet Research

Guidance 2016: Euromicron confirmed its forecast for 2016, as we expected. As a reminder, for the full year 2016 the company expects revenues within a range of between EUR 330m and EUR 350m (equinet 2016e: 355m), EBITDA margin is expected to range between 2% and 4% (equinet 2016e: 3.9%). For FY 2016 the shortfall of earnings is expected to be reduced but not completely compensated by the end of the year due to the further reorganization of euromicron Deutschland GmbH which remains the biggest challenge.

Conclusion & Action: Euromicron reported revenue and EBITDA figures well above our expectations. However, knock-on effects from the reorganisation still have a significant impact. Euromicron finds itself in a transformation phase right now - business areas are being geared to the new strategy with focus on digital networks and the Group is positioning itself in the target markets "Digital Buildings", "Smart Industry" and "Critical Infrastructures". We continue to see improvements ahead and assume profitability will return to desired levels in the midterm due to the ongoing networking megatrend. We expect the positive trend to continue with a strong Q4 – however, the negative effects on sales and income in H1 2016 will not be fully compensated by the end of the year as flagged by the company.

We keep our price target of EUR 13.00 based on our DCF valuation, and reiterate our Buy recommendation.

History of equinet's Recommendations

On each "company recommendation history", please visit the ESN website and consult our database (www.esnpartnership.eu).

Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2GEnergy	Schmidt	24.00	Buy	2/3/5	Logwin	Rothenbacher	2.20	Neutral	2/3/5
4SC	Miemietz	3.50	Buy	7	Manz AG	Kruchevska	33.00	Neutral	2/3
Aareal Bank	Häßler	37.00	Accumulate		MAXAutomation AG	Schmidt	7.00	Accumulate	2/3/5
Adpepper	Heilmann	3.00	Buy	2/3	Merck	Miemietz	91.00	Neutral	
adidas	Josefson	139.00	Neutral		Merkur Bank	Häßler	8.20	Buy	2/3
Adler Modemaerkte	Josefson	8.90	Buy	7	MLP	Häßler	4.30	Accumulate	2/3
ADLER Real Estate	Häßler	16.00	Buy		Munich Re	Häßler	180.00	Neutral	
Aixtron	Kruchevska	6.00	Accumulate	2/3	Nemetschek SE	Droste	47.00	Reduce	5
Allianz	Häßler	160.00	Buy		NexusAG	Droste	20.00	Buy	
Axel Springer	Josefson	51.00	Neutral		Norma Group	Schmidt	60.00	Buy	
BASF	Schäfer*	95.00	Accumulate		OHB SE	Kruchevska	20.00	Neutral	7
Bayer	Miemietz	118.00	Buy		OVH Holding AG	Häßler	20.00	Buy	2/3/5
BayWa	Schäfer*	33.00	Neutral	5	Patrizia AG	Häßler	26.00	Accumulate	
BB Biotech	Miemietz	52.00	Buy	7	Sen	Pfeiffer Vacuum	92.00	Buy	
Beiersdorf	Schäfer*	64.00	Sell		PSI	Droste	13.00	Accumulate	2/3
Biotest	Miemietz	18.00	Buy	2/3	Rheinmetall	Rau*	79.00	Buy	
BMW	Schmidt	96.00	Accumulate		RIB Software	Droste	14.00	Buy	2/3
Cenit	Droste	22.50	Buy	2/3	RTL Group	Josefson	81.00	Accumulate	
comdirect	Häßler	10.00	Neutral		RWE	Schäfer*	13.00	Neutral	
Commerzbank	Häßler	7.50	Buy		SAF-Holland	Schmidt	13.50	Buy	7
Continental	Schmidt	240.00	Buy		Siegfried Holding AG	Miemietz	220.00	Accumulate	
CTSEventim	Josefson	31.00	Neutral		SLM Solutions	Sen	27.50	Buy	
CytotoolsAG	Heilmann	11.50	Accumulate	2/3	SMT Scharf AG	Schmidt	11.00	Neutral	2/3
Daimler AG	Schmidt	83.00	Buy		Software AG	Droste	30.00	Neutral	
Daldrup & Soehne	Schäfer*	15.00	Accumulate	2/3/5	SuessMicroTec	Kruchevska	7.00	Neutral	2/3
Demire	Mayer	4.50	Buy		Surteco	Schmidt	27.00	Buy	2/3
Deutsche Bank	Häßler	13.00	Neutral		Symrise AG	Schäfer*	36.00	Neutral	
Deutsche Boerse	Häßler	79.00	Neutral		Syzygy AG	Heilmann	13.00	Neutral	2/3
Deutsche EuroShop	Rothenbacher	42.00	Neutral		Talanx Group	Häßler	32.00	Accumulate	
Deutsche Pfandbriefbank	Häßler	12.30	Buy		Technotrans	Kruchevska	24.00	Accumulate	2/3
Deutsche Telekom	Sen	15.50	Neutral		TELECOLUMBUS	Sen	10.00	Buy	2
Deutz AG	Schmidt	5.00	Buy		United Internet	Sen	55.00	Buy	
Draegerwerk AG & Co. KGaA	Rau*	98.00	Neutral		VIB Vermoegen	Rothenbacher	22.00	Buy	
Drillisch	Sen	41.00	Neutral		Viscom	Kruchevska	14.50	Accumulate	2/3
E.ON	Schäfer*	10.50	Accumulate		Volkswagen	Schmidt	166.00	Buy	
Elmos Semiconductor	Kruchevska	15.00	Buy		Vossloh	Rau*	74.00	Buy	
Ernst & Young	Schmidt	17.00	Neutral		WCM AG	Häßler	3.25	Accumulate	2/3
elumeo SE	Josefson	14.00	Buy		Willex	Miemietz	4.00	Buy	2/3
Epigenomics AG	Miemietz	6.70	Buy	2/3	Wincor Nixdorf	Sen	50.00	Accumulate	
Euromicron AG	Droste	13.00	Buy	2/3	Zumtobel Group AG	Kruchevska	18.50	Buy	2/3/5
Evonik	Schäfer*	34.00	Accumulate						
Ferratum	Häßler	27.00	Buy						
Fielmann	Heilmann	58.00	Reduce						
Freenet	Sen	36.00	Buy	2					
FuchsPetrolub	Schäfer*	37.00	Neutral						
GEA Group	Rau*	49.00	Buy						
Gerry Weber	Josefson	9.50	Reduce						
Gesco	Schmidt	65.00	Neutral	2/3/5					
GFT Technologies	Droste	28.00	Buy	2/3/5					
Gigaset	Sen	0.65	Accumulate	2/3					
Grand City Properties	Häßler	20.00	Neutral						
Grenke	Häßler	200.00	Buy						
Hannover Re	Häßler	100.00	Neutral						
Heidelberger Druck	Rau*	3.40	Buy						
Henkel	Schäfer*	82.00	Neutral						
Hugo Boss	Josefson	72.00	Buy						
Hypoport AG	Häßler	100.00	Buy	7					
Jenoptik	Rau*	14.00	Neutral						
K+S AG	Schäfer*	22.00	Accumulate						
Kontron	Sen	3.60	Buy						
Krones AG	Rau*	104.00	Neutral						
KWS	Hinkel	346.00	Buy						
Lanxess	Schäfer*	54.00	Neutral						
Leoni	Schmidt	35.00	Accumulate						
Linde	Hinkel	160.00	Buy						

*=Coverage suspended

Source: equinet Recommendations

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Recommendation System

- Buy - The stock is expected to generate a total return of over 15% during the next 12 months time horizon.
Accumulate - The stock is expected to generate a total return of 5% to 15% during the next 12 months time horizon.
Neutral - The stock is expected to generate a total return of -5% to +5% during the next 12 months time horizon
Reduce - The stock is expected to generate a total return of -5% to -15% during the next 12 months time horizon
Sell - The stock is expected to generate a total return below -15% 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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