

## New major shareholder will help to accelerate digitalization strategy

*euromicron announced a capital increase and presented a new strategic anchor investor, Funkwerk, which took 10% of the company in a first step and could raise its stake with the second tranche of the capital increase to up to 28%. By issuing in total up to 2,870,551 new shares (corresponds to 40% of current shares), euromicron expects gross proceeds of up to EUR 9.76m. The subscription price was set at EUR 3.40, yesterday's closing price of the shares. We consider the announcement as an important step for euromicron's future alignment. The capital increase and Funkwerk's commitment will help to gain confidence in euromicron. The proceeds are expected to be invested in euromicron's business model around digitalization and related services. We acknowledge that euromicron is in the final stage of its long-standing reorganization and transformation of the company. Today's announcement has to be seen in that context. Further steps regarding portfolio optimization and debt reduction are expected to continue. We have a Buy rating with a TP of EUR 6.80.*

### Key facts in detail:

- ▶ In a first step, euromicron increased its capital by 10%, via a private placement of the issued shares to Funkwerk. Given the placement price of EUR 3.40 per share, euromicron received gross proceed of around EUR 2.44m.
- ▶ In a second step, euromicron intends to increase its capital by issuing further up to 2,152,919 new shares. As a result of Funkwerk's backstop commitment (Funkwerk committed to take over all unplaced shares) and the subscription price of EUR 3.40 per share, the gross proceed of the second tranche is expected to be up to EUR 7.32m.
- ▶ The subscription period of the second tranche will begin at the end of July.
- ▶ Overall, with the capital increase in total of 40%, euromicron is expecting gross proceeds of up to EUR 9.76m. According to our calculation, the company's equity ratio will improve to a solid c.38% from 27.2% as of end of FY 2018.
- ▶ euromicron's new strategic anchor investor Funkwerk could end up with a stake in the company of 28%. Funkwerk strives for at least one seat in euromicron's Supervisory Board. The AGM will take place on 29 August 2019.
- ▶ Funkwerk will act as a strategic shareholder. From today's point of view, we believe the cooperation in the field of digitalized solutions and the expansion of market as well as customer access are the foreground of the investment. Funkwerk has a strong portfolio of communication solutions, which is a good fit to euromicron.
- ▶ Given the fact that the proceeds are intended to be invested in euromicron's strategic development, the debt situation (net debt/EBITDA 2019e c.5x) will not immediately improve.

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