

# euromicron AG

## Remaining under operational and financial pressure

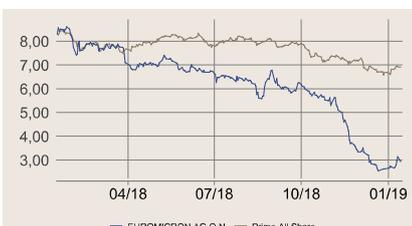
17/01/2019

**Hold** (Hold)  
**3.50 EUR** (3.50 EUR)

Close 14/01/2019 2.93 EUR  
Bloomberg: EUCA GY WKN: A1K030  
Sector Technology

### Share price performance

52 week high 8.60 EUR  
52 week low 2.55 EUR  
Compared to Prime All Share  
YTD 8.5%  
1 month 3.0%  
12 months -49.4%



### Share data

EV (m EUR; 2019) 116.8  
Market Cap (m EUR) 21.0  
No. of shares (m) 7.2  
Free float 95.0%

### Next event

- -

### Change in model

	Sales	EBITDA	EPS
2018e	-	-	-
2019e	-	-	-
2020e	-	-	-

### Analyst

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See end of document for disclaimer.

The company needs to make material progress in order to solve FCF and balance sheet issues. Euromicron has already reacted with restructuring measures that are likely to improve its performance in 2019. We maintain our HOLD rating and price target of € 3.50.

### INVESTMENT CASE STILL FRAGILE

The company has been undergoing extensive restructuring for several years and various measures have still not been completed. The focus remains on streamlining the organisational structure and pushing business activities in defined growth markets. We are still concerned about the trend in leverage (YE 2018e: 13x EBITDA, up from 9x at the end of 2017). Given the expected slow recovery of free cash flows, we doubt that the € 25 m redemption planned for January 2020 can be carried out without a material sale of assets. Asset sales, however, could harm the future sales and EBITDA performance materially. We therefore do not rule out that a larger capital increase will be needed to bring the balance sheet back in share.

### CATALYSTS

- (+/-) Operating trend: Markets are expecting a growing order book, and a sustainable return to positive quarterly EBITDA/FCF. The latter looks ambitious for 2019.(+/-) Guidance: We expect the guidance for 2019 to indicate growth at all levels of the P&L (BHL: sales € 320-350 m, operating EBITDA margin of 4-6%).
- (+/-) Refinancing/passive M&A: We believe that the company is actively evaluating larger asset sales. Such measures may solve refinancing needs but could also result in lower profitability for the remaining entity.

### VALUATION

Our valuation of euromicron is based on a DCF model. We arrive at a fair value of € 3.50 for the share. Our valuation assumes a material swing-back in EBITDA growth in 2019/2020.

in m EUR	2016	2017	2018e	2019e	2020e
Sales	325.3	332.9	324.4	335.8	345.1
EBITDA	7.4	9.5	7.0	15.6	20.0
EBITDA margin	2.3%	2.9%	2.2%	4.6%	5.8%
Net financial debt	74.2	88.9	93.3	93.7	93.6
Free cash flow	-14.9	-15.0	-6.8	-2.6	0.9
EPS (in EUR)	-1.76	-0.53	-0.88	0.04	0.64
DPS (in EUR)	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/sales	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	16.0	15.7	16.3	7.5	5.8
P/E	-3.3	-15.4	-3.0	68.0	4.6

Source: Company information, Bankhaus Lampe Research estimates

# Company overview

## SWOT

### Strengths/Opportunities

- Positioning in structural growth markets
- Options for bolt-on acquisitions
- Potential acquisition target
- Resolving investment backlog at important customers
- New regional market entries

## MANAGEMENT

- Bettina Meyer
- Jörn Trierweiler

## SHORT-TERM GUIDANCE

- 2018: revenue € 310-330 m; operating EBITDA margin 2-4%, Restructuring costs up to € 5 m

## HISTORICAL EV/EBITDA



## COMPANY EVENTS

Next event: - -

## KEY RATIOS

	16	17	18e	19e	20e
R&D/Sales	-	-	-	-	-
Capex/Sales	2.2%	4.0%	2.9%	2.9%	3.1%
Capex/Depreciation	0.7	1.6	1.0	1.1	1.4
ROCE	-1.4%	0.6%	-1.4%	4.1%	7.0%
Free cash flow yield	-35.6%	-25.8%	-28.3%	-10.7%	3.7%
Equity ratio	33.7%	31.1%	30.3%	30.5%	31.2%
Net debt / equity	90%	113%	125%	122%	116%
Net debt / EBITDA	10.1	9.4	13.3	6.0	4.7
Interest cover	-0.4	0.2	-0.4	1.2	2.1

### Weaknesses/Threats (Risks)

- Loss of investor confidence after profit warnings in 2014/15/16/18
- Stagnating order book
- Pricing pressure in the high-margin manufacturing business
- Strengthening of equity capital and/or larger asset sales might be necessary
- Resuming of dividend payment not decided yet

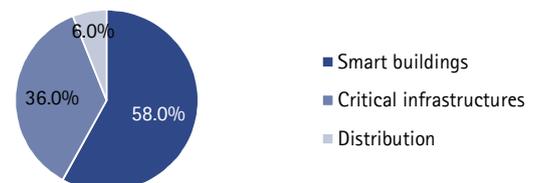
## COMPANY BACKGROUND

Frankfurt-based euromicron AG is a provider of complete infrastructure solutions for communications, transport, security and data networks. The company acts as a manufacturer, system integrator and distributor. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on optical transmission technology.

## MEDIUM-TERM GUIDANCE

- EBITDA margin 8-11%

## REVENUE BREAKDOWN (LAST ACTUAL YEAR)



## MAJOR SHAREHOLDERS (%)

Lazard Freres Gestion SAS	3.5
Bischoff Christian	3.0
Universal-Investment-Gesellschaft mbH (Invt Mgmt)	3.0

## BHL VS. CONSENSUS

	18e	19e	20e
Sales (in m EUR)			
BHL	324.4	335.8	345.1
Consensus	321.4	332.1	342.6
EBITDA (in m EUR)			
BHL	7.0	15.6	20.0
Consensus	4.2	14.9	18.2
EPS (EUR)			
BHL	-0.88	0.04	0.64
Consensus	-1.05	0.00	0.37

Source: Company information, FactSet, BHL estimates

# Key figures

## euromicron AG – Income statement

in m EUR	2016	2017	2018e	2019e	2020e
Sales	325.3	332.9	324.4	335.8	345.1
Own work capitalised	6.4	5.0	4.4	5.2	5.5
Total sales	331.7	337.9	328.8	341.0	350.6
Material expenses	-171.5	-172.4	-166.1	-171.2	-175.3
Personnel expenses	-109.1	-112.6	-113.9	-109.5	-109.7
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0
Other operating result	-43.8	-43.4	-41.9	-44.7	-45.6
EBITDA	7.4	9.5	7.0	15.6	20.0
Depreciation	9.6	8.4	9.4	8.6	7.7
EBITA	-2.3	1.1	-2.4	7.0	12.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
EBIT	-2.3	1.1	-2.4	7.0	12.3
Financial result	-5.3	-4.6	-5.9	-6.0	-5.9
Income on ordinary activities	-7.6	-3.6	-8.3	1.0	6.4
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
EBT	-7.6	-3.6	-8.3	1.0	6.4
Taxes	-4.8	0.0	2.4	-0.3	-1.4
Net income from cont. operations	-12.5	-3.5	-5.9	0.7	5.0
Net income from discount. operations	0.0	0.0	0.0	0.0	0.0
Minority interest	-0.2	-0.3	-0.4	-0.4	-0.4
Net income (adj.)	-12.7	-3.8	-6.3	0.3	4.6
No. of shares	7.2	7.2	7.2	7.2	7.2
EPS	-1.76	-0.53	-0.88	0.04	0.64

Source: Company information, Bankhaus Lampe Research estimates

	2016	2017	2018e	2019e	2020e
Gross margin	47.3%	48.2%	48.8%	49.0%	49.2%
EBITDA margin	2.3%	2.9%	2.2%	4.6%	5.8%
EBITA margin	-0.7%	0.3%	-0.7%	2.1%	3.6%
EBIT margin	-0.7%	0.3%	-0.7%	2.1%	3.6%
EBT margin	-2.3%	-1.1%	-2.6%	0.3%	1.9%
Net profit margin	-3.9%	-1.1%	-1.9%	0.1%	1.3%
Tax rate	-63.5%	1.3%	28.9%	29.7%	21.9%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2016	2017	2018e	2019e	2020e
Sales	-5.7%	2.3%	-2.5%	3.5%	2.8%
EBITDA	6.5%	28.9%	-26.4%	>100%	28.1%
EBIT	73.7%	-	-	-	75.4%
EBT	40.0%	53.4%	<-100%	-	>100%
Net income (adj.)	4.5%	70.2%	-67.3%	-	>100%
EPS	4.5%	70.2%	-67.3%	-	>100%

Source: Company information, Bankhaus Lampe Research estimates

## euromicron AG – Balance sheet

Assets (in m EUR)	2016	2017	2018e	2019e	2020e
Fixed assets	141.2	146.8	146.8	148.0	151.1
Property, plant and equipment	15.6	19.1	19.1	20.3	23.4
Intangible assets	124.7	127.2	127.2	127.2	127.2
Financial assets	0.5	0.2	0.2	0.2	0.2
Other long-term assets	0.4	0.3	0.3	0.3	0.3
Current assets	103.3	105.3	99.8	104.7	107.6
Inventories	28.4	31.5	32.4	35.4	36.4
Accounts receivable	58.9	61.5	59.6	61.6	63.3
Other current assets	9.3	7.4	7.2	7.5	7.7
Securities	0.0	0.0	0.0	0.0	0.0
Cash	6.8	5.0	0.6	0.2	0.2
Total assets	244.6	252.2	246.6	252.7	258.7
Equity and liabilities in m EUR					
Shareholders' equity	82.4	78.5	74.7	77.0	80.6
Shareholders' equity (before minority)	81.9	77.9	74.1	76.4	80.0
Minorities	0.5	0.6	0.6	0.6	0.6
Non-current liabilities	48.2	30.7	30.5	30.8	31.0
Pension provisions	1.4	1.4	1.4	1.4	1.5
Other provisions	1.7	1.8	1.7	1.8	1.8
Long-term financial debt	39.4	21.9	21.9	21.9	21.9
Other long-term debt	5.7	5.6	5.5	5.6	5.8
Current liabilities	114.0	142.9	141.4	144.9	147.1
Short-term debt	41.6	71.9	71.9	71.9	71.9
Other accruals short-term	1.9	2.0	1.9	2.0	2.0
Accounts payable	45.9	49.0	48.0	50.8	52.4
Other liabilities	24.7	20.0	19.5	20.2	20.8
Total equity and liabilities	244.6	252.2	246.6	252.7	258.7

Source: Company information, Bankhaus Lampe Research estimates

## euromicron AG – Balance sheet structure

Assets	2016	2017	2018e	2019e	2020e
Fixed assets	57.7%	58.2%	59.5%	58.6%	58.4%
Property, plant and equipment	6.4%	7.6%	7.8%	8.0%	9.1%
Intangible assets	51.0%	50.4%	51.6%	50.3%	49.2%
Current assets	42.3%	41.8%	40.5%	41.4%	41.6%
Inventories	11.6%	12.5%	13.2%	14.0%	14.1%
Accounts receivable	24.1%	24.4%	24.2%	24.4%	24.5%
Cash	2.8%	2.0%	0.2%	0.1%	0.1%
Equity and liabilities					
Shareholders' equity	33.7%	31.1%	30.3%	30.5%	31.2%
Non-current liabilities	19.7%	12.2%	12.4%	12.2%	12.0%
Pension provisions	0.6%	0.6%	0.6%	0.6%	0.6%
Long-term financial debt	16.1%	8.7%	8.9%	8.7%	8.5%
Current liabilities	46.6%	56.7%	57.3%	57.3%	56.9%
Short-term debt	17.0%	28.5%	29.2%	28.5%	27.8%
Accounts payable	18.8%	19.4%	19.5%	20.1%	20.2%

Source: Company information, Bankhaus Lampe Research estimates