

Buy (old: Buy)

Price target: EUR 31.00 (old: EUR 31.00)

| | | | |
|-------------------|----------|--------------------------|-------------|
| Price: | EUR 9.15 | Next result: | FY 2018 tba |
| Bloomberg: | V3S@GR | Market cap: | EUR 60.5 m |
| Reuters: | V3SG.DE | Enterprise Value: | EUR 61.7 m |

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Joint forces with DeutschlandCard: a win-win for everyone

Yesterday, **Vectron and DeutschlandCard concluded a cooperation agreement** following the agreed upon Lol. Thus, Vectron ticked off another box, in our view, taking a leap towards the monetization of its installed base.

As a reminder: **The aim is to leverage DeutschlandCard's leading customer loyalty program to the German catering industry.** DeutschlandCard's business model is comparable to Nectar's in the UK: customers can collect and redeem points when shopping in participating POS.

With 20m card users and 10,000 POS at well-known companies like EDEKA, Netto Marken-Discount and Esso, **DeutschlandCard is the second largest loyalty system** in Germany (trailing only PAYBACK).

Hence, **the agreement is a win-win for all sides:**

- Restaurants can participate in DeutschlandCard's established loyalty program and thus increase visitor frequency and revenues. According to research firms, visitor frequency can rise by 35% thanks to such programs.
- By leveraging the loyalty program to an entirely new industry, DeutschlandCard can further improve the appeal of its solution, thus winning additional retail customers.

Importantly, Vectron can generate high-margin revenues (c. € 24m at a 25% EBIT margin in 2021E; eH&A) as it will receive a fee on every purchase done in connection with the DeutschlandCard in restaurants ranking amongst its installed base.

Positive news flow ahead: Since sales and marketing efforts have already kicked off, we expect the market launch in H1 2019.

Valuation looks cheap neither fully accounting for the margin-rich new ventures (DeutschlandCard co-operation / Big Data monetization) nor the windfall opportunity from the German cash register legislation.

NB: German law requires all cash registers to be tamper-proof by 2020E which implies massive replacement demand from its installed base of >120,000 cash registers in Germany (c. € 72m total revenue potential).

As such, the time looks right to invest. We reiterate **BUY with an unchanged PT of € 31** based on DCF.

| Y/E 31.12 (EUR m) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|---------------------|---------|---------|---------|---------|---------|--------|--------|
| Sales | 22.4 | 25.9 | 33.7 | 32.4 | 25.5 | 38.0 | 57.2 |
| Sales growth | 5 % | 15 % | 30 % | -4 % | -21 % | 49 % | 51 % |
| EBITDA | 1.6 | 2.6 | 3.6 | 2.3 | -2.9 | 4.1 | 9.7 |
| EBIT | 1.0 | 2.1 | 3.1 | 1.7 | -3.5 | 3.1 | 8.3 |
| Net income | 0.5 | 1.2 | 2.0 | 1.1 | -2.4 | 1.8 | 5.2 |
| Net debt | -3.6 | -4.2 | -7.2 | -1.7 | -0.2 | 2.4 | 4.2 |
| Net gearing | -37.0 % | -54.0 % | -48.5 % | -12.1 % | -2.4 % | 20.9 % | 25.6 % |
| Net Debt/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.4 |
| EPS pro forma | 0.09 | 0.20 | 0.30 | 0.16 | -0.36 | 0.27 | 0.79 |
| CPS | 0.26 | 0.18 | 0.05 | -0.45 | -0.08 | -0.25 | -0.02 |
| DPS | 0.08 | 0.11 | 0.25 | 0.06 | 0.06 | 0.06 | 0.08 |
| Dividend yield | 0.9 % | 1.2 % | 2.7 % | 0.7 % | 0.7 % | 0.7 % | 0.9 % |
| Gross profit margin | 55.6 % | 54.9 % | 54.4 % | 55.6 % | 54.0 % | 57.0 % | 58.0 % |
| EBITDA margin | 7.0 % | 10.2 % | 10.7 % | 7.0 % | -11.3 % | 10.9 % | 17.0 % |
| EBIT margin | 4.6 % | 8.0 % | 9.2 % | 5.4 % | -13.9 % | 8.1 % | 14.5 % |
| ROCE | 8.5 % | 15.2 % | 16.5 % | 8.3 % | -17.4 % | 14.3 % | 34.8 % |
| EV/sales | 2.3 | 2.0 | 1.6 | 1.9 | 2.4 | 1.7 | 1.2 |
| EV/EBITDA | 33.4 | 19.7 | 15.3 | 26.7 | -21.5 | 15.6 | 6.8 |
| EV/EBIT | 51.0 | 25.3 | 17.9 | 34.5 | -17.5 | 20.9 | 8.0 |
| PER | 105.4 | 46.4 | 30.7 | 56.3 | -25.1 | 33.5 | 11.6 |
| Adjusted FCF yield | 1.4 % | 3.1 % | 4.1 % | 0.3 % | -4.6 % | 3.4 % | 8.6 % |

Source: Company data, Hauck & Aufhäuser Close price as of: 19.12.2018



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 28.05 / 7.60

Price/Book Ratio: 5.9

Relative performance (SDAX):

| | |
|-----------|---|
| 3 months | - |
| 6 months | - |
| 12 months | - |

Changes in estimates

| | | Sales | EBIT | EPS |
|------|-------------|-------|------|-------|
| 2018 | old: | 25.5 | -3.5 | -0.36 |
| | Δ | - | - | - |
| 2019 | old: | 38.0 | 3.1 | 0.27 |
| | Δ | - | - | - |
| 2020 | old: | 57.2 | 8.3 | 0.79 |
| | Δ | - | - | - |

Key share data:

| | |
|-------------------------------|--------|
| Number of shares: (in m pcs) | 6.6 |
| Authorised capital: (in € m) | 3.3 |
| Book value per share: (in €) | 1.6 |
| Ø trading volume: (12 months) | 10,500 |

Major shareholders:

| | |
|------------------|--------|
| Free Float | 44.0 % |
| Jens Reckendorf | 28.1 % |
| Thomas Stümmeler | 28.0 % |

Company description:

German market leader for POS systems looking to monetise its installed base

Financials

| Profit and loss (EUR m) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|---|-------------|-------------|-------------|-------------|--------------|-------------|-------------|
| Net sales | 22.4 | 25.9 | 33.7 | 32.4 | 25.5 | 38.0 | 57.2 |
| <i>Sales growth</i> | 4.7 % | 15.4 % | 30.4 % | -4.0 % | -21.3 % | 49.0 % | 50.5 % |
| Increase/decrease in finished goods and work-in-process | 0.2 | 0.1 | 0.0 | 0.6 | 0.4 | 0.6 | 0.6 |
| Total sales | 22.6 | 25.9 | 33.7 | 33.0 | 25.9 | 38.6 | 57.8 |
| Other operating income | 0.9 | 1.1 | 0.4 | 0.6 | 0.4 | 0.8 | 1.0 |
| Material expenses | 10.0 | 11.7 | 15.4 | 14.6 | 11.9 | 16.6 | 24.3 |
| Personnel expenses | 6.3 | 7.1 | 8.6 | 9.7 | 9.8 | 11.2 | 15.3 |
| Other operating expenses | 5.6 | 5.6 | 6.6 | 7.0 | 7.5 | 7.4 | 9.5 |
| Total operating expenses | 21.0 | 23.3 | 30.1 | 30.7 | 28.8 | 34.4 | 48.1 |
| EBITDA | 1.6 | 2.6 | 3.6 | 2.3 | -2.9 | 4.1 | 9.7 |
| Depreciation | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 |
| EBITA | 1.2 | 2.3 | 3.3 | 1.9 | -3.2 | 3.7 | 9.2 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.6 | 0.9 |
| Impairment charges | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT (inc revaluation net) | 1.0 | 2.1 | 3.1 | 1.7 | -3.5 | 3.1 | 8.3 |
| Interest income | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Interest expenses | 0.0 | 0.3 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 |
| Other financial result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial result | 0.1 | -0.2 | -0.1 | -0.1 | -0.2 | -0.3 | -0.3 |
| Recurring pretax income from continuing operations | 1.1 | 1.8 | 3.0 | 1.7 | -3.7 | 2.8 | 8.0 |
| Extraordinary income/loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings before taxes | 1.1 | 1.8 | 3.0 | 1.7 | -3.7 | 2.8 | 8.0 |
| Taxes | 0.3 | 0.7 | 1.0 | 0.6 | -1.3 | 1.0 | 2.8 |
| Net income from continuing operations | 0.8 | 1.2 | 2.0 | 1.1 | -2.4 | 1.8 | 5.2 |
| Result from discontinued operations (net of tax) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income | 0.8 | 1.2 | 2.0 | 1.1 | -2.4 | 1.8 | 5.2 |
| Minority interest | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit (reported) | 0.5 | 1.2 | 2.0 | 1.1 | -2.4 | 1.8 | 5.2 |
| Average number of shares | 6.0 | 6.0 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 |
| EPS reported | 0.09 | 0.20 | 0.30 | 0.16 | -0.36 | 0.27 | 0.79 |

| Profit and loss (common size) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Increase/decrease in finished goods and work-in-process | 0.9 % | 0.3 % | 0.1 % | 1.9 % | 1.5 % | 1.5 % | 1.0 % |
| Total sales | 100.9 % | 100.3 % | 100.1 % | 101.9 % | 101.5 % | 101.5 % | 101.0 % |
| Other operating income | 3.9 % | 4.1 % | 1.3 % | 1.7 % | 1.7 % | 2.0 % | 1.8 % |
| Material expenses | 44.8 % | 45.2 % | 45.6 % | 45.2 % | 46.7 % | 43.6 % | 42.4 % |
| Personnel expenses | 28.2 % | 27.3 % | 25.6 % | 30.0 % | 38.4 % | 29.4 % | 26.8 % |
| Other operating expenses | 24.8 % | 21.7 % | 19.5 % | 21.5 % | 29.4 % | 19.6 % | 16.7 % |
| Total operating expenses | 93.9 % | 90.1 % | 89.4 % | 95.0 % | 112.8 % | 90.6 % | 84.0 % |
| EBITDA | 7.0 % | 10.2 % | 10.7 % | 7.0 % | neg. | 10.9 % | 17.0 % |
| Depreciation | 1.5 % | 1.3 % | 1.0 % | 1.1 % | 1.4 % | 1.2 % | 0.9 % |
| EBITA | 5.4 % | 8.9 % | 9.7 % | 5.9 % | neg. | 9.7 % | 16.1 % |
| Amortisation of goodwill | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Amortisation of intangible assets | 0.9 % | 0.9 % | 0.6 % | 0.5 % | 1.2 % | 1.6 % | 1.6 % |
| Impairment charges | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| EBIT (inc revaluation net) | 4.6 % | 8.0 % | 9.2 % | 5.4 % | neg. | 8.1 % | 14.5 % |
| Interest income | 0.4 % | 0.2 % | 0.2 % | 0.2 % | 0.2 % | 0.2 % | 0.1 % |
| Interest expenses | 0.1 % | 1.1 % | 0.6 % | 0.5 % | 1.0 % | 0.9 % | 0.6 % |
| Other financial result | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Financial result | 0.3 % | neg. | neg. | neg. | neg. | neg. | neg. |
| Recurring pretax income from continuing operations | 4.8 % | 7.1 % | 8.8 % | 5.1 % | neg. | 7.3 % | 14.0 % |
| Extraordinary income/loss | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Earnings before taxes | 4.8 % | 7.1 % | 8.8 % | 5.1 % | neg. | 7.3 % | 14.0 % |
| Tax rate | 29.7 % | 35.6 % | 33.7 % | 35.2 % | 35.2 % | 35.2 % | 35.2 % |
| Net income from continuing operations | 3.4 % | 4.6 % | 5.8 % | 3.3 % | neg. | 4.8 % | 9.1 % |
| Income from discontinued operations (net of tax) | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Net income | 3.4 % | 4.6 % | 5.8 % | 3.3 % | neg. | 4.8 % | 9.1 % |
| Minority interest | 1.1 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Net profit (reported) | 2.3 % | 4.6 % | 5.8 % | 3.3 % | neg. | 4.8 % | 9.1 % |

Source: Company data, Hauck & Aufhäuser

| Balance sheet (EUR m) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Intangible assets | 0.6 | 0.5 | 0.4 | 1.5 | 2.1 | 2.9 | 4.1 |
| Property, plant and equipment | 0.8 | 0.8 | 0.7 | 0.6 | 0.5 | 0.4 | 0.4 |
| Financial assets | 0.9 | 0.9 | 0.9 | 1.8 | 1.8 | 1.8 | 1.8 |
| FIXED ASSETS | 2.3 | 2.2 | 2.1 | 4.0 | 4.4 | 5.0 | 6.3 |
| Inventories | 2.9 | 3.8 | 4.8 | 7.6 | 5.1 | 7.6 | 11.4 |
| Accounts receivable | 2.9 | 3.4 | 4.9 | 3.3 | 3.1 | 4.7 | 7.1 |
| Other current assets | 0.1 | 0.4 | 1.0 | 0.8 | 0.8 | 0.8 | 0.8 |
| Liquid assets | 5.1 | 9.5 | 11.7 | 5.5 | 9.1 | 6.4 | 4.6 |
| Deferred taxes | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Deferred charges and prepaid expenses | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| CURRENT ASSETS | 11.2 | 17.2 | 22.5 | 17.5 | 18.4 | 19.7 | 24.2 |
| TOTAL ASSETS | 13.5 | 19.4 | 24.6 | 21.5 | 22.8 | 24.8 | 30.4 |
| SHAREHOLDERS EQUITY | 9.8 | 7.7 | 14.9 | 14.3 | 10.3 | 11.7 | 16.5 |
| MINORITY INTEREST | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long-term debt | 1.5 | 5.3 | 4.4 | 3.8 | 3.8 | 3.8 | 3.8 |
| Provisions for pensions and similar obligations | 0.8 | 1.5 | 2.1 | 1.4 | 1.4 | 1.4 | 1.4 |
| Other provisions | 0.1 | 0.5 | 1.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Non-current liabilities | 2.4 | 7.2 | 7.6 | 5.5 | 5.5 | 5.5 | 5.5 |
| short-term liabilities to banks | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 | 5.0 | 5.0 |
| Accounts payable | 0.9 | 1.5 | 1.5 | 1.4 | 1.1 | 1.7 | 2.5 |
| Advance payments received on orders | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities (incl. from lease and rental contracts) | 0.5 | 2.9 | 0.6 | 0.2 | 0.2 | 0.2 | 0.2 |
| Deferred taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current liabilities | 1.3 | 4.4 | 2.0 | 1.7 | 6.4 | 6.9 | 7.8 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 13.5 | 19.4 | 24.6 | 21.5 | 22.1 | 24.1 | 29.7 |

| Balance sheet (common size) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Intangible assets | 4.7 % | 2.4 % | 1.8 % | 7.2 % | 9.7 % | 11.9 % | 13.7 % |
| Property, plant and equipment | 5.9 % | 4.0 % | 2.9 % | 2.8 % | 2.2 % | 1.5 % | 1.3 % |
| Financial assets | 6.7 % | 4.6 % | 3.7 % | 8.4 % | 8.2 % | 7.5 % | 6.1 % |
| FIXED ASSETS | 17.2 % | 11.1 % | 8.4 % | 18.4 % | 20.0 % | 20.9 % | 21.1 % |
| Inventories | 21.3 % | 19.6 % | 19.4 % | 35.4 % | 23.1 % | 31.6 % | 38.5 % |
| Accounts receivable | 21.4 % | 17.6 % | 19.9 % | 15.3 % | 14.2 % | 19.5 % | 23.7 % |
| Other current assets | 0.7 % | 1.9 % | 3.9 % | 3.5 % | 3.4 % | 3.1 % | 2.5 % |
| Liquid assets | 37.8 % | 48.8 % | 47.5 % | 25.8 % | 41.0 % | 26.5 % | 15.5 % |
| Deferred taxes | 1.0 % | 0.7 % | 0.5 % | 0.5 % | 0.4 % | 0.4 % | 0.3 % |
| Deferred charges and prepaid expenses | 0.5 % | 0.3 % | 0.4 % | 1.0 % | 1.0 % | 0.9 % | 0.7 % |
| CURRENT ASSETS | 82.7 % | 88.9 % | 91.6 % | 81.6 % | 83.1 % | 81.9 % | 81.3 % |
| TOTAL ASSETS | 99.9 % | 100.0 % | 100.0 % | 100.0 % | 103.1 % | 102.9 % | 102.4 % |
| SHAREHOLDERS EQUITY | 72.2 % | 39.8 % | 60.6 % | 66.8 % | 46.5 % | 48.5 % | 55.5 % |
| MINORITY INTEREST | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Long-term debt | 11.1 % | 27.3 % | 18.1 % | 17.8 % | 17.3 % | 15.8 % | 12.8 % |
| Provisions for pensions and similar obligations | 6.2 % | 7.6 % | 8.4 % | 6.6 % | 6.5 % | 5.9 % | 4.8 % |
| Other provisions | 0.6 % | 2.4 % | 4.6 % | 1.0 % | 1.0 % | 0.9 % | 0.8 % |
| Non-current liabilities | 17.9 % | 37.3 % | 31.1 % | 25.5 % | 24.7 % | 22.7 % | 18.4 % |
| short-term liabilities to banks | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 22.6 % | 20.8 % | 16.8 % |
| Accounts payable | 6.4 % | 7.7 % | 5.9 % | 6.7 % | 5.1 % | 7.0 % | 8.6 % |
| Advance payments received on orders | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Other liabilities (incl. from lease and rental contracts) | 3.4 % | 15.1 % | 2.4 % | 1.1 % | 1.0 % | 1.0 % | 0.8 % |
| Deferred taxes | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Deferred income | 0.1 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Current liabilities | 9.9 % | 22.8 % | 8.3 % | 7.8 % | 28.8 % | 28.7 % | 26.2 % |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

Source: Company data, Hauck & Aufhäuser

| Cash flow statement (EUR m) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net profit/loss | 0.8 | 1.2 | 2.0 | 1.1 | -2.4 | 1.8 | 5.2 |
| Depreciation of fixed assets (incl. leases) | 0.5 | 0.3 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 0.0 | 0.2 | 0.2 | 0.2 | 0.3 | 0.6 | 0.9 |
| Others | 0.4 | 0.6 | 0.8 | -1.8 | 0.0 | 0.0 | 0.0 |
| Cash flow from operations before changes in w/c | 1.7 | 2.3 | 3.3 | -0.2 | -1.8 | 2.9 | 6.6 |
| Increase/decrease in inventory | 0.0 | -0.9 | -1.0 | -2.8 | 2.5 | -2.5 | -3.8 |
| Increase/decrease in accounts receivable | 0.2 | -0.5 | -1.5 | 1.6 | 0.2 | -1.5 | -2.4 |
| Increase/decrease in accounts payable | -0.2 | 0.6 | 0.0 | 0.0 | -0.3 | 0.6 | 0.9 |
| Increase/decrease in other working capital positions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Increase/decrease in working capital | 0.1 | -0.8 | -2.5 | -1.3 | 2.4 | -3.5 | -5.4 |
| Cash flow from operating activities | 1.8 | 1.5 | 0.8 | -1.5 | 0.6 | -0.6 | 1.2 |
| CAPEX | 0.3 | 0.4 | 0.4 | 1.5 | 1.1 | 1.7 | 2.6 |
| Payments for acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial investments | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 |
| Income from asset disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from investing activities | -0.3 | -0.4 | -0.4 | -2.4 | -1.1 | -1.7 | -2.6 |
| Cash flow before financing | 1.5 | 1.1 | 0.3 | -3.9 | -0.5 | -2.3 | -1.4 |
| Increase/decrease in debt position | -0.1 | 3.7 | -3.3 | -0.6 | 5.0 | 0.0 | 0.0 |
| Purchase of own shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital measures | 0.0 | 0.0 | 5.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | 0.5 | 0.5 | 0.7 | 1.6 | 1.6 | 0.4 | 0.4 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Effects of exchange rate changes on cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from financing activities | -0.6 | 3.2 | 1.9 | -2.2 | 3.4 | -0.4 | -0.4 |
| Increase/decrease in liquid assets | 1.0 | 4.3 | 2.2 | -6.1 | 2.8 | -2.7 | -1.8 |
| Liquid assets at end of period | 5.1 | 9.5 | 11.7 | 5.5 | 8.4 | 5.7 | 3.9 |

Source: Company data, Hauck & Aufhäuser

| Regional split (EUR m) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Domestic | 15.5 | 18.0 | 25.9 | 23.7 | 18.7 | 29.6 | 46.9 |
| yoy change | 3.1 % | 16.0 % | 43.7 % | -8.2 % | -21.2 % | 58.6 % | 58.2 % |
| Rest of Europe | 6.4 | 6.6 | 7.4 | 8.2 | 6.5 | 8.0 | 9.8 |
| yoy change | 14.2 % | 3.8 % | 11.6 % | 11.3 % | -21.0 % | 22.7 % | 23.3 % |
| NAFTA | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| yoy change | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Asia Pacific | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| yoy change | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Rest of world | 0.5 | 0.6 | 0.5 | 0.4 | 0.3 | 0.4 | 0.5 |
| yoy change | -33.3 % | 14.3 % | -20.9 % | -8.2 % | -27.8 % | 24.2 % | 20.4 % |
| TTL | 22.4 | 25.9 | 33.7 | 32.4 | 25.5 | 38.0 | 57.2 |
| yoy change | 4.7 % | 15.4 % | 30.4 % | -4.0 % | -21.3 % | 49.0 % | 50.5 % |

Source: Company data, Hauck & Aufhäuser

| Key ratios (EUR m) | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|--------------------------------------|---------|---------|--------|---------|----------|----------|----------|
| P&L growth analysis | | | | | | | |
| Sales growth | 4.7 % | 15.4 % | 30.4 % | -4.0 % | -21.3 % | 49.0 % | 50.5 % |
| EBITDA growth | 3.1 % | 69.3 % | 36.7 % | -37.5 % | -227.3 % | -243.6 % | -437.8 % |
| EBIT growth | 6.3 % | 102.3 % | 49.3 % | -43.4 % | -302.2 % | -187.1 % | -335.1 % |
| EPS growth | 39.2 % | 127.1 % | 51.0 % | -45.4 % | -324.4 % | -174.9 % | -315.4 % |
| Efficiency | | | | | | | |
| Total operating costs / sales | 93.9 % | 90.1 % | 89.4 % | 95.0 % | 112.8 % | 90.6 % | 84.0 % |
| Sales per employee | 172.4 | 192.3 | 221.1 | 186.6 | 135.6 | 185.8 | 266.0 |
| EBITDA per employee | 12.0 | 19.7 | 23.7 | 13.0 | -15.3 | 20.2 | 45.1 |
| Balance sheet analysis | | | | | | | |
| Avg. working capital / sales | 23.1 % | 21.1 % | 22.1 % | 29.0 % | 34.1 % | 24.4 % | 20.9 % |
| Inventory turnover (sales/inventory) | 7.8 | 6.8 | 7.1 | 4.3 | 5.0 | 5.0 | 5.0 |
| Trade debtors in days of sales | 47.0 | 48.1 | 53.0 | 37.1 | 45.0 | 45.0 | 45.0 |
| A/P turnover [(A/P*365)/sales] | 14.1 | 21.1 | 15.8 | 16.2 | 16.2 | 16.2 | 16.2 |
| Cash conversion cycle (days) | 120.1 | 120.4 | 131.5 | 190.9 | 166.6 | 175.1 | 178.8 |
| Cash flow analysis | | | | | | | |
| Free cash flow | 1.5 | 1.1 | 0.3 | -3.0 | -0.5 | -2.3 | -1.4 |
| Free cash flow/sales | 6.8 % | 4.2 % | 1.0 % | -9.2 % | -2.0 % | -6.1 % | -2.4 % |
| FCF / net profit | 294.0 % | 92.2 % | 17.6 % | neg. | neg. | neg. | neg. |
| Capex / depn | 56.9 % | 72.9 % | 82.4 % | 473.6 % | 170.0 % | 159.2 % | 187.9 % |
| Capex / maintenance capex | 64.0 % | 83.3 % | 59.9 % | 16.1 % | 20.5 % | 32.6 % | 36.8 % |
| Capex / sales | 1.4 % | 1.6 % | 1.3 % | 7.4 % | 4.4 % | 4.4 % | 4.6 % |
| Security | | | | | | | |
| Net debt | -3.6 | -4.2 | -7.2 | -1.7 | -0.2 | 2.4 | 4.2 |
| Net Debt/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.4 |
| Net debt / equity | neg. | neg. | neg. | neg. | neg. | 0.2 | 0.3 |
| Interest cover | 60.1 | 7.3 | 16.0 | 11.5 | 0.0 | 8.7 | 23.6 |
| Dividend payout ratio | 92.1 % | 55.8 % | 84.0 % | 153.4 % | 100.0 % | 22.0 % | 10.2 % |
| Asset utilisation | | | | | | | |
| Capital employed turnover | 1.8 | 1.7 | 1.5 | 1.6 | 1.2 | 1.7 | 2.1 |
| Operating assets turnover | 3.9 | 4.0 | 3.8 | 3.2 | 3.4 | 3.5 | 3.5 |
| Plant turnover | 28.2 | 33.1 | 47.7 | 53.1 | 53.2 | 102.3 | 148.1 |
| Inventory turnover (sales/inventory) | 7.8 | 6.8 | 7.1 | 4.3 | 5.0 | 5.0 | 5.0 |
| Returns | | | | | | | |
| ROCE | 8.5 % | 15.2 % | 16.5 % | 8.3 % | -17.4 % | 14.3 % | 34.8 % |
| ROE | 5.3 % | 15.3 % | 13.2 % | 7.5 % | -23.5 % | 15.5 % | 31.5 % |
| Other | | | | | | | |
| Interest paid / avg. debt | 1.1 % | 8.3 % | 4.0 % | 3.7 % | 4.0 % | 4.0 % | 4.0 % |
| No. employees (average) | 130 | 135 | 153 | 174 | 188 | 205 | 215 |
| Number of shares | 6.0 | 6.0 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 |
| DPS | 0.1 | 0.1 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| EPS reported | 0.09 | 0.20 | 0.30 | 0.16 | -0.36 | 0.27 | 0.79 |
| Valuation ratios | | | | | | | |
| P/BV | 5.6 | 7.1 | 4.1 | 4.2 | 5.9 | 5.2 | 3.7 |
| EV/sales | 2.3 | 2.0 | 1.6 | 1.9 | 2.4 | 1.7 | 1.2 |
| EV/EBITDA | 33.4 | 19.7 | 15.3 | 26.7 | -21.5 | 15.6 | 6.8 |
| EV/EBITA | 42.7 | 22.7 | 16.9 | 31.5 | -19.1 | 17.5 | 7.2 |
| EV/EBIT | 51.0 | 25.3 | 17.9 | 34.5 | -17.5 | 20.9 | 8.0 |
| EV/FCF | 34.0 | 47.9 | 159.9 | -20.1 | -118.9 | -28.0 | -47.7 |
| Adjusted FCF yield | 1.4 % | 3.1 % | 4.1 % | 0.3 % | -4.6 % | 3.4 % | 8.6 % |
| Dividend yield | 0.9 % | 1.2 % | 2.7 % | 0.7 % | 0.7 % | 0.7 % | 0.9 % |

Source: Company data, Hauck & Aufhäuser

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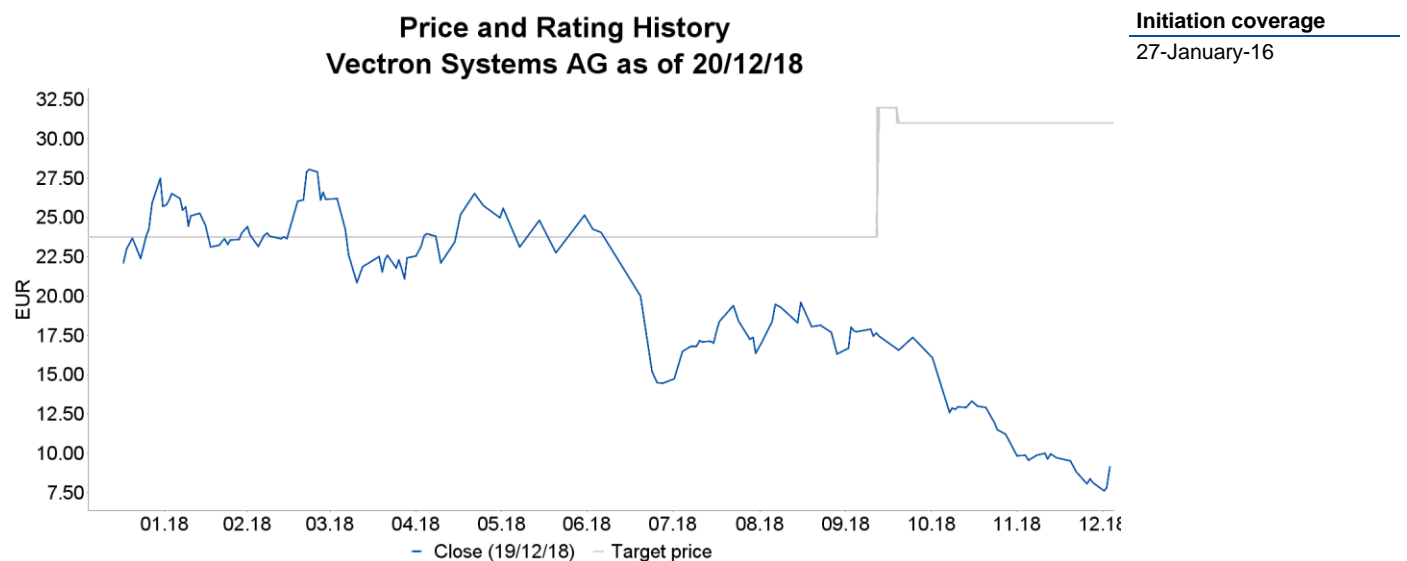
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| Company | Disclosure |
|--------------------|------------|
| Vectron Systems AG | |

Historical target price and rating changes for Vectron Systems AG in the last 12 months



| Company | Date | Analyst | Rating | Target price | Close |
|--------------------|------------|----------------------|--------|--------------|-----------|
| Vectron Systems AG | 29.11.2018 | Wunderlich, CFA, Tim | Buy | EUR 31,00 | EUR 9,97 |
| | 13.11.2018 | Wunderlich, CFA, Tim | Buy | EUR 31,00 | EUR 11,22 |
| | 09.10.2018 | Wunderlich, CFA, Tim | Buy | EUR 31,00 | EUR 16,56 |
| | 08.10.2018 | Wunderlich, CFA, Tim | Buy | EUR 31,00 | EUR 16,56 |

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|-------------|---------|---------|
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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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