



# m-u-t AG

Buy → | Target 7.50 EUR vs 6.50 EUR ↗

Price : 6.40 EUR | Upside : 17 %

| Est.chg | 2015e | 2016e |
|---------|-------|-------|
| EPS     | 0.0%  | 0.0%  |

## Positive momentum continues in Q1; TP increased to € 7.50; Buy

Wednesday 11 May 2016

### Strong Q1 figures

m-u-t AG (m7u) reported preliminary figures for Q1 2016 yesterday (10 May) with revenues down 7.9% yoy to € 14.0m (15.2m), while EBIT increased 40% yoy to € 2.1m (€ 1.5m), resulting in an EBIT margin of 15%, an increase of 500bp yoy vs Q1 2015 (10%).

Note that the company is scheduled to release its final 2015 figures by the end of the month. It released preliminary 2015 figures in March.

### Key takeaways

- Top-line decrease:** The ~8% yoy decrease in revenues was driven in part by the disposal of m7u's direct business in the laboratory automation market to Sarstedt Group in November 2015, i.e. the organic revenue decrease was lower than 8%. However, the more important effect was a 'planned decrease' due to an optimized product mix, i.e. m7u is now shifting its focus to its most profitable business lines and also discontinuing some businesses that do not generate enough value.
- 2016 guidance is conservative:** Q1 2016 EBIT of € 2.1m equates to ~34% of the company's full-year EBIT guidance of € 6.2m. Thus, we see upside potential for the guidance, also given that m7u's initial guidance was based on a 'conservative forecast'. Nonetheless, we leave our full-year 2016 EBIT estimate unchanged (in line with guidance). Overall, we see the increase in profitability as a positive sign. In addition to the product mix optimization (see previous bullet point), business at the Wedel site is picking up after the implementation of restructuring measures there. In general m7u also had a higher share of services in Q1, which have a lower top-line contribution but significantly higher margins.

### Valuation still cheap: TP upped to € 7.50

Overall, we see the company progressing well, and believe it is more likely to deliver a positive results surprise in the course of 2016 than a negative one. We increase our target price to € 7.50 (6.50) based on our updated DCF valuation. In particular, we have raised our long-term EBIT margin assumption to 10% (8%). The company has strong cost management and is shifting its focus to its most profitable business lines. This has recently led to margin improvement (2015e EBIT margin: 11.3%; Q1 2016 EBIT margin: 15%). Our 10% long-term margin assumption is below current levels and thus we consider it sustainable.

### Buy; TP € 7.50

We consider the stock currently undervalued and thus confirm our Buy rating. Based on our 2016e EPS estimate of € 0.50, the current stock price translates to a P/E of 12.9x. In our view the current valuation level does not fully reflect the fact that m7u has made significant progress under the new management team. Our target price translates to a 2016e EV/EBIT multiple of 4.8x and a P/E of 15.0x.

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| Capital                  |        |        |        |
|--------------------------|--------|--------|--------|
| <b>M7U GY   M7UG.DE</b>  |        |        |        |
| Market Cap (EURm)        |        |        | 31     |
| Enterprise value (EURm)  |        |        | 27     |
| Extrema 12 months        | 3.19   |        | 6.40   |
| Free Float (%)           |        |        | 47.5   |
| Performance (%)          |        |        |        |
|                          | 1m     | 3m     | 12m    |
| Absolute                 | 1.7    | 16.4   | 96.9   |
| Perf. rel. Country Index | 0.4    | 9.1    | 134.4  |
| Perf. rel. Telcos        | 1.1    | 13.1   | 135.1  |
| P&L                      |        |        |        |
|                          | 12/15e | 12/16e | 12/17e |
| Sales (EURm)             | 52.0   | 56.2   | 60.7   |
| EBITDA (EURm)            | 7.5    | 7.9    | 8.3    |
| Adj. EBIT (EURm)         | 5.9    | 6.2    | 6.4    |
| Attr. net profit (EURm)  | 3.0    | 2.4    | 2.5    |
| Adjusted EPS (EUR)       | 0.62   | 0.50   | 0.52   |
| Dividend (EUR)           | 0.00   | 0.00   | 0.00   |
| P/E (x)                  | 6.8    | 12.8   | 12.3   |
| P/B (x)                  | 3.2    | 3.5    | 2.8    |
| Dividend Yield (%)       | 0.0    | 0.0    | 0.0    |
| FCF yield (%)            | 12.0   | 10.4   | 9.8    |
| EV/Sales (x)             | 0.53   | 0.66   | 0.59   |
| EV/EBITDA (x)            | 3.6    | 4.7    | 4.4    |
| EV/Current EBIT (x)      | 4.6    | 6.0    | 5.6    |
| Gearing (%)              | 18     | 4      | -7     |
| Net Debt/EBITDA(x)       | 0.2    | 0.1    | ns     |

| Next Events |            |
|-------------|------------|
| 31.05.2016  | FY Results |

**Conflict of interests:**

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## DCF Valuation

We increase our target price to € 7.50 (6.50) based on an updated DCF valuation. In particular, we have changed our long-term EBIT margin assumption to 10% (8%). The company has strong cost management and is shifting its focus to its most profitable business lines. This has recently led to margin improvement (2015e EBIT margin: 11.3%; Q1 2016 EBIT margin: 15%). Our 10% long-term margin assumption is below current levels and thus we consider it sustainable.

Our key DCF model assumptions are as follows:

**Phase 1 (2015e – 2017e):** Our Phase 1 free cash flow estimates (FCF) are based on the detailed financial forecasts of our explicit forecast period. As noted above, the final 2015 figures should be released before the end of the month.

**Phase 2 (2018e – 2024e):** For Phase 2, we make more general assumptions: revenue growth gradually fades to 2.0%, resulting in a CAGR of 4.2% for the overall period. For this period we also assume the EBIT margin will be stable at 10% in this phase.

**Phase 3:** For our terminal value calculation we apply a long-term FCF growth rate of 2.0%, which we believe is reasonable considering the growth prospects in the company's underlying business and long term global economic outlook.

### m-u-t AG: Discounted Cash Flow model

| EURm                                     | PHASE 1     |                             |            | PHASE 2    |            |            |            |            |            | PHASE 3    |             |
|------------------------------------------|-------------|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
|                                          | 2015E       | 2016E                       | 2017E      | 2018E      | 2019E      | 2020E      | 2021E      | 2022E      | 2023E      | 2024E      | ∞           |
| Sales                                    | 52.0        | 56.2                        | 60.7       | 64.9       | 68.8       | 72.2       | 75.1       | 77.4       | 79.3       | 80.9       |             |
| YoY growth                               | 12.2%       | 8.0%                        | 8.0%       | 7.0%       | 6.0%       | 5.0%       | 4.0%       | 3.0%       | 2.5%       | 2.0%       |             |
| EBIT                                     | 5.9         | 6.2                         | 6.4        | 6.5        | 6.9        | 7.2        | 7.5        | 7.7        | 7.9        | 8.1        |             |
| EBIT margin                              | 11.3%       | 11.0%                       | 10.6%      | 10.0%      | 10.0%      | 10.0%      | 10.0%      | 10.0%      | 10.0%      | 10.0%      |             |
| Income tax on EBIT (cash tax rate)       | -1.8        | -1.9                        | -1.9       | -1.9       | -2.1       | -2.2       | -2.3       | -2.3       | -2.4       | -2.4       |             |
| Depreciation and amortisation            | 1.6         | 1.7                         | 1.9        | 2.2        | 2.3        | 2.5        | 2.6        | 2.6        | 2.7        | 2.8        |             |
| Change in net working capital            | -1.7        | -0.4                        | -0.5       | -1.3       | -1.2       | -1.0       | -0.9       | -0.7       | -0.6       | -0.5       |             |
| Net capital expenditure                  | -1.8        | -2.0                        | -2.4       | -2.3       | -2.5       | -2.6       | -2.7       | -2.8       | -2.9       | -2.8       |             |
| <b>Free cash flow</b>                    | <b>2.3</b>  | <b>3.7</b>                  | <b>3.5</b> | <b>3.1</b> | <b>3.5</b> | <b>3.9</b> | <b>4.2</b> | <b>4.6</b> | <b>4.8</b> | <b>5.2</b> |             |
| <b>Present values</b>                    | <b>2.7</b>  | <b>3.8</b>                  | <b>3.2</b> | <b>2.6</b> | <b>2.6</b> | <b>2.6</b> | <b>2.6</b> | <b>2.5</b> | <b>2.3</b> | <b>2.2</b> | <b>25.6</b> |
| Present value Phase 1                    | 9.7         |                             |            |            |            |            |            |            |            |            |             |
| Present value Phase 2                    | 17.4        |                             |            |            |            |            |            |            |            |            |             |
| Present value Phase 3                    | 25.6        |                             |            |            |            |            |            |            |            |            |             |
| Total present value                      | 52.7        |                             |            |            |            |            |            |            |            |            |             |
| Fair EV (including minorities)           | <b>52.7</b> |                             |            |            |            |            |            |            |            |            |             |
| <b>Fair EV (excluding minorities)</b>    | <b>39.5</b> | 25% discount for minorities |            |            |            |            |            |            |            |            |             |
| + Excess cash/Non-operating assets       | 6.4         |                             |            |            |            |            |            |            |            |            |             |
| - Financial debt                         | -9.9        |                             |            |            |            |            |            |            |            |            |             |
| <b>Fair value (excluding minorities)</b> | <b>36.1</b> |                             |            |            |            |            |            |            |            |            |             |
| Number of shares (m)                     | 4.8         |                             |            |            |            |            |            |            |            |            |             |
| <b>Fair value per share (EUR)</b>        | <b>7.55</b> |                             |            |            |            |            |            |            |            |            |             |

  

|                     |       |                        |               |
|---------------------|-------|------------------------|---------------|
| Risk free rate      | 2.50% | Target equity ratio    | 60.0%         |
| Equity risk premium | 6.00% | Beta (fundamental)     | 2.0           |
| Debt risk premium   | 4.00% | <b>WACC</b>            | <b>10.96%</b> |
| Tax shield          | 30.0% | <b>Terminal growth</b> | <b>2.0%</b>   |

  

| Sensitivity analysis      |              |      |      |             |      |      |
|---------------------------|--------------|------|------|-------------|------|------|
| Terminal growth (Phase 3) |              |      |      |             |      |      |
|                           |              | 1.0% | 1.5% | 2.0%        | 2.5% | 3.0% |
| <b>WACC</b>               | <b>10.0%</b> | 8.12 | 8.40 | 8.71        | 9.06 | 9.46 |
|                           | <b>10.5%</b> | 7.68 | 7.92 | 8.19        | 8.49 | 8.83 |
|                           | <b>11.0%</b> | 7.29 | 7.49 | <b>7.55</b> | 7.98 | 8.27 |
|                           | <b>11.5%</b> | 6.93 | 7.11 | 7.31        | 7.54 | 7.78 |
|                           | <b>12.0%</b> | 6.61 | 6.77 | 6.94        | 7.14 | 7.35 |

Source: Oddo Seydler Bank AG

**WACC:** We set our risk-free rate at 2.5% on the basis of long-term German federal bond yields. We assume an equity risk premium of 6.0%, and a debt risk premium of 4.0%. We apply a beta of 2.0 to our DCF valuation which is above the company's historical beta. Our rationale for the high beta is based on i) the company's small size, and ii) the fact that the company was not profitable in 2012 and 2013. We furthermore assume a long-term target equity ratio of 60%. The above parameters result in a WACC of 10.96%.

We calculate a fair value for the company's entire core operating business of € 52.7m. To this we apply a discount of 25% to reflect the profit participation of minority shareholders. We furthermore add back the company's cash position (€ 6.4m) and deduct its debt of € 9.9m. We

therefore derive a fair value of equity of € 36.1m, translating into a fair value of € 7.55/share. Our fair value per share estimate is based on 4.8m shares outstanding.

**m-u-t AG: P&L 2012 – 2017e**

|                                                | EURm | 2012         | 2013         | 2014        | 2015E       | 2016E       | 2017E       |
|------------------------------------------------|------|--------------|--------------|-------------|-------------|-------------|-------------|
| <b>Sales</b>                                   |      | <b>37.7</b>  | <b>41.0</b>  | <b>49.5</b> | <b>52.0</b> | <b>56.2</b> | <b>60.7</b> |
| YoY growth                                     |      | -6.2%        | 8.7%         | 20.8%       | 5.0%        | 8.0%        | 8.0%        |
| Change in stocks of finished goods             |      | -0.7         | 0.0          | 1.6         | 0.0         | 0.0         | 0.0         |
| Other activated own work                       |      | 0.2          | 0.1          | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Total revenues</b>                          |      | <b>37.2</b>  | <b>41.0</b>  | <b>51.2</b> | <b>52.0</b> | <b>56.2</b> | <b>60.7</b> |
| Material costs                                 |      | -17.6        | -18.8        | -25.5       | -23.9       | -25.8       | -27.9       |
| in % of sales                                  |      | -46.8%       | -45.8%       | -51.4%      | -46.0%      | -46.0%      | -46.0%      |
| <b>Gross income</b>                            |      | <b>19.6</b>  | <b>22.2</b>  | <b>25.7</b> | <b>28.1</b> | <b>30.3</b> | <b>32.8</b> |
| in % of sales                                  |      | 51.9%        | 54.2%        | 51.9%       | 54.0%       | 54.0%       | 54.0%       |
| Personnel expenses                             |      | -13.1        | -13.2        | -14.3       | -14.6       | -15.7       | -17.0       |
| in % sales                                     |      | -34.7%       | -32.1%       | -28.8%      | -28.0%      | -28.0%      | -28.0%      |
| Other operating income                         |      | 1.2          | 1.5          | 1.0         | 0.6         | 0.6         | 0.0         |
| Other operating expenses                       |      | -8.9         | -7.2         | -7.8        | -6.6        | -7.3        | -7.5        |
| in % sales                                     |      | -23.5%       | -17.4%       | -15.8%      | -12.7%      | -13.0%      | -12.3%      |
| <b>EBITDA</b>                                  |      | <b>-1.1</b>  | <b>3.4</b>   | <b>4.6</b>  | <b>7.5</b>  | <b>7.9</b>  | <b>8.3</b>  |
| in % of sales                                  |      | -3.0%        | 8.3%         | 9.3%        | 14.4%       | 14.1%       | 13.7%       |
| Depreciation and amortisation                  |      | -2.0         | -1.0         | -1.6        | -1.6        | -1.7        | -1.9        |
| in % of sales                                  |      | -5.3%        | -2.4%        | -3.1%       | -3.1%       | -3.1%       | -3.1%       |
| <b>EBIT</b>                                    |      | <b>-3.1</b>  | <b>2.4</b>   | <b>3.0</b>  | <b>5.9</b>  | <b>6.2</b>  | <b>6.4</b>  |
| in % of sales                                  |      | -8.3%        | 5.9%         | 6.1%        | 11.3%       | 11.0%       | 10.6%       |
| Financial result                               |      | -0.4         | -1.4         | -0.5        | -0.7        | -0.7        | -0.7        |
| <b>EBT</b>                                     |      | <b>-3.5</b>  | <b>1.0</b>   | <b>2.5</b>  | <b>5.2</b>  | <b>5.5</b>  | <b>5.7</b>  |
| in % of sales                                  |      | -9.4%        | 2.5%         | 5.1%        | 10.0%       | 9.8%        | 9.4%        |
| Extraordinary expenses                         |      | -0.4         | 0.0          | -0.2        | 0.6         | 0.0         | 0.0         |
| in % of sales                                  |      | -1.1%        | 0.0%         | -0.4%       | 1.2%        | 0.0%        | 0.0%        |
| Taxes                                          |      | -0.8         | -0.9         | -0.5        | -1.6        | -1.7        | -1.7        |
| as % of EBT                                    |      | 22.0%        | -85.3%       | -21.3%      | -30.0%      | -30.0%      | -30.0%      |
| <b>Net income including minorities</b>         |      | <b>-4.7</b>  | <b>0.2</b>   | <b>1.8</b>  | <b>4.3</b>  | <b>3.9</b>  | <b>4.0</b>  |
| Minority interest                              |      | -0.3         | -0.8         | -0.7        | -1.3        | -1.5        | -1.5        |
| <b>Net income attributable to shareholders</b> |      | <b>-5.1</b>  | <b>-0.7</b>  | <b>1.1</b>  | <b>3.0</b>  | <b>2.4</b>  | <b>2.5</b>  |
| in % of sales                                  |      | -13.4%       | -1.7%        | 2.3%        | 5.7%        | 4.3%        | 4.1%        |
| Shares outstanding (m)                         |      | 4.4          | 4.4          | 4.8         | 4.8         | 4.8         | 4.8         |
| <b>Earnings per Share (EUR)</b>                |      | <b>-1.16</b> | <b>-0.16</b> | <b>0.23</b> | <b>0.62</b> | <b>0.50</b> | <b>0.52</b> |

Source: Company data; Oddo Seydler Bank AG

Note: 2015 final figures will be released before end of May

**M7UG.DE | M7U GY**  
**Electronics | Germany**

|                                                    | Buy          |              | Price        | 6.40EUR       |               |               |
|----------------------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
|                                                    | Upside       | 17.19%       | TP           | 7.50EUR       |               |               |
| <b>PER SHARE DATA (EUR)</b>                        | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15e</b> | <b>12/16e</b> | <b>12/17e</b> |
| Adjusted EPS                                       | -1.16        | -0.16        | 0.26         | 0.62          | 0.50          | 0.52          |
| <b>Reported EPS</b>                                | <b>-1.16</b> | <b>-0.16</b> | <b>0.26</b>  | <b>0.62</b>   | <b>0.50</b>   | <b>0.52</b>   |
| Growth in EPS(%)                                   | -            | ns           | ns           | ns            | -18.6%        | 3.8%          |
| Net dividend per share                             | 0.00         | 0.00         | 0.00         | 0.00          | 0.00          | 0.00          |
| FCF to equity per share                            | -0.48        | 0.92         | 0.26         | 0.50          | 0.66          | 0.63          |
| Book value per share                               | 0.35         | 0.44         | 0.76         | 1.30          | 1.80          | 2.32          |
| Number of shares market cap                        | 4.35         | 4.34         | 4.34         | 4.79          | 4.79          | 4.79          |
| Number of diluted shares                           | 4.35         | 4.34         | 4.34         | 4.79          | 4.79          | 4.79          |
| <b>VALUATION</b>                                   | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15e</b> | <b>12/16e</b> | <b>12/17e</b> |
| 12m highest price                                  | 6.37         | 3.72         | 5.68         | 6.28          | 6.40          |               |
| 12m lowest price                                   | 3.27         | 2.12         | 2.70         | 3.10          | 5.25          |               |
| (*) Reference price                                | 5.02         | 2.78         | 4.33         | 4.20          | 6.40          | 6.40          |
| Capitalization                                     | 22           | 12           | 19           | 20            | 31            | 31            |
| Restated Net debt                                  | 7.5          | 3.6          | 2.1          | 1.8           | 0.5           | -1.0          |
| Minorities (fair value)                            | 0.0          | 0.0          | 0.0          | 0.0           | 0.0           | 0.0           |
| Financial fixed assets (fair value)                | 0.0          | 0.0          | 0.0          | 0.0           | 0.0           | 0.0           |
| Provisions                                         | 4.8          | 6.6          | 6.6          | 5.5           | 6.0           | 6.4           |
| <b>Enterprise Value</b>                            | <b>34</b>    | <b>22</b>    | <b>28</b>    | <b>27</b>     | <b>37</b>     | <b>36</b>     |
| P/E (x)                                            | ns           | ns           | 17           | 6.8           | 13            | 12            |
| P/CF (x)                                           | ns           | 5.8          | 9.4          | 3.1           | 5.5           | 5.2           |
| Net Yield (%)                                      | 0.0%         | 0.0%         | 0.0%         | 0.0%          | 0.0%          | 0.0%          |
| FCF yield (%)                                      | ns           | 33.3%        | 6.0%         | 12.0%         | 10.4%         | 9.8%          |
| P/B incl. GW (x)                                   | 14.31        | 6.37         | 5.73         | 3.23          | 3.55          | 2.75          |
| P/B excl. GW (x)                                   | ns           | ns           | 29.18        | 7.10          | 6.47          | 4.24          |
| EV/Sales (x)                                       | 0.90         | 0.54         | 0.56         | 0.53          | 0.66          | 0.59          |
| EV/EBITDA (x)                                      | ns           | 6.6          | 6.0          | 3.6           | 4.7           | 4.4           |
| <b>EV/EBIT (x)</b>                                 | <b>ns</b>    | <b>9.2</b>   | <b>9.1</b>   | <b>4.6</b>    | <b>6.0</b>    | <b>5.6</b>    |
| (*) historical average price                       |              |              |              |               |               |               |
| <b>PROFIT AND LOSS (EURm)</b>                      | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15e</b> | <b>12/16e</b> | <b>12/17e</b> |
| Sales                                              | 37.7         | 41.0         | 49.5         | 52            | 56            | 61            |
| EBITDA                                             | -1.1         | 3.4          | 4.6          | 7.5           | 7.9           | 8.3           |
| Depreciations                                      | -2.0         | -1.0         | -1.6         | -1.6          | -1.7          | -1.9          |
| <b>Adj. EBIT</b>                                   | <b>-3.1</b>  | <b>2.4</b>   | <b>3.0</b>   | <b>5.9</b>    | <b>6.2</b>    | <b>6.4</b>    |
| Published EBIT                                     | -3.1         | 1.6          | 3.0          | 5.9           | 6.2           | 6.4           |
| Net financial income                               | -0.4         | -0.6         | -0.5         | -0.7          | -0.7          | -0.7          |
| Corporate Tax                                      | -0.8         | -0.9         | -0.5         | -1.6          | -1.7          | -1.7          |
| Net income of equity-accounted companies           | 0.0          | 0.0          | 0.0          | 0.0           | 0.0           | 0.0           |
| Profit/loss of discontinued activities (after tax) | -0.4         | 0.0          | -0.2         | 0.6           | 0.0           | 0.0           |
| Minority interests                                 | -0.3         | -0.8         | -0.7         | -1.3          | -1.5          | -1.5          |
| Attributable net profit                            | -5.1         | -0.7         | 1.1          | 3.0           | 2.4           | 2.5           |
| <b>Adjusted attributable net profit</b>            | <b>-5.1</b>  | <b>-0.7</b>  | <b>1.1</b>   | <b>3.0</b>    | <b>2.4</b>    | <b>2.5</b>    |
| <b>BALANCE SHEET (EURm)</b>                        | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15e</b> | <b>12/16e</b> | <b>12/17e</b> |
| Goodwill                                           | 2.0          | 2.9          | 2.6          | 3.4           | 3.9           | 3.9           |
| Other intangible assets                            | 0.6          | 0.9          | 0.7          | 0.7           | 0.7           | 0.7           |
| Tangible fixed assets                              | 2.5          | 2.1          | 1.5          | 1.7           | 2.0           | 2.5           |
| WCR                                                | 11           | 8.9          | 11           | 11            | 12            | 13            |
| Financial assets                                   | 0.7          | 0.2          | 0.0          | 0.0           | 0.0           | 0.0           |
| Ordinary shareholders equity                       | 1.5          | 1.9          | 3.3          | 6.2           | 8.6           | 11            |
| Minority interests                                 | 3.3          | 2.9          | 3.5          | 3.5           | 3.5           | 3.5           |
| Shareholders equity                                | 4.8          | 4.8          | 6.8          | 9.7           | 12            | 15            |
| Non-current provisions                             | 4.8          | 6.6          | 6.6          | 5.5           | 6.0           | 6.4           |
| <b>Net debt</b>                                    | <b>7.5</b>   | <b>3.6</b>   | <b>2.1</b>   | <b>1.8</b>    | <b>0.5</b>    | <b>-1.0</b>   |
| <b>CASH FLOW STATEMENT (EURm)</b>                  | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15e</b> | <b>12/16e</b> | <b>12/17e</b> |
| <b>EBITDA</b>                                      | <b>-1.1</b>  | <b>3.4</b>   | <b>4.6</b>   | <b>7.5</b>    | <b>7.9</b>    | <b>8.3</b>    |
| Change in WCR                                      | 1.6          | 2.5          | -0.3         | -1.7          | -0.4          | -0.5          |
| Interests & taxes                                  | -1.2         | -2.3         | -1.0         | -2.3          | -2.4          | -2.4          |
| Others                                             | -0.5         | 0.9          | -1.6         | 0.6           | 0.0           | 0.0           |
| Operating Cash flow                                | -1.3         | 4.5          | 1.7          | 4.2           | 5.2           | 5.4           |
| CAPEX                                              | -0.8         | -0.5         | -0.6         | -1.8          | -2.0          | -2.4          |
| <b>Free cash-flow</b>                              | <b>-2.1</b>  | <b>4.0</b>   | <b>1.1</b>   | <b>2.4</b>    | <b>3.2</b>    | <b>3.0</b>    |
| Acquisitions / disposals                           | -0.7         | -0.1         | 0.0          | 0.0           | 0.0           | 0.0           |
| Dividends                                          | 0.0          | -0.4         | 0.0          | -1.3          | -1.5          | -1.5          |
| Net capital increase                               | 0.0          | 1.1          | 0.0          | 0.0           | 0.0           | 0.0           |
| Others                                             | 5.3          | -1.5         | -1.6         | -0.4          | -0.4          | -0.4          |
| Change in net debt                                 | -9.6         | 3.9          | 1.5          | 0.3           | 1.2           | 1.5           |
| <b>GROWTH MARGINS PRODUCTIVITY</b>                 | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15e</b> | <b>12/16e</b> | <b>12/17e</b> |
| Sales growth                                       | -            | 8.7%         | 20.8%        | 5.0%          | 8.0%          | 8.0%          |
| <b>Lfl sales growth</b>                            | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| Current EBIT growth                                | -            | ns           | 25.6%        | 95.1%         | 5.1%          | 3.2%          |
| Growth in EPS(%)                                   | -            | ns           | ns           | ns            | -18.6%        | 3.8%          |
| Net margin                                         | -13.4%       | -1.7%        | 2.3%         | 5.7%          | 4.3%          | 4.1%          |
| <b>EBITDA margin</b>                               | <b>-3.0%</b> | <b>8.3%</b>  | <b>9.3%</b>  | <b>14.4%</b>  | <b>14.1%</b>  | <b>13.7%</b>  |
| <b>Current EBIT margin</b>                         | <b>-8.3%</b> | <b>5.9%</b>  | <b>6.1%</b>  | <b>11.3%</b>  | <b>11.0%</b>  | <b>10.6%</b>  |
| CAPEX / Sales                                      | -2.2%        | -1.3%        | -1.2%        | -3.5%         | -3.6%         | -4.0%         |
| WCR / Sales                                        | 30.0%        | 21.8%        | 21.4%        | 21.5%         | 21.4%         | 21.3%         |
| Tax Rate                                           | -22.0%       | 85.3%        | 21.3%        | 30.0%         | 30.0%         | 30.0%         |
| Normative tax rate                                 | 30.0%        | 30.0%        | 30.0%        | 30.0%         | 30.0%         | 30.0%         |
| Asset Turnover                                     | -            | 2.6          | 3.3          | 3.2           | 3.2           | 3.1           |
| <b>ROCE post-tax (normative tax rate)</b>          | <b>-</b>     | <b>10.8%</b> | <b>14.0%</b> | <b>25.5%</b>  | <b>24.4%</b>  | <b>23.2%</b>  |
| ROCE post-tax hors GW (normative tax rate)         | -            | 12.8%        | 17.1%        | 31.3%         | 30.7%         | 29.1%         |
| ROE                                                | -            | -39.6%       | 43.4%        | 62.0%         | 32.3%         | 25.2%         |
| <b>DEBT RATIOS</b>                                 | <b>12/12</b> | <b>12/13</b> | <b>12/14</b> | <b>12/15e</b> | <b>12/16e</b> | <b>12/17e</b> |
| Gearing                                            | ns           | 74%          | 31%          | 18%           | 4%            | -7%           |
| Net Debt / Market Cap                              | 0.34         | 0.30         | 0.11         | 0.09          | 0.02          | -0.03         |
| <b>Net debt / EBITDA</b>                           | <b>ns</b>    | <b>1.05</b>  | <b>0.46</b>  | <b>0.23</b>   | <b>0.07</b>   | <b>ns</b>     |
| EBITDA / net financial charges                     | -2.8         | 5.6          | 8.8          | 10.7          | 11.3          | 11.8          |

**Recommendation and target price changes history over the last 12 months for the company analysed in this report**

| Date     | Reco | Price Target (EUR) | Price (EUR) |
|----------|------|--------------------|-------------|
| 10.05.16 | Buy  | 7.50               | 6.40        |
| 17.03.16 | Buy  | 6.50               | 5.90        |
| 05.11.15 | Buy  | 6.00               | 5.30        |
| 24.07.15 | Buy  | 5.50               | 4.55        |

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