

Nynomic AG

Buy ↗ | Target 29.00 € vs 26.00 € ↗

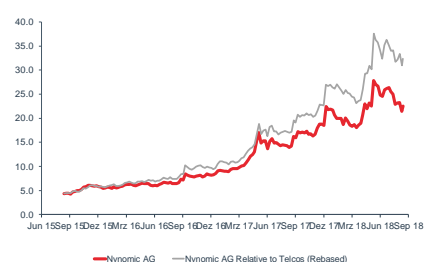
Price (11/09/2018) : 22.50 € | Upside : 29%

Revision	2018e	2019e
EPS	1.1%	8.2%

Upgrade to Buy, TP raised to € 29.00 (€ 26.00); product portfolio expansion into new industry verticals with high growth potential

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Sources : Oddo BHF Securities, Fininfo

Capital

M7U GY M7UG.DE	
Market Cap (€m)	114
Enterprise value (€m)	130
Extrema 12 months	14.01 - 27.80
Free Float (%)	47.5

Performance (%)	1m	3m	12m
Absolute	-10.0	-14.8	60.1
Perf. rel. Country Index	-7.5	-11.9	61.9
Perf. rel. Telcos	-5.1	-8.1	90.9

P&L	12/18e	12/19e	12/20e
Sales (€m)	70.5	78.3	86.9
EBITDA (€m)	13.6	15.5	17.3
Current EBIT (€m)	10.0	11.7	13.4
Attr. net profit (€m)	5.5	6.7	7.8
Adjusted EPS (€)	1.08	1.32	1.55
Dividend (€)	0.00	0.00	0.00

P/E (x)	20.8	17.0	14.5
P/B (x)	6.0	4.4	3.4
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	ns	7.6	8.6
EV/Sales (x)	1.93	1.66	1.40
EV/EBITDA (x)	10.0	8.3	7.0
EV/Current EBIT (x)	13.6	11.0	9.1
Gearing (%)	16	-12	-31
Net Debt/EBITDA(x)	0.3	ns	ns

Next Events

30.11.2018 Q3 Results

Increased visibility on latest acquisitions; supporting revenue expansion

We upgrade our recommendation for Nynomic from Neutral to Buy. The company has already achieved a convincing business performance in the recent past and strengthened its offering of optical metrology solutions based on spectroscopy. However, its latest acquisitions can be seen as a major catalyst for the group going forward. According to our expectations, the most recent addition, Spectral Engines, alone provides significant incremental revenue potential not only in Nynomic's traditional core markets but also in new consumer products markets like white label and smart home, which have much bigger lot sizes than in its production equipment business. We have adjusted our model according to the recently published H1 2018 report, which also increased our visibility on i/ meeting the 2018 group guidance, ii/ Spectral Engines' potential first framework agreements, and iii/ the wholly owned LayTec, which addresses promising applications in semiconductor production. According to our new estimates, the group can now achieve its mid-term goal of € 100m revenues at 15% EBIT margins by 2022e without additional acquisitions (previous expectation: by 2024e). Consequently, we raise our DCF-based target price to € 29.00 from € 26.00. Further execution on the M&A pipeline could even accelerate Nynomic's mid-term targets towards 2020, implying further potential revaluations in 2018/19.

Management's progress on executing of its growth strategy

Spectral Engines' products are complementary to Nynomic's business and also open doors to new growth areas. Spectral Engines' MEMS-based (Micro Electro Mechanical Systems) sensors enable the use of material sensing technologies everywhere from consumer products (e.g. real-time food analysis in refrigerators and blenders, textile analysis in washing/drying machines) to industrial processes and farming operations. IOT based cloud platforms and machine learning has been also engraved in Spectral Engines' development work since the company was founded in 2014.

Furthermore, Nynomic increased its stake in LayTec AG to 100%; LayTec produces in-situ metrology and process control for the semiconductor industry. These measurement tools, among other, are used in the production of high-demand applications like LEDs and vertical cavity surface emitting lasers (VCSELs) for smartphone 3D face recognition.

2018 guidance well within reach

Management confirmed its 2018 guidance for revenues of € 66-68m, and EBIT of € 10m, implying a 15% EBIT margin at the midpoint. Given the H1 18 revenue level of € 36.3m and the H1 order backlog of € 31.8m, our fine-tuned full-year 2018e revenue estimate now stands roughly € 2.5m north of the upper end of the guidance range, mainly due to the consolidated acquisitions. However, we expect Spectral Engines to be a slight drag on the group EBIT margin (2018e.14.2%) in 2018e due to its early development phase as a typical start-up. Mid-term, however, we expect Spectral Engines to contribute positively to group profitability with EBIT margins above 15%.

Upgrade to Buy (Neutral), TP raised € 29.00 (€ 26.00)

We believe management is executing well on: i/ diversifying its product portfolio into markets with high growth potential, thereby ii/ generating double-digit top-line growth on sustainable EBIT margins north of 15%. Our new DCF-based TP of € 29.00 implies target EV/sales multiples of 1.7x, and 1.6x for 2019e and 2020e respectively, which are still significantly below our peer group multiples of 2.6x and 2.5x. We consider this discount only partially justified by Nynomic's currently lower margins vs. peers. The next catalyst could be just weeks away, as management expects Spectral to sign significant framework agreements shortly.

Henning Steinbrink (Analyst)
+49 (69) 71 83 672
henning.steinbrink@oddo-bhf.com

Abraham Cavoosi-Kaleno
+49 (69) 71 83 668
abraham.cavoosi-kaleno@oddo-bhf.com

Conflict of interests:

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Positive H1 18 results; margins partially impacted by Spectral Engines

Nynomic posted final H1 18 results which included the first-time consolidation of LayTec AG and Spectral Engines Oy. Revenues came in at € 36.3m (H1 17: € 31.4m), up 16% yoy, underlining management's progress in the execution of its growth strategy. H1 18 EBIT was reported at € 5.7m, up 1.8% yoy, equating to an EBIT margin of 15.9% (H1 17: 18.0%), impacted by the still-negative profitability contribution from Spectral Engines Oy and a below-average EBIT contribution from LayTec. Net income after minorities rose 14.8% yoy to € 3.5m (H1 17: € 3.1m), thanks to reduced minorities in H1 18 of € 0.6m (H1 17: € 1.0m).

Figure 1: Overview of H1-2018 and 2Q-2018 – P&L

	1H-2018		1H-2017		2Q-2018			2Q-2017		2018	1H-2018 Δ vs. Guidance 2018 mid-point
	Rep.	Rep.	YoY	Rep.	Rep.	YoY	Guidance				
Revenue (€m)	36.3	31.4	15.6%	18.0	15.0	20.0%	66.0-68.0			54%	
EBITDA	7.1	6.2	14.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Margin	19.4%	19.7%	-27bp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
EBIT	5.8	5.7	1.8%	2.5	2.8	-10.8%	10.0			58%	
Margin	15.9%	18.0%	-214bp	13.7%	18.4%	-470bp	14.9%			6.3%	
EBT	5.6	5.6	0.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Margin	15.4%	17.7%	-233bp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Net Profit *	3.5	3.1	14.8%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Margin	9.7%	9.8%	-7bp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
EPS (€)	0.69	0.64	8.3%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	

Source: Company data, Oddo BHF Securities, * After minority interests

Figure 2: DCF model

EURm	PHASE 1			PHASE 2							PHASE 3
	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	∞
Sales	70.5	78.3	86.9	95.5	104.1	112.5	120.4	127.6	132.7	135.3	
YoY growth	11.4%	11.0%	11.0%	10.0%	9.0%	8.0%	7.0%	6.0%	4.0%	2.0%	
EBIT	10.0	11.7	13.4	14.8	16.1	17.4	18.7	19.8	20.6	21.0	
EBIT margin	14.2%	15.0%	15.4%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	
Income tax on EBIT (cash tax rate)	-3.0	-3.5	-4.0	-4.4	-4.8	-5.2	-5.6	-5.9	-6.2	-6.3	
Depreciation and amortisation	3.6	3.8	4.0	3.2	3.5	3.8	4.1	4.3	4.5	4.6	
Change in net working capital	-4.7	-1.2	-1.1	-1.1	-1.1	-1.1	-1.0	-0.9	-0.7	-0.3	
Net capital expenditure	-16.4	-2.3	-2.6	-3.4	-3.7	-4.0	-4.3	-4.6	-4.8	-4.6	
Free cash flow	-10.5	8.5	9.6	9.0	10.0	10.9	11.8	12.6	13.5	14.3	
Present values	-10.3	7.7	8.0	7.0	7.1	7.1	7.1	7.1	7.0	6.8	116.9
Present value Phase 1	5.4	3%									
Present value Phase 2	49.2	29%									
Present value Phase 3	116.9	68%									
Total present value	171.5	100%									
Fair EV (including minorities)	171.5										
Fair EV (excluding minorities)	171.5										
+ Excess cash/Non-operating assets	14.8										
- Financial debt	-23.6										
- minorities	-15.2										
Fair value (excluding minorities)	147.4										
Number of shares (m)	5.1										
Fair value per share (EUR)	29.08										

Risk free rate	0.18%	Target equity ratio	75.0%
Equity risk premium	7.23%	Beta (fundamental)	1.3
Debt risk premium	3.50%	WACC	8.0%
Tax shield	30.0%	Terminal growth	2.0%

Sensitivity analysis						
Terminal growth (Phase 3)						
WACC	7.0%	1.0%	1.5%	2.0%	2.5%	3.0%
	23.82	25.64	27.83	30.51	33.86	
	21.32	22.80	24.54	26.64	29.21	
	19.18	20.39	29.08	23.48	25.50	
	17.33	18.34	19.50	20.86	22.47	
	15.72	16.57	17.53	18.65	19.95	

Source: Company data, Oddo BHF Securities



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Electronics | Germany

Buy

Upside

28.89%

Price 22.50EUR

TP 29.00EUR

	12/13	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
PER SHARE DATA (€)								
Adjusted EPS	-0.16	0.26	0.45	0.76	0.97	1.08	1.32	1.55
Reported EPS	-0.16	0.26	0.45	0.76	0.97	1.08	1.32	1.55
Growth in EPS	ns	ns	75.2%	68.8%	26.6%	11.6%	22.2%	17.1%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	0.92	0.26	0.46	0.93	1.55	-0.70	1.70	1.93
Book value per share	0.44	0.76	1.35	1.99	2.80	3.78	5.10	6.65
Number of shares market cap	4.34	4.34	4.79	4.79	4.79	5.07	5.07	5.07
Number of diluted shares	4.34	4.34	4.79	4.79	4.79	5.07	5.07	5.07
VALUATION								
12m highest price	3.72	5.68	6.28	8.45	19.60	27.80		
12m lowest price	2.12	2.70	3.10	5.25	8.11	17.50		
(*) Reference price	2.78	4.33	4.20	6.65	13.59	22.50	22.50	22.50
Capitalization	12.1	18.8	20.1	31.8	65.0	114	114	114
Restated Net debt	3.6	2.1	-2.1	-5.2	-15.8	3.5	-3.3	-11.3
Minorities (fair value)	0.0	0.0	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	0.0	0.0
Provisions	6.6	6.6	7.8	7.9	26.3	18.8	18.8	18.8
Enterprise Value	22.2	27.5	25.9	34.5	75.4	136	130	122
P/E (x)	ns	16.8	9.3	8.7	14.0	20.8	17.0	14.5
P/CF (x)	5.8	9.4	3.8	5.5	6.5	48.0	9.7	8.8
Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	33.3%	6.0%	11.0%	14.0%	11.4%	ns	7.6%	8.6%
P/B incl. GW (x)	6.37	5.73	3.11	3.34	4.85	5.95	4.41	3.39
P/B excl. GW (x)	ns	29.18	5.26	4.47	16.04	ns	19.93	7.32
EV/Sales (x)	0.54	0.56	0.50	0.63	1.24	1.93	1.66	1.40
EV/EBITDA (x)	6.6	6.0	3.8	4.3	7.4	10.0	8.3	7.0
EV/EBIT (x)	9.2	9.1	4.3	5.0	8.3	13.6	11.0	9.1
(*) historical average price								
PROFIT AND LOSS (€m)								
Sales	41.0	49.5	52	54	61	71	78	87
EBITDA	3.4	4.6	6.9	7.9	10.2	13.6	15.5	17.3
Depreciations	-1.0	-1.6	-0.9	-1.1	-1.1	-3.6	-3.8	-4.0
Current EBIT	2.4	3.0	6.0	6.9	9.1	10.0	11.7	13.4
Published EBIT	1.6	3.0	6.0	6.9	9.1	10.0	11.7	13.4
Net financial income	-0.6	-0.5	-0.4	-0.3	-0.2	-0.4	-0.4	-0.4
Corporate Tax	-0.9	-0.5	-1.7	-1.7	-2.9	-2.9	-3.4	-3.9
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-0.8	-0.7	-1.6	-1.1	-1.4	-1.2	-1.2	-1.2
Attributable net profit	-0.7	1.1	2.2	3.7	4.6	5.5	6.7	7.8
Adjusted attributable net profit	-0.7	1.1	2.2	3.7	4.6	5.5	6.7	7.8
BALANCE SHEET (€m)								
Goodwill	2.9	2.6	2.7	2.4	9.3	22.4	20.1	18.1
Other intangible assets	0.9	0.7	0.6	1.5	1.3	0.0	0.0	0.0
Tangible fixed assets	2.1	1.5	1.4	1.5	2.0	3.1	3.9	4.6
WCR	8.9	10.6	12.0	10.9	13.8	18.5	19.7	20.8
Financial assets	0.2	0.0	0.0	0.0	0.7	0.7	0.7	0.7
Ordinary shareholders equity	1.9	3.3	6.5	9.5	13.4	19.2	25.9	33.7
Minority interests	2.9	3.5	4.4	4.1	3.3	3.2	3.1	3.0
Shareholders equity	4.8	6.8	10.9	13.6	16.7	22.4	28.9	36.6
Non-current provisions	6.6	6.6	7.8	7.9	26.3	18.8	18.8	18.8
Net debt	3.6	2.1	-2.1	-5.2	-15.8	3.5	-3.3	-11.3
CASH FLOW STATEMENT (€m)								
EBITDA	3.4	4.6	6.9	7.9	10.2	13.6	15.5	17.3
Change in WCR	2.5	-0.3	-2.6	-0.7	-1.9	-3.8	-0.7	-0.6
Interests & taxes	-2.3	-1.0	-2.1	-2.1	-3.1	-3.3	-3.8	-4.3
Others	0.9	-1.6	0.6	-0.1	2.8	-7.9	0.0	0.0
Operating Cash flow	4.5	1.7	2.7	5.1	8.0	-1.4	11.0	12.4
CAPEX	-0.5	-0.6	-0.5	-0.6	-0.6	-2.1	-2.3	-2.6
Free cash-flow	4.0	1.1	2.2	4.5	7.4	-3.6	8.6	9.8
Acquisitions / disposals	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	-0.4	0.0	-1.0	-1.2	-1.3	-1.3	-1.3	-1.3
Net capital increase	1.1	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Others	-1.6	-1.7	0.3	-1.1	2.9	-0.4	-0.4	-0.4
Change in net debt	3.9	1.4	4.2	3.1	10.6	-19.3	6.9	8.0
GROWTH MARGINS PRODUCTIVITY								
Sales growth	8.7%	20.8%	5.1%	4.6%	11.4%	16.2%	11.0%	11.0%
Lfl sales growth								
Current EBIT growth	ns	25.6%	97.1%	15.2%	32.9%	9.6%	17.4%	14.0%
Growth in EPS	ns	ns	75.2%	68.8%	26.6%	11.6%	22.2%	17.1%
Net margin	-1.7%	2.3%	4.2%	6.7%	7.6%	7.8%	8.6%	9.0%
EBITDA margin	8.3%	9.3%	13.2%	14.6%	16.8%	19.3%	19.9%	20.0%
Current EBIT margin	5.9%	6.1%	11.5%	12.6%	15.0%	14.2%	15.0%	15.4%
CAPEX / Sales	-1.3%	-1.2%	-1.0%	-1.2%	-1.0%	-3.0%	-3.0%	-3.0%
WCR / Sales	21.8%	21.4%	23.0%	20.1%	22.7%	26.3%	25.2%	23.9%
Tax Rate	85.3%	21.3%	31.2%	26.5%	32.2%	30.0%	30.0%	30.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	2.6	3.3	3.2	3.3	2.8	2.0	1.8	2.0
ROCE post-tax (normative tax rate)	10.8%	14.0%	26.0%	29.1%	29.8%	19.9%	18.7%	21.5%
ROCE post-tax hors GW (normative tax rate)	12.8%	17.1%	31.1%	34.4%	41.1%	36.1%	36.3%	38.3%
ROE	-39.6%	43.4%	44.4%	45.7%	40.4%	33.6%	29.7%	26.3%
DEBT RATIOS								
Gearing	74%	31%	-19%	-38%	-95%	16%	-12%	-31%
Net Debt / Market Cap	0.30	0.11	-0.10	-0.16	-0.24	0.03	-0.03	-0.10
Net debt / EBITDA	1.05	0.46	ns	ns	ns	0.26	ns	ns
EBITDA / net financial charges	5.6	8.8	16.4	24.2	59.1	30.8	35.2	39.3

Source: ODDO BHF Securities, Fininfo



- **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

- **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

- **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

- **The prices of the financial instruments used and mentioned in this document are the closing prices.**

- **All publications by Oddo BHF concerning the companies covered and mentioned in this document are available on the research site:** www.securities.oddo-bhf.com

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)	Analyst
11.09.18	Buy	29.00	22.50	Henning Steinbrink
30.05.18	Neutral	26.00	23.50	Henning Steinbrink
27.11.17	Neutral	18.40	16.61	Henning Steinbrink

In accordance with Article 20 of European Regulation No. 596/2014 (Market Abuse Regulation), a list of all recommendations on any financial instrument or issuer that have been disseminated over the past twelve months is available by clicking on the following link www.securities.oddo-bhf.com

Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(472)	50%	42%	8%
Liquidity providers coverage	(101)	50%	45%	5%
Research service coverage	(27)	67%	26%	7%
Investment banking services	(42)	67%	29%	5%

Risk of conflict of interest:

Investment banking and/or Distribution		
Has Oddo BHF, managed or co-managed in the past 12 months a public offering of securities for the subject company/ies?		No
Has Oddo BHF, received compensation for investment banking services from the subject company/ies in the past 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the last 12 months?		No
Research contract between Oddo group & the issuer		
Oddo BHF and the issuer have agreed that Oddo BHF will produce and disseminate investment recommendations on the said issuer as a service to the issuer		No
Liquidity provider agreement and market-making		
At the date of the distribution of this report, does Oddo BHF, act as a market maker or has Oddo BHF, signed a liquidity provider agreement with the subject company/ies?		Yes
Significant equity stake		
Does Oddo BHF, own 5% or more of any class of common equity securities of the subject company/ies?		No
Does the subject company beneficially own 5% or more of any class of common equity of Oddo BHF or its affiliates?		No
Disclosure to Company		
Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ?		No
Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution?		No
Additional material conflicts		
Is Oddo BHF, aware of any additional material conflict of interest?		No
Personal conflicts of interest		
Have those responsible for the drafting of the present document acquired securities from the issuer concerned by the present financial analysis?		No
Have those responsible for the drafting of the present document received remuneration directly linked to investment firm service transactions or any other kind of transaction they carry out or any trading commissions they, or any legal person who is part of the same group, receive?		No

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