

Recommendation: Buy

Price target: 31.00 Euro

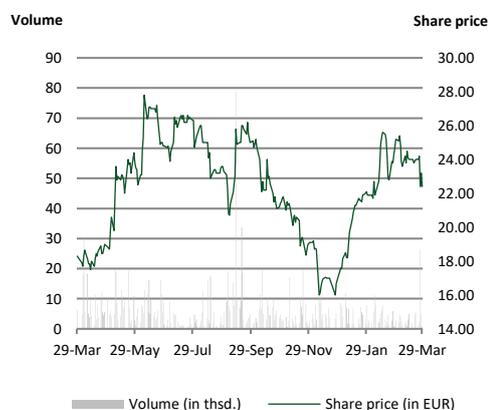
Upside potential: +38 percent

Share data

Share price	22.40 Euro (XETRA)
Number of shares (in m)	5.07
Market cap. (in EUR m)	113.6
Enterprise Value (in EUR m)	127.2
Code	M7U
ISIN	DE000A0MSN11

Performance

52 week high (in EUR)	29.00
52 week low (in EUR)	15.75
3 m relative to CDAX	+25.9%
6 m relative to CDAX	-2.8%



Source: Capital IQ

Shareholder

Management & supervisory board	25.0%
Freefloat	75.0%

Calendar

FY 2018 results	May 2019
Q1 results	31 May 2019

Change in estimates

	2019e	2020e	2021e
Sales (old)	69.6	75.4	83.5
Δ in %	-	-	-
EBIT (old)	9.6	11.0	13.0
Δ in %	-	-	-
EPS (old)	0.99	1.20	1.48
Δ in %	-	-	-

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Initial report	01 April 2019
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Technology specialist with spect(r)acular growth prospects

As a full-line supplier of spectroscopy solutions, Nynomic is active in the **fast-growing market of non-contact, non-destructive optical measurement technology**, which is expected to grow at a CAGR of 6.6% to USD 6.9bn by 2022. Consistently focusing on a buy and build strategy, the company has built up a broadly diversified product and customer base enabling it to serve numerous end markets as a **one-stop shop**, from the development of an individual measurement solution to the production to the integration in customer-specific processes. This provides Nynomic with a unique market position, which **clearly differentiates the company from the majority of its international competitors**.

Thanks to Spectral Engines, which was acquired in May 2018, Nynomic has added an **innovative technology with substantial market potential** so a multitude of new sales markets and applications in the broad consumer environment can be addressed for the first time. Nynomic therefore is in an excellent position to serve the still largely untapped area of end devices for the B2C market, e.g. white goods, around the **smart home megatrend** as a technology leader.

Since it took over the helm in 2015, the current management has always fulfilled or even overfulfilled the company's targets. This also holds true in 2018, where Nynomic fully met the guidance with revenue of EUR 67.1m (+10.6% yoy) and EBIT of EUR 10.1m (+10.7% yoy) according to the recently published preliminary figures. Whilst the initial outlook for FY 2019 (revenue of EUR 67-70m, EBIT of EUR 8.0-10.5m, margin of 12-15%) appears to be rather cautious, which can be put down to temporary fluctuations in demand, we anticipate a **continuation of the growth trend** over the next few years. Nynomic is expected to organically generate revenue of EUR 83.5m by 2021 mainly driven by disproportionate growth of its subsidiaries LayTec and Spectral Engines. The EBIT margin is seen to grow to 15.6% due to an **increase in efficiency of the acquired companies** and the **discontinuation of start-up financing to tap new markets**.

We expect to see positive news flow over the next quarters, mainly due to an increasing visibility on the operating development driven by the announcement of further contracts from Spectral Engines. Potential acquisitions which however have not been considered in our forecasts should serve as additional catalyst. Despite the clear outperformance in the current year (YTD: +34.6% vs. CDAX: +7.9%) our DCF model still indicates a **significant undervaluation**.

Conclusion: Nynomic has tapped new end markets and exploited innovative technologies over the last few years thanks to a focused buy and build strategy and consequently has built up a strong competitive position. As the potential of the new growth markets is not yet sufficiently reflected in the market valuation in our view, we initiate coverage of the Nynomic shares with a **Buy recommendation** and a **price target of EUR 31.00**.

FYend: 31.12.	2017	2018	2019e	2020e	2021e
Sales	60.7	67.1	69.6	75.4	83.5
Growth yoy	11.4%	10.6%	3.8%	8.3%	10.7%
EBITDA	10.2	12.0	10.5	11.9	14.1
EBIT	9.1	10.1	9.6	11.0	13.0
Net income	4.6	5.9	5.0	6.1	7.5
Gross profit margin	58.2%	60.0%	59.2%	59.4%	59.8%
EBITDA margin	16.8%	17.9%	15.0%	15.8%	16.8%
EBIT margin	15.0%	15.0%	13.8%	14.6%	15.6%
Net Debt	-13.0	-0.8	-5.2	-10.3	-16.2
Net Debt/EBITDA	-1.3	-0.1	-0.5	-0.9	-1.2
ROCE	76.5%	56.5%	47.3%	53.2%	60.2%
EPS	0.97	1.17	0.99	1.20	1.48
FCF per share	1.74	1.04	1.19	1.30	1.47
Dividend	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Sales	2.1	1.9	1.8	1.7	1.5
EV/EBITDA	12.5	10.6	12.2	10.7	9.1
EV/EBIT	13.9	12.6	13.2	11.5	9.8
PER	23.1	19.1	22.6	18.7	15.1
P/B	8.5	6.4	5.1	4.1	3.2

Source: Company data, Montega, CapitalIQ

Figures in EUR m, EPS in EUR, Price: 22.40

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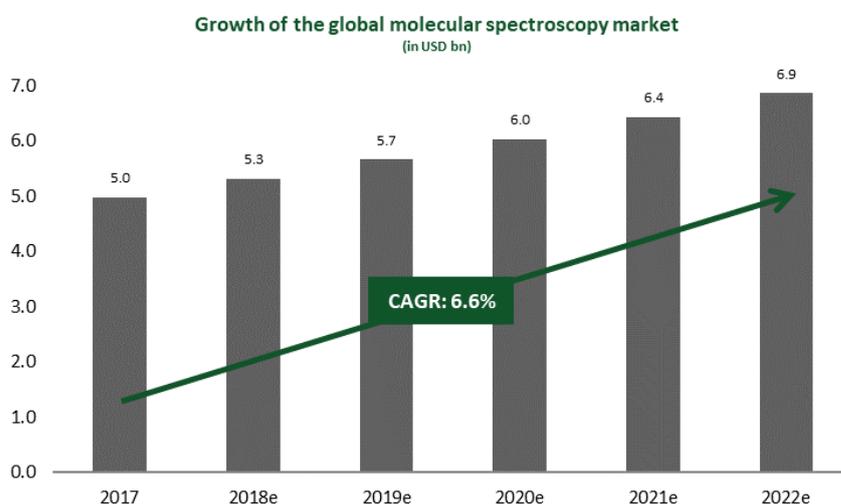
INVESTMENT CASE

Over the last few years, Nynomic has become a **full-line supplier of products for non-contact and non-destructive optical measurement technology** thanks to a successful buy and build strategy. The company’s six operating subsidiaries generate some 54% of their revenue in Europe. Roughly 41% of the remaining share is mainly generated in North America and c. 5% in the Asian region. Nynomic’s three reporting segments, **Clean Tech, Life Science and Green Tech**, address a **broadly diversified customer base**, which includes companies from industries such as pharmaceutical, medical technology, biotechnology, agricultural economy, industry, chemistry, food, semiconductor and logistics. The most recent acquisition of Finnish Spectral Engines in May 2018 added a **new market environment with substantial growth potential** for Nynomic in the field of consumer goods, which the company so far had not been able to address with the remaining subsidiaries m-u-t GmbH, tec5, Avantes, APOS and LayTec.

Market worth billions with attractive growth perspectives

As an international company, the development of the global photonic market, to which optical measurement technology belongs, is of crucial importance for Nynomic. Within this market worth billions, which is projected to have a value of some USD 863bn in 2025, Nynomic is focused on spectroscopy and molecular spectroscopy. This sector includes measurement systems that can determine a wide range of material properties using light radiation. These measurement methods are characterised by their speed and a non-destructive measurement, so that samples generally can be analysed without any preparation.

Driven by the constant development of sensors in terms of their compactness, precision and cost efficiency, demand for optical spectroscopy solutions is likely to increase further. In 2017, this segment within photonics had a size of USD 5.0bn and is expected to grow at an average rate of 6.6% p.a. to USD 6.9bn by 2022 (source: MarketsandMarkets).



Source: MarketsandMarkets, Grand View Research, Company

There are different end markets within molecular spectroscopy which are relevant for Nynomic because of the diversified customer base. The following section describes the sectors addressed by the operating group segments and their growth prospects in more detail.

- The **Clean Tech** segment (69% of revenue) includes applications of the optical measurement technology which are relevant for various industries, e.g. automotive, chemistry, food, logistics, semiconductor and LED. Driven by the industry’s progress in automation, demand for fully automated measurement devices for e.g. inspection applications has significantly increased as well. Since the optical measurement technology can also determine numerous properties

such as colour or material composition, these procedures have since become a preferred instrument in a wide range of applications of different industries. Thanks to these procedures, companies can significantly increase the efficiency and level of quality so that we anticipate a continued high demand for solutions in optical measurement technology.

We believe that the dynamically growing LED market should become particularly relevant for Nynomic over the next few years. According to market researcher Grand View Research this market is projected to grow by 14.4% p.a. between 2017 and 2025 due to the constant development of energy-saving functions for LED lights, an ongoing penetration of the OLED technology and further innovative display applications. Subsidiary **LayTec** (2017 revenue: c. EUR 7.0m) which was acquired in November 2017 and is one of the world's leading manufacturers of process-integrated optical measurement technology and process controls in the semiconductor industry, has a leading position in inspection systems for LED wafers. Additionally, LayTec's inspection systems for VCSEL wafers are represented in the growing market segment of leader systems which, for instance, are already used in smartphones for the Face ID technology. Given the growing technological prevalence of face recognition in consumer goods there will likely be a substantial increase in demand for the corresponding components and therefore also for control systems in production facilities.

- Nynomic's **Life Science** (15% of revenue) segment addresses the pharma industry, medical technology and biotechnology. The core products are optical sensors, spectroscopy systems and automation solutions for laboratories and research institutions, which can be used in a wide array of applications. For instance, the near-infrared spectroscopy (NIR) for drug sample analysis plays an important role in these business segments of non-contact measurement technology. As the overall penetration is already relatively high in these industries, we tend to expect below-average growth rates in comparison to the total market. Market researcher BBC Research, for instance, expects a CAGR of 3.3% between 2018-2023 for spectroscopy devices used in the pharmaceutical and biotechnological industries.
- The products of the **Green Tech** (14%) segment are designed for agricultural and environmental technology companies. The growing digitisation in these sectors has also led to increasingly more efficient processes (so-called smart farming). In this context, we should mention the sensor-based analysis of soils and crop and the corresponding automated distribution of fertilizer for an optimal nutrient supply. As well as efficiency increases, the use of spectroscopy sensors can also help to meet regulatory requirements, such as e.g. the EU Nitrates Directive to reduce the pollution of groundwater by manure. According to a study by MarketsandMarkets, the market volume of smart agriculture is estimated at USD 7.5bn in 2018 and should significantly grow at a CAGR of 12.4% to USD 13.5bn by 2023.

These developments in the different industries which are relevant for spectroscopy illustrate that Nynomic's business segments, Clean Tech, Life Science, and Green Tech, are active in an attractive environment. We also see **additional significant growth potential** from the first mover solution of Spectral Engines which was acquired in the last fiscal year.

Most recent acquisition offers additional significant market potential

Thanks to **Spectral Engines, a Finnish technology company**, which was acquired in May 2018 (MONE: purchase price c. EUR 12m, 2017 revenue c. EUR 0.3m) Nynomic added an innovative technology with enormous market potential suited for the most diverse fields of application. On the one hand, the **very small spectral sensor** patented by Spectral Engines, which has been developed for extremely compact and low-cost detectors, offers great cross-selling potential in price-sensitive end markets such as agriculture, environmental technology or medical technology. On the other hand, the ability to

produce miniaturised spectrometers in large batches and very cost efficiently opens a **multitude of new sales markets and applications** in the very broad consumer environment which Nynomic can address as a first mover.

The biggest growth potential for Nynomic should come from **smart home applications** in our view, as this area is likely to provide the greatest volume by far. As a decisive step in this context, we should primarily mention the contract signed with Bosch-Siemens Haushaltsgeräte (BSH) in Q4 2018. As part of this contract, BSH this year has launched the multi-functional scanner “X-Spect” with an integrated sensor from Spectral Engines, initially in Asia. The wireless scanner can analyse stains on the laundry as well as the textile fibres of the clothes to make the washing machine automatically choose the adequate programme via data transmission. The scanner can also analyse the composition of food and directly transfer information, such as details on the nutritional values, to a connected smartphone. In this context, the use of such a scanner in refrigerators is also conceivable to monitor the food kept there.

In addition to the smart home sector, Spectral Engines’ technology might also be used in the industry (**smart industry**) and in agriculture (**smart farming**). We can also imagine the food scanner’s use in the catering industry. In the pharmacy sector, it may be conceivable to test drugs without cost- and time-consuming tests in external laboratories. By measuring the soil condition, the exact need for fertilizer can be determined in the agricultural sector. Although some of Nynomic’s products have not yet achieved market maturity for mass production we regard the market potential as very attractive.

One-stop shop as a key competitive advantage

The promising market developments in optical measurement technology are likely to also lead to a more competitive market environment. We believe that Nynomic cannot be directly compared with individual competitors because of its broad range of products and diversified customer base. The company rather competes with individual competitors within the different customer segments and product types. This includes end-to-end solutions which cover a larger part of the value chain and which are especially provided by small, regional as well as highly specialised companies. Conversely, the competitors in the pure components business for spectroscopy systems are much larger companies (e.g. Stratec, Honeywell, Hexagon, Leica, Carl Zeiss, Ocean Optics or Nanometrics). Despite these fundamental competitors Nynomic has a **strong market position for further growth**, which is characterised by the following aspects in our view:

- Nynomic is a **one-stop shop** with its solutions covering the major part of the value chain from the development of the spectroscopy solution to the production to the system integration. This clearly differentiates the company from most of its competitors which only cover part of the value chain. On the one hand, the major components suppliers often are not prepared to offer customised solutions. On the other hand, the few competitors offering the complete range are not able to accompany the (international) roll-out of a mass production due to their small size. For this reason, OEM customers would have to address several suppliers for the components as well as for the development and integration which makes the projects more time- and cost-consuming.
- Nynomic often maintains close contact with its customers from the early stage of the development until mass production or the after-sales service and is even involved in the sensitive area of the customer’ product development. This results in **close customer relationships with multi-year sales contracts**. As the customers often have to make large upfront investments for the development process and as the development phase lasts up to two years, Nynomic only faces a low risk to lose a customer to a competitor because of the high switching costs.
- To tap new end markets, to keep pace with technological innovations and to strengthen the competitive quality Nynomic pursues a **focused buy and build strategy**. At the centre of this strategy are mostly smaller companies with leading positions in niche markets. For instance, LayTec, a company which was

acquired in 2017 and which is leading in compounds (LED wafer). The latest acquisition of Spectral Engines provided Nynomic with its first access to the B2C market but also with a technology with great cross-selling potential for end market already addressed.

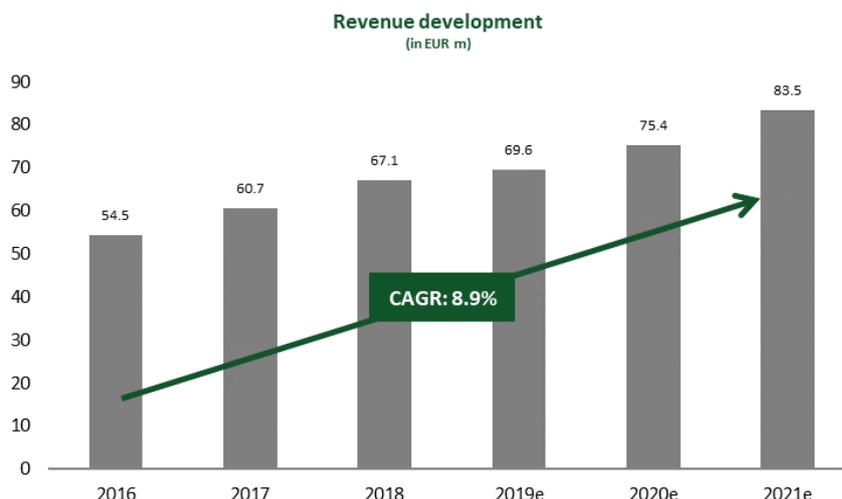
Nynomic thus has a **strong competitive position** in our view, which should allow the company to continue to grow profitably in the next years as well.

Attractive growth potential strengthened by recent acquisitions

In the last 5 years, Nynomic generated **continuously growing revenue** with a compound annual growth rate of some 10% (CAGR 2013-2018p). After achieving only single-digit growth of c. 5% p.a. in both 2015 and 2016, the company **significantly accelerated growth** in FY 2017 driven by a higher number of customer orders and strong sales, particularly in the American market. As a result, the company slightly exceeded its annual outlook which guided for an increase in revenue by 11.4% to EUR 60.7 and EBIT of EUR 9.1m and which was raised twice.

Supported by the recent acquisition of LayTec (MONE: 2018 revenue of c. EUR 9.0m) in late Q4 2017 and Spectral Engines (MONE: c. EUR 1.5m) in Q2 2018, Nynomic **again generated double-digit growth in 2018** according to the recently published preliminary figures. With revenue of EUR 16.1m and EBIT of EUR 2.5m Nynomic generated revenue of EUR 67.1m (+10.6% yoy) and EBIT of EUR 10.1m (+10.7% yoy) in FY 2018. This is **fully in line** with the guidance issued at the beginning of the fiscal year (revenue of EUR 66m to EUR 68m, EBIT of c. EUR 10m).

Thanks to its strong competitive position Nynomic is expected to benefit from the structural growth of the optical spectroscopy market in the following years as well. This market enjoys a steadily rising demand as optical sensors are gradually developed further in terms of compactness, precision and cost efficiency. Based on our assumptions, group revenue is expected to organically grow to EUR 83.5m by 2021, corresponding to a CAGR 2018p-2021 of 8.3%.



Source: Company, Montega

In the medium term, management aims at an annual average growth rate of some 10% p.a. including potential acquisitions in the context of the buy and build strategy, which are not yet considered in our estimates though. We rather expect Nynomic to achieve this run rate also organically from 2021, primarily driven by the strong growth prospects of LayTec and Spectral Engines. The company therefore should exceed its medium-term revenue level of EUR 100m by 2023. This suggest an even more dynamic revenue growth under the assumption that the buy and build strategy is continued.

The main organic sales drivers, LayTec und Spectral Engines, should basically develop as follows:

- **LayTec – strong growth above group level:** As a global manufacturer of optical measurement technology and process controls in the semiconductor industry and a market leader in inspection systems for LED and VCSEL wafers, LayTec has successfully positioned itself in an attractive niche, which is expected to grow disproportionately in relation to the overall market of optical measurement technology over the next few years.

After 2017 revenue of c. EUR 7m, LayTec should have generated revenue of c. EUR 9m (MONE) in 2018. The company is seen to grow well above group level in the next few years as well. We expect an average growth of c. 14% p.a. by 2021.

- **Spectral Engines – significant revenue potential thanks to first mover solution:** By acquiring Spectral Engines, Nynomic added an innovative technology which offers great cross-selling potential in Nynomic's main sales markets as well as a first-time access to the promising area of end devices for the B2C market. In our view, this should result in long-term substantial sales potential, particularly in the area of consumer goods around smart home applications (e.g. refrigerators, washing machines, etc.).

Whilst Spectral Engines still generated revenue in the lower to medium six-digit area in 2017 (MONE: c. EUR 0.3m), this figure is expected to have risen to some EUR 1.5m in 2018. Even though Nynomic is presently still undergoing several project negotiations and has not yet announced any further details, we believe that more contracts will follow this year after the announcement of the ground-breaking framework contract with Bosch-Siemens-Haushaltsgeräte (BSH) in Q4 2018. Given the successful launch of more products over the next few months, revenue of Spectral Engines is expected to achieve levels in the lower to medium one-digit million euros by the end of next year and to grow to a high single-digit million euro amount and a low double-digit EBIT margin over the next three years.

We consider Nynomic in an attractive position with its strong competitiveness to benefit from the structurally increased need for optical measurement technologies and to generate growth above market levels in the medium term thanks to its own innovative strength with ground-breaking products mainly from Spectral Engines.

Expected margin dilution only of temporary nature

In FY 2017, Nynomic increased EBIT by 33.3% to a record level of EUR 9.1m, which is disproportionately high in relation to revenue, mainly because of profitable projects ahead of schedule of its subsidiaries tec5 and Avantes. The EBIT margin was raised to 15.0%, a level aimed at by management in the long term.

The 2018 EBIT of EUR 10.1m according to preliminary figures implies a stable margin of 15.1% on the basis of the generated group revenue of EUR 67.1m. Our estimates for 2019 (revenue: EUR 69.6m, EBIT: EUR 9.6m) suggest a decline in the EBIT margin to 13.8% yoy, which is only of temporary nature though. The development of the profitability is expected to basically be influenced by the following factors in the next few years:

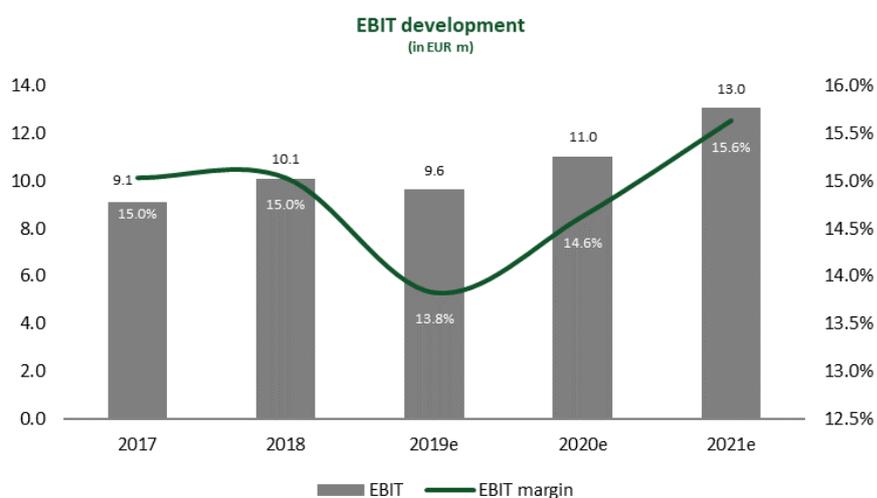
- **Margin improvement of the recently acquired companies:** While LayTec still generated margins that were below group level of some 15% in 2017 and has approached this target in 2018 for the first time, Spectral Engines is still loss-making at present. Consequently, the full consolidation of these two companies should still dilute margins at Nynomic as indicated in the recently published guidance for 2019 (revenue of EUR 67-70m, EBIT of EUR 8.0-10.5m, margin of 12-15%). As such, the framework contract signed between Spectral Engines and BSH in the current year is likely to still lead to a margin in the single-digit percentage range.

However, the resulting dilution is expected to be revised in the years to come: LayTec is likely to sustainably lift its margin to Nynomic’s long-term target of a 15% EBIT margin at group level this year already thanks to leverage of synergies, e.g. procurement within the group. Spectral Engines should still see a loss-making 2018 driven by the strong scaling of revenue but should break even in 2019 and make positive contributions to group EBIT from 2020.

- **Investment in Spectral Engines a short-term burden:** When acquiring Spectral Engines Nynomic announced that the purchase price of EUR 10-15m (MONE: ca. EUR 12m excl. investments) also includes a necessary start-up financing for further developments and market exploitation. While this is likely to have a temporary negative impact on Nynomic’s results, primarily due to costs occurring in 2018 and 2019, this factor should no longer be a burden from next year.
- **Goodwill amortisation diluted operating EBIT margin:** Based on the accounting method according to the German Commercial Code (HGB) chosen by Nynomic so far, goodwill recognised in the balance sheet is written off as scheduled. Goodwill in Nynomic’s balance sheet has substantially increased from EUR 2.4m since the end of 2016 to EUR 21.4m in H1 2018 especially due to the acquisitions of LayTec and Spectral Engines. Accordingly, goodwill amortisation should have significantly increased in 2018 (MONE: c. EUR 1.0m), which leads to a noticeable burden in the reported results.

This is expected to change going forward: Management decided to change to IFRS accounting from this year in the wake of the group’s further internationalisation. Consequently, the recognised goodwill will no longer be subject to scheduled amortisation. Adjusted for this effect, the company would already have achieved an EBIT margin of 15.4% in 2017 and 16.7% in 2018 on the basis of our assumptions. Against this backdrop, the margin target of 15% aimed for by management so far appears to be rather conservative.

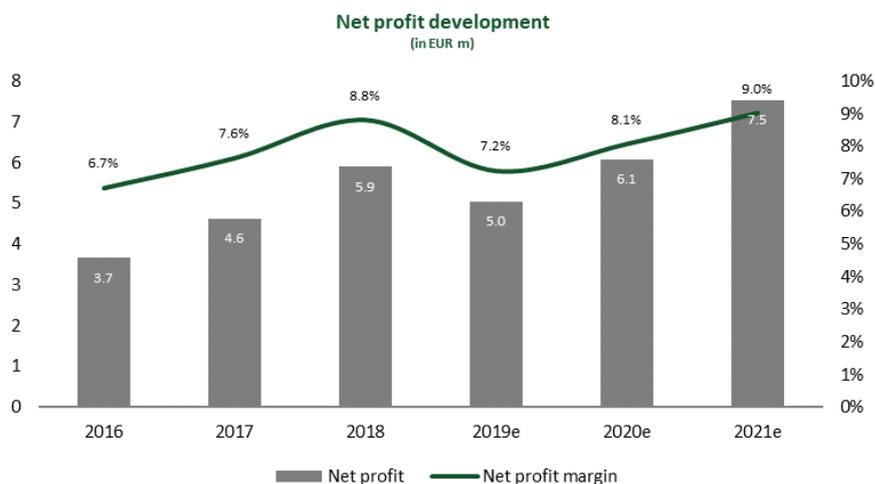
Based on our assumptions, Nynomic is expected to further increase earnings in the next few years given a gradually growing margin. We therefore anticipate the margin to improve to 15.6% in 2021 after a projected EBIT margin of 13.8% in 2019, mainly driven by the growing profitability of LayTec, Spectral Engines and APOS, the recently still loss-making subsidiary.



Source: Company, Montega

To finance the acquisitions of Spectral Engines and the remaining shares in Avantes Holding, Nynomic took up a bank loan in the total amount of EUR 81.3m which significantly increased the interest-bearing liabilities to EUR 22.1m at the end of H1 2018.

This means interest expenses should have increased to some EUR 0.4m in 2018 and will increase to some EUR 0.65m in 2019 in our view. We assume a tax rate of c. 30% for the planning period. Against the backdrop of the expected strong operating development it can still be assumed that the net profit after minorities will grow from EUR 5.9m in 2018 to EUR 7.5m in 2021, corresponding to an average annual growth of 8.4%.



Source: Company, Montega

Positive news flow expected to further boost the shares

In the past fiscal year Nynomic saw a solid operating performance and fully met its annual targets. Based on the promising growth prospects, we anticipate an increasing visibility on the operating development over the next few months, especially from subsidiary Spectral Engines.

Based on the ATH of EUR 27.80 in June 2018, the Nynomic shares adjusted to EUR 16.00 at the end of last year. We attribute this development to the weakness of the overall market and to temporary doubts about the fulfilment of the annual targets. Since the start of the year, the confidence which had been rising in our view regarding the now fulfilled 2018 guidance led to a noticeable recovery of the shares (YTD: +34.6% vs. CDAX: +7.9%). Despite the strong performance we consider the current price level as a **perfect time to buy into the shares** because of the growth prospects above and against the backdrop of the current price setback after the publication of the preliminary FY 2018 figures and a rather cautious guidance.

DCF model and peer group analysis imply significant undervaluation

We have chosen a DCF model to value the Nynomic shares and have verified the result using a peer group analysis. Both valuation methodologies point to a **significant undervaluation of the shares**.

- **DCF:** In the next few years, Nynomic is expected to continue to grow profitably in the structurally growing photonic and spectroscopy market and to also tap new end markets with its most recent acquisitions. Under the assumption of a WACC of 8.3% we have determined a fair value per share of EUR 31.00 in our DCF model. Based on the latest closing price this implies an upside of 38%.
- **Peer group:** Our peer group analysis underlines the outcome of the DCF valuation. The Nynomic shares currently trade at a 2020e EV/EBITDA of 10.7x and a 2020e EV/EBIT of 11.5x and thus well below the average earnings multiples of the competitors (2020e EV/EBITDA of 12.2x and 2020e EV/EBIT of 15.2x).

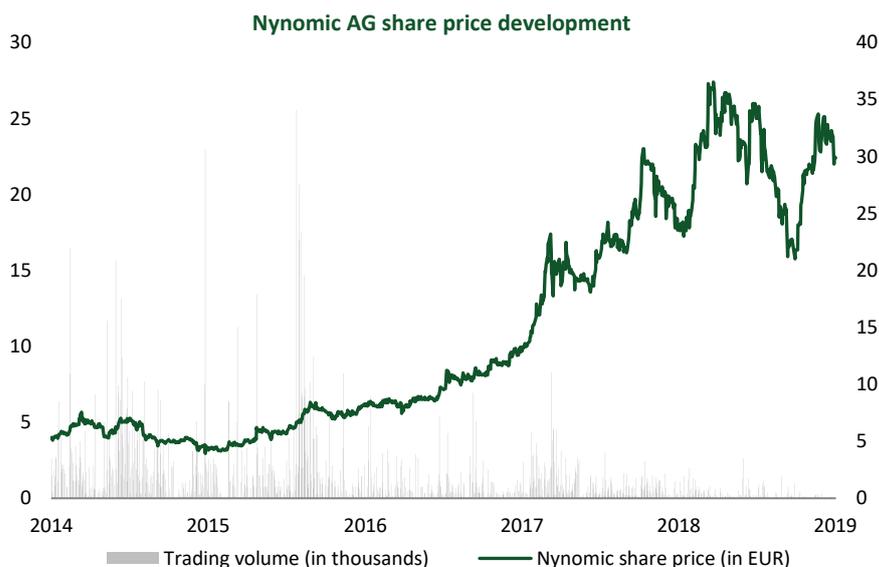
Conclusion

Nynomic has achieved a strong positioning in the last few years thanks to a focused buy and build strategy as a one-stop shop in high growth market segments of the optical measurement technology. That said, we believe the growth potential of the most recent acquisitions is not yet sufficiently reflected in the company's current valuation. We therefore initiate coverage of the Nynomic shares with a "Buy" rating and a price target of EUR 31.00.

TIMING AND SENTIMENT

With a performance of +150.5%, Nynomic has shown the strongest price increase among the companies listed in the Scale segment since the start of this segment in March 2017 and has clearly outperformed the scale index (+9.1%). Following an initial sideways movement, Nynomic’s share price underwent a significant upwards adjustment in the last five years and has increased more than fivefold since then (5Y = 452.1%). We believe the weaker phase until approximately mid-2015 can be attributed to the old management’s repeated failure to meet the annual targets given a too aggressive capital market communication. However, the resulting loss in confidence has been gradually restored by the current management headed by Mr. Peters and Mr. Müller which took over the helm in 2015. Driven by a satisfying operating development (2015-2018p revenue: +32.8%, EBIT: +71.7%) credibility regarding the corporate targets was retained.

The temporary price setback from the ATH at EUR 27.80 in June 2018 to EUR 16.00 at the end of last year should have been due to the weakness of the overall market and to doubts about the fulfilment of the annual targets in our view. However, management has confirmed its guidance (revenue of EUR 66-68m, EBIT of c. EUR 10m) in the context of the Q3 figures at the end of November 2018 with a record order book (EUR 42.4m vs. EUR 30.6m yoy) and fulfilled it according to the recently published preliminary figures. This led to the subsequent recovery of the share price which meanwhile approaches last year’s ATH (YTD: +34.6% vs. CDAX: +7.9%).



Source: Capital IQ

Fulfilment of annual targets has underlined management’s credibility

Management again proved its reliability with regard to the guidance on release of preliminary figures for the last fiscal year. As we consider Nynomic’s capital market communication as rather conservative, the 2019 guidance should be regarded as cautious. We assume that the annual targets will be well within reach and position ourselves in the medium to upper area of the guidance range.

Visibility expected to increase in the new B2C business segment

Mid-October last year, Nynomic announced to have received the first strategic order from a customer from the B2C environment. Subsidiary Spectral Engines, which had only been acquired in May 2018, reported that a contract had been signed with Bosch-Siemens-Hausgeräte GmbH (BSH) in the smart home sector for the delivery of miniaturised spectral sensors. Although no details were announced on the exact order volume, the potential of BSH as one of the leading German manufacturers of white goods (from Bosch, Siemens, Neff and Gaggenau amongst others) with revenue of almost EUR 14bn is promising. We

assume that additional information and/or new orders from BSH or other buyers will noticeably increase the visibility on growth of Spectral Engines.

Conclusion: Good time to buy into the shares

Over the last four years, management has always fulfilled or even overfulfilled the annual targets. The recent price setback following the publication of preliminary 2018 figures should primarily be due to the cautious outlook for the current year. We value the guidance as conservative and believe it should be well achievable. We consider the current price level as a **perfect time to buy into the shares** because of the promising growth prospects and the attractive valuation, also with a view to the most recent price setback after the publication of the 2019 outlook.

SWOT

The major characteristic which differentiates Nynomic from its competitors is its **unique market positioning** as a full-line supplier of products of the non-contact optical measurement technology in the sense of a one-stop shop. Consequently, the company can accompany its customers along the entire value chain and offer specific solutions for a wide range of individual applications. We believe that one possible essential factor limiting growth is the necessity of a distinctive technical expertise from qualified employees, which is required in this context.

The acquisition of Spectral Engines and the related access to the promising area of end devices for the B2C market, in particular, is seen as an attractive opportunity. It opens **numerous untapped fields of application**, which are sustainably driven by digitisation megatrends and the rising need for smart home applications.

Strengths

- Unique global positioning in attractive niches of the photonic market as a full-line supplier for optical measurement technology
- Expertise in customised problem-solving solutions in combination with a high standard of quality result in close customer relationships and long-term contracts
- Wide range of applications in spectroscopy and complementary product portfolios of the subsidiaries lead to low dependence on individual end markets
- Extensive financial security and planning ability as project development is mostly financed in advance by the customers

Weaknesses

- Currently still dependent on key account customers (c. 60% of revenue generated with the 10 largest customers)
- Start-up character of Spectral Engines leads to high degree of planning uncertainty in terms of the medium- to long-term operating development

Opportunities

- Fast-growing future markets in smart industry, smart agriculture and smart home include both the industrial and consumer segment and open up large-scale project potential
- Exclusive contract signed with Bosch-Siemens-Haushaltsgeräte GmbH may serve as a catalyst for ground-breaking applications in large batch sizes in the area of smart home
- Nynomic is one of the few market participants with a certification according to ISO 13485, which enables the implementation of additional projects in the strongly regulated medical technology and point-of-care diagnostic
- There is a continued increase in demand for optical measurement devices because of advantages in efficiency and cost, regulatory requirements and a growing environmental awareness

Risks

- Highly competitive environment in the underlying general photonic market (esp. in the production of pure components) generates high pressure to innovate
- Availability of qualified employees, especially engineers in R&D may limit long-term growth

VALUATION

We have chosen a DCF model to value the Nynomic shares and have verified the result using a peer group analysis. The assumptions of the DCF model and the peer group are shown below.

DCF model

The DCF model reflects Nynomic's promising growth potential in view of the strong competitive position in the structurally growing photonic and spectroscopy market. Our forecasts also take account of an entry in the promising area of end devices for the B2C market thanks to the products from Spectral Engines as additional growth drivers. Overall, this is expected to lead to revenue of EUR 83.5m in 2021.

Although we anticipate that especially Spectral Engines will weigh down on margins in the short term, profitability should gradually improve from 2020. The EBIT margin therefore is expected to grow to 15.6% by 2021. In the long term, the company is likely to achieve a sustainable margin of 15.5%.

We use a beta of 1.2 which reflects the dependence on cyclical industries and the still low visibility on the growth potential of Spectral Engines. Conversely, this also rewards the strong market position as a one-stop shop in niche markets and the broadly diversified customer base.

The risk-free return is assumed to be 2.5% on the basis of long-term bonds. We calculate with a market yield of 9.0%, which leads to a risk premium of 6.5%. The assumption of a long-term debt ratio of 30% results in a WACC of c. 8.3%.

We have assumed a long-term growth rate of 2.5% to determine the terminal value.

Based on these assumptions the DCF model results in a **fair value of EUR 31.00 per share** for the Nynomic AG.

DCF Model

Figures in m	2019e	2020e	2021e	2022e	2023e	2024e	2025e	Terminal Value
Sales	69.6	75.4	83.5	92.8	103.5	114.4	124.1	127.2
<i>Change yoy</i>	3.8%	8.3%	10.7%	11.2%	11.5%	10.5%	8.5%	2.5%
EBIT	9.6	11.0	13.0	15.1	17.1	18.5	19.6	19.7
<i>EBIT margin</i>	13.8%	14.6%	15.6%	16.3%	16.5%	16.2%	15.8%	15.5%
NOPAT	6.5	7.6	9.2	10.6	12.0	13.0	13.7	13.8
Depreciation	0.8	0.9	1.0	1.1	1.1	1.1	1.1	1.1
<i>in % of Sales</i>	1.2%	1.2%	1.2%	1.2%	1.1%	1.0%	0.9%	0.9%
Change in Liquidity from								
- Working Capital	-0.1	-0.7	-1.5	-1.8	-2.0	-2.1	-1.8	-0.6
- Capex	-0.8	-0.8	-0.8	-0.8	-1.0	-1.1	-1.2	-1.1
<i>Capex in % of Sales</i>	1.1%	1.1%	1.0%	0.9%	1.0%	1.0%	1.0%	0.9%
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (WACC model)	6.4	7.0	7.9	9.1	10.0	10.9	11.8	13.2
WACC	8.26%	8.26%	8.26%	8.26%	8.26%	8.26%	8.26%	8.26%
Present value	6.3	6.4	6.6	7.0	7.2	7.2	7.2	129.2
Total present value	6.3	12.7	19.3	26.3	33.5	40.7	47.8	177.0

Valuation

Total present value (Tpv)	177.0
Terminal Value	129.2
Share of TV on Tpv	73%
Liabilities	43.8
Liquidity	22.9
Equity value	156.2

Number of shares (mln)

Number of shares (mln)	5.07
Value per share (EUR)	30.80
+Upside / -Downside	38%
Share price	22.40

Model parameter

Debt ratio	30.00%
Costs of Debt	5.0%
Market return	9.00%
Risk free rate	2.50%

Beta	1.20
WACC	8.26%
Terminal Growth	2.50%

Source: Montega

Growth: sales and margin

Short term: Sales growth	2019-2022	10.1%
Mid term: Sales growth	2019-2025	10.1%
Long term: Sales growth	from 2026	2.5%
Short term: Margin growth	2019-2022	15.1%
Mid term: Margin growth	2019-2025	15.6%
Long term: Margin growth		15.5%

Sensitivity Value per Share (EUR)

WACC	Terminal Growth				
	1.75%	2.25%	2.50%	2.75%	3.25%
8.76%	25.43	26.98	27.85	28.80	30.94
8.51%	26.60	28.31	29.27	30.31	32.69
8.26%	27.87	29.74	30.80	31.96	34.62
8.01%	29.24	31.31	32.48	33.77	36.75
7.76%	30.72	33.02	34.32	35.76	39.12

Sensitivity Value per Share (EUR)

WACC	EBIT-margin from 2026e				
	15.00%	15.25%	15.50%	15.75%	16.00%
8.76%	27.09	27.47	27.85	28.23	28.62
8.51%	28.46	28.86	29.27	29.67	30.07
8.26%	29.94	30.37	30.80	31.23	31.66
8.01%	31.57	32.03	32.48	32.94	33.39
7.76%	33.35	33.84	34.32	34.81	35.30

Peer group comparison

It is not possible to clearly identify direct peers because of Nynomic's unique full-line offering and product portfolio. For this reason, the peer group mainly includes international companies which are either focused on a specific segment of Nynomic or which only offer a part of the value chain covered by Nynomic.

Basler develops and produces many different cameras for industrial end users. The company is world market leader in computer vision components and in the system integration of image-processing solutions. The products are mainly used in industrial mass production, medical applications, traffic controls and logistics. In 2017, the company generated revenue of EUR 150.2m and an EBIT margin of 20.7% with c. 550 employees.

Isra Vision supplies its customers with both hardware and software for the use of fully automated surface inspection along the production chain. Helped by 3D machine vision and intelligent systems the company mainly benefits from the trends of industrial automation and smart factories. In the past fiscal year, Isra Vision generated revenue of EUR 152.5m and an EBIT margin of 21.7% at 25 locations and with more than 800 employees worldwide.

Stratec likewise is a German-based technology company focused on automation solutions in medical technology. The company mainly develops system solutions for laboratories, blood banks and research institutions, i.e. applications in clinical diagnostics and biotechnology. In 2017, group revenue grew to EUR 209.8m at an adjusted EBIT margin of 16.9%. The company employed 1,086 employees at the reporting date.

Rudolph Technologies is a US company which develops and produces products for the semiconductor industry. The end-to-end solutions are used in process control mechanisms around the globe. In 2018, the company (592 employees) generated revenue of USD 273.8m, of which more than 70% came from Asian regions. The EBIT margin was 18.6%.

KLA-Tencor is also based in the USA and is specialised in process control applications in the semiconductor industry. The company's major customers are Samsung, Intel and Micron Technology. In the past FY 2017/18, it generated revenue of some USD 4.0bn at an EBIT margin of 38.1% and with 5,990 employees worldwide.

Nanometrics produces measuring and inspection systems for industrial use to perform inspections and controls with the help of spectroscopy. The company also addresses the semiconductor industry. In 2017, Nanometrics generated revenue of USD 258.6m, an EBIT margin of 16.6%, and employed 590 people.

Halma is specialised in the development, production and sale of safety equipment using sensorics. Typical products of the British company are smoke detectors, audio-visual warning systems or automated door opening systems in elevators. The company's products are also used in medical technology or environmental analysis. In 2017, revenue amounted to GBP 1.1bn and the EBIT margin to 17.8%.

Spectris supplies its customers with a wide range of applications for material analysis and process monitoring. The company's employees develop and produce both hardware and software. The main sales markets are the pharmaceutical, automotive and semiconductor industries. Additionally, the company offers products for the process analysis of rocks and soil materials. In the past FY 2018, revenue amounted to GBP 1.6bn and the EBIT margin to 14.8%.

Peer group Nynomic AG

Company	Price (LC)	EV / Sales			PE		
		2019e	2020e	2021e	2019e	2020e	2021e
Basler Aktiengesellschaft	150.00	2.69	2.38	2.07	38.44	29.16	23.50
Isra Vision AG	33.35	4.28	3.84	3.41	28.60	25.48	22.69
Stratec SE	60.10	3.31	3.01	2.76	27.57	23.44	19.59
Rudolph Technologies, Inc.	22.68	1.97	1.75	n.a.	18.09	13.53	n.a.
KLA-Tencor Corporation	118.56	4.17	3.56	3.36	13.96	12.36	10.70
Nanometrics Incorporated	30.45	2.08	1.82	n.a.	23.65	14.36	n.a.
Halma plc	16.61	5.41	5.06	4.80	32.55	29.79	27.37
Spectris plc	25.01	1.90	1.86	1.80	14.20	13.43	12.54
Average		3.23	2.91	3.03	24.63	20.19	19.40
Nynomic AG	22.4	1.83	1.83	1.69	22.63	18.67	15.14
Potential		77%	59%	80%	9%	8%	28%
Fair Value per Share (in EUR)		41.60	37.30	42.40	24.40	24.20	28.70

Company	EV (LC)	EV / EBITDA			EV / EBIT		
		2019e	2020e	2021e	2019e	2020e	2021e
Basler Aktiengesellschaft	459.5	15.09	12.38	10.29	25.53	19.57	16.25
Isra Vision AG	717.2	13.50	12.24	10.81	19.59	17.48	14.82
Stratec SE	735.2	17.33	15.61	14.10	23.69	20.01	17.54
Rudolph Technologies, Inc.	512.0	10.53	8.46	n.a.	12.60	9.68	n.a.
KLA-Tencor Corporation	18837.0	11.32	9.88	8.74	11.79	10.23	9.13
Nanometrics Incorporated	583.1	12.51	8.22	n.a.	17.11	9.78	n.a.
Halma plc	6541.0	22.97	21.24	19.90	25.77	23.74	22.27
Spectris plc	3173.5	10.35	9.91	9.23	11.99	11.41	10.72
Average		14.20	12.24	12.18	18.51	15.24	15.12
Nynomic AG	127.2	12.16	10.66	9.06	13.21	11.54	9.75
Potential		17%	15%	34%	40%	32%	55%
Fair Value per Share (in EUR)		26.60	26.10	31.10	32.50	30.40	36.20

Source: Company, Montega, Capital IQ

Based on the earnings multiples, the peer group analysis implies a **fair value per Nynomic share in the range of EUR 24.20 to EUR 36.20**. Our DCF-based price target of EUR 31.00 thus is in the upper half of this range.

Please note in this context that Nynomic holds majority stakes in all its subsidiaries, but they do not always amount to 100%. However, management aims to continue to reduce the minorities over the next few years if possible. Consequently, earnings per share are likely to increase going forward with the PER being more attractive in comparison to the peer group. Additionally, the capital requirements of the peer group companies are expected to diverge widely. For this reason, we regard the PER multiple as less suitable.

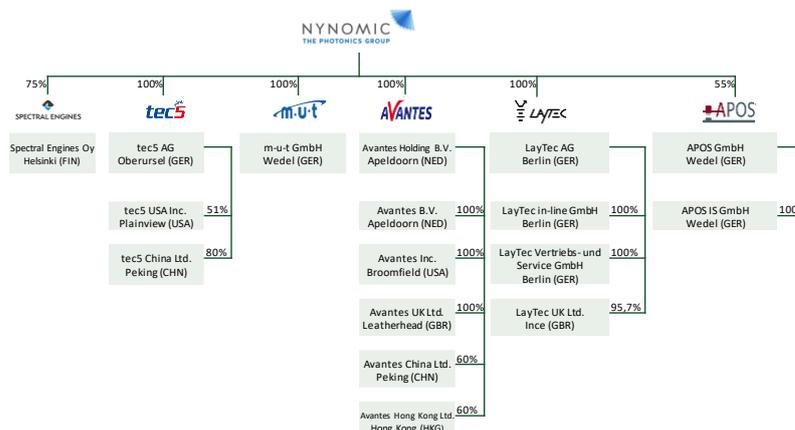
COMPANY BACKGROUND

The Nynomic AG was founded in 1995 under the name of m-u-t GmbH Meßgeräte für Medizin- und Umwelttechnik and is based in Wedel near Hamburg. The company’s origins are in the system integration of spectroscopy in medical and biotechnology. Today, the group is the leading full-line supplier of non-contact optical measurement technology. Unlike the classical techniques, such a measurement process does not only analyse the pure geometry but also the properties of objects. For instance, it can measure attributes such as colour, temperature, density or chemical composition in a non-contact and non-destructive way. The company markets both independent brands and white label products. It has access to the most important sales markets through its six internationally positioned subsidiaries, benefits from a local support of customers and a well-developed sales and logistics network.

As a system supplier of individual components as well as complete equipment, Nynomic attends to a wide range of OEMs in different end markets along the entire value chain. Thanks to the successfully implemented buy and build strategy of the past years, Nynomic can offer its diversified product portfolio to numerous fields of applications both in the B2B and the emerging B2C sector, e.g. around the smart home megatrend. Amongst others, measurement technology is used in medical technology, in the chemicals industry, pharmaceutical industry, agriculture, environmental technology, semiconductor industry as well as in a broad array of applications in the entire industrial sector. Some of the most important milestones in the company’s history are shown below.

- 1995** Foundation of m-u-t GmbH with a focus on measurement devices for medical and environmental technology
- 2001** ISO 9001 and VDE certification
- 2007** Conversion into a stock corporation and listing on the Frankfurt Stock Exchange
- 2007** Shareholding in tec5 AG (51%), a supplier of spectroscopy solutions
- 2008** Acquisition of the majority stake in Avantes Holding B.V. (51%), a manufacturer of fibre optic spectroscopy devices
- 2011** Increase in the stake in tec5 AG by another 44% to 95%
- 2012** Restructuring of the business units
- 2014** Outsourcing of the operating business to the m-u-t GmbH
- 2015** Replacement of the Executive Board by Maik Müller (CEO) and Fabian Peters (CFO)
- 2016** Majority stake in APOS GmbH (55%), a spectroscopy supplier for the wood processing industry and complete acquisition of tec5 AG
- 2017** Complete acquisition of Avantes Holding B.V.
- 2017** Majority stake and integration of LayTec AG (95.6%), a market leader for process-integrated measurement technology and MEMS-based spectral sensors
- 2018** Capital increase by way of contribution in kind and acquisition of the remaining shares in LayTec AG
- 2018** Change of name to Nynomic AG
- 2018** Entry into the B2C market through the acquisition of Spectral Engines Oy (75%)
- 2018** First strategic order from the area of end devices for the B2C market from Bosch-Siemens-Hausgeräte GmbH

According to preliminary figures, Nynomic generated revenue of EUR 67.1m and EBIT of EUR 10.1m with its roughly 326 employees (as of H1 2018) in FY 2018. This is a record result in both revenue and earnings for the third time in a row. In addition to continued growth in the core markets (Germany, Europe and North America), this can also be attributed to the subsidiaries and sales partners in the Asian region. The organigram below gives an overview of the group’s organisational structure.



Source: Company

Shareholdings

Nynomic accompanies its customers along the entire value chain and offers different degrees of vertical integration and individual product modifications via its subsidiaries. The Nynomic AG acts as a subordinate financial holding and fulfils strategic functions within the group. All shareholdings have the same technological focus and support the vertical integration.

- **Avantes Holding B.V.**, which was acquired in 2008, is the basis for optical measuring cells and spectrometers. The company which is specialised in the miniaturisation of spectroscopy devices and software solutions develops and produces spectrometers, light sources for UV/VIS/NIR, fibre-optics and accessories. In addition, the company adjusts equipment according to customer-specific requirements. The Avantes group has access to all important markets through its own subsidiaries, enabling the company to locally support its OEM customers. The products are used, for instance, in biotechnology, the chemical and food industries as well as in thin film analysis for the production of solar cells.
- The **tec5 AG** has been part of the Nynomic group since 2007 and manufactures high-quality products for the detector array spectroscopy of OEM components as well as drive electronics. The company also covers the next step of the value chain and combines individual parts from Avantes Holding to create full systems, which are directly sold to OEM and industrial clients as a standard solution under the company’s own name. tec5 has also access to the most important end markets via its subsidiaries.
- Operating subsidiary **m-u-t GmbH** produces products for the permanent, non-contact and non-destructive optical measurement technology. Using its proprietary know-how, m-u-t GmbH transforms the products of other group companies into innovative applications. The resulting customised solutions are then produced, e.g. as series equipment, and sold into the market. The company has a broad product range which, amongst others, includes sensorics, laboratory automation, medical technology, and spectroscopy.
- **APOS GmbH** supplies Nynomic’s customers with spectroscopic measurement systems, specifically for the wood processing industry. APOS is the technology and know-how leader in this niche market and is focused on applications with a

high scalability. The products are typically used in the wood products industry, in biomass power plants and other bulk material applications.

- The internationally active **LayTec AG** is the market-leading supplier of process-integrated measurement technology with a focus on laser and LED production. Since the company's acquisition in 2017, the company-specific solutions are also increasingly used in photovoltaic, surface coating and in the semiconductor industry. For instance, the products can be employed in the in-situ process control of LEDs and semiconductor lasers. They are also suited for the real-time analysis of manufacturing processes as optical in-line metrology in the solar cell industry. Another product from LayTec, a measurement system for VCSEL lasers (vertical cavity surface-emitting laser), is used for Face-ID technologies in smartphones.
- **Spectral Engines Oy** develops and produces extremely compact low-cost spectral sensors, which can be used both in industrial applications and in the consumer segment. By acquiring this company, Nynomic laid the foundation for its entry in the area of end devices for the B2C segment. The products of Spectral Engines can be used in mobile devices at a reasonable price and thus predominantly target applications in the fields of smart home, smart industry and smart agriculture. A quick and reliable measurement is guaranteed with the help of the patented MEMS interferometer, which is already used as a food scanner in smartphones. With the help of an app and the corresponding cloud-based software, data is synchronised in real-time and is consistently optimised by machine learning.

Segment analysis

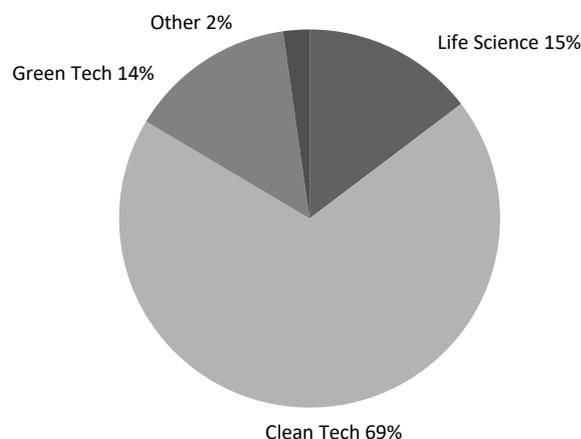
Nynomic's operating business activities are divided in the Life Science, Green Tech and Clean Tech reporting segments.

Life Science (15% of total revenue in 2017): The products in this segment are mainly used in the pharma industry, in medical technology and biotechnology. The core products are optical sensors, spectroscopy systems and automation solutions for laboratories and research institutes, which can be used in a wide array of applications. Future potential, e.g. in research, is tapped by patent and licensing rights in analytical engineering.

Green Tech (14%): This segment develops and produces individual solutions for agriculture, specifically for applications in the area of intelligent farming. The increasingly industrialised and automated agricultural sector is perfectly aligned by efficiency-enhancing processes such as the sensor-based analysis of soils and crop, the automated application of fertilizer, and radio-controlled animal feed. Additionally, the use of spectroscopy sensors supports producers in fulfilling regulatory quality requirements. The use of solar modules also falls under this segment.

Clean Tech (69%): This segment comprises a broad range of solutions for the industry sector. The broad areas of application span from individual optical sensors to customer-specific end-to-end solutions. The target markets are the chemical industry, food applications and the semiconductor industry. The automated inspection of processes helps to make the wafer and display production more efficient and guarantees a higher quality standard.

Sales by segment (2017)



Source: Company

Products

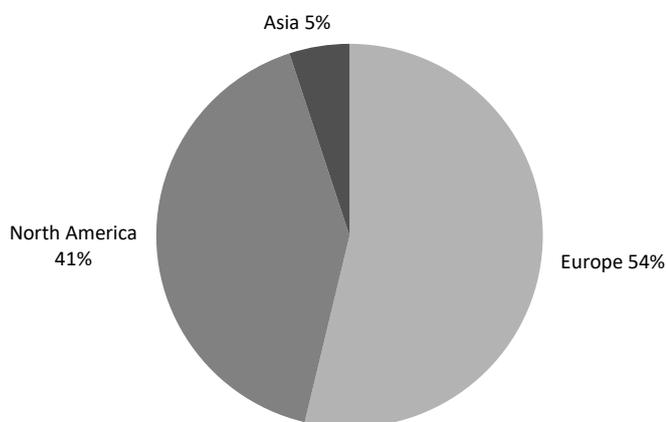
The group’s product solutions are all built on a spectral sensor technology platform. This measurement technology allows a non-destructive and non-contact analysis of product characteristics, as it measures the wavelength reflected by an object. These values can be specified in a connected database and the element can be clearly assigned. The procedure is universally applicable and can be easily integrated into the customers’ different process chains. Based on the relevant spectroscopy processes (UV/VIS/NIR/RAMAN/LIBS) the application solutions can be designed for a broad number of end markets. Thanks to Nynomic’s vertical integration the customers can choose between standard products and highly specific full systems, which increase the efficiency of production processes.

Nynomic also accompanies customers along the entire value chain in various end markets. The company has already gained significant experience in a multitude of industries and has a broad problem-solving expertise in the area of process-integrated online measurement technology. The end user is involved in the product development at a very early stage and benefits from Nynomic’s technology and know-how leadership. This leads to close customer relationships which often entail long-term contracts as well as exclusive supplier agreements.

Markets and sales

The branches and the sales network of Nynomic lead to a strong international distribution of sales. In addition to the production facilities, which are mainly located in Europe, the company has many subsidiaries and distribution facilities on other continents, supporting the local and direct customer service. In 2017, the group generated some 54% of sales in Europe. The remaining share is mainly generated in the USA, which accounted for some 41% of 2017 sales and is an important core market. The sales share in Europe is expected to increase further due to the full integration of the recently acquired Finnish Spectral Engines.

Sales by region (2017)



Source: Company

Experienced management

Maik Müller (CEO) has been appointed to the Executive Board of Nynomic AG in May 2015. He is responsible for Technology, Operations, and Research and Development. The graduate engineer (Dipl. Ingenieur) previously has been working in management positions for several years. In parallel, he was a member of the Executive Board of tec5 AG for many years, which today is a subsidiary of Nynomic. At that time, he contributed greatly to the establishment of the company. Maik Müller has many years of experience in management, especially in research and development as well as high-tech consulting. In 2018, he extended his contract prematurely until December 31, 2023.

Fabian Peters (CFO) has worked for the group since October 2013 and has been appointed to the Executive Board in 2015. The graduate tax consultant (Diplom-Finanzwirt) is responsible for Finance, Controlling, Organisation and Investor Relations. In parallel, he is Managing Director of m-u-t GmbH. Prior to joining the group, Fabian Peters was the CFO of the L&O group for many years, worked at Versatel AG in the field of finance and held several management positions in the insurance industry. In 2017, Fabian Peters’ contract was prematurely extended until December 31, 2022.

Shareholder structure

As a result of the last capital increase in February 2018, which was used to finance the acquisition of LayTec AG, the number of shares increased by 285,000 units. The share capital now amounts to EUR 5,070,000, divided into the same number of shares at a value of EUR 1.00 each. All the shares are bearer shares with voting rights. Roughly 25% of the share capital is held by members of the executive board and the supervisory board. The remaining shares are free float.

APPENDIX

P&L (in Euro m) Nynomic AG	2016	2017	2018	2019e	2020e	2021e
Sales	54.5	60.7	67.1	69.6	75.4	83.5
Increase / decrease in inventory	0.3	1.7	1.5	1.1	0.9	0.7
Own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	54.8	62.4	68.6	70.8	76.3	84.2
Material Expenses	25.2	27.1	28.3	29.5	31.5	34.2
Gross profit	29.6	35.3	40.3	41.2	44.8	50.0
Personnel expenses	16.2	17.8	21.2	23.4	24.9	27.1
Other operating expenses	6.8	8.6	8.7	9.1	9.8	10.9
Other operating income	1.3	1.3	1.7	1.7	1.8	2.0
EBITDA	7.9	10.2	12.0	10.5	11.9	14.1
Depreciation on fixed assets	0.5	0.5	0.5	0.5	0.5	0.6
EBITA	7.4	9.7	11.6	10.0	11.4	13.5
Amortisation of intangible assets	0.3	0.3	0.3	0.3	0.4	0.4
Impairment charges and Amortisation of goodwill	0.2	0.2	1.1	0.0	0.0	0.0
EBIT	6.8	9.1	10.1	9.6	11.0	13.0
Financial result	-0.3	-0.2	-0.4	-0.6	-0.6	-0.6
Result from ordinary operations	6.5	9.0	9.7	9.0	10.4	12.5
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
EBT	6.5	9.0	9.7	9.0	10.4	12.5
Taxes	1.7	2.9	2.8	2.9	3.2	3.7
Net Profit of continued operations	4.8	6.1	6.9	6.1	7.2	8.8
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	4.8	6.1	6.9	6.1	7.2	8.8
Minority interests	1.1	1.4	1.0	1.0	1.1	1.3
Net profit	3.7	4.6	5.9	5.0	6.1	7.5

Source: Company (reported results), Montega (forecast)

P&L (in % of Sales) Nynomic AG	2016	2017	2018	2019e	2020e	2021e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Increase / decrease in inventory	0.5%	2.7%	2.2%	1.6%	1.2%	0.8%
Own work capitalised	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.5%	102.8%	102.2%	101.6%	101.2%	100.8%
Material Expenses	46.2%	44.6%	42.2%	42.4%	41.8%	41.0%
Gross profit	54.3%	58.2%	60.0%	59.2%	59.4%	59.8%
Personnel expenses	29.7%	29.4%	31.6%	33.6%	33.0%	32.4%
Other operating expenses	12.5%	14.2%	13.0%	13.0%	13.0%	13.0%
Other operating income	2.4%	2.1%	2.5%	2.4%	2.4%	2.4%
EBITDA	14.5%	16.8%	17.9%	15.0%	15.8%	16.8%
Depreciation on fixed assets	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%
EBITA	13.6%	15.9%	17.2%	14.3%	15.1%	16.1%
Amortisation of intangible assets	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Impairment charges and Amortisation of goodwill	0.5%	0.4%	1.7%	0.0%	0.0%	0.0%
EBIT	12.6%	15.0%	15.0%	13.8%	14.6%	15.6%
Financial result	-0.6%	-0.3%	-0.5%	-0.9%	-0.8%	-0.7%
Result from ordinary operations	12.0%	14.7%	14.5%	12.9%	13.8%	14.9%
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	12.0%	14.7%	14.5%	12.9%	13.8%	14.9%
Taxes	3.2%	4.7%	4.2%	4.2%	4.3%	4.4%
Net Profit of continued operations	8.8%	10.0%	10.3%	8.7%	9.6%	10.5%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit before minorities	8.8%	10.0%	10.3%	8.7%	9.6%	10.5%
Minority interests	2.1%	2.4%	1.5%	1.5%	1.5%	1.5%
Net profit	6.7%	7.6%	8.8%	7.2%	8.1%	9.0%

Source: Company (reported results), Montega (forecast)

Balance sheet (in Euro m) Nynomic AG	2016	2017	2018	2019e	2020e	2021e
ASSETS						
Intangible assets	3.9	10.7	21.3	21.1	20.8	20.5
Property, plant & equipment	1.5	2.0	2.2	2.5	2.6	2.7
Financial assets	0.0	0.7	0.0	0.0	0.0	0.0
Fixed assets	5.4	13.4	23.6	23.6	23.5	23.3
Inventories	6.7	8.4	9.3	9.7	10.1	11.1
Accounts receivable	4.6	6.2	6.9	6.7	7.2	8.0
Liquid assets	10.6	19.6	22.9	27.0	31.7	37.2
Other assets	1.4	1.6	1.6	1.6	1.6	1.6
Current assets	23.3	35.8	40.7	44.9	50.6	57.8
Total assets	28.7	49.1	64.2	68.5	74.1	81.1
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	9.5	13.4	17.7	22.3	28.0	35.2
Minority Interest	4.1	3.3	3.3	3.3	3.3	3.3
Provisions	5.9	23.3	15.4	15.4	15.4	15.4
Financial liabilities	5.3	3.7	22.1	21.7	21.4	20.9
Accounts payable	1.8	2.4	2.7	2.8	3.0	3.3
Other liabilities	2.0	3.0	3.0	3.0	3.0	3.0
Liabilities	15.0	32.4	43.2	42.9	42.8	42.6
Total liabilities and shareholders' equity	28.7	49.1	64.2	68.5	74.1	81.1

Source: Company (reported results), Montega (forecast)

Balance sheet (in %) Nynomic AG	2016	2017	2018	2019e	2020e	2021e
ASSETS						
Intangible assets	13.6%	21.7%	33.2%	30.8%	28.1%	25.3%
Property, plant & equipment	5.2%	4.1%	3.5%	3.6%	3.6%	3.4%
Financial assets	0.1%	1.4%	0.0%	0.0%	0.0%	0.0%
Fixed assets	18.9%	27.2%	36.8%	34.4%	31.7%	28.7%
Inventories	23.5%	17.2%	14.5%	14.2%	13.6%	13.7%
Accounts receivable	15.9%	12.7%	10.7%	9.8%	9.7%	9.9%
Liquid assets	36.8%	39.8%	35.6%	39.4%	42.8%	45.8%
Other assets	4.9%	3.2%	2.4%	2.3%	2.1%	1.9%
Current assets	81.1%	72.9%	63.3%	65.6%	68.3%	71.3%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	33.2%	27.3%	27.5%	32.6%	37.8%	43.4%
Minority Interest	14.4%	6.8%	5.2%	4.9%	4.5%	4.1%
Provisions	20.5%	47.4%	23.9%	22.4%	20.7%	18.9%
Financial liabilities	18.6%	7.6%	34.5%	31.7%	28.9%	25.8%
Accounts payable	6.2%	4.9%	4.2%	4.1%	4.0%	4.1%
Other liabilities	7.0%	6.0%	4.6%	4.3%	4.0%	3.7%
Total Liabilities	52.4%	66.0%	67.2%	62.6%	57.7%	52.5%
Total Liabilities and Shareholders' Equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company (reported results), Montega (forecast)

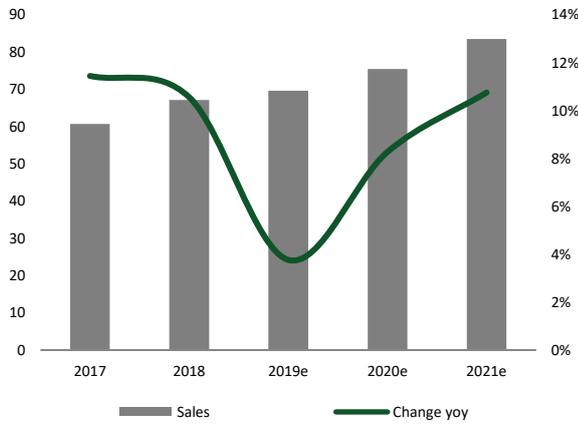
Statement of cash flows (in Euro m) Nynomic AG	2016	2017	2018	2019e	2020e	2021e
Net income	4.8	6.1	6.9	6.1	7.2	8.8
Depreciation of fixed assets	0.5	0.5	0.5	0.5	0.5	0.6
Amortisation of intangible assets	0.6	0.5	1.5	0.3	0.4	0.4
Increase/decrease in long-term provisions	0.4	2.1	-2.8	0.0	0.0	0.0
Other non-cash related payments	0.9	1.9	2.1	0.0	0.0	0.0
Cash flow	7.2	11.1	8.1	6.9	8.1	9.8
Increase / decrease in working capital	-1.0	-2.1	-1.3	-0.1	-0.7	-1.5
Cash flow from operating activities	6.1	9.0	6.9	6.8	7.4	8.3
CAPEX	-0.7	-0.7	-1.6	-0.8	-0.8	-0.8
Other	-1.1	0.0	-18.8	0.0	0.0	0.0
Cash flow from investing activities	-1.8	-0.6	-20.4	-0.8	-0.8	-0.8
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Change in financial liabilities	-0.8	-1.5	18.4	-0.4	-0.3	-0.5
Other	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Cash flow from financing activities	-2.3	-3.1	16.9	-1.9	-1.8	-2.0
Effects of exchange rate changes on cash	0.4	3.8	0.0	0.0	0.0	0.0
Change in liquid funds	2.0	5.3	3.3	4.1	4.8	5.4
Liquid assets at end of period	10.4	19.5	22.9	27.0	31.7	37.2

Source: Company (reported results), Montega (forecast)

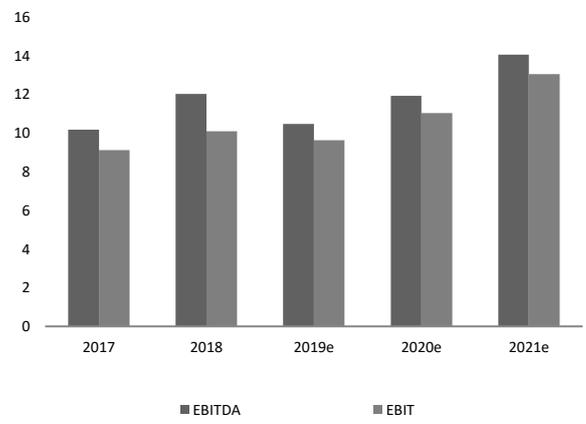
Key figures Nynomic AG	2016	2017	2018	2019e	2020e	2021e
Earnings margins						
Gross margin (%)	54.3%	58.2%	60.0%	59.2%	59.4%	59.8%
EBITDA margin (%)	14.5%	16.8%	17.9%	15.0%	15.8%	16.8%
EBIT margin (%)	12.6%	15.0%	15.0%	13.8%	14.6%	15.6%
EBT margin (%)	12.0%	14.7%	14.5%	12.9%	13.8%	14.9%
Net income margin (%)	8.8%	10.0%	10.3%	8.7%	9.6%	10.5%
Return on capital						
ROCE (%)	79.2%	76.5%	56.5%	47.3%	53.2%	60.2%
ROE (%)	33.5%	33.9%	35.3%	24.0%	23.7%	24.0%
ROA (%)	12.7%	9.4%	9.2%	7.4%	8.2%	9.3%
Solvency						
YE net debt (in EUR)	-5.2	-13.0	-0.8	-5.2	-10.3	-16.2
Net debt / EBITDA	-0.7	-1.3	-0.1	-0.5	-0.9	-1.2
Net gearing (Net debt/equity)	-0.4	-0.8	0.0	-0.2	-0.3	-0.4
Cash Flow						
Free cash flow (EUR m)	5.4	8.3	5.3	6.0	6.6	7.5
Capex / sales (%)	1.3%	1.1%	1.4%	1.1%	1.1%	1.0%
Working capital / sales (%)	18%	18%	19%	19%	19%	18%
Valuation						
EV/Sales	2.3	2.1	1.9	1.8	1.7	1.5
EV/EBITDA	16.1	12.5	10.6	12.2	10.7	9.1
EV/EBIT	18.6	13.9	12.6	13.2	11.5	9.8
EV/FCF	23.5	15.3	24.2	21.1	19.2	17.0
PE	29.5	23.1	19.1	22.6	18.7	15.1
P/B	11.9	8.5	6.4	5.1	4.1	3.2
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company (reported results), Montega (forecast)

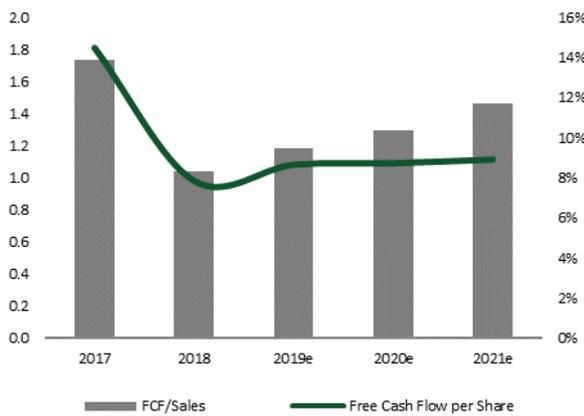
Sales development



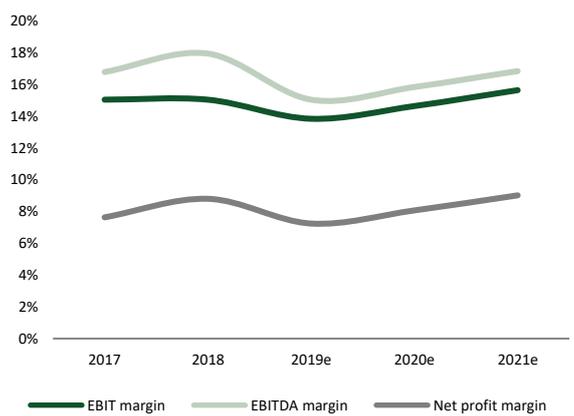
Earnings development



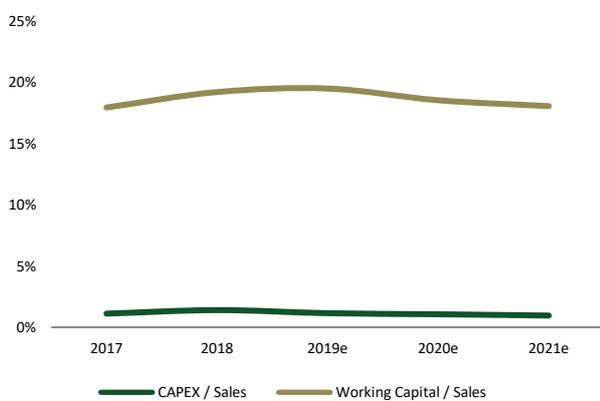
Free-Cash-Flow development



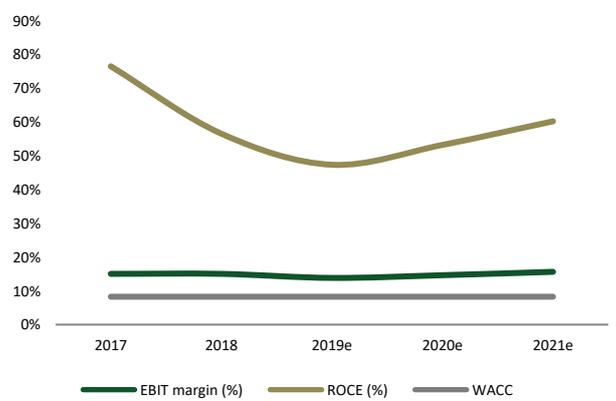
Margin development



Capex / Working Capital



EBIT-Yield / ROCE



Share price and recommendation history

Recommendation	Date	Price (EUR)	Price target (EUR)	Potential
Buy (Initiation)	01.04.2019	22.40	31.00	+38%