

Update

BUY

Target Price: 4.75 EUR

Industry: Technology
Country: Germany
WKN: 601100
Reuters: HWSG.DE
Website: www.hoeft-wessel.com

Curr. Price:	4.17
	High Low
Price 52 W.	4.80 3.28
Market Cap. (Mill. EUR)	35.43
No. of Shares (in Mill.)	8.50

Shareholders

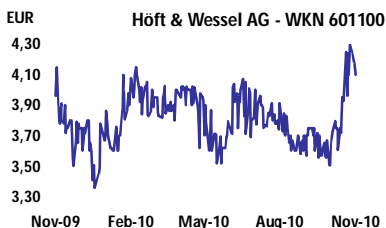
Freefloat	47.88%
H&W Holding GmbH	40.60%
Zollner Elektronik GmbH	10.49%
Rolf Wessel	0.58%
Michael Höft	0.43%
Manfred Zollner	0.02%

Performance

4 Weeks	14.25%
13 Weeks	7.47%
26 Weeks	10.03%
52 Weeks	5.30%
Curr. Year	10.32%

Dividend

	in EUR	in %
2008	0.00	0%
2009	0.08	37%
2010e	0.06	37%
2011e	0.13	37%



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Höft & Wessel AG

Weak Q3 does not threaten the goals for the full year

- Sales volume declined compared to the previous year period by 15 percent to 60.1mn Euro. The operative result turned out negative with -0.8mn compared to 2.3mn Euro as of 30 September 2009. As in Q2 however, valuation effects from currency hedging transactions relevant in the due date were responsible for this as well. The sales decline in Q3 can be traced back to delays in delivery.
- Delivery shortages for electronic components were responsible for Höft & Wessel having to postpone its deliveries from the third to the fourth quarter. Accordingly, respective sales were only realized in Q4. The final quarter is therefore expected to record a clear rise in sales so that Höft & Wessel will reach its forecast of a slight rise in sales on basis of the full year.
- The segment Metric could increase sales (+8%) and EBIT (+19%). For Almex both figures declined on basis of aforementioned delivery shortages (sales -25%, EBIT -32%). For Skeye the weak market environment was responsible for a decline by -17% in sales and in the operative result a decline by -1.3mn Euro to -3.3mn Euro.
- The operative cash-flow developed positive. It rose in the first nine months to a record high of 5.8mn Euro. New orders also increased (+15 percent to 66.3mn Euro) as well as existing orders (+8 percent to 80.7mn Euro).
- We expect that Höft & Wessel will achieve the goals for the full year with a strong Q4. Our target price continues to be at 4.75 Euro and we also maintain the recommendation to buy.

EUR m	2008	2009	2010E	2011E	2012E
Revenues	98.07	94.10	97.60	103.50	111.11
EBITDA	9.58	7.57	8.63	10.12	11.23
EBIT	-3.52	3.08	2.93	4.72	5.53
Net Income	-6.67	1.85	1.47	2.99	3.71
EPS	-0.79	0.22	0.17	0.35	0.44
BVPS	2.68	3.00	3.25	3.59	4.09
CFPS	0.18	0.70	0.86	0.92	0.96
RoE	-23.50 %	7.26 %	5.34 %	9.79 %	10.68 %
RoS	-6.80 %	1.97 %	1.51 %	2.89 %	3.34 %
EBIT margin	-3.59 %	3.27 %	3.00 %	4.56 %	4.98 %

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1 Company Profile

Höft & Wessel AG, established in 1978, offers centralized and de-centralized systems for recording and processing data. The company is structured in segments Almex (Ticketing), Skeye (Retail & Logistics) and Metric (Parking). The company's focus rests on service and the development of new products while production is outsourced to external experts. Höft & Wessel thus remains versatile and is able to implement large contracts successfully. In order to assure high quality, Höft & Wessel strictly monitors the outsourcing process, the bulk of which goes to manufacturers in Germany. The company has started to have products manufactured in the Far East, whereby costs are lowered and greater margins can be achieved. Supply of components as well as finishing in the Metric segment takes place at own sites. Research and development are Höft & Wessel's largest division with about 170 employees (equivalent of approximately one third of all staff). In conjunction with direct marketing products are developed to precisely fit customer wishes. The company invests about 10 percent of its sales revenues in research and development every year.

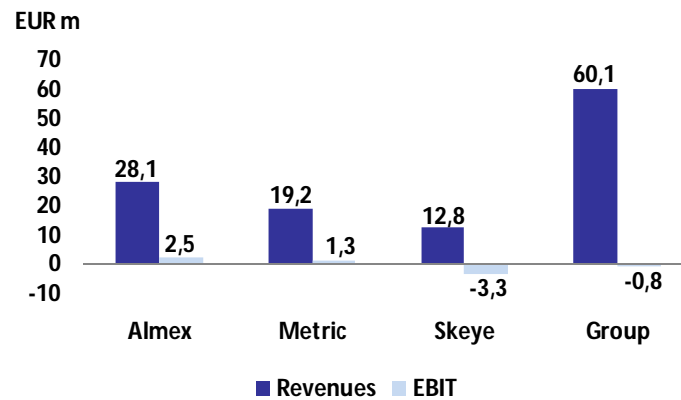
The company with head office in Hannover currently employs 503 staff.

2 Current Development

At first glance, the figures appear disappointing in the first nine months. Sales declined compared to the previous year period by 15 percent to 60.1mn Euro. The operative result turned out negative with -0.8mn Euro compared to 2.3mn as of 30 September 2009. As in Q2 however, valuation effects from currency hedging transactions relevant in the due date were responsible for this as well. The sales decline in Q3 can be traced back to delays in delivery. With the conclusion of the transactions, the effects will turn around and lead to higher results in Q4 as well as in 2011. The decline in sales in Q3 can be traced back to delays in delivery. Since inventories for electronic components had been reduced during the economic crisis and producers reduced their production in the same way, shortages in delivery arose upon stronger demand. Höft & Wessel were affected by this as well, so that deliveries had to be postponed from the third to the fourth quarter. Accordingly, respective sales will only be realized in Q4. The final quarter is therefore expected to record a clear increase in sales so that Höft & Wessel will reach its forecast of a slight increase in sales on basis of the full year.

In contrast to sales and EBIT, the operative cash-flow turned out very positive. It rose in the first nine months to a record high of 5.8mn Euro. Loans in the volume of 3.3mn could thereby be repaid and the dividend could be distributed. New orders also increased (+15 percent to 66.3mn Euro) as well as existing orders (+8 percent to 80.7mn Euro).

Revenue and EBIT in 9M 2010 by segment



Source: Company

Almex

With 28.1mn Euro in sales in the first nine months, Almex stays behind our expectations. Reason in the above described postponement of deliveries to the fourth quarter due to delivery shortages for electronic components. In Q4 therefore, a clear increase in sales is expected. After nine months, sales of Almex were lower by -25 percent than one year ago to date. Because of the decline in sales, the operative result for the segment was by -32 percent lower than the year before at 2.5mn Euro.

Well-known clients continue to be served with the segment Almex (among other various public railway corporations, Toll Collect). In the first nine months, new orders with a volume significantly above sales could be entered into the books, so that the forecast remains positive.

Metric

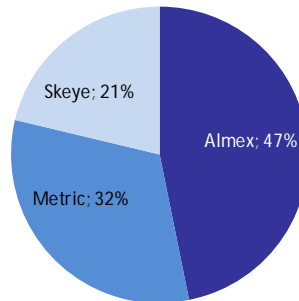
The segment Metric increased its sales in the first three quarters by 8 percent to 19.2mn Euro. Thereby the segment could continue its growth. The operative result also added on by 19 percent to 1.3mn Euro. The large contract in Philadelphia (delivery and installation of 1,000 parking meters) was completed. New contracts were obtained particularly in Great Britain and the USA. In this process, focus rests increasingly on innovative payment methods (contact-free payment with cards, payment by mobile phone).

Skeye

Although Skeye delivered mobile terminals and PDAs to large retail chains such as Rewe, Edeka, Netto and Lekkerland, the segment continues to suffer under the weak market environment and great competition in the sector. Thus, sales declined in the first nine months to 12.8mn Euro. This is equivalent of a decline of -17 percent compared to 2009. The operative result with -3.3mn Euro turned out clearly worse than in the previous year when the EBIT was -1.3mn. Cause for hope is that some of the large retail chains already assigned follow-up contracts to Skeye. From the expanded partner distribution network originate more orders as well and new distribution partners are acquired covering new regions such as the Middle East.

The sales contribution of the segments remains relatively stable for group sales revenues. The largest contribution continued to be provided by Almex with nearly 50 percent, before Metric with ca. 30 percent. Skeye contributes about 20 percent to sales revenues of the overall group.

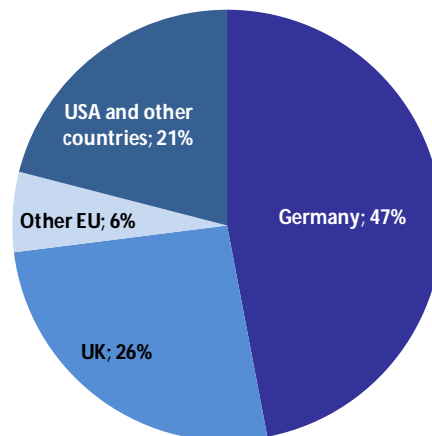
Revenue Allocation by Segment in 9M



Source: Company

In the regional distribution of sales little has changed. In the home market, Höft & Wessel achieves ca. 50 percent of sales. One quarter comes from Great Britain and about one fifth from the USA and other countries. Other EU countries represented merely 6% of sales.

Revenue Allocation by Region in 9M



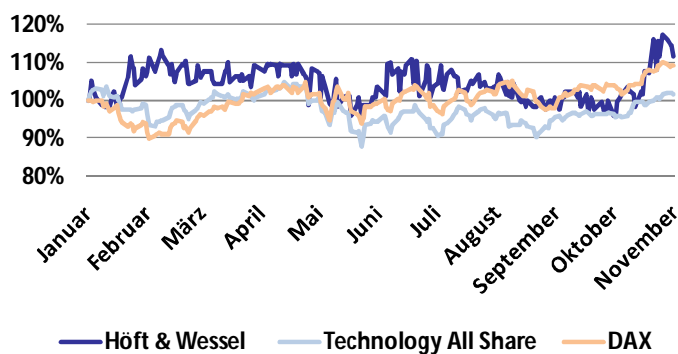
Source: Company

The figures in the third quarter were below our expectations. However, this concerned mostly just delays which will have positive effect in the fourth quarter. The goals of the company for the entire year remain as were. We presume that Höft & Wessel will reach the figures. Positive for investors is the project to position itself sustainably as dividend stock and to maintain the distribution of a dividend which was carried out this year for the first time. Growth is to especially stem from strengthened internationalization. Höft & Wessel not only operates expansion into new markets such as South Africa through the partner distribution network, but also through intensification of distribution in already accessed markets such as Eastern Europe or South America.

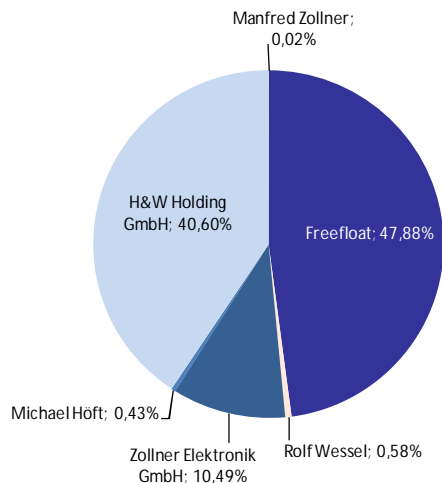
3 Stock

The stock of Höft & Wessel AG has showed better performance than DAX and the Technology All Share since the beginning of the year. Particularly in February and March it developed clearly positive, while both indexes remained below their values of the beginning of the year. The stock reached its annual peak in February with 4.15 Euro. After an intermediate low at the end of May, the price recovered again and was listed constantly above the value at the beginning of the year until September. In September and October, the price fell below the price of the beginning of the year and continued weaker than the DAX. At the end of October, the price jumped and rose to 4.30 Euro. Currently the stock is listed at 4.17 Euro and therefore has a plus of 14 percent. The Technology All Share Index on the other hand is on the level of January.

Stock Price Development 2010



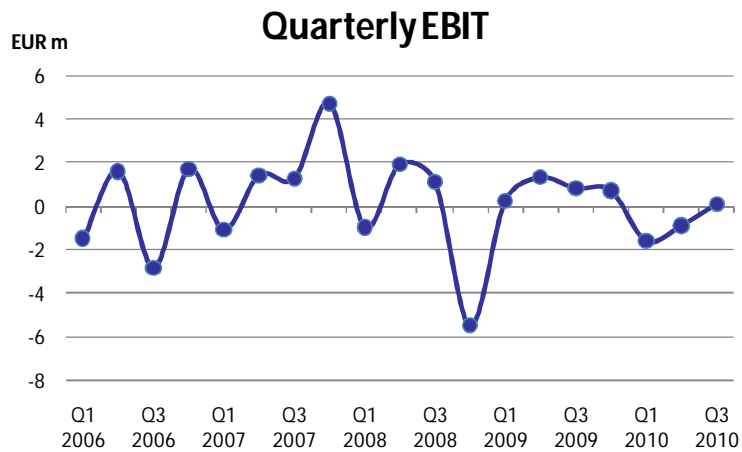
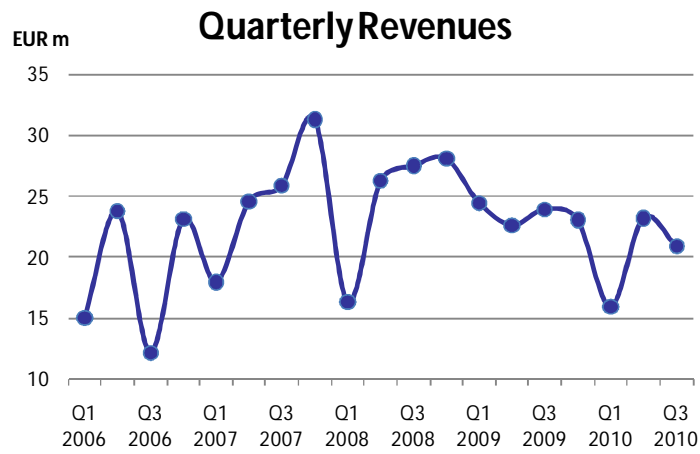
Shareholder Structure



Source: Company

The shareholder structure continues to remain constant. The free float stays unchanged at nearly 50 percent.

4 Quarterly Figures



Source: Company

5 Financials

5.1 Profit & Loss Statements

Profit & Loss - Höft & Wessel							
Numbers in EUR m	Fiscal Year						
	2007	2008	2009	2010E	2011E	2012E	2013E
<i>Sales revenues</i>	99.7	98.1	94.1	97.6	103.5	111.1	117.1
<i>Inventory changes relating to finished products and work-in-progress</i>	3.4	3.8	-2.7	1.5	0.9	1.1	1.2
<i>Other company-produced additions to plant and equipment</i>	4.8	4.5	3.5	4.1	4.2	3.7	4.2
<i>Other income</i>	1.5	2.1	1.9	2.0	2.0	1.5	1.8
<i>Cost of materials and services produced</i>	-58.9	-60.7	-52.1	-58.9	-61.2	-64.4	-69.9
Gross income	50.5	47.7	44.7	46.3	49.4	53.0	54.3
<i>Personnel expenses</i>	-25.8	-24.8	-24.0	-24.4	-25.9	-28.1	-29.6
<i>Depreciation and amortisation of property, plant and equipment and intangible assets</i>	-5.0	-13.1	-4.5	-5.7	-5.4	-5.7	-5.8
<i>Other expenses</i>	-13.4	-13.4	-13.1	-13.2	-13.4	-13.6	-13.8
Operating result (EBIT)	6.3	-3.5	3.1	2.9	4.7	5.5	5.2
<i>Income from investments</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Financial income</i>	0.0	0.1	0.0	0.0	0.0	0.0	0.0
<i>Financial expenses</i>	-1.5	-1.5	-1.0	-1.1	-1.0	-0.9	-0.8
Earnings before taxes (EBT)	4.8	-5.0	2.1	1.8	3.7	4.6	4.4
<i>Tax position</i>	-0.3	-1.7	-0.2	-0.4	-0.7	-0.9	-0.9
Group earnings	4.5	-6.7	1.9	1.5	3.0	3.7	3.5
<i>Earnings per share (basic) reported</i>	0.52	-0.79	0.22	0.17	0.35	0.44	0.41
<i>Earnings per share (diluted) reported</i>	0.51	-0.79	0.21	0.16	0.34	0.43	0.40
Profit & Loss (Year on Year)							
<i>Sales revenues</i>	34.7%	-1.6%	-4.1%	3.7%	6.0%	7.4%	5.3%
<i>Inventory changes relating to finished products and work-in-progress</i>	16.6%	11.5%	-172.1%	-155.2%	-43.3%	29.3%	4.6%
<i>Other company-produced additions to plant and equipment</i>	16.6%	-6.1%	-21.7%	16.6%	2.4%	-11.9%	13.5%
<i>Other income</i>	-40.0%	39.3%	-10.2%	4.0%	1.1%	-24.0%	20.6%
<i>Cost of materials and services produced</i>	44.3%	3.1%	-14.1%	13.0%	3.8%	5.4%	8.4%
Gross income	18.3%	-5.5%	-6.5%	3.6%	6.7%	7.3%	2.6%
<i>Personnel expenses</i>	0.5%	-4.1%	-3.1%	1.7%	6.0%	8.6%	5.3%
<i>Depreciation and amortisation of property, plant and equipment and intangible assets</i>	6.4%	162.0%	-65.7%	26.9%	-5.3%	5.6%	1.8%
<i>Other expenses</i>	0.0%	0.1%	-2.4%	1.0%	1.0%	2.0%	1.0%
Operating result (EBIT)	-688.8%	-155.9%	-187.4%	-4.8%	61.3%	17.1%	-6.8%
<i>Income from investments</i>							
<i>Financial income</i>			-74.0%	-10.0%	-10.0%	-10.0%	-10.0%
<i>Financial expenses</i>	74.4%	0.0%	-32.8%	9.1%	-9.1%	-10.0%	-11.1%
Earnings before taxes (EBT)	-348.7%	-203.5%	-141.9%	-11.5%	102.9%	24.3%	-6.0%
<i>Tax position</i>	-46.4%	466.7%	-86.6%	62.2%	102.9%	24.3%	-6.0%
Group earnings	-280.7%	-248.2%	-127.8%	-20.6%	102.9%	24.3%	-6.0%
Profit & Loss (% of Revenues)							
<i>Sales revenues</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Inventory changes relating to finished products and work-in-progress</i>	3.4%	3.8%	-2.9%	1.5%	0.8%	1.0%	1.0%
<i>Other company-produced additions to plant and equipment</i>	4.8%	4.6%	3.7%	4.2%	4.1%	3.3%	3.6%
<i>Other income</i>	1.5%	2.1%	2.0%	2.0%	1.9%	1.3%	1.5%
<i>Cost of materials and services produced</i>	-59.0%	-61.9%	-55.4%	-60.3%	-59.1%	-58.0%	-59.7%
Gross income	50.7%	48.7%	47.5%	47.4%	47.7%	47.7%	46.4%
<i>Personnel expenses</i>	-25.9%	-25.2%	-25.5%	-25.0%	-25.0%	-25.3%	-25.3%
<i>Depreciation and amortisation of property, plant and equipment and intangible assets</i>	-5.0%	-13.4%	-4.8%	-5.8%	-5.2%	-5.1%	-5.0%
<i>Other expenses</i>	-13.4%	-13.7%	-13.9%	-13.5%	-12.9%	-12.3%	-11.8%
Operating result (EBIT)	6.3%	-3.6%	3.3%	3.0%	4.6%	5.0%	4.4%
<i>Income from investments</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Financial income</i>	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Financial expenses</i>	-1.5%	-1.5%	-1.1%	-1.1%	-1.0%	-0.8%	-0.7%
Earnings before taxes (EBT)	4.8%	-5.1%	2.2%	1.9%	3.6%	4.2%	3.7%
<i>Tax position</i>	-0.3%	-1.7%	-0.2%	-0.4%	-0.7%	-0.8%	-0.7%
Group earnings	4.5%	-6.8%	2.0%	1.5%	2.9%	3.3%	3.0%

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5.2 Balance Sheet

Balance Sheet - Höft & Wessel							
Numbers in EUR m	Fiscal Year						
	2007	2008	2009	2010E	2011E	2012E	2013E
Assets							
<i>Current assets</i>							
Inventories	23.7	26.9	26.1	24.0	23.8	24.0	24.4
Trade receivables	16.8	12.4	17.2	18.0	19.0	20.2	21.6
Cash and cash equivalents	1.4	0.7	2.7	3.5	4.6	3.7	1.7
Other assets	3.1	4.5	6.0	6.3	6.7	7.1	7.1
Total current assets	45.0	44.5	51.9	51.8	54.0	55.0	54.8
<i>Non-current assets</i>							
Intangible assets	19.6	10.1	11.0	10.4	10.8	10.6	11.7
Tangible assets	3.9	3.5	3.5	3.1	3.5	3.7	5.2
Deferred tax assets	5.8	4.2	3.8	3.5	3.5	3.2	3.1
Total non-current assets	29.3	17.8	18.3	17.0	17.8	17.5	20.0
Total assets	74.3	62.3	70.3	68.8	71.9	72.5	74.9
<i>Equity</i>							
Subscribed capital	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Capital reserves	19.8	20.0	20.1	20.1	20.1	20.1	20.1
Accumulated retained earnings	7.7	0.9	2.8	4.2	7.2	10.9	14.4
Other equity	-1.3	-6.6	-5.9	-5.2	-5.3	-4.8	-4.2
Total equity	34.7	22.8	25.5	27.6	30.5	34.8	38.8
<i>Non-current liabilities</i>							
Staff related provisions	0.6	0.4	0.7	0.8	0.9	0.9	0.8
Financial leasing liabilities	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Financial liabilities to banks	0.1	0.5	3.6	3.4	3.0	2.2	0.9
Deferred tax liabilities	2.7	3.2	2.7	2.9	2.7	2.0	1.0
Total non-current liabilities	3.7	4.1	6.9	7.1	6.7	5.1	2.7
<i>Current liabilities</i>							
Provisions	2.2	2.3	2.2	2.1	2.2	2.1	2.0
Current income tax liabilities	1.0	0.6	0.6	1.0	0.7	0.7	0.7
Financial leasing liabilities	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Financial liabilities to banks	6.1	12.4	13.0	10.3	10.7	8.9	9.3
Financial liabilities to other lenders	3.6	2.4	0.0	0.0	0.0	0.0	0.0
Trade payables	14.0	9.0	8.4	8.1	8.9	8.8	8.3
Advance payments received	4.1	5.4	9.0	8.2	8.2	8.5	8.8
Personnel-related accrued/deferred liabilities	1.0	0.8	0.9	0.9	0.8	0.9	1.6
Other liabilities	3.7	2.3	3.7	3.3	3.0	2.6	2.5
Total current liabilities	35.9	35.4	37.8	34.1	34.7	32.7	33.3
Total equity and liabilities	74.3	62.3	70.3	68.8	71.9	72.5	74.9

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5.3 Cash Flow Statement

Cash Flow Statement - Höft & Wessel							
Numbers in EUR m	Fiscal Year						
	2007	2008	2009	2010E	2011E	2012E	2013E
EBIT	6.2	-3.5	3.1	2.9	4.7	5.5	5.2
Expenses/income with no impact on payments	0.1	0.2	0.1	0.1	0.2	0.1	0.2
Expenses/gains from income taxes	-0.5	-1.7	-0.2	-0.8	-0.9	-0.7	-0.8
Interest income	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Interest expenses	-1.5	-1.5	-1.0	-1.1	-1.0	-0.9	-0.8
Disbursements/deposits for income tax	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation of fixed assets	5.0	13.1	4.5	5.7	5.4	5.7	5.8
Increase/decrease in provisions	-0.6	-0.1	0.2	0.0	0.2	-0.1	-0.2
Profit/loss from retirement of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in deferred tax assets capitalised	0.0	1.8	0.4	0.3	0.3	0.3	0.3
Increase/decrease in deferred tax liabilities charged	0.0	0.4	-0.5	0.1	0.0	0.1	0.0
Increase/decrease in inventories	-2.5	-4.0	0.8	2.1	0.2	-0.2	-0.4
Increase/decrease in trade receivables	0.7	5.6	-4.3	-0.8	-1.0	-1.2	-1.4
Increase/decrease in other assets	0.1	-1.4	-1.5	-0.3	-0.4	-0.4	0.0
Increase/decrease in current income tax liabilities	0.1	-0.4	0.0	0.4	-0.3	0.0	0.0
Increase/decrease in trade payables	2.6	-6.2	-0.5	-0.3	0.8	-0.1	-0.6
Increase/decrease in down payments	2.8	1.2	3.7	-0.8	0.0	0.3	0.3
Increase/decrease in other liabilities	-0.6	-2.0	1.3	-0.4	-0.3	-0.4	-0.1
Cashflow from current operating activities	12.2	1.5	5.9	7.3	7.9	8.1	7.5
Disbursements for investments in property, plant and equipment	-1.4	-1.5	-1.3	-1.0	-1.3	-1.3	-1.4
Deposits from retirement of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursements for investments in intangible assets	-5.3	-5.2	-3.8	-3.9	-4.3	-4.4	-4.6
Cash flow from investing activities	-6.7	-6.8	-5.0	-4.9	-5.6	-5.7	-5.9
Disbursement for finance leasing	-0.1	-0.3	-0.1	-0.2	-0.2	-0.1	-0.2
Disbursement from dividend payouts	0.0	0.0	0.0	-0.7	-0.5	-1.0	-1.2
Deposits from taking out financial credit facilities	0.0	5.0	3.0	2.0	1.0	0.0	0.0
Disbursements from repaying financial credit facilities	-6.4	0.0	-1.9	-2.7	-1.5	-2.1	-2.1
Cash flow from financing activities	-6.4	4.7	1.0	-1.6	-1.2	-3.2	-3.5
Increase/decrease in liquid funds	-0.9	-0.6	1.9	0.9	1.1	-0.8	-2.0
Cash and cash equivalents at the beginning of the period	2.3	1.4	0.7	2.7	3.5	4.6	3.7
Changes from changes in the basis of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in exchange-rate compensation item	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the end of the period	1.4	0.7	2.7	3.5	4.6	3.7	1.7

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6 Valuation

6.1 DCF-Model

In order to determine the fair value, we established a three-stage discounted cash flow model and used market data for the peer group companies. All data are based on the consolidated financial statements.

Through discounting the operative free cash flows to the valuation date we accommodated the during the period valuation date. As the valuation date we chose November 1, 2010. As far as non operating assets are concerned, their value was derived separately and added to the present value of the payouts.

Tying in with this, the phase of terminal value follows, for which we calculated with a growth rate of 3% p.a.

/ Discounted Cash Flow-Model (Basis 11/2010)

(EUR m)	<i>Phase 1</i>					
	2010e	2011e	2012e	2013e	2014e	2015e
Revenues	97.6	103.5	111.1	117.1	120.6	124.2
Rate of change	-	6%	7%	5%	3%	3%
EBIT	2.9	4.7	5.5	5.2	5.3	5.4
Rate of change	-	61%	17%	-7%	2%	2%
Margin	3.0%	4.6%	5.0%	4.4%	4.4%	4.3%
Interest and Shareholding Income	-1.1	-1.0	-0.9	-0.8	-1.0	-0.9
EBT	1.8	3.7	4.6	4.4	4.3	5.2
Operational tax expenses	-0.4	-0.7	-0.9	-0.9	-1.4	-1.7
Effective Tax Rate (ex. Interest Income)	20.1%	20.1%	20.0%	20.0%	32.5%	32.5%
Depreciation and Amortization	5.7	5.4	5.7	5.8	6.4	6.4
Depreciation Ratio (%Revenues)	5.8%	5.2%	5.1%	5.0%	5.3%	5.2%
Changes in long-term provisions	0.0	0.0	0.0	0.3	0.3	0.3
Proportion of Revenues	-	-	-	0.3%	0.2%	0.2%
Cash Flow -Business needs (change WC)	0.3	-0.5	-1.3	-2.1	-0.6	-0.5
Working-Capital-Ratio (%Revenues)	0.3%	-0.5%	-12%	-18%	-0.5%	-0.4%
Investments into fixed assets	-4.9	-5.6	-5.7	-5.9	-5.6	-5.9
Investments ratio (%Revenues)	-5.0%	-5.4%	-5.2%	-5.1%	-4.7%	-4.7%
Other	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash-Flow	2.6	2.3	2.4	1.5	3.3	3.9

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6.2 WACC

The discount rate was calculated by deriving the weighted cost of capital. We assume that the target capital structure will not change in the subsequent business years.

WACC Assumptions

Growth Propositions

Long-Term growth rate / Inflation	3.0%
Assimilation Phase (from 2015)	5 years
Revenue growth in the beginning	1.0%
Margin development (p.a.)	+1 BP

Equity Cost

Long-Term risk-free rate	3.8%
Market Risk Premium	5.0%
Beta of the Company / Approximation	1.34

Equity Cost 10.5%

Debt Cost

Debt Cost (before tax)	7.0%
Tax rate on Debt interest	30.0%

Debt Cost (after tax) 4.9%

Equity Value	34
Market Value of net debt	45
Gearing (Market Values)	131.6%

WACC 7.32%

Adjustments for debt to current interest were not made. Risk free profitability is based on the average profitability of the 30-year bond.

Figuring a risk prime follows the capital asset pricing model (CAPM) and covers in particular the systemic risks (market risk prime esp. company specific risk). The beta value we used to identify the company specific risk is based on the performance of the reference index DAX.

6.3 Fair Value – Sensitivities

Our derived fair value per share amounts to EUR 4.75. This implies an upside potential of 14 % to the current share price (EUR 4.17). The modification of the action parameter in terminal value is shown below in the sensitivity analysis. It shows variance in our derived fair value in variant scenarios.

Sensitivity analysis		Fair value per share				
(EUR)		Discount rate				
$\beta = 1.34$		6.82%	7.07%	7.32%	7.57%	7.82%
Growth	2.0%	4.72	4.41	4.13	3.87	3.64
	2.5%	5.09	4.73	4.41	4.12	3.86
	3.0%	5.56	5.13	4.75	4.42	4.12
	3.5%	6.16	5.64	5.19	4.79	4.44
	4.0%	6.98	6.32	5.75	5.27	4.84

Sensitivity analysis		Market capitalization				
(EUR m)		Discount rate				
$\beta = 1.34$		6.82%	7.07%	7.32%	7.57%	7.82%
Growth	2.0%	40.11	37.47	35.09	32.88	30.93
	2.5%	43.22	40.19	37.47	35.01	32.80
	3.0%	47.21	43.56	40.39	37.56	35.01
	3.5%	52.34	47.94	44.07	40.70	37.73
	4.0%	59.31	53.74	48.89	44.74	41.15

6.4 Peer Group Analysis

The rating for Höft & Wessel derived from our DCF model was subjected to a plausibility test by means of a peer group analysis. We preferably selected companies for this, which are specialized in data recording or manufacture of cash registers/scanner systems for retail. Multiples approaches are based on a comparative view, in that suitable multiples are adopted for the company to be rated from capital market data and financial reporting of stock exchange listed comparative companies.

Initial data from comparative companies (indicated in the respective country currency) originate from information service provider Reuters.

Multiples - Peer Group								
Peer Group	EV/EBITDA		EV/EBIT		P/E		EBIT-Margin	P/B Ratio
	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2010E
Clarity Commerce Solutions plc	5.6	4.0	7.0	4.1	0.1	0.1	8.6%	1.5
Cognex Corporation	11.5	10.8	14.0	12.7	20.5	19.4	25.1%	2.9
DATALOGIC SpA	7.7	7.0	10.5	9.3	15.7	14.1	9.7%	2.5
init innovation in traffic systems AG	7.7	7.0	9.0	8.0	12.8	12.0	19.8%	3.8
Intermec Inc.	21.7	9.1	577.8	13.7	622.5	28.3	0.1%	1.6
Metrologic Group SA	7.1	6.5	7.3	6.7	17.3	16.0	41.8%	2.2
Microvision, Inc.	neg.	neg.	neg.	neg.	neg.	neg.	-640.5%	3.6
NCR Corporation	6.9	6.2	10.0	9.1	10.0	8.9	4.2%	4.2
Psion plc	8.3	5.9	13.1	8.9	0.2	0.2	4.0%	0.7
Zebra Technologies Corp.	11.6	10.5	14.5	12.8	22.7	20.2	14.6%	3.2
Median	7.7	7.0	10.5	9.1	15.7	14.1	9.1%	2.7
Höft & Wessel AG	5.0	4.6	13.1	9.8	18.1	11.9	3.0%	1.4
Discount (-)/Premium (+)	-35.35	-34.25	24.84	7.16	15.24	-15.61		-49.0
Valuation Range	3.13 EUR to 6.21 EUR							

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