

## Update

## Buy

Target Price: EUR 21.28

## Overview

Industry:	IT Services & Software
Country:	Germany
Reuters:	PSAGn.DE
WKN	A0Z1JH
Website:	psi.de

Current Price:	17.21
	High Low
Price 52W.:	23.05 12.11
Market Cap. (Mill. EUR)	270.2
No. Of Shares (in Mill.)	15.7

## Shareholders

Free Float	56.82%
RWE Rheinwestfalen Netz A	17.77%
Employee Consortium	9.35%
Harvinder Singh	8.10%
Allianz Global Investors	5.05%
DWS Investment GmbH	2.92%

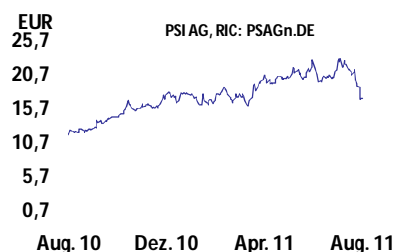
## Performance

4 Weeks	-23.8%
13 Weeks	-14.3%
26 Weeks	1.1%
52 Weeks	42.1%
YTD	-3.6%

## Dividende

	EUR/Aktie	in %
2009	0.20	48%
2010	0.20	45%
2011E	0.10	45%
2012E	0.13	45%
2013E	0.16	45%

## 52-Week Chart



## Analyst Coverage

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## PSI AG

## Q2 Result Provides Buying Opportunity

- Results for the second quarter 2011 came in at the lower end of consensus expectations. Orders are at the highest level ever, with order intake growing an additional 4% marking it the second highest half-year increase of the last years. However revenues declined by 1% compared to the second quarter of the previous year with EBIT decreasing 10%. Net income got hit by a large increase in tax provisions.
- Sales in the energy segment increased strongly by 6% in Q2 compared to twelve months ago, while margins decreased due to increased product development costs. In the segment production management external generated revenues fell by 1% while costs declined even stronger leading to an overall improvement in total revenue margins on a quarterly year to year performance. Sales in the infrastructure management segment decreased by 37% on a half year basis. However the comparison in this segment to the prior year figures is distorted by the sale of the telecommunications unit.
- The competitive landscape of the company, especially with respect to smart grid development, has become more combative. Large hardware players have acquired direct software competitors of PSI. Lately software developers acknowledged their interest in enlarging their products related to network processing. However we view PSI in a strong and stable competitive position.
- PSI is a leader in its core segments, operating in market with high barriers of entry and strong growth. The company has a scalable business model and is in midst of a global expansion phase. The introduced uniform product platform will lead to increases in efficiency in the future. Increasing software sales and lower costs should lead to rising margins next year. The liquidity position of the company suits well for inorganic expansion.
- Although quarterly results are disappointing, we see the company operationally on track. The company restated its year-end EBIT goals to reach the lower end of a previous €13 to €15 million range. We are confident that PSI will reach all of its 2011 goals. Concerning orders, visibility is 9 months, and the goal of reaching €185m of orders was lately confirmed. Revenues and profits traditionally experience their strong quarter at the end of the year, accounting for more than 40% of the total year in the 4th quarter. We adjust our target price in accordance with the lower EBIT guidance to €21.28 per share. We view the current share price as a good opportunity to profit from the future smart grid dynamic, which we expect to jump-off in 2012, and raise our rating giving the current upside potential to a "Buy" recommendation.

## Key Data

EUR m	2007	2008	2009	2010	2011e	2012e
Revenues	126.37	131.3	150.58	165.34	184.88	202.72
EBITDA	7.19	8.87	11.45	13.94	16.95	20.48
EBIT	4.07	6.23	7.82	9.51	13.49	16.81
Net Income	1.87	4.14	6.6	7.05	3.51	4.46
EPS	0.15	0.34	0.42	0.45	0.22	0.28
BVPS	2.44	2.71	3.93	4.30	4.36	4.55
CFPS	0.01	1.33	0.61	0.92	1.35	1.36
RoA	3%	4%	5%	4%	2%	2%
RoE	9%	13%	11%	10%	5%	6%
EBIT margin	3%	5%	5%	6%	8%	9%

## Inhalt

<b>1. Recent Development .....</b>	<b>3</b>
<b>2. Investment Case.....</b>	<b>5</b>
<b>3. Stock and Shareholder Structure.....</b>	<b>6</b>
<b>4. Conclusion .....</b>	<b>6</b>
<b>5. Financials .....</b>	<b>7</b>
<b>6. Valuation .....</b>	<b>10</b>

## 1. Recent Development

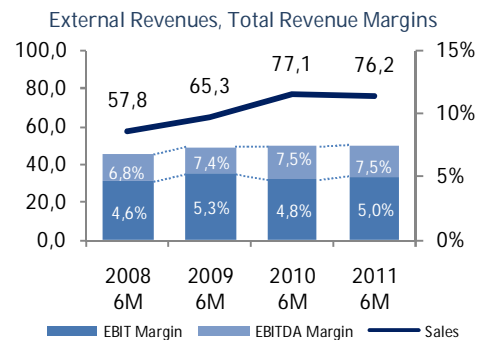
### Group

Quarterly Results - Group  
Absolute Numbers in m Euros

Group	2008 HY	2009 HY	2010 HY	2011 HY
Sales	57.75	65.28	77.06	76.22
EBITDA	3.93	4.82	5.75	5.71
EBIT	2.68	3.46	3.68	3.84
EBT	2.17	2.81	2.84	3.00
EPS	0.08	0.10	0.07	0.12

Source: Company

Half Year Results- Group



Source: Company

Results for the second quarter 2011 came in at the lower end of consensus expectations. Orders are at the highest level ever, with order intake growing an additional 4% marking it the second highest half-year increase of the last years. However revenues declined by 1% compared to the second quarter of the previous year with EBIT decreasing 10%. Keep in mind that comparisons to pre 2011 figures are affected by the sale of the profitable telecommunications unit at end of 2010. Cost of revenues came in directly opposed to revenue increasing about 5.4%. In the energy and production segment the share of service costs on total costs of revenues increased significantly. This, together with the company statement of increasing license revenues is a sign of rising software development and sales which should lead to improved margins in the near term. Labor costs per employee are at the lowest level since years as a consequence of the company's near-shoring strategy, but also the deferring of board compensation until the fourth quarter. Net income experienced a severe drop due to a higher tax provision charge.

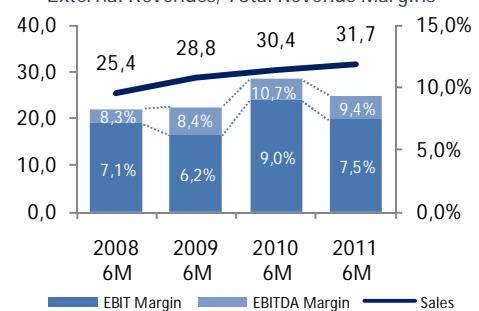
### Segment Energy Management

Quarterly Results –Energy Segment  
Absolute Numbers in m Euros

Segment Energy Management	2008 Q2	2009 Q2	2010 Q2	2011 Q2
Sales	13.29	15.13	14.82	15.78
EBITDA	1.12	1.39	1.94	1.67
EBIT	1.12	1.04	1.65	1.33
EBT	0.96	0.85	1.47	1.15

Source: Company

Half Year Results –Energy Segment



Source: Company

The **energy management segment** provides the second largest share of annual group sales at 41%, but is the largest contributor to annual group profit. Sales in the energy segment increased strongly by 6% in Q2 compared to twelve months ago, while margins decreased due to increased product development costs. Compared to the other sectors labor costs increased the strongest suggesting that the gross of the 41 people hired in the last three month at the group level were added in this segment.

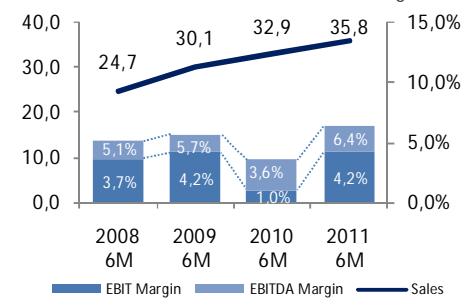
## Production Management Segment

Quarterly Results - Production Segment  
Absolute Numbers in m Euros

Segment Production Management				
	2008 Q2	2009 Q2	2010 Q2	2011 Q2
Sales	13.13	15.59	17.45	17.28
EBITDA	0.84	0.98	0.63	1.32
EBIT	0.63	0.72	0.21	0.89
EBT	0.56	0.61	0.03	0.71

Source: Company

Half Year Results –Production Segment  
External Revenues, Total Revenue Margins



Source: Company

The **segment of production management** provides the largest share of group sales at 42%. External generated revenues fell by 1% while costs declined even stronger leading to an overall improvement in total revenue margins on a quarterly year to year performance. A large scale contract connected with the installment of a PSI warehouse management system could be extended for an additional feature.

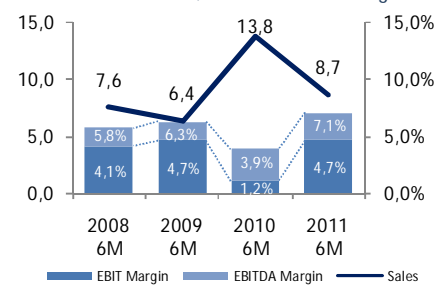
## Infrastructure Management Segment

Quarterly Results - Infrastructure Segment  
Absolute Numbers in m Euros

Segment Infrastructure Management				
	2008 Q2	2009 Q2	2010 Q2	2011 Q2
Sales	3.95	3.97	7.66	4.38
EBITDA	0.15	0.16	0.58	0.33
EBIT	0.07	0.08	0.26	0.24
EBT	0.07	0.03	0.16	0.19

Source: Company

Half Year Results –Infrastructure Segment  
External Revenues, Total Revenue Margins



Source: Company

In the **infrastructure management segment** sales decreased by 37% on a six month basis. As costs on every level decreased even stronger, margins improved. However the comparison in this segment to prior year figures is distorted by the sale of the telecommunications unit. Large scale follow up contracts, such as the PSI Incontrol delivery of a communication system for the Kuala Lumpur Monorail fleet, could be signed in the current quarter leading to revenues within the next couple of months.

## Overall Market Development

The competitive landscape of the company, especially with respect to smart grid development, has become more combative. Large hardware players have acquired direct software competitors of PSI. However it seems that the aim of the movers is to equip their hardware portfolio with necessary feature rather than blow the whistle a large software development. Lately software developer acknowledged their interest in enlarging their products related to network processing. In the near term the thread from this direction should be manageable as these companies lacks highly specialized employees such as electrical engineers. We do not see it as likely that PSI will be taken over due to its current valuation and shareholder structure. PSI itself is considering a medium sized acquisition in the near term. A positive operative cash flow added to the liquidity position at the end of the second quarter amounting to €26.1 million. The management stated that it expects to pay for acquisition mainly out of its own pockets abstaining from debt and increasing equity capital by no more than 3-5% in 2012.

## 2. Investment Case

### Strong Market Position

We view PSI's competitive position as very strong and stable. PSI enjoys a first mover advantage in many of its product areas. It is the leader in volume in many of its markets and its software products carry unique features making it a quality leader in further market niches where it endeavors the position as volume leader. We view its success as the result of the company's focus on its core competency in network control systems and experience in this area, the ability to spot market trends and innovate having a highly specialized workforce and last but not least the company's pilot project development approach.

### Dynamic Growth Potential

All company segments envision organic and inorganic growth. In the energy segment the development of a smart grid in Germany's medium-high-voltage system should trigger orders as soon as utility providers face a stable regulatory environment and concluded their infrastructure plans which we currently expect to be the case next year. Adding to this dynamic with a lag, the development of a smart layer in the low-high-voltage system is expected with the timing depending on the growth of renewable energy production among households and firms. Germany is a forth comer with the development its electricity network due to high costs and the trend in renewable energies which both should be enforced by the recent decision to exit nuclear energy. As a first-mover and current market leader PSI will be able to export its products in the long-term if other countries follow Germany's approach. However the scale effects from exports will be bounded by the fact that foreign networks are very different and considerable software adjustments are expected to be necessary. In the developing markets smart grid products will not be able to include a forecast related software component due to lack of data, diminishing the efficiency and therefore attractiveness of a smart grid establishment.

As the leading software developer in the steel market worldwide the production management segment faces further growth potential through the in 2010 developed mining control system. Already customers from China have acknowledged interest in the product. A further strong sales channel for the product to existing steel customers could develop if the trend of vertical integration by steel companies facing fluctuating input prices continues.

The segment of infrastructure not only produces stable revenue streams through a large share of government related contracts, but also growth potential due increased need of traffic management systems in the increasing metropolitan areas around the world.

### Business Risk

Overall PSI's customers are from very cyclical sectors. The exposure to business cycle risk is somewhat diminished by the fact that the company delivers products mainly related to efficiency and cost cutting gains. The company works on increasing its share of large rollout contracts enabling it to receive large upfront payments and a larger share of maintenance revenue resulting in a more stable the revenue stream and higher cash flow.

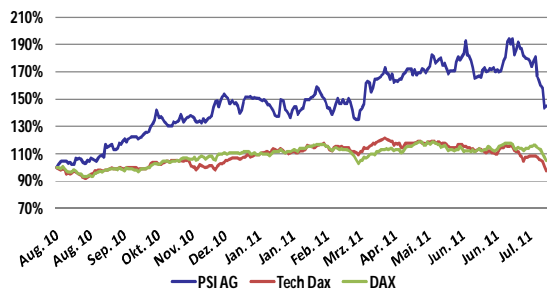
### Margin Improvement Expected

We expect margins to increase as software related revenues are expected to increase, especially due to the high growth in the energy segment. The effect will be enforce though a lowering of costs through the lower product development costs and costs of finishing the product platform and related gains in efficiency. Labor costs are expected to decrease as the production of standardized product features will be moved to Eastern

European markets where mathematically skilled labor force is available. We view the near-shoring together with the newly developed product platform as strategically important factors. They free capacity of the highly specialized inland workforce such as electrical engineers with software skills which can so forth focus on innovations. This lessens the dependence on the tight software engineering labor market.

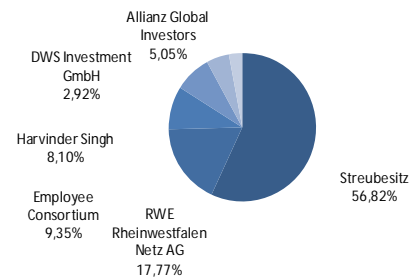
### 3. Stock and Shareholder Structure

Stock Price Development



Source: Reuters, Own Calculations

Shareholder Structure



Source: Company

### 4. Conclusion

Although quarterly results are disappointing, we view the company operationally on track. The company restated its year-end EBIT goals to reach the lower end of a previous €13 to €15 million range. We are confident that PSI will reach all of its 2011 goals. Concerning orders, visibility is 9 month, and the goal of reaching €185 m of orders was lately confirmed. Revenue and profits traditionally experience their strong quarter at the end of the year, accounting for more than 40% of the total year in the 4th quarter. We adjust our target price in accordance with the lower EBIT guidance to €1.28 per share. Recently institutional investors sold large shares of their holdings, reflected also by a change in the shareholder structure in the current quarter. We see the current share price as a good opportunity to profit from the future smart grid dynamic, which we expect to jump-off in 2012, and raise our rating giving the current upside potential to a “Buy” recommendation.

## 5. Financials

### 5.1. Profit & Loss Statements

Profit & Loss Statement						
Figures in mio. €	Fiscal Year					
	2007	2008	2009	2010	2011e	2012e
<b>Revenues</b>	<b>123.2</b>	<b>128.9</b>	<b>147.0</b>	<b>158.7</b>	<b>173.2</b>	<b>189.9</b>
Other Operating Income	3.2	2.5	3.6	6.7	11.6	12.8
Cost of Revenues	25.7	22.2	28.4	26.2	29.2	31.8
<b>Gross income</b>	<b>97.5</b>	<b>106.7</b>	<b>118.6</b>	<b>132.5</b>	<b>155.7</b>	<b>170.9</b>
Personnel expenses	71.8	75.3	83.6	94.2	107.3	117.7
Depreciation and amortization	3.1	2.6	3.6	4.4	3.2	3.4
Other operating expenses	21.7	24.9	27.1	31.0	37.0	41.6
<b>Operating Result</b>	<b>4.1</b>	<b>6.2</b>	<b>7.8</b>	<b>9.5</b>	<b>13.5</b>	<b>16.8</b>
Financial profit / loss	-1.1	-1.0	-0.9	-1.6	-1.8	-2.0
<b>Earnings before taxes</b>	<b>2.9</b>	<b>5.3</b>	<b>7.0</b>	<b>7.9</b>	<b>11.7</b>	<b>14.9</b>
Taxes on income	1.1	1.1	0.3	0.8	3.5	4.5
<b>Consolidated net profit</b>	<b>1.9</b>	<b>4.1</b>	<b>6.6</b>	<b>7.1</b>	<b>3.5</b>	<b>4.5</b>
<b>Shares outstanding (million)</b>	<b>12.10</b>	<b>12.10</b>	<b>15.70</b>	<b>15.70</b>	<b>15.70</b>	<b>15.70</b>
<b>Earnings per share</b>	<b>0.20</b>	<b>0.30</b>	<b>0.40</b>	<b>0.40</b>	<b>0.20</b>	<b>0.30</b>
<b>Profit &amp; Loss (Year on Year)</b>						
<b>Revenues</b>	<b>5%</b>	<b>5%</b>	<b>14%</b>	<b>8%</b>	<b>9%</b>	<b>10%</b>
Other Operating Income	6%	-22%	44%	86%	73%	10%
Cost of Revenues	7%	-14%	28%	-8%	11%	9%
<b>Gross income</b>	<b>5%</b>	<b>9%</b>	<b>11%</b>	<b>12%</b>	<b>18%</b>	<b>10%</b>
Personnel expenses	1%	5%	11%	13%	14%	10%
Depreciation and amortization	-1%	-16%	38%	22%	-27%	6%
Other operating expenses	3%	15%	9%	14%	19%	12%
<b>Operating Result</b>	<b>290%</b>	<b>51%</b>	<b>26%</b>	<b>22%</b>	<b>42%</b>	<b>24%</b>
Financial profit / loss	-20%	-9%	-10%	78%	13%	11%
<b>Earnings before taxes</b>	<b>-</b>	<b>83%</b>	<b>32%</b>	<b>13%</b>	<b>48%</b>	<b>27%</b>
Taxes on income	-	0%	-73%	167%	338%	29%
<b>Consolidated net profit</b>	<b>342%</b>	<b>116%</b>	<b>61%</b>	<b>8%</b>	<b>-51%</b>	<b>29%</b>
<b>Shares outstanding (million)</b>	<b>0%</b>	<b>0%</b>	<b>30%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Earnings per share</b>	<b>4.63</b>	<b>0.50</b>	<b>0.33</b>	<b>0.00</b>	<b>-0.50</b>	<b>0.50</b>
<b>Profit &amp; Loss (% of Revenues)</b>						
<b>Revenues</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Other Operating Income	3%	2%	2%	4%	7%	7%
Cost of Revenues	21%	17%	19%	17%	17%	17%
<b>Gross income</b>	<b>79%</b>	<b>83%</b>	<b>81%</b>	<b>83%</b>	<b>90%</b>	<b>90%</b>
Personnel expenses	58%	58%	57%	59%	62%	62%
Depreciation and amortization	3%	2%	2%	3%	2%	2%
Other operating expenses	18%	19%	18%	20%	21%	22%
<b>Operating Result</b>	<b>3%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>9%</b>
Financial profit / loss	-1%	-1%	-1%	-1%	-1%	-1%
<b>Earnings before taxes</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>7%</b>	<b>8%</b>
Taxes on income	1%	1%	0%	1%	2%	2%
<b>Consolidated net profit</b>	<b>2%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>2%</b>	<b>2%</b>

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## 5.2. Balance Sheet

### Balance Sheet

Figures in mio. €	Fiscal Year					
	2007	2008	2009	2010	2011e	2012e
<b>Assets</b>						
<u>Non-current assets</u>						
<i>Property, plant and equipment</i>	7.8	8.0	9.3	13.7	14.1	14.5
<i>Intangible assets</i>	2.1	2.5	4.7	2.7	2.5	2.3
<i>Goodwill</i>	12.9	16.2	43.9	43.9	43.9	43.9
<i>Long term investments</i>	2.1	2.5	4.7	2.7	2.5	2.3
<i>Other long term Assets</i>	3.6	2.4	2.9	4.3	1.7	1.8
<b>Sum non-current assets</b>	<b>26.4</b>	<b>29.0</b>	<b>61.2</b>	<b>65.0</b>	<b>62.6</b>	<b>63.1</b>
<u>Current assets</u>						
<i>Inventories</i>	1.0	1.7	2.8	3.4	0.3	0.4
<i>Total receivables, net</i>	41.4	45.9	66.4	65.2	65.8	73.6
<i>Other assets</i>	2.8	2.4	3.5	6.7	5.3	5.9
<i>Cash and cash equivalents</i>	19.0	23.7	20.8	28.9	40.3	52.6
<b>Sum current assets</b>	<b>64.1</b>	<b>73.6</b>	<b>93.5</b>	<b>104.2</b>	<b>111.7</b>	<b>132.5</b>
<b>Total assets</b>	<b>90.6</b>	<b>102.6</b>	<b>154.7</b>	<b>169.2</b>	<b>174.3</b>	<b>195.5</b>
<b>Equity and Liabilities</b>						
<u>Shareholders' equity</u>						
<i>Subscribed capital</i>	31.0	30.5	40.2	40.2	40.2	40.2
<i>Capital reserves</i>	31.8	31.6	35.2	35.1	35.1	35.1
<i>Retained earnings</i>	-33.4	-28.4	-9.1	-7.2	-6.9	-4.0
<b>Sum equity</b>	<b>29.4</b>	<b>33.7</b>	<b>66.3</b>	<b>68.1</b>	<b>68.5</b>	<b>71.4</b>
<u>Non-current liabilities</u>						
<i>Non-current loans</i>	0.0	0.0	0.8	5.7	6.7	7.7
<i>Deferred tax liabilities</i>	2.0	2.2	2.3	1.7	3.3	3.7
<i>Other non-current liabilities</i>	27.4	26.7	30.1	33.6	33.2	37.1
<b>Sum non-current liabilities</b>	<b>29.4</b>	<b>28.8</b>	<b>33.3</b>	<b>41.0</b>	<b>43.2</b>	<b>48.5</b>
<u>Current liabilities</u>						
<i>Trade payables</i>	9.4	9.6	14.6	15.4	15.9	18.8
<i>Accrued expenses</i>	22.1	30.2	39.0	42.2	45.1	55.0
<i>Financial liabilities</i>	0.3	0.3	1.6	2.5	1.7	1.8
<b>Sum current liabilities</b>	<b>31.7</b>	<b>40.1</b>	<b>55.2</b>	<b>60.1</b>	<b>62.6</b>	<b>75.7</b>
<b>Total equity and liabilities</b>	<b>90.6</b>	<b>102.6</b>	<b>154.7</b>	<b>169.2</b>	<b>174.3</b>	<b>195.5</b>

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## 5.3.Cash Flow Statement

Cash Flow Statement						
	Fiscal Year					
Figures in mio€	2007	2008	2009	2010	2011e	2012e
<b>1. Cash flow from operating activities</b>						
<b>Consolidated net loss before tax</b>	<b>2.9</b>	<b>5.3</b>	<b>7.0</b>	<b>7.9</b>	<b>11.7</b>	<b>14.9</b>
<i>Amortization of intangible assets</i>	1.5	1.0	1.8	2.3	0.9	0.9
<i>Depreciation of property, plant and equipment</i>	1.5	1.6	1.9	2.1	2.3	2.5
<i>Non-cash income/expenses</i>	-1.1	-0.5	-0.3	0.6	-0.3	-0.1
<u><i>Change in working capital</i></u>						
<i>Change in inventories</i>	0.8	0.7	2.3	-0.5	3.1	0.0
<i>Change in trade receivables</i>	-5.6	-4.2	-10.2	-0.7	-0.6	-7.8
<i>Change in other assets</i>	-1.2	1.1	-0.8	-4.6	4.0	-0.7
<i>Change in trade payables</i>	1.1	0.0	2.3	1.0	0.5	2.9
<i>Change in other liabilities</i>	3.5	5.7	1.3	6.2	4.1	14.3
<i>Interest paid</i>	0.1	0.1	0.2	0.2	0.8	0.9
<i>Income taxes paid</i>	0.1	0.8	0.5	0.9	3.5	4.5
<b>Cash flow from operating activities</b>	<b>3.0</b>	<b>9.9</b>	<b>4.4</b>	<b>13.1</b>	<b>21.3</b>	<b>21.4</b>
<b>2. Cash flow from investment activities</b>						
<i>Capital Expenditures</i>	-1.6	-2.1	-2.9	-6.9	-3.4	-3.6
<i>Other Investing Cash Flow Items, Total</i>	2.1	-2.4	-13.0	0.1	0.0	0.0
<b>Cash flow from investment activities</b>	<b>0.5</b>	<b>-4.5</b>	<b>-15.9</b>	<b>-6.8</b>	<b>-3.4</b>	<b>-3.6</b>
<b>3. Cash flow from financing activities</b>						
<i>Financing Cash Flow Items</i>	0.0	-0.7	6.0	0.0	0.0	0.0
<i>Dividends paid out</i>	0.0	0.0	0.0	-3.2	-3.1	-1.6
<i>Issuance (Retirement) of Stock, Net</i>	0.0	0.0	3.1	0.0	0.0	0.0
<i>Issuance (Retirement) of Debt, Net</i>	0.1	0.0	-0.5	4.7	-3.4	-3.9
<b>Cash flow from financing activities</b>	<b>0.1</b>	<b>-0.7</b>	<b>8.6</b>	<b>1.5</b>	<b>-6.5</b>	<b>-5.4</b>
<b>4. Cash and cash equivalents at end of period</b>						
<i>Changes in cash and cash equivalents</i>	3.6	4.7	-2.9	8.1	11.4	12.3
<i>Cash and cash equivalents at beginning of period</i>	15.3	19.0	23.7	20.8	28.9	40.3
<b>Cash and cash equivalents at end of period</b>	<b>19.0</b>	<b>23.7</b>	<b>20.8</b>	<b>28.9</b>	<b>40.3</b>	<b>52.6</b>

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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 peer group companies. All data are based on the consolidated financial statements.

Through discounting operative free cash flows to the valuation date we accommodated the during the period valuation date. As the valuation date we chose the first of August 2011. As far as non operating assets are concerned, their value was derived separately and added to the present value of payouts.

Tying in with this, the phase of terminal value follows, for which we calculated with a growth rate of 2.5% p.a.

#### / Discounted Cash Flow-Modell (Basis 8/2011)

(m EUR)	<i>Phase 1</i>					
	2011	2012	2013	2014	2015	2016
<b>Revenues</b>	<b>173.24</b>	<b>189.93</b>	<b>207.49</b>	<b>226.76</b>	<b>247.89</b>	<b>271.08</b>
Rate of change	10%	10%	9%	9%	9%	9%
<b>EBIT</b>	<b>13.49</b>	<b>16.81</b>	<b>20.46</b>	<b>24.65</b>	<b>29.21</b>	<b>34.94</b>
Rate of change	42%	25%	22%	20%	19%	20%
Margin	7.8%	8.9%	9.9%	10.9%	11.8%	12.9%
Interest and Shareholding Income	<b>-1.78</b>	<b>-1.95</b>	<b>-2.13</b>	<b>-2.33</b>	<b>-2.55</b>	<b>-2.78</b>
<b>EBT</b>	<b>11.71</b>	<b>14.86</b>	<b>18.33</b>	<b>22.32</b>	<b>26.67</b>	<b>32.15</b>
Operational tax expenses	<b>-3.51</b>	<b>-4.46</b>	<b>-5.50</b>	<b>-6.70</b>	<b>-8.00</b>	<b>-9.65</b>
Effective TaxRate (ex. Interest Income)	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Depreciation and Amortization	<b>3.15</b>	<b>3.38</b>	<b>3.62</b>	<b>3.89</b>	<b>4.17</b>	<b>4.47</b>
Depreciation Ratio (%Revenues)	18%	18%	17%	17%	17%	16%
Changes in long-term provisions	<b>1.64</b>	<b>0.39</b>	<b>0.36</b>	<b>0.38</b>	<b>0.41</b>	<b>0.45</b>
Proportion of Revenues	0.9%	0.2%	0.2%	0.2%	0.2%	0.2%
Cash Flow -Business needs (change WC)	<b>6.74</b>	<b>3.28</b>	<b>-1.66</b>	<b>1.92</b>	<b>-2.85</b>	<b>-3.82</b>
Working-Capital-Ratio (%Revenues)	3.9%	17%	-0.8%	0.8%	-1.1%	-1.4%
Investments into fixed assets	<b>-3.38</b>	<b>-3.63</b>	<b>-3.90</b>	<b>-4.18</b>	<b>-4.50</b>	<b>-4.83</b>
Investments ratio (%Revenues)	-1.9%	-1.9%	-1.9%	-1.8%	-1.8%	-1.8%
Other	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Free Cash-Flow</b>	<b>16.35</b>	<b>13.83</b>	<b>11.26</b>	<b>17.62</b>	<b>15.90</b>	<b>18.78</b>

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## 6.2. WACC

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

WACC Annahmen	
<b>Wachstumsprämissen</b>	
Langfristiges Wachstum / Inflationsrate	2,5%
Angleichungsphase (ab 2017)	5 Jahre
Anfangswachstum des Umsatzes	9,0%
Margenerweiterung (p.a.)	+3 BP
<b>Eigenkapitalkosten</b>	
Langfristiger risikoloser Zinssatz	3,8%
Risikoprämie Markt / Aktienmarktrendite	5,0%
Beta des Unternehmens (Näherung)	1,03
Zinssatz	<b>9,0%</b>
<b>Fremdkapitalkosten</b>	
Fremdkapitalkostensatz (vor St.)	7,0%
Steuersatz auf Fremdkapitalzinsen	30,0%
<b>Fremdkapitalkostensatz (nach St.)</b>	<b>4,9%</b>
<b>WACC</b>	
Wert des Eigenkapitals	304
Wert des Fremdkapitals	8
Gearing	2,7%
<b>WACC</b>	<b>8,84%</b>

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

Our derived fair value per share amounts to EUR 21.28. This implies an upside potential of 23.6 % to the current share price (EUR 17.21). 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				
$\beta = 1.03$		8.34%	8.59%	8.84%	9.09%	9.34%
Growth	1.5%	21.66	20.76	19.92	19.13	18.40
	2.0%	22.45	21.46	20.55	19.70	18.92
	2.5%	23.36	22.28	<b>21.28</b>	20.36	19.51
	3.0%	24.45	23.24	22.14	21.12	20.19
	3.5%	25.77	24.40	23.15	22.02	20.99

Sensitivity analysis		Market capitalization				
(EUR m)		Discount rate				
$\beta = 1.03$		8.34%	8.59%	8.84%	9.09%	9.34%
Growth	1.5%	340.10	325.90	312.70	300.40	288.90
	2.0%	352.40	336.94	322.62	309.34	296.98
	2.5%	366.82	349.78	<b>334.11</b>	319.64	306.25
	3.0%	383.92	364.92	347.56	331.63	316.97
	3.5%	404.57	383.04	363.53	345.76	329.52

## Appendix

### Segment Energy

#### PSI Division Electrical Energy

PSIcontrol:	Control system for managing electricity grids.
PSIcommand:	Assignment system for maintenance and disturbance management in energy networks.
PSIpassage:	Grid utilization management for operators of electrical transportation and distribution grids.

#### PSI Division Gas and Oil

PSIcontrol:	Control system for the oil and gas market.
PSIcomcentre:	Modular communication system for communication amongst market participants in the energy market.
PSIfetch:	Remote meter readout, remote parameterisation, monitoring of incoming calls for the gas market.
PSIganesi:	Network simulation system for the gas market.
PSIpipelines:	Pipeline management system for oil and gas pipelines.
PSItransport:	Transportation management system for the gas market.

#### PSI Büsing und Buchwald GmbH

DAISY:	System for the allocation and invoicing of special contracts in the liberalized gas market.
GAPS:	Analysis and planning system for the gas sector.
PSImarket:	Energy trading and sales system.
R-Win@:	Solution for the technical auditing and calibration of gas metering systems.

#### PSI Nentec GmbH

PSIcontrol/FG:	guaranties a flexible, scalable and secure process interfacing of telecontrol substations to the control center in the area of energy
PSIcommand/CBX:	The CommBox is a powerful on-board unit for telematic applications inside emergency vehicles.

### Segment Production

#### PSI Production GmbH

PSImining:	Instrumentation and control of the production supervision of mines.
PSItraffic:	Supervision and visualisation of the infrastructure of the traffic telematics.

#### PSI Metals Group

PSImetals:	Complete sector solution for the entire value added chain in the metals industry.
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#### PSIPENTA Software Systems GmbH

PSImes:	Modular Manufacturing Execution System for manufacturing companies.
PSIpps:	Production and Planning System (PPS) for the machine and plant construction industry and the automobile.
PSIpenta:	Enterprise Resource Planning (ERP) solution for the machine and plant construction and the automobile industry.
PSImaintenance:	Solution for the maintenance and repair of machines, plants and vehicles.

#### PSI Logistics GmbH

PSIglobal:	Software for planning, analysis and optimisation of logistics networks.
PSItrms:	Optimizes transportation processes, supports routine activities, assures transparency in the transportation planning.
PSIwms:	Warehouse Management System for industrial and logistics companies.
PSIcontrol:	Control System for visualisation, tracking and tracing of logistics processes.
PSIairport:	Solutions with a focus on passenger, baggage and cargo handling.

#### F/L/S Fuzzy Logik Systeme GmbH

Qualicision®:	Qualicision® is a software and consulting concept aimed at assuring and optimizing the process quality by means of intelligent data collection, analysis and balance between target and criteria conflicts.
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## Segment Infrastructure

### PSI Transcom GmbH - Division Public Transportation

<i>PSITraffic:</i>	PSITraffic is a powerful automated platform for visualizing, monitoring and dispatching as well as for managing vehicles and transport processes in public transport.
<i>PSITraffic/ITCS:</i>	Automated Vehicle Management for buses, trams and trains in public transport, group call.
<i>PSITraffic/Info:</i>	State-of-the-art passenger information, innovative display technologies, passenger information via internet or mobile devices, acoustic announcements.
<i>PSITraffic/Depot:</i>	Depot Management for buses and trams with fully automatic disposition, failure management, central control of unmanned depots, real-time RFID-tracking.

### PSI Transcom GmbH - Division Safety

<i>PSIcontrol:</i>	Control system for monitoring data and predicting environmental disasters.
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Source: Company

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