Company Analysis | DR. KALLIWODA | RESEARCH GmbH | Equity Research

August 3, 2012

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 20.01

PSI AG

Excellent H1/12 results

Overview

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

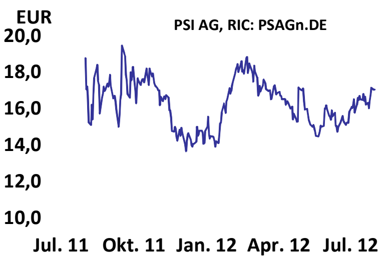
	High	Low
Current Price:		16,85
Price 52W.:	19,45	13,66
Market Cap. (Mill. EUR)		264,15
No. Of Shares (in Mill.)		15,7

Shareholders	
Free Float	60,24%
RWE Rheinwestfalen Netz AG	17,77%
Employee Consortium	9,35%
Harvinder Singh	8,10%
Allianz Global Investors	4,54%

Performance	
4 Weeks	2,1%
13 Weeks	2,8%
26 Weeks	-2,3%
52 Weeks	0,8%
YTD	14,5%

Dividend	EUR/Share	in %
2009	0,23	51%
2010	0,25	53%
2011e	0,31	53%
2012e	0,60	53%
2013e	0,78	53%

52-Week Chart



Analyst Coverage

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- On 27 July, PSI reported strong results for H1/12. While sales came in at €85.7m (+12.4% y-o-y), the operating income reached €5.1m (+33.1% y-o-y). Due to a much lower effective tax rate the net income even improved by a higher percentage rate (+116% y-o-y to €4.1m). Compared to H1/12, order backlog and intake increased by 14% to €142m and 18% to €114m respectively.

- The main reason, why total revenues grew that much in H1/12, was the high-margin segment Infrastructure management (+29.2% y-o-y to €11.2m), which benefitted especially from a large contract in Poland. With +22.1% to €43.7m, revenues from Production management also performed well y-o-y due to several new large orders in the area “metal industry”. This and a higher cost efficiency led to an increase of PSI’s operating margin by 100bp y-o-y to 6%.

- Despite an improvement of profitability, the operating cash flow deteriorated from €1.8m in H1/11 to €-4.1m. This stemmed from higher investments into working capital. Due to larger CAPEX and a dividend payout PSI’s total cash position decreased from €33.8m at the end of 2011 to €25.8m. As of 30 June 2012, the company’s net gearing amounted to 15%.

- After a strong H1/12, we have maintained our 12-months DCF-based price target for PSI of €20.01. The PT implies an upside of 17.8% at current level and results in a Buy recommendation for the stock. In our view, PSI will continue to benefit from a robust demand for its efficiency-enhancing software solutions in Germany, but especially in emerging markets such as Poland, Russia and China. Despite already high multiples, we believe this is not yet fully discounted in the share price.

Key Figures

EURm	2008	2009	2010	2011	2012E	2013E
Net sales	128,85	146,99	158,69	169,54	180,56	206,75
EBITDA	8,87	11,45	13,94	14,65	18,35	23,93
EBIT	6,23	7,81	9,51	10,67	14,11	19,08
Net income	4,14	6,60	7,05	7,44	8,47	11,88
EPS	0,34	0,46	0,45	0,47	0,54	0,76
BVPS	2,77	4,62	4,35	4,60	4,92	5,39
RoE	12,28%	13,20%	10,49%	10,56%	11,29%	14,71%
EBIT margin	4,84 %	5,32 %	6,00 %	6,29 %	7,81 %	9,23 %
P/E	49,97	36,93	37,76	36,15	31,43	22,41
P/BVPS	6,13	3,68	3,91	3,69	3,45	3,15
EV/EBITDA	31,28	24,23	19,90	18,94	15,12	11,59

Company Analysis

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1 Company profile

PSI AG is a group of companies with more than 1,500 employees, which develops and distributes software product solutions for process control. These solutions automate complex core processes of PSI's customers in the segments energy, production and infrastructure management. PSI, which was founded in 1969, operates at numerous German and international sites in Europe, Asia and North America. It develops software products and complete systems for the operation of large energy networks and complex production and logistics processes with the objective to design customers' value creation processes more efficiently. In the segment energy management systems, PSI provides solutions for operations' management, network utilization, pipeline management, leakage detection and localization, portfolio management, energy trading and distribution. The segment production creates optimization and control-technical solutions for production, telematics, logistics, metals and mining. In the infrastructure segment, the company supplies solutions for traffic systems.

2 Investment Case

In the near future, the key development to be watched will be PSI's success in the energy infrastructure game in Germany. In our view, software systems for the control of energy networks are associated with high switching costs. Energy providers will either switch suppliers or decide to stick to them in the long run. Only the winners of the game will face attractive upgrades and maintenance revenues. Given the number of energy networks, there is no room for many survivors. Coming out as a winner will also clear the way for exports of energy products to countries that follow Germany's approach in the long-term. Many other growth opportunities besides energy exist for PSI, however due to the stated reasons a large part of the company's value depends on its success in the German energy segment.

PSI's management expect not only increasing revenues but also significant margin improvements. The main drivers of the latter are expected to be (1) scale effects through exports (2) transformation of PSI into a pure software company (3) lower average labor costs resulting from a higher share of the labor pool in target export markets with lower wages and (4) efficiency improvements stemming from a new technology platform. Management expect to increase revenues by an average of 8% a year, while raising EBIT margins by 1% to 2% a year until 2015. By that year, 800 of the then 2,000 employees are expected to work in export markets. In the future, management plan to generate 65% of total revenues in the growth markets Brazil, Canada, Eastern Europe, Russia, Asia, Middle East and Turkey. For full-year 2012, PSI guides for new orders of €190m, revenues of €180m and an EBIT between €13m-€16m.

We view PSI's competitive position as strong due to the company's focus on its core competency in network control flow systems and experience in this area. In the past, the company has proved to be able to spot market trends and to position itself accordingly to benefit from these trends. In our view, its dominant market position, specialized workforce, ability to innovate and to react flexibly given its size and software focus provide valuable competitive advantages as well as entry barriers particularly in the German energy market. We believe that PSI is well-positioned to benefit from its growth opportunities and reach its stated goals.

Our investment case based valuation does not include a premium for a potential takeover of PSI by a competitor. However, we note that speculation about a takeover does provide a bottom for the share price.

3 SWOT Analysis

Strength

- **PSI's focus on core competencies in process control** technology with decades of experience, along with its innovation strength and a highly specialized workforce are important competitive advantages and create entry barriers. PSI's products are of high functionality, complexity and carry many unique features. PSI enjoys a first mover advantage and is the quality and volume leader in many of its key growth areas, namely energy smart grid infrastructure, gas & oil, metals, mining and infrastructure.
- **Pilot project approach:** When entering new product and geographic markets the company works together with sector leaders on pilot projects. Performing the research and development decentralized at the location of demand translates into a close customer relationship, a gain of sector knowledge, lower market entry risk, as well as the mitigation of financial risk.

Weaknesses

- **Buyers force:** PSI main customers operate in capital intensive sectors which naturally consist of a few large players. PSI itself is a medium sized player resulting in an unfavorable negotiating position. However a resulting pricing power of its customer is lessened by the facts that software expenditures should resemble a smaller portion of PSI customers overall budget, that PSI produces high-quality products that make a customer's operation more efficient translating in fast amortization, and PSI's complex products are mainly located in important parts of the value chain where quality is more important than price.
- **Business cycle risk:** PSI's customers are mainly 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.

Opportunities

- **Energy segment:** The „Energiewende" gives PSI the potential to achieve scale effects by shifting its existing product portfolio from high voltage systems to lower network levels. Additionally, the demand for new software solutions such as volatility and resource software components, gas network control systems and software solutions for energy storage systems will increase.
- **Production segment:** New sensor and network technology increases data availability in production processes. This opens up new markets for PSI software solutions, which make production processes more efficient. Recent market entries by PSI are PSImining and solutions for the turbine manufacturing and aircraft maintenance sectors. In the automobile sector, new product developments should lead to more orders.
- **Export growth:** PSI focuses on Eastern markets as it sees the greatest growth potential there while currently facing low competition locally. A positive effect besides larger revenues and scale effects is the diversification away from a sole dependency on the German market. Expansion takes place by winning key reference customers.

Threats

- **Increasing rivalry** among competitors in the Energy Infrastructure market: Large hardware suppliers recently acquired PSI's software competitors. On the one hand, this permits them to differentiate themselves from fellow hardware suppliers. If on the other hand the intention was to gain control of the energy software market then rivalry will intensify e.g. by price competition or hardware suppliers locking their systems to alien software providers. Management note that PSI enjoys greater economic independence in acquiring software related contracts relative to its software competitors, which are now entangled in powerful hardware divisions.
- **A lack of qualified staff** evoked from a current structural shortage of supply in the software labor sector would impede the seizure of the company's opportunities. PSI mitigates the risk by investing heavily in the training of its employees and collaborating with universities. Part of the routine software development has been moved to Eastern Europe and the technology platform enables an efficient knowledge transfer and standardization. These moves set free valuable engineering capacity.

4 Valuation

DCF model

In order to value PSI, we have used our DCF model, which derives a 12-months price target for stock of €20.01. Compared to the current market level, this corresponds to an upside of 17.7%.

WACC assumptions

Growth assumptions	
Long-term growth rate	2,0%
Assimiliation phase (from 2015)	5 years
Sales growth at the beginning	8,3%
Margin development (p.a)	-1 BP
Equity	
Risk-free rate	2,2%
Market risk premium	6,0%
Beta	1,20
Equity costs	**9,4%**
Debt costs	
Debt costs (before tax)	6,0%
Tax rate on interest	30,0%
Debt costs (after tax)	**4,2%**
Equity	70
Debt	30
Gearing	42,9%
WACC	**7,85%**

Discounted Cash Flow Model (Basis 08/2012)

					Phase 1				
in EURm	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net sales	**180,56**	**206,75**	**227,01**	**245,85**	**262,57**	**273,07**	**281,81**	**289,42**	**295,20**
(y-o-y change)	6,5%	14,5%	9,8%	8,3%	6,8%	4,0%	3,2%	2,7%	2,0%
EBIT	**14,11**	**19,08**	**23,43**	**27,59**	**29,19**	**30,07**	**31,02**	**31,57**	**32,19**
(EBIT margin)	7,8%	9,2%	10,3%	11,2%	11,1%	11,0%	11,0%	10,9%	10,9%
NOPLAT	**9,87**	**13,35**	**16,40**	**19,31**	**20,43**	**21,05**	**21,72**	**22,10**	**22,53**
+ Depreciation	4,24	4,85	5,33	5,77	6,17	6,41	6,62	6,80	6,93
= Net operating cash flow	14,11	18,21	21,73	25,08	26,60	27,46	28,33	28,89	29,47
- Total investments (Capex and WC)	-6,01	-7,92	-7,98	-8,33	-8,58	-8,32	-8,38	-8,47	-8,46
Capital expenditure	-5,09	-5,90	-6,30	-6,72	-7,09	-7,25	-7,43	-7,60	-7,71
Working capital	-0,92	-2,02	-1,68	-1,61	-1,49	-1,06	-0,94	-0,87	-0,75
= Free cash flow (FCF)	8,11	10,29	13,75	16,75	18,02	19,14	19,96	20,42	21,01
PV of FCF's	**7,86**	**9,24**	**11,46**	**12,94**	**12,91**	**12,71**	**12,29**	**11,66**	**11,13**

PV of FCFs in explicit period	102,20
PV of FCFs in terminal period	199,92
Enterprise value (EV)	**302,12**
+ Net cash / - net debt	-11,01
+ Investments / - Minorities	0,00
Shareholder value	**291,11**
Number of shares outstanding (m)	**15,68**
WACC	7,85%
Equity costs	9,4%
Debt costs before tax	6,0%
Tax rate	30,0%
Debt costs after tax	4,2%
Equity ratio	70,0%
Debt ratio	30,0%
Fair value per share in € (today)	**18,57**
Fair value per share in € (in 12 months)	**20,03**

Sensitivity analysis — **Terminal EBIT margin**

WACC	**7,9%**	**8,9%**	**9,9%**	**10,9%**	**11,9%**	**12,9%**	**13,9%**
4,8%	32,83	36,25	39,67	43,09	46,51	49,93	53,35
5,8%	24,38	26,72	29,05	31,39	33,72	36,06	38,40
6,8%	19,39	21,10	22,82	24,53	26,24	27,96	29,67
7,8%	16,09	17,40	18,71	20,03	21,34	22,65	23,97
8,8%	13,74	14,77	15,81	16,85	17,89	18,92	19,96
9,8%	11,97	12,81	13,65	14,49	15,32	16,16	17,00

Source: Dr. Kalliwoda Research GmbH

5 H1 2012 financial results

Revenues

In H1/12, PSI generated total sales of €85.7m, which were 12.4% higher y-o-y. The order intake increased by 18% y-o-y to €114m and the order backlog by 14% y-o-y to €142m. While the segment Production management had the largest share in total sales (51%), the highest growth was registered in the high-margin segment Infrastructure management, where sales advanced by 29.2% to €11.2m. Despite a strong demand from "oil and gas" clients and positive one-time effects from license sales, revenues in the segment Energy management went down by 3.2% y-o-y to €30.7m.

H1/2012 vs previous year

in EURm	H1 2012	H1 2011	change (%)
Net sales	85,65	76,22	*12,4%*
EBITDA	7,07	5,72	*23,6%*
EBITDA margin	8,2%	7,5%	
EBIT	5,11	3,84	*33,1%*
EBIT margin	6,0%	5,0%	
Net income	4,12	1,91	*116,0%*
Net margin	4,8%	2,5%	

Source: Company data, Dr. Kalliwoda Research GmbH

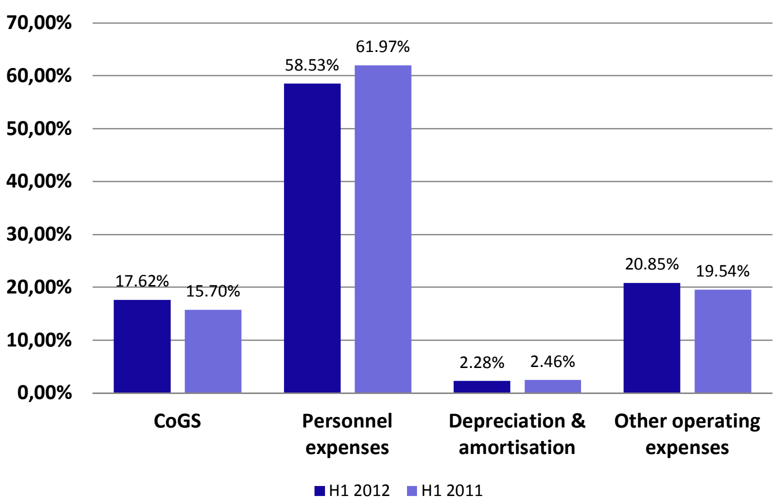
Sales and EBIT-margins according to segments H1 2011 to H2 2012

	H1 2012	H1 2011		H1 2012	H1 2011
Energy management			Infrastructure management		
Sales mio. €	30,74	31,75	Sales mio. €	11,24	8,70
share in total sales	35,9%	41,7%	share in total sales	13,1%	11,4%
EBIT margin	5,5%	8,2%	EBIT margin	9,8%	5,7%
Production management			**Group**		
Sales mio. €	43,68	35,77	Total Sales	85,65	76,22
share in total sales	51,0%	46,9%	change y-o-y		-11,01%
EBIT margin	6,9%	4,8%		100%	100%

Source: Company data, Dr. Kalliwoda Research GmbH

Profitability

Share in sales H1/12 vs. H1/11



Source: Company data, Dr. Kalliwoda Research GmbH

With +33.1% to €5.1m and +116% to €4.1m respectively, PSI's EBIT and net income developed much better than sales y-o-y. The reasons were a higher share of other operating income and a better cost structure y-o-y. Additionally, net income was positively affected by a significantly lower effective tax rate y-o-y (6.2% vs. 36.4%), stemming from tax-losses carried forward.

While in the segments Production management and Infrastructure management EBIT margins clearly improved due to large new orders in the area "metal industry" and in Poland respectively, the operating margin in the Energy management segment went down from 8.2% in H1/11 to 5.5%. The reasons were investments into new functions and solutions, especially in the areas "electric power" and "energy trade", and the integration of the software TS Energy for energy storage management, which PSI bought in Q1/12.

Balance Sheet and Cash Flow

At the end of June 2012, the most important positions on PSI's balance sheet were (1) equity of €73.4m (2) receivables from long-term manufacturing of €48.3m and (3) intangible assets, which mainly comprised goodwill of €43.9m. As of 30 June 2012, the company had interest-bearing debt of €36.8m (thereof long-term pension provisions of €32.3m) and liquid funds of €25.8m. Thus, the net debt position amounted to €11m and the net gearing to 15%.

Despite strong profitability, PSI's operating cash flow in H1/12 was significantly lower than in the previous year (€-4.1m vs. €1.8m). The reasons were higher investments into working capital, which amounted to €9.2m (H1/11: €6.8m). Due to a cash outflow from investment of €-1.7m (H1/11: cash inflow of €463k) and a dividend payout for 2011 of €3.9m, which was not fully offset by new debt, the total cash outflow in H1/12 amounted to €-8.4m.

6 Outlook

For the third quarter of fiscal-year 2012, management expect that due to the new energy policy, which the German government introduced after the nuclear catastrophe in Fukushima in Q1/11, business in the area of control systems for distribution grids (segment Energy management) will continue to suffer. However, due to large new orders they forecast that the segment Production management will again show a dynamic growth. In terms of investments, PSI's management expect high costs associated with the migration of all business units to the new, company-wide software platform, which is characterized by improved ergonomics and productivity.

For fiscal-year 2012, PSI guides for sales of €180m and an EBIT between €13m and €16m. Our sales forecast is in-line with the company's guidance, however we remain relatively cautious on the EBIT level due to (1) a weakening economic climate and (2) uncertain cost effect of PSI's announced investments. As the second half of the year is usually best for PSI, we expect a higher full-year 2012 EBIT margin than that, which was reported for H1/12.

In the next years, we believe that PSI will strongly benefit from robust demand for its software solutions especially in emerging markets such as Poland, Russia and China, where large investments into the modernization of infrastructure e.g. distribution grids are being conducted. In terms of margins, the company should benefit from its new software platform and higher share of employees in low-wage countries.

Our Forecasts 2012E - 2014E

in EURm	2012E	2013E	2014E
Net sales	180,56	206,75	227,01
EBITDA	18,35	23,93	28,76
EBITDA margin	10,2%	11,6%	12,7%
EBIT	14,11	19,08	23,43
EBIT margin	7,8%	9,2%	10,3%
Net income	8,47	11,88	14,86
Net margin	4,7%	5,7%	6,5%

Source: Dr. Kalliwoda Research GmbH

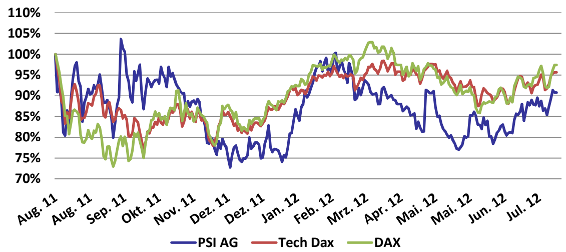
Sales estimates according to segments 2012E-14E

in EURm	2012E	2013E	2014E
Energy management	73,18	83,59	91,55
change y-o-y	6,2%	14,2%	9,5%
share in total sales	40,5%	40,4%	40,3%
Production management	84,06	96,66	106,59
change y-o-y	7,0%	15,0%	10,3%
share in total sales	46,6%	46,8%	47,0%
Infrastructure management	23,32	26,50	28,87
change y-o-y	5,7%	13,6%	8,9%
share in total sales	12,9%	12,8%	12,7%
Total sales	80,56	206,75	227,01

Source: Dr. Kalliwoda Research GmbH

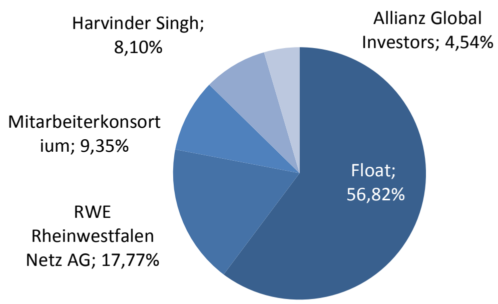
7 Stock and Shareholder Structure

Stock Price Development



Source: Reuters, Own Calculations

Shareholder Structure



Source: Company

8 Profit and loss statements

Profit and loss statement - PSI AG

in EURm	2008	2009	2010	2011	2012E	2013E
	Fiscal year					
Sales split						
Energy management	*55,12*	*59,79*	*65,46*	*68,89*	*73,18*	*83,59*
Production management	*57,71*	*62,21*	*67,27*	*78,59*	*84,06*	*96,66*
Infrastructure management	*16,02*	*24,98*	*25,96*	*22,07*	*23,32*	*26,50*
Net sales	**128,85**	**146,99**	**158,69**	**169,54**	**180,56**	**206,75**
Change in inventories	*-0,05*	*0,07*	*0,06*	*-0,03*	*0,28*	*0,63*
Total Output	**128,80**	**147,06**	**158,75**	**169,52**	**180,85**	**207,37**
Cost of goods sold	-22,14	-28,49	-26,30	-31,12	-33,20	-38,07
Gross profit	**106,66**	**118,57**	**132,45**	**138,39**	**147,64**	**169,30**
Other operating income	2,45	3,59	6,66	5,06	7,23	4,15
Personnel costs	-75,33	-83,63	-94,16	-95,78	-101,82	-116,33
Depreciation & Amortization	-2,64	-3,63	-4,43	-3,98	-4,24	-4,85
Other operating expenses	-24,91	-27,09	-31,00	-33,03	-34,72	-33,18
EBIT	**6,23**	**7,81**	**9,51**	**10,67**	**14,11**	**19,08**
Net financial results	-0,95	-0,87	-1,64	-1,94	-2,00	-2,10
EBT	**5,28**	**6,95**	**7,88**	**8,72**	**12,11**	**16,98**
Income taxes	-1,14	-0,34	-0,83	-1,28	-3,63	-5,09
Minority interests	0,00	0,00	0,00	0,00	0,00	0,00
Net income / loss	**4,14**	**6,60**	**7,05**	**7,44**	**8,47**	**11,88**
EPS	0,34	0,46	0,45	0,47	0,54	0,76
DPS	0,00	0,21	0,23	0,25	0,27	0,29
Change y-o-y						
Net sales	n.a	14,07%	7,96%	6,84%	6,50%	14,50%
Total Output	n.a	14,17%	7,95%	6,78%	6,68%	14,67%
Cost of goods sold	n.a	28,66%	-7,67%	18,32%	6,68%	14,67%
Gross profit	n.a	11,16%	11,70%	4,49%	6,68%	14,67%
Personnel costs	n.a	11,01%	12,60%	1,71%	6,31%	14,26%
Depreciation & Amortization	n.a	37,64%	21,87%	-10,03%	6,50%	14,50%
Other operating expenses	n.a	8,73%	14,44%	6,56%	5,11%	-4,43%
EBIT	n.a	25,43%	21,76%	12,10%	32,27%	35,25%
Net financial results	n.a	-8,53%	88,26%	18,64%	3,04%	5,00%
EBT	n.a	31,53%	13,43%	10,74%	38,77%	40,25%
Income taxes	n.a	-70,00%	142,98%	54,03%	183,74%	40,25%
Net income / loss	n.a	59,49%	6,72%	5,63%	13,84%	40,25%
EPS	n.a	35,29%	-2,17%	4,44%	15,01%	40,25%
DPS	n.a	n.a	9,52%	8,70%	8,00%	7,41%
Share in total sales						
Net sales	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %
Total Output	81,17 %	92,67 %	100,04 %	106,82 %	113,96 %	130,68 %
Cost of goods sold	-13,95 %	-17,95 %	-16,58 %	-18,36 %	-18,39 %	-18,42 %
Gross profit	67,21 %	74,72 %	83,46 %	81,63 %	81,77 %	81,89 %
Personnel costs	-47,47 %	-52,70 %	-59,34 %	-56,49 %	-56,39 %	-56,27 %
Depreciation & Amortization	-1,66 %	-2,29 %	-2,79 %	-2,35 %	-2,35 %	-2,35 %
Other operating expenses	-15,70 %	-17,07 %	-19,53 %	-19,48 %	-19,23 %	-16,05 %
EBIT	3,93 %	4,92 %	6,00 %	6,29 %	7,81 %	9,23 %
Net financial results	-0,60 %	-0,55 %	-1,03 %	-1,14 %	-1,11 %	-1,02 %
EBT	3,33 %	4,38 %	4,96 %	5,15 %	6,70 %	8,21 %
Income taxes	-0,72 %	-0,22 %	-0,52 %	-0,75 %	-2,01 %	-2,46 %
Net income / loss	2,61 %	4,16 %	4,44 %	4,39 %	4,69 %	5,75 %

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Company Analysis

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9 Balance sheets

Balance sheet - PSI AG

in EURm	2008	2009	2010	2011	2012E	2013E
	Fiscal year					
Assets						
Cash and cash equivalents	23,65	20,77	28,88	33,85	38,45	49,32
Inventories	1,68	2,84	3,40	4,05	4,32	4,95
Trade accounts and notes receivables	23,25	33,75	27,94	31,16	33,19	38,00
Receivables from long-term manufacturing	22,64	32,69	37,24	37,55	39,99	45,79
Other current assets	2,37	3,50	6,68	3,86	4,11	4,71
Current assets	**73,59**	**93,54**	**104,15**	**110,47**	**120,06**	**142,77**
Property, plant and equipment	8,00	9,34	13,71	14,46	15,16	15,86
Other intangibles assets	2,49	4,66	2,67	2,26	2,41	2,76
Goodwill	16,17	43,92	43,92	43,92	43,92	43,92
Shares in associated companies	0,00	0,36	0,40	0,21	0,22	0,25
Deferred tax assets	2,37	2,90	4,31	4,33	1,79	0,00
Non-current assets	**29,03**	**61,19**	**65,01**	**65,19**	**63,51**	**62,80**
Total assets	**102,62**	**154,74**	**169,16**	**175,66**	**183,57**	**205,58**
Liabilities						
Trade payables	9,56	14,61	15,41	16,98	17,93	20,35
Other liabilities	18,11	23,15	25,77	27,71	29,51	33,78
Liabilities from long-term manufacturing	11,13	15,40	16,15	20,23	21,55	24,67
Financial liabilities	0,34	1,56	2,49	2,34	2,24	2,14
Provisions	0,94	0,48	0,29	0,24	0,26	0,30
Current liabilities	**40,08**	**55,19**	**60,11**	**67,50**	**71,48**	**81,24**
Long-term bank debt	0,00	0,84	5,67	0,80	0,75	0,70
Pension provisions	26,65	30,10	33,61	32,10	34,19	39,15
Deferred tax liabilities	2,16	2,31	1,67	2,36	0,00	0,00
Long-term liabilities	**28,82**	**33,25**	**40,95**	**35,26**	**34,94**	**39,84**
Total liabilities	**68,90**	**88,45**	**101,07**	**102,75**	**106,42**	**121,09**
Shareholders equity	**33,72**	**66,29**	**68,09**	**72,91**	**77,15**	**84,49**
Minority interests	0,00	0,00	0,00	0,00	0,00	0,00
Total equity and liabilities	**102,62**	**154,74**	**169,16**	**175,66**	**183,57**	**205,58**

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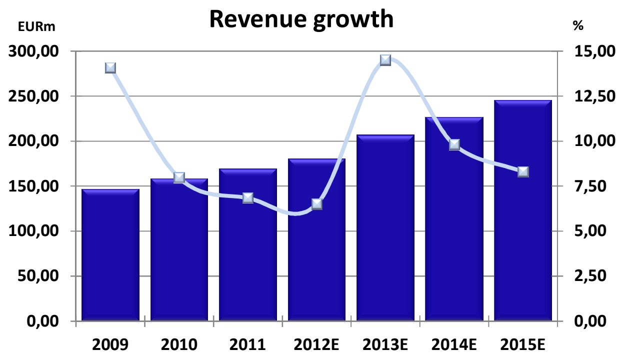
10 Cash flow statements

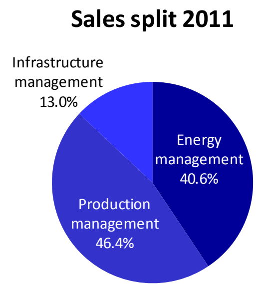
Cash flow statement - PSI AG						
	Fiscal year					
in EURm	2008	2009	2010	2011	2012E	2013E
Net income / loss	4,14	6,60	7,05	7,44	8,47	11,88
Depreciation & Amortization	2,64	3,63	4,43	3,98	4,24	4,85
Change of working capital	-3,53	-5,65	-0,21	-2,82	-0,92	-2,02
Others	6,64	-0,19	1,88	6,76	0,20	1,83
Net operating cash flow	**9,89**	**4,40**	**13,14**	**15,37**	**12,00**	**16,55**
Cash flow from investment	**-4,53**	**-15,87**	**-6,82**	**-1,60**	**-5,09**	**-5,90**
Free cash flow	5,37	-11,47	6,32	13,76	6,91	10,65
Cash flow from financing	**-0,67**	**8,58**	**1,46**	**-8,95**	**-2,31**	**0,23**
Change of cash	4,70	-2,89	8,12	4,96	4,60	10,88
Cash at the beginning of the period	18,95	23,65	20,77	28,88	33,85	38,45
Cash at the end of the period	23,65	20,77	28,88	33,85	38,45	49,32

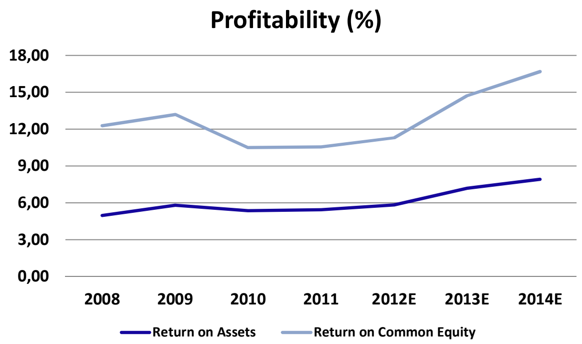
11 Financial ratios

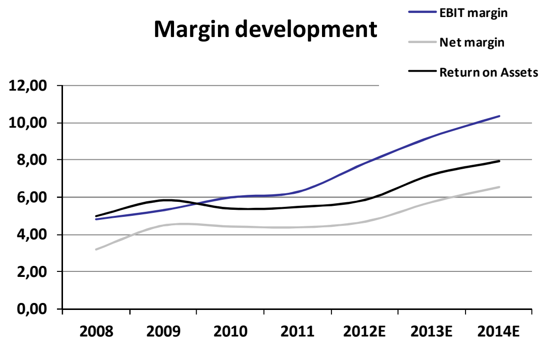
Fiscal year	2008	2009	2010	2011	2012E	2013E	2014E	2015E
Gross margin	82,81%	80,63%	83,43%	81,64%	81,64%	81,64%	81,64%	81,64%
EBITDA margin	6,88%	7,79%	8,78%	8,64%	10,16%	11,58%	12,67%	13,57%
EBIT margin	4,84%	5,31%	5,99%	6,29%	7,80%	9,20%	10,30%	11,20%
Net margin	3,21%	4,49%	4,44%	4,39%	4,69%	5,73%	6,53%	7,19%
Return on equity (ROE)	12,28%	13,20%	10,49%	10,56%	11,29%	14,71%	16,68%	17,85%
Return on assets (ROA)	4,96%	5,81%	5,36%	5,44%	5,83%	7,19%	7,91%	8,45%
Return on capital employed (ROCE)	7,81%	7,46%	7,80%	8,41%	8,81%	10,74%	11,95%	12,73%
Net debt (in EURm)	3,34	11,74	12,89	1,39	-1,28	-7,34	-13,88	-22,25
Net gearing	9,92%	17,70%	18,93%	1,91%	-1,65%	-8,69%	-14,81%	-21,27%
Equity ratio	32,86%	42,84%	40,25%	41,51%	42,03%	41,10%	41,46%	42,31%
Current ratio	1,84	1,69	1,73	1,64	1,68	1,76	1,83	1,91
Quick ratio	1,23	1,05	1,06	1,02	1,06	1,13	1,20	1,28
Net interest cover	6,56	8,99	5,82	5,49	7,05	9,08	10,65	11,99
Net debt/EBITDA	0,38	1,03	0,92	0,09	-0,07	-0,31	-0,48	-0,67
Tangible BVPS	1,44	1,56	1,54	1,83	2,12	2,59	3,17	3,87
Capex/Sales	n.a	-23,74%	-4,28%	-2,56%	-2,82%	-2,86%	-2,78%	-2,74%
Working capital/Sales	8,64%	13,35%	11,30%	6,90%	6,99%	7,08%	7,19%	7,29%
EV/Sales	2,15	1,89	1,75	1,64	1,54	1,34	1,22	1,13
EV/EBITDA	31,28	24,23	19,90	18,94	15,12	11,59	9,64	8,31
EV/EBIT	44,52	35,49	29,15	26,01	19,66	14,54	11,84	10,05
P/Tangible BVPS	11,79	10,90	11,01	9,28	8,02	6,57	5,35	4,39
P/E	49,97	36,93	37,76	36,15	31,43	22,41	17,92	15,05
P/FCF	49,57	-23,20	42,10	19,33	38,50	24,99	21,73	17,54

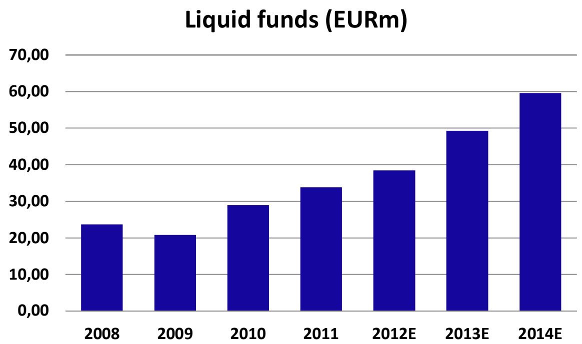
Source: Company data, Dr. Kalliwoda Research GmbH

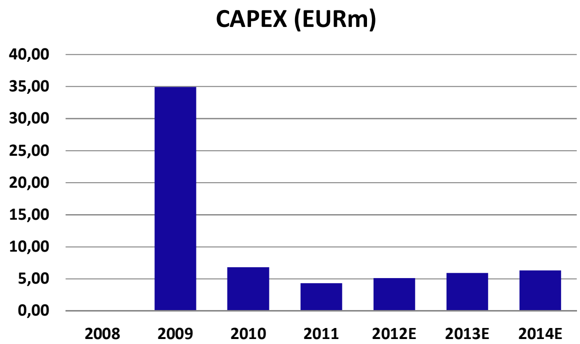


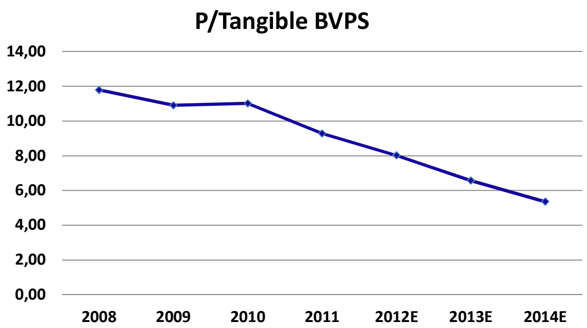


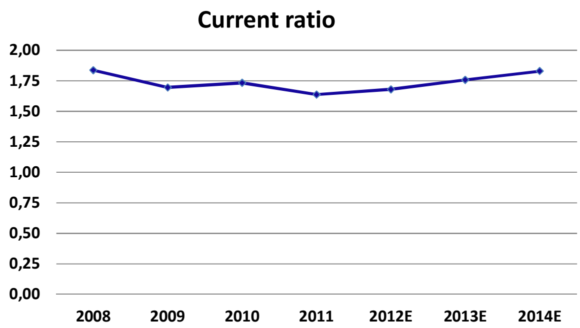












Source: Company data, Dr. Kalliwoda Research GmbH

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