

November 01, 2012

Europe | Germany | IT &amp; Software

**DR. KALLIWODA**  
RESEARCH GmbH

## Update

### BUY

Target price: EUR 19.80

## PSI AG

### PT revised despite strong 9M/12

#### Overview

Industry: IT Services & Software  
Country: Germany  
ISIN: DE000A1K0300  
Reuters: PSAGn.DE  
Bloomberg: PSAN GR  
Website: www.psi.de

Last price: 14.96  
High 19.16 Low 13.38  
Price 52 W.: 19.16 13.38  
Market cap. (EURm) 236.94  
Number of shares (m) 15.84

#### Shareholders

RWE AG 17.77%  
Employee consortium 9.35%  
Harvinder Singh 8.10%  
Free float 64.78%

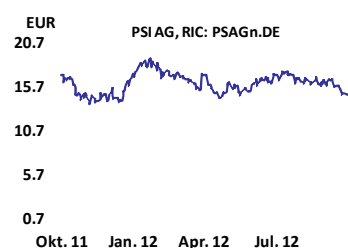
#### Performance

4 weeks -5.15%  
13 weeks -10.63%  
26 weeks -7.72%  
52 weeks -12.53%  
YTD -2.85%

#### Dividend

	in EUR	in %
2008	0.00	0.00%
2009	0.21	1.40%
2010	0.23	1.54%
2011	0.25	1.67%

#### 52-Week Chart



#### Analyst

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■ On 29 October, PSI reported strong 9M/12 results. Total sales came in at €126.7m and thus 8% higher y-o-y. Both EBIT (+19.7% to €7.5m; 5.9% margin) and net income (+64.8% to €5.5m) developed better than sales, which mainly stemmed from higher other operating income and lower effective tax rate y-o-y. Compared to last year, order backlog and intake increased by 6% to €132m and 5% to €145m respectively.

■ The best-performing segment in 9M/12 was Infrastructure management, which improved revenues by 26% y-o-y to €18m and more than doubled its operating profit to €2m. It benefitted especially from new orders in Poland and South-East-Asia. With +15% to €64.2m and +25% to €4.5m respectively, sales and EBIT of the segment Production management also showed a strong performance y-o-y, which stemmed among others from robust results of the area “metal industry”.

■ Despite a significant improvement of profitability, the operating cash flow deteriorated from €6.6m in 9M/11 to €-4.4m. The reasons were much higher investments into working capital y-o-y. Together with larger CAPEX, this led to a total cash outflow of €9.7m. As of 30 September 2012, PSI had a cash position of €24.2m and a net gearing of 16.4%.

■ Although PSI's 9M/12 results were good in our view, we have lowered our 12-months DCF-based price target for the stock from previously €20.01 to €19.80 due to higher net debt and a reduction of the 2012 EBIT guidance by management from €13-16m to c. €13m. However, as our new PT equals an upside of 32.3% at present, we still rate the stock a Buy. Despite high trading multiples, we continue to believe that PSI's long-term potential 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	17.26	23.93
EBIT	6.23	7.81	9.51	10.67	13.02	19.08
Net income	4.14	6.60	7.05	7.44	7.71	11.88
EPS	0.34	0.46	0.45	0.47	0.49	0.76
BVPS	2.77	4.62	4.35	4.60	4.87	5.34
RoE	12.28%	13.20%	10.49%	10.56%	10.33%	14.84%
EBIT margin	4.84%	5.32%	6.00%	6.29%	7.21%	9.23%
P/E	44.00	32.52	33.24	31.83	30.40	19.73
P/BVPS	5.40	3.24	3.44	3.25	3.07	2.80
EV/EBITDA	27.69	21.45	17.61	16.76	14.22	10.26

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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 run. 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 order intake of €190m, revenues of c. €180m and an EBIT of c. €13m.

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.

#### 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.

#### 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.

#### 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 €19.80. Compared to the current market level, this corresponds to an upside of 32.3%.

### WACC assumptions

#### Growth assumptions

Long-term growth rate	2.0%
Assimilation 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 10/2012)

in EURm	Phase 1								
	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Net sales</b>	<b>180.56</b>	<b>206.75</b>	<b>227.01</b>	<b>245.85</b>	<b>262.57</b>	<b>273.07</b>	<b>281.81</b>	<b>289.42</b>	<b>295.20</b>
(y-o-y change)	6.5%	14.5%	9.8%	8.3%	6.8%	4.0%	3.2%	2.7%	2.0%
<b>EBIT</b>	<b>13.02</b>	<b>19.08</b>	<b>23.43</b>	<b>27.09</b>	<b>28.93</b>	<b>29.68</b>	<b>30.35</b>	<b>30.87</b>	<b>31.22</b>
(EBIT margin)	7.2%	9.2%	10.3%	11.0%	11.0%	10.9%	10.8%	10.7%	10.6%
<b>NOPLAT</b>	<b>9.11</b>	<b>13.35</b>	<b>16.40</b>	<b>18.97</b>	<b>20.25</b>	<b>20.78</b>	<b>21.24</b>	<b>21.61</b>	<b>21.85</b>
+ Depreciation	4.24	4.85	5.33	5.77	6.17	6.41	6.62	6.80	6.93
= Net operating cash flow	13.35	18.21	21.73	24.74	26.41	27.19	27.86	28.41	28.78
- Total investments (Capex and WC)	-6.01	-7.92	-7.98	-8.33	-8.63	-8.37	-8.43	-8.52	-8.51
Capital expenditure	-5.09	-5.90	-6.30	-6.72	-7.14	-7.30	-7.48	-7.65	-7.76
Working capital	-0.92	-2.02	-1.68	-1.61	-1.49	-1.06	-0.94	-0.87	-0.75
= Free cash flow (FCF)	7.35	10.29	13.75	16.41	17.79	18.82	19.43	19.89	20.28
<b>PV of FCFs</b>	<b>7.25</b>	<b>9.42</b>	<b>11.67</b>	<b>12.91</b>	<b>12.98</b>	<b>12.74</b>	<b>12.19</b>	<b>11.57</b>	<b>10.94</b>

PV of FCFs in explicit period	101.66
PV of FCFs in terminal period	197.14
<b>Enterprise value (EV)</b>	<b>298.79</b>
+ Net cash / - net debt	-11.01
+ Investments / - Minorities	0.00
<b>Shareholder value</b>	<b>287.79</b>
Number of shares outstanding (m)	<b>15.68</b>

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%
<b>Fair value per share in € (today)</b>	<b>18.36</b>
<b>Fair value per share in € (in 12 months)</b>	<b>19.80</b>

Sensitivity analysis		Terminal EBIT margin						
		7.6%	8.6%	9.6%	10.6%	11.6%	12.6%	13.6%
WACC	4.8%	31.87	35.33	38.79	42.25	45.71	49.17	52.63
	5.8%	23.76	26.12	28.49	30.86	33.23	35.60	37.97
	6.8%	18.96	20.70	22.44	24.18	25.93	27.67	29.41
	7.8%	15.79	17.12	18.46	19.80	21.14	22.47	23.81
	8.8%	13.52	14.58	15.64	16.70	17.76	18.82	19.88
	9.8%	11.82	12.68	13.54	14.40	15.25	16.11	16.97

Source: Dr. Kalliwoda Research GmbH

## 5 9M 2012 financial results

### Revenues

In 9M/12, PSI generated total sales of €126.7m, which improved by 8% y-o-y. The order intake increased by 5% y-o-y to €145m and the order backlog by 6% y-o-y to €132m. While the segment Production management had again the largest share in total sales (50.7%), sales of Infrastructure management grew the most (+26.3% y-o-y to €18m). Due to lower replacements of remote communication units the negative trend in the segment Energy management continued. Compared to 9M/11, its revenues dropped by 5% y-o-y from €47m to €44.5m.

9M/2012 vs previous year			
in EURm	9M 2012	9M 2011	change (%)
Net sales	126.73	117.30	8.0%
EBITDA	10.50	9.16	14.7%
EBITDA margin	8.3%	7.8%	
EBIT	7.53	6.29	19.7%
EBIT margin	5.9%	5.4%	
Net income	5.54	3.36	64.8%
Net margin	4.4%	2.9%	

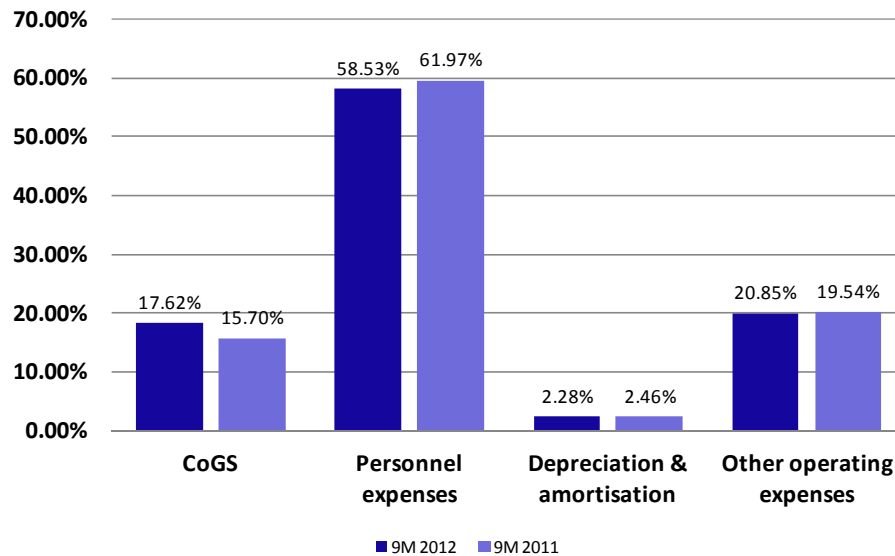
Source: Company data, Dr. Kalliwoda Research GmbH

Sales and EBIT margins according to segments 9M/12 vs. 9M/11				
	9M 2012	9M 2011	9M 2012	9M 2011
Energy management			Infrastructure management	
Sales €m	44.54	47.00	Sales €m	17.96
Share in total sales	35.1%	40.1%	Share in total sales	14.2%
EBIT margin	4.7%	6.5%	EBIT margin	11.2%
Production management			Group	
Sales €m	64.23	56.07	Total Sales	126.73
Share in total sales	50.7%	47.8%	change y-o-y	8.0%
EBIT margin	7.0%	6.4%		

Source: Company data, Dr. Kalliwoda Research GmbH

## Profitability

### Share in total sales 9M/12 vs. 9M/11



Source: Company data, Dr. Kalliwoda Research GmbH

With +19.7% to €7.5m and +64.8% to €5.5m respectively, PSI's EBIT and net income developed much better than sales y-o-y. The main reasons were higher operating margins in the segments Infrastructure (11.2% vs. 6.8% in 9M/11) and Production management (7% vs. 6.4%), which together generated 64.9% of PSI's revenues. Net income was additionally positively affected by a significantly lower effective tax rate y-o-y (13.1% vs. 33.6%), which stemmed from tax-losses carried forward.

In contrast to the other segments, the operating margin in Energy management went down from 6.5% in 9M/11 to 4.7%. The reasons were the ongoing expansion of international distribution activities and investments into new products and solutions such as Smart Telecontrol Units.

### Balance Sheet and Cash Flow

At the end of September 2012, the most important positions on PSI's balance sheet were (1) equity of €74.6m (2) intangibles assets, which mainly comprised goodwill of €43.9m and (3) receivables from long-term manufacturing of €44m. Interest-bearing debt amounted to €36.5m (thereof long-term pension provisions of €32.2m) and liquid funds to €4.2m. Thus, net gearing equalled 16.4%.

Despite strong profitability, PSI's operating cash flow in 9M/12 was significantly below the previous year (€-4.4m vs. €6.6m). The reasons were much higher investments into working capital, which went up from €4.5m in 9M/11 to €10.6m. Together with a cash outflow from investment of €2.5m (9M/11: €0.5) and a dividend payout for 2011 of €3.9m, which was not fully offset by new debt, the total cash outflow in 9M/12 amounted to €9.7m.

## 6 Outlook

Although 9M/12 results came in strongly in our view, PSI lowered its EBIT forecast for full-year 2012 from previously €13-16m to c. €13m. However, its guidance for order intake (c. €190m) and total sales (c. €180m) remained unchanged. We have adjusted our estimates accordingly, which together with a higher net debt value in 9M/12 has lowered our 12-months price target from previously €20.01 to €19.80.

In our opinion, management lowered its EBIT guidance for the following reasons: (1) suffering business in the area of control systems for distribution grids due to the new energy policy, which the German government introduced after the nuclear catastrophe in Fukushima in Q1/11 (2) investments into new products and the expansion of international distribution in the area of electrical energy and (3) 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. Although we forecast that the segment Production management will continue to develop well over the coming quarters, we think that it will not be able to offset the above-mentioned negative effects.

For the next years, we expect PSI to strongly benefit from robust demand for its software solutions especially in emerging markets such as Poland, Russia, India and China, where large investments into the modernization of infrastructure e.g. distribution grids are being conducted. With respect to margins, we think that they will be positively affected by the company's new software platform and growing share of employees in low-wage countries.

Sales estimates according to segments 2012E-14E			
in EURm	2012E	2013E	2014E
Energy management	73.18	83.59	91.55
change y-o-y	6.24%	14.22%	9.53%
share in total sales	40.53%	40.43%	40.33%
Production management	84.06	96.66	106.59
change y-o-y	6.96%	14.99%	10.27%
share in total sales	46.55%	46.75%	46.95%
Infrastructure management	23.32	26.50	28.87
change y-o-y	5.68%	13.61%	8.94%
share in total sales	12.92%	12.82%	12.72%
<b>Total sales</b>	<b>180.56</b>	<b>206.75</b>	<b>227.01</b>

Source: Dr. Kalliwoda Research GmbH

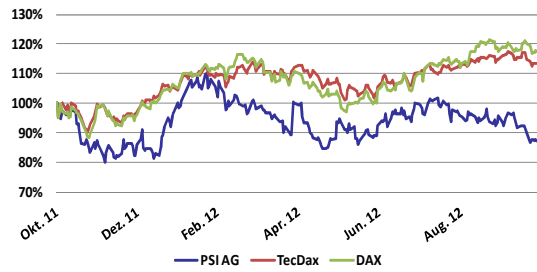
Our forecasts 2012E - 2014E			
in EURm	2012E	2013E	2014E
Net sales	180.56	206.75	227.01
EBITDA	17.26	23.93	28.76
EBITDA margin	9.56%	11.58%	12.67%
EBIT	13.02	19.08	23.43
EBIT margin	7.21%	9.23%	10.32%
Net income	7.71	11.88	14.86
Net margin	4.27%	5.75%	6.55%

Source: Dr. Kalliwoda Research GmbH



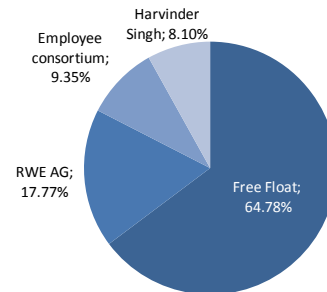
## 7 Stock and shareholder structure

Stock Price Development



Source: Thomson Reuters Knowledge

Shareholder Structure



Source: Company data, Dr. Kalliwoda Research GmbH

## 8 Profit and loss statements

Profit and loss statement - PSI AG						
in EURm	Fiscal year					
	2008	2009	2010	2011	2012E	2013E
<b>Sales split</b>						
<i>Energy management</i>	55.12	59.79	65.46	68.89	73.18	83.59
<i>Production management</i>	57.71	62.21	67.27	78.59	84.06	96.66
<i>Infrastructure management</i>	16.02	24.98	25.96	22.07	23.32	26.50
<b>Net sales</b>	<b>128.85</b>	<b>146.99</b>	<b>158.69</b>	<b>169.54</b>	<b>180.56</b>	<b>206.75</b>
<i>Change in inventories</i>	-0.05	0.07	0.06	-0.03	0.28	0.63
<b>Total Output</b>	<b>128.80</b>	<b>147.06</b>	<b>158.75</b>	<b>169.52</b>	<b>180.85</b>	<b>207.37</b>
<i>Cost of goods sold</i>	-22.14	-28.49	-26.30	-31.12	-33.20	-38.07
<b>Gross profit</b>	<b>106.66</b>	<b>118.57</b>	<b>132.45</b>	<b>138.39</b>	<b>147.64</b>	<b>169.30</b>
<i>Other operating income</i>	2.45	3.59	6.66	5.06	7.23	4.15
<i>Personnel costs</i>	-75.33	-83.63	-94.16	-95.78	-101.82	-116.33
<i>Depreciation &amp; Amortization</i>	-2.64	-3.63	-4.43	-3.98	-4.24	-4.85
<i>Other operating expenses</i>	-24.91	-27.09	-31.00	-33.03	-35.80	-33.18
<b>EBIT</b>	<b>6.23</b>	<b>7.81</b>	<b>9.51</b>	<b>10.67</b>	<b>13.02</b>	<b>19.08</b>
<i>Net financial results</i>	-0.95	-0.87	-1.64	-1.94	-2.00	-2.10
<b>EBT</b>	<b>5.28</b>	<b>6.95</b>	<b>7.88</b>	<b>8.72</b>	<b>11.02</b>	<b>16.98</b>
<i>Income taxes</i>	-1.14	-0.34	-0.83	-1.28	-3.31	-5.09
<i>Minority interests</i>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net income / loss</b>	<b>4.14</b>	<b>6.60</b>	<b>7.05</b>	<b>7.44</b>	<b>7.71</b>	<b>11.88</b>
<i>EPS</i>	0.34	0.46	0.45	0.47	0.49	0.76
<i>DPS</i>	0.00	0.21	0.23	0.25	0.27	0.29
<b>Change y-o-y</b>						
<i>Net sales</i>	n.a	14.07%	7.96%	6.84%	6.50%	14.50%
<i>Total Output</i>	n.a	14.17%	7.95%	6.78%	6.68%	14.67%
<i>Cost of goods sold</i>	n.a	28.66%	-7.67%	18.32%	6.68%	14.67%
<i>Gross profit</i>	n.a	11.16%	11.70%	4.49%	6.68%	14.67%
<i>Other operating income</i>	n.a	46.59%	85.38%	-24.00%	43.02%	-42.67%
<i>Personnel costs</i>	n.a	11.01%	12.60%	1.71%	6.31%	14.26%
<i>Depreciation &amp; Amortization</i>	n.a	37.64%	21.87%	-10.03%	6.50%	14.50%
<i>Other operating expenses</i>	n.a	8.73%	14.44%	6.56%	8.39%	-7.32%
<i>EBIT</i>	n.a	25.43%	21.76%	12.10%	22.09%	46.52%
<i>Net financial results</i>	n.a	-8.53%	88.26%	18.64%	3.04%	5.00%
<i>EBT</i>	n.a	31.53%	13.43%	10.74%	26.33%	54.05%
<i>Income taxes</i>	n.a	-70.00%	142.98%	54.03%	158.31%	54.05%
<i>Net income / loss</i>	n.a	59.49%	6.72%	5.63%	3.64%	54.05%
<i>EPS</i>	n.a	35.29%	-2.17%	4.44%	4.71%	54.05%
<i>DPS</i>	n.a	n.a	9.52%	8.70%	8.00%	7.41%
<b>Share in total sales</b>						
<i>Net sales</i>	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<i>Total Output</i>	81.17 %	92.67 %	100.04 %	106.82 %	113.96 %	130.68 %
<i>Cost of goods sold</i>	-13.95 %	-17.95 %	-16.58 %	-18.36 %	-18.39 %	-18.42 %
<i>Gross profit</i>	67.21 %	74.72 %	83.46 %	81.63 %	81.77 %	81.89 %
<i>Other operating income</i>	1.54 %	2.26 %	4.19 %	2.98 %	4.01 %	2.01 %
<i>Personnel costs</i>	-47.47 %	-52.70 %	-59.34 %	-56.49 %	-56.39 %	-56.27 %
<i>Depreciation &amp; Amortization</i>	-1.66 %	-2.29 %	-2.79 %	-2.35 %	-2.35 %	-2.35 %
<i>Other operating expenses</i>	-15.70 %	-17.07 %	-19.53 %	-19.48 %	-19.83 %	-16.05 %
<i>EBIT</i>	3.93 %	4.92 %	6.00 %	6.29 %	7.21 %	9.23 %
<i>Net financial results</i>	-0.60 %	-0.55 %	-1.03 %	-1.14 %	-1.11 %	-1.02 %
<i>EBT</i>	3.33 %	4.38 %	4.96 %	5.15 %	6.10 %	8.21 %
<i>Income taxes</i>	-0.72 %	-0.22 %	-0.52 %	-0.75 %	-1.83 %	-2.46 %
<i>Net income / loss</i>	2.61 %	4.16 %	4.44 %	4.39 %	4.27 %	5.75 %

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## 9 Balance sheets

Balance sheet - PSI AG						
in EURm	Fiscal year					
	2008	2009	2010	2011	2012E	2013E
<b>Assets</b>						
Cash and cash equivalents	23.65	20.77	28.88	33.85	37.46	48.56
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
<b>Current assets</b>	<b>73.59</b>	<b>93.54</b>	<b>104.15</b>	<b>110.47</b>	<b>119.07</b>	<b>142.01</b>
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	2.02	0.00
<b>Non-current assets</b>	<b>29.03</b>	<b>61.19</b>	<b>65.01</b>	<b>65.19</b>	<b>63.74</b>	<b>62.80</b>
<b>Total assets</b>	<b>102.62</b>	<b>154.74</b>	<b>169.16</b>	<b>175.66</b>	<b>182.81</b>	<b>204.82</b>
<b>Liabilities</b>						
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
<b>Current liabilities</b>	<b>40.08</b>	<b>55.19</b>	<b>60.11</b>	<b>67.50</b>	<b>71.48</b>	<b>81.24</b>
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
<b>Long-term liabilities</b>	<b>28.82</b>	<b>33.25</b>	<b>40.95</b>	<b>35.26</b>	<b>34.94</b>	<b>39.84</b>
<b>Total liabilities</b>	<b>68.90</b>	<b>88.45</b>	<b>101.07</b>	<b>102.75</b>	<b>106.42</b>	<b>121.09</b>
<b>Shareholders equity</b>	<b>33.72</b>	<b>66.29</b>	<b>68.09</b>	<b>72.91</b>	<b>76.39</b>	<b>83.73</b>
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total equity and liabilities</b>	<b>102.62</b>	<b>154.74</b>	<b>169.16</b>	<b>175.66</b>	<b>182.81</b>	<b>204.82</b>

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## 10 Cash flow statements

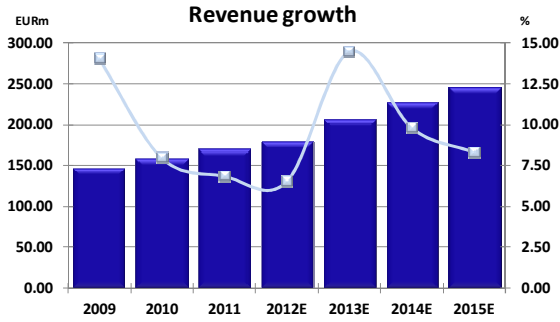
Cash flow statement - PSI AG						
in EURm	Fiscal year					
	2008	2009	2010	2011	2012E	2013E
Net income / loss	4.14	6.60	7.05	7.44	7.71	11.88
Depreciation & Amortization	2.64	3.63	4.43	3.98	4.24	4.85
Change of working capital	-3.53	-5.65	-0.21	-2.82	-0.92	-2.02
Others	6.64	-0.19	1.88	6.76	-0.03	2.06
<b>Net operating cash flow</b>	<b>9.89</b>	<b>4.40</b>	<b>13.14</b>	<b>15.37</b>	<b>11.01</b>	<b>16.78</b>
<b>Cash flow from investment</b>	<b>-4.53</b>	<b>-15.87</b>	<b>-6.82</b>	<b>-1.60</b>	<b>-5.09</b>	<b>-5.90</b>
Free cash flow	5.37	-11.47	6.32	13.76	5.92	10.88
<b>Cash flow from financing</b>	<b>-0.67</b>	<b>8.58</b>	<b>1.46</b>	<b>-8.95</b>	<b>-2.31</b>	<b>0.23</b>
Change of cash	4.70	-2.89	8.12	4.96	3.61	11.10
Cash at the beginning of the period	18.95	23.65	20.77	28.88	33.85	37.46
Cash at the end of the period	23.65	20.77	28.88	33.85	37.46	48.56

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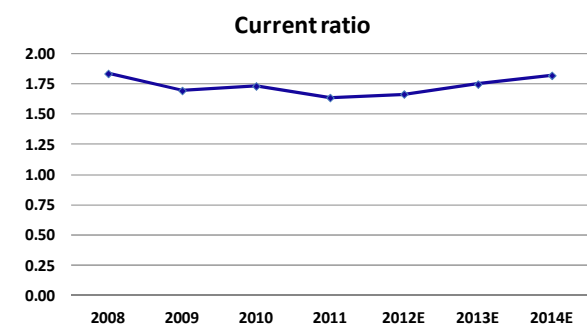
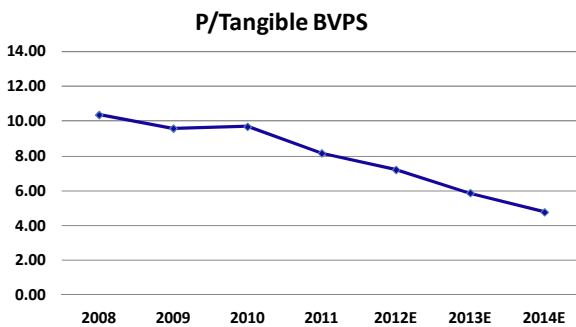
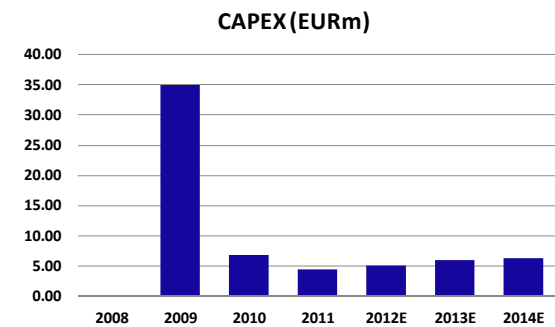
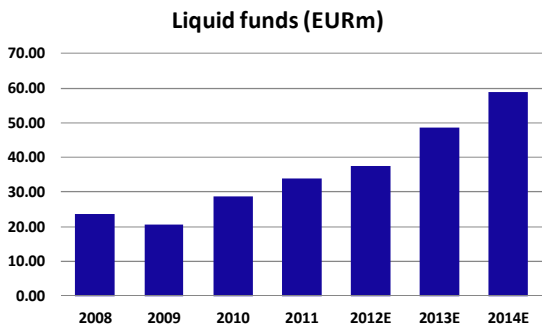
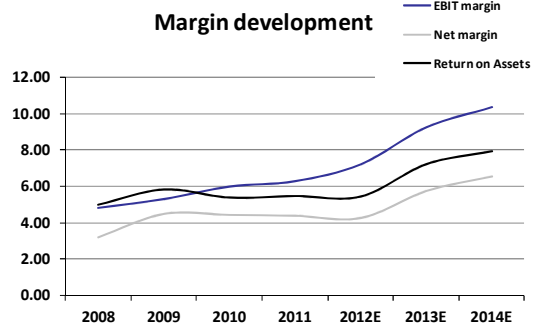
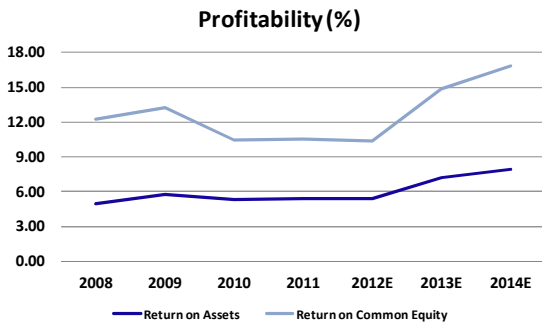
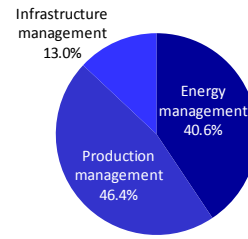
## 11 Financial ratios

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%	9.56%	11.58%	12.67%	13.37%
EBIT margin	4.84%	5.31%	5.99%	6.29%	7.20%	9.20%	10.30%	11.00%
Net margin	3.21%	4.49%	4.44%	4.39%	4.27%	5.73%	6.53%	7.05%
Return on equity (ROE)	12.28%	13.20%	10.49%	10.56%	10.33%	14.84%	16.83%	17.66%
Return on assets (ROA)	4.96%	5.81%	5.36%	5.44%	5.42%	7.22%	7.94%	8.34%
Return on capital employed (ROCE)	7.81%	7.46%	7.80%	8.41%	8.19%	10.81%	12.01%	12.58%
Net debt (in EURm)	3.34	11.74	12.89	1.39	-0.29	-6.58	-13.12	-21.28
Net gearing	9.92%	17.70%	18.93%	1.91%	-0.38%	-7.86%	-14.12%	-20.53%
Equity ratio	32.86%	42.84%	40.25%	41.51%	41.79%	40.88%	41.26%	42.08%
Current ratio	1.84	1.69	1.73	1.64	1.67	1.75	1.82	1.90
Quick ratio	1.23	1.05	1.06	1.02	1.05	1.12	1.19	1.27
Net interest cover	6.56	8.99	5.82	5.49	6.51	9.08	10.65	11.78
Net debt/EBITDA	0.38	1.03	0.92	0.09	-0.02	-0.28	-0.46	-0.65
Tangible BVPS	1.44	1.56	1.54	1.83	2.07	2.54	3.12	3.81
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	1.91	1.67	1.55	1.45	1.36	1.19	1.08	1.00
EV/EBITDA	27.69	21.45	17.61	16.76	14.22	10.26	8.54	7.47
EV/EBIT	39.41	31.42	25.81	23.02	18.86	12.87	10.48	9.06
P/Tangible BVPS	10.38	9.60	9.69	8.17	7.22	5.89	4.79	3.93
P/E	44.00	32.52	33.24	31.83	30.40	19.73	15.78	13.51
P/FCF	43.65	-20.43	37.07	17.02	39.55	21.54	19.14	15.80

Source: Company data, Dr. Kalliwoda Research GmbH



Sales split 2011



Source: Company data, Dr. Kalliwoda Research GmbH

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