Company Analysis

DR. KALLIWODA | RESEARCH GmbH

Equity Research

July 6th, 2017

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 16.40

Industry:	IT Services & Software
Country:	Germany
ISIN:	DE000A0Z1JH9
Reuters:	PSAGn.DE
Bloomberg:	PSAN GR
Website:	www.psi.de

Last price:		14.37
	High	**Low**
Price 52 W	14.93	10.70
Market cap. (EURm)		225.57
Number of shares (m)		15.70

Shareholders

RWE AG	17.8%
Harvinder Singh	8.1%
Invest. f. lg. Inv. TGV	19.5%
Employee consortium	9.4%
Baden-Württ. Ärzte	5.2%
Free float	40.0%

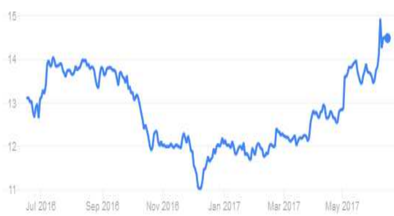
Performance

4 weeks	4.74%
13 weeks	20.51%
26 weeks	21.67%
52 weeks	14.06%
YTD	11.26%

Dividend

	in EUR	in %
2012	0.30	2.09%
2013	0.00	0.00%
2014	0.00	0.00%
2015	0.00	0.00%
2016	0.22	1.53%

Chart : 1 year



DR. KALLIWODA RESEARCH on Bloomberg Page: KALL

Analyst

Dr. Norbert Kalliwoda
Email: nk@kalliwoda.com
Phone: +49 69 97 20 58 53
www.kalliwoda.com

PSI AG

Good prospects for 2017 with record order volume

- Due to growth in industrial business, the whole group **sales increased** by 3% to €43.8m (Q1/16: €42.6m), EBIT enhanced by 20% to €2.6m (Q1/16: €2.2m), whilst the group net income increased by 27% to €1.8 (Q1/16: €1.4m). PSI Group enhanced its new order volume by 11% in the first quarter of 2017 to a new record value of €78m (Q1/16: €70m); the order backlog on 31.03.2017 amounted to €163m, 4% higher than the figure for the prior year (Q1/16: €157m).
- We deem that **the booming in smart grids market constitute a positive trigger** for the Company's share price performance. PSI AG provides Intelligent Technology for Smart Grids. PSI's grid management systems have a market share of > 90% with the major German grid operators. The establishment of smart grids demands substantial investment in grid infrastructure. European smart grid investment of EUR 500 billion is needed up to 2030 in Germany solely.
- We do not see the fundamental upside for the stock market price to have been exhausted; with updated financial projections and 12M EFV assessment, we hold our positive stance toward the Company's shares, continuing to view this exposure as **a top pick among the European-listed energy control systems providers for the current year**. The reasons for this continue to be three-fold : (i) we see great additional potential for its electrical grid software, particularly as an aid to network stabilization, in both Northern Europe and the USA, (ii) we see high growth potential when PSI begins to sell its rebuilt software to a wider customer base, (iii) in the existing year, high growth can be anticipated in particular from the cyclical metals, automotive and mining sectors, (iv) booming in smart grids market in Western Europe is anticipated.
- In our opinion, the company's sales growth (higher backlog in 2017), deliberate and well-knit long-term strategy related to entering foreign markets, debt reduction, strong and stable operating cash-flow are strong support for good direction of smart development of the company. Based on our valuation framework**, we increase our target price, setting a 12-month target price of EUR 16.37, an upside of 14% at the current price.**
- **Key Figures**

in EURm	2014	2015	2016	2017E	2018E	2019E	2020E
Net sales	175.39	183.68	176.85	185.70	200.55	206.57	212.56
EBITDA	11.05	15.40	16.13	19.00	20.72	23.41	24.09
EBIT	7.17	11.11	11.84	14.67	16.04	18.59	19.13
Net income	4.10	7.46	8.55	10.96	11.96	13.90	14.28
EPS	0.26	0.48	0.54	0.70	0.76	0.89	0.91
BVPS	4.35	4.66	4.80	5.00	5.54	6.16	6.80
RoE	5.98%	10.55%	11.52%	14.25%	14.46%	15.14%	14.05%
EBIT margin	4.09 %	6.05 %	6.69 %	7.90 %	8.00 %	9.00 %	9.00 %
P/E	45.57	27.15	22.40	20.59	18.85	16.23	15.79
P/BVPS	2.74x	2.77x	2.54x	2.87x	2.59x	2.33x	2.11x
EV/EBITDA	18.18x	14.50x	13.30x	10.57x	9.69x	8.58x	8.34x

Content

Company Analysis

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1 Company profile

PSI AG is a group of companies with 1,620 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, North and Latin 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 management creates optimization and control-technical solutions for production, logistics, metals and mining. In the infrastructure segment, the company supplies solutions for traffic systems.

PSI History

2014	Takeover of the strongest competitor in the metals industry, Broner Metals.
2013	PSI subsidiary founded in Brazil.
2012	Strengthening of the energy business with the acquisition of the Time-steps AG.
2011	PSI subsidiary founded in North America.
2010	PSI develops first integrated mining control system.
2009	PSI celebrates its 40th anniversary. Since 1969, PSI develops and integrates software solutions and complete systems for utilities, manufacturers, logistics and infrastructure providers.
2008	Formation of a subsidiary and a joint venture in Russia. International expansion in the metals, production and energy industry.
2007	Process control system for efficient raw materials production; market entry into the Russian steel and electricity industry.
2006	Opening of representative office in Russia; new sales partnerships in Eastern Europe and Asia.
2005	First major orders from Chinese steel industry and expansion of the logistics division to Russia.
2004	PSI subsidiaries founded in Poland and China.
2003	PSI develops the first integrated control system for controlling complex manufacturing processes.
2002	Generation shift in top management; Restructure of PSI into an integrated control system enterprise.
2000	PSI acquires the gas management system division from debis Systems and starts internationalization of its energy business.
1998	Initial public offering (IPO) on August 31.
1996	Development of the first object-oriented ERP system PSIpenta.
1994	The company is converted into a joint-stock corporation.
1986	Market launch of PIUSS-O, the company's first standard software product for production planning (PPS).
1976	The company wins its first large order from the energy supply sector.
1974	PSI is the first German company to introduce an employee stock option plan.
1969	PSI Gesellschaft für Prozesssteuerungs- und Informationssysteme GmbH is founded in Berlin. First order from the steel industry.

Source: The Company

2 SWOT Analysis

Strengths

- **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 PSI mining 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.

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2017

3 Valuation

In order to value PSI, we have used a traditional DCF model, which derives a 12-months target price for the stock of €16.37. Compared to current market level, this corresponds to an upside of 13%.

DCF model

WACC assumptions	
Growth assumptions	
Long-term growth rate	1.0%
Assimiliation phase (from 2017)	5 years
Sales growth at the beginning	5.0%
Equity	
Risk-free rate	2.0%
Market risk premium	5.8%
Beta	1.20
Equity costs	**9.0%**
Debt costs	
Debt costs (before tax)	7.0%
Tax rate on interest	30.0%
Debt costs (after tax)	**4.9%**
Equity	60
Debt	40
Gearing	66.7%
WACC	**7.34%**

Discounted Cash Flow Model (Basis 03/2017)

in EURm	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	**185.70**	**200.55**	**206.57**	**212.56**	**217.87**	**223.19**
(y-o-y change)	5.0%	8.0%	3.0%	2.9%	2.5%	2.4%
EBIT	**14.67**	**16.04**	**18.59**	**19.13**	**20.04**	**20.76**
(EBIT margin)	7.9%	8.0%	9.0%	9.0%	9.2%	9.3%
NOPLAT	**11.59**	**12.67**	**14.69**	**15.11**	**15.84**	**16.40**
+ Depreciation	4.33	4.68	4.82	4.96	5.08	5.21
= Net operating cash flow	15.92	17.35	19.51	20.07	20.92	21.61
- Total investments (Capex and WC)	-10.15	-9.11	-2.88	-5.38	-4.81	-5.63
Capital expenditure	-4.16	-4.82	-4.64	-4.68	-5.38	-5.60
Working capital	-6.00	-4.29	1.76	-0.70	0.57	-0.02
= Free cash flow (FCF)	5.77	8.25	16.63	14.69	16.11	15.98
PV of FCF's	**5.55**	**7.39**	**13.89**	**11.43**	**11.67**	**10.78**

PV of FCFs in explicit period	60.72
PV of FCFs in terminal period	153.86
Implied Enterprise value (EV)	**214.57**
+ Net cash / - net debt	24.73
+ Investments / - Minorities	0.00
Shareholder value	**239.31**
Number of shares outstanding (m)	15.70
WACC	7.4%
Equity costs	9.0%
Debt costs before tax	7.0%
Tax rate	30.0%
Debt costs after tax	4.9%
Equity ratio	60.0%
Debt ratio	40.0%
Fair value per share in € (today)	**15.25**
Fair value per share in € (in 12 months)	**16.37**

Sensitivity analysis	Terminal EBIT margin						
WACC	**6.3%**	**7.3%**	**8.3%**	**9.3%**	**10.3%**	**11.3%**	**12.3%**
4.4%	21.96	24.49	27.03	29.56	32.10	34.64	37.17
5.4%	17.59	19.44	21.30	23.15	25.00	26.86	28.71
6.4%	14.83	16.26	17.70	19.13	20.56	21.99	23.42
7.4%	12.93	14.08	15.22	**16.37**	17.51	18.66	19.80
8.4%	11.54	12.48	13.42	14.36	15.30	16.24	17.18
9.4%	10.47	11.25	12.04	12.83	13.61	14.40	15.19

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4 Quarterly results and quarterly/annual estimates 2017e

4.1 Quarterly results: Q1/17

PSI Group enhanced its new order volume by 11% in the first quarter of 2017 to a new record value of €78m (Q1/16 : €70m). The company is gaining from the cyclical recovery of several client groups' businesses and a reduction of the loss of Infrastructure Management in Asia.

The order backlog on 31.03.2017 amounted to €163m, 4% higher than the figure for the prior year (Q1/16: €157m). Due to growth in industrial business, the whole group sales increased by 3% to €43.8m (Q1/16: €42.6m), EBIT enhanced by 20% to €2.6m (Q1/16: €2.2m), whilst the group net income increased by 27% to €1.8 (Q1/16: €1.4m).

Energy Management achieved 1% higher revenue of €15.9m in the first quarter (Q1/16: €15.8m). The EBIT for the segment increased to €1.5m in comparison to the prior year (Q1/16: 1.4m).

Sales in Production Management (raw materials, industry, logistics) in the first 3 months, with €23m, amounted to 8% above the level for the prior year (Q1/16: €21.3m). The EBIT increased by 7% to 1.6m (Q1/16: €1.5m).

In Infrastructure Management (transportation and security), sales reduced by 13% to €4.8m (Q1/16: €5.5m), while the EBIT increased to €-0.1m (Q1/16 : €–0.4m).

Q1/17 vs. previous year

Q1/17 vs. Last year´s level

in EURm	Q1/17	Q1/16	change y-o-y
Net sales	43.78	42.59	*2.8%*
EBITDA	3.64	3.24	*12.4%*
EBITDA margin	8.3%	7.6%	
EBIT	2.61	2.18	*19.6%*
EBIT margin	6.0%	5.1%	
Net income	1.78	1.40	*27.1%*
Net margin	4.1%	3.3%	

Source: Dr. Kalliwoda Research GmbH © Copyright 2017

Segment total sales and EBIT margins according to segments 1Q/17 vs 1Q/16

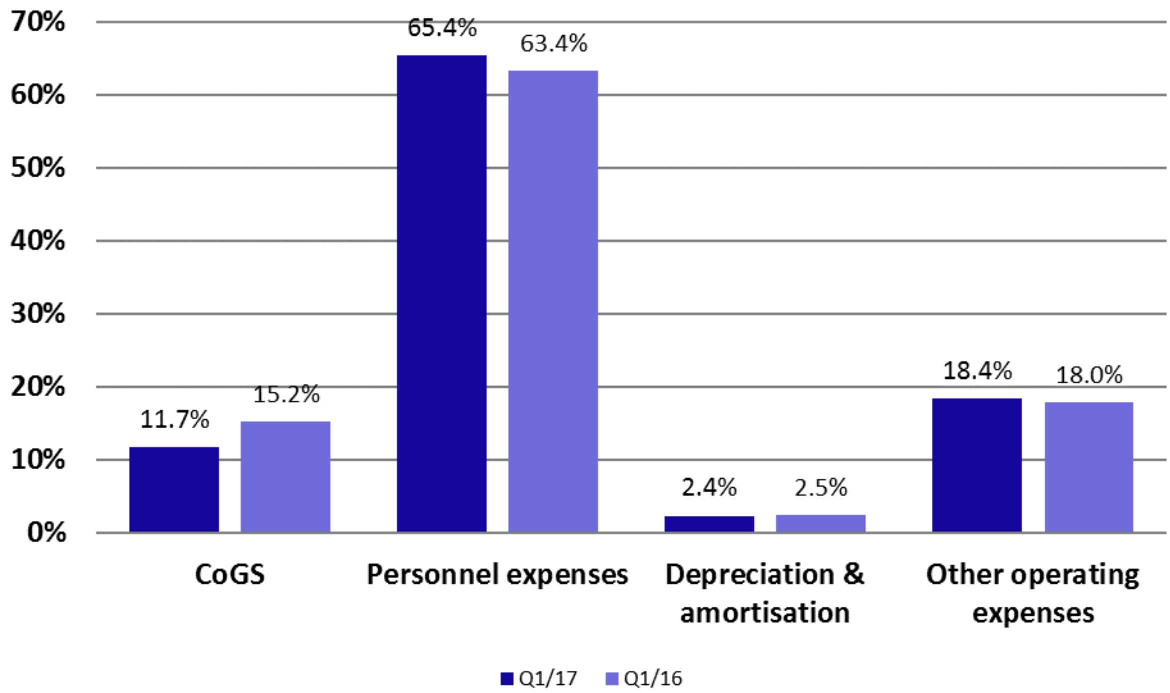
Segment Sales and EBIT margins according to segments Q1/17 vs. Q1/16

	Q1/17	Q1/16		Q1/17	Q1/16
Energy management			Infrastructure management		
Sales €m	16.21	16.11	Sales €m	6.23	6.79
Share in total sales	37.0%	37.8%	Share in total sales	14.2%	16.0%
EBIT margin	9.0%	8.8%	EBIT margin	-2.3%	-5.9%
Production management			Group		
Sales €m	23.55	21.86	Total Sales	43.78	42.59
Share in total sales	53.8%	51.3%	change y-o-y	2.8%	
EBIT margin	6.4%	6.1%			

Source: Dr. Kalliwoda Research GmbH © Copyright 2017

Profitability

Share in total sales 1Q/17 vs 1Q/16



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4.2 Estimates annual results: 2017e, 2018e and 2019e

For 2017e we estimate following Sales and EBIT margins per division of PSI AG:

Sales and EBIT margins according to segments 2017e vs.2016

	2017e	2016		2017e	2016
Energy management			**Infrastructure management**		
Sales €m	66.53	69.22	Sales €m	32.14	23.47
Share in total sales	35.8%	39.1%	Share in total sales	17.3%	13.3%
EBIT margin	8.1%	7.6%	EBIT margin	1.4%	3.6%
Production management			Group		
Sales €m	87.04	84.17	Total Sales	185.70	176.85
Share in total sales	46.9%	47.6%	change y-o-y	5.0%	
EBIT margin	6.9%	7.3%			

Changes to our forecasts 2017e – 2019e

Our forecasts 2017E - 2019E

	2017E		2018E		2019E	
in EURm	**new**	**old**	**new**	**old**	**new**	**old**
Net sales	185.70	193.59	200.55	209.08	206.57	215.35
EBITDA	19.00	18.65	20.72	21.19	23.41	23.97
EBITDA margin	10.2%	9.6%	10.3%	10.1%	11.3%	11.1%
EBIT	14.67	14.13	16.04	16.31	18.59	18.95
EBIT margin	7.9%	7.3%	8.0%	7.8%	9.0%	8.8%
Net income	10.96	9.20	11.96	11.04	13.90	12.83
Net margin	5.9%	4.8%	6.0%	5.3%	6.7%	6.0%

Source: Dr. Kalliwoda Research GmbH © Copyright 2017

5 Outlook

During the Q1/17 PSI established a subsidiary in Sweden whose preliminary target is on distributing energy grid software and network control as a service in Scandinavia.

Overall, Q1figures came in strong, with bottom line being in line with optimistic expectations. We expect the Company’s profit yoy momentum to remain positive for the coming quarters.

Over the coming quarters, we predict additional rollout orders from framework agreements with key electricity and gas network operators, steel companies and vehicle producers, demanding the development and expansion of teams for implementation at customers and partners.

We deem that the booming in smart grids market constitute a positive trigger for the Company’s share price performance. PSI AG provides Intelligent Technology for Smart Grids. PSI’s grid management systems have a market share of > 90% with the major German grid operators. The establishment of smart grids demands substantial investment in grid infrastructure. In accordance to BITKOM, European smart grid investment of EUR 500 billion is needed up to 2030 in Germany solely.

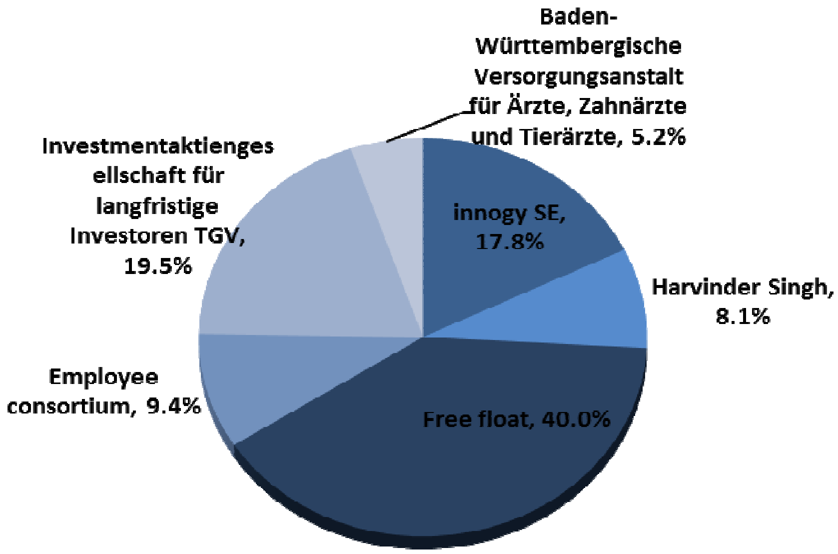
We do not see the fundamental upside for the stock market price to have been exhausted; with upgraded financial projections and 12M EFV (estimated fair value) assessment, we hold our positive stance toward the Company's shares, continuing to view this exposure as a top pick among the European-listed energy control systems providers for the current year. The reasons for this continue to be three-fold : (i) we sees great additional potential for its electrical grid software, particularly as an aid to network stabilization, in both Northern Europe and the USA, (ii) we see high growth potential when PSI begins to sell its rebuilt software to a wider customer base, (iii) In the existing year high growth can be anticipated in particular from the cyclical metals, automotive and mining sectors, (iv) booming in smart grids market is anticipated.

Given a significant upside to the Company's current share market price, we stick to our Buy LT fundamental recommendation and an Overweight market-relative bias vs. the Company's shares. Strong Q1/2017 financials and positive momentum in German economic indicators – should constitute a positive trigger and help the Company to close the significant valuation gap.

In our opinion, the company's sales growth (higher backlog in 2017), deliberate and well-knit long-term strategy related to entering foreign markets, debt reduction, strong and stable operating cash-flow are strong support for good direction of stable development of the company.

Based on our valuation framework, we increase our target price, setting a **12-month target price of EUR 16.37**, an upside of 13% at the current price.

6 Shareholder Structure with details



Source: Company data, Dr. Kalliwoda Research GmbH © Copyright 2017

7 Profit and Loss Statements

Profit and loss statement - PSI AG

	Fiscal year								
in EURm	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
Sales split									
Energy management	*64.15*	*67.23*	*69.22*	*66.53*	*72.47*	*74.42*	*76.28*	*78.37*	*80.36*
Production management	*79.61*	*86.39*	*84.17*	*87.04*	*93.59*	*97.06*	*99.85*	*102.13*	*104.63*
Infrastructure management	*31.64*	*30.06*	*23.47*	*32.14*	*34.48*	*35.08*	*36.43*	*37.38*	*38.21*
Net sales	**175.39**	**183.68**	**176.85**	**185.70**	**200.55**	**206.57**	**212.56**	**217.87**	**223.19**
Change in inventories	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Total Output	**175.39**	**183.68**	**176.85**	**185.70**	**200.55**	**206.57**	**212.56**	**217.87**	**223.19**
Cost of goods sold	-33.10	-31.60	-26.21	-32.61	-34.33	-35.31	-36.68	-37.38	-38.32
Gross profit	**142.29**	**152.09**	**150.64**	**153.09**	**166.22**	**171.26**	**175.88**	**180.49**	**184.87**
Other operating income	8.42	5.49	5.02	3.71	4.01	4.13	4.25	4.36	4.46
Personnel costs	-103.60	-106.82	-109.27	-101.85	-107.85	-114.55	-117.45	-119.95	-122.43
Depreciation & Amortization	-3.88	-4.29	-4.29	-4.33	-4.68	-4.82	-4.96	-5.08	-5.21
Other operating expenses	-36.05	-35.36	-30.26	-35.95	-41.65	-37.43	-38.59	-39.77	-40.94
EBIT	**7.17**	**11.11**	**11.84**	**14.67**	**16.04**	**18.59**	**19.13**	**20.04**	**20.76**
Net financial results	-1.50	-1.67	-0.60	-0.80	-0.90	-1.00	-1.05	-1.10	-1.00
EBT	**5.66**	**9.44**	**11.23**	**13.87**	**15.14**	**17.59**	**18.08**	**18.94**	**19.76**
Income taxes	-1.57	-1.98	-2.68	-2.91	-3.18	-3.69	-3.80	-3.98	-4.15
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income / loss	**4.10**	**7.46**	**8.55**	**10.96**	**11.96**	**13.90**	**14.28**	**14.97**	**15.61**
EPS	0.26	0.48	0.54	0.70	0.76	0.89	0.91	0.95	0.99
DPS	0.30	0.30	0.27	0.35	0.38	0.44	0.45	0.48	0.50
Change y-o-y									
Net sales	-0.54%	4.73%	-3.72%	5.00%	8.00%	3.00%	2.90%	2.50%	2.44%
Total Output	-0.54%	4.73%	-3.72%	5.00%	8.00%	3.00%	2.90%	2.50%	2.44%
Cost of goods sold	-4.84%	-4.55%	-17.05%	24.40%	5.30%	2.84%	3.89%	1.90%	2.51%
Gross profit	0.52%	6.89%	-0.95%	1.62%	8.57%	3.03%	2.70%	2.62%	2.42%
Other operating income	44.01%	-34.77%	-8.62%	-25.97%	8.00%	3.00%	2.90%	2.50%	2.44%
Personnel costs	-0.61%	3.10%	2.29%	-6.79%	5.90%	6.21%	2.53%	2.13%	2.07%
Depreciation & Amortization	1.62%	10.41%	0.19%	0.91%	8.00%	3.00%	2.90%	2.50%	2.44%
Other operating expenses	2.53%	-1.90%	-14.42%	18.80%	15.84%	-10.14%	3.10%	3.07%	2.93%
EBIT	71.94%	54.98%	6.54%	23.95%	9.37%	15.88%	2.90%	4.78%	3.55%
Net financial results	36.85%	11.10%	-63.97%	32.89%	12.50%	11.11%	5.00%	4.76%	-9.09%
EBT	84.50%	66.63%	19.02%	23.48%	9.19%	16.16%	2.78%	4.78%	4.29%
Income taxes	-42.02%	26.45%	35.52%	8.60%	9.19%	16.16%	2.78%	4.78%	4.29%
Minority interests	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Net income / loss	1004.85%	81.97%	14.64%	28.14%	9.19%	16.16%	2.78%	4.78%	4.29%
EPS	1004.85%	81.97%	14.64%	28.14%	9.19%	16.16%	2.78%	4.78%	4.29%
DPS	n.a	0.00%	-9.21%	28.14%	9.19%	16.16%	2.78%	4.78%	4.29%
Share in total sales									
Total Output	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-18.87 %	-17.20 %	-14.82 %	-17.56 %	-17.12 %	-17.09 %	-17.26 %	-17.16 %	-17.17 %
Gross profit	81.13 %	82.80 %	85.18 %	82.44 %	82.88 %	82.91 %	82.74 %	82.84 %	82.83 %
Other operating income	4.80 %	2.99 %	2.84 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
Personnel costs	-59.07 %	-58.15 %	-61.78 %	-54.85 %	-53.78 %	-55.46 %	-55.26 %	-55.06 %	-54.86 %
Depreciation & Amortization	-2.21 %	-2.33 %	-2.43 %	-2.33 %	-2.33 %	-2.33 %	-2.33 %	-2.33 %	-2.33 %
Other operating expenses	-20.55 %	-19.25 %	-17.11 %	-19.36 %	-20.77 %	-18.12 %	-18.15 %	-18.25 %	-18.34 %
EBIT	4.09 %	6.05 %	6.69 %	7.90 %	8.00 %	9.00 %	9.00 %	9.20 %	9.30 %
Net financial results	-0.86 %	-0.91 %	-0.34 %	-0.43 %	-0.45 %	-0.48 %	-0.49 %	-0.50 %	-0.45 %
EBT	3.23 %	5.14 %	6.35 %	7.47 %	7.55 %	8.52 %	8.51 %	8.70 %	8.85 %
Income taxes	-0.89 %	-1.08 %	-1.52 %	-1.57 %	-1.59 %	-1.79 %	-1.79 %	-1.83 %	-1.86 %
Net income / loss	2.34 %	4.06 %	4.84 %	5.90 %	5.97 %	6.73 %	6.72 %	6.87 %	6.99 %

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8 Balance Sheets

Balance sheet - PSI AG

in EURm	2014	2015	2016	2017E	2018E	2019E
	Fiscal year					
Assets						
Cash and cash equivalents	29.31	38.83	43.01	42.67	50.12	63.42
Inventories	3.47	4.18	6.42	4.32	4.55	4.68
Trade accounts and notes receivables	33.71	36.17	27.47	35.55	37.84	38.41
Receivables from long-term manufacturing	39.87	36.37	38.18	40.48	43.52	44.62
Other current assets	5.66	5.19	5.63	5.57	6.02	6.20
Current assets	**112.02**	**120.74**	**120.71**	**128.59**	**142.04**	**157.32**
Property, plant and equipment	12.95	12.21	12.15	11.65	11.25	10.85
Other intangibles assets	10.50	9.86	6.45	6.78	7.32	7.54
Goodwill	51.00	49.56	49.56	49.56	49.56	49.56
Shares in associated companies	0.15	0.15	0.15	0.15	0.16	0.17
Deferred tax assets	5.66	7.00	8.66	6.35	6.99	6.97
Non-current assets	**80.26**	**78.78**	**76.98**	**74.49**	**75.28**	**75.09**
Total assets	**192.27**	**199.52**	**197.69**	**203.08**	**217.33**	**232.42**
Liabilities						
Trade payables	15.11	14.93	12.55	14.35	14.92	15.15
Other liabilities	29.49	30.22	30.92	27.93	26.75	29.31
Liabilities from long-term manufacturing	26.01	28.82	25.73	29.14	31.47	32.41
Financial liabilities	5.08	3.37	0.00	-0.10	-0.20	-0.30
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Current liabilities	**75.70**	**77.34**	**69.20**	**71.32**	**72.94**	**76.58**
Long-term bank debt	0.19	0.08	0.00	0.00	0.00	0.00
Pension provisions	47.08	46.98	52.04	51.21	55.31	56.97
Deferred tax liabilities	1.02	1.96	2.92	1.98	2.14	2.21
Long-term liabilities	**48.28**	**49.03**	**54.95**	**53.19**	**57.45**	**59.17**
Total liabilities	**123.98**	**126.37**	**124.15**	**124.52**	**130.39**	**135.75**
Shareholders equity	**68.29**	**73.15**	**75.27**	**78.56**	**86.94**	**96.66**
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total equity and liabilities	**192.27**	**199.52**	**199.43**	**203.08**	**217.33**	**232.42**

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9 Cash Flow Statements

Cash flow statement - PSI AG						
	Fiscal year					
in EURm	2014	2015	2016	2017E	2018E	2019E
Net income / loss	4.10	7.46	8.55	10.96	11.96	13.90
Depreciation & Amortization	3.88	4.29	4.29	4.33	4.68	4.82
Change of working capital	13.67	4.15	-0.56	-6.00	-4.29	1.76
Others	2.422	-1.882	1.050	1.38	-0.48	0.08
Net operating cash flow	**24.07**	**14.01**	**13.34**	**10.67**	**11.88**	**20.56**
Cash flow from investment	**-14.34**	**-2.23**	**-2.91**	**-4.16**	**-4.82**	**-4.64**
Free cash flow	9.73	11.78	10.42	6.52	7.05	15.92
Cash flow from financing	**-1.71**	**-2.11**	**-6.73**	**-6.86**	**0.40**	**-2.61**
Change of cash	7.51	9.52	4.18	-0.34	7.45	13.30
Cash at the beginning of the period	21.80	29.31	38.83	43.01	42.67	50.12
Cash at the end of the period	29.31	38.83	43.01	42.67	50.12	63.42

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10 Financial Ratios

Fiscal year	2014	2015	2016	2017E	2018E	2019E	2020E
Gross margin	81.1%	82.8%	85.2%	82.4%	82.9%	82.9%	82.7%
EBITDA margin	6.3%	8.4%	9.1%	10.2%	10.3%	11.3%	11.3%
EBIT margin	4.1%	6.0%	6.0%	7.9%	8.0%	9.0%	9.0%
Net margin	2.3%	4.1%	4.8%	5.9%	6.0%	6.7%	6.7%
Return on equity (ROE)	6.0%	10.5%	11.5%	14.2%	14.5%	15.1%	14.0%
Return on assets (ROA)	3.0%	4.7%	4.6%	5.8%	6.1%	6.6%	6.4%
Return on capital employed (ROCE)	4.4%	7.2%	7.2%	8.8%	8.8%	9.4%	9.0%
Net debt (in EURm)	23.04	11.61	9.03	8.44	4.99	-6.75	-16.08
Net gearing	33.7%	15.9%	12.0%	10.7%	5.7%	-7.0%	-15.1%
Equity ratio	35.5%	36.7%	37.7%	38.7%	40.0%	41.6%	43.5%
Current ratio	1.48	1.56	1.74	1.80	1.95	2.05	2.19
Quick ratio	0.91	1.04	1.10	1.17	1.29	1.41	1.54
Net interest cover	4.77	6.65	19.66	18.34	17.83	18.59	18.22
Net debt/EBITDA	2.08	0.75	0.56	0.44	0.24	-0.29	-0.67
Tangible BVPS	1.10	1.50	1.64	1.85	2.38	3.00	3.64
Capex/Sales	-8.0%	-0.8%	-0.4%	-2.2%	-2.4%	-2.2%	-2.2%
Working capital/Sales	6.9%	4.3%	4.8%	7.8%	9.4%	8.2%	8.3%
EV/Sales	1.15	1.10	1.14	1.09	1.01	0.98	0.95
EV/EBITDA	18.32	14.50	13.30	10.65	9.77	8.65	8.40
EV/EBIT	28.24	18.22	17.10	13.80	12.62	10.89	10.58
P/Tangible BVPS	13.13	9.63	8.83	7.83	6.08	4.82	3.98
P/E	45.57	27.15	22.40	20.73	18.99	16.34	15.90

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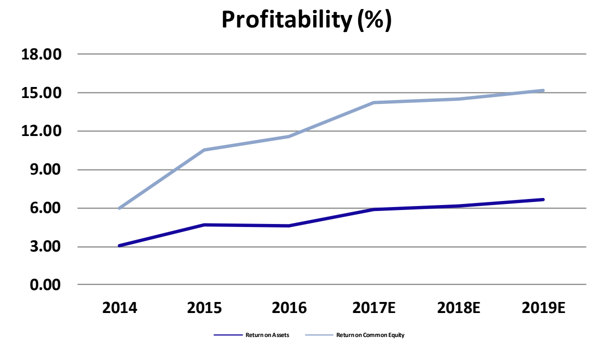

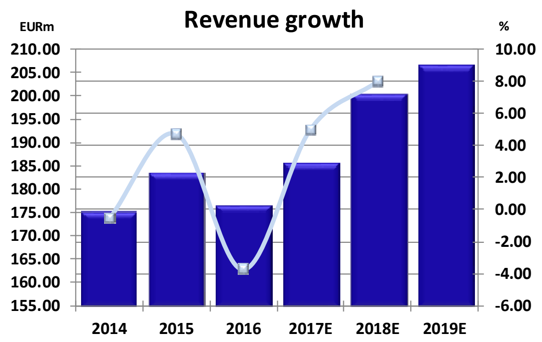

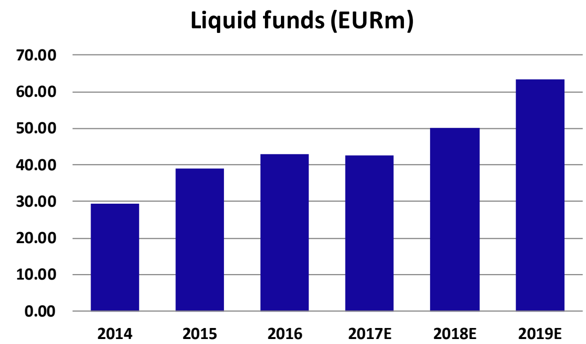

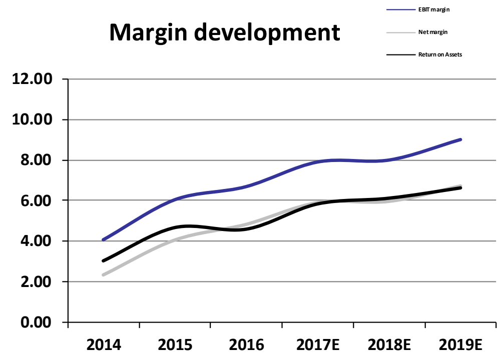

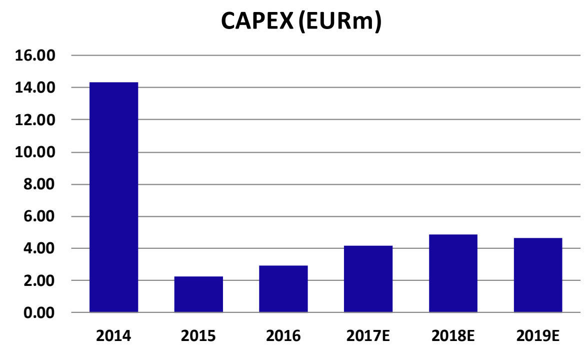

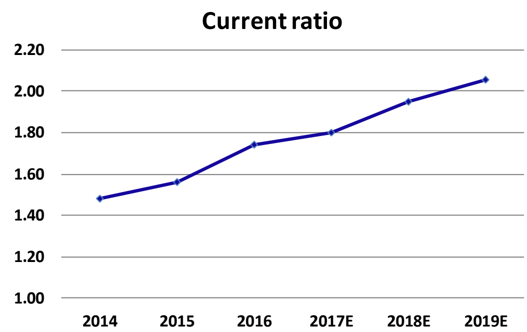

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Contact

Primary Research | Fair Value Analysis | International Roadshows		Dr. Kalliwoda International Research GmbH, Steinstraße 24, D-64839 Münster, office Frankfurt Arndtstr. 47, 60325 Frankfurt Tel.: 069-97 20 58 53 Fax: 069-13 81 92 15
Head: **Dr. Norbert Kalliwoda** E-Mail: nk@kalliwoda.com	CEFA-Analyst; University of Frankfurt/Main; PhD in Economics; Dipl.-Kfm., Dipl.-Hdl.	Sectors: IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
Dr. Peter Arendarski E-Mail: pa@kalliwoda.com	Senior-Analyst, Msc & Ph.D in Finance (Poznan Univers. of Economics),CFA Level 3 Candidate	Sectors: Technology,Raw Materials, Banks & Insurances, Financial-Modelling (Quant., Buyside)
Patrick Bellmann E-Mail: pb@kalliwoda.com	Junior-Analyst; WHU - Otto Beish. School of Management Vallendar	Sectors: Support Research and Quantitative Approach
Ilias Chahboune E-Mail: ic@kalliwoda.com	Master Economics: Uni Amsterdam	Sectors: Consumer, Retail, Real Estate
Kilian Dreher E-Mail: kd@kalliwoda.com	Junior-Analyst; University of Frankfurt/Main	Sectors: Consumer, Retail, Food & Beverages, Fashion
Michael John E-Mail: mj@kalliwoda.com	Dipl.-Ing. (Aachen)	Sectors: Chemicals, Chemical Engineering, Basic Metals, Renewable Energies, Laser/Physics
Marta Kifleab E-Mail: mki@kalliwoda.com	University of Mainz: Sprachwissenschaften	Roadshow/Conference Organisations
Rainer Koch E-Mail: rk@kalliwoda.com	Computer-Science/Dipl.-Betriebw, (Frankfurt); seasoned international Executive IT-Industry	Sectors: IT, IT-Services, Internet, Media, Internet, Emerging Markets
Witold Konrad Kosinski E-Mail: wk@kalliwoda.com	Finance & Banking Warsaw School of Econ,Master of Science; postgrad. Managem.Studies,Prepar.CFA Lev.2	Sectors: Consumer Goods, Trading Companies, Food & Beverages, Technology
Olaf Köster E-Mail: ok@kalliwoda.com	Dipl.-Betriebswirt, EBS	Sectors: Renewable Energy/Technology
Sebastian Krawczyk E-Mail: sk@kalliwoda.com	Bachelor in Management, Quant. Meth. in Economics & Inf. Systems at Warsaw School/Mannheim, CFA Can.	Sectors: Quantitative Methods, Automotive, Technology
Christoph Löffel E-Mail: cl@kalliwoda.com	Bachelor Betriebswirtschaftslehre Universität Mannheim	Sectors: Financials, Real Estate
Vittoria Lou D. Mawis E-Mail: cl@kalliwoda.com	Architect; University Barcelona	Sectors: Assistant Office & Real Estate Research
Dr. Christoph Piechaczek E-Mail: cp@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke.	Sectors: Biotech & Healthcare; Medical Technology Pharmaceutical
Nele Rave E-Mail: nr@kalliwoda.com	Lawyer; Native Speaker, German School London,	Legal adviser
Hellmut Schaarschmidt; E-Mail: hs@kalliwoda.com	Dipl.-Geophysicists; University of Frankfurt/Main.	Sectors: Oil, Regenerative Energies, Specialities Chemicals, Utilities
Dr. Erik Schneider **E-Mail:** es@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg.	Sectors: Biotech & Healthcare; Medical Technology Pharmaceutical
Hans-Georg Sutter E-Mail: hsu@kalliwoda.com	Dipl.-Wirtschaftsingenieur University Kaiserslautern	Sectors: IT/e-commerce
Rainer Wochele E-Mail: rw@kalliwoda.com	Bachelor of Science in Economics and Business Administration (Goethe University Frankfurt M.)	Junior-Analyst
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