

October 27, 2016

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 17.70

Overview

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

Last price:	12,34
	High Low
Price 52 W	14,69 11,75
Market cap. (EURm)	193,12
Number of shares (m)	15,65

Shareholders

RWE AG	17,77%
Harvinder Singh	8,10%
Free float	74,13%

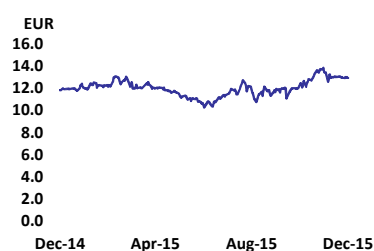
Performance

4 weeks	-7,36%
13 weeks	-9,06%
26 weeks	-1,20%
52 weeks	-0,08%
YTD	-4,46%

Dividend

	in EUR	in %
2012	0,30	2,43%
2013	0,00	0,00%
2014	0,30	2,43%
2015	0,30	2,43%

Chart



DR. KALLIWODA RESEARCH on
Bloomberg Page: KALL

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PSI AG

Important follow-up contract from China's CRRC

- PSI's sales in H1/16 were €85.1m (vs. H1/15: €90.5m). In contrast the group EBIT increased significantly by 12% to €4.5m (vs. H1/15: €4.05m) and net income grew by 2.1% to €2.41m (vs H1/15: €2.36m). Despite a 4% lower order intake of €100m (vs. H1/15: €104m) we still believe that our expectations in terms of sales growth might be achieved, taking into account that the previous year contained a major multi-year contract from E.ON Germany and a 10% higher order backlog of €144m at end of H1/16 (vs. H1/15: €131m).
- Both Energy Management and Production Management contributed to the higher EBIT margin of 5.3% (vs. H1/15: 4.5%) while only the Energy Management segment contributed to the growth with 1% higher sales of €32.0m (vs. €31.8m). The Infrastructure Management segment fell back in growth and profitability caused by commissioned market entry projects in Southeast Asia but will likely help to achieve performance in H2/16.
- We adjusted our FY16 sales to €189.1m as well as margins such as EBIT forecasting to €11.3m, which will be foreseen along the second half of 2016. We have trimmed our forecasts but expect furthermore an EPS compounded of growth of 20% in the following years driven by investment in the re-adaptation of the German electricity networks for renewable energies and the completion of the PSI transition to a pure software product provider.
- Following a successful pilot phase, PSI Automotive & Industry got an important follow-up contract from the World's largest railway vehicle producer China Railway Rolling Stock Corp. Ltd. (CRRC Group). In the second roll-out phase will follow the implementation of a software package for manufacturing processes, based on PSI penta ERP. The second phase will take place in other company segments of CRRC, which means a wider spread of PSI's applications in the CRRC Group is likely.

Key Figures

in EURm	2014	2015	2016E	2017E	2018E	2019E
Net sales	175,39	183,68	189,08	202,31	218,50	225,05
EBITDA	11,05	15,40	15,76	19,49	22,14	25,06
EBIT	7,17	11,11	11,34	14,77	17,04	19,80
Net income	4,10	7,46	7,26	9,67	11,61	13,48
EPS	0,26	0,48	0,46	0,62	0,74	0,86
BVPS	4,36	4,67	4,81	5,00	5,52	6,12
RoE	5,98%	10,55%	9,77%	12,60%	14,10%	14,80%
EBIT margin	4,09 %	6,05 %	6,00 %	7,30 %	7,80 %	8,80 %
P/E	47,11	25,89	26,62	19,96	16,64	14,33
P/BVPS	2,83x	2,64x	2,56x	2,47x	2,24x	2,02x
EV/EBITDA	15,24x	10,94x	10,69x	8,64x	7,61x	6,72x

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2016

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1 Company profile

PSI AG is a group of companies with 1,650 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 PSIpena.
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	Weaknesses
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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	Threats
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.

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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 €17.69. Compared to current market level, this corresponds to an upside of 43%.

DCF model

Discounted Cash Flow Model (Basis 12/2015)

in EURm	2015	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	183,68	189,08	202,31	218,50	225,05	231,58	237,37	243,16
(y-o-y change)	4,7%	2,9%	7,0%	8,0%	3,0%	2,9%	2,5%	2,4%
EBIT	11,11	11,34	14,77	17,04	19,80	16,44	16,62	15,32
(EBIT margin)	6,0%	6,0%	7,3%	7,8%	8,8%	7,1%	7,0%	6,3%
NOPLAT	8,78	8,51	11,08	13,12	15,05	20,06	19,61	18,23
+ Depreciation	4,29	4,41	4,72	5,10	5,25	5,40	5,54	5,67
= Net operating cash flow	13,07	12,92	15,80	18,22	20,30	25,46	25,15	23,90
- Total investments (Capex and WC)	2,68	-7,79	-5,52	-10,91	-2,80	-6,52	-5,64	-6,33
Capital expenditure	-1,47	-0,85	-4,70	-5,29	-5,09	-5,14	-5,85	-6,09
Working capital	4,15	-6,94	-0,81	-5,62	2,29	-1,38	0,21	-0,24
= Free cash flow (FCF)	15,75	5,13	10,28	7,31	17,50	18,94	19,51	17,58
PV of FCF's	0,00	5,07	9,52	6,34	14,22	14,41	13,90	11,73

PV of FCFs in explicit period	75,20
PV of FCFs in terminal period	159,41
Enterprise value (EV)	234,60
+ Net cash / - net debt	24,73
+ Investments / - Minorities	0,00
Shareholder value	259,33
Number of shares outstanding (m)	15,65
WACC	6,8%
Equity costs	8,0%
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)	16,57
Fair value per share in € (in 12 months)	17,69

Sensitivity analysis		Terminal EBIT margin						
		3,3%	4,3%	5,3%	6,3%	7,3%	8,3%	9,3%
WACC	3,8%	28,31	35,48	42,66	49,83	57,00	64,18	71,35
	4,8%	18,41	22,25	26,10	29,95	33,79	37,64	41,49
	5,8%	14,39	16,92	19,46	21,99	24,53	27,06	29,60
	6,8%	12,18	14,01	15,85	17,69	19,53	21,37	23,21
	7,8%	10,75	12,16	13,57	14,98	16,39	17,80	19,21
	8,8%	9,75	10,87	11,99	13,11	14,23	15,35	16,47

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4 Q2/16 results

Revenues

In H1/16, PSI generated total sales of €85.10m, (vs H1/15: €90.52m) which were 6.0% lower than last year. Sales revenues from Maintenance remained stable at €25.2m. None of the other revenue divisions were able to record growth: Software Development went down to €48.5m by 7.9% (vs. H1/15 €52.5m), License fees went down to €6.0m by 9.6% (vs. H1/15 €6.7m) and Merchandise went down to €5.4m by 10.4% (vs. H1/15 €6.1m).

However, the increase in order backlog of 10% was higher than the drop of 4% of the order intake which suggests that sales growth will be achieved during the two remaining quarters of the year, as well as EBIT inside the range of 10-13m which we expect around €11.3m.

H1/16 vs. previous year

H1/16 vs. Last year's level

in EURm	H1/16	H1/15	change y-o-y
Net sales	85,10	90,52	-6,0%
EBITDA	6,64	6,12	8,5%
EBITDA margin	7,8%	6,8%	
EBIT	4,53	4,05	12,0%
EBIT margin	5,3%	4,5%	
Net income	2,41	2,36	2,1%
Net margin	2,8%	2,6%	

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Sales and EBIT margins according to segments H1/16 vs. H1/15

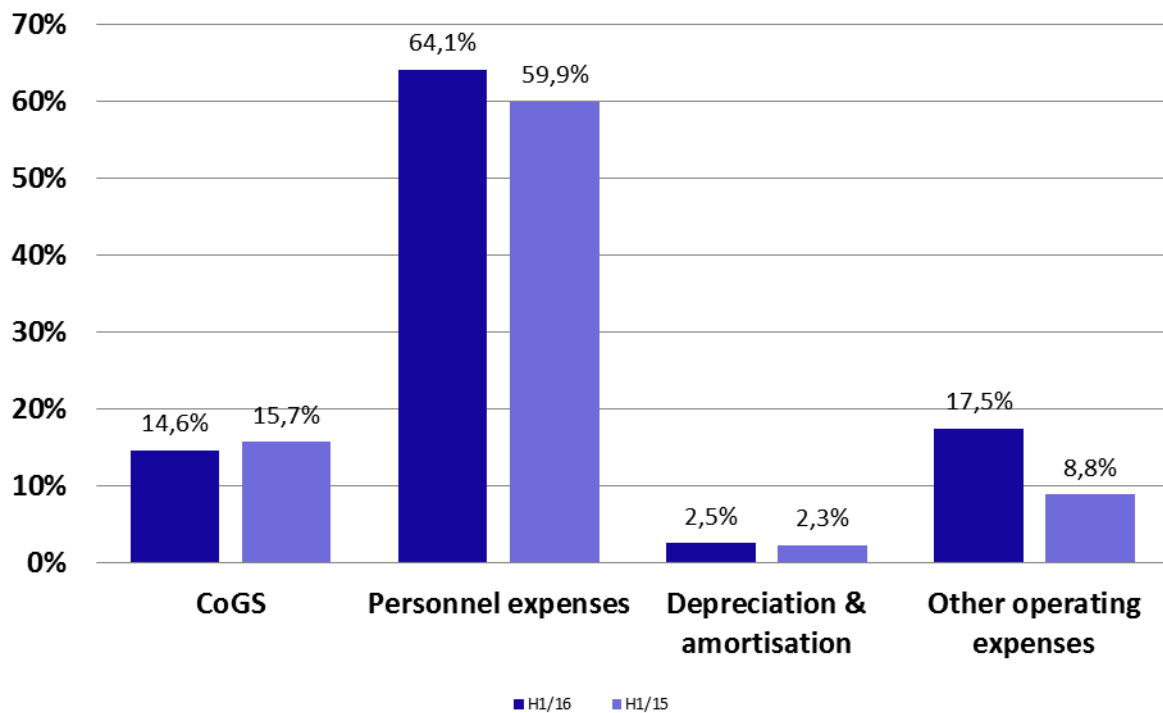
Sales and EBIT margins according to segments H1/16 vs.H1/15

	H1/16	H1/15		H1/16	H1/15
Energy management			Infrastructure management		
Sales €m	32,04	31,81	Sales €m	11,54	14,52
Share in total sales	37,6%	35,1%	Share in total sales	13,6%	16,0%
EBIT margin	8,2%	5,0%	EBIT margin	-2,5%	2,1%
Production management			Group		
Sales €m	41,52	44,20	Total Sales	85,10	90,52
Share in total sales	48,8%	48,8%	change y-o-y	-6,0%	
EBIT margin	6,7%	6,1%			

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Profitability

Share in total sales H1/16 vs. H1/15



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In H1/16, PSI generated an EBIT of €4.53m (vs. €4.6 in H1/15), viewing the net income increasing by 2.1% (H1/16 €2.41 vs. H1/15 €2.36).

5 New China business, exposure and outlook

Following a successful pilot phase PSI Automotive & Industry awarded an important follow-up contract from the World's largest railway vehicle producer China Railway Rolling Stock Corporation Limited (CRRC Group). The Beijing based CRRC Group has 46 subsidiaries and 185,000 employees. With revenue of €32bn in 2015 CRRC Group is on par with GE, Siemens and Alstom. The contract was made between the PSI Automotive & Industry GmbH and CRRC Sifang Co., Ltd., a subsidiary of CRRC. During a first pilot phase, PSI successfully implemented a planning-execution-control (PEC) solution for the integrated planning and control in a single plant. In the second roll-out phase will follow the implementation of an integrated software package for the support of the manufacturing processes, based on the PSIpenta ERP. The second phase will take place in other company segments of CRRC Sifang, which means a wider spread of PSI's applications in the CRRC Group is likely.

On the first view, PSI AG will increase its China exposure through the new business. But PSI AG is globally diversified and active in several industries and application areas. Additionally the company delivers software applications, which main functions are to increase and ensure efficiency and to support cost cutting – especially important during down cycles. The foreign business of CRRC Group is also worth mentioning. CRRC is on the

way to get a relevant player in global transport vehicle markets e.g. is a supplier of railcars in the US, for the Chicago Transit Authority. In 2015 international revenues of CRRC Group were around 11%. This decreases China exposure. PSI AG may also benefit indirectly from CRRCs international expansion through additional business opportunities. CRRC Group already made some acquisitions to get specific know-how e.g. German engineering company Cideon Holding.

Like Cideon, PSI AG has sector specific know-how, in this case as a provider of software applications and has experience with roll-out of complex projects globally, in compliance with local regulatory requirements and technical standards. From this perspective, the market entry projects in China should be considered.

In the long run PSI's competitive advantages and entry barriers will depend on its dominant market position, specialized workforce, and ability to innovate and to react flexibly given its size and software focus. We believe that the company is well-positioned to benefit from growth opportunities and reach its goals. An increase in operating margins to 10-12% would justify the longer term expectations on target price. Even though if the transition of the company to break deeply into software business is not fully achieved as well as the possibility of a rise in further upheavals in the energy markets could occur in average cuts of 15-20% for EPS in following years.

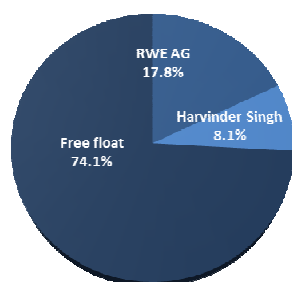
Changes to our forecasts

Our forecasts 2016E - 2018E

in EURm	2016E		2017E		2018E	
	new	old	new	old	new	old
Net sales	189,08	195,62	202,31	209,31	218,50	226,06
EBITDA	15,76	17,87	19,49	20,16	22,14	22,91
EBITDA margin	8,3%	9,1%	9,6%	9,6%	10,1%	10,1%
EBIT	11,34	13,30	14,77	15,28	17,04	17,63
EBIT margin	6,0%	6,8%	7,3%	7,3%	7,8%	7,8%
Net income	7,26	8,42	9,67	10,06	11,61	12,06
Net margin	3,8%	4,3%	4,8%	4,8%	5,3%	5,3%

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6 Shareholder Structure



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7 Profit and Loss Statements

Profit and loss statement - PSI AG						
in EURm	Fiscal year					
	2014	2015	2016E	2017E	2018E	2019E
Sales split						
Energy management	64,15	67,23	67,21	72,48	78,96	81,08
Production management	79,61	86,39	89,59	94,82	101,97	105,75
Infrastructure management	31,64	30,06	32,28	35,01	37,57	38,22
Net sales	175,39	183,68	189,08	202,31	218,50	225,05
Change in inventories	0,00	0,00	0,00	0,00	0,00	0,00
Total Output	175,39	183,68	189,08	202,31	218,50	225,05
Cost of goods sold	-33,10	-31,60	-35,17	-35,86	-34,61	-36,88
Gross profit	142,29	152,09	153,91	166,45	183,88	188,17
Other operating income	8,42	5,49	3,78	4,05	4,37	4,50
Personnel costs	-103,60	-106,82	-104,07	-110,96	-117,50	-124,80
Depreciation & Amortization	-3,88	-4,29	-4,41	-4,72	-5,10	-5,25
Other operating expenses	-36,05	-35,36	-37,86	-40,05	-48,61	-42,81
EBIT	7,17	11,11	11,34	14,77	17,04	19,80
Net financial results	-1,50	-1,67	-1,67	-1,87	-1,97	-2,07
EBT	5,66	9,44	9,67	12,90	15,07	17,73
Income taxes	-1,57	-1,98	-2,42	-3,22	-3,47	-4,26
Minority interests	0,00	0,00	0,00	0,00	0,00	0,00
Net income / loss	4,10	7,46	7,26	9,67	11,61	13,48
EPS	0,26	0,48	0,46	0,62	0,74	0,86
DPS	0,30	0,30	0,23	0,31	0,37	0,43
Change y-o-y						
Net sales	-0,54%	4,73%	2,94%	7,00%	8,00%	3,00%
Total Output	-0,54%	4,73%	2,94%	7,00%	8,00%	3,00%
Cost of goods sold	-4,84%	-4,55%	11,31%	1,96%	-3,47%	6,56%
Gross profit	0,52%	6,89%	1,20%	8,15%	10,47%	2,33%
Other operating income	44,01%	-34,77%	-31,12%	7,00%	8,00%	3,00%
Personnel costs	-0,61%	3,10%	-2,57%	6,62%	5,90%	6,21%
Depreciation & Amortization	1,62%	10,41%	2,94%	7,00%	8,00%	3,00%
Other operating expenses	2,53%	-1,90%	7,07%	5,77%	21,37%	-11,93%
EBIT	71,94%	54,98%	2,12%	30,18%	15,40%	16,21%
Net financial results	36,85%	11,10%	0,00%	11,97%	5,34%	5,07%
EBT	84,50%	66,63%	2,49%	33,33%	16,86%	17,66%
Income taxes	-42,02%	26,45%	22,20%	33,33%	7,51%	22,78%
Minority interests	n.a	n.a	n.a	n.a	n.a	n.a
Net income / loss	1004,85%	81,97%	-2,73%	33,33%	19,97%	16,13%
EPS	1004,85%	81,97%	-2,73%	33,33%	19,97%	16,13%
DPS	n.a	0,00%	-22,74%	33,33%	19,97%	16,13%
Share in total sales						
Net sales	100,00 %	100,00 %	100,00 %	138,41%	14,29%	-62,50%
Total Output	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %
Cost of goods sold	-18,87 %	-17,20 %	-18,60 %	-17,72 %	-15,84 %	-16,39 %
Gross profit	81,13 %	82,80 %	81,40 %	82,28 %	84,16 %	83,61 %
Other operating income	4,80 %	2,99 %	2,00 %	2,00 %	2,00 %	2,00 %
Personnel costs	-59,07 %	-58,15 %	-55,04 %	-54,85 %	-53,78 %	-55,46 %
Depreciation & Amortization	-2,21 %	-2,33 %	-2,33 %	-2,33 %	-2,33 %	-2,33 %
Other operating expenses	-20,55 %	-19,25 %	-20,02 %	-19,79 %	-22,25 %	-19,02 %
EBIT	4,09 %	6,05 %	6,00 %	7,30 %	7,80 %	8,80 %
Net financial results	-0,86 %	-0,91 %	-0,88 %	-0,92 %	-0,90 %	-0,92 %
EBT	3,23 %	5,14 %	5,12 %	6,38 %	6,90 %	7,88 %
Income taxes	-0,89 %	-1,08 %	-1,28 %	-1,59 %	-1,59 %	-1,89 %
Net income / loss	2,34 %	4,06 %	3,84 %	4,78 %	5,31 %	5,99 %

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8 Balance Sheets

Balance sheet - PSI AG						
in EURm	Fiscal year					
	2014	2015	2016E	2017E	2018E	2019E
Assets						
Cash and cash equivalents	29,31	38,83	43,60	48,53	54,67	68,34
Inventories	3,47	4,18	4,66	4,75	4,58	4,88
Trade accounts and notes receivables	33,71	36,17	36,71	38,73	41,23	41,85
Receivables from long-term manufacturing	39,87	36,37	41,41	44,10	47,41	48,61
Other current assets	5,66	5,19	7,00	6,07	6,55	6,75
Current assets	112,02	120,74	133,37	142,18	154,45	170,44
Property, plant and equipment	12,95	12,21	11,61	11,11	10,71	10,31
Other intangibles assets	10,50	9,86	6,90	7,38	7,97	8,21
Goodwill	51,00	49,56	49,56	49,56	49,56	49,56
Shares in associated companies	0,15	0,15	0,15	0,16	0,18	0,18
Deferred tax assets	5,66	7,00	6,10	6,92	7,61	7,60
Non-current assets	80,26	78,78	74,32	75,14	76,04	75,87
Total assets	192,27	199,52	207,69	217,32	230,49	246,31
Liabilities						
Trade payables	15,11	14,93	15,67	15,78	15,05	15,83
Other liabilities	29,49	30,22	29,56	30,43	29,14	31,94
Liabilities from long-term manufacturing	26,01	28,82	29,67	31,74	34,28	35,31
Financial liabilities	5,08	3,37	3,27	3,17	3,07	2,97
Provisions	0,00	0,00	0,00	0,00	0,00	0,00
Current liabilities	75,70	77,34	78,17	81,13	81,54	86,05
Long-term bank debt	0,19	0,08	0,03	0,00	0,00	0,00
Pension provisions	47,08	46,98	52,14	55,79	60,26	62,06
Deferred tax liabilities	1,02	1,96	2,02	2,16	2,34	2,41
Long-term liabilities	48,28	49,03	54,20	57,95	62,59	64,47
Total liabilities	123,98	126,37	132,37	139,09	144,13	150,52
Shareholders equity	68,29	73,15	75,33	78,23	86,35	95,79
Minority interests	0,00	0,00	0,00	0,00	0,00	0,00
Total equity and liabilities	192,27	199,52	207,69	217,32	230,49	246,31

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9 Cash Flow Statements

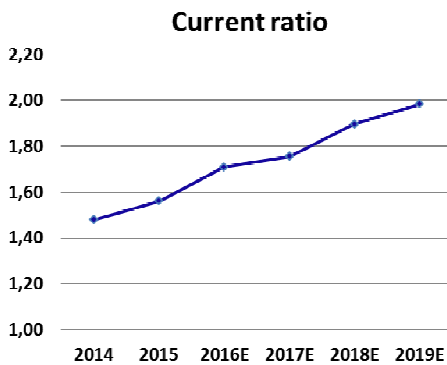
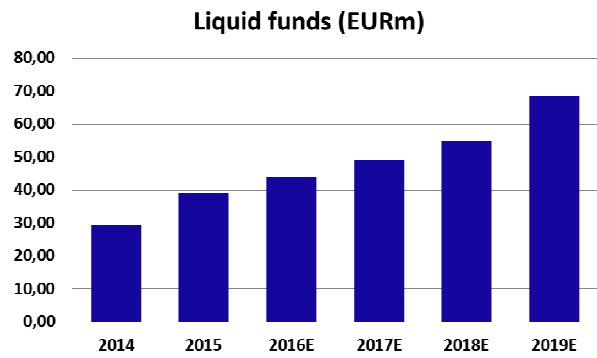
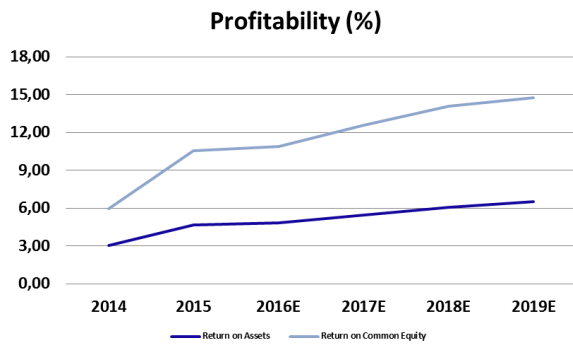
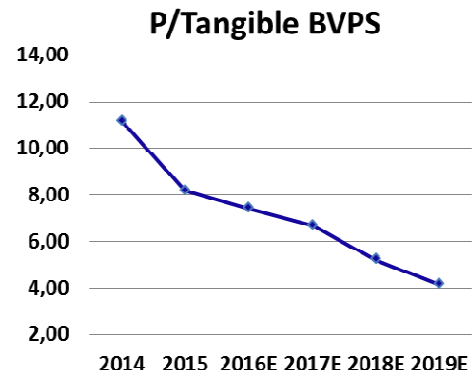
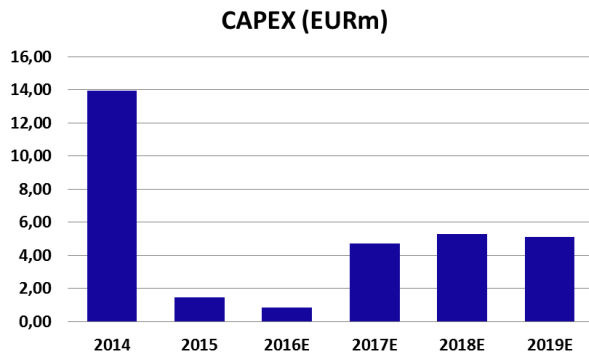
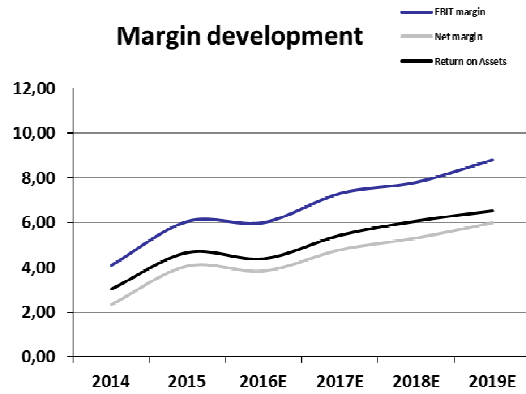
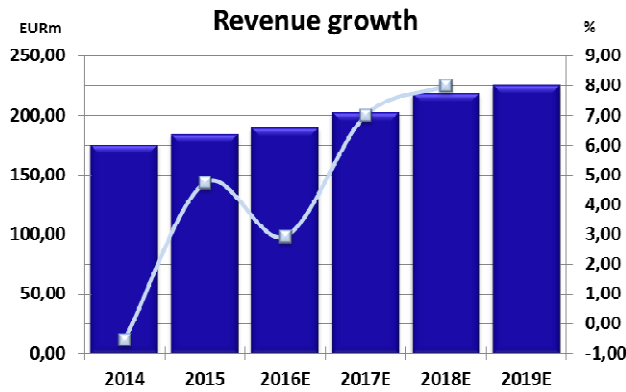
Cash flow statement - PSI AG						
in EURm	Fiscal year					
	2014	2015	2016E	2017E	2018E	2019E
Net income / loss	4,10	7,46	7,26	9,67	11,61	13,48
Depreciation & Amortization	3,88	4,29	4,41	4,72	5,10	5,25
Change of working capital	13,67	4,15	-6,94	-0,81	-5,62	2,29
Others	-1,04	-0,40	0,96	-0,68	-0,52	0,09
Net operating cash flow	20,61	15,50	5,69	12,90	10,56	21,11
Cash flow from investment	-13,96	-1,47	-0,85	-4,70	-5,29	-5,09
Free cash flow	6,65	14,03	4,84	8,19	5,27	16,01
Cash flow from financing	0,86	-4,51	-0,07	-3,26	0,87	-2,34
Change of cash	7,51	9,52	4,77	4,93	6,14	13,67
Cash at the beginning of the period	21,80	29,31	38,83	43,60	48,53	54,67
Cash at the end of the period	29,31	38,83	43,60	48,53	54,67	68,34

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10 Financial Ratios


Fiscal year	2014	2015E	2016E	2017E	2018E	2019E	2020E
Gross margin	81,13%	82,80%	81,40%	82,28%	84,16%	83,61%	84,35%
EBITDA margin	6,30%	8,38%	8,33%	9,63%	10,13%	11,13%	9,43%
EBIT margin	4,09%	6,05%	6,00%	7,30%	7,80%	8,80%	7,10%
Net margin	2,34%	4,06%	3,84%	4,78%	5,31%	5,99%	7,54%
Return on equity (ROE)	5,98%	10,55%	9,77%	12,60%	14,10%	14,80%	17,14%
Return on assets (ROA)	3,03%	4,66%	4,38%	5,43%	6,06%	6,52%	7,73%
Return on capital employed (ROCE)	4,45%	7,19%	6,57%	8,13%	8,81%	9,39%	11,50%
Net debt (in EURm)	23,04	11,61	11,85	10,44	8,66	-3,31	-14,15
Net gearing	33,73%	15,87%	15,73%	13,34%	10,03%	-3,45%	-13,10%
Equity ratio	35,52%	36,66%	36,27%	36,00%	37,47%	38,89%	41,42%
Current ratio	1,48	1,56	1,71	1,75	1,89	1,98	2,14
Quick ratio	0,91	1,04	1,12	1,15	1,26	1,36	1,51
Net interest cover	4,77	6,65	6,79	7,89	8,65	9,56	7,75
Net debt/EBITDA	2,08	0,75	0,75	0,54	0,39	-0,13	-0,65
Tangible BVPS	1,11	1,51	1,65	1,83	2,35	2,95	3,74
Capex/Sales	-7,96%	-0,80%	-0,45%	-2,33%	-2,42%	-2,26%	-2,22%
Working capital/Sales	6,89%	4,32%	7,87%	7,76%	9,75%	8,45%	8,81%
EV/Sales	0,96	0,92	0,89	0,83	0,77	0,75	0,73
EV/EBITDA	15,24	10,94	10,69	8,64	7,61	6,72	7,71
EV/EBIT	23,49	15,16	14,84	11,40	9,88	8,50	10,24
P/Tangible BVPS	11,17	8,19	7,49	6,74	5,25	4,18	3,30
P/E	47,11	25,89	26,62	19,96	16,64	14,33	11,05
P/FCF	29,05	13,77	39,94	23,58	36,64	12,07	12,01

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