

January 11th, 2019

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 22

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

Last price: 15.70
High **Low**
Price 52 W.: 20.40 14.25
Market cap. (EURm) 246.44
Number of shares (m) 15.70
Avg. trading vol (shares) 1,000

Shareholders

innogy SE 17.8%
Harvinder Singh 8.1%
Invest. f. lg. Inv. TGV 20.7%
Employee consortium 9.4%
Baden-Württ. Ärzte 5.2%
Free float 38.9%

Performance

4 weeks -2.00%
26 weeks -2.00%
52 weeks -13.00%
3 years 28.20%

Dividend

	in EUR	in %
2012	0.30	1.95%
2013	0.00	0.00%
2014	0.00	0.00%
2015	0.21	1.63%
2016	0.22	1.85%
2017	0.23	1.23%
2018	0.27*	1.69%

* forecast

Chart : 1 year



Analyst

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KALL

PSI Software AG

Benefiting from strategic transformations

- The results for the quarter ended on the 30th of September 2018, showed successful continuation of good development showed in Q1. PSI Group improved new orders by 20 % to 176 million euros in the 9M/2018 (9M/2017: 147 million euros). The total value of orders on 9M2018 equalled 159 million euros, which was 13 % above the value for the prior year (9M/2017: 141 million euros).
- Group sales increased by 6 % to 141.6 million euros (9M/2017: 133.1 million euros), due to the growth in the electrical grids business and in Southeast Asia. The EBIT advanced by 22 % to 10 million euros (9M/2017: 8.2 million euros), the group net result raised by 50 % to 6.9 million euros (9M/2017: 4.6 million euros) due to better financial management that has impact on lower taxes paid.
- The growth was fuelled mostly by continuation of very strong business cooperation with electricity and gas network operators in Germany neighbouring countries and due to the turnaround of the South East Asian business.
- 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 five-fold : (i) growing business opportunities in public transport electrification, (ii) substantial investment in the promising area – intelligent low voltage grid management for the US market, (iii) working towards intelligent integration of electromobility into local transmission networks, (iv) better than previously expected development in the South-East Asian business, where the return to profitability will improve Energy Management's profitability (v) possible synergies from acquisition of PRINS (BTC) and its two segments (divisions) of business due to the electrification of public transport, therefore we expect PSI's business segments to "grow together".
- Over the approaching years, we anticipate continuously raising sales and profit margins as a result of positive changes in energy and automobile industry (electrification of public transport). We increase our target price slightly. Our TP is EUR 21.83, with an upside of ca. 39% at the current share price.

Key Figures

in EURm	2014	2015	2016	2017E	2018E	2019E	2020E
Net sales	175.39	183.68	176.85	189.23	200.59	212.62	221.13
EBITDA	11.05	15.40	16.13	18.90	20.73	21.97	25.06
EBIT	7.17	11.11	11.84	14.49	16.05	17.01	19.90
Net income	4.10	7.46	8.55	10.81	11.97	12.65	14.89
EPS	0.26	0.48	0.54	0.69	0.76	0.81	0.95
BVPS	4.35	4.66	4.80	5.00	5.54	6.10	6.76
RoE	5.98%	10.55%	11.52%	14.06%	14.47%	13.85%	14.75%
EBIT margin	4.09 %	6.05 %	6.69 %	7.66 %	8.00 %	8.00 %	9.00 %
P/E	45.57	27.15	22.40	22.79	20.60	19.49	16.55
P/BVPS	2.74x	2.77x	2.54x	3.14x	2.84x	2.57x	2.32x
EV/EBITDA	29.32x	14.50x	13.30x	17.14x	15.63x	14.74x	12.93x

Content

1	Company profile	3
2	SWOT Analysis	4
3	Valuation	5
4	9M/2018 results & 12M/2018 Estimates	6
5	Financial Figures and Estimations	8
6	Outlook	10
7	Shareholder Structure with details	11
8	Profit and Loss Statements	12
9	Balance Sheets	13
10	Cash Flow Statements	14
11	Financial Ratios	14
12	Contact	16
	Disclaimer	17
	Essential information, disclosures and disclaimer	17

1 Company profile

PSI is a group of companies with around 1,775 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. • Takeover candidate for some downstream industrial conglomerates. Unique market position and products of PSI might raise interest in the one or the other downstream customer. • 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.

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2019

3 Valuation

To value PSI, we used a traditional DCF model, which derives a 12-months target price for the stock of **€21.83**. Compared to current market level, this corresponds to an upside of around 39%.

WACC assumptions

Growth assumptions

Long-term growth rate	1%
Assimilation phase (from 2017)	5 years
Sales growth at the beginning	7%

Equity

Risk-free rate	2%
Market risk premium	6%
Beta	1.35

Equity costs 9.3%

Debt costs

Debt costs (before tax)	3%
Tax rate on interest	30%

Debt costs (after tax) 2.1%

Equity	65%
Debt	35%
Gearing	53.8%

WACC 6.76%

Discounted Cash Flow Model (Basis 09/2018), calculated on 06 December 2018

in EURm	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	189.23	200.59	212.62	221.13	229.97	239.17
(y-o-y change)	7.0%	6.0%	6.0%	4.0%	4.0%	4.0%
EBIT	14.49	16.05	17.01	19.90	23.00	25.11
(EBIT margin)	7.7%	8.0%	8.0%	9.0%	10.0%	10.5%
NOPLAT	11.45	12.68	13.44	15.72	18.17	19.84
+ Depreciation	4.42	4.68	4.96	5.16	5.37	5.58
= Net operating cash flow	15.86	17.36	18.40	20.88	23.53	25.42
- Total investments (Capex and WVC)	-8.64	-12.61	-4.64	-6.89	-5.86	-6.72
Capital expenditure	-5.37	-5.59	-5.90	-5.97	-6.19	-6.42
Working capital	-3.27	-7.01	1.26	-0.92	0.33	-0.30
= Free cash flow (FCF)	7.22	4.75	13.76	13.99	17.67	18.70
PV of FCFs	7.68	4.73	12.83	12.22	14.46	14.33

PV of FCFs in explicit period	66.26
PV of FCFs in terminal period	229.97
Implied Enterprise value (EV)	296.22
+ Net cash / - net debt	24.73
+ Investments / - Minorities	0.00
Shareholder value	320.95
Number of shares outstanding (m)	15.70

WACC	6.8%
Equity costs	9.3%
Debt costs before tax	3.0%
Tax rate	30.0%
Debt costs after tax	2.1%
Equity ratio	65.0%
Debt ratio	35.0%
Fair value per share in € (today)	20.45
Fair value per share in € (in 12 months)	21.83

Sensitivity analysis		Terminal EBIT margin						
		7.5%	8.5%	9.5%	10.5%	11.5%	12.5%	13.5%
WACC	3.8%	32.37	35.96	39.55	43.15	46.74	50.33	53.92
	4.8%	24.65	27.18	29.72	32.25	34.79	37.32	39.86
	5.8%	20.17	22.09	24.02	25.94	27.87	29.80	31.72
	6.8%	17.23	18.77	20.30	21.83	23.36	24.89	26.42
	7.8%	15.16	16.42	17.68	18.93	20.19	21.45	22.70
	8.8%	13.62	14.68	15.73	16.79	17.84	18.89	19.95

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4 9M/2018 results & 12M/2018 Estimates

9M/2018 P&L Results:

The results for the quarter ended on the 30th of September 2018, showed successful continuation of good development showed in Q1. PSI Group improved new orders by 20 % to 176 million euros in the 9M/2018 (9M/2017: 147 million euros). The total value of orders on 30 September 2018 equaled 159 million euros, which was 13 % above the value for the prior year (9M/2017: 141 million euros). Group sales increased by 6 % to 141.6 million euros (9M/2017: 133.1 million euros), due to the growth in the electrical grids business and in Southeast Asia. The EBIT advanced by 22 % to 10 million euros (9M/2017: 8.2 million euros), the group net result raised by 50 % to 6.9 million euros (9M/2017: 4.6 million euros) due to better financial management that has impact on lower taxes paid. The growth was fueled mostly by continuation of very strong business cooperation with electricity and gas network operators in Germany neighboring countries and due to the turnaround of the South East Asian business.

9M/18 results vs. previous year			
in EURm	9M/2018	9M/2017	change
Net sales	141.5	133.1	6.4%
EBITDA	11.1	9.3	19.7%
<i>EBITDAmargin</i>	7.9%	7.0%	
EBIT	10.0	8.2	-
<i>EBITmargin</i>	7.1%	6.2%	
Net income	6.85	4.56	-
<i>Net margin</i>	4.8%	3.4%	

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2019

As a side note, PSI has changed its reporting structure from three segments to two segments during Q1/18. The past Infrastructure Management Segment's Southeast Asian and Public Transportation businesses are now part of Energy Management. Furthermore, PSI's Polish business (PSI Polska Sp. z o.o. - located in Poznan, Poland) has been consolidated into the Production Management segment. Both enduring segments (Energy Management & Production Management) has been approximately equal in size.

On 21 November 2018, PSI Software AG has agreed the takeover of the Network Control Software Segment PRINS of BTC Business Technology Consulting AG. The contract assumes the acquisition in the framework of an asset deal effective 1 January 2019. In addition, the parties agree for further cooperation and risk reduction. PSI estimates that the PRINS network control business has annual sales equivalent to about 5 percent of PSI Group sales.

We believe that PSI will generate economically interesting synergies to the PSI products for every PRINS customer. We anticipate that this acquisition will result in 3-4 million euros in sales per year and should increase margins.

9M/2018 Balance Sheet and Cash Flow Results:

Compared to 31 December 2017, there have not been any substantial changes in the Group's assets and liabilities. Overall, total assets have increased by 3 million from (194.0 million in Q4/2017 to 194 million in Q3/2018). The company has increased its receivables from long-term developments contracts from 33.1 million euros in Q4/2017 to 38.1 in Q3/2018. After payment of the purchase price for Moveo Software GmbH and payoff of financial liabilities, cash and cash equivalents reduced to 35.5 million euros (9M/2017: 39.8 million euros).

PSI's total current liabilities have slightly decreased from 59.7 million in Q4/2017 to 59.4 million in Q3/2018. This decrease in the current liabilities section of the balance is a result of the drop in trade payables and short-term financial liabilities. In addition, total shareholders' equity has increased from (80.3 million in Q4/2017 to 83.0 million in Q3/2018). Overall, we can appreciate PSI's positive progression from Q1/2017 to Q1/2018.

The cash flow from operating activities increased to 7.2 million euros 9M/2017: 0.6 million euros). The cash flow outflow of recent years from the group-wide conversion to software-upgrades-as-a-service is approaching to an end.

Segment Specific 9M/Results:

Energy Management:

Energy Management, (energy grids, energy trading, public transportation and the Southeast Asia business), generated a 7 % rise in revenues to 68.9 million euros in the first nine months (9M/2017: 64.3 million euros). The EBIT for the segment increased by 46 % to 4.2 million euros (9M/2017: 2.9 million euros). The electrical grids business experienced orders from top rated clients in the Q3 and therefore raised its new orders by more than 40 % in comparison to the past year. During the last 3 months the company focused on improvements in the trend area of intelligent low-voltage grid management and functions for the US market. Additionally, the company has converted the pipeline system business (gases and liquids) into software-upgrade-as-a-service business model. In the area of public transportation, the company managed to take over in July 2018 a leading planning software manufacturer Moveo Software GmbH.

Production Management:

Sales in Production Management (raw materials, metals, industry, logistics), has incorporated the Polish business unit (PSI Polska Sp. z o.o.) since the first quarter of 2018. The segment performed very well and generated 72.6 million euros in revenues, which was 6 % above the number for the prior year (9M/2017: 68.8 million euros). The EBIT increased to 6.6 million euros (9M/2017: 6.3 million euros). The metal business suffered from the new tariff's introduction in recent month. This change forced steel producers to adjust their business operations and delayed some parts of orders in the long term the changes should generate more volume in the long term. The automotive business showed promising development in the last quarter (increase in diesel production and growth

of sales cases in electric vehicle and component production in Germany and Europe). Further order came from logistic business, especially from the airport business.

5 Financial Figures and Estimations

2018E & 2019E Projections

in EURm	2018E	2019E	change y-o-y
Net sales	200.59	212.62	6.0%
EBITDA	20.73	21.97	6.0%
EBITDA margin	10.3%	10.3%	0.0%
EBIT	16.05	17.01	6.0%
EBIT margin	8.0%	8.0%	0.0%
Net income	11.97	12.65	5.7%
Net margin	6.0%	5.9%	-0.3%

Key financial figures for 2018

in EURm	3M/18	6M/18	9M/18	12M/18E
Net sales	45.75	48.83	46.98	59.03
EBITDA	3.85	5.35	4.59	6.94
EBITDA margin	8.4%	11.0%	9.8%	11.8%
EBIT	2.79	3.67	3.85	5.74
EBIT margin	6.1%	7.5%	8.2%	9.7%
Net income	1.92	2.36	2.57	5.12
Net margin	4.2%	4.8%	5.5%	8.7%

Estimations for 2019

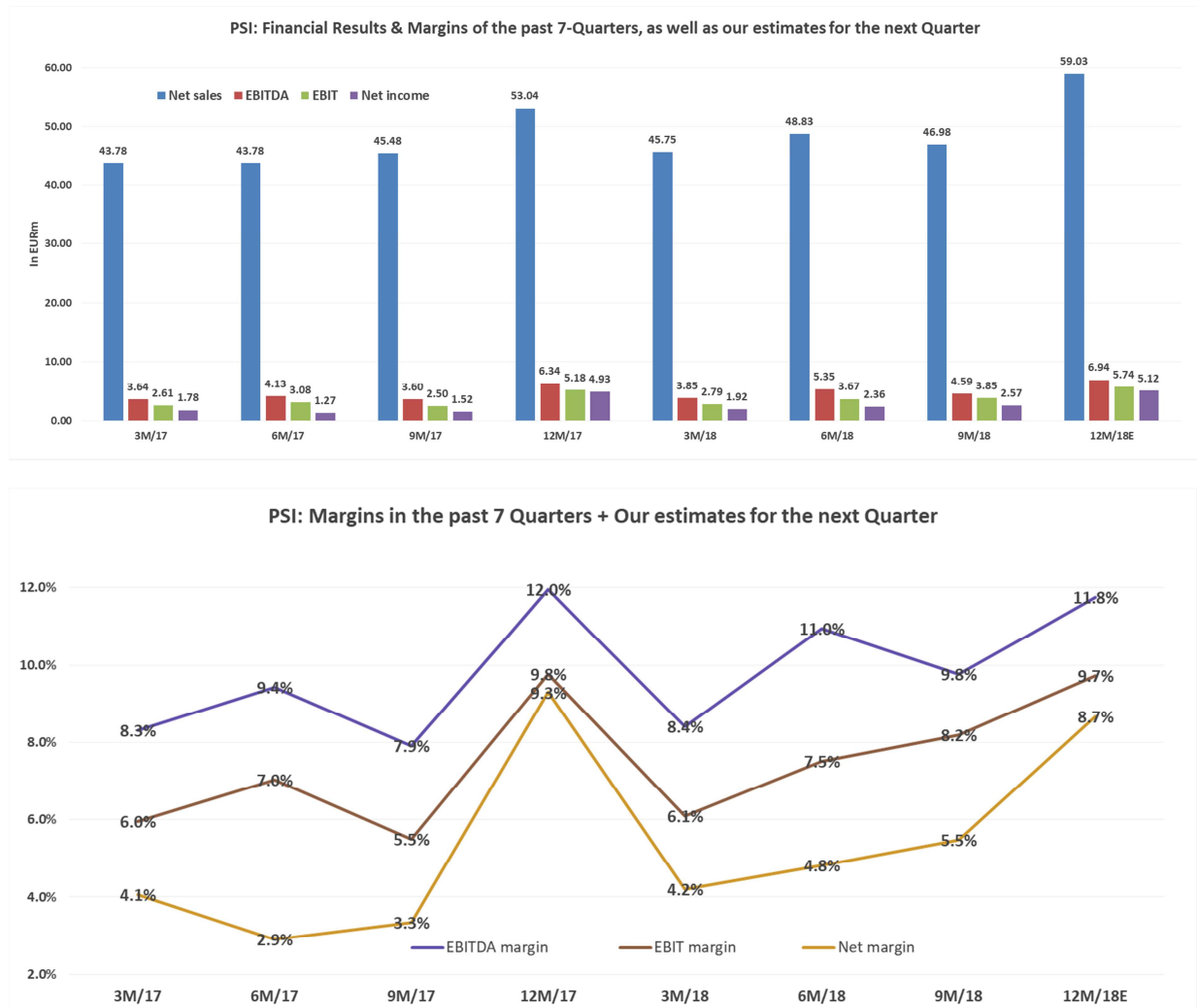
in EURm	3M/19E	6M/19E	9M/19E	12M/19E
Net sales	48.03	51.27	49.33	63.99
EBITDA	4.86	5.80	5.31	6.00
EBITDA margin	10.1%	11.3%	10.8%	9.4%
EBIT	3.00	4.42	3.85	5.74
EBIT margin	6.2%	8.6%	7.8%	9.0%
Net income	2.00	2.30	2.40	5.95
Net margin	4.2%	4.8%	5.5%	8.7%

Financial Results & Margins of the past 7-Quarters, as well as our estimates for the next Quarter

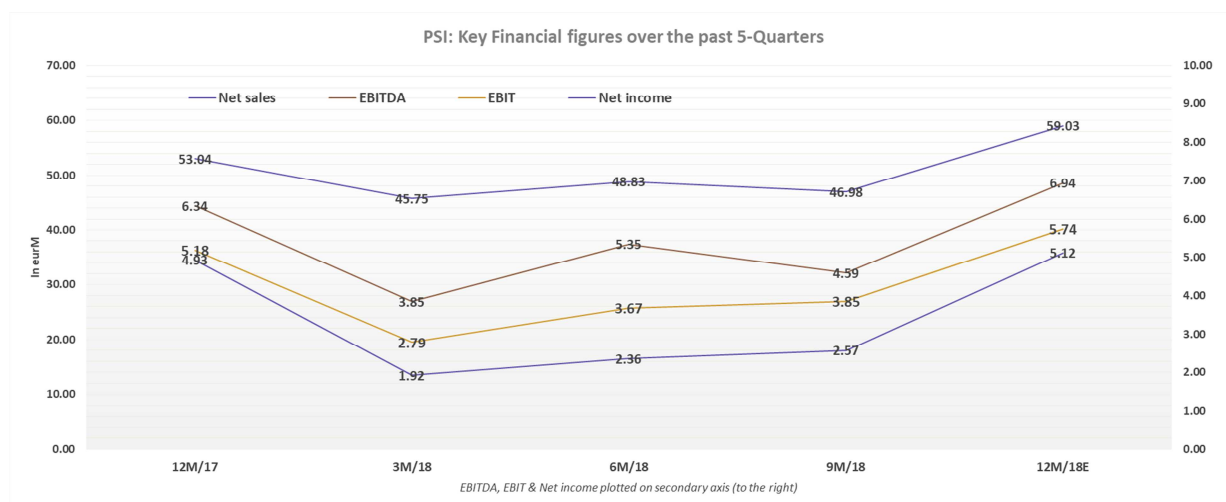
in EURm	3M/17	6M/17	9M/17	12M/17	3M/18	6M/18	9M/18	12M/18E
Net sales	43.78	43.78	45.48	53.04	45.75	48.83	46.98	59.03
EBITDA	3.64	4.13	3.60	6.34	3.85	5.35	4.59	6.94
EBIT	2.61	3.08	2.50	5.18	2.79	3.67	3.85	5.74
Net income	1.78	1.27	1.52	4.93	1.92	2.36	2.57	5.12
EBITDA margin	8.3%	9.4%	7.9%	12.0%	8.4%	11.0%	9.8%	11.8%
EBIT margin	6.0%	7.0%	5.5%	9.8%	6.1%	7.5%	8.2%	9.7%
Net margin	4.1%	2.9%	3.3%	9.3%	4.2%	4.8%	5.5%	8.7%

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2019

Financial Results of the past 7-Quarters, as well as our estimates for the next Quarter



The charts above portrays PSI's P&L Margins over the past 7-quarters as well as our estimates for the next quarter. For PSI the greatest quarterly results usually come on the fourth quarter.



Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2019

6 Outlook

We believe that the positive results exhibited in 9M/2018 will also be seen in Q4/2018. We tentatively expect PSI's 4Q18: (i) revenues at c. 59.03 million euros (+11% up yoy), and (ii) adjusted EBITDA at c. 6.94 million euros (c. +9.4% up yoy). Our quarterly forecast implies FY18E: (i) revenues at c. 200.59 million euros (c. 8% higher yoy), and (ii) adjusted EBIT of c. 16.05 million euros (approx. 20% higher yoy) – slightly higher than the managerial guidance for this year (15 million euros).

Going forward, we expect that the company will achieve 245 million euros of revenues in 2022 with 2-digit growth and 2,000 employees. The growth should be driven mostly by increasing demand for electrification of public transport and changes in steel industry – new tariffs should result in greater needs in the future.

We expect the Company's profit yoy momentum to remain positive for the coming quarters. Over the approaching years, we anticipate continuously raising profit margins due to positive changes in energy and automobile industry (electrification of public transport).

We predict a more pronounced revenue expansion in Q418-Q19 because additional rollout orders from framework agreements with key electricity and gas network operators, acquisition of the Network Control Software Segment PRINS from BTC, oil price-dependent export businesses and vehicle producers (electrical cars) which should accelerate the development and expansion of teams to implement new technology for customers and partners.

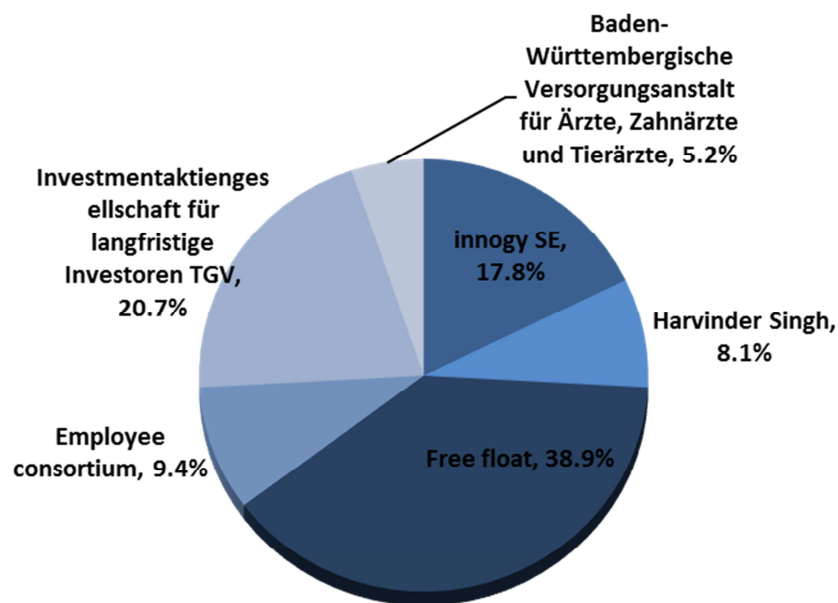
We hold our positive stance toward the Company's shares, continuing to view this exposure as a top pick among the European-listed energy control systems providers for the current year. The reasons for this continue to be five-fold : (i) growing business opportunities in public transport electrification, (ii) substantial investment in the promising area – intelligent low voltage grid management for the US

market, (iii) working towards intelligent integration of electromobility into local transmission networks, (iv) better than previously expected development in the South-East Asian business, where the return to profitability will improve Energy Management's profitability (v) possible synergies from its two segments (divisions) of business due to the electrification of public transport, therefore we expect PSI's business segments to "grow together".

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 9M/2018 financials, positive momentum in German economic indicators, promising investments in the area of intelligent low-voltage grid management and functions for the US market increasing share of energy from renewable sources in EU and unexpected turnaround in SE Asia– should constitute a positive trigger and help the Company to close the significant valuation gap.

Based on our valuation framework, we increase our target price, setting a **12-month target price at EUR 21.83**, with upside of 39% at the current price.

7 Shareholder Structure with details



Source: Company data, Dr. Kalliwoda Research GmbH © Copyright 2019

8 Profit and Loss Statements

Profit and loss statement - PSI AG									
	Fiscal year								
in EURm	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Sales split									
Energy management	64.15	67.23	69.22	70.00	73.07	77.38	80.36	84.03	87.12
Production management	79.61	86.39	84.17	94.56	95.17	101.97	106.56	111.28	114.79
Infrastructure management	31.64	30.06	23.47	24.68	32.35	33.28	34.21	34.66	37.27
Net sales	175.39	183.68	176.85	189.23	200.59	212.62	221.13	229.97	239.17
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	189.23	200.59	212.62	221.13	229.97	239.17
Cost of goods sold	-33.10	-31.60	-26.21	-33.23	-34.34	-36.34	-38.16	-39.46	-41.06
Gross profit	142.29	152.09	150.64	156.01	166.25	176.28	182.97	190.52	198.11
Other operating income	8.42	5.49	5.02	3.78	4.01	4.25	4.42	4.60	4.78
Personnel costs	-103.60	-106.82	-109.27	-103.79	-107.87	-117.91	-122.19	-126.61	-131.20
Depreciation & Amortization	-3.88	-4.29	-4.29	-4.42	-4.68	-4.96	-5.16	-5.37	-5.58
Other operating expenses	-36.05	-35.36	-30.26	-37.10	-41.66	-40.65	-40.14	-40.14	-41.00
EBIT	7.17	11.11	11.84	14.49	16.05	17.01	19.90	23.00	25.11
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	13.69	15.15	16.01	18.85	21.90	24.11
Income taxes	-1.57	-1.98	-2.68	-2.87	-3.18	-3.36	-3.96	-4.60	-5.06
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	10.81	11.97	12.65	14.89	17.30	19.05
EPS	0.26	0.48	0.54	0.69	0.76	0.81	0.95	1.10	1.21
DPS	0.30	0.30	0.27	0.34	0.38	0.40	0.47	0.55	0.61
Change y-o-y									
Net sales	-0.54%	4.73%	-3.72%	7.00%	6.00%	6.00%	4.00%	4.00%	4.00%
Total Output	-0.54%	4.73%	-3.72%	7.00%	6.00%	6.00%	4.00%	4.00%	4.00%
Cost of goods sold	-4.84%	-4.55%	-17.05%	26.77%	3.35%	5.83%	5.00%	3.39%	4.07%
Gross profit	0.52%	6.89%	-0.95%	3.56%	6.56%	6.03%	3.79%	4.13%	3.98%
Other operating income	44.01%	-34.77%	-8.62%	-24.56%	6.00%	6.00%	4.00%	4.00%	4.00%
Personnel costs	-0.61%	3.10%	2.29%	-5.02%	3.94%	9.30%	3.62%	3.62%	3.62%
Depreciation & Amortization	1.62%	10.41%	0.19%	2.83%	6.00%	6.00%	4.00%	4.00%	4.00%
Other operating expenses	2.53%	-1.90%	-14.42%	22.59%	12.29%	-2.42%	-1.25%	-0.01%	2.14%
EBIT	71.94%	54.98%	6.54%	22.43%	10.75%	6.00%	17.00%	15.56%	9.20%
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%	21.87%	10.65%	5.70%	17.75%	16.16%	10.12%
Income taxes	-42.02%	26.45%	35.52%	7.19%	10.65%	5.70%	17.75%	16.16%	10.12%
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%	26.47%	10.65%	5.70%	17.75%	16.16%	10.12%
EPS	1004.85%	81.97%	14.64%	26.47%	10.65%	5.70%	17.75%	16.16%	10.12%
DPS	n.a	0.00%	-9.21%	26.47%	10.65%	5.70%	17.75%	16.16%	10.12%
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 %	-19.60 %	-20.77 %	-19.12 %	-18.15 %	-17.45 %	-17.14 %
EBIT	4.09 %	6.05 %	6.69 %	7.66 %	8.00 %	8.00 %	9.00 %	10.00 %	10.50 %
Net financial results	-0.86 %	-0.91 %	-0.34 %	-0.42 %	-0.45 %	-0.47 %	-0.47 %	-0.48 %	-0.42 %
EBT	3.23 %	5.14 %	6.35 %	7.23 %	7.55 %	7.53 %	8.53 %	9.52 %	10.08 %
Income taxes	-0.89 %	-1.08 %	-1.52 %	-1.52 %	-1.59 %	-1.58 %	-1.79 %	-2.00 %	-2.12 %
Net income / loss	2.34 %	4.06 %	4.84 %	5.71 %	5.97 %	5.95 %	6.73 %	7.52 %	7.96 %

9 Balance Sheets

Balance sheet - PSI AG							
in EURm	Fiscal year						
	2014	2015	2016	2017	2018E	2019E	2020E
Assets							
Cash and cash equivalents	29.31	38.83	43.01	43.04	41.59	51.27	58.97
Inventories	3.47	4.18	6.42	7.40	4.55	4.81	5.05
Trade accounts and notes receivables	33.71	36.17	27.47	28.23	37.85	39.54	40.51
Receivables from long-term manufacturing	39.87	36.37	38.18	36.25	43.53	45.93	47.54
Other current assets	5.66	5.19	5.63	5.68	6.02	6.38	6.63
Current assets	112.02	120.74	120.71	120.59	133.53	147.93	158.71
Property, plant and equipment	12.95	12.21	12.15	12.65	13.15	13.65	14.15
Goodwill and intangibles assets	61.50	59.42	57.75	60.64	63.67	66.85	70.20
Shares in associated companies	0.15	0.15	0.15	0.15	0.16	0.17	0.18
Deferred tax assets	5.66	7.00	8.66	6.47	6.99	7.18	7.58
Non-current assets	80.26	78.78	78.72	79.92	83.98	87.86	92.11
Total assets	192.27	199.52	199.43	200.51	217.51	235.79	250.82
Liabilities							
Trade payables	15.11	14.93	12.55	11.62	14.93	15.60	16.17
Other liabilities	29.49	30.22	30.92	34.47	26.75	30.17	30.44
Liabilities from long-term manufacturing	26.01	28.82	25.73	19.69	31.47	33.36	34.69
Financial liabilities	5.08	3.37	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current liabilities	75.70	77.34	69.20	65.78	73.15	79.13	81.30
Long-term bank debt	0.19	0.08	0.00	0.00	0.00	0.00	0.00
Pension provisions	47.08	46.98	52.04	52.19	55.32	58.64	60.98
Deferred tax liabilities	1.02	1.96	2.92	4.02	2.14	2.27	2.36
Long-term liabilities	48.28	49.03	54.95	56.21	57.46	60.91	63.34
Total liabilities	123.98	126.37	124.15	121.99	130.61	140.04	144.64
Shareholdersequity	68.29	73.15	75.27	78.52	86.90	95.75	106.17
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total equity and liabilities	192.27	199.52	199.43	200.51	217.51	235.79	250.82

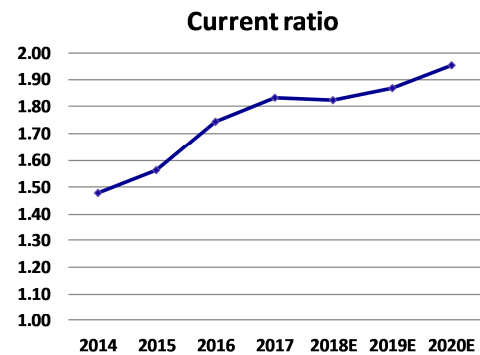
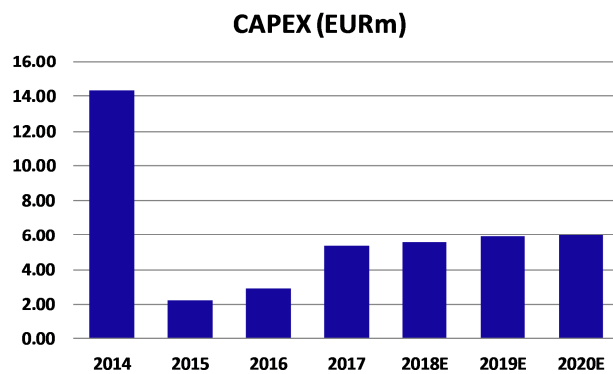
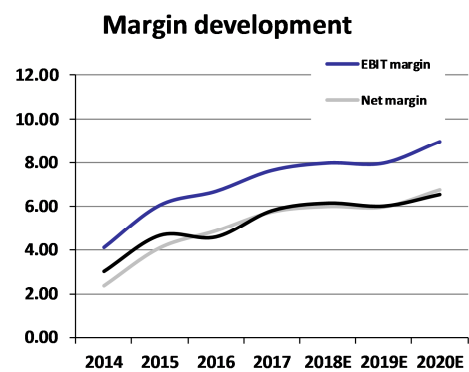
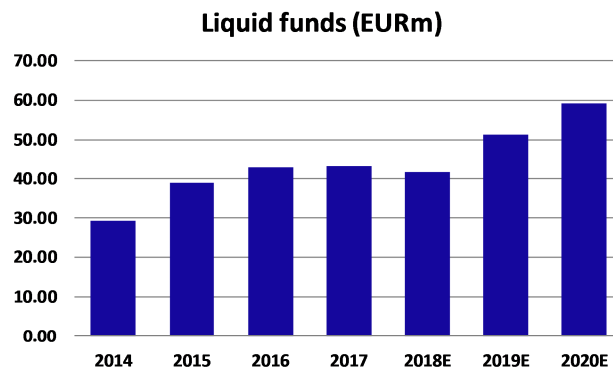
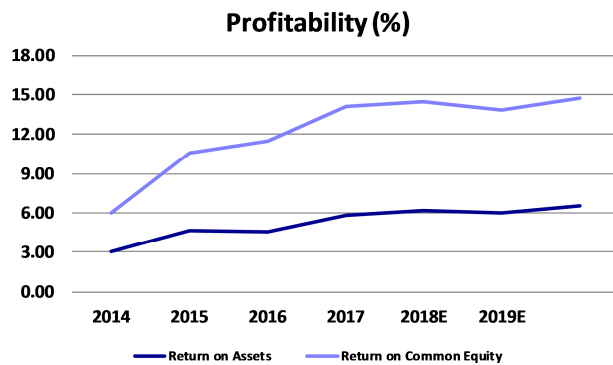
10 Cash Flow Statements

Cash flow statement - PSI AG							
in EURm	Fiscal year						
	2014	2015	2016	2017	2018E	2019E	2020E
Net income / loss	4.10	7.46	8.55	10.81	11.97	12.65	14.89
Depreciation & Amortization	3.88	4.29	4.29	4.42	4.68	4.96	5.16
Change of working capital	13.67	4.15	-0.56	-3.27	-7.01	1.26	-0.92
Others	2.422	-1.882	1.050	3.30	-2.40	-0.06	-0.31
Net operating cash flow	24.07	14.01	13.34	15.26	7.23	18.81	18.83
Cash flow from investment	-14.34	-2.23	-2.91	-5.37	-5.59	-5.90	-5.97
Free cash flow	9.73	11.78	10.42	9.89	1.64	12.91	12.86
Cash flow from financing	-1.71	-2.11	-6.73	-9.86	-3.09	-3.23	-5.16
Change of cash	7.51	9.52	4.18	0.03	-1.45	9.68	7.69
Cash at the beginning of the period	21.80	29.31	38.83	43.01	43.04	41.59	51.27
Cash at the end of the period	29.31	38.83	43.01	43.04	41.59	51.27	58.97

11 Financial Ratios

Fiscal year	2014	2015	2016	2017	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%	10.0%	10.3%	10.3%	11.3%
EBIT margin	4.1%	6.0%	6.0%	7.7%	8.0%	8.0%	9.0%
Net margin	2.3%	4.1%	4.8%	5.7%	6.0%	5.9%	6.7%
Return on equity (ROE)	6.0%	10.5%	11.5%	14.1%	14.5%	13.8%	14.8%
Return on assets (ROA)	3.0%	4.7%	4.6%	5.8%	6.2%	6.0%	6.6%
Return on capital employed (ROCE)	4.4%	7.2%	7.2%	8.5%	8.8%	8.6%	9.3%
Net debt (in EURm)	23.04	11.61	9.03	9.15	13.73	7.36	2.01
Net gearing	33.7%	15.9%	12.0%	11.7%	15.8%	7.7%	1.9%
Equity ratio	35.5%	36.7%	37.7%	39.2%	40.0%	40.6%	42.3%
Current ratio	1.48	1.56	1.74	1.83	1.83	1.87	1.95
Quick ratio	0.91	1.04	1.10	1.17	1.17	1.23	1.31
Net interest cover	4.77	6.65	19.66	18.11	17.83	17.01	18.95
Net debt/EBITDA	2.08	0.75	0.56	0.48	0.66	0.34	0.08
Tangible BVPS	1.10	1.50	1.64	1.84	2.38	2.94	3.61
Capex/ Sales	-8.0%	-0.8%	-0.4%	-2.8%	-2.8%	-2.8%	-2.7%
Working capital/ Sales	6.9%	4.3%	4.8%	6.2%	9.4%	8.2%	8.3%
EV/ Sales	1.85	1.76	1.83	1.71	1.61	1.52	1.46
EV/ EBITDA	29.32	14.50	13.30	17.14	15.63	14.74	12.93
EV/ EBIT	45.19	29.16	27.37	22.36	20.19	19.04	16.28
P/Tangible BVPS	14.25	10.45	9.58	8.51	6.60	5.34	4.35
P/E	45.57	27.15	22.40	22.79	20.60	19.49	16.55

Visualization of financial data



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12 Contact

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