

August 26, 2014

Europe | Germany | IT &amp; Software

**DR. KALLIWODA**  
RESEARCH GmbH

## Update

### BUY

Target price: EUR 3.80

#### Overview

Industry: IT Services & Software  
Country: Germany  
ISIN: DE0007008906  
Reuters: RTCG.DE  
Bloomberg: RTC GR  
Website: www.realtech.de

Last price:	3,15
	<b>High</b> <b>Low</b>
Price 52 W.:	3,79    2,75
Market cap. (EURm)	16,85
Number of shares (m)	5,35

#### Shareholders

Daniele Di Croco	16,44%
Rainer Schmidt	14,22%
Peter Stier	13,84%
BW-Versorgungsanstalt	5,39%
Free float	50,11%

#### Performance

4 weeks	-2,73%
13 weeks	7,07%
26 weeks	-1,23%
52 weeks	-13,24%
YTD	-9,32%

#### Dividend

	in EUR	in %
2011	0,30	9,52%
2012	0,00	0,00%
2013	0,00	0,00%
2014E	0,00	0,00%



#### Analyst

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# REALTECH AG

## Improving margin trends might indicate turn-around

- In Q2/2014 revenues of €8.52m (vs. Q2/2013: €9.35m) showed the negative impact of the company's restructuring commitments. While revenues decreased slightly, EBIT and net income did improve significantly by 85.5% and 79.5% respectively and REALTECH is almost profitable again with EBIT of €-0.26m and net income of €-0.40m after a phase of intense restructuring. Lower capacity utilization and time delays negatively affected the revenue of the Consulting segment (€ 5.79m vs Q/2013: € 6.59m), whereas the Software segment reported revenues of €2.73 (-1.12% y-o-y).
- REALTECH's profitability improved remarkably due to an almost ten percentage points lower Cost of Sales (53.95% vs. 62.66%) and 25.85% lower distribution costs in H1/2014 compared to H1/2013. By those figures we do conclude that the overall situation of the company is steadily ameliorating and turn-around could be achieved in the following quarters.
- Due to a better net income y-o-y and a reduction of the number of financial assets held by the company, operating cash flow increased to €0.423m in H1/2014 from a negative €0.698m in H1/2013. Together with a cash outflow from investing of €-0.526m (€-0.792m) and financing activities of €-0.044m (€-1.746m), this resulted in a reduction of the cash position by €2.117m to €7.392m in H1/2014. At the end of June 2014, REALTECH had interest-bearing debt of €7m and a net cash position of €0.308m. As a result net gearing (net debt/equity) amounted to -2.05%.
- From our perspective, after weak Q1/2014 figures due to restructuring efforts we see good potential for a healthy recovery in H2/2014, which could in the best case result in a black zero EBIT figure. This would be in line with the management's guidance of an EBIT range of -€1.0m to €0.0m for fiscal-year 2014 and assumed relatively stable sales. Consequently we have kept both our estimates and 12-months DCF-based price target of €3.80 unchanged. Our BUY rating is backed by a potential turn-around in terms of profitability.

#### Key Figures

in EURm	2011	2012	2013	2014E	2015E	2016E
Net sales	39.18	39.84	39.14	39.34	43.27	46.52
EBITDA	1.41	1.65	-4.95	0.55	2.53	3.34
EBIT	0.17	0.42	-6.49	-0.98	0.87	1.58
Net income	0.81	-0.21	-7.10	-0.86	0.47	0.99
EPS	0.15	-0.04	-1.32	-0.16	0.09	0.18
BVPS	4.77	4.40	3.04	2.88	2.97	3.15
RoE	3.22%	-0.84%	-35.42%	-5.42%	2.99%	6.02%
EBIT margin	0.43 %	1.05 %	-16.58 %	-2.50 %	2.00 %	3.40 %
P/E	20.10x	neg	neg	neg	34.58x	16.41x
P/BVPS	0.63x	0.69x	0.99x	1.05x	1.02x	0.96x
EV/EBITDA	9.90x	8.45x	neg	25.52x	5.51x	4.16x

## Content

<b>1</b>	<b>Company profile</b> .....	<b>3</b>
<b>2</b>	<b>SWOT Analysis</b> .....	<b>4</b>
<b>3</b>	<b>Valuation</b> .....	<b>5</b>
<b>4</b>	<b>Q2/14 and H1/2014 results</b> .....	<b>6</b>
<b>5</b>	<b>Outlook</b> .....	<b>8</b>
<b>6</b>	<b>Profit and loss statements</b> .....	<b>9</b>
<b>7</b>	<b>Balance sheets</b> .....	<b>10</b>
<b>8</b>	<b>Cash flow statements</b> .....	<b>11</b>
<b>9</b>	<b>Financial ratios</b> .....	<b>11</b>

## 1 Company profile

REALTECH AG is one of the leading German IT consultancies. The company was founded in 1994 in Walldorf, near Heidelberg, and has been listed on the Frankfurt stock exchange since 1999. Apart from Germany, REALTECH also has operations in other European countries, Asia/Pacific and North America. At the end of June 2014, it had 341 employees, thereof 261 in Germany.

In the past, the fast progress of IT technology has resulted in a high number of enterprise application systems as well as a diverse, heterogenic IT landscape. Especially, non-integrated standalone systems, proprietary software and isolated applications have led to significant integration deficits, which at company level have limited cross-functional work processes and complicated information supply for disposition tasks. REALTECH's IT consulting services can facilitate an instant integration of customers and suppliers into the value chain, which in turn can prevent media disruption and redundancies and allow new forms of intercompany collaboration. REALTECH's products allow IT departments or IT outsourcers to run a variety of applications and IT systems securely and efficiently and reduce IT costs significantly.

## 2 SWOT Analysis

Strength	Weaknesses
<ul style="list-style-type: none"> <li>• <b>Due to the long-standing co-operation with and proximity to SAP</b> REALTECH has a know-how edge when it comes to SAP applications.</li> <li>• <b>A unique selling point in the area of Consulting</b> is the combination of SAP knowledge as well as supplemental business and strategic consulting. Thus, REALTECH can provide a fast and long-term project success. Due to the partnership, which is also valid in foreign markets, it is also possible to integrate international locations into a comprehensive IT landscape.</li> <li>• <b>theGuard! product family</b> is an internationally unique software portfolio for the monitoring and the secure operation of IT systems for company-wide use. In Europe, REALTECH is the largest manufacturer of IT service management solutions. Unique selling points are the close connection of all disciplines, the centralized storage according to standards such as ITIL as well as the application in small companies, simultaneously guaranteeing future scalability of product use.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Concentration on SAP solutions</b> means a high dependence on market acceptance and SAP's existing customers. Thus, there is high business risk. However, a wide geographic diversification with branches in Europe, Asia and the US and cross-industry product distribution in over 25 countries reduce the above-mentioned risk.</li> <li>• <b>There is strong competition</b> in the area of Consulting.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• <b>The OEM contract with SAP</b> in the area of IT infrastructure management as well as expansion of SAP solutions should all contribute to internationalization and growth of high-margin sales.</li> <li>• <b>Due to standardization</b> of the consulting portfolio, product sales in new countries and third-party sales of the enterprise solution for SAP ByDesign, there is an opportunity to generate high scale effects.</li> <li>• <b>A higher demand for change management support</b>, driven by the trend to use external suppliers in order to further develop SAP software should lead to additional sales.</li> <li>• <b>IT systems increasingly constitute the basis</b> for cross-departmental business processes, which lead to a higher level of complexity. Thus, there is higher demand for REALTECH's solutions for flexible, automated and failsafe systems.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>The ongoing consolidation</b> within the IT industry can intensify competition through new or stronger competitors. This would result in a loss of revenues or lower prices.</li> <li>• <b>A lack of qualified personnel</b> caused by a structural shortage of supply in the industry would make it more difficult for the company to become aware of its opportunities. This is being counteracted by REALTECH's reputation as an attractive training provider, which stems from the company's SAP know-how.</li> </ul>

### 3 Valuation

In order to value REALTECH, we have used our DCF model, which derives a 12-months price target for the stock of €3.80. Compared to the current market level, this corresponds to an upside of 20.6%.

#### DCF model

##### Discounted Cash Flow Model (Basis 8/2014)

in EURm	Phase 1								
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
<b>Net sales</b>	<b>39,34</b>	<b>43,27</b>	<b>46,52</b>	<b>48,84</b>	<b>50,80</b>	<b>52,32</b>	<b>53,63</b>	<b>54,81</b>	<b>55,91</b>
(y-o-y change)	0,5%	10,0%	7,5%	5,0%	4,0%	3,0%	2,5%	2,2%	2,0%
<b>EBIT</b>	<b>-0,98</b>	<b>0,87</b>	<b>1,58</b>	<b>2,44</b>	<b>2,90</b>	<b>2,93</b>	<b>2,95</b>	<b>2,96</b>	<b>2,96</b>
(EBIT margin)	-2,5%	2,0%	3,4%	5,0%	5,7%	5,6%	5,5%	5,4%	5,3%
<b>NOPLAT</b>	<b>-0,69</b>	<b>0,61</b>	<b>1,11</b>	<b>1,71</b>	<b>2,03</b>	<b>2,05</b>	<b>2,06</b>	<b>2,07</b>	<b>5,04</b>
+ Depreciation	1,53	1,66	1,76	1,83	1,87	1,90	1,92	1,94	1,95
= Net operating cash flow	0,84	2,27	2,87	3,53	3,90	3,95	3,99	4,01	6,99
- Total investments (Capex and WC)	-1,87	-2,40	-2,35	-2,29	-2,28	-2,25	-2,21	-2,20	-2,21
Capital expenditure	-1,65	-1,81	-1,91	-1,96	-2,01	-2,04	-2,06	-2,07	-2,08
Working capital	-0,22	-0,58	-0,44	-0,32	-0,27	-0,21	-0,16	-0,13	-0,13
= Free cash flow (FCF)	-1,03	-0,13	0,52	1,25	1,62	1,71	1,77	1,82	4,78
<b>PV of FCFs</b>	<b>-1,00</b>	<b>-0,11</b>	<b>0,41</b>	<b>0,91</b>	<b>1,07</b>	<b>1,03</b>	<b>0,97</b>	<b>0,90</b>	<b>2,16</b>

PV of FCFs in explicit period	6,35
PV of FCFs in terminal period	11,17
<b>Enterprise value (EV)</b>	<b>17,52</b>
+ Net cash / - net debt	2,35
+ Investments / - Minorities	-0,81
<b>Shareholder value</b>	<b>19,06</b>
Number of shares outstanding (m)	<b>5,39</b>
WACC	9,9%
Equity costs	9,9%
Debt costs before tax	6,0%
Tax rate	30,0%
Debt costs after tax	4,2%
Equity ratio	100,0%
Debt ratio	0,0%
<b>Fair value per share in € (today)</b>	<b>3,54</b>
<b>Fair value per share in € (in 12 months)</b>	<b>3,89</b>

Sensitivity analysis		Terminal EBIT margin						
		2,5%	3,5%	4,5%	5,5%	6,5%	7,5%	8,5%
WACC	6,9%	3,67	4,62	5,57	6,51	7,46	8,40	9,35
	7,9%	3,16	3,89	4,62	5,34	6,07	6,80	7,52
	8,9%	2,78	3,36	3,94	4,51	5,09	5,66	6,24
	9,9%	2,49	2,96	3,42	<b>3,89</b>	4,35	4,82	5,29
	10,9%	2,25	2,64	3,02	3,40	3,79	4,17	4,56
	11,9%	2,06	2,38	2,70	3,02	3,34	3,66	3,98

Source: Dr. Kalliwoda Research GmbH

## 4 Q2/14 and H1/2014 results

### Revenues

In Q2/14, REALTECH generated total sales of €8.52m, which were 8.9% below last year. Revenues of the high-margin Software division almost remained flat y-o-y and gross margin improved slightly to 79.6% (H1/2014: 77.0%) during the last six months. In contrast to stable revenues in the Software segment, the Consulting division's revenue decreased by 12.9% to €11.51m (H1/2014), but REALTECH seems to address the problem of overcapacity of consultants by having reduced the number of consultants by 5%.

In terms of geographic sales split for H1/2014, the US was once again the only market with positive y-o-y growth of 20.0% to €1.2m. Consequently sales in Germany, REALTECH's largest market, and Asia/Pacific fell by 8.5% to €11.9m, respectively 23.9% to €3.5m.

### Q2/14 vs. previous year

Q2/14 vs. our previous year

in EURm	Q2/14	Q2/13	Q2/14 vs. Q2/13
Net sales	8,52	9,35	-8,9%
EBITDA	0,03	-1,35	102,1%
EBITDA margin	0,3%	-14,5%	
EBIT	-0,26	-1,81	85,5%
EBIT margin	-3,1%	-19,3%	
Net income	-0,40	-1,93	79,5%
Net margin	-4,7%	-20,7%	

Source: Company information, Dr. Kalliwoda Research GmbH

### Sales and Gross margins according to segments

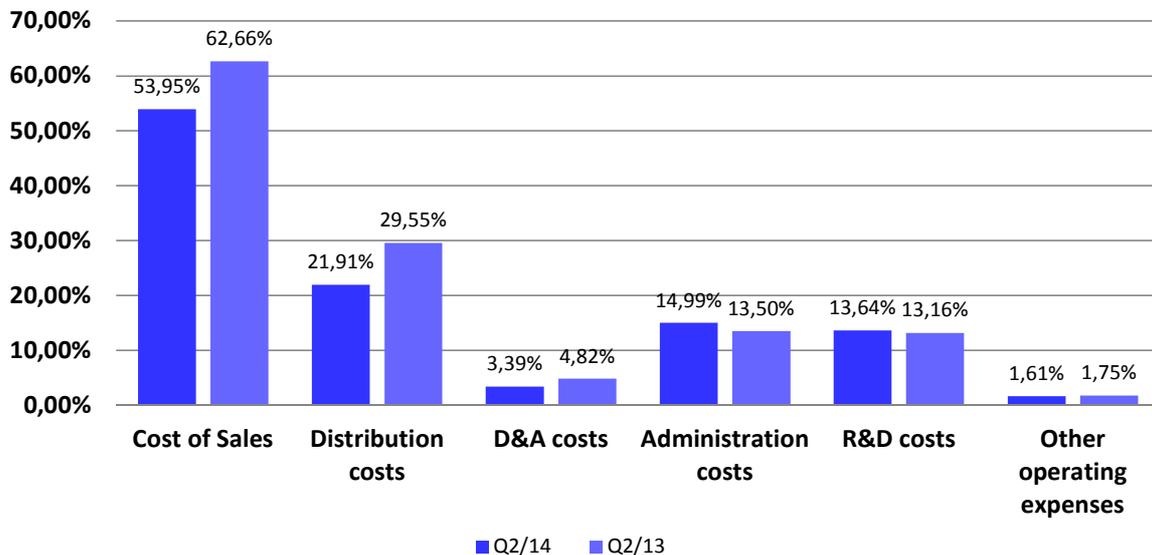
Sales and Gross margins according to segments H1/14 vs. H1/13

	H1/14	H1/13		H1/14	H1/13
Consulting			Group		
Sales €m	11,51	13,21	Total sales	16,93	18,83
share in total sales	68,0%	70,2%	change y-o-y	-10,1%	
Gross margin	26,1%	23,4%			
Software					
Sales €m	5,42	5,62			
share in total sales	32,0%	29,8%			
Gross margin	79,6%	77,0%			
Germany			USA		
Sales €m	11,90	13,00	Sales €m	1,20	1,00
share in total sales	70,3%	69,0%	share in total sales	7,1%	5,3%
RoE (Portugal, Nordic)			Asia/Pacific		
Sales €m	0,30	0,20	Sales €m	3,50	4,60
share in total sales	1,8%	1,1%	share in total sales	20,7%	24,4%

Source: Company information, Dr. Kalliwoda Research GmbH

## Profitability

### Share in total sales Q2/14 vs. Q2/13



Source: Company information, Dr. Kalliwoda Research GmbH

Despite better EBIT and net income margins in Q2/2014, both EBIT and net income were negative. However we would like to point out that increasing cost efficiency and further cost-cutting (as part of the restructuring) has helped to decrease Cost of Sales and Distribution costs significantly from 62.66% to 53.95% and 29.55% to 21.91% respectively. For H1/2014 the company was able to raise gross margin for both of its operating segments (Consulting and Software), which we interpret as a commitment to positive earnings and the willingness to sacrifice revenues for this goal.

### Balance Sheet and Cash Flow

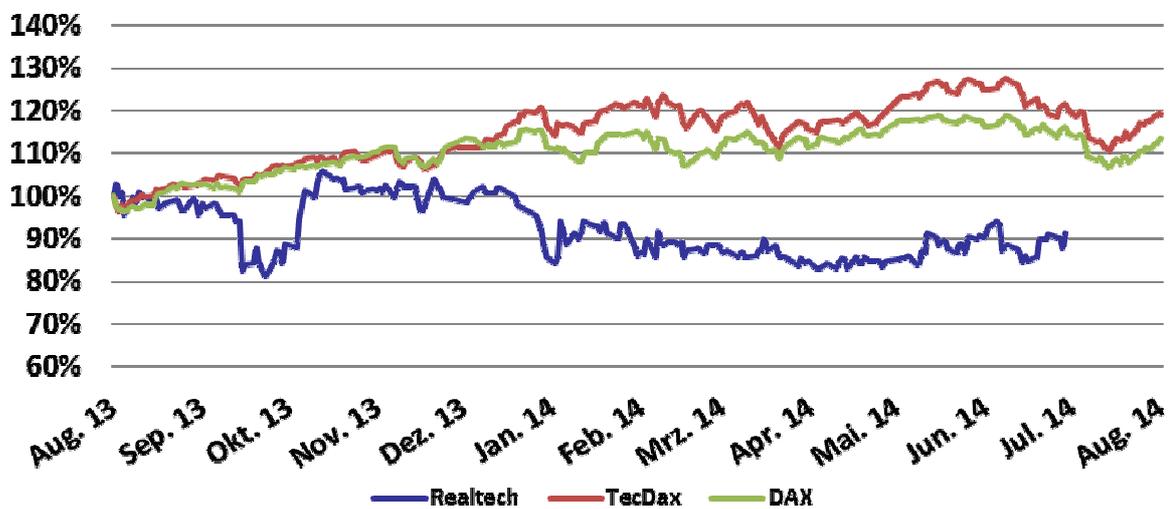
At the end of the first six month of 2014 the most important positions on REALTECH's balance sheet were (1) PPE of €12.44m (2) trade receivables of €82m and (3) cash and cash equivalents of €7.39m. Interest-bearing debt stayed constant at €7m compared to March 2014.

Despite a net loss, the operating cash flow improved from €-0.698m in H1/13 to €0.423m. Free cash flow amounted to €0.04m compared to €-1.74m last year. Between January and June, REALTECH's cash position increased from €7.35m to €7.39m.

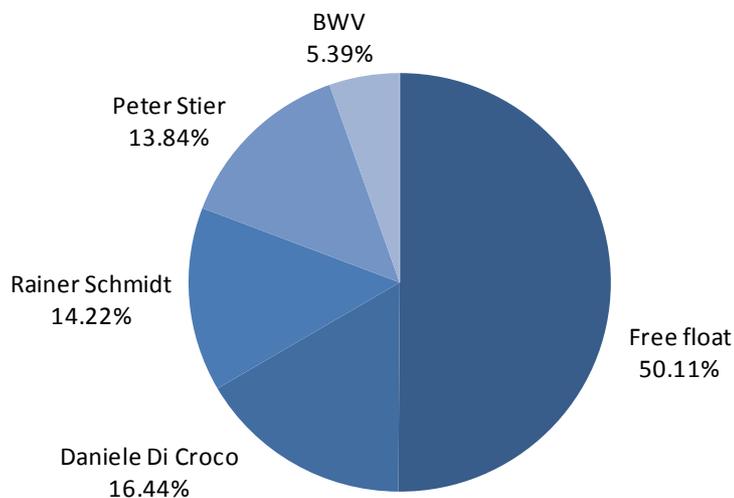
## 5 Outlook

The consolidation and efficiency improvements, which were initiated at the beginning of 2014, had shown first positive effects in Q1 of 2014 and the most recent Q2/2014 figures confirmed this trend towards improving margins and therefore we believe the company will be able to return to a positive net income in a decent time horizon. In our view, there is no reason, why REALTECH should not achieve its guidance (stable revenues, EBIT of up to €-1m) in 2014, especially given a positive market sentiment in the IT sector in Germany. Hence, we have kept both our estimates and the 12-months DCF-based price target of €3.80 (BUY rating) unmodified. In our opinion REALTECH is well-equipped to complete its ongoing restructuring successfully and without additional capital measures. We expect a return to regular dividend payouts, which have historically reached >50% of annual net profit, from 2015.

### Stock and shareholder structure



### Shareholder Structure



## 6 Profit and loss statements

Profit and loss statement - Realtech AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
<b>Sales split</b>						
Consulting	26.43	27.56	25.68	27.28	30.04	32.33
Software	12.74	12.28	13.46	12.06	13.23	14.19
<b>Net sales</b>	<b>39.18</b>	<b>39.84</b>	<b>39.14</b>	<b>39.34</b>	<b>43.27</b>	<b>46.52</b>
Change in inventories	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Output</b>	<b>39.18</b>	<b>39.84</b>	<b>39.14</b>	<b>39.34</b>	<b>43.27</b>	<b>46.52</b>
Cost of goods sold	-20.99	-20.52	-22.25	-18.69	-19.26	-20.47
<b>Gross profit</b>	<b>18.18</b>	<b>19.32</b>	<b>16.89</b>	<b>20.65</b>	<b>24.02</b>	<b>26.05</b>
Other operating income	1.05	1.32	1.07	1.09	1.11	1.14
Distribution costs	-7.61	-8.22	-11.05	-9.83	-10.39	-11.00
Depreciation & Amortization	-1.24	-1.23	-1.54	-1.53	-1.66	-1.76
Administration costs	-4.97	-5.44	-5.73	-5.65	-6.08	-6.40
R&D costs	-4.30	-4.36	-5.11	-5.14	-5.65	-6.07
Other operating expenses	-0.94	-0.97	-1.01	-0.58	-0.49	-0.37
<b>EBIT</b>	<b>0.17</b>	<b>0.42</b>	<b>-6.49</b>	<b>-0.98</b>	<b>0.87</b>	<b>1.58</b>
Net financial results	-0.21	0.09	-0.23	-0.22	-0.21	-0.20
<b>EBT</b>	<b>-0.04</b>	<b>0.51</b>	<b>-6.72</b>	<b>-1.20</b>	<b>0.66</b>	<b>1.38</b>
Income taxes	-0.17	-0.47	-0.26	0.36	-0.20	-0.41
Minority interests	-0.09	-0.24	-0.12	-0.02	0.01	0.02
<b>Net income / loss</b>	<b>-0.30</b>	<b>-0.21</b>	<b>-7.10</b>	<b>-0.86</b>	<b>0.47</b>	<b>0.99</b>
EPS	0.15	-0.04	-1.32	-0.16	0.09	0.18
DPS	0.30	0.00	0.00	0.00	0.00	0.00
<b>Change y-o-y</b>						
Net sales	n.a	1.68%	-1.74%	0.50%	10.00%	7.50%
Total Output	n.a	1.68%	-1.74%	0.50%	10.00%	7.50%
Cost of goods sold	n.a	-2.27%	8.44%	-16.02%	3.05%	6.29%
Gross profit	n.a	6.25%	-12.56%	22.26%	16.29%	8.47%
Other operating income	n.a	26.61%	-19.18%	2.00%	2.00%	2.00%
Distribution costs	n.a	7.98%	34.42%	-11.02%	5.60%	5.93%
Depreciation & Amortization	n.a	-0.71%	25.33%	-0.78%	8.59%	6.10%
Administration costs	n.a	9.33%	5.45%	-1.56%	7.70%	5.20%
R&D costs	n.a	1.53%	17.13%	0.50%	10.00%	7.50%
Other operating expenses	n.a	3.89%	4.13%	-42.49%	-16.16%	-24.12%
EBIT	n.a	148.79%	-1651.46%	-84.84%	-188.00%	82.75%
Net financial results	n.a	-144.79%	-350.07%	-4.35%	-4.55%	-4.77%
EBT	n.a	-1474.92%	-1416.97%	-82.09%	-154.48%	110.76%
Income taxes	n.a	174.83%	-44.62%	-237.44%	-154.48%	110.76%
Minority interests	n.a	161.28%	-51.01%	-82.09%	-154.48%	110.76%
Net income / loss	n.a	-31.81%	3343.96%	-87.84%	-154.48%	110.76%
EPS	n.a	-125.47%	3343.32%	-87.84%	-154.48%	110.76%
DPS	n.a	-100.00%	n.a	n.a	n.a	n.a
<b>Share in total sales</b>						
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Total Output	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-53.59 %	-51.50 %	-56.84 %	-47.50 %	-44.50 %	-44.00 %
Gross profit	46.41 %	48.50 %	43.16 %	52.50 %	55.50 %	56.00 %
Other operating income	2.67 %	3.32 %	2.73 %	2.77 %	2.57 %	2.44 %
Distribution costs	-19.44 %	-20.64 %	-28.24 %	-25.00 %	-24.00 %	-23.65 %
Depreciation & Amortization	-3.16 %	-3.09 %	-3.94 %	-3.89 %	-3.84 %	-3.79 %
Administration costs	-12.70 %	-13.65 %	-14.65 %	-14.35 %	-14.05 %	-13.75 %
R&D costs	-10.97 %	-10.95 %	-13.06 %	-13.06 %	-13.06 %	-13.06 %
Other operating expenses	-2.39 %	-2.44 %	-2.58 %	-1.48 %	-1.13 %	-0.80 %
EBIT	0.43 %	1.05 %	-16.58 %	-2.50 %	2.00 %	3.40 %
Net financial results	-0.52 %	0.23 %	-0.59 %	-0.56 %	-0.48 %	-0.43 %
EBT	-0.09 %	1.28 %	-17.16 %	-3.06 %	1.52 %	2.97 %
Income taxes	-0.44 %	-1.19 %	-0.67 %	0.92 %	-0.45 %	-0.89 %
Minority interests	-0.24 %	-0.61 %	-0.30 %	-0.05 %	0.03 %	0.05 %
Net income / loss	-0.77 %	-0.52 %	-18.14 %	-2.20 %	1.09 %	2.13 %

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## 7 Balance sheets

Balance sheet - Realtech AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
<b>Assets</b>						
Cash and cash equivalents	13.22	11.26	7.35	6.10	6.19	6.85
Securities	0.00	0.00	0.00	0.00	0.00	0.00
Trade accounts and notes receivables	9.88	11.44	8.07	8.11	8.92	9.58
Other current assets	4.93	5.47	2.94	2.95	3.25	3.49
<b>Current assets</b>	<b>28.04</b>	<b>28.17</b>	<b>18.35</b>	<b>17.16</b>	<b>18.35</b>	<b>19.93</b>
Property, plant and equipment	13.64	13.29	12.79	12.91	13.04	13.16
Other intangible assets	0.44	0.47	0.27	0.28	0.30	0.33
Goodwill	4.33	4.33	4.33	4.33	4.33	4.33
Other financial assets	0.66	0.30	0.22	0.22	0.24	0.26
Deferred tax assets	2.91	3.10	1.37	1.62	1.48	1.19
<b>Non-current assets</b>	<b>21.98</b>	<b>21.50</b>	<b>18.98</b>	<b>19.37</b>	<b>19.40</b>	<b>19.27</b>
<b>Total assets</b>	<b>50.02</b>	<b>49.68</b>	<b>37.34</b>	<b>36.52</b>	<b>37.75</b>	<b>39.20</b>
<b>Liabilities</b>						
Trade payables	1.36	1.95	1.17	0.99	1.02	1.08
Other liabilities	10.25	11.94	4.89	4.92	5.41	5.81
Short-term leasing debt	1.82	2.05	2.92	2.93	2.94	2.95
Provisions	3.05	2.58	4.77	4.80	5.28	5.67
<b>Current liabilities</b>	<b>16.48</b>	<b>18.52</b>	<b>13.76</b>	<b>13.63</b>	<b>14.64</b>	<b>15.52</b>
Long-term leasing debt	5.14	4.69	4.67	4.57	4.47	4.37
Deferred tax liabilities	1.84	1.88	1.81	2.07	1.93	1.63
<b>Long-term liabilities</b>	<b>6.99</b>	<b>6.57</b>	<b>6.49</b>	<b>6.64</b>	<b>6.40</b>	<b>6.01</b>
<b>Total liabilities</b>	<b>23.47</b>	<b>25.09</b>	<b>20.24</b>	<b>20.27</b>	<b>21.04</b>	<b>21.52</b>
<b>Shareholders equity</b>	<b>25.61</b>	<b>23.71</b>	<b>16.38</b>	<b>15.51</b>	<b>15.98</b>	<b>16.98</b>
Minority interests	0.93	0.87	0.72	0.74	0.73	0.70
<b>Total equity and liabilities</b>	<b>50.02</b>	<b>49.68</b>	<b>37.34</b>	<b>36.52</b>	<b>37.75</b>	<b>39.20</b>

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## 8 Cash flow statements

Cash flow statement - Realtech AG						
in EURm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Net income / loss	0.81	-0.21	-7.10	-0.86	0.47	0.99
Depreciation & Amortization	1.24	1.23	1.54	1.53	1.66	1.76
Change of working capital	6.73	-0.97	2.60	-0.22	-0.58	-0.44
Others	-6.23	0.74	2.18	0.02	0.48	0.40
<b>Net operating cash flow</b>	<b>2.54</b>	<b>0.79</b>	<b>-0.77</b>	<b>0.47</b>	<b>2.03</b>	<b>2.71</b>
<b>Cash flow from investment</b>	<b>4.33</b>	<b>-0.52</b>	<b>-2.40</b>	<b>-1.65</b>	<b>-1.81</b>	<b>-1.91</b>
Free cash flow	6.88	0.27	-3.17	-1.18	0.22	0.80
<b>Cash flow from financing</b>	<b>-0.05</b>	<b>-2.08</b>	<b>-0.22</b>	<b>-0.07</b>	<b>-0.12</b>	<b>-0.13</b>
Change of cash	6.86	-1.96	-3.91	-1.25	0.09	0.67
Cash at the beginning of the period	6.36	13.22	11.26	7.35	6.10	6.19
Cash at the end of the period	13.22	11.26	7.35	6.10	6.19	6.85

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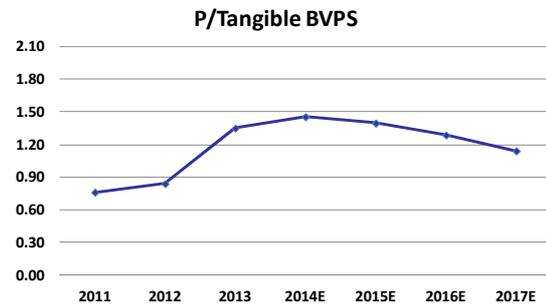
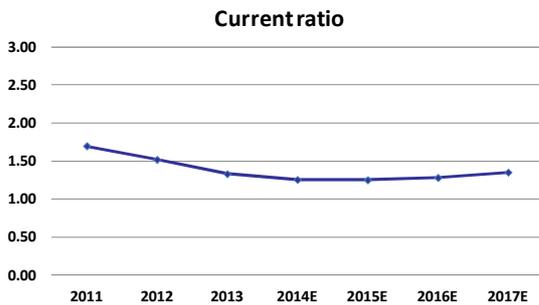
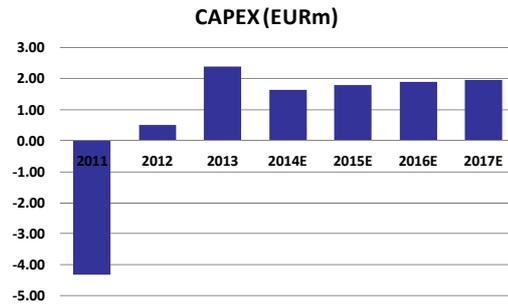
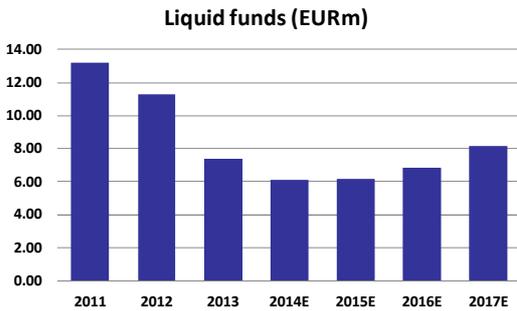
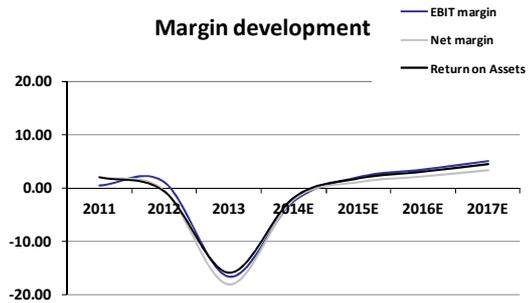
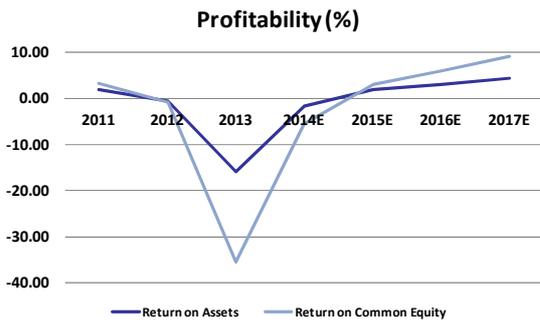
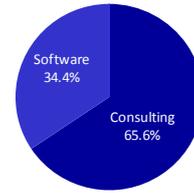
## 9 Financial ratios

Fiscal year	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Gross margin	46.41%	48.50%	43.16%	52.50%	55.50%	56.00%	56.50%	57.00%
EBITDA margin	3.59%	4.14%	-12.64%	1.39%	5.84%	7.19%	8.74%	9.39%
EBIT margin	0.43%	1.05%	-16.58%	-2.50%	2.00%	3.40%	5.00%	5.70%
Net margin	2.06%	-0.52%	-18.14%	-2.20%	1.09%	2.13%	3.31%	3.84%
Return on equity (ROE)	3.22%	-0.84%	-35.42%	-5.42%	2.99%	6.02%	9.09%	9.96%
Return on assets (ROA)	2.03%	-0.60%	-15.79%	-1.74%	1.83%	3.10%	4.51%	5.11%
Return on capital employed (ROCE)	2.83%	0.09%	-28.59%	-3.01%	2.62%	4.67%	6.93%	7.83%
Net debt (in EURm)	-6.25	-4.52	0.24	1.40	1.22	0.47	-0.92	-2.64
Net gearing	-24.41%	-19.05%	1.47%	9.05%	7.64%	2.74%	-4.95%	-12.84%
Equity ratio	51.21%	47.73%	43.86%	42.48%	42.34%	43.31%	45.55%	48.27%
Current ratio	1.70	1.52	1.33	1.26	1.25	1.28	1.36	1.44
Quick ratio	1.40	1.23	1.12	1.04	1.03	1.06	1.13	1.21
Net interest cover	0.82	-4.55	-28.23	-4.47	4.12	7.91	12.86	16.10
Net debt/EBITDA	-4.45	-2.74	-0.05	2.57	0.48	0.14	-0.22	-0.55
Tangible BVPS	3.97	3.60	2.24	2.08	2.16	2.35	2.65	3.01
Capex/Sales	-0.96%	-2.30%	-2.14%	-4.20%	-4.19%	-4.10%	-4.02%	-3.96%
Working capital/Sales	8.19%	7.59%	12.62%	13.11%	13.27%	13.30%	13.32%	13.35%
EV/Sales	0.36	0.35	0.36	0.35	0.32	0.30	0.29	0.27
EV/EBITDA	9.90	8.45	-2.81	25.52	5.51	4.16	3.26	2.92
EV/EBIT	82.83	33.29	-2.15	-14.16	16.09	8.80	5.70	4.81
P/Tangible BVPS	0.76	0.84	1.35	1.45	1.40	1.29	1.14	1.00
P/E	20.10	-78.91	-2.29	-18.84	34.58	16.41	10.06	8.35
P/FCF	2.34	58.91	-5.07	-13.59	74.62	20.12	11.17	9.05

Source: Company information, Dr. Kalliwoda Research GmbH



Sales split 2013



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