

Buy EUR 22.00 (EUR 25.00) Price EUR 6.38 Upside 244.8 %	Value Indicators: EUR DCF: 22.00 FCF-Value Potential 2022: 18.10	Share data: Bloomberg: V3S GR Reuters: V3SG ISIN: DE000A0KEXC7	Description: Leading point-of-sale systems with a focus on the gastronomy and bakery sector
	Market Snapshot: EUR m Market cap: 51.0 No. of shares (m): 8.0 EV: 41.5 Freefloat MC: 24.6 Ø Trad. Vol. (30d): 621.23 th	Shareholders: Freefloat 48.3 % Thomas Stümmler 22.6 % Jens Reckendorf 19.1 % Primepulse SE 10.0 % TBF Global Asset Management 5.0 %	Risk Profile (WRe): 2019e Beta: 1.3 Price / Book: 3.7 x Equity Ratio: 45 %

2020 guidance revoked on negative short-term implications of coronavirus

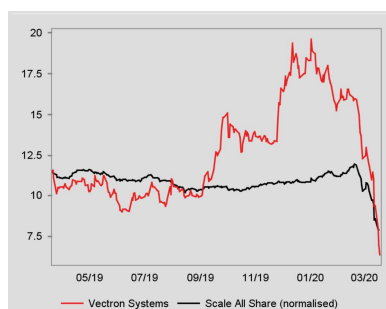
Vectron revoked the 2020 guidance for a doubling of sales to >EUR 50m owing to the coronavirus. Obviously, containment efforts have severe implications for the hospitality industry. Implications for Vectron are likely to be manifold:

- **Short term:** Against the background of closures of restaurants, bars etc., or measures to reduce the number of guests, **restaurant owners are likely to postpone the purchase of a new POS system for some months.** In the same environment, specialised sales might find it difficult to achieve appointments to market the digital solutions. While development in Q1 is expected to have been fairly ok (up yoy; down qoq), a **significant sequential decline appears to be likely for Q2.**
- **On the contrary, Vectron's offering for its Duratec-based digital products without hardware costs** (refinancing via integrated services such as payment solutions), **should gain in attractiveness.** Rising hygiene requirements also make contactless payments more attractive, even for small amounts in bakeries, cafes etc.
- It is **possible, that smaller competitors might not survive a short-term slump in POS sales.** Hence, in a still fragmented market, **Vectron might gain market share in the mid term.** Thanks to the **10% capital increase early in the year, the company's financing is secured** (gross cash should currently exceed EUR 20m; FCF expected to be largely balanced in 2020.).
- **Potential policy measures to support the hospitality industry are not yet clear.** These could include bridge financing but also a **prolongation of the transition period for the requirement to have tamper-proof POS systems for a few months** (current non-application exemption expires at the end of September).

While the current environment will certainly adversely impact Vectron's business development, the mid-term implications are not necessarily negative. The digital offering with POS systems without hardware costs and the potential insolvency of smaller competitors are likely to lead to market-share gains in the medium term. The short-term financial impact is difficult to assess though, especially as political measures remain unclear at the current point in time. A stronger impact in Q2/Q3 (say -70% in quarterly demand) could shave EUR 10-20m off annual sales.

The mid-term investment case based on the digitalisation of the hospitality industry and requirement for tamper-proof POS systems remains unaffected by the short-term development. The rating remains unchanged. PT is reduced to EUR 22.

Changes in Estimates:				Comment on Changes:			
FY End: 31.12. in EUR m	2019e (old)	+ / -	2020e (old)	+ / -	2021e (old)	+ / -	
Sales	25.4	0.0 %	52.2	-32.6 %	61.3	-3.3 %	▪ 2020 revenues reduced owing to severe negative impact of the coronavirus on hospitality industry. 2020 estimates still reflect a pick-up in demand later in 2020 due to requirement for manipulation-proof POS. ▪ Estimates for 2021 and beyond slightly adjusted; lower EPS reflect capital increase
EBIT	-2.0	0.0 %	6.0	n.m.	9.9	-12.5 %	
EPS	-0.31	0.0 %	0.55	n.m.	0.89	-20.2 %	

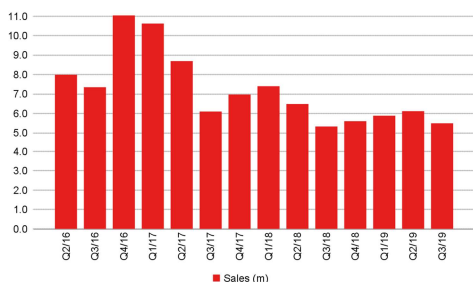


Rel. Performance vs Scale All	
1 month:	-25.7 %
6 months:	-24.3 %
Year to date:	-37.9 %
Trailing 12 months:	-14.4 %

Company events:

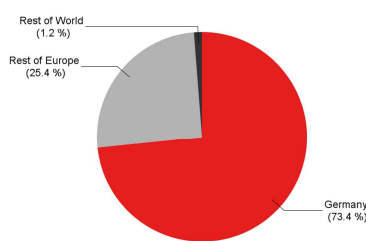
FY End: 31.12. in EUR m	CAGR (18-22e)	2016	2017	2018	2019e	2020e	2021e	2022e
Sales	29.4 %	33.7	32.4	24.8	25.4	35.2	59.3	69.6
Change Sales yoy		33.7 %	-4.0 %	-23.3 %	2.3 %	38.6 %	68.5 %	17.4 %
Gross profit margin		54.4 %	56.7 %	53.7 %	56.0 %	56.0 %	57.0 %	58.0 %
EBITDA	-	3.6	2.3	-3.8	-1.4	-0.9	9.3	14.7
Margin		10.7 %	7.0 %	-15.2 %	-5.4 %	-2.5 %	15.7 %	21.1 %
EBIT	-	3.1	1.8	-5.4	-2.0	-1.5	8.7	14.1
Margin		9.1 %	5.4 %	-22.0 %	-7.9 %	-4.3 %	14.6 %	20.2 %
Net income	-	2.0	1.1	-3.9	-2.2	-1.2	5.6	9.3
EPS	-	1.23	0.16	-0.59	-0.31	-0.15	0.71	1.18
EPS adj.	-	1.23	0.16	-0.59	-0.31	-0.15	0.71	1.18
DPS	41.4 %	1.00	0.05	0.05	0.05	0.05	0.15	0.20
Dividend Yield		9.0 %	0.2 %	0.3 %	0.8 %	0.8 %	2.4 %	3.1 %
FCFPS		0.23	-0.46	-0.40	-0.48	-0.09	0.49	0.98
FCF / Market cap		2.1 %	-1.8 %	-2.1 %	-7.5 %	-1.4 %	7.6 %	15.3 %
EV / Sales		0.3 x	5.0 x	5.2 x	1.8 x	1.2 x	0.6 x	0.5 x
EV / EBITDA		2.9 x	71.4 x	n.a.	n.a.	n.a.	4.1 x	2.1 x
EV / EBIT		3.4 x	92.2 x	n.a.	n.a.	n.a.	4.4 x	2.2 x
P / E		9.1 x	154.5 x	n.a.	n.a.	n.a.	9.0 x	5.4 x
P / E adj.		9.1 x	154.5 x	n.a.	n.a.	n.a.	9.0 x	5.4 x
FCF Potential Yield		21.8 %	0.9 %	-1.8 %	-3.6 %	-1.6 %	16.8 %	32.1 %
Net Debt		-7.2	-1.7	1.2	0.1	-9.5	-13.0	-19.5
ROCE (NOPAT)		29.8 %	11.2 %	n.a.	n.a.	n.a.	45.6 %	65.4 %
Guidance:		2020: -						

Sales development in EUR m



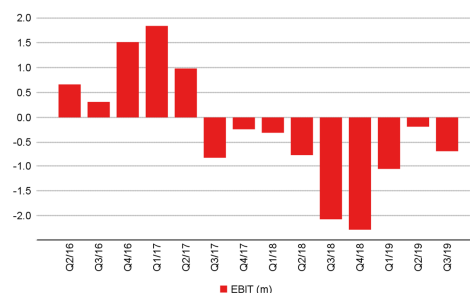
Source: Warburg Research

Sales by regions 2017; in %



Source: Warburg Research

EBIT development in EUR m



Source: Warburg Research

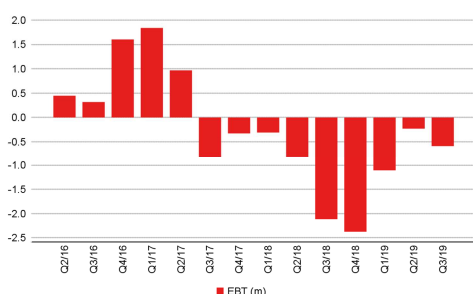
Company Background

- Vectron is a leading provider of POS systems. The products are positioned in the medium to premium segment. With its high degree of functionality, Vectron is one of the technology and innovation leaders.
- Vectron focuses on the market for proprietary POS systems (30% of the overall market). PC-based systems (bulk of the market) usually require higher maintenance and are primarily used by large chain stores.
- Vectron's market share is particularly high in the food service and bakery industries, where the company is market leader for proprietary systems in the German-speaking area with a market share of ca. 25%.
- Vectron has some 180 employees. About one-third are employed in development and product management as the company aims to maintain its position as technology leader.
- Since end of 2013, Vectron addresses non-premium market segments and new markets abroad with a second trademark (Duratec) and simpler systems

Competitive Quality

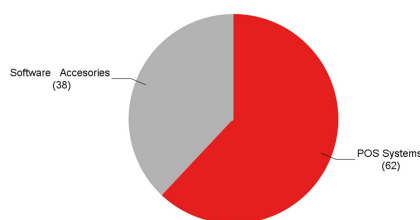
- Factors such as high reliability, ease of operation and low follow-up costs (maintenance/support) are required in the food service and bakery target sectors which are characterised by an atomistic customer structure.
- This explains the high penetration rate of the proprietary POS systems. Given that the large producers of POS systems mainly offer PC-based systems Vectron mainly has to face smaller competitors.
- Vectron differentiates itself from the mainly smaller competitors by rigorously pursuing the further development of the POS systems and thanks to the high additional use offered by wide functionality.
- By focusing on the premium segment, Vectron avoids the typical problems in the lower segment: solely differentiating on price. This is underpinned by gross margins of ca. 55% and ROCEs of well above 10%.
- Growth opportunities presently arise from the establishment of the cooperation with DeutschlandCard and potentially further partners.

EBT development in EUR m



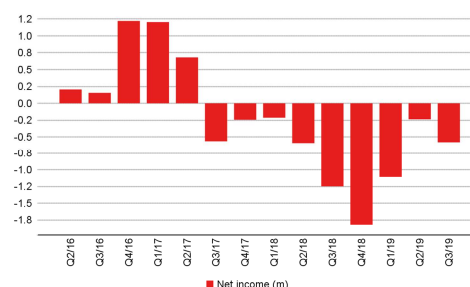
Source: Warburg Research

Sales by segments 2017; in %



Source: Warburg Research

Net income development in EUR m



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Sales	25.4	35.2	59.3	68.8	59.2	68.6	74.8	80.0	85.6	89.9	94.4	99.1	100.9	
Sales change	2.3 %	38.6 %	68.5 %	16.0 %	-14.0 %	16.0 %	9.0 %	7.0 %	7.0 %	5.0 %	5.0 %	5.0 %	1.8 %	1.8 %
EBIT	-2.0	-1.5	8.7	15.1	12.4	15.1	16.5	17.6	18.8	19.8	20.8	21.8	22.2	
EBIT-margin	-7.9 %	-4.3 %	14.6 %	22.0 %	21.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	
Tax rate (EBT)	0.0 %	31.0 %	31.0 %	30.5 %	30.5 %	30.5 %	30.5 %	30.5 %	30.5 %	30.5 %	30.5 %	30.5 %	30.5 %	
NOPAT	-2.0	-1.0	6.0	10.5	8.6	10.5	11.4	12.2	13.1	13.7	14.4	15.2	15.4	
Depreciation	0.6	0.6	0.6	1.1	0.9	1.1	1.2	1.3	1.4	1.4	1.5	1.6	1.6	
in % of Sales	2.4 %	1.8 %	1.0 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	
Changes in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	1.3	-0.4	3.5	1.3	-2.5	0.8	0.0	0.0	0.8	0.6	0.7	0.7	0.3	
- Capex	0.6	0.6	0.6	1.1	0.9	1.1	1.2	1.3	1.4	1.4	1.5	1.6	1.6	
Capex in % of Sales	2.3 %	1.6 %	1.0 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	-3.3	-0.6	2.5	9.2	11.2	9.7	11.5	12.2	12.3	13.1	13.8	14.4	15.2	15
PV of FCF	-3.3	-0.6	2.2	7.3	8.2	6.6	7.3	7.1	6.6	6.6	6.4	6.2	6.0	98
share of PVs	-1.03 %			41.66 %										59.37 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	6.00 %	Financial Strength	1.10
Cost of debt (after tax)	2.8 %	Liquidity (share)	1.50
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.35
		Others	1.30
WACC	8.04 %	Beta	1.25

Valuation (m)

Present values 2031e	67		
Terminal Value	98		
Financial liabilities	13		
Pension liabilities	0		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	2		
Liquidity	23	No. of shares (m)	8.0
Equity Value	176	Value per share (EUR)	22.04

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.00 %	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.44	9.0 %	17.84	18.11	18.41	18.72	19.06	19.42	19.80	1.44	9.0 %	17.35	17.81	18.26	18.72	19.18	19.63	20.09
1.35	8.5 %	19.19	19.52	19.88	20.26	20.67	21.11	21.59	1.35	8.5 %	18.78	19.27	19.76	20.26	20.75	21.24	21.73
1.30	8.3 %	19.94	20.30	20.69	21.12	21.57	22.06	22.60	1.30	8.3 %	19.58	20.09	20.60	21.12	21.63	22.14	22.65
1.25	8.0 %	20.74	21.14	21.58	22.04	22.55	23.10	23.70	1.25	8.0 %	20.44	20.98	21.51	22.04	22.58	23.11	23.65
1.20	7.8 %	21.61	22.05	22.53	23.05	23.62	24.23	24.91	1.20	7.8 %	21.38	21.94	22.49	23.05	23.61	24.17	24.72
1.15	7.5 %	22.54	23.03	23.57	24.15	24.78	25.47	26.23	1.15	7.5 %	22.40	22.98	23.56	24.15	24.73	25.31	25.90
1.06	7.0 %	24.64	25.26	25.92	26.66	27.46	28.35	29.34	1.06	7.0 %	24.73	25.37	26.02	26.66	27.30	27.94	28.58

- Model reflects fiscal regulation
- Increasing digitalization drives mid term sales and profitability increase
- Model is not yet reflecting the company target of > EUR 100m in sales by 2022

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2016	2017	2018	2019e	2020e	2021e	2022e	
Net Income before minorities	2.0	1.1	-3.9	-2.2	-1.2	5.9	9.6	
+ Depreciation + Amortisation	0.5	0.5	1.7	0.6	0.6	0.6	0.6	
- Net Interest Income	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	
- Maintenance Capex	0.3	0.3	0.3	0.3	0.3	0.3	0.3	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Free Cash Flow Potential	2.3	1.4	-2.3	-1.7	-0.7	6.4	10.1	
FCF Potential Yield (on market EV)	21.8 %	0.9 %	-1.8 %	-3.6 %	-1.6 %	16.8 %	32.1 %	
WACC	8.04 %	8.04 %	8.04 %	8.04 %	8.04 %	8.04 %	8.04 %	
= Enterprise Value (EV)	10.6	161.4	128.5	46.5	41.5	38.0	31.4	
= Fair Enterprise Value	28.8	17.1	n.a.	n.a.	n.a.	79.2	125.5	
- Net Debt (Cash)	0.1	0.1	0.1	0.1	-9.5	-13.0	-19.5	
- Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Fair Market Capitalisation	28.6	17.0	n.a.	n.a.	n.a.	92.2	145.0	
Number of shares, average	1.6	6.6	6.6	7.2	7.9	7.9	7.9	
= Fair value per share (EUR)	17.89	2.57	n.a.	n.a.	n.a.	11.63	18.29	
premium (-) / discount (+) in %						82.3 %	186.7 %	
Sensitivity Fair value per Share (EUR)								
	11.04 %	2.61	1.54	n.a.	n.a.	n.a.	8.85	13.88
	10.04 %	2.87	1.70	n.a.	n.a.	n.a.	9.57	15.02
	9.04 %	3.19	1.89	n.a.	n.a.	n.a.	10.45	16.41
WACC	8.04 %	3.58	2.12	n.a.	n.a.	n.a.	11.54	18.15
	7.04 %	4.09	2.43	n.a.	n.a.	n.a.	12.95	20.38
	6.04 %	4.78	2.83	n.a.	n.a.	n.a.	14.83	23.35
	5.04 %	5.73	3.40	n.a.	n.a.	n.a.	17.45	27.50

- Rising value indication with higher business volume...
- ...this is due to a high operating leverage given gross margins of >50%

Valuation	2016	2017	2018	2019e	2020e	2021e	2022e
Price / Book	1.2 x	11.4 x	12.6 x	3.7 x	2.3 x	1.9 x	1.4 x
Book value per share ex intangibles	8.75	1.94	1.51	1.69	2.69	3.36	4.38
EV / Sales	0.3 x	5.0 x	5.2 x	1.8 x	1.2 x	0.6 x	0.5 x
EV / EBITDA	2.9 x	71.4 x	n.a.	n.a.	n.a.	4.1 x	2.1 x
EV / EBIT	3.4 x	92.2 x	n.a.	n.a.	n.a.	4.4 x	2.2 x
EV / EBIT adj.*	3.4 x	92.2 x	n.a.	n.a.	n.a.	4.4 x	2.2 x
P / FCF	48.7 x	n.a.	n.a.	n.a.	n.a.	13.2 x	6.6 x
P / E	9.1 x	154.5 x	n.a.	n.a.	n.a.	9.0 x	5.4 x
P / E adj.*	9.1 x	154.5 x	n.a.	n.a.	n.a.	9.0 x	5.4 x
Dividend Yield	9.0 %	0.2 %	0.3 %	0.8 %	0.8 %	2.4 %	3.1 %
FCF Potential Yield (on market EV)	21.8 %	0.9 %	-1.8 %	-3.6 %	-1.6 %	16.8 %	32.1 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2016	2017	2018	2019e	2020e	2021e	2022e
Sales	33.7	32.4	24.8	25.4	35.2	59.3	69.6
Change Sales yoy	33.7 %	-4.0 %	-23.3 %	2.3 %	38.6 %	68.5 %	17.4 %
Increase / decrease in inventory	0.0	0.6	0.2	0.0	0.0	0.0	0.0
Own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sales	33.7	33.0	25.0	25.4	35.2	59.3	69.6
Material expenses	15.4	14.6	11.7	11.2	15.5	25.5	29.2
Gross profit	18.4	18.4	13.3	14.2	19.7	33.8	40.4
<i>Gross profit margin</i>	<i>54.4 %</i>	<i>56.7 %</i>	<i>53.7 %</i>	<i>56.0 %</i>	<i>56.0 %</i>	<i>57.0 %</i>	<i>58.0 %</i>
Personnel expenses	8.6	9.7	10.2	9.2	10.9	11.6	12.5
Other operating income	0.4	0.6	0.5	0.5	0.6	0.6	0.8
Other operating expenses	6.6	7.0	7.4	6.9	10.3	13.5	14.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	3.6	2.3	-3.8	-1.4	-0.9	9.3	14.7
<i>Margin</i>	<i>10.7 %</i>	<i>7.0 %</i>	<i>-15.2 %</i>	<i>-5.4 %</i>	<i>-2.5 %</i>	<i>15.7 %</i>	<i>21.1 %</i>
Depreciation of fixed assets	0.3	0.3	0.4	0.4	0.4	0.4	0.4
EBITA	3.3	1.9	-4.2	-1.8	-1.3	8.9	14.3
Amortisation of intangible assets	0.2	0.2	1.3	0.2	0.2	0.2	0.2
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	3.1	1.8	-5.4	-2.0	-1.5	8.7	14.1
<i>Margin</i>	<i>9.1 %</i>	<i>5.4 %</i>	<i>-22.0 %</i>	<i>-7.9 %</i>	<i>-4.3 %</i>	<i>14.6 %</i>	<i>20.2 %</i>
EBIT adj.	3.1	1.8	-5.4	-2.0	-1.5	8.7	14.1
Interest income	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Other financial income (loss)	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBT	3.0	1.7	-5.6	-2.2	-1.7	8.5	13.9
<i>Margin</i>	<i>8.8 %</i>	<i>5.1 %</i>	<i>-22.6 %</i>	<i>-8.7 %</i>	<i>-4.9 %</i>	<i>14.3 %</i>	<i>19.9 %</i>
Total taxes	1.0	0.6	-1.7	0.0	-0.5	2.6	4.3
Net income from continuing operations	2.0	1.1	-3.9	-2.2	-1.2	5.9	9.6
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	2.0	1.1	-3.9	-2.2	-1.2	5.9	9.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Net income	2.0	1.1	-3.9	-2.2	-1.2	5.6	9.3
<i>Margin</i>	<i>5.8 %</i>	<i>3.3 %</i>	<i>-15.6 %</i>	<i>-8.7 %</i>	<i>-3.3 %</i>	<i>9.5 %</i>	<i>13.4 %</i>
Number of shares, average	1.6	6.6	6.6	7.2	7.9	7.9	7.9
EPS	1.23	0.16	-0.59	-0.31	-0.15	0.71	1.18
EPS adj.	1.23	0.16	-0.59	-0.31	-0.15	0.71	1.18

*Adjustments made for:

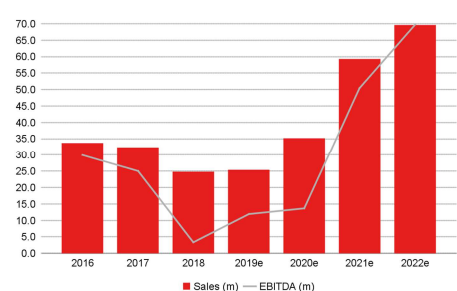
Guidance: 2020: -

Financial Ratios

	2016	2017	2018	2019e	2020e	2021e	2022e
Total Operating Costs / Sales	89.4 %	95.0 %	116.1 %	105.4 %	102.5 %	84.3 %	78.9 %
Operating Leverage	1.5 x	10.9 x	n.a.	-27.5 x	-0.6 x	n.a.	3.6 x
EBITDA / Interest expenses	37.2 x	14.9 x	n.m.	n.m.	n.m.	46.5 x	73.4 x
Tax rate (EBT)	33.8 %	35.3 %	31.0 %	0.0 %	31.0 %	31.0 %	31.0 %
Dividend Payout Ratio	81.5 %	30.7 %	n.m.	n.m.	n.m.	20.3 %	16.6 %
Sales per Employee	235,783	203,667	190,962	195,358	270,769	456,154	535,611

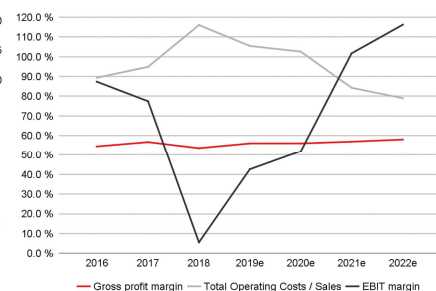
Sales, EBITDA

in EUR m

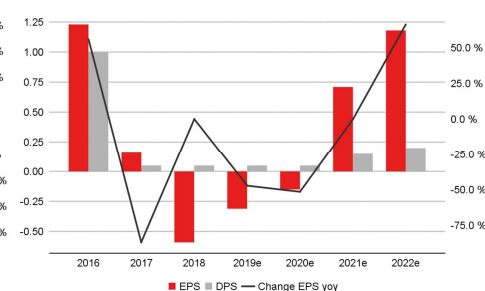


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

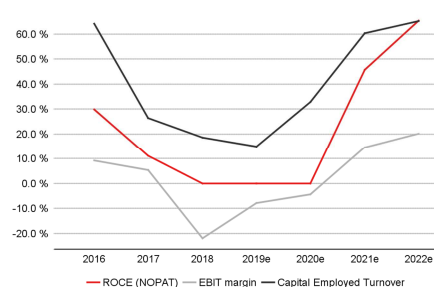
Consolidated balance sheet

In EUR m	2016	2017	2018	2019e	2020e	2021e	2022e
Assets							
Goodwill and other intangible assets	0.4	1.5	0.2	0.2	0.2	0.2	0.2
thereof other intangible assets	0.4	1.5	0.2	0.2	0.2	0.2	0.2
thereof Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Financial assets	0.9	1.8	1.8	1.8	1.8	1.8	1.8
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	2.1	4.0	2.6	2.5	2.5	2.4	2.4
Inventories	4.8	7.6	5.8	6.3	5.0	6.2	6.3
Accounts receivable	4.9	3.3	2.3	3.5	4.8	8.1	9.5
Liquid assets	11.7	5.5	11.6	12.6	22.3	25.7	32.3
Other short-term assets	1.2	1.1	2.7	2.7	2.7	1.1	1.1
Current assets	22.5	17.5	22.3	25.1	34.8	41.1	49.2
Total Assets	24.6	21.5	24.9	27.6	37.2	43.6	51.6
Liabilities and shareholders' equity							
Subscribed capital	1.6	6.6	6.6	7.3	8.0	8.0	8.0
Capital reserve	10.3	5.4	5.4	9.7	19.8	19.8	19.8
Retained earnings	0.0	0.0	0.0	-2.5	-4.1	1.1	9.3
Other equity components	2.9	2.3	-1.9	-2.0	-2.0	-1.9	-1.9
Shareholders' equity	14.9	14.3	10.1	12.5	21.7	27.0	35.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	14.9	14.3	10.1	12.5	21.7	27.0	35.2
Provisions	3.2	1.7	1.0	1.0	1.0	1.0	1.0
thereof provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities (total)	4.4	3.8	12.8	12.8	12.8	12.8	12.8
thereof short-term financial liabilities	0.8	1.1	0.8	0.8	0.8	0.8	0.8
Accounts payable	1.5	1.4	0.6	1.0	1.4	2.4	2.3
Other liabilities	0.6	0.2	0.4	0.4	0.4	0.4	0.4
Liabilities	9.7	7.2	14.7	15.1	15.5	16.5	16.4
Total liabilities and shareholders' equity	24.6	21.5	24.9	27.6	37.2	43.6	51.6

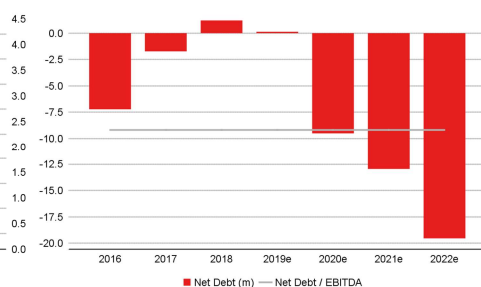
Financial Ratios

	2016	2017	2018	2019e	2020e	2021e	2022e
Efficiency of Capital Employment							
Operating Assets Turnover	3.8 x	3.2 x	3.1 x	2.7 x	4.0 x	4.8 x	5.0 x
Capital Employed Turnover	4.4 x	2.6 x	2.2 x	2.0 x	2.9 x	4.2 x	4.5 x
ROA	95.4 %	27.2 %	-151.1 %	-87.1 %	-47.4 %	230.1 %	388.4 %
Return on Capital							
ROCE (NOPAT)	29.8 %	11.2 %	n.a.	n.a.	n.a.	45.6 %	65.4 %
ROE	17.4 %	7.4 %	-31.7 %	-19.4 %	-6.9 %	23.1 %	30.0 %
Adj. ROE	17.4 %	7.4 %	-31.7 %	-19.4 %	-6.9 %	23.1 %	30.0 %
Balance sheet quality							
Net Debt	-7.2	-1.7	1.2	0.1	-9.5	-13.0	-19.5
Net Financial Debt	-7.2	-1.7	1.2	0.1	-9.5	-13.0	-19.5
Net Gearing	-48.5 %	-12.1 %	11.9 %	1.0 %	-43.8 %	-48.0 %	-55.6 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	9.0	2.2	1.5	1.7	2.7	3.4	4.4
Book value per share ex intangibles	8.8	1.9	1.5	1.7	2.7	3.4	4.4

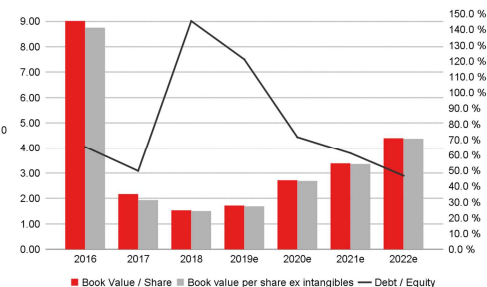
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

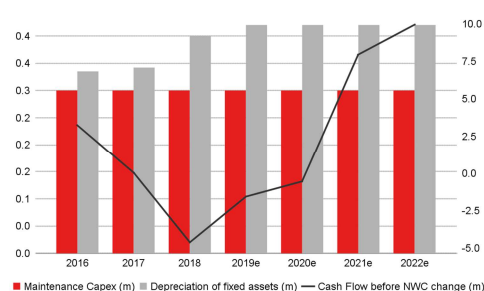
In EUR m	2016	2017	2018	2019e	2020e	2021e	2022e
Net income	2.0	1.1	-3.9	-2.2	-1.2	5.6	9.3
Depreciation of fixed assets	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.2	0.2	1.3	0.2	0.2	0.2	0.2
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash income and expenses	0.8	-1.6	-2.4	0.0	0.0	1.7	0.0
Cash Flow before NWC change	3.3	0.0	-4.6	-1.6	-0.6	7.9	10.0
Increase / decrease in inventory	-1.0	-2.9	1.8	-0.5	1.3	-1.2	-0.1
Increase / decrease in accounts receivable	-1.5	1.6	1.0	-1.2	-1.3	-3.3	-1.4
Increase / decrease in accounts payable	0.0	0.0	-0.8	0.4	0.4	1.0	-0.1
Increase / decrease in other working capital positions	0.0	-0.3	0.3	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-2.5	-1.5	2.3	-1.3	0.4	-3.5	-1.6
Net cash provided by operating activities [1]	0.8	-1.5	-2.3	-2.9	-0.2	4.4	8.4
Investments in intangible assets	-0.2	-1.3	-0.2	-0.2	-0.2	-0.2	-0.2
Investments in property, plant and equipment	-0.3	-0.2	-0.4	-0.4	-0.4	-0.4	-0.4
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	-0.9	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	-0.4	-2.4	-0.3	-0.6	-0.6	-0.6	-0.6
Change in financial liabilities	-3.3	-0.6	8.9	0.0	0.0	0.0	0.0
Dividends paid	-0.7	-1.6	-0.3	-0.4	-0.4	-0.4	-1.2
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	5.9	0.0	0.0	4.9	10.8	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities [3]	1.9	-2.2	8.6	4.6	10.4	-0.4	-1.2
Change in liquid funds [1]+[2]+[3]	2.2	-6.1	6.0	1.1	9.6	3.5	6.6
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	11.7	5.5	11.6	12.6	22.3	25.7	32.3

Financial Ratios

	2016	2017	2018	2019e	2020e	2021e	2022e
Cash Flow							
FCF	0.4	-3.0	-2.6	-3.5	-0.7	3.9	7.8
Free Cash Flow / Sales	1.1 %	-9.3 %	-10.6 %	-13.7 %	-2.1 %	6.5 %	11.2 %
Free Cash Flow Potential	2.3	1.4	-2.3	-1.7	-0.7	6.4	10.1
Free Cash Flow / Net Profit	18.6 %	-279.6 %	67.8 %	158.7 %	62.7 %	68.7 %	83.3 %
Interest Received / Avg. Cash	0.7 %	0.7 %	0.5 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	1.6 %	3.7 %	2.5 %	1.6 %	1.6 %	1.6 %	1.6 %
Management of Funds							
Investment ratio	1.2 %	4.7 %	2.3 %	2.3 %	1.6 %	1.0 %	0.8 %
Maint. Capex / Sales	0.9 %	0.9 %	1.2 %	1.2 %	0.9 %	0.5 %	0.4 %
Capex / Dep	78.6 %	300.2 %	34.5 %	93.5 %	93.5 %	93.5 %	93.5 %
Avg. Working Capital / Sales	20.7 %	27.3 %	34.1 %	32.0 %	24.4 %	17.1 %	18.2 %
Trade Debtors / Trade Creditors	336.9 %	228.8 %	375.5 %	350.0 %	342.9 %	337.5 %	413.0 %
Inventory Turnover	3.2 x	1.9 x	2.0 x	1.8 x	3.1 x	4.1 x	4.6 x
Receivables collection period (days)	53	37	33	50	50	50	50
Payables payment period (days)	34	36	19	33	33	34	29
Cash conversion cycle (Days)	131	191	196	223	135	104	100

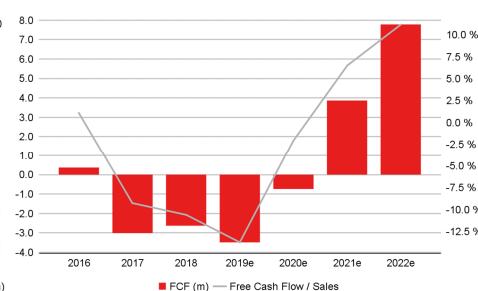
CAPEX and Cash Flow

in EUR m



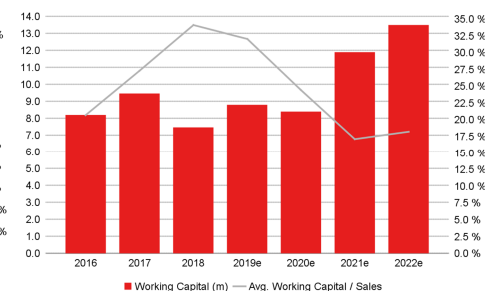
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Vectron Systems AG	3, 4, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A0KEXC7.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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Rating	Number of stocks	% of Universe
Buy	121	59
Hold	67	33
Sell	11	5
Rating suspended	5	2
Total	204	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	35	83
Hold	5	12
Sell	0	0
Rating suspended	2	5
Total	42	100

PRICE AND RATING HISTORY VECTRON SYSTEMS AG AS OF 19.03.2020



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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