

Vectron Systems AG *4,5a,7,11

Rating: BUY

Target Price: 21.55 EUR
(until now: 21.15 EUR)

Current share price: 12.80
27.07.21 / XETRA / 1:00 pm
Currency: EUR

Key Data:

ISIN: DE000A0KEXC7
WKN: A0KEXC
Ticker symbol: V3S
Number of shares³: 8.04
Marketcap³: 102.89
EnterpriseValue³: 93.23
³ in Mio. / in Mio. EUR
Freefloat: 58.5 %

Level of transparency:
Freiverkehr
Market segment:
Börse Frankfurt (Scale)
Accounting standard:
HGB

Financial year: 31.12.

Analysts:

Cosmin Filker
filker@gbc-ag.de

Felix Haugg
haugg@gbc-ag.de

* Catalogue of possible conflicts of interest on page 6

Date (time) completion (german version):
27/07/2021 (1:27 pm)
Date (time) first publication (german version):
28/07/2021 (9:30 am)

Date (time) completion (english version):
30/07/2021 (8:18 am)
Date (time) first publication (english version):
30/07/2021 (9:30 am)

Validity of the price target: until max.
31/12/2022

Company profile

Industry: Software, Technology

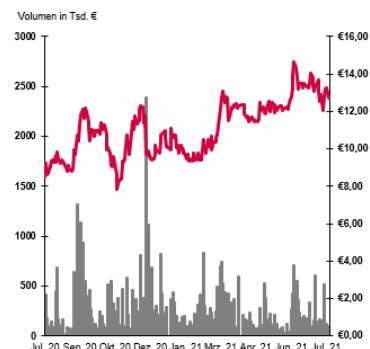
Focus: Software for cash register systems and associated hardware

Employees: 205 (31.12.2020)

Foundation: 2006

Head office: Münster

Executive Board: Thomas Stümmler, Jens Reckendorf, Silvia Ostermann



Vectron Systems AG is a full-size system solution provider offering hardware, software and cloud-based services on the international market. In addition to development, sales and provision against payment of integrated solutions for POS installations, software and cloud-based data analysis, data management, merchandise management, CRM and service modules as well as interfaces for third-party suppliers are part of the service spectrum. The Vectron Cloud Services comprise digital services that are aimed at the B2B as well as the B2C sector. They include the analysis, pro-cessing and reporting of product-related transaction data. Furthermore, customer loyalty tools such as digital stamp cards, coupons and deals as well as efficiency tools such as table reservati-on and delivery service are offered. All services are directly connected to the POS system, making it the central data centre.

P&L in EUR million \ FY end	31/12/2020	31/12/2021e	31/12/2022e	31/12/2023e
Sales	27.77	38.58	41.16	57.58
EBITDA	-2.19	4.18	5.81	12.13
EBIT	-2.58	3.78	5.41	11.73
Net profit	-2.07	3.28	4.45	8.21

Key figures in EUR				
Earnings per share	-0.26	0.41	0.55	1.02
Dividend per share	0.00	0.00	0.00	0.00

Key figures				
EV/Sales	3.36	2.42	2.27	1.62
EV/EBITDA	neg.	22.30	16.05	7.69
EV/EBIT	neg.	24.66	17.23	7.95
P/E-Ratio	neg.	31.37	23.11	12.53
P/B-Ratio	4.52			

Financial calendar		**last research by GBC:	
31/08/2021: Half-Year-Report 2021		Date: Publication / Target price in EUR / Rating	
07/09/2021: ZKK Zürich		10/06/2021: RS / 21.15 / BUY	
22-24/11/2021: EK-Forum		** the above-mentioned research studies can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg	
07-08/12/2021: MKK München			

Note in accordance with MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as a "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

1H 2021: New record figures for sales and earnings achieved, 2021 forecasts slightly increased, target price: €21.55; rating: BUY

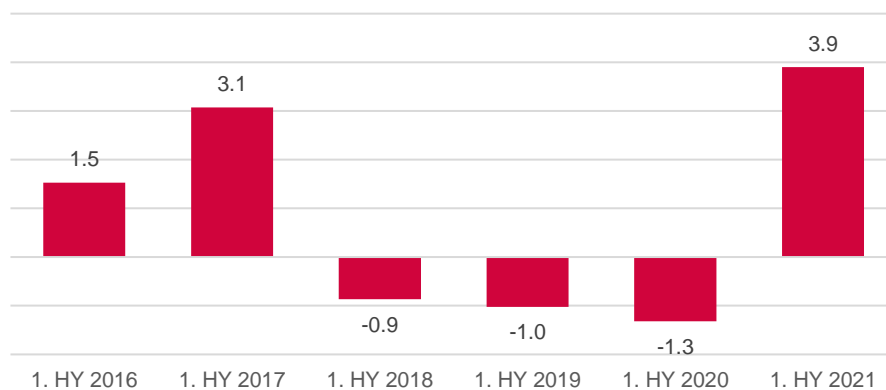
in EUR million	FY 2021e (old)	FY 2021e (new)	FY 2022e	FY 2023e
Sales	34,62	38,58	41,16	57,58
EBITDA	3,52	4,18	5,81	12,13
EBIT	3,12	3,78	5,41	11,73
Net profit	2,73	3,28	4,45	8,21

Quelle: GBC AG

On 20 July 2021 Vectron Systems AG (short: Vectron) published extraordinarily good preliminary figures for the second quarter 2021 and thus for the first half-year 2021. After an increase in sales of +14.7% to € 8.6 million in the first quarter of 2021, sales more than doubled to € 12.5 million in the second quarter of 2021 (Q2 2020: € 5.1 million), thus marking a new quarterly record. Vectron also set a new record with the half-year sales of € 20.9 million (previous year: € 12.60 million). We assume that in the past reporting period especially the so-called fiscalisation effect caused significant sales effects. The extended non-objection period for the TSE-compliant retrofitting of the cash systems was set for 31 March 2021. In addition, the legislator included the funding of digital investments up to € 20,000 within the framework of the „Überbrückungshilfe III“, which represents an important investment incentive for the gastronomy industry, despite corona-related closures.

As a result of the noticeable increase in sales, the EBITDA in the first half of 2021 rose significantly to € 3.9 million (previous year: € -1.3 million). Economies of scale as a result of the strong expansion in turnover are likely to have led to this new record being achieved. This figure does not include the revenues of the 100% holding bonVito GmbH, which generated revenues of €1.5 million and EBITDA of €0.4 million in the first half of the year.

EBITDA at half-year level (in € million)



Sources: Vectron Systems AG; GBC AG

In view of the higher-than-expected revenue and, in particular, earnings development, we are adjusting our previous forecasts for the current 2021 financial year (see research study dated 10 June 2021) upwards. We are now forecasting revenues of € 38.58 million (previously: € 34.62 million) and an EBITDA of € 4.18 million (previous year: € 3.52 million). Our estimates are kept conservative, as we are currently unable to estimate the impact of new corona variants on the catering business, for example. We assume that Vectron's management will communicate a new guidance with the publication of the half-year report (31.08.2021).

Valuation

Model assumptions

Vectron Systems AG was valued by us using a three-stage DCF model. Starting with concrete estimates for the years 2021, 2022 and 2023 in phase 1, the forecast is made from 2024 to 2028 in the second phase by applying value drivers. We expect increases in turnover of 7.5 % p.a. We have assumed a target EBITDA margin of 21.2 %. We have taken the tax rate into account at 30.0 % in phase 2. In the third phase, a residual value is determined after the end of the forecast horizon using the perpetual annuity. In the terminal value we assume a growth rate of 2.0 %.

Determining the cost of capital

The weighted average cost of capital (WACC) of Vectron Systems AG is calculated from the cost of equity and the cost of debt. For the determination of the equity capital costs, the fair market premium, the company-specific beta and the risk-free interest rate have to be calculated.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. **The currently used value of the risk-free interest rate is 0.25 %.**

We use the historical market premium of 5.50% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.46 is currently determined.

Using the assumptions made, we calculate a cost of equity of 8.26% (beta multiplied by the risk premium plus the risk-free interest rate). Since we assume a sustainable weighting of 100% for the cost of equity, the weighted average cost of capital (WACC) is 8.26%.

Valuation result

The slight increase in estimates for the current financial year 2021 have resulted in a slight increase in the price target to € 21.55 (previously: € 21.15). Based on the current share price of € 12.68, we continue to assign a BUY rating.

DCF-model

Vectron Systems AG - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after estimate phase:

consistency - phase		final - phase	
Revenue growth	7,5%	Eternal growth rate	2,0%
EBITDA margin	21,2%	Eternal EBITA margin	20,9%
Depreciation to fixed assets	23,5%	Effective tax rate in final phase	30,0%
Working Capital to revenue	21,0%		

Three phase DCF - model:

Phase	estimate			consistency					final final va- lue
	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	
in mEUR									
Revenue	38.58	41.16	57.58	61.90	66.54	71.53	76.90	82.66	
Revenue change	37,1%	6,7%	39,9%	7,5%	7,5%	7,5%	7,5%	7,5%	2,0%
Revenue to fixed assets	32,15	29,40	33,87	34,39	35,46	36,97	38,84	41,05	
EBITDA	4.18	5.81	12.13	13.12	14.11	15.16	16.30	17.52	
EBITDA margin	10,8%	14,1%	21,1%	21,2%	21,2%	21,2%	21,2%	21,2%	
EBITA	3.78	5.41	11.73	12.72	13.68	14.72	15.85	17.06	
EBITA margin	9,8%	13,1%	20,4%	20,6%	20,6%	20,6%	20,6%	20,6%	20,9%
Taxes on EBITA	-0,50	-0,96	-3,52	-3,82	-4,10	-4,42	-4,75	-5,12	
Taxes to EBITA	13,2%	17,7%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%
EBI (NOPLAT)	3,28	4,45	8,21	8,91	9,58	10,31	11,09	11,94	
Return on capital	32,0%	36,5%	61,3%	64,5%	64,7%	65,0%	65,4%	65,8%	63,6%
Working Capital (WC)	11,00	12,00	12,10	13,01	13,98	15,03	16,16	17,37	
WC to Revenue	28,5%	29,2%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	
Investment in WC	-1,92	-1,00	-0,10	-0,91	-0,98	-1,05	-1,13	-1,21	
Operating fixed assets (OAV)	1,20	1,40	1,70	1,80	1,88	1,93	1,98	2,01	
Depreciation on OAV	-0,40	-0,40	-0,40	-0,40	-0,42	-0,44	-0,46	-0,47	
Depreciation to OAV	33,3%	28,6%	23,5%	23,5%	23,5%	23,5%	23,5%	23,5%	
Investment in OAV	-0,44	-0,60	-0,70	-0,50	-0,50	-0,50	-0,50	-0,50	
Capital employment	12,20	13,40	13,80	14,81	15,86	16,97	18,14	19,38	
EBITDA	4.18	5.81	12.13	13.12	14.11	15.16	16.30	17.52	
Taxes on EBITA	-0,50	-0,96	-3,52	-3,82	-4,10	-4,42	-4,75	-5,12	
Total investment	-2,36	-1,60	-0,80	-1,41	-1,48	-1,55	-1,63	-1,71	
Investment in OAV	-0,44	-0,60	-0,70	-0,50	-0,50	-0,50	-0,50	-0,50	
Investment in WC	-1,92	-1,00	-0,10	-0,91	-0,98	-1,05	-1,13	-1,21	
Investment in Goodwill	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
Free cashflows	1,32	3,25	7,81	7,90	8,53	9,20	9,92	10,69	190,54

Value operating business (due date)	149.87	159.00
Net present value explicit free cashflows	40.58	40.68
Net present value of terminal value	109.29	118.32
Net debt	-10.97	-14.22
Value of equity	160.84	173.22
Minority interests	0.00	0.00
Value of share capital	160.84	173.22
Outstanding shares in m	8.04	8.04
Fair value per share in EUR	20.01	21.55

Cost of capital:

Risk free rate	0.3%
Market risk premium	5.5%
Beta	1.46
Cost of equity	8.3%
Target weight	100.0%
Cost of debt	2.8%
Taxshield	0.0%
Taxshield	28.7%
WACC	8.3%

Return on Capital	WACC				
	7.7%	8.0%	8.3%	8.6%	8.9%
63.1%	23.52	22.42	21.43	20.53	19.72
63.3%	23.59	22.49	21.49	20.59	19.77
63.6%	23.66	22.55	21.55	20.65	19.83
63.8%	23.73	22.61	21.61	20.70	19.88
64.1%	23.80	22.68	21.67	20.76	19.93

ANHANG

I.

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2. The research report is simultaneously made available to all interested investment services companies.

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BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10%.
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The analysts responsible for this analysis are:

Cosmin Filker, Dipl. Betriebswirt (FH), deputy. Chief Analyst
Felix Haugg, B.A., Financial Analyst

Other person involved

Manuel Hölzle, Dipl. Kaufmann, Chief Analyst

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GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-mail: compliance@gbc-ag.de