

Vectron Systems AG

Buy → | Target 22.50 € vs 26.60 € ↘

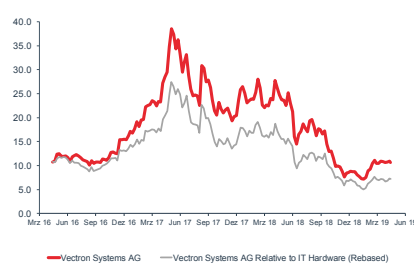
Price (13/05/2019) : 10.65 € | Upside : 111%

Revision 2019e 2020e
EPS

Q1 19 results in line; POS fiscalization phase II to lift revenues from Q4; new digital businesses poised to make first contributions

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Sources : ODDO BHF Securities, SIX

Capital				
V3S GR V3SG.DE				
Market Cap (€m)				77
Enterprise value (€m)				73
Extrema 12 months (€)	7.12			26.40
Free Float (%)				44.0
Performance (%)				
	1m	3m	12m	
Absolute	-2.7	43.9	-59.3	
Perf. rel. Country Index	1.2	41.0	-57.1	
Perf. rel. IT Hardware	-0.3	37.1	-58.0	
P&L				
	12/19e	12/20e	12/21e	
Sales (€m)	26.5	44.0	48.1	
EBITDA (€m)	-2.0	7.3	9.0	
Current EBIT (€m)	-3.7	5.6	7.4	
Attr. net profit (€m)	-3	3.7	4.9	
Adjusted EPS (€)	-0.38	0.51	0.68	
Dividend (€)	0.00	0.11	0.15	
P/E (x)	ns	21.0	15.7	
P/B (x)	6.3	4.8	3.8	
Dividend Yield (%)	0.0	1.0	1.4	
FCF yield (%)	ns	4.8	5.9	
EV/Sales (x)	2.90	1.67	1.45	
EV/EBITDA (x)	ns	10.1	7.7	
EV/Current EBIT (x)	ns	13.1	9.4	
Gearing (%)	-11	-32	-44	
Net Debt/EBITDA (x)	0.7	ns	ns	

Next Events

19.06.2019	Annual General Meeting
30.08.2019	H1 Results
31.10.2019	Q3 Results

Q1 revenues -20% yoy on high comps; EBITDA at € -0.9m

Vectron's Q1 2019 results were rather weak but in line with expectations. Group revenue decreased 20.7% yoy to €5.9m (Oddo BHF: € 5.8m), still continuing to normalize after completion of the first POS fiscalization phase. With phase II starting from January 2020, we originally expected increasing revenues from POS updates/sales in H2 2019. According to management and recent industry newsflow, however, this effect may not kick in until Q4 2019 or even 2020. Q1 2019 EBITDA was negative at € -0.9m (slightly above our estimate of € -1.1m), equating to a margin of -15.1%. Besides sales normalization, investments in the new digital business model have put additional pressure on Vectron's bottom line.

Reported Q1 results vs Oddo BHF estimates

	reported	yoy	ODDO BHF	diff%
Revenue	5.9	-20.7%	5.8	1.6%
EBITDA	-0.9	NA	-1.1	NA
Margin%	-15.1%	NA	-19.3%	421bp

New digital projects expected to contribute in H2 2019e

Vectron now groups its digital cloud services under the brand names myVectron and bonVito. These services range from loyalty and payment functions to online reservations and online reporting. All services are directly connected to the POS, and ultimately to a proprietary central data centre. Today (13 May), Vectron and Resmio GmbH, a leading table reservation platform with 10,000 restaurant participants, have announced a cooperation agreement to jointly offer integrated digital services for the catering industry. For this purpose, Resmio's functions will be integrated into Vectron's POS systems. Reservations are transferred directly to the POS, rendering additional hardware or duplicate entries and eliminating operating errors. Reservation fees are shared between the partners but are supposed to be below the price level of competitors. Since August 2018 Vectron has also been working with DeutschlandCard (DC), one of the largest loyalty solutions providers in the German market. The aim of this cooperation is to distribute DC via Vectron POS systems. Vectron's distributors began marketing DC in mid-January 2019 and the first caterers have already signed contracts. Vectron also recently announced a partnership with Epay to develop and offer new functions/services for POS operators focusing on alternative payment methods and the distribution of services such as mobile phone money recharges and electronic vouchers. In our view, Epay's range of cash-based payment options and the large portfolio of prepaid card products with internationally renowned brands is another valuable addition to Vectron's digital offers.

Adjusting TP to reflect shifted phase II execution and reduced visibility

All in all, Q1 2019 was again driven by the normalization of demand for POS systems after a regulation-driven surge. Management has yet to provide detailed guidance for 2019 but emphasizes the importance of its new digital business model in its future growth strategy. For 2020e, we expect the POS market to gain significant traction, driven by regulations requiring POS systems to be updated and made manipulation-proof (fiscalization). Vectron's new digital business areas are also poised to make their first contributions to group revenue and earnings. We have fine-tuned our model in view of the delayed phase II POS execution and overall reduced market visibility. Our adjusted DCF based TP is €22.5 (€ 26.60).

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Electronics | Germany

	Buy					Price 10.65EUR		
	Upside	111.27%				TP 22.50EUR		
PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	0.08	0.18	0.30	0.16	-0.59	-0.38	0.51	0.68
Reported EPS	0.12	0.18	0.30	0.16	-0.59	-0.38	0.51	0.68
Growth in adjusted EPS	39.3%	ns	66.1%	-45.3%	ns	ns	ns	34.0%
Net dividend per share	0.05	0.07	0.11	0.07	0.00	0.00	0.11	0.15
FCF to equity per share	0.23	0.17	0.05	-0.45	-0.39	-0.28	0.51	0.63
Book value per share	1.48	1.17	2.25	2.17	1.53	1.70	2.21	2.77
Number of shares market cap (m)	6.60	6.60	6.60	6.60	6.61	7.27	7.27	7.27
Number of diluted shares (m)	6.60	6.60	6.60	6.60	6.61	7.27	7.27	7.27
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	2.67	7.52	16.22	39.25	28.05	11.78		
12m lowest price (€)	1.80	2.47	6.62	14.86	7.60	7.12		
(*) Reference price (€)	2.30	4.48	11.15	24.73	19.37	10.65	10.65	10.65
Capitalization	15.2	29.6	73.6	163	128	77.5	77.5	77.5
Restated Net debt	-3.2	-1.2	-6.6	-1.5	1.6	-1.4	-5.1	-8.8
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.9	2.0	3.2	1.7	1.0	1.0	1.0	1.0
Enterprise Value	12.9	30.3	70.2	163	131	77.1	73.3	69.6
P/E (x)	29.1	25.0	37.5	152	ns	ns	21.0	15.7
P/CF (x)	16.0	11.7	19.7	4,440	ns	ns	14.4	11.7
Net Yield	2.0%	1.5%	1.0%	0.3%	0.0%	0.0%	1.0%	1.4%
FCF yield	10.1%	3.8%	0.5%	ns	ns	ns	4.8%	5.9%
P/B incl. GW (x)	1.55	3.83	4.95	11.38	12.64	6.27	4.83	3.84
P/B excl. GW (x)	1.55	3.83	4.95	11.38	12.64	6.27	4.83	3.84
EV/Sales (x)	0.58	1.17	2.08	5.04	5.26	2.90	1.67	1.45
EV/EBITDA (x)	8.3	11.5	19.4	72.4	ns	ns	10.1	7.7
EV/Current EBIT (x)	12.6	14.7	22.7	93.5	ns	ns	13.1	9.4
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	22.4	25.9	33.7	32.4	24.8	26.5	44.0	48.1
EBITDA	1.6	2.6	3.6	2.3	-3.8	-2.0	7.3	9.0
Depreciations	-0.5	-0.6	-0.5	-0.5	-1.7	-1.7	-1.7	-1.7
Current EBIT	1.0	2.1	3.1	1.7	-5.4	-3.7	5.6	7.4
Published EBIT	1.0	2.1	3.1	1.7	-5.4	-3.7	5.6	7.4
Net financial income	0.1	-0.2	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3
Corporate Tax	-0.3	-0.7	-1.0	-0.6	1.7	1.2	-1.6	-2.1
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	0.8	1.2	2.0	1.1	-3.9	-2.8	3.7	4.9
Adjusted attributable net profit	0.5	1.2	2.0	1.1	-3.9	-2.8	3.7	4.9
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	0.6	0.5	0.4	1.5	0.2	0.2	0.5	0.9
Tangible fixed assets	0.8	0.8	0.7	0.6	0.6	-0.3	-0.9	-1.4
WCR	5.0	6.2	9.3	10.4	8.5	8.6	8.8	9.3
Financial assets	1.0	1.0	1.0	1.9	3.5	3.5	3.5	3.5
Ordinary shareholders equity	9.8	7.7	14.9	14.3	10.1	12.4	16.0	20.2
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	9.8	7.7	14.9	14.3	10.1	12.4	16.0	20.2
Non-current provisions	0.9	2.0	3.2	1.7	1.0	1.0	1.0	1.0
Net debt	-3.2	-1.2	-6.6	-1.5	1.6	-1.4	-5.1	-8.8
CASH FLOW STATEMENT (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	1.6	2.6	3.6	2.3	-3.8	-2.0	7.3	9.0
Change in WCR	0.9	-1.0	-3.0	-1.5	2.3	-0.1	-0.2	-0.5
Interests & taxes	-0.5	-0.2	-0.2	-1.7	-0.2	1.2	-1.6	-2.1
Others	-0.1	0.1	0.4	-0.6	-0.7	-0.3	-0.3	-0.3
Operating Cash flow	1.8	1.5	0.8	-1.5	-2.3	-1.2	5.1	6.1
CAPEX	-0.3	-0.4	-0.4	-1.5	-0.3	-0.8	-1.4	-1.5
Free cash-flow	1.5	1.1	0.3	-3.0	-2.6	-2.1	3.7	4.6
Acquisitions / disposals	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	0.0
Dividends	-0.3	-0.5	-0.7	-1.6	-0.3	0.0	0.0	-0.8
Net capital increase	0.0	0.0	5.9	0.0	0.0	5.0	0.0	0.0
Others	-0.3	1.1	-3.4	-0.2	8.7	0.0	0.0	0.0
Change in net cash	0.9	-1.9	5.4	-5.1	-3.1	3.0	3.7	3.7
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	4.7%	15.4%	30.4%	-4.0%	-23.3%	6.9%	65.8%	9.2%
Lfl sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	6.3%	ns	49.3%	-43.4%	ns	ns	ns	31.8%
Growth in adjusted EPS	39.3%	ns	66.1%	-45.3%	ns	ns	ns	34.0%
Net margin	2.3%	4.6%	5.8%	3.3%	-15.6%	-10.4%	8.4%	10.3%
EBITDA margin	7.0%	10.2%	10.7%	7.0%	-15.2%	-7.6%	16.5%	18.8%
Current EBIT margin	4.6%	8.0%	9.2%	5.4%	-22.0%	-13.9%	12.7%	15.3%
CAPEX / Sales	-1.4%	-1.6%	-1.3%	-4.7%	-1.3%	-3.2%	-3.2%	-3.2%
WCR / Sales	22.5%	23.8%	27.5%	32.2%	34.1%	32.4%	20.0%	19.5%
Tax Rate	29.7%	35.6%	33.7%	35.2%	31.0%	30.0%	30.0%	30.0%
Normative tax rate								
Asset Turnover	3.2	3.7	3.8	2.8	2.3	3.0	5.2	5.5
ROCE post-tax (normative tax rate)	-	-	-	-	-	-	-	-
ROCE post-tax hors GW (normative tax rate)								
ROE	5.4%	13.5%	17.4%	7.4%	-31.7%	-24.7%	25.9%	27.3%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	-32%	-16%	-45%	-10%	16%	-11%	-32%	-44%
Net Debt / Market Cap	-0.21	-0.04	-0.09	-0.01	0.01	-0.02	-0.07	-0.11
Net debt / EBITDA	ns	ns	ns	ns	ns	0.68	ns	ns
EBITDA / net financial charges	-24.5	11.5	30.0	25.5	-22.9	-7.4	22.4	29.1

Source: ODDO BHF Securities, SIX



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Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
13.05.19	Buy	22.50	10.65	Henning Steinbrink
12.11.18	Buy	26.60	11.22	Henning Steinbrink
19.07.18	Buy	25.00	16.50	Henning Steinbrink

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		Buy	Neutral	Reduce
Our whole coverage	(423)	51%	41%	8%
Liquidity providers coverage	(81)	56%	43%	1%
Research service coverage	(32)	69%	31%	76%
Investment banking services	(25)	24%		

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