

Vectron Systems AG

Buy → | Target 34.00 EUR

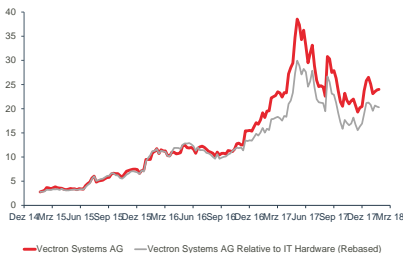
Price (22/02/2018) : 24.00 EUR | Upside : 42 %

Est.chg	2017e	2018e
EPS	-	-

Feedback from 12th ODDO BHF GERMAN CONFERENCE

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Source : Oddo BHF Securities, Fininfo

Capital				
V3S GR V3SG.DE				
Market Cap (EURm)				158
Enterprise value (EURm)				153
Extrema 12 months		19.21		39.25
Free Float (%)				44.0
Performance (%)				
	1m	3m	12m	
Absolute	-8.4	16.2	23.1	
Perf. rel. Country Index	-3.2	18.2	20.8	
Perf. rel. IT Hardware	-4.2	20.8	11.3	
P&L				
	12/17e	12/18e	12/19e	
Sales (EURm)	34.4	43.0	55.9	
EBITDA (EURm)	3.2	6.0	7.9	
Current EBIT (EURm)	3.1	5.2	6.9	
Attr. net profit (EURm)	1.8	3.6	4.7	
Adjusted EPS (EUR)	0.27	0.54	0.72	
Dividend (EUR)	0.11	0.22	0.29	
P/E (x)	92.8	44.3	33.5	
P/B (x)	10.3	8.4	7.2	
Dividend Yield (%)	0.4	0.9	1.2	
FCF yield (%)	0.4	1.8	2.4	
EV/Sales (x)	4.65	3.56	2.70	
EV/EBITDA (x)	49.4	25.5	19.1	
EV/Current EBIT (x)	51.8	29.4	21.9	
Gearing (%)	-41	-46	-49	
Net Debt/EBITDA(x)	ns	ns	ns	

Next Events	
20.04.2018	Q1 Results
30.04.2018	FY Results
31.08.2018	Q2 Results
26.10.2018	Q3 Results

New elements

Vectron attended our 12th ODDO BHF German conference in Frankfurt. We had the opportunity to meet the new management team, which made a rather positive impression.

Effective 1 Feb 2018, Oliver Kaltner was appointed to a four-year term as joint CEO with Jens Reckendorf. Before joining Vectron, Mr. Kaltner worked at various management levels, inter alia as CEO of Leica Camera AG, and as a member of the management board at Microsoft Germany. Although founder Thomas Stümmeler has retired from the board of directors, he will continue to play an important role as an advisor to the management board and should also join the supervisory board.

Based on Mr. Kaltner's management experience and IT expertise, we believe he is a good fit to lead Vectron to its next growth level and transform the group from its traditional hardware centricity into a data-centric software group. In its new set-up management is currently focusing on: i/ expanding Vectron's business internationally, ii/ increasing internal engineering capabilities, and iii/ accelerating technological innovations at all product levels.

Main message on outlook

Management's tone in giving its 2018e outlook was quite convincing. Going forward, we expect Vectron to profit from: i/ regulations issued by German tax authorities requiring all POS systems to be manipulation-proof by 1 Jan 2020, and ii/ the co-operation with Coca-Cola "Get Happy, based on bonVito". In the medium term we expect Vectron to benefit from both factors, given the strong positioning of Vectron's value chain i.e. cashier systems at POS.

We also expect Vectron's additional business lines Duratec and Posmatic to expand into international markets, based on their simplicity and price advantage. On the software side, we believe Vectron can capitalize on the Coca-Cola co-operation and generate first revenues in 2018e. Coca-Cola's GetHappy project is currently piloting at ~70 sites in the city of Leipzig.

In our view, bonVito already surpassed breakeven in 2017. Furthermore, we believe Vectron could further capitalize on the Get Happy project both i/ on the international level, and ii/ by offering the platform to non-beverage customers.

Conclusion - Impact on EPS/Recommendation/TP

We value the company using a sum of the parts approach. In our view, the current share price reflects the core business and only partially the bonVito/GetHappy opportunities. We believe Vectron's equity story is intact. The biggest catalyst remains the timing and revenue contribution from its Coca-Cola co-operation. We maintain our Buy rating and TP of € 34.00.

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V3SG.DE | V3S GR
Electronics | Germany

	Buy					Price 24.00EUR			
	Upside		41.67%			TP 34.00EUR			
PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
Adjusted EPS	0.05	0.06	0.08	0.18	0.30	0.27	0.54	0.72	
Reported EPS	0.11	0.11	0.12	0.18	0.30	0.27	0.54	0.72	
Growth in EPS(%)	-	18.8%	39.3%	ns	66.1%	-10.4%	ns	32.1%	
Net dividend per share	0.05	0.05	0.05	0.07	0.11	0.11	0.22	0.29	
FCF to equity per share	0.00	-0.02	0.23	0.17	0.05	0.09	0.42	0.57	
Book value per share	1.52	1.47	1.50	1.17	2.25	2.41	2.84	3.34	
Number of shares market cap	6.60	6.60	6.60	6.60	6.60	6.60	6.60	6.60	
Number of diluted shares	6.60	6.60	6.60	6.60	6.60	6.60	6.60	6.60	
VALUATION	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
12m highest price	3.35	2.68	2.67	7.52	16.22	39.25	27.50		
12m lowest price	2.50	1.76	1.80	2.47	6.62	14.86	22.10		
(*) Reference price	2.91	2.27	2.30	4.48	11.15	24.73	24.00	24.00	
Capitalization	19.2	15.0	15.2	29.6	73.6	163	158	158	
Restated Net debt	-2.4	-2.3	-3.2	-1.2	-6.6	-6.5	-8.6	-10.9	
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	0.7	0.7	0.9	2.0	3.2	3.2	3.2	3.2	
Enterprise Value	17.5	13.4	12.9	30.3	70.2	160	153	151	
P/E (x)	61.0	40.0	29.1	25.0	37.5	92.8	44.3	33.5	
P/CF (x)	14.2	16.7	16.0	11.7	19.7	85.6	36.3	27.5	
Net Yield (%)	1.6%	2.0%	2.0%	1.5%	1.0%	0.4%	0.9%	1.2%	
FCF yield (%)	0.1%	ns	10.1%	3.8%	0.5%	0.4%	1.8%	2.4%	
P/B incl. GW (x)	1.92	1.55	1.53	3.83	4.95	10.27	8.44	7.18	
P/B excl. GW (x)	1.92	1.55	1.53	3.83	4.95	10.27	8.44	7.18	
EV/Sales (x)	0.77	0.62	0.58	1.17	2.08	4.65	3.56	2.70	
EV/EBITDA (x)	9.9	8.8	8.3	11.5	19.4	49.4	25.5	19.1	
EV/EBIT (x)	19.9	13.9	12.6	14.7	22.7	51.8	29.4	21.9	
(*) historical average price									
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
Sales	22.7	21.4	22.4	25.9	33.7	34.4	43.0	56	
EBITDA	1.8	1.5	1.6	2.6	3.6	3.2	6.0	7.9	
Depreciations	-0.9	-0.6	-0.5	-0.6	-0.5	-0.1	-0.8	-1.0	
Current EBIT	0.9	1.0	1.0	2.1	3.1	3.1	5.2	6.9	
Published EBIT	0.9	1.0	1.0	2.1	3.1	3.1	5.2	6.9	
Net financial income	0.1	0.1	0.1	-0.2	-0.1	-0.4	-0.2	-0.3	
Corporate Tax	-0.2	-0.3	-0.3	-0.7	-1.0	-0.9	-1.4	-1.8	
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	0.7	0.8	1.2	2.0	1.8	3.6	4.7	
Adjusted attributable net profit	0.3	0.4	0.5	1.2	2.0	1.8	3.6	4.7	
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other intangible assets	0.7	0.7	0.6	0.5	0.4	0.8	0.8	0.8	
Tangible fixed assets	1.2	0.9	0.8	0.8	0.7	1.3	1.9	2.7	
WCR	5.9	5.9	5.3	6.3	9.4	9.6	9.8	10.0	
Financial assets	0.5	0.5	0.9	0.9	0.9	0.9	0.9	0.9	
Ordinary shareholders equity	10.0	9.7	9.9	7.7	14.9	15.9	18.8	22.1	
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Shareholders equity	10.0	9.7	9.9	7.7	14.9	15.9	18.8	22.1	
Non-current provisions	0.7	0.7	0.9	2.0	3.2	3.2	3.2	3.2	
Net debt	-2.4	-2.3	-3.2	-1.2	-6.6	-6.5	-8.6	-10.9	
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
EBITDA	1.8	1.5	1.6	2.6	3.6	3.2	6.0	7.9	
Change in WCR	-0.7	-0.7	0.9	-1.0	-3.0	-0.2	-0.2	-0.2	
Interests & taxes	-0.1	-0.1	-0.5	-0.2	-0.2	-0.9	-1.4	-1.8	
Others	-0.3	-0.5	-0.1	0.1	0.4	-0.4	-0.2	-0.3	
Operating Cash flow	0.6	0.2	1.8	1.5	0.8	1.7	4.2	5.5	
CAPEX	-0.6	-0.4	-0.3	-0.4	-0.4	-1.1	-1.4	-1.8	
Free cash-flow	0.0	-0.1	1.5	1.1	0.3	0.6	2.8	3.8	
Acquisitions / disposals	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Dividends	-0.5	-0.3	-0.3	-0.5	-0.7	-0.7	-0.7	-1.4	
Net capital increase	0.0	0.0	0.0	0.0	5.9	0.0	0.0	0.0	
Others	-1.5	0.5	-0.3	-2.5	-0.1	0.0	0.0	0.0	
Change in net debt	-2.4	0.1	0.9	-1.9	5.4	-0.1	2.1	2.3	
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
Sales growth	-	-5.6%	4.7%	15.4%	30.4%	2.0%	25.0%	30.0%	
Lfl sales growth	-	-	-	-	-	-	-	-	
Current EBIT growth	-	9.3%	6.3%	ns	49.3%	0.1%	68.7%	32.0%	
Growth in EPS(%)	-	18.8%	39.3%	ns	66.1%	-10.4%	ns	32.1%	
Net margin	1.4%	1.7%	2.3%	4.6%	5.8%	5.1%	8.3%	8.5%	
EBITDA margin	7.8%	7.1%	7.0%	10.2%	10.7%	9.4%	14.0%	14.1%	
Current EBIT margin	3.9%	4.5%	4.6%	8.0%	9.2%	9.0%	12.1%	12.3%	
CAPEX / Sales	-2.6%	-3.2%	-1.4%	-1.6%	-1.3%	-3.2%	-3.2%	-3.2%	
WCR / Sales	26.1%	27.5%	23.8%	24.3%	27.8%	27.9%	22.8%	17.9%	
Tax Rate	22.4%	28.5%	29.7%	35.6%	33.7%	34.7%	28.0%	28.0%	
Normative tax rate	-	-	-	-	-	-	-	-	
Asset Turnover	-	2.8	3.1	3.6	3.7	3.1	3.6	4.3	
ROCE post-tax (normative tax rate)	-	-	-	-	-	-	-	-	
ROCE post-tax hors GW (normative tax rate)	-	-	-	-	-	-	-	-	
ROE	-	3.8%	5.3%	13.4%	17.4%	11.4%	20.6%	23.2%	
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
Gearing	-24%	-24%	-32%	-16%	-45%	-41%	-46%	-49%	
Net Debt / Market Cap	-0.13	-0.15	-0.21	-0.04	-0.09	-0.04	-0.05	-0.07	
Net debt / EBITDA	ns	ns	ns	ns	ns	ns	ns	ns	
EBITDA / net financial charges	-19.4	-21.7	-24.5	11.5	30.0	8.2	24.9	25.3	

Source: ODDO BHF Securities, Fininfo



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Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

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

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
19.09.17	Buy	34.00	28.70	Henning Steinbrink
14.09.17	Buy	20.09	29.80	Henning Steinbrink

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Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(409)	50%	40%	10%
Liquidity providers coverage	(132)	41%	52%	8%
Research service coverage	(57)	53%	44%	4%
Investment banking services	(52)	73%	19%	8%

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