CLIQ Digital AG
Germany - Internet

HAUCK & AUFHÄUSER
Investment Banking

Buy (Initiation)

Price target: EUR 17.00

Price:	EUR 6.00	**Next result:**	H1 2020 20.08.20
Bloomberg:	CLIQ GR	**Market cap:**	EUR 33.7 m
Reuters:	CLIQ.DE	**Enterprise Value:**	EUR 40.6 m

24-June-20

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Entertainment just one CLIQ away

Consumer eyeballs increasingly gaze in one direction: that of **their smartphone screens**, where banking, sports, movies, games, shopping, ticketing etc. are just a swipe and a click away. Online payments are increasingly convenient, fast and reliable. Receptive **customers with a high propensity to transact** are therefore the ideal audience for content providers and advertisers alike, **all inexorably migrating on-line.**

Enter CLIQ Digital: **as a direct marketer, it specializes in mobile advertising campaigns for streaming entertainment products**. Media buying expertise and business intelligence tools sharpened over more than 15 years yield **high marketing efficiency.** CLIQ is currently developing its own web-shop: **pull marketing** on top of **push marketing** should lead to higher customer loyalty.

Direct marketers **are gold mines** for search engines, publishers and payment service providers including mobile carriers, as they all get a generous cut of the subscription revenues generated. Without their access, direct marketing is impossible. The math therefore only works if the **cost structure is lean and the marketing efficiency is high.**

An increasing focus on **own-media buying** alongside affiliate marketing **empowered CLIQ to leverage consumer know-how** into effective campaigns. CLIQ Digital is poised for expanding marketing efficiencies, which combined with buoyant demand for digital entertainment, better payments mix and operating leverage, should result in a **doubling of ROCE to > 16% by 2022E.**

EPS should growth by 44% on average into 2022E. News flow should be positive with current quarterly trends suggesting a guidance hike is in the cards, at the latest when the company releases H1 results on August 20th.

The stock **trades more like a utility** with an average PER multiple of 7.5x, not reflecting the growth at hand. We value it on FCFY 20221E (€ 13.19) and DCF (€ 21.19) and derive a **PT of € 17.00. BUY**. Strong cash flow generation backs a **generous dividend policy** expected to yield **6.2%** on average.

Y/E 31.12 (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Sales	65.3	70.5	58.2	63.1	78.5	92.8	104.9
Sales growth	17 %	8 %	-17 %	8 %	24 %	18 %	13 %
EBITDA	5.1	5.5	3.9	5.8	8.8	11.4	13.4
EBIT	4.5	5.1	3.0	4.8	7.7	10.2	12.1
Net income	2.7	3.2	2.2	2.2	3.6	5.0	6.3
Net debt	9.9	9.0	8.1	11.2	6.9	2.7	-3.2
Net gearing	22.8 %	19.4 %	17.3 %	25.0 %	14.1 %	5.1 %	-5.6 %
Net Debt/EBITDA	1.9	1.6	2.1	1.9	0.8	0.2	0.0
EPS pro forma	0.47	0.50	0.34	0.33	0.55	0.78	0.97
CPS	0.73	0.68	0.59	0.37	0.80	1.09	1.43
DPS	0.00	0.00	0.00	0.00	0.28	0.32	0.40
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	5.1 %	6.0 %	7.4 %
Gross profit margin	23.9 %	25.4 %	27.8 %	29.8 %	30.0 %	30.9 %	32.1 %
EBITDA margin	7.8 %	7.8 %	6.6 %	9.1 %	11.2 %	12.3 %	12.8 %
EBIT margin	6.9 %	7.2 %	5.1 %	7.6 %	9.8 %	11.0 %	11.5 %
ROCE	8.1 %	8.6 %	4.8 %	7.8 %	12.1 %	15.3 %	16.5 %
EV/sales	0.7	0.6	0.7	0.7	0.5	0.4	0.3
EV/EBITDA	8.6	7.7	10.9	7.8	4.6	3.2	2.3
EV/EBIT	9.7	8.4	14.0	9.4	5.3	3.6	2.5
PER	11.7	10.9	16.1	16.3	9.9	7.0	5.6
Adjusted FCF yield	-57.7 %	-30.3 %	6.6 %	12.9 %	12.5 %	17.9 %	24.3 %

Source: Company data, Hauck & Aufhäuser Close price as of: 23.06.2020020, FY 16 & FY: pf for IFRS 15

Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	6.00 / 1.90
Price/Book Ratio:	0.8
Relative performance (SDAX):	
3 months	71.0 %
6 months	104.7 %
12 months	164.2 %

Changes in estimates

		Sales	EBIT	EPS
2020	*old:*	78.5	7.7	0.55
	Δ	-	-	-
2021	*old:*	92.8	10.2	0.78
	Δ	-	-	-
2022	*old:*	104.9	12.1	0.97
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs)	6.2
Authorised capital: (in € m)	3.1
Book value per share: (in €)	7.6
Ø trading volume: (12 months)	24,255

Major shareholders:

Free Float	72.0 %
Members of Mgmt. & Supervisory Boards	17.0 %
Former managers	11.0 %

Company description:
Leading digital lifestyle company, providing consumers worldwide with streaming entertainment services.

Please refer to important disclosures at the end of the report

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Company Background

The business model in a nutshell

Direct marketing experts…

Founded in 2003 and headquartered in Düsseldorf, Germany CLIQ Digital (www.cliqdigital.com) focuses on the **direct marketing of streaming entertainment products** (games, movies, music, sports, audiobooks) to consumers **via mobile online marketing channels**.

Unlike other streaming entertainment distributors such as Netflix or Spotify, CLIQ addresses the **consumer directly for a specific transaction**. As such, the brand name “CLIQ” appears nowhere, and the customer is directly faced with the end-product, which he or she is solicited to buy.

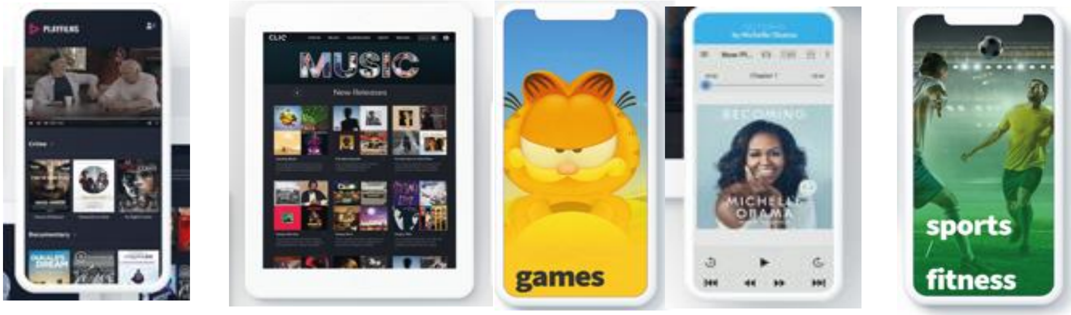
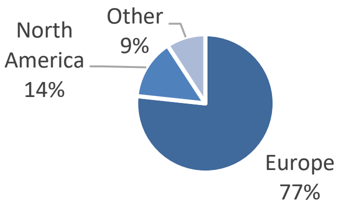
..**sourcing digital entertainment worldwide..**

The company **sources and licenses streaming products globally** and those are sold to consumers under a **subscription model**. Revenue **are collected over all major payment solutions**.

Affiliate marketing vs. own media-buying

Products are placed either **a. via CLIQ’s own media buying channels** that include Google’s or Facebook’s programmatic advertising**, or b. via affiliate partners** who buy advertising space at their own risk and are rewarded with a one-off fixed fee if a customer is acquired.

The company reaches 2.3 billion mobile users via 110 carriers in 34 countries worldwide. As of FY 2019 Europe accounted for 77% of revenues though (France, UK, Spain, Netherlands) with a small but growing presence in Germany**.** A staff featuring **25 different nationalities** provides **local market knowledge**.

Products	Movies	Music	Games	Audioooks	Sports	Group
						
Sales 19 (€ m)						63.1
EBITDA						5.8
Customers	While very little is known about the transaction-paying consumer, in-house surveys point to a growing diversity of the consumer profiles alongside a growing portfolio of streaming entertainment products on offer. Only when clicking the consent box, will the customer data land with CLIQ and those consumers will then be targeted with individual marketing (e.g. email).					
Competitors	Very fragmented markets where main competitors include Acotel Group, Digital Virgo, Freenet Digital, Sam-Media Group.					
Content providers	Licensed or acquired content from a large base of providers that includes Canadian music-streaming platform Stingray, casual games providers Anuman, Unacell, Softgames, BlackMoon design, various audio book rights owners and the Playfilms movie streaming platform, as well as smaller production companies happy to license content.					
Distribution partners	Affiliate marketing (est. 40% share) , own media buying (est. 60% share) on Google, facebook etc., rewarded with one-off customer acquisition cost at conversion.					
Payment partners	Own billing platform connected to direct carrier billing providers (e.g. ntt DOCOMO, Vodafone), credit card billing, sofort, Paypal					
Sales distribution by region (19)						
Marketing mix	98% mobile internet					
EBIT 19 (€ m)						4.8
EBIT-margin						7.6%
ROCE 19						7.8%

Source: Hauck & Aufhäuser estimates, company filings and company investor presentation.

Below is a chart outlining the **customer journey** from Facebook-teaser to landing page and subscription.

Customer Journey

Source: Company investor presentation; Hauck & Aufhäuser

Key milestones in company history

The company was **founded in 2003** in Amsterdam and listed on the Frankfurt Stock exchange in 2005. It is today part of the SCALE segment.

From TV to mobile advertising…

In early days, the company was marketing its offering with **TV advertising** featuring short ads with an SMS code thereby airing over 1,000 commercials on over 135 stations around the world.

As customer acquisition costs were too high, it shifted its focus **to internet advertising (e.g. banners) in 2006.** The model featured media bureaus buying advertising **space at their own risk** on the pages of large publishers or portals. The space was sold on to customers such as CLIQ, whereby payments were only made if a **successful conversion** took place: **affiliate marketing**.

…and from affiliate marketing to mobile direct media buying

While this customer acquisition approach is less onerous it **opens the door to fraud** as CLIQ had little control over the advertisement which could be changed and mislead customers into purchasing decisions they did not want in the first place in order to increase conversion.

This led the company to **build-up its own media-buying expertise**, today accounting for over 60% of marketing efforts and streamline its affiliate marketing network in order to focus on a select group of trusted relationships. The data thus gathered feeds into in-house predictive models **vastly enhancing the effectiveness of marketing campaigns**.

CLIQ Digital has been expanding the **mobile advertising channel since 2009**. Mobile advertising today accounts for 98% of CLIQ Digital's marketing mix.

Competitive Quality

A fragmented value chain

The **entertainment streaming market features** a great variety of players alongside a fragmented value chain.

Some companies focus on generating digital content, or mobile or online payment solutions, while other specialize on the **distribution of streaming entertainment products**. **CLIQ Digital focuses on the mobile direct marketing of the latter**.

Eyeballs up for grabs

Direct marketing refers to the placing of advertisements on (mobile) Internet websites, which aim at triggering an immediate purchasing decision. On average, people worldwide spend more than six hours per day on the Internet, of which more than three hours are spent on mobile phones (*Source: Global Digital Report 2018),* **implying plenty of attention "up for grabs" for direct marketers.**

Unique selling proposition to content providers

One-stop-shop route to market

Thanks to an experienced team with high local affinity, the company helps a very broad base of smaller content providers or license owners (game developers, film library owners, audiobook rights owners) monetize their investments internationally by providing them **with a one-stop-shop route to market.**

- CLIQ's expertise essentially ensures that the **content is marketed to the right audience** (e.g. access to google programmatic advertising).
- CLIQ's global payment platform **takes away the billing and payment collection burden** off their shoulders.
- License owners are **rewarded with a licensing fee** amounting on average to an estimated 4% of revenues, manageable for CLIQ.

Diverse base of content providers with no particularly large reliance on any

The company works with a **diversified base of content providers** and avoids direct deals with the larger media and gaming companies demanding larger fees or minimum upfront guarantees.

Highly lucrative proposition to mobile operators and credit card companies, without hampering ROCE development

Direct carrier billing: an onerous gateway to customers

Close to 50% of **revenues are currently collected via direct carrier billing**, whereby mobile operators keep an **estimated 30-40% of subscription revenues** generated by CLIQ, offering them a highly **attractive way to monetize their customer base**.

Direct carrier billing is the process by which customers are charged for on-line purchases directly on their monthly mobile phone bill. Ireland and the UK in Europe are very geared toward direct carrier billing, so are typically emerging market with an underbanked population.

Credit card billing: less so…

The **remaining 50% is essentially collected via credit card billing, method of choice in most of continental Europe.** Credit card operators keep on average 15-25% of CLIQ's subscription revenues: again here, **highly lucrative economics**. To get an idea why, let's consider that retail merchants for example pay credit card companies a mere 1.5-2.5% fee on average of transaction value.

Bottom line: the fees are high, which shows how dependent CLIQ is on those channels for customer access: not a "plus" on a competitive quality front for CLIQ at first sight. However the company has generally access to several options it can chose from.

Nevertheless: a win-win situation

As a further risk mitigant, the attractive **fees motivate mobile operators to keep that source of income alive** now that prices are generally going down and other sources of income such as roaming fees for example have been largely eliminated.

CLIQ is steadily **increasing the share of "cheaper" credit card billing in its payments mix, as it focuses on growth in Europe**. The beauty of it is also due to much faster cash collection cycles than with direct carrier billing: 10-30 days vs. 60 days and up to four months in certain countries. This should help improve cash flow generation going forward.

Operating leverage supports returns expansion

It also operates a lean cost base, which can be easily levered with revenue growth requiring little incremental fixed cost increases and resulting in an **operating leverage ratio of close to 3x**.

With that in mind, the economics of the business model can still generate a doubling of ROCE to over 16% by 2022E.

Strong conversion thanks to optimized payments mix and appealing content

Attractive conversion rates for mobile e-commerce

The company achieves attractive **conversion rates that are much higher than the average seen in the mobile ecommerce space** (est. 1.5% based on industry sources**).**

Optimizing content

Offering **attractive content**, which is tailor-made to geographies and customer groups coupled with **the most effective payment method**, is what is behind CLIQ's success.

A dedicated team scouts the market for all relevant content innovations and how they can appeal to different customer groups in different countries and decides whether or not to take the products up in CLIQ's offering.

Unique multi-content portal

What is more, **CLIQ is unique among direct marketers** of streaming entertainment products in **offering a multi-content portal to consumers**. Once a consumer subscribes, it gains access to all types of content in one place. Although much larger, **amazon prime** would be the only other player with such an offer.

Optimizing payments

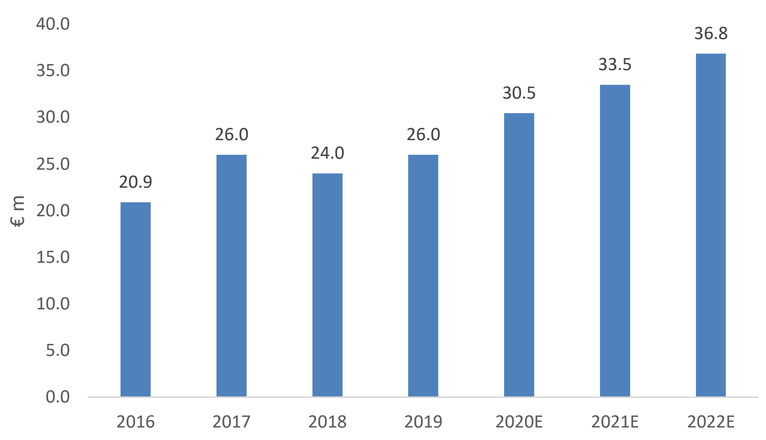
Successful direct marketing is about giving end-customers as little choice as possible: the more time goes by once the customer is on the landing page, the greater the risk of loosing him or her.

Studies show that in certain countries offering **direct billing**, where customers do not need to enter any payment data, **improves conversion ratios by up to 10 times: one good reason why it is so expensive to use**. However in certain geographies (e.g. France) credit card billing is what customers are most at ease with when paying on-line, and hence offering only that option is what drives high conversion.

All in all, CLIQ's direct marketing skills are evident in a **rising customer base value over time**. The customer base value estimates the expected net cash inflow on the basis of the current customer base net of churn and net of costs to service providers. **This figure is a pure off-balance sheet KPI and therefore is not included in the company's intangible assets,** but will result in future earnings and cash flow.

The **rising customer base value points to longer average customer life times**, given a more appealing and diverse streaming entertainment portfolio, marketed to the right customer group, with the right payment methods.

Customer base value



Source: Company data, Hauck & Aufhäuser

Business intelligence-steered marketing efforts are key to efficiency

While the market for direct marketing companies is very fragmented, CLIQ Digital differentiates in the following ways:

- it is **pure-play**, and not embedded in a larger entity with a different focus hence “competing internally” for attention and resources;
- it operates with a **multinational** footprint;
- it enjoys a **long history** and experience in the digital marketing space

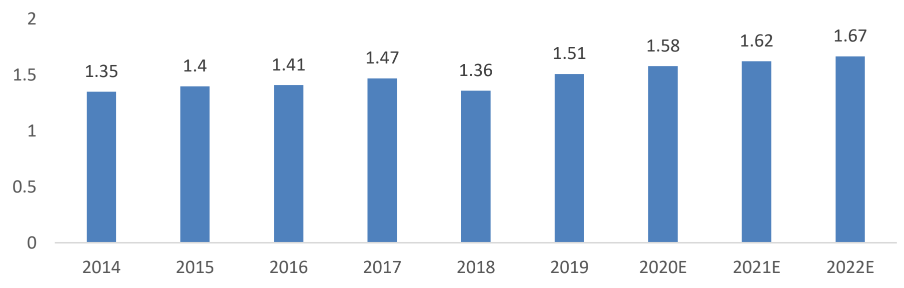
The CLIQ factor explained

CLIQ Digital has **collected enough data historically to be able to accurately predict the revenues a customer will on average be generating over time**, helping it steer its **marketing spend effectively**. This is visible in a steadily improving CLIQ factor (ratio of 6 months customer revenues over cost per acquisition).

In 2019 and 2020E, more effective own-media buying campaigns resulted and are expected to result in a substantial increase in the CLIQ factor. The decline in 2018 is due to and to temporary delay in product launches, which led to lower marketing efficiency at the beginning of the year.

Going forward, the rise in the CLIQ factor could be more subdued as too high a CLIQ factor could result in higher churn.

Big-data driven marketing efficiency- the CLIQ Factor



Source: Company data; Hauck & Aufhäuser

Growth

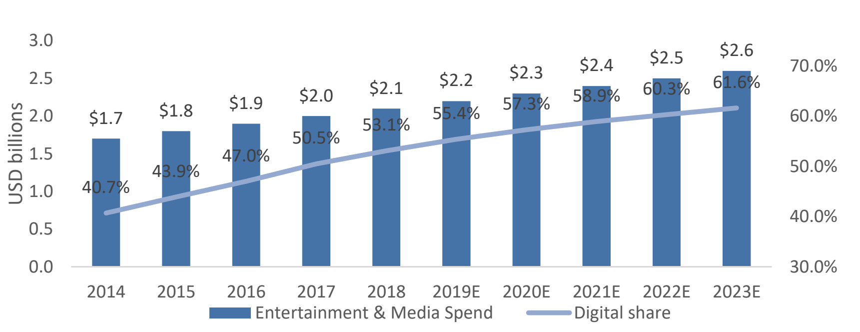
CLIQ Digital should benefit from the **unabated growth in mobile digital entertainment and mobile digital advertising**, both of which received yet another push with the Covid-19 crisis.

Digital media and entertainment far outpacing overall media spend

With better and faster broadband, better smartphones or tablets, consumers are looking to access media and entertainment products anywhere anytime. At the same time, media and entertainment consumption is becoming more personal, enabling algorithms to define consumer choices and preferences.

While entertainment and media spend is projected to grow at 4.3% CAGR between 2018 and 2023E, its digital share is expected to growth by a vastly over proportional 20%.

Digital share of entertainment spend growing fast



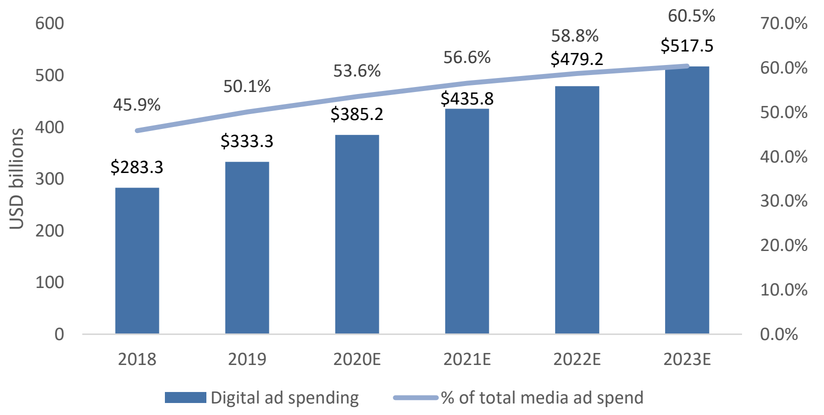
Source: Company data; Hauck & Aufhäuser

Digital ad spend growth: advertising where customers are

Not only is the digital share of media ad spend growing fast, **but two inexorable trends are worth highlighting:**

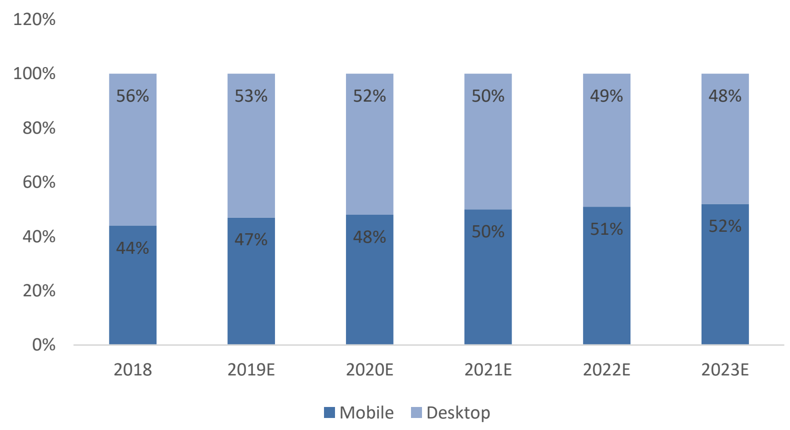
- **Mobile** has taken over desktop: CLIQ's marketing is 98% mobile.
- **Programmatic advertising,** leaving very little or no room for fraud, is the rule. CLIQ's in-house media buying team are experts in programmatic advertising.

Digital share of media ad spend growing fast



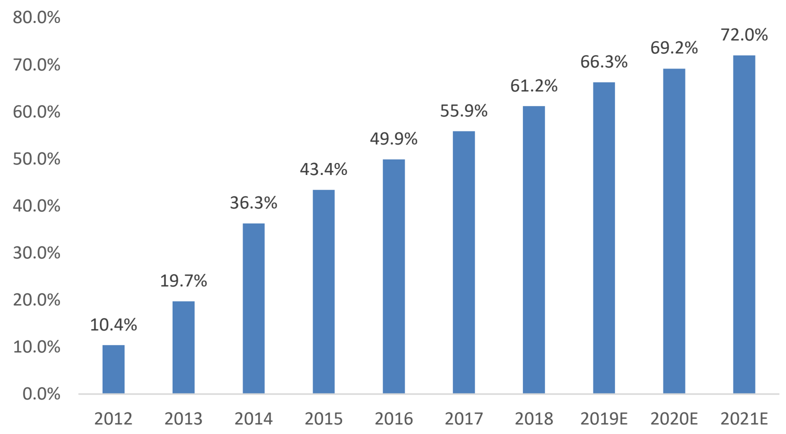
Source: eMarketer; Hauck & Aufhäuser

Mobile vs. Desktop



Source: Statista Digital Market Outlook

Programmatic share of global digital display ad spend



Source: ZenithMedia

In a nutshell, **CLIQ Digital is selling a product where growth is secular and it markets it through the channels with the best customer reach.**

18.5% average annual revenue growth by 2022E

Growth will be driven by:

- **Increased marketing spend**: marketing expenditures are expected to growth by 12.4% between 2019 and 2022E.

- **An increasing share of more effective own media buying:** own media buying accounted for an estimated 60% of marketing spending in 2019, going up to an estimated 75% by 2022E. Meanwhile the affiliate marketing network of the company was strongly streamlined and now covers 30-40 trusted partners vs. and estimated 150-200 in earlier years.

- **Higher marketing spend and better marketing mix**

- **Better content**: the company is actively working on improving the content it sources. Some announcements could be expected near term. This should also help boost customer loyalty.

- **Better visibility**: the company should be launching its **own web-shop soon**, where all product areas are represented, and giving customers an opportunity to actively seek new content: **push marketing is being amplified with pull marketing.**

We model revenues in year “n” by taking the CLIQ Factor of year “n-1” times the marketing budget for year “n” times 2, as the CLIQ factor is calculated for a six-months time horizon.

	2016	2017	2018	2019	2020E	2021E	2022E
Revenues	65.3	70.5	58.2	63.1	78.5	92.8	104.9
yoy growth	*17.2%*	*8.0%*	*-17.5%*	*8.5%*	*24.4%*	*18.2%*	*13.0%*
Marketing spend	21.6	18.6	18.8	22.2	26.0	28.6	31.5
yoy growth	*23.4%*	*-13.9%*	*1.1%*	*18.1%*	*17.1%*	*10%*	*10%*
CLIQ Factor	1.41	1.47	1.36	1.51	1.58	1.62	1.67

Source: Company data; Hauck & Aufhäuser

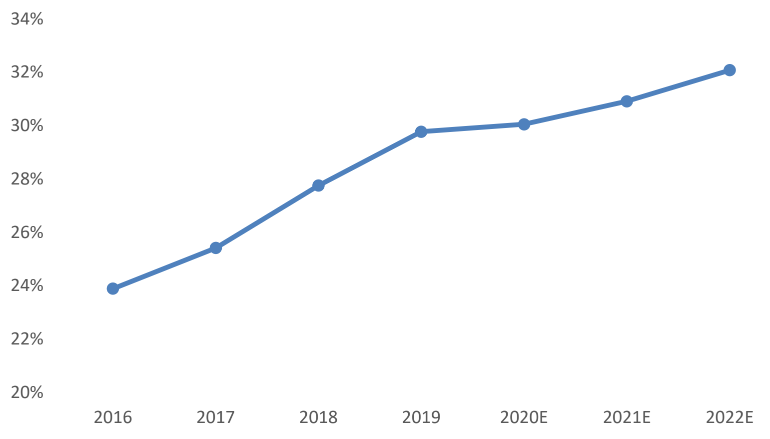
The gross margin is seen improving by 230 bps into 2022E

This improvement should be driven by a **lower marketing spend ratio to sales**: close to 90% of marketing spend is capitalized and amortized over customer life time and 18 months at the most. Marketing spend accounts for **close to 50% of cost of sales**.

Marketing spend effectiveness is seen to improve with higher own-media buying, steering thanks to big data, and a better product leading **to higher conversion and lower churn.**

The **share of third parties** (what CLIQ pays to payment providers and gateways and content owners) accounts for another 30% of cost of sales. With CLIQ **intent on improving content** quality, we believe the share of third parties as a % of sales should increase from 30% of sales in 2019 to 32.5% of sales in 2022E.

Gross margin development



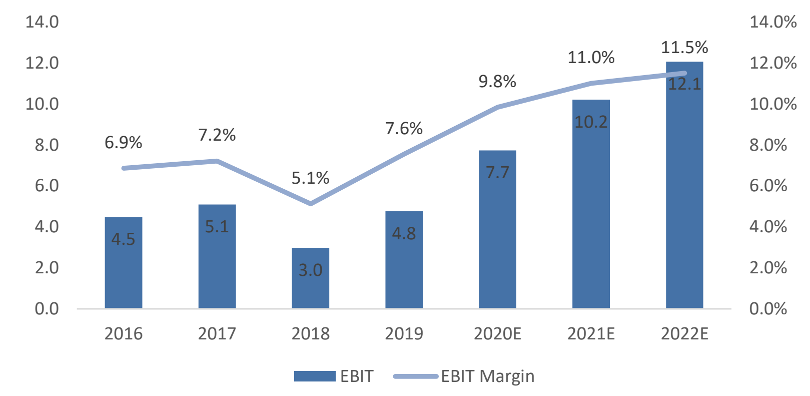
Source: Company data, Hauck & Aufhäuser , 2016 & 2017 pro forma for the introduction on IFRS 15 in 2018 whereby capitalized marketing spend was reclassified as a current asset and its amortization included in cost of sales rather than in depreciation

45% annual average EBIT growth of by 2022E

Better gross margins, a better payment mix (and notably growing share of credit card billing vs. direct carrier billing as the company gears growth more toward Europe) as well as a lean cost base drive over-proportional EBIT growth.

Further upside to our margin development could come from lower content costs progression than anticipated.

EBIT and EBIT Margin development



Source: Company data, Hauck & Aufhäuser

Returns Analysis

In this section, we outline the drivers behind ROCE expansion.

Capital employed and capital efficiency

Current assets are negligible as the company **carries no inventory** and account receivables turnover is a 40-45 days on average, going down as the share of credit card billing increases over time.

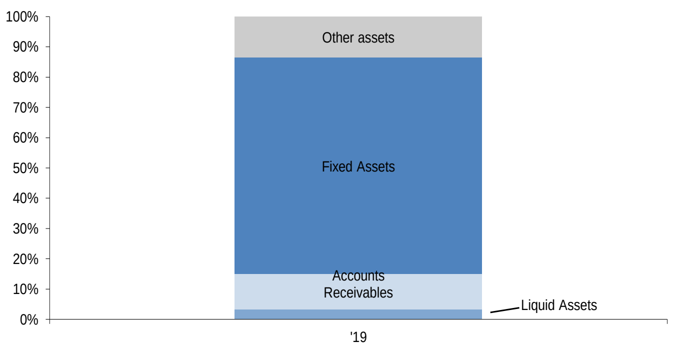
Fixed assets comprise:

(a) A large amount of **goodwil**l created with the merger of Bob Mobile with Cliq B.V. in 2012 (€ 43m) and was increased with the subsequent acquisitions of the UK assets of UME in 2017 as well as AffiMobiz, Netacy and Tornika in 2018, to € 48.1m in 2019.

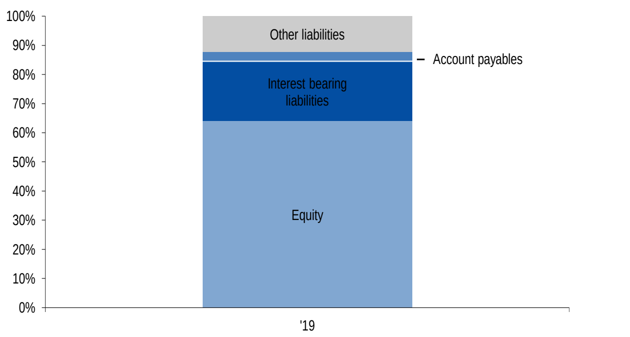
(b) **capitalized contract costs** which are amortized over contract duration and over a maximum of 18 months.

The business is **therefore asset light** and money is essentially invested in acquiring customers.

Balance sheet - Assets



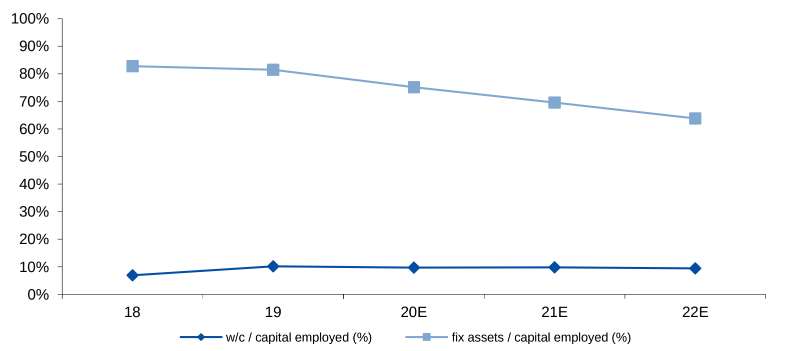
Balance sheet - Liabilities



Over time, absent major capex projects or acquisitions, the weighing of fixed assets should come down while the working capital share should remain constant.

The balance is explained by growing cash and cash equivalents.

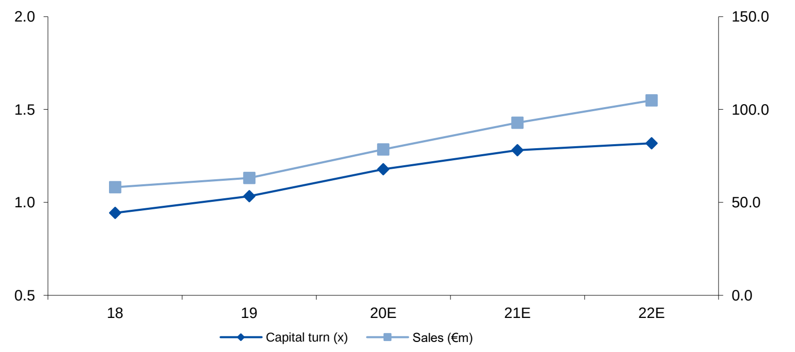
Capital employed



Source: Hauck & Aufhäuser

While capital turn improves over time, the line flattens out as cash balance build up with better cash generation (2022E notably).

Capital employed turnover and sales

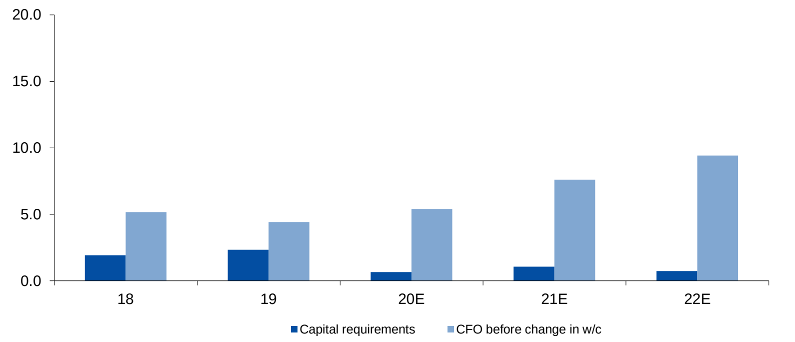


Source: Hauck & Aufhäuser

Capital requirements and cash generation

Capital requirements equal capital expenditures plus changes in working capital. With investments in tangible assets minimal, and working capital consumption improving as a result of a shift to more credit card billing, **CLIQ can largely fund capital requirements out of cash generation.**

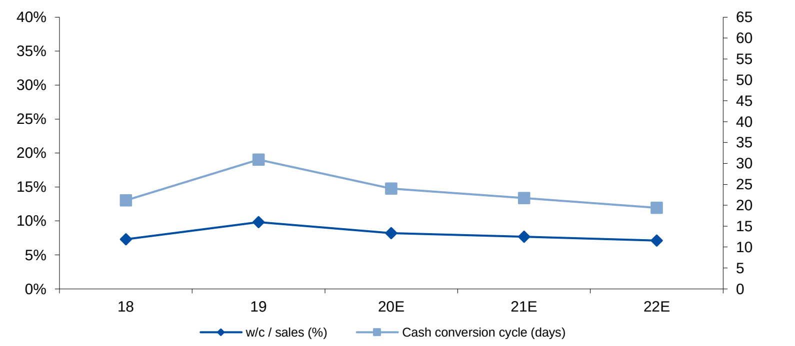
Capital requirements and CFO before changes in w/c



Source: Hauck & Aufhäuser

The **cash conversion cycle is expected to shorten** with the steady increase in credit card billing while the working capital / sales should decline to below 10%.

Cash flow analysis

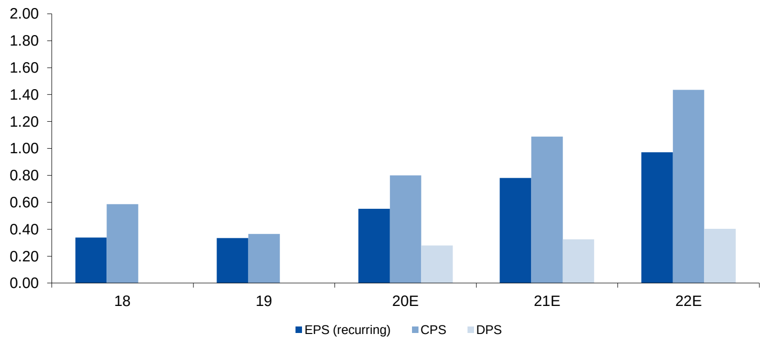


Source: Hauck & Aufhäuser

The steady increase in profitability coupled with lower working capital consumption resulting from **higher credit card billing, will improve cash generation going forward.**

This enables a generous dividend policy yielding on average an attractive 6.2% at current levels.

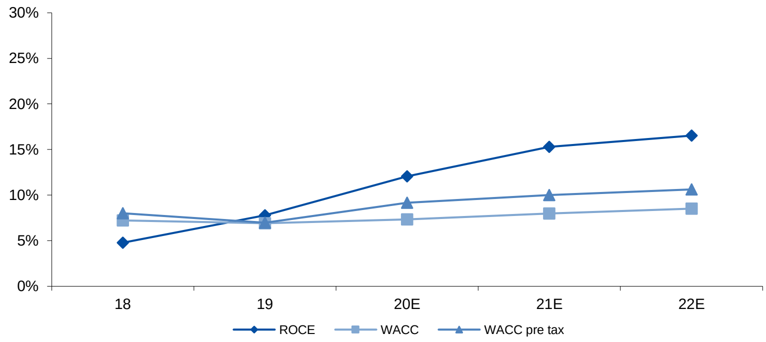
DPS/CPS/EPS



Source: Hauck & Aufhäuser

CLIQ should comfortably earn its cost of capital in future as ROCE rises above WACC, supported mostly by expanding EBIT margins and by improving capital turn.

Returns



Source: Hauck & Aufhäuser

Valuation

We derive a price target **for CLIQ Digital AG of € 17.00 per share**, representing the average of a **Free Cash Flow Yield method (FCFY 2021E € 13.19)** and a **DCF method yielding € 21.19 per share**.

The stock is a rated a BUY, with the potential to triple compared to current trading levels.

The FCFY method aims to value the inherent earnings quality over a shorter time horizon while the **DCF captures on top the long-term growth prospects** of the company.

A **peer group analysis yielding € 21.26 per share** was also conducted but we chose to exclude the result from our price target calculation because the companies, while in adjacent spaces, have quite different earnings profile, and are larger and more liquid.

FCFY 2021E yield € 13.19 per share

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to **adjust for the pitfalls of weak long-term visibility**, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The main driver of this model is the level of return available to a *controlling* investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company.

Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's **hurdle rate of 7.5%.** Anything less suggests the stock is expensive; anything more suggests the stock is cheap.

The stock offers significant upside on FCFY 2021E with a fair value of € 13.19 per share. It currently trades at a PER 2022E of 5.6x which nowhere reflects the growth prospects at hand.

FCF yield, year end Dec. 31		2017	2018	2019	2020E	2021E	2022E
EBITDA		**5.5**	**3.9**	**5.8**	**8.8**	**11.4**	**13.4**
- Maintenance capex		21.0	0.2	0.2	0.2	0.2	0.2
- Minorities		0.1	0.8	1.7	1.8	2.5	3.1
- tax expenses		1.2	0.4	0.0	1.8	2.5	3.1
= Adjusted Free Cash Flow		**-16.7**	**2.4**	**3.8**	**5.1**	**6.2**	**6.9**
Actual Market Cap		**46.1**	**28.7**	**18.7**	**33.7**	**33.7**	**33.7**
+ Net debt (cash)		9.0	8.1	11.2	6.9	2.7	-3.2
+ Pension provisions		0.0	0.0	0.0	0.0	0.0	0.0
+ Off balance sheet financing		0.0	0.0	0.0	0.0	0.0	0.0
+ Adjustments prepayments		0.0	0.0	0.0	0.0	0.0	0.0
- Financial assets		0.0	0.0	0.0	0.0	0.0	0.0
- Dividend payment		0.0	0.0	0.0	0.0	-1.7	-2.0
EV Reconciliations		*9.0*	*8.1*	*11.2*	*6.9*	*1.0*	*-5.2*
= Actual EV'		**55.1**	**36.8**	**29.9**	**40.6**	**34.7**	**28.5**
Adjusted Free Cash Flow yield		**-30.3%**	**6.6%**	**12.9%**	**12.5%**	**17.9%**	**24.3%**
Sales		**70.5**	**58.2**	**63.1**	**78.5**	**92.8**	**104.9**
Actual EV/sales		0.8x	0.6x	0.5x	0.5x	0.4x	0.3x
Hurdle rate		7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
FCF margin		-23.7%	4.2%	6.1%	6.5%	6.7%	6.6%
Fair EV/sales		-3.2x	0.6x	0.8x	0.9x	0.9x	0.9x
Fair EV		**-223.0**	**32.7**	**51.2**	**67.7**	**82.6**	**92.3**
- EV Reconciliations		*9.0*	*8.1*	*11.2*	*6.9*	*1.0*	*-5.2*
Fair Market Cap		**-232.1**	**24.5**	**40.1**	**60.8**	**81.6**	**97.5**
No. of shares (million)		6.2	6.2	6.2	6.2	6.2	6.2
Fair value per share		**-37.5**	**3.96**	**6.47**	**9.83**	**13.19**	**15.75**
Premium (-) / discount (+) in %		**-603.3%**	**-14.6%**	**114.4%**	**80.3%**	**142.0%**	**189.0%**
Sensitivity analysis fair value							
Hurdle rate	7.5%	-37.5	4.0	6.5	9.8	13.2	15.8
	10.0%	-28.5	2.6	4.4	7.1	9.9	12.0
	12.5%	-23.1	1.9	3.2	5.5	7.9	9.8
	15.0%	-19.5	1.3	2.3	4.4	6.5	8.3

Source: Company data, Hauck & Aufhäuser

DCF analysis yields € 21.19 per share.

The DCF valuation derives an implied fair equity value of € 21.19 for CLIQ Digital. The key assumptions of our model are:

- **Terminal EBIT margin:** The terminal year EBIT margin of 11%
- **Terminal growth:** A terminal year growth rate of 2%
- **WACC:** A WACC of 8.5% (1.0% risk free rate, 5% equity risk premium, 1.5 beta reflecting smaller market capitalisation and low free float/liquidity). In 2020E and 2021E the company still carries some debt and the WACC is therefore lower.

DCF (EUR m) (except per share data and beta)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Terminal value
NOPAT	3.1	4.0	5.2	5.9	9.5	10.3	10.8	11.3	11.9
Depreciation	1.0	1.1	1.2	1.3	1.5	1.6	1.7	1.8	1.8
Increase/decrease in working capital	-2.0	-0.3	-0.7	-0.3	-1.2	-1.2	-1.3	-1.4	-1.4
Increase/decrease in long-term provisions and accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	-0.4	-0.4	-0.4	-0.4	-1.5	-1.6	-1.7	-1.8	-1.8
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	**1.7**	**4.5**	**5.3**	**6.5**	**8.4**	**9.0**	**9.5**	**10.0**	**10.5**
Present value	1.7	4.3	4.7	5.3	6.3	6.2	6.0	5.8	101.2
WACC	6.9%	7.3%	8.0%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%

DCF per share derived from	
Total present value	142
thereof terminal value	71%
Net debt (net cash) at start of year	10
Financial assets	0
Provisions and off balance sheet debt	0
Equity value	131
No. of shares outstanding	6.2
Discounted cash flow per share	**21.19**
upside/(downside)	**289%**
Share price	**5.45**

DCF avg. growth and earnings assumptions	
Short term growth (2019-2022)	18%
Medium term growth (2022 - 2027)	6.6%
Long term growth (2026 - infinity)	2.0%
Terminal year EBIT margin	11.0%

WACC derived from	
Cost of borrowings before taxes	2.1%
Tax rate	25.0%
Cost of borrowings after taxes	1.6%
Required return on invested capital	8.5%
Risk premium	5.0%
Risk-free rate	1.0%
Beta	1.5

Sensitivity analysis DCF

WACC \ Long term growth	0%	1.00%	2.0%	3.0%	4.0%
10.5%	13.65	14.67	15.94	17.54	19.64
9.5%	15.17	16.50	18.19	20.39	23.40
8.5%	17.10	18.87	21.19	24.35	28.92
7.5%	19.60	22.04	25.37	30.17	37.73
6.5%	22.94	26.44	31.50	39.46	53.78

Sensitivity analysis DCF

WACC \ EBIT margin terminal year	9.0%	10.0%	11.0%	12.0%	13.0%
10.5%	13.64	14.79	15.94	17.09	18.23
9.5%	15.43	16.81	18.19	19.57	20.95
8.5%	17.81	19.50	21.19	22.88	24.57
7.5%	21.12	23.24	25.37	27.49	29.61
6.5%	25.99	28.75	31.50	34.26	37.02

Source: Hauck & Aufhäuser

Peer group analysis yield € 21.26 per share.

With **no pure-play listed comparable company to be found**, the peer group analysis focuses on companies with business models "along" CLIQ's value chain.

Looking at EV/EBIT, which is not as "rough" as EV/Sales and allows us to compare companies across geographies and tax regimes, CLIQ trades at a 74% discount to peers. Applying the median EV/EBIT multiple of the peer group for 2020E, 20201E and 2022E to our estimates **would yield a fair value of € 21.26 per share on average**.

		EV/Sales			EV/EBIT			P/E		
Company	**Space**	**2020E**	**2021E**	**2022E**	**2020E**	**2021E**	**2022E**	**2020E**	**2021E**	**2022E**
Imimobile	Software	1.5x	1.3x	n.a.	12.1x	10.2x	n.a.	25.6x	20.8x	n.a.
Frontier Development	Gaming	7.7x	5.0x	n.a.	38.3x	21.5x	n.a.	42.4x	24.3x	n.a.
Glu Mobile	Mobile gaming	2.3x	2.2x	1.9x	23.3x	17.6x	11.4x	26.2x	19.6x	12.7x
Activision Blizzard	Gaming	7.4x	6.9x	6.3x	19.7x	18.1x	16.3x	26.3x	23.8x	21.0x
Zynga	Gaming	4.5x	4.1x	3.8x	21.2x	18.6x	14.8x	29.6x	27.0x	20.0x
Take Two Interactive Software	Gaming	5.1x	4.1x	3.6x	26.7x	18.1x	14.3x	36.5x	24.0x	19.0x
Ubisoft Entertainment	Gaming	3.3x	3.2x	3.1x	14.8x	14.0x	13.5x	22.1x	20.6x	19.6x
Electronic Arts	Gaming	5.6x	5.2x	4.8x	17.6x	15.7x	14.5x	24.5x	21.8x	19.6x
Freenet	Mobile communications/media	1.5x	1.5x	1.6x	15.2x	14.7x	14.4x	9.3x	8.5x	8.0x
Sega Sammy	Digital content incl. Games	0.8x	0.8x	0.7x	7.4x	9.3x	9.2x	15.0x	14.0x	13.1x
NetDragon Websoft	Gaming and mobile internet	1.4x	1.2x	1.0x	7.3x	5.9x	5.2x	8.9x	6.9x	5.6x
Bandai Namco	Gaming (stationary and online)	1.6x	1.5x	1.4x	13.1x	11.9x	10.4x	21.8x	19.1x	16.8x
Mean		**3.3x**	**2.8x**	**2.6x**	**16.7x**	**13.5x**	**11.3x**	**22.5x**	**18.0x**	**14.2x**
Median		**2.3x**	**2.2x**	**1.9x**	**15.2x**	**14.7x**	**13.5x**	**24.5x**	**20.6x**	**16.8x**
CLIQ		0.6x	0.4x	0.3x	5.6x	4.0x	3.0x	11.3x	9.0x	5.4x
% discount/premium		*-76.1%*	*-79.9%*	*-81.9%*	*-62.9%*	*-72.9%*	*-78.1%*	*-53.8%*	*-56.2%*	*-68.1%*
Implied fair value per share		**27.47**	**30.82**	**29.95**	**17.03**	**22.39**	**24.35**	**11.43**	**13.03**	**12.79**

Source: FactSet, company filings, Hauck & Aufhäuser

Theme

Very strong first-half 2020 expected

Covid-19 has dramatically reduced the range of entertainment opportunities available to consumers. Digital entertainment has been booming as a result and this is evident in CLIQ's first quarter results for FY 2020E already. The company posted revenue growth of 48%, **EBITDA growth of 108% yoy with the margin expanding by 300 bps yoy, albeit on an "easy" basis**.

Remarkably the CLIQ factor **climbed to 1.61 vs. 1.51 in Q1 2019, showing the improved efficiency of the higher marketing spend** the quarters prior and of the shift to more "own" media buying. Last but not least, Covid-19 gave growth an additional push with consumers confined at home grabbing their smart phones more often.

We see **unabated growth dynamics going into H1 2020E** and expect the company to **post Q2 2020 52.5% yoy revenue growth** as well as **57.9% yoy EBITDA growth when reporting on August 20th 2020.**

While the basis becomes more challenging into H2 2020E, the FY 2020e guidance of € 75m in revenue (+18.8% yoy growth, vs. 38.9% as of H1 expected) and at least € 7.5m in EBITDA (a slightly under-proportional +18% yoy growth on FY 2019 adjusted figures) would imply a significant deceleration into H2 2020E. Granted travel, gastronomy and live entertainment are again gradually possible but with significant constraints that might not appeal to everyone.

We therefore believe that a guidance upgrade is in the cards, which should help the share price momentum further.

EUR		Q2 20 est	Q2 19	yoy	H1 20 est	H1 19 (1)	yoy	FY 20 est	FY 19 (1)	yoy
Sales		**22.0**	**14.4**	52.5%	**41.2**	**28.2**	46.0%	**78.5**	**63.1**	24.4%
EBITDA		**3.0**	**1.9**	57.9%	**4.3**	**3.0**	44.2%	**8.8**	**6.4**	39.1%
	EBITDA margin	13.6%	13.2%	*+ 46.6 pp*	10.5%	10.6%	*- 12.8 pp*	11.2%	10.1%	*+ 119.0 pp*
EBIT					**3.8**	**2.5**	48.2%	**7.7**	**4.8**	62.1%
	EBIT margin				9.2%	9.0%	*+ 0.0 pp*	9.8%	7.6%	*+ 229.1 pp*
Net profit (1)					**1.7**	**1.0**	61.4%	**3.6**	**2.2**	64.9%
	Net margin				4.1%	3.7%	*+ 0.1 pp*	4.5%	3.4%	*+ 111.3 pp*
EPS					**0.27**	**0.08**	240.9%	**0.57**	**0.35**	64.9%

(1) 2019 reported figurea adjusted for € 0.6m in one-off expenses for impairement losses.

Investment risks

More intense competitive environment

The company is active in a competitive market place. In light of the high growth rates at stake, companies in associated markets or suppliers to CLIQ with better financial resources could decide to make a push into the direct marketing of their product thereby “cutting the middle-men”.

Dependency on content and technical developments

The pace of content and technical innovation in the markets where CLIQ is active is fast. Customer tastes are fickle and volatile. CLIQ is also dependent on the quality of the content it sources as it produces none of it in-house.

Dependency on external payment providers, network operators, technical service providers

CLIQ Digital is dependent on external service providers:

- **Mobile network operators**: they are partly responsible for the billing of CLIQ Digital‘s products through mobile invoices and prepaid accounts. Changes in the terms of service could impact CLIQ Digital financially. The company is also exposed to structural failures in their platforms and data/settlement systems.

- **Technical service providers** (for instance gateways, which provide the connections to the network operators) always bears the risk of temporary or structural failures of platforms, systems, data and settlement systems.

- **Payment service providers** (e.g. PayPal), carry risks in connection with revenue losses or liability, for example due to settlement failures, hacker attacks or any failure of the service providers to meet their financial commitments.

Furthermore, the solvency of payment service providers themselves bears a separate risk which could affect, in particular, CLIQ Digital‘s ability to receive payments through the network operator‘s customer billing practice.

Regulatory risk

Direct marketing is regulated, especially in the mobile subscription business and when it comes to customer protection. The company is well experienced in regulatory matters and consults to and with regulatory bodies regularly. The company is not aware of any upcoming significant regulatory change with an adverse impact on the business. On a positive note, smaller competitors faced higher difficulties in adapting to tightening regulations in the past, to CLIQ Digital’s benefit as they disappeared from the market.

Financials

Profit and loss (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	**65.3**	**70.5**	**58.2**	**63.1**	**78.5**	**92.8**	**104.9**
Sales growth	*17.2 %*	*8.0 %*	*-17.5 %*	*8.5 %*	*24.4 %*	*18.2 %*	*13.0 %*
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**65.3**	**70.5**	**58.2**	**63.1**	**78.5**	**92.8**	**104.9**
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Material expenses	49.7	52.6	42.1	44.3	54.9	64.1	71.2
Personnel expenses	7.7	8.8	8.4	8.5	8.7	9.4	10.5
Other operating expenses	2.8	3.6	3.9	4.5	6.0	7.8	9.8
Total operating expenses	60.2	65.0	54.4	57.4	69.7	81.4	91.5
EBITDA	**5.1**	**5.5**	**3.9**	**5.8**	**8.8**	**11.4**	**13.4**
Depreciation	0.2	0.2	0.0	0.0	0.0	0.0	0.0
EBITA	**4.9**	**5.3**	**3.9**	**5.8**	**8.8**	**11.4**	**13.4**
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	0.9	1.0	1.1	1.2	1.3
Impairment charges	0.2	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	**4.5**	**5.1**	**3.0**	**4.8**	**7.7**	**10.2**	**12.1**
Interest income	0.0	0.1	0.8	0.1	0.2	0.3	0.4
Interest expenses	0.9	0.7	0.4	0.9	0.8	0.5	0.0
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.9	-0.6	0.4	-0.9	-0.6	-0.2	0.4
Recurring pretax income from continuing operations	**3.6**	**4.5**	**3.4**	**3.9**	**7.1**	**10.0**	**12.5**
Extraordinary income/loss	n/a	n/a	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	**3.6**	**4.5**	**3.4**	**3.9**	**7.1**	**10.0**	**12.5**
Taxes	0.9	1.2	0.4	0.0	1.8	2.5	3.1
Net income from continuing operations	**2.8**	**3.3**	**3.0**	**3.8**	**5.3**	**7.5**	**9.4**
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**2.8**	**3.3**	**3.0**	**3.8**	**5.3**	**7.5**	**9.4**
Minority interest	0.0	0.1	0.8	1.7	1.8	2.5	3.1
Net profit (reported)	**2.7**	**3.2**	**2.2**	**2.2**	**3.6**	**5.0**	**6.3**
Average number of shares	6.2	6.2	6.2	6.2	6.2	6.2	6.2
EPS reported	**0.44**	**0.52**	**0.35**	**0.35**	**0.57**	**0.81**	**1.01**

Profit and loss (common size)	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Increase/decrease in finished goods and work-in-process	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Other operating income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Material expenses	76.1 %	74.6 %	72.2 %	70.2 %	70.0 %	69.1 %	67.9 %
Personnel expenses	11.8 %	12.5 %	14.5 %	13.5 %	11.1 %	10.2 %	10.0 %
Other operating expenses	4.3 %	5.1 %	6.6 %	7.2 %	7.7 %	8.4 %	9.3 %
Total operating expenses	92.2 %	92.2 %	93.4 %	90.9 %	88.8 %	87.7 %	87.2 %
EBITDA	**7.8 %**	**7.8 %**	**6.6 %**	**9.1 %**	**11.2 %**	**12.3 %**	**12.8 %**
Depreciation	0.3 %	0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITA	**7.5 %**	**7.5 %**	**6.6 %**	**9.1 %**	**11.2 %**	**12.3 %**	**12.8 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.3 %	0.3 %	1.5 %	1.6 %	1.4 %	1.3 %	1.2 %
Impairment charges	0.3 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	**6.9 %**	**7.2 %**	**5.1 %**	**7.6 %**	**9.8 %**	**11.0 %**	**11.5 %**
Interest income	0.0 %	0.1 %	1.4 %	0.1 %	0.2 %	0.3 %	0.4 %
Interest expenses	1.3 %	1.0 %	0.7 %	1.4 %	1.0 %	0.5 %	0.0 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	0.6 %	neg.	neg.	neg.	0.4 %
Recurring pretax income from continuing operations	**5.5 %**	**6.3 %**	**5.8 %**	**6.1 %**	**9.1 %**	**10.8 %**	**11.9 %**
Extraordinary income/loss	n/a	n/a	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	**5.5 %**	**6.3 %**	**5.8 %**	**6.1 %**	**9.1 %**	**10.8 %**	**11.9 %**
Tax rate	23.6 %	25.9 %	10.9 %	0.7 %	25.0 %	25.0 %	25.0 %
Net income from continuing operations	**4.2 %**	**4.7 %**	**5.1 %**	**6.1 %**	**6.8 %**	**8.1 %**	**8.9 %**
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**4.2 %**	**4.7 %**	**5.1 %**	**6.1 %**	**6.8 %**	**8.1 %**	**8.9 %**
Minority interest	0.0 %	0.1 %	1.4 %	2.7 %	2.3 %	2.7 %	3.0 %
Net profit (reported)	**4.2 %**	**4.6 %**	**3.7 %**	**3.4 %**	**4.5 %**	**5.4 %**	**6.0 %**

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	**49.5**	**52.6**	**49.8**	**49.1**	**49.0**	**49.0**	**48.9**
Property, plant and equipment	0.4	0.3	1.3	0.7	1.1	1.5	1.9
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FIXED ASSETS	**49.9**	**52.8**	**51.0**	**49.8**	**50.1**	**50.4**	**50.8**
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	5.2	5.1	6.5	8.2	9.5	10.7	11.5
Other current assets	5.7	5.8	5.1	6.3	7.8	9.3	10.5
Liquid assets	2.0	7.0	5.8	2.9	7.2	11.3	17.2
Deferred taxes	1.8	2.1	1.8	3.1	3.9	4.6	5.2
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	14.6	20.1	19.1	20.5	28.4	35.9	44.4
TOTAL ASSETS	**64.5**	**72.9**	**70.2**	**70.3**	**78.5**	**86.3**	**95.2**
SHAREHOLDERS EQUITY	43.4	46.5	46.9	44.7	48.8	52.7	57.4
MINORITY INTEREST	0.0	0.1	0.8	2.0	3.3	5.2	7.6
Long-term debt	6.2	10.4	5.8	14.1	14.0	14.0	14.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.3	0.5	0.0	0.4	0.4	0.5	0.6
Non-current liabilities	**6.5**	**10.9**	**5.9**	**14.4**	**14.5**	**14.6**	**14.6**
short-term liabilities to banks	5.6	5.7	8.1	0.0	0.0	0.0	0.0
Accounts payable	2.9	2.2	2.3	2.0	3.0	3.6	4.0
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	5.0	6.1	5.2	5.8	7.2	8.6	9.7
Deferred taxes	1.1	1.4	1.0	1.4	1.6	1.7	1.9
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**14.6**	**15.4**	**16.6**	**9.3**	**11.8**	**13.8**	**15.6**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**64.5**	**72.9**	**70.2**	**70.4**	**78.5**	**86.3**	**95.1**

Balance sheet (common size)	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	**76.8 %**	**72.1 %**	**70.9 %**	**69.8 %**	**62.5 %**	**56.7 %**	**51.4 %**
Property, plant and equipment	0.6 %	0.4 %	1.8 %	1.0 %	1.4 %	1.7 %	2.0 %
Financial assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
FIXED ASSETS	**77.4 %**	**72.5 %**	**72.7 %**	**70.7 %**	**63.9 %**	**58.4 %**	**53.4 %**
Inventories	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts receivable	8.0 %	7.0 %	9.3 %	11.7 %	12.1 %	12.4 %	12.1 %
Other current assets	8.9 %	8.0 %	7.2 %	9.0 %	10.0 %	10.7 %	11.0 %
Liquid assets	3.0 %	9.6 %	8.2 %	4.1 %	9.1 %	13.1 %	18.1 %
Deferred taxes	2.8 %	2.8 %	2.5 %	4.4 %	4.9 %	5.3 %	5.4 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	22.7 %	27.5 %	27.2 %	29.2 %	36.1 %	41.6 %	46.7 %
TOTAL ASSETS	**100.1 %**	**100.1 %**	**100.0 %**	**99.9 %**	**100.0 %**	**100.0 %**	**100.0 %**
SHAREHOLDERS EQUITY	67.3 %	63.8 %	66.9 %	63.5 %	62.2 %	61.1 %	60.3 %
MINORITY INTEREST	0.0 %	0.1 %	1.2 %	2.8 %	4.2 %	6.0 %	7.9 %
Long-term debt	9.6 %	14.2 %	8.3 %	20.0 %	17.9 %	16.3 %	14.8 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	0.5 %	0.7 %	0.1 %	0.5 %	0.6 %	0.6 %	0.6 %
Non-current liabilities	**10.1 %**	**15.0 %**	**8.3 %**	**20.5 %**	**18.5 %**	**16.9 %**	**15.4 %**
short-term liabilities to banks	8.7 %	7.8 %	11.5 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	4.4 %	3.0 %	3.2 %	2.9 %	3.8 %	4.1 %	4.2 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	7.7 %	8.3 %	7.5 %	8.3 %	9.2 %	9.9 %	10.2 %
Deferred taxes	1.7 %	2.0 %	1.4 %	2.0 %	2.0 %	2.0 %	2.0 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	**22.6 %**	**21.1 %**	**23.6 %**	**13.2 %**	**15.1 %**	**16.0 %**	**16.4 %**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Net profit/loss	2.8	3.3	3.0	3.8	5.3	7.5	9.4
Depreciation of fixed assets (incl. leases)	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	21.3	20.8	0.9	1.0	1.1	1.2	1.3
Others	1.8	1.5	1.3	-0.4	-1.0	-1.1	-1.2
Cash flow from operations before changes in w/c	26.0	25.8	5.2	4.4	5.4	7.6	9.4
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-0.5	0.0	-1.4	-1.7	-1.3	-1.2	-0.8
Increase/decrease in accounts payable	0.5	-0.6	0.1	-0.3	1.0	0.5	0.5
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	0.0	-0.6	-1.3	-2.0	-0.3	-0.7	-0.3
Cash flow from operating activities	**26.0**	**25.2**	**3.8**	**2.5**	**5.1**	**6.9**	**9.1**
CAPEX	21.2	18.2	0.6	0.4	0.4	0.4	0.4
Payments for acquisitions	0.0	1.7	0.9	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	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
Cash flow from investing activities	**-21.2**	**-20.0**	**-1.5**	**-0.4**	**-0.4**	**-0.4**	**-0.4**
Cash flow before financing	4.8	5.2	2.4	2.1	4.7	6.5	8.7
Increase/decrease in debt position	-2.9	0.0	-2.7	-1.2	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	1.7	2.0
Others	0.0	-0.1	-0.9	-3.7	-0.4	-0.6	-0.8
Effects of exchange rate changes on cash	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	**-2.9**	**-0.1**	**-3.6**	**-5.0**	**-0.5**	**-2.4**	**-2.8**
Increase/decrease in liquid assets	1.9	5.1	-1.3	-2.9	4.3	4.2	5.9
Liquid assets at end of period	**2.0**	**7.0**	**5.8**	**2.9**	**7.2**	**11.3**	**17.2**

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Domestic	53.5	53.9	46.5	48.4	66.0	78.9	91.2
yoy change	38.6 %	0.7 %	-13.7 %	4.1 %	36.3 %	19.6 %	15.6 %
Rest of Europe	4.9	5.8	2.3	0.9	0.8	0.0	0.0
yoy change	-5.8 %	18.4 %	-60.3 %	-60.9 %	-12.8 %	n/a	n/a
NAFTA	3.9	3.7	1.5	0.0	0.0	0.0	0.0
yoy change	39.3 %	-5.1 %	-59.5 %	n/a	n/a	n/a	n/a
Asia Pacific	0.2	1.4	6.5	8.9	11.8	13.9	13.6
yoy change	-97.4 %	600.0 %	364.3 %	36.9 %	32.3 %	18.2 %	-2.1 %
Rest of world	2.8	5.7	1.4	4.9	0.0	0.0	0.0
yoy change	86.7 %	103.6 %	-75.4 %	252.8 %	n/a	n/a	n/a
TTL	**65.3**	**70.5**	**58.2**	**63.1**	**78.5**	**92.8**	**104.9**
yoy change	17.2 %	8.0 %	-17.4 %	8.5 %	24.4 %	18.2 %	13.0 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
P&L growth analysis							
Sales growth	17.2 %	8.0 %	-17.5 %	8.5 %	24.4 %	18.2 %	13.0 %
EBITDA growth	-74.5 %	8.6 %	-30.2 %	49.1 %	129.1 %	98.5 %	51.4 %
EBIT growth	72.8 %	13.6 %	-41.4 %	59.9 %	159.1 %	114.2 %	56.1 %
EPS growth	102.9 %	17.0 %	-32.9 %	0.1 %	65.0 %	132.9 %	75.8 %
Efficiency							
Total operating costs / sales	92.2 %	92.2 %	93.4 %	90.9 %	88.8 %	87.7 %	87.2 %
Sales per employee	687.3	684.7	590.9	747.2	955.2	1,075.4	1,157.1
EBITDA per employee	53.6	53.6	39.1	68.1	107.4	132.3	147.5
Balance sheet analysis							
Avg. working capital / sales	3.5 %	3.7 %	6.1 %	8.3 %	6.8 %	7.2 %	6.6 %
Inventory turnover (sales/inventory)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Trade debtors in days of sales	28.8	26.5	40.9	47.5	44.0	42.0	40.0
A/P turnover [(A/P*365)/sales]	15.9	11.5	14.3	11.6	14.0	14.0	14.0
Cash conversion cycle (days)	7.9	11.2	21.1	30.9	24.0	21.7	19.4
Cash flow analysis							
Free cash flow	4.8	7.0	3.2	2.1	4.7	6.5	8.7
Free cash flow/sales	7.3 %	9.9 %	5.6 %	3.3 %	6.0 %	7.0 %	8.3 %
FCF / net profit	173.5 %	217.5 %	150.5 %	95.8 %	133.5 %	130.1 %	138.8 %
Capex / depn	98.8 %	86.7 %	67.3 %	40.4 %	36.4 %	33.3 %	30.8 %
Capex / maintenance capex	0.0 %	0.0 %	0.0 %	0.0 %	200.0 %	200.0 %	200.0 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Security							
Net debt	9.9	9.0	8.1	11.2	6.9	2.7	-3.2
Net Debt/EBITDA	1.9	1.6	2.1	1.9	0.8	0.2	0.0
Net debt / equity	0.2	0.2	0.2	0.3	0.1	0.1	neg.
Interest cover	5.1	7.1	6.9	5.3	9.7	22.4	999.0
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	48.7 %	40.0 %	40.0 %
Asset utilisation							
Capital employed turnover	1.2	1.1	0.9	1.0	1.2	1.3	1.3
Operating assets turnover	24.4	22.0	10.5	9.2	10.4	10.8	11.2
Plant turnover	172.1	243.6	45.2	93.2	72.9	62.8	55.9
Inventory turnover (sales/inventory)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Returns							
ROCE	8.1 %	8.6 %	4.8 %	7.8 %	12.1 %	15.3 %	16.5 %
ROE	6.3 %	6.9 %	4.6 %	4.8 %	7.3 %	9.5 %	10.9 %
Other							
Interest paid / avg. debt	6.6 %	5.2 %	2.9 %	6.5 %	5.7 %	3.2 %	0.0 %
No. employees (average)	95	103	99	85	82	86	91
Number of shares	6.2	6.2	6.2	6.2	6.2	6.2	6.2
DPS	0.0	0.0	0.0	0.0	0.3	0.3	0.4
EPS reported	0.44	0.52	0.35	0.35	0.57	0.81	1.01
Valuation ratios							
P/BV	0.8	0.8	0.7	0.8	0.7	0.7	0.6
EV/sales	0.7	0.6	0.7	0.7	0.5	0.4	0.3
EV/EBITDA	8.6	7.7	10.9	7.8	4.6	3.2	2.3
EV/EBITA	8.9	8.0	10.9	7.8	4.6	3.2	2.3
EV/EBIT	9.7	8.4	14.0	9.4	5.3	3.6	2.5
EV/FCF	9.2	6.1	12.9	21.7	8.6	5.6	3.5
Adjusted FCF yield	-57.7 %	-30.3 %	6.6 %	12.9 %	12.5 %	17.9 %	24.3 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	5.1 %	6.0 %	7.4 %

Source: Company data, Hauck & Aufhäuser

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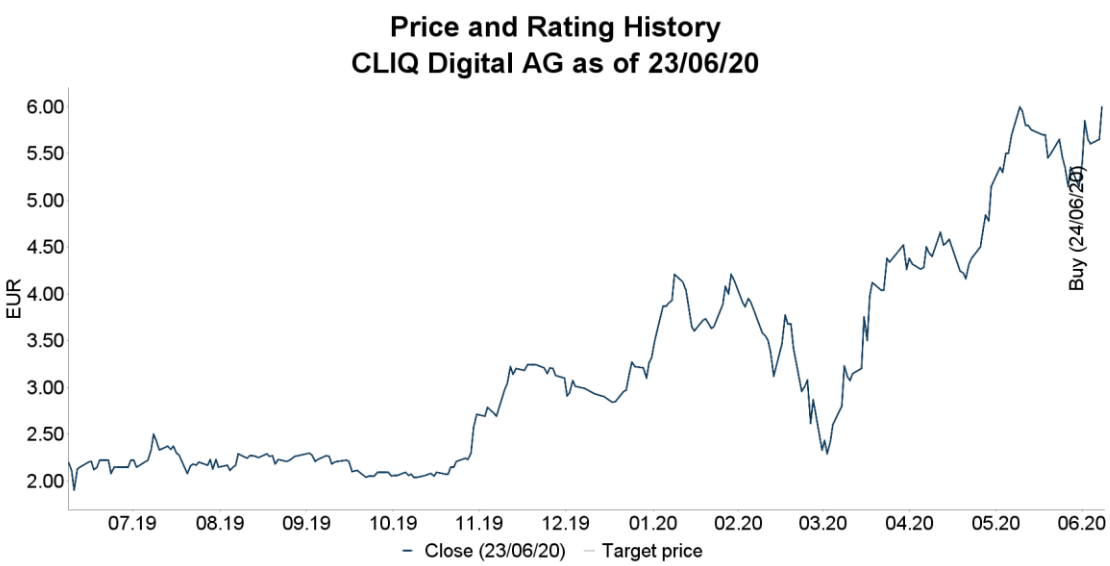

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