

Recommendation:
BUY (BUY)

Risk:
HIGH (HIGH)

Price Target:
EUR 2.00 (1.80)

01 December 2014

Dynamic sales growth projected between 2016 and 2018...good time for positioning

Last week at the German Equity Forum in Frankfurt/Main we met TWINTeC's management, acquiring more details on the projected business plan for the upcoming years. 1) Through the restructuring process the break-even revenue decreased from EUR 40m to now EUR 25m, consequently **the long-term solvency of the company should be ensured** if the market environment does not deteriorate considerably or other negative factors occur. Looking forward to the next fiscal years, the management projects a continuous revenue growth, expecting sales of approximately EUR 32m in FY 2015E (+10% yoy), EUR 44m in FY 2016E (+38% yoy), EUR 66m in FY 2017E (+50% yoy) and EUR 98m in FY 2018E (+48% yoy), accompanied by a gross profit margin of about 41% in FY 2015E, 38% in FY 2016E, 37% in FY 2017 and 33% in FY 2018E. 2) The key business driver on the group level will be the OEM business which should be accelerated onwards from EUR 9m in FY 2014E to EUR 53m in FY 2018E. In addition, new retrofit markets like in Asia and America (USA start 1Q 2015E) should overcompensate the decreasing retrofit markets in Western Europe. 3) Furthermore, the Aftermarket and the coating business should also contribute positively to this overall promising business picture.

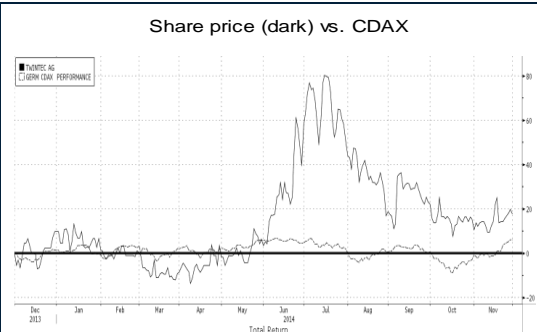
Regarding the management's projected growth path, it is worth mentioning that the **company needs further capital to stem this dynamic sales growth and to strengthen liquidity**, hence we expect that the company will raise capital in the near future with a total volume in a single digit EUR million range. **Nevertheless, the dilution effect on EPS level should be rather limited.**

A **positive temporary effect** on TWINTeC's business in the next fiscal year could be the recent **decision of the budget committee of the German Bundestag which approved an amount of EUR 30m for 2015 for retrofitting diesel cars and light trucks with particulate filters**. Approximately taking into account the company's medium-term targets we **revised our medium and long-term expectations slightly upwards**, resulting in a **new price target** (Peer Group, DCF) of **EUR 2.00** (old: EUR 1.80). We stick to our **BUY** recommendation, underlining positively that the company is "quasi" **family managed** by the Kavena family.

Key data

| FY 12/31, EURm | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|----------------|--------|--------|--------|-------|-------|-------|
| Sales | 23.0 | 30.2 | 20.9 | 28.2 | 34.6 | 42.8 |
| EBITDA | -7.2 | -2.1 | -2.4 | 2.1 | 4.2 | 6.7 |
| EBIT | -9.7 | -3.8 | -8.2 | -1.3 | 0.6 | 2.8 |
| Net result | -16.4 | -4.3 | -8.8 | -1.6 | 0.2 | 2.0 |
| EPS | -2.52 | -0.47 | -0.30 | -0.05 | 0.01 | 0.06 |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EBITDA margin | -31.4% | -7.0% | -11.7% | 7.5% | 12.2% | 15.6% |
| EBIT margin | -42.0% | -12.4% | -39.5% | -4.5% | 1.8% | 6.5% |
| EV/EBITDA | neg. | neg. | neg. | 16.6 | 8.3 | 5.3 |
| EV/EBIT | neg. | neg. | neg. | neg. | 57.5 | 12.7 |
| P/E | neg. | neg. | neg. | neg. | 150.1 | 17.2 |

Source: TWINTeC AG; CBS Research AG



Source: CBS Research AG, Bloomberg, TWINTeC AG

| Change | 2014E | | 2015E | | 2016E | |
|--------|-------|-------|-------|------|-------|------|
| | new | old | new | old | new | old |
| Sales | - | 28.2 | - | 34.6 | - | 42.8 |
| EBIT | - | -1.3 | - | 0.6 | - | 2.8 |
| EPS | - | -0.05 | - | 0.01 | - | 0.06 |

Internet: twintec.de
WKN: A0LSAT
Reuters: TING.DE

Sector: Automotive
ISIN: DE000A0LSAT7
Bloomberg: TIN GY

Short company profile:

TWINTeC AG is a leading provider of products for exhaust gas after-treatment such as SCR systems and active and passive carbon particulate filters for retrofitting and upgrading already approved vehicles. In addition, TWINTeC AG's subsidiary Interkat GmbH provides catalytic coating services for other different industrial applications.

Share data:

| | |
|---|-------------|
| Share price (EUR, latest closing price): | 1.07 |
| Shares outstanding (m): | 32.3 |
| Market capitalisation (EUR m): | 34.5 |
| Enterprise value (EUR m): | 38.5 |
| Ø daily trading volume (3 m., no. of shares): | 52,332 |

Performance data:

| | |
|-----------------------------------|-------|
| High 52 weeks (EUR): | 1.70 |
| Low 52 weeks (EUR): | 0.76 |
| Absolute performance (12 months): | 17.6% |
| Relative performance vs. CDAX: | |
| 1 month | -0.4% |
| 3 months | -5.0% |
| 6 months | 13.6% |
| 12 months | 11.0% |

Shareholders:

| | |
|---------------------------|-------|
| Perseus Partners VII, L.P | 57.1% |
| Family Kavena | 26.2% |
| Free float | 16.7% |

Financial calendar:

| | |
|----------------------------------|---------------|
| Capital market conference Munich | 9-10 Dec 2014 |
|----------------------------------|---------------|

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TWINTeC AG

Profit and loss account

| | (31 December) | HGB | EURm | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|--|---------------|-----|------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Sales | | | | 33.1 | 46.0 | 41.5 | 23.0 | 30.2 | 20.9 | 28.2 | 34.6 | 42.8 |
| YoY growth | | | | -57.9% | 39.0% | -9.7% | -44.6% | 31.7% | -31.1% | 35.5% | 22.6% | 23.7% |
| Change in inventories | | | | -1.8 | -2.0 | -0.1 | -1.9 | -0.9 | -1.4 | 0.6 | 0.0 | 0.0 |
| Other work performed | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.4 | 0.5 | 0.6 |
| Total output | | | | 31.2 | 44.0 | 41.4 | 21.0 | 29.3 | 19.8 | 29.2 | 35.1 | 43.5 |
| Material expenses | | | | -22.4 | -29.7 | -28.1 | -16.8 | -22.4 | -13.7 | -17.5 | -21.1 | -25.7 |
| Staff expenses | | | | -5.3 | -6.0 | -6.1 | -5.7 | -4.8 | -4.5 | -5.5 | -5.6 | -6.3 |
| Other operating income | | | | 0.5 | 0.6 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 1.0 | 1.3 |
| Other operating expenses | | | | -9.3 | -6.4 | -6.4 | -6.2 | -4.8 | -4.7 | -4.9 | -5.2 | -6.0 |
| EBITDA | | | | -5.2 | 2.6 | 1.2 | -7.2 | -2.1 | -2.4 | 2.1 | 4.2 | 6.7 |
| in % of sales | | | | -15.8% | 5.6% | 2.9% | -31.4% | -7.0% | -11.7% | 7.5% | 12.2% | 15.6% |
| Amortization, depreciation and impairment | | | | -0.7 | -0.8 | -1.2 | -2.4 | -1.6 | -5.8 | -3.4 | -3.6 | -3.9 |
| EBIT | | | | -6.0 | 1.8 | 0.0 | -9.7 | -3.8 | -8.2 | -1.3 | 0.6 | 2.8 |
| in % of sales | | | | -18.0% | 3.8% | 0.0% | -42.0% | -12.4% | -39.5% | -4.5% | 1.8% | 6.5% |
| Net financial result | | | | -8.2 | 1.4 | -0.3 | -0.5 | -0.5 | -0.4 | -0.4 | -0.3 | -0.4 |
| EBT | | | | -14.1 | 3.2 | -0.3 | -10.1 | -4.2 | -8.6 | -1.7 | 0.3 | 2.4 |
| in % of sales | | | | -42.7% | 6.9% | -0.7% | -44.0% | -14.0% | -41.4% | -5.9% | 0.8% | 5.5% |
| Extraordinary income/expenses | | | | 0.0 | 0.0 | 0.0 | -2.8 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 |
| Total taxes | | | | 4.3 | -1.1 | 0.0 | -3.4 | 0.0 | 0.0 | 0.1 | 0.0 | -0.4 |
| Net income including minorities | | | | -9.8 | 2.1 | -0.3 | -16.4 | -4.3 | -8.8 | -1.6 | 0.2 | 2.0 |
| Minority interests | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income attributable to shareholders | | | | -9.8 | 2.1 | -0.3 | -16.4 | -4.3 | -8.8 | -1.6 | 0.2 | 2.0 |
| in % of sales | | | | -29.6% | 4.6% | -0.8% | -71.3% | -14.1% | -42.2% | -5.6% | 0.7% | 4.7% |
| Shares outstanding (in millions) | | | | 6.5 | 6.5 | 6.5 | 6.5 | 9.0 | 29.3 | 32.3 | 32.3 | 32.3 |
| Earnings per share (EUR) | | | | -1.51 | 0.32 | -0.05 | -2.52 | -0.47 | -0.30 | -0.05 | 0.01 | 0.06 |
| Dividend per share (EUR) | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Source: CBS Research AG, TWINTeC AG

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Recommendation history over the last 12 months for the company analysed in this report:

| Date | Recommendation | Price at change date | Price target |
|-----------------|-------------------------|----------------------|--------------|
| 1 December 2014 | BUY | EUR 1.07 | EUR 2.00 |
| 6 October 2014 | BUY | EUR 1.03 | EUR 1.80 |
| 12 August 2014 | HOLD | EUR 1.25 | EUR 1.30 |
| 9 April 2014 | HOLD (Initial Coverage) | EUR 0.79 | EUR 1.00 |

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