

TWINTEC AG

BUY (BUY) | Target EUR 2.30 (EUR 2.00)

 Price (last closing price) : **1.10 EUR** | Upside : 109%

Est. change	2015e	2016e
EPS	-	-

Majority stake takeover: shareholder value should increase

Thursday, 23 April 2015



Board member Roger Kavena acquires majority stake in TWINTEC

TWINTEC recently announced that board member and existing shareholder of TWINTEC AG, Roger Kavena, together with his company RMK Beteiligungen GmbH, has acquired the entire 18.4m (53%) block of TWINTEC shares from the former majority shareholder Centre Lane Partners. RMK and the Kavena family now hold 70% of TWINTEC AG. The new majority shareholder is not required to make a mandatory takeover bid to remaining shareholders because TWINTEC shares are listed in the Entry Standard which entails less strict regulations than other transparency standards (i.e. Prime or General Standard). In our view this deal is to TWINTEC's advantage because TWINTEC/Baumot is now fully controlled and managed by the Kavena family, which will accelerate important decisions at TWINTEC and further improve the company's strategic direction.

Capital

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Market Cap (EURm)	37.8
Enterprise value (EURm)	42
Extrema 12 months	0.83 - 1.70
Free Float (%)	30.0%

Performance (%)	1m	3m	12m
Absolute	1.5	0.5	16.1
Perf. rel. "sector"	0.7	-11.8	-6.3
Perf. rel. CDAX	1.4	-9.8	-6.7

P & L	12/15e	12/16e	12/17e
Sales (EURm)	29.0	35.6	55.1
EBITDA (EURm)	1.9	3.0	5.8
EBIT (EURm)	-1.4	-0.4	1.7
Attr. net profit (EURm)	-1.7	-0.8	1.2
EPS (EUR)	-0.05	-0.02	0.03
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	ns	ns	31.7
P/B (x)	2.0	2.1	2.0
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	ns	ns	2.1
EV/Sales (x)	1.4	1.2	0.8
EV/EBITDA (x)	22.1	13.8	7.2
EV/EBIT (x)	ns	ns	24.0
Gearing (%)	8	14	9
Net Debt/EBITDA(x)	0.8	0.8	0.3

Next Events

FY 14 results	May 2015
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Promising FY 2018 targets

Management anticipates 2018 group sales of EUR 80-100m which implies a 2014-18 CAGR of 31-39%. New emissions standards will significantly increase demand for TWINTEC's environmentally friendly technologies, confirming TWINTEC's strategic shift to the OEM supplier business. On the profitability level the company guides for an EBITDA margin of approximately 10% in 2018.

Strong share price performance in the months to come; BUY

But before the company can achieve dynamic growth rates and positive net income, 2015 is likely to be year of transition in which expansion steps will be implemented. For 2017e our DCF valuation model derives a new PT of EUR 2.30 (old: EUR 2.00). Despite the recent share price rally we see further upside potential for the TWINTEC share. Historically, the June quarter has been the strongest in terms of share price performance. BUY recommendation confirmed.

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TWINTeC AG

Profit and loss account

(31 December)	HGB	EURm	2011	2012	2013	2014E	2015E	2016E	2017E
Sales			23.0	30.2	20.9	27.0	29.0	35.6	55.1
YoY growth			-44.6%	31.7%	-31.1%	29.7%	7.2%	22.7%	55.0%
Change in inventories			-1.9	-0.9	-1.4	0.5	0.0	0.0	0.0
Other work performed			0.0	0.0	0.3	0.4	0.4	0.5	0.8
Total output			21.0	29.3	19.8	28.0	29.4	36.1	56.0
Material expenses			-16.8	-22.4	-13.7	-16.7	-17.7	-21.3	-33.1
Staff expenses			-5.7	-4.8	-4.5	-5.5	-5.8	-6.8	-9.4
Other operating income			0.5	0.6	0.7	0.8	0.9	1.1	1.7
Other operating expenses			-6.2	-4.8	-4.7	-5.4	-4.9	-6.0	-9.4
EBITDA			-7.2	-2.1	-2.4	1.1	1.9	3.0	5.8
in % of sales			-31.4%	-7.0%	-11.7%	4.2%	6.5%	8.5%	10.5%
Amortization, depreciation and impairment			-2.4	-1.6	-5.8	-3.3	-3.3	-3.5	-4.1
EBIT			-9.7	-3.8	-8.2	-2.2	-1.4	-0.4	1.7
in % of sales			-42.0%	-12.4%	-39.5%	-8.2%	-4.8%	-1.2%	3.1%
Net financial result			-0.5	-0.5	-0.4	-0.4	-0.3	-0.4	-0.5
EBT			-10.1	-4.2	-8.6	-2.6	-1.7	-0.8	1.2
in % of sales			-44.0%	-14.0%	-41.4%	-9.6%	-5.8%	-2.2%	2.2%
Extraordinary income/expenses			-2.8	0.0	-0.2	0.0	0.0	0.0	0.0
Total taxes			-3.4	0.0	0.0	0.1	0.0	0.0	0.0
Net income including minorities			-16.4	-4.3	-8.8	-2.5	-1.7	-0.8	1.2
Minority interests			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders			-16.4	-4.3	-8.8	-2.5	-1.7	-0.8	1.2
in % of sales			-71.3%	-14.1%	-42.2%	-9.2%	-5.8%	-2.2%	2.2%
Shares outstanding (in millions)			6.5	9.0	29.3	32.3	34.5	34.5	34.5
Earnings per share (EUR)			-2.52	-0.47	-0.30	-0.08	-0.05	-0.02	0.03
Dividend per share (EUR)			0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company Data, Oddo Seydler Bank AG

TWINTeC AG

Balance Sheet

	HGB	EURm	2011	2012	2013	2014E	2015E	2016E	2017E
Assets									
Noncurrent assets			7.2	6.5	21.9	19.9	18.1	17.5	16.2
as % of total assets			36.7%	38.9%	74.0%	69.5%	61.5%	60.5%	53.2%
Property, plant and equipment			6.2	5.9	4.0	4.5	5.0	6.8	8.3
Intangible assets			1.0	0.6	17.9	15.4	13.0	10.7	7.9
Financial assets			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets			12.5	10.2	7.7	8.7	11.3	11.4	14.2
as % of total assets			63.3%	61.1%	26.0%	30.5%	38.5%	39.5%	46.8%
Inventories			8.8	6.8	4.1	4.8	5.3	5.8	7.2
Trade and other receivables			0.6	0.1	1.0	1.2	1.4	1.7	2.0
Cash and cash equivalents			0.2	0.4	0.9	0.9	2.7	1.9	2.9
Other assets			2.9	2.9	1.7	1.8	1.9	2.0	2.1
Total Assets			19.7	16.8	29.6	28.6	29.4	28.8	30.4
Shareholders' equity and liabilities									
Shareholders' equity			7.1	6.1	17.4	17.9	18.5	17.7	18.9
as % of total equity and liabilities			35.9%	36.1%	58.8%	62.7%	62.9%	61.3%	62.1%
Subscribed capital			6.5	9.8	29.3	32.3	34.5	34.5	34.5
Capital reserves			0.6	0.6	0.6	0.6	0.6	0.6	0.6
Other retained earnings			0.0	-4.3	-13.1	-15.6	-17.2	-18.0	-16.8
Statutory reserves and others			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests			0.0	0.0	0.6	0.6	0.6	0.6	0.6
Provisions			2.0	2.4	2.6	2.6	2.6	2.6	2.6
Tax provisions			0.1	0.0	0.2	0.1	0.1	0.1	0.1
Other provisions			1.9	2.4	2.4	2.4	2.5	2.5	2.5
Liabilities			10.7	8.3	9.5	8.1	8.3	8.5	8.9
Liabilities to bank			7.2	5.9	5.3	4.0	4.1	4.3	4.5
Advance payments received on orders			0.5	0.1	0.0	0.0	0.0	0.0	0.0
Trade payables			2.9	2.1	1.3	1.3	1.4	1.5	1.6
Other liabilities			0.1	0.1	3.0	2.8	2.8	2.7	2.7
Total equity and liabilities			19.7	16.8	29.6	28.6	29.4	28.8	30.4

Source: Company Data, Oddo Seydler Bank AG

TWINTeC AG

Cash flow statement

	HGB	EURm	2011	2012	2013	2014E	2015E	2016E	2017E
Net income/loss			-16.4	-4.3	-8.8	-2.5	-1.7	-0.8	1.2
Depreciation and amortisation			2.4	1.0	3.5	3.3	3.3	3.5	4.1
Other non-cash expenses/income			2.2	0.7	2.3	0.0	0.0	0.0	0.0
Gain/loss on disposal of fixed assets			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in provisions			0.7	0.5	-0.5	-0.1	0.0	0.0	0.0
Movements in working capital:			9.5	0.6	3.5	-1.1	-0.7	-0.9	-1.7
Change in inventories			4.0	2.0	2.7	-0.7	-0.5	-0.5	-1.4
Change in trade and other receivables			0.9	0.4	0.3	-0.3	-0.3	-0.4	-0.4
Change in trade accounts payable			0.8	-0.8	-0.8	0.1	0.1	0.1	0.1
Change in other positions			3.8	-1.0	1.3	-0.2	0.0	0.0	0.0
Cash flow from operating activities			-1.6	-1.5	-0.1	-0.3	0.9	1.8	3.6
Capital expenditures for intangibles assets and PPE			-0.5	-0.3	-0.6	-1.4	-1.4	-2.8	-2.8
Receipts from disposals of fixed financial assets			0.2	0.0	0.9	0.0	0.0	0.0	0.0
Investment in financial assets			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash received from the disposal of fixed assets			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities			-0.4	-0.3	0.3	-1.4	-1.4	-2.8	-2.8
Proceeds from capital increase			0.0	3.3	0.0	3.0	2.2	0.0	0.0
Purchase of treasury stock			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/Decrease in debt position			1.3	-1.2	-0.7	-1.3	0.2	0.2	0.2
Dividends paid			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/Decrease in receivables from partners			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities			1.3	2.0	-0.7	1.7	2.4	0.2	0.2
Net increase (decrease) in cash&cash equivalents for period			-0.6	0.3	-0.4	0.1	1.8	-0.8	1.0
Change in the scope of the consolidation			0.0	0.0	0.8	0.0	0.0	0.0	0.0
Currency adjustment			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash&cash equivalents at beginning of period			0.8	0.2	0.4	0.9	0.9	2.7	1.9
Cash and cash equivalents at the end of the period			0.2	0.4	0.9	0.9	2.7	1.9	2.9

Source: Company Data, Oddo Seydler Bank 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
23 April 2015	BUY	EUR 1.10	EUR 2.30
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

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