

## Data Modul AG

Date: 08/25/2015

Recommendation		Hold	
before:	Buy		as of 11/14/14
Target price (EUR)	36.00		
Price (Xetra) (EUR)	32.30		
08/24/15	4:50 PM		
Share price potential	11%		

## Highlights

- ⇒ Data Modul has confirmed its growth trend in Q2 2015 (sales: +14.2%). Among others, EBIT of EUR2.6m (2.4; Q1 2015: 4.5) was influenced by currency fluctuations (EUR/USD exchange rate). The underlying performance of Data Modul was convincing due to the earlier than expected success of efficiency enhancement programme "Fit for Future" and the rising sales share of in-house developed products (especially optical bonding).
- ⇒ We still see the takeover of Data Modul by US group Arrow (market cap: USD4.9bn; Data Modul share: 53.4%) as a proof of the company's technology leadership. Data Modul still acts independently. We expect a re-evaluation of the strategy in the next months. Synergies with Arrow could be achieved due to the access to international clients, in procurement and production.
- ⇒ The growth perspectives remain intact in our opinion (high order backlog; trend towards displays and touchscreens in industrial applications). Due to the already positive share price performance we confirm our Hold recommendation with a price target of EUR36.00.

	2011	2012	2013	2014	2015E	2016E
Sales	140.9	140.2	146.7	155.9	173.2	183.4
Sales growth	18.3%	-0.4%	4.6%	6.3%	11.1%	5.9%
EBIT	10.1	8.4	5.7	11.4	13.7	14.8
EBIT margin	7.2%	6.0%	3.9%	7.3%	7.9%	8.1%
Net income	7.6	7.1	3.2	7.6	9.5	10.4
Net margin	5.4%	5.1%	2.2%	4.9%	5.5%	5.6%
EPS	2.16	2.05	0.95	2.23	2.72	2.94
DPS	0.60	0.60	0.60	0.12	0.12	0.12
Net financial debt/EBITDA	0.4	0.5	0.8	0.1	-0.3	-0.7
Net Gearing	0.1	0.2	0.1	-0.1	-0.1	-0.2
Free cash flow (FCF)	4.7	0.8	2.6	11.3	1.9	6.9
FCF per share	1.32	0.24	0.77	3.34	0.56	1.97
EV / sales	0.4	0.4	0.4	0.4	0.6	0.6
EV / EBITDA	4.2	5.5	7.7	4.6	7.0	6.4
EV / EBIT	5.0	6.7	10.6	5.4	8.0	7.4
EV / FCF	10.8	67.9	22.9	5.4	56.9	15.8
P/E ratio	6.2	7.0	16.7	8.5	11.9	11.0
P/B ratio	1.2	1.2	1.3	1.3	1.9	1.6
Dividend yield	4.5%	4.2%	3.8%	0.6%	0.4%	0.4%

Figures in EURm except EPS, DPS and FCF per share (EUR), PERs based on average share prices

Source: Independent Research, Data Modul AG

## Company data

Sector	Industrial
Market segment	Prime Standard
ISIN	DE0005498901
Reuters	DAMG.DE
Bloomberg	DAM

## Share data

Shares (m)	3.526
Free float	42.6%
Market cap. (EURm)	113.9
∅ trading volume	3,811
52W High	05/26/15 EUR35.53
52W Low	10/14/14 EUR15.80

## Events

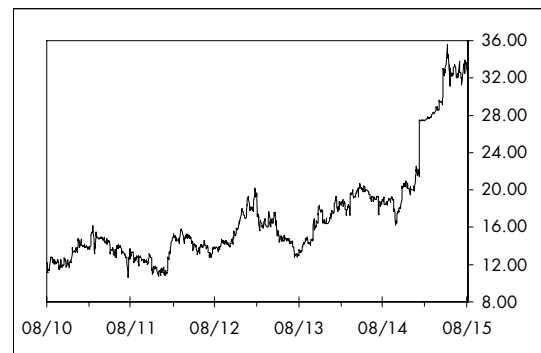
Q3 results	09/11/2015
Q4 results	March 2016

## Performance

	absolute	related to: DAX
1 month	0.0%	13.6%
3 months	-3.6%	13.4%
6 months	17.5%	30.0%
12 months	69.1%	66.0%

## Index weighting

Prime All Share	0.005%
Prime Technolgy	0.349%



Source: Data Modul AG, Bloomberg

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## Valuation

*Weighted fair value per share of EUR36.15*

*Price target: EUR36.00; recommendation: Hold*

### Valuation conclusion

We value the Data Modul share based on a DCF model and a peer group analysis. We weight the peer group analysis only with 25% and the DCF model with 75%. Most of the peer group companies are very broadly positioned. Displays and embedded systems (for example at Kontron) are only one part of the business of some peers or the act as suppliers (e.g. Dialog Semiconductor) and are thus no direct competitors. We have calculated a weighted fair value of equity of EUR127.5m (before: 127.8) and EUR36.15 (before: 36.23) per share. The fair value corresponds to an EV/EBITDA 2015 of 7.9 and a P/E ratio 2015 of 13.3. The figures decline to 7.2 and 12.3 in 2016. We consider the ratios adequate even in historical comparison (average EV/EBITDA 2007 to 2014: 7.5; average P/E ratio 2007 to 2014: 9.2; higher fair P/E ratio is justified due to net liquidity).

Summary of valuation		
	Peer group analysis	DCF model
Fair value (EURm)	79.3	143.5
Fair value per share (EUR)	22.48	40.70
Weighting	25%	75%
Weighted fair value per share (EUR)	36.15	
Target price (EUR)	36.00	

Source: Independent Research

*Three-stage DCF model*

*WACC of 8.8%*

### DCF model

We value the Data Modul share using our three-stage DCF model. The first stage is based on our detailed planning until 2016. In the second stage we change from our detailed forecasts towards a trend analysis until business year 2024. For this period we assume a sustainable EBIT margin of 8.0%. With respect to the top-line development, from 2016 onwards we assume a decline of the annual sales growth to 2.5%. Generally, we expect purely organic growth. Possible acquisitions are not included. In the third stage we calculate the terminal value. In this stage, that carries the highest risk in forecasting, we follow the going-concern approach with a growth rate of the free cash flow of 2.0% (in line with the annual rate of inflation). In our calculation of the WACC of 8.8%, we have assumed an equity ratio (at market value) of 85% due to the low financial debt in the long-term target capital structure. The beta of 1.3 is conservative (relatively small company; cyclical industry), in our opinion. An analysis of the adjusted betas (individual betas for five years; relative to CDAX) results in betas of the Data Modul share of clearly below 1.0.

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Data Modul AG										
EURm	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
<b>Sales</b>	<b>173.2</b>	<b>183.4</b>	<b>192.6</b>	<b>202.2</b>	<b>212.3</b>	<b>222.9</b>	<b>234.1</b>	<b>245.8</b>	<b>258.1</b>	<b>264.5</b>
Growth y/y	-	5.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.5%
EBIT margin	7.9%	8.1%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<b>EBIT</b>	<b>13.7</b>	<b>14.8</b>	<b>15.4</b>	<b>16.2</b>	<b>17.0</b>	<b>17.8</b>	<b>18.7</b>	<b>19.7</b>	<b>20.6</b>	<b>21.2</b>
- Income taxes	-4.1	-4.4	-4.6	-4.9	-5.1	-5.4	-5.6	-5.9	-6.2	-6.3
+ Amortisation and depreciation	2.1	2.3	2.4	2.5	2.6	2.8	2.9	3.1	3.2	3.3
+/- Change in long-term provisions	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
+/- Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross operating cash flow</b>	<b>11.8</b>	<b>12.8</b>	<b>13.3</b>	<b>14.0</b>	<b>14.7</b>	<b>15.4</b>	<b>16.2</b>	<b>17.0</b>	<b>17.8</b>	<b>18.3</b>
-/+ Investments in net working capital	-5.1	-3.2	-2.4	-2.6	-2.7	-2.8	-3.0	-3.1	-3.3	-1.7
-/+ Investments in fixed assets	-5.4	-3.0	-3.2	-3.3	-3.5	-3.7	-3.9	-4.0	-4.2	-3.3
<b>Free cash flow</b>	<b>1.3</b>	<b>6.5</b>	<b>7.7</b>	<b>8.1</b>	<b>8.5</b>	<b>8.9</b>	<b>9.4</b>	<b>9.8</b>	<b>10.3</b>	<b>13.3</b>
<b>Present values</b>	<b>1.3</b>	<b>5.8</b>	<b>6.3</b>	<b>6.0</b>	<b>5.8</b>	<b>5.6</b>	<b>5.4</b>	<b>5.2</b>	<b>5.0</b>	<b>5.8</b>
Total present values	52.1									
Terminal value	87.6									
										in % of total value: 63%
Value of operating business	139.7									
+ Cash and cash equivalents	16.2									
- Financial debt	-12.3									
<b>Fair market value of equity</b>	<b>143.5</b>									
Number of shares outstanding (m)	3.526									
<b>Fair value per share (EUR)</b>	<b>40.70</b>									
Source: Independent Research										

**Model parameters / entity DCF model:**

Target capital structure:	Equity:	85%	Financial debt:	15%	
Risk-free rate:	3.0%	Beta:	1.3	Risk prem. debt:	2.8%
		Risk prem.:	5.0%	Tax shield:	30.0%
		Cost of equity:	9.6%	Cost of debt:	4.0%
Growth FCF:	2.0%	WACC:	8.8%	Date:	08/25/15

*DCF model: fair value per share of EUR40.70*

Based on our DCF model we have calculated a fair value of equity for Data Modul of EUR143.5m (before: 138.3) and EUR40.70 (before: 39.22) per share. The higher figure is owed to the advancing discounting period and the cash inflow from the divestment of own shares (EUR+3.6m). The terminal value of 63% of the total value reflects the growth perspectives of Data Modul both on the sales (internationalisation, new proprietary products etc.) and profit level.

Sensitivity analysis (EUR)					
		Discount rate (WACC)			
		8.3%	8.8%	9.3%	9.8%
Growth (TV)	1.5%	42.15	38.88	36.05	33.56
	2.0%	44.80	<b>40.70</b>	37.57	34.85
	2.5%	46.92	42.81	39.31	36.30
	3.0%	49.99	45.28	41.33	37.97

Source: Independent Research

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Peer group valuation: fair value of EUR22.48 per share

### Peer group analysis

The peer group consists of companies that are suppliers (Dialog Semiconductor, Innolux), distributors (Avnet, Arrow Electronics) or manufacturers (Kontron) of displays and embedded systems. However, the display segment is only one part of the business of the peer companies. Also, the suppliers and distributors mostly are no direct competitors. Thus, the significance of the peer group is limited. Based on the peer group analysis we have calculated a fair value of equity of EUR79.3m (before: 96.2) or EUR22.48 (before: 27.27) per share for Data Modul. The lower figure reflects the lower multiples of the peer group.

Peer group analysis						
Data Modul AG	EV / EBITDA		EV / EBIT		P / E	
	2015E	2016E	2015E	2016E	2015E	2016E
Avnet	5.5	5.2	6.2	5.8	8.1	7.7
Arrow Electronics	6.7	6.4	7.4	7.2	8.1	7.7
AU Optronics	2.1	2.4	6.2	8.6	5.9	8.9
Dialog Semiconductor	7.5	6.6	8.9	7.6	13.5	11.2
Innolux	1.5	1.9	3.9	5.9	4.5	7.4
Japan Display	1.8	1.5	6.1	4.2	10.2	7.3
Kontron	6.9	4.6	35.8	9.6	40.1	10.5
LG Display	1.8	1.9	4.8	6.1	5.5	6.8
<b>Average</b>	4.2	3.8	9.9	6.9	12.0	8.4
<b>Median</b>	3.8	3.5	6.2	6.6	8.1	7.7
<b>Standard deviation</b>	2.7	2.1	10.6	1.7	11.7	1.6
in EURm, EPS and value per share in EUR						
	EBITDA		EBIT		EPS	
	2015E	2016E	2015E	2016E	2015E	2016E
Data Modul AG	15.7	17.1	13.7	14.8	2.72	2.94
Enterprise value	59.7	59.6	84.9	98.3		
Fair value per share (EUR)					22.19	22.55
Average	59.6		91.6		22.37	
Cash and cash equivalents	16.2		16.2			
Financial debt	-12.3		-12.3			
Fair market capitalisation	63.5		95.5			
Number of outstanding shares	3.526		3.526			
Fair value per share (EUR)	18.00		27.07		22.37	
Weighting	33.3%		33.3%		33.3%	
<b>Fair value per share (EUR)</b>	<b>22.48</b>					

Source: Independent Research; Bloomberg closing share prices as of 08/24/15

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## Financial, balance and income analysis

### Income analysis

*Strong growth generated with proprietary technologies*

#### Growth dynamics in Q2 2015 confirmed

Data Modul has held its growth rate high in Q2 2015 with a 14.2% sales increase to EUR44.6m (39.1; Q1 2015: +20.6%). The company benefited from the robust economic conditions, especially in Germany (domestic sales: +19.2%; international sales: +7.0%), the strength of the semiconductor market and positive currency fluctuation (appreciation of the USD over the EUR; especially strong effect in Q1 2015 and slightly weaker in Q2 2015). This is specifically reflected in the Displays segment (sales: +16.7%). The segment's strong growth demonstrates the success of the strategy to increase the share of in-house developed products. According to CEO Dr. Pesahl, optical bonding was an important growth driver. The lower growth rate in the Systems segment (sales: +10.2%) is owed to the project character of the business (aligned with the progress of the processing of larger projects).

*Adjusted EBIT margin increased to 6.6% (6.1%)*

#### High-level profitability - currency fluctuations affect profits

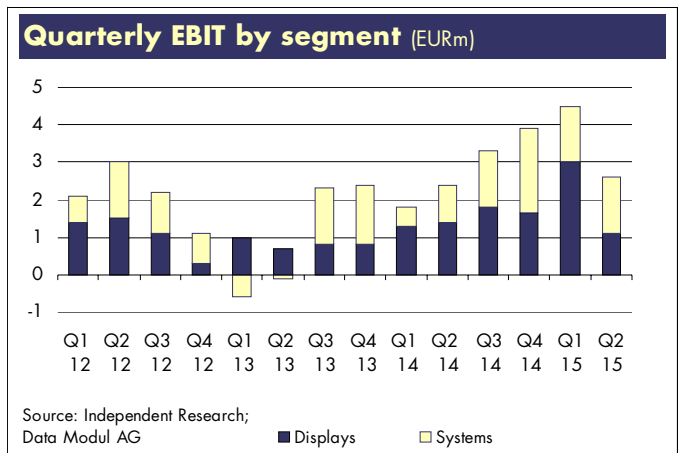
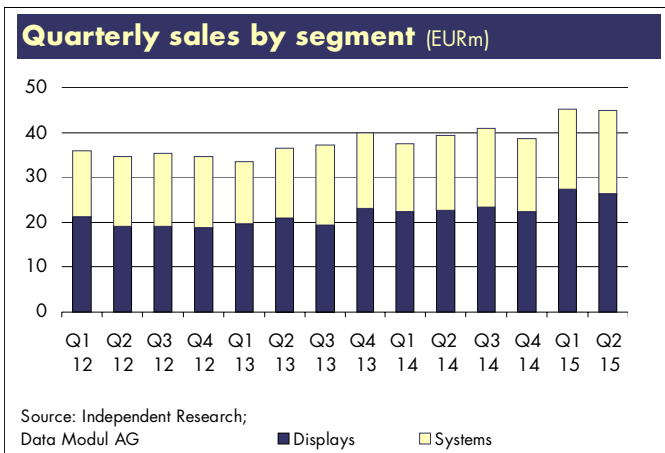
The positive effects of efficiency enhancement programme "Fit for Future 2015" are reflected in the Q2 EBIT of EUR2.6m (2.4). Adjusted for negative currency fluctuation of EUR-0.4m, EBIT increased to EUR3.0m (2.4) and the adjusted EBIT margin to 6.6% (6.1%). It has to be considered that Data Modul has benefited from the consolidation process within the display industry in the last quarters. As expected there has been some normalisation in that respect in Q2 2015. The still high R&D expenses of EUR-1.5m (-1.4) must also be noted. The EBIT of the Displays segment of EUR1.1m (1.4) was subject to negative currency fluctuation (high currency gains in Q1 2015). The Systems segment has confirmed its high profit level for some quarters now with EBIT of EUR1.5m (1.0; the segment also benefits from the increasing sales share of higher-margin in-house developed products).

### Key financial figures of the income statement

	Unit: EURm				
	Financial year: Dec. 31		Q2 2014	Q2 2015	H1 2014
	Accounting standard: IFRS		Reported	Reported	Reported
					H1 2015
					Reported
<b>Sales</b>			<b>39.1</b>	<b>44.6</b>	<b>76.6</b>
Growth y/y			7.4%	14.2%	17.3%
<b>EBIT</b>			<b>2.4</b>	<b>2.6</b>	<b>4.2</b>
EBIT margin			6.1%	5.7%	7.9%
<b>Net income</b>			<b>1.7</b>	<b>1.9</b>	<b>2.8</b>
Net margin			4.4%	4.3%	5.8%
<b>EPS (EUR)</b>			<b>0.50</b>	<b>0.55</b>	<b>0.83</b>
<b>Incoming orders</b>			<b>40.3</b>	<b>44.3</b>	<b>87.1</b>
Book-to-bill ratio			1.0	1.0	1.1
<b>Order backlog</b>			<b>100.4</b>	<b>107.5</b>	<b>100.4</b>
Months of order backlog			8	8	8

Source: Data Modul AG

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*Lower currency fluctuation and investments in embedded systems expected in H2 2015*

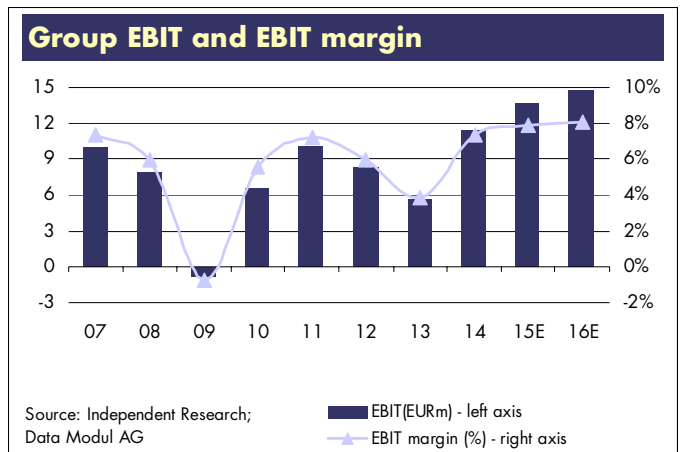
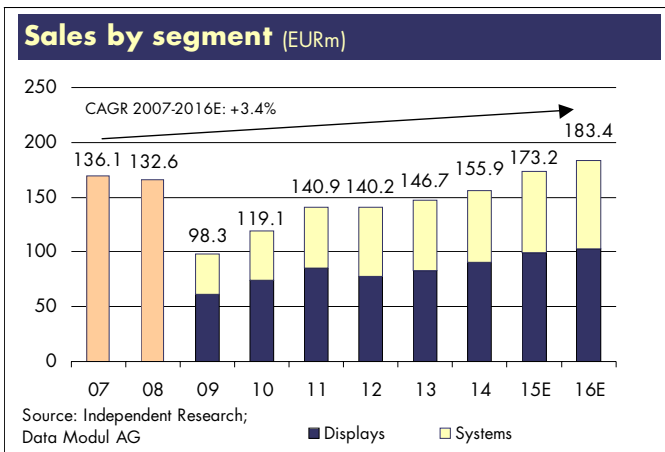
### First capacity expansions implemented

Data Modul has reached 52% of our forecasts for 2015 in H1 2015 with sales of EUR89.9m (76.6) and EBIT of EUR7.1m (4.2). We expect further dynamic growth. With regard to H2 2015 it must be remembered that the positive currency fluctuation on EBIT level will possibly not re-occur to the same extent as in H1 2015 (EUR+0.7m). Due to the achieved sales level, Data Modul has announced to start the expansion of the production and especially the logistics capacities in Weikersheim this year (altogether additional capex of an estimated EUR3m), as had been expected. Data Modul has further opened a new R&D centre in Deggendorf.

*Growth drivers remain intact*

### High order backlog indicates a strong year 2015

We expect the growth trend to continue in the coming quarters, even though weak economic signs especially from China could slow down the trend somewhat. The growth drivers (increased use of displays and touchscreens in the industry; further internationalisation especially in the US and Asia; increasing sales from proprietary technologies) remain intact, in our opinion. The high level of incoming orders of EUR94.7m (87.1) with a book-to-bill ratio of 1.1 (1.1) in H1 2015 still indicates a robust scenario. The order backlog of EUR107.5m as of June 30, 2015 (March 31, 2015: 110.3; December 31, 2014: 98.5) also remains close to record level (order backlog is equivalent to eight months of sales).



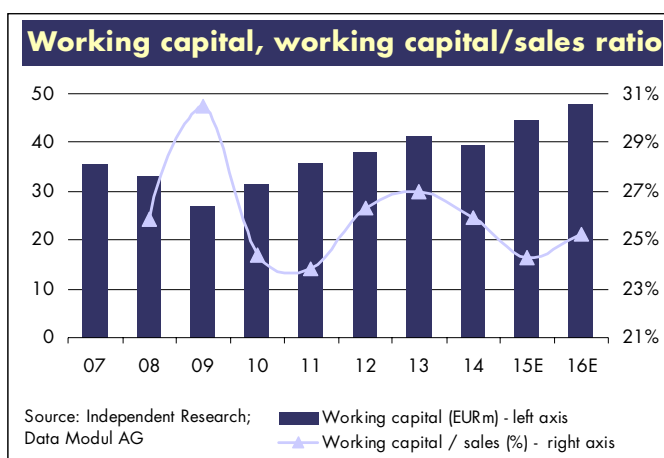
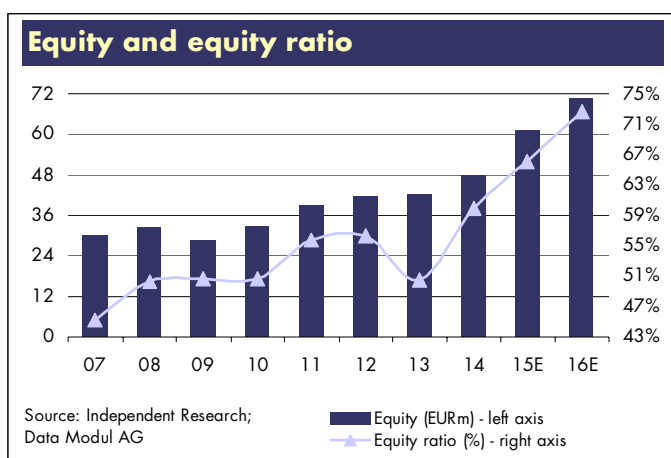
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**Financial analysis**

**Net liquidity of just under EUR4m**

*Tender of own shares*

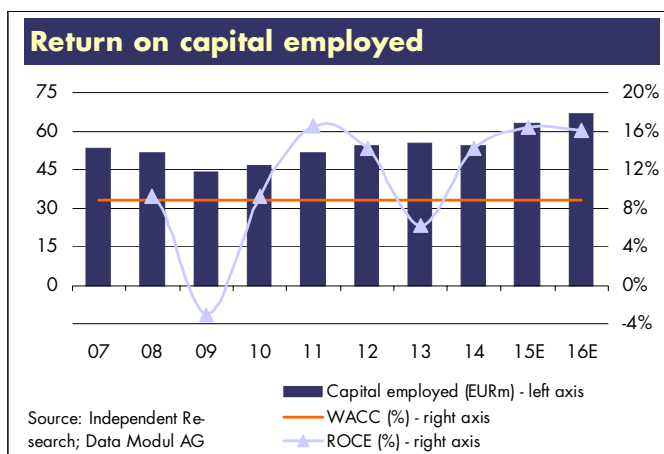
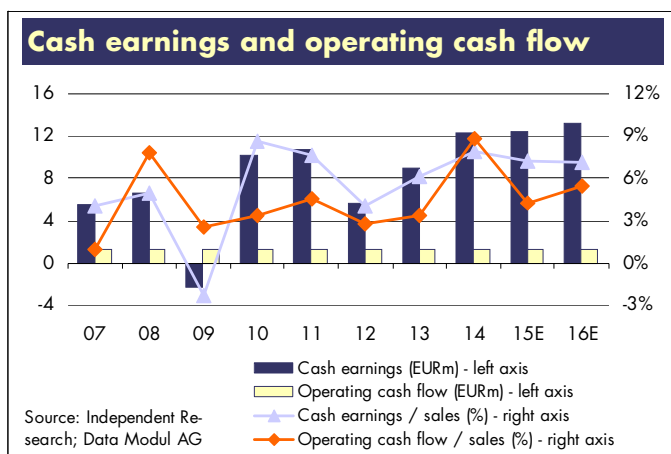
Data Modul has further enhanced its above-average solid balance sheet structure. This is reflected in equity of EUR57.5m as of June 30, 2015 (December 31, 2014: 48.0) and the high equity ratio of 63% as of June 30, 2015 (December 31, 2014: 60%). The increase is owed to the tender of own shares (3.8% of the capital stock; proceeds: EUR3.6m) as part of the Arrow Electronics takeover bid and the H1 net profit. The total financial debt was further reduced to EUR12.3m (December 31, 2014: 13.8) as of June 30, 2015. The net liquidity thus has again slightly increased to EUR3.9m as of June 30, 2015 (December 31, 2014: 3.0).



*Significant positive cash flow expected in FY2015E*

**Cyclical increase of working capital**

The operating cash flow was negative at EUR-1.7m (-0.8) which is owed to the usual cyclicity. In our opinion, this figure still expresses Data Modul's strength in cash flow as the increase in working capital in H1 2015 was quite high (EUR+10.9m; H1 2014: EUR+6.1m). On July 3, 2015 the Annual General Meeting resolved to pay a dividend of EURO.12 (originally planned: 0.90; 2014: 0.60) per share. This step was initiated by major shareholder Arrow. We expect the dividend to remain at this level in the next years.



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**Income statement**

	Unit: EURm	2011	2012	2013	2014	2015E	2016E
Financial year:	Dec. 31						
Accounting standard:	IFRS						
<b>Sales</b>		<b>140.9</b>	<b>140.2</b>	<b>146.7</b>	<b>155.9</b>	<b>173.2</b>	<b>183.4</b>
Production costs		-107.8	-108.3	-115.7	-117.9	-130.8	-138.3
<b>Gross profit</b>		<b>33.1</b>	<b>31.9</b>	<b>31.0</b>	<b>38.0</b>	<b>42.4</b>	<b>45.1</b>
R&D expenses		-2.9	-3.1	-4.9	-5.3	-5.5	-6.0
Distribution and administration costs		-20.0	-20.4	-20.4	-21.4	-23.3	-24.3
<b>EBIT</b>		<b>10.1</b>	<b>8.4</b>	<b>5.7</b>	<b>11.4</b>	<b>13.7</b>	<b>14.8</b>
Financial results		-0.6	-0.4	-0.3	-0.3	-0.1	0.0
<b>EBT</b>		<b>9.5</b>	<b>8.0</b>	<b>5.4</b>	<b>11.1</b>	<b>13.6</b>	<b>14.8</b>
Income taxes		-1.9	-0.9	-2.2	-3.6	-4.1	-4.4
<b>Net income</b>		<b>7.6</b>	<b>7.1</b>	<b>3.2</b>	<b>7.6</b>	<b>9.5</b>	<b>10.4</b>
Weighted average number of shares (m)		3.526	3.461	3.394	3.394	3.482	3.526
<b>Earnings per share (EUR)</b>		<b>2.16</b>	<b>2.05</b>	<b>0.95</b>	<b>2.23</b>	<b>2.72</b>	<b>2.94</b>
Dividend per share (EUR)		0.60	0.60	0.60	0.12	0.12	0.12
Depreciation and amortisation		-1.9	-1.8	-2.1	-1.9	-2.1	-2.3
<b>EBITDA</b>		<b>12.1</b>	<b>10.2</b>	<b>7.8</b>	<b>13.3</b>	<b>15.7</b>	<b>17.1</b>

Source: Independent Research; Data Modul AG

**Income statement** (as percentage of sales)

	Unit: in %	2011	2012	2013	2014	2015E	2016E
Financial year:	Dec. 31						
Accounting standard:	IFRS						
<b>Sales</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Production costs		-76.5%	-77.2%	-78.9%	-75.6%	-75.5%	-75.4%
<b>Gross profit</b>		<b>23.5%</b>	<b>22.8%</b>	<b>21.1%</b>	<b>24.4%</b>	<b>24.5%</b>	<b>24.6%</b>
R&D expenses		-2.1%	-2.2%	-3.3%	-3.4%	-3.2%	-3.3%
Distribution and administration costs		-14.2%	-14.5%	-13.9%	-13.7%	-13.4%	-13.3%
<b>EBIT</b>		<b>7.2%</b>	<b>6.0%</b>	<b>3.9%</b>	<b>7.3%</b>	<b>7.9%</b>	<b>8.1%</b>
Financial results		-0.4%	-0.3%	-0.2%	-0.2%	-0.1%	0.0%
<b>EBT</b>		<b>6.8%</b>	<b>5.7%</b>	<b>3.7%</b>	<b>7.1%</b>	<b>7.8%</b>	<b>8.1%</b>
Income taxes		-1.4%	-0.6%	-1.5%	-2.3%	-2.3%	-2.4%
<b>Net income</b>		<b>5.4%</b>	<b>5.1%</b>	<b>2.2%</b>	<b>4.9%</b>	<b>5.5%</b>	<b>5.6%</b>
Depreciation and amortisation		-1.4%	-1.3%	-1.4%	-1.2%	-1.2%	-1.2%
<b>EBITDA</b>		<b>8.6%</b>	<b>7.3%</b>	<b>5.3%</b>	<b>8.5%</b>	<b>9.1%</b>	<b>9.3%</b>

Source: Independent Research; Data Modul AG

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**Balance sheet**

<b>Unit:</b> EURm	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015E</b>	<b>2016E</b>
<b>Financial year:</b> Dec. 31						
<b>Accounting standard:</b> IFRS						
Intangible assets	4.8	5.4	5.0	4.9	5.1	5.3
Property, plant & equipment	7.8	8.4	9.0	9.6	12.8	13.3
Recognised financial assets according to equity method	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	1.5	1.4	0.3	0.2	0.2	0.2
Deferred taxes	1.7	0.9	0.0	0.0	0.0	0.0
<b>Total non-current assets</b>	<b>15.8</b>	<b>16.1</b>	<b>14.2</b>	<b>14.7</b>	<b>18.1</b>	<b>18.8</b>
Inventories	27.1	30.4	29.8	28.9	32.6	34.9
Trade account receivables	17.7	15.8	22.4	18.3	21.4	23.6
Claim for reimbursements of income tax	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.9	2.4	1.8	1.3	1.4	1.5
Cash and cash equivalents	8.4	9.5	15.3	16.8	18.5	18.5
Assets available for sale	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current assets</b>	<b>54.1</b>	<b>58.2</b>	<b>69.2</b>	<b>65.4</b>	<b>73.9</b>	<b>78.4</b>
<b>Total assets</b>	<b>69.9</b>	<b>74.3</b>	<b>83.5</b>	<b>80.1</b>	<b>91.9</b>	<b>97.3</b>
Capital stock	10.6	10.2	10.2	10.2	10.6	10.6
Capital reserve	22.4	22.4	22.4	22.4	24.1	24.1
Retained earnings	7.4	10.6	11.7	17.1	27.7	37.6
Other reserves	-1.5	-1.5	-2.2	-1.6	-1.6	-1.6
<b>Total equity</b>	<b>38.9</b>	<b>41.8</b>	<b>42.1</b>	<b>48.0</b>	<b>60.8</b>	<b>70.7</b>
Long-term financial liabilities	4.3	4.8	0.9	3.0	0.0	0.0
Pension provisions	1.1	1.3	1.5	1.8	1.9	2.0
Other provisions	0.8	0.3	0.5	0.4	0.4	0.4
Deferred taxes	1.6	0.8	0.1	0.5	0.5	0.6
<b>Total non-current liabilities</b>	<b>7.9</b>	<b>7.1</b>	<b>3.0</b>	<b>5.6</b>	<b>2.8</b>	<b>3.0</b>
Short-term financial liabilities	6.2	10.0	19.0	9.1	8.6	2.1
Other provisions	1.1	2.1	0.9	1.5	1.7	1.7
Trade account payables	9.0	8.4	10.9	7.7	9.3	10.6
Advanced payments received	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	6.0	4.5	5.6	5.1	5.5	5.8
Tax liabilities	0.9	0.5	1.9	3.0	3.3	3.4
<b>Total current liabilities</b>	<b>23.1</b>	<b>25.4</b>	<b>38.4</b>	<b>26.4</b>	<b>28.3</b>	<b>23.6</b>
<b>Total liabilities</b>	<b>69.9</b>	<b>74.3</b>	<b>83.5</b>	<b>80.1</b>	<b>91.9</b>	<b>97.3</b>

Source: Independent Research; Data Modul AG

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**Balance sheet** (as percentage of balance sheet total)

Unit: Financial year: Accounting standard:	in % Dec. 31 IFRS	2011	2012	2013	2014	2015E	2016E
Intangible assets		6.8%	7.3%	5.9%	6.1%	5.6%	5.4%
Property, plant & equipment		11.2%	11.3%	10.7%	12.0%	13.9%	13.7%
Recognised financial assets according to equity method		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term assets		2.2%	1.9%	0.4%	0.3%	0.2%	0.2%
Deferred taxes		2.4%	1.2%	0.0%	0.0%	0.0%	0.0%
<b>Total non-current assets</b>		<b>22.6%</b>	<b>21.7%</b>	<b>17.0%</b>	<b>18.4%</b>	<b>19.7%</b>	<b>19.3%</b>
Inventories		38.8%	40.9%	35.7%	36.1%	35.5%	35.8%
Trade account receivables		25.3%	21.3%	26.8%	22.9%	23.2%	24.3%
Claim for reimbursements of income tax		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other assets		1.2%	3.2%	2.1%	1.6%	1.5%	1.5%
Cash and cash equivalents		12.0%	12.8%	18.3%	21.0%	20.1%	19.0%
Assets available for sale		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total current assets</b>		<b>77.4%</b>	<b>78.3%</b>	<b>83.0%</b>	<b>81.6%</b>	<b>80.3%</b>	<b>80.7%</b>
<b>Total assets</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Capital stock		15.1%	13.7%	12.2%	12.7%	11.5%	10.9%
Capital reserve		32.1%	30.2%	26.9%	27.9%	26.2%	24.8%
Retained earnings		10.6%	14.3%	14.1%	21.4%	30.1%	38.7%
Other reserves		-2.1%	-2.0%	-2.7%	-2.0%	-1.8%	-1.7%
<b>Total equity</b>		<b>55.6%</b>	<b>56.2%</b>	<b>50.5%</b>	<b>60.0%</b>	<b>66.1%</b>	<b>72.7%</b>
Long-term financial liabilities		6.2%	6.4%	1.0%	3.7%	0.0%	0.0%
Pension provisions		1.6%	1.8%	1.8%	2.2%	2.1%	2.1%
Other provisions		1.1%	0.4%	0.6%	0.4%	0.4%	0.4%
Deferred taxes		2.3%	1.0%	0.1%	0.6%	0.6%	0.6%
<b>Total non-current liabilities</b>		<b>11.3%</b>	<b>9.6%</b>	<b>3.6%</b>	<b>7.0%</b>	<b>3.1%</b>	<b>3.0%</b>
Short-term financial liabilities		8.8%	13.4%	22.8%	11.3%	9.3%	2.1%
Other provisions		1.5%	2.8%	1.0%	1.9%	1.8%	1.8%
Trade account payables		12.9%	11.3%	13.1%	9.6%	10.1%	10.9%
Advanced payments received		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities		8.6%	6.0%	6.7%	6.4%	6.0%	5.9%
Tax liabilities		1.2%	0.7%	2.3%	3.8%	3.6%	3.5%
<b>Total current liabilities</b>		<b>33.1%</b>	<b>34.2%</b>	<b>46.0%</b>	<b>33.0%</b>	<b>30.8%</b>	<b>24.3%</b>
<b>Total liabilities</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Independent Research; Data Modul AG

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**Cash flow statement**

<b>Unit</b> <b>Financial year:</b> <b>Accounting standard:</b>	EURm Dec. 31 IFRS	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015E</b>	<b>2016E</b>
Net income		7.6	6.9	3.2	7.6	9.5	10.4
Depreciation and amortisation (development costs/PP&E)		1.9	1.8	2.1	1.9	2.1	2.3
Interest result		0.6	0.4	0.3	0.3	0.1	0.0
Interest received		0.0	0.1	0.0	0.0	0.1	0.1
Interest paid		-0.4	-0.4	-0.3	-0.3	-0.2	-0.1
Deferred taxes		-0.6	-0.1	0.2	0.4	0.0	0.0
Income taxes		2.6	1.0	2.5	3.1	4.1	4.4
Paid income taxes		-2.1	-2.5	-1.4	-1.4	-4.1	-4.4
Allowance of receivables		0.0	-0.3	0.9	0.3	0.0	0.0
Result of disposal of assets		0.0	0.0	0.0	0.0	0.0	0.0
Changes in long-term provisions		0.1	0.5	0.7	0.1	0.2	0.1
Changes in short-term provisions		-0.6	0.2	-1.5	-0.2	0.1	0.1
Other assets and liabilities		0.6	-5.4	-0.1	-2.6	0.6	0.3
Other non-cash income and expenses		1.1	3.4	2.4	3.2	0.0	0.0
<b>Cash earnings</b>		<b>10.7</b>	<b>5.6</b>	<b>9.0</b>	<b>12.3</b>	<b>12.4</b>	<b>13.2</b>
Trade account receivables		0.8	2.1	-7.3	3.8	-3.0	-2.3
Inventories		-4.3	-3.3	0.6	0.9	-3.7	-2.2
Trade account payables and advanced payments		-0.9	-0.6	2.6	-3.2	1.6	1.3
<b>Cash flow from operating activities</b>		<b>6.3</b>	<b>3.9</b>	<b>4.9</b>	<b>13.8</b>	<b>7.3</b>	<b>9.9</b>
Proceeds from the disposal of assets		0.0	0.0	0.0	0.0	0.0	0.0
Payments for investments in capitalised development costs		-0.8	-1.4	-0.8	-0.6	-0.5	-0.5
Investments in other intangible assets and tangible assets		-0.9	-1.7	-1.4	-1.9	-4.9	-2.5
Proceeds from divestment of affiliates		0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>		<b>-1.7</b>	<b>-3.0</b>	<b>-2.2</b>	<b>-2.4</b>	<b>-5.4</b>	<b>-3.0</b>
Capital increase		0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of own shares		0.0	-1.9	0.0	0.0	3.6	0.0
Dividend payment		-1.4	-2.1	-2.0	-2.0	-0.4	-0.4
Repayments of/ proceeds from financial liabilities		-1.3	4.3	5.1	-7.8	-3.5	-6.5
<b>Cash flow from financing activities</b>		<b>-2.7</b>	<b>0.3</b>	<b>3.1</b>	<b>-9.9</b>	<b>-0.3</b>	<b>-6.9</b>
<b>Change in cash flows</b>		<b>1.9</b>	<b>1.1</b>	<b>5.7</b>	<b>1.5</b>	<b>1.7</b>	<b>0.0</b>
Change attributable to exchange rates		0.0	0.0	0.1	0.0	0.0	0.0
Cash and cash equivalents - at beginning of period		6.5	8.4	9.5	15.3	16.8	18.5
<b>Cash and cash equivalents - at end of period</b>		<b>8.4</b>	<b>9.5</b>	<b>15.3</b>	<b>16.8</b>	<b>18.5</b>	<b>18.5</b>

Source: Independent Research; Data Modul AG

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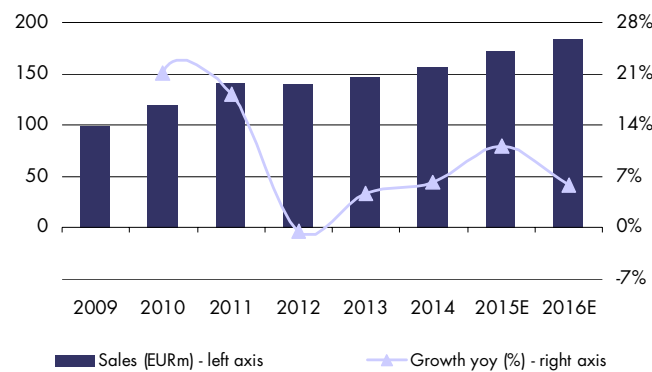
## Key figures

Financial year: Accounting standard:	Dec. 31 IFRS	2011	2012	2013	2014	2015E	2016E
<b>Growth rates</b>							
Sales growth		18.3%	-0.4%	4.6%	6.3%	11.1%	5.9%
EBITDA growth		39.3%	-15.7%	-23.4%	70.0%	18.6%	8.7%
EBIT growth		54.0%	-17.2%	-32.4%	100.9%	19.9%	8.3%
EBT growth		60.1%	-16.3%	-32.3%	106.3%	21.7%	9.2%
EPS growth		94.9%	-5.0%	-53.4%	134.1%	22.1%	7.8%
<b>Margin analysis</b>							
EBITDA margin		8.6%	7.3%	5.3%	8.5%	9.1%	9.3%
EBIT margin		7.2%	6.0%	3.9%	7.3%	7.9%	8.1%
EBT margin		6.8%	5.7%	3.7%	7.1%	7.8%	8.1%
Net margin		5.4%	5.1%	2.2%	4.9%	5.5%	5.6%
<b>Yield analysis</b>							
ROI		11.3%	9.8%	4.1%	9.3%	11.0%	10.9%
ROCE		16.5%	14.1%	6.2%	14.1%	16.4%	16.0%
ROE before taxes		26.7%	19.8%	12.9%	24.7%	24.9%	22.5%
ROE after taxes		21.3%	17.6%	7.7%	16.8%	17.4%	15.8%
ROIC		16.8%	13.8%	5.6%	12.4%	14.4%	14.2%
<b>Balance sheet analysis</b>							
Equity ratio		55.6%	56.2%	50.5%	60.0%	66.1%	72.7%
Equity / non-current assets ratio		2.5	2.6	3.0	3.3	3.4	3.8
Equity + non-current debt / non-current assets ratio		3.0	3.0	3.2	3.6	3.5	3.9
Asset intensity		22.6%	21.7%	17.0%	18.4%	19.7%	19.3%
Inventory turnover		5.6	4.9	4.9	5.3	5.6	5.4
Receivables turnover		7.8	8.4	7.7	7.7	8.7	8.2
Days of sales outstanding		46.9	43.7	47.5	47.6	41.8	44.8
Working capital / sales ratio		23.8%	26.3%	27.0%	25.9%	24.3%	25.2%
Days of payables outstanding		32.3	29.3	30.5	28.9	23.7	26.3
<b>Debt ratios</b>							
Net financial debt		3.2	6.6	6.1	-3.0	-8.0	-14.5
Net financial debt / EBITDA		0.4	0.5	0.8	0.1	-0.3	-0.7
Net gearing		0.1	0.2	0.1	-0.1	-0.1	-0.2
EBITDA interest coverage		18.6	22.9	24.0	45.1	76.3	161.3
EBIT interest coverage		15.6	18.9	17.5	38.8	66.4	139.7
<b>Cash flow analysis</b>							
Free cash flow (FCF)		4.7	0.8	2.6	11.3	1.9	6.9
FCF / sales		3.3%	0.6%	1.8%	7.3%	1.1%	3.8%
FCF / net income		61.2%	11.6%	81.2%	149.6%	20.4%	67.0%
FCF per share (EUR)		1.32	0.24	0.77	3.34	0.56	1.97
FCF yield		9.9%	1.7%	4.9%	17.7%	1.7%	6.1%
Capex		1.7	3.0	2.2	2.5	5.4	3.0
Capex / depreciation and amortisation		87.7%	169.3%	105.0%	133.4%	262.5%	131.4%
Capex / sales		1.2%	2.2%	1.5%	1.6%	3.1%	1.6%
<b>Valuation multiples</b>							
EV / sales		0.4	0.4	0.4	0.4	0.6	0.6
EV / EBITDA		4.2	5.5	7.7	4.6	7.0	6.4
EV / EBIT		5.0	6.7	10.6	5.4	8.0	7.4
EV / FCF		10.8	67.9	22.9	5.4	56.9	15.8
P / E ratio		6.2	7.0	16.7	8.5	11.9	11.0
P / B ratio		1.2	1.2	1.3	1.3	1.9	1.6
P / CF ratio		7.4	12.8	11.1	4.6	15.5	11.5
P / S ratio		0.3	0.4	0.4	0.4	0.7	0.6
Dividend yield		4.5%	4.2%	3.8%	0.6%	0.4%	0.4%

Source: Independent Research; Data Modul AG

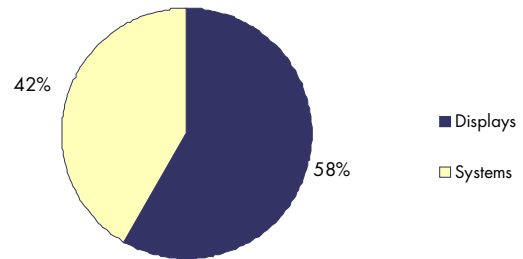
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**Sales growth**



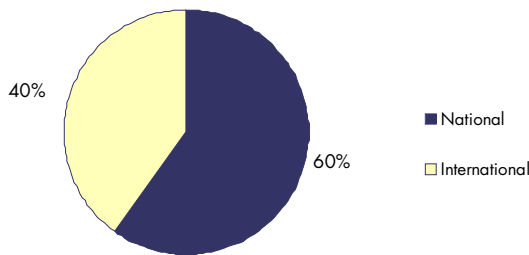
- ⇒ Strong rebound after the cyclical sales slump in 2009 (-26%)
- ⇒ Reorientation led to a slow sales growth in the past years
- ⇒ Internationalisation, proprietary products and system business as drivers

**Sales by segment (2014)**



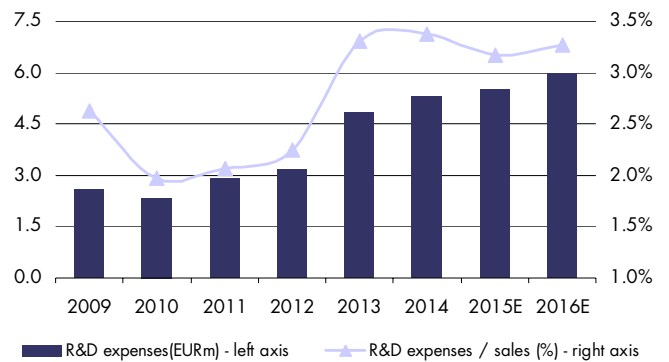
- ⇒ Share of sales of the Displays segment has decreased in the past years
- ⇒ In our view, the Systems segment should become more important because of internationalisation (US,China) and concentration on key accounts

**Sales by region (2014)**



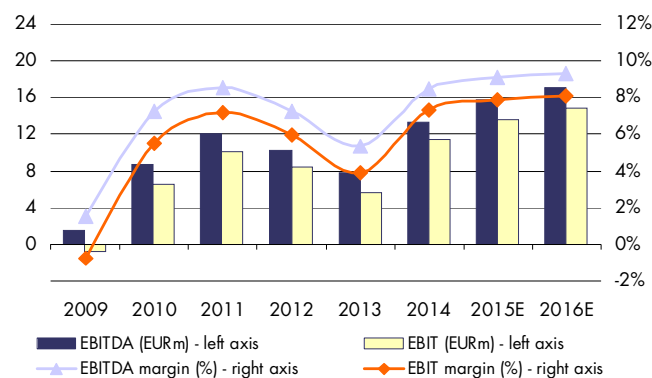
- ⇒ The business of Data Modul depends strongly on the domestic market with a sales share of 60% (especially the Displays segment)
- ⇒ Strategy of internationalisation especially in the US and China

**R&D expenses**



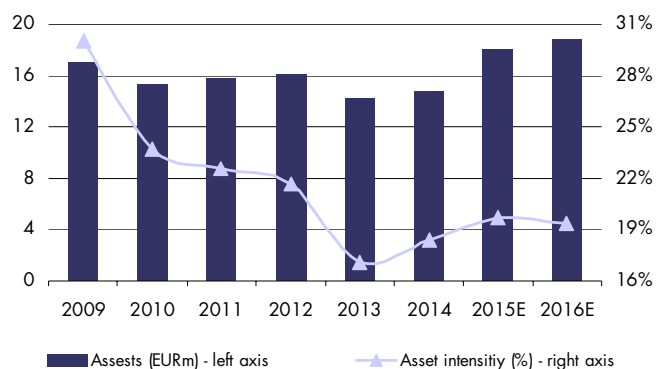
- ⇒ R&D expenses have risen strongly in 2014 because of the development of proprietary technologies in the optical bonding and embedded systems business
- ⇒ The goal is the differentiation from the mass market due to customised products

**EBITDA and EBIT**



- ⇒ 2013 is characterised by one-off expenses and high R&D costs
- ⇒ Increasing margins are expected: system business becomes more important, proprietary technologies, economies of scale (higher capacity utilisation) etc.

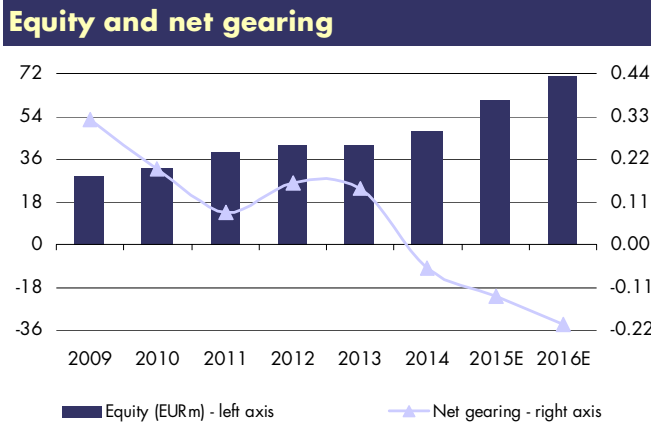
**Assets and asset intensity**



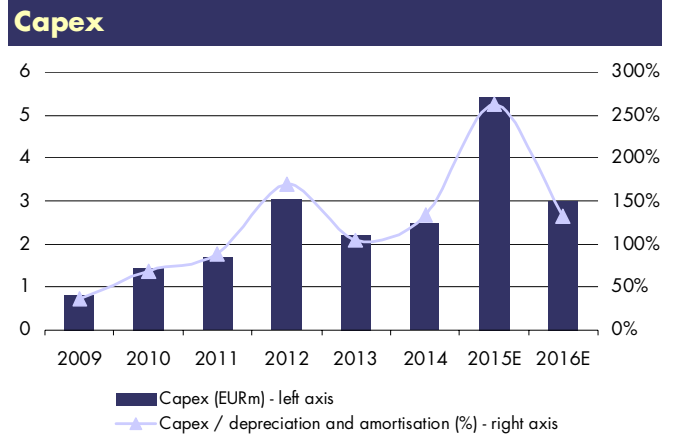
- ⇒ Low asset intensity is reflecting a business model which is focused on the upgrading of displays and - with declining share of sales - the distribution business

Source: Independent Research; Data Modul AG

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- ⇒ Above-average solid equity base
- ⇒ Data Modul has reached a net cash position of EUR3.0m at the end of FY 2014. It should further increase.



- ⇒ High capex in 2012 and 2013 among others because of shifting of production and logistics from Munich to Weikersheim
- ⇒ Further investments (increase in production capacity in Weikersheim)

Source: Independent Research; Data Modul AG

### Peer group analysis

in m domestic currency except for stock price and EPS	Stock price	Market cap	EV	Sales		EBITDA		EBIT		EPS	
				2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E
<b>Avnet (USD)</b> Growth (sales), margin (EBITDA, EBIT)	38.86	5,225	6,270	28,228	28,891	1,133	1,205	1,010	1,083	4.77	5.08
<b>Arrow Electronics (USD)</b> Growth (sales), margin (EBITDA, EBIT)	51.48	4,861	7,148	23,242	24,272	1,074	1,115	963	992	6.32	6.69
<b>AU Optronics (TWD)</b> Growth (sales), margin (EBITDA, EBIT)	9.34	89,890	148,295	362,481	341,090	72,334	61,516	23,854	17,282	1.60	1.05
<b>Dialog Semiconductor (EUR)</b> Growth (sales), margin (EBITDA, EBIT)	39.10	3,044	2,663	1,443	1,636	353	402	299	350	2.91	3.48
<b>Innolux (TWD)</b> Growth (sales), margin (EBITDA, EBIT)	10.00	99,536	124,837	373,857	347,158	84,054	64,321	31,716	21,248	2.24	1.35
<b>Japan Display (JPY)</b> Growth (sales), margin (EBITDA, EBIT)	349.00	209,893	219,751	1,001,464	1,106,272	119,412	150,974	36,100	52,636	34.28	47.95
<b>Kontron (EUR)</b> Growth (sales), margin (EBITDA, EBIT)	2.89	161	192	478	518	28	42	5	20	0.07	0.27
<b>LG Display (JPY)</b> Growth (sales), margin (EBITDA, EBIT)	21,450	7,675*	9,624*	27,653*	27,349*	5,445*	4,941*	2,015*	1,586*	3,883	3,135
<b>Data Modul AG (EUR)</b> Growth (sales), margin (EBITDA, EBIT)	32.30	114	110	173	183	16	17	14	15	2.72	2.94

Source: Independent Research; Bloomberg

\*billion closing share prices as of 08/24/15

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## Disclaimer

### Recommendations concerning particular shares (starting December 18, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Hold: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline in absolute terms within a 6-month period.

### Recommendations concerning particular shares (until December 17, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Accumulate: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Reduce: According to our assessment, the stock will decline by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline by least 15% in absolute terms within a 6-month period.

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Key sources of information used in the preparation of this document are publications in foreign and domestic media such as information services (e.g. Reuters, VWD, Bloomberg, DPA-AFX etc.), the financial press (e.g. Börsenzeitung, Handelsblatt, FAZ, FTD, Wall Street Journal, Financial Times etc.), specialised journals, published statistics, rating agencies and publications of the issuers under coverage.

#### **Quarterly overview**

**A quarterly overview of all financial analysis reports of the past quarter with all recommendations sorted by recommendation categories (quarterly overview in accordance with Section 5 Paragraph 4 Number 3 of the Financial Analysis Regulation (FinAnV)) is available on the website of Independent Research GmbH under <http://irffm.de/images/stories/pdf/votenzaehlung.pdf>.**

#### Summary of the valuation principles used:

##### Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer-Group Analysis) are applied. Under the DCF Method the net value of the issuer is calculated, which represents the sum of the discounted company results, i.e. the net present value of the issuer's future net cash flows. The net value is therefore determined with reference to the company's anticipated future results and the discount rate applied. Under the Peer-Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of valuation multiples (e.g. price/earnings ratio, price/book value, enterprise value/sales, enterprise value/EBITDA, enterprise value/EBIT). Comparability of the valuation multiples is primarily determined by business activity and economic prospects.

##### Sensitivity of the valuation parameters:

The figures taken from the income statement, the cash flow statement and the balance sheet, upon which the valuation of companies is based, are numerical estimates and therefore subject to risks. These may change at any time without prior notice.

Quite apart from the valuation method applied, there is a very real risk that the share price target may not be reached in the anticipated period of time. Risks include unforeseen changes in competitive pressure or in demand for the issuer's products. Such fluctuations in demand may arise as a result of changes of a technological nature, the overall level of economic activity or in some cases as a result of changes in moral concepts. Changes in tax law, in exchange rates and, in certain business segments, in regulations are other factors which can influence valuations. The above discussion of valuation methods and risk factors makes no claim to be exhaustive.

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<b>Data Modul AG</b>	<b>5, 6</b>

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**As at: 08/25/2015**

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