

LPKF Laser & Electronics AG

WKN: 645000 | ISIN: DE0006450000 | Bloomberg: LPK GY

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BUY

Before: HOLD

Price target **EUR 20.50 (13.00)**
Share price* **EUR 18.40 (+11%)**

*last XETRA price

Change	2019/20e	2020/21e	2021/22e
Turnover	1.6	4.3	11.8
EBIT	0.9	3.7	6.5
EPS	0.02	0.11	0.18



Source: Factset

Sale of LIDE system – TP and recommendation up

Sale of a LIDE system: LPKF Laser announced the sale of a highly automated LIDE system to a leading global chip manufacturing group in the semiconductor industry on 15.01. The system for processing glass wafers was qualified by the customer over a period of several months. LPKF did not disclose any further information on the deal.

We see this as an important step in establishing LPKF as a supplier to the semiconductor industry. We expect turnover with LIDE to skyrocket in 2020 and 2021, which will impact the revenues of the Electronics segment.

Updating our estimates: We have adjusted our segment estimates as we are convinced of the potential, especially in the Electronics segment with LIDE, LTP and increasingly the Welding segment.

Revenues in EUR m	2019e new	2019e old	2020e new	2020e old	2021 new	2021 old
Development segment	24.5	23.7	25.7	24.9	26.9	25.5
Electronics segment	43.8	40.5	54.0	43.7	66.6	46.8
Welding segment	27.0	25.7	31.1	27.9	34.8	30.1
Solar segment	44.6	48.4	44.6	54.5	45.9	60.0
Total sales	139.9	138.3	155.3	151.0	174.2	162.4

EBIT in EUR m	2019e new	2019e old	2020e new	2020e old	2021 new	2021 old
Development segment	2.2	3.6	4.1	4.0	4.3	4.1
Electronics segment	8.1	5.4	11.3	6.2	14.5	7.5
Welding segment	0.8	-0.1	1.9	0.8	3.7	1.5
Solar segment	8.3	9.7	8.3	10.9	9.6	12.6
Total EBIT	19.4	18.5	25.6	21.9	32.1	25.6
EBIT margin	13.8%	13.3%	16.5%	14.5%	18.4%	15.8%

BUY (HOLD), TP EUR 20.50 (13.00): With our new estimates, we arrive at a fair value of EUR 20.56 in the DCF and EUR 17.15-20.79 in the multiple valuation (p.2). With the current momentum of the share, we see the market valuing the share in the direction of our DCF. We therefore set our target price at EUR 20.50 (EUR 13) and our recommendation to BUY (HOLD).

in EURm	(2018-21e)	2016	2017	2018	2019e	2020e	2021e
Sales	13.2%	91.1	102.1	120.0	139.9	155.3	174.2
EBITDA	40.0%	1.3	11.6	14.9	26.7	33.6	40.8
Margin		1.4%	11.4%	12.4%	19.1%	21.6%	23.4%
EBIT	67.6%	-6.8	4.0	6.8	19.2	25.6	32.1
Margin		-7.4%	3.9%	5.7%	13.8%	16.5%	18.4%
Net income	40.2%	-8.8	1.2	8.0	13.1	17.6	22.2
EPS	40.2%	-0.40	0.05	0.33	0.53	0.72	0.90
Dividend per share		0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales		2.2	2.3	1.4	3.6	3.4	3.2
EV/EBITDA		-29.5	58.6	24.7	26.2	20.6	17.2
P/E		-17.5	180.9	16.8	34.5	25.6	20.3
Net debt/ EBITDA		28.9	1.4	-1.1	-1.4	-1.8	-2.1

Source: LPKF AG, FMR

Basic share data

Number of shares (million)	24.50
Free Float (in %)	71%
Market cap (EURm)	451
Trading volume (Ø)	29,930
High (EUR, 52 weeks)	18.70
Low (EUR, 52 weeks)	5.34

Shareholder structure

Jörg Bantleon	29.0%
Luxupart Pipe SARL (Luxunion S.A.)	5.0%
Sicav Lazard Small Caps Euro	5.0%

Corporate calendar

FY 2019	24.03.2020
Q1	05.05.2020

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ODDO SEYDLER

Guidance should be achieved: With our new estimates, we assume that LPKF will achieve its guidance at the upper end. The company raised its guidance on 9 September 2019 from EUR 130-135m turnover to EUR 135-140m (FMRe: EUR 139.9m), the original 8-12% EBIT margin will be between 12% and 14% (FMRe: 13.8%) due to higher turnover.

DCF-Modell

in EURm	PHASE 1			PHASE 2						PHASE 3	
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	
Sales	155.3	174.2	193.3	214.1	224.8	231.5	237.3	243.2	249.3	255.6	
Yo-Y-growth	16.7%	11.0%	12.1%	11.0%	10.7%	5.0%	3.0%	2.5%	2.5%	2.5%	
EBIT	25.6	32.1	36.4	40.5	42.0	43.7	44.9	46.1	47.2	47.3	
EBIT margin	16.5%	18.4%	18.8%	18.9%	18.7%	18.9%	18.9%	18.9%	18.9%	18.5%	
Income tax on EBIT	-7.5	-9.5	-10.8	-12.0	-12.5	-13.0	-13.4	-13.7	-14.1	-14.1	
Depreciation and amortisation	7.9	8.7	8.9	9.1	10.7	11.1	11.9	12.7	13.5	13.5	
Change in net working capital	3.9	-1.0	-1.0	-1.1	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3	
Net capital expenditure	-5.1	-9.2	-6.4	-7.1	-7.8	-10.7	-11.2	-11.9	-12.8	-13.5	
Free cash flow	24.9	21.2	27.2	29.5	31.8	30.8	32.0	32.9	33.6	32.9	
Present values	23.1	18.3	21.8	21.9	21.9	19.7	19.0	18.1	17.2	15.6	290.2
Present value Phase 1	63.2										
Present value Phase 2	133.4										
Present value Phase 3	290.2										
Total present value	486.8										
+ Excess cash/Non-operating assets	24.9										
- Financial debt	-8.1										
+ Minority interests	0.0										
Fair value of equity	503.6										
Number of shares (m)	24.5										
Fair value per share (in EUR)	20.56										

Risk free rate	2.00%	Target equity ratio	70%
Equity risk premium	6.00%	Beta	1.2
Debt risk premium	3.00%	WACC	7.49%
Tax shield (Phase 3)	30.0%	Terminal growth	2.00%

	Sensitivity analysis				
	Terminal growth rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
6.49%	22.10	23.47	25.14	27.24	29.93
6.99%	20.22	21.31	22.62	24.22	26.22
WACC 7.49%	18.63	19.51	20.56	21.81	23.34
7.99%	17.27	17.99	18.84	19.83	21.03
8.49%	16.09	16.69	17.38	18.18	19.14

Source: FMR Research

In our DCF model, we take our adjusted estimates for 2019e as the basis for the calculation. With a WACC of 7.49%, we obtain a fair value of EUR 20.56.

Based on the current momentum and the expected positive news flow for this year, we assume in our valuation that the market will price in the direction of the DCF, i.e. the long-term potential. We therefore take the DCF model as the basis for our new target price of EUR 20.50 (EUR 13).

With a target price of EUR 20.50, the share has a PE FY2 of 28.5x and of FY3 of 22.7x.

	2020e	2021e
EV/Sales	1.9x	1.7x
EV/EBITDA	9.0x	7.4x
EV/EBIT	11.8x	9.4x
PE	28.5x	22.7x

Peer group multiple valuation

Name	PE FY2	PE FY3	EV/Sales FY2	EV/Sales FY3	EBITDA 2020e	EBITDA 2021e
Coherent, Inc.	18.5x	13.5x	2.6x	2.3x	10.7x	7.9x
Manz AG	26.3x	10.3x	0.7x	0.6x	8.8x	5.5x
SINGULUS TECHNOLOGIES AG	8.1x	4.1x	0.4x	0.3x	3.9x	2.7x
Basler AG	38.1x	28.5x	3.0x	2.6x	15.6x	12.5x
AIXTRON SE	28.9x	21.9x	2.9x	2.6x	15.1x	11.7x
Carl Zeiss Meditec AG	46.4x	41.1x	6.3x	5.9x	28.5x	25.7x
Sartorius AG	55.2x	48.0x	7.0x	6.3x	25.5x	23.1x
Avg. peergroup	20.1x	15.2x	2.1x	1.9x	9.8x	8.1x
Peergroup median	18.5x	10.3x	0.7x	0.6x	8.8x	5.5x

LPKF Laser&Electronics	EPS 2020e	EPS 2021e	Sales 2020e	Sales 2021e	EBITDA 2020e	EBITDA 2021e
in EUR m	0.72	0.90	155.3	174.2	33.6	40.8
Peergroup median	28.9x	21.9x	2.9x	2.6x	15.1x	11.7x
Discount	0%	0%	0%	0%	0%	0%
Multiple	28.9x	21.9x	2.9x	2.6x	15.1x	11.7x
Enterprise value			456.5	449.0	507.4	475.5
+ Cash						
- Financial debt						
- Minorities						
Market cap.			427.49	420.03	478.35	446.53
Shares in m			24.50	24.50	24.50	24.50
Fair value per share in EUR	20.79	19.84	17.45	17.15	19.53	18.23

Source: FMR Research

To avoid roll effects in the transition from 2019e to 2020e, we use only the FY2 and FY3 consensus on our new estimates. The values thus obtained support our DCF model and range from EUR 17.15 (EV/Sales FY3) to EUR 20.79 (PE FY2).

Appendix

Profit and loss statement

in EURm	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Revenues	87.3	91.1	102.1	120.0	139.9	155.3	174.2
YoY growth	15.3%	23.3%	6.9%	6.4%	3.9%	-0.6%	0.9%
Changes in inventory as % of revenues	6.7 7.7%	2.6 2.9%	2.9 2.8%	5.2 4.3%	4.1 2.9%	3.1 2.0%	3.5 2.0%
Cost of Materials as % of revenues	-24.9 -28.5%	-31.0 -34.1%	-33.8 -33.1%	-48.0 -40.0%	-56.0 -40.0%	-60.6 -39.0%	-66.2 -38.0%
Personnel expense as % of revenues	-43.7 -50.1%	-43.9 -48.2%	-41.9 -41.0%	-44.3 -36.9%	-44.1 -31.5%	-45.6 -29.4%	-51.2 -29.4%
Other operating expense as % of revenues	-29.1 -33.3%	-23.3 -25.6%	-23.3 -22.9%	-21.7 -18.1%	-20.7 -14.8%	-21.7 -14.0%	-23.0 -13.2%
Other operating income as % of revenues	7.1 8.2%	5.8 6.3%	5.7 5.6%	3.7 3.1%	3.5 2.5%	3.1 2.0%	3.5 2.0%
EBITDA	3.4	1.3	11.6	14.9	26.7	33.6	40.8
as % of revenues	3.9%	1.4%	11.4%	12.4%	19.1%	21.6%	23.4%
Depreciation and amortisation (incl. PPA) as % of revenues	-7.2 -8.2%	-8.1 -8.8%	-7.7 -7.5%	-8.1 -6.7%	-7.5 -5.4%	-7.9 -5.1%	-8.7 -5.0%
EBIT	-3.7	-6.8	4.0	6.8	19.2	25.6	32.1
as % of revenues	-4.3%	-7.4%	3.9%	5.7%	13.8%	16.5%	18.4%
Net financial results incl. equity results	-0.7	-0.8	-0.9	-0.9	-0.6	-0.5	-0.5
EBT (Earnings before income taxes)	-4.4	-7.6	3.0	6.0	18.7	25.1	31.6
as % of revenues	-5.0%	-8.3%	3.0%	5.0%	13.4%	16.2%	18.2%
Income taxes as % of EBT	0.9 -20.8%	-1.2 16.4%	-1.9 -61.8%	2.1 34.6%	-5.6 -30.0%	-7.5 -30.0%	-9.5 -30.0%
Net income	-3.5	-8.8	1.2	8.0	13.1	17.6	22.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted net income after minorities	-3.5	-8.8	1.2	8.0	13.1	17.6	22.2
Net margin in %	-4.0%	-9.7%	1.1%	6.7%	9.3%	11.3%	12.7%
Earnings per share	-0.16	-0.40	0.05	0.33	0.53	0.72	0.90

Source: LPKF Laser & Electronics AG, FMR Research AG

Balance sheet

in EURm	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Assets						
Non-current assets	66.4	63.9	64.8	62.4	63.7	61.3
as % of total assets	56.8%	54.8%	50.3%	47.8%	41.9%	34.4%
Intangible assets (incl. Goodwill)	15.3	15.4	15.2	15.7	16.2	16.8
Property and buildings	38.6	38.6	37.8	36.8	39.3	38.3
Other assets	12.5	9.8	11.8	10.0	8.1	6.2
Current assets	50.5	52.7	64.0	68.3	88.1	116.9
as % of total assets	43.2%	45.2%	49.7%	52.2%	58.1%	65.6%
Inventories	25.0	25.5	25.7	22.2	19.4	21.8
Accounts receivable	19.8	19.4	30.5	16.8	18.6	20.9
Other receivables and other assets	2.2	4.4	4.0	4.3	4.8	5.4
Cash and cash equivalents	3.6	3.3	3.7	24.9	45.3	68.8
Total assets	116.9	116.6	128.8	130.7	151.8	178.2
Shareholders' equity and liabilities						
Shareholders' equity	54.3	54.2	77.7	90.8	108.4	130.6
as % of total equity and liabilities	46.5%	46.5%	60.4%	69.5%	71.4%	73.3%
Subscribed capital	22.3	22.3	24.5	24.5	24.5	24.5
Other equity	32.1	32.0	53.2	66.3	83.9	106.1
Equity attributable to shareholders	54.3	54.2	77.7	90.8	108.4	130.6
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Financial debt	43.5	41.0	20.0	8.1	8.1	8.1
as % of total equity and liabilities	37.2%	35.2%	15.6%	6.2%	5.4%	4.6%
Long-term financial liabilities	22.6	20.0	17.4	5.5	5.5	5.5
Short-term financial liabilities	20.9	21.0	2.6	2.6	2.6	2.6
Liabilities	15.0	16.7	25.3	23.1	25.6	28.7
as % of total equity and liabilities	12.8%	14.4%	19.6%	17.7%	16.9%	16.1%
Accounts payable	3.1	3.2	6.9	5.6	6.2	7.0
Other liabilities	11.9	13.5	18.4	17.5	19.4	21.8
Provisions	4.2	4.6	5.7	8.7	9.6	10.8
as % of total equity and liabilities	3.6%	3.9%	4.5%	6.6%	6.3%	6.0%
Pension provisions and similar obligations	0.3	0.3	0.3	0.3	0.3	0.3
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	3.9	4.3	5.5	8.4	9.3	10.5
Total equity and liabilities	116.9	116.6	128.8	130.7	151.8	178.2

Source: LPKF Laser & Electronics AG, FMR Research AG

Cash flow statement

in EURm	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Net income	-8.8	1.2	8.0	13.1	17.6	22.2
Depreciation and amortisation	8.1	7.7	8.1	7.5	7.9	8.7
Change in Working Capital	5.5	-0.2	-1.2	17.7	3.9	-1.0
Cash flow from operating activities	4.7	8.6	14.9	38.2	29.5	29.9
CAPEX	-5.7	-4.7	-8.6	-5.1	-9.2	-6.4
Cash flow from investing activities	-5.7	-4.7	-8.6	-5.1	-9.2	-6.4
Change in debt	2.4	-2.5	-21.0	-11.9	0.0	0.0
Net proceeds from capital increase	0.0	0.0	2.2	0.0	0.0	0.0
Dividend payments	-2.7	0.0	0.0	0.0	0.0	0.0
Other financing activities	-0.1	0.0	-0.1	0.0	0.0	0.0
Cash flow from financing activities	-0.4	-2.4	-18.8	-11.9	0.0	0.0
Total change in cash and cash equivalents	-1.3	1.4	-12.5	21.2	20.3	23.5
Other changes in cash and cash equivalents	1.1	-1.6	12.9	0.0	0.0	0.0
Cash and cash equivalents at the start of the period	3.8	3.6	3.3	3.7	24.9	45.3
Cash and cash equivalents at year's end	3.6	3.4	3.7	24.9	45.3	68.8

Source: LPKF Laser & Electronics AG, FMR Research AG

Declaration of liability (disclaimer) and mandatory details pursuant to Section 85 Securities Trading Act (WpHG), EU Market Abuse Regulation (EU Regulation No. 596/2014), Delegated Regulation 2016/958 and Delegated Regulation 2017/565 including details of possible conflicts of interest (disclosures), the author and the responsible supervisory authority

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
- f) All prices and price developments listed in the analysis are based on closing prices insofar as no contradictory details were provided about prices and price developments.

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 - (ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;
 - (iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements;
 - (iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;
 - (v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;
 - (vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.
 - (vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
LPKF Laser & Electronics AG	-

b) FMR Frankfurt Main Research AG has concluded a cooperation agreement with Oddo Seydler Bank AG, on the basis of which this financial analysis is compiled. Oddo Seydler Bank AG is acting as the agent of the issuer, which is either the subject of the financial analysis itself or its financial instruments are the subject of the financial analysis.

Neither Oddo Seydler Bank AG nor an affiliated company, nor any person who contributed to the compilation

(i.) has an involvement in the share capital of the issuer of at least 5 per cent;

(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

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Company	Disclosure(s)
LPKF Laser & Electronics AG	iii, vi

Valuation history for the last 12 months:

Date of publication	Recommendation	Price at publication	Target price
22.11.2019	HOLD	13.75	13.00
17.01.2020	BUY	18.40	20.50

4. Creation and distribution

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Felix Lutz, Analyst

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Investment recommendation details - stocks:

BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

HOLD: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

6. Sensitivity of the evaluation parameters

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

7. Key sources of information

We have acquired the information upon which this document is based from sources that we consider in principle to be reliable. However, we have not verified all this information. Therefore, we cannot guarantee or ensure the accuracy, completeness or correctness of the information or opinions contained in this document. National and international media and information services (e.g. Factset, Bloomberg etc.), the financial press (e.g. BörsenZeitung, FAZ, Handelsblatt, Wallstreet Journal, etc.), specialist press, published statistics, the internet, as well as publications, details and information of the issuer that is the subject of the analysis.

8. Summary of the basis for evaluation

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

9. Internal organizational and regulatory measures for the prevention or management of conflicts of interest

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