# Basler

(CDAX, Technology, BSL GR)

WARBURG RESEARCH

| Hold | |
|---|---|
| EUR 76.00 | (EUR 60.00) |
| Price | EUR 81.40 |
| Downside | -6.6 % |

| Value Indicators: | EUR |
|---|---|
| DCF: | 76.06 |
| FCF-Value Potential 22e: | 48.21 |

| Warburg ESG Risk Score: | 2.7 |
|---|---|
| ESG Score (MSCI based): | 3.0 |
| Balance Sheet Score: | 4.0 |
| Market Liquidity Score: | 1.0 |

**Description:**

B2B digital cameras for applications such as factory, medical, traffic or retail.

| Market Snapshot: | EUR m |
|---|---|
| Market cap: | 809.3 |
| No. of shares (m): | 9.9 |
| EV: | 801.0 |
| Freefloat MC: | 315.6 |
| Ø Trad. Vol. (30d): | 328.44 th |

| Shareholders: | |
|---|---|
| Freefloat | 39.0 % |
| Norbert Basler | 52.0 % |
| Treasury shares | 5.0 % |
| Dr. Ley (CEO) | 4.0 % |

| Key Figures (WRe): | 2020e |
|---|---|
| Beta: | 1.1 |
| Price / Book: | 7.0 x |
| Equity Ratio: | 74 % |
| Net Fin. Debt / EBITDA: | 0.1 x |
| Net Debt / EBITDA: | 0.2 x |

## Demand remains high at the start of the year

### Basler - Q4 2020p

| in EUR m | Q4/20p | Q4/20e | Δ WR | Q4/19 | yoy | 2020p | 2020e | 2019 | yoy |
|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **40.8** | 41.9 | -2.6% | **38.8** | 5.1% | **170.0** | 171.1 | 162.0 | 5.0% |
| EBITDA | 6.3 | 6.7 | -5.5% | 6.9 | -8.6% | 34.6 | 34.9 | 30.0 | 15.3% |
| *margin* | *15.5%* | *16.0%* | | *17.8%* | | *20.3%* | *20.4%* | *18.5%* | |
| **EBT** | **2.2** | 2.6 | -14.3% | **3.8** | -41.6% | **20.4** | 20.7 | 16.9 | 20.4% |
| *margin* | *5.4%* | *6.2%* | | *9.8%* | | *12.0%* | *12.1%* | *10.4%* | |

Basler's preliminary results for 2020 were at the upper end of the guided range and in line with our estimates. Revenues grew by 5.0% to EUR 170m (guidance EUR 160-171m, WRe EUR 171m) and significantly outperformed the German industrial imaging sector which, according to the VDMA, lost 7% yoy. This should be, in part, a result of Basler's strong market position in Asia and especially in the Asian semi and electronics industry, where strong demand continued throughout the year. In addition, business with the logistics industry should have remained on its solid growth trajectory. With this Basler was able to more than compensate for weaker factory automation business in Europe. The EBT margin, which was burdened by acquisition-related one-offs in 2019, recovered from 10.4% to 12.0% and reached the upper end of the guided range (11-12%) and our estimate (12.1%). FCF improved as well from EUR -9.7m to EUR 14.0m.

The high demand is also reflected in the order intake, which increased by 9% from EUR 166.5m to EUR 181.6m. The company stated that the high order momentum was maintained in the first weeks of 2021, which should provide a solid level of visibility. Guidance will be published with the final report on 30 March. In addition, several trends from which Basler should benefit seem to be accelerated by the pandemic, such as logistics for e-commerce, lab automation and med-tech and even retail automation. EDEKA, a leading German supermarket chain, has just opened its first employee-free robo-store. We have increased our estimates and confirm our Hold recommendation with a new PT of EUR 76.

Changes in Estimates:

| FY End: 31.12. in EUR m | 2020e (old) | + / - | 2021e (old) | + / - | 2022e (old) | + / - |
|---|---|---|---|---|---|---|
| **Sales** | 171.1 | -0.6 % | 199.6 | 1.4 % | 225.2 | 1.3 % |
| **EBIT** | 21.3 | -1.7 % | 28.3 | -2.3 % | 33.6 | 0.5 % |
| **EBT** | 20.7 | -1.8 % | 27.5 | -2.3 % | 32.8 | 0.5 % |
| **EPS** | 1.46 | 3.4 % | 1.95 | 0.5 % | 2.31 | 2.6 % |

Comment on Changes:

- 2020 estimates adjusted in accordance with the preliminary figures
- 2021 and 2022 forecast increased to reflect the high order momentum and the acceleration of trends that are favourable for Basler




| Rel. Performance vs CDAX: | |
|---|---|
| 1 month: | -4.1 % |
| 6 months: | 28.2 % |
| Year to date: | 11.2 % |
| Trailing 12 months: | 35.0 % |

| Company events: | |
|---|---|
| 30.03.21 | FY 2020 |
| 06.05.21 | Q1 |
| 19.05.21 | AGM |
| 05.08.21 | Q2 |

| FY End: 31.12. in EUR m | CAGR (19-22e) | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|---|
| **Sales** | 12.1 % | 97.5 | 150.2 | 150.0 | 162.0 | 170.0 | 202.3 | 228.1 |
| Change Sales yoy | | 14.2 % | 54.0 % | -0.1 % | 8.0 % | 5.0 % | 19.0 % | 12.8 % |
| *Gross profit margin* | | *48.7 %* | *49.6 %* | *53.3 %* | *50.9 %* | *51.8 %* | *50.4 %* | *50.3 %* |
| **EBITDA** | 17.5 % | 18.8 | 39.7 | 36.0 | 30.0 | 34.6 | 42.1 | 48.6 |
| *Margin* | | *19.2 %* | *26.4 %* | *24.0 %* | *18.5 %* | *20.3 %* | *20.8 %* | *21.3 %* |
| **EBIT** | 25.6 % | 12.2 | 30.5 | 24.8 | 17.0 | 21.0 | 27.7 | 33.7 |
| *Margin* | | *12.5 %* | *20.3 %* | *16.6 %* | *10.5 %* | *12.3 %* | *13.7 %* | *14.8 %* |
| **Net income** | 22.6 % | 7.9 | 21.6 | 17.0 | 12.9 | 15.1 | 19.6 | 23.7 |
| **EPS** | 22.5 % | 0.82 | 2.25 | 1.76 | 1.29 | 1.51 | 1.96 | 2.37 |
| **DPS** | 39.8 % | 0.25 | 0.67 | 0.53 | 0.26 | 0.45 | 0.59 | 0.71 |
| Dividend Yield | | 1.4 % | 1.6 % | 0.9 % | 0.6 % | 0.6 % | 0.7 % | 0.9 % |
| **FCFPS** | | 0.84 | 2.46 | 0.93 | -0.98 | 1.40 | 1.92 | 2.10 |
| **FCF / Market cap** | | 4.7 % | 5.8 % | 1.6 % | -2.1 % | 1.7 % | 2.4 % | 2.6 % |
| **EV / Sales** | | 1.8 x | 2.7 x | 3.8 x | 3.0 x | 4.8 x | 4.0 x | 3.5 x |
| **EV / EBITDA** | | 9.4 x | 10.2 x | 15.7 x | 16.1 x | 23.7 x | 19.1 x | 16.3 x |
| **EV / EBIT** | | 14.5 x | 13.2 x | 22.8 x | 28.4 x | 39.1 x | 29.1 x | 23.4 x |
| **P / E** | | 21.6 x | 18.8 x | 32.7 x | 36.4 x | 53.9 x | 41.5 x | 34.3 x |
| **P / E adj.** | | 21.6 x | 18.8 x | 32.7 x | 36.4 x | 53.9 x | 41.5 x | 34.3 x |
| **FCF Potential Yield** | | 6.0 % | 7.2 % | 4.1 % | 2.3 % | 2.5 % | 3.6 % | 4.2 % |
| **ROE** | | 16.7 % | 37.4 % | 24.1 % | 14.4 % | 13.8 % | 16.0 % | 17.0 % |
| **ROCE (NOPAT)** | | 15.6 % | 38.4 % | 23.8 % | 12.7 % | 12.9 % | 16.6 % | 19.6 % |
| **Guidance:** | 2020 sales EUR 169-171m, EBT margin 11-12% | | | | | | | |

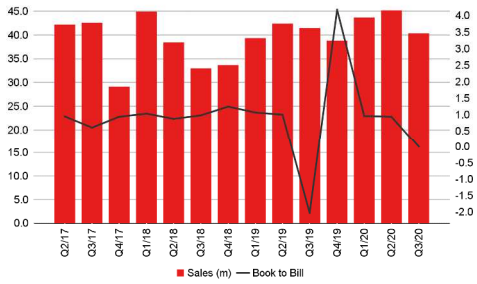

Analyst

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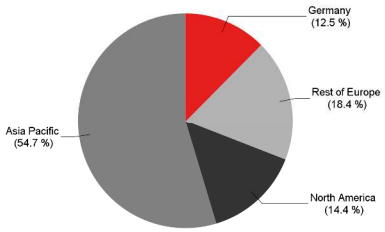
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**Sales development**
in EUR m



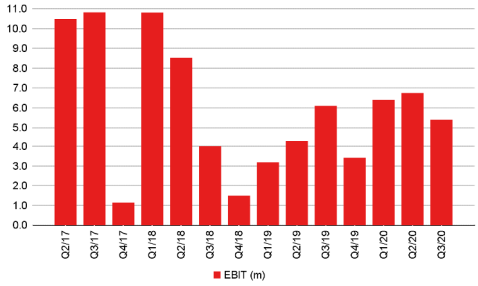

Source: Basler

**Sales by regions**
2019; in %




Source: Basler

**EBIT development**
in EUR m




Source: Basler

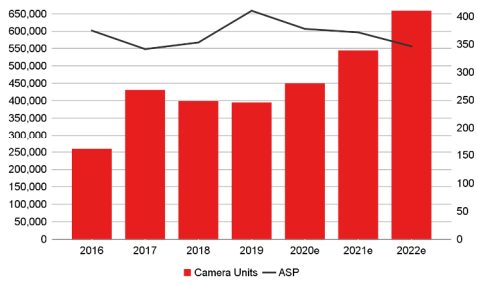
## Company Background

- Basler is a provider of digital cameras for production, medical applications, traffic control or retail.
- Basler focuses on the mainstream and entry-level market segments.
- Customers are mainly OEMs. The customer base is well diversified and no single customer accounts for more than 10% of revenue. More than 60% of revenues are direct sales.

## Competitive Quality

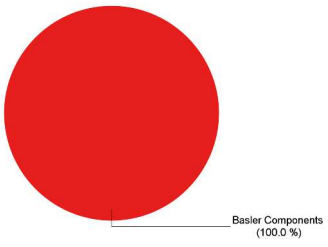
- In terms of units Basler is the world's largest developer and manufacturer of digital cameras in a fragmented, but consolidating, market for digital cameras for B2B-applications.
- High level of vision technology expertise: Basler has one of the largest developer pools in the sector and differentiates itself with camera software competence, which accounts for more than 50% of the value creation.
- State-of-the-art product portfolio: Basler is among the first movers in digital cameras based on GigE Vision and the USB3 Vision standard. It is also an early adopter of new sensor technology.
- High service and consulting quality through direct sales and Basler's network of specialised distributors.
- Basler is present in the most important markets for vision technology in South East Asia, Europe and the US.

**Camera Units**



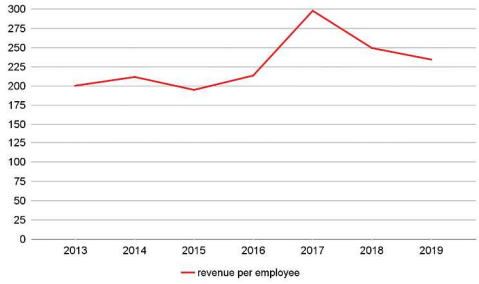

Source: Basler

**Sales by segments**
2019; in %




Source: Basler

**Revenue per employee**
in EUR k




Source: Basler

## DCF model

| | Detailed forecast period | | | Transitional period | | | | | | | | | | Term. Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in EUR m | 2020e | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | |
| Sales | 170.0 | 202.3 | 228.1 | 254.3 | 283.3 | 314.3 | 347.4 | 382.4 | 419.4 | 458.4 | 499.3 | 542.1 | 588.5 | |
| *Sales change* | *5.0 %* | *19.0 %* | *12.8 %* | *11.5 %* | *11.4 %* | *10.9 %* | *10.5 %* | *10.1 %* | *9.7 %* | *9.3 %* | *8.9 %* | *8.6 %* | *8.6 %* | *2.0 %* |
| EBIT | 21.0 | 27.7 | 33.7 | 38.1 | 41.1 | 45.6 | 50.4 | 55.4 | 60.8 | 66.5 | 72.4 | 78.6 | 85.3 | |
| *EBIT-margin* | *12.3 %* | *13.7 %* | *14.8 %* | *15.0 %* | *14.5 %* | *14.5 %* | *14.5 %* | *14.5 %* | *14.5 %* | *14.5 %* | *14.5 %* | *14.5 %* | *14.5 %* | |
| *Tax rate (EBT)* | *26.0 %* | *27.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | *28.0 %* | |
| NOPAT | 15.5 | 20.2 | 24.3 | 27.5 | 29.6 | 32.8 | 36.3 | 39.9 | 43.8 | 47.9 | 52.1 | 56.6 | 61.4 | |
| Depreciation | 13.6 | 14.5 | 14.9 | 14.8 | 16.4 | 18.2 | 20.1 | 22.2 | 24.3 | 26.6 | 29.0 | 31.4 | 34.1 | |
| *in % of Sales* | *8.0 %* | *7.1 %* | *6.5 %* | *5.8 %* | *5.8 %* | *5.8 %* | *5.8 %* | *5.8 %* | *5.8 %* | *5.8 %* | *5.8 %* | *5.8 %* | *5.8 %* | |
| Changes in provisions | 0.8 | 0.2 | 0.0 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | |
| Change in Liquidity from | | | | | | | | | | | | | | |
| - Working Capital | 2.5 | 2.3 | 3.8 | 4.2 | 4.6 | 4.8 | 5.4 | 5.8 | 6.1 | 6.4 | 6.7 | 7.1 | 7.7 | |
| - Capex | 14.1 | 14.0 | 14.6 | 15.3 | 16.8 | 18.5 | 20.2 | 22.0 | 23.9 | 25.9 | 27.9 | 30.0 | 34.1 | |
| *Capex in % of Sales* | *8.3 %* | *6.9 %* | *6.4 %* | *6.0 %* | *5.9 %* | *5.9 %* | *5.8 %* | *5.8 %* | *5.7 %* | *5.6 %* | *5.6 %* | *5.5 %* | *5.8 %* | |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Free Cash Flow (WACC Model) | 13.4 | 18.5 | 20.8 | 23.2 | 24.9 | 28.0 | 31.0 | 34.6 | 38.4 | 42.5 | 46.8 | 51.3 | 54.2 | 59 |
| PV of FCF | 13.8 | 17.8 | 18.7 | 19.4 | 19.4 | 20.4 | 21.0 | 21.9 | 22.7 | 23.4 | 24.0 | 24.6 | 24.2 | 504 |
| share of PVs | 6.48 % | | | | | | | 28.51 % | | | | | | 65.02 % |

**Model parameter**

| Derivation of WACC: | | Derivation of Beta: | |
|---|---|---|---|
| Debt ratio | 10.00 % | Financial Strength | 1.10 |
| Cost of debt (after tax) | 2.1 % | Liquidity (share) | 1.30 |
| Market return | 7.00 % | Cyclicality | 1.30 |
| Risk free rate | 1.50 % | Transparency | 1.00 |
| | | Others | 1.00 |
| **WACC** | **7.20 %** | **Beta** | **1.14** |

**Valuation (m)**

| | | | |
|---|---|---|---|
| Present values 2032e | 271 | | |
| Terminal Value | 504 | | |
| Financial liabilities | 50 | | |
| Pension liabilities | 1 | | |
| Hybrid capital | 0 | | |
| Minority interest | 0 | | |
| Market val. of investments | 0 | | |
| Liquidity | 32 | No. of shares (m) | 9.9 |
| **Equity Value** | **756** | **Value per share (EUR)** | **76.06** |

**Sensitivity Value per Share (EUR)**

| | | Terminal Growth | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Beta** | WACC | 1.25 % | 1.50 % | 1.75 % | **2.00 %** | 2.25 % | 2.50 % | 2.75 % |
| **1.34** | 8.2 % | 57.95 | 59.22 | 60.59 | 62.07 | 63.67 | 65.42 | 67.32 |
| **1.24** | 7.7 % | 63.34 | 64.90 | 66.59 | 68.43 | 70.44 | 72.64 | 75.07 |
| **1.19** | 7.5 % | 66.37 | 68.11 | 70.00 | 72.07 | 74.33 | 76.82 | 79.57 |
| **1.14** | 7.2 % | 69.67 | 71.62 | 73.74 | **76.06** | 78.62 | 81.45 | 84.59 |
| **1.09** | 7.0 % | 73.28 | 75.45 | 77.84 | 80.47 | 83.38 | 86.61 | 90.23 |
| **1.04** | 6.7 % | 77.22 | 79.67 | 82.37 | 85.36 | 88.68 | 92.40 | 96.59 |
| **0.94** | 6.2 % | 86.34 | 89.50 | 93.00 | 96.93 | 101.35 | 106.37 | 112.12 |

| | | Delta EBIT-margin | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Beta** | WACC | -1.5 pp | -1.0 pp | -0.5 pp | **+0.0 pp** | +0.5 pp | +1.0 pp | +1.5 pp |
| **1.34** | 8.2 % | 54.77 | 57.20 | 59.64 | 62.07 | 64.50 | 66.94 | 69.37 |
| **1.24** | 7.7 % | 60.42 | 63.09 | 65.76 | 68.43 | 71.10 | 73.77 | 76.44 |
| **1.19** | 7.5 % | 63.65 | 66.46 | 69.26 | 72.07 | 74.87 | 77.67 | 80.48 |
| **1.14** | 7.2 % | 67.20 | 70.15 | 73.11 | **76.06** | 79.01 | 81.96 | 84.92 |
| **1.09** | 7.0 % | 71.12 | 74.24 | 77.35 | 80.47 | 83.58 | 86.70 | 89.82 |
| **1.04** | 6.7 % | 75.47 | 78.77 | 82.06 | 85.36 | 88.66 | 91.95 | 95.25 |
| **0.94** | 6.2 % | 85.76 | 89.48 | 93.20 | 96.93 | 100.65 | 104.38 | 108.10 |

- Financial liabilities are also related to the lease of the company building.
- The beta takes into consideration the low liquidity of the share.
- The structural growth of the vision technology market forms the basis of Basler's revenue increases.

## Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

| in EUR m | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| Net Income before minorities | 7.9 | 21.6 | 17.0 | 12.9 | 15.1 | 19.6 | 23.7 |
| + Depreciation + Amortisation | 6.6 | 9.2 | 11.1 | 12.9 | 13.6 | 14.5 | 14.9 |
| - Net Interest Income | -0.7 | -0.7 | -0.3 | -0.1 | -0.6 | -0.8 | -0.8 |
| - Maintenance Capex | 2.7 | 2.8 | 2.9 | 5.0 | 5.1 | 6.1 | 6.8 |
| + Other | -2.0 | 0.3 | -2.1 | -10.0 | -3.3 | 0.3 | 0.3 |
| **= Free Cash Flow Potential** | **10.6** | **29.0** | **23.4** | **10.9** | **20.9** | **29.1** | **32.9** |
| FCF Potential Yield (on market EV) | 6.0 % | 7.2 % | 4.1 % | 2.3 % | 2.5 % | 3.6 % | 4.2 % |
| WACC | 7.20 % | 7.20 % | 7.20 % | 7.20 % | 7.20 % | 7.20 % | 7.20 % |
| **= Enterprise Value (EV)** | **176.6** | **402.6** | **564.9** | **482.6** | **819.6** | **805.7** | **791.0** |
| **= Fair Enterprise Value** | **146.9** | **402.6** | **325.1** | **151.6** | **289.7** | **403.6** | **456.3** |
| - Net Debt (Cash) | 14.9 | 14.9 | 14.9 | 14.9 | 3.9 | -10.2 | -24.9 |
| - Pension Liabilities | 0.9 | 0.9 | 0.9 | 0.9 | 1.7 | 1.9 | 1.9 |
| - Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Market value of minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| + Market value of investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **= Fair Market Capitalisation** | **131.2** | **386.9** | **309.4** | **135.8** | **284.1** | **412.0** | **479.3** |
| Number of shares, average | 9.7 | 9.6 | 9.6 | 9.9 | 10.0 | 10.0 | 10.0 |
| **= Fair value per share (EUR)** | **13.53** | **40.19** | **32.09** | **13.66** | **28.41** | **41.20** | **47.93** |
| premium (-) / discount (+) in % | | | | | -65.1 % | -49.4 % | -41.1 % |

| Sensitivity Fair value per Share (EUR) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 10.20 % | 8.85 | 27.01 | 21.50 | 9.18 | 20.00 | 29.50 | 34.71 |
| | 9.20 % | 9.98 | 30.11 | 24.01 | 10.35 | 22.24 | 32.62 | 38.24 |
| | 8.20 % | 11.39 | 33.98 | 27.13 | 11.80 | 25.02 | 36.49 | 42.61 |
| WACC | **7.20 %** | **13.19** | **38.91** | **31.12** | **13.66** | **28.57** | **41.44** | **48.21** |
| | 6.20 % | 15.58 | 45.44 | 36.39 | 16.12 | 33.27 | 47.98 | 55.61 |
| | 5.20 % | 18.87 | 54.48 | 43.69 | 19.52 | 39.77 | 57.04 | 65.85 |
| | 4.20 % | 23.74 | 67.82 | 54.46 | 24.55 | 49.37 | 70.42 | 80.97 |

- Adjustment of the capitalised R&D impact
- The capex requirements for machinery and plant are low.

## Valuation

| | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| Price / Book | 3.4 x | 6.2 x | 7.4 x | 4.5 x | 7.0 x | 6.2 x | 5.5 x |
| Book value per share ex intangibles | 2.83 | 4.22 | 3.57 | 4.10 | 5.11 | 6.45 | 8.11 |
| EV / Sales | 1.8 x | 2.7 x | 3.8 x | 3.0 x | 4.8 x | 4.0 x | 3.5 x |
| EV / EBITDA | 9.4 x | 10.2 x | 15.7 x | 16.1 x | 23.7 x | 19.1 x | 16.3 x |
| EV / EBIT | 14.5 x | 13.2 x | 22.8 x | 28.4 x | 39.1 x | 29.1 x | 23.4 x |
| EV / EBIT adj.* | 14.5 x | 13.2 x | 22.8 x | 28.4 x | 39.1 x | 29.1 x | 23.4 x |
| P / FCF | 21.2 x | 17.2 x | 61.9 x | n.a. | 60.9 x | 44.5 x | 40.7 x |
| P / E | 21.6 x | 18.8 x | 32.7 x | 36.4 x | 53.9 x | 41.5 x | 34.3 x |
| P / E adj.* | 21.6 x | 18.8 x | 32.7 x | 36.4 x | 53.9 x | 41.5 x | 34.3 x |
| Dividend Yield | 1.4 % | 1.6 % | 0.9 % | 0.6 % | 0.6 % | 0.7 % | 0.9 % |
| FCF Potential Yield (on market EV) | 6.0 % | 7.2 % | 4.1 % | 2.3 % | 2.5 % | 3.6 % | 4.2 % |

*Adjustments made for: -

## Company Specific Items

| | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| revenue per employee | 213.43 | 298.02 | 249.59 | 234.34 | 234.34 | 234.34 | 234.34 |
| Camera Units | 259,000 | 431,000 | 399,000 | 395,000 | 450,000 | 544,500 | 658,845 |
| Book to Bill | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| ASP | 375 | 341 | 353 | 410 | 378 | 372 | 346 |

## Consolidated profit and loss

| In EUR m | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| **Sales** | **97.5** | **150.2** | **150.0** | **162.0** | **170.0** | **202.3** | **228.1** |
| Change Sales yoy | 14.2 % | 54.0 % | -0.1 % | 8.0 % | 5.0 % | 19.0 % | 12.8 % |
| COGS | 50.1 | 75.7 | 70.1 | 79.5 | 81.9 | 100.3 | 113.4 |
| **Gross profit** | **47.5** | **74.5** | **79.9** | **82.4** | **88.1** | **102.0** | **114.7** |
| *Gross margin* | *48.7 %* | *49.6 %* | *53.3 %* | *50.9 %* | *51.8 %* | *50.4 %* | *50.3 %* |
| Research and development | 7.9 | 10.8 | 18.8 | 17.9 | 20.9 | 22.3 | 22.9 |
| Sales and marketing | 16.9 | 19.6 | 23.0 | 31.5 | 30.1 | 34.8 | 38.6 |
| Administration expenses | 11.5 | 13.1 | 12.7 | 15.8 | 16.5 | 17.0 | 18.7 |
| Other operating expenses | 0.5 | 1.2 | 1.4 | 1.0 | 0.5 | 0.9 | 1.4 |
| Other operating income | 1.6 | 0.7 | 0.8 | 0.8 | 0.9 | 0.7 | 0.6 |
| Unfrequent items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBITDA** | **18.8** | **39.7** | **36.0** | **30.0** | **34.6** | **42.1** | **48.6** |
| *Margin* | *19.2 %* | *26.4 %* | *24.0 %* | *18.5 %* | *20.3 %* | *20.8 %* | *21.3 %* |
| Depreciation of fixed assets | 2.2 | 3.6 | 3.2 | 5.0 | 5.4 | 6.0 | 6.2 |
| **EBITA** | **16.5** | **36.1** | **32.8** | **25.0** | **29.2** | **36.1** | **42.4** |
| Amortisation of intangible assets | 4.4 | 5.6 | 7.9 | 8.0 | 8.2 | 8.5 | 8.7 |
| Goodwill amortisation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT** | **12.2** | **30.5** | **24.8** | **17.0** | **21.0** | **27.7** | **33.7** |
| *Margin* | *12.5 %* | *20.3 %* | *16.6 %* | *10.5 %* | *12.3 %* | *13.7 %* | *14.8 %* |
| **EBIT adj.** | **12.2** | **30.5** | **24.8** | **17.0** | **21.0** | **27.7** | **33.7** |
| Interest income | 0.3 | 0.3 | 0.2 | 1.0 | 0.2 | 0.2 | 0.2 |
| Interest expenses | 1.0 | 1.0 | 0.5 | 1.1 | 0.8 | 1.0 | 1.0 |
| Other financial income (loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBT** | **11.4** | **29.8** | **24.5** | **16.9** | **20.4** | **26.9** | **32.9** |
| *Margin* | *11.7 %* | *19.8 %* | *16.3 %* | *10.4 %* | *12.0 %* | *13.3 %* | *14.4 %* |
| Total taxes | 3.5 | 8.2 | 7.5 | 4.0 | 5.3 | 7.3 | 9.2 |
| **Net income from continuing operations** | **7.9** | **21.6** | **17.0** | **12.9** | **15.1** | **19.6** | **23.7** |
| Income from discontinued operations (net of tax) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net income before minorities** | **7.9** | **21.6** | **17.0** | **12.9** | **15.1** | **19.6** | **23.7** |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net income** | **7.9** | **21.6** | **17.0** | **12.9** | **15.1** | **19.6** | **23.7** |
| *Margin* | *8.1 %* | *14.4 %* | *11.3 %* | *7.9 %* | *8.9 %* | *9.7 %* | *10.4 %* |
| Number of shares, average | 9.7 | 9.6 | 9.6 | 9.9 | 10.0 | 10.0 | 10.0 |
| **EPS** | **0.82** | **2.25** | **1.76** | **1.29** | **1.51** | **1.96** | **2.37** |
| EPS adj. | 0.82 | 2.25 | 1.76 | 1.29 | 1.51 | 1.96 | 2.37 |

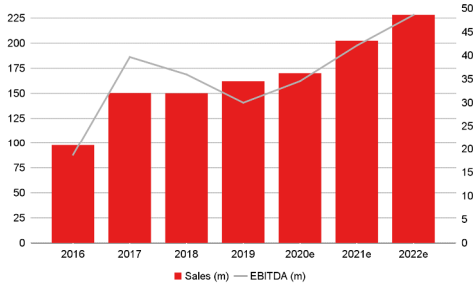
*Adjustments made for:

**Guidance: 2020 sales EUR 169-171m, EBT margin 11-12%**

## Financial Ratios

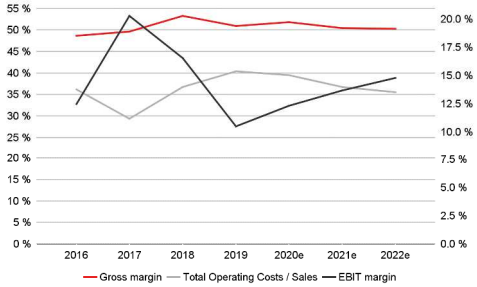
| | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| Total Operating Costs / Sales | 36.2 % | 29.3 % | 36.7 % | 40.4 % | 39.5 % | 36.7 % | 35.5 % |
| Operating Leverage | 1.5 x | 2.8 x | 140.8 x | -3.9 x | 4.7 x | 1.7 x | 1.7 x |
| EBITDA / Interest expenses | 18.5 x | 40.5 x | 78.2 x | 28.3 x | 43.2 x | 44.3 x | 48.6 x |
| Tax rate (EBT) | 30.6 % | 27.4 % | 30.6 % | 23.9 % | 26.0 % | 27.0 % | 28.0 % |
| Dividend Payout Ratio | 30.2 % | 30.0 % | 30.0 % | 20.1 % | 30.1 % | 29.9 % | 30.0 % |
| Sales per Employee | 213,431 | 298,018 | 249,589 | 189,872 | 197,674 | 222,308 | 237,604 |

**Sales, EBITDA**
in EUR m



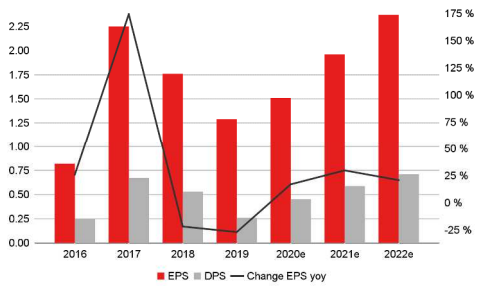

Source: Warburg Research

**Operating Performance**
in %




Source: Warburg Research

**Performance per Share**




Source: Warburg Research

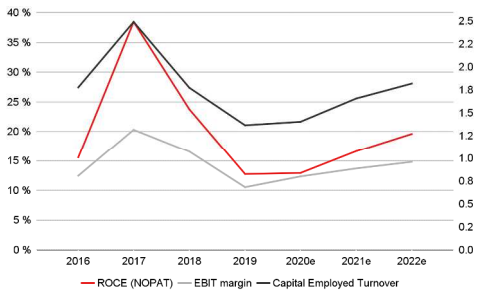
## Consolidated balance sheet

| In EUR m | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Goodwill and other intangible assets | 22.5 | 24.6 | 40.8 | 62.0 | 64.5 | 66.0 | 67.3 |
| thereof other intangible assets | 1.4 | 1.5 | 6.5 | 16.8 | 17.7 | 18.5 | 19.2 |
| thereof Goodwill | 0.0 | 3.1 | 12.7 | 27.5 | 27.5 | 27.5 | 27.5 |
| Property, plant and equipment | 21.3 | 21.3 | 22.5 | 30.6 | 28.6 | 26.7 | 25.1 |
| Financial assets | 0.5 | 1.7 | 1.7 | 4.6 | 4.6 | 4.6 | 4.6 |
| Other long-term assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Fixed assets** | **44.4** | **47.5** | **65.1** | **97.2** | **97.7** | **97.3** | **97.0** |
| Inventories | 14.6 | 20.8 | 21.0 | 20.9 | 26.6 | 28.9 | 32.1 |
| Accounts receivable | 10.4 | 11.1 | 18.2 | 19.4 | 14.0 | 16.1 | 18.7 |
| Liquid assets | 19.4 | 36.0 | 31.8 | 35.2 | 10.4 | 24.5 | 39.2 |
| Other short-term assets | 1.6 | 2.2 | 2.8 | 8.5 | 8.5 | 8.5 | 8.5 |
| **Current assets** | **46.0** | **70.2** | **73.9** | **84.0** | **59.5** | **78.0** | **98.5** |
| **Total Assets** | **90.4** | **117.7** | **139.0** | **181.2** | **157.2** | **175.3** | **195.4** |
| **Liabilities and shareholders' equity** | | | | | | | |
| Subscribed capital | 3.2 | 3.2 | 3.2 | 10.0 | 10.0 | 10.0 | 10.0 |
| Capital reserve | 2.4 | 3.1 | 5.3 | 22.4 | 22.4 | 22.4 | 22.4 |
| Retained earnings | 43.6 | 59.0 | 66.5 | 70.0 | 85.1 | 104.7 | 128.5 |
| Other equity components | 0.7 | 0.3 | 0.5 | 0.5 | -2.0 | -6.6 | -12.5 |
| Shareholders' equity | 50.0 | 65.6 | 75.5 | 103.0 | 115.5 | 130.6 | 148.4 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total equity** | **50.0** | **65.6** | **75.5** | **103.0** | **115.5** | **130.6** | **148.4** |
| Provisions | 5.4 | 7.2 | 8.3 | 8.2 | 9.7 | 10.6 | 10.9 |
| thereof provisions for pensions and similar obligations | 0.9 | 1.4 | 1.2 | 0.9 | 1.7 | 1.9 | 1.9 |
| Financial liabilities (total) | 23.3 | 29.3 | 39.8 | 50.0 | 14.3 | 14.3 | 14.3 |
| thereof short-term financial liabilities | 0.0 | 0.0 | 1.8 | 5.3 | 5.3 | 5.3 | 5.3 |
| Accounts payable | 6.2 | 10.1 | 7.4 | 10.6 | 8.4 | 10.5 | 12.5 |
| Other liabilities | 5.4 | 5.5 | 7.9 | 9.4 | 9.4 | 9.4 | 9.4 |
| **Liabilities** | **40.3** | **52.1** | **63.4** | **78.2** | **41.7** | **44.7** | **47.0** |
| **Total liabilities and shareholders' equity** | **90.4** | **117.7** | **139.0** | **181.2** | **157.2** | **175.3** | **195.4** |

## Financial Ratios

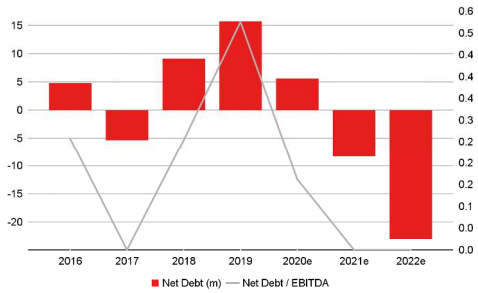
| | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| **Efficiency of Capital Employment** | | | | | | | |
| Operating Assets Turnover | 2.4 x | 3.5 x | 2.8 x | 2.7 x | 2.8 x | 3.3 x | 3.6 x |
| Capital Employed Turnover | 1.8 x | 2.5 x | 1.8 x | 1.4 x | 1.4 x | 1.7 x | 1.8 x |
| ROA | 17.9 % | 45.5 % | 26.1 % | 13.2 % | 15.4 % | 20.2 % | 24.5 % |
| **Return on Capital** | | | | | | | |
| ROCE (NOPAT) | 15.6 % | 38.4 % | 23.8 % | 12.7 % | 12.9 % | 16.6 % | 19.6 % |
| ROE | 16.7 % | 37.4 % | 24.1 % | 14.4 % | 13.8 % | 16.0 % | 17.0 % |
| Adj. ROE | 16.7 % | 37.4 % | 24.1 % | 14.4 % | 13.8 % | 16.0 % | 17.0 % |
| **Balance sheet quality** | | | | | | | |
| Net Debt | 4.8 | -5.3 | 9.1 | 15.7 | 5.6 | -8.3 | -23.0 |
| Net Financial Debt | 3.9 | -6.7 | 8.0 | 14.9 | 3.9 | -10.2 | -24.9 |
| Net Gearing | 9.6 % | -8.1 % | 12.1 % | 15.3 % | 4.9 % | -6.4 % | -15.5 % |
| Net Fin. Debt / EBITDA | 20.6 % | n.a. | 22.2 % | 49.6 % | 11.4 % | n.a. | n.a. |
| Book Value / Share | 5.2 | 6.8 | 7.8 | 10.3 | 11.6 | 13.1 | 14.8 |
| Book value per share ex intangibles | 2.8 | 4.2 | 3.6 | 4.1 | 5.1 | 6.5 | 8.1 |

**ROCE Development**



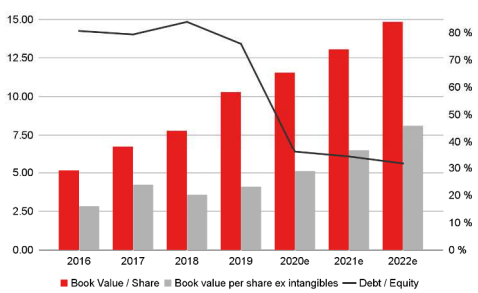

Source: Warburg Research

**Net debt**
in EUR m




Source: Warburg Research

**Book Value per Share**
in EUR




Source: Warburg Research

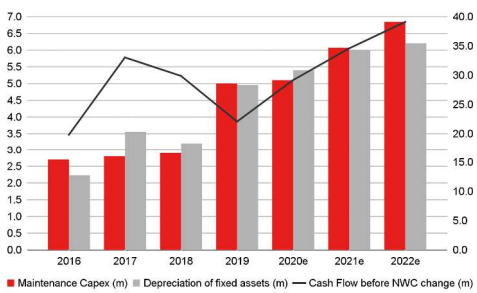
## Consolidated cash flow statement

| In EUR m | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| Net income | 7.9 | 21.6 | 17.0 | 12.9 | 15.1 | 19.6 | 23.7 |
| Depreciation of fixed assets | 2.2 | 3.6 | 3.2 | 5.0 | 5.4 | 6.0 | 6.2 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 4.4 | 5.6 | 7.9 | 8.0 | 8.2 | 8.5 | 8.7 |
| Increase/decrease in long-term provisions | 2.6 | 0.0 | 0.0 | -0.1 | 0.8 | 0.2 | 0.0 |
| Other non-cash income and expenses | 2.7 | 2.3 | 1.7 | -3.7 | -0.3 | 0.3 | 0.5 |
| **Cash Flow before NWC change** | **19.8** | **33.1** | **29.9** | **22.1** | **29.2** | **34.6** | **39.1** |
| Increase / decrease in inventory | -3.8 | -5.8 | 2.2 | 0.1 | -5.7 | -2.3 | -3.2 |
| Increase / decrease in accounts receivable | -2.6 | -0.5 | -6.4 | -1.1 | 5.4 | -2.1 | -2.6 |
| Increase / decrease in accounts payable | 3.6 | 5.3 | -4.5 | 3.2 | -2.2 | 2.1 | 2.0 |
| Increase / decrease in other working capital positions | -0.9 | -0.3 | 5.8 | 0.5 | 1.4 | 0.9 | 0.3 |
| Increase / decrease in working capital (total) | -3.7 | -1.3 | -2.9 | 2.7 | -1.0 | -1.4 | -3.5 |
| **Net cash provided by operating activities [1]** | **16.1** | **31.8** | **27.0** | **24.7** | **28.1** | **33.2** | **35.6** |
| Investments in intangible assets | -6.0 | -4.0 | -13.6 | -29.4 | -10.7 | -10.0 | -10.0 |
| Investments in property, plant and equipment | -2.0 | -4.1 | -4.5 | -5.1 | -3.4 | -4.0 | -4.6 |
| Payments for acquisitions | 0.0 | -1.9 | -7.7 | 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 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Net cash provided by investing activities [2]** | **-8.0** | **-9.8** | **-25.7** | **-34.4** | **-14.0** | **-13.9** | **-14.5** |
| Change in financial liabilities | 1.7 | -1.3 | 4.8 | -1.8 | -35.8 | 0.0 | 0.0 |
| Dividends paid | -1.9 | -2.4 | -6.5 | -5.1 | -2.6 | -4.5 | -5.9 |
| Purchase of own shares | -1.4 | -0.7 | -3.3 | 20.8 | 0.0 | 0.0 | 0.0 |
| Capital measures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | -1.2 | -1.1 | -0.5 | -1.0 | -0.6 | -0.6 | -0.6 |
| **Net cash provided by financing activities [3]** | **-2.7** | **-5.4** | **-5.5** | **13.0** | **-39.0** | **-5.1** | **-6.5** |
| **Change in liquid funds [1]+[2]+[3]** | **5.4** | **16.6** | **-4.2** | **3.3** | **-24.8** | **14.2** | **14.6** |
| Effects of exchange-rate changes on cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash and cash equivalent at end of period | 19.4 | 36.0 | 31.8 | 35.2 | 10.4 | 24.5 | 39.2 |

## Financial Ratios

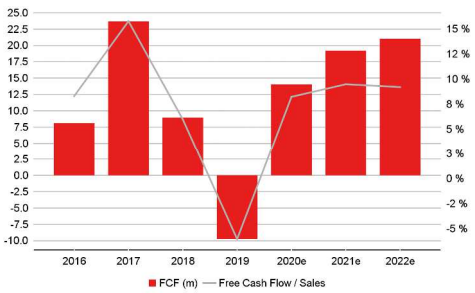
| | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| **Cash Flow** | | | | | | | |
| FCF | 8.1 | 23.7 | 9.0 | -9.7 | 14.0 | 19.2 | 21.0 |
| Free Cash Flow / Sales | 8.3 % | 15.8 % | 6.0 % | -6.0 % | 8.3 % | 9.5 % | 9.2 % |
| Free Cash Flow Potential | 10.6 | 29.0 | 23.4 | 10.9 | 20.9 | 29.1 | 32.9 |
| Free Cash Flow / Net Profit | 102.3 % | 109.5 % | 52.7 % | -75.7 % | 93.2 % | 97.7 % | 88.7 % |
| Interest Received / Avg. Cash | 1.6 % | 1.0 % | 0.5 % | 2.9 % | 0.9 % | 1.1 % | 0.6 % |
| Interest Paid / Avg. Debt | 4.5 % | 3.7 % | 1.3 % | 2.4 % | 2.5 % | 6.7 % | 7.0 % |
| **Management of Funds** | | | | | | | |
| Investment ratio | 8.2 % | 5.4 % | 12.0 % | 21.3 % | 8.3 % | 6.9 % | 6.4 % |
| Maint. Capex / Sales | 2.8 % | 1.9 % | 1.9 % | 3.1 % | 3.0 % | 3.0 % | 3.0 % |
| Capex / Dep | 121.3 % | 88.3 % | 161.8 % | 266.4 % | 103.7 % | 97.2 % | 97.7 % |
| Avg. Working Capital / Sales | 17.7 % | 13.5 % | 17.9 % | 19.0 % | 18.2 % | 16.5 % | 16.0 % |
| Trade Debtors / Trade Creditors | 166.3 % | 109.5 % | 246.9 % | 183.1 % | 166.7 % | 153.3 % | 149.6 % |
| Inventory Turnover | 3.4 x | 3.6 x | 3.3 x | 3.8 x | 3.1 x | 3.5 x | 3.5 x |
| Receivables collection period (days) | 39 | 27 | 44 | 44 | 30 | 29 | 30 |
| Payables payment period (days) | 45 | 49 | 39 | 49 | 37 | 38 | 40 |
| Cash conversion cycle (Days) | 100 | 79 | 115 | 91 | 111 | 96 | 93 |

**CAPEX and Cash Flow**
in EUR m



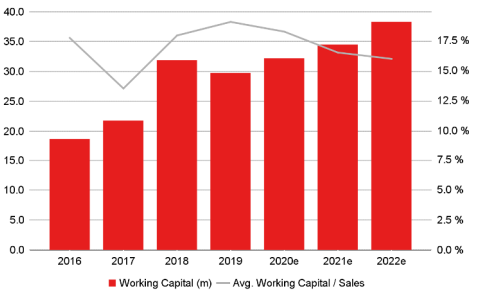

Source: Warburg Research

**Free Cash Flow Generation**




Source: Warburg Research

**Working Capital**




Source: Warburg Research

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| Company | Disclosure | Link to the historical price targets and rating changes (last 12 months) |
|---|---|---|
| **Basler** | 3, 5 | http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005102008.htm |

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

| | | |
|---|---|---|
| -B- | **Buy:** | The price of the analysed financial instrument is expected to rise over the next 12 months. |
| -H- | **Hold:** | The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months. |
| -S- | **Sell:** | The price of the analysed financial instrument is expected to fall over the next 12 months. |
| "-" | **Rating suspended:** | The available information currently does not permit an evaluation of the company. |

## WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

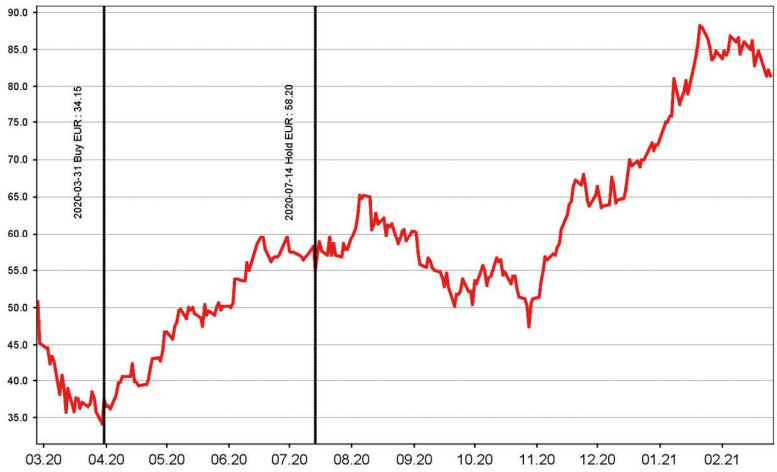
| Rating | Number of stocks | % of Universe |
|---|---|---|
| Buy | 131 | 63 |
| Hold | 63 | 30 |
| Sell | 7 | 3 |
| Rating suspended | 6 | 3 |
| **Total** | **207** | **100** |

## WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

**… taking into account only those companies which were provided with major investment services in the last twelve months.**

| Rating | Number of stocks | % of Universe |
|---|---|---|
| Buy | 38 | 79 |
| Hold | 7 | 15 |
| Sell | 0 | 0 |
| Rating suspended | 3 | 6 |
| **Total** | **48** | **100** |

## PRICE AND RATING HISTORY BASLER AS OF 26.02.2021




Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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