Today's updates and comments

Recommendation, price target and estimate changes

- **MS Industrie AG** (MSAG GR) - Market cap: EUR 107.1 m, Buy, Price target: EUR 6.00 – Market headwind resulting in lower volumes /chg in est & PT
- **RHI AG** (RHI AV) - Market cap: EUR 633.3 m, Buy, Price target: EUR 21.00 – Q4 hit by write downs, but strong cash generation, chg. est & PT
- **United Internet AG** (UTDI GR) - Market cap: EUR 9,303.9 m, Buy, Price target: EUR 53.00 – Attractive entry opportunity - up to BUY

Previews / Cross reads / Updates

- **Pantaleon Entertainment AG** (PAL:GR) - Market cap: EUR 67.8 m, Buy, Price target: EUR 104.00 – Positive roadshow feedback

Asia's regional stock gauge fell for the third time this week, led by Japanese shares as the yen headed for its strongest weekly advance in more than seven years. Hang Seng up 0.7% while Standard & Poor's 500 Index futures were little changed after U.S. stocks rose on Thursday.

MACRO: Bundesbank President Jens Weidmann tells Bild in intvw he categorically rejects proposal by federal govt to restrict cash payments. " Would be "disastrous" if citizens got the impression their cash is being gradually withdrawn."

SAP: SAP plans to "aggressively manage" its profit margin while not sacrificing growth in cloud-computing software, which earns less than traditional software, according to Chief Executive Officer Bill McDermott.

WIN: Diebold announced it has commenced the voluntary public takeover offer for all no-par value bearer shares of Wincor Nixdorf. BaFin approved the publication of the German offer document.

Roadshow schedule & Company visits

Zooplus	08. Feb	CFO	Kopenhagen
Zooplus	09. Feb	CFO	Helsinki
Vectron	10. Feb	CEO	Paris
Vectron	11. Feb	CFO	London
Biotest	15. Feb	CEO	Paris
Biotest	16. Feb	CFO	London

Yesterday's closing prices

German indices

DAX	9393.36	-0.4%
SDAX	8165.15	-0.3%
MDAX	18855.22	0.1%

International indices

Dow Jones	16416.58	0.5%
S&P	1915.45	0.2%
NASDAQ	4509.56	0.1%

Commodities / fx rates

EUR / USD	1.1207	0.9%
Brent oil (USD)	34.36	-3.0%
Gold (USD)	1155.40	1.2%

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MS Industrie AG
Germany - Automobile

Buy (old: Buy)

Price target: EUR 6.00 (old: EUR 7.70)

Price:	EUR 3.57	**Next result:**	Q4 29.04.16
Bloomberg:	MSAG GR	**Market cap:**	EUR 107.1 m
Reuters:	MSAG.DE	**Enterprise Value:**	EUR 174.6 m

05-February-16

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Market headwind resulting in lower volumes /chg in est & PT

The investment case remains intact on the back of (1) an increasing 'Weltmotor' penetration and (2) a dynamic development of the Ultrasonic business, however estimates and PT are reduced to mainly account for a weaker than expected US truck market development and diseconomies of scale. **This leads to a new PT of € 6.00 based on conservative estimates**.

The US class 8 truck market saw its best sales and production numbers in history in 2015, according to the latest numbers from *ACT research* (c. +11% yoy to 330k units). However, the latest market research (*ACT*) now expects **the US truck market** (class 8) **to decline by c. 18% yoy to 270k units in 2016**. That is a further decline of 26k units from its recent forecast published in Oct. last year (-10%yoy to 296k trucks) **implying the US truck market to contract at an even faster rate**.

Notably, Daimler expects the US truck market (class 8) to decline by 10% yoy in 2016 with Daimler truck unit sales to be below the 2015 level (+15% yoy to 158k units). Admittedly, Daimler's Q4'15 USA order intake for heavy trucks (-53% yoy) even suggest a more significant contraction of the US truck market.

Nevertheless, **MS's core business** (Powertrain Technology c. 74% of total sales) **should further develop dynamically** (c.12% sales CAGR 2015-17E) given that:

- **MS should still benefit from a catch-up effect** following the flat development of the Weltmotor unit sales in 2013 (one of Daimlers suppliers had delivery problems causing Daimler to partly assemble third party engines). Daimler US is still seen to equip about 10-20% (eH&A) of the US trucks with third party engines which should be gradually replaced with its own 'Weltmotor' engines helping to partly absorb the market decline.

- **High demand for US after-market services commences**: Service-kits (aluminium frame & bearing blocks) are seen to be routinely replaced in the US after defined driven miles per truck. These **replacements are seen to be sustainable** given that Daimler has now more than 270k trucks on US roads. The sustainable sales potential for MS is seen to be up to € 4.1m (eH&A) p.a. by 2017E (*see page 3*). EBIT-margins are expected to be on group level. Importantly, the aftermarket production should support high utilisation rates. **–continued-**

Y/E 31.12 (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Sales	154.3	174.8	179.8	218.5	251.8	278.0	296.2
Sales growth	32 %	13 %	3 %	22 %	15 %	10 %	7 %
EBITDA	20.9	16.3	17.3	21.2	22.6	27.1	31.3
EBIT	9.2	6.0	6.7	9.9	11.6	14.8	17.9
Net income	2.1	2.1	2.0	4.1	5.8	8.2	10.8
Net debt	74.3	81.8	84.9	66.4	67.5	68.4	59.0
Net gearing	218.8 %	237.5 %	237.9 %	158.7 %	141.6 %	122.4 %	88.4 %
Net Debt/EBITDA	3.5	5.0	4.9	3.1	3.0	2.5	1.9
EPS pro forma	0.14	0.09	0.08	0.14	0.19	0.27	0.36
CPS	-0.47	0.03	0.04	-0.04	0.20	0.35	0.44
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	42.5 %	42.2 %	45.7 %	42.1 %	42.1 %	43.7 %	43.3 %
EBITDA margin	13.6 %	9.3 %	9.6 %	9.7 %	9.0 %	9.7 %	10.6 %
EBIT margin	6.0 %	3.4 %	3.7 %	4.5 %	4.6 %	5.3 %	6.1 %
ROCE	7.9 %	4.6 %	5.0 %	7.9 %	9.6 %	11.5 %	12.6 %
EV/sales	1.2	1.1	1.1	0.8	0.7	0.6	0.6
EV/EBITDA	8.6	11.5	11.0	8.2	7.7	6.5	5.3
EV/EBIT	19.7	31.1	28.3	17.5	15.0	11.8	9.3
PER	25.4	40.3	47.4	26.0	18.5	13.1	9.9
Adjusted FCF yield	8.6 %	6.3 %	5.9 %	7.5 %	8.0 %	9.3 %	11.2 %

Source: Company data, Hauck & Aufhäuser Close price as of: 04.02.2016

Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	4.93 / 3.57
Price/Book Ratio:	2.2
Relative performance (SDAX):	
3 months	-5.1 %
6 months	-13.5 %
12 months	-7.2 %

Changes in estimates

		Sales	EBIT	EPS
2015	old:	251.8	11.6	0.19
	Δ	0.0%	0.0%	0.0%
2016	old:	293.1	17.5	0.33
	Δ	-5.2%	-15.2%	-18.3%
2017	old:	322.0	25.2	0.53
	Δ	-8.0%	-28.9%	-32.4%

Key share data:

Number of shares: (in m pcs)	30.0
Authorised capital: (in € m)	9.7
Book value per share: (in €)	1.6
Ø trading volume: (12 months)	52,941

Major shareholders:

Free Float	57.0 %
MS ProActive	20.0 %
Management	10.0 %
Ruffer, LLP	5.0 %
Allianz GI	5.0 %
Dreyer Ventures & Management	3.0 %

Company description:
Supplier of Diesel motor parts and systems for truck OEMs, of electric motors and of welding machines for the automotive and packaging industries.

- **Daimler's 'Weltmotor' is expected to gain further market share** thanks to its value add (reduction of total cost of ownership). Daimler captures c. 38% US market share for the relevant class 8 truck segment according to company data. Hence, if the total market drops by 18% yoy to 270k units as forecasted by *ACT's*, Daimler would produce 103k heavy trucks in 2016 (eH&A new 105k).

Action: We reduce our estimates to take a more cautious stand with regard to the US truck market development.

Sales: With regard to the US market development, we reduce our total 'Weltmotor' unit sales estimates by 10k and 20k units to 190k and 210k for 2016E and 2017E respectively. The sales decline is partially offset by the introduction of the Aftermarket business (service-kits) with sales contribution of € 3.3m in 2016E and € 4.1m in 2017E.

EBIT: We reduce our 2016E and 2017E EBIT estimates to mainly reflect lower sales related to the US truck market development and diseconomies of scale.

(1) Lower gross profits of the US Powertrain Technology business assuming enhanced volume driven price concessions as well as higher material input to ramp-up the Aftermarket business.

(2) Higher capex (additional € 10m in 2016E and € 3m in '17E) and D&A respectively as management looks set to pull forward further growth investments into 2016 which were originally scheduled for 2017 to fulfil growth expectations in Europe and the ramp-up of the Aftermarkets business.

(3) A slower materialisation of process improvements after the relocation of the production plan. The relocation of the Powertrain Technology business looks set to be completed mid of 2016 according to plan with full effects to become visible in 2017E. However, management considers re-scheduling the relocation of the Ultrasonic Technology business to 2018E (initially planned for H2 2017).

EPS: We reduce our 2016E and 2017E estimates slightly disproportionately due to a somewhat higher tax rate as especially the business in the US continues to increase as % of group result (US income tax rate c. 42%).

We arrive at a new PT of € 6.00 (old € 7.70) based on FCFY 2017E (FCFY 2018E yields a fair value of € 7.60).

Importantly, **our estimates are conservative and do not reflect the following upside potential** (*scenario analysis on page 3*):

(1) Our US 'Weltmotor' unit sales are based on a FX rate of €/$ 1.15 in 2016 unchanged to 2015, which is in alignment with management planning. Assuming a FX rate of 1.08 would yield additional c. € 6.0m in sales in 2016 & 2017E respectively.

(2) Our US 'Weltmotor' sales estimates do not consider any meaningful further market share gains of Daimler in 2016. However, Daimler expects to capture a market share (class 8) of at least 40% by 2016E according to the company. Hence, Daimler would produce 108k (eH&A 105k) units implying additional € 2.6m sales compared to our estimates based on an overall market output of 270k units.

(3) Our sales estimates do not yet consider the potential ramp-up of the Aftermarkets business also in Germany/ Europe (SOP of the 'Weltmotor' was 2011 vs 2007 in the US). This provides solid upside to our sales estimates in the tune of € 4 to 4.5m p.a. from 2017E onwards given that Daimler has more than 200k 'Weltmotor' trucks on German/ European roads already.

(4) We conservatively only assume margins for the Aftermarket business to be on group level. In general, Aftermarkets business usually carries significantly higher margins compared to the OEM business (e.g. 2x higher at ErlingKlinger, SAF-Holland).

(5) We have not yet considered any efficiency effects after the relocation of the production plant in Germany e.g. based on simplified logistic processes. We merely assume that margins of the 'Weltmotor' Powertrain Technology in Germany should be at the levels of the US business from 2017E onwards.

(6) We also do not reflect the upside potential stemming from a possible expansion of Daimler's Weltmotor into other countries nor the introduction of a comparable engine system supplied by a competitor equipped with MS components. The sales upside is seen to be up to € 21m by 2017E (eH&A: total units for China & Brazil c. 25k units).

We confirm our BUY rating with a new PT of € 6.00 based on FCFY 2017E.

Reconciliation of the 'Weltmotor' Powertrain Technology sales

		2015E FY	2016E FY	2017E FY	CAGR 2015-17E
OE Weltmotor Sales (valvetrain with dual camshafts incl service-kit)					
Weltmotor OE units, US		90,000	105,000	110,000	
	in % of total units	55%	55%	52%	
Weltmotor OE units, Europe		75,000	85,000	100,000	
	in % of total units	45%	45%	48%	
Total Units		**165,000**	**190,000**	**210,000**	
OE Weltmotor Sales Germany (in m €)		56.0	63.3	73.0	
	in % of total units	42%	41%	44%	
OE Weltmotor Sales USA (in m €)		78.6	91.7	94.1	
	in % of total units	58%	59%	56%	
Total OE Weltmotor Sales (in m €)		**134.6**	**155.0**	**167.1**	
	yoy	28.0%	15.2%	7.8%	
Weltmotor Aftermarket Sales (Service-kits: Aluminium frame & bearing block)					
Weltmotor aftermarket units, US		7,300	12,000	15,000	
	in % of total units	4%	6%	7%	
Weltmotor aftermarket units, Germany		0	0	0	
	in % of total units		0%	0%	
Total Units		**7,300**	**12,000**	**15,000**	
Weltmotor Aftermarkets Sales Germany (in m €)		0.0	0.0	0.0	
	in % of total sales		0%	0%	
Weltmotor Aftermarkets Sales USA (in m €)		2.2	3.3	4.1	
	in % of total sales		100%	100%	
Total Weltmotor Aftermarket Sales (in m €)		**2.2**	**3.3**	**4.1**	
	yoy			22.5%	
Total sales Weltmotor		**136.8**	**158.3**	**171.2**	**11.9%**
	yoy	30.1%	15.8%	8.1%	

Reconciliation of total sales by segments

Divisional Sales		2015E FY	2016E FY	2017E FY	CAGR 2015-17E
Daimler Trucks - Weltmotor sales model (price x volume)		136.8	158.3	171.2	9.5%
	in % of total sales	54%	57%	58%	
	yoy	30.1%	15.8%	8.1%	
Other (e.g. MAN/Scandia, MTU, ZF, Liebherr, DAI gearboxes)		48.5	50.0	51.5	3.0%
	in % of total sales	19%	18%	17%	
	yoy	2.1%	3.0%	3.0%	
Powertrain Technology		**185.3**	**208.3**	**222.7**	**9.6%**
	in % of total sales	74%	75%	75%	
	yoy	21.4%	12.4%	6.9%	
Machinery (Automotove sector)		44.7	46.9	48.8	4.5%
	in % of total sales	18%	17%	16%	
	yoy	12.0%	5.0%	4.0%	
Packaging		3.2	3.4	4.6	19.3%
	in % of total sales	1%	1%	2%	
	yoy	3.9%	5.0%	35.6%	
Ultrasonic Technology		**47.9**	**50.3**	**53.4**	**5.6%**
	in % of total sales	19%	18%	18%	
	yoy	11.4%	5.0%	6.1%	
Elektromotorenwerk Grünhain GmbH (EMGR)		**18.6**	**19.4**	**20.2**	
Sales		**251.8**	**278.0**	**296.2**	**8.5%**
	yoy	15.3%	10.4%	6.6%	

Scenario Analysis

Scenario Analysis

eH&A 2017E estimates	2017E Upside potential	1 FX of €/$ 1.08	2 Daimler expanding market share to 40% (113k US unit vs 110)	3 Ramp-up of the Aftermarket business in Europe	4 Assuming the Aftermarket business carries EBITDA-margins of 15% instead of 8% both in Europe and the US	5 Effeciency effects after relocation results in 13% EBITDA margin from 2017E onwards	6 Expansion of additional 25k units to China & Brazil
Sales € 296.2	Incremental sales (m €)	6.4	2.6	4	€ 8m in total (€ 4m US, € 4m Europe)	-	21
EBITDA € 31.3m	Total EBITDA (in m €)	31.8	31.6	31.6	32.5	32.0	33.8
EPS € 0.36	EPS €	0.37	0.36	0.37	0.39	0.38	0.42
PT € 6.0	Implied fair value based on FCFY'17E	€ 6.20	€ 6.10	€ 6.10	€ 6.40	€ 6.30	€ 6.80

Source: Company data; Hauck & Aufhäuser

Reconciliation of EBITDA by segments

Reconciliation to EBITDA by segment		2015E	2016E	2017E	CAGR 2015-17E
Powertrain Technology Weltmotor, US		9.3	10.6	11.3	
	EBITDA-margin	11.9%	11.6%	12.0%	
	In % of total EBITDA	41%	39%	36%	
Powertrain Technology Weltmotor, Germany		5.8	6.6	8.8	
	EBITDA-margin	10.3%	10.4%	12.0%	
	In % of total EBITDA	25%	24%	28%	
Powertrain Technology Others incl Aftermarkets (e.g. MAN/Scandia, MTU, ZF, Liebherr, DAI gearboxes)		4.0	4.3	4.6	
	EBITDA-margin	8.0%	8.0%	8.3%	
	In % of total EBITDA	18%	16%	15%	
Powertrain Technology		**19.1**	**21.5**	**24.7**	13.5%
	EBITDA-margin	10.3%	10.3%	11.1%	
	In % of total EBITDA	85%	79%	79%	
Elektromotorenwerk Grünhain GmbH (EMGR)		**1.5**	**1.6**	**1.6**	4.0%
	EBITDA-margin	8.0%	8.0%	8.0%	
	In % of total EBITDA	7%	6%	5%	
Machinery (Automotove sector)		3.3	3.4	3.8	
	EBITDA-margin	7.3%	7.2%	7.8%	
	In % of total EBITDA	14%	12%	12%	
Packaging (Beiersdorf, Unilever, KochPac)		0.6	0.7	1.2	
	EBITDA-margin	20.0%	20.0%	25.8%	
	In % of total EBITDA	3%	2%	4%	
Ultrasonic Technology		**3.9**	**4.1**	**5.0**	13.0%
	EBITDA-margin	8.2%	8.1%	9.3%	
	In % of total EBITDA	17%	15%	16%	
Others (one-off costs e.g as FX & supplier change)		-1.9	0.0	0.0	
	EBITDA-margin				
	In % of total EBITDA				
Total		**22.6**	**27.1**	**31.3**	**17.5%**
	EBITDA-margin	9.0%	9.7%	10.6%	

Source: Company data; Hauck & Aufhäuser

Profit & loss statement

Profit & loss statement		2015E FY	2016E FY	2017E FY	CAGR 2015-17E
Net sales		**251.8**	**278.0**	**296.2**	**8.5%**
Change in finished goods & work-in-process; own work capacity		0.0	0.0	0.0	
	in % of sales	0.0%	0.0%	0.0%	
Total sales		**251.8**	**278.0**	**296.2**	
Other operating income		4.0	4.0	4.0	
	in % of sales	1.6%	1.4%	1.4%	
Total output		**255.8**	**282.0**	**300.2**	
	in % of sales	101.6%	101.4%	101.4%	
Material expenses		145.8	156.5	167.9	
	in % of sales	57.9%	56.3%	56.7%	
Gross profit		**106.0**	**121.5**	**128.3**	
	Gross profit margin	42.1%	43.7%	43.3%	
Personnel expenses		54.9	59.5	62.5	
	in % of sales	21.8%	21.4%	21.1%	
Other operating expenses		32.5	38.9	38.5	
	in % of sales	12.9%	14.0%	13.0%	
EBITDA		**22.6**	**27.1**	**31.3**	**17.5%**
	EBITDA margin	9.0%	9.7%	10.6%	
	yoy	6.8%	19.6%	15.4%	
D&A		11.0	12.2	13.3	
	in % of sales	4.4%	4.4%	4.5%	
thereof PPA amortisations		*1.8*	*0.5*	*0.0*	
EBIT		**11.6**	**14.8**	**17.9**	
	EBIT margin	4.6%	5.3%	6.1%	
Financial result		**-3.6**	**-3.0**	**-2.0**	
	in % of sales	-1.4%	-1.1%	-0.7%	
EBT		**8.0**	**11.8**	**15.9**	40.8%
	EBT margin	3.2%	4.3%	5.4%	
	yoy	44.2%	47.4%	34.5%	
Income tax		2.2	3.7	5.1	
	Tax rate	28.0%	31.0%	32.0%	
Net profit		**5.8**	**8.2**	**10.8**	
	Net profit margin	2.3%	2.9%	3.7%	
No. of shares		30.0	30.0	30.0	
EPS		**0.19**	**0.27**	**0.36**	**36.8%**
	yoy	39.4%	41.3%	32.5%	

Source: Company data; Hauck & Aufhäuser

RHI AG

Austria - Engineering

HAUCK & AUFHÄUSER
PRIVATBANKIERS SEIT 1796

05-February-16

Buy (old: Buy)

Price target: EUR 21.00 (old: EUR 24.00)

Price:	EUR 16.36	**Next result:**	prel. Q4: 15.02.16
Bloomberg:	RHI AV	**Market cap:**	EUR 633.3 m
Reuters:	RHIV.VI	**Enterprise Value:**	EUR 1,386.6 m

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Q4 hit by write downs, but strong cash generation, chg. est & PT

Yesterday after the bell, **RHI released prel. Q4 results below our and cons. expectations**. While reported EBIT was negatively impacted by € 28m (mainly write downs, non-cash), FCF generation remained strong (€ 53m in Q4). A guidance was not given, but a dividend of € 0.75 (flat yoy) will be proposed translating into a 4.7% yield.

Q4 sales declined by 6% yoy to € 440m (eH&A € 460m, cons. € 458m). **Q4 operating EBIT (excluding one-offs) came in 22% lower yoy at € 33m** (eH&A € 39m, cons. € 37m), however running against a high base.

Q4 reported EBIT came in at € 5m (€ 12m in Q4 2014) and **was negatively impacted by € 28m** stemming from 1) the complete write-down of the Norway plant (€ 23m) due to a decline in Chinese fused magnesia prices, 2) the complete write-down of existing assets for a US based plant producing fused cast for the glass industry (€ 8m) and 3) the shutdown of one of the two Scottish plants for isostatically pressed products which required € 3m restructuring expenses. These negative effects of € 34m were offset by € 6m in positive one-offs (reversal of provisions/ lower closure costs).

Most importantly, **cash generation remained strong in Q4 with free cash flow reaching €** 53m, translating into a FY 2015 FCF of € 128m (7% of sales) supported by a w/c release of eH&A € 20m. Net debt was consequently reduced to € 398m (-15% yoy from FY 2014 € 467m)

While a guidance has not been given, we expect the already reduced production volumes in Norway to continue to improve the earnings situation as lower-grade qualities that have dropped in price are purchased from China. Also the shutdown of the Scottish plant should **improve utilisation rates boding well for the profitability**. Still, **we would not rule out additional plant closures in 2016** (eH&A negative of € 25m 2016 impact) to optimise RHI's plant structure and increase utilisation rates.

Action: **We cut our estimates for sales by 3% and EBIT by 10% to 13%** to reflect the difficult operational business environment for RHI given the ongoing Chinese steel glut and current price levels of non-ferrous metals not allowing for new projects. That being said, refractories are needed a long as steel is produced and recurring orders in e.g. the cement business are expected to persist.

Against this backdrop and the expected continuous healthy cash generation (i.e. strict focus on w/c management and less capex) we **maintain our Buy recommendation with a new PT of € 21** (old: € 24) based on FCFY 2016E as valuation even on reduced estimates remains attractive i.e. 8.9x PER 2016E (excl. one-offs).

Y/E 31.12 (EUR m)	2011	2012	2013	2014	2015Ep	2016E	2017E
Sales	1,758.6	1,835.7	1,754.7	1,721.2	1,752.0	1,717.0	1,758.2
Sales growth	15 %	4 %	-4 %	-2 %	2 %	-2 %	2 %
EBITDA	204.6	229.4	248.5	196.9	187.0	163.7	203.4
EBIT	150.9	167.6	111.1	109.3	96.0	100.7	140.4
Net income	121.5	113.4	61.9	51.0	49.6	53.3	81.9
Net debt	361.8	420.8	423.2	468.6	398.2	336.9	270.8
Net gearing	77.6 %	80.2 %	74.5 %	75.9 %	66.1 %	49.7 %	33.0 %
Net Debt/EBITDA	1.8	1.8	1.7	2.4	2.1	2.1	1.3
EPS pro forma	2.98	2.77	1.95	2.10	1.95	1.34	2.06
CPS	1.95	2.85	2.91	0.18	3.00	2.50	2.76
DPS	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Dividend yield	4.7 %	4.7 %	4.7 %	4.7 %	4.7 %	4.7 %	4.7 %
Gross profit margin	20.7 %	21.9 %	21.7 %	21.5 %	21.3 %	19.5 %	21.5 %
EBITDA margin	11.6 %	12.5 %	14.2 %	11.4 %	10.7 %	9.5 %	11.6 %
EBIT margin	8.6 %	9.1 %	6.3 %	6.4 %	5.5 %	5.9 %	8.0 %
ROCE	12.5 %	11.7 %	7.6 %	7.4 %	6.3 %	6.7 %	9.0 %
EV/sales	0.7	0.8	0.8	0.8	0.8	0.8	0.7
EV/EBITDA	6.3	6.0	5.5	7.4	7.4	8.1	6.2
EV/EBIT	8.5	8.3	12.3	13.3	14.4	13.2	9.0
PER	5.3	5.7	8.2	7.6	8.2	11.9	7.7
Adjusted FCF yield	10.7 %	10.6 %	12.4 %	6.9 %	7.7 %	6.1 %	9.3 %

Source: Company data, Hauck & Aufhäuser Close price as of: 04.02.2016

Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	29.87 / 15.16
Price/Book Ratio:	1.3
Relative performance (ATX):	
3 months	-8.8 %
6 months	-8.2 %
12 months	-28.4 %

Changes in estimates

		Sales	EBIT	EPS
2015	*old:*	1,772.8	130.9	1.86
	Δ	-1.2%	-26.7%	4.8%
2016	*old:*	1,772.8	116.3	1.61
	Δ	-3.2%	-13.4%	-17.1%
2017	*old:*	1,815.4	156.1	2.34
	Δ	-3.2%	-10.1%	-12.0%

Key share data:

Number of shares: (in m pcs)	39.8
Authorised capital: (in € m)	13.7
Book value per share: (in €)	12.6
Ø trading volume: (12 months)	87,000

Major shareholders:

Free Float	57.6 %
MS Private Foundation	29.2 %
Chestnut Bet.ges. mbH	5.2 %
Silver Bet.ges. mbH	5.2 %
Norges	2.7 %

Company description:
RHI produces fire resistant ceramic products used in high-temperature production processes particularly in the steel, cement and glass industry

United Internet AG
Germany - Internet

HAUCK & AUFHÄUSER
PRIVATBANKIERS SEIT 1796

Buy (old: Hold)

Price target: EUR 53.00 (old: EUR 53.00)

Price:	EUR 45.39	**Next result:**	Q4 15: 17.03.16
Bloomberg:	UTDI GR	**Market cap:**	EUR 9,303.9 m
Reuters:	UTDI.DE	**Enterprise Value:**	EUR 10,537.4 m

05-February-16

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Attractive entry opportunity - up to BUY

Despite sound Q3 results in November (sales up by 26% yoy & underlying EBITDA by 38% yoy), UTDI's share price performance has not been spared from the general downtrend. Therefore, we regard the **current share price weakness as an attractive entry opportunity** to a highly cash-generative company as the investment case is seen to be fully intact. This should be underlined by Q4 results as we expect mgmt to reach its FY15 guidance of 20% yoy sales growth and 40% yoy EBITDA growth (comparable EBITDA base: € 552m, ie implying € 773m = eH&A & eCons). Therefore, **we upgrade to BUY**, PT remains € 53 based on DCF.

Mobile (€ 1.2bn sales FY 15E): since launching its MVNO business (with Vodafone) in 2010, UTDI's subscriber base has grown from zero to 3.3m. This came as a result of its strong distribution power and brand perception and allowed UTDI to reach ARPUs of € >30 pm (eH&A) thereby clearly outpacing peers (see graph on page 2). Moreover, since setting-up its second MVNO with eplus/o2, UTDI now offers tariffs for more price-sensitive subscribers with c € 5 pm lower ARPUs. Importantly, its gross profit per subscriber should be equally high with € 11-12 pm (eH&A).

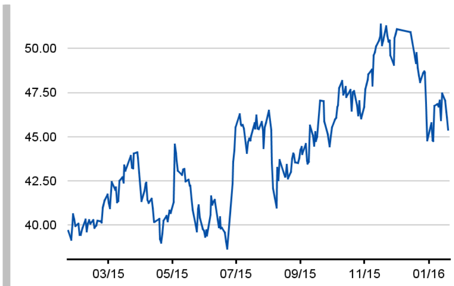
DSL (€ 1.6bn sales FY 15E): With a stronger focus on customer service, attractive pricing and heavy marketing, UTDI strongly increased its DSL subscriber base by >40% to c 4m (incl c 0.4m Versatel subs; see p 2) between 2012 and Q3 2015. Going forward the DSL business should be further boosted by the integration of Versatel. UTDI targets cost savings of c € 55m pa by 2019E eg by exploring 150 additional points of interconnection besides the 250 it already operates. This should allow UTDI to better participate from DTE's current DSL upgrade which should increase bandwidth to up to 100 Mbit/s for 80% of households by 2018E. The required investments are already reflected in our estimates with an additional capex of € 30m pa in 2015-19E.

Applications: Although the DIY website business is fairly commoditised, UTDI has a clear advantage over competitors through its unique telco/IT one-stop-shop and strong marketing power. It can provide subscribers with everything from a mobile contract to a website domain. This should be especially attractive for small shop owners and free lancers which often fall through the cracks of blue-chip telcos.

Visibility on profitable growth is seen to remain high thanks to UTDI's subscription-based business model. Furthermore, the planned IPO of the business applications segment until 2017 should crystallise the upside potential (UTDI's sum-of-the-parts PT € 57) while providing more flexibility to develop the business. **BUY, PT € 53** (DCF).

Y/E 31.12 (EUR m)	2011	2012	2013	2014	2015E	2016E	2017E
Sales	2,094.1	2,396.6	2,655.7	3,065.0	3,786.1	3,994.3	4,150.7
Sales growth	10 %	14 %	11 %	15 %	24 %	5 %	4 %
EBITDA	364.8	343.7	406.9	737.6	773.4	869.1	950.9
EBIT	276.0	204.2	312.2	616.7	563.4	659.1	745.9
Net income	162.3	107.7	206.4	447.1	362.4	435.3	503.3
Net debt	459.7	257.4	297.3	1,323.2	1,233.5	875.5	464.7
Net gearing	316.8 %	136.7 %	97.4 %	109.9 %	73.8 %	44.6 %	20.2 %
Net Debt/EBITDA	1.3	0.7	0.7	1.8	1.6	1.0	0.5
EPS pro forma	0.78	0.79	1.06	2.26	1.77	2.12	2.46
CPS	0.63	1.02	1.07	1.94	2.25	2.41	2.75
DPS	0.30	0.30	0.40	0.60	0.70	0.80	0.90
Dividend yield	0.7 %	0.7 %	0.9 %	1.3 %	1.5 %	1.8 %	2.0 %
Gross profit margin	34.3 %	34.3 %	34.4 %	33.6 %	34.6 %	38.2 %	39.8 %
EBITDA margin	17.4 %	14.3 %	15.3 %	24.1 %	20.4 %	21.8 %	22.9 %
EBIT margin	13.2 %	8.5 %	11.8 %	20.1 %	14.9 %	16.5 %	18.0 %
ROCE	36.7 %	32.6 %	51.0 %	35.8 %	18.3 %	18.6 %	19.4 %
EV/sales	4.7	3.8	3.4	3.3	2.8	2.5	2.4
EV/EBITDA	26.9	26.4	22.4	13.9	13.6	11.7	10.3
EV/EBIT	35.6	44.4	29.2	16.6	18.7	15.4	13.1
PER	58.2	57.6	42.9	20.1	25.7	21.4	18.5
Adjusted FCF yield	2.2 %	2.2 %	2.9 %	5.7 %	5.2 %	6.1 %	7.0 %

Source: Company data, Hauck & Aufhäuser Close price as of: 04.02.2016



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	51.35 / 38.68
Price/Book Ratio:	5.6
Relative performance (TecDAX):	
3 months	5.6 %
6 months	8.6 %
12 months	6.1 %

Changes in estimates

		Sales	EBIT	EPS
2015	*old:*	3,786.1	563.4	1.77
	Δ	-	-	-
2016	*old:*	3,994.3	659.1	2.13
	Δ	-	-	-
2017	*old:*	4,150.7	745.9	2.46
	Δ	-	-	-

Key share data:

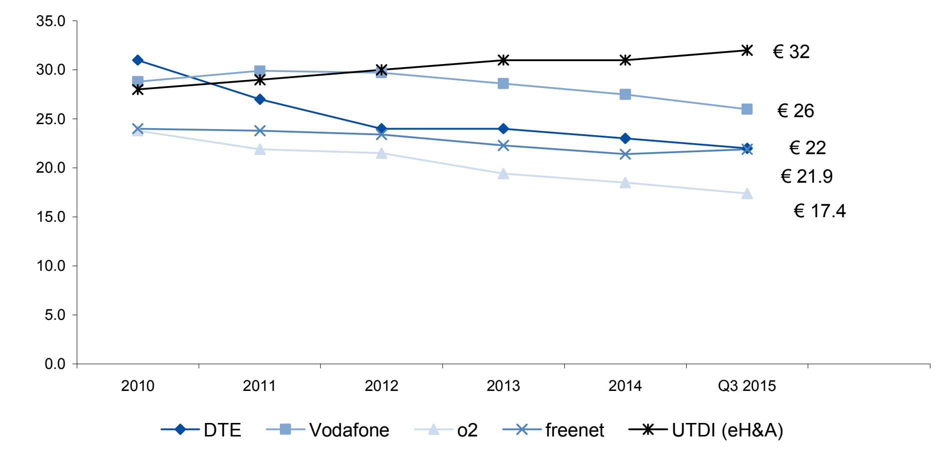
Number of shares: (in m pcs)	205.0
Authorised capital: (in € m)	112.5
Book value per share: (in €)	8.2
Ø trading volume: (12 months)	307,693

Major shareholders:

Free Float	50.9 %
Ralph Dommermuth (CEO)	40.0 %
Allianz Global Investors	3.2 %
DWS	2.3 %
Oppenheimer Funds	1.9 %
Norges	1.7 %

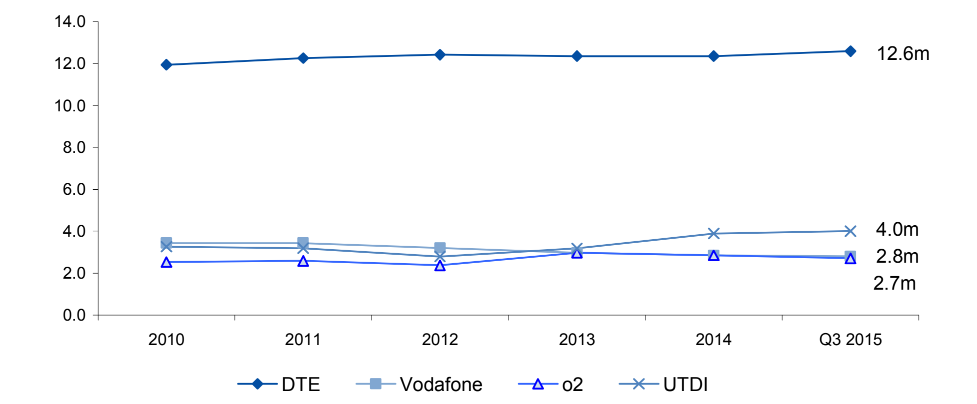
Company description:
UTDI is a leading internet service provider offering DSL broadband, mobile telephony, emailing, website building/hosting and online marketing

Post-paid ARPUs of selected German operators (€ pm)



Source: Hauck & Aufhäuser; company data; o2 incl eplus as of 2014

Subscribers of selected German DSL providers (m)



Source: Hauck & Aufhäuser; company data

United Internet AG: Sum of the parts	Fair EV 2016E	EBITDA 2016E	EV/EBITDA 2016E
Access segment	8640.7	587.8	14.7
Business applications segment	2543.0	229.1	11.1
Consumer applications segment	590.5	53.2	11.1
Investments	715.9		
Rocket Internet AG (8.18% stake)	277.1		
Drillisch AG (20.11% stake)	406.4		
Others (incl HiMedia AG etc)	32.4		
Total fair EV	12490.1		
- Net debt	875.5		
- Pension provisions	0.0		
Fair market cap	11614.6		
Number of shares	205.0		
Fair value per share	57		
Upside (+) / downside (-)	*25%*		

Source: Hauck & Aufhäuser; CapitalIQ

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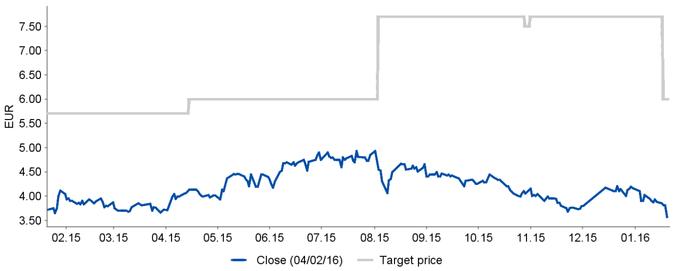
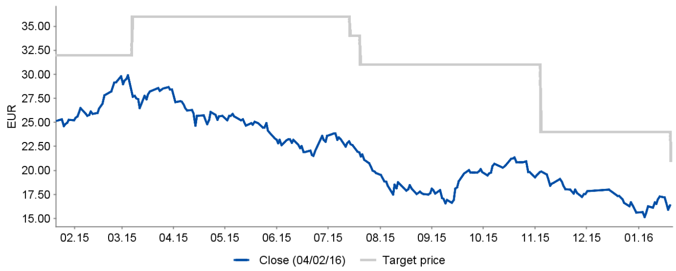
Company	Disclosure
MS Industrie AG	5
RHI AG	5
United Internet AG	5
Pantaleon Entertainment AG	3, 5, 8

Historical target price and rating in the last 12 months

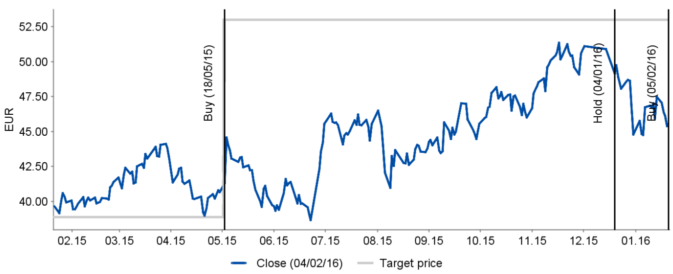
Price and Rating History
MS Industrie AG as of 05/02/16
Initiation coverage 12/03/13



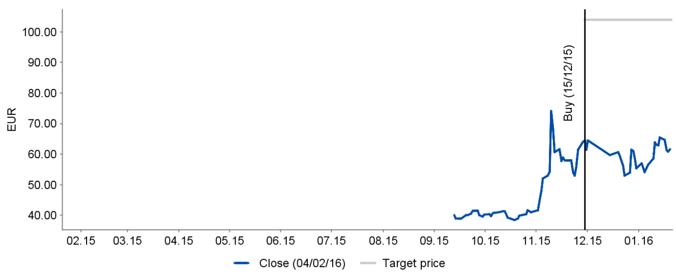
Price and Rating History
RHI AG as of 05/02/16
Initiation coverage 12/010/09



Price and Rating History
United Internet AG as of 05/02/16
Initiation coverage 16/04/13



Price and Rating History
Pantaleon Entertainment AG as of 05/02/16
Initiation coverage 15/12/15



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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

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