

Vectron Systems AG ^{*5a,6a,7,11}

Rating: BUY

Target price: EUR 10.10
(previously: EUR 10.00)

Current price: 4.95
24.10.23 / XETRA / 5:36 pm
Currency: EUR

Key data:

ISIN: DE000A0KEXC7
WKN: A0KEXC
Stock exchange symbol: V3S
Number of shares³: 8.04
Market cap³: 39.79
EnterpriseValue³: 58.44
³ in million / in EUR million
Free float: 58.5%

Transparency level:
Open Market
Market segment:
Frankfurt Stock Exchange
(Scale)
Accounting:
IFRS

Financial year: 31.12.

Analysts:

Cosmin Filker
filker@gbc-ag.de

Matthias Greiffenberger
greiffenberger@gbc-ag.de

* Catalogue of possible conflicts of interest on page 4

Date (time) Completion
25.10.23 (8:20 am)

Date (time) first transmission:
25.10.23 (10:00 am)

Validity of the price target: until
max. 31.12.2024

Company profile

Industry: Software, Technology

Focus: Software for cash register systems and associated hardware

Employees: approx. 220 FTE (30.06.2023)

Foundation: 2006

Headquarters: Münster

Board of Directors: Thomas Stümmler; Dr Ralf-Peter Simon; Christoph Thye

With more than 250,000 POS systems sold to date, Vectron Systems AG is one of the largest European suppliers of POS solutions. Building on this, the area of apps integrated into POS systems as well as digital and cloud-based services is becoming increasingly important in the catering and bakery sectors. The spectrum of solutions ranges from loyalty and payment functions to omni-channel ordering, online reservations and online reporting. In the retail segment, the wholly owned subsidiary acardo (acardo group AG/acardo activation GmbH) is one of the leading providers of consumer activation tools, such as coupons, cashback solutions and consumer apps in Germany. These are now used in more than 30,000 shops, consisting of grocery shops, drugstores, cinemas and pharmacies. acardo offers its customers a full service--from conception and technical implementation to coupon clearing. Customers include the largest companies in their respective industries, such as EDEKA, Müller, Nestlé, Unilever, Kellogg's, Krombacher, Coca-Cola, PEPSI, Beiersdorf, Hexal, CinemaxX, Cineplex, Universal and Warner Bros.



P&L in EUR million \ FY-end	31.12.2022	31.12.2023e	31.12.2024e	31.12.2025e
Revenues	25.22	38.55	43.18	51.29
EBITDA	-3.86	3.17	5.27	8.55
EBIT before PPA	-5.36	1.67	3.74	7.02
Net profit for the year	-5.27	-0.35	0.59	2.50

Key figures in EUR

Earnings per share	-0.65	-0.04	0.07	0.31
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/revenues	2.32	1.52	1.35	1.14
EV/EBITDA	neg.	18.42	11.08	6.84
EV/EBIT before PPA	neg.	34.93	15.61	8.33
KGV	neg.	neg.	67.44	15.90
KBV	1.94			

Financial Calendar

15-16.11.23: MKK Munich
27-27.11.23: EK Forum Frankfurt

**last research from GBC:

Date: Publication / Target price in EUR / Rating

14.09.2023: RS / 10.00 / BUY
25.05.2023: RS / 9.40 / BUY
06.03.2022: RS / 9.40 / BUY
05.01.2023: RS / 9.20 / BUY

** The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg.

Note pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

9 months 2023: Significant increase in sales and earnings achieved; 2023 forecasts raised and target price increased slightly; BUY

in € m	FY 2022	FY 23e (old)	FY 23e (new)	FY 24e	FY 25e
Revenue	25.22	36.75	38.55	43.18	51.29
EBITDA	-3.86	2.54	3.17	5.27	8.55
EBIT – before PPA	-5.36	1.04	1.67	3.74	7.02
EBIT – as reported	-5.36	-0.96	-0.33	1.74	5.02
After-tax result	-5.27	-0.80	-0.36	0.59	2.50

Source: GBC AG

According to preliminary figures, Vectron Systems AG (short: Vectron) achieved a significant growth in turnover and result in the third quarter, which seamlessly continues the positive development of the previous year. The sales revenue of € 9.4 million (previous year: € 5.7 million) generated in the third quarter of 2023 was 63.6 % higher than in the previous year. While the major part of the revenue growth is likely to be attributable to acardo Group AG, which was acquired on 01.01.2023, the POS Systems segment should also have contributed organic growth. This should be primarily due to the expansion of the digital business, which is reflected in an increase in recurring revenue to € 3.4 million (PY: € 1.4 million). In the third quarter, when demand is typically slow due to seasonal factors, the improved ability to plan the business, which has already been achieved, meant that there was no longer a noticeable decline in both revenue and earnings. At € 1.1 million (previous year: € -2.1 million), EBITDA was only slightly below the EBITDA of € 1.2 million for the second quarter of 2023. Although the quarterly result was positively influenced by the release of provisions in the amount of € 0.4 million, both business units generated positive EBITDA.

In the nine-month period, turnover increased significantly by 52.5 % to € 27.9 million (previous year: € 18.3 million). Recurring income rose by 47.7 % to € 9.6 million (previous year: € 6.5 million) and consequently EBITDA also increased significantly to € 2.8 million (previous year: € -2.6 million). Overall, the 9-month EBITDA was positively influenced by special effects amounting to € 0.9 million. On the basis of these figures, our previous forecast for the full year 2023 (see study dated 14 September 2023), in which we assumed revenues of € 36.75 million and EBITDA of € 2.54 million, appears somewhat too low. This is particularly true in view of the fact that the basis for recurring revenues is steadily growing with the planned introduction of further digital modules. In addition, acardo's couponing business should benefit from the strong consumer months, especially towards the end of the year.

We are therefore raising our revenue estimates for the current 2023 financial year to € 38.55 million (previously: € 36.75 million). Analogously, we expect an EBITDA of € 3.17 million (previously: € 2.54 million) and are thus within the company's recently raised earnings guidance, according to which the Vectron management expects an EBITDA between € 2.2 million and € 3.2 million. After consideration of the PPA-amortisation, which is related to the acardo acquisition, Vectron AG should show a negative EBIT of € -0.33 million (previously € -0.96 million). Adjusted for this non-cash effect, this corresponds to an EBIT of € 1.67 million (previously € 1.04 million).

As a result of the slight forecast increase, which is limited to the estimates for the current financial year 2023, we have determined an only marginally higher price target of € 10.10 (previously: € 10.00) within the framework of the DCF valuation model. We continue to assign the BUY rating.

APPENDIX

I.

Research under MiFID II

1. There is a contract between the research company GBC AG and the Issuer regarding the independent preparation and publication of this research report on the Issuer. GBC AG is remunerated for this by the Issuer.
2. the research report shall be made available simultaneously to all investment service providers interested in it.

II.

§1 Disclaimer/ Exclusion of liability

This document is for information purposes only. All data and information contained in this study has been obtained from sources that GBC believes to be reliable. Furthermore, the authors have taken the greatest possible care to ensure that the facts used and opinions presented are appropriate and accurate. Despite this, no guarantee or liability can be assumed for their accuracy - either expressly or implicitly. Furthermore, all information may be incomplete or summarised. Neither GBC nor the individual authors accept any liability for damages arising from the use of this document or its contents or otherwise in connection therewith.

Please note that this document does not constitute an invitation to subscribe for or purchase any security and should not be construed as such. Nor should it or any part of it form the basis of, or be relied upon in connection with, any binding contract of any kind whatsoever. A decision in connection with any prospective offer for sale of securities of the company or companies discussed in this publication should be made solely on the basis of information contained in any prospectus or offering circular issued in connection with such offer.

GBC does not guarantee that the implied returns or the stated price targets will be achieved. Changes in the relevant assumptions on which this document is based may have a material impact on the targeted returns. Income from investments is subject to fluctuation. Investment decisions always require the advice of an investment adviser. Thus, this document cannot assume an advisory function.

Distribution outside the Federal Republic of Germany:

This publication, if distributed in the UK, may only be made available to persons who qualify as authorised or exempt within the meaning of the Financial Services Act 1986 or persons as defined in Section 9(3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Order 1988 (as amended) and may not be communicated, directly or indirectly, to any other person or class of persons.

Neither this document nor any copy thereof may be brought into, transferred to or distributed in the United States of America or its territories or possessions. Distribution of this document in Canada, Japan or other jurisdictions may be restricted by law and persons into whose possession this publication comes should inform themselves about and observe any restrictions. Any failure to comply with such restriction may constitute a violation of US, Canadian or Japanese securities laws or the laws of any other jurisdiction.

By accepting this document, you accept any disclaimer and the above limitations.

You can also find the notes on the disclaimer/liability exclusion under:

<http://www.gbc-ag.de/de/Disclaimer>

Legal Notices and Publications Pursuant to Section 85 WpHG and FinAnV

You can also find the information on the Internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

§ 2 (I) Update:

A specific update of the present analysis(s) at a fixed point in time has not yet been scheduled. GBC AG reserves the right to update the analysis without prior notice.

§ 2 (II) Recommendation/ Classifications/ Rating:

GBC AG has been using a three-stage absolute share rating system since 1 July 2006. Since 1 July 2007, the ratings have referred to a time horizon of at least six to a maximum of 18 months. Previously, the ratings had referred to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are determined according to the ratings described below with reference to the expected return. Temporary price deviations outside these ranges do not automatically lead to a change in the rating, but do give rise to a revision of the original recommendation.

The respective recommendations/ classifications/ ratings are associated with the following expectations:

BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\leq - 10\%$.

Price targets of GBC AG are determined on the basis of the fair value per share, which is determined on the basis of generally recognised and widely used methods of fundamental analysis, such as the DCF method, the peer group comparison and/or the sum-of-the-parts method. This is done by taking into account fundamental factors such as share splits, capital reductions, capital increases, M&A activities, share repurchases, etc.

§ 2 (III) Historical recommendations:

GBC's historical recommendations on the present analysis(s) are available on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

§ 2 (IV) Information basis:

For the preparation of the present analysis(s), publicly available information on the issuer(s) (where available, the three most recently published annual and quarterly reports, ad hoc announcements, press releases, securities prospectus, company presentations, etc.) was used, which GBC considers to be reliable. Furthermore, in order to prepare the present analysis(s), discussions were held with the management of the company(ies) concerned in order to obtain a more detailed explanation of the facts relating to the business development.

§ 2 (V) 1. Conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR:

GBC AG and the responsible analyst hereby declare that the following possible conflicts of interest exist for the company(ies) named in the analysis at the time of publication and thus comply with the obligations of § 85 WpHG and Art. 20 MAR. An exact explanation of the possible conflicts of interest is listed below in the catalogue of possible conflicts of interest under § 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a,6a,7,11)

§ 2 (V) 2. catalogue of possible conflicts of interest:

- (1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in the company analysed or the financial instrument or financial product analysed.
- (2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.
- (3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
- (4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
- (5) a) GBC AG or a legal entity affiliated with it has concluded an agreement with this company or issuer of the analysed financial instrument in the previous 12 months on the preparation of research reports for a fee. Under this agreement, the draft financial analysis (excluding the valuation section) was made available to the issuer prior to publication.
- (5) b) After receiving valid amendments by the analysed company or issuer, the draft of this analysis was changed.
- (6) a) GBC AG or a legal entity affiliated with it has concluded an agreement with a third party in the previous 12 months on the preparation of research reports on this company or financial instrument for a fee. Under this agreement, the third party and/or company and/or issuer of the financial instrument has been given access to the draft analysis (excluding the valuation section) prior to publication.
- (6) b) After receiving valid amendments by the third party or issuer, the draft of this analysis was changed.
- (7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
- (8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
- (9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
- (10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
- (11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).
- (12) At the time of the financial analysis, the analysed company is in a financial instrument or financial product (e.g. certificate, fund, etc.) managed or advised by GBC AG or its affiliated legal entity.

§ 2 (V) 3. Compliance:

GBC has taken internal regulatory precautions to prevent possible conflicts of interest and to disclose them if they exist. The current Compliance Officer, Karin Jägg, email: jaegg@gbc-ag.de, is responsible for compliance with the regulations.

§ 2 (VI) Responsible for the preparation:

The company responsible for the preparation of the present analysis(s) is GBC AG with its registered office in Augsburg, which is registered as a research institute with the competent supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str. 24-28, 60439 Frankfurt).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst
Matthias Greiffenberger, M.Sc., M.A., Financial Analyst

Other person involved in this study:

Manuel Hölzle, Dipl. Kaufmann, Chief Analyst

§ 3 Copyrights

This document is protected by copyright. It is provided for your information only and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law generally requires the consent of the GBC or the relevant company, provided that there has been a transfer of rights of use and publication.

GBC AG
Halderstrasse 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-mail: compliance@gbc-ag.de