

Buy (old: Buy)

PT EUR 15.00 (old: 12.50)

Price EUR 9.94
Bloomberg V33 GR
Reuters V33G
Sector Telecommunications Provider

Vtion develops and markets wireless data card solutions for PCs and laptops for all established interface standards as well as for all wireless standards which are in operation in China.



Share data: 30.08.2010 / Closing price

Market cap: EUR 158 m
Enterprise Value (EV): EUR 69.5 m
Book value: EUR 117 m
No. of shares: 15.9 m
Trading volume Ø: EUR 328 th

Shareholders:

Avill HoldingsLtd. 46.8 %
 Freefloat 28.2 %
 SCGC Capital Holding Company 10.6 %
 Hong Kong Vtion Wireless Tech Comp. Ltd. 6.3 %
 Besto Holdings Ltd. 3.1 %
 Sunshine Century Investment Ltd. 3.1 %

Calendar:

Figures 2010 11/18/10

Change	2010E		2011E		2012E	
	old	Δ%	old	Δ%	old	Δ%
Sales	79.8	19.2	85.6	30.8	92.3	37.6
EBIT	23.0	8.8	24.6	16.3	24.7	29.9
EPS	1.19	-29.4	1.25	10.4	1.26	27.0

Analysis: SES Research
 Date of publication: 31.08.2010
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Increase of estimates and PT

Following a growth in sales of +263% yoy in Q1 2010 and in EBIT of +201% yoy Vtion was able to continue its high growth speed in Q2/2010 and reported a sales growth of +112% to EUR 29.5 m as well as an EBIT growth of +160% to EUR 7.3 m.

The main driver in the current fiscal year is the demand for 3G data cards from the three network operators China Unicom, China Mobile and China Telecom. This is based on (a) increasing internet penetration in China which grew from 27.8% at the end of 2009 to 31.8% at the end of Q2 2010 and (b) the market introduction of 3G services. The 3G penetration only came to 1.8% at the end of Q2 2010.

Due to the weakness of the euro the Q2 figures, which are displayed in euro, do not reflect Vtion's actual operating performance. Calculated in RMB, sales and EBIT growth was slightly below the figures in euro (SESe).

As the euro is the holding's functional currency, Vtion had to book non-cash effective currency losses of EUR 3.1 m in Q2 2010. At the end of Q2 2010, Vtion held approx. EUR 30 m of a total of liquid funds of 90 m as cash position in the holding. As a result of the above mentioned RMB strength the RMB value of the cash funds held in euro has decreased which led to the currency losses.

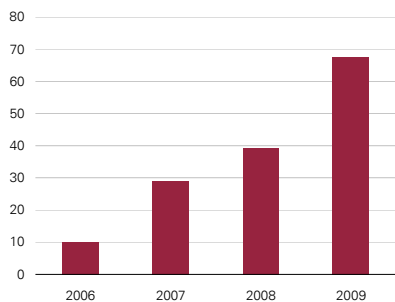
Adjustment of estimates: the sales estimates (+19% in 2010e, +30% in 2011e and +37% in 2012e) and the EBIT estimates (+9% in 2010e, +16% in 2011e; 30% in 2012e) are significantly raised as a result of the strong H1, the ongoing excellent growth prospects (increasing internet and 3G penetration) as well as the outstanding market positioning (one of the three leading suppliers of data cards in China).

The new estimates result in a new DCF based PT of EUR 15 (old: EUR 12.50). This is underpinned by an EV/EBIT for 2010e of 2.8 as well as a cash-adjusted PER of 4.8. Vtion is currently valued at a level which assumes the expected EBIT for 2010e to remain stable for no longer than the next 2.8 years. Afterwards, just a breakeven level would be achieved at EBIT level. Against this backdrop, the Buy recommendation for the share is reiterated.

Fiscal year ending: 31.12. in EUR m	2006	2007	2008	2009	2010E	2011E	2012E
Sales	10.0	29.0	39.2	67.6	95.1	112	127
<i>Change Sales yoy</i>	n.a.	189.9 %	35.1 %	72.7 %	40.6 %	17.8 %	13.4 %
Gross balance	3.5	11.7	16.1	22.6	32.3	38.1	43.2
<i>Gross margin</i>	34.9 %	40.3 %	41.1 %	33.4 %	34.0 %	34.0 %	34.0 %
EBITDA	2.6	9.3	12.8	19.0	25.4	29.3	33.0
<i>EBITDA-margin</i>	25.7 %	32.2 %	32.6 %	28.3 %	26.7 %	26.2 %	26.0 %
EBIT	2.5	9.2	12.6	18.8	25.0	28.6	32.1
<i>EBIT-margin</i>	25.3 %	31.9 %	32.2 %	28.0 %	26.3 %	25.5 %	25.3 %
Net income	2.1	9.2	12.4	16.4	13.3	22.0	25.4
EPS	0.18	0.80	1.13	1.31	0.84	1.38	1.60
Free Cash Flow per share	0.01	0.69	1.13	-0.84	0.76	0.77	1.07
Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Dividend Yield</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/Sales	9.6	3.3	2.5	1.4	0.7	0.5	0.3
EV/EBITDA	37.6	10.3	7.6	5.1	2.7	2.0	1.2
EV/EBIT	38.1	10.4	7.7	5.1	2.8	2.0	1.3
PER	55.2	12.4	8.8	7.6	11.8	7.2	6.2
ROCE	44.6 %	86.9 %	49.2 %	28.8 %	23.5 %	22.0 %	20.6 %
Adj. Free Cash Flow Yield	1.6 %	8.6 %	12.2 %	18.8 %	33.7 %	44.3 %	67.2 %

Sales development

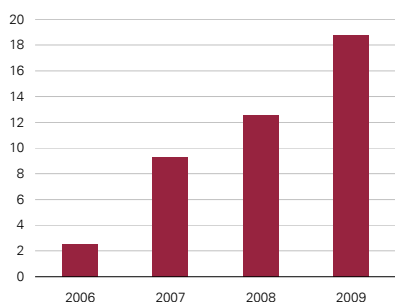
in EUR m



Source: Vtion

EBIT development

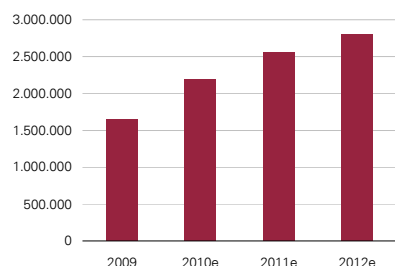
in EUR m



Source: Vtion

Sold units

Quantity



Source: Vtion

Company background

Vtion develops and markets wireless data card solutions for PCs and laptops for all established interface standards as well as for all wireless standards which are in operation in China. Vtion is one of the top three suppliers in China with a market share of ~25%. Wireless data cards are connected to a PC or a laptop via interfaces such as USB or PCI to establish a mobile internet access.

The market for data cards currently has oligopolistic structures. The three main mobile operators (China Mobile, China Unicom and China Telecom) procure 80% of the quantity of the three main suppliers (ZTE, Huawei and Vtion). This starting situation, which is excellent for Vtion, should remain stable until 2011e due to the required high quality standards, certification processes, the comprehensive contractual relationships and collaborations.

Competitive quality

- **Outsourced production:** Vtion has no own production capacities and focuses on product design, marketing and customer care. Thus, the company is highly flexible and can rapidly adapt itself to a change in demand.
- **Licencings with all three network operators:** Vtion is qualified as top-tier supplier among the three network operators and thus stands out compared to the majority of competitors. The network operators currently procure 80% of the required wireless data cards from 3 suppliers.

Consolidated Profit & Loss Vtion							
in EUR m							
	2006	2007	2008	2009	2010E	2011E	2012E
Sales	10.0	29.0	39.2	67.6	95.1	112	127
Cost of sales	6.5	17.3	23.1	45.1	62.8	73.9	83.8
Gross balance	3.5	11.7	16.1	22.6	32.3	38.1	43.2
Research and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales and marketing	0.5	0.9	1.4	2.0	4.8	6.2	7.6
General and administration	0.5	1.3	2.6	2.0	3.0	4.5	5.1
Other operating income/expenses	0.0	-0.2	0.5	0.3	0.5	1.1	1.7
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	2.6	9.3	12.8	19.0	25.4	29.3	33.0
Depreciation of fixed assets	0.0	0.0	0.1	0.1	0.2	0.3	0.4
EBITA	2.5	9.3	12.7	18.9	25.2	29.0	32.6
Amortisation of intangible fixed assets	0.0	0.1	0.1	0.1	0.2	0.4	0.5
Impairment charges and amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.5	9.2	12.6	18.8	25.0	28.6	32.1
Interest income	0.0	0.2	0.3	0.2	0.3	0.4	1.3
Interest expenses	0.1	0.3	0.5	0.2	7.0	0.0	0.0
Financial result	-0.1	-0.1	-0.2	0.0	-6.7	0.4	1.3
Recurring pretax income from cont. operations	2.5	9.1	12.4	18.8	18.3	29.0	33.4
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	2.5	9.1	12.4	18.8	18.3	29.0	33.4
Taxes total	0.4	0.0	0.0	2.3	5.0	7.0	8.0
Net income from continuing operations	2.1	9.2	12.4	16.4	13.3	22.0	25.4
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	2.1	9.2	12.4	16.4	13.3	22.0	25.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	2.1	9.2	12.4	16.4	13.3	22.0	25.4

Sources: Vtion (historical data), SES Research (forecasts)

Consolidated Profit & Loss Vtion							
in % of Sales							
	2006	2007	2008	2009	2010E	2011E	2012E
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	65.1 %	59.7 %	58.9 %	66.6 %	66.0 %	66.0 %	66.0 %
Gross balance	34.9 %	40.3 %	41.1 %	33.4 %	34.0 %	34.0 %	34.0 %
Research and development	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Sales and marketing	4.7 %	3.3 %	3.5 %	2.9 %	5.0 %	5.5 %	6.0 %
General and administration	4.9 %	4.5 %	6.6 %	2.9 %	3.2 %	4.0 %	4.0 %
Other operating income/expenses	0.0 %	-0.7 %	1.2 %	0.5 %	0.5 %	1.0 %	1.3 %
Unfrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITDA	25.7 %	32.2 %	32.6 %	28.1 %	26.7 %	26.2 %	26.0 %
Depreciation of fixed assets	0.3 %	0.1 %	0.2 %	0.2 %	0.2 %	0.3 %	0.3 %
EBITA	25.4 %	32.1 %	32.4 %	28.0 %	26.5 %	25.9 %	25.7 %
Amortisation of intangible fixed assets	0.1 %	0.2 %	0.2 %	0.2 %	0.2 %	0.4 %	0.4 %
Impairment charges and amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	25.3 %	31.9 %	32.2 %	27.8 %	26.3 %	25.5 %	25.3 %
Interest income	0.3 %	0.8 %	0.7 %	0.3 %	0.3 %	0.4 %	1.0 %
Interest expenses	1.0 %	1.1 %	1.2 %	0.3 %	7.4 %	0.0 %	0.0 %
Financial result	-0.7 %	-0.3 %	-0.5 %	-0.1 %	-7.1 %	0.4 %	1.0 %
Recurring pretax income from cont. operations	24.6 %	31.5 %	31.6 %	27.8 %	19.3 %	25.9 %	26.3 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBT	24.6 %	31.5 %	31.6 %	27.8 %	19.3 %	25.9 %	26.3 %
Taxes total	4.0 %	-0.1 %	0.0 %	3.5 %	5.3 %	6.3 %	6.3 %
Net income from continuing operations	20.6 %	31.6 %	31.6 %	24.3 %	14.0 %	19.6 %	20.0 %
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	20.6 %	31.6 %	31.6 %	24.3 %	14.0 %	19.6 %	20.0 %
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	20.6 %	31.6 %	31.6 %	24.3 %	14.0 %	19.6 %	20.0 %

Sources: Vtion (historical data), SES Research (forecasts)

Balance sheet Vtion

in EUR m

	2006	2007	2008	2009	2010E	2011E	2012E
Assets							
Intangible assets	0.1	0.6	0.8	1.3	2.1	3.7	7.2
thereof other intangible assets	0.1	0.6	0.8	1.3	2.1	3.7	7.2
thereof Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.1	0.2	0.5	0.6	1.0	1.7	3.3
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	0.2	0.8	1.2	1.9	3.2	5.4	10.5
Inventories	1.6	2.3	4.9	3.8	4.3	5.6	6.4
Accounts receivable	2.6	10.1	6.4	34.8	44.3	56.8	64.4
Other Assets	1.2	1.1	8.2	7.9	9.6	14.1	14.1
Liquid assets	1.6	12.2	30.3	61.5	88.5	101	118
Current assets	7.1	25.8	49.8	108	147	177	203
Total assets	7.2	26.6	51.0	110	150	183	213
Liabilities and shareholders' equity							
Subscribed capital	2.9	10.0	11.5	16.0	16.0	16.0	16.0
Additional paid-in capital	0.3	0.0	7.6	48.2	48.2	48.2	48.2
Surplus capital	0.7	0.8	13.2	29.7	43.0	65.0	90.4
Other equity components	0.0	-0.4	3.3	2.1	9.5	14.0	14.0
Book value	3.9	10.4	35.6	96.0	117	143	169
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	3.9	10.4	35.6	96.0	117	143	169
Provision for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.2	3.0	3.8	0.7	0.7	0.7	0.7
Financial liabilities	1.8	5.2	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.5	4.7	8.3	8.2	18.2	24.5	29.6
Other liabilities	0.9	3.3	3.3	5.0	14.3	14.3	14.3
Liabilities	3.3	16.2	15.4	13.9	33.1	39.4	44.5
Total liabilities and shareholders equity	7.2	26.6	51.0	110	150	183	213

Sources: Vtion (historical data), SES Research (forecasts)

Balance sheet Vtion

in % of Balance Sheet Total

	2006	2007	2008	2009	2010E	2011E	2012E
Assets							
Intangible assets	0.7 %	2.2 %	1.5 %	1.2 %	1.4 %	2.0 %	3.4 %
thereof other intangible assets	0.7 %	2.2 %	1.5 %	1.2 %	1.4 %	2.0 %	3.4 %
thereof Goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Property, plant and equipment	1.5 %	0.7 %	1.0 %	0.6 %	0.7 %	0.9 %	1.6 %
Financial assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Fixed assets	2.2 %	2.9 %	2.4 %	1.8 %	2.1 %	3.0 %	4.9 %
Inventories	22.5 %	8.7 %	9.6 %	3.4 %	2.9 %	3.1 %	3.0 %
Accounts receivable	36.8 %	38.1 %	12.5 %	31.7 %	29.6 %	31.1 %	30.2 %
Other Assets	16.9 %	4.3 %	16.0 %	7.2 %	6.4 %	7.7 %	6.6 %
Liquid assets	21.9 %	46.0 %	59.5 %	55.9 %	59.0 %	55.2 %	55.2 %
Current assets	98.0 %	97.1 %	97.6 %	98.2 %	97.9 %	97.1 %	95.1 %
Total assets	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Liabilities and shareholders' equity							
Subscribed capital	40.8 %	37.6 %	22.5 %	14.5 %	10.7 %	8.8 %	7.5 %
Additional paid-in capital	3.5 %	0.0 %	14.9 %	43.8 %	32.1 %	26.4 %	22.6 %
Surplus capital	10.3 %	2.9 %	25.8 %	27.0 %	28.7 %	35.6 %	42.4 %
Other equity components	0.0 %	-1.4 %	6.6 %	2.0 %	6.4 %	7.7 %	6.6 %
Book value	54.6 %	39.1 %	69.8 %	87.4 %	77.9 %	78.4 %	79.1 %
Minority Interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total equity	54.6 %	39.1 %	69.8 %	87.4 %	77.9 %	78.4 %	79.1 %
Provision for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Provisions	2.2 %	11.3 %	7.5 %	0.6 %	0.5 %	0.4 %	0.3 %
Financial liabilities	24.3 %	19.5 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	7.1 %	17.8 %	16.2 %	7.5 %	12.1 %	13.4 %	13.9 %
Other liabilities	12.1 %	12.3 %	6.5 %	4.5 %	9.5 %	7.8 %	6.7 %
Liabilities	45.7 %	60.8 %	30.2 %	12.6 %	22.1 %	21.6 %	20.9 %
Total liabilities and shareholders equity	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Sources: Vtion (historical data), SES Research (forecasts)

Statement of Cash Flows Vtion

in EUR m

	2006	2007	2008	2009	2010E	2011E	2012E
Net income	2.1	9.2	12.4	17.2	13.3	22.0	25.4
Depreciation of fixed assets	0.0	0.0	0.1	0.1	0.2	0.3	0.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.1	0.1	0.1	0.2	0.4	0.5
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	-0.1	-0.2	0.5	0.3	0.0	0.0	0.0
Cash Flow	2.0	9.0	13.0	17.7	13.7	22.7	26.3
Increase / decrease in inventory	-0.5	-0.7	-2.6	1.1	-0.5	-1.3	-0.8
Increase / decrease in accounts receivable	-1.3	-7.5	3.8	-28.4	-9.5	-12.5	-7.6
Increase / decrease in accounts payable	-0.3	4.2	3.4	0.0	10.0	6.3	5.1
Increase / decrease in other working capital positions	0.2	2.9	-5.2	0.0	0.0	0.0	0.0
Increase / decrease in working capital	-2.0	-1.1	-0.6	-27.4	-0.1	-7.5	-3.3
Cash flow from operating activities	0.1	7.9	12.4	-9.6	13.6	15.2	23.0
CAPEX	0.0	0.0	0.0	-1.0	-1.6	-3.0	-6.0
Payments for acquisitions	-0.1	-0.7	-0.5	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	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-0.1	-0.7	-0.5	-1.0	-1.6	-3.0	-6.0
Change in financial liabilities	1.2	3.4	-5.2	0.0	0.0	0.0	0.0
Dividends paid	-1.5	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	9.1	43.9	0.0	0.0	0.0
Others	0.1	0.1	-0.3	0.0	0.0	0.0	0.0
Cash flow from financing activities	-0.2	3.5	3.6	43.9	0.0	0.0	0.0
Change in liquid funds	-0.2	10.7	15.5	33.2	12.0	12.2	17.0
Effects of exchange rate changes on cash	-0.1	0.0	2.7	-2.1	15.0	0.0	0.0
Liquid assets at end of period	1.6	12.2	30.3	61.5	88.5	101	118

Sources: Vtion (historical data), SES Research (forecasts)

Financial Ratios Vtion

	2006	2007	2008	2009	2010E	2011E	2012E
Operational Efficiency							
Total Operating Costs / Sales	9.6 %	8.4 %	8.9 %	5.4 %	7.7 %	8.5 %	8.7 %
Sales per Employee	77,543	150,254	174,116	433,583	528,333	560,000	577,273
EBITDA per Employee	19,915	48,358	56,711	122,782	141,065	146,720	150,091
EBIT-margin	25.3 %	31.9 %	32.2 %	28.0 %	26.3 %	25.5 %	25.3 %
EBITDA / Operating Assets	66.5 %	118.4 %	419.3 %	62.1 %	81.0 %	74.3 %	74.3 %
ROA	1278.3 %	1197.3 %	995.4 %	852.6 %	421.0 %	408.4 %	242.5 %
Efficiency of Capital Employment							
Plant Turnover	90.1	161	79.5	107	91.0	65.5	38.2
Operating Assets Turnover	2.6	3.7	12.9	2.2	3.0	2.8	2.9
Capital Employed Turnover	1.8	1.9	1.1	0.7	0.8	0.8	0.8
Return on Capital							
ROCE	44.6 %	86.9 %	49.2 %	28.8 %	23.5 %	22.0 %	20.6 %
EBITDA / Avg. Capital Employed	45.2 %	87.8 %	49.9 %	29.1 %	23.9 %	22.6 %	21.2 %
ROE	52.4 %	88.1 %	34.8 %	17.2 %	11.4 %	15.3 %	15.1 %
Net Profit / Avg. Equity	104.8 %	127.9 %	53.9 %	25.2 %	12.5 %	16.9 %	16.3 %
Recurring Net Profit / Avg. Equity	104.8 %	127.9 %	53.9 %	25.2 %	12.5 %	16.9 %	16.3 %
ROIC	35.4 %	49.2 %	30.5 %	16.9 %	11.2 %	15.1 %	14.9 %
Solvency							
Net Debt	0.2	-7.0	-30.3	-61.5	-88.5	-101	-118
Net Gearing	4.5 %	-67.7 %	-85.2 %	-64.0 %	-75.8 %	-70.4 %	-69.8 %
Book Value of Equity / Book Value of Debt	224.4 %	200.7 %	n.a.	n.a.	n.a.	n.a.	n.a.
Current ratio	2.3	2.0	4.3	8.2	4.5	4.6	4.6
Acid Test Ratio	1.7	1.5	2.9	7.5	4.3	4.4	4.4
EBITDA / Interest Paid	24.9	29.9	26.5	92.1	3.6	n.a.	n.a.
Interest Cover	36.2	97.3	60.3	591.4	3.7	n.a.	n.a.
Cash Flow							
Free Cash Flow	0.1	7.9	12.4	-10.6	12.0	12.2	17.0
Free Cash Flow / Sales	0.6 %	27.3 %	31.6 %	-15.7 %	12.6 %	10.9 %	13.4 %
Adj. Free Cash Flow	1.6	8.3	11.8	18.2	23.4	25.3	27.0
Adj. Free Cash Flow / Sales	10.6 %	27.7 %	28.8 %	23.1 %	12.0 %	16.4 %	15.0 %
Free Cash Flow / Net Profit	3.2 %	86.5 %	100.0 %	-64.2 %	90.3 %	55.8 %	66.9 %
Interest Received / Avg. Cash	2.1 %	3.1 %	1.3 %	0.4 %	0.4 %	0.4 %	1.2 %
Interest Paid / Avg. Debt	5.9 %	9.0 %	18.6 %	n.a.	n.a.	n.a.	n.a.
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Fund Management							
Investment ratio	0.0 %	0.0 %	0.0 %	1.5 %	1.7 %	2.7 %	4.7 %
Maint. Capex / Sales	10.0 %	3.4 %	2.6 %	1.5 %	2.1 %	3.6 %	4.7 %
Capex / Dep	0.0 %	0.0 %	0.0 %	431.0 %	420.6 %	382.7 %	674.9 %
Avg. Working Capital / Sales	39.9 %	20.2 %	15.0 %	26.3 %	33.3 %	31.6 %	32.1 %
Trade Creditors / Trade Debtors	517.0 %	214.0 %	77.0 %	423.0 %	243.4 %	231.8 %	217.6 %
Inventory turnover (days)	59.0	29.0	45.5	20.3	16.6	18.3	18.3
Receivables collection period (DSOs)	96.6	128	59.3	188	170	185	185
Payables collection period (days)	18.7	59.6	77.1	44.4	70.0	80.0	85.0
Cash conversion cycle (days)	137	97.0	23.8	163	116	123	118
Valuation							
Dividend Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/B	40.2	15.2	4.4	1.6	1.4	1.1	0.9
EV/sales	9.6	3.3	2.5	1.4	0.7	0.5	0.3
EV/EBITDA	37.6	10.3	7.6	5.1	2.7	2.0	1.2
EV/EBIT	38.1	10.4	7.7	5.1	2.8	2.0	1.3
EV/FCF	n.m.	12.2	7.8	n.m.	5.8	4.7	2.4
P/E	55.2	12.4	8.8	7.6	11.8	7.2	6.2
P/CF	78.0	17.5	12.1	8.9	11.5	6.9	6.0
Adj. Free Cash Flow Yield	2.1 %	9.3 %	13.5 %	18.4 %	19.7 %	39.7 %	65.4 %

Sources: Vtion (historical data), SES Research (forecasts)

Free Cash Flow Yield - Vtion

Figures in EUR m

	2006	2007	2008	2009	2010e	2011e	2012e
Net Income	2.1	9.2	12.4	16.6	13.3	22.0	25.4
+ Depreciation + Amortisation	0.0	0.1	0.2	0.2	0.4	0.8	0.9
- Net Interest Income	-0.1	-0.1	-0.2	0.0	-6.7	0.4	1.3
+ Taxes	0.4	0.0	0.0	2.3	5.0	7.0	8.0
- Maintenance Capex	1.0	1.0	1.0	1.0	2.0	4.0	6.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Adjusted Free Cash Flow	1.6	8.3	11.8	18.2	23.4	25.3	27.0
Adjusted Free Cash Flow Yield	1.6%	8.6%	12.2%	18.8%	33.7%	44.3%	67.2%
Hurdle rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
= Enterprise Value	96.5	96.5	96.5	96.5	69.5	57.2	40.2
= Fair Enterprise Value	15.7	83.3	117.6	181.5	233.9	253.4	270.2
- Net Debt (Cash)	-61.5	-61.5	-61.5	-61.5	-88.5	-100.8	-117.8
- Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Fair Market Capitalisation	77.2	144.8	179.1	243.0	322.4	354.2	388.0
No. of shares (m)	15.9	15.9	15.9	15.9	15.9	15.9	15.9
= Fair value per share (EUR)	4.85	9.11	11.26	15.28	20.28	22.28	24.40
premium (-) / discount (+) in %	-51.2%	-8.3%	13.3%	53.8%	104.1%	124.2%	145.6%

Sensitivity Fair value per Share (EUR)

	13.0%	4.63	7.90	9.56	12.65	16.88	18.60	20.48
	12.0%	4.69	8.23	10.03	13.38	17.83	19.62	21.57
	11.0%	4.76	8.63	10.59	14.25	18.94	20.83	22.86
Hurdle rate	10.0%	4.85	9.11	11.26	15.28	20.28	22.28	24.40
	9.0%	4.96	9.69	12.08	16.55	21.91	24.05	26.29
	8.0%	5.10	10.42	13.11	18.14	23.96	26.26	28.65
	7.0%	5.28	11.35	14.43	20.18	26.58	29.11	31.68

Sources: Vtion (historical data), SES Research (estimates)

DCF Model - Vtion

Figures in EUR m

	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e
Sales	95.1	112.0	127.0	135.9	144.0	151.2	158.8	166.7	175.1	183.8	193.0	196.9	200.8	204.8
Change	40.6%	17.8%	13.4%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	2.0%	2.0%
EBIT	25.0	28.6	32.1	34.0	35.3	34.8	34.9	33.3	28.0	27.6	23.2	19.7	20.1	20.5
EBIT-Margin	26.3%	25.5%	25.3%	25.0%	24.5%	23.0%	22.0%	20.0%	16.0%	15.0%	12.0%	10.0%	10.0%	10.0%
Tax rate	27.3%	24.2%	23.9%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
NOPAT	18.2	21.7	24.4	26.2	27.2	26.8	26.9	25.7	21.6	21.2	17.8	15.2	15.5	15.8
Depreciation	0.4	0.8	0.9	1.4	1.4	1.5	2.4	2.5	2.6	2.8	2.9	3.0	3.0	3.1
in % of Sales	0.4%	0.7%	0.7%	1.0%	1.0%	1.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Change in Liquidity from														
- Working Capital	-0.1	-7.5	-3.3	-5.1	-4.3	-2.6	-2.7	-2.9	-3.0	-3.2	-3.3	-1.4	-1.4	-1.4
- Capex	-1.6	-3.0	-6.0	-2.0	-2.2	-2.3	-2.4	-2.5	-2.6	-2.8	-2.9	-3.0	-3.0	-3.1
Capex in % of Sales	1.7%	2.7%	4.7%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
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	0.0
Free Cash Flow (WACC-Model)	16.9	11.9	16.0	20.4	22.2	23.4	24.2	22.8	18.6	18.1	14.5	13.8	14.0	14.3

Model parameter

Debt ratio	0.00%	Beta	1.50
Costs of Debt	n.a.	WACC	11.38%
Market return	9.00%		
Risk free rate	4.25%	Terminal Growth	2.00%

Valuation (mln)

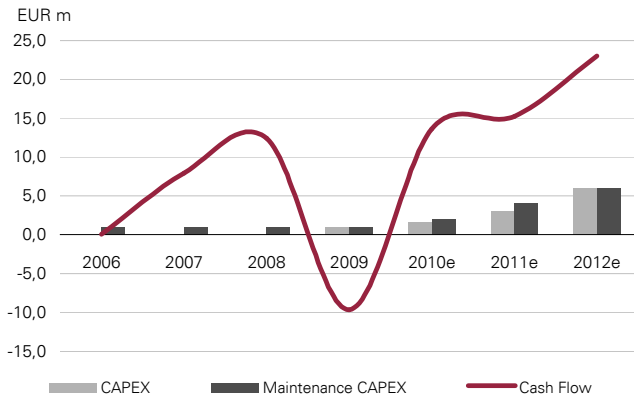
Present values 2023e	134.4		
Terminal Value	36.7		
Liabilities	0.0		
Liquidity	67.0	No. of shares (mln)	15.90
Equity Value	238.0	Value per share (EUR)	14.97

Sensitivity Value per Share (EUR)

Terminal Growth								Delta EBIT margin							
WACC	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	WACC	-1.5 pp	-1.0 pp	-0.5 pp	0.0	+0.5 pp	+1.0 pp	+1.5 pp
12.38%	14.02	14.06	14.10	14.14	14.19	14.24	14.29	12.38%	13.09	13.44	13.79	14.14	14.49	14.84	15.19
11.88%	14.39	14.44	14.49	14.54	14.59	14.65	14.71	11.88%	13.43	13.80	14.17	14.54	14.90	15.27	15.64
11.63%	14.59	14.64	14.69	14.75	14.81	14.87	14.93	11.63%	13.62	13.99	14.37	14.75	15.13	15.50	15.88
11.38%	14.80	14.85	14.91	14.97	15.03	15.10	15.17	11.38%	13.81	14.19	14.58	14.97	15.36	15.75	16.13
11.13%	15.02	15.08	15.14	15.20	15.27	15.34	15.42	11.13%	14.01	14.41	14.80	15.20	15.60	16.00	16.40
10.88%	15.25	15.31	15.38	15.45	15.52	15.60	15.69	10.88%	14.22	14.63	15.04	15.45	15.86	16.27	16.68
10.38%	15.74	15.81	15.89	15.98	16.07	16.16	16.26	10.38%	14.67	15.10	15.54	15.98	16.41	16.85	17.28

Source: SES Research

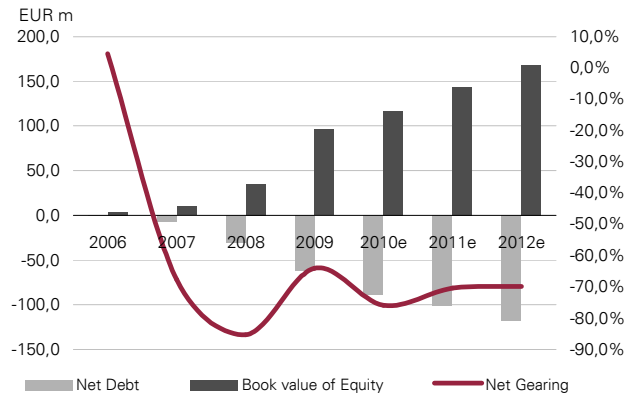
CAPEX and Cash Flow - Vtton



Sources: Vtton (historical data), SES Research (forecasts)

- Low Capex ratio as there are no own production capacities
- Cash Flow impacted in 2009e by expansion of working capital

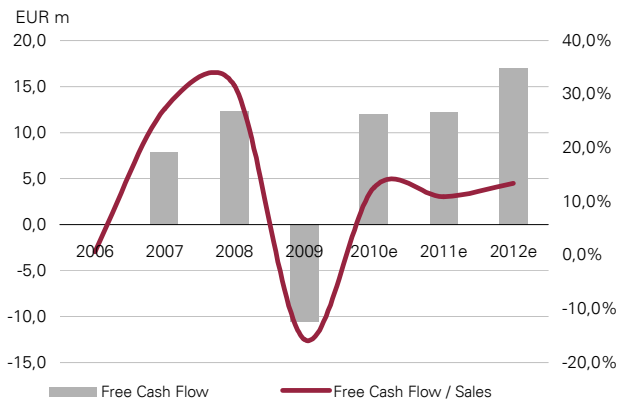
Balance Sheet Quality - Vtton



Sources: Vtton (historical data), SES Research (forecasts)

- Short balance sheet with high share of cash

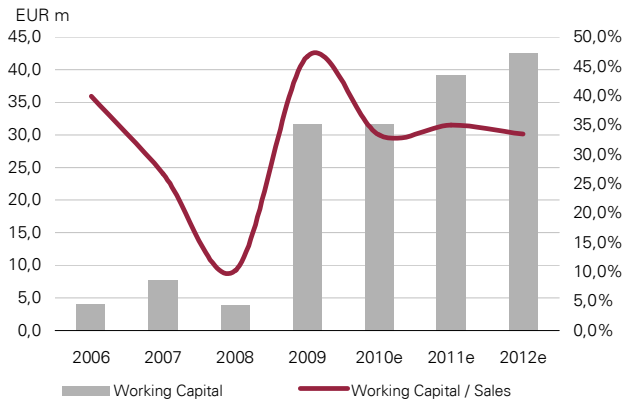
Free Cash Flow Generation - Vtton



Sources: Vtton (historical data), SES Research (forecasts)

- Negative free cash flow in 2009e due to working capital expansion
- Normalisation of working capital development from 2010e on
- High free cash flow generation from 2010e on

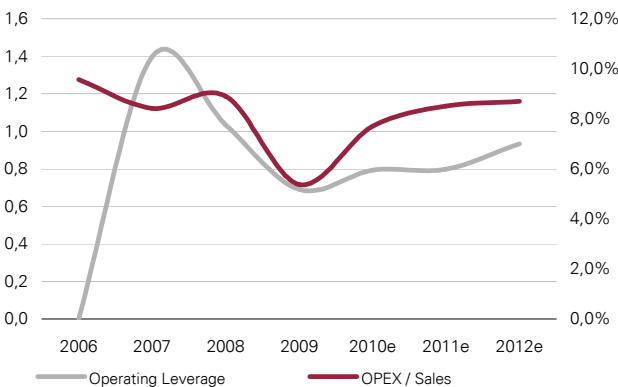
Working Capital - Vtton



Sources: Vtton (historical data), SES Research (forecasts)

- Normalisation of working capital development in 2010e

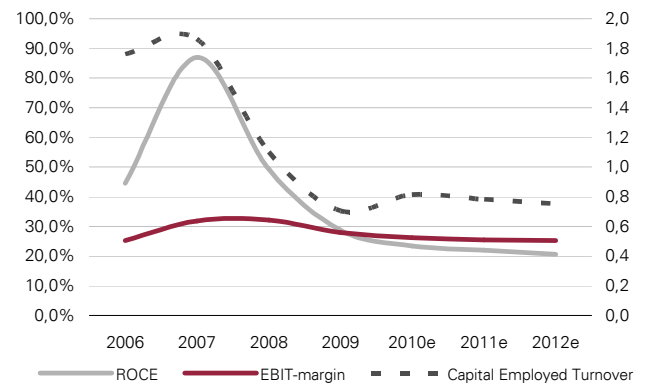
Operating Leverage - Vtton



Sources: Vtton (historical data), SES Research (forecasts)

- Operating leverage limited

ROCE Development - Vtton



Sources: Vtton (historical data), SES Research (forecasts)

- Constant EBIT margin between 2009e and 2011e
- Declining ROCE due to equity retention

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- B **Buy**: The price of the analysed equity security is expected to rise over the next 12 months.
- H **Hold**: The price of the analysed equity security is expected to remain mostly flat over the next 12 months.
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- “-“ **Rating suspended**: The available information does not currently permit an evaluation of the company.

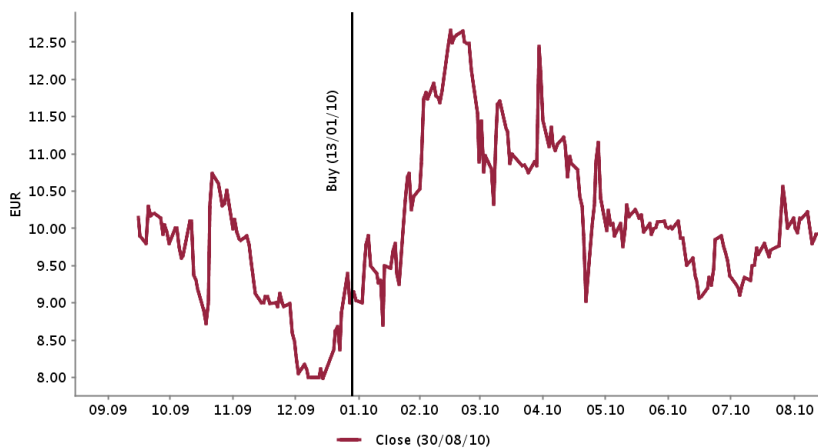
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Rating	Number of stocks	% of Universe
Buy	121	62%
Hold	52	27%
Sell	7	4%
Rating suspended	15	8%
Total	195	

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Buy	88	68%
Hold	31	24%
Sell	3	2%
Rating suspended	7	5%
Total	129	

Price and Rating History
Vtion Wireless Technology AG as of 31/08/10



The charts have markings if SES Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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