

Buy (old: Buy)

PT EUR 16.60 (old: 16.60)

Price EUR 10.36
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.



Market cap: EUR 165 m
Enterprise Value (EV): EUR 69.4 m
Book value: EUR 127 m
No. of shares: 15.9 m
Trading volume Ø: EUR 569 th

Shareholders:
 Avill Holdings Ltd. 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:

Change	2010E		2011E		2012E	
	old	Δ%	old	Δ%	old	Δ%
Sales	105	0	115	0	127	0
EBIT	31.3	0.0	33.8	0	35.4	0
EPS	1.42	2.8	1.71	0	1.81	0

Analysis: Warburg Research
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Release of final Q3 figures

Vtion has reported the final Q3 2010 figures today.

Vtion - Q3 2010
 Figures in EUR m

	Q3/10	Q3/09	yoy	9M/10	9M/09	yoy
Sales	29.8	25.6	16.6%	85.6	47.7	79.4%
EBIT margin	10.1	7.2	39.8%	26.7	14.2	87.8%
EBIT margin	33.9%	28.3%		31.1%	29.7%	
EPS in EUR	1.17	0.41	185.4%	1.74	0.80	117.5%

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

Adjusted for currency (translation effect) Q3 2010 sales were up +2% over Q3 2009 according to WR calculations. Apart from the translation effect the sales development was mainly driven by the following factors:

- **Volume development:** the volume of data cards sold by the company should have been significantly expanded compared to Q3 2009. In Q3 2009 Vtion sold 625k data cards. This volume looks set to have been raised by >15% (WR e).
- **Price development:** Over the same period of time Vtion had to face a drop in the average selling price of ca. 10%. The sales development was mainly impacted by the expansion in the sale of data cards while the price declined by ~10% on average simultaneously.

Despite a price drop of ~10% the gross margin was increased from 31.5% in Q3 2009 to 40.3% in Q3 2010. This increase looks set to be attributable to economies of scale in the (outsourced) production.

Vtion has announced to launch new hardware products and to expand the business model

- In addition to mobile data cards Vtion will market e-book readers and 3G routers.
- From the Vtion management's point of view China will see a growing demand for software solutions and value-added services in the field of mobile. The company therefore plans to use the existing resources and the brand to increasingly develop solutions and products for the services business.

Both the expansion of the hardware product range and the planned expansion of the services business are positive aspects. The pressure on prices for mobile data cards is expected to accelerate in the next few quarters. An expansion into new product and business areas can entail a high additional sales potential going forward given that Vtion has access to the mobile phone companies as well as to the end customers.

Valuation: based on the 2011e estimates the stock trades at a PER of 6.1 and an EV/EBIT of 1.4. The net cash per share stood at ~ EUR 5 at the end of Q3 2010.

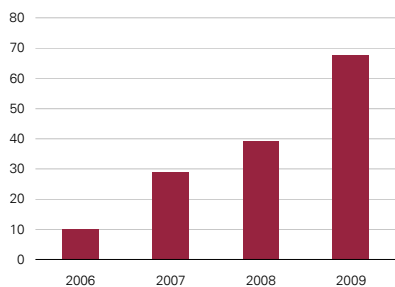
Buy rating reiterated with a PT of EUR 16.60.

Fiscal year ending: 31.12.
 in EUR m

	2006	2007	2008	2009	2010E	2011E	2012E
Sales	10.0	29.0	39.2	67.6	105	115	127
<i>Change Sales yoy</i>	n.a.	189.9%	35.1%	72.7%	55.2%	9.5%	10.4%
Gross balance	3.5	11.7	16.1	22.6	38.3	41.7	45.2
<i>Gross margin</i>	34.9%	40.3%	41.1%	33.4%	36.5%	36.3%	35.6%
EBITDA	2.6	9.3	12.8	19.0	31.7	34.6	36.3
<i>EBITDA-margin</i>	25.7%	32.2%	32.6%	28.3%	30.2%	30.1%	28.6%
EBIT	2.5	9.2	12.6	18.8	31.3	33.8	35.4
<i>EBIT-margin</i>	25.3%	31.9%	32.2%	28.0%	29.8%	29.4%	27.9%
Net income	2.1	9.2	12.4	16.4	23.3	27.2	28.7
EPS	0.18	0.80	1.13	1.31	1.46	1.71	1.81
Free Cash Flow per share	0.01	0.69	1.13	-0.84	1.19	1.24	1.34
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	10.3	3.6	2.6	1.5	0.7	0.4	0.2
EV/EBITDA	40.2	11.1	8.1	5.4	2.2	1.4	0.8
EV/EBIT	40.8	11.2	8.2	5.5	2.2	1.5	0.8
PER	57.6	13.0	9.2	7.9	7.1	6.1	5.7
ROCE	44.6%	86.9%	49.2%	28.8%	28.1%	23.7%	20.5%
Adj. Free Cash Flow Yield	1.5%	8.1%	11.4%	17.6%	42.8%	61.6%	106.9%

Sales development

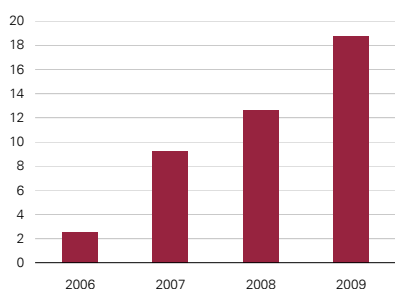
in EUR m



Source: Vtion

EBIT development

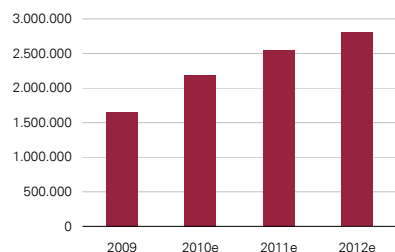
in EUR m



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	105	115	127
Cost of sales	6.5	17.3	23.1	45.1	66.7	73.3	81.8
Gross balance	3.5	11.7	16.1	22.6	38.3	41.7	45.2
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	4.2	5.1	6.4
General and administration	0.5	1.3	2.6	2.0	3.4	4.0	5.1
Other operating income/expenses	0.0	-0.2	0.5	0.3	0.5	1.2	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	31.7	34.6	36.3
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	31.5	34.3	35.9
Amortisation of intangible fixed assets	0.0	0.1	0.1	0.1	0.2	0.5	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	31.3	33.8	35.4
Interest income	0.0	0.2	0.3	0.2	2.9	0.4	1.3
Interest expenses	0.1	0.3	0.5	0.2	5.9	0.0	0.0
Financial result	-0.1	-0.1	-0.2	0.0	-3.0	0.4	1.3
Recurring pretax income from cont. operations	2.5	9.1	12.4	18.8	28.3	34.2	36.7
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	28.3	34.2	36.7
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	23.3	27.2	28.7
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	2.1	9.2	12.4	16.4	23.3	27.2	28.7
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	23.3	27.2	28.7

Sources: Vtion (historical data), Warburg 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 %	63.5 %	63.7 %	64.4 %
Gross balance	34.9 %	40.3 %	41.1 %	33.4 %	36.5 %	36.3 %	35.6 %
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 %	4.0 %	4.4 %	5.0 %
General and administration	4.9 %	4.5 %	6.6 %	2.9 %	3.2 %	3.5 %	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 %	30.2 %	30.1 %	28.6 %
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 %	30.0 %	29.8 %	28.3 %
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 %	29.8 %	29.4 %	27.9 %
Interest income	0.3 %	0.8 %	0.7 %	0.3 %	2.8 %	0.4 %	1.0 %
Interest expenses	1.0 %	1.1 %	1.2 %	0.3 %	5.6 %	0.0 %	0.0 %
Financial result	-0.7 %	-0.3 %	-0.5 %	-0.1 %	-2.9 %	0.4 %	1.0 %
Recurring pretax income from cont. operations	24.6 %	31.5 %	31.6 %	27.8 %	26.9 %	29.8 %	28.9 %
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 %	26.9 %	29.8 %	28.9 %
Taxes total	4.0 %	-0.1 %	0.0 %	3.5 %	4.8 %	6.1 %	6.3 %
Net income from continuing operations	20.6 %	31.6 %	31.6 %	24.3 %	22.2 %	23.7 %	22.6 %
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 %	22.2 %	23.7 %	22.6 %
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 %	22.2 %	23.7 %	22.6 %

Sources: Vtion (historical data), Warburg 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	3.6	7.1
thereof other intangible assets	0.1	0.6	0.8	1.3	2.1	3.6	7.1
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	3.1	5.3	10.4
Inventories	1.6	2.3	4.9	3.8	4.8	5.8	6.4
Accounts receivable	2.6	10.1	6.4	34.8	48.9	58.3	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	95.3	115	136
Current assets	7.1	25.8	49.8	108	159	193	221
Total assets	7.2	26.6	51.0	110	162	199	232
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	53.0	80.2	109
Other equity components	0.0	-0.4	3.3	2.1	9.5	13.9	14.0
Book value	3.9	10.4	35.6	96.0	127	158	187
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	127	158	187
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	20.1	25.2	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	35.0	40.1	44.5
Total liabilities and shareholders' equity	7.2	26.6	51.0	110	162	199	232

Sources: Vtion (historical data), Warburg 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 %	1.3 %	1.8 %	3.1 %
thereof other intangible assets	0.7 %	2.2 %	1.5 %	1.2 %	1.3 %	1.8 %	3.1 %
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 %	0.6 %	0.9 %	1.4 %
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 %	1.9 %	2.7 %	4.5 %
Inventories	22.5 %	8.7 %	9.6 %	3.4 %	3.0 %	2.9 %	2.8 %
Accounts receivable	36.8 %	38.1 %	12.5 %	31.7 %	30.2 %	29.4 %	27.8 %
Other Assets	16.9 %	4.3 %	16.0 %	7.2 %	5.9 %	7.1 %	6.1 %
Liquid assets	21.9 %	46.0 %	59.5 %	55.9 %	59.0 %	58.0 %	58.9 %
Current assets	98.0 %	97.1 %	97.6 %	98.2 %	98.1 %	97.4 %	95.5 %
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 %	9.9 %	8.1 %	6.9 %
Additional paid-in capital	3.5 %	0.0 %	14.9 %	43.8 %	29.8 %	24.3 %	20.8 %
Surplus capital	10.3 %	2.9 %	25.8 %	27.0 %	32.8 %	40.4 %	47.0 %
Other equity components	0.0 %	-1.4 %	6.6 %	2.0 %	5.9 %	7.0 %	6.1 %
Book value	54.6 %	39.1 %	69.8 %	87.4 %	78.4 %	79.8 %	80.8 %
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 %	78.4 %	79.8 %	80.8 %
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 %	0.4 %	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 %	12.4 %	12.7 %	12.8 %
Other liabilities	12.1 %	12.3 %	6.5 %	4.5 %	8.8 %	7.2 %	6.2 %
Liabilities	45.7 %	60.8 %	30.2 %	12.6 %	21.7 %	20.2 %	19.2 %
Total liabilities and shareholders' equity	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Sources: Vtion (historical data), Warburg 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	23.3	27.2	28.7
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	0.5	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	23.7	28.0	29.6
Increase / decrease in inventory	-0.5	-0.7	-2.6	1.1	-1.0	-1.0	-0.6
Increase / decrease in accounts receivable	-1.3	-7.5	3.8	-28.4	-14.1	-9.4	-6.1
Increase / decrease in accounts payable	-0.3	4.2	3.4	0.0	11.9	5.1	4.4
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	-3.3	-5.3	-2.3
Cash flow from operating activities	0.1	7.9	12.4	-9.6	20.4	22.7	27.3
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	18.8	19.7	21.3
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	95.3	115	136

Sources: Vtion (historical data), Warburg 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 %	6.7 %	6.9 %	7.7 %
Sales per Employee	77,543	150,254	174,116	433,583	583,333	575,000	577,273
EBITDA per Employee	19,915	48,358	56,711	122,782	176,167	173,075	165,100
EBIT-margin	25.3 %	31.9 %	32.2 %	28.0 %	29.8 %	29.4 %	27.9 %
EBITDA / Operating Assets	66.5 %	118.4 %	419.3 %	62.1 %	91.9 %	85.5 %	81.8 %
ROA	1278.3 %	1197.3 %	995.4 %	852.6 %	746.0 %	511.8 %	275.5 %
Efficiency of Capital Employment							
Plant Turnover	90.1	161	79.5	107	102	68.5	38.5
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	0.7	0.7
Return on Capital							
ROCE	44.6 %	86.9 %	49.2 %	28.8 %	28.1 %	23.7 %	20.5 %
EBITDA / Avg. Capital Employed	45.2 %	87.8 %	49.9 %	29.1 %	28.5 %	24.3 %	21.0 %
ROE	52.4 %	88.1 %	34.8 %	17.2 %	18.4 %	17.2 %	15.4 %
Net Profit / Avg. Equity	104.8 %	127.9 %	53.9 %	25.2 %	20.9 %	19.1 %	16.6 %
Recurring Net Profit / Avg. Equity	104.8 %	127.9 %	53.9 %	25.2 %	20.9 %	19.1 %	16.6 %
ROIC	35.4 %	49.2 %	30.5 %	16.9 %	18.1 %	17.0 %	15.2 %
Solvency							
Net Debt	0.2	-7.0	-30.3	-61.5	-95.3	-115	-136
Net Gearing	4.5 %	-67.7 %	-85.2 %	-64.0 %	-75.2 %	-72.7 %	-72.9 %
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	4.6	4.9	5.0
Acid Test Ratio	1.7	1.5	2.9	7.5	4.4	4.7	4.8
EBITDA / Interest Paid	24.9	29.9	26.5	92.1	5.4	n.a.	n.a.
Interest Cover	36.2	97.3	60.3	591.4	10.4	n.a.	n.a.
Cash Flow							
Free Cash Flow	0.1	7.9	12.4	-10.6	18.8	19.7	21.3
Free Cash Flow / Sales	0.6 %	27.3 %	31.6 %	-15.7 %	17.9 %	17.1 %	16.8 %
Adj. Free Cash Flow	1.6	8.3	11.8	18.2	29.7	30.6	30.3
Adj. Free Cash Flow / Sales	10.6 %	27.7 %	28.8 %	23.1 %	17.9 %	20.5 %	17.6 %
Free Cash Flow / Net Profit	3.2 %	86.5 %	100.0 %	-64.2 %	80.9 %	72.5 %	74.2 %
Interest Received / Avg. Cash	2.1 %	3.1 %	1.3 %	0.4 %	3.7 %	0.4 %	1.0 %
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 %	1.5 %	2.6 %	4.7 %
Maint. Capex / Sales	10.0 %	3.4 %	2.6 %	1.5 %	1.9 %	3.5 %	4.7 %
Capex / Dep	0.0 %	0.0 %	0.0 %	431.0 %	381.0 %	372.7 %	674.9 %
Avg. Working Capital / Sales	39.9 %	20.2 %	15.0 %	26.3 %	31.7 %	32.6 %	32.5 %
Trade Creditors / Trade Debtors	517.0 %	214.0 %	77.0 %	423.0 %	243.3 %	231.3 %	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	41.9	15.8	4.6	1.7	1.3	1.0	0.9
EV/sales	10.3	3.6	2.6	1.5	0.7	0.4	0.2
EV/EBITDA	40.2	11.1	8.1	5.4	2.2	1.4	0.8
EV/EBIT	40.8	11.2	8.2	5.5	2.2	1.5	0.8
EV/FCF	n.m.	13.0	8.3	n.m.	3.7	2.5	1.3
P/E	57.6	13.0	9.2	7.9	7.1	6.1	5.7
P/CF	81.3	18.3	12.7	9.3	6.9	5.9	5.6
Adj. Free Cash Flow Yield	2.0 %	8.7 %	12.6 %	17.2 %	34.2 %	56.4 %	104.4 %

Sources: Vtion (historical data), Warburg 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	23.3	27.2	28.7	
+ 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	-3.0	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	29.7	30.6	30.3	
Adjusted Free Cash Flow Yield	1.5%	8.1%	11.4%	17.6%	42.8%	61.6%	106.9%	
Hurdle rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
= Enterprise Value	103.2	103.2	103.2	103.2	69.4	49.7	28.4	
= Fair Enterprise Value	15.7	83.3	117.6	181.5	297.1	306.2	303.2	
- Net Debt (Cash)	-61.5	-61.5	-61.5	-61.5	-95.3	-115.0	-136.4	
- 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	392.4	421.2	439.6	
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	24.68	26.49	27.65	
premium (-) / discount (+) in %	-53.2%	-12.1%	8.7%	47.5%	138.2%	155.7%	166.9%	
Sensitivity Fair value per Share (EUR)								
	13.0%	4.63	7.90	9.56	12.65	20.37	22.05	23.25
	12.0%	4.69	8.23	10.03	13.38	21.57	23.28	24.47
	11.0%	4.76	8.63	10.59	14.25	22.98	24.74	25.91
Hurdle rate	10.0%	4.85	9.11	11.26	15.28	24.68	26.49	27.65
	9.0%	4.96	9.69	12.08	16.55	26.76	28.63	29.77
	8.0%	5.10	10.42	13.11	18.14	29.35	31.30	32.41
	7.0%	5.28	11.35	14.43	20.18	32.69	34.74	35.82

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

DCF Model - Vtion

Figures in EUR m

	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e
Sales	105.0	115.0	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	55.2%	9.5%	10.4%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	2.0%	2.0%
EBIT	31.3	33.8	35.4	34.0	35.3	34.8	34.9	33.3	28.0	27.6	23.2	15.8	16.1	16.4
EBIT-Margin	29.8%	29.4%	27.9%	25.0%	24.5%	23.0%	22.0%	20.0%	16.0%	15.0%	12.0%	8.0%	8.0%	8.0%
Tax rate	17.7%	20.5%	21.8%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
NOPAT	25.8	26.9	27.7	26.2	27.2	26.8	26.9	25.7	21.6	21.2	17.8	12.1	12.4	12.6
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	-3.3	-5.3	-2.3	-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	1.5%	2.6%	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)	21.3	19.4	20.3	20.4	22.2	23.4	24.2	22.8	18.6	18.1	14.5	10.7	11.0	11.2

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	146.0		
Terminal Value	28.6		
Liabilities	0.0		
Liquidity	90.0	No. of shares (mln)	15.90
Equity Value	264.6	Value per share (EUR)	16.64

Sensitivity Value per Share (EUR)

Terminal Growth

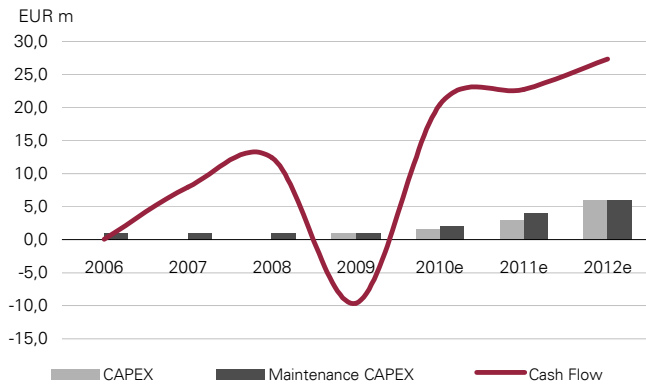
WACC	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
12.38%	15.83	15.86	15.89	15.92	15.96	16.00	16.04
11.88%	16.15	16.19	16.23	16.27	16.31	16.35	16.40
11.63%	16.33	16.37	16.41	16.45	16.50	16.55	16.60
11.38%	16.51	16.55	16.60	16.64	16.69	16.75	16.80
11.13%	16.70	16.75	16.79	16.84	16.90	16.96	17.02
10.88%	16.90	16.95	17.00	17.06	17.11	17.18	17.24
10.38%	17.32	17.38	17.44	17.51	17.58	17.65	17.73

Delta EBIT margin

WACC	-1.5 pp	-1.0 pp	-0.5 pp	0.0	+0.5 pp	+1.0 pp	+1.5 pp
12.38%	14.85	15.21	15.57	15.92	16.28	16.64	16.99
11.88%	15.14	15.52	15.89	16.27	16.64	17.02	17.39
11.63%	15.30	15.68	16.07	16.45	16.84	17.22	17.61
11.38%	15.46	15.85	16.25	16.64	17.04	17.44	17.83
11.13%	15.63	16.03	16.44	16.84	17.25	17.66	18.06
10.88%	15.80	16.22	16.64	17.06	17.47	17.89	18.31
10.38%	16.18	16.62	17.07	17.51	17.95	18.40	18.84

Source: Warburg Research

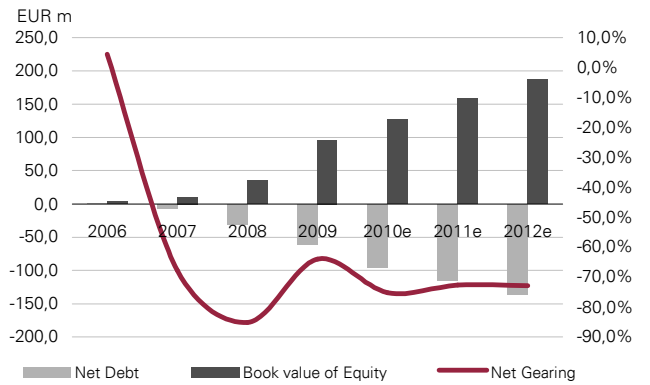
CAPEX and Cash Flow - Vtition



Sources: Vtition (historical data), Warburg Research (forecasts)

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

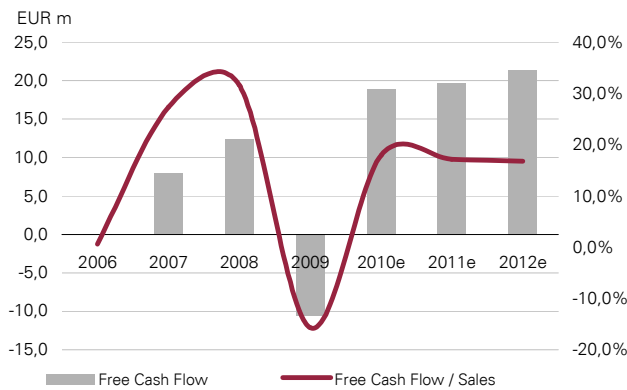
Balance Sheet Quality - Vtition



Sources: Vtition (historical data), Warburg Research (forecasts)

- Short balance sheet with high share of cash

Free Cash Flow Generation - Vtition



Sources: Vtition (historical data), Warburg 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

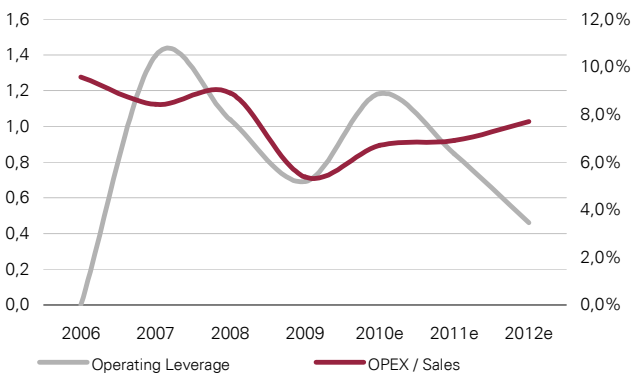
Working Capital - Vtition



Sources: Vtition (historical data), Warburg Research (forecasts)

- Normalisation of working capital development in 2010e

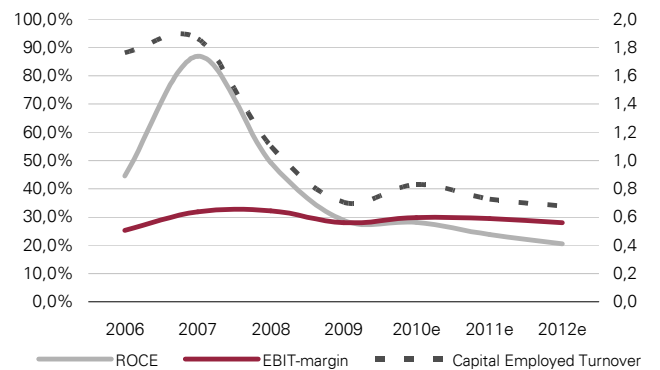
Operating Leverage - Vtition



Sources: Vtition (historical data), Warburg Research (forecasts)

- Operating leverage limited

ROCE Development - Vtition



Sources: Vtition (historical data), Warburg 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.
- S **Sell**: The price of the analysed equity security is expected to fall over the next 12 months.
- “-“ **Rating suspended**: The available information does not currently permit an evaluation of the company.

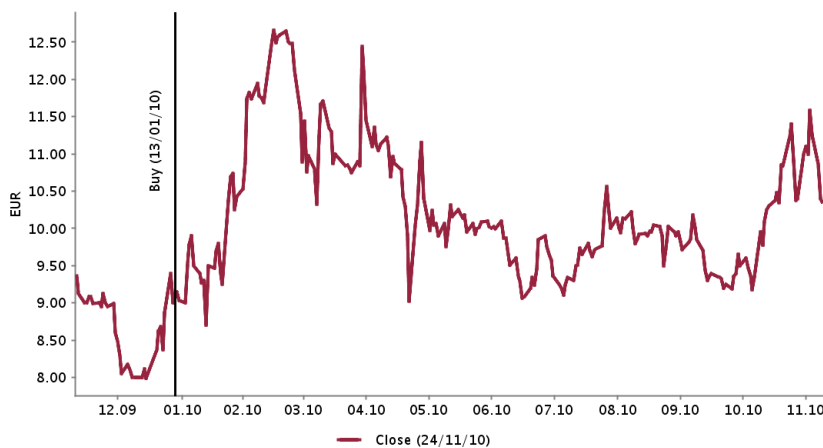
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Rating	Number of stocks	% of Universe
Buy	112	60%
Hold	55	29%
Sell	8	4%
Rating suspended	12	6%
Total	187	

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Rating	Number of stocks	% of Universe
Buy	84	69%
Hold	30	25%
Sell	3	2%
Rating suspended	4	3%
Total	121	

Price and Rating History
Vtion Wireless Technology AG as of 25/11/10



The charts have markings if Warburg 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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