

mic

Technology

15 March 2021

Good progress with reverse takeover

mic's reverse takeover target, Pyramid Computer, reported 5% revenue growth in FY20 despite the coronavirus pandemic, though with lower EBIT. The outlook for FY21 is for modest growth in revenues and EBIT due to the current economic conditions. Beyond FY21, we expect a return to double-digit growth, thereby benefiting from the positive market conditions for point-of-sale systems (POS). mic is making good progress with the acquisition of Pyramid with only one more hurdle, namely an equity issue of €10.9m, which mic expects to be finalised in May.

Good performance in 2020, positive outlook for 2021

mic's reverse takeover target, Pyramid, reported 5% revenue growth to €57.7m although EBIT was lower due to the impact of COVID-19. Pyramid's outlook for FY21 is cautious given the current uncertain market conditions: 0–9% revenue growth with a stable EBIT margin of 8.4%. Beyond FY21, the global market for digital kiosk solutions at the point of sale could return to projected growth rates in excess of 10% per year on average over the next five to seven years, based on the expectations of market researchers such as Mordor Intelligence, Allied Market Research and Market Analysis. mic aims to outgrow the market by adding selective acquisitions, new market segments and new geographies.

Taking the last hurdle to finance the Pyramid deal

The €44m financing of Pyramid, which will transform mic into an operational company, is a two-step process: the first consists of two equity issues and debt financing and the second an equity issue in-kind to the owners of Pyramid. For step one (52% of Pyramid), mic successfully finalised the first equity issue, raising €6.7m gross, and received €5m debt funding (plus €4m working capital funding), to be followed by a second equity issue in May that aims to raise €10.9m. If successful, step two is to acquire the remaining 48% of Pyramid via a share issue in-kind to the owners of Pyramid (expected in Q321). If both steps are finalised, the number of mic shares will increase to 18.9m (subject to market conditions).

Valuation: Discount to peers

Based on the assumption that mic will effectively own Pyramid, we use the EV of Pyramid for the purpose of our valuation. Based on consensus estimates for mic (which effectively are estimates for Pyramid), the valuation shows a discount to peers of 30–40% for both EV/sales and EV/EBITDA in FY21, which might reflect the uncertainty about the successful completion of the Pyramid acquisition. This discount might lessen or disappear once Pyramid has been fully acquired.

Historical financials

Year end	Revenues (€m)	EBITDA (€m)	Net profit (€m)	EPS (€)	PE (x)	EV/EBITDA (x)
12/19	0.8	(1.4)	(1.5)	(0.99)	N/A	N/A
12/20	0.6	N/A	(1.2)	(0.44)	N/A	N/A
12/21e	62.7	5.6	3.5	0.18	16.4	6.8
12/22e	72.5	7.4	4.7	0.24	12.3	5.1

Source: Refinitiv

Price €2.96
Market cap €17m

Share price graph



Share details

Code	M3BG
Listing	Deutsche Börse Scale
Shares in issue	5.8m
Net cash at 31 December 2020	€6.6m

Business description

mic has transformed itself from a holding company into an operational company via the reverse takeover of Pyramid Computer. Pyramid is a specialist in automation solutions in the retail, hospitality and food retail sectors. The two investments in Securize and Smarteag will be divested.

Bull

- Digital kiosk solutions is a high-growth market.
- Room for expansion via acquisitions.
- Ample room to enter new market segments.

Bear

- Pyramid transaction is subject to full financing requirements.
- Competitive market segment.
- Risk of dilution from additional financing.

Analyst

Johan van den Hooven +44 (0)20 3077 5700

financials@edisongroup.com

[Edison profile page](#)

Edison Investment Research provides qualitative research coverage on companies in the Deutsche Börse Scale segment in accordance with section 36 subsection 3 of the General Terms and Conditions of Deutsche Börse AG for the Regulated Unofficial Market (Freiverkehr) on Frankfurter Wertpapierbörse (as of 1 March 2017). Two to ..

Review of FY20 results

mic is in the middle of financing the acquisition of Pyramid Computer, which it plans to finalise in Q321. Pyramid realised revenues of €57.7m in 2020, up 5% compared to 2019 and exceeding the company guidance of €55m provided at the time of the takeover announcement in November 2020. EBIT was €4.8m compared to the €5.5m achieved in 2019, although this was higher than the company's guidance of €4.0m. Pyramid's financial position clearly improved in 2020 with the company reporting net cash of €6m, versus net debt of €0.2m in 2019, and a solid equity ratio of 50%, up from 38% in 2019.

Exhibit 1: Pyramid Computer's FY20 results

€m	FY19	FY20	% change
Revenues	54.8	57.7	5.4%
EBITDA	5.7	5.1	-10.4%
Depreciation	(0.2)	(0.3)	+20.2%
EBIT	5.5	4.8	-11.7%
EBIT margin (%)	10.0%	8.4%	
Net profit	3.5	3.1	-13.2%

Source: mic

According to German accounting rules, mic does not have to fully consolidate its existing stakes in Securize IT Solutions and Smarteag, which it still plans to divest. In FY20, gross profit of €0.6m was mainly fuelled by consultancy fees from its subsidiaries. mic reported a net loss of €1.2m versus a net loss of €1.5m in 2019. The loss in 2020 was mainly due to costs related to the acquisition of Pyramid, such as the equity issue in November 2020. mic also wrote down €0.3m on receivables from the portfolio company 4industries (the equity was already written down to zero at the end of 2019).

Both Securize and Smarteag performed relatively well in 2020. mic holds 13.5% of Securize, which owns 100% of Diso, an IT service provider specialising in digital workstations for departments in large companies that have the highest requirements for security and flexibility. Diso reported FY20 revenues of €8.5m (+2%) and net profit of €0.2m (€0.1m in FY19). The stake in Securize is valued at the stock market value which was €0.5m at year-end 2020 (2019: €0.7m).

mic also owns 100% of Smarteag, which in turn owns 51% of fibrisTerre Systems, a designer and manufacturer of distributed fibre optic sensing solutions for simultaneous strain and temperature measurements. fibrisTerre reported FY20 revenues of more than €1.0m, up from €0.8m in 2019, and a profit of €0.1m (FY19: €0.02m). The value of Smarteag is still €1.0m on mic's balance sheet, reflecting a loan granted to the company.

mic management still believes that the divestment of both Securize and Smarteag could realise cash of around €2.5–3.0m.

Due to the two equity issues in 2020, equity increased from €1.5m in 2019 to €8.0m at the end of 2020. The company also reported a tax reimbursement of about €0.3m, related to VAT refund claims for the years 2009–2019, which has been capitalised on the balance sheet. The company's net cash position stood at €6.6m at the end of FY20 and will be utilised as part of the total payment for the acquisition of Pyramid.

Focus on finalising the Pyramid takeover

The takeover of Pyramid was announced in early November 2020. Pyramid develops and produces hardware solutions for self-administration applications during the checkout process at the point of sale. The company's digital kiosk technology enables end-customers to complete orders

independently using touch screens. Pyramid has built and delivered more than 40,000 self-service terminals worldwide.

Pyramid is a specialist in automation solutions in the retail, hospitality and food retail sectors, with customers such as McDonald's, Adidas and Lidl. The five largest customers represented 48% of FY20 revenues (the largest customer was 17.5%). In total, Pyramid has more than 100 customers.

Exhibit 2: Pyramid's kiosk technologies – self-service stations



Source: mic

The total purchase price of €44m is planned to be financed via the following two steps, comprising €20m in cash (including the issuance of around 7m mic shares) and around 9m mic shares in kind.

Step one: the acquisition of 52% of Pyramid's shares for €20m in cash and 2.2m mic shares to the owners of Pyramid. This step involves several actions to raise €20m in cash and started after the announcement of the acquisition in November 2020.

- November 2020: Rights issue delivered €6.7m in gross proceeds via the placement of 3.36m mic shares at a price per share of €2.00.
- December 2020: AGM approved all the financial steps needed for the takeover of Pyramid.
- February 2021: mic received debt-based acquisition financing of €5m from UniCredit/HypoVereinsbank, which was conditional on the successful equity placement in November 2020. The financing also includes a working capital line of up to €4.0m for Pyramid and mic.
- Q221: Planned second capital increase with the aim of raising proceeds of €10.9m (around 3.6m mic shares at an assumed share price of €3.00–3.50). The prospectus for this equity issue is currently under approval and is planned to be published in mid April, followed by the placement of the shares at the beginning of May 2021. mic shares have recently been trading at around €3.00, which might indicate a sufficient level for a successful placement.

Step two: 48% of the remaining Pyramid shares will be paid for by the issue of mic shares to the owners of Pyramid (estimated at around 6.8m at €3.00–3.50). This will happen after the first step has been successfully finalised, most likely in Q321.

Once the transaction has completed, the number of mic shares outstanding is projected to be 18.9m (subject to market conditions) and the shareholders of Pyramid and management combined will hold 49% of the shares of mic. Pyramid's current CEO will remain the CEO of the company.

Positive outlook for 2021

At the time of the announcement of the acquisition of Pyramid, management stated that it expected growth to remain strong after 2020. In February 2021, mic provided guidance for the year, taking into account the effect of the pandemic on current market conditions. Revenues in 2021 are now estimated in the range of €58–63m, reflecting 0–9% growth. EBIT is expected to increase to €4.9–

5.3m compared to the reported €4.8m in 2020, reflecting a stable margin. Net profit is estimated at €3.3–3.6m up from €3.1m in 2020.

According to the expectations of market researchers such as Mordor Intelligence, Allied Market Research and Market Analysis, the global market for digital kiosk solutions at the point of sale is expected to grow in excess of 10% per year on average over the next five to seven years. These estimates date from before the start of the pandemic, but we believe market growth rates might return to normal levels once the pandemic is behind us.

mic aims to outgrow the market by adding selective acquisitions in a fragmented global market. It also wants to enter new market segments, whereas currently the focus is mainly on food and beverages, hospitality and grocery retail. Potential new segments are healthcare, transportation, cinemas and hotels. Expansion into new geographical areas is another growth pillar for the company, building from its current base in Germany (58% of FY20 revenues), Rest of Europe (30%) and Rest of World (12%).

Valuation shows discount to peers

It is currently difficult to value mic as it is in the middle of financing the acquisition of Pyramid and there is another equity issue to come. Based on the assumption that mic will effectively own Pyramid, we take the EV of the reverse takeover target Pyramid, which is the acquisition price of €44m lowered by Pyramid's net FY20 cash of €6m.

Based on consensus estimates for mic (which effectively reflect consensus estimates for Pyramid), the valuation shows a discount to peers of 30–40% when looking at 2021e EV/sales and EV/EBITDA multiples, with might reflect the uncertainty about the successful finalisation of the Pyramid acquisition. If the market is reassured by the successful completion of the acquisition, then the valuation could move more in line with peers.

Exhibit 3: Peer group comparison

	Share price		Market cap		EV/sales (x)		EV/EBITDA (x)		P/E (x)	
	€	€m	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e
Aures Technologies	26.70	107	0.8	0.6	15.3	5.6	N/A	19.0		
Data Modul AG	45.80	162	0.6	0.5	5.8	4.7	16.6	13.2		
NCR Corp	36.95	4,813	1.1	0.7	6.9	4.1	14.6	11.4		
S&T AG	22.18	1,466	1.1	0.9	10.4	8.7	27.2	21.6		
Vectron Systems AG	13.05	105	2.7	1.6	N/A	11.4	N/A	30.3		
Average			1.2	0.9	9.6	6.9	19.5	19.1		
mic AG / Pyramid	2.96	17	0.8	0.6	6.8	5.1	16.4	12.3		
Premium / (Discount)			-40%	-31%	-29%	-26%	-16%	-36%		

Source: Refinitiv. Note: Prices at 15 March 2021.

General disclaimer and copyright

Any Information, data, analysis and opinions contained in this report do not constitute investment advice by Deutsche Börse AG or the Frankfurter Wertpapierbörse. Any investment decision should be solely based on a securities offering document or another document containing all information required to make such an investment decision, including risk factors. This report has been commissioned by Deutsche Börse AG and prepared and issued by Edison for publication globally.

Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2021 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains a financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia