

mic AG

Germany | Technology | MCap EUR 58.3m*

18 March 2021

UPDATE



Major order win: Project pipeline turns into revenues; BUY

What's it all about?

mic / Pyramid announced that it has won a major follow-up order from a leading food retailer in Europe for its on premise store server solutions. This order is likely to have a size in the high single-digit-million range and spans way into 2024. We believe that this order not only gives comfort to mic's/Pyramid's guidance to yet again grow its top- and bottom-line in 2021 (eAR 8% yoy l-f-l growth) but also nicely reminds investors about the quality of mic's/Pyramid's business model going forward. We therefore reiterate our BUY recommendation with unchanged PT of EUR 5.40, offering an upside potential of >75%.

BUY (BUY)

Target price	EUR 5.40 (5.40)
Current price	EUR 3.08
Up/downside	75.3%

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mic AG

Germany | Technology | MCap EUR 58.3m | EV EUR 51.7m*

BUY (BUY)

Target price EUR 5.40 (5.40)
Current price EUR 3.08
Up/downside 75.3%

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Major order win: Project pipeline turns into revenues; BUY

mic via its reverse IPO'ed Pyramid announced that it has won a **major follow-up order for store servers from one of the leading European food retails in Europe**. According to the company the order is in the magnitude of "millions" – probably in the high single digit range (eAR) and spans way into 2024, with a large share of the contract already turning into revenues as soon as 2021. In our view the fast transformation into revenues is not least the result of the company's **efficient production organization** with large parts of the value chain being outsourced except for R&D, assembly and quality control. That said, the latter provides mic/Pyramid with a competitive advantage as it allows to act quickly to ever changing requirements from customers, both in terms of time and best of breed technology, while at the same time keeping its core R&D expertise in-house. In addition this follow-up order once again underscores the **demand for customized off-the-shelf solutions** to clients – a value add mic/Pyramid is willing and capable to deliver even with "relatively" small lot sizes.

The order concerns the business field of server solutions for industry and retail, which is managed under the AKHET brand. Under this brand, Pyramid produces server platforms tailored to the specific needs of its customers, which are superior to the standard products of international suppliers in terms of flexibility, long-term component loyalty and security.

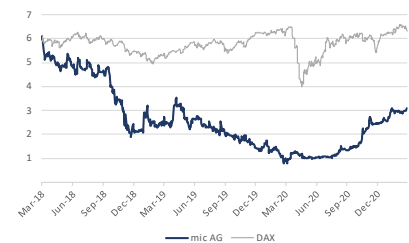
Further, **yesterday's announcement underpins mic's/Pyramid's overall guidance for 2021**, which assumes sales in the range of EUR 58-63m (eAR EUR 62.5m) and with it handsome growth rates **despite pandemic related headwinds** at other customer groups such as the hospitality sector.

Our take: In our view, the momentum for mic/Pyramid clearly remains positive, showing a mix of mic's/Pyramid's competitive strengths. That said, mic/Pyramid has

- continued -

mic AG	2018	2019	2020P	2021E	2022E	2023E
Sales	0.1	0.8	0.7	62.5	72.0	89.4
<i>Growth yoy</i>	-92.7%	730.3%	-18.2%	9,508.8%	15.2%	24.2%
EBITDA	-1.7	-1.4	0.1	5.4	7.8	9.9
EBIT	-1.7	-1.4	-0.2	5.2	7.4	9.5
Net profit	-4.9	-1.5	-1.2	3.4	5.0	6.4
Net debt (net cash)	-0.0	-0.1	-6.6	-9.0	-12.7	-16.7
Net debt/EBITDA	0.0x	0.0x	-66.0x	-1.7x	-1.6x	-1.7x
EPS recurring	-3.23	-0.93	-0.49	0.18	0.26	0.34
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<i>Dividend yield</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	100.0%	100.0%	100.0%	31.2%	33.1%	31.1%
EBITDA margin	-1,808.9%	-171.7%	15.4%	8.7%	10.9%	11.1%
EBIT margin	-1,825.6%	-180.4%	-30.8%	8.4%	10.3%	10.7%
ROCE (ex goodwill)	-51.4%	-75.2%	-2.4%	8.3%	10.9%	12.6%
EV/EBITDA	-33.7x	-42.7x	516.5x	9.1x	5.8x	4.2x
EV/EBIT	-33.3x	-40.6x	-258.3x	9.4x	6.1x	4.4x
PER	-1.0x	-3.3x	-6.3x	16.9x	11.7x	9.1x
FCF yield	-86.7%	-6.8%	-25.3%	4.7%	6.6%	7.2%

Source: Company data, Alster Research



Source: Company data, AlsterResearch

High/low 52 weeks 3.16 / 0.78
Price/Book Ratio 0.9x

Ticker / Symbols

ISIN DE000A254W52
WKN A254W5
Bloomberg M3BK:GR

Changes in estimates

		Sales	EBIT	EPS
2021	old	00.0	00.0	00.0
	Δ	-	-	-
2022	old	00.0	00.0	00.0
	Δ	-	-	-
2023	old	00.0	00.0	00.0
	Δ	-	-	-

Key share data*

Number of shares: (in m pcs) 18.9
Book value per share: (in €) 3.28
Ø trading volume: (12 months) 3,500

Major shareholders

Frieder Hansen 22.3%
Niko Hensler 22.3%
Management 4.0%
Free Float 51.4%

Company description

mic via its reverse IPO'ed Pyramid holding is a leading developer and manufacturer of IT solutions for the retail & hospitality market. The company hardware solutions include interactive kiosks, network & security server as well as computer vision systems.

* after closing of transaction I + II

established itself as a **reliable and trustworthy partner** even for blue chip clients such as leading European food retailer or restaurant chains (e.g. McDonalds). In addition, its **focus on certain verticals** has help building valuable industry expertise, thereby better understanding customers needs and concerns. Coupled with its lean and efficient production organization thus allows to churn out customized products, with best of breed technology in competitively low time intervals.

Furthermore, from a strategic point of view, the reverse IPO of Pyramid into mic is likely to be on the finish line and is expected to be fully completed in Q2/21. Coupled with the guidance that looks pretty much achievable for 2021, we believe that momentum also persists for the mic shares, which **we continue to recommend to BUY, PT unchanged EUR 5.40**

Investment case in six charts

Products



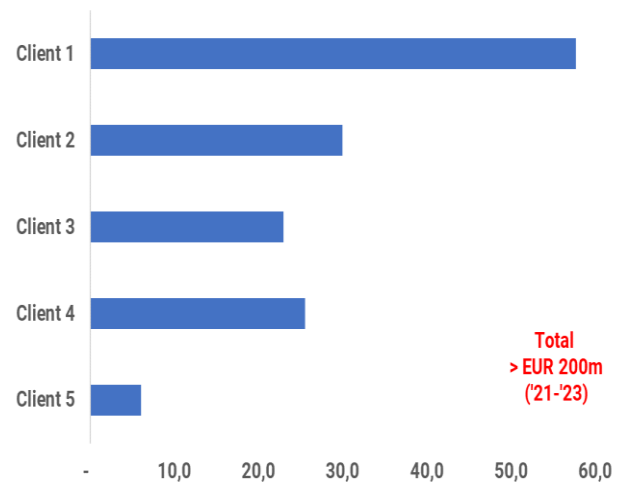
Competitive landscape



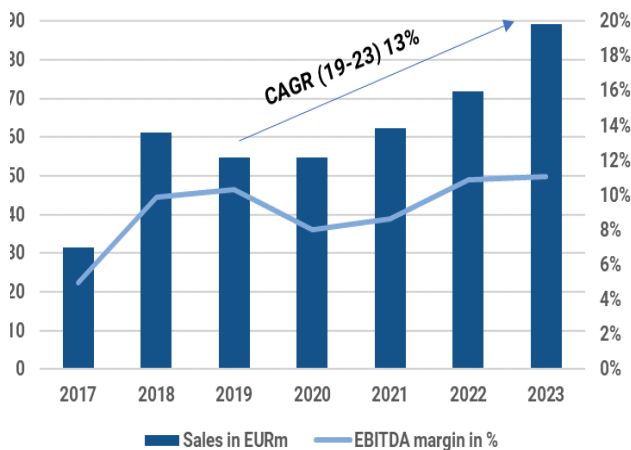
Blue chip clients



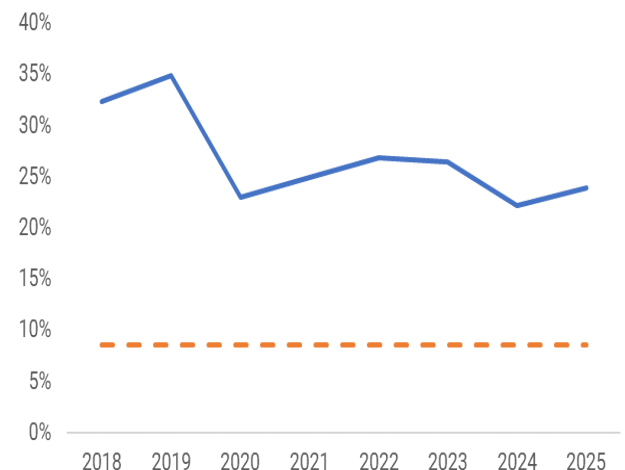
Cumulative project pipeline ('21-'23) - Top 5 clients



Sales and EBITDA margin (Pyramid stand alone)



ROCE vs. WACC Pyramid stand alone



SWOT Analysis

Strengths

- Time-to-market: from idea to implementation in just eight weeks
- Leading market position (installed base) in digital kiosk system
- High customer satisfaction due to individual composition of the products
- High diversification
- Agility and flexibility due to lean organisational structure
- 35 years of industry and technology know-how

Weaknesses

- Serial production of competitors could be more efficient and cheaper
- Compared to low-volume production, potentially at a cost disadvantage
- Low value chain = low IP

Opportunities

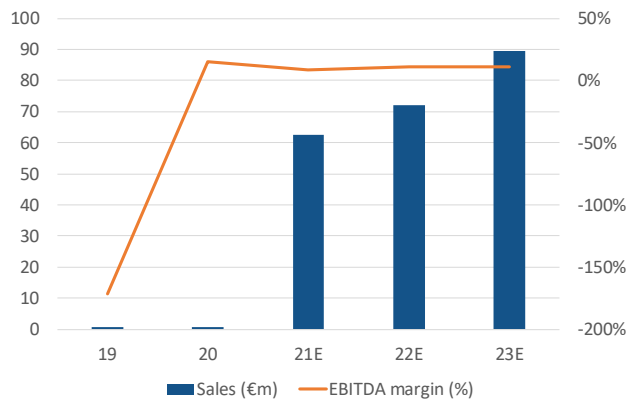
- High growth potential due to strong growth trends
- High innovation power
- Further global expansion
- Possible M&A activities
- New structure and opportunities through merger with mic AG

Threats

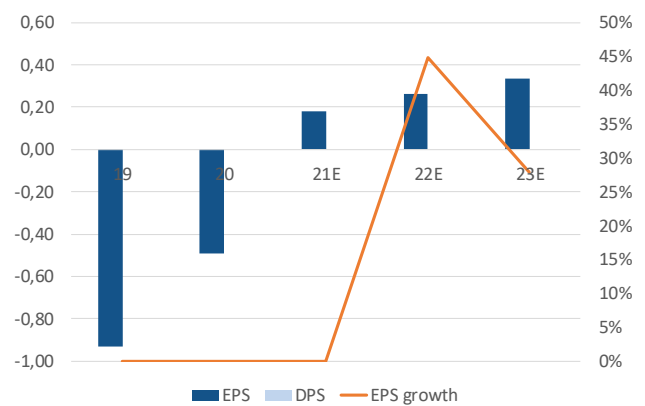
- Overall high market rivalry
- Price pressure from cheaper competitors, for example in Asia
- Compulsory innovation

Financials in six charts

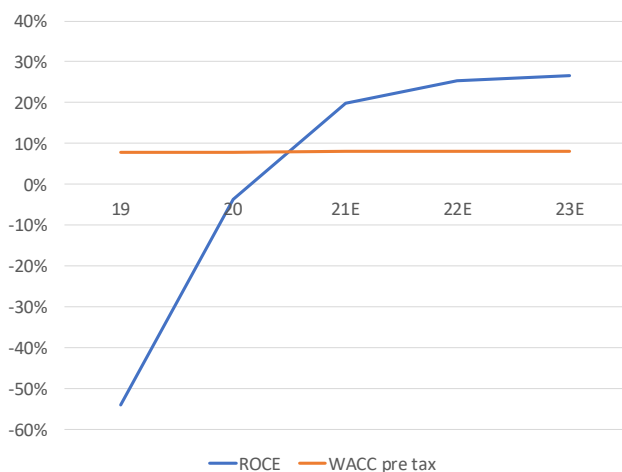
Sales vs. EBITDA margin development



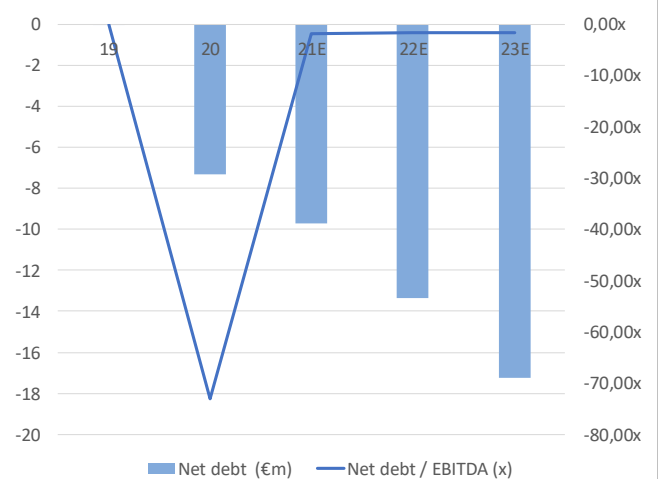
EPS, DPS in EUR & yoy EPS growth



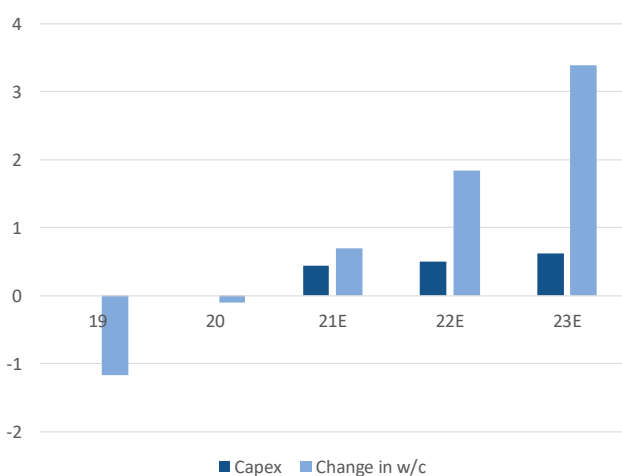
ROCE vs. WACC (pre tax)



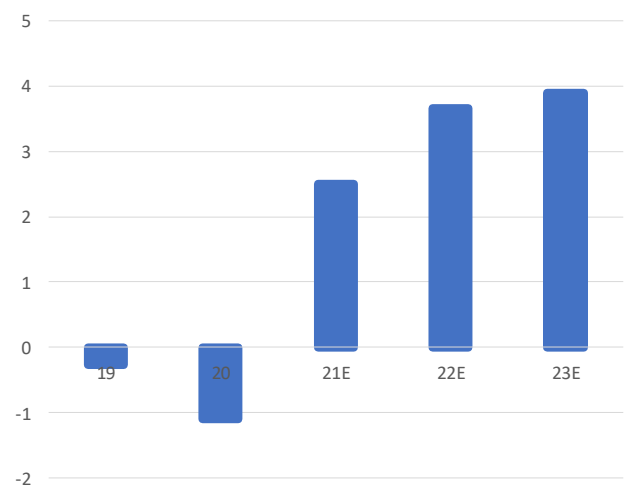
Net debt and net debt/EBITDA



Capex & chg in w/c requirements in EURm



Free Cash Flow in EURm



Financials

Profit and loss (EUR m)	2018	2019	2020E	2021E	2022E	2023E
Net sales	0.1	0.8	0.7	62.5	72.0	89.4
Sales growth	-92.7%	730.3%	-18.2%	9,508.8%	15.2%	24.2%
Change in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	0.1	0.8	0.7	62.5	72.0	89.4
Material expenses	0.0	0.0	0.0	43.0	48.1	61.6
Gross profit	0.1	0.8	0.7	19.5	23.8	27.8
Other operating income	0.0	0.0	0.0	0.8	0.8	0.8
Personnel expenses	0.2	0.1	0.1	9.9	11.3	12.4
Other operating expenses	1.6	2.0	0.4	5.0	5.5	6.3
EBITDA	-1.7	-1.4	0.1	5.4	7.8	9.9
Depreciation	0.0	0.1	0.3	0.2	0.4	0.4
EBITA	-1.7	-1.4	-0.2	5.2	7.4	9.5
Amortisation of goodwill and intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-1.7	-1.4	-0.2	5.2	7.4	9.5
Financial result	-3.2	-0.1	-1.0	-0.3	-0.3	-0.4
Recurring pretax income from continuing operations	-4.9	-1.5	-1.2	4.9	7.1	9.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-4.9	-1.5	-1.2	4.9	7.1	9.1
Taxes	0.0	-0.0	-0.0	1.5	2.1	2.7
Net income from continuing operations	-4.9	-1.5	-1.2	3.4	5.0	6.4
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-4.9	-1.5	-1.2	3.4	5.0	6.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-4.9	-1.5	-1.2	3.4	5.0	6.4
Average number of shares	1.53	1.62	2.44	18.91	18.91	18.91
EPS reported	-3.23	-0.93	-0.49	0.18	0.26	0.34

Profit and loss (common size)	2018	2019	2020E	2021E	2022E	2023E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	0%	0%	0%	0%	0%	0%
Total sales	100%	100%	100%	100%	100%	100%
Material expenses	0%	0%	0%	69%	67%	69%
Gross profit	100%	100%	100%	31%	33%	31%
Other operating income	0%	0%	0%	1%	1%	1%
Personnel expenses	195%	17%	23%	16%	16%	14%
Other operating expenses	1,714%	255%	62%	8%	8%	7%
EBITDA	-1,809%	-172%	15%	9%	11%	11%
Depreciation	17%	9%	46%	0%	1%	0%
EBITA	-1,826%	-180%	-31%	8%	10%	11%
Amortisation of goodwill and intangible assets	0%	0%	0%	0%	0%	0%
EBIT	-1,826%	-180%	-31%	8%	10%	11%
Financial result	-3,326%	-9%	-154%	-0%	-0%	-0%
Recurring pretax income from continuing operations	-5,151%	-190%	-185%	8%	10%	10%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	-5,151%	-190%	-185%	8%	10%	10%
Taxes	1%	-0%	-0%	2%	3%	3%
Net income from continuing operations	-5,152%	-190%	-185%	6%	7%	7%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	-5,152%	-190%	-185%	6%	7%	7%
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	-5,152%	-190%	-185%	6%	7%	7%

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020E	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	0.1	0.0	0.0	0.0	0.0	0.0
Goodwill	0.0	0.0	0.0	37.0	37.0	37.0
Property, plant and equipment	0.0	0.0	0.0	1.0	1.1	1.3
Financial assets	2.0	1.7	1.5	0.0	0.0	0.0
FIXED ASSETS	2.0	1.7	1.5	38.0	38.1	38.3
Inventories	0.0	0.0	0.0	15.3	17.6	21.9
Accounts receivable	1.9	0.7	0.5	3.1	3.6	4.5
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Liquid assets	0.0	0.1	6.6	14.0	17.7	21.7
Deferred taxes	0.0	0.0	0.4	0.4	0.4	0.4
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	1.9	0.8	7.5	32.8	39.3	48.4
TOTAL ASSETS	3.9	2.4	9.0	70.8	77.4	86.8
SHAREHOLDERS EQUITY	3.1	1.5	8.0	53.7	58.6	65.0
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.0	5.0	5.0	5.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.3	0.4	0.3	4.1	4.7	5.8
Non-current liabilities	0.3	0.4	0.3	9.1	9.7	10.8
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	5.5	6.3	7.8
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.5	0.5	0.7	0.7	0.9	1.1
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	1.9	1.9	2.1
Current liabilities	0.5	0.5	0.7	8.1	9.1	11.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	3.9	2.4	9.0	70.8	77.4	86.8

Balance sheet (common size)	2018	2019	2020E	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	2%	0%	0%	0%	0%	0%
Goodwill	0%	0%	0%	52%	48%	43%
Property, plant and equipment	0%	0%	0%	1%	1%	2%
Financial assets	50%	68%	17%	0%	0%	0%
FIXED ASSETS	52%	68%	17%	54%	49%	44%
Inventories	0%	0%	0%	22%	23%	25%
Accounts receivable	47%	29%	6%	4%	5%	5%
Other current assets	0%	0%	0%	0%	0%	0%
Liquid assets	0%	3%	73%	20%	23%	25%
Deferred taxes	0%	0%	4%	1%	1%	0%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	48%	32%	83%	46%	51%	56%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	78%	64%	89%	76%	76%	75%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	0%	0%	0%	7%	6%	6%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	9%	15%	3%	6%	6%	7%
Non-current liabilities	9%	15%	3%	13%	12%	12%
short-term liabilities to banks	0%	0%	0%	0%	0%	0%
Accounts payable	0%	0%	0%	8%	8%	9%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	14%	22%	8%	1%	1%	1%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	0%	0%	0%	3%	3%	2%
Current liabilities	14%	22%	8%	11%	12%	13%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020E	2021E	2022E	2023E
Net profit/loss	-4.9	-1.5	-1.2	3.4	5.0	6.4
Depreciation of fixed assets (incl. leases)	0.0	0.1	0.0	0.2	0.4	0.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.6	1.1
Cash flow from operations before changes in w/c	-4.9	-1.4	-1.2	3.6	6.0	7.9
Increase/decrease in inventory	0.0	0.0	0.0	-2.0	-2.3	-4.3
Increase/decrease in accounts receivable	0.9	1.2	-0.4	0.4	-0.5	-0.9
Increase/decrease in accounts payable	0.0	0.0	0.0	0.9	0.8	1.5
Increase/decrease in other w/c positions	0.0	0.0	0.0	0.0	0.2	0.3
Increase/decrease in working capital	0.9	1.2	-0.4	-0.7	-1.8	-3.3
Cash flow from operating activities	-4.1	-0.3	-1.6	2.9	4.2	4.6
CAPEX	0.0	0.0	0.0	-0.4	-0.5	-0.6
Payments for acquisitions	0.0	0.0	0.0	-20.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	3.7	0.3	0.0	2.0	0.0	0.0
Cash flow from investing activities	3.7	0.3	0.0	-18.4	-0.5	-0.6
Cash flow before financing	-0.4	0.0	-1.6	-15.5	3.7	4.0
Increase/decrease in debt position	0.0	0.0	0.0	5.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.4	0.0	7.6	10.9	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	7.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	0.4	0.0	7.6	22.9	0.0	0.0
Increase/decrease in liquid assets	0.0	0.1	6.0	7.4	3.7	4.0
Liquid assets at end of period	0.0	0.1	6.1	13.5	17.2	21.2

Source: Company data; AlsterResearch

Ratios	2018	2019	2020E	2021E	2022E	2023E
Per share data						
Earnings per share reported	-3.23	-0.93	-0.49	0.18	0.26	0.34
Cash flow per share	-2.67	-0.21	-0.78	0.14	0.20	0.22
Book value per share	2.00	0.96	3.28	2.84	3.10	3.44
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	-1.0x	-3.3x	-6.3x	16.9x	11.7x	9.1x
P/CF	-1.2x	-14.7x	-4.0x	21.3x	15.3x	13.8x
P/BV	1.5x	3.2x	0.9x	1.1x	1.0x	0.9x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-86.7%	-6.8%	-25.3%	4.7%	6.6%	7.2%
EV/Sales	608.8x	73.3x	79.5x	0.8x	0.6x	0.5x
EV/EBITDA	-33.7x	-42.7x	516.5x	9.1x	5.8x	4.2x
EV/EBIT	-33.3x	-40.6x	-258.3x	9.4x	6.1x	4.4x
Income statement (EURm)						
Sales	0.1	0.8	0.7	62.5	72.0	89.4
yoy chg in %	-92.7%	730.3%	-18.2%	9,508.8%	15.2%	24.2%
Gross profit	0.1	0.8	0.7	19.5	23.8	27.8
Gross margin in %	100.0%	100.0%	100.0%	31.2%	33.1%	31.1%
EBITDA	-1.7	-1.4	0.1	5.4	7.8	9.9
EBITDA margin in %	-1,808.9%	-171.7%	15.4%	8.7%	10.9%	11.1%
EBIT	-1.7	-1.4	-0.2	5.2	7.4	9.5
EBIT margin in %	-1,825.6%	-180.4%	-30.8%	8.4%	10.3%	10.7%
Net profit	-4.9	-1.5	-1.2	3.4	5.0	6.4
Cash flow statement (EURm)						
CF from operations	-4.1	-0.3	-1.6	2.9	4.2	4.6
Capex	0.0	0.0	0.0	-0.4	-0.5	-0.6
Maintenance Capex	0.0	0.1	0.3	0.2	0.4	0.4
Free cash flow	-4.1	-0.3	-1.6	2.5	3.7	4.0
Balance sheet (EURm)						
Intangible assets	0.1	0.0	0.0	37.0	37.0	37.0
Tangible assets	0.0	0.0	0.0	1.0	1.1	1.3
Shareholders' equity	3.1	1.5	8.0	53.7	58.6	65.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	0.3	0.4	0.3	9.1	9.7	10.8
Net financial debt	-0.0	-0.1	-6.6	-9.0	-12.7	-16.7
w/c requirements	1.9	0.7	0.5	12.9	14.9	18.5
Ratios						
ROE	-161.4%	-97.3%	-15.0%	6.4%	8.5%	9.8%
ROCE	-51.4%	-75.2%	-2.4%	8.3%	10.9%	12.6%
Net gearing	-0.6%	-4.3%	-82.5%	-16.8%	-21.7%	-25.7%
Net debt / EBITDA	0.0x	0.0x	-66.0x	-1.7x	-1.6x	-1.7x

Source: Company data; AlsterResearch

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