

<b>Hold</b> (Buy) <b>EUR 42.00</b> (EUR 40.00) Price EUR 41.31 <b>Upside 1.7 %</b>	<b>Value Indicators:</b> EUR DCF: 42.00 FCF-Value Potential 17e: 31.70	<b>Share data:</b> Bloomberg: DRI GR Reuters: DRIG ISIN: DE0005545503	<b>Description:</b> Virtual mobile network operator
	<b>Market Snapshot:</b> EUR m Market cap: 2,197 No. of shares (m): 53 EV: 2,226 Freefloat MC: 2,109 Ø Trad. Vol. (30d; EUR): 17.36 m	<b>Shareholders:</b> Freefloat 96.0 % M. Brucherseifer 2.0 % <i>Union Investment</i> 5.1 % <i>Fidelity</i> 4.1 %	<b>Risk Profile (WRe):</b> 2015e Beta: 1.3 Price / Book: 6.3 x Equity Ratio: 60 % Net Fin. Debt / EBITDA: 0.3 x Net Debt / EBITDA: 0.3 x

## Limited Upside; Downgrade to Hold

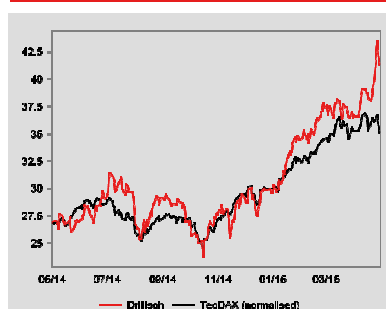
**Theme:** We are introducing our detailed projections for 2017. Please see the table below. Based on these, we expect that the EBITDA should grow from EUR 85m in 2014 to EUR 170m in 2017e. Furthermore, we lift our mid-term assumptions. Until now, we projected an EBITDA in 2019e of EUR 254m. We are revising this figure to EUR 268m. We have adjusted our assumptions for material, marketing and other expenses (in 2019e). As a result, we increase our DCF-based PT from EUR 40 to EUR 42. Given the limited upside to our PT, we downgrade the stock from Buy to Hold.

**Investment Case:** Drillisch is implementing a challenger strategy and switching into a growth modus in the German mobile telecommunication market. In our scenario, Drillisch increases its customer base from 2m at the end of 2014 to 4.85m at the end of 2019e. As a result, the EBITDA is estimated to grow from EUR 85m in 2014 to EUR 268m in 2019. Key factors for the successful execution are the favourable network contract with Telefonica as well as the implementation of a new nationwide stationary sales channel.

**However** - despite the expected strong growth in the upcoming years as well as the strong competitive quality – **we are downgrading the stock from Buy to Hold**. First of all, the upside to our PT of EUR 42 is limited. Secondly, the next really relevant newsflow in our view will be the Q3/15 results. This is the first quarter in which the network contract with Telefonica and the stationary sales organisation is fully in operation. However, good results in terms of acceleration of customer growth should already be priced in at current share price levels.

**Surprise/Upside potential:** Upside potential for our current valuation approach may result if Drillisch is able to generate a higher EBITDA in the mid term than anticipated by us. In addition to that, the network contract with Telefonica is a unique asset in the German mobile telco market. This is probably one of several reasons why United Internet built up a 20% stake in Drillisch. We do not expect a cash or share-based takeover offer from United Internet in the short-run. In our view, with the purchase of 20% in Drillisch, UI wanted to increase its strategic flexibility. From an economic and a strategic point of view, a merger of both entities could be value-accretive. We think a merger on a new company could be the preferred solution instead of a takeover offer. However, a cash-based takeover offer from UI would raise additional upside potential for the Drillisch share.

Changes in Estimates:				Comment on Changes:			
FY End: 31.12. in EUR m	2015e (old)	+ / -	2016e (old)	+ / -	2017e (old)	+ / -	
Sales	584	0.0 %	714	0.0 %	n.a.	n.m.	<ul style="list-style-type: none"> <li>Introduction of our detailed expectations for 2017e</li> <li>For the time being, we do not integrate the acquisition of The Phone House. First of all, The Phone House should have only a minimal effect on the operating results.</li> </ul>
EBITDA	97	0.0 %	115	0.9 %	n.a.	n.m.	
EBIT	76	0.0 %	93	1.1 %	n.a.	n.m.	
EPS	0.84	0.0 %	1.04	1.9 %	n.a.	n.m.	

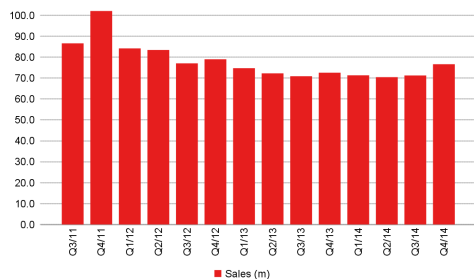


Rel. Performance vs TecDAX:	
1 month:	13.1 %
6 months:	18.5 %
Year to date:	22.6 %
Trailing 12 months:	23.2 %

Company events:	
13.05.15	Q1
21.05.15	AGM
11.06.15	Warburg Highlights
13.08.15	Q2

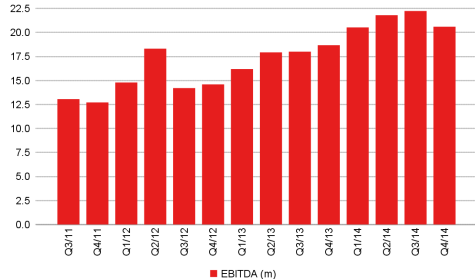
FY End: 31.12. in EUR m	CAGR (14-17e)	2011	2012	2013	2014	2015e	2016e	2017e
Sales	43.7 %	349	324	290	290	584	714	859
Change Sales yoy		-3.7 %	-7.3 %	-10.3 %	-0.3 %	101.6 %	22.3 %	20.3 %
Gross profit margin		30.1 %	34.3 %	41.8 %	49.9 %	34.6 %	37.3 %	38.6 %
EBITDA	25.8 %	51	62	71	85	97	116	170
Margin		14.7 %	19.1 %	24.4 %	29.4 %	16.6 %	16.2 %	19.7 %
EBIT	25.1 %	48	55	61	75	76	94	148
Margin		13.8 %	17.1 %	21.1 %	26.0 %	13.0 %	13.2 %	17.2 %
Net income	23.6 %	41	23	156	50	45	56	94
EPS	23.7 %	0.77	0.44	3.25	0.93	0.84	1.06	1.76
EPS adj.	23.7 %	0.77	0.44	0.84	0.93	0.84	1.06	1.76
DPS	1.9 %	0.70	1.30	1.60	1.70	1.80	1.80	1.80
Dividend Yield		9.6 %	14.8 %	10.5 %	6.4 %	4.4 %	4.4 %	4.4 %
FCFPS		0.32	0.02	0.77	1.25	-1.66	1.15	1.66
EV / Sales		0.7 x	1.4 x	1.2 x	3.2 x	3.8 x	3.2 x	2.6 x
EV / EBITDA		4.7 x	7.1 x	5.0 x	10.8 x	22.9 x	19.5 x	13.4 x
EV / EBIT		5.1 x	7.9 x	5.8 x	12.2 x	29.3 x	24.0 x	15.4 x
P / E		9.4 x	20.0 x	4.7 x	28.8 x	49.2 x	39.0 x	23.5 x
P / E adj.		9.4 x	20.0 x	18.2 x	28.8 x	49.2 x	39.0 x	23.5 x
FCF Yield Potential		15.6 %	13.1 %	10.9 %	5.7 %	3.0 %	3.6 %	5.2 %
Net Debt		138	253	-99	-225	29	64	71
ROE		26.9 %	16.4 %	92.2 %	18.1 %	13.2 %	17.1 %	30.5 %
ROCE (NOPAT)		15.9 %	18.5 %	21.7 %	46.1 %	21.7 %	17.3 %	27.2 %
Guidance:	EBITDA 2015e: EUR 95m - EUR 100m, dividend per share 2015e: EUR 1.70							

Sales development in EUR m



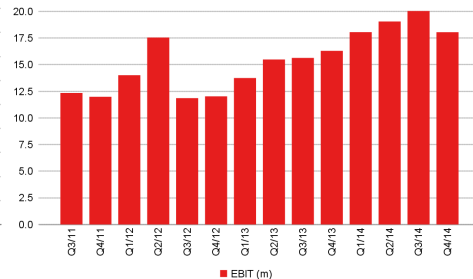
Source: Warburg Research

EBITDA development in EUR m



Source: Warburg Research

EBIT development in EUR m



Source: Warburg Research

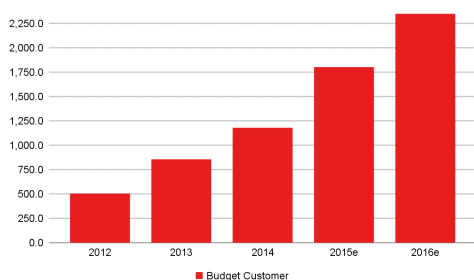
## Company Background

- Drillisch has a contract with Telefonica Deutschland about the exclusive access of 20% of the Telefonica Detschland's network capacity in Germany. Capacity is measuered in mobile data volume.
- Drillisch has the obligation to purchase the capacity independently it can sell it or not to its own customer base. The obligation to acquire 20% of the used capacity will start in 2019.
- Between 2015 and 2019, the volume which Drillisch is obliged to purchase, is increasing step by step.
- Drillisch is positioned as a mobile virtual network operator. It has introduced a challenger strategy at the German mobile telecom market. It is establishing beside its current online sales channels a retail network.
- Drillisch sees itself as the price-quality leader for mobile tariffs in the German market. It can offer tariff prices lower than those of network operators or other MVNOs but deliver higher mobile data volumes.

## Competitive Quality

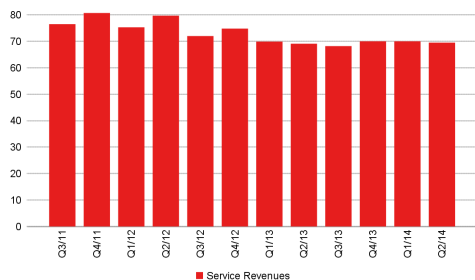
- Management track-record: Since 2003, the management has several times adjusted the strategy and sucessfully reacted on market changes. Drillisch was transferred from a prepaid distributor to a leading MVNO in Germany.
- Network and technolgy access: Drillisch can operate as a mobile network operator without taking CAPEX and technology risks. In addition, it has the best access to capacities and technology compared to competition.
- Attractive purchase conditions: Drillisch's purchase conditions are assumed to be very competitive. Drillisch beats network operativer tariffs by more than 25% and can place itself as the price-quality leader.

Budget customers in k



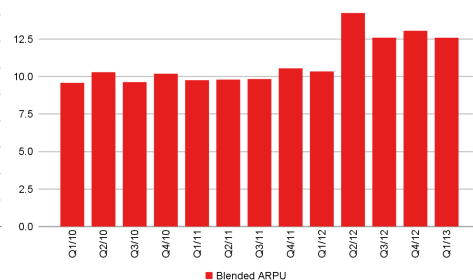
Source: Warburg Research

Service Revenues in EUR m



Source: Warburg Research

Blended ARPU in EUR



Source: Warburg Research

**DCF model**

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	
Sales	584	714	859	971	1,068	1,121	1,155	1,189	1,225	1,262	1,287	1,287	1,287	
Sales change	101.6 %	22.3 %	20.3 %	13.0 %	10.0 %	5.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	0.0 %	0.0 %	0.0 %
EBIT	76	94	148	200	248	263	271	280	288	297	302	302	302	
EBIT-margin	13.0 %	13.2 %	17.2 %	20.6 %	23.2 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	
Tax rate (EBT)	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	
NOPAT	52	65	102	138	171	182	187	193	199	205	209	209	209	
Depreciation	21	22	22	17	18	20	23	24	25	25	26	26	26	
in % of Sales	3.6 %	3.1 %	2.6 %	1.8 %	1.7 %	1.8 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	
Changes in provisions	0	0	0	0	-1	0	0	0	0	0	0	0	0	
Change in Liquidity from														
- Working Capital	29	-1	13	11	8	4	3	3	3	3	2	0	0	
- Capex	164	15	15	19	21	22	23	24	25	25	26	26	26	
Capex in % of Sales	28.1 %	2.1 %	1.7 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	-120	72	96	125	159	175	185	190	196	202	207	209	209	209
PV of FCF	-116	66	82	99	119	123	121	117	113	109	105	99	93	1,391
share of PVs	1.24 %			43.57 %										55.19 %

**Model parameter**

Derivation of WACC:		Derivation of Beta:	
Debt ratio	25.00 %	Financial Strength	1.00
Cost of debt (after tax)	1.4 %	Liquidity (share)	1.00
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.00
		Others	1.75
<b>WACC</b>	<b>6.68 %</b>	<b>Beta</b>	<b>1.26</b>

**Valuation (m)**

Present values 2027e	1,130		
Terminal Value	1,391		
Financial liabilities	140		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	115	No. of shares (m)	58.9
<b>Equity Value</b>	<b>2,494</b>	<b>Value per share (EUR)</b>	<b>42.36</b>

**Sensitivity Value per Share (EUR)**

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		-0.75 %	-0.50 %	-0.25 %	0.00 %	0.25 %	0.50 %	0.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.50	7.7 %	34.05	34.56	35.10	35.67	36.29	36.95	37.65	1.50	7.7 %	33.01	33.90	34.79	35.67	36.56	37.45	38.34
1.38	7.2 %	36.82	37.43	38.08	38.78	39.53	40.33	41.20	1.38	7.2 %	35.92	36.87	37.82	38.78	39.73	40.69	41.64
1.32	6.9 %	38.35	39.02	39.73	40.50	41.33	42.22	43.19	1.32	6.9 %	37.53	38.52	39.51	40.50	41.50	42.49	43.48
1.26	6.7 %	39.98	40.72	41.51	42.36	43.28	44.27	45.35	1.26	6.7 %	39.27	40.30	41.33	42.36	43.39	44.42	45.46
1.20	6.4 %	41.73	42.54	43.42	44.37	45.39	46.50	47.70	1.20	6.4 %	41.14	42.22	43.29	44.37	45.44	46.52	47.59
1.14	6.2 %	43.61	44.51	45.49	46.54	47.68	48.92	50.28	1.14	6.2 %	43.18	44.30	45.42	46.54	47.66	48.78	49.90
1.02	5.7 %	47.82	48.94	50.15	51.47	52.91	54.48	56.22	1.02	5.7 %	47.79	49.02	50.24	51.47	52.70	53.92	55.15

- In 2015e we assume an upfront investment of EUR 150m related to the contract with Telefonica Deutschland
- Number of shares: 57m; convertible bonds: +4.1m; own shares: +5.1m
- Additional financial debts of EUR 234m are reflected which relates to the factoring transactions for handsets

### Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2011	2012	2013	2014	2015e	2016e	2017e	
Net Income before minorities	41	23	156	50	45	56	94	
+ Depreciation + Amortisation	3	6	10	10	21	22	22	
- Net Interest Income	4	-35	117	-3	-11	-13	-12	
- Maintenance Capex	2	6	10	10	10	10	10	
+ Other	0	0	0	0	0	0	0	
<b>= Free Cash Flow Potential</b>	<b>38</b>	<b>58</b>	<b>39</b>	<b>52</b>	<b>67</b>	<b>81</b>	<b>117</b>	
Free Cash Flow Yield Potential	15.6 %	13.1 %	10.9 %	5.7 %	3.0 %	3.6 %	5.2 %	
WACC	6.68 %	6.68 %	6.68 %	6.68 %	6.68 %	6.68 %	6.68 %	
<b>= Enterprise Value (EV)</b>	<b>244</b>	<b>441</b>	<b>356</b>	<b>919</b>	<b>2,226</b>	<b>2,261</b>	<b>2,268</b>	
<b>= Fair Enterprise Value</b>	<b>571</b>	<b>863</b>	<b>579</b>	<b>783</b>	<b>1,001</b>	<b>1,208</b>	<b>1,756</b>	
- Net Debt (Cash)	-226	-226	-226	-226	28	62	70	
- Pension Liabilities	2	2	2	2	1	1	1	
- Other	-280	-280	-280	-280	0	0	0	
- Market value of minorities	0	0	0	0	0	0	0	
+ Market value of investments	0	0	0	0	0	0	0	
<b>= Fair Market Capitalisation</b>	<b>1,075</b>	<b>1,368</b>	<b>1,083</b>	<b>1,288</b>	<b>972</b>	<b>1,145</b>	<b>1,685</b>	
No. of shares (total) (m)	53	53	53	53	53	53	53	
<b>= Fair value per share (EUR)</b>	<b>20.22</b>	<b>25.71</b>	<b>20.37</b>	<b>24.21</b>	<b>18.27</b>	<b>21.52</b>	<b>31.67</b>	
premium (-) / discount (+) in %					-55.8 %	-47.9 %	-23.3 %	
<b>Sensitivity Fair value per Share (EUR)</b>								
	9.68 %	16.89	20.69	17.00	19.65	12.44	14.48	21.44
	8.68 %	17.74	21.98	17.86	20.82	13.94	16.29	24.07
	7.68 %	18.82	23.60	18.95	22.29	15.82	18.56	27.38
WACC	<b>6.68 %</b>	<b>20.22</b>	<b>25.71</b>	<b>20.37</b>	<b>24.21</b>	<b>18.27</b>	<b>21.52</b>	<b>31.67</b>
	5.68 %	22.10	28.57	22.28	26.80	21.58	25.52	37.48
	4.68 %	24.80	32.64	25.01	30.50	26.31	31.22	45.77
	3.68 %	28.95	38.93	29.23	36.20	33.60	40.02	58.56

- FCF-Value potential does exclude the growth potential until 2019e
- FCF-Value potential reflects until 2016e the cash outflows which are needed to prepare the assumed growth path.
- The valuation tool ignores the substantial FCF growth after 2016.
- Therefore, results are misleading because it overestimates current growth-related OPEX but ignores FCF growth.

<b>Valuation</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015e</b>	<b>2016e</b>	<b>2017e</b>
Price / Book	2.3 x	3.9 x	3.4 x	4.3 x	6.3 x	7.1 x	7.2 x
Book value per share ex intangibles	1.63	0.24	2.42	4.37	0.62	0.12	0.33
EV / Sales	0.7 x	1.4 x	1.2 x	3.2 x	3.8 x	3.2 x	2.6 x
EV / EBITDA	4.7 x	7.1 x	5.0 x	10.8 x	22.9 x	19.5 x	13.4 x
EV / EBIT	5.1 x	7.9 x	5.8 x	12.2 x	29.3 x	24.0 x	15.4 x
EV / EBIT adj.*	5.1 x	7.9 x	5.8 x	12.2 x	29.3 x	24.0 x	15.4 x
P / FCF	24.2 x	188.4 x	19.1 x	23.4 x	n.a.	35.9 x	25.0 x
P / E	9.4 x	20.0 x	4.7 x	28.8 x	49.2 x	39.0 x	23.5 x
P / E adj.*	9.4 x	20.0 x	18.2 x	28.8 x	49.2 x	39.0 x	23.5 x
Dividend Yield	9.6 %	14.8 %	10.5 %	6.4 %	4.4 %	4.4 %	4.4 %
Free Cash Flow Yield Potential	15.6 %	13.1 %	10.9 %	5.7 %	3.0 %	3.6 %	5.2 %
*Adjustments made for: -							

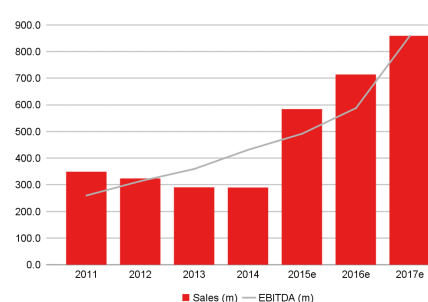
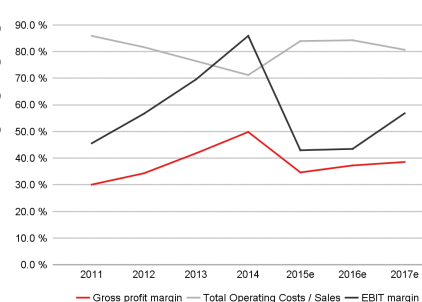
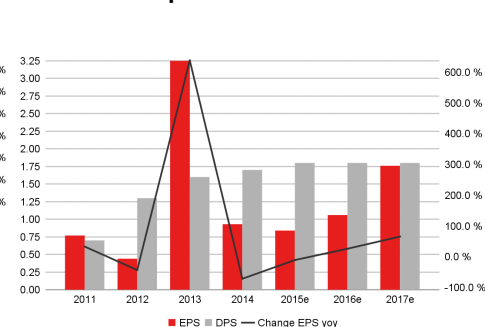
**Consolidated profit & loss**

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
<b>Sales</b>	<b>349</b>	<b>324</b>	<b>290</b>	<b>290</b>	<b>584</b>	<b>714</b>	<b>859</b>
Change Sales yoy	-3.7 %	-7.3 %	-10.3 %	-0.3 %	101.6 %	22.3 %	20.3 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	2	2	2	2	3	4	4
<b>Total Sales</b>	<b>351</b>	<b>326</b>	<b>293</b>	<b>291</b>	<b>587</b>	<b>718</b>	<b>863</b>
Material Expenses	246	215	171	147	385	451	531
<b>Gross profit</b>	<b>349</b>	<b>324</b>	<b>290</b>	<b>290</b>	<b>584</b>	<b>714</b>	<b>859</b>
<i>Gross profit margin</i>	<i>30.1 %</i>	<i>34.3 %</i>	<i>41.8 %</i>	<i>49.9 %</i>	<i>34.6 %</i>	<i>37.3 %</i>	<i>38.6 %</i>
Personnel expenses	21	23	24	25	41	59	62
Other operating income	2	8	4	1	9	6	6
Other operating expenses	34	34	30	36	73	98	106
Unfrequent items	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>51</b>	<b>62</b>	<b>71</b>	<b>85</b>	<b>97</b>	<b>116</b>	<b>170</b>
<i>Margin</i>	<i>14.7 %</i>	<i>19.1 %</i>	<i>24.4 %</i>	<i>29.4 %</i>	<i>16.6 %</i>	<i>16.2 %</i>	<i>19.7 %</i>
Depreciation of fixed assets	1	1	1	1	3	3	3
<b>EBITA</b>	<b>51</b>	<b>61</b>	<b>70</b>	<b>84</b>	<b>95</b>	<b>113</b>	<b>167</b>
Amortisation of intangible assets	3	5	9	9	19	19	19
Goodwill amortization	0	0	0	0	0	0	0
<b>EBIT</b>	<b>48</b>	<b>55</b>	<b>61</b>	<b>75</b>	<b>76</b>	<b>94</b>	<b>148</b>
<i>Margin</i>	<i>13.8 %</i>	<i>17.1 %</i>	<i>21.1 %</i>	<i>26.0 %</i>	<i>13.0 %</i>	<i>13.2 %</i>	<i>17.2 %</i>
<b>EBIT adj.</b>	<b>48</b>	<b>55</b>	<b>61</b>	<b>75</b>	<b>76</b>	<b>94</b>	<b>148</b>
Interest income	1	1	1	1	1	1	1
Interest expenses	5	12	50	4	12	13	12
Other financial income (loss)	8	-24	166	0	0	0	0
<b>EBT</b>	<b>52</b>	<b>21</b>	<b>178</b>	<b>73</b>	<b>65</b>	<b>82</b>	<b>136</b>
<i>Margin</i>	<i>15.0 %</i>	<i>6.4 %</i>	<i>61.3 %</i>	<i>25.1 %</i>	<i>11.1 %</i>	<i>11.4 %</i>	<i>15.8 %</i>
Total taxes	11	-3	22	23	20	25	42
<b>Net income from continuing operations</b>	<b>41</b>	<b>23</b>	<b>156</b>	<b>50</b>	<b>45</b>	<b>56</b>	<b>94</b>
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
<b>Net income before minorities</b>	<b>41</b>	<b>23</b>	<b>156</b>	<b>50</b>	<b>45</b>	<b>56</b>	<b>94</b>
Minority interest	0	0	0	0	0	0	0
<b>Net income</b>	<b>41</b>	<b>23</b>	<b>156</b>	<b>50</b>	<b>45</b>	<b>56</b>	<b>94</b>
<i>Margin</i>	<i>11.7 %</i>	<i>7.2 %</i>	<i>53.7 %</i>	<i>17.2 %</i>	<i>7.7 %</i>	<i>7.9 %</i>	<i>10.9 %</i>
Number of shares, average	53	53	48	53	53	53	53
<b>EPS</b>	<b>0.77</b>	<b>0.44</b>	<b>3.25</b>	<b>0.93</b>	<b>0.84</b>	<b>1.06</b>	<b>1.76</b>
EPS adj.	0.77	0.44	0.84	0.93	0.84	1.06	1.76

\*Adjustments made for:

**Guidance: EBITDA 2015e: EUR 95m - EUR 100m, dividend per share 2015e: EUR 1.70**
**Financial Ratios**

	2011	2012	2013	2014	2015e	2016e	2017e
Total Operating Costs / Sales	85.9 %	81.6 %	76.4 %	71.2 %	83.9 %	84.2 %	80.7 %
Operating Leverage	-5.3 x	-2.1 x	-1.0 x	-81.7 x	0.0 x	1.1 x	2.8 x
EBITDA / Interest expenses	10.9 x	5.3 x	1.4 x	23.8 x	8.4 x	8.9 x	14.1 x
Tax rate (EBT)	21.5 %	-12.9 %	12.5 %	31.0 %	31.0 %	31.0 %	31.0 %
Dividend Payout Ratio	90.7 %	294.8 %	49.3 %	180.6 %	213.8 %	170.3 %	102.0 %
Sales per Employee	997,420	924,834	829,911	827,566	1,668,571	2,040,000	2,454,286

**Sales, EBITDA**  
in EUR m

**Operating Performance**  
in %

**Performance per Share**


Source: Warburg Research

Source: Warburg Research

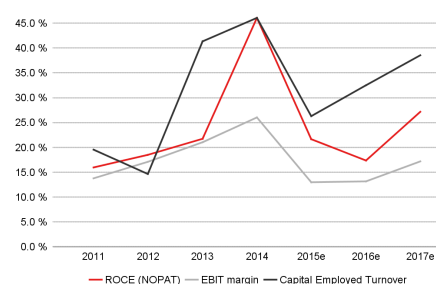
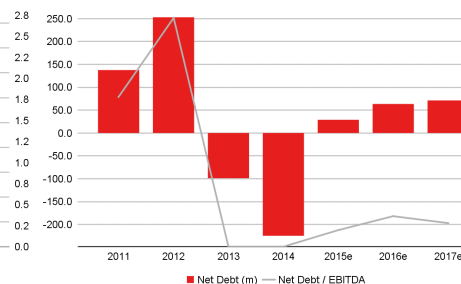
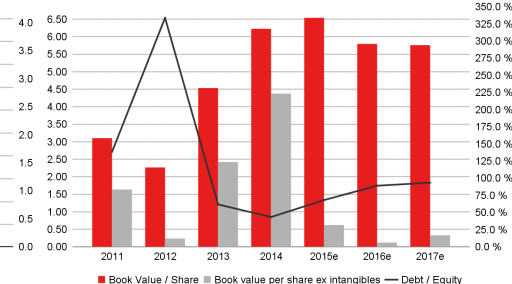
Source: Warburg Research

**Consolidated balance sheet**

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
<b>Assets</b>							
Goodwill and other intangible assets	78	108	101	99	315	302	289
thereof other intangible assets	11	41	34	31	248	235	222
thereof Goodwill	67	67	67	67	67	67	67
Property, plant and equipment	1	1	1	3	4	10	16
Financial assets	236	260	0	0	0	0	0
Other long-term assets	0	0	0	0	0	0	0
<b>Fixed assets</b>	<b>316</b>	<b>369</b>	<b>103</b>	<b>101</b>	<b>319</b>	<b>312</b>	<b>305</b>
Inventories	9	8	6	5	23	24	29
Accounts receivable	42	42	45	48	88	98	118
Liquid assets	21	77	187	317	123	119	111
Other short-term assets	7	26	11	4	30	30	30
<b>Current assets</b>	<b>78</b>	<b>153</b>	<b>249</b>	<b>374</b>	<b>265</b>	<b>270</b>	<b>287</b>
<b>Total Assets</b>	<b>394</b>	<b>523</b>	<b>352</b>	<b>476</b>	<b>584</b>	<b>583</b>	<b>593</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	57	54	53	59	60	60	60
Capital reserve	120	92	96	231	292	292	292
Retained earnings	31	31	31	31	-49	-100	-140
Other equity components	-43	-56	37	10	45	56	94
Shareholder's equity	165	120	218	331	348	308	306
Minority interest	0	0	0	0	0	0	0
<b>Total equity</b>	<b>165</b>	<b>120</b>	<b>218</b>	<b>331</b>	<b>348</b>	<b>308</b>	<b>306</b>
Provisions	7	11	11	9	10	10	10
thereof provisions for pensions and similar obligations	1	1	1	2	1	1	1
Financial liabilities (total)	158	330	87	91	151	181	181
thereof short-term financial liabilities	0	0	0	0	0	0	0
Accounts payable	25	16	16	22	48	59	71
Other liabilities	39	45	21	23	27	25	25
<b>Liabilities</b>	<b>228</b>	<b>402</b>	<b>135</b>	<b>144</b>	<b>236</b>	<b>274</b>	<b>286</b>
<b>Total liabilities and shareholders' equity</b>	<b>394</b>	<b>523</b>	<b>352</b>	<b>476</b>	<b>584</b>	<b>583</b>	<b>593</b>

**Financial Ratios**

	2011	2012	2013	2014	2015e	2016e	2017e
<b>Efficiency of Capital Employment</b>							
Operating Assets Turnover	79.7 x	12.4 x	9.8 x	10.4 x	10.0 x	11.2 x	10.4 x
Capital Employed Turnover	1.2 x	0.9 x	2.4 x	2.7 x	1.5 x	1.9 x	2.3 x
ROA	13.0 %	6.4 %	151.5 %	49.1 %	14.0 %	18.0 %	30.8 %
<b>Return on Capital</b>							
ROCE (NOPAT)	15.9 %	18.5 %	21.7 %	46.1 %	21.7 %	17.3 %	27.2 %
ROE	26.9 %	16.4 %	92.2 %	18.1 %	13.2 %	17.1 %	30.5 %
Adj. ROE	26.9 %	16.4 %	23.8 %	18.1 %	13.2 %	17.1 %	30.5 %
<b>Balance sheet quality</b>							
Net Debt	138	253	-99	-225	29	64	71
Net Financial Debt	137	252	-100	-226	28	62	70
Net Gearing	83.3 %	210.0 %	-45.4 %	-67.9 %	8.3 %	20.6 %	23.3 %
Net Fin. Debt / EBITDA	266.5 %	407.8 %	n.a.	n.a.	28.5 %	53.7 %	41.3 %
Book Value / Share	3.1	2.3	4.5	6.2	6.5	5.8	5.8
Book value per share ex intangibles	1.6	0.2	2.4	4.4	0.6	0.1	0.3

**ROCE Development**

**Net debt in EUR m**

**Book Value per Share in EUR**


Source: Warburg Research

Source: Warburg Research

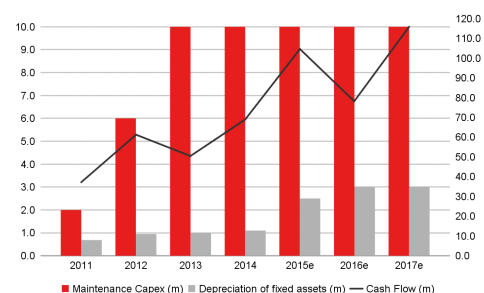
Source: Warburg Research

**Consolidated cash flow statement**

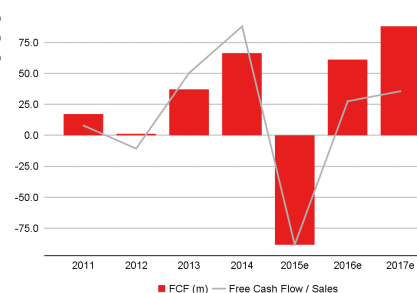
In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Net income	41	23	156	50	45	56	94
Depreciation of fixed assets	1	1	1	1	3	3	3
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	3	5	9	9	19	19	19
Increase/decrease in long-term provisions	0	0	0	1	0	0	0
Other non-cash income and expenses	-7	31	-115	9	39	0	0
<b>Cash Flow</b>	<b>37</b>	<b>61</b>	<b>51</b>	<b>69</b>	<b>105</b>	<b>78</b>	<b>116</b>
Increase / decrease in inventory	-1	1	2	1	-18	0	-5
Increase / decrease in accounts receivable	-13	0	-3	-2	-40	-10	-20
Increase / decrease in accounts payable	-3	-22	-2	4	29	11	12
Increase / decrease in other working capital positions	0	-16	10	0	0	-3	0
Increase / decrease in working capital (total)	-17	-37	6	3	-29	-2	-13
<b>Net cash provided by operating activities</b>	<b>20</b>	<b>24</b>	<b>57</b>	<b>72</b>	<b>76</b>	<b>76</b>	<b>103</b>
Investments in intangible assets	-3	-20	-17	-9	-160	-6	-6
Investments in property, plant and equipment	-2	-2	-2	-2	-4	-9	-9
Payments for acquisitions	0	0	0	0	-136	0	0
Financial investments	-67	-75	0	0	0	0	0
Income from asset disposals	0	106	370	1	0	0	0
<b>Net cash provided by investing activities</b>	<b>-70</b>	<b>8</b>	<b>350</b>	<b>-5</b>	<b>-300</b>	<b>-15</b>	<b>-15</b>
Change in financial liabilities	78	92	-183	0	60	30	0
Dividends paid	-27	-36	-62	-77	-90	-96	-96
Purchase of own shares	-8	-32	-8	0	0	0	0
Capital measures	0	0	0	0	61	0	0
Other	-1	0	-44	140	0	0	0
<b>Net cash provided by financing activities</b>	<b>43</b>	<b>25</b>	<b>-298</b>	<b>63</b>	<b>30</b>	<b>-66</b>	<b>-96</b>
Change in liquid funds	-7	57	110	130	-194	-5	-8
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
<b>Cash and cash equivalent at end of period</b>	<b>21</b>	<b>77</b>	<b>187</b>	<b>317</b>	<b>123</b>	<b>119</b>	<b>111</b>

**Financial Ratios**

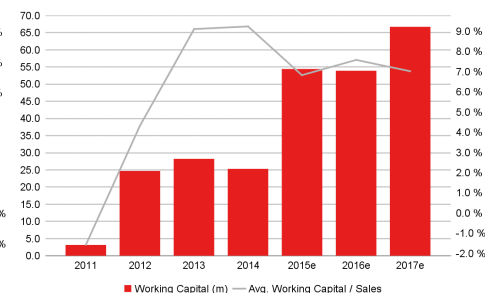
	2011	2012	2013	2014	2015e	2016e	2017e
<b>Cash Flow</b>							
FCF	17	1	37	66	-88	61	88
Free Cash Flow / Sales	4.6 %	0.8 %	13.2 %	21.0 %	-15.1 %	8.6 %	10.2 %
Free Cash Flow Potential	38	58	39	52	67	81	117
Free Cash Flow / Net Profit	39.0 %	10.6 %	24.7 %	122.2 %	-197.5 %	108.7 %	93.8 %
Interest Received / Avg. Cash	2.2 %	1.9 %	1.0 %	0.4 %	0.2 %	0.4 %	0.4 %
Interest Paid / Avg. Debt	4.4 %	4.8 %	24.2 %	4.0 %	9.5 %	7.8 %	6.6 %
<b>Management of Funds</b>							
Investment ratio	1.1 %	6.7 %	6.4 %	3.8 %	28.1 %	2.1 %	1.7 %
Maint. Capex / Sales	0.6 %	1.9 %	3.4 %	3.5 %	1.7 %	1.4 %	1.2 %
Capex / Dep	119.3 %	337.7 %	191.8 %	110.9 %	777.3 %	68.2 %	68.2 %
Avg. Working Capital / Sales	-1.6 %	4.3 %	9.1 %	9.2 %	6.8 %	7.6 %	7.0 %
Trade Debtors / Trade Creditors	166.1 %	260.7 %	286.7 %	218.1 %	183.3 %	166.6 %	166.7 %
Inventory Turnover	27.6 x	27.1 x	27.5 x	26.8 x	16.5 x	18.9 x	18.6 x
Receivables collection period (days)	44	47	57	60	55	50	50
Payables payment period (days)	37	27	34	54	46	48	49
Cash conversion cycle (Days)	-56	-28	-34	-53	-29	-33	-32

**CAPEX and Cash Flow**  
in EUR m


Source: Warburg Research

**Free Cash Flow Generation**


Source: Warburg Research

**Working Capital**


Source: Warburg Research



**LEGAL DISCLAIMER**

This research report was prepared by the Warburg Research GmbH, a subsidiary of the M.M.Warburg & CO (AG & Co.) KGaA and is passed on by the M.M.Warburg & CO (AG & Co.) KGaA. It contains selected information and does not purport to be complete. The report is based on publicly available information and data ("the information") believed to be accurate and complete. Warburg Research GmbH neither does examine the information to be accurate and complete, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the information do not constitute grounds for liability of M.M.Warburg & CO (AG & Co.) KGaA or Warburg Research GmbH for damages of any kind whatsoever, and M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are not liable for indirect and/or direct and/or consequential damages. In particular, neither M.M.Warburg & CO (AG & Co.) KGaA nor Warburg Research GmbH are liable for the statements, plans or other details contained in these analyses concerning the examined companies, their affiliated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this research report, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the information contained in this document. Provided a research report is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH shall be restricted to gross negligence and wilful misconduct. In case of failure in essential tasks, M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH is limited to typical, expectable damages. This research report does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO (AG & Co.) KGaA, Warburg Research GmbH or affiliated companies may serve in a position of responsibility, i.e. on the board of directors of companies mentioned in the report. Opinions expressed in this report are subject to change without notice. All rights reserved.

**COPYRIGHT NOTICE**

This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.

**DISCLOSURE ACCORDING TO §34B (1) OF THE GERMAN SECURITIES TRADING ACT (WHPG) AND THE ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS (FINANV)**

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model. The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

In accordance with § 5 (4) of the Ordinance on the Analysis of Financial Instruments (FinAnV) Warburg Research GmbH has implemented additional internal and organisational arrangements to prevent or to deal with conflicts of interest. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg Group.

All prices of financial instruments given in this financial analysis are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin.

**SOURCES**

All data and consensus estimates have been obtained from FactSet except where stated otherwise.

**Reference in accordance with section 34b of the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV) regarding possible conflicts of interest with the analysed company:**

- 1- The company preparing the analysis or any of its affiliated companies hold over **5% of shares** in the analysed company's equity capital.
- 2- Within the last twelve months, the company preparing the analysis or any of its affiliated companies have participated in the management of a **consortium** for the public offering of financial securities, which are (or the issuer of which) is the subject of the analysis.
- 3- The company preparing the analysis or any of its affiliated companies **manage the securities** of the analysed company on the grounds of an existing contract.
- 4- On the grounds of an existing contract, the company preparing the analysis or any of its affiliated companies, have managed **investment banking services** for the analysed company within the last twelve months, out of which a service or the promise of a has service emerged.
- 5- The company preparing the analysis and the analysed company came to an **agreement regarding the preparation of the financial analysis**.
- 6- The company preparing the analysis or any of its affiliated companies **regularly trade** in shares or derivatives of the analysed company.
- 7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

This report has been made accessible to the company analysed.

Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Drillisch	5, 6	<a href="http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005545503.htm">http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005545503.htm</a>

**INVESTMENT RECOMMENDATION**

Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	<b>Hold:</b>	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	<b>Sell:</b>	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	<b>Rating suspended:</b>	The available information currently does not permit an evaluation of the company.

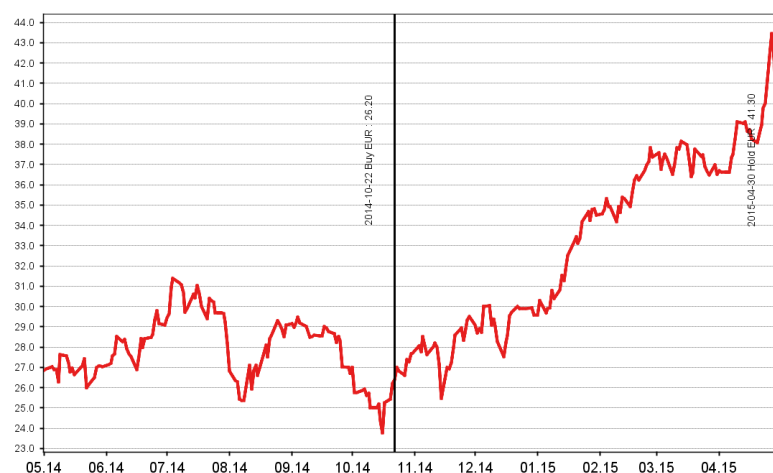
**WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING**

Rating	Number of stocks	% of Universe
Buy	101	55
Hold	70	38
Sell	8	4
Rating suspended	4	2
<b>Total</b>	<b>183</b>	<b>100</b>

**WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...**

... Looking only at companies for which a disclosure according to § 34b of the Germany Securities Trading Act and the FinAnV has to be made.

Rating	Number of stocks	% of Universe
Buy	81	59
Hold	48	35
Sell	5	4
Rating suspended	3	2
<b>Total</b>	<b>137</b>	<b>100</b>

**PRICE AND RATING HISTORY DRILLISCH AS OF 30.04.2015**


The chart has 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.

**EQUITIES**

**Roland Rapelius** +49 40 3282-2673  
Head of Equities rrapelius@mmwarburg.com

**RESEARCH**

**Henner Rüschemier** +49 40 309537-270  
Head of Research hrueschmeier@warburg-research.com

**Lucas Boventer** +49 40 309537-290  
Others lboventer@warburg-research.com

**Christian Cohrs** +49 40 309537-175  
Engineering, Logistics ccohrs@warburg-research.com

**Felix Ellmann** +49 40 309537-120  
Software, IT fellmann@warburg-research.com

**Jörg Philipp Frey** +49 40 309537-258  
Retail, Consumer Goods jfrey@warburg-research.com

**Harald Hof** +49 40 309537-125  
Medtech hhof@warburg-research.com

**Ulrich Huwald** +49 40 309537-255  
Health Care, Pharma uhuwald@warburg-research.com

**Thilo Kleibauer** +49 40 309537-257  
Retail, Consumer Goods tkleibauer@warburg-research.com

**Eggert Kuls** +49 40 309537-256  
Engineering ekuls@warburg-research.com

**Frank Laser** +49 40 309537-235  
Construction, Industrials flaser@warburg-research.com

**Andreas Pläsier** +49 40 309537-246  
Banks, Financial Services aplaesier@warburg-research.com

**Malte Räther** +49 40 309537-185  
Technology, Telco, Internet mraether@warburg-research.com

**Jochen Reichert** +49 40 309537-130  
Telco, Internet, Media jreichert@warburg-research.com

**Arash Roshan Zamir** +49 40 309537-155  
Engineering, Logistics aroshanzamir@warburg-research.com

**Malte Schaumann** +49 40 309537-170  
Technology mschaumann@warburg-research.com

**Oliver Schwarz** +49 40 309537-250  
Chemicals, Agriculture oschwarz@warburg-research.com

**Marc-René Tonn** +49 40 309537-259  
Automobiles, Car Suppliers mtonn@warburg-research.com

**Björn Voss** +49 40 309537-254  
Steel, Car Suppliers bvoss@warburg-research.com

**Andreas Wolf** +49 40 309537-140  
Software, IT awolf@warburg-research.com

**Stephan Wulf** +49 40 309537-150  
Utilities swulf@warburg-research.com

**INSTITUTIONAL EQUITY SALES**

**Holger Nass** +49 40 3282-2669  
Head of Equity Sales, USA hnass@mmwarburg.com

**Klaus Schilling** +49 40 3282-2664  
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

**Christian Alisch** +49 40 3282-2667  
Scandinavia, Spain calisch@mmwarburg.com

**Tim Beckmann** +49 40 3282-2665  
United Kingdom tbeckmann@mmwarburg.com

**Matthias Fritsch** +49 40 3282-2696  
United Kingdom mfritsch@mmwarburg.com

**Marie-Therese Grübner** +49 40 3282-2630  
France, Switzerland mgruebner@mmwarburg.com

**Ömer Güven** +49 40 3282-2633  
USA, Germany ogueven@mmwarburg.com

**Michael Kriszun** +49 40 3282-2695  
United Kingdom mkriszun@mmwarburg.com

**Marc Niemann** +49 40 3282-2660  
Germany mniemann@mmwarburg.com

**Sanjay Oberoi** +49 69 5050-7410  
United Kingdom soberoi@mmwarburg.com

**Philipp Stumpfegger** +49 40 3282-2635  
Australia, United Kingdom pstumpfegger@mmwarburg.com

**Juliane Willenbruch** +49 40 3282-2694  
Roadshow/Marketing jwillenbruch@mmwarburg.com

**SALES TRADING**

**Oliver Merckel** +49 40 3282-2634  
Head of Sales Trading omerckel@mmwarburg.com

**Thekla Struve** +49 40 3282-2668  
Dep. Head of Sales Trading tstruve@mmwarburg.com

**Gudrun Bolsen** +49 40 3282-2679  
Sales Trading gbolsen@mmwarburg.com

**Michael Ilgenstein** +49 40 3282-2700  
Sales Trading milgenstein@mmwarburg.com

**Bastian Quast** +49 40 3282-2701  
Sales Trading bquast@mmwarburg.com

**Jörg Treptow** +49 40 3262-2658  
Sales Trading jtreptow@mmwarburg.com

**Jan Walter** +49 40 3262-2662  
Sales Trading jwalter@mmwarburg.com

**MACRO RESEARCH**

**Carsten Klude** +49 40 3282-2572  
Macro Research cklude@mmwarburg.com

**Matthias Thiel** +49 40 3282-2401  
Macro Research mthiel@mmwarburg.com

**Dr. Christian Jasperneite** +49 40 3282-2439  
Investment Strategy cjasperneite@mmwarburg.com

**Our research can be found under:**

Warburg Research [research.mmwarburg.com/en/index.html](http://research.mmwarburg.com/en/index.html)  
Bloomberg MMWA GO  
FactSet [www.factset.com](http://www.factset.com)

Thomson [www.thomson.com](http://www.thomson.com)  
Reuters [www.knowledge.reuters.com](http://www.knowledge.reuters.com)  
Capital IQ [www.capitaliq.com](http://www.capitaliq.com)

**For access please contact:**

**Andrea Schaper** +49 40 3282-2632  
Sales Assistance aschaper@mmwarburg.com

**Kerstin Muthig** +49 40 3282-2703  
Sales Assistance kmuthig@mmwarburg.com