

Hold EUR 35.00 Price EUR 33.60 Upside 4.2 %	Value Indicators: EUR DCF: 35.00 FCF-Value Potential 18e: 35.00	Share data: Bloomberg: DRI GR Reuters: DRIG ISIN: DE0005545503	Description: Virtual mobile network operator
	Market Snapshot: EUR m Market cap: 1,840 No. of shares (m): 55 EV: 1,910 Freefloat MC: 1,470 Ø Trad. Vol. (30d): 7.84 m	Shareholders: Freefloat 79.9 % M Brucherseifer+Management 1.9 % United Internet Ventures AG 20.7 % Allianz Global Investors 6.4 % Alken Luxemburg 4.8 %	Risk Profile (WRe): 2016e Beta: 1.1 Price / Book: 6.1 x Equity Ratio: 48 % Net Fin. Debt / EBITDA: 0.6 x Net Debt / EBITDA: 0.6 x

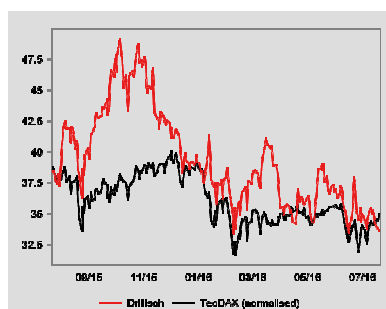
Impressive headline figures for Q2/16

Wednesday evening, Drillisch published key performance indicators for Q2/16 including blended AGPPU (average gross profit per user), customer net additions and operating cash flow. In our view, all three figures were impressive.

- The budget customer base grew by +238k to 2.33m. In Q1/16, net additions stood at +168k and we were expecting +170k for Q2/16. The strong customer performance is likely to be related to attractive offers (2GB, voice and sms flat for EUR 7.99), marketing campaigns on TV, radio and internet, improving brand awareness, and accelerating customer gains in Drillisch's stationary outlets.
- Blended AGPPU grew qoq by +7.2% to EUR 7.85. We had expected EUR 7.22. In our view, there are two main reasons for the excellent outperformance. Firstly, as described in our last note, Drillisch receives high discounts on the extra capacity it is obliged to purchase from Telefonica Deutschland. Secondly, even if customers sign up for a EUR 7.99 offer (EUR 6.40 excluding VAT), the ARPU (average revenue per user) should be higher because most customers opt for additional services. We should mention that we expect a blended AGPPU of EUR 8 starting in 2018.
- Operating cash flow came in at EUR 71.8m. It should be considered that there are positive quarterly effects. Hence, underlying operating cash flow should be EUR 45-50m.

We calculate the MVNO gross profit (gross profit generated by the core business) at EUR 68m in Q2/16. This is EUR 5m ahead of our expectation of EUR 63m. Hence, assuming that other cost items (personnel, marketing, other operating expenses) remain as expected, Drillisch should have achieved EBITDA of > EUR 26m which is our current expectation for Q2/16.

Drillisch published excellent headline figures for Q2/16. In our view, the blended AGPPU figure in particular indicates that the underlying operating performance could be better in the coming quarters than currently reflected in our model. Hold is reiterated with a DCF-based PT of EUR 35.

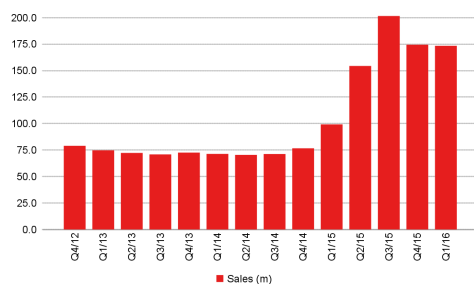


Rel. Performance vs TecDAX:	
1 month:	-10.5 %
6 months:	-7.0 %
Year to date:	-3.5 %
Trailing 12 months:	-4.5 %

Company events:	
11.08.16	Q2
10.11.16	Q3

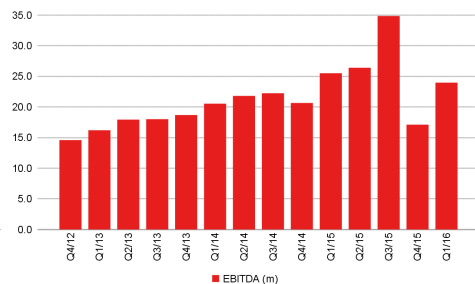
FY End: 31.12. in EUR m	CAGR (15-18e)	2012	2013	2014	2015	2016e	2017e	2018e
Sales	11.3 %	324	290	290	630	706	810	867
Change Sales yoy		-7.3 %	-10.3 %	-0.3 %	117.3 %	12.2 %	14.6 %	7.2 %
Gross profit margin		34.3 %	41.8 %	49.9 %	40.8 %	40.6 %	39.8 %	42.7 %
EBITDA	20.2 %	62	71	85	105	115	151	183
Margin		19.1 %	24.4 %	29.4 %	16.7 %	16.2 %	18.7 %	21.1 %
EBIT	24.2 %	55	61	75	69	64	101	133
Margin		17.1 %	21.1 %	26.0 %	11.0 %	9.0 %	12.5 %	15.3 %
Net income	24.1 %	23	156	50	46	41	67	88
EPS	24.2 %	0.44	3.25	0.91	0.84	0.74	1.22	1.61
EPS adj.	31.0 %	0.44	0.84	0.91	0.84	1.02	1.50	1.89
DPS	1.9 %	1.30	1.60	1.70	1.70	1.70	1.80	1.80
Dividend Yield		14.8 %	10.5 %	6.4 %	4.2 %	5.1 %	5.4 %	5.3 %
FCFPS		0.02	0.77	1.21	-1.58	1.25	1.74	2.21
FCF / Market cap		0.5 %	5.2 %	4.1 %	-4.0 %	3.7 %	5.2 %	6.5 %
EV / Sales		1.4 x	1.2 x	3.3 x	3.1 x	2.7 x	2.4 x	2.1 x
EV / EBITDA		7.1 x	5.0 x	11.3 x	18.6 x	16.7 x	12.6 x	10.0 x
EV / EBIT		7.9 x	5.8 x	12.8 x	28.3 x	30.0 x	18.9 x	13.7 x
P / E		20.0 x	4.7 x	29.4 x	47.7 x	45.4 x	27.5 x	21.2 x
P / E adj.		20.0 x	18.2 x	29.4 x	47.7 x	32.9 x	22.4 x	18.1 x
FCF Yield Potential		13.1 %	10.9 %	5.4 %	3.8 %	4.3 %	5.5 %	7.0 %
Net Debt		253	-99	-225	45	70	68	-52
ROCE (NOPAT)		18.5 %	21.7 %	46.1 %	19.1 %	11.4 %	19.7 %	28.0 %
Guidance:		EBITDA 2016e: EUR 115m - EUR 120m, dividend per share 2015e: EUR 1.7						

Sales development
in EUR m



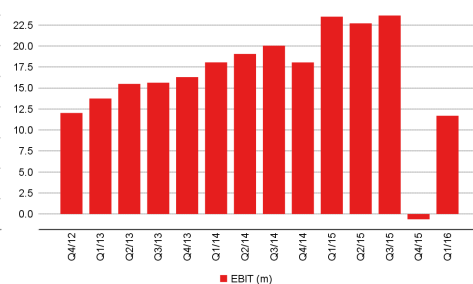
Source: Warburg Research

EBITDA development
in EUR m



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

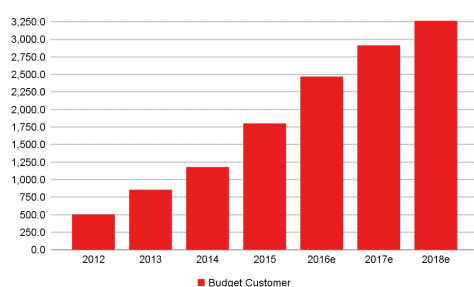
Company Background

- Drillisch (DRI) has a so-called MBA-MVNO contract with Telefonica Deutschland (TD) for exclusive access to 20% of the Telefonica Deutschland network capacity in Germany. Capacity is measured in mobile data volume.
- The obligation to purchase 20% of the capacity starts in 2019. Until then, the volume that DRI is obliged to purchase will increase gradually. DRI also has the option to buy an additional 10% of the capacity.
- The contract secures DRI access to all future network technologies and complete access to LTE. Purchasing conditions should be very attractive providing a competitive advantage.
- DRI is pursuing a challenger strategy in the German mobile telecoms market with a multi-brand strategy. There are two core brands: 'Yourfone' for stationary distribution and 'smartmobil' for online sales.
- Drillisch sees itself as the price-quality leader for mobile tariffs in the German market. Its tariff prices are lower than those of network operators or other MVNOs and it provides higher mobile data volumes.

Competitive Quality

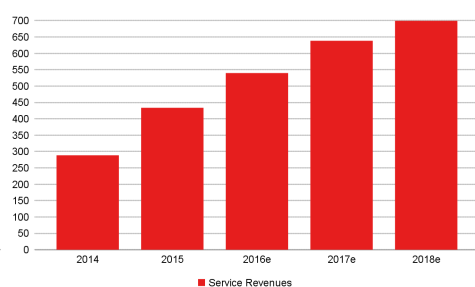
- Management track-record: Since 2003, management has adjusted the strategy several times and successfully adapted to market changes. Drillisch was transformed from a prepaid distributor to a leading MBA-MVNO in Germany
- Network and technology access: Based on its contracts, DRI can operate similar to a mobile network operator without high capex risks. Compared to its competitors it has best access to capacities and technology
- Drillisch's purchasing conditions are assumed to be very competitive. Drillisch beats network operator tariffs by more than 25% and can place itself as the price-quality leader
- Wide range of contracts with network operators: Beside the MBA-MVNO contract with TD, DRI has an MVNO contract with Vodafone and several MSP contracts.

Budget customers
in k



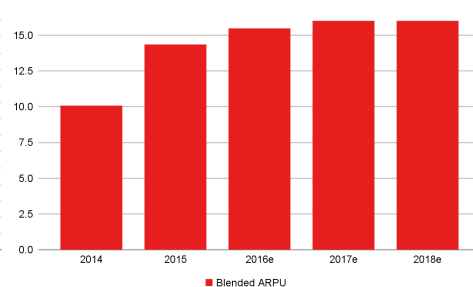
Source: Warburg Research

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	
	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e		
Sales	706	810	867	903	939	967	977	977	977	977	977	977	977	977	
Sales change	12.2 %	14.6 %	7.2 %	4.1 %	4.0 %	3.0 %	1.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	64	100	133	207	221	227	230	230	215	215	205	205	200		
EBIT-margin	9.0 %	12.4 %	15.3 %	22.9 %	23.5 %	23.5 %	23.5 %	23.5 %	22.0 %	22.0 %	21.0 %	21.0 %	20.5 %		
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	44	69	91	143	152	157	158	158	148	148	142	142	138		
Depreciation	51	50	50	41	38	34	29	27	24	23	23	22	22		
in % of Sales	7.2 %	6.2 %	5.8 %	4.5 %	4.0 %	3.5 %	3.0 %	2.8 %	2.5 %	2.4 %	2.4 %	2.3 %	2.3 %		
Changes in provisions	0	0	0	-1	-1	0	0	0	0	0	0	0	0		
Change in Liquidity from															
- Working Capital	7	4	-2	2	2	0	0	0	0	0	0	0	0		
- Capex	14	16	19	21	23	24	25	25	24	22	23	22	22		
Capex in % of Sales	2.0 %	2.0 %	2.2 %	2.3 %	2.4 %	2.5 %	2.6 %	2.6 %	2.5 %	2.3 %	2.4 %	2.3 %	2.3 %		
Other	0	0	0	0	0	0	0	0	0	0	0	0	0		
Free Cash Flow (WACC Model)	74	99	124	159	165	166	163	160	148	149	142	142	138	138	
PV of FCF	74	92	108	130	126	119	109	100	87	82	73	68	62	909	
share of PVs	12.80 %			44.67 %										42.52 %	

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	10.00 %	Financial Strength	1.00
Cost of debt (after tax)	1.4 %	Liquidity (share)	1.00
Market return	7.00 %	Cyclicality	0.90
Risk free rate	1.50 %	Transparency	1.00
		Others	1.50
WACC	6.84 %	Beta	1.08

Valuation (m)

Present values 2028e	1,229		
Terminal Value	909		
Financial liabilities	90		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	60	No. of shares (m)	59.3
Equity Value	2,107	Value per share (EUR)	35.52

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
1.28	7.8 %	30.05	30.37	30.72	31.09	31.49	31.91	32.36	1.28	7.8 %	28.87	29.61	30.35	31.09	31.83	32.57	33.32
1.18	7.3 %	31.90	32.29	32.71	33.16	33.63	34.14	34.69	1.18	7.3 %	30.78	31.57	32.36	33.16	33.95	34.74	35.53
1.13	7.1 %	32.92	33.35	33.81	34.30	34.82	35.39	36.00	1.13	7.1 %	31.84	32.66	33.48	34.30	35.11	35.93	36.75
1.08	6.8 %	34.00	34.47	34.98	35.52	36.10	36.73	37.41	1.08	6.8 %	32.98	33.82	34.67	35.52	36.37	37.21	38.06
1.03	6.6 %	35.16	35.68	36.23	36.83	37.48	38.18	38.94	1.03	6.6 %	34.20	35.07	35.95	36.83	37.71	38.59	39.47
0.98	6.3 %	36.40	36.97	37.58	38.25	38.97	39.75	40.60	0.98	6.3 %	35.51	36.42	37.34	38.25	39.16	40.07	40.99
0.88	5.8 %	39.15	39.85	40.62	41.44	42.34	43.33	44.41	0.88	5.8 %	38.47	39.46	40.45	41.44	42.43	43.42	44.41

▪ ...

▪ Number of shares: 57m; convertible bonds: +4.54m

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	2012	2013	2014	2015	2016e	2017e	2018e	
Net Income before minorities	23	156	50	46	41	66	88	
+ Depreciation + Amortisation	6	10	10	36	51	50	50	
- Net Interest Income	-35	117	-3	-3	-5	-5	-5	
- Maintenance Capex	6	10	10	12	14	15	15	
+ Other	0	0	0	0	0	0	0	
= Free Cash Flow Potential	58	39	52	74	82	105	128	
Free Cash Flow Yield Potential	13.1 %	10.9 %	5.4 %	3.8 %	4.3 %	5.5 %	7.0 %	
WACC	6.84 %	6.84 %	6.84 %	6.84 %	6.84 %	6.84 %	6.84 %	
= Enterprise Value (EV)	441	356	961	1,961	1,910	1,908	1,820	
= Fair Enterprise Value	844	566	765	1,078	1,204	1,542	1,871	
- Net Debt (Cash)	44	44	44	44	69	66	-54	
- Pension Liabilities	1	1	1	1	2	2	2	
- 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	
= Fair Market Capitalisation	1,079	800	1,000	1,313	1,133	1,474	1,923	
No. of shares (total) (m)	55	55	55	55	55	55	55	
= Fair value per share (EUR)	19.70	14.62	18.27	23.98	20.70	26.92	35.11	
premium (-) / discount (+) in %					-38.4 %	-19.9 %	2.7 %	
Sensitivity Fair value per Share (EUR)								
	9.84 %	15.00	11.47	14.00	17.97	13.99	18.33	24.69
	8.84 %	16.21	12.28	15.10	19.52	15.72	20.55	27.38
	7.84 %	17.73	13.30	16.48	21.46	17.89	23.32	30.76
WACC	6.84 %	19.70	14.62	18.27	23.98	20.70	26.92	35.11
	5.84 %	22.34	16.39	20.66	27.35	24.47	31.74	40.97
	4.84 %	26.07	18.89	24.05	32.12	29.79	38.56	49.24
	3.84 %	31.75	22.69	29.20	39.37	37.89	48.94	61.83

▪ FCF-Value Potential excludes the growth potential until 2019e

Valuation							
	2012	2013	2014	2015	2016e	2017e	2018e
Price / Book	3.9 x	3.4 x	4.4 x	6.2 x	6.1 x	6.7 x	5.2 x
Book value per share ex intangibles	0.24	2.42	4.25	-0.46	-0.74	-0.58	1.68
EV / Sales	1.4 x	1.2 x	3.3 x	3.1 x	2.7 x	2.4 x	2.1 x
EV / EBITDA	7.1 x	5.0 x	11.3 x	18.6 x	16.7 x	12.6 x	10.0 x
EV / EBIT	7.9 x	5.8 x	12.8 x	28.3 x	30.0 x	18.9 x	13.7 x
EV / EBIT adj.*	7.9 x	5.8 x	12.8 x	28.3 x	30.0 x	18.9 x	13.7 x
P / FCF	188.4 x	19.1 x	24.1 x	n.a.	29.0 x	20.8 x	16.7 x
P / E	20.0 x	4.7 x	29.4 x	47.7 x	45.4 x	27.5 x	21.2 x
P / E adj.*	20.0 x	18.2 x	29.4 x	47.7 x	32.9 x	22.4 x	18.1 x
Dividend Yield	14.8 %	10.5 %	6.4 %	4.2 %	5.1 %	5.4 %	5.3 %
Free Cash Flow Yield Potential	13.1 %	10.9 %	5.4 %	3.8 %	4.3 %	5.5 %	7.0 %

*Adjustments made for: -

Company Specific Items							
	2012	2013	2014	2015	2016e	2017e	2018e
Service Revenues	n.a.	n.a.	0	0	0	0	0
Budget Customer	0	0	0	0	0	0	0
Blended ARPU	n.a.	n.a.	0	0	0	0	0

Consolidated profit & loss

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Sales	324	290	290	630	706	810	867
Change Sales yoy	-7.3 %	-10.3 %	-0.3 %	117.3 %	12.2 %	14.6 %	7.2 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	2	2	2	2	2	3	4
Total Sales	326	293	291	632	709	813	872
Material Expenses	215	171	147	375	422	490	501
Gross profit	111	121	144	257	287	323	371
<i>Gross profit margin</i>	<i>34.3 %</i>	<i>41.8 %</i>	<i>49.9 %</i>	<i>40.8 %</i>	<i>40.6 %</i>	<i>39.8 %</i>	<i>42.7 %</i>
Personnel expenses	23	24	25	47	57	59	63
Other operating income	8	4	1	20	10	10	9
Other operating expenses	34	30	36	125	125	122	134
Unfrequent items	0	0	0	0	0	0	0
EBITDA	62	71	85	105	115	151	183
<i>Margin</i>	<i>19.1 %</i>	<i>24.4 %</i>	<i>29.4 %</i>	<i>16.7 %</i>	<i>16.2 %</i>	<i>18.7 %</i>	<i>21.1 %</i>
Depreciation of fixed assets	1	1	1	5	5	4	4
EBITA	61	70	84	101	110	147	179
Amortisation of intangible assets	5	9	9	32	46	46	46
Goodwill amortization	0	0	0	0	0	0	0
EBIT	55	61	75	69	64	101	133
<i>Margin</i>	<i>17.1 %</i>	<i>21.1 %</i>	<i>26.0 %</i>	<i>11.0 %</i>	<i>9.0 %</i>	<i>12.5 %</i>	<i>15.3 %</i>
EBIT adj.	55	61	75	69	64	101	133
Interest income	1	1	1	1	0	0	0
Interest expenses	12	50	4	4	5	5	5
Other financial income (loss)	-24	166	0	0	0	0	0
EBT	21	178	73	66	59	97	128
<i>Margin</i>	<i>6.4 %</i>	<i>61.3 %</i>	<i>25.1 %</i>	<i>10.5 %</i>	<i>8.4 %</i>	<i>11.9 %</i>	<i>14.8 %</i>
Total taxes	-3	22	23	20	18	30	40
Net income from continuing operations	23	156	50	46	41	67	88
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	23	156	50	46	41	67	88
Minority interest	0	0	0	0	0	0	0
Net income	23	156	50	46	41	67	88
<i>Margin</i>	<i>7.2 %</i>	<i>53.7 %</i>	<i>17.2 %</i>	<i>7.3 %</i>	<i>5.8 %</i>	<i>8.3 %</i>	<i>10.2 %</i>
Number of shares, average	53	48	55	55	55	55	55
EPS	0.44	3.25	0.91	0.84	0.74	1.22	1.61
EPS adj.	0.44	0.84	0.91	0.84	1.02	1.50	1.89

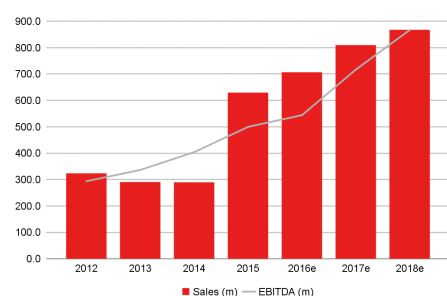
*Adjustments made for:

Guidance: EBITDA 2016e: EUR 115m - EUR 120m, dividend per share 2015e: EUR 1.7

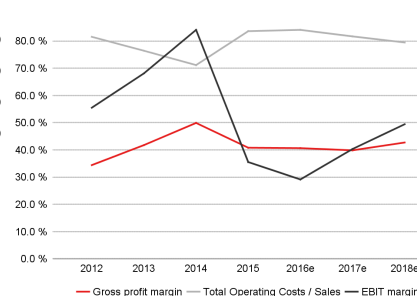
Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Total Operating Costs / Sales	81.6 %	76.4 %	71.2 %	83.6 %	84.1 %	81.7 %	79.4 %
Operating Leverage	-2.1 x	-1.0 x	-81.7 x	-0.1 x	-0.7 x	4.0 x	4.4 x
EBITDA / Interest expenses	5.3 x	1.4 x	23.8 x	26.1 x	25.5 x	33.6 x	40.6 x
Tax rate (EBT)	-12.9 %	12.5 %	31.0 %	30.4 %	31.0 %	30.7 %	31.0 %
Dividend Payout Ratio	294.8 %	49.3 %	185.9 %	203.2 %	228.3 %	147.3 %	111.5 %
Sales per Employee	924,834	829,911	827,566	1,798,703	2,018,286	2,312,857	2,478,286

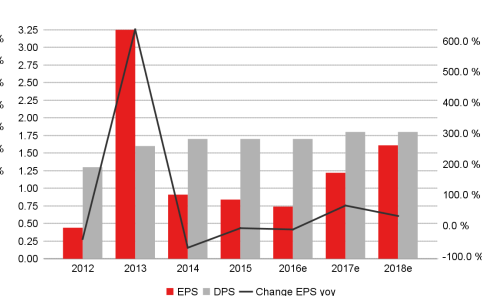
Sales, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated balance sheet

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Assets							
Goodwill and other intangible assets	108	101	99	378	341	305	271
thereof other intangible assets	41	34	31	271	234	198	164
thereof Goodwill	67	67	67	107	107	107	107
Property, plant and equipment	1	1	3	11	11	13	16
Financial assets	260	0	0	0	0	0	0
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	369	103	101	390	353	319	288
Inventories	8	6	5	32	35	37	39
Accounts receivable	42	45	48	89	99	115	121
Liquid assets	77	187	317	123	73	75	94
Other short-term assets	26	11	4	55	62	64	72
Current assets	153	249	374	299	269	291	327
Total Assets	523	352	476	689	622	610	614
Liabilities and shareholders' equity							
Subscribed capital	54	53	59	60	60	60	65
Capital reserve	92	96	231	296	296	296	391
Retained earnings	31	31	31	31	-96	-148	-181
Other equity components	-56	37	10	-34	41	66	88
Shareholders' equity	120	218	331	353	301	273	363
Minority interest	0	0	0	0	0	0	0
Total equity	120	218	331	353	301	273	363
Provisions	11	11	9	19	21	22	26
thereof provisions for pensions and similar obligations	1	1	2	1	2	2	2
Financial liabilities (total)	330	87	91	167	141	141	40
thereof short-term financial liabilities	0	0	0	0	0	0	0
Accounts payable	16	16	22	81	87	100	107
Other liabilities	45	21	23	69	72	74	78
Liabilities	402	135	144	336	321	337	251
Total liabilities and shareholders' equity	523	352	476	689	622	610	614

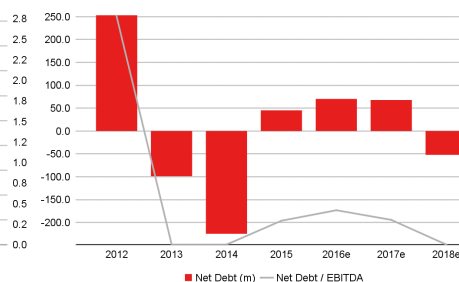
Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Efficiency of Capital Employment							
Operating Assets Turnover	12.4 x	9.8 x	10.4 x	13.7 x	13.4 x	13.6 x	14.3 x
Capital Employed Turnover	0.9 x	2.4 x	2.7 x	1.6 x	1.9 x	2.4 x	2.8 x
ROA	6.4 %	151.5 %	49.1 %	11.9 %	11.6 %	21.0 %	30.7 %
Return on Capital							
ROCE (NOPAT)	18.5 %	21.7 %	46.1 %	19.1 %	11.4 %	19.7 %	28.0 %
ROE	16.4 %	92.2 %	18.1 %	13.5 %	12.5 %	23.3 %	27.8 %
Adj. ROE	16.4 %	23.8 %	18.1 %	13.5 %	17.1 %	28.5 %	32.5 %
Balance sheet quality							
Net Debt	253	-99	-225	45	70	68	-52
Net Financial Debt	252	-100	-226	44	69	66	-54
Net Gearing	210.0 %	-45.4 %	-67.9 %	12.8 %	23.3 %	24.8 %	-14.3 %
Net Fin. Debt / EBITDA	407.8 %	n.a.	n.a.	41.6 %	59.8 %	43.8 %	n.a.
Book Value / Share	2.3	4.5	6.0	6.4	5.5	5.0	6.6
Book value per share ex intangibles	0.2	2.4	4.2	-0.5	-0.7	-0.6	1.7

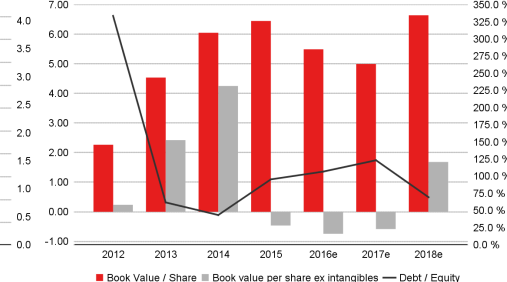
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

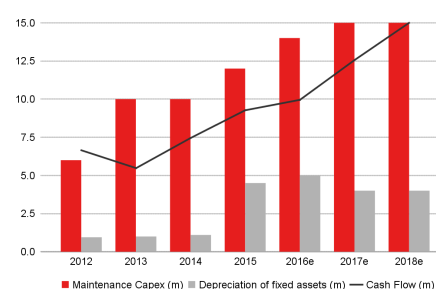
Source: Warburg Research

Consolidated cash flow statement

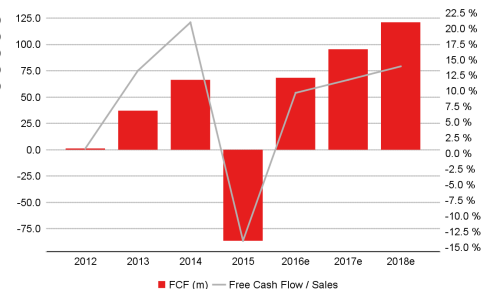
In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Net income	23	156	50	46	41	66	88
Depreciation of fixed assets	1	1	1	5	5	4	4
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	5	9	9	32	46	46	46
Increase/decrease in long-term provisions	0	0	1	0	0	0	0
Other non-cash income and expenses	31	-115	9	4	0	0	0
Cash Flow	61	51	69	86	92	116	139
Increase / decrease in inventory	1	2	1	-27	-3	-2	-3
Increase / decrease in accounts receivable	0	-3	-2	-41	-10	-17	-6
Increase / decrease in accounts payable	-22	-2	4	58	6	14	10
Increase / decrease in other working capital positions	-16	10	0	0	-3	0	0
Increase / decrease in working capital (total)	-37	6	3	-9	-10	-4	2
Net cash provided by operating activities	24	57	72	76	82	111	140
Investments in intangible assets	-20	-17	-9	-160	-9	-10	-12
Investments in property, plant and equipment	-2	-2	-2	-4	-5	-6	-7
Payments for acquisitions	0	0	0	-7	0	0	0
Financial investments	-75	0	0	1	0	0	0
Income from asset disposals	106	370	1	0	0	0	0
Net cash provided by investing activities	8	350	-5	-169	-14	-16	-19
Change in financial liabilities	92	-183	0	0	-26	0	-101
Dividends paid	-36	-62	-77	-90	-93	-93	-99
Purchase of own shares	-32	-8	0	0	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	0	-44	140	-10	0	0	98
Net cash provided by financing activities	25	-298	63	-101	-119	-93	-103
Change in liquid funds	57	110	130	-194	-51	2	19
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	77	187	317	123	73	75	94

Financial Ratios

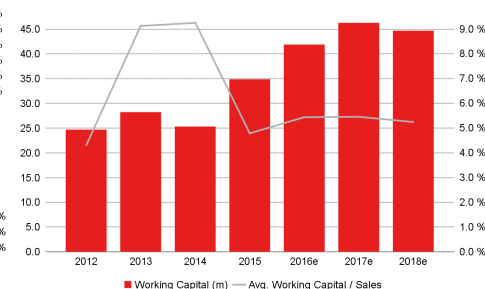
	2012	2013	2014	2015	2016e	2017e	2018e
Cash Flow							
FCF	1	37	66	-87	68	95	121
Free Cash Flow / Sales	0.8 %	13.2 %	21.0 %	-13.9 %	9.7 %	11.8 %	14.0 %
Free Cash Flow Potential	58	39	52	74	82	105	128
Free Cash Flow / Net Profit	10.6 %	24.7 %	122.2 %	-189.9 %	167.7 %	142.8 %	137.0 %
Interest Received / Avg. Cash	1.9 %	1.0 %	0.4 %	0.3 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	4.8 %	24.2 %	4.0 %	3.1 %	2.9 %	3.2 %	5.0 %
Management of Funds							
Investment ratio	6.7 %	6.4 %	3.8 %	26.1 %	2.0 %	2.0 %	2.2 %
Maint. Capex / Sales	1.9 %	3.4 %	3.5 %	1.9 %	2.0 %	1.9 %	1.7 %
Capex / Dep	337.7 %	191.8 %	110.9 %	454.7 %	27.5 %	32.0 %	38.0 %
Avg. Working Capital / Sales	4.3 %	9.1 %	9.2 %	4.8 %	5.4 %	5.4 %	5.2 %
Trade Debtors / Trade Creditors	260.7 %	286.7 %	218.1 %	109.4 %	113.3 %	115.5 %	113.4 %
Inventory Turnover	27.1 x	27.5 x	26.8 x	11.6 x	12.0 x	13.3 x	12.7 x
Receivables collection period (days)	47	57	60	51	51	52	51
Payables payment period (days)	27	34	54	79	75	74	78
Cash conversion cycle (Days)	-28	-34	-53	-48	-45	-47	-52

CAPEX and Cash Flow
in EUR m


Source: Warburg Research

Free Cash Flow Generation


Source: Warburg Research

Working Capital


Source: Warburg Research

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

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Rating	Number of stocks	% of Universe
Buy	121	64
Hold	60	32
Sell	5	3
Rating suspended	2	1
Total	188	100

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

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	24	73
Hold	7	21
Sell	1	3
Rating suspended	1	3
Total	33	100

PRICE AND RATING HISTORY DRILLISCH AS OF 21.07.2016


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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