

Buy (old: Hold)

Price target: EUR 26.50 (old: EUR 21.50)

Price:	EUR 22.59	Next result:	Q2 17: 30.08.17
Bloomberg:	OSP2 GR	Market cap:	EUR 237.7 m
Reuters:	OSPGk.DE	Enterprise Value:	EUR 216.8 m

26-May-17

Lars Dannenberg
Analyst

lars.dannenberg@ha-research.de
Tel.: +49 40 414 3885 92

Q1 out / Gearing towards future growth / chg.

USU is a knowledge management software provider focusing on its highly demanded core product Aspera (eH&A 30% of total sales) which was recently strengthened by the latest acquisition of EASYTRUST SAS (ET).

In Q1, **sales increased by 11% yoy to € 19m (+ 6% yoy organically)**. Growth was mainly driven by the Service Unit (26% of total sales) which came in 43% higher yoy mainly due to its acquisition unitB (acquired in Jan). USU's Project Business (73% of total sales) was up only 3% yoy to € 14m given that several projects slipped into H2.

Due to the integration of the target unitB as well as further investments into future growth (opex up 19% yoy), the **Q1 EBIT halved to € 0.8m**. As a consequence, EPS declined to € -0.01 (Q1 16: € 0.08) in Q1. Note that due to operating a backend loaded business, USU is generating 45% of its annual EBIT in Q4 which is why we still expect a FY EBIT improvement due to higher license sales in H2 and M&A synergies.

To further strengthen its business for Software Asset Management (SAM) which is the key knowledge of its Aspera unit (eH&A 30% of total sales), USU acquired the France-based ET (29 FTEs) for € 4.75m in cash. Assuming 2016 sales of € 4m and a 5% EBIT margin, the purchase multiple was 1.2x EV/sales which looks attractive (USU 2.5x EV/Sales). The company is specialised in SAM with a focus on Oracle infrastructure, license and contracts as only one of 6 certified oracle SAM solutions in France. We see the acquisition as a clear strategic fit 1) allowing USU to enter the French market with its leading SAM solution (Aspera) now being distributed by ET as well as 2) an entire new SAM solution enriching the Aspera product offering in USU's traditional markets.

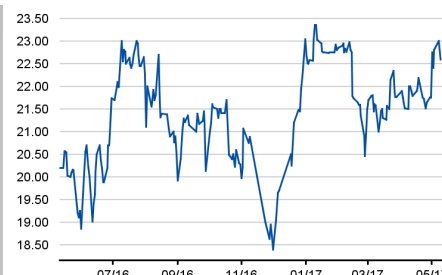
Action: The purchase price for ET of € 4.75m will be paid in cash. With a consolidation from Mai 2017, we incorporate a conservative 2017E sales contribution of € 2m. While we expect integration costs to eat up ET's 2017E earnings, margins should gradually improve over 2018E.

Guidance: Aiming for a sound uptick in demand in H2 and including the latest acquisition, USU now aims for sales of € 86-91m and an adjusted EBIT of € 10-11.5m. This compares to our new sales of € 91m and an adj. EBIT of € 10.8m in 2017E.

To account for the investments into future growth, we change our valuation method to a DCF-based model (previously FCFY) **deriving a new PT of € 26.50. BUY (old HOLD)**.

Y/E 31.12 (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Sales	55.7	58.9	66.1	72.1	90.8	102.2	113.5
Sales growth	9 %	6 %	12 %	9 %	26 %	13 %	11 %
EBITDA	5.5	8.9	9.9	10.8	12.7	16.4	19.3
EBIT	3.4	6.7	7.6	8.3	9.5	12.9	15.4
Net income	3.6	5.5	8.4	6.8	8.9	12.5	14.3
Net debt	-14.2	-18.9	-23.1	-23.2	-16.7	-22.9	-30.3
Net gearing	-26.7 %	-34.0 %	-38.0 %	-36.4 %	-24.5 %	-30.1 %	-36.2 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.49	0.57	0.84	0.76	0.97	1.31	1.49
CPS	0.74	0.53	1.06	0.39	0.70	1.23	1.38
DPS	0.25	0.30	0.35	0.40	0.45	0.63	0.72
Dividend yield	1.1 %	1.3 %	1.5 %	1.8 %	2.0 %	2.8 %	3.2 %
Gross profit margin	51.7 %	53.1 %	53.1 %	55.2 %	53.7 %	53.7 %	53.7 %
EBITDA margin	9.9 %	15.1 %	14.9 %	15.0 %	14.0 %	16.0 %	17.0 %
EBIT margin	6.1 %	11.3 %	11.5 %	11.5 %	10.4 %	12.6 %	13.6 %
ROCE	6.1 %	11.4 %	12.0 %	12.4 %	13.4 %	16.6 %	18.1 %
EV/sales	4.0	3.7	3.3	3.0	2.5	2.1	1.9
EV/EBITDA	40.9	24.8	21.9	20.1	17.6	13.3	10.9
EV/EBIT	65.9	33.1	28.5	26.1	23.6	16.9	13.6
PER	46.0	39.9	27.0	29.7	23.3	17.2	15.2
Adjusted FCF yield	1.8 %	2.4 %	4.2 %	3.7 %	5.1 %	6.8 %	7.8 %

Source: Company data, Hauck & Aufhäuser Close price as of: 25.05.2017



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 23.35 / 18.40

Price/Book Ratio: 3.7

Relative performance (SDAX):

3 months -13.0 %

6 months -14.1 %

12 months -6.3 %

Changes in estimates

		Sales	EBIT	EPS
2017	old:	88.8	9.4	0.96
	Δ	2.3%	1.1%	0.8%
2018	old:	100.2	12.8	1.32
	Δ	2.0%	0.4%	-0.3%
2019	old:			
	Δ			

Key share data:

Number of shares: (in m pcs) 10.5

Authorised capital: (in € m) 0.0

Book value per share: (in €) 6.0

Ø trading volume: (12 months) 6,300

Major shareholders:

Udo Strehl 50.9 %

Free Float 37.0 %

Peter Scheufler 7.2 %

USU Board (excl. Udo Strehl) 4.9 %

Company description:

USU develops and distributes IT software and service solutions to more than 700 customers.

Financials

Profit and loss (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Sales	55.7	58.9	66.1	72.1	90.8	102.2	113.5
<i>Sales growth</i>	8.8 %	5.8 %	12.1 %	9.1 %	25.9 %	12.6 %	11.0 %
Cost of sales	26.9	27.7	31.0	32.3	42.0	47.3	52.5
Gross profit	28.8	31.3	35.1	39.8	48.8	54.9	60.9
Sales and marketing	9.1	8.6	9.3	13.3	18.2	19.4	21.0
General and administration	5.9	6.5	7.1	6.7	7.2	7.5	8.0
Research and development	9.4	9.6	10.5	11.3	13.0	14.0	15.2
Other operating income	0.6	1.5	1.0	1.3	0.9	0.9	0.9
Other operating expenses	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Unusual or infrequent items	-1.4	-1.3	-1.3	-1.2	-1.5	-1.7	-1.9
EBITDA	5.5	8.9	9.9	10.8	12.7	16.4	19.3
Depreciation	0.6	0.0	0.8	1.0	1.0	1.0	1.0
EBITA	4.9	8.9	9.1	9.7	11.7	15.4	18.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.5	2.2	1.5	1.4	2.2	2.5	2.9
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	3.4	6.7	7.6	8.3	9.5	12.9	15.4
Interest income	0.1	0.5	0.3	0.3	0.2	0.6	0.8
Interest expenses	0.6	0.6	0.1	0.3	0.3	0.3	0.3
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.5	-0.1	0.3	0.0	-0.1	0.3	0.5
Recurring pretax income from continuing operations	2.9	6.6	7.9	8.3	9.4	13.2	15.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	2.9	6.6	7.9	8.3	9.4	13.2	15.9
Taxes	-0.8	1.1	-0.5	1.5	0.5	0.7	1.6
Net income from continuing operations	3.6	5.5	8.4	6.8	8.9	12.5	14.3
Result from discontinued operations (net of tax)	1.5	0.5	0.4	1.2	1.3	1.3	1.3
Net income	3.6	5.5	8.4	6.8	8.9	12.5	14.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (net of minority interest)	3.6	5.5	8.4	6.8	8.9	12.5	14.3
Average number of shares	10.5	10.5	10.5	10.5	10.5	10.5	10.5
EPS reported	0.35	0.52	0.80	0.64	0.85	1.19	1.36

Profit and loss (common size)	2013	2014	2015	2016	2017E	2018E	2019E
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	48.3 %	46.9 %	46.9 %	44.8 %	46.3 %	46.3 %	46.3 %
Gross profit	51.7 %	53.1 %	53.1 %	55.2 %	53.7 %	53.7 %	53.7 %
Sales and marketing	16.3 %	14.5 %	14.0 %	18.5 %	20.0 %	19.0 %	18.5 %
General and administration	10.5 %	10.9 %	10.8 %	9.3 %	7.9 %	7.3 %	7.1 %
Research and development	16.9 %	16.4 %	15.9 %	15.6 %	14.3 %	13.7 %	13.4 %
Other operating income	1.1 %	2.6 %	1.4 %	1.7 %	1.0 %	0.9 %	0.8 %
Other operating expenses	0.4 %	0.3 %	0.4 %	0.3 %	0.3 %	0.3 %	0.3 %
Unusual or infrequent items	-2.4 %	-2.1 %	-2.0 %	-1.7 %	-1.7 %	-1.7 %	-1.7 %
EBITDA	9.9 %	15.1 %	14.9 %	15.0 %	14.0 %	16.0 %	17.0 %
Depreciation	1.1 %	0.0 %	1.2 %	1.4 %	1.1 %	1.0 %	0.9 %
EBITA	8.8 %	15.1 %	13.7 %	13.5 %	12.9 %	15.0 %	16.1 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	2.6 %	3.8 %	2.2 %	2.0 %	2.4 %	2.4 %	2.5 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	6.1 %	11.3 %	11.5 %	11.5 %	10.4 %	12.6 %	13.6 %
Interest income	0.2 %	0.8 %	0.5 %	0.4 %	0.2 %	0.6 %	0.7 %
Interest expenses	1.2 %	1.0 %	0.1 %	0.4 %	0.3 %	0.3 %	0.2 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-1.0 %	-0.1 %	0.4 %	0.0 %	-0.1 %	0.3 %	0.4 %
Recurring pretax income from continuing operations	5.2 %	11.2 %	11.9 %	11.5 %	10.3 %	12.9 %	14.0 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	5.2 %	11.2 %	11.9 %	11.5 %	10.3 %	12.9 %	14.0 %
Tax rate	-27.0 %	16.4 %	-6.4 %	18.4 %	5.0 %	5.0 %	10.0 %
Net income from continuing operations	6.5 %	9.4 %	12.7 %	9.4 %	9.8 %	12.2 %	12.6 %
Result from discontinued operations (net of tax)	2.7 %	0.8 %	0.6 %	1.7 %	1.4 %	1.3 %	1.1 %
Net income	6.5 %	9.4 %	12.7 %	9.4 %	9.8 %	12.2 %	12.6 %
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income (net of minority interest)	6.5 %	9.4 %	12.7 %	9.4 %	9.8 %	12.2 %	12.6 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Intangible assets	42.7	41.4	42.3	41.0	47.8	47.6	46.2
Property, plant and equipment	2.1	2.1	2.1	2.1	2.2	1.3	0.5
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FIXED ASSETS	44.9	43.6	44.4	43.1	50.0	49.0	46.7
Inventories	3.9	4.8	3.1	4.4	5.5	6.2	6.9
Accounts receivable	12.2	11.3	11.9	14.8	18.6	20.9	23.2
Other current assets	1.1	1.1	1.3	1.6	1.6	1.6	1.6
Liquid assets	14.2	18.9	23.1	23.2	16.7	22.9	30.3
Deferred taxes	4.1	4.1	4.2	3.8	3.8	3.8	3.8
Deferred charges and prepaid expenses	1.1	1.4	1.1	1.0	1.0	1.0	1.0
CURRENT ASSETS	36.6	41.7	44.8	48.8	47.3	56.5	66.9
TOTAL ASSETS	81.4	85.2	89.2	91.9	97.3	105.5	113.6
SHAREHOLDERS EQUITY	53.3	55.6	60.8	63.6	68.3	76.1	83.8
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	1.1	1.9	1.9	2.3	2.4	2.5	2.6
Other provisions	2.6	3.1	2.9	2.7	2.7	2.7	2.7
Non-current liabilities	3.7	4.9	4.8	5.0	5.1	5.2	5.3
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	1.7	1.4	1.6	1.9	2.4	2.7	3.0
Advance payments received on orders	11.2	11.0	9.9	9.3	9.3	9.3	9.3
Other liabilities (incl. from lease and rental contracts)	7.4	7.1	6.7	6.2	6.2	6.2	6.2
Deferred taxes	0.9	0.8	0.1	0.0	0.0	0.0	0.0
Deferred income	3.2	4.4	5.3	6.0	6.0	6.0	6.0
Current liabilities	24.5	24.6	23.6	23.3	23.9	24.2	24.5
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	81.5	85.2	89.2	91.9	97.3	105.5	113.6

Balance sheet (common size)	2013	2014	2015	2016	2017E	2018E	2019E
Intangible assets	52.5 %	48.7 %	47.4 %	44.6 %	49.1 %	45.2 %	40.7 %
Property, plant and equipment	2.6 %	2.4 %	2.4 %	2.3 %	2.2 %	1.3 %	0.4 %
Financial assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
FIXED ASSETS	55.1 %	51.1 %	49.8 %	46.9 %	51.4 %	46.4 %	41.1 %
Inventories	4.8 %	5.6 %	3.5 %	4.8 %	5.7 %	5.9 %	6.1 %
Accounts receivable	15.0 %	13.3 %	13.3 %	16.1 %	19.1 %	19.8 %	20.4 %
Other current assets	1.3 %	1.3 %	1.5 %	1.8 %	1.7 %	1.6 %	1.4 %
Liquid assets	17.5 %	22.2 %	25.9 %	25.2 %	17.2 %	21.7 %	26.7 %
Deferred taxes	5.0 %	4.8 %	4.7 %	4.1 %	3.9 %	3.6 %	3.3 %
Deferred charges and prepaid expenses	1.3 %	1.6 %	1.3 %	1.1 %	1.0 %	1.0 %	0.9 %
CURRENT ASSETS	44.9 %	48.9 %	50.2 %	53.1 %	48.6 %	53.6 %	58.9 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	65.5 %	65.3 %	68.2 %	69.2 %	70.2 %	72.1 %	73.8 %
MINORITY INTEREST	-0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Provisions for pensions and similar obligations	1.3 %	2.2 %	2.1 %	2.5 %	2.4 %	2.4 %	2.3 %
Other provisions	3.2 %	3.6 %	3.3 %	2.9 %	2.8 %	2.5 %	2.4 %
Non-current liabilities	4.5 %	5.8 %	5.4 %	5.4 %	5.2 %	4.9 %	4.7 %
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	2.1 %	1.6 %	1.8 %	2.0 %	2.5 %	2.6 %	2.7 %
Advance payments received on orders	13.8 %	12.9 %	11.1 %	10.1 %	9.5 %	8.8 %	8.2 %
Other liabilities (incl. from lease and rental contracts)	9.1 %	8.3 %	7.5 %	6.8 %	6.4 %	5.9 %	5.5 %
Deferred taxes	1.1 %	0.9 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred income	3.9 %	5.2 %	5.9 %	6.5 %	6.2 %	5.7 %	5.3 %
Current liabilities	30.1 %	28.9 %	26.4 %	25.4 %	24.6 %	22.9 %	21.6 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Net profit/loss	3.6	5.5	8.4	6.8	8.9	12.5	14.3
Depreciation of fixed assets (incl. leases)	0.6	0.0	0.8	1.0	1.0	1.0	1.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.5	2.2	1.5	1.4	2.2	2.5	2.9
Others	-0.7	0.4	0.2	-0.2	0.1	0.1	0.1
Cash flow from operations before changes in w/c	5.0	8.1	10.8	9.0	12.2	16.1	18.3
Increase/decrease in inventory	0.0	-0.9	1.7	-1.3	-1.1	-0.7	-0.7
Increase/decrease in accounts receivable	-2.8	0.9	-0.6	-2.9	-3.8	-2.3	-2.3
Increase/decrease in accounts payable	0.1	-0.3	0.2	0.3	0.6	0.3	0.3
Increase/decrease in other working capital positions	7.6	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	4.8	-0.4	1.3	-3.9	-4.4	-2.7	-2.7
Cash flow from operating activities	9.9	7.7	12.2	5.1	7.8	13.4	15.7
CAPEX	1.5	1.1	1.0	1.2	1.3	1.5	1.6
Payments for acquisitions	2.8	0.0	0.6	0.0	8.8	1.0	0.0
Financial investments	0.0	0.0	3.3	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-4.3	-1.1	-4.9	-1.2	-10.1	-2.5	-1.6
Cash flow before financing	5.6	6.6	7.3	4.0	-2.2	10.9	14.0
Increase/decrease in debt position	0.0	0.0	-0.6	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	2.6	2.6	3.2	3.7	4.2	4.7	6.6
Others	0.0	0.0	-2.6	-0.2	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.1	0.7	3.3	0.0	0.0	0.0	0.0
Cash flow from financing activities	-2.6	-2.6	-6.4	-3.9	-4.2	-4.7	-6.6
Increase/decrease in liquid assets	2.8	4.7	4.2	0.1	-6.4	6.2	7.4
Liquid assets at end of period	14.2	18.9	23.1	23.2	16.7	22.9	30.3

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Domestic	47.0	43.3	45.9	51.7	65.1	73.3	81.3
yoy change	11.7 %	-7.8 %	6.0 %	12.5 %	25.9 %	12.6 %	11.0 %
Rest of Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	8.7	15.6	20.2	20.4	25.7	28.9	32.1
yoy change	-4.7 %	78.7 %	29.1 %	1.2 %	25.9 %	12.6 %	11.0 %
TTL	55.7	58.9	66.1	72.1	90.8	102.2	113.5
yoy change	8.8 %	5.8 %	12.1 %	9.1 %	25.9 %	12.6 %	11.0 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
P&L growth analysis							
Sales growth	8.8 %	5.8 %	12.1 %	9.1 %	25.9 %	12.6 %	11.0 %
EBITDA growth	4.3 %	61.8 %	11.2 %	9.2 %	17.6 %	29.0 %	18.1 %
EBIT growth	-3.4 %	95.8 %	13.7 %	9.3 %	14.2 %	35.6 %	20.1 %
EPS growth	-24.1 %	51.2 %	52.1 %	-19.1 %	31.4 %	40.3 %	14.6 %
Efficiency							
Total operating costs / sales	43.1 %	39.6 %	39.7 %	42.0 %	41.6 %	39.4 %	38.4 %
Sales per employee	127.5	130.4	136.8	138.4	160.3	167.1	172.8
EBITDA per employee	12.6	19.7	20.5	20.7	22.4	26.7	29.4
Balance sheet analysis							
Avg. working capital / sales	9.0 %	5.8 %	5.5 %	8.0 %	11.2 %	13.5 %	14.5 %
Inventory turnover (sales/inventory)	14.3	12.3	21.3	16.4	16.4	16.4	16.4
Trade debtors in days of sales	79.9	70.0	65.5	74.7	74.7	74.7	74.7
A/P turnover [(A/P*365)/sales]	23.6	18.4	18.7	20.9	20.9	20.9	20.9
Cash conversion cycle (days)	109.2	115.0	83.3	103.4	101.8	101.8	101.8
Cash flow analysis							
Free cash flow	8.3	6.6	11.1	3.9	6.5	11.9	14.0
Free cash flow/sales	14.9 %	11.2 %	16.9 %	5.4 %	7.2 %	11.7 %	12.4 %
FCF / net profit	227.9 %	120.2 %	132.9 %	57.8 %	73.0 %	95.3 %	97.8 %
Capex / depre	74.3 %	50.5 %	190.3 %	48.8 %	41.0 %	42.2 %	42.2 %
Capex / maintenance capex	56.6 %	43.6 %	83.5 %	101.4 %	210.2 %	29.6 %	14.9 %
Capex / sales	2.8 %	1.9 %	6.6 %	1.7 %	1.4 %	1.4 %	1.4 %
Security							
Net debt	-14.2	-18.9	-23.1	-23.2	-16.7	-22.9	-30.3
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	-0.3	-0.3	-0.4	-0.4	-0.2	-0.3	-0.4
Interest cover	5.3	11.7	138.0	31.8	36.3	49.2	59.1
Dividend payout ratio	72.2 %	57.3 %	43.9 %	62.1 %	53.1 %	53.1 %	53.1 %
Asset utilisation							
Capital employed turnover	1.0	1.0	1.0	1.1	1.2	1.3	1.3
Operating assets turnover	10.6	10.2	11.7	7.1	6.2	6.2	6.2
Plant turnover	26.5	28.4	30.9	33.8	41.6	76.7	228.4
Inventory turnover (sales/inventory)	14.3	12.3	21.3	16.4	16.4	16.4	16.4
Returns							
ROCE	6.1 %	11.4 %	12.0 %	12.4 %	13.4 %	16.6 %	18.1 %
ROE	6.8 %	9.9 %	13.8 %	10.7 %	13.0 %	16.4 %	17.1 %
Other							
Interest paid / avg. debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
No. employees (average)	437	452	483	521	567	612	657
Number of shares	10.5	10.5	10.5	10.5	10.5	10.5	10.5
DPS	0.3	0.3	0.4	0.4	0.5	0.6	0.7
EPS reported	0.35	0.52	0.80	0.64	0.85	1.19	1.36
Valuation ratios							
P/BV	4.5	4.3	3.9	3.7	3.5	3.1	2.8
EV/sales	4.0	3.7	3.3	3.0	2.5	2.1	1.9
EV/EBITDA	40.9	24.8	21.9	20.1	17.6	13.3	10.9
EV/EBITA	46.0	24.8	23.9	22.3	19.1	14.2	11.5
EV/EBIT	65.9	33.1	28.5	26.1	23.6	16.9	13.6
EV/FCF	27.0	33.3	19.4	55.3	34.3	18.2	15.0
Adjusted FCF yield	1.8 %	2.4 %	4.2 %	3.7 %	5.1 %	6.8 %	7.8 %
Dividend yield	1.1 %	1.3 %	1.5 %	1.8 %	2.0 %	2.8 %	3.2 %

Source: Company data, Hauck & Aufhäuser

Disclosures regarding research publications of Hauck & Aufhäuser Privatbankiers KGaA pursuant to section 34b of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 34b of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if Hauck & Aufhäuser Privatbankiers KGaA

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analysed company,
- (2) has entered into an agreement on the production of the research report with the analysed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analysed company, or b) the analysed company holds 5% or more of the share capital of Hauck & Aufhäuser Privatbankiers KGaA or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analysed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analysed company such as, for example, exercising mandates in the interest of the analysed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

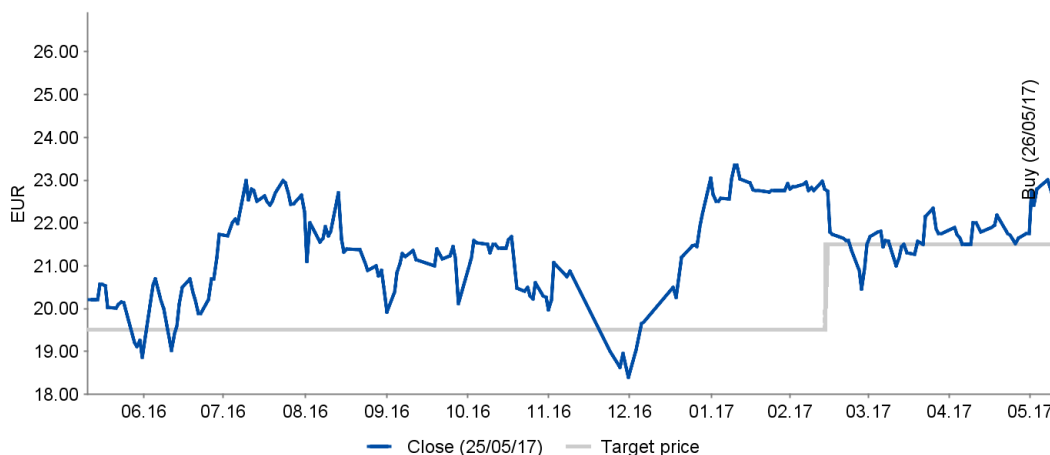
Company	Disclosure
USU Software AG	2

Historical target price and rating changes for USU Software AG in the last 12 months

Price and Rating History USU Software AG as of 26/05/17

Initiation coverage

30-April-13



Company	Date	Analyst	Rating	Target price	Close
USU Software AG	01.03.2017	Dannenberg, Lars	Hold	EUR 21.50	EUR 22.75
	09.01.2017	Dannenberg, Lars	Hold	EUR 19.50	EUR 21.46
	18.11.2016	Dannenberg, Lars	Hold	EUR 19.50	EUR 21.07
	31.08.2016	Dannenberg, Lars	Hold	EUR 19.50	EUR 21.32

Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

Buy	53.57 %	92.86 %
Sell	12.14 %	0.00 %
Hold	34.29 %	7.14 %

Date of publication creation: 26/05/2017 09:50 AM

Date of publication dissemination: 26/05/2017 09:51 AM

1. General Information/Liabilities

This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by Hauck & Aufhäuser Privatbankiers KGaA, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of Hauck & Aufhäuser Privatbankiers KGaA. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck & Aufhäuser Privatbankiers KGaA. All rights reserved.

Under no circumstances shall Hauck & Aufhäuser Privatbankiers KGaA, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities

This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analysed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organisational Requirements

Hauck & Aufhäuser Privatbankiers KGaA took internal organisational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of Hauck & Aufhäuser Privatbankiers KGaA involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update

The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

Hauck & Aufhäuser Privatbankiers KGaA uses the following three-step rating system for the analysed companies:

Buy: Sustainable upside potential of more than 10% within 12 months
Sell: Sustainable downside potential of more than 10% within 12 months.
Hold: Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of Hauck & Aufhäuser Privatbankiers KGaA are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analysed in this document was solely made by Hauck & Aufhäuser Privatbankiers KGaA. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of Hauck & Aufhäuser Privatbankiers KGaA whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Major Sources of Information

Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. Hauck & Aufhäuser Privatbankiers KGaA has checked the information for plausibility but not for accuracy or completeness.

6. Competent Supervisory Authority

Hauck & Aufhäuser Privatbankiers KGaA are under supervision of the BaFin – German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M.

This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

7. Specific Comments for Recipients Outside of Germany

This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

8. Miscellaneous

According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:
https://www.hauck-aufhaeuser.de/page/UVV_InstitutResearch

Contacts: Hauck&Aufhäuser Privatbankiers KGaA

Hauck & Aufhäuser Research

Hauck & Aufhäuser
Privatbankiers KGaA
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 93
Fax: +49 (0) 40 414 3885 71
Email: info@ha-research.de
www.ha-research.de

Henning Breiter

Head of Research
Tel.: +49 40 414 3885 73
E-Mail: henning.breiter@ha-research.de

Tim Wunderlich, CFA

Head of Research
Tel.: +49 40 414 3885 81
E-Mail: tim.wunderlich@ha-research.de

Leonhard Bayer

Analyst
Tel.: +49 40 414 3885 79
E-Mail: leonhard.bayer@ha-research.de

Robin Brass, CFA

Analyst
Tel.: +49 40 414 3885 76
E-Mail: robin.brass@ha-research.de

Lars Dannenberg

Analyst
Tel.: +49 40 414 3885 92
E-Mail: lars.dannenberg@ha-research.de

Nils-Peter Gehrman

Analyst
Tel.: +49 40 414 3885 86
E-Mail: nils-peter.gehrman@ha-research.de

Pierre Gröning

Analyst
Tel.: +49 40 450 6342 30 92
E-Mail: pierre.groening@ha-research.de

Christian Glowa

Analyst
Tel.: +49 40 414 3885 95
E-Mail: christian.glowa@ha-research.de

Aliaksandr Halitsa

Analyst
Tel.: +49 40 414 3885 83
E-Mail: aliaksandr.halitsa@ha-research.de

Christian Salis

Analyst
Tel.: +49 40 414 3885 96
E-Mail: christian.salis@ha-research.de

Torben Teichler

Analyst
Tel.: +49 40 414 3885 74
E-Mail: torben.teichler@ha-research.de

Hauck & Aufhäuser Sales

Oliver Anderson

Sales
Tel.: +44 207 408 1100
E-Mail: oliver.anderson@ha-research.de

Christian Schwenkenbecher

Analyst
Tel.: +49 40 414 3885 76
E-Mail: christian.schwenkenbecher@ha-research.de

Toby Woods

Sales
Tel.: +44 207 408 1100
E-Mail: toby.woods@ha-research.de

Christian Alisch

Sales
Tel.: +49 40 414 3885 99
E-Mail: christian.alisch@ha-research.de

Vincent Bischoff

Sales
Tel.: +49 40 414 3885 88
E-Mail: vincent.bischoff@ha-research.de

Hugues Madelin

Sales
Tel.: +33 1 78 41 40 62
E-Mail: hugues.madelin@ha-research.de

Georgina Harrold

Sales
Tel.: +49 69 2161 1299
E-Mail: georgina.harrold@hauck-aufhaeuser.de

Jan Neynaber

Sales
Tel.: +49 69 2161 1268
E-Mail: jan.neynaber@hauck-aufhaeuser.de

Marco Schumann

Sales
Tel.: +49 69 2161 1250
E-Mail: marco.schumann@hauck-aufhaeuser.de

JPP Eurosecurities Inc.

Sales North America
Quinn Raftery
Tel.: +1 231 649 4998
E-Mail: quinn.raftery@haa-na.com

Alexander Lachmann

Sales
Tel.: +41 43 497 30 23
E-Mail: alexander.lachmann@ha-research.de

Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser
Privatbankiers KGaA
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 40 414 3885 75
Fax: +49 40 414 3885 71
Email: info@hauck-aufhaeuser.de
www.hauck-aufhaeuser.de

Mirko Brueggemann

Trading
Tel.: +49 40 414 3885 75
E-Mail: mirko.brueggemann@hauck-aufhaeuser.de

Joseph Kaselak

Trading
Tel.: +49 40 450 6342 3093
E-Mail: joseph.kaselak@hauck-aufhaeuser.de

Christian von Schuler

Trading
Tel.: +49 40 414 3885 77
E-Mail: christian.schuler@hauck-aufhaeuser.de

Fin Schaffer

Trading
Tel.: +49 40 414 3885 98
E-Mail: fin.schaffer@hauck-aufhaeuser.de

Kathleen Jonas

Middle-Office
Tel.: +49 40 414 3885 97
E-Mail: kathleen.jonas@hauck-aufhaeuser.de

Carolin Weber

Middle-Office
Tel.: +49 40 414 3885 87
E-Mail: carolin.weber@hauck-aufhaeuser.de