NEXUS

(CDAX, Software/IT)

WARBURG RESEARCH

Buy	
EUR 25.00	
Price	EUR 20.47
Upside	22.1 %

Value Indicators:	EUR
DCF:	25.20
FCF-Value Potential 2018e:	25.00
SotP:	0.00
Market Snapshot:	EUR m
Market cap:	319.7
No. of shares (m):	15.6
EV:	298.0
Freefloat MC:	284.5
Ø Trad. Vol. (30d):	195.64 th

Share data:	
Bloomberg:	NXU GR
Reuters:	NXUG.DE
ISIN:	DE0005220909
Shareholders:	
Freefloat	89.0 %
Board members	4.6 %
GUB Wagniskapital	6.4 %

Description:

A leading supplier of hospital software in Germany (no.3) and Europe (no.2)

Risk Profile (WRe):	2016e
Beta:	1.0
Price / Book:	3.3 x
Equity Ratio:	68 %

In the pink: robust growth for healthcare software supplier; Initiation with Buy

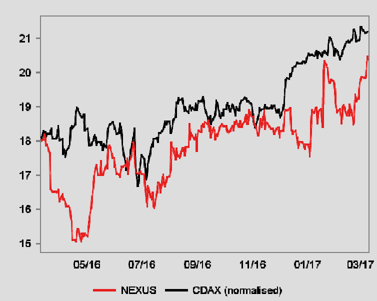
Software for core processes in hospitals: Of the three largest German suppliers of **hospital software**, Nexus is growing the fastest. With these software solutions, hospitals administer patient data, archive x-ray images, invoice and ensure the quality of treatment. With its clear orientation, which is based on the requirements of doctors and nursing staff, and thus efficient work processes, Nexus has become the market leader in Switzerland, no. three in the Netherlands and the market leader in France among the private clinics. Software solutions for **nursing care institutions** (psychiatry, rehabilitation, homes) complete the offering. With more than 1,600 installations of diagnostic software for **specialty departments**, like endoscopy, ophthalmology, cardiology, Nexus has reached the number one position in six diagnostic markets. At the same time, this also paves the way for further growth by way of cross-selling and for an expansion of its market share.

Wide product portfolio supports efficient treatment processes: Nexus' software helps to organise processes more efficiently, to improve the quality of treatment and to reduce costs. The solutions differentiate themselves from the competition with their simple usability, individual adaptability of the desktop (and thus highly valued by medical staff) and Nexus' **wide coverage of specific solutions for specialty departments** in the hospital. This allows customers to acquire coordinated software solutions from one source. About 500 installations of complete hospital software systems serve as proof of the high esteem in which the Nexus products are held. These references, as well as the technological obstacles, also form a considerable barrier to market entry for potential competitors.

Attractive revenue growth: Market growth is driven by the advancing digitalisation of healthcare as well as demographic development and its associated costs. With the **continuous expansion of its product offering** and the internationalisation of business activities, Nexus is growing faster than the market. The new **software generation (.ng)** is attracting a great deal of customer interest and promises further growth. Therefore in the medium term, the company should grow by a high single-digit percentage rate. Acquisitions of mostly smaller players in other countries, often with below-average profitability, facilitate market entry in new regions and, after a short restructuring phase, contribute to dynamic earnings growth.

Proportionately greater earnings growth and increasingly attractive returns: Many of Nexus' software solutions have yet to reach the peak of their life cycle and thus even higher margins. In light of the scalability of the software products and the comparably slower growth in expenditure for the development of the products and overhead costs, earnings should show proportionately greater growth – the rising share of recurring maintenance revenues lays the basis for this and increases the visibility of revenues. The successful integration of less profitable targets, which were acquired in the past, offers additional margin expansion potential.

Investment case should remain intact: Nexus' growth and its low dependency on macroeconomic cycles compensate for the low liquidity of the share. Furthermore, Nexus is not only an active consolidator in the market but, in Germany, it is also the only remaining independent supplier which is on its way to becoming the largest European player. **Buy, price target EUR 25.**



Rel. Performance vs CDAX:	
1 month:	5.1 %
6 months:	-1.5 %
Year to date:	10.1 %
Trailing 12 months:	-9.2 %

Company events:	
21.03.17	FY 16
22.03.17	RS HEL/CPH
23.03.17	RS HEL/CPH
09.05.17	Q1

FY End: 31.12. in EUR m	CAGR (15-18e)	2012	2013	2014	2015	2016e	2017e	2018e
Sales	8.6 %	62.3	73.3	80.1	97.3	106.0	114.5	124.8
Change Sales yoy		16.4 %	17.5 %	9.4 %	21.4 %	9.0 %	8.0 %	9.0 %
Gross profit margin		*88.2 %*	*87.3 %*	*86.5 %*	*89.2 %*	*89.5 %*	*89.2 %*	*89.3 %*
EBITDA	13.4 %	11.9	13.6	15.0	18.9	21.0	23.7	27.5
Margin		*19.0 %*	*18.6 %*	*18.8 %*	*19.4 %*	*19.9 %*	*20.7 %*	*22.1 %*
EBIT adj.	15.6 %	7.1	8.5	9.9	12.6	14.4	16.4	19.5
Margin		*11.5 %*	*11.6 %*	*12.3 %*	*13.0 %*	*13.6 %*	*14.3 %*	*15.6 %*
EBIT	19.7 %	5.4	6.5	8.0	9.6	11.4	13.4	16.5
Net income	16.8 %	6.1	7.2	8.3	7.6	8.6	9.9	12.1
EPS	16.3 %	0.42	0.48	0.55	0.49	0.55	0.64	0.77
DPS	12.6 %	0.10	0.11	0.13	0.14	0.16	0.18	0.20
Dividend Yield		1.2 %	1.1 %	1.1 %	0.9 %	0.8 %	0.9 %	1.0 %
FCFPS		0.19	0.35	0.36	0.57	0.70	0.84	0.92
FCF / Market cap		2.3 %	3.6 %	3.0 %	3.5 %	3.4 %	4.1 %	4.4 %
EV / Sales		1.8 x	1.9 x	2.2 x	2.6 x	2.9 x	2.6 x	2.3 x
EV / EBITDA		9.6 x	10.1 x	11.9 x	13.2 x	14.9 x	12.7 x	10.4 x
EV / EBIT adj.		15.9 x	16.1 x	18.2 x	19.8 x	21.7 x	18.3 x	14.7 x
EV / EBIT		21.2 x	21.1 x	22.4 x	25.9 x	27.4 x	22.4 x	17.3 x
P / E		19.5 x	20.0 x	21.6 x	33.2 x	37.2 x	32.0 x	26.6 x
FCF Yield Potential		10.4 %	10.0 %	8.3 %	6.8 %	5.9 %	6.7 %	8.1 %
Net Debt		-4.2	-6.6	0.6	-4.4	-9.1	-21.7	-35.5
ROCE (NOPAT)		9.2 %	10.4 %	11.2 %	9.7 %	10.2 %	11.5 %	14.4 %
Guidance:	n.a.							

Analyst

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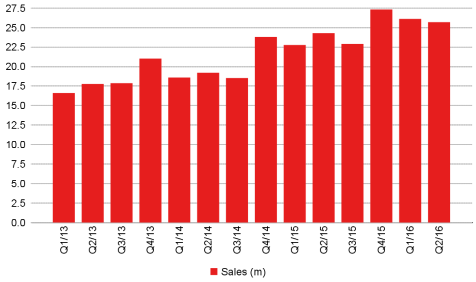
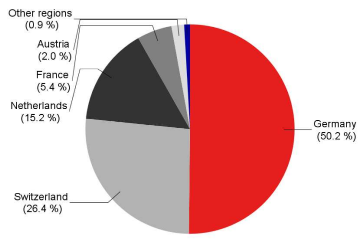
Sales development
in EUR m



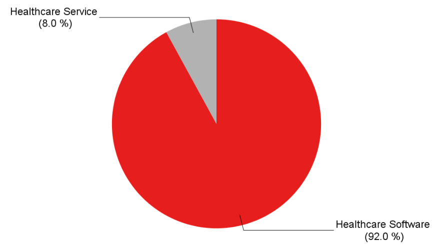
Source: Warburg Research

Sales by regions
2015; in %



Source: Warburg Research

Revenue by segments
2015 in EUR m



Source: Warburg Research

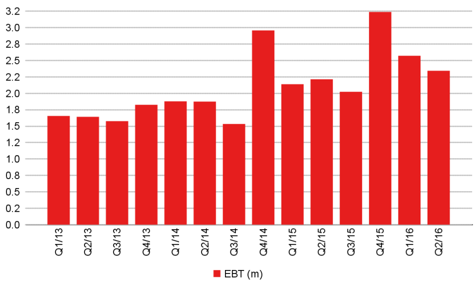
Company Background

- Software provider for hospitals (clinical software and software for specialist areas), nursing care institutions (psychiatry, rehabilitation, homes)
- Healthcare Software segment: proprietary software, which includes:
- HIS - hospital information systems; DIS - diagnostic and department systems (e.g. for radiology, pathology, endoscopy, oncology); QM - quality management systems; NCS - systems for geriatric and disability care
- Healthcare Service segment: complementary IT outsourcing services which include:
- user support, software-applications management, operation of IT departments in hospitals.

Competitive Quality

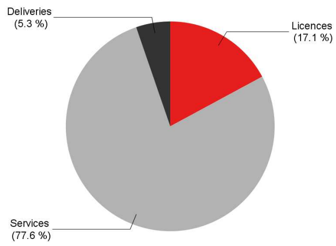
- No.1 in Switzerland, No.3 in the Netherlands, market leader among private clinics in France.
- Second largest European supplier
- Market leader in six diagnostic areas (Obstetrics, Pathology, Cytology, Endoscopy, Sonography).
- Nexus software helps to organise processes more efficiently, to improve the quality of treatment and to reduce costs
- High customer loyalty and customer satisfaction as evidenced by the low churn rates of less than 1%

EBT development
in EUR m



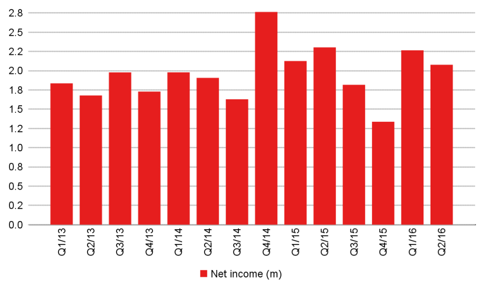
Source: Warburg Research

Sales by revenue types
2015; in %



Source: Warburg Research

Net income development
in EUR m

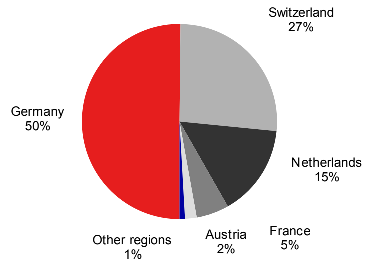


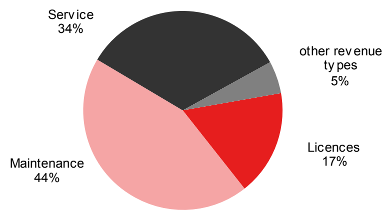
Source: Warburg Research

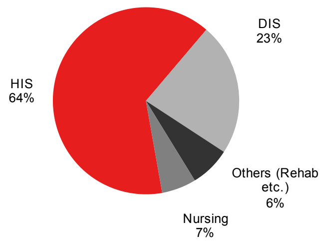
Company Overview

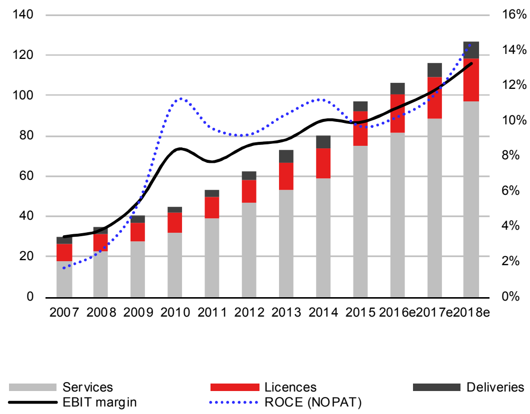
Segments	Healthcare Software	Healthcare Service
Range of services	**Healthcare software developed in-house:** HIS - hospital information systems DIS - diagnostic and department systems e.g. for radiology, pathology, endoscopy, oncology QM - systems for quality management NCS - systems for geriatric care and care of the disabled	**complementary IT outsourcing services:** e.g. user support, support for software applications, management of IT departments in hospitals
Sales 2016e	**EUR 96m**	**EUR 8m**
Revenue model	License price is based on the number of beds Maintenance amounts to about 18% of license price, depending on the service level agreement.	multi-year outsourcing contracts (ca. 60%), project revenues
Target clients	Hospitals, rehabilitation facilities and nursing homes. Approximately 2,500 clients in Europe and the Middle East.	
High costumer loyality	Churn rates below 1%	
Market and market conditions	A market of few suppliers which is in a process of consolidation. High market entry barriers are posed by development, reference installations and sales strength.	
Market position and competitors	Germany: 1. Agfa-Gaevert (B), 2. Cerner (USA), **3. Nexus (D),** 4. T-Systems (D), 5. iSolutions (iSOFT/CSC) (USA), 6. Compugroup (D) Switzerland: market leader France: market leader for private clinics Other international competitors: EPIC (USA), McKesson (USA), Allscripts (USA), athenahealth (USA), Asseco (PL), Dedalus/NoemaLife (I), Maincare, Chipsoft	

Revenues and margins









Source: Warburg Research

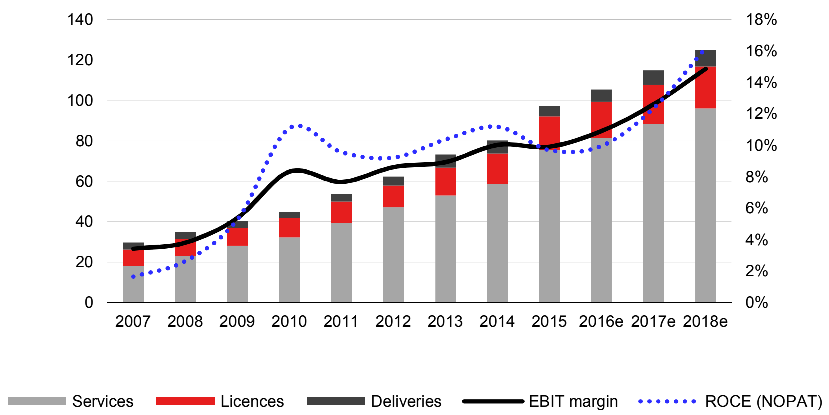
Investment Case

As well as the upside of ca. 25% to our DCF-based price target of EUR 25, the following reasons in particular speak in favour of an investment in the Nexus share:

1. **Strong competitive position:** Based on a product portfolio, which is strictly oriented towards customer requirements (e.g. optimisation of the doctor's workflows) and regularly sets new standards, Nexus has managed to achieve a leading competitive position in the addressed markets. Nexus is, e.g. market leader in Switzerland, a top-three player in Germany and market leader among the private clinics in France. At the same time, Nexus is the **second-largest European supplier** and has the broadest product offering compared to direct competitors.
2. **High market-entry barriers:** Market entry barriers are formed primarily by the products i.e. the technology. As well as that, the installed customer base, which is used as a reference for new projects, makes market entry difficult for new competitors: about 500 hospital information systems, more than 1,600 diagnostic systems, more than 200 quality management systems and more than 700 nursing care institutions underline Nexus' outstanding reputation.

   The result is reflected in the development of **oligopolistic market structures**, which moderates competition.
3. **High customer loyalty leads to higher visibility:** Somewhat more than 50% of the service revenues reported by Nexus are attributable to recurring, multi-year maintenance contracts. On top of that, cloud revenues account for ca. 7% of sales and are growing by more than 10%. The resulting high visibility is strengthened further by high customer loyalty, since changing the software supplier is associated not only with direct costs but also high indirect costs (disruption of work processes etc.). The result is contract extension rates of close to 100%.
4. **Structural market growth:** Driven by the digitalisation of the healthcare sector, the market addressed by Nexus shows growth rates of some 7%. Individual market segments like Mobile Healthcare Apps and telemedicine, show far stronger growth. Nexus is addressing these trends with its new software generation (.ng), which is designed for mobile use.

Rising service revenues contribute to margin expansion



Sources: Nexus, Warburg Research

5. **Growth exceeds the European average:** Nexus achieves its above-average growth with the expansion of its product offering (e.g. expansion of the number of addressed specialist areas, new applications), which accelerates market penetration and cross-selling. Acquisitions, especially of small local players with below-average profitability, make the entry into new markets easier and support **international expansion**. The cooperation with Olympus should also accelerate the latter.

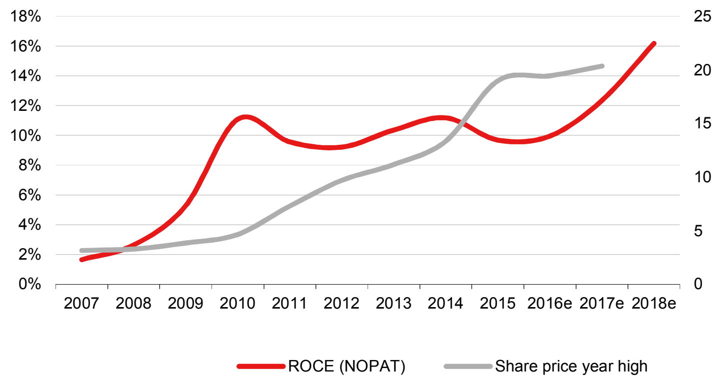
6. **Promising cooperation with Olympus:** For the update of its endoscopy documentation software Endobase in Europe, Olympus is cooperating with Nexus. Considering that there are approx. 1,200 installations to be modernised, we calculate with medium-term license revenues of a double-digit million figure (EUR 12m over ca. 4-5 years) and an additional maintenance revenue stream of EUR 3.6m p.a. in a steady state. The first orders were already placed in 2016. As the development costs have already been expended, these revenues will yield high margins.

7. **New product generation should provide growth impetus:** Nexus' new software generation (.ng) is thoroughly orientated towards better user guidance, more efficient work processes and mobile end-devices. With this, Nexus should manage to redefine the market standard and set itself further apart from the competition.

8. **Proportionately greater earnings growth:** Driven by a scaling of the development and administration costs in particular, Nexus has managed to expand profitability in the past few years. The rising share of recurring services (maintenance etc.) has contributed to margin expansion and higher capital efficiency.

9. **ROCE has not yet reached its potential:** Nexus' business model is not investment intensive. Capex in property, plant and equipment assets accounts for an average of less than 2% of revenues. However, Nexus invests some 19% of revenues in R&D to realise its growth ambitions. Of this, about 25% is capitalised.

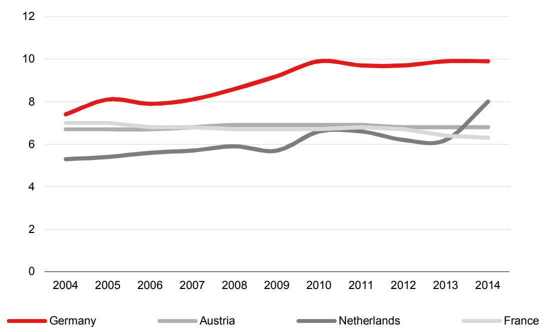
Growth and rising ROCE flank the share price development



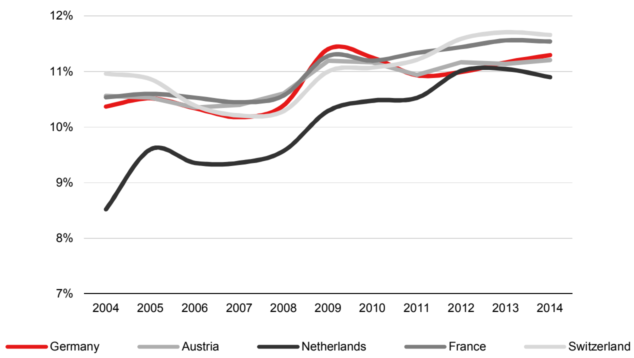
Sources: Nexus, Warburg Research

10. **Investment case should remain intact:** As a consequence of demographic developments and medical advances, healthcare costs per capita are rising. Nexus' standard software helps to reduce administration costs, to ensure procedural quality in hospitals and thus improve patient care. The digitalisation trend is expected to remain intact, laying the foundation for further growth.

Doctors consultations per capita per year



Healthcare expenditure in % of GDP



Sources: OECD, World Bank, Warburg Research

11. **Takeover scenarios:** Nexus is the only relevant supplier of hospital software in Germany that is still independent. The ongoing consolidation process makes the company a potential takeover target. The company would be of particular interest to foreign peer companies, for instance, who are seeking entry to the European market or companies within the healthcare sector, like international hospital chains, which in this way aspire to expand their value creation (e.g. Asklepios taking a stake in competitor Meierhofer).

12. **Valuation signals clear potential**: As well as the DCF-based price target of EUR 25, the rather static FCF Value model also points to a fair value of ca. EUR 25 and thus potential for the share price to rise. Buy.

Competitive Quality

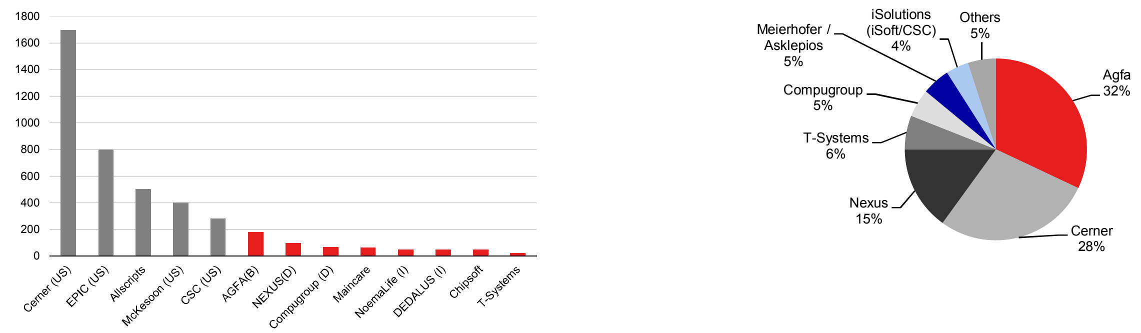
- A market with few players creates **oligopolistic structures.**
- **Dynamic consolidation process,** shaped by numerous companies.
- Nexus is the **second-largest European supplier**, no.1 in Switzerland, no.3 in Germany and the largest supplier to private clinics in France.
- Nexus is the only remaining relevant **independent supplier of hospital software**.
- High **customer loyalty** with low churn rates of less than 1%.
- **New software generation (.ng)** lays the basis for future growth.

Dynamic market consolidation…

The healthcare IT market is characterised by only a few players and is currently undergoing a dynamic consolidation process. Numerous takeovers in the last few years illustrate this:

- In 2013, T-Systems took over brightONE from Aurelius.
- In 2015, the US supplier Cerner took over the healthcare software activities from Siemens and the US company, McKesson, sold its software activities in Europe to the private equity company Symphony Technology Group. The Dutch part of these former McKesson activities was bought by Nexus in the same year.
- As well as the takeover of 40% of the shares in Meierhofer by Asklepios Kliniken in 2015, several smaller companies were taken over by CompuGroup and Agfa.
- In 2016, CompuGroup made a non-binding offer for Agfa. While the conditions required were not met, this attempt also underlines the **ongoing market consolidation**.

Market share in Europe (left, revenue) and Germany (right, HIS installations)



Sources: Nexus, Warburg Research

…offers growth opportunities

In terms of revenue, Nexus is the second-largest European supplier after Agfa and is expected to expand its market position further for the following reasons:

- **Cerner**, the global market leader entered the German market with the takeover of the hospital software business of Siemens. However, the company has not yet announced a clear strategy for the European market. This does not lend to customer confidence and raises the willingness of customers to migrate to modern Nexus solutions.
- The installations of **CSC** are declining. CSC entered the market with the takeover of iSoft, for which CompuGroup made a bid in 2007. When it was taken over, iSoft was not far from insolvency. This is probably the reason for the persistently weak customer confidence and the resulting name change to iSolutions.
- While **EPIC** is very successful in the Netherlands, the company failed in the UK owing to the unsuccessful software implementation in the Cambridge university hospitals in 2015. As a result, the CEO and CFO of the hospitals resigned.
- **CompuGroup** is the clear market leader in the area of software for doctors' practices in Germany. However, the German hospital business is one of the weaker activities of the company.
- **Small and medium-sized software suppliers** are for sale, which does not contribute to customer confidence.

Result: Customers often wait for the takeover results and only invest if the company's product strategy is credible. Nexus has managed to take advantage of weak customer confidence damaged as a result of the consolidation process and, up to now, has shown better development than the overall market.

Open architecture

Nexus' product offering is among the most comprehensive software suites in its industry. It offers more than 20 applications for specialists which support doctors' workflows – the revenue generating hospital staff. Furthermore, Nexus' pursues an open infrastructure approach. This means

- customers can tailor the solutions according to individual requirements at low cost.
- Nexus' market leading diagnostic solutions and modules can be installed independently. They can also be integrated with a broad range of medical devices and third-party applications. As many providers of hospital information systems mainly focus on administrative functions and customer willingness to migrate is low, Nexus' open architecture facilitates sales of its specialist applications to customers on top of HIS applications from competitors.

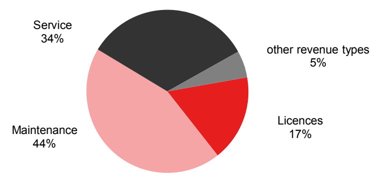
High customer loyalty

Revenues that are based on multi-year and recurring maintenance revenues, account for more than 40% of total revenue. We also estimate that more than half of the remaining revenues are de-facto recurring, leading to a recurring revenue share of approx 60%. Driven by further growth in license revenues, this share is set to increase further. This leads to positive margin effects and also raises visibility. At the same time, customer loyalty is very high. This is not only explained by the highly esteemed Nexus software solutions but also because of the high costs of switching, which include:

- **direct costs** like the investment needed for new software licenses and installation and
- **indirect costs**, which often seem considerably higher, such as disruption of work processes, absence of personnel for training purposes and the need to run two systems in parallel before fully migrating to the new software. At the same time, the failure of a software implementation project comes with high professional risk for the customer's IT manager, for whom this probably represents a significant career risk.

The result is high contract renewal rates of more than 99%.

Revenue split



Sources: Nexus, Warburg Research

Growth / Financials

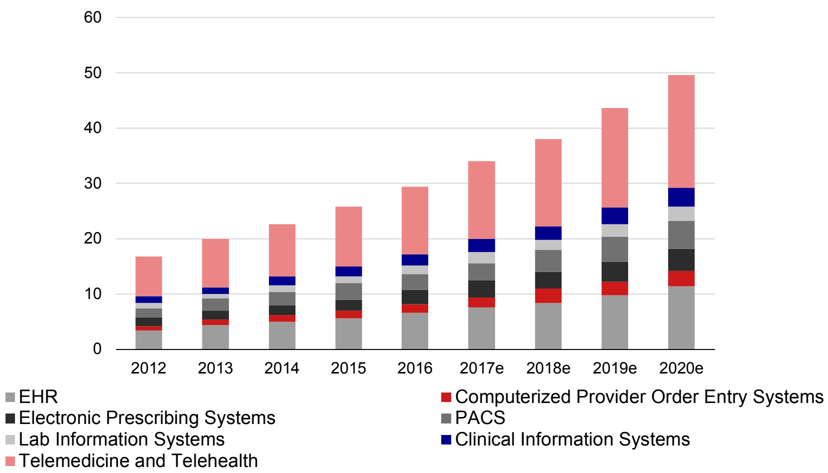
- The market addressed by Nexus should show **mid to high single-digit percentage** rate growth.
- Individual market segments offer **even greater growth**.
- New software generation (.ng) should accelerate **market share gains**.
- Entry to **new product areas** and **international expansion** should enable the achievement of above market-average growth.
- **Acquisitions** accelerate growth.
- **Proportionally higher earnings growth** reflects the scalability of the business model and lays the basis for rising ROCE.

Market growth lays a solid foundation

Growth potential in the various parts of the healthcare IT market, served by Nexus, differs depending on sub-segment and region.

Worldwide, clinical hospital information systems should show an average growth rate of ca. 7% in the medium term. Cerner, the world's largest supplier of software for the healthcare sector, targets revenue growth of 10-13%, which underlines the expectation of dynamic market growth. Cerner, however, has stronger benefit than Nexus from its global set-up as development in the Asian markets is far stronger.

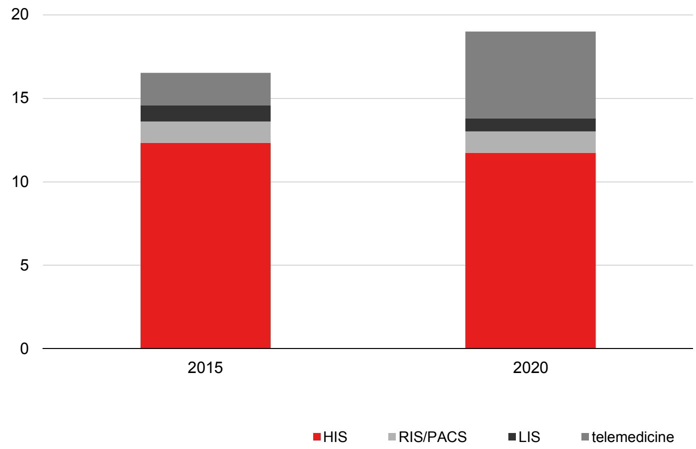
Worldwide market for healthcare IT (in EUR bn)



Source: Transparency Market Research

If we take the market studies referred to by Nexus management, the market for hospital information systems (HIS), radiology and picture archiving systems (RIS/PACS) and laboratory information systems (LIS) should stagnate. Telemedicine applications should however develop very dynamically and should reach a market volume of some EUR 5bn by 2020.

Healthcare IT: Telemedicine as a growth driver



Sources: Nexus, Warburg Research

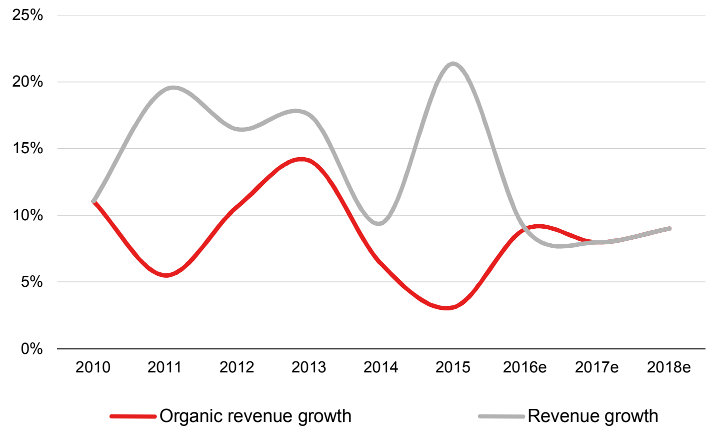
In the **German market** for healthcare IT, which is important for Nexus, annual growth of some 5% is expected. Telemedicine and mobile healthcare IT are important growth drivers.

As in the past, however, Nexus should develop better than the overall market. The foundation was laid by Nexus' modular software suite which, due to its open architecture, is easy to integrate even with third party applications and facilitates cross-selling and up-selling to the existing customer base.

Revenue growth

Attractive organic growth

Dynamic growth



Sources: Nexus, Warburg Research

In the past, Nexus has grown dynamically. Growth should also remain at a high level. As well as the market, which lays the basis for future growth, the following reasons also speak in favour of this:

1. **New product generation**: Nexus is currently developing the new software generation (.ng). With the focus on a better presentation of important information, an individualised working environment, efficient user guidance and orientation towards mobile end-devices, Nexus should manage to redefine the market standard. Initial customer response has been positive. In recent customer decisions, Nexus pushed out competitors already in place.

2. **Cooperation with Olympus:** For the update of its software, Olympus, the global market leader in endoscopic devices with 80% market share in flexible endoscopy, in Europe, is cooperating with Nexus. Its Endobase software is a documentation system, which can be fully integrated into the existing IT environment of hospitals. This allows the central bundling of endoscopic information.

   The cooperation underlines not only Nexus' expertise in the area of endoscopic documentation but also offers growth opportunities. In 2016, 25 first orders were placed. The number of older systems due for replacement amounts to ca. 1,200. We assume that the migration period will span four to five years. Given the license price of EUR 10,000 per installation and maintenance of EUR 3,000, we expect an appealing revenue stream which will cover a significant part of our projected revenue growth.

Expected Olympus revenue stream

	2016e	2017e	2018e	2019e	2020e	2021e	Total
number of installations	**25**	**80**	**350**	**350**	**310**	**85**	**1,200**
license fee	10,000	10,000	10,000	10,000	10,000	10,000	
license revenues (in EUR m)	0.3	0.8	3.5	3.5	3.1	0.9	**12.0**
maintenance fee	3,000	3,000	3,000	3,000	3,000	3,000	
maintenance revenues (in EUR m)	0.1	0.3	1.4	2.4	3.3	3.6	
Total Olympus revenue	**0.3**	**1.1**	**4.9**	**5.9**	**6.4**	**4.5**	**23.1**

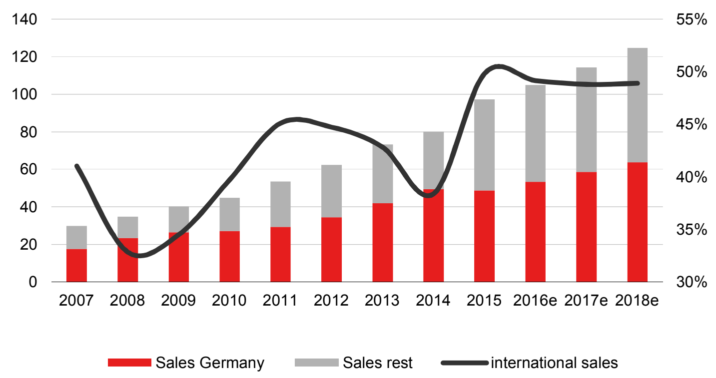
Source: Warburg Research

3. **Expansion of its product portfolio:** Nexus is gradually expanding its product offering. This includes, for instance, new diagnostic solutions or new software modules, which support medical personnel in their work processes. One of the recent market introductions was, for example, the introduction of Telemedicine and artificial intelligence. These are just two key expressions to allude to the progress of development activity. New software components help to gain new customers and to accelerate cross-selling.

4. **Regional expansion:** In terms of revenue, Germany is currently the most important market for Nexus. Expansion within Europe is however an important growth pillar. While market entry is usually achieved with an acquisition of a local administrative clinical software provider, the cross-selling of existing Nexus solutions boosts organic growth.

   The cooperation with Olympus should support the European expansion: Olympus is active in 23 European countries and Nexus can easily expand into new markets on the back of Olympus' distribution network.

Internationalisation is an important growth pillar



Sources: Nexus, Warburg Research

5. **Regulation:** Regulation provides constant tailwind to Nexus' growth as it increases the need for process documentation and improvements in treatment quality in hospitals. The most recent example is the introduction of the E-Health law in Germany which will increase digitalisation and connectivity in the health care system.

Acquisitions

Organic growth is flanked by acquisitions. Historically, some 5-8 percentage points of growth originated from acquisitions. While our model does not take into account future takeovers, these can continue to be expected as these expand and strengthen the

- **customer base**
- **regional presence**
- **product portfolio.**

Usually, Nexus takes over smaller providers who typically offer administrative software, with only low operative profitability for a revenue multiple of often less than 1. While acquisitions thus burden profitability in the short term, the integration and expansion of the product portfolio with that of Nexus and the upselling of additional software modules generates synergies and creates value for Nexus' shareholders.

Acquisition history

Closing date	Company	Final purchase price in EUR k
08.04.2004	Micom GmbH	5,679
22.04.2005	Medizintechnik GmbH	approx. 600
30.09.2005	INOVIT Radiology Software GmbH	818
31.05.2006	iSOFT Switzerland GmbH	0
04.06.2007	Computer Partner Paschmann GmbH	2,008
27.08.2007	Holl GmbH	772
31.07.2008	MEDOSA AG	892
16.04.2009	Healthcare Sparte der EDS Information Business GmbH	260
23.07.2010	Flexreport AG	1,320
01.05.2011	Domis Consulting AG	6,779
08.07.2011	OPTIM S.A.S	1,575
08.10.2012	ASS.TEC Beratungsgesellschaft für Anwendungen, Systeme, Strategien und Technologien mbH	1,420
17.10.2012	E&L medical systems GmbH	9,736
01.01.2013	Com.Med GmbH	100
25.06.2013	syseca informatik ag	1,088
08.09.2014	proLohn GmbH	170
25.09.2014	MARABU EDV-Beratung und -Service GmbH	1,860
30.10.2014	CS3i SAS	1,090
09.02.2015	quCare Solutions B.V.	18,486
28.07.2016	SISinf, S.L.	
06.09.2016	IBH Datentechnik GmbH	

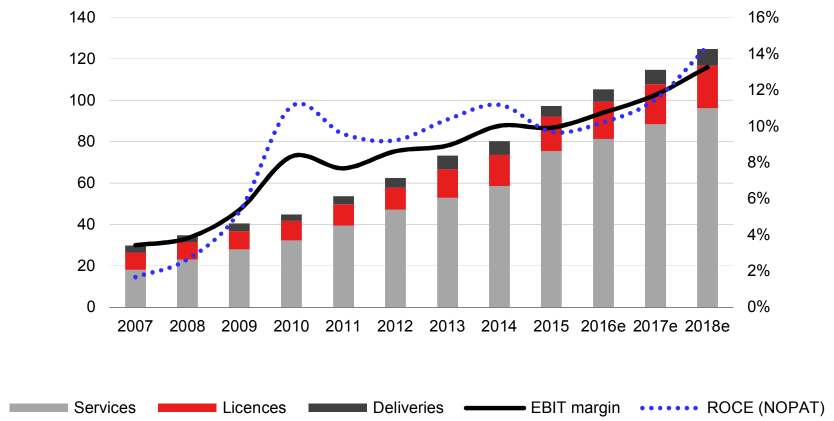
Sources: Nexus, Warburg Research

Earnings growth

Greater growth in earnings than in revenue should continue in the coming years, mainly owing to economies of scale in R&D expenditure. These are a result of the increasing:

- **maturity** of recently-developed software solutions. Initally, new developments burden the result. Only with a rising revenue level, are group-average margins achieved. More mature solutions like, for example, diagnostic systems (DIS) or quality management systems (QM) exceed the group average owing to economies of scale.
- **standardisation** and thus sales of developed software.
- **share of maintenance revenues,** which are part of the reported services revenues and generate above group-average profitability – this is a general phenomenon of the software industry. The rising share of maintenance revenues additionally contribute to a reduction in the cost of sales ratios as maintenance has the character of a multi-year subscription and in light of contract extension rates of some 99%, reduces the sales costs.

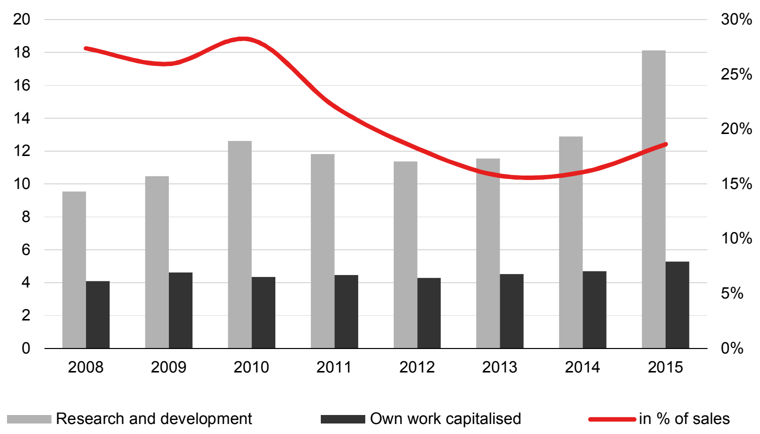
Rising maintenance revenue share and economies of scale drive margins



Sources: Nexus, Warburg Research

In 2015, the development costs however rose significantly, against the trend. This was mainly because of the further development of the core solutions for hospitals, the **new software generation (.ng)** as well as the development of mobile apps and further complementary products.

Development of R&D costs



Sources: Nexus, Warburg Research

The described effects should be reflected in the development of the P&L.

Development of cost items

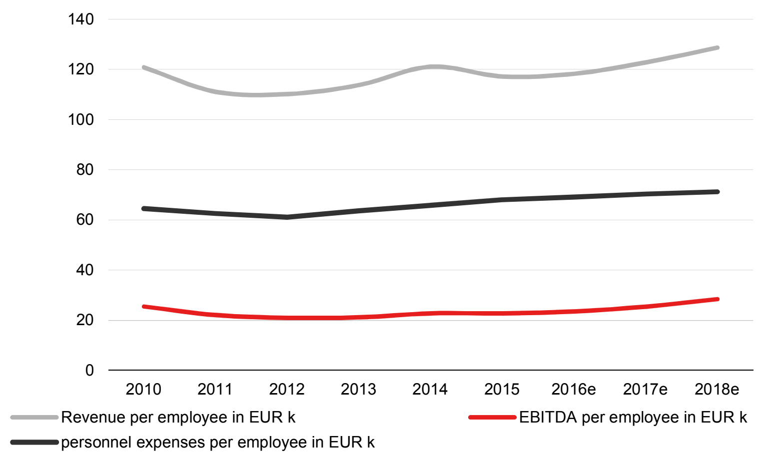
in EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Own work capitalised	4.3	4.5	4.7	5.3	6.0	6.1	6.4
Total sales	**66.6**	**77.8**	**84.8**	**102.6**	**112.0**	**120.5**	**131.1**
Material Expenses	11.6	13.8	15.5	15.8	17.2	18.4	19.7
ratio	*18.7%*	*18.9%*	*19.4%*	*16.3%*	*16.2%*	*16.1%*	*15.8%*
Gross profit	**55.0**	**64.0**	**69.3**	**86.7**	**94.8**	**102.1**	**111.4**
Personnel expenses	34.6	41.0	43.6	56.5	61.9	65.5	69.0
ratio	55.5%	55.9%	54.4%	58.1%	58.4%	57.2%	55.3%
Other operating income	2.2	2.4	1.9	2.1	2.1	2.1	2.1
Other operating expenses	10.7	11.8	12.5	13.5	14.0	15.0	17.0
other expenses/personnel expenses	*31.0%*	*28.8%*	*28.8%*	*23.9%*	*22.6%*	*22.9%*	*24.6%*
EBITDA	**11.9**	**13.6**	**15.0**	**18.9**	**21.0**	**23.7**	**27.5**
margin	**19.0%**	**18.6%**	**18.8%**	**19.4%**	**19.9%**	**20.7%**	**22.1%**
Depreciation of fixed assets	0.7	0.9	0.9	1.2	1.3	1.4	1.5
Amortisation of intangible fixed assets	5.8	6.2	6.1	8.1	8.4	8.9	9.5
EBIT	**5.4**	**6.5**	**8.0**	**9.6**	**11.4**	**13.4**	**16.5**
margin	**8.6%**	**8.9%**	**10.0%**	**9.9%**	**10.7%**	**11.7%**	**13.3%**
Interest income	0.5	0.2	0.3	0.1	0.0	0.0	0.0
Interest expenses	0.0	0.1	0.1	0.2	0.3	0.0	0.0
Financial result	0.4	0.2	0.2	0.0	-0.3	0.0	0.0
EBT	**5.8**	**6.7**	**8.2**	**9.6**	**11.1**	**13.4**	**16.5**
Taxes total	0.1	-0.1	0.1	1.8	2.5	3.5	4.5
ratio	1.1%	-2.1%	1.6%	19.1%	22.5%	26.0%	27.0%
Net income from continuing operations	**5.7**	**6.8**	**8.1**	**7.8**	**8.6**	**9.9**	**12.1**
Minority interest	-0.4	-0.4	-0.2	0.2	0.0	0.0	0.0
Net income	**6.1**	**7.2**	**8.3**	**7.6**	**8.6**	**9.9**	**12.1**

Sources: Nexus, Warburg Research

Own work capitalised is mainly attributable to costs for software development. These include development costs for new products and the further development of existing products and should show proportionately greater growth.

The **material expenses** cover for the most part expenditure for raw, auxiliary and operating materials and for purchased goods (2015: EUR 11.6m). This includes mainly costs for hardware and license purchases from third parties (e.g. data base solutions). The remainder of the material expenses is attributable to costs for purchased services (EUR 4.2m), which mainly consists of services outsourced to third parties within the framework of projects.

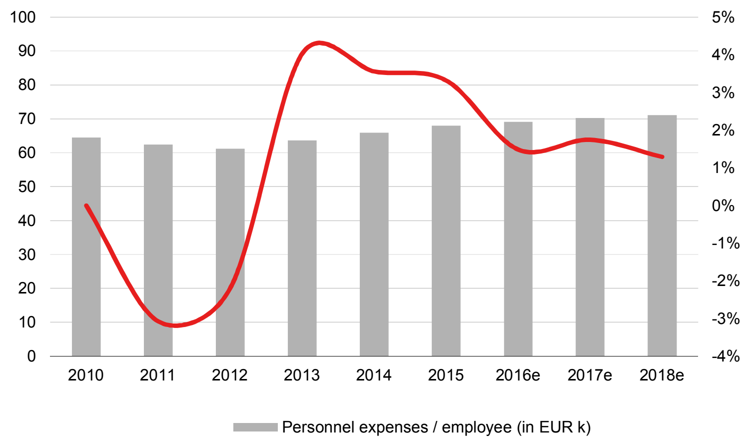
Key figures per employee



Sources: Nexus, Warburg Research

Personnel expenses grow more or less in line with the number of employees. The share-based compensation is negligible at EUR 0.2m. Despite the shortage of IT specialists, overall personnel expenses (not per employee), rose only moderately in the last few years.

Personnel expenses per employee



Sources: Nexus, Warburg Research

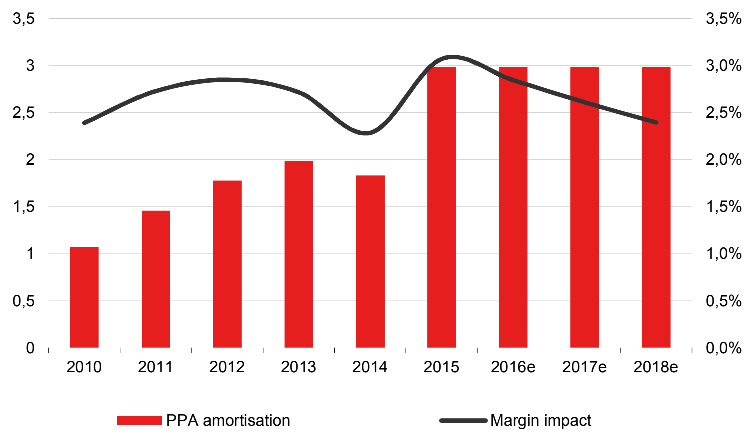
Other operating income is negligible. This includes e.g. income from FX gains or from the release of provisions. **Other operating expenses** comprise operating costs (2015: EUR 4.8m), sales costs (EUR 3.1m), administrative costs (EUR 4.1m) as well as other operating expenses (EUR 1.4m). This cost item should, like personnel expenses, show slight economies of scale.

Amortisation is ca. EUR 9.2m. The amortisation on **property, plant and equipment** results from the operating and business equipment (EUR 1.1m).

The largest part of amortisation is attributable to **intangible assets** (EUR 8.1m) and affects:

- amortisation of **capitalised development costs EUR 4.7m** and the customer base and technology EUR 3.0m. The later result from PPA-related amortisation, which is currently burdening the EBIT margin by ca. 2.5pp.
- EUR 0.4m is depreciated for concessions and patents (software licenses).

Development of PPA-related amortisation

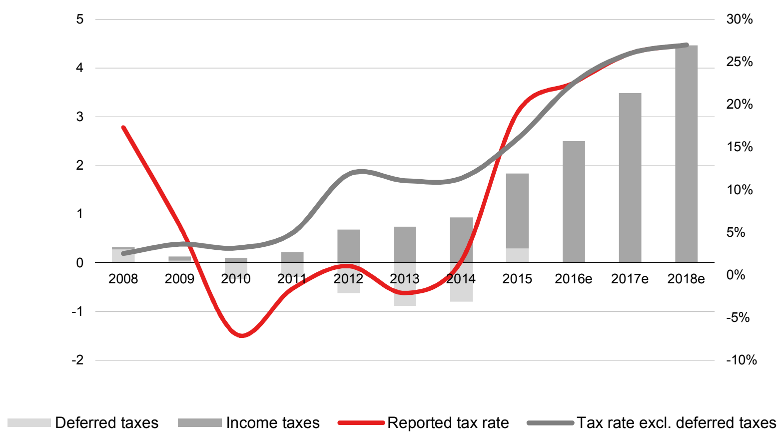


Sources: Nexus, Warburg Research

The **financial result** reflects the company's equity-dominated conservative financing policy. Nexus does not have any bank liabilities.

The **tax rate** was most recently at ca. 20%. This low rate is attributable to loss carry-forwards. Domestically, these amount to EUR 22.3m in terms of corporate tax and EUR 20.8m business tax. The loss carry-forwards considered to be unusable amount to EUR 5.0m, of which EUR 4.7m can be carried forward without a time limit.

Loss carry-forwards lead to low tax rate

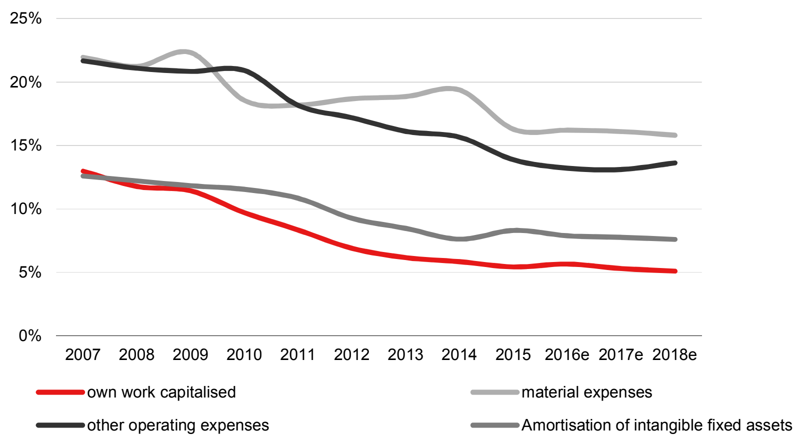


Sources: Nexus, Warburg Research

Scalability provides the basis for rising returns

With rising revenue levels, the growth of other expenses and material costs has been proportionately lower. We expect a continuation of this trend, which more than compensates for the headwind from the declining capitalisation ratio. At the same time, this improves the earnings quality and contributes to rising returns and cash flows.

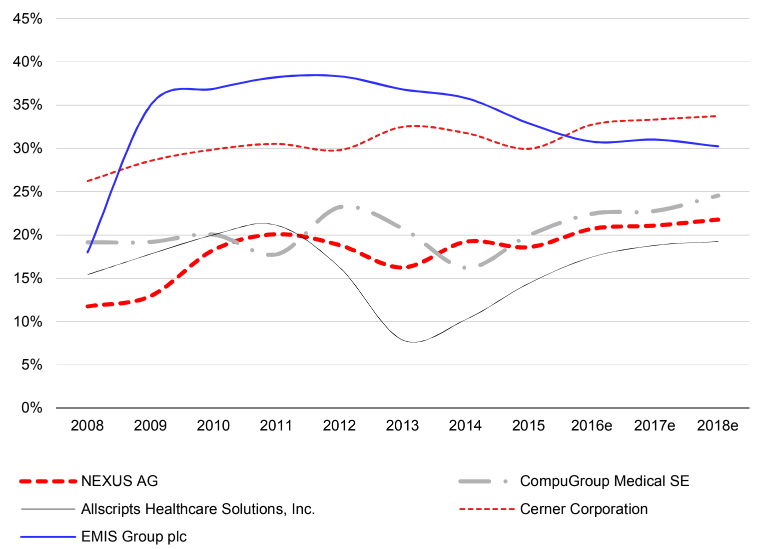
Scalability of expenses (as a % of revenue)



Sources: Nexus, Warburg Research

Conclusion: New developments of software modules and entry to new markets, like most recently the Netherlands, have meant that the margins remain well behind those targeted. Comparison with the competition underlines the business model´s potential that Nexus can achieve with rising revenue volumes.

Comparison with competitors underlines potential for increasing margins



Sources: FactSet, Warburg Research

Returns should rise further

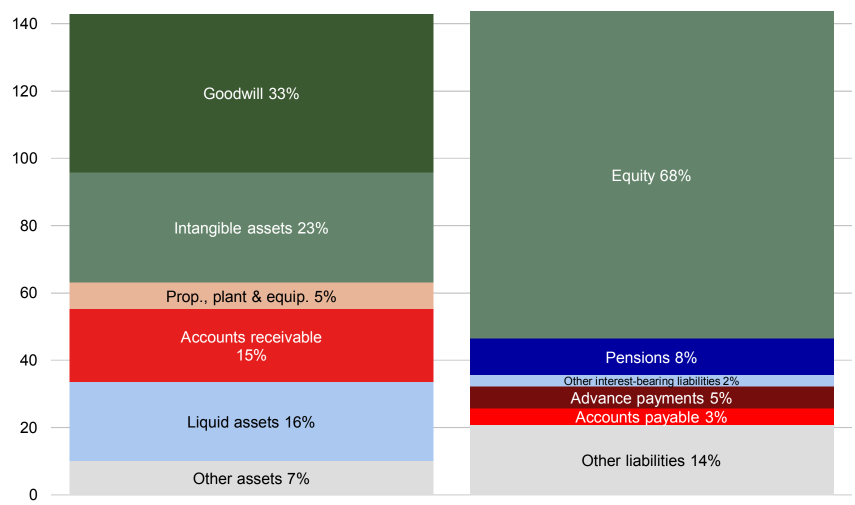
- **Capital** is primarily tied up in intangible assets and reflects the acquisition history and the high R&D activity.
- **Economies of scale** are generated mainly by rising revenue levels and a rising share of maintenance revenues.
- While historically the costs of capital were not covered, dynamic revenue growth in combination with economies of scale led to…
- …a **ROCE** improvement, which should rise further.

Balance sheet

Nexus´ business model is not particularly capital intensive, as revenues are generated with software consultation and sales. The balance sheet also reflects this.

More than 50% of the **assets** are attributable to goodwill and intangible assets, which can be explained by its intensive M&A history and Nexus´ high software development activity. The **receivables** tie up further capital.

Balance sheet 2016e



Sources: Nexus, Warburg Research

The **goodwill** of ca. EUR 40m is a result of Nexus' acquisition history and is allocated to various cash-generating units e.g. clinical information systems (CIS, EUR 10.6m), clinical care solutions (CCS, EUR 10.1m), care systems for geriatric care and care of the disabled (NCS, EUR 7.2m), diagnostic information systems (DIS, EUR 4.7m) or the international patient management (PAT.INT, EUR 3.4m).

The **intangible assets** include

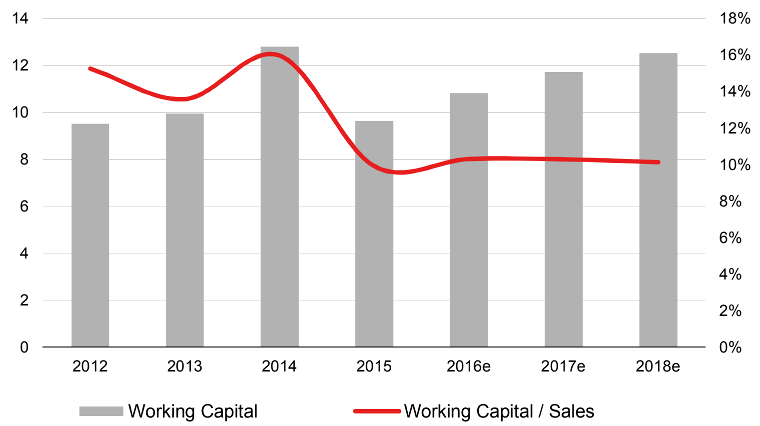
- **purchased software licenses** like the ERP programme (EUR 0.8m),
- **capitalised developments** (EUR 17.5m). These underline the high development intensity of Nexus and the significance of a modern product suite for the business model.
- **Capitalisation in the context of purchase price allocation**. This includes client base and technologies (EUR 10.1m) as well as brands (EUR 7.6m). These reflect the M&A history of the company.

Property, plant and equipment at 5% make up just a small part of the balance sheet total. This position essentially includes systems and operative and business equipment (EUR 2.6m) as well as land and buildings (EUR 1.3m) and underlines the low capital intensity of the business model.

The **receivables** are almost exclusively short term and make up some 17% of the balance sheet total. As these are mainly owed by church-run or public hospitals, which makes the risk of a write-off very low. On the other side, **payables,** down-payments received and **prepaid expenses** make up about 9% of the balance sheet.

The working capital ratio of an average of 10-12% of revenue is moderate overall.

Working capital development

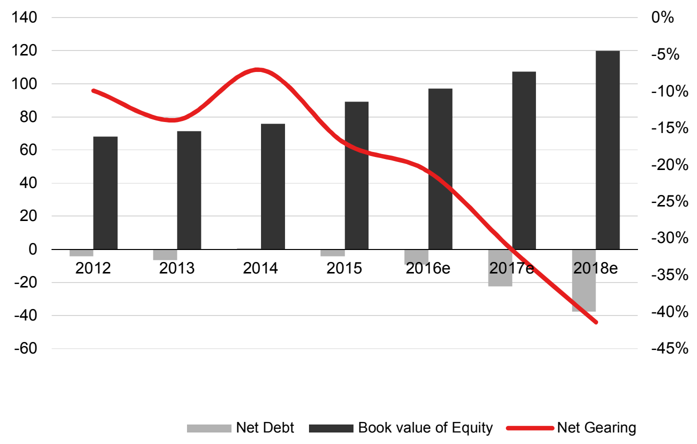


Sources: Nexus, Warburg Research

Liquid funds of EUR 18.5m are available at short notice and offer scope for further acquisitions, which should lead to entry to new markets. The use of these funds would improve the returns even further.

Equity amounts to approx. EUR 90m. The equity ratio is about 70%. This also reflects the company’s defensive financing policy. Interest-payable debt affects earn-outs.

Conservative financing policy



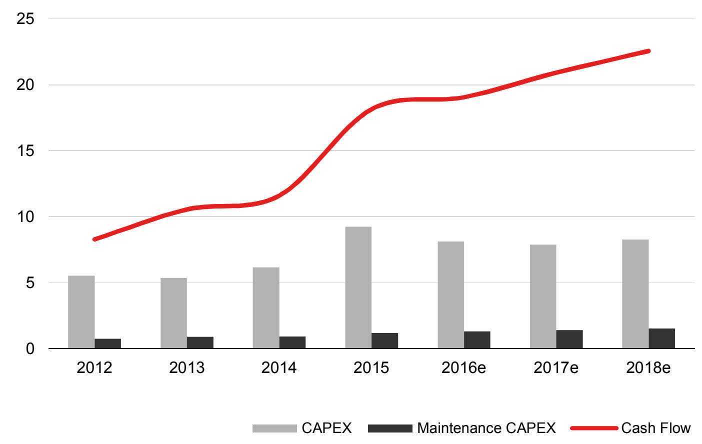
Sources: Nexus, Warburg Research

The **pension provisions** amount to EUR 10.8m and are mainly for active employees (EUR 9.7m). The scale of these provisions rose by about EUR 4m in 2015 with the takeover of the Dutch quCare Solutions. In accordance with IFRS rules, Swiss and Dutch pension liabilities have to be reflected in the balance sheet, even though these are borne by the state or an insurance company and Nexus will probably never have to make pay-outs.

Other liabilities are mainly made up of non-financial liabilities like e.g. tax obligations or deferred taxes.

Rising capital efficiency with positive effects for cash flow…

Capex and cash flow



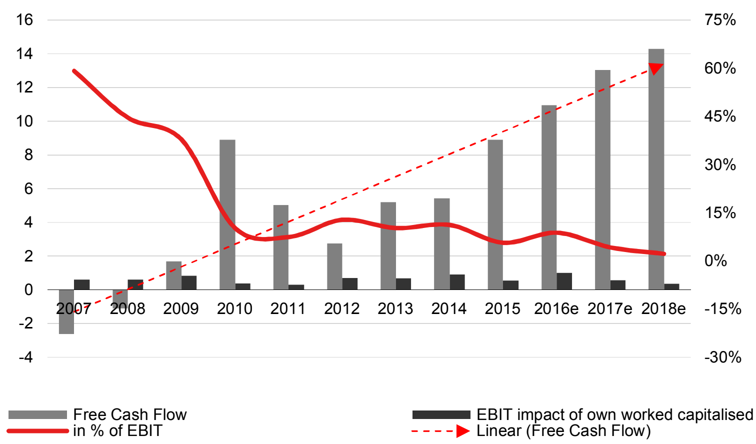
Sources: Nexus, Warburg Research

As a software company, Nexus needs little capital to grow:

Working capital build-up accounts for ca. 10-12% of the revenue. Sufficient capital thus remains for organic growth and further takeovers, which should additionally fuel organic growth in the medium term.

Capex accounts for less than 10% of the revenue and can be serviced from the cash flow. Maintenance investment is only necessary to a minor extent. A large part of the investments are attributable to **software development**.

Investments and cash flow



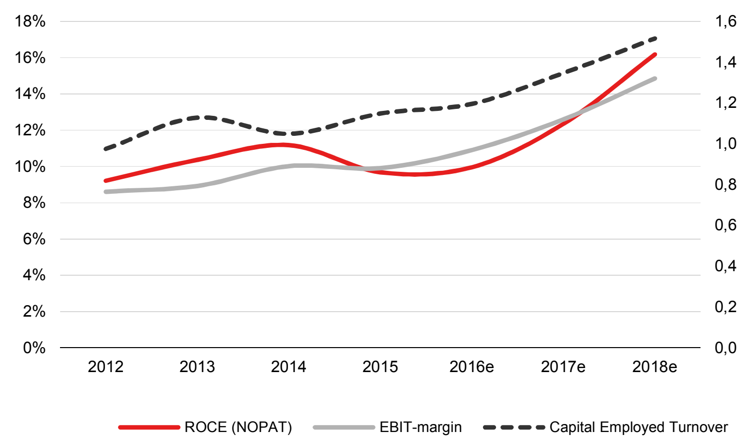
Sources: Nexus, Warburg Research

The year 2009 shows the successful development of the new **NEXUS / KIS** and the resulting economies of scale in the development expenses. The positive cash flows resulting from that, also in the form of share buybacks and dividends (since 2012), benefit the shareholders.

…and ROCE, which should become even more attractive

With a WACC of ca. 7%, the returns only barely covered the costs of capital in the past, owing to a lack of scale. Driven by revenue growth and the successful integration of acquired companies, EBIT growth was far stronger than the capital employed, which led to a gradual improvement in returns. The slight decrease in 2015 can be explained by the M&A activities already mentioned. The quCare integration should be completed during the course of this year.

Rising ROCE



Sources: Nexus, Warburg Research

Looking ahead, returns should far exceed the costs of capital and should reach a level of some 13% in 2018. In light of the rising share of recurring maintenance revenues associated with the high rates of contract renewal, these returns should be thoroughly defendable.

Valuation

- **The price target of EUR 25 is based on a DCF model.**
- The **FCF Value Potential** with a value of EUR 25 supports the DCF value.
- The **Peer Group Comparison** signals a fair valuation.

DCF model

In light of the visible and structural market growth as well as the low level of cyclicality in the healthcare sector, the DCF model is very suitable for the valuation of the Nexus share. The DCF model is based on the following assumptions:

Revenue growth in the years 2015-2018e with a CAGR of approx. 8-9%. This is the result of:

- further penetration of already addressed markets,
- geographic expansion,
- expansion of the product offering.

Based on these growth assumptions, a long-term growth rate of 2% is approached.

Proportionally greater earnings growth:

- Revenue growth and the rising share of high-margin maintenance revenues contribute to economies of scale, especially in R&D and administrative costs.
- Combined with a cessation of PPA-related amortisation (current margin impact ca. 3%), an EBIT margin of some 17% will be reached in the long term.
- A long-term tax rate of 30% is assumed.
- A beta of 1.0 with a debt ratio of 5% leads to **weighted costs of capital of 7%**.

Result: The DCF model leads to a fair value of EUR 25 per Nexus share.

DCF model

Figures in EUR m	Detailed forecast period 2016e	2017e	2018e	Transitional period 2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	Term. Value
Sales	106.0	114.5	124.8	134.7	143.9	152.2	159.7	166.4	172.3	177.5	182.0	186.0	189.7	
Sales change	*9.0 %*	*8.0 %*	*9.0 %*	*8.0 %*	*6.8 %*	*5.8 %*	*4.9 %*	*4.2 %*	*3.5 %*	*3.0 %*	*2.6 %*	*2.2 %*	*2.0 %*	*2.0 %*
EBIT	11.4	13.4	16.5	19.5	23.0	25.1	27.1	28.8	29.8	30.7	31.5	32.2	32.8	
EBIT-margin	*10.7 %*	*11.7 %*	*13.3 %*	*14.5 %*	*16.0 %*	*16.5 %*	*17.0 %*	*17.3 %*	*17.3 %*	*17.3 %*	*17.3 %*	*17.3 %*	*17.3 %*	
Tax rate (EBT)	*22.5 %*	*26.0 %*	*27.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	
NOPAT	8.8	9.9	12.1	13.7	16.1	17.6	19.0	20.1	20.9	21.5	22.0	22.5	23.0	
Depreciation	9.7	10.3	11.0	11.5	10.1	9.6	10.1	10.5	10.9	11.2	11.5	11.7	12.0	
in % of Sales	*9.1 %*	*9.0 %*	*8.8 %*	*8.5 %*	*7.0 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	
Changes in provisions	0.2	0.5	0.5	0.7	0.3	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.3	
Change in Liquidity from														
- Working Capital	1.4	0.8	1.0	0.7	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	
- Capex	8.1	7.9	8.3	8.8	9.4	9.9	10.4	10.8	11.2	11.5	11.8	12.1	12.3	
Capex in % of Sales	*7.6 %*	*6.9 %*	*6.6 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	9.2	12.1	14.3	16.4	16.2	17.2	18.6	19.7	20.5	21.1	21.6	22.1	22.6	23
PV of FCF	9.2	11.3	12.6	13.5	12.6	12.5	12.7	12.7	12.3	11.9	11.5	11.0	10.5	235
share of PVs	8.50 %			31.11 %										60.39 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	5.00 %	Financial Strength	0.90
Cost of debt (after tax)	1.4 %	Liquidity (share)	1.05
Market return	7.00 %	Cyclicality	0.90
Risk free rate	1.50 %	Transparency	1.00
		Others	1.00
WACC	**6.56 %**	**Beta**	**0.97**

Valuation (m)

Present values 2028e	154		
Terminal Value	235		
Financial liabilities	3		
Pension liabilities	11		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	18	No. of shares (m)	15.6
Equity Value	**394**	**Value per share (EUR)**	**25.23**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.16	7.6 %	19.37	19.77	20.20	20.68	21.20	21.77	22.40
1.07	7.1 %	21.07	21.57	22.12	22.73	23.39	24.13	24.96
1.02	6.8 %	22.04	22.61	23.23	23.91	24.67	25.52	26.47
0.97	6.6 %	23.10	23.74	24.44	**25.23**	26.10	27.08	28.19
0.92	6.3 %	24.27	24.99	25.80	26.69	27.70	28.84	30.14
0.87	6.1 %	25.56	26.38	27.31	28.34	29.52	30.85	32.39
0.78	5.6 %	28.59	29.68	30.92	32.34	33.97	35.86	38.09

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.16	7.6 %	18.83	19.44	20.06	20.68	21.30	21.91	22.53
1.07	7.1 %	20.69	21.37	22.05	22.73	23.40	24.08	24.76
1.02	6.8 %	21.77	22.49	23.20	23.91	24.62	25.34	26.05
0.97	6.6 %	22.97	23.72	24.47	**25.23**	25.98	26.73	27.48
0.92	6.3 %	24.31	25.10	25.90	26.69	27.49	28.28	29.08
0.87	6.1 %	25.81	26.66	27.50	28.34	29.19	30.03	30.87
0.78	5.6 %	29.46	30.42	31.38	32.34	33.30	34.26	35.22

- Revenues highly visible as the wider economy has little impact and the proportion of maintenance revenue is rising
- Entry to new product areas, cross-selling and international expansion flank growth
- PPA-related amortisation currently burdening the EBIT margin
- Rising share of maintenance contracts contribute to margin expansion

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).

Result: The FCF Value 2018e indicates – omitting growth – a value of EUR 25 and thus supports the DCF model.

Free Cash Flow Value Potential

in EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Net Income before minorities	5.7	6.8	8.1	7.8	8.6	9.9	12.1
+ Depreciation + Amortisation	6.5	7.1	7.0	9.2	9.7	10.3	11.0
- Net Interest Income	0.4	0.2	0.2	0.0	-0.3	0.0	0.0
- Maintenance Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Free Cash Flow Potential	**11.8**	**13.8**	**14.9**	**17.0**	**18.5**	**20.2**	**23.1**
Free Cash Flow Yield Potential	10.4 %	10.0 %	8.3 %	6.8 %	5.9 %	6.7 %	8.1 %
WACC	6.56 %	6.56 %	6.56 %	6.56 %	6.56 %	6.56 %	6.56 %
= Enterprise Value (EV)	**114.0**	**137.7**	**179.5**	**249.4**	**312.6**	**300.0**	**286.3**
= Fair Enterprise Value	**179.9**	**209.7**	**227.2**	**259.7**	**282.6**	**308.0**	**351.3**
- Net Debt (Cash)	-15.2	-15.2	-15.2	-15.2	-20.1	-33.2	-47.5
- Pension Liabilities	10.8	10.8	10.8	10.8	11.0	11.5	12.0
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Fair Market Capitalisation	**184.3**	**214.0**	**231.5**	**264.1**	**291.7**	**329.7**	**386.8**
No. of shares (total) (m)	15.6	15.6	15.6	15.6	15.6	15.6	15.6
= Fair value per share (EUR)	**11.80**	**13.70**	**14.83**	**16.91**	**18.68**	**21.11**	**24.76**
premium (-) / discount (+) in %					-8.8 %	3.1 %	21.0 %

Sensitivity Fair value per Share (EUR)

		2012	2013	2014	2015	2016e	2017e	2018e
	9.56 %	8.18	9.49	10.26	11.69	13.00	14.93	17.71
	8.56 %	9.11	10.57	11.43	13.03	14.45	16.51	19.51
	7.56 %	10.28	11.93	12.90	14.71	16.29	18.50	21.79
WACC	**6.56 %**	**11.80**	**13.70**	**14.83**	**16.91**	**18.68**	**21.11**	**24.76**
	5.56 %	13.87	16.12	17.44	19.90	21.93	24.66	28.81
	4.56 %	16.85	19.59	21.20	24.20	26.61	29.76	34.62
	3.56 %	21.49	25.01	27.07	30.91	33.91	37.72	43.70

- FCF-Value-CAGR 2012-2018e: 13%

Peer Group

For a peer group comparison, we have drawn upon competitors and companies in the business of providing **software for the healthcare sector**. This comparison serves as a value indication. Its significance, however, is weakened by the differences between the companies in terms of growth, geographical orientation, company size or competitive positioning. Agfa's multiples are distorted by its high pension liabilities and are thus excluded from the valuation.

We attribute the greatest significance to EV/EBITDA and EV-EBIT multiples as these indicate a, more or less, fair valuation. While Nexus' EV/EBITDA multiple is positively influenced by capitalisation of R&D, EV/EBIT is distorted by PPA-related amortisations.

Basic data of the peer group valuation

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E 16e	P / E 17e	P / E 18e	EV / Sales 16e	EV / Sales 17e	EV / Sales 18e	EV / EBITDA 16e	EV / EBITDA 17e	EV / EBITDA 18e	EV / EBIT 16e	EV / EBIT 17e	EV / EBIT 18e
Agfa-Gevaert NV *	EUR	3.91	656.6	715.6	6.8 x	9.0 x	n.a.	0.3 x	0.3 x	n.a.	2.9 x	3.3 x	n.a.	3.7 x	4.4 x	n.a.
Allscripts Healthcare Solutions, Inc.	USD	12.13	2,189.6	3,921.7	22.1x	19.6 x	16.9 x	2.5 x	2.3 x	2.2 x	12.9 x	11.3 x	10.4 x	17.9 x	15.6 x	14.2 x
athenahealth, Inc.	USD	117.73	4,652.6	4,864.7	62.0 x	47.5 x	39.1x	4.5 x	3.8 x	3.2 x	19.5 x	15.8 x	13.3 x	36.8 x	28.1x	22.9 x
Castlight Health, Inc. Class B	USD	3.45	363.7	233.1	neg.	neg.	172.5 x	2.3 x	1.9 x	1.6 x	neg.	neg.	50.0 x	neg.	neg.	172.6 x
Cegedim SA	EUR	28.20	393.8	609.7	148.4 x	17.6 x	14.8 x	1.4 x	1.3 x	1.3 x	10.2 x	8.4 x	7.3 x	23.4 x	16.0 x	13.4 x
Cerner Corporation	USD	55.74	18,378.6	19,362.5	24.2 x	22.3 x	20.2 x	4.0 x	3.7 x	3.5 x	12.4 x	11.3 x	10.4 x	17.1x	16.0 x	14.3 x
CompuGroup Medical SE	EUR	38.54	2,051.1	2,246.5	24.2 x	19.7 x	16.5 x	4.0 x	3.5 x	3.1x	17.8 x	15.2 x	12.8 x	26.8 x	20.4 x	15.7 x
Computer Programs and Systems, Inc.	USD	26.60	360.0	503.2	15.6 x	15.2 x	14.0 x	1.9 x	1.8 x	1.8 x	10.4 x	10.5 x	9.1x	34.9 x	19.5 x	18.0 x
Craneware plc	GBP	12.08	325.6	291.7	0.4 x	0.3 x	0.3 x	7.2 x	6.2 x	5.5 x	22.7 x	19.7 x	17.4 x	25.0 x	21.4 x	18.9 x
EMIS Group plc	GBP	9.11	576.8	577.9	0.2 x	0.2 x	0.2 x	3.6 x	3.5 x	3.3 x	11.6 x	11.1x	11.0 x	14.7 x	13.9 x	13.1x
Evolent Health Inc Class A	USD	20.25	1,064.7	1,062.8	neg.	neg.	368.2 x	4.2 x	2.5 x	2.0 x	neg.	neg.	36.7 x	neg.	neg.	531.4 x
HMS Holdings Corp.	USD	18.50	1,545.7	1,631.1	24.7 x	23.1x	20.3 x	3.3 x	3.0 x	2.8 x	13.9 x	12.3 x	11.0 x	28.3 x	23.4 x	19.1x
ifa systems AG	EUR	15.30	42.1	42.8	19.9 x	13.9 x	11.7 x	4.2 x	3.3 x	2.9 x	12.1x	8.8 x	7.6 x	15.6 x	10.6 x	8.9 x
McKesson Corporation	USD	152.53	32,344.4	42,021.7	12.1x	12.9 x	11.3 x	0.2 x	0.2 x	0.2 x	9.3 x	10.0 x	9.5 x	10.4 x	11.5 x	11.5 x
Pharmagest Interactive SA	EUR	34.14	511.3	462.1	24.6 x	22.2 x	20.7 x	3.6 x	3.3 x	3.1x	13.3 x	12.0 x	11.1x	14.8 x	13.4 x	12.5 x
Quality Systems, Inc.	USD	15.38	960.3	951.3	19.0 x	18.5 x	17.3 x	1.9 x	1.8 x	1.8 x	10.2 x	9.6 x	9.5 x	30.2 x	19.7 x	17.7 x
Sectra AB Class B	SEK	167.50	6,346.6	6,376.7	44.3 x	40.5 x	36.6 x	5.7 x	5.3 x	4.9 x	25.7 x	23.5 x	21.3 x	33.0 x	30.1x	27.3 x
Average					31.5 x	19.5 x	48.8 x	3.4 x	3.0 x	2.7 x	14.4 x	12.8 x	15.5 x	23.5 x	18.5 x	58.2 x
Median					23.1x	19.0 x	17.1x	3.6 x	3.2 x	2.8 x	12.7 x	11.3 x	11.0 x	24.2 x	17.8 x	16.7 x
NEXUS AG	**EUR**	**19.87**	**312.7**	**292.9**	**36.1 x**	**31.0 x**	**25.8 x**	**2.8 x**	**2.6 x**	**2.3 x**	**13.9 x**	**12.4 x**	**10.6 x**	**25.7 x**	**21.8 x**	**17.7 x**
Valuation difference to Median					-36%	-39%	-34%	30%	24%	20%	-9%	-9%	3%	-6%	-18%	-6%
Fair value per share based on Median					12.73	12.19	13.17	25.48	24.26	23.66	18.21	18.27	20.49	18.79	16.43	18.77

* excluded

Sources: FactSet, Warburg Research

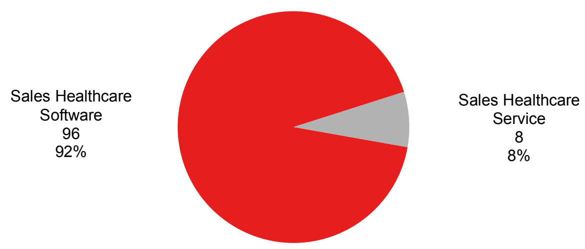
Company and Products

Segments

Nexus develops and markets software solutions for hospitals, specialist clinics and nursing care institutions. The business activities are divided into two segments:

- The area of **Healthcare Software** offers software products for institutions in the healthcare sector in national and international markets. The products are developed in-house and can be adapted, in the case of external influences, or individual customer requests.
- In the **Healthcare Services** segment, IT outsourcing services for healthcare institutions in Germany are offered. These services range from user support to the management of software applications to the operation of IT departments in hospitals. The operation and support of the HIS, the core application in hospital operation is Nexus' strength and contributes to better user experience.

Revenue split by segment (2016e)



Sources: Nexus, Warburg Research

Products

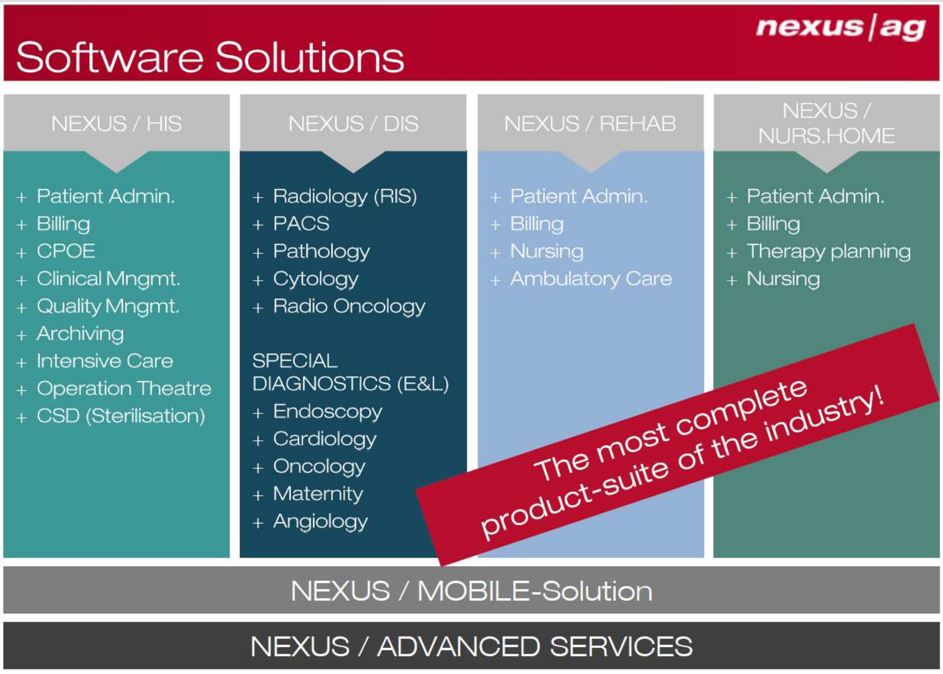
Software solutions

Nexus' numerous standard software solutions address

- **hospitals** (clinical management, patient management, outpatients and emergency etc.),
- specialist areas in hospitals such as cardiology, pathology, internal medicine, cytology etc.
- psychiatry, nursing and retirement homes as well as rehabilitation institutions.

The wide coverage of work flows and of specialist and diagnostic areas within the hospitals allows customers to purchase numerous solutions "from one source". This allows the seamless harmonisation of software solutions and reduces integration costs.

Nexus solutions



Source: Nexus

New software generation

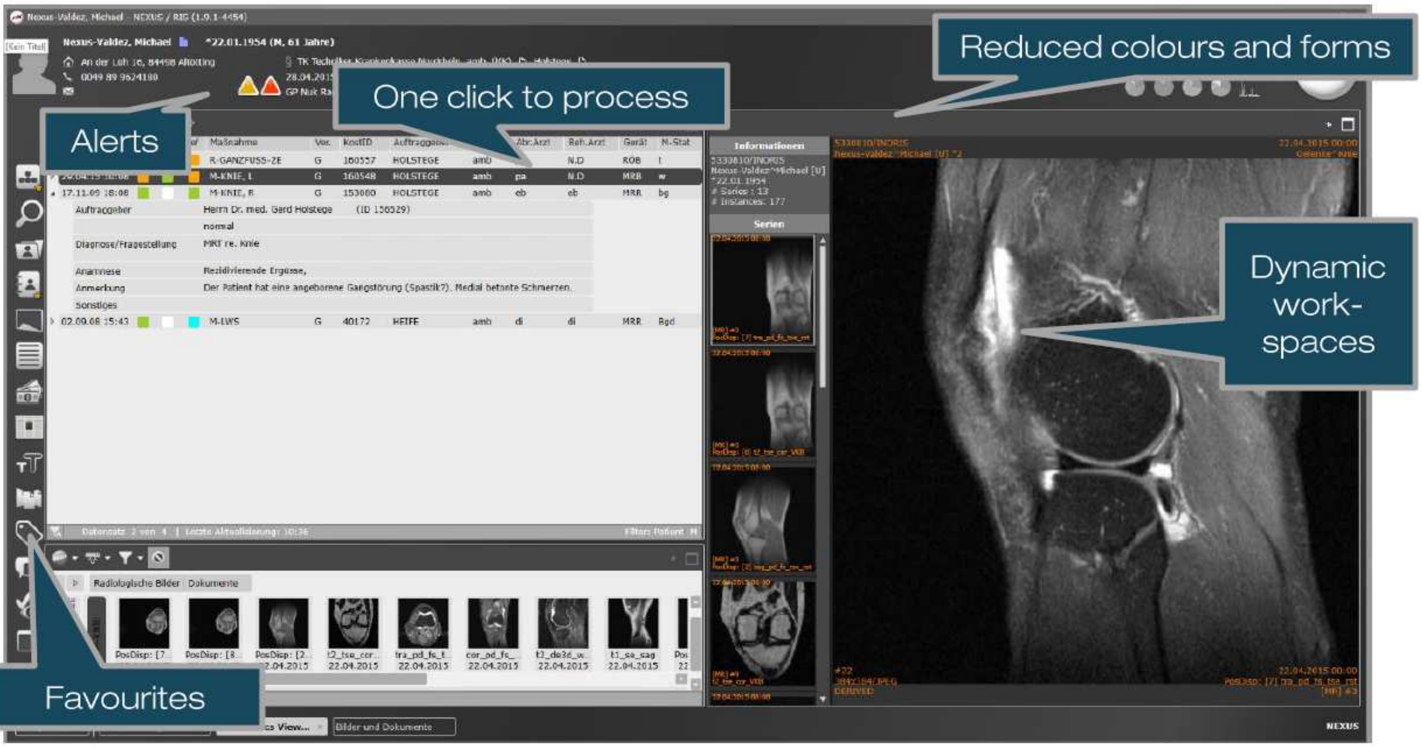
Doctors often complain that software does not optimally support their workflows. Nexus' new software generation offers the potential to redefine customer expectations based on four focus points of development that Nexus has set out. These are:

- users who prepare the **important information** in the proper context.
- reflection of an **individual working environment** for each work process.
- to guide users to **process directly** with one click.
- to set up the software so that it can be fully used on mobile devices.

The positive user experience is supported by access to diverse online tutorials and an integrated teaching platform. Furthermore, Nexus is improving the support structure and surveillance of the system performance to enable optimal software performance.

The completed solutions for radiology (RIS.ng), endoscopy (CDW.ng) and international patient management (PAT.ng) are already enjoying positive reception.

NEXT Generation desktop



Sources: Nexus, Warburg Research

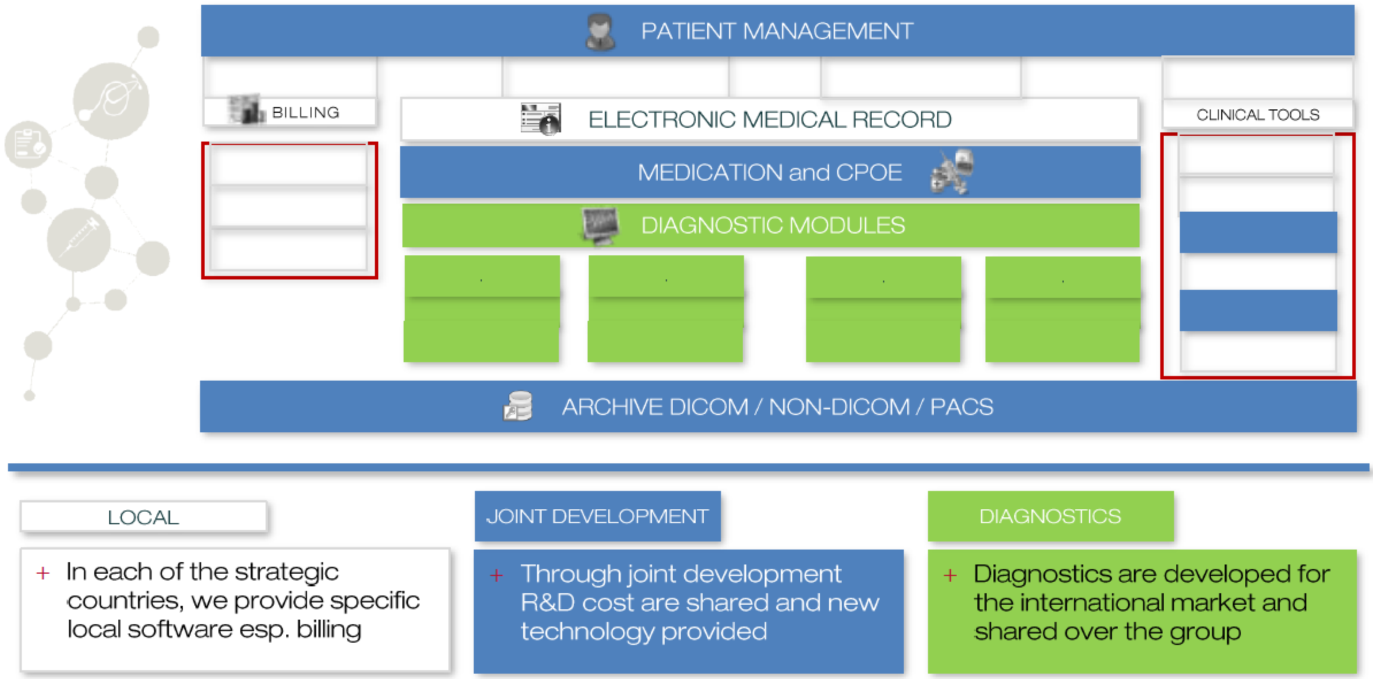
Replicable software components lay the basis for economies of scale

Nexus' software includes several levels, which are adapted to a greater or lesser extent to the regional characteristics of the relevant healthcare sector. This increases the standardisation of the product and thus the scalability of the business model:

- Patient files and components related to invoicing are developed **according to country-specifics**. This area of the software also explains why Nexus enters new markets via acquisitions as this allows for the fastest implementation and adoption of local characteristics.
- As the diagnosis classification system ICD-10 is valid in all the countries served by Nexus, **diagnostic** software components are developed on a group-wide basis.
- **Joint developments** between the various locations include e.g. clinical tools,

medicines and CPOE (computerized physician order entry) as well as the PACS (archiving systems). This enables the sharing of R&D costs and the generation of synergies within the group.

Regional adaptation of the software



Source: Nexus

Future trends

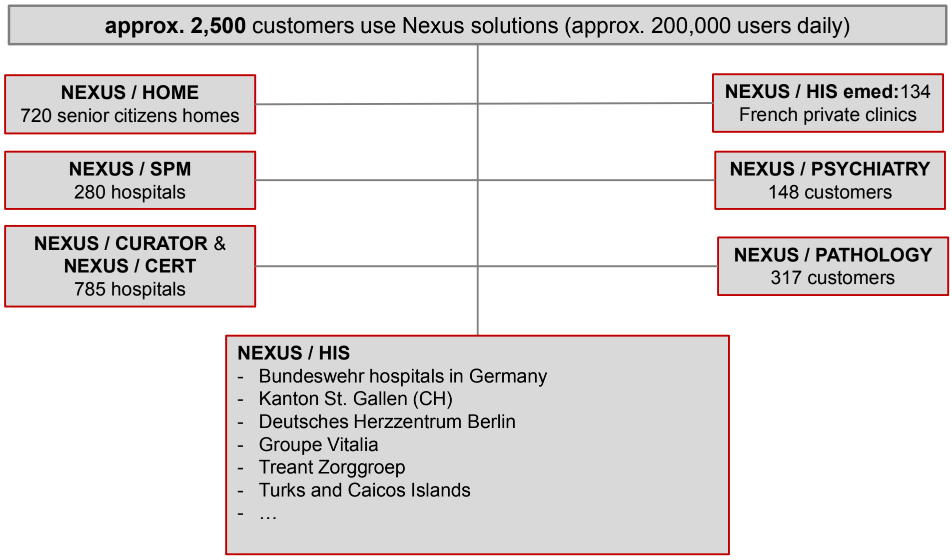
An important technological trend, which impacts software development, is the aforementioned area of **telemedicine**. This is currently becoming increasingly important in Germany and in Switzerland. The shortage of doctors, especially in rural areas, is accelerating this trend. The e-health law passed in Germany in 2015 shows that legislation is also supportive. In the area of telemedicine, Nexus is developing virtual assistants and benefits from experience already gained in Spain, Austria and the Netherlands.

Looking forward, **artificial intelligence** (**AI**) is an area of high potential and is likely to gain in importance in the next few years. Nexus is already beginning to pursue relevant solutions and, for this, uses behavioural information gathered from the software system. Here, the company is focused on virtual assistants and hospital management.

Customers

In accordance with its product offering, hospitals, which require standardised products for patient and treatment management, are the largest customer group. Further customer groups are doctors' practices, retirement and nursing homes, rehabilitation centres as well as specialist clinics, which sometimes require very particular software including in the areas of radiology, radio-oncology, pathology, cytology, endoscopy, cardiology and oncology. Nexus sells its products to customers in 19 different countries in Europe and the Middle East.

Customers

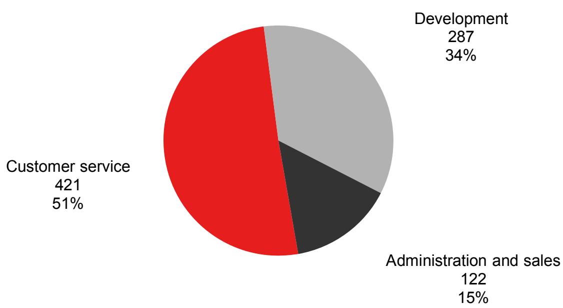


Sources: Nexus, Warburg Research

Employees

Nexus employs about 900 people in Germany, Switzerland, the Netherlands, Austria and France. With about 300 employees, Nexus has the largest development department within the sector.

Employees by task



Sources: Nexus, Warburg Research

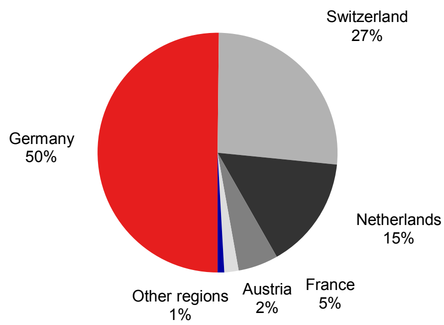
Regional presence

Regional presence

Sources: Nexus, Warburg Research

The focus of Nexus' business activity is in Europe. The company aims to expand further in this market and to become the largest European supplier of hospital software. Today, Nexus is active in most large European markets. In terms of revenue, Germany is however still the most important market. In Switzerland, Nexus is the market leader.

Regional revenue split

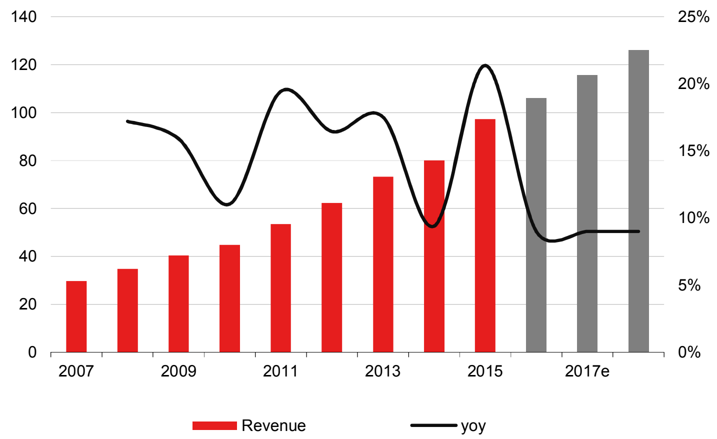


Sources: Nexus, Warburg Research

Company history

- Nexus was **founded** in **1989.** The company's headquarters is in Donaueschingen, which is between Freiburg and Konstanz.
- In 1999, the company entered the market for healthcare IT as well as the presentation of digital patient files.
- In 2000, the company was listed on the stock exchange in Frankfurt. Since 2001, the company has been listed in the Prime Standard of the German Stock Exchange in Frankfurt.
- In 2001, Nexus entered the Swiss market.
- In 2002, the founder Ralf Gropengiesser left the company and **Dr. Ingo Behrendt** became CEO.
- In 2004, the sale of an integrated hospital information system (HIS) started in Germany.
- In 2006, the company acquired iSoft in Switzerland.
- In 2007, the German pension and cardiac centre in Berlin became a customer. Additionally, Nexus became an SAP-Channel partner.

Dynamic revenue development



Sources: Nexus, Warburg Research

- In 2009, the **new NEXUS / HIS** was launched. The Vitos Group (12 hospitals) became a customer. In the following year, the Turks and Caicos Islands and the German military were gained as NEXUS/HIS customers.
- In 2012, a total of 27 hospitals opted for NEXUS/HIS, underlining the exceptional position of the product in the German market.
- In 2013, Nexus entered the growth market for **outpatient care software** with the acquisition of syseca informatik ag, Lucerne (CH).
- In 2014, Curagita AG introduced NEXUS / RIS to five radiology centres in Hamburg. In total, Nexus signed new projects with 276 clients in Germany, Switzerland, Austria, France, the Netherlands, Israel, Libya and Spain.
- In 2016, with the **NEXT GENERATION-Software (.ng)** Nexus presented its next software generation. It is focused on important information and provides every user with an individual working environment. The high customer interest promises new growth impetus.

Management

Executive Board

Dr. Ingo Behrendt (CEO)

Dr. Ingo Behrendt has been a member of the board since 2000. Initially he held the position of CFO before taking over the chairmanship in 2002. Today, he is responsible for the areas of finance, personnel, marketing and for the foreign business. Dr. Ingo Behrendt is a trained banker and completed a business degree in the Worms Technical College (Fachhochschule Worms) as well as a computer science degree in the University of Konstanz. Furthermore he completed an MBA at the Clark University, Massachusetts and achieved his doctorate at the Technical University of Berlin in the field of software architecture. Dr. Behrendt has extensive experience in the IT industry, which he gathered from 2000 to 2002, when he was responsible for large international software development projects at Siemens AG.

Edgar Kuner (board member, development)

Edgar Kuner is one of the co-founders of Nexus and has consequently been with the company since 1989. He has been a member of the board since 2008 and today is responsible for the development of the Nexus Group.

Ralf Heilig (board member, sales)

Ralf Heilig has been working for Nexus since 2001 and has been a member of the board since 2008. He is responsible for the areas of sales, HIS international as well as Rehabilitation and social welfare institutions. Ralf Heilig studied at the Worms Technical College (degree in Business Studies) and additionally, achieved an MBA from the University of Bridgeport in Connecticut. He is very experienced internationally, having worked for an international corporation from 1992 to 2001 in various roles in the areas of Controlling, Marketing and Sales. Here, his particular focus was on the global marketing and sales of consumer goods.

Management remuneration and incentives

The compensation of the board members includes a component with short-term and a component with long-term incentives:

- The **annually recurring** components are based on the Nexus Group EBIT or the achievement of planned targets. As control parameters of the business units, the three key figures revenue, EBT and the relative market position (development of the units in comparison to competitors) are used.
- The **long-term component** is made up of a maximum of 160,000 shares, which are due annually over the duration and are based on the share price development from 2015 to 2017.

At the end of the third quarter of 2016, the total number of shares held by board members amounted to **499,901.** Dr. Ingo Behrendt held 111,900 shares, Edgar Kuner 250,351 and Ralf Heilig 137,650.

Supervisory board

Dr. Hans-Joachim König (chairman) is a lawyer at Schrade & Partner.

Prof. Dr. Ulrich Krystek (deputy chairman) is a professor at the Technical University of Berlin, specialised in strategic controlling.

Wolfgang Dörflinger holds a degree in business and is a former member of the board of Daimler-Benz AG (today Daimler AG). There, he served as head of Energy and Automation at AEG AG.

Gerald Glasauer is the CEO of GUB Wagniskapital GmbH & Co. KGaA, GUB Unternehmensbeteiligungen GmbH & Co. KGaA, Essential Invest GmbH & Co. KGaA and Klima Investment GmbH & Co. KGaA. Additionally, he was active in a leadership role in BioGenes Gesellschaft für Biopolymere mbH.

Prof. Dr. Alexander Pocsay is a corporate consultant. Prof. Dr. Pocsay is the spokesman of the board of IDS Scheer AG, where he was also deputy chairman of the supervisory board.

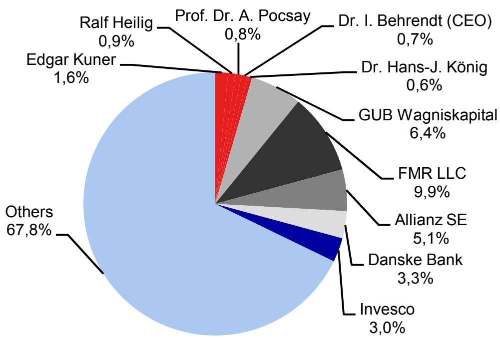
Prof. Dr. med. Felicia M. Rosenthal is the managing director and founder of CellGenix GmbH, a producer of high-quality reagents for clinical cell therapy and regenerative medicine.

Shareholders

Some 5% of the Nexus shares are held by the management and supervisory board. GUB Wagniskapital holds 6.35% of the shares. GUB Wagniskapital is a venture capital investment company, which primarily supports young high-tech companies. The first investment by GUB in Nexus in 1997 has since increased more than 100-fold. The CEO of GUB Wagniskapital is Gerald Glausauer, who is also on the supervisory board of Nexus AG.

The freefloat, including the institutional investors, amounts to almost 90%.

Shareholders



Sources: Nexus, Warburg Research

Glossary

CCS (Clinical Care Solutions).

CIS (Clinical Information Systems).

CPOE (Computerized Physician Order Entry) refers to the electronic supply of medication as well as the electronic registration and processing of a doctor's therapeutic instructions.

DIS (Diagnostic Information System), which can be used across the following specialist areas: radiology (RIS), PACS, pathology, cytology, radiooncology/specialty diagnostics (E&L): endoscopy, cardiology, oncology, gynaecology, angiology

HIS (Hospital Information Systems). Hospital information systems are all the information processing systems, which gather, process and forward medical and administrative data in hospitals.

ICD-10 (International Statistical Classification of Diseases and Related Health Problems). ICD-10 is the current, globally recognised medical diagnostic classification system.

LIS (Laboratory Information Systems). These systems process data in analytical laboratories.

NCS. Systems for care of the elderly and disabled.

PACS (Picture Archiving and Communications System). In the healthcare sector, these systems are used for the archiving of pictures and communication.

QM. Information systems for quality management in healthcare.

RIS (Radiology Information Systems). These systems are used in radiology for the administration of medical and administrative data as well as process management.

Telemedicine describes the diagnosis and treatment that takes place between doctor, therapist, pharmacist and patient, with telecommunication bridging differences in physical location or time.

DCF model

Figures in EUR m	Detailed forecast period 2016e	2017e	2018e	Transitional period 2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	Term. Value
Sales	106.0	114.5	124.8	134.7	143.9	152.2	159.7	166.4	172.3	177.5	182.0	186.0	189.7	
Sales change	*9.0 %*	*8.0 %*	*9.0 %*	*8.0 %*	*6.8 %*	*5.8 %*	*4.9 %*	*4.2 %*	*3.5 %*	*3.0 %*	*2.6 %*	*2.2 %*	*2.0 %*	*2.0 %*
EBIT	11.4	13.4	16.5	19.5	23.0	25.1	27.1	28.8	29.8	30.7	31.5	32.2	32.8	
EBIT-margin	*10.7 %*	*11.7 %*	*13.3 %*	*14.5 %*	*16.0 %*	*16.5 %*	*17.0 %*	*17.3 %*	*17.3 %*	*17.3 %*	*17.3 %*	*17.3 %*	*17.3 %*	
Tax rate (EBT)	*22.5 %*	*26.0 %*	*27.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	
NOPAT	8.8	9.9	12.1	13.7	16.1	17.6	19.0	20.1	20.9	21.5	22.0	22.5	23.0	
Depreciation	9.7	10.3	11.0	11.5	10.1	9.6	10.1	10.5	10.9	11.2	11.5	11.7	12.0	
in % of Sales	*9.1 %*	*9.0 %*	*8.8 %*	*8.5 %*	*7.0 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	*6.3 %*	
Changes in provisions	0.2	0.5	0.5	0.7	0.3	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.3	
Change in Liquidity from														
- Working Capital	1.4	0.8	1.0	0.7	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	
- Capex	8.1	7.9	8.3	8.8	9.4	9.9	10.4	10.8	11.2	11.5	11.8	12.1	12.3	
Capex in % of Sales	*7.6 %*	*6.9 %*	*6.6 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	*6.5 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	9.2	12.1	14.3	16.4	16.2	17.2	18.6	19.7	20.5	21.1	21.6	22.1	22.6	23
PV of FCF	9.2	11.3	12.6	13.5	12.6	12.5	12.7	12.7	12.3	11.9	11.5	11.0	10.5	235
share of PVs	8.50 %			31.11 %										60.39 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	5.00 %	Financial Strength	0.90
Cost of debt (after tax)	1.4 %	Liquidity (share)	1.05
Market return	7.00 %	Cyclicality	0.90
Risk free rate	1.50 %	Transparency	1.00
		Others	1.00
WACC	**6.56 %**	**Beta**	**0.97**

Valuation (m)

Present values 2028e	154		
Terminal Value	235		
Financial liabilities	3		
Pension liabilities	11		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	18	No. of shares (m)	15.6
Equity Value	**394**	**Value per share (EUR)**	**25.23**

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth 1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.16	7.6 %	19.37	19.77	20.20	20.68	21.20	21.77	22.40
1.07	7.1 %	21.07	21.57	22.12	22.73	23.39	24.13	24.96
1.02	6.8 %	22.04	22.61	23.23	23.91	24.67	25.52	26.47
0.97	6.6 %	23.10	23.74	24.44	**25.23**	26.10	27.08	28.19
0.92	6.3 %	24.27	24.99	25.80	26.69	27.70	28.84	30.14
0.87	6.1 %	25.56	26.38	27.31	28.34	29.52	30.85	32.39
0.78	5.6 %	28.59	29.68	30.92	32.34	33.97	35.86	38.09

Beta	WACC	Delta EBIT-margin -1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.16	7.6 %	18.83	19.44	20.06	20.68	21.30	21.91	22.53
1.07	7.1 %	20.69	21.37	22.05	22.73	23.40	24.08	24.76
1.02	6.8 %	21.77	22.49	23.20	23.91	24.62	25.34	26.05
0.97	6.6 %	22.97	23.72	24.47	**25.23**	25.98	26.73	27.48
0.92	6.3 %	24.31	25.10	25.90	26.69	27.49	28.28	29.08
0.87	6.1 %	25.81	26.66	27.50	28.34	29.19	30.03	30.87
0.78	5.6 %	29.46	30.42	31.38	32.34	33.30	34.26	35.22

- Revenues highly visible as the wider economy has little impact and the proportion of maintenance revenue is rising
- Entry to new product areas, cross-selling and international expansion flank growth
- PPA-related amortisation currently burdening the EBIT margin
- Rising share of maintenance contracts contribute to margin expansion

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	5.7	6.8	8.1	7.8	8.6	9.9	12.1
+ Depreciation + Amortisation	6.5	7.1	7.0	9.2	9.7	10.3	11.0
- Net Interest Income	0.4	0.2	0.2	0.0	-0.3	0.0	0.0
- Maintenance Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Free Cash Flow Potential	**11.8**	**13.8**	**14.9**	**17.0**	**18.5**	**20.2**	**23.1**
Free Cash Flow Yield Potential	10.4 %	10.0 %	8.3 %	6.8 %	5.9 %	6.7 %	8.1 %
WACC	6.56 %	6.56 %	6.56 %	6.56 %	6.56 %	6.56 %	6.56 %
= Enterprise Value (EV)	**114.0**	**137.7**	**179.5**	**249.4**	**312.6**	**300.0**	**286.3**
= Fair Enterprise Value	**179.9**	**209.7**	**227.2**	**259.7**	**282.6**	**308.0**	**351.3**
- Net Debt (Cash)	-15.2	-15.2	-15.2	-15.2	-20.1	-33.2	-47.5
- Pension Liabilities	10.8	10.8	10.8	10.8	11.0	11.5	12.0
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Fair Market Capitalisation	**184.3**	**214.0**	**231.5**	**264.1**	**291.7**	**329.7**	**386.8**
No. of shares (total) (m)	15.6	15.6	15.6	15.6	15.6	15.6	15.6
= Fair value per share (EUR)	**11.80**	**13.70**	**14.83**	**16.91**	**18.68**	**21.11**	**24.76**
premium (-) / discount (+) in %					-8.8 %	3.1 %	21.0 %

Sensitivity Fair value per Share (EUR)

		2012	2013	2014	2015	2016e	2017e	2018e
	9.56 %	8.18	9.49	10.26	11.69	13.00	14.93	17.71
	8.56 %	9.11	10.57	11.43	13.03	14.45	16.51	19.51
	7.56 %	10.28	11.93	12.90	14.71	16.29	18.50	21.79
WACC	**6.56 %**	**11.80**	**13.70**	**14.83**	**16.91**	**18.68**	**21.11**	**24.76**
	5.56 %	13.87	16.12	17.44	19.90	21.93	24.66	28.81
	4.56 %	16.85	19.59	21.20	24.20	26.61	29.76	34.62
	3.56 %	21.49	25.01	27.07	30.91	33.91	37.72	43.70

- FCF-Value-CAGR 2012-2018e: 13%

Valuation

	2012	2013	2014	2015	2016e	2017e	2018e
Price / Book	1.7 x	2.0 x	2.3 x	2.8 x	3.3 x	3.0 x	2.7 x
Book value per share ex intangibles	18.74	23.73	1.38	0.90	1.12	1.92	2.81
EV / Sales	1.8 x	1.9 x	2.2 x	2.6 x	2.9 x	2.6 x	2.3 x
EV / EBITDA	9.6 x	10.1 x	11.9 x	13.2 x	14.9 x	12.7 x	10.4 x
EV / EBIT	21.2 x	21.1 x	22.4 x	25.9 x	27.4 x	22.4 x	17.3 x
EV / EBIT adj.*	15.9 x	16.1 x	18.2 x	19.8 x	21.7 x	18.3 x	14.7 x
P / FCF	43.0 x	27.7 x	32.9 x	28.5 x	29.3 x	24.6 x	22.4 x
P / E	19.5 x	20.0 x	21.6 x	33.2 x	37.2 x	32.0 x	26.6 x
P / E adj.*	19.5 x	20.0 x	21.6 x	33.2 x	37.2 x	32.0 x	26.6 x
Dividend Yield	1.2 %	1.1 %	1.1 %	0.9 %	0.8 %	0.9 %	1.0 %
Free Cash Flow Yield Potential	10.4 %	10.0 %	8.3 %	6.8 %	5.9 %	6.7 %	8.1 %

*Adjustments made for: PPA-related amortisation

Company Specific Items

	2012	2013	2014	2015	2016e	2017e	2018e
Licences	10.7	13.9	15.0	16.7	19.0	20.3	21.8
Services	47.1	52.8	58.6	75.4	81.5	88.8	96.7
Deliveries	4.5	6.6	6.6	5.2	6.0	7.0	8.0

Consolidated profit & loss

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Sales	**62.3**	**73.3**	**80.1**	**97.3**	**106.0**	**114.5**	**124.8**
Change Sales yoy	16.4 %	17.5 %	9.4 %	21.4 %	9.0 %	8.0 %	9.0 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	4.3	4.5	4.7	5.3	6.0	6.1	6.4
Total Sales	**66.6**	**77.8**	**84.8**	**102.6**	**112.0**	**120.5**	**131.1**
Material expenses	11.6	13.8	15.5	15.8	17.2	18.4	19.7
Gross profit	**55.0**	**64.0**	**69.3**	**86.7**	**94.8**	**102.1**	**111.4**
Gross profit margin	*88.2 %*	*87.3 %*	*86.5 %*	*89.2 %*	*89.5 %*	*89.2 %*	*89.3 %*
Personnel expenses	34.6	41.0	43.6	56.5	61.9	65.5	69.0
Other operating income	2.2	2.4	1.9	2.1	2.1	2.1	2.1
Other operating expenses	10.7	11.8	12.5	13.5	14.0	15.0	17.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**11.9**	**13.6**	**15.0**	**18.9**	**21.0**	**23.7**	**27.5**
Margin	*19.0 %*	*18.6 %*	*18.8 %*	*19.4 %*	*19.9 %*	*20.7 %*	*22.1 %*
Depreciation of fixed assets	0.7	0.9	0.9	1.2	1.3	1.4	1.5
EBITA	**11.1**	**12.7**	**14.1**	**17.7**	**19.7**	**22.3**	**26.0**
Amortisation of intangible assets	5.8	6.2	6.1	8.1	8.4	8.9	9.5
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**5.4**	**6.5**	**8.0**	**9.6**	**11.4**	**13.4**	**16.5**
Margin	*8.6 %*	*8.9 %*	*10.0 %*	*9.9 %*	*10.7 %*	*11.7 %*	*13.3 %*
EBIT adj.	**7.1**	**8.5**	**9.9**	**12.6**	**14.4**	**16.4**	**19.5**
Interest income	0.5	0.2	0.3	0.1	0.0	0.0	0.0
Interest expenses	0.0	0.1	0.1	0.2	0.3	0.0	0.0
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**5.8**	**6.7**	**8.2**	**9.6**	**11.1**	**13.4**	**16.5**
Margin	*9.3 %*	*9.1 %*	*10.3 %*	*9.9 %*	*10.5 %*	*11.7 %*	*13.3 %*
Total taxes	0.1	-0.1	0.1	1.8	2.5	3.5	4.5
Net income from continuing operations	**5.7**	**6.8**	**8.1**	**7.8**	**8.6**	**9.9**	**12.1**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**5.7**	**6.8**	**8.1**	**7.8**	**8.6**	**9.9**	**12.1**
Minority interest	-0.4	-0.4	-0.2	0.2	0.0	0.0	0.0
Net income	**6.1**	**7.2**	**8.3**	**7.6**	**8.6**	**9.9**	**12.1**
Margin	*9.8 %*	*9.9 %*	*10.3 %*	*7.8 %*	*8.1 %*	*8.7 %*	*9.7 %*
Number of shares, average	14.4	15.1	15.1	15.6	15.6	15.6	15.6
EPS	**0.42**	**0.48**	**0.55**	**0.49**	**0.55**	**0.64**	**0.77**
EPS adj.	0.42	0.48	0.55	0.49	0.55	0.64	0.77

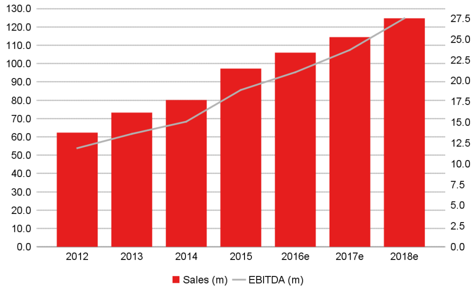
*Adjustments made for: PPA-related amortisation

Guidance: n.a.

Financial Ratios

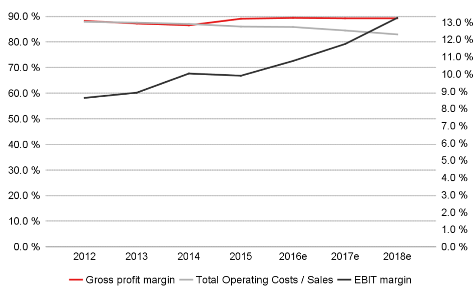
	2012	2013	2014	2015	2016e	2017e	2018e
Total Operating Costs / Sales	87.9 %	87.6 %	87.1 %	86.0 %	85.8 %	84.6 %	83.0 %
Operating Leverage	1.9 x	1.2 x	2.4 x	0.9 x	2.0 x	2.2 x	2.6 x
EBITDA / Interest expenses	912.8 x	216.2 x	190.4 x	108.5 x	70.2 x	n.a.	n.a.
Tax rate (EBT)	1.1 %	-2.1 %	1.6 %	19.1 %	22.5 %	26.0 %	27.0 %
Dividend Payout Ratio	25.2 %	24.2 %	24.2 %	28.1 %	29.1 %	28.3 %	25.9 %
Sales per Employee	110,141	113,762	121,068	117,192	117,778	n.a.	n.a.

Sales, EBITDA
in EUR m



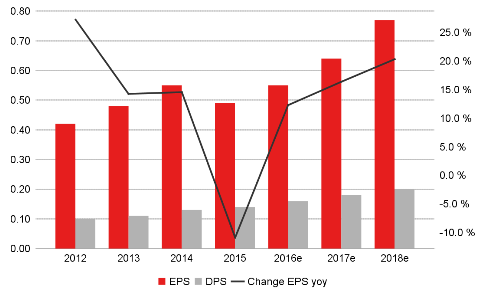
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

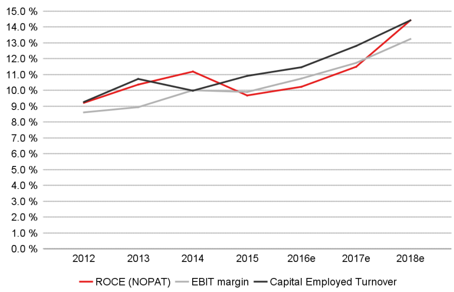
Consolidated balance sheet

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Assets							
Goodwill and other intangible assets	49.5	48.3	56.0	75.1	79.8	76.8	73.9
thereof other intangible assets	1.2	0.8	0.8	0.8	0.6	0.6	0.7
thereof Goodwill	25.2	24.5	28.0	39.1	47.0	47.0	47.0
Property, plant and equipment	1.9	1.9	2.2	4.9	7.8	8.2	8.6
Financial assets	11.3	9.6	9.8	3.1	3.1	3.1	3.1
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**62.7**	**59.8**	**68.0**	**83.1**	**90.7**	**88.1**	**85.5**
Inventories	0.4	0.3	0.6	0.7	0.8	0.9	1.0
Accounts receivable	19.1	19.3	19.3	20.4	21.8	22.9	24.3
Liquid assets	13.0	15.7	13.8	18.5	23.4	36.5	50.8
Other short-term assets	5.8	5.5	6.5	7.0	7.0	7.0	7.0
Current assets	**38.4**	**40.9**	**40.2**	**46.6**	**53.0**	**67.3**	**83.0**
Total Assets	**101.2**	**100.7**	**108.2**	**129.7**	**143.7**	**155.4**	**168.6**
Liabilities and shareholders' equity							
Subscribed capital	15.1	15.1	15.1	15.7	15.7	15.7	15.7
Capital reserve	25.8	25.8	26.0	34.0	34.0	34.0	34.0
Retained earnings	22.4	25.3	30.7	37.0	45.6	55.6	67.6
Other equity components	5.0	5.8	4.9	2.5	2.0	1.7	0.6
Shareholders' equity	68.2	72.0	76.7	89.3	97.4	107.0	118.0
Minority interest	-0.1	-0.5	-0.9	-0.3	-0.3	-0.3	-0.3
Total equity	**68.1**	**71.5**	**75.8**	**89.1**	**97.1**	**106.8**	**117.7**
Provisions	4.4	5.0	8.3	14.2	14.4	14.9	15.4
thereof provisions for pensions and similar obligations	2.6	3.4	6.0	10.8	11.0	11.5	12.0
Financial liabilities (total)	6.3	5.8	8.4	3.3	3.3	3.3	3.3
thereof short-term financial liabilities	0.4	0.2	0.3	0.0	0.0	0.0	0.0
Accounts payable	4.1	4.0	4.9	4.8	4.9	5.3	5.8
Other liabilities	18.3	14.4	10.8	18.4	24.0	25.2	26.4
Liabilities	**33.1**	**29.2**	**32.4**	**40.6**	**46.5**	**48.6**	**50.8**
Total liabilities and shareholders' equity	**101.2**	**100.7**	**108.2**	**129.7**	**143.7**	**155.4**	**168.6**

Financial Ratios

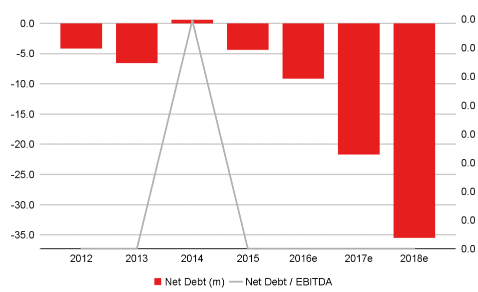
	2012	2013	2014	2015	2016e	2017e	2018e
Efficiency of Capital Employment							
Operating Assets Turnover	5.5 x	6.2 x	5.3 x	6.7 x	5.6 x	5.7 x	5.8 x
Capital Employed Turnover	1.0 x	1.1 x	1.0 x	1.1 x	1.2 x	1.3 x	1.5 x
ROA	9.7 %	12.1 %	12.2 %	9.1 %	9.5 %	11.3 %	14.1 %
Return on Capital							
ROCE (NOPAT)	9.2 %	10.4 %	11.2 %	9.7 %	10.2 %	11.5 %	14.4 %
ROE	9.7 %	10.3 %	11.1 %	9.1 %	9.2 %	9.7 %	10.7 %
Adj. ROE	9.7 %	10.3 %	11.1 %	9.1 %	9.2 %	9.7 %	10.7 %
Balance sheet quality							
Net Debt	-4.2	-6.6	0.6	-4.4	-9.1	-21.7	-35.5
Net Financial Debt	-6.8	-9.9	-5.4	-15.2	-20.1	-33.2	-47.5
Net Gearing	-6.1 %	-9.2 %	0.8 %	-4.9 %	-9.4 %	-20.3 %	-30.1 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	68.2	72.0	5.1	5.7	6.2	6.8	7.5
Book value per share ex intangibles	18.7	23.7	1.4	0.9	1.1	1.9	2.8

ROCE Development



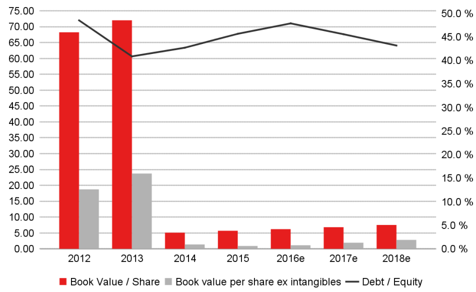
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

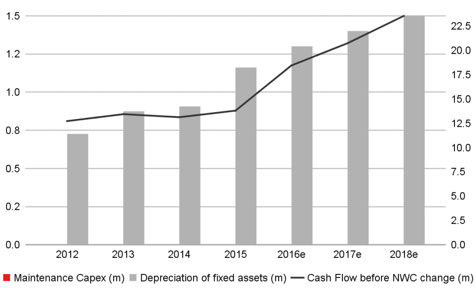
Consolidated cash flow statement

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Net income	5.7	6.8	8.1	7.8	8.6	9.9	12.1
Depreciation of fixed assets	0.7	0.9	0.9	1.2	1.3	1.4	1.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	5.8	6.2	6.1	8.1	8.4	8.9	9.5
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.2	0.5	0.5
Other non-cash income and expenses	0.5	-0.5	-2.0	-3.2	0.0	0.0	0.0
Cash Flow before NWC change	**12.7**	**13.5**	**13.1**	**13.8**	**18.4**	**20.7**	**23.6**
Increase / decrease in inventory	-0.2	0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Increase / decrease in accounts receivable	-4.0	0.4	1.5	6.1	-1.4	-1.1	-1.4
Increase / decrease in accounts payable	0.0	-1.7	-5.1	-5.2	0.1	0.4	0.5
Increase / decrease in other working capital positions	-0.2	-1.7	2.3	3.6	2.0	1.0	0.0
Increase / decrease in working capital (total)	-4.4	-2.9	-1.5	4.4	0.6	0.2	-1.0
Net cash provided by operating activities [1]	**8.3**	**10.5**	**11.6**	**18.1**	**19.1**	**20.9**	**22.6**
Investments in intangible assets	-4.6	-4.7	-4.8	-5.6	-6.3	-6.1	-6.4
Investments in property, plant and equipment	-0.9	-0.7	-1.3	-3.7	-1.8	-1.8	-1.9
Payments for acquisitions	-7.7	-0.3	-4.6	-14.0	-6.0	0.0	0.0
Financial investments	0.0	-2.0	1.1	-6.5	0.0	0.0	0.0
Income from asset disposals	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	**-13.0**	**-3.7**	**-11.8**	**-16.7**	**-14.1**	**-7.9**	**-8.3**
Change in financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	-1.4	-1.7	1.9	-2.0	0.0	0.0	0.0
Purchase of own shares	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	7.0	0.0	0.1	8.9	0.0	0.0	0.0
Other	0.0	-2.3	-0.5	-3.8	0.0	0.0	0.0
Net cash provided by financing activities [3]	**5.3**	**-4.0**	**1.4**	**3.2**	**0.0**	**0.0**	**0.0**
Change in liquid funds [1]+[2]+[3]	**0.6**	**2.9**	**1.2**	**4.6**	**5.0**	**13.1**	**14.3**
Effects of exchange-rate changes on cash	0.0	0.1	-0.1	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	12.6	15.9	16.8	18.0	23.2	36.2	50.5

Financial Ratios

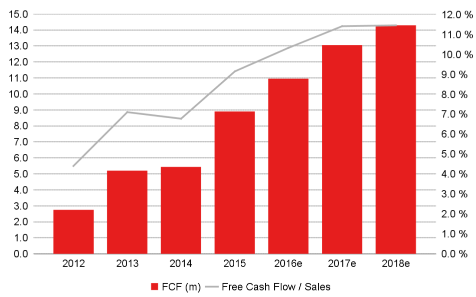
	2012	2013	2014	2015	2016e	2017e	2018e
Cash Flow							
FCF	2.8	5.2	5.4	8.9	11.0	13.1	14.3
Free Cash Flow / Sales	4.4 %	7.1 %	6.8 %	9.2 %	10.3 %	11.4 %	11.5 %
Free Cash Flow Potential	11.8	13.8	14.9	17.0	18.5	20.2	23.1
Free Cash Flow / Net Profit	45.1 %	72.0 %	65.6 %	117.4 %	127.5 %	131.4 %	118.4 %
Interest Received / Avg. Cash	3.8 %	1.5 %	1.9 %	0.9 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	0.3 %	1.0 %	1.1 %	3.0 %	9.1 %	0.0 %	0.0 %
Management of Funds							
Investment ratio	8.9 %	7.3 %	7.7 %	9.5 %	7.6 %	6.9 %	6.6 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	85.0 %	75.5 %	87.8 %	100.0 %	83.9 %	76.5 %	75.2 %
Avg. Working Capital / Sales	12.0 %	13.3 %	14.2 %	11.5 %	9.7 %	10.0 %	9.9 %
Trade Debtors / Trade Creditors	469.3 %	481.7 %	394.2 %	425.7 %	444.9 %	432.1 %	419.0 %
Inventory Turnover	28.1 x	48.8 x	26.3 x	22.4 x	21.5 x	20.5 x	19.7 x
Receivables collection period (days)	112	96	88	77	75	73	71
Payables payment period (days)	128	106	115	111	104	105	107
Cash conversion cycle (Days)	-298	-246	-149	-245	-226	-216	-209

CAPEX and Cash Flow
in EUR m



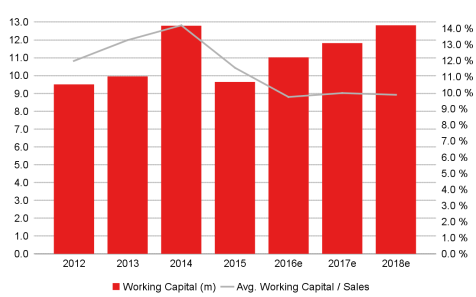
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
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"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

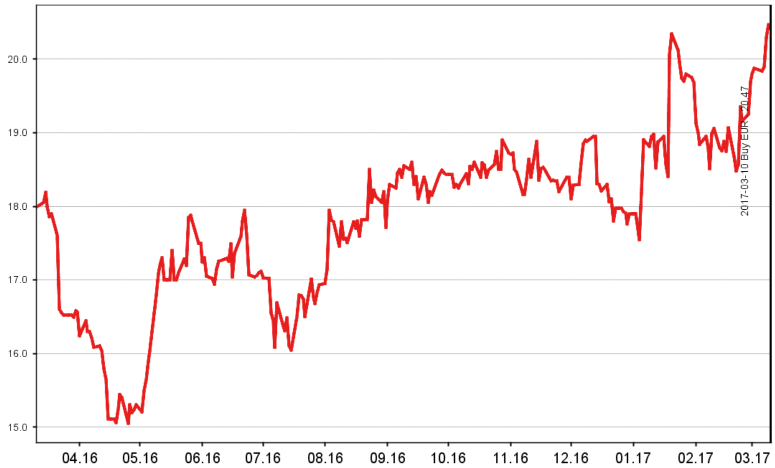
Rating	Number of stocks	% of Universe
Buy	121	62
Hold	64	33
Sell	10	5
Rating suspended	1	1
Total	**196**	**100**

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	27	73
Hold	7	19
Sell	2	5
Rating suspended	1	3
Total	**37**	**100**

PRICE AND RATING HISTORY NEXUS AS OF 10.03.2017



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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