

# Kepler Cheuvreux

**Europe's leading local broker**

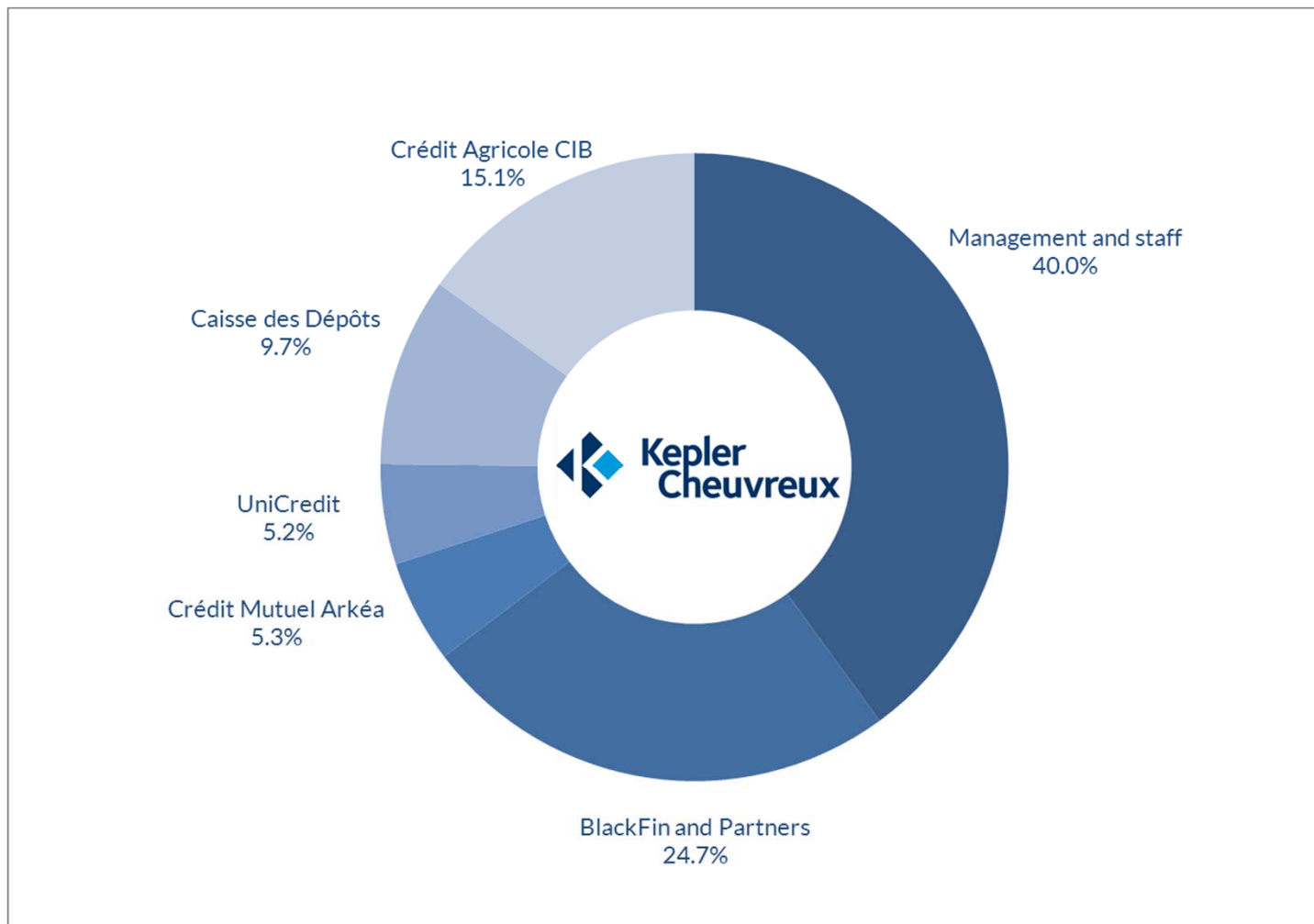
9<sup>th</sup> May 2016

# Europe's Leading Local Broker

- ❖ **European Equity Market Leadership:** only top-10 European broker with a different model/USP
- ❖ **Top ranked Independent Equity Research**
- ❖ **Most extensive Research Coverage in Continental Europe:** 100 analysts, 700 companies and > 90% of market cap
- ❖ **Largest Equity Distribution Platform in Europe** with over 110 sales and sales traders servicing more than 1200 institutional investors globally
- ❖ **Multi-local Presence** with offices in 10 European and 3 US locations. Research coverage out of 8 offices
- ❖ **Innovative ECM Partnerships** with UniCredit & CA-CIB
- ❖ **Independence:** pure agency broker with no proprietary trading and no in-house asset manager
- ❖ **Strong Front Office focus:** 70% of staff in research, sales, sales trading & execution
- ❖ **Market consolidator:** Banca Leonardo (2011), UniCredit (2011) & Crédit Agricole (2013)
- ❖ **Strong share holder base**
- ❖ **Diversified model:** Debt & Derivatives, Investment Solutions, European Corporate Broker leader

# Our shareholders

## A strong and diversified shareholding



Rec.	last Rec. change	Company	Price as of 06.Mai EUR	Volume average 20 Days	Shares out mn	Market cap € bn	EV bn curr	ATX Free Float (%)	ATX Indx wgt (%)	Price 12 months high low	Target price in EUR	Upside/Downs. potentia (%)	YTD perf. (%)	Div. Yield (%) 2016E	Next reporting for period	Analyst
Hold	25/04/2013	AMAG AUSTRIA METALL AG	32,285	1k	35,3	1,14	1,44			36,0 25,1	27,5	-14,8	0,9	3,7%	Q2 02.08.2016	Stephan Trubrich, CFA
Buy	11/11/2015	ANDRITZ AG	45,630	175k	104,0	4,73	3,66	70%	10,3	57,1 37,8	56,0	22,7	1,0	3,3%	Q2 05.08.2016	Thomas Neuhold, CFA
Hold	24/07/2014	AUSTRIA TECHNOLOGIE & SYS	11,845	41k	38,9	0,46	0,74	70%	1,0	16,4 10,1	17,0	43,5	-17,9	3,0%	Y 10.05.2016	Stephan Trubrich, CFA
Buy	28/04/2014	BUWOG AG	18,790	137k	99,8	1,87	3,54	70%	4,1	20,0 16,2	22,0	17,1	32,1	3,7%	Y 31.08.2016	Thomas Neuhold, CFA
Buy	18/03/2016	CA IMMOBILIEN ANLAGEN AG	16,650	180k	98,8	1,64	2,57	80%	4,1	18,9 13,9	19,5	17,1	1,7	3,3%	Q1 25.05.2016	Thomas Neuhold, CFA
Buy	27/08/2015	CONWERT IMMOBILIEN INVEST	13,785	102k	94,6	1,31	2,42	80%	3,2	14,4 10,9	15,5	12,4	-1,5	3,3%	Q1 24.05.2016	Thomas Neuhold, CFA
Hold	08/09/2015	CROSS INDUSTRIES AG	3,719	3k	225,4	0,84	1,93			6,0 1,9	3,4	-8,6	0,5	0,8%	Q1 13.05.2016	Stephan Trubrich, CFA
Buy	20/11/2015	DO & CO AG	95,87	7k	9,7	0,94	1,35			108,4 68,2	100,0	4,3	-3,0	1,1%	Y 31.05.2016	Stephan Trubrich, CFA
Hold	28/02/2013	ERSTE GROUP BANK AG	23,795	682k	429,8	10,19		70%	19,3	29,7 21,9	28,0	17,7	-18,0	2,5%	Q2 05.08.2016	Thomas Neuhold, CFA
Hold	10/04/2012	EVN AG	10,370	21k	179,9	1,88	2,43			10,5 9,6	11,0	6,1	-0,5	4,1%	Q2 25.05.2016	Stephan Trubrich, CFA
Hold	08/08/2014	FLUGHAFEN WIEN AG	99,670	13k	21,0	2,09	2,44			100,8 74,2	71,0	-28,8	13,8	2,2%	Q1 18.05.2016	Ruxandra Haradau-Dose
Hold	24/03/2015	IMMOFINANZ AG	2,040	2.497k	976,0	1,99	4,86	90%	5,6	2,7 1,6	2,2	7,8	-2,7	2,9%	Y 27.07.2016	Thomas Neuhold, CFA
cept Offer	30/03/2016	KTM AG	122,75	0k	10,8	1,33	1,44			130,0 99,7	122,5	-0,2	0,6	1,8%	S1 31.08.2016	Stephan Trubrich, CFA
Buy	30/04/2015	LENZING AG	71,500	10k	26,6	1,90	2,12	30%	1,8	75,7 54,2	90,0	25,9	3,1	3,5%	Q1 12.05.2016	Stephan Trubrich, CFA
Hold	08/05/2013	MAYR-MELNHOF KARTON AG	103,70	4k	20,0	2,08	1,74			118,0 95,3	113,0	9,0	-9,2	2,7%	Q1 19.05.2016	Mikael Jafs
Buy	06/02/2010	OESTERREICHISCHE POST AG	33,665	76k	67,6	2,27	1,98	50%	3,5	43,2 27,7	40,0	18,8	5,6	6,1%	Q1 13.05.2016	Andre Mulder
Reduce	10/03/2016	OMV AG	24,765	415k	327,3	8,27	15,77	50%	12,8	30,9 20,8	20,0	-19,2	-3,3	4,0%	Q1 11.05.2016	Bertrand Hodée
Buy	08/02/2016	PALFINGER AG	26,485	9k	37,6	1,00	1,20			28,3 22,0	30,0	13,3	0,1	2,5%	Q2 27.07.2016	Thomas Neuhold, CFA
Hold	05/08/2015	PANKL RACING SYSTEMS AG	28,590	0k	3,2	0,09	0,18			30,0 25,8	28,0	-2,1	4,0	2,3%	Q1 09.05.2016	Stephan Trubrich, CFA
Buy	10/11/2015	PORR AG	26,300	18k	29,1	0,78	0,73			30,5 20,4	35,0	33,1	-5,1	4,8%	Q1 31.05.2016	Stephan Trubrich, CFA
Buy	23/01/2014	RAIFFEISEN BANK INTERNATIC	13,460	531k	293,0	3,97		40%	4,9	15,7 10,0	17,0	26,3	-0,3	3,7%	Q1 12.05.2016	Thomas Neuhold, CFA
Buy	05/10/2015	RHI AG	17,720	46k	39,8	0,71	1,23	70%	1,5	26,1 14,5	24,0	35,4	-0,6	4,2%	Q1 12.05.2016	Thomas Neuhold, CFA
Hold	07/08/2013	ROSENBAUER INTERNATIONAL	58,650	4k	6,8	0,40	0,74			82,7 45,8	75,0	27,9	-12,2	2,6%	Q1 25.05.2016	Stephan Trubrich, CFA
Hold	07/10/2013	SCHOELLER-BLECKMANN OIL	56,230	23k	16,0	0,93	0,89	70%	2,0	67,2 40,3	49,0	-12,9	14,8	0,9%	Q1 25.05.2016	Stephan Trubrich, CFA
Hold	13/09/2013	SEMPERIT AG HOLDING	30,550	6k	20,6	0,63	0,83			40,0 25,8	35,0	14,6	-1,5	4,3%	Q1 19.05.2016	Stephan Trubrich, CFA
Hold	27/03/2015	S IMMO AG	8,351	39k	66,9	0,56	0,00			8,6 7,1	8,0	-4,2	2,2	4,2%	Q2 31.08.2016	Benjamin Terdjman
Hold	27/03/2012	STRABAG SE-BR	28,400	10k	114,0	3,24	2,17			28,5 19,3	27,5	-3,2	20,6	3,0%	Q1 31.05.2016	Stephan Trubrich, CFA
Reduce	16/10/2014	TELEKOM AUSTRIA AG	5,458	185k	664,5	3,63	7,58	20%	2,3	6,7 4,7	5,0	-8,4	8,3	0,9%	Q2 15.07.2016	Javier Borrachero, CFA
Buy	28/05/2015	UBM DEVELOPMENT AG	33,550	4k	7,5	0,26	0,00			44,3 26,7	50,0	49,0	-6,3	7,0%	Q1 12.05.2016	Thomas Neuhold, CFA
Reduce	08/01/2013	VERBUND AG	11,795	138k	170,2	4,12	7,47	40%	2,5	15,3 10,0	9,0	-23,7	0,1	0,0%	Q2 28.07.2016	Ingo Becker, CFA
Buy	26/08/2015	VIENNA INSURANCE GROUP A	19,120	187k	128,0	2,47		30%	2,3	37,3 18,2	25,0	30,8	-23,7	4,7%	Q1 24.05.2016	Thomas Neuhold, CFA
Buy	16/11/2015	VOESTALPINE AG	28,940	369k	174,9	5,19	10,52	60%	9,7	42,0 22,1	30,0	3,7	4,7	3,8%	Y 03.06.2016	Rochus Brauneiser, CEF
Hold	30/10/2015	WIENERBERGER AG	15,450	208k	117,5	1,84	2,97	####	5,7	17,9 11,8	17,0	10,0	-8,5	1,6%	Q2 17.08.2016	Stephan Trubrich, CFA
Reduce	29/02/2016	ZUMTOBEL GROUP AG	11,305	418k	43,5	0,49	0,81	70%	1,1	30,1 10,2	13,5	19,4	-51,9	3,5%	Y 22.06.2016	William Mackie

## The need of a good investment story in Equity Sales

- Trend from active to passive investments
- Consequence: More competition for active managers by companies
  - 460bn ETF volume in Europe in 2014 of which some 70% equity → 322bn
- Why do passive investors buy or sell?
  - Index changes only → can create buy or sell opportunity for active fund managers and therefore a sales story

## What is a good investment story for Sales?

- Appeals a fundamental component of human nature e.g. greed, hope, fear or envy
- Push value drivers of the company
- Story backed up by evidence
- Adapt your story to your listeners – Know your clients!
  - Would your investor take a high risk?
  - Is he an optimist? Or a pessimist?
- A good story transforms a company into something to grasp

Why does it work? Because we simply love stories!

# 3 steps for Equity Sales to find a good story:

## First: THINK

- Do your homework!
- Know internal and external company factors

### Internal factors

- Financial figures
  - Good income statement
  - Dividend policy
  - Outlook
- Long-term Strategy
- Management structure & performance
  - Good cooperation between management board and supervisory board
- Example: Semperit

### External factors

- Shareholder structure
  - Uncertainty
  - Example: Telekom Austria
- Competition
- Macroeconomic figures & trends
  - Inflation and unemployment
  - Consumption
  - GDP
- Sector trends
  - Changes in the company's environment
  - Examples: Rosenbauer, Verbund, Schoeller-Bleckmann

## Second: TELL

- The story must be convincing – “You won’t believe the messenger if you don’t believe the message”
- Include some personal information, e.g. the founding story
- Focus on strengths, but also include weaknesses

## Third: SELL

- “You never get a second chance on a first impression!”
- The key: How to present the story
  - With an authentic personality
  - With well-structured story combined with a summed up core message
  - An impressive staging



# Example Lenzing: Strong views from Research

WHY YOU MUST BUY \*\*\*LENZING\*\*\* AND HOLD FOR >5 YEARS. Detailed note published today - analyst is excellent! - Message (HTML)

File Message Insert Options Format Text Review

Cut Copy Paste Format Painter Clipboard

Basic Text

Names

Include

Follow Up High Importance Low Importance Tags

Zoom

To... Cc... Bcc...

Send

Subject: WHY YOU MUST BUY \*\*\*LENZING\*\*\* AND HOLD FOR >5 YEARS. Detailed note published today - analyst is excellent!

**(+) LENZING – BUY (cap €1.6bn, adv €1.1m, ↑PT 31%) IN-DEPTH RESEARCH REPORT. MULTI-YEAR INVESTMENT.** Lenzing is the **global leader** in the production of wood-based cellulose fibres (WBCF) and provides exposure to the **secular growth market** in textile and non-wovens with consumption growing **+3-4% CAGR 2015-20**. Within that sector, Lenzing is the **technological and cost leader** and, under **new management**, will outperform market growth with a **+5-6% revenue CAGR 2015-20** accompanied by significant **operational leverage** giving **+15% EBITDA CAGR 2015-18**.

Following the crash in cotton prices and Lenzing’s profitability in 2012-13, there is **deep scepticism amongst investors who view the company as a commodity producer**. This note sets out why that scepticism is misplaced. As far as I’m aware, [this 83-page note](#) is **not** driven primarily by ECM considerations. It’s an old-fashioned, well researched bottom up analysis of an exciting growth stock; the sort of thing that the sell-side should be producing more of, but rarely does.

Lenzing’s majority owner has restructured the management team and hired a **new CEO and COO who are excellent with deep industry contacts, proven track records** and a strong focus on “value, not volume”.

Lenzing’s highly **cash-generative** business model not only enables the internal financing of its expansion, but also facilitates attractive dividend payouts and a **healthy balance sheet (0.7x Net debt/EBITDA)**. A newly formed, internationally experienced management team seeks to capitalise on these virtues to transform Lenzing into a specialised niche player by 2020.

Lenzing benefits from its leading position in terms of: market share (currently 19% share in capacity but 21% in production), cost (>55% vertically integrated in most important input dissolving pulp) and technology (the only producer of all three WBCF generations, viscose, modal and lyocell on an industrial scale).

Despite significant consensus hikes in recent quarters, **our forecast remains significantly ahead of consensus** (EPS: +15% for 2016, +18% for 2017), and we continue to see further upside to our estimates given the company’s **considerable operating leverage (a €0.01 change in the group’s ASP has a €9-10m impact on EBITDA)**. Q1 results on 12 May should be a trigger, in our view

Lenzing’s long-term growth is supported by strong secular trends, including a rising middle class in China and increasing **sustainability awareness**. NGO’s are successfully exerting pressure on fashion houses & retailers to sell less cotton, the production of which is environmentally damaging.

We identify several structural drivers that will maintain this growth in WBCF. As mentioned above, cotton is supply-constrained. Secondly, due to fibre innovations, process improvements and increasing application expertise, **WBCFs are ideal blending partners with cotton and polyester**.

Finally, in nonwovens (c10% of global fibre market), the underlying fundamentals are reassuring, owing to the structurally **rising penetration of disposable products** (e.g. wipes, hygiene products) with flushability and **bio-degradability** currently being the **key differentiators**, which bodes particularly well for Lenzing’s Tencel (generic name lyocell).

**Management is conservative in forecasting** and we think that Lenzing could beat its 2020 targets, forecasting a 15% EBITDA CAGR over 2014-18 (vs. a 10% target for 2014-20) and **ROIC of 11.6%** in 2018 (vs. a 2020 target of “at least” 10%).

Stephan’s target price is derived from a three-stage DCF model and EV/EBITDA valuation, which yields a **TP of €90** (up from €80), **implying 35% upside**. Also, its relative valuation (5.1x 2017 EBITDA vs. 7.4x sector average) remains highly attractive in a sector context in light of expected earnings growth (17% EPS CAGR 2015-18).

# Example UNIQA: Exit from Lazard AM in Jan 2016



# Example UNIQA: CMD March 2016 – Dividend policy

Outline

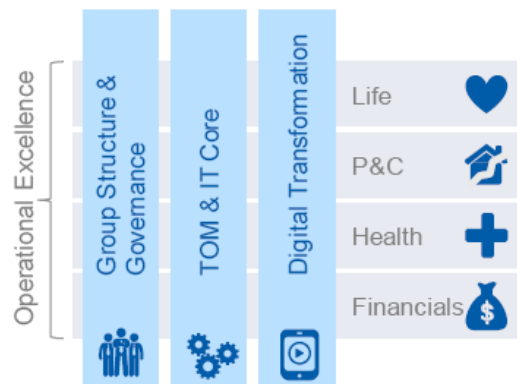
Main Messages



## C1

### UNIQA will be able to ensure attractive financial results

#### Key initiatives 2016–2020



#### Operating KPIs

GWP	2% p.a.
NCR <sup>2</sup>	<21% in 2020
COR	<95% in 2020
ECR	>170% from 2016

#### Targeted financial results

13.5% operating ROE<sup>1</sup> average in 2017–2020

“Each year increasing DPS” in 2016–2020

Net cost reduction and Combined Ratio improvement will provide attractive returns on key initiatives

# Example UNIQA: CMD March 2016 – Dividend policy

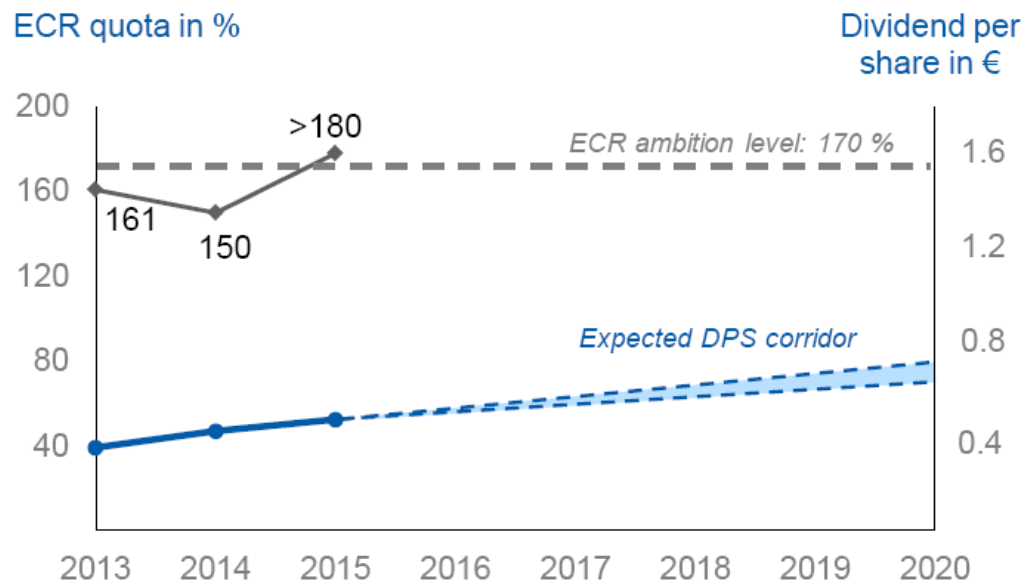
Outline

Main Messages



## C2 Reduced capital requirements and sustainable cash flow enable increasing dividend payments

### Anticipated dividends



- ECR quota expected to remain above ambition level from 2015 onwards
  - Product shift to less capital intensive products
  - Capital release from maturing guaranteed back book
  - Increasing operating profit in P&C

Constant increase of dividend per share anticipated for 2016–2020, despite extraordinary investments

# Example Verbund: long-term falling power prices



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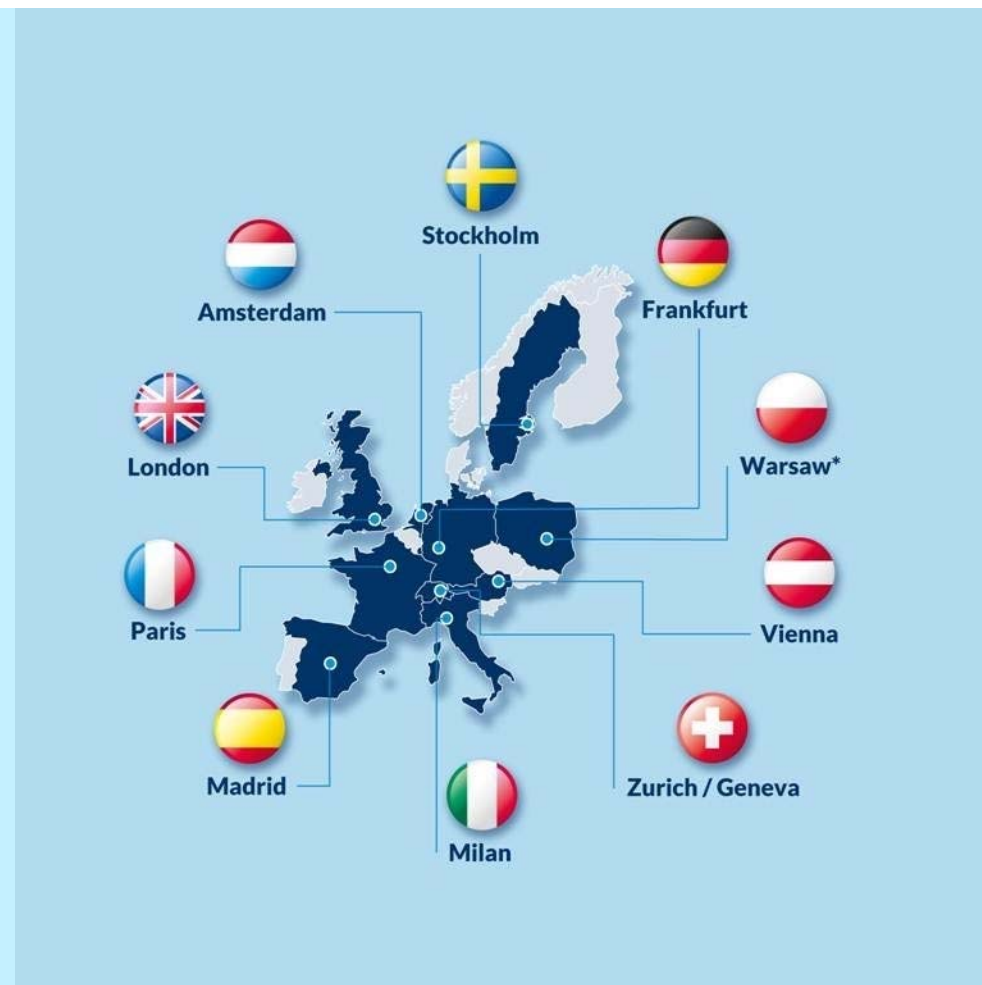
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