

February 16th, 2018

Research comment

SMC Research
Small and Mid Cap Research

Staramba SE

Proof of Concept

Rating: **Speculative Buy** (unchanged) | Price: **39.90 Euro** | Price target: **73.30 Euro**

Analyst: Dipl.-Kfm. Holger Steffen
sc-consult GmbH, Alter Steinweg 46, 48143 Münster

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Phone: +49 (0) 251-13476-94
Telefax: +49 (0) 251-13476-92
E-Mail: kontakt@sc-consult.com
Internet: www.sc-consult.com

2017's sales increased by 670 percent



Basic data

Based in: Berlin
Sector: 3D and VR technology
Headcount: 85
Accounting: HGB

ISIN: DE000A1K03W5
Price: 39.90 Euro
Market segment: General Standard
Number of shares: 2.33 m
Market Cap: 93.0 m Euro
Enterprise Value: 96.6 m Euro
Free float: 17.7 %
Price high/low (12M): 55.80 / 11.00 Euro
Ø turnover (Xetra, 12M): 191,400 Euro

FY ends: 31.12.	2017e	2018e	2019e
Sales (m Euro)	16.1	30.6	48.9
EBIT (m Euro)	-7.9	-2.3	4.7
Net profit	-10.7	-3.5	2.9
EpS	-4.57	-1.15	0.97
Dividend per share	0.00	0.00	0.00
Sales growth	670.0%	90.0%	60.0%
Profit growth	-	-	-
PSR	5.78	3.04	2.45
PER	-	-	41.2
PCR	-	17.21	9.17
EV / EBIT	-	-	26.4
Dividend yield	0.0%	0.0%	0.0%

* from 2018 on fully diluted

Current development

Staramba has published a preliminary sales figure for 2017 of EUR 16.1 m, slightly surpassing the management's ambitious forecast, which had aimed at sales of at least EUR 15.9 m. Sales have thus increased by 670 percent within one year.

One important driver was the 3D data and services business, which benefitted by the high demand for avatar models and virtual reality (VR) solutions. Another major impulse came from the selling of the photogrammetry scanner Instagramh. Its new generation, launched in the middle of last year, is the first solution in the market that allows high-quality scans without the need for an expensive editing.

Staramba has not yet made any forecasts for 2018. However, we expect another sharp increase in sales. The already dynamic business will be very likely spurred on even more by the football World Cup, and the company is poised to reach the next milestone in September due to the market launch of the VR network Staramba.spaces.

Conclusion

Especially Staramba.spaces harbours a high potential, as the company uses the network to position itself as a pioneer in the already fast-growing future market VR. Moreover, a successful placement of the newly launched cryptocurrency ROYALTY (which is still at the pre-sale stage) would again considerably extend the Berliners' financial leeway for the expansion. In our valuation model – nearly unchanged for the time being; only the sales base for 2017 was adjusted from EUR 16m to EUR 16.1 m – we still calculate with a high, profitable growth and see the fair value still at EUR 73.30. The rating remains “speculative buy”.

Annex I: DCF model

m Euro	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
Sales	30.6	48.9	68.5	89.0	106.8	117.5	129.3	135.7
Sales growth		60.0%	40.0%	30.0%	20.0%	10.0%	10.0%	5.0%
EBIT margin	-7.5%	9.6%	13.8%	15.0%	15.1%	16.7%	18.3%	16.8%
EBIT	-2.3	4.7	9.4	13.4	16.1	19.6	23.6	22.7
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Adjusted tax payments	3.1	5.2	6.6	7.8	8.4	7.8	7.2	6.8
NOPAT	-5.4	-0.5	2.8	5.6	7.7	11.8	16.4	15.9
+ Depreciation & Amortisation	12.5	12.6	12.7	12.7	11.9	6.5	0.5	0.5
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating Cash Flows	7.2	12.1	15.5	18.2	19.6	18.2	16.9	16.5
- Increase Net Working Capital	-3.7	-2.4	-2.7	-3.1	-3.2	-2.6	-1.9	-2.0
- Investments in fixed assets	-0.6	-0.5	-0.7	-0.9	-1.1	-0.8	-0.6	-0.7
Free Cash Flows	2.9	9.2	12.1	14.2	15.3	14.8	14.3	13.7

SMC estimation model

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
ASSETS									
I. Total non-current assets	72.80	60.86	48.72	36.73	24.96	14.17	8.54	8.67	8.81
1. Intangible assets	72.42	59.92	47.42	34.92	22.52	11.02	5.02	5.02	5.02
2. Tangible assets	0.29	0.86	1.22	1.72	2.36	3.07	3.43	3.56	3.71
II. Total current assets	7.64	39.67	55.85	76.76	100.86	122.34	140.52	154.93	167.73
LIABILITIES									
I. Equity	48.20	66.84	73.24	80.63	91.11	99.73	110.17	122.58	133.36
II. Accruals	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
III. Liabilities	32.10	33.56	31.20	32.72	34.56	36.65	38.76	40.88	43.04
1. Long-term liabilities	26.12	26.12	22.64	22.65	22.65	22.65	22.66	22.66	22.66
2. Short-term liabilities	5.98	7.44	8.56	10.07	11.91	14.00	16.10	18.22	20.38
TOTAL	80.56	100.66	104.70	113.61	125.94	136.64	149.19	163.72	176.66

P&L estimation

m Euro	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
Sales	16.09	30.58	48.92	68.49	89.04	106.84	117.53	129.28	135.74
Total operating revenue	15.99	30.73	49.12	68.69	89.24	107.04	117.73	129.48	135.94
Gross profit	11.08	22.16	36.40	50.20	64.31	76.06	82.47	89.40	93.18
EBITDA	4.81	10.24	17.32	22.12	26.02	27.98	26.06	24.12	23.28
EBIT	-7.92	-2.30	4.69	9.43	13.36	16.13	19.60	23.60	22.74
EBT	-8.20	-2.57	5.31	10.56	14.98	18.29	22.23	26.62	26.06
EAT (before minorities)	-10.66	-3.47	2.92	7.39	10.48	12.81	15.56	18.64	18.24
EAT	-10.66	-3.47	2.92	7.39	10.48	12.81	15.56	18.64	18.24
EPS	-4.57	-1.15	0.97	2.46	3.48	4.25	5.17	6.19	6.06

Annex III: Cash Flows estimation and key figures

Cash Flows estimation

m Euro	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
CF operating	-0.22	5.40	13.10	17.34	20.03	21.45	19.44	17.21	16.74
CF from investments	-2.84	-0.61	-0.49	-0.68	-0.89	-1.07	-0.82	-0.65	-0.68
CF financing	3.68	22.35	0.63	0.83	0.96	-3.17	-4.19	-5.40	-6.65
Liquidity beginning of year	0.01	0.63	27.77	41.01	58.50	78.59	95.80	110.22	121.39
Liquidity end of year	0.63	27.77	41.01	58.50	78.59	95.80	110.22	121.39	130.80

Key figures

Percent	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
Sales growth	670.0%	90.0%	60.0%	40.0%	30.0%	20.0%	10.0%	10.0%	5.0%
Gross margin	68.9%	72.5%	74.4%	73.3%	72.2%	71.2%	70.2%	69.2%	68.6%
EBITDA margin	29.9%	33.5%	35.4%	32.3%	29.2%	26.2%	22.2%	18.7%	17.1%
EBIT margin	-49.2%	-7.5%	9.6%	13.8%	15.0%	15.1%	16.7%	18.3%	16.8%
EBT margin	-50.9%	-8.4%	10.8%	15.4%	16.8%	17.1%	18.9%	20.6%	19.2%
Net margin	-66.2%	-11.4%	6.0%	10.8%	11.8%	12.0%	13.2%	14.4%	13.4%

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Editor

sc-consult GmbH

Alter Steinweg 46

48143 Münster

Internet: www.sc-consult.com

Phone: +49 (0) 251-13476-94

Telefax: +49 (0) 251-13476-92

E-Mail: kontakt@sc-consult.com

Responsible analyst

Dipl.-Kfm. Holger Steffen

Charts

The charts were made with Tai-Pan (www.lp-software.de).

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The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

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04.12.2017	Speculative Buy	73.30 Euro	1), 3), 4), 7)
06.11.2017	Speculative Buy	73.30 Euro	1), 3), 7)
20.07.2017	Speculative Buy	63.15 Euro	1), 3), 7)
03.05.2017	Speculative Buy	54.00 Euro	1), 3), 7)
08.03.2017	Speculative Buy	21.15 Euro	1), 3), 4), 7)
09.12.2016	Speculative Buy	18.70 Euro	1), 3), 4), 7)
08.11.2016	Speculative Buy	18.70 Euro	1), 3), 4), 7)
22.06.2016	Speculative Buy	18.30 Euro	1), 3), 7)

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