

TELECOMMUNICATIONS

A Research Publication by DZ BANK AG

ecotel communication³⁾⁶⁾

Reuters: E4CG.DE

Bloomberg: E4C GY

| Year * | Sales EUR m | Adj. IFRS- Earnings per sh. EUR | Cash flow per share EUR | PER | PCF | Dividend per share EUR |
|--------|----------------|---------------------------------------|-------------------------------|------|------|------------------------------|
| 2011 | 84.5 (84.5) | 0.42 (0.42) | 1.26 (1.26) | 11.5 | 3.8 | 0.00 |
| 2012 | 94.3 (94.3) | -0.70 (-0.70) | 0.21 (1.01) | - | 24.0 | 0.00 |
| 2013e | 86.3 (86.3) | 0.49 (0.49) | 1.56 (1.56) | 12.1 | 3.8 | 0.20 |
| 2014e | 92.8 (92.8) | 0.73 (0.73) | 1.86 (1.86) | 8.1 | 3.2 | 0.25 |

* Fiscal year end December – In brackets: Figures from the last publication

Annual Report 2012 confirms provisional figures

- » **Annual Report 2012:** the Annual Report 2012 confirms the provisional figures presented at the end of February. Accordingly, the Group reports a net loss despite very sound operating earnings. This is based on various non-cash negative non-recurring items. Essentially, these include depreciation of goodwill (EUR 2.9m at nacamar GmbH), value-adjustments on loans within the Group (EUR 1m) and other (EUR 0.2 million).
Sales: EUR 94.3m (+11.6% yoy)
EBITDA (before non-recurring items): EUR 6.8m (+3.0% yoy)
Net result: minus EUR 2.6m (vs. EUR 1.1m in 2011)
FCF (before minorities): EUR 4.1m (-13% yoy)
- » **Share buyback programme:** in the separate financial statements, the non-recurring items lead to the company not being able to pay a dividend for “technical” reasons. As an alternative, the management has decided to launch an additional share buyback programme and now plans to buy back 175,000 shares.
- » **Model:** we have included the Annual Report 2012 in our model and not made any changes to the profit estimates for 2013 et seq. either. In the mix of methods from peer group and DCF, we arrive at an unchanged fair value of around EUR 7 per share.

The Annual Report 2012 has confirmed the provisional figures presented at the end of February. We are leaving our estimates unchanged and confirm both the “Buy” recommendation and the fair value of EUR 7.0.

| Selected Companies | Price on 26 Mar 2013 | PER 13e | PER 14e | EV / EBITDA 13e | EV / 14e | EV / Sales 13e | Re- com. |
|--|-------------------------|-------------|------------|--------------------|-------------|-------------------|-------------|
| ecotel communication | 5.90 EUR | 12.1 | 8.1 | 3.7 | 2.7 | 0.30 | ↑ |
| QSC | 2.60 EUR | 15.2 | 9.9 | 4.1 | 3.4 | 0.73 | → |
| United Internet | 18.60 EUR | 17.3 | 13.9 | 9.7 | 7.8 | 1.47 | ↑ |
| Mox Telecom AG | 3.83 EUR | 4.2 | 3.4 | - | - | - | - |
| freenet | 18.41 EUR | 9.6 | 9.1 | 7.7 | 7.5 | 0.85 | ↑ |
| Median for all peer group companies | | 12.4 | 9.5 | 7.7 | 7.5 | 0.85 | - |

↑ = Buy, → = Hold, ↓ = Sell, ● = not rated, n/a = not appropriate
Source: DZ BANK, I/B/E/S, FactSet

EQUITIES

Flash
27 Mar 2013

Buy (prev. Buy)

Closing price 26 Mar 2013

(in EUR): 5.90

Fair value: 7.00 (prev. 7.00)

Risk classification: 5

Financial ratios 2013e:

| | |
|--------------------------------|------|
| Book value per share (in EUR): | 5.50 |
| Equity ratio (in %): | 50.1 |
| Net margin (in %): | 2.5 |
| ROE (in %): | 10.3 |
| Dividend yield (in %): | 3.4 |
| Free cash flow (EUR m): | -3.1 |
| Net debt (EUR m): | 3.3 |

Number of shares

(million units): 3.5

Market cap

(in EUR m): 20.71

Free float (in %): 20.4

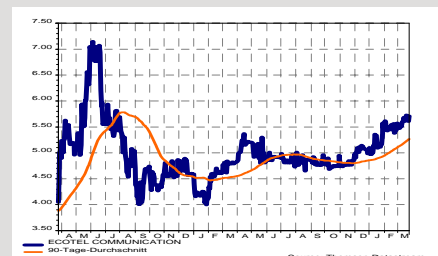
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Author: Karsten Oblinger, Analyst

DZ BANK
Bank on Germany

AT A GLANCE

Company profile

ecotel communications is a telcoms company operating nationwide and with the focus on corporate customers. On top of this core business, ecotel also runs a wholesale segment as well as a "New business" segment, where strongly growing business units are consolidated.

Basis for investment recommendation

In the recent quarters Ecotel managed to stabilise the business, while at the same time reducing debt significantly. The future prospects are bright. We forecast strong earnings growth in the years to come. This outlook is not yet reflected in the current share price level.

Price sensitive current issues

- » Stabilisation of the business
- » Margin expansion
- » Large scale orders (B2B segment)
- » Dividend

Opportunities and risks

| Opportunities | Risks |
|---|-----------------------------|
| Better than expected business development | High Pre-selection exposure |
| Consolidation | Rising competition |

PROFIT AND LOSS ACCOUNT

| Euro m | 2011 | 2012 | 2013e | 2014e | 2015e |
|--|-------------|-------------|-------------|-------------|--------------|
| Sales | 84.5 | 94.3 | 86.3 | 92.8 | 100.0 |
| Change in inventory/Own work | 0.0 | 0.1 | 0.8 | 0.8 | 0.7 |
| Total output | 84.5 | 94.4 | 87.1 | 93.6 | 100.7 |
| % against prev. year | -14% | 12% | -8% | 7% | 8% |
| Cost of materials | -59.9 | -69.2 | -61.1 | -65.5 | -70.5 |
| Personnel expenses | -9.7 | -10.0 | -9.8 | -10.1 | -10.5 |
| Other operating income | 1.6 | 1.0 | 0.0 | 0.0 | 0.0 |
| Other operating expenses | -9.5 | -9.3 | -9.1 | -9.3 | -9.6 |
| Extraordinary income/expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBITDA | 7.0 | 6.8 | 7.1 | 8.7 | 10.1 |
| For information: EBITDA adjusted | 6.8 | 3.8 | 7.1 | 8.7 | 10.1 |
| Depreciation | -3.9 | -6.5 | -3.8 | -4.0 | -4.1 |
| thereof on goodwill | -0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating profit (EBIT) | 3.1 | 0.4 | 3.3 | 4.7 | 6.0 |
| For information: EBIT adjusted | 3.5 | 0.4 | 3.3 | 4.7 | 6.0 |
| % against prev. year | 133% | -89% | 744% | 40% | 28% |
| Interest paid / received | -0.4 | -1.3 | -0.2 | -0.1 | -0.1 |
| Profit before tax | 2.7 | -0.9 | 3.2 | 4.5 | 5.8 |
| For information: EBT adjusted | 3.1 | -0.9 | 3.2 | 4.5 | 5.8 |
| % against prev. year | 343% | -128% | | 43% | 29% |
| Income taxes from continuing operations | -1.0 | -0.8 | -0.9 | -1.4 | -1.8 |
| Tax rate | 37% | -87% | 30% | 30% | 30% |
| Net profit from continuing operations | 1.7 | -1.6 | 2.2 | 3.2 | 4.1 |
| Net profit from discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 1.7 | -1.6 | 2.2 | 3.2 | 4.1 |
| Profit or loss attributable to minority interest | -0.6 | -0.9 | -0.5 | -0.6 | -0.5 |
| Profit or loss attributable to shareholders | 1.1 | -2.6 | 1.7 | 2.6 | 3.6 |
| thereof from continuing operations | 1.1 | -2.6 | 1.7 | 2.6 | 3.6 |
| thereof from discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Weighted average number of shares, diluted (m) | 3.900 | 3.700 | 3.530 | 3.530 | 3.530 |
| IFRS earnings per share, diluted | 0.28 | -0.70 | 0.49 | 0.73 | 1.02 |
| Adjusted earnings per share, diluted (contin.) | 0.42 | -0.70 | 0.49 | 0.73 | 1.02 |

Fiscal year end December

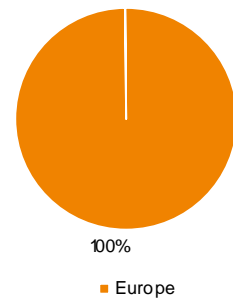
Source: ecotel communication and DZ BANK estimates

RATIOS

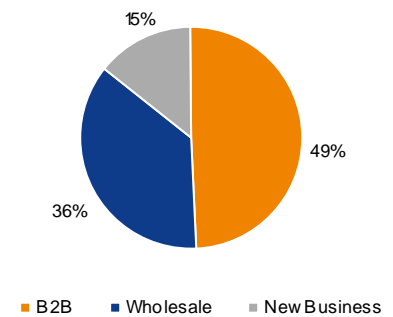
| Euro | 2011 | 2012 | 2013e | 2014e | 2015e |
|--|--------|--------|--------|--------|--------|
| Profit and loss ratios | | | | | |
| Total output (m) | 84.5 | 94.4 | 87.1 | 93.6 | 100.7 |
| EBITDA margin | 8.0% | 4.0% | 8.2% | 9.3% | 10.0% |
| EBIT margin | 4.1% | 0.4% | 3.8% | 5.0% | 5.9% |
| Net margin | 2.6% | -1.7% | 2.5% | 3.4% | 4.1% |
| Investment ratio | 0.0% | 0.0% | 7.8% | 2.8% | 2.6% |
| R&D as % of total output | | | | | |
| Net other operating costs as % of total output | 9.3% | 8.8% | 10.4% | 9.9% | 9.5% |
| Net financial income as % of total output | -0.5% | -1.4% | -0.2% | -0.2% | -0.1% |
| Interest cover | 7.8 | 0.3 | 20.6 | 31.7 | 41.8 |
| Average sales growth next five years | 3.4% | | | | |
| Average earnings growth next five years | 20.8% | | | | |
| Profitability ratios | | | | | |
| ROE | 10.4% | -8.5% | 10.3% | 13.2% | 15.0% |
| ROCE | 15.4% | 2.2% | 14.2% | 21.2% | 29.0% |
| Productivity ratios | | | | | |
| Sales per employee ('000) | | 499.54 | 456.02 | 476.11 | 493.63 |
| EBIT per employee ('000) | | 2.09 | 17.42 | 23.77 | 29.36 |
| Balance sheet ratios | | | | | |
| Equity ratio | 47.1% | 45.3% | 50.1% | 51.7% | 53.6% |
| Long term debt and equity / Fixed assets | 118.4% | 117.5% | 112.0% | 129.7% | 153.9% |
| Liquidity (quick ratio) | 126.8% | 119.7% | 117.2% | 139.0% | 162.6% |
| Receivables as % of total output | 15.9% | 13.3% | 16.1% | 16.1% | 16.1% |
| Investment (net of GW) / Depreciation | | | 179.2% | 65.2% | 63.6% |
| Working capital as % of total output | -0.2% | -2.1% | 0.8% | 0.8% | 0.8% |
| Net debt (m) | 4.1 | -0.2 | 3.3 | -0.5 | -5.2 |
| Net debt complete (m) | 2.9 | -1.5 | 2.0 | -1.9 | -6.5 |
| Figures per share | | | | | |
| Earnings per share, diluted | 0.42 | -0.70 | 0.49 | 0.73 | 1.02 |
| Diluted cash earnings per share | 1.26 | 0.21 | 1.56 | 1.86 | 2.18 |
| Dividend per common share | 0.00 | 0.00 | 0.20 | 0.25 | 0.30 |
| Cash per share, diluted | 1.59 | 2.04 | 0.95 | 2.04 | 3.36 |
| Net debt per share, diluted | 1.05 | -0.06 | 0.93 | -0.15 | -1.47 |
| Valuation ratios | | | | | |
| Enterprise value / Sales | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 |
| Enterprise value / EBITDA | 3.5 | 5.4 | 3.7 | 2.7 | 1.9 |
| Enterprise value / EBIT | 6.8 | 51.7 | 7.9 | 4.9 | 3.1 |
| EV/Sales to sales growth | 0.61 | 0.06 | 0.09 | 0.07 | 0.05 |
| PEG ratio - common shares | | | | | |
| Fiscal year end December | | | | | |

Source: ecotel communication, DZ BANK estimates

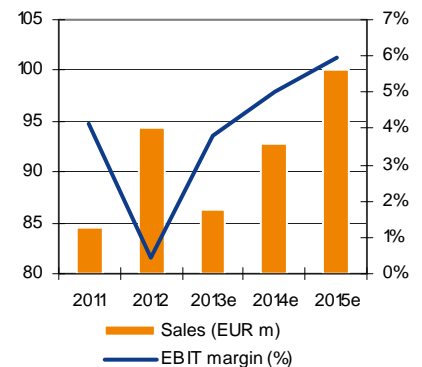
SALES BY REGION 2011



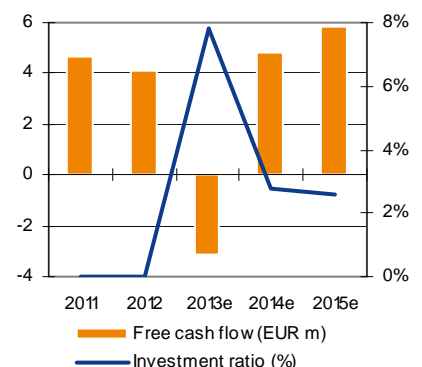
SALES BY BUSINESS SEGMENT 2011



SALES AND MARGIN DEVELOPMENT



FREE CASH FLOW AND INVESTMENT RATIO



^{1) - 9)} Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

BALANCE SHEET

| IFRS - Euro m | 2011 | 2012 | 2013e | 2014e | 2015e |
|--|-------------|-------------|-------------|-------------|-------------|
| ASSETS | | | | | |
| Non current assets | 24.5 | 21.1 | 24.2 | 22.8 | 21.3 |
| Intangible assets | 17.0 | 13.8 | 13.6 | 13.3 | 13.0 |
| thereof goodwill | 11.8 | 8.9 | 8.9 | 8.9 | 8.9 |
| Tangible assets | 5.1 | 5.9 | 9.2 | 8.1 | 6.9 |
| Financial assets | 1.6 | 1.4 | 1.4 | 1.4 | 1.4 |
| Other long-term assets | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current assets | 20.9 | 21.5 | 18.8 | 23.7 | 29.5 |
| Inventories | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| Trade receivables | 13.4 | 12.5 | 14.0 | 15.0 | 16.2 |
| Financial assets | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 |
| Other receivables and short-term assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liquid assets | 6.2 | 7.5 | 3.3 | 7.1 | 11.8 |
| Assets available for sale | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total assets | 45.4 | 42.7 | 43.0 | 46.4 | 50.8 |
| LIABILITIES | | | | | |
| Shareholders' equity | 21.4 | 19.3 | 21.5 | 24.0 | 27.2 |
| Share capital | 3.8 | 3.7 | 3.7 | 3.7 | 3.7 |
| Reserves | 16.7 | 13.9 | 15.6 | 17.5 | 20.2 |
| Other equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minority interest | 0.9 | 1.7 | 2.2 | 2.8 | 3.3 |
| Treasury stock | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non current liabilities | 7.6 | 5.5 | 5.5 | 5.5 | 5.5 |
| Provisions for pensions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial liabilities | 7.6 | 4.8 | 4.8 | 4.8 | 4.8 |
| Other payables | 0.0 | 0.7 | 0.7 | 0.7 | 0.7 |
| Current liabilities | 16.4 | 17.8 | 15.9 | 16.9 | 18.0 |
| Trade payables | 11.6 | 13.0 | 11.9 | 12.8 | 13.8 |
| Other provisions | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial liabilities | 2.7 | 2.5 | 1.8 | 1.8 | 1.8 |
| Other liabilities | 1.5 | 2.4 | 2.2 | 2.4 | 2.5 |
| Liabilities assoc. with assets held for sale | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' equity and liabilities | 45.4 | 42.7 | 43.0 | 46.4 | 50.8 |
| Fiscal year end December | | | | | |

Source: ecotel communication and DZ BANK estimates

SUMMARY

| Euro m | 2011 | 2012 | 2013e | 2014e | 2015e |
|--|-------------|-------------|--------------|--------------|--------------|
| Profit and loss account | | | | | |
| Total output | 84.5 | 94.4 | 87.1 | 93.6 | 100.7 |
| Cost of materials | -59.9 | -69.2 | -61.1 | -65.5 | -70.5 |
| Personnel expenses | -9.7 | -10.0 | -9.8 | -10.1 | -10.5 |
| Other operating income/expenses | -7.9 | -8.3 | -9.1 | -9.3 | -9.6 |
| EBITDA | 7.0 | 6.8 | 7.1 | 8.7 | 10.1 |
| Depreciation | -3.9 | -6.5 | -3.8 | -4.0 | -4.1 |
| thereof on goodwill | -0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating profit (EBIT) | 3.1 | 0.4 | 3.3 | 4.7 | 6.0 |
| Interest paid / received | -0.4 | -1.3 | -0.2 | -0.1 | -0.1 |
| Profit before tax | 2.7 | -0.9 | 3.2 | 4.5 | 5.8 |
| Income taxes from continuing operations | -1.0 | -0.8 | -0.9 | -1.4 | -1.8 |
| Net profit from continuing operations | 1.7 | -1.6 | 2.2 | 3.2 | 4.1 |
| Net profit from discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 1.7 | -1.6 | 2.2 | 3.2 | 4.1 |
| Profit or loss attributable to minority interest | -0.6 | -0.9 | -0.5 | -0.6 | -0.5 |
| Profit or loss attributable to shareholders | 1.1 | -2.6 | 1.7 | 2.6 | 3.6 |
| Balance sheet | | | | | |
| Non current assets | 24.5 | 21.1 | 24.2 | 22.8 | 21.3 |
| thereof goodwill | 11.8 | 8.9 | 8.9 | 8.9 | 8.9 |
| Current assets | 20.9 | 21.5 | 18.8 | 23.7 | 29.5 |
| thereof liquid assets | 6.2 | 7.5 | 3.3 | 7.1 | 11.8 |
| Shareholders' equity | 21.4 | 19.3 | 21.5 | 24.0 | 27.2 |
| Non current liabilities | 7.6 | 5.5 | 5.5 | 5.5 | 5.5 |
| Current liabilities | 16.4 | 17.8 | 15.9 | 16.9 | 18.0 |
| Shareholders' equity and liabilities | 45.4 | 42.7 | 43.0 | 46.4 | 50.8 |
| Cash flow statement | | | | | |
| Operating CF (cont.) | 6.3 | 6.8 | 3.5 | 7.3 | 8.3 |
| Operating CF (discont.) | 0.0 | 0.0 | | | |
| Investing CF (cont.) | -1.6 | -2.7 | -6.6 | -2.4 | -2.4 |
| Investing CF (discont.) | 0.0 | 0.0 | | | |
| Free cash flow (cont.) | 4.6 | 4.1 | -3.1 | 4.8 | 5.9 |
| Free cash flow (discont.) | 0.0 | 0.0 | | | |
| Financing CF (cont.) | 0.0 | -2.8 | -1.0 | -1.0 | -1.2 |
| Financing CF (discont.) | 0.0 | 0.0 | | | |
| Increase/decrease of cash | 4.6 | 1.3 | -4.2 | 3.8 | 4.7 |
| Fiscal year end December | | | | | |

Source: ecotel communication and DZ BANK estimates

^{1) - 9)} Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

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Buy 65.1%, Hold 17.3%, Sell 17.6%

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Buy 19.5%, Hold 18.9%, Sell 5.6%

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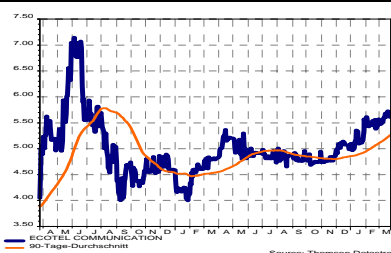
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| Recommendation | Date | Price |
|----------------|-------------|----------|
| Buy | 28 Sep 2011 | 5.00 EUR |

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