

| | | | |
|--|--|--|--|
| Buy EUR 94.00 (EUR 77.00) Price EUR 82.27 Upside 14.3 % | Value Indicators: EUR DCF: 94.33 FCF-Value Potential 18e: 93.18 | Share data: Bloomberg: EIN3 GR Reuters: EING_p ISIN: DE0005654933 | Description: Supplier of power tools and garden equipment for private household use. |
| | Market Snapshot: EUR m Market cap: 310.5 No. of shares (m): 3.8 EV: 310.8 Freefloat MC: 310.5 Ø Trad. Vol. (30d): 15.06 th | Shareholders: Freefloat 100.0 % Thannhuber AG (Ordinary sh.) 91.0 % Others (Ordinary shares) 9.0 % | Risk Profile (WRe): 2017e Beta: 1.3 Price / Book: 1.7 x Equity Ratio: 52 % Net Debt / EBITDA: 0.0 x |

Strong growth momentum and still margin potential for 2018/19

We are confirming our Buy recommendation with an increased PT of EUR 94.00 (previously: EUR 77.00), in light of the strong growth momentum and the mid-term sales and margin potential.

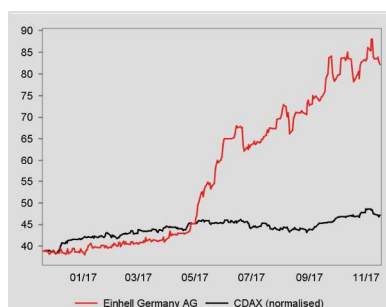
Double-digit growth and margin expansion continued in Q3: After the announcement of preliminary key 9M figures on October 26, the group released its Q3 report with further details. The 9M sales growth of 13.4% (Q3 +14.8%) was underpinned by higher sales in all major regions (9M: DACH +6.3%, rest of Europe +17.0%, South America +14.6%, Australia +29.1%). Key driver of the dynamic growth was again the Power-X-change system with a master battery concept for the growing market of cordless power tools. The 9M gross margin increase of 240bps to 33.8% (Q3: 34.2%) underlines the attractiveness and the quality of this product range and the increased brand awareness. Driven by the higher turnover and the improved gross margin, the reported EBT margin was up by 260bps to 6.8% in 9M (Q3: +290bps to 6.7%).

Remarkable earnings margin increase in 2017: For FY 2017, management expects a sales increase of 10-12%. The inventory level at the end of September (+31% vs. Q3 2016) indicates a continuation of the dynamic growth in Q4. Therefore, we expect a top-line growth at the upper end of this guidance. The earnings outlook of an EBT margin of 6.5% before PPA impact implies a reported EBT of EUR 33-34m. Based on the assumed tax rate improvement (2016 tax rate at a rather high level of 43%), we expect an EPS increase of 118% in 2017.

What comes after the record profit level?: In line with Einhell's mid-term sales target of EUR 700m for 2022, we assume further sales growth in the next years, mainly supported by the enlargement of the Power-X-change product range. The improved product mix and a declining share of business with discounters/hypermarkets should have another positive effect on the gross margin. The current EBT margin level is above Einhell's long-term 4-5% target and should not be factored in as a long-term sustainable scenario. However, for 2018 and 2019, there are several effects besides further sales growth, which indicate another EBT margin increase. Firstly, 2017 earnings are affected by substantial one-time expenses (earn-out adjustment Ozito acquisition, disposal Brazil subsidiary). Secondly, the PPA amortization (EUR 1.8m in 2017) will phase out in the coming year. Finally, the EBT contribution of the power tool accessories subsidiary kwb (loos-making in 2016) should increase.

Valuation: The new PT of EUR 94.00 is derived from our DCF model. For this calculation, we assume declining earnings margins after 2019 and an average mid- to long-term EBT margin of 5.1% (previously: 4.5%).

| Changes in Estimates: | | | | Comment on Changes: | | | |
|-------------------------|-------------|--------|-------------|---------------------|-------------|--------|--|
| FY End: 31.12. in EUR m | 2017e (old) | + / - | 2018e (old) | + / - | 2019e (old) | + / - | |
| Sales | 531.0 | 3.0 % | 565.0 | 3.4 % | 594.0 | 4.9 % | <ul style="list-style-type: none"> We expect a FY 2017 sales increase at the upper end of the 10-12% target range and growth rates between 6.5-7.0% in 2018/19. Based on the Q3 report and the FY 2017 earnings guidance, we have increased our earnings forecast. After 43% in 2016, we expect a tax rate of 37.5% in the current year and a further improvement to 33% in 2019. The strong 2017 profit growth should also lead to a dividend increase. |
| EBIT | 33.0 | 11.2 % | 35.5 | 16.1 % | 37.6 | 17.0 % | |
| EBT | 30.0 | 11.3 % | 33.0 | 15.8 % | 35.1 | 16.0 % | |
| Net income | 18.4 | 10.9 % | 21.0 | 15.6 % | 23.0 | 15.9 % | |
| EPS | 4.88 | 10.9 % | 5.57 | 15.6 % | 6.10 | 15.9 % | |

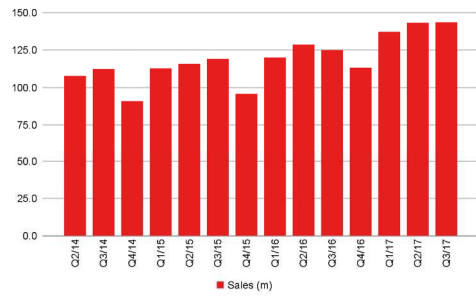


| Rel. Performance vs CDAX: | |
|---------------------------|--------|
| 1 month: | 1.2 % |
| 6 months: | 46.5 % |
| Year to date: | 98.7 % |
| Trailing 12 months: | 92.5 % |

| Company events: | |
|-----------------|--|
| | |

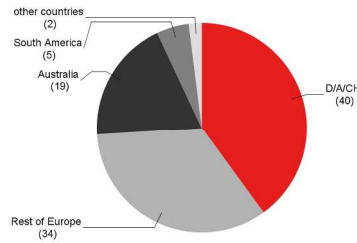
| FY End: 31.12. in EUR m | CAGR (16-19e) | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|-------------------------|---------------|---|--------|--------|--------|--------|--------|--------|
| Sales | 8.5 % | 416.3 | 416.4 | 443.8 | 487.2 | 547.0 | 584.0 | 623.0 |
| Change Sales yoy | | 9.6 % | 0.0 % | 6.6 % | 9.8 % | 12.3 % | 6.8 % | 6.7 % |
| Gross profit margin | | 28.9 % | 30.4 % | 31.7 % | 32.2 % | 33.7 % | 33.8 % | 33.9 % |
| EBITDA | 21.8 % | 10.5 | 13.4 | 19.0 | 27.0 | 42.3 | 46.4 | 48.7 |
| Margin | | 2.5 % | 3.2 % | 4.3 % | 5.5 % | 7.7 % | 7.9 % | 7.8 % |
| EBIT | 29.0 % | 6.6 | 8.4 | 13.9 | 20.5 | 36.6 | 41.2 | 44.0 |
| Margin | | 1.6 % | 2.0 % | 3.1 % | 4.2 % | 6.7 % | 7.1 % | 7.1 % |
| EBT | 33.8 % | 4.0 | 5.1 | 11.8 | 17.0 | 33.3 | 38.2 | 40.7 |
| Margin | | 1.0 % | 1.2 % | 2.7 % | 3.5 % | 6.1 % | 6.5 % | 6.5 % |
| Net income | 41.9 % | 2.1 | 1.6 | 7.4 | 9.3 | 20.4 | 24.3 | 26.7 |
| EPS | 41.8 % | 0.55 | 0.42 | 1.95 | 2.48 | 5.41 | 6.44 | 7.07 |
| DPS | 33.4 % | 0.40 | 0.40 | 0.60 | 0.80 | 1.50 | 1.70 | 1.90 |
| Dividend Yield | | 1.3 % | 1.3 % | 1.9 % | 2.2 % | 1.8 % | 2.1 % | 2.3 % |
| FCFPS | | 8.97 | 1.16 | -2.95 | 8.25 | -3.44 | 5.01 | 5.48 |
| FCF / Market cap | | 28.9 % | 3.8 % | -9.4 % | 23.1 % | -4.2 % | 6.1 % | 6.7 % |
| EV / Sales | | 0.3 x | 0.3 x | 0.3 x | 0.2 x | 0.6 x | 0.5 x | 0.5 x |
| EV / EBITDA | | 10.6 x | 8.3 x | 6.8 x | 4.3 x | 7.3 x | 6.5 x | 5.9 x |
| EV / EBIT | | 16.8 x | 13.2 x | 9.3 x | 5.7 x | 8.5 x | 7.3 x | 6.6 x |
| P / E | | 56.3 x | 72.7 x | 16.0 x | 14.4 x | 15.2 x | 12.8 x | 11.6 x |
| FCF Potential Yield | | 4.1 % | 5.7 % | 8.1 % | 12.6 % | 7.7 % | 8.9 % | 9.9 % |
| Net Debt | | -5.6 | -3.5 | 11.0 | -18.3 | 0.3 | -10.3 | -21.8 |
| ROCE (NOPAT) | | 1.4 % | 1.8 % | 5.5 % | 7.4 % | 14.0 % | 14.4 % | 15.2 % |
| Guidance: | | Sales increase 10-12% in 2017, EBT margin before PPA (ca. EUR 1.8m) of ca. 6.5% | | | | | | |

Sales development
in EUR m



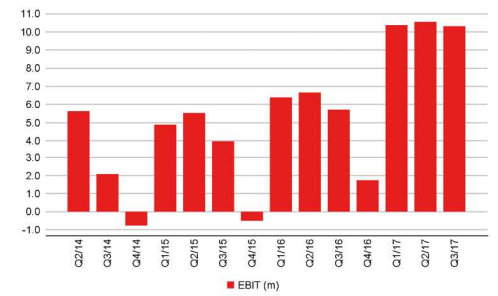
Source: Warburg Research

Sales by regions
2016; in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

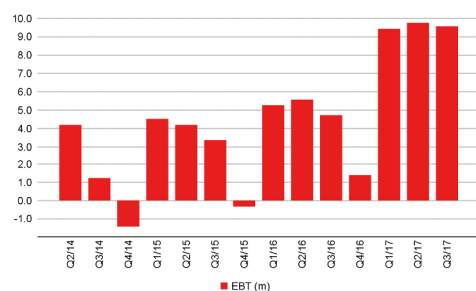
Company Background

- Einhell is the leading provider of power tools and garden equipment for household use. The products are sold under the Einhell brand and as retailers' own brands.
- Value is created in the product development, quality control, sales, and after-sales services. Production is outsourced to China.
- Einhell's main customers are large DIY chains (54% of sales), specialised trade (15%) and e-commerce platforms (12%). The share of business with discounters is at 14%.
- The company was founded in 1964 by Josef Thannhuber. The Thannhuber family holds the majority of the non-listed ordinary shares.

Competitive Quality

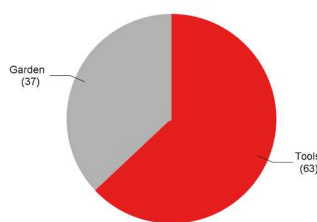
- Einhell successfully differentiates itself from its competitors by undercutting brand products such as Bosch or Black&Decker in price at a comparable quality level.
- At the same time the company stands out from low-cost providers thanks to its strong focus on quality and after-sales services.
- Einhell shows a high level of cost flexibility and generated clearly positive earnings even in economically challenging years.
- With its broad range of offers, the clear positioning and the Power-X-Change category, Einhell is well on track for further market share gains.
- The continuation of the international expansion (South America, Australia, Turkey) offers additional growth potential.

EBT development
in EUR m



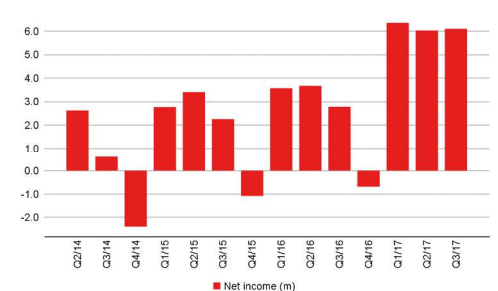
Source: Warburg Research

Sales by segments
2016; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

DCF model

| Figures in EUR m | Detailed forecast period | | | Transitional period | | | | | | | | | | Term. Value |
|-----------------------------|--------------------------|--------|--------|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|
| | 2017e | 2018e | 2019e | 2020e | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | |
| Sales | 547.0 | 584.0 | 623.0 | 660.4 | 698.7 | 737.8 | 777.6 | 818.1 | 859.0 | 897.6 | 933.6 | 961.6 | 985.6 | 1.5 % |
| Sales change | 12.3 % | 6.8 % | 6.7 % | 6.0 % | 5.8 % | 5.6 % | 5.4 % | 5.2 % | 5.0 % | 4.5 % | 4.0 % | 3.0 % | 2.5 % | |
| EBIT | 36.6 | 41.2 | 44.0 | 43.6 | 44.0 | 44.3 | 44.3 | 44.2 | 44.7 | 44.9 | 44.8 | 44.2 | 44.4 | |
| EBIT-margin | 6.7 % | 7.1 % | 7.1 % | 6.6 % | 6.3 % | 6.0 % | 5.7 % | 5.4 % | 5.2 % | 5.0 % | 4.8 % | 4.6 % | 4.5 % | |
| Tax rate (EBT) | 37.5 % | 35.0 % | 33.0 % | 32.0 % | 31.0 % | 30.0 % | 30.0 % | 30.0 % | 30.0 % | 30.0 % | 30.0 % | 30.0 % | 30.0 % | |
| NOPAT | 22.9 | 26.8 | 29.5 | 29.6 | 30.4 | 31.0 | 31.0 | 30.9 | 31.3 | 31.4 | 31.4 | 31.0 | 31.0 | |
| Depreciation | 5.7 | 5.2 | 4.7 | 6.6 | 7.0 | 7.4 | 7.8 | 8.2 | 8.6 | 9.0 | 9.3 | 9.6 | 9.9 | |
| in % of Sales | 1.0 % | 0.9 % | 0.8 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | |
| Changes in provisions | 0.2 | 0.3 | 0.3 | 0.0 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | |
| Change in Liquidity from | | | | | | | | | | | | | | |
| - Working Capital | 31.7 | 6.0 | 6.0 | 5.0 | 9.7 | 9.9 | 10.1 | 10.2 | 10.3 | 9.6 | 8.9 | 7.3 | 6.3 | |
| - Capex | 5.2 | 5.4 | 5.6 | 6.6 | 7.0 | 7.4 | 7.8 | 8.2 | 8.6 | 9.0 | 9.3 | 9.6 | 9.9 | |
| Capex in % of Sales | 1.0 % | 0.9 % | 0.9 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | 1.0 % | |
| 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) | -8.2 | 20.9 | 22.9 | 24.6 | 20.9 | 21.3 | 21.2 | 21.0 | 21.2 | 22.0 | 22.7 | 23.8 | 24.9 | |
| PV of FCF | -8.2 | 19.4 | 19.7 | 19.6 | 15.4 | 14.6 | 13.5 | 12.4 | 11.7 | 11.2 | 10.7 | 10.4 | 10.1 | 179 |
| share of PVs | 9.10 % | | | 38.21 % | | | | | | | | | | 52.70 % |

Model parameter

| | | | |
|--------------------------|---------------|---------------------|-------------|
| Derivation of WACC: | | Derivation of Beta: | |
| Debt ratio | 15.00 % | Financial Strength | 1.00 |
| Cost of debt (after tax) | 3.0 % | Liquidity (share) | 1.50 |
| Market return | 7.00 % | Cyclicality | 1.50 |
| Risk free rate | 1.50 % | Transparency | 1.00 |
| | | Others | 1.50 |
| WACC | 7.80 % | Beta | 1.30 |

Valuation (m)

| | | | |
|----------------------------|------------|------------------------------|--------------|
| Present values 2029e | 161 | | |
| Terminal Value | 179 | | |
| Financial liabilities | 33 | | |
| Pension liabilities | 3 | | |
| Hybrid capital | 0 | | |
| Minority interest | 2 | | |
| Market val. of investments | 0 | | |
| Liquidity | 55 | No. of shares (m) | 3.8 |
| Equity Value | 356 | Value per share (EUR) | 94.33 |

Sensitivity Value per Share (EUR)

| Beta | WACC | Terminal Growth | | | | | | | Beta | WACC | Delta EBIT-margin | | | | | | |
|------|-------|-----------------|--------|--------|--------|--------|--------|--------|------|-------|-------------------|---------|---------|---------|---------|---------|---------|
| | | 0.75 % | 1.00 % | 1.25 % | 1.50 % | 1.75 % | 2.00 % | 2.25 % | | | -1.5 pp | -1.0 pp | -0.5 pp | +0.0 pp | +0.5 pp | +1.0 pp | +1.5 pp |
| 1.51 | 8.8 % | 77.87 | 78.93 | 80.07 | 81.28 | 82.58 | 83.98 | 85.48 | 1.51 | 8.8 % | 51.05 | 61.13 | 71.21 | 81.28 | 91.36 | 101.44 | 111.51 |
| 1.41 | 8.3 % | 83.19 | 84.47 | 85.85 | 87.32 | 88.91 | 90.62 | 92.47 | 1.41 | 8.3 % | 54.79 | 65.63 | 76.48 | 87.32 | 98.16 | 109.00 | 119.85 |
| 1.35 | 8.0 % | 86.13 | 87.54 | 89.06 | 90.69 | 92.45 | 94.36 | 96.43 | 1.35 | 8.0 % | 56.88 | 68.15 | 79.42 | 90.69 | 101.96 | 113.23 | 124.50 |
| 1.30 | 7.8 % | 89.29 | 90.85 | 92.52 | 94.33 | 96.29 | 98.42 | 100.74 | 1.30 | 7.8 % | 59.14 | 70.87 | 82.60 | 94.33 | 106.06 | 117.80 | 129.53 |
| 1.25 | 7.5 % | 92.68 | 94.41 | 96.27 | 98.28 | 100.47 | 102.86 | 105.47 | 1.25 | 7.5 % | 61.58 | 73.82 | 86.05 | 98.28 | 110.51 | 122.75 | 134.98 |
| 1.19 | 7.3 % | 96.34 | 98.25 | 100.33 | 102.58 | 105.03 | 107.72 | 110.67 | 1.19 | 7.3 % | 64.24 | 77.02 | 89.80 | 102.58 | 115.35 | 128.13 | 140.91 |
| 1.09 | 6.8 % | 104.59 | 106.97 | 109.56 | 112.40 | 115.52 | 118.97 | 122.80 | 1.09 | 6.8 % | 70.33 | 84.36 | 98.38 | 112.40 | 126.43 | 140.45 | 154.47 |

- Mid- to long-term EBIT margin below current level (average EBIT margin 2006/17: 4.9%)
- Sales growth assumption in line with Einhell's long-standing target range of +5-10% p.a.

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 | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e | |
|---|---------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Net Income before minorities | 1.5 | 1.6 | 7.6 | 9.6 | 20.8 | 24.8 | 27.3 | |
| + Depreciation + Amortisation | 3.9 | 5.0 | 5.2 | 6.5 | 5.7 | 5.2 | 4.7 | |
| - Net Interest Income | -2.6 | -3.4 | -2.1 | -3.5 | -3.3 | -3.0 | -3.3 | |
| - Maintenance Capex | 3.4 | 3.6 | 4.5 | 5.0 | 6.0 | 6.4 | 6.8 | |
| + Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| = Free Cash Flow Potential | 4.6 | 6.4 | 10.4 | 14.6 | 23.8 | 26.6 | 28.5 | |
| FCF Potential Yield (on market EV) | 4.1 % | 5.7 % | 8.1 % | 12.6 % | 7.7 % | 8.9 % | 9.9 % | |
| WACC | 7.80 % | 7.80 % | 7.80 % | 7.80 % | 7.80 % | 7.80 % | 7.80 % | |
| = Enterprise Value (EV) | 111.3 | 111.7 | 129.1 | 116.7 | 310.8 | 300.2 | 288.7 | |
| = Fair Enterprise Value | 59.0 | 81.8 | 133.5 | 187.8 | 305.6 | 341.4 | 365.0 | |
| - Net Debt (Cash) | -21.5 | -21.5 | -21.5 | -21.5 | -3.1 | -14.0 | -25.8 | |
| - Pension Liabilities | 3.2 | 3.2 | 3.2 | 3.2 | 3.4 | 3.7 | 4.0 | |
| - 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 | 77.3 | 100.1 | 151.8 | 206.1 | 305.4 | 351.7 | 386.9 | |
| Aktienanzahl (Mio.) | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | |
| = Fair value per share (EUR) | 20.48 | 26.52 | 40.23 | 54.61 | 80.91 | 93.18 | 102.50 | |
| premium (-) / discount (+) in % | | | | | -1.7 % | 13.3 % | 24.6 % | |
| Sensitivity Fair value per Share (EUR) | | | | | | | | |
| | 10.80 % | 16.14 | 20.50 | 30.40 | 40.79 | 58.41 | 68.05 | 75.63 |
| | 9.80 % | 17.29 | 22.10 | 33.01 | 44.45 | 64.38 | 74.72 | 82.76 |
| | 8.80 % | 18.71 | 24.06 | 36.21 | 48.96 | 71.70 | 82.90 | 91.51 |
| WACC | 7.80 % | 20.48 | 26.52 | 40.23 | 54.61 | 80.91 | 93.18 | 102.50 |
| | 6.80 % | 22.78 | 29.71 | 45.43 | 61.93 | 92.82 | 106.48 | 116.72 |
| | 5.80 % | 25.87 | 33.99 | 52.43 | 71.77 | 108.84 | 124.37 | 135.85 |
| | 4.80 % | 30.25 | 40.06 | 62.34 | 85.71 | 131.53 | 149.72 | 162.96 |

▪ Increase in net cash position in the coming years expected.

| Valuation | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Price / Book | 0.8 x | 0.7 x | 0.8 x | 0.8 x | 1.7 x | 1.6 x | 1.4 x |
| Book value per share ex intangibles | 34.00 | 35.50 | 35.51 | 37.74 | 42.29 | 47.23 | 52.60 |
| EV / Sales | 0.3 x | 0.3 x | 0.3 x | 0.2 x | 0.6 x | 0.5 x | 0.5 x |
| EV / EBITDA | 10.6 x | 8.3 x | 6.8 x | 4.3 x | 7.3 x | 6.5 x | 5.9 x |
| EV / EBIT | 16.8 x | 13.2 x | 9.3 x | 5.7 x | 8.5 x | 7.3 x | 6.6 x |
| EV / EBIT adj.* | 16.8 x | 9.8 x | 8.2 x | 5.2 x | 8.1 x | 7.1 x | 6.6 x |
| P / FCF | 3.5 x | 26.2 x | n.a. | 4.3 x | n.a. | 16.4 x | 15.0 x |
| P / E | 56.3 x | 72.7 x | 16.0 x | 14.4 x | 15.2 x | 12.8 x | 11.6 x |
| P / E adj.* | 56.3 x | 72.7 x | 16.0 x | 14.4 x | 15.2 x | 12.8 x | 11.6 x |
| Dividend Yield | 1.3 % | 1.3 % | 1.9 % | 2.2 % | 1.8 % | 2.1 % | 2.3 % |
| FCF Potential Yield (on market EV) | 4.1 % | 5.7 % | 8.1 % | 12.6 % | 7.7 % | 8.9 % | 9.9 % |
| *Adjustments made for: - | | | | | | | |

Consolidated profit & loss

| In EUR m | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 416.3 | 416.4 | 443.8 | 487.2 | 547.0 | 584.0 | 623.0 |
| Change Sales yoy | 9.6 % | 0.0 % | 6.6 % | 9.8 % | 12.3 % | 6.8 % | 6.7 % |
| Increase / decrease in inventory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Own work capitalised | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Sales | 416.3 | 416.4 | 443.9 | 487.2 | 547.0 | 584.0 | 623.0 |
| Material expenses | 296.0 | 290.0 | 303.1 | 330.1 | 362.7 | 386.6 | 411.8 |
| Gross profit | 120.3 | 126.4 | 140.8 | 157.1 | 184.3 | 197.4 | 211.2 |
| <i>Gross profit margin</i> | <i>28.9 %</i> | <i>30.4 %</i> | <i>31.7 %</i> | <i>32.2 %</i> | <i>33.7 %</i> | <i>33.8 %</i> | <i>33.9 %</i> |
| Personnel expenses | 54.3 | 55.4 | 61.3 | 63.2 | 69.0 | 73.5 | 79.0 |
| Other operating income | 11.5 | 7.1 | 5.8 | 6.2 | 6.5 | 6.5 | 6.5 |
| Other operating expenses | 66.9 | 64.7 | 66.3 | 73.1 | 79.5 | 84.0 | 90.0 |
| Unfrequent items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBITDA | 10.5 | 13.4 | 19.0 | 27.0 | 42.3 | 46.4 | 48.7 |
| <i>Margin</i> | <i>2.5 %</i> | <i>3.2 %</i> | <i>4.3 %</i> | <i>5.5 %</i> | <i>7.7 %</i> | <i>7.9 %</i> | <i>7.8 %</i> |
| Depreciation of fixed assets | 2.6 | 2.8 | 2.8 | 3.9 | 3.2 | 3.4 | 3.6 |
| EBITA | 7.9 | 10.7 | 16.2 | 23.1 | 39.1 | 43.0 | 45.1 |
| Amortisation of intangible assets | 1.3 | 2.2 | 2.3 | 2.6 | 2.5 | 1.8 | 1.1 |
| Goodwill amortisation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 6.6 | 8.4 | 13.9 | 20.5 | 36.6 | 41.2 | 44.0 |
| <i>Margin</i> | <i>1.6 %</i> | <i>2.0 %</i> | <i>3.1 %</i> | <i>4.2 %</i> | <i>6.7 %</i> | <i>7.1 %</i> | <i>7.1 %</i> |
| EBIT adj. | 6.6 | 11.4 | 15.8 | 22.3 | 38.4 | 42.0 | 44.0 |
| Interest income | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 |
| Interest expenses | 1.7 | 1.5 | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 |
| Other financial income (loss) | -1.2 | -2.1 | -0.2 | -1.5 | -1.2 | -0.8 | -1.1 |
| EBT | 4.0 | 5.1 | 11.8 | 17.0 | 33.3 | 38.2 | 40.7 |
| <i>Margin</i> | <i>1.0 %</i> | <i>1.2 %</i> | <i>2.7 %</i> | <i>3.5 %</i> | <i>6.1 %</i> | <i>6.5 %</i> | <i>6.5 %</i> |
| Total taxes | 2.5 | 3.4 | 4.1 | 7.3 | 12.5 | 13.4 | 13.4 |
| Net income from continuing operations | 1.5 | 1.6 | 7.6 | 9.6 | 20.8 | 24.8 | 27.3 |
| 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 | 1.5 | 1.6 | 7.6 | 9.6 | 20.8 | 24.8 | 27.3 |
| Minority interest | -0.6 | 0.0 | 0.3 | 0.3 | 0.4 | 0.5 | 0.6 |
| Net income | 2.1 | 1.6 | 7.4 | 9.3 | 20.4 | 24.3 | 26.7 |
| <i>Margin</i> | <i>0.5 %</i> | <i>0.4 %</i> | <i>1.7 %</i> | <i>1.9 %</i> | <i>3.7 %</i> | <i>4.2 %</i> | <i>4.3 %</i> |
| Number of shares, average | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| EPS | 0.55 | 0.42 | 1.95 | 2.48 | 5.41 | 6.44 | 7.07 |
| EPS adj. | 0.55 | 0.42 | 1.95 | 2.48 | 5.41 | 6.44 | 7.07 |

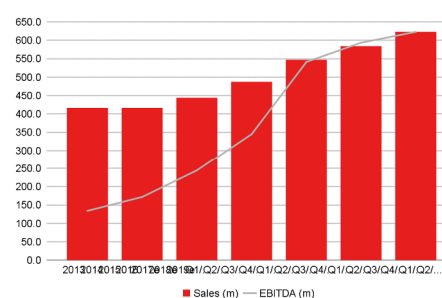
*Adjustments made for:

Guidance: Sales increase 10-12% in 2017, EBT margin before PPA (ca. EUR 1.8m) of ca. 6.5%
Financial Ratios

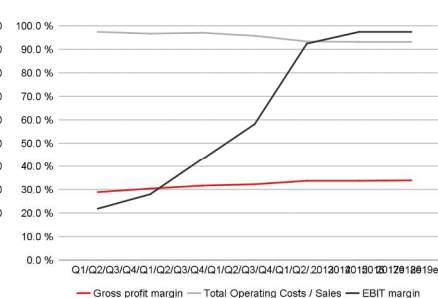
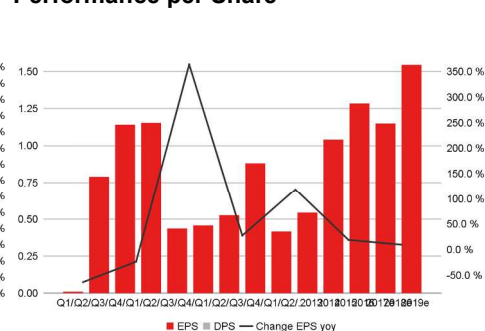
| | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|-------------------------------|---------|----------|---------|---------|---------|---------|---------|
| Total Operating Costs / Sales | 97.5 % | 96.8 % | 97.1 % | 95.7 % | 93.4 % | 93.2 % | 93.2 % |
| Operating Leverage | -4.7 x | 1497.4 x | 9.8 x | 4.9 x | 6.4 x | 1.8 x | 1.0 x |
| EBITDA / Interest expenses | 6.1 x | 9.2 x | 9.0 x | 12.8 x | 19.2 x | 21.1 x | 22.1 x |
| Tax rate (EBT) | 62.7 % | 67.7 % | 35.1 % | 43.2 % | 37.5 % | 35.0 % | 33.0 % |
| Dividend Payout Ratio | 100.6 % | 92.2 % | 29.6 % | 31.3 % | 27.2 % | 25.8 % | 26.3 % |
| Sales per Employee | 303,859 | 315,427 | 336,175 | 357,193 | 377,241 | 394,595 | 415,333 |

Sales, EBITDA

in EUR m


Operating Performance

in %


Performance per Share


Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

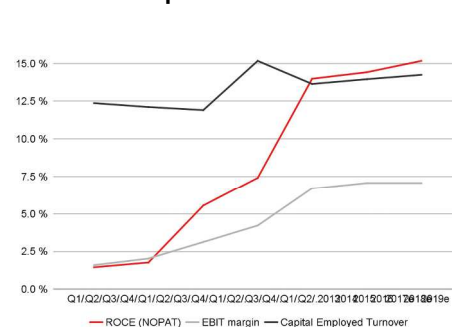
Consolidated balance sheet

| In EUR m | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Assets | | | | | | | |
| Goodwill and other intangible assets | 27.5 | 24.0 | 22.2 | 19.8 | 20.0 | 20.0 | 20.0 |
| thereof other intangible assets | 12.2 | 10.6 | 9.1 | 7.0 | 7.0 | 7.0 | 7.0 |
| thereof Goodwill | 15.2 | 13.4 | 13.1 | 12.8 | 13.0 | 13.0 | 13.0 |
| Property, plant and equipment | 18.3 | 18.6 | 19.6 | 19.9 | 20.9 | 21.9 | 22.9 |
| Financial assets | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Other long-term assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fixed assets | 46.1 | 43.0 | 42.2 | 40.0 | 41.3 | 42.3 | 43.3 |
| Inventories | 106.0 | 110.4 | 139.1 | 127.7 | 156.0 | 162.0 | 168.0 |
| Accounts receivable | 64.4 | 62.5 | 62.7 | 67.9 | 79.0 | 83.0 | 88.0 |
| Liquid assets | 59.0 | 36.3 | 24.3 | 54.7 | 34.1 | 45.0 | 56.8 |
| Other short-term assets | 34.5 | 41.4 | 32.5 | 32.9 | 37.0 | 38.0 | 38.0 |
| Current assets | 263.9 | 250.5 | 258.6 | 283.2 | 306.1 | 328.0 | 350.8 |
| Total Assets | 310.0 | 293.5 | 300.8 | 323.3 | 347.4 | 370.3 | 394.1 |
| Liabilities and shareholders' equity | | | | | | | |
| Subscribed capital | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 |
| Capital reserve | 26.7 | 26.7 | 26.7 | 26.7 | 26.7 | 26.7 | 26.7 |
| Retained earnings | 123.9 | 122.6 | 128.5 | 132.9 | 122.8 | 137.6 | 155.5 |
| Other equity components | -4.4 | -0.9 | -8.5 | -7.0 | 20.4 | 24.3 | 26.7 |
| Shareholders' equity | 155.8 | 158.0 | 156.3 | 162.2 | 179.6 | 198.3 | 218.5 |
| Minority interest | 2.5 | 1.6 | 1.7 | 1.9 | 2.0 | 2.0 | 2.0 |
| Total equity | 158.3 | 159.6 | 157.9 | 164.1 | 181.6 | 200.3 | 220.5 |
| Provisions | 12.4 | 13.9 | 16.2 | 21.9 | 19.3 | 19.6 | 19.9 |
| thereof provisions for pensions and similar obligations | 1.9 | 2.6 | 2.8 | 3.2 | 3.4 | 3.7 | 4.0 |
| Financial liabilities (total) | 51.4 | 30.2 | 32.5 | 33.2 | 31.0 | 31.0 | 31.0 |
| thereof short-term financial liabilities | 21.4 | 0.2 | 2.5 | 3.2 | 31.0 | 31.0 | 31.0 |
| Accounts payable | 52.6 | 55.3 | 62.5 | 70.3 | 78.0 | 82.0 | 87.0 |
| Other liabilities | 35.4 | 34.6 | 31.6 | 33.8 | 37.4 | 37.4 | 35.6 |
| Liabilities | 151.8 | 133.9 | 142.8 | 159.2 | 165.7 | 170.0 | 173.5 |
| Total liabilities and shareholders' equity | 310.0 | 293.5 | 300.8 | 323.3 | 347.4 | 370.3 | 394.1 |

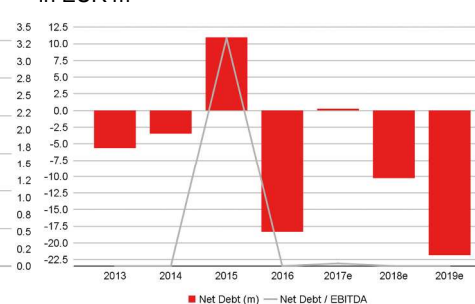
Financial Ratios

| | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|---|--------|--------|--------|---------|--------|--------|--------|
| Efficiency of Capital Employment | | | | | | | |
| Operating Assets Turnover | 3.1 x | 3.1 x | 2.8 x | 3.4 x | 3.1 x | 3.2 x | 3.2 x |
| Capital Employed Turnover | 2.7 x | 2.7 x | 2.6 x | 3.3 x | 3.0 x | 3.1 x | 3.1 x |
| ROA | 4.5 % | 3.7 % | 17.4 % | 23.3 % | 49.5 % | 57.5 % | 61.6 % |
| Return on Capital | | | | | | | |
| ROCE (NOPAT) | 1.4 % | 1.8 % | 5.5 % | 7.4 % | 14.0 % | 14.4 % | 15.2 % |
| ROE | 1.3 % | 1.0 % | 4.7 % | 5.9 % | 12.0 % | 12.9 % | 12.8 % |
| Adj. ROE | 1.3 % | 1.0 % | 4.7 % | 5.9 % | 12.0 % | 12.9 % | 12.8 % |
| Balance sheet quality | | | | | | | |
| Net Debt | -5.6 | -3.5 | 11.0 | -18.3 | 0.3 | -10.3 | -21.8 |
| Net Financial Debt | -7.6 | -6.0 | 8.2 | -21.5 | -3.1 | -14.0 | -25.8 |
| Net Gearing | -3.6 % | -2.2 % | 6.9 % | -11.2 % | 0.1 % | -5.1 % | -9.9 % |
| Net Fin. Debt / EBITDA | n.a. | n.a. | 43.1 % | n.a. | n.a. | n.a. | n.a. |
| Book Value / Share | 41.3 | 41.9 | 41.4 | 43.0 | 47.6 | 52.5 | 57.9 |
| Book value per share ex intangibles | 34.0 | 35.5 | 35.5 | 37.7 | 42.3 | 47.2 | 52.6 |

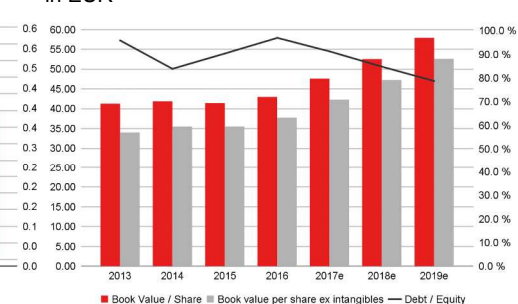
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

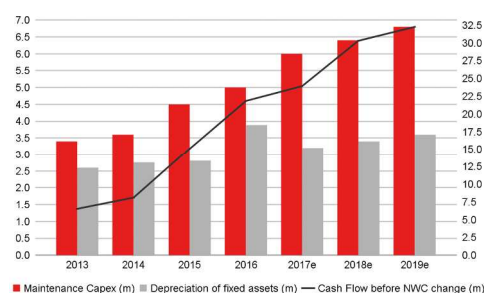
| In EUR m | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|--|--------------|--------------|--------------|-------------|--------------|-------------|-------------|
| Net income | 4.0 | 5.1 | 11.8 | 17.0 | 33.3 | 38.2 | 40.7 |
| Depreciation of fixed assets | 2.6 | 2.8 | 2.8 | 3.9 | 3.2 | 3.4 | 3.6 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 1.3 | 2.2 | 2.3 | 2.6 | 2.5 | 1.8 | 1.1 |
| Increase/decrease in long-term provisions | 1.1 | 1.5 | 2.3 | 5.7 | -2.6 | 0.3 | 0.3 |
| Other non-cash income and expenses | -2.5 | -3.4 | -4.1 | -7.3 | -12.5 | -13.4 | -13.4 |
| Cash Flow before NWC change | 6.5 | 8.1 | 15.1 | 21.9 | 23.9 | 30.3 | 32.3 |
| Increase / decrease in inventory | 19.7 | -4.4 | -28.7 | 11.4 | -28.3 | -6.0 | -6.0 |
| Increase / decrease in accounts receivable | 1.8 | 1.9 | -0.2 | -5.2 | -11.1 | -4.0 | -5.0 |
| Increase / decrease in accounts payable | 20.0 | 2.7 | 7.3 | 7.8 | 7.7 | 4.0 | 5.0 |
| Increase / decrease in other working capital positions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Increase / decrease in working capital (total) | 41.5 | 0.2 | -21.7 | 14.0 | -31.7 | -6.0 | -6.0 |
| Net cash provided by operating activities [1] | 48.0 | 8.3 | -6.5 | 35.9 | -7.8 | 24.3 | 26.3 |
| Investments in intangible assets | -12.2 | -0.5 | -0.8 | -0.5 | -1.0 | -1.0 | -1.0 |
| Investments in property, plant and equipment | -2.0 | -3.4 | -3.8 | -4.2 | -4.2 | -4.4 | -4.6 |
| Payments for acquisitions | -0.9 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Income from asset disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net cash provided by investing activities [2] | -15.1 | -3.6 | -4.6 | -4.7 | -5.2 | -5.4 | -5.6 |
| Change in financial liabilities | 19.2 | -21.2 | 2.3 | 0.6 | -2.2 | 0.0 | 0.0 |
| Dividends paid | -3.0 | -2.6 | -2.6 | -2.3 | -3.0 | -5.7 | -6.4 |
| Purchase of own shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital measures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net cash provided by financing activities [3] | 16.3 | -23.9 | -0.3 | -1.6 | -5.2 | -5.7 | -6.4 |
| Change in liquid funds [1]+[2]+[3] | 49.2 | -19.2 | -11.5 | 29.5 | -18.2 | 13.3 | 14.3 |
| Effects of exchange-rate changes on cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash and cash equivalent at end of period | 54.8 | 39.8 | 24.8 | 53.8 | 36.5 | 47.4 | 59.2 |

Financial Ratios

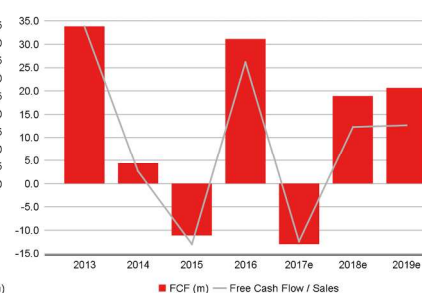
| | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e |
|--------------------------------------|----------|---------|----------|---------|---------|---------|---------|
| Cash Flow | | | | | | | |
| FCF | 33.8 | 4.4 | -11.1 | 31.1 | -13.0 | 18.9 | 20.7 |
| Free Cash Flow / Sales | 8.1 % | 1.1 % | -2.5 % | 6.4 % | -2.4 % | 3.2 % | 3.3 % |
| Free Cash Flow Potential | 4.6 | 6.4 | 10.4 | 14.6 | 23.8 | 26.6 | 28.5 |
| Free Cash Flow / Net Profit | 1622.4 % | 274.6 % | -151.3 % | 333.3 % | -63.6 % | 77.8 % | 77.5 % |
| Interest Received / Avg. Cash | 0.8 % | 0.5 % | 0.6 % | 0.3 % | 0.2 % | 0.0 % | 0.0 % |
| Interest Paid / Avg. Debt | 4.1 % | 3.6 % | 6.7 % | 6.4 % | 6.9 % | 7.1 % | 7.1 % |
| Management of Funds | | | | | | | |
| Investment ratio | 3.4 % | 0.9 % | 1.0 % | 1.0 % | 1.0 % | 0.9 % | 0.9 % |
| Maint. Capex / Sales | 0.8 % | 0.9 % | 1.0 % | 1.0 % | 1.1 % | 1.1 % | 1.1 % |
| Capex / Dep | 365.1 % | 78.5 % | 88.8 % | 73.4 % | 91.2 % | 103.8 % | 119.1 % |
| Avg. Working Capital / Sales | 33.3 % | 28.3 % | 28.9 % | 27.1 % | 25.8 % | 27.4 % | 26.6 % |
| Trade Debtors / Trade Creditors | 122.5 % | 113.0 % | 100.3 % | 96.5 % | 101.3 % | 101.2 % | 101.1 % |
| Inventory Turnover | 2.8 x | 2.6 x | 2.2 x | 2.6 x | 2.3 x | 2.4 x | 2.5 x |
| Receivables collection period (days) | 56 | 55 | 52 | 51 | 53 | 52 | 52 |
| Payables payment period (days) | 65 | 70 | 75 | 78 | 79 | 77 | 77 |
| Cash conversion cycle (Days) | 86 | 90 | 116 | 83 | 101 | 97 | 93 |

CAPEX and Cash Flow

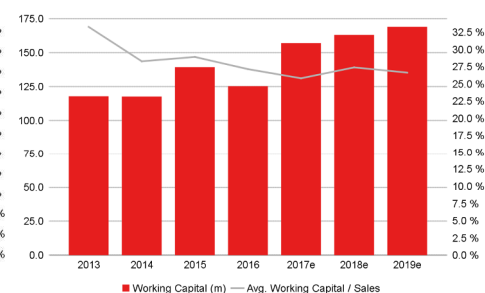
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

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| Company | Disclosure | Link to the historical price targets and rating changes (last 12 months) |
|---------|------------|---|
| Einhell | 3, 5, 6 | http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005654933.htm |

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

| | | |
|-----|--------------------------|---|
| -B- | Buy: | The price of the analysed financial instrument is expected to rise over the next 12 months. |
| -H- | Hold: | The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months. |
| -S- | Sell: | The price of the analysed financial instrument is expected to fall over the next 12 months. |
| “-“ | 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 | 105 | 51 |
| Hold | 91 | 45 |
| Sell | 8 | 4 |
| Rating suspended | 0 | 0 |
| Total | 204 | 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 | 32 | 78 |
| Hold | 8 | 20 |
| Sell | 1 | 2 |
| Rating suspended | 0 | 0 |
| Total | 41 | 100 |

PRICE AND RATING HISTORY EINHELL AS OF 17.11.2017


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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