



Merkur Bank

Germany | Banks

Investment Research

Company Flash Note

Reason: Company newsflow

20 March 2018

Buy

Recommendation unchanged

Share price: EUR 8.30

closing price as of 19/03/2018

Target price: EUR 10.00

from Target Price: EUR 9.30

Upside/Downside Potential 20.5%

Reuters/Bloomberg

MBKG.DE/MBK GY

Market capitalisation (EURm) 47

Current N° of shares (m) 6

Free float 65%

Daily avg. no. trad. sh. 12 mth 2

Daily avg. trad. vol. 12 mth (m) 25.90

Price high/low 12 months 7.29 / 8.30

Abs Perfs 1/3/12 mths (%) 3.11/4.96/3.75

Key financials (EUR) 12/17p 12/18e 12/19e

Total Revenue (m) 35 35 36

Pre-Provision Profit (PPP) (m) 11 12 12

Operating profit (OP) 9 9 10

Earnings Before Tax (m) 7 7 8

Net Profit (adj.) (m) 3 4 4

Shareholders Equity (m) 47 49 51

Tangible BV (m) 47 49 51

RWA (m) 856 742 764

ROTE 7.4% 7.6% 7.7%

Total Capital Ratio (B3) 11.3% 15.3% 15.4%

Cost/Income 61.9% 61.3% 60.9%

Price/Pre-Prov Prof 4.0 4.1 4.0

P/E (adj.) 13.0 12.9 12.2

P/BV 0.9 1.0 0.9

P/TBV 0.9 1.0 0.9

Dividend Yield 3.4% 3.9% 4.1%

Pre-Prov Prof per share 1.95 2.03 2.09

EPS (adj.) 0.60 0.64 0.68

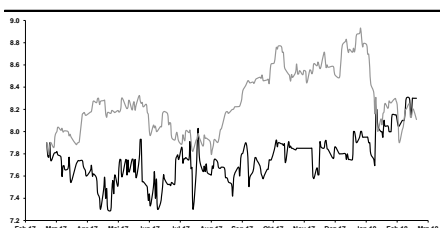
BVPS 8.33 8.66 9.00

TBVPS 8.33 8.66 9.00

DPS 0.28 0.32 0.34

Shareholders

Magnus 25%; HEGE 10%;



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2017 results in line with expectations, strong capital development as key surprise

Yesterday Merkur Bank published 2017 results which were above our forecast on a pretax profit level but fully in line on net profit level. Net profit was up by 10% yoy to EUR 3.5m (equinet: EUR 3.4m), EPS amounted to EUR 0.60 (equinet: EUR 0.60). Positively, the bank's total capital ratio increased by 510 bps yoy to solid 15.3% at the end of 2017. As MB's relatively low capital ratio has been one of its key weak spots in the past, this is particularly good news and bodes well for the future. Thus Merkur Bank should be able to increase its payout ratio and/or to further increase its loan portfolio. For 2018 the bank is confident to further increase its earnings (equinet EPS forecast: +6% yoy). We have increased our target price from EUR 9.30 to EUR 10.0 due to a slightly higher peer group valuation, a slightly higher EPS (2018e & 2019e: +1%) and expected higher payout ratios.

We stick to our Buy recommendation with a new target price of EUR 10.00 as we see Merkur Bank well positioned to benefit from an expected ongoing positive residential developer real estate market environment while successfully growing its assets under custody in the retail unit. With an adjusted '19e ROE of 8% Merkur Bank has an above average profitability while offering a dividend yield of well above 3% for 2017e. Shares are trading below adj. book value at a 2018e P/B of 0.7x. Importantly, the CEO is a personally liable partner and should therefore be highly committed to the bank and make sure that the bank pursues a cautious and risk adverse strategy.

✓ **2017 results:** Net interest income was up down by 1% yoy to EUR 23.0m in 2017 which was slightly below our forecast of EUR 23.3m. Net interest margin was down by 13 basis points yoy to 2.11%. This development was however more than offset by a stronger than expected increase of the net commission income which increased by 19% yoy to EUR 12.0m. Risk provisions were with EUR 0.4m (in the table below we show the HGB P&L figure which includes write-downs on securities) on a very low level and below our forecast of EUR 2m. Merkur Bank seems to have benefited once again from the very benign economic environment in Germany. At the same time Merkur Bank has once again booked high other general banking provisions of EUR 3.6m. This explains why the pretax profit is well above our forecast and net profit is only in line with our expectation.

Merkur Bank - 2017

EUR m	2017	2017e	2016	yoy	Consensus	delta
Revenues	35.0	34.6	34.7	1%	na	na
<i>of which NII</i>	23.0	23.3	23.1	-1%	na	na
Expenses	na	22.3	22.1	na	na	na
<i>CIR</i>	<i>na</i>	<i>64.5%</i>	<i>63.8%</i>	<i>n.a.</i>	<i>na</i>	<i>na</i>
Risk provis.	0.1	2.0	-2.0	na	na	na
EBT	14.0	9.1	13.4	5%	na	na
Net income	3.5	3.4	3.2	10%	na	na

Sources: Merkur Bank, equinet Research

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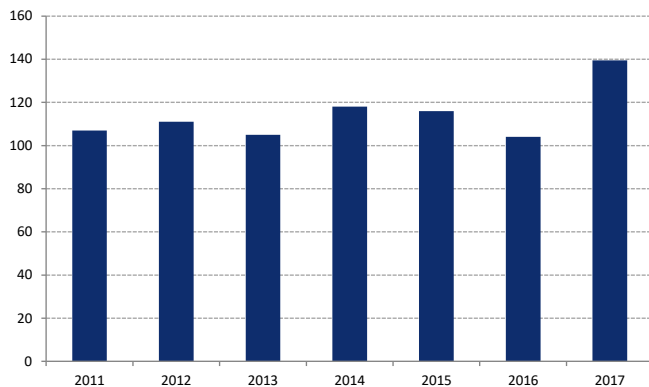
equinetBank
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All ESN research is available on Bloomberg, "ESNR", Thomson-Reuters, S&P Capital IQ, FactSet

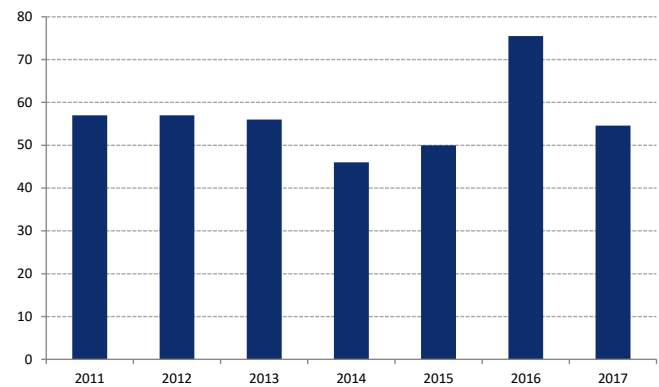
Development of KPIs: Merkur Bank's new loan business was up by 9% yoy to EUR 1.04bn in 2017, loan volume was up by 5% yoy to EUR 888m. In Merkur Bank's core business unit, residential real estate development business, new business was up by 9% yoy to EUR 841m, Merkur Bank obviously benefiting from the positive real estate markets in Munich, its home market. In Leasing new business was up by 34% yoy to EUR 140m and in SME new business was down by 23% yoy to EUR 55m.

Exhibit 1: New business leasing (EUR m)



Source: Merkur Bank, equinet Research

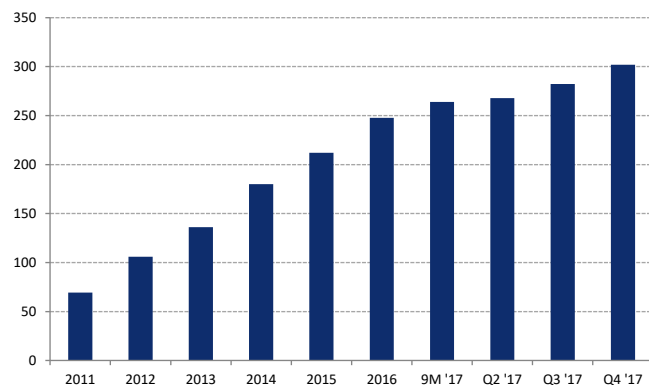
Exhibit 2: New business SME lending (EUR m)



Source: Merkur Bank, equinet Research

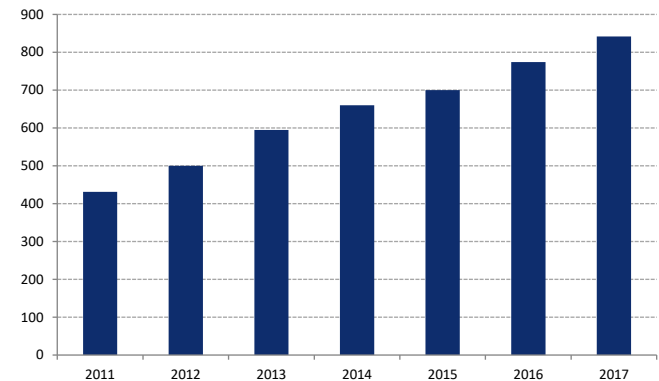
In Merkur Bank's retail business it managed to increase its assets under custody by 22% yoy to EUR 302m. Brokerage fees were up by 56% yoy to EUR 1.4m, the commission income generated with retail customers increased to 14% of total commission income (+ 7%-pts. yoy).

Exhibit 3: Dev. of Assets under Custody (EUR m)



Source: Merkur Bank, equinet Research

Exhibit 4: New business in real estate dev finance (EUR m)



Source: Merkur Bank, equinet Research

Capital development as key positive surprise:

Main positive surprise was clearly the strong increase of the regulatory capital by 25% yoy to EUR 110m which was due to various reasons like earnings retention, the 2016 capital increase (which has now been taken fully into account) and the issuance of another Tier 1 bond. With a total capital ratio of 15.3% and an estimated CT1 ratio of 10% (12 2017) we see Merkur Bank sufficiently capitalized. Hence, we expect MB to increase its payout ratio to 50% next year. Additionally Merkur Bank should be able to further increase its loan portfolio which should have a positive impact on its profitability.



Financials

We have slightly increased our EPS estimates from EUR 0.63 to EUR 0.64 and from EUR 0.67 to EUR 0.68 for 2018e and 2019e, respectively as we have become slightly more optimistic for the development of Merkur Bank's revenue development. We have also slightly increased our payout ratio estimate from 2018e forward to 50% given Merkur Bank's solid capitalization. Having an estimated CT1 ratio of 10% we clearly see higher flexibility for the bank regarding dividend payouts and/or higher loan growth.

Valuation: TP increased to EUR 10.0 (EUR 9.30)

Our TP is derived from the average fair values calculated from 3 different valuation methods: Peer Group analysis, Gordon Growth Model & Dividend Discount Model. We increase our TP from EUR 9.30 to EUR 10.0 on the back of a slightly higher peer group valuation and a higher expected payout ratio from 2018e going forward. Note that we have also reduced the cost of equity from 9.0% to 8.5% due to Merkur Bank's significantly improved capital position. With a CT1 ratio of 10% we see the bank sufficiently capitalized.

Exhibit 5: Gordon Growth Model

		Growth (g)						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
COE	7.0%	15.15	15.37	15.62	15.93	16.30	16.77	17.37
	7.5%	14.07	14.18	14.32	14.48	14.67	14.91	15.20
	8.0%	13.13	13.17	13.22	13.27	13.34	13.42	13.51
	8.5%	12.31	12.29	12.27	12.25	12.23	12.20	12.16
	9.0%	11.58	11.52	11.46	11.38	11.29	11.18	11.06
	9.5%	10.94	10.85	10.74	10.62	10.48	10.32	10.13
	10.0%	10.37	10.24	10.11	9.95	9.78	9.58	9.35

Source: equinet Research

Exhibit 6: Dividend Discount Model

EUR m	Phase I				Phase II						Phase III
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
EBT	9.1	9.4	9.8	10.3	10.8	11.3	11.9	12.5	13.1	13.8	
CIR	64.5%	63.9%	63.4%	63.0%	62.1%	61.1%	60.2%	59.3%	58.4%	57.5%	
Tax	-3.6	-3.8	-3.9	-4.1	-4.3	-4.5	-4.8	-5.0	-5.2	-5.5	
Tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	
Minorities/Others	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	
growth rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Net profit	3.4	3.7	3.9	4.2	4.5	4.8	5.1	5.5	5.9	6.3	
growth rate	8.0%	6.2%	6.1%	7.6%	7.4%	7.2%	7.1%	6.9%	6.8%	6.7%	
Total dividend	1.6	1.8	1.9	2.1	2.2	2.4	2.6	2.7	2.9	3.1	49
payout ratio	46.3%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
PV Phase I	6										
PV Phase II	9										
PV Phase III	23										
Total Fair Value	39										
# shares	6										
Fair value per share	6.79										
		Risk premium		4.0%		Beta		1.0			
		Risk free rate		4.5%		Cost of equity		8.5%			
		Sensitivity				Growth in phase III					
						1.0%	1.5%	2.0%	2.5%	3.0%	
						7.7%	7	8	8	9	
						8.1%	7	7	7	8	
						8.5%	6	6	7	7	
						8.9%	6	6	6	7	
						9.4%	6	6	6	6	

Source: equinet Research



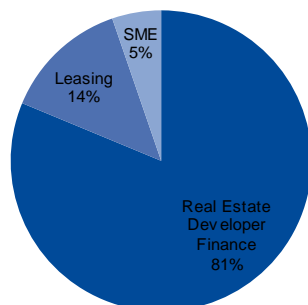
Exhibit 7: Peer Group Valuation

Company	Share Price (LC)	MC (LC m)	PER 2018e	PER 2019e	P/B 2018e	P/B 2019e	ROE 2018e	ROE 2019e	Yield 2017e	1M Perf	12M Perf
Aareal Bank AG	39.42	2,360	13.7x	12.0x	0.9x	0.8x	6.3%	7.0%	6.2%	1%	10%
comdirect	11.72	1,655	25.7x	22.8x	2.5x	2.4x	9.6%	10.3%	2.1%	1%	27%
Commerzbank AG	11.93	14,936	16.2x	11.8x	0.5x	0.5x	3.2%	4.2%	0.0%	-7%	44%
Deutsche Bank AG	12.55	25,930	11.5x	8.6x	0.4x	0.4x	3.5%	4.5%	0.8%	-5%	-17%
Deutsche Pfandbriefb	13.00	1,748	12.3x	12.2x	0.6x	0.6x	4.9%	4.8%	7.7%	-7%	15%
Umweltbank	8.82	246	8.9x	8.6x	2.4x	2.3x	26.2%	26.8%	15.9%	0%	-35%
Average			14.7x	12.7x	1.2x	1.2x	8.9%	9.6%	5.5%	-2.8%	7%
MERKUR BANK			12.9x	12.2x	1.0x	0.9x	7.6%	7.7%	3.4%	-5%	-17%

Source: equinet Research, FactSet

Exhibit 8: Investment Case in Charts

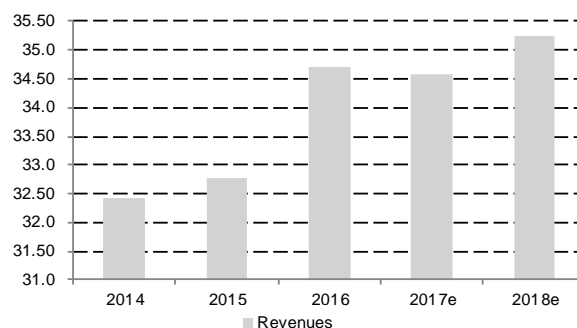
Loan new business split by business unit



Commercial Real Estate Developer Financing business is Merkur Bank's key revenue pillar.

Source: Merkur Bank, equinet Research

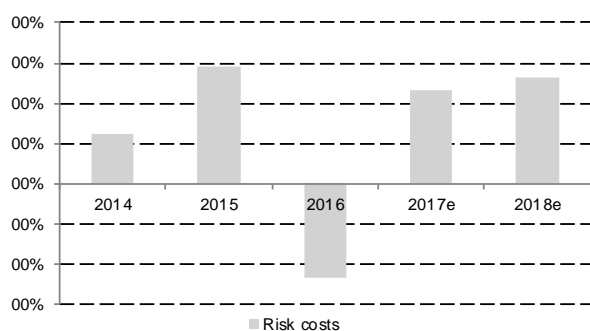
Revenues should further rise...



As Merkur Bank should continue to benefit from the positive market environment we forecast revenues to increase in 2018e.

Source: Merkur Bank, equinet Research

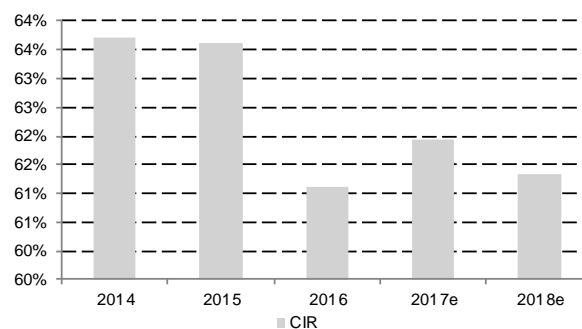
... while risk costs should remain low



Risk costs should remain on low level as we expect the benign commercial real estate environment to continue.

Source: Merkur Bank, equinet Research

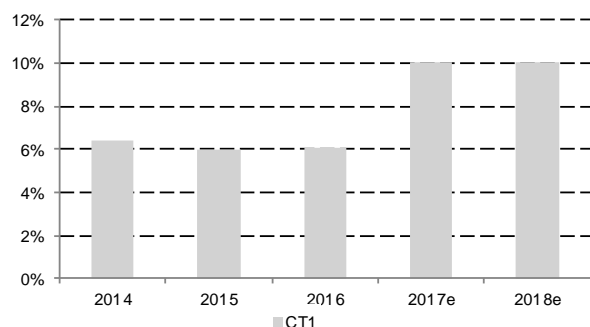
Efficiency is solid with a CIR of slightly above 60%



CIR is at relatively low level. We see however no room for further improvement as Merkur Bank is already operating quite efficiently.

Source: Merkur Bank, equinet Research

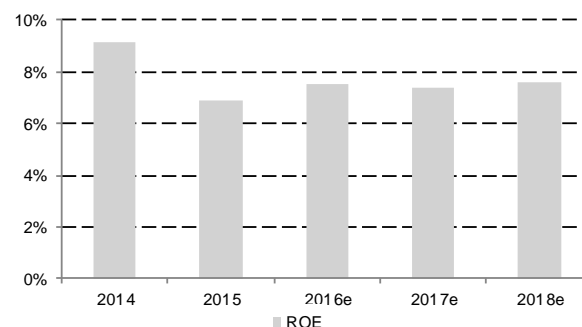
Capitalization with positive development in 2017



Due to various measures (e.g. capital increase) MB has increased its CT1 ratio to sufficient 10% in 2017.

Source: Merkur Bank, equinet Research

Solid Profitability



With an expected ROE of more than 7% for 2018e Merkur Bank has a solid profitability.

Source: Merkur Bank, equinet Research



Merkur Bank : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
Net Interest Income	21.2	21.6	23.1	23.3	23.6	23.9
Commissions	9.8	10.4	10.1	10.7	11.2	11.4
Trading income						
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Income	1.5	0.7	1.5	0.5	0.5	0.5
Non-Interest Income						
Total Income from Banking Business						
Revenues from Insurance Business						
Total Revenue	32.4	32.8	34.7	34.6	35.2	35.8
Operating Costs	-20.7	-20.8	-21.2	-21.4	-21.6	-21.8
-of which Personnel Expenses	-12.6	-13.1	-13.4	-13.6	-13.8	-13.9
Other Operating Provisions	-3.0	-2.0	-2.1	-2.1	-2.1	-2.1
Pre-Provision Profit (PPP)	8.7	9.9	11.4	11.1	11.5	11.9
Loan Impairment Charge (LIC)	-0.9	-2.2	2.0	-2.0	-2.1	-2.1
Operating profit (OP)	7.8	7.7	13.4	9.1	9.4	9.8
Associates						
Other Income/Loss(Exceptional)	-1.1	-1.8	-6.1	-2.0	-2.0	-2.0
Results from Financial Investments						
Earnings Before Tax (EBT)	6.8	5.9	7.3	7.1	7.4	7.8
Tax	-3.2	-3.3	-4.1	-3.6	-3.8	-3.9
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Discontinued Operations						
Minorities	-0.3	0.0	0.0	0.0	0.0	0.0
Preference Dividends						
Net Profit (Reported)	3.3	2.6	3.2	3.4	3.7	3.9
Earnings Before Tax (Adj.) (1)						
Net Profit (Adj.)	3.3	2.6	3.2	3.4	3.7	3.9

BALANCE SHEET (EURm)	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
Due from Banks	78.0	62.5	42.1	50.0	50.0	50.0
Customer Loans	694	813	847	873	890	908
Securities	0.0	0.0	0.0	0.0	0.0	0.0
Interest Earning Assets (IEA)	772	876	889	923	940	958
Unit Linked Investments						
Goodwill						
Other Assets	67.4	96.7	144	156	157	161
Total Assets	839	973	1,033	1,079	1,097	1,119
Due to Banks	62.6	83.7	74.4	65.0	63.0	63.0
Customer Deposits	688	800	846	899	908	926
Bonds & Debt Capital	28.8	26.8	35.9	35.8	45.8	45.8
Technical Provisions Insurance (Life and Non-Life)						
Other Liabilities	18.5	18.7	26.0	26.9	25.8	27.5
Shareholders Equity	37.2	38.8	45.6	47.4	49.2	51.2
Minorities Equity	4.4	4.6	5.1	5.1	5.1	5.1
Total Liabilities	839	973	1,033	1,079	1,097	1,119
Tangible Book Value (2)	37.2	38.8	45.6	47.4	49.2	51.2

REGULATORY CAPITAL (EURm)	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
Risk Weighted Assets	703	816	862	856	742	764
CT1 ratio (B3 fully loaded)	6.4%	6.0%	6.1%	7.2%	10.0%	10.3%
CT1 ratio (B3 phased-in)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Capital Ratio (B3)	10.4%	9.2%	10.2%	11.3%	15.3%	15.4%
Leverage Ratio (fully loaded)	7.1%	6.1%	6.6%	7.1%	8.7%	8.9%
<i>Tangible equity as % of Assets</i>	<i>4.4%</i>	<i>4.0%</i>	<i>4.4%</i>	<i>4.4%</i>	<i>4.5%</i>	<i>4.6%</i>



Merkur Bank : Summary tables

GROWTH RATES %	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
Revenue Growth	1.3%	1.0%	6.0%	-0.4%	1.9%	1.6%
Operating Cost Growth	8.0%	0.9%	1.8%	1.0%	1.0%	1.0%
Interest Income Growth	-1.8%	2.1%	6.8%	1.0%	1.0%	1.5%
Non Interest Income Growth						
Pre-Provision Profit Growth	-23.2%	13.2%	15.4%	-2.9%	4.1%	3.2%
Customer Loan Growth	-5.8%	17.2%	4.1%	3.0%	2.0%	2.0%
Deposits Growth	-4.1%	16.4%	5.7%	6.2%	1.0%	2.0%
Change in NPLs						

KEY RATIOS %	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
Interest Income/Avg. IEA	2.7%	2.6%	2.6%	2.6%	2.5%	2.5%
Interest Income/Avg. RWA	2.9%	2.8%	2.8%	2.7%	3.0%	3.2%
Total Revenue/Avg. RWA	4.5%	4.3%	4.1%	4.0%	4.4%	4.8%
Cost/Income ratio (4)	63.7%	63.6%	61.1%	61.9%	61.3%	60.9%
LIC/Avg. Customer Loans	0.12%	0.29%	-0.24%	0.23%	0.24%	0.23%
LIC/Avg.RWA	0.12%	0.29%	-0.23%	0.23%	0.26%	0.28%
Loan Loss Provisions (Balance Sheet)/Loans	0.1%	0.3%	-0.5%	0.2%	0.2%	0.2%
NPL Ratio (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NPL Coverage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans/Deposits Ratio	100.9%	101.7%	100.1%	97.1%	98.0%	98.0%
ROE	9.2%	6.9%	7.5%	7.4%	7.6%	7.7%
ROTE or ROE (adj.) (5)	9.2%	6.9%	7.5%	7.4%	7.6%	7.7%
Payout Ratio	31.2%	43.2%	42.6%	46.3%	50.0%	50.0%
Dividend Yield (gross)	3.3%	3.7%	3.9%	3.4%	3.9%	4.1%

VALUATION (x)	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
P/Pre-Provision Profit per Share	3.6	3.1	3.1	4.0	4.1	4.0
P/E (reported)	9.6	11.6	10.9	13.0	12.9	12.2
P/E (adj.)	9.6	11.6	10.9	13.0	12.9	12.2
P/BV	0.8	0.8	0.8	0.9	1.0	0.9
P/TBV	0.8	0.8	0.8	0.9	1.0	0.9

PER SHARE DATA (EUR)(6)	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
Average diluted number of shares	5.2	5.2	5.7	5.7	5.7	5.7
Pre-Provision Profit per Share	1.69	1.91	2.19	1.95	2.03	2.09
EPS (reported)	0.64	0.51	0.61	0.60	0.64	0.68
EPS (adj.)	0.64	0.51	0.61	0.60	0.64	0.68
BVPS	7.20	7.51	8.01	8.33	8.66	9.00
TBVPS (2)	7.20	7.51	8.01	8.33	8.66	9.00
DPS	0.20	0.22	0.26	0.28	0.32	0.34

PRICE & SHARES & MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017p	12/2018e	12/2019e
Price** (EUR) (7)	6.1	5.9	6.7	7.9	8.3	8.3
Outstanding number of ordinary shares (m)	5.2	5.2	5.7	5.7	5.7	5.7
Total Market Cap (8)	31.6	30.5	38.0	44.7	47.2	47.2

Assets Under Management (bn)

Source: Company, equinet Bank estimates.

Notes

(1) Earnings Before Tax (adj.) = EBT +/- Exceptional Items

(2) Tangible Book Value = Shareholders Equity less Goodwill

(3) Core Tier1 Ratio (ESN adj.) = Tier1 capital less Tier1 Hybrid capital and less preference capital divided by risk weighted assets

(4) Cost/Income = Operating Costs divided by Banking Revenues

(5) ROTE or ROE (adj.) = Net Profit (adj.) divided by the two-years (according to fiscal year end) average of Shareholders Equity excluding Goodwill

(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

(7) Price (in local currency): Historical Price for Historical Years and Current Price for current and forecast years

(8) Total Market Cap includes also other categories of shares (preferred and/or savings)

Sector: Banks/Banks

Company Description: Merkur Bank is a small bank, located in Munich, focusing on real estate financing, leasing, SME lending and retail banking in Germany, mainly in Bavaria.



Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2G Energy	Rüzgar	19.50	Neutral	2/3/5	Metro AG	Bruns	29.00	Buy	2
Aareal Bank	Häßler	42.00	Accumulate		MLP	Häßler	7.50	Buy	2/3
adidas	Josefson	211.00	Accumulate		MTU Aero Engines	Rüzgar	130.00	Reduce	2
Adler Modemaerkte	Josefson	6.00	Neutral	7	Munich Re	Häßler	210.00	Accumulate	
ADLER Real Estate	Mayer	15.70	Buy		Nemetschek SE	Mildner	47.00	Reduce	5
Aixtron	Sen	11.60	Accumulate	2/3	Nexus AG	Drost	28.00	Buy	
Allianz	Häßler	200.00	Neutral		Norma Group	Schuldt	61.00	Neutral	
Axel Springer	Josefson	66.50	Reduce		OHB SE	Rüzgar	40.00	Neutral	7
Bayer	Miemietz	118.00	Buy		OVH Holding AG	Häßler	20.00	Accumulate	2/5/7
BB Biotech	Miemietz	73.00	Buy	7	Patrizia	Mayer	21.50	Accumulate	
Biotest	Miemietz	18.00	Neutral	2/3	Pfeiffer Vacuum	Sen	162.00	Accumulate	5
BMW	Schuldt	100.00	Accumulate		Procredit Holding	Häßler	15.60	Buy	2/3/5
Brenntag	Hinkel	59.80	Buy	2	PSI SOFTWARE AG	Mildner	20.00	Accumulate	2/3
Ceconomy AG	Bruns	10.70	Reduce		Puma	Josefson	430.00	Buy	
Cenit	Drost	22.50	Buy		PWO	Schuldt	51.00	Buy	2/3
comdirect	Häßler	11.20	Neutral		Rheinmetall	Rüzgar	110.00	Accumulate	
Commerzbank	Häßler	13.00	Neutral		RIB Software	Mildner	16.50	Buy	2/3
Continental	Schuldt	270.00	Buy		RTL Group	Josefson	72.00	Accumulate	
CORESTATE Capital Holding S.A.	Mayer	72.00	Buy	2/5	S&TAG	Sen	21.00	Buy	2/3
CTS Eventim	Heilmann	41.00	Neutral		SAF-Holland	Schuldt	17.00	Accumulate	7
Daimler AG	Schuldt	80.00	Accumulate		SCOUT24	Heilmann	31.00	Reduce	2
Daldrup & Soehne	Becker	14.50	Buy	2/3/5	Siegfried Holding AG	Miemietz	295.00	Accumulate	
Demire	Mayer	4.55	Buy	2/5	SLM Solutions	Sen	24.00	Sell	
Deutsche Bank	Häßler	18.00	Buy		SMT Scharf AG	Rüzgar	16.70	Buy	2/3
Deutsche EuroShop	Mayer	33.00	Neutral		Software AG	Mildner	30.00	Sell	
Deutsche Pfandbriefbank	Häßler	13.50	Neutral		Stabilus	Tanzer	89.00	Buy	
Deutsche Telekom	Sen	13.30	Neutral		Suedzucker	Bruns	15.50	Reduce	
Drillisch	Sen	66.00	Buy		SuessMicroTec	Sen	14.30	Reduce	2/3
Duerr	Augustin	120.00	Buy		Surteco	Mildner	30.00	Buy	2/3
ErlingKlinger	Schuldt	12.40	Reduce		Symrise AG	Hinkel	67.00	Neutral	
elumeo SE	Josefson	10.90	Accumulate		Syzygy AG	Heilmann	12.00	Accumulate	2/3
Epigenomics AG	Miemietz	4.72	Accumulate	2/3	TAKKT AG	Bruns	22.30	Neutral	2
Euromicron AG	Drost	13.00	Buy	2/3/5	Talanx Group	Häßler	40.00	Accumulate	
Eyemaxx Real Estate	Mayer	16.00	Buy	2/5/7	Technotrans	Becker	45.70	Neutral	2/3
Ferratum	Häßler	30.00	Buy		TELECOLUMBUS	Sen	11.00	Buy	
Fielmann	Heilmann	79.00	Accumulate		Telefonica Deutschland	Sen	3.40	Sell	
Freenet	Sen	36.00	Buy	2	United Internet	Sen	63.00	Buy	
FuchsPetrolub	Hinkel	47.00	Neutral		Vapiano	Bruns	26.50	Buy	2/7
Gea Group	Augustin	39.00	Neutral		va-Q-tec	Sen	17.00	Neutral	2/3/5
Gerrheimer AG	Rüzgar	75.00	Neutral		Viscom	Rüzgar	29.50	Accumulate	2/3
Gerry Weber	Josefson	8.00	Neutral		Volkswagen	Schuldt	170.00	Neutral	
Gesco	Becker	36.00	Accumulate	2/3/5	Wacker Neuson SE	Becker	27.20	Neutral	
GFT Technologies	Mildner	15.50	Buy	2/3	windeln.de	Josefson	3.10	Buy	2
Gigaset	Sen	0.85	Accumulate	2/3	XING AG	Heilmann	315.00	Buy	
Grenke	Häßler	90.00	Neutral		Zalando	Josefson	44.50	Neutral	
Hannover Re	Häßler	110.00	Neutral						
Heidelberg Pharma	Miemietz	3.50	Buy	2/3					
Heidelberger Druck	Augustin	3.60	Buy						
HELLA GmbH & Co. KGaA	Tanzer	57.00	Accumulate						
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	80.00	Buy						
Hypoport AG	Häßler	164.00	Buy	2/7					
INDUS Holding AG	Becker	64.50	Neutral						
K+S AG	Hinkel	24.40	Accumulate						
Koenig & Bauer	Augustin	67.00	Accumulate						
Krones AG	Augustin	121.00	Accumulate						
KWS SAAT	Hinkel	348.00	Neutral						
Lanxess	Hinkel	83.00	Buy						
Leoni	Schuldt	57.00	Neutral						
Linde	Hinkel	175.00	Neutral						
Logwin	Mildner	148.00	Neutral	2/3/5					
Manz AG	Rüzgar	35.00	Neutral	2/3					
MAX Automation AG	Becker	9.40	Buy	2/3/5					
Merck	Miemietz	112.00	Buy						
Merkur Bank	Häßler	10.00	Buy	2/7					

* = Coverage suspended

Source: equinet Recommendations



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Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.

Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.

Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon

Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon

Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

Sources

Equinet Bank has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

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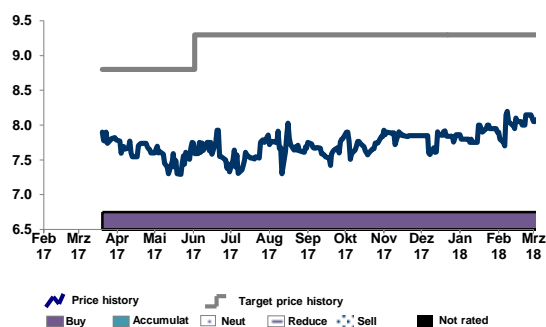


Recommendation history for MERKUR BANK

Date	Recommendation	Target price	Price at change date
20. Mrz 18	Buy	10.00	8.30
02. Jun 17	Buy	9.30	7.59
17. Nov 16	Buy	8.80	6.23
02. Aug 16	Buy	8.20	5.72
17. Feb 16	Buy	7.80	6.01

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Philipp Häßler, CFA (since 17/02/2016)





ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



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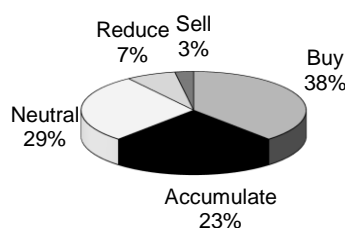
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- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Equinet Bank Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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