

## EKINOPS

| Technology  
| Telecom

## BUY

**Fair Value** EUR5.9(+59%)  
**Share price** EUR3.72  
**EPS 3Y Cagr** 0

### Strengthening of optical technologies portfolio

#### Acquisition of OTN techno. from Padtec to boost optical segment

This morning Ekinops announced the signing of definitive agreements, subject to conditions, to acquire the OTN-Switch (Optical Transport Network) platform developed by Padtec, an optical communications system manufacturer based in Brazil. OTN technology is used to switch data traffic over optical fibres, and it is estimated that over 40% of the optical network market uses OTN solutions, Ekinops says. Ekinops expects to deliver revenues from new OTN products starting in 2020, and targets the major operator core networks market segment with the objective to triple its optical transport product sales within 5 years. As such we expect additional revenues could reach cEUR40m on top of the current estimated EUR20m for the optical transport business. We view the acquisition as an interesting development for Ekinops in order to boost its optical network business, but we point out an increase in the mix of optical products could be slightly dilutive to the gross margin.

#### Limited balance sheet impact with capital increase expected

Ekinops will acquire OTN technology and an R&D team comprising 25 engineers based in Brazil for EUR10 million in cash. We therefore estimate Incremental personnel charges of around EUR3m per year, an increase of 15% in the R&D budget. Financing is not a major issue, as the group's net cash position was EUR14.2m at the end of 2018, and the group said this morning it raised EUR6.3m in new bank loans in Q2 2019. Pro forma with the acquisition, we estimate the group's net cash should end up at cEUR6m by the end of 2019. However, in order to strengthen its balance sheet, the group intends, subject to favorable market conditions, to carry out a capital increase by private placement over the coming weeks, for an amount capped at 10% of the capital stock. The major shareholders sitting on the Board of Directors, Aleph Golden Holdings Sarl and Bpifrance (representing c27% of the share capital) have notified the company of their intention to take part. The capital increase should bring cEUR8m in cash, at current market conditions. We believe the stock market reaction should be rather cautious, but we believe today's impact should be limited given the stock was down 4.74% yesterday.

#### Market Data

Bloomberg / Reuters	EKI FP/EKI.PA
Market Cap.	EUR80,088k
E.V.	EUR80,088k
Free Float	-
Avg. Daily volume (6m)	62.90
12m high / low	EUR4.9 / EUR2.4
Ytd Perf.	39.8%

EURK	mm/yye	03/20e	03/21e	03/22e
Sales				
% Change				
EBITDA				
% Change				
EBIT				
% Change				
Net Income				
% Change				
ROE				

	mm/yye	03/20e	03/21e	03/22e
EV/Sales				
EV/EBITDA				
EV/EBIT				
EPS				
% change				
P/E				
Div Yield				

**Next Catalyst:** Q2 2019 revenues on 17th July

**Last FV Change:**

[2019-4-26, Empowering next generation networks](#)

**Last Reports:**

[2019-4-26, Empowering next generation networks](#)

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### Stock rating

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### Distribution of stock ratings

BUY ratings 50.3%

NEUTRAL ratings 42.9%

SELL ratings 6.7%

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