Allgeier Holding AG
Germany - IT Services

HAUCK & AUFHÄUSER
INSTITUTIONAL RESEARCH AG

Buy (Initiation)

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Price target: EUR 23.00

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Price:	EUR 12.00	**Next result:**	Q4 2011 26.04.12
Bloomberg:	AEI GR	**Market cap:**	EUR 108.9 m
Reuters:	AEIG.DE	**Enterprise Value:**	EUR 110.9 m

The IT people

Allgeier Holding is offering its 2,000 clients a broad range of high end IT services and tailored solutions. Its business model seems almost made to measure for the German IT services industry which is on the brink of a major consolidation.

By **being the first-mover in combining IT Services and IT Recruiting**, the company set a trend which is currently being replicated by its competitors. At the same time having some c. 72,000 freelancers at its disposal also creates enormous synergies in the form of a constant access to projects AND a flexible cost base.

In a still fragmented market, **Allgeier's solid competitive quality is based on**:

- **Size**: Allgeier is being perceived as the second biggest medium sized IT service provider in Germany and also the #2 of the German IT recruiting companies.
- **Off-shore resources**: While German IT engineers are expensive, the recently acquired subsidiary Nagarro provides substantial off-shoring capacities in India.

While Allgeier just recently collected € 70m of external funding by placing a bond, this step underpins **management's determination to continue acquiring smaller competitors and actively participate in the consolidation process**.

That said the **dynamic sales growth of 14% p.a. through 2013E** should be a result of the exposure to growing niches such as cloud computing, outsourcing, etc. and should be further supported by external growth. While Allgeier has shown a stable operating profitability even during the downturn, the trend of bottom-line growth is expected to continue on the back of a solid top-line development. More specifically, **EBITDA is seen to grow at a CAGR of 20% to € 31.2m through 2013E**.

Event though Allgeier already went public in 2000, the company is still hardly known by institutional investors due to its small free float market cap and the lack of marketing the equity story abroad. However, by continuing its dynamic development and after having reached a certain critical mass allowing the generation of decent EBIT margins, rising interest of investors should be the result.

We initiate coverage with the recommendation to **Buy the share with a PT of € 23** based on DCF.

Y/E 31.12 (EUR m)	2007	2008	2009	2010	2011P	2012E	2013E
Sales	133.4	178.7	223.5	308.7	379.0	418.6	452.9
Sales growth	44 %	34 %	25 %	38 %	23 %	10 %	8 %
EBITDA	8.9	12.1	14.4	18.1	22.0	25.8	31.2
EBIT	4.8	3.9	8.0	11.0	11.7	14.7	19.7
Net income	-0.3	79.7	5.2	8.3	5.9	8.6	12.2
Net debt	-82.8	-40.5	-27.4	-15.8	9.0	17.9	17.5
Net gearing	-424.0 %	-51.0 %	-35.2 %	-19.3 %	10.8 %	20.2 %	18.1 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.4	0.7	0.6
EPS fully diluted	-0.03	8.79	0.57	0.92	0.65	0.95	1.34
CPS	0.79	-0.53	1.24	0.65	1.13	1.27	1.84
DPS	2.50	0.60	0.50	0.50	0.50	0.54	0.69
Dividend yield	20.8 %	5.0 %	4.2 %	4.2 %	4.2 %	4.5 %	5.7 %
Gross profit margin	42.0 %	37.8 %	38.5 %	40.9 %	41.1 %	41.6 %	41.8 %
EBITDA margin	6.7 %	6.8 %	6.5 %	5.9 %	5.8 %	6.2 %	6.9 %
EBIT margin	3.6 %	2.2 %	3.6 %	3.6 %	3.1 %	3.5 %	4.3 %
ROCE	6.7 %	4.1 %	6.9 %	8.7 %	8.3 %	9.0 %	10.2 %
EV/sales	0.2	0.4	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	2.9	5.5	5.4	4.8	5.0	4.6	3.8
EV/EBIT	5.3	17.4	9.7	7.8	9.5	8.1	6.1
PER	-433.7	-29.2	21.1	13.0	19.2	12.6	8.9
Adjusted FCF yield	16.7 %	5.5 %	14.9 %	16.2 %	11.8 %	14.3 %	17.4 %

Source: Company data, Hauck & Aufhäuser Close price as of: 27.03.2012

Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	14.00 / 9.70
Price/Book Ratio:	1.3
Relative performance (TecDAX):	
3 months	-
6 months	-4.8 %
12 months	18.5 %

Changes in estimates

		Sales	EBIT	EPS
2011	*old:*	379.0	11.7	0.70
	Δ	-	-	-
2012	*old:*	418.6	14.7	1.02
	Δ	-	-	-
2013	*old:*	452.9	19.7	1.45
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs)	9.1
Authorised capital: (in € m)	2.3
Book value per share: (in €)	9.2
Ø trading volume: (12 months)	7,265

Major shareholders:

Free Float	50.7 %
Lantano Beteiligungen GmbH	27.6 %
Detlef Dinsel	10.4 %
Treasury stock	7.6 %
CS Equity Fund	3.8 %

Company description:
Allgeier is one of Germany's leading IT service groups.

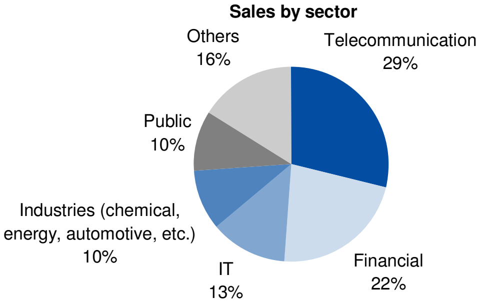
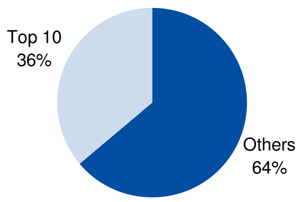
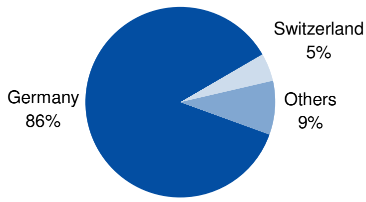
Table of Contents

Executive Summary

Allgeier offers a diversified IT services portfolio for a broad range of customers in different sectors with different requirements.

- **IT Solutions** offers a wide range of software products such as content management, resource planning, data center services as well as security software.
- **IT Services & Recruiting** largely provides IT consulting and integration services as well as outsourcing and staffing and recruiting services.
- **Project Solution** supplies customised IT solutions and IT- as well as SAP consulting services.

Allgeier caters to a Blue Chip client base including industry leaders such as Lufthansa, AXA, BMW, IBM, Deutsche Telekom or E.ON or Siemens. 52 of German Top 100 companies are among the company's clients. The top 10 customers accounted for no more than 36% of total sales in 2010.

	IT Solutions	IT Services & Recruiting	Project Solution	Group
Products				
	Enterprise Resource Planning (ERP) Enterprise Content Management Security Solutions Data Centre Services	IT and Business Process Consulting Software Development Outsourcing/ Managed Services Staffing & Recruiting Third Party Management	Management & IT Consulting Business Process Consulting Application Development & Management Portal Technology SAP Consulting	
Sales 10 (€ m)	96	165	48	**308.7**
Sales share	31%	53%	16%	
Main end markets (10)	**Sales by sector** 		**Sales Top 10 customers** 	
Market positions	No. 2 of mid-sized IT Service Providers in Germany --- No. 2 of IT Recruiting companies in Germany			
Customers	In total: 2,000 customers - 52 of Germany's TOP 100 companies are served. This also includes: BMW, KPMG, Lufthansa. SEB. Dt. Telekom, Siemens, Bayer, SAP, BASF, IBM, EON, Daimler, Oracle.			
Competitors	GFT, Adesso, Seven Principles, Atos Origin, COR&FJA.	Hays, Reutax, Elan, Gulp, GFT AG, Etengo.		
Employees	over 2,500 permanent workers and 1,450 freelancers			
Sales distribution by region (10)	The extremly fragmented German IT service market consists of more than 50,000 providers. Others mainly includes: Finland, Luxembourg, the Netherlands, Belgium and Austria.			
Sites	52 in Germany, further 23 in Europe, USA, Mexico and India - 1,000 IT specialist are employed in India.			
Holding subsidiaries	8 companies	5 companies	3 companies	
EBITA	5.6	10.2	2.8	**15.6**
EBITA-margin	5.8%	6.2%	5.8%	**6%**
EBIT 10 (€ m)	na	na	na	**11.0**
EBIT-margin	na	na	na	**4%**

Source: Company data; Hauck & Aufhäuser

Quality

In a fragmented market environment which is currently undergoing consolidation, Allgeier competes with a

- Large number of small and medium sized companies like Adesso or GFT
- Small number of large scale rivals like T-Systems, IBM, Accenture, Cap Gemini or Atos Origin.

Whilst barriers to entry are normally low in this sort of business, Allgeier's strong competitive quality is based on:

- **Size** - Allgeier is being perceived as the second biggest medium sized IT service providers in Germany and also the #2 of the German IT recruiting companies.
- **Full service approach** – Allgeier offers a broad range of IT services and large clients ask for IT consultants with such a service portfolio. As a consequence Allgeier has become 'preferred service provider' of many large enterprises.
- **Integrated business model** – Having some c. 72,000 freelancers at its disposal creates enormous synergies: By placing freelancers at its clients IT departments, Allgeier secures constant access to projects. Using freelancers in its own consulting teams additionally provides a flexible cost base.
- **Acquisition track record and access to financing** – Being a listed company guarantees superior access to external financing which is underlined by the recent placement of a € 70m bond that can be used for acquisitions. That the track record is flawless underpins the company's ability to add three to five new entities p.a. without diluting the operating profitability.
- **Off-shore resources** – While German IT engineers are scarce and expensive, the recently acquired subsidiary Nagarro provides substantial off-shoring capacities in India.

Size matters

In an environment where most of the large customers are currently trying to consolidate their IT service suppliers and focus on a few preferred partners, Allgeier should benefit from higher order volumes. Market position, size and breadth of the product portfolio should further underpin this trend as financial stability and with it a low default risk appear to be differentiating features vis-à-vis the multitude of unknown small suppliers.

Allgeier - the no. 9 in the German IT service market and the no. 2 amongst the independent SME's - offers its clients a critical size generating c € 266m sales (2010) in IT services.

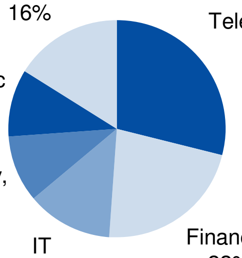
The strong position in the German IT services market is underpinned by the fact that **20 of top 30 and 52 of the top 100 German companies are amongst Allgeier's customers**.

Selected clients of Allgeier Holding AG

Source: Company data; Hauck & Aufhäuser

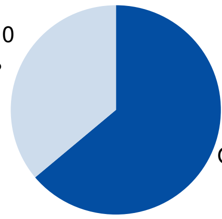
The critical size also allows Allgeier to be **independent from single customers or industries**. While mainly focusing on the industries Telco, Banking, IT, Industry and the Public sector, none of these accounts for more than 29% of sales. Also the individual customer concentration is limited with the **top ten clients accounting for 36% of sales**.

Sales by sectors in 2010



Source: Company data; Hauck & Aufhäuser

Sales share of top 10 customers in 2010



Source: Company data; Hauck & Aufhäuser

Intersegmental synergies…

…are being created on the back of Allgeier's database of c. 72,000 IT freelancers. In the IT services and recruiting segment, Allgeier organises the IT staffing for its clients by recruiting experts from this database. This clearly offers **cross selling opportunities** and helps getting access to attractive IT service projects.

Also, the access to these freelancers is used in the service business by partly employing the resources in its projects. Thereby, the **cost base can be cut in times of softening demand for IT service projects which is reducing the potential negative operating leverage**.

According to Lünendonk there is a trend towards mergers between service providers and recruiting companies. The advantage is that service providers firstly have a constant pool of freelancers available which increases their cost flexibility and secondly, get easier access to follow-on projects where freelancers are already placed. **Hence, Allgeier is banking on a first mover advantage, as the company is following this business approach since more than 10 years**.

Proven track record of acquisitions

Allgeier's business model seems almost made to measure for the German IT services industry which is on the brink of a major consolidation. **While the lean holding which is run by three board members and four additional**

employees is already being utilised by 16 cash generating units, any further acquisition looks set to even enhance its efficiency.

Moreover, Allgeier clearly benefits from its access to funding being amongst the few listed medium-sized German IT service providers. Just recently, Allgeier collected € 70m of external funding by placing a bond. This underpins management's determination to **continue acquiring smaller competitors and actively consolidate the fragmented market**.

Management has proven its ability to manage external growth: despite acquiring c. three companies p.a. over the last five years EBITA significantly increased by some 138% compared to 2007 without diluting the ROCE adjusted for PPA.

Off-shore capacities improve cost structure and project flexibility

With the recent acquisition of Nagarro Inc. Allgeier bought a company with access to global blue chip clients and global project experience. Even more importantly, **Allgeier gained access to c. 1,000 IT experts based in India**. For a number of reasons this has been a sensible move:

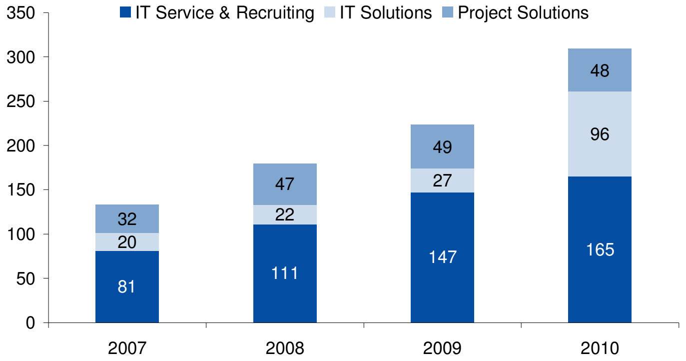
- Allgeier can offer its clients cost efficient off-shore or 'blended shore' solutions (mixed team of locals and off shore employees).
- This clearly differentiates the company from most of its smaller competitors who rely on Eastern European near shore solutions at best.
- The access to Indian employees earning c. 1/5 of their German counterparts should improve the cost structure assuming that wage inflation in Germany could become a burden soon due to the increasing scarceness of well trained IT experts.

Solid competitive quality translates into high business quality

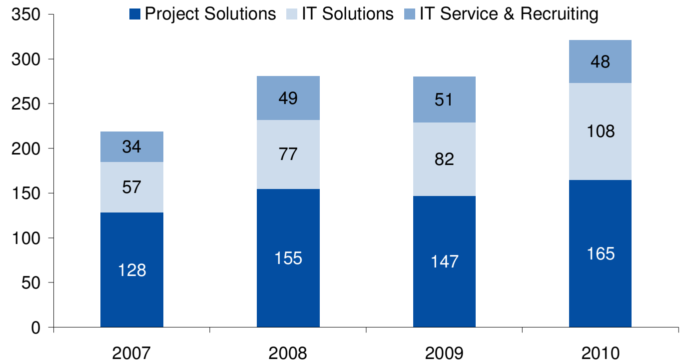
While the company's impressive historic growth is a combination of a solid organic development AND acquisitions, Allgeier shows 'pro forma' figures in order to measure the operating performance which assumes that all the acquired entities would have been part of the group since beginning of 2007.

Even **in the challenging time from 2007 to 2010 sales grew at a CAGR of 32%** and 'pro forma' sales still increased by 13% p.a. EBIT grew in-line with sales at a CAGR of 31.8% to € 11m.

Sales IFRS reporting - CAGR 07-10 32%



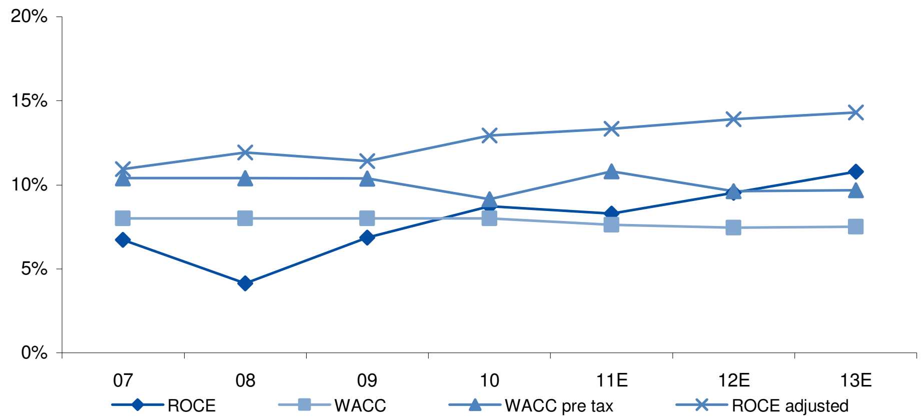
Sales "pro forma" - CAGR 07-10 13%



Source: Company data, Hauck & Aufhäuser

At a first glance it may appear as if Allgeier did not create much value in the recent past given a ROCE level of c. 6-9%. However, this value **is massively understated by PPA amortisation of c. € 7m p.a. resulting from acquisitions**. Hence, a ROCE calculation based on EBITA clearly leads to a more realistic picture which is shown as 'ROCE adjusted' in the graph below.

Returns



Source: Company data, Hauck & Aufhäuser

On an adjusted basis, **Allgeier has been able to generate returns (ROCE) of above 10% in every year since 2007 showing the solid business quality**. ROCE didn't even drop considerably in the 2009 as the broad portfolio and the diversified customer base significantly reduce cyclicality. Allocating 16 different operating businesses in the holding, the top line development appears to be independent of single products, single customers or single sectors.

Growth

Sales Growth

Group sales are expected to increase at a **CAGR of 13.6%** between 2010 and 2013E. The dynamic 10.6% sales growth in the rather adverse environment expected for FY 2012 should be supported by first time consolidation effects to the tune of € 17m from the acquisitions of Nagarro, 1e and Gemed.

Adjusted for this, the organic growth is seen at 6.0% yoy. In the period from 2010 to 2013E however, **organic growth looks set to be 9.8% p.a. while 3.8pp p.a. should come from the above mentioned first time consolidation effects**.

Looking at the different segments, **IT Services & Recruiting** is seen to grow by 12.1% (CAGR 2010-13E) while **IT Solutions** are expected to grow by 17.6% p.a. boosted by the recent acquisitions. **Project Solutions** should finally increase by 10.6% p.a.

EUR m	2008	2009	2010	2011E	2012E	2013E
Divisional sales						
IT Services & Recruiting	111	147	165	193	215	232
IT Solutions	22	27	96	130	143	156
Project Solutions	47	49	48	57	61	65
TTL	180	223	309	379	419	453
Divisional sales shares						
IT Services & Recruiting	61.8%	65.9%	53.4%	50.8%	51.3%	51.2%
IT Solutions	12.2%	12.1%	31.1%	34.2%	34.2%	34.5%
Project Solutions	26.2%	22.0%	15.5%	15.0%	14.5%	14.3%
TTL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Divisional sales growth						
IT Services & Recruiting	na	32.4%	12.2%	16.7%	11.6%	8.0%
IT Solutions	na	22.7%	255.6%	35.0%	10.5%	9.0%
Project Solutions	na	4.3%	-2.0%	18.0%	7.0%	7.0%
TTL	na	24.1%	38.6%	22.6%	10.6%	8.2%

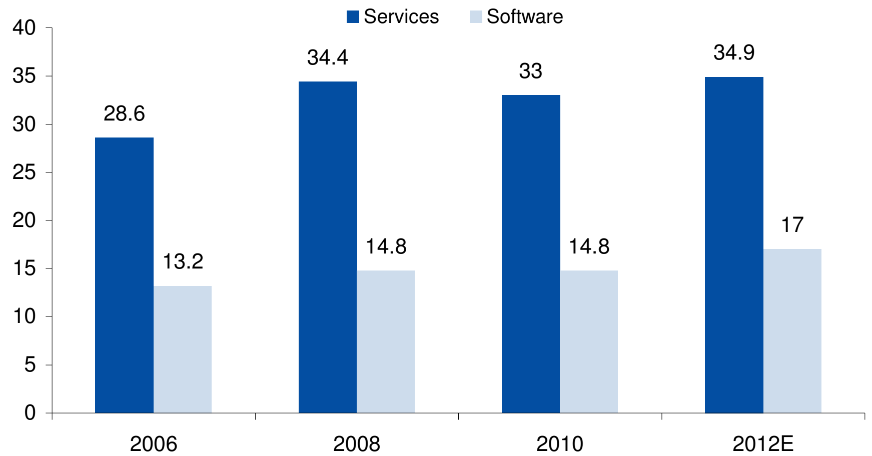
Source: Company data, Hauck&Aufhäuser

(1) Market Growth

Allgeier is primarily active in the European IT service, recruiting and solutions market generating 86% of sales in Germany and another 13% in other European countries.

The research institute **BITKOM expects Allgeier's most relevant markets German IT Services and Software to grow by 4.4% yoy and 2.5% yoy respectively** driven by unbroken demand for innovative IT solutions.

Market growth IT Services & Software, Germany (CAGR, bn EUR)



Source: BITKOM; Hauck & Aufhäuser

On the back of its exposure to niches exhibiting attractive growth features **Allgeier is seen to continue to outgrow the market:**

- **Cloud computing** (+47% yoy in 2012): BITKOM identified online outsourcing of server, memory and software capacities to external providers like Allgeier as one of the main growth drivers in the mid term.

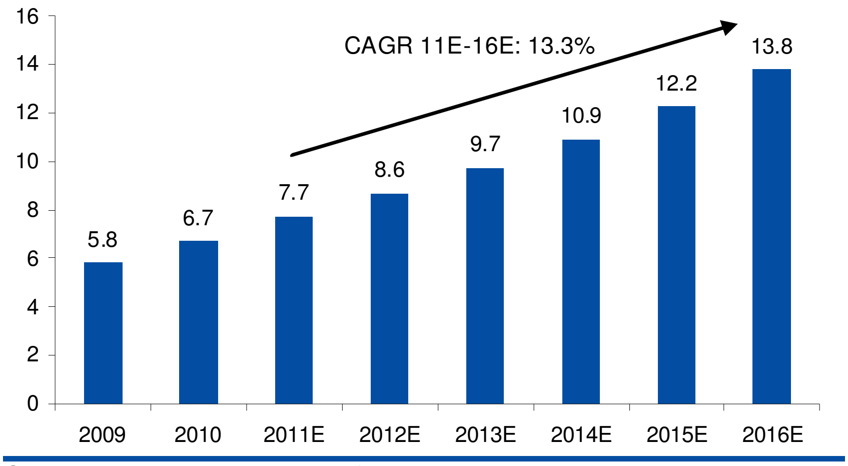
- **Outsourcing** (+6% p.a. until 2015): Allgeier provides cost efficient near-/far-shore solutions and has recently substantially strengthened these capacities by adding c. 1,000 Indian IT engineers.

- **Business Intelligence** (+7% p.a. until 2015): By acquiring TOPjects AG in 2008 Allgeier gained exposure to this dynamically growing market.

- **Enterprise Content Management** (+7% p.a. until 2015): Allgeier provides an archiving system to increase productivity and accelerate access to documents.

Furthermore, Allgeier should benefit from the sustained trend of **dynamic growth rates in the IT recruiting business** having access to a database of c. 72,000 IT freelancers and long standing relationships with clients. The entire German recruiting market has a total volume of € 6.7bn in 2011E of which the Top 10 providers account for some € 1.2bn of sales. Research firm **Lünendonk expects the German IT recruiting market to grow by 13.3% p.a. through 2016**:

IT Recruiting: market growth 2011E-2016E (in € bn)



Source: Lünendonk, Hauck & Aufhäuser

(2) IT Services & Recruiting

After the reorganisation of its segments by merging the services and recruiting business which formerly generated one third of sales in 2010, this new segment is now the biggest at Allgeier Group and it is expected to contribute roughly half of Allgeier's sales (50.9% in 2011E). As a result, the company is the second biggest medium-sized IT service provider AND the second biggest IT recruiting company in Germany.

That said, Allgeier is expected increase sales at a CAGR 2010-13E of 12.1% to € 232m of which c. 9pp should stem from organic growth while 3.1pp can be put down to the acquisition of Nagarro. This growth rate would be slightly ahead of the combined market expectations for IT services and recruiting: Size advantages and the solid market position of Allgeier should allow for moderate market share gains due to the customer's aim to consolidate suppliers.

(3) IT Solutions

The IT Solutions business should show the strongest short-term growth given that four of five acquisitions since 2010 have been contributing to this segment adding more than € 25m in sales in 2011 and 2012.

Overall, **sales are seen to grow at a CAGR 2010-13E of 17.6% to € 156m** of which 6.9pp can be put down to acquisitions. The **expected organic growth of 10.7% p.a.** should be driven by the dynamic growth of niche markets such as cloud computing and ERP. Again, size should have a beneficial impact given that clients should increasingly view Allgeier as one of the leading players in these fields which should enable some market share gains.

(4) Project Solutions

The new segment of project solutions focuses on Management & IT Consulting, Business Process Consulting, Application Management, Portal Technology and SAP Consulting. The **expected organic growth of 10.6% p.a. to € 65m** should be largely in line with IT solutions' growth, however, from a much smaller base. No external growth is included in these assumptions.

(5) Acquisitions

As already mentioned above, a substantial part of Allgeier's growth (3.8pp p.a.) until 2013 should be driven by the first-time consolidation of five acquisitions closed in 2010 and 2011. Even though our model does not include further acquisitions, **Allgeier should continue to actively consolidate the fragmented market** given that currently 50,000 providers are active in this field of which must have less than 10 employees and less than € 5m of annual sales.

As a rule of thumb, the company mainly focuses on acquisition targets with sales of € 5-100m which can be financed with cash at hand (c. € 80m following the recent bond placement) and/or out of the operating cash flow.

The main rationale of the expected acquisitions:

- **Earning accretive nature:** Allgeier generated some € 0.7m of interest income on a cash position of € 61m in 2010. Hence, by acquiring profitable companies Allgeier should be able to clearly enhance EPS.

- **Know-how:** By acquiring additional know-how, Allgeier should be able to serve the existing base of c. 2,000 clients with additional services and further develop into a one-stop-shop for its clients that.

- **Expanding the customer base:** Allgeier should be able to penetrate newly acquired customers with its product portfolio and hence, benefit from cross selling potential.

Earnings Growth

While Allgeier has shown a stable operating profitability even during the downturn, the trend of bottom-line growth is expected to continue on the back of a solid top-line development.

The previous trend of declining EBITA margins - burdened by the integration of numerous acquisitions - has already stopped in 2011. **Adjusted for negative one-offs of € 1.5m, the EBITA margin amounted to 5.3% in FY 2011** (flat yoy). 2012 is still expected to be a year of flat operating margin assuming a challenging macro environment and thus slightly under-utilised consulting teams. However, margins are expected to substantially improve again as of 2013 when especially the 1,000 acquired Indian employees should be integrated into the group structure.

All in all, **EBITA is seen to grow disproportionately at a CAGR 2010-13E of 18.8% to € 27.4m.**

Allgeier AG: Bottom-line trend 2008-13E						
in € m	**2008**	**2009**	**2010**	**2011P**	**2012E**	**2013E**
Gross Profit	67.5	86.0	126.2	155.7	174.1	189.3
Gross margin	37.8%	38.5%	40.9%	41.1%	41.6%	41.8%
Personnel expenses	44.3	59.5	88.4	109.0	124.5	133.6
in % of sales	24.8%	26.6%	28.6%	28.8%	29.7%	29.5%
Other operating expenses	13.1	16.1	25.5	31.2	30.6	31.3
in % of sales	7.3%	7.2%	8.2%	8.2%	7.3%	6.9%
Other operating income	2.1	4.0	5.8	6.5	6.7	6.8
in % of sales	1.2%	1.8%	1.9%	1.7%	1.6%	1.5%
EBITDA	12.1	14.4	18.1	22.0	25.8	31.2
EBITDA-margin	6.8%	6.5%	5.9%	5.8%	6.2%	6.9%
EBITA	11.1	13.3	16.3	18.6	22.3	27.4
EBITA-margin	6.2%	6.0%	5.3%	4.9%	5.3%	6.0%
EBIT	3.9	8.0	11.0	11.7	14.7	19.7
EBIT-margin	2.2%	3.6%	3.6%	3.1%	3.5%	4.3%
EBT	4.8	7.0	10.2	10.9	13.2	18.3
EBT-margin	2.7%	3.2%	3.3%	2.9%	3.1%	4.0%
Net income	79.7	5.2	8.3	5.9	8.6	12.2
in % of sales	44.6%	2.3%	2.7%	1.5%	2.1%	2.7%

Source: Company data, Hauck & Aufhäuser

Material expenses

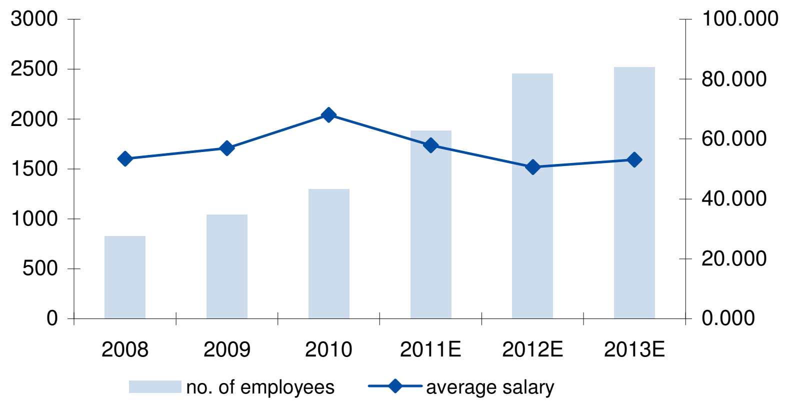
The gross margin has substantially increased since 2008 and the trend is seen to continue. This is primarily driven by mix shift effects. **Material expenses are primarily the salaries of IT freelancers** which are either placed to clients' IT-departments OR employed in Allgeier's own IT service projects. Hence, the disproportionate growth of the IT solutions and also Project Solutions segments is the main reason for the expected increase of the gross margin of 0.9pp to 41.8% through 2013E.

While this development could be even more pronounced, we expect Allgeier to hesitate further expanding the number of employees. Instead management looks set to staff projects with additional freelancers in order to gain even more flexibility.

Personnel expenses

Due to the above mentioned mix shift effects but also due to wage inflation, personnel expenses have increased disproportionately since 2008. Assuming that qualified IT experts will become increasingly scarce and hence, more expensive in Germany, it has been a **sensible move by Allgeier to take over a company with c. 1,000 Indian IT experts who are expected to earn c. 1/5 of the salary of German employees**. This explains the expected decline of average salaries in 2011 and 2012 shown in the graph below.

Personell expenditure and average salary per employee



Source: Company data; Hauck & Aufhäuser

Nevertheless, the personnel expense ratio is seen to further increase by 1.1pp until 2012 assuming that the consulting teams will not be fully utilised during the expected short-term cyclical softening. However, after peaking at 29.7% in 2012 the ratio is expected to decline again driven by an increasing utilisation of the Indian team in blended shoring projects.

Overall, the personnel expense ratio is seen up by 0.9pp to 29.5% in 2013, however, with the potential to significantly decline in the case of a sound macro environment.

Other operating income/expenses

Other operating **income is of minor importance** representing only roughly 2% of sales. Mostly consisting of tax payments on non-cash benefits of employees, reversal of provisions, exchange rate differences, gains from security disposals, etc. this position is expected to show an almost flat development.

Other operating expenses on the other hand are expected to drop by 1.3pp to 6.8% of sales by 2013. The major part of these expenses has a fixed cost character (administrative and operating expenses accounting for c.2/3 of other opex) while the minor share is variable (distribution, communication, etc).

Depreciation / Amortisation

As Allgeier has a lean asset base, depreciation is not a big factor. Goodwill of € 45m in 2010 is representing 71% of fixed assets and 22% of total assets. Amortisation however, came in at € 4.9m in 2010 and should have further increased to more than 7m in 2011 due to the newly acquired entities, which we view as a sustainable base through 2013E. By far the largest part of amortisation is explained by PPA amortisation clearly distorting the significance of the EBIT line.

Valuation

To value Allgeier Holding AG we have used three different approaches:

- A DCF model.
- An adjusted FCF valuation.
- A peer group comparison.

DCF model

Our DCF model assumes a CAGR of 13.6% for the forecast period (2010-13E), a medium-term growth rate of 4.5% p.a. (2013E-18E) and a long-term growth rate of 2.5% p.a. The terminal EBIT margin is modeled at 4.0%. The discount factor (WACC) is set at 8%, made up of a risk-free rate of 1.8% (current yield on 10-year government bonds), a 5.5% equity risk premium and a beta of 1.1.

Overall, the DCF model leads to our PT of € 23 for Allgeier.

DCF (EUR m) (except per share data and beta)	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	Terminal value
NOPAT	6.8	10.3	13.8	14.4	15.3	16.6	17.9	17.9	16.3
Depreciation	10.5	11.1	11.6	12.4	11.8	10.1	6.6	4.8	4.5
Increase/decrease in working capital	-4.0	-6.0	-5.0	-5.0	-3.5	-3.0	-2.3	-2.4	-2.5
Increase/decrease in long-term provisions and accruals	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	-2.7	-4.0	-4.4	-4.5	-4.1	-4.2	-4.3	-4.4	-4.5
Acquisitions	-30.5	-15.0	-10.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	**-19.8**	**-3.6**	**5.9**	**17.3**	**19.4**	**19.6**	**17.9**	**15.9**	**13.8**
Present value	-20.2	-3.5	5.2	14.1	14.6	13.7	11.6	9.5	141.7
WACC	7.5%	7.3%	7.3%	7.6%	7.9%	7.9%	7.9%	7.9%	8.0%

DCF per share derived from	
Total present value	187
thereof terminal value	76%
Net debt (net cash) at start of year	-16
Financial assets	8
Provisions and off balance sheet debt	1
Equity value	210
No. of shares outstanding	9.1
Discounted cash flow per share	**23.1**
upside/(downside)	**93%**
Share price	**12.00**

DCF avg. growth and earnings assumptions	
Short term growth (2010-2013)	13.6%
Medium term growth (2013 - 2018)	4.0%
Long term growth (2018 - infinity)	2.5%
Terminal year EBIT margin	4.0%

WACC derived from	
Cost of borrowings before taxes	6.0%
Tax rate	41.4%
Cost of borrowings after taxes	3.5%
Required return on invested capital	7.9%
Risk premium	5.5%
Risk-free rate	1.8%
Beta	1.1

Sensitivity analysis DCF

WACC	Long term growth: 1%	1.5%	2.5%	3.5%	4.5%
10.0%	15.2	16.2	17.4	19.1	21.3
9.0%	16.7	18.0	19.8	22.2	25.6
8.0%	18.7	20.6	23.1	26.8	32.5
7.0%	21.4	24.1	28.0	34.1	45.1
6.0%	25.2	29.3	35.9	47.6	75.0

Sensitivity analysis DCF

WACC	EBIT margin terminal year: 2.0%	3.0%	4.0%	5.0%	6.0%
10.0%	11.6	14.5	17.4	20.3	23.3
9.0%	12.5	16.2	19.8	23.4	27.0
8.0%	13.9	18.5	23.1	27.7	32.3
7.0%	15.9	22.0	28.0	34.0	40.1
6.0%	19.1	27.5	35.9	44.2	52.6

Source: Company data, Hauck & Aufhäuser

Free Cash Flow Yield

As smaller companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and due to the fact that long-term returns often are flawed by the lack of sufficient visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

Main driver of this model is the level of return available to a *controlling* investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company.

Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after tax return equals the model's hurdle rate of 7.5%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap.

The adjusted FCF Yield 2012E suggests a fair value of € 25.

FCF yield, year end Dec. 31	2010	2011E	2012E	2013E
EBITDA	**18.1**	**22.0**	**25.8**	**31.2**
- Maintenance capex	1.7	3.4	3.6	3.9
- Minorities	0.4	0.5	0.6	0.6
- tax expenses	1.5	4.5	3.9	5.5
= Adjusted Free Cash Flow	**14.5**	**13.6**	**17.7**	**21.3**
Actual Market Cap	**108.9**	**108.9**	**108.9**	**108.9**
+ Net debt (cash)	-15.8	9.0	17.9	17.5
+ Pension provisions	0.9	1.0	1.0	1.0
+ Off balance sheet financing	0.0	0.0	0.0	0.0
+ Adjustments prepayments	0.0	0.0	0.0	0.0
- Financial assets	-7.8	-8.0	-8.0	-8.0
- Dividend payment	-4.2	-4.2	-4.2	-4.6
EV Reconciliations	*-26.8*	*-2.2*	*6.7*	*5.9*
= Actual EV'	**82.1**	**106.7**	**115.5**	**114.8**
Adjusted Free Cash Flow yield	**17.7%**	**12.7%**	**15.3%**	**18.6%**
Sales	**308.7**	**379.0**	**418.6**	**452.9**
Actual EV/sales	0.3x	0.3x	0.3x	0.3x
Hurdle rate	7.5%	7.5%	7.5%	7.5%
FCF margin	4.7%	3.6%	4.2%	4.7%
Fair EV/sales	0.6x	0.5x	0.6x	0.6x
Fair EV	**193.7**	**180.9**	**236.1**	**284.0**
- EV Reconciliations	*-26.8*	*-2.2*	*6.7*	*5.9*
Fair Market Cap	**220.5**	**183.1**	**229.4**	**278.1**
No. of shares (million)	9.1	9.1	9.1	9.1
Fair value per share	**24.3**	**20.2**	**25.3**	**30.7**
Premium (-) / discount (+) in %	**102.5%**	**68.2%**	**110.7%**	**155.5%**

Sensitivity analysis fair value					
Hurdle rate	7.5%	24.3	20.2	25.3	30.7
	10.0%	19.0	15.2	18.8	22.8
	12.5%	15.8	12.2	14.9	18.1
	15.0%	13.6	10.2	12.3	15.0

Source: Company data, Hauck & Aufhäuser

Peer group

Allgeier is operating among just a few stock listed peers, which are:

Adesso AG operates as an independent IT service provider in Germany, offering business consulting services, including strategy development, requirements engineering, procurement management as well as designing internet commerce websites and applications. Sales in 2011 reached € 106m and EBIT € 5.0m bet the company guidance.

GFT AG is an IT service provider focused on the Financial industry. The company operates 19 offices in seven countries. In 2011, sales came in at € 272m and EBIT reached € 10.5m. Due to the strong investment cuts in the Financial sector, the company reduced slightly the full year figures 2011.

COR+FJA AG serves the banking and insurance industry with software, IT services and consulting. In 2010, € 116.2m sales and an EBIT of € 2.7m were generated by its 16 offices in 30 countries.

The following table depicts the multiples of the peer group.

Allgeier Holding AG	EV/Sales 11E (x)	EV/Sales 12E (x)	EV/Sales 13E (x)	EV/EBITDA 11E (x)	EV/EBITDA 12E (x)	EV/EBITDA 13E (x)	EV/EBIT 11E (x)	EV/EBIT 12E (x)	EV/EBIT 13E (x)	PER 11E (x)	PER 12E (x)	PER 13E (x)
ADESSO AG	0.3	0.3	0.3	4.2	3.8	3.4	6.8	4.9	4.2	8.0	7.3	6.1
COR+FJA AG O.N.	0.4	0.4	0.4	8.6	6.5	4.7	51.7	12.9	8.6	139.0	17.4	11.6
GFT TECHNOLOGIES AG	0.2	0.2	0.2	5.1	4.7	3.8	5.6	5.1	4.3	10.2	9.9	8.1
Allgeier Holding AG	**0.2**	**0.2**	**0.2**	**5.2**	**4.3**	**3.7**	**8.1**	**6.4**	**4.8**	**18.6**	**12.6**	**8.9**
Average (peer group)	**0.4**	**0.3**	**0.3**	**5.7**	**4.7**	**3.8**	**16.1**	**6.9**	**5.5**	**36.3**	**10.7**	**8.4**
Premium+/discount- in (%)	**-31%**	**-31%**	**-33%**	**-8%**	**-8%**	**-4%**	**-50%**	**-7%**	**-13%**	**-49%**	**19%**	**7%**

Source: H&A estimates, CapitalIQ, company filings

The peer group is only of limited significance due to the absence of listed comparables with similar size and a comparable business model. However, it is obvious that Allgeier trades at comparable EV/sales and EV/EBITDA multiples to its closest peer GFT which also appears to be substantially undervalued.

Comparing Allgeier on an EV/EBIT of PER base is meaningless given that the results are massively distorted by PPA amortisation (c. € 7m p.a.).

Theme

The industry's attractive structural growth features as well as the potential to benefit from the ongoing consolidation of the fragmented market looks set to supply the basis for a continued positive news flow:

Recent performance

Allgeier reported solid preliminary Q4 2011 results on February 16. Q4 sales increased by 21% yoy to € 13.3m.

Allgeier Key Figures (EUR)		Q4 11	Q4 10	yoy	FY 11	FY 10	yoy
Sales		**113.3**	**93.6**	21.0%	**379.0**	**308.7**	22.8%
Gross profit		**43.1**	**37.2**	15.9%	**155.7**	**126.2**	23.3%
	Gross margin	38.0%	39.7%	*- 1.7 pp*	41.1%	40.9%	*+ 0.2 pp*
EBITA		**6.6**	**6.4**	3.1%	**18.6**	**15.6**	19.2%
	EBITA margin	5.8%	6.8%	*- 1.0 pp*	4.9%	5.1%	*- 0.1 pp*
Net profit		**1.6**	**4.4**	-63.9%	**5.9**	**8.3**	-29.7%
	Net margin	1.4%	4.7%	*- 3.3 pp*	1.5%	2.7%	*- 1.2 pp*
EPS		**0.19**	**0.51**	-62.5%	**0.70**	**0.99**	-29.7%

Source: Company data; Hauck & Aufhäuser

Whilst the gross margin of the fourth quarter (c. 36.7%) was impacted by an extraordinary non-cash effective exchange-rate loss, the EBITA grew by 3.1% yoy to € 6.6m (€ 6.4 m Q4 '10). EPS Q4 came in at € 0.19 per share (€ 0.51 per share in Q4 '10).

For the full year, EBITA increased from € 15.6m to 18.6 (c. 21%). Adjusted for negative one-offs, EBITA amounted to € 20.1m (+29% yoy) representing a stable EBITA margin of 5.3% despite the digestion of three acquisitions.

For FY 2012 Allgeier is guiding for 'further sustainable revenue and earnings growth' without being more specific in terms of growth rates.

Track record of the acquisitions

Due to its focus on different services of the IT industry, sentiment for Allgeier was not noticeably affected by the financial crisis in the past, neither in 2008 nor in the turbulent year 2011. While IT service providers have been unloved by many investors in general due to several years of price pressure and utilisation rate volatility weighing on profitability, Allgeier proved the contrary.

However, capacity utilisation in the industry has substantially improved in the latest upswing sometimes even resulting in scarcity of human resources. Additionally, Allgeier has shown a decent performance by increasing top and bottom line even in the trough of the cycle. Hence, it should have become more visible for investors that the business is comparatively stable and cash generative even during a crisis.

Improved visibility in the financial markets

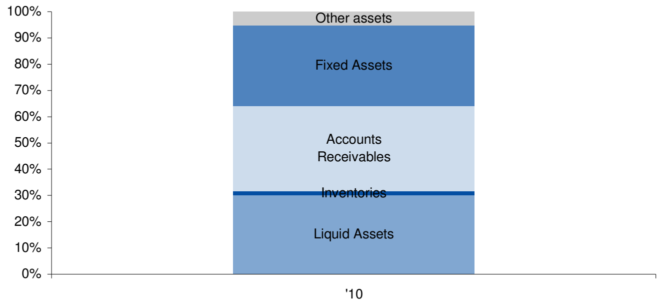
Event though Allgeier already went public in 2000, the company is still hardly known by institutional investors as it

- Has a small free float market cap.
- Is not included in any major index.
- Has not really marketed the equity story abroad.

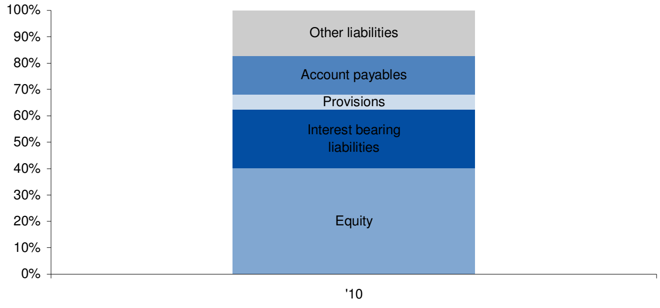
However, Allgeier is expected to continue its dynamic development. After it has reached a certain critical mass allowing the generation of decent EBIT margins going forward, rising interest of investors should be the result. Here, wider coverage should support perception in the financial markets.

Returns analysis

Balance sheet - Assets



Balance sheet - Liabilities



Source: Hauck&Aufhäuser

Balance sheet structure

Fixed assets account for some € 63m or 47% of Total Assets (TA). As this business does not require much capital, it is no surprise that this accrues mainly to intangibles of € 57m or c. 95% of Fixed Assets. These reflect goodwill to the tune of € 55m as well as other intangible assets (customer lists, etc.) which have been accumulated over the last c. 4 years and more than ten acquisitions.

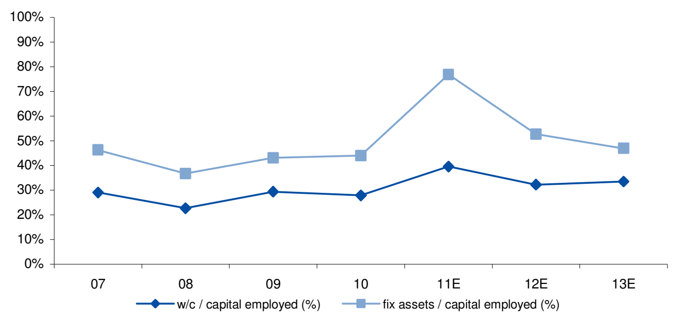
Despite all these acquisitions, cash and cash equivalents amounted to € 61m representing 30% of TA (down to € 32m at the end of 2011 due to three new acquisitions) which clearly reflects the cash-flow accretive nature of the business model, i.e. normalised annual operating cash flows of > € 10m in 2009-2011 as well as the disposal of the non-core staffing services segment which led to a cash inflow of some € 104m in 2008.

As an IT consultancy and recruiting company, Allgeier has virtually no inventories (€ 3m). Hence, accounts receivables of some € 67m determine working capital of c. 40m partly offset by accounts payable of € 30m

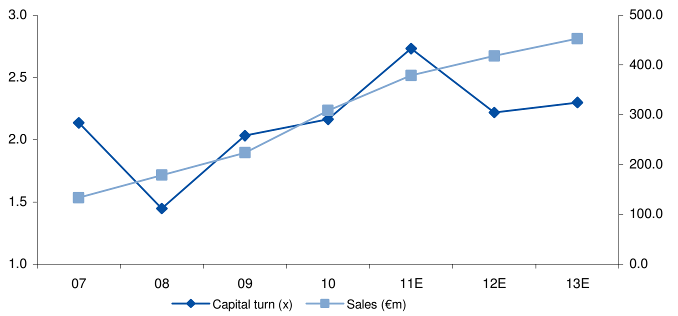
The liabilities side is characterised by:

- Equity of € 82m equalling an equity ratio of c. 40%.
- Interest-bearing liabilities of € 45.5m mainly consisting of profit sharing rights and bank debt allocated to acquisition financing.
- In February 2012 Allgeier placed a € 70m bond with three (42%); five (45%) and seven (13%) maturities to increase the firepower for acquisitions and to redeem an € 19m bank loan.

Capital employed



Capital employed turnover and sales



Source: Hauck&Aufhäuser

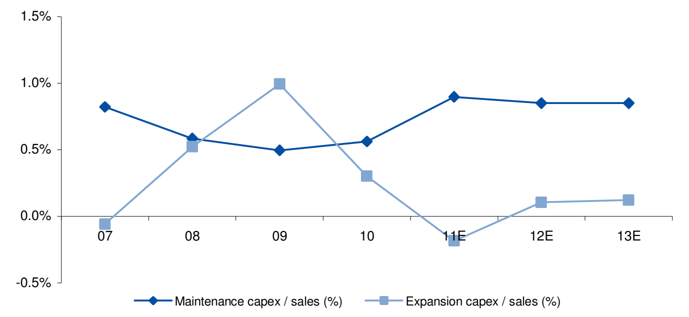
Capital employed

Allgeier's business model is not very capital intensive as revenues are generated with service, product and body leasing sales. Hence, while c. 44% of average capital employed is tied up in Fixed Assets, this is mostly goodwill and other intangibles assets reflecting the company's acquisitive business model. Of the remaining capital, one half is employed in working capital and the other half sitting in cash.

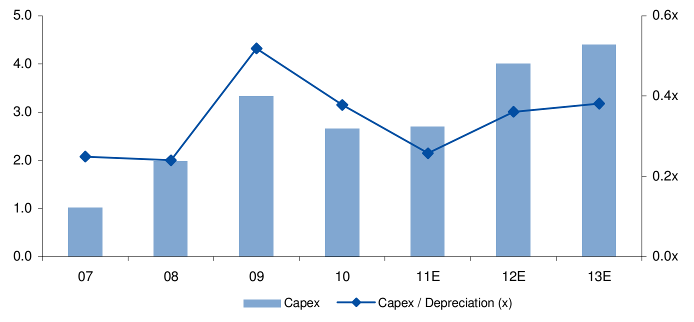
The value of the capital is therefore reflected in its employees and most importantly its holding which was extremely successful in identifying and acquiring value-accretive targets at attractive prices…

…and at the same time keeping up and actually increasing the above-average capital efficiency of more than 2x which is deemed sustainable as growth continues to be driven by service sales going forward. In this context, the capital employed does indeed represent a competitive strength.

Capex cycle



Capex bar and Capex/depreciation



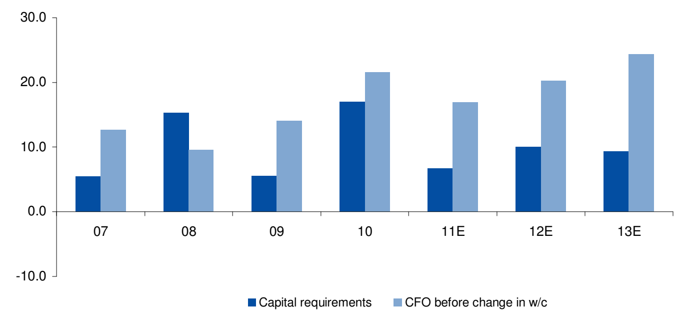
Source: Hauck&Aufhäuser

Capex cycle and net capex

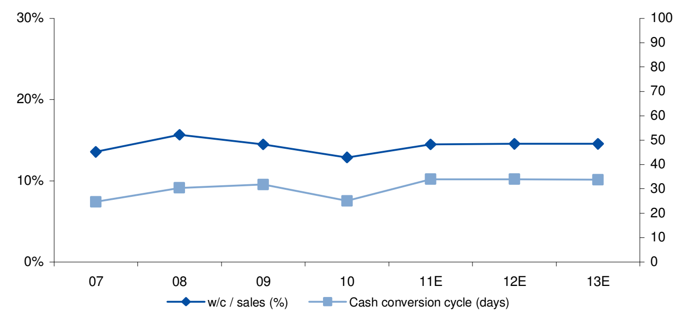
Capital requirements are low for this sort of business: necessary investments of some € 3-4m p.a. mainly reflect maintenance needs and the requirement to equip newly acquired consultants with laptops, server and office equipment.

Depreciation and amortisation is yet well above maintenance needs due to PPA amortisation of some € 7m p.a. stemming from past acquisitions. As acquisitions are seen to remain an integral part of the business model, this situation is expected to continue going forward.

Capital requirements and CFO before changes in w/c



Cash flow analysis



Source: Hauck&Aufhäuser

Cash flow analysis

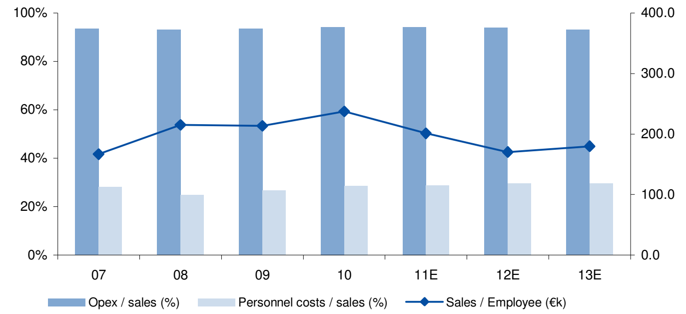
Allgeier should be in the position to easily fund its capex requirements of some € 9m on average in 2012-2014 (capex of € 4m and change in w/c of € 5m) with operating cash flows. Gradually increasing sales and – on the back of some operating leverage – disproportionately increasing operating profits represent the basis for strong cash flow generation.

More specifically, CFO before changes in w/c of c. € 20m in 2012E should more than meet capex requirements of c. € 8m in 2012E. Going forward, this gap should remain at this high level due to:

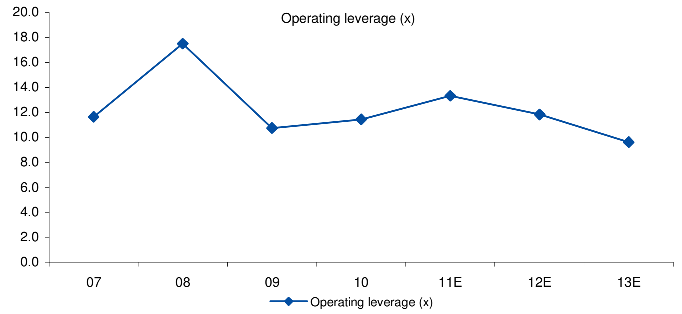
- The expected earnings growth.
- A healthy and stable cash conversion cycle of 30-35 days.

However, all this does not necessarily mean that Allgeier plans to accumulate cash. Quite the contrary, the expansion of the business by acquiring companies in the field of IT solutions or new regions like, will remain a central element of the strategy.

Cost base and leverage



Operating leverage



Source: Hauck&Aufhäuser

Cost base and operational gearing

The total cost base of some € 392m in 2012E splits c. 70% into variable expenses and 30% into fixed expenses. Interestingly – and this is of enormous importance here – the former comprises material expenses (which is mainly freelance personnel) as well as sales & marketing included under other operating expenses, the latter contains personnel, depreciation and admin.

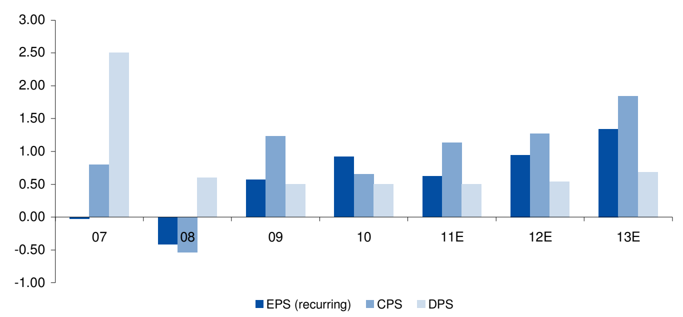
Still, the observed operating leverage of above 10 is rather of theoretical nature as personnel expenses are only quasi-fixed and depend on the share of free lancers (material expenses) used in new projects.

The personnel expenses normally explain why IT service companies are generally less well positioned to manage operating expenses as these are largely fixed in nature. However, Allgeier's very stable operating profitability despite having acquired loss-making companies indicates that the company has been able to keep utilisation rates of its consultants at high levels and that offering IT services on the one hand and recruiting services on the other provides substantial synergies.

Having said that, wage inflation unsurprisingly is a major cost input factor in the industry. While Allgeier was able to exert influence on wages on the back of better utilisation last year, an improving sentiment is expected to give rise to continued wage inflation which however should be offset due to the acquisition of less expensive Indian IT employees.

All in all, we expect Allgeier to transfer some 15% of its incremental sales into EBITA going forward.

DPS/CPS/EPS



Source: Hauck&Aufhäuser

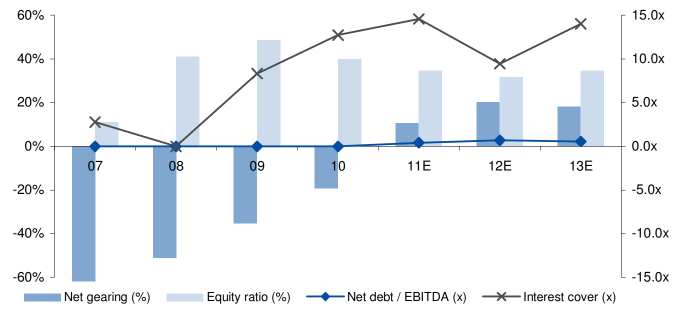
Dividend distribution

Allgeier paid a dividend of € 0.50 in 2009 and 2010 and is expected to pay the same amount for 2011E for a yield of c. 4%.

Given the company's history and track record, we expect Allgeier to continue a generous dividend policy by paying out some 50% of net income while retaining enough cash to do selective attractive acquisitions.

The improved cash flow generation on the back of the boost in operating profitability as well as the cash pile of some € 32m (2011) give Allgeier substantial leeway to continue to pursue both policies.

Solvency



Source: Hauck&Aufhäuser

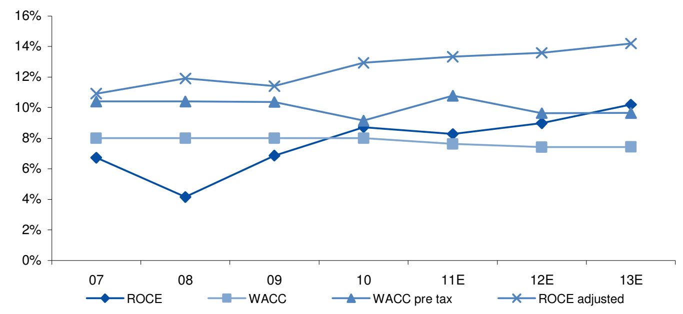
Solvency

As a result of its efforts to take an active role in the consolidation of the fragmented German/European IT services market, the company had accumulated net debt of some € 9m at the end of 2011P (2007: net cash of some € 16m). However, at an expected net debt/EBITDA level of c. 0.7x for 2012E, solvency does not look stretched at all.

Even more so as on 28 February Allgeier announced the placement of a € 70 million promissory note on the capital market. While the main purpose is to finance the organic growth and to do selected acquisitions, the note also enables the Allgeier to redeem an existing € 19 million loan.

Some 42% of the total volume is attributable to the three-year maturity tranche, 45% to the five-year maturity tranche, and 13% to the seven-year maturity tranche. The spreads of the three-year- and the five-year-tranches were fixed at the lower end of their marketing ranges at 190 respectively 240 basis points. The spread for the seven-year tranche was fixed at 290 basis points. The borrowers note loan was placed among over 25 investors, especially private banks, and German and Austrian regional banks and savings banks.

Returns



Source: Hauck&Aufhäuser

Sustainability and cyclicality of returns

Allgeier created value in every year since 2007 if ROCE is adjusted for PPA amortisation. The adjusted ROCE of c. 13% in 2011P is seen to be still slightly distorted by the multitude of the recent acquisitions as the resulting increase in intangible assets should temporarily dilute returns.

Assuming a better utilisation of the acquired assets and a more favourable trend in prices should guarantee an increase of the adjusted and unadjusted ROCE and an even more pronounce the value-creative nature going forward.

Obviously, the service business is exposed to economic cycles and returns should hence be somewhat cyclical.

Having suffered from low trading volume and being neglected by capital markets, the share price is still at very attractive levels, taking into account the company's

- Highly stable operating profitability despite the massive expansion of the business.
- Value-accretive nature (adjusted for cash).
- Recent market share gains and enormous potential to structurally expand the size of the business.

Overall, the current share price does not at all reflect the quality, consistency and visibility of returns.

Company background

Allgeier Holding AG was founded in 1977 and is headquartered in Munich, Germany. The company went public in 2000. Formerly known as Allgeier Computer AG the name was changed in 2003.

Allgeier has 19 operating entities which are mainly based in Europe. In 2011, the company expended its global footprint to the US and Mexico. Also, an Indian engineering subsidiary was acquired by the US based company Nagarro in 2011 in order to improve the portfolio by the offering of blended-shoring capacities (mixed teams of locals and off shore employees).

Overall, Allgeier provides a broad variety of services throughout its three divisions:

- **IT Solutions** (Sales '10: € 96m, '11E: € 130m; EBITA margin '10: 5.8%): The division IT Solutions includes enterprise resource planning (ERP), enterprise content management (ECM), security solutions and data centre services.

- **IT Services & Recruiting** (Sales '10: € 165m, '11E: € 193m; EBITA margin '10: 6.2%): In this division Allgeier offers services like IT and business process consulting, software development and outsourcing/ managed services. Further, the company provides staffing and recruiting services of IT experts, which includes employees and freelances. Here, more than 1,700 persons are employed.

- **Project Solutions** (Sales '10: € 48m, '11E: € 57m; EBITA margin '10: 5.8%): Project Solutions include management and IT consulting, business process consulting, application development and management, project technology as well as SAP consulting.

Allgeier's product portfolio

	IT Solutions	IT Services & Recruiting	Project Solutions
	Enterprise Resource Planning (ERP) Enterprise Content Management (ECM) Security Solutions (Email, Electronic Signature, Identity Management) Data Center Services	IT and Business Process Consulting Software Development Outsourcing Managed Services Staffing & Recruiting of IT Experts Third Party Management	Management & IT Consulting Business Process Consulting Application Development & Management Portal Technology SAP Consulting
Employees	> 700	> 1,700	>500
Revenue 2010	EUR 96m	EUR 165m	EUR 48m
EBITA margin 2010	5.8%	6.2%	5.8%

Source: Company data; Hauck & Aufhäuser

The company has c. 2,000 customers in almost all industry verticals such as banking and insurance, telco, public sector, automotive, information technology and others. Geographically, the clients are so far mainly located in Germany which accounts for some 86% of sales.

In addition to the 2,450 permanent employees, Allgeier has access to c. 72,000 freelancers of which an average of 1,450 is permanently employed. On the back of its recent acquisitions of Nagarro the company gained access to an Indian subsidiary where around 1,000 offshore IT engineers are active.

The current holding structure is as follows: (Intraprend, a cloud computing specialist acquired in December is a subsidiary of Allgeier IT Solutions GmbH.)

Allgeier Holding Structure

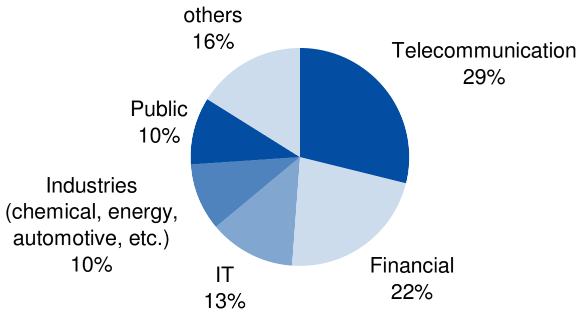
IT Solutions	IT Services & Recruiting		Project Solutions
Allgeier IT Solutions GmbH, Bremen	Xiopia GmbH, Unterföhring	Goetzfried AG, Wiesbaden	mgm technology partners Guppe, Munich
Solveos GmbH, Langenfeld	U.N.P.-Sorftware GmbH, Düsseldorf	Next GmbH, Heusweiler	Softcon AG, Munich
DIDAS AG, Munich	TOPjects AG, Munich		Nagarro Inc., San Jose, USA
Gemed GmbH, Ulm			
Allgeier Computer BV & NV, Netherlands and Belgium			
Terna GmbH, Innsbruck, Austria			
1eEurope (Switzerland) AG, Thalwill, Switzerland			
BSR & Partner AG, Zug, Switzerland			

Source: Company data; Hauck & Aufhäuser

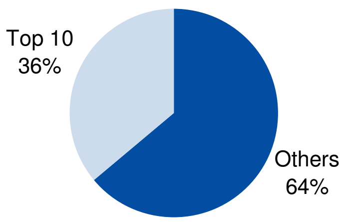
End markets and customers

Allgeier serves a broad variety of clients in different sectors. Even though 20 of the 30 German DAX companies as well as more than 50 of the biggest 100 German blue chips are among Allgeiers' customers, the dependence on individual sectors or customers is very limited. More specifically, the top 10 accounts were responsible for c. 36% of sales in 2010.

Sales by sectors in 2010



Sales by Top 10 customers in 2010



Source: Company data, Hauck & Aufhäuser

History

2011-2008 Additional acquisitions were conducted to expand the regional presence as well the size of the individual entities. Currently, 2,450 permanent workers and 1,450 freelancers are employed by 19 subsidiaries.

2008 USG People N.V. bought Allgeier DL GmbH, the Holding's temporary employment activities, for c. € 175m. The divestment of these non-core activities led to a cash inflow of some € 100m and also a book gain of c. € 80m.

2004-2008 Dynamic external growth. An overview of the most important acquisitions is given below.

2003 Renamed to Allgeier Holding AG.

2000 Allgeier Computer AG went public.

1977 Foundation of Allgeier Computer GmbH.

Allgeier's acquisition track record

		Business segment	Field of operations
Xiopia GmbH	05/2004	IT Services & Recruiting	Designing, realizing and maintaining software- and infrastructure-solutions
mgm technology partners GmbH	03/2005	Project Solutions	Provider for developing and implementing innovative system solutions
Softcon AG	09/2005	Project Solutions	Planning and integration of individual solutions and standard software
U.N.P. - Software GmbH	03/2006	IT Services & Recruiting	IT service-provider: all areas of information technology
Goetzfried AG	08/2006	IT Services & Recruiting	Locating, recruiting and managing specialists and managers for IT and engineering
Softcon IT-Services S.R.L.	09/2006	IT Solutions	Nearshoring development site of Softcon AG
TOPjects AG	07/2008	IT Services & Recruiting	IT service-provider: focus on financial services and telecommunications, business intelligence, application management
Next GmbH	12/2008	IT Services & Recruiting	Development, implementation and operation of complex, heterogeneous IT infrastructure solutions
DIDAS Business Services GmbH	11/2009	IT Solutions	IT service-provider: turnkey products & IT solutions, applications, process & technology consulting, IT architectures
BSR & Partner AG	04/2010	IT Solutions	Data storage solutions, IT services
Terna GmbH	07/2010	IT Solutions	Distribution and implementation of leading ERP software solutions Microsoft Dynamics AX and Lawson M3
1eEurope	05/2011	IT Solutions	Software solutions and concepts for Internet, Intranet, eGovernment, eCommerce, Collaboration and Business Intelligence
Nagarro Inc.	07/2011	IT Services & Recruiting	Developer of tailored software solutions
Gemed	08/2011	IT Solutions	Solutions for medical processes and control functions

Source: Company data; Hauck & Aufhäuser

Management

Carl Georg Dürschmidt, CEO
After studying business economics, Mr. Dürschmidt first worked for the family business. In 1985, he joined an international business consultancy, where he was in charge of the strategic advisory of small and medium-sized enterprises. As from 1989, he was working for an investment company which mainly developed participations in German SMEs. After a successful IPO of one of these companies, he joined the Executive Board in 1991. After the foundation of a private investment company together with partners, he was responsible for the development and management of a portfolio of SMEs. In 2001, Mr. Dürschmidt and partners took over the block of shares from the founder of Allgeier. Since then Mr. Dürschmidt holds a significant share in Allgeier Holding AG. In October 2003, he joined the Executive Board of the company.

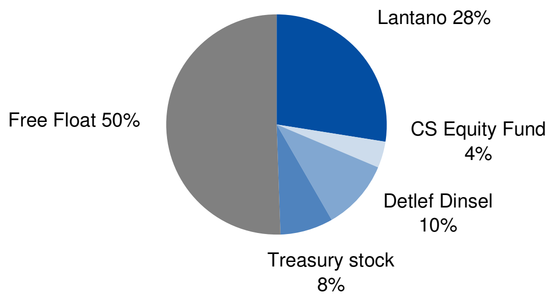
Dr. Holger von Daniels
Member of the management board of Allgeier Holding AG since 2008. Before that, he worked for Roland Berger Strategy Consultants as project manager, principal, and finally member of the management board. He was responsible for strategic reorganisations of European small and medium-sized enterprises.

Dr. Marcus Goedsche
Member of the management board of Allgeier Holding Holding AG since 2008. Previously he worked as lawyer and partner at the international corporate law firm Beiten Burkhardt in the area of corporate and capital markets law. Before finally joining Allgeier Holding, he accompanied the firm in numerous transactions as external advisor.

Shareholders' structure

Since its IPO in 2000, the shares are listed at Frankfurt Stock exchange. The total number of shares amounts to c. 9.1m stocks of which 7.6% or 0.7m shares are being held by the company in the form of treasury shares. Allgeier constantly bought those shares starting in 2008 at an average price of € 7.92. While 27.6% of the capital (Lantano) is controlled by the CEO Carl Georg Dürschmidt, an additional stake of some 10.4% is being owned by Detlef Dinsel who is a member of the supervisory board.

Shareholder structure



Source: Company data; Hauck & Aufhäuser

Financials

Profit and loss (EUR m)	2007	2008	2009	2010	2011P	2012E	2013E
Net sales	**133.4**	**178.7**	**223.5**	**308.7**	**379.0**	**418.6**	**452.9**
Sales growth	*43.6 %*	*34.0 %*	*25.1 %*	*38.1 %*	*22.8 %*	*10.5 %*	*8.2 %*
Increase/decrease in finished goods and work-in-process	0.2	0.0	-0.1	0.1	0.1	0.0	0.0
Total sales	**133.6**	**178.7**	**223.5**	**308.8**	**379.1**	**418.6**	**452.9**
Other operating income	1.9	2.1	4.0	5.8	6.5	6.7	6.8
Material expenses	77.5	111.2	137.5	182.5	223.4	244.5	263.6
Personnel expenses	37.5	44.3	59.5	88.4	109.0	124.5	133.6
Other operating expenses	11.6	13.1	16.1	25.5	31.2	30.6	31.3
Total operating expenses	124.6	166.5	209.0	290.7	357.1	392.8	421.7
EBITDA	**8.9**	**12.1**	**14.4**	**18.1**	**22.0**	**25.8**	**31.2**
Depreciation	1.1	1.0	1.1	1.7	3.4	3.6	3.9
EBITA	**7.8**	**11.1**	**13.3**	**16.3**	**18.6**	**22.3**	**27.4**
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.0	7.2	5.3	5.3	7.1	7.5	7.7
Impairment charges	0.0	0.0	0.0	0.0	-0.2	0.0	0.0
EBIT	**4.8**	**3.9**	**8.0**	**11.0**	**11.7**	**14.7**	**19.7**
Interest income	0.3	3.1	0.8	0.7	0.7	1.9	2.0
Interest expenses	2.1	2.2	1.8	1.6	1.5	3.4	3.4
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.7	1.0	-1.0	-0.9	-0.8	-1.6	-1.4
Recurring pretax income from continuing operations	**3.1**	**4.8**	**7.0**	**10.2**	**10.9**	**13.2**	**18.3**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	**3.1**	**4.8**	**7.0**	**10.2**	**10.9**	**13.2**	**18.3**
Taxes	2.2	7.9	2.1	1.5	4.5	3.9	5.5
Net income from continuing operations	**0.9**	**-3.1**	**5.0**	**8.7**	**6.4**	**9.2**	**12.8**
Result from discontinued operations (net of tax)	0.0	-83.5	0.0	0.0	0.0	0.0	0.0
Net income	**0.9**	**80.4**	**5.0**	**8.7**	**6.4**	**9.2**	**12.8**
Minority interest	1.1	0.6	-0.2	0.4	0.5	0.6	0.6
Net income (net of minority interest)	**-0.3**	**79.7**	**5.2**	**8.3**	**5.9**	**8.6**	**12.2**
Average number of shares	9.0	8.9	8.7	8.4	8.4	8.4	8.4
EPS reported	**-0.03**	**8.93**	**0.60**	**0.99**	**0.70**	**1.02**	**1.45**

Profit and loss (common size)	2007	2008	2009	2010	2011P	2012E	2013E
Net sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Increase/decrease in finished goods and work-in-process	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total sales	**100.1 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Other operating income	1.4 %	1.2 %	1.8 %	1.9 %	1.7 %	1.6 %	1.5 %
Material expenses	58.1 %	62.2 %	61.5 %	59.1 %	58.9 %	58.4 %	58.2 %
Personnel expenses	28.1 %	24.8 %	26.6 %	28.7 %	28.8 %	29.7 %	29.5 %
Other operating expenses	8.7 %	7.3 %	7.2 %	8.3 %	8.2 %	7.3 %	6.9 %
Total operating expenses	93.4 %	93.2 %	93.5 %	94.2 %	94.2 %	93.8 %	93.1 %
EBITDA	**6.7 %**	**6.8 %**	**6.5 %**	**5.9 %**	**5.8 %**	**6.2 %**	**6.9 %**
Depreciation	0.8 %	0.6 %	0.5 %	0.6 %	0.9 %	0.9 %	0.9 %
EBITA	**5.9 %**	**6.2 %**	**6.0 %**	**5.3 %**	**4.9 %**	**5.3 %**	**6.0 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	2.3 %	4.0 %	2.4 %	1.7 %	1.9 %	1.8 %	1.7 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	-0.1 %	0.0 %	0.0 %
EBIT	**3.6 %**	**2.2 %**	**3.6 %**	**3.6 %**	**3.1 %**	**3.5 %**	**4.3 %**
Interest income	0.2 %	1.7 %	0.4 %	0.2 %	0.2 %	0.4 %	0.4 %
Interest expenses	1.5 %	1.2 %	0.8 %	0.5 %	0.4 %	0.8 %	0.8 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-1.3 %	0.5 %	-0.4 %	-0.3 %	-0.2 %	-0.4 %	-0.3 %
Recurring pretax income from continuing operations	**2.3 %**	**2.7 %**	**3.2 %**	**3.3 %**	**2.9 %**	**3.1 %**	**4.0 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	**2.3 %**	**2.7 %**	**3.2 %**	**3.3 %**	**2.9 %**	**3.1 %**	**4.0 %**
Tax rate	71.3 %	164.7 %	29.6 %	14.4 %	41.4 %	30.0 %	30.0 %
Net income from continuing operations	**0.7 %**	**-1.7 %**	**2.2 %**	**2.8 %**	**1.7 %**	**2.2 %**	**2.8 %**
Income from discontinued operations (net of tax)	0.0 %	-46.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**0.7 %**	**45.0 %**	**2.2 %**	**2.8 %**	**1.7 %**	**2.2 %**	**2.8 %**
Minority interest	0.9 %	0.3 %	-0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Net income (net of minority interest)	**-0.2 %**	**44.6 %**	**2.3 %**	**2.7 %**	**1.5 %**	**2.1 %**	**2.7 %**

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2007	2008	2009	2010	2011P	2012E	2013E
Intangible assets	**26.0**	**41.9**	**42.3**	**57.4**	**102.0**	**95.5**	**89.0**
Property, plant and equipment	2.9	3.4	4.6	5.4	4.7	4.1	3.4
Financial assets	0.0	0.0	0.4	0.0	0.0	0.0	0.0
FIXED ASSETS	**28.9**	**45.3**	**47.4**	**62.7**	**106.7**	**99.6**	**92.4**
Inventories	0.8	1.0	2.7	3.1	8.4	9.3	10.1
Accounts receivable	30.7	49.6	52.9	66.5	83.1	91.8	99.3
Other current assets	2.1	28.1	7.4	9.5	10.0	10.0	10.0
Liquid assets	113.2	69.1	49.2	61.3	32.0	68.1	68.5
Deferred taxes	1.4	0.3	0.5	1.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	148.2	148.1	112.7	141.4	133.5	179.2	187.9
TOTAL ASSETS	**177.0**	**193.4**	**160.1**	**204.1**	**240.1**	**278.8**	**280.3**
SHAREHOLDERS EQUITY	19.5	79.5	77.8	81.8	83.4	88.5	96.7
MINORITY INTEREST	3.2	2.0	1.8	3.7	2.5	2.5	2.5
Long-term debt	30.4	28.6	21.8	45.1	22.0	86.0	86.0
Provisions for pensions and similar obligations	0.7	0.3	1.0	0.9	1.0	1.0	1.0
Other provisions	8.7	13.1	7.8	10.8	10.8	10.8	10.8
Non-current liabilities	**39.8**	**42.0**	**30.5**	**56.8**	**33.8**	**97.8**	**97.8**
short-term liabilities to banks	0.0	0.0	0.0	0.5	19.0	0.0	0.0
Accounts payable	13.4	22.6	23.3	29.8	36.6	40.1	43.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	99.8	41.9	21.0	25.8	59.1	44.1	34.1
Deferred taxes	1.4	5.5	5.8	5.7	5.7	5.7	5.7
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**114.6**	**70.0**	**50.1**	**61.9**	**120.4**	**89.9**	**83.2**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**177.0**	**193.4**	**160.1**	**204.1**	**240.2**	**278.8**	**280.3**

Balance sheet (common size)	2007	2008	2009	2010	2011P	2012E	2013E
Intangible assets	**14.7 %**	**21.7 %**	**26.5 %**	**28.1 %**	**42.5 %**	**34.2 %**	**31.7 %**
Property, plant and equipment	1.6 %	1.8 %	2.9 %	2.6 %	1.9 %	1.5 %	1.2 %
Financial assets	0.0 %	0.0 %	0.3 %	0.0 %	0.0 %	0.0 %	0.0 %
FIXED ASSETS	**16.3 %**	**23.4 %**	**29.6 %**	**30.7 %**	**44.4 %**	**35.7 %**	**33.0 %**
Inventories	0.4 %	0.5 %	1.7 %	1.5 %	3.5 %	3.3 %	3.6 %
Accounts receivable	17.4 %	25.6 %	33.1 %	32.6 %	34.6 %	32.9 %	35.4 %
Other current assets	1.2 %	14.5 %	4.6 %	4.7 %	4.2 %	3.6 %	3.6 %
Liquid assets	63.9 %	35.7 %	30.7 %	30.0 %	13.3 %	24.4 %	24.4 %
Deferred taxes	0.8 %	0.2 %	0.3 %	0.5 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	83.7 %	76.5 %	70.4 %	69.3 %	55.6 %	64.3 %	67.0 %
TOTAL ASSETS	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
SHAREHOLDERS EQUITY	11.0 %	41.1 %	48.6 %	40.1 %	34.7 %	31.8 %	34.5 %
MINORITY INTEREST	1.8 %	1.0 %	1.1 %	1.8 %	1.0 %	0.9 %	0.9 %
Long-term debt	17.1 %	14.8 %	13.6 %	22.1 %	9.2 %	30.9 %	30.7 %
Provisions for pensions and similar obligations	0.4 %	0.1 %	0.6 %	0.5 %	0.4 %	0.4 %	0.4 %
Other provisions	4.9 %	6.8 %	4.8 %	5.3 %	4.5 %	3.9 %	3.9 %
Non-current liabilities	**22.5 %**	**21.7 %**	**19.0 %**	**27.8 %**	**14.1 %**	**35.1 %**	**34.9 %**
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	0.2 %	7.9 %	0.0 %	0.0 %
Accounts payable	7.6 %	11.7 %	14.5 %	14.6 %	15.2 %	14.4 %	15.5 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	56.4 %	21.7 %	13.1 %	12.7 %	24.6 %	15.8 %	12.2 %
Deferred taxes	0.8 %	2.8 %	3.6 %	2.8 %	2.4 %	2.0 %	2.0 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	**64.7 %**	**36.2 %**	**31.3 %**	**30.3 %**	**50.1 %**	**32.3 %**	**29.7 %**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2007	2008	2009	2010	2011P	2012E	2013E
Net profit/loss	0.9	80.4	5.0	8.7	6.4	9.2	12.8
Depreciation of fixed assets (incl. leases)	1.1	1.0	1.1	1.7	3.4	3.6	3.9
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.0	7.2	5.3	5.3	7.1	7.5	7.7
Others	7.6	-79.1	2.7	5.9	0.1	0.0	0.0
Cash flow from operations before changes in w/c	12.6	9.6	14.1	21.6	16.9	20.3	24.3
Increase/decrease in inventory	-0.1	0.0	0.0	0.0	-2.4	-0.9	-0.8
Increase/decrease in accounts receivable	-7.4	0.0	0.0	0.0	-8.4	-8.7	-7.5
Increase/decrease in accounts payable	2.8	0.0	0.0	0.0	6.8	3.5	3.3
Increase/decrease in other working capital positions	0.3	-13.3	-2.2	-14.4	0.0	0.0	0.0
Increase/decrease in working capital	-4.4	-13.3	-2.2	-14.4	-4.0	-6.0	-5.0
Cash flow from operating activities	**8.2**	**-3.7**	**11.8**	**7.2**	**12.9**	**14.3**	**19.4**
CAPEX	1.0	2.0	3.3	2.7	2.7	4.0	4.4
Payments for acquisitions	4.7	17.0	2.7	8.7	30.5	15.0	10.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	103.7	-10.2	-0.6	0.0	0.0	0.0
Cash flow from investing activities	**-5.7**	**84.7**	**-16.3**	**-12.0**	**-33.2**	**-19.0**	**-14.4**
Cash flow before financing	2.5	81.0	-4.4	-4.7	-20.3	-4.7	5.0
Increase/decrease in debt position	-3.3	-6.1	-4.1	17.4	-4.5	45.0	0.0
Purchase of own shares	0.3	1.2	1.9	1.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	22.3	5.2	4.2	4.2	4.2	4.6
Others	5.0	4.8	-3.7	4.1	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Cash flow from financing activities	**1.5**	**-24.9**	**-14.9**	**16.4**	**-8.8**	**40.8**	**-4.6**
Increase/decrease in liquid assets	4.0	56.1	-19.3	12.0	-29.0	36.1	0.4
Liquid assets at end of period	**12.5**	**68.6**	**49.2**	**61.2**	**32.2**	**68.2**	**68.6**

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2007	2008	2009	2010	2011P	2012E	2013E
P&L growth analysis							
Sales growth	43.6 %	34.0 %	25.1 %	38.1 %	22.8 %	10.5 %	8.2 %
EBITDA growth	31.1 %	36.0 %	19.0 %	25.4 %	21.5 %	17.5 %	21.0 %
EBIT growth	78.5 %	-19.9 %	107.7 %	37.8 %	5.8 %	26.2 %	33.7 %
EPS growth	-146.9 %	-31997.7	-93.3 %	66.2 %	-29.5 %	46.8 %	41.6 %
Efficiency							
Total operating costs / sales	93.4 %	93.2 %	93.5 %	94.2 %	94.2 %	93.8 %	93.1 %
Sales per employee	166.7	215.1	213.7	237.5	201.1	170.3	179.8
EBITDA per employee	11.1	14.6	13.8	13.9	11.7	10.5	12.4
Balance sheet analysis							
Avg. working capital / sales	19.1 %	12.9 %	13.5 %	11.7 %	12.5 %	13.8 %	14.0 %
Inventory turnover (sales/inventory)	172.1	179.8	83.4	101.0	45.0	45.0	45.0
Trade debtors in days of sales	84.1	101.3	86.4	78.6	80.0	80.0	80.0
A/P turnover [(A/P*365)/sales]	36.7	46.1	38.0	35.3	35.3	35.0	35.0
Cash conversion cycle (days)	24.6	30.4	31.8	25.1	33.9	34.0	33.8
Cash flow analysis							
Free cash flow	7.2	-5.7	8.5	4.6	10.2	10.3	15.0
Free cash flow/sales	5.4 %	-3.2 %	3.8 %	1.5 %	2.7 %	2.5 %	3.3 %
FCF / net profit	-2866.1	-7.2 %	164.8 %	54.9 %	174.3 %	119.2 %	122.6 %
FCF yield	6.6 %	-5.2 %	7.8 %	4.2 %	9.4 %	9.4 %	13.7 %
Capex / depn	24.9 %	23.9 %	51.8 %	37.8 %	25.7 %	36.1 %	38.1 %
Capex / maintenance capex	93.0 %	189.3 %	151.1 %	153.4 %	64.7 %	84.3 %	83.1 %
Capex / sales	0.8 %	1.1 %	1.5 %	0.9 %	0.7 %	n/a	n/a
Security							
Net debt	-82.8	-40.5	-27.4	-15.8	9.0	17.9	17.5
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.4	0.7	0.6
Net debt / equity	-4.2	-0.5	-0.4	-0.2	0.1	0.2	0.2
Interest cover	2.3	1.8	4.5	7.1	7.8	4.3	5.7
Dividend payout ratio	100.0 %	6.7 %	83.9 %	50.5 %	71.7 %	53.0 %	47.5 %
Asset utilisation							
Capital employed turnover	2.1	1.4	2.0	2.2	2.7	2.2	2.3
Operating assets turnover	6.4	5.7	6.1	6.9	6.4	6.4	6.5
Plant turnover	46.7	52.0	48.7	57.7	81.5	102.2	131.5
Inventory turnover (sales/inventory)	172.1	179.8	83.4	101.0	45.0	45.0	45.0
Returns							
ROCE	6.7 %	4.1 %	6.9 %	8.7 %	8.3 %	9.0 %	10.2 %
ROE	-1.3 %	100.3 %	6.6 %	10.2 %	7.0 %	9.7 %	12.6 %
Other							
Interest paid / avg. debt	5.2 %	7.3 %	7.1 %	4.6 %	3.5 %	5.4 %	4.0 %
No. employees (average)	800	831	1046	1300	1885	2458	2519
Number of shares	9.1	9.1	9.1	9.1	9.1	9.1	9.1
DPS	2.5	0.6	0.5	0.5	0.5	0.5	0.7
EPS reported	-0.03	8.93	0.60	0.99	0.70	1.02	1.45
Valuation ratios							
P/BV	5.6	1.4	1.4	1.3	1.3	1.2	1.1
EV/sales	0.2	0.4	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	2.9	5.5	5.4	4.8	5.0	4.6	3.8
EV/EBITA	3.3	6.0	5.8	5.3	6.0	5.4	4.4
EV/EBIT	5.3	17.4	9.7	7.8	9.5	8.1	6.1
EV/FCF	3.5	-11.7	9.1	18.8	10.8	11.7	8.0
Dividend yield	20.8 %	5.0 %	4.2 %	4.2 %	4.2 %	4.5 %	5.7 %

Source: Company data, Hauck & Aufhäuser

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Company	Disclosure
Allgeier Holding AG	5, 8

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Initiation coverage
28-March-12

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