

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price target: **EUR 19.00** (19.00)

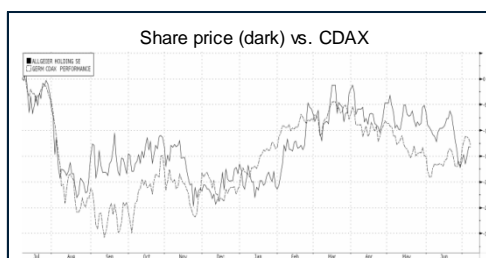
06 July 2012

## Allgeier and EASY SOFTWARE would form a very strong player in the ECM sector

- Takeover bid:** Allgeier has announced the decision to make a voluntary public tender offer to the shareholders of EASY SOFTWARE AG at a price of EUR 4.00 per share in cash. Compared to the volume-weighted average Xetra price of General Standard-listed EASY SOFTWARE over the past 90 days before the announcement (EUR 3.4089/Bloomberg), this represents a premium of 17.3%. On basis of the offer price and EASY's 2012E figures (see CBSR estimates on page 2), we calculate an EV/EBITDA multiple of 3.6 and an EV/EBIT multiple of 6.5, which appears appropriate in our view. The unusually high difference between both multiples is due to EASY's high amortisations of capitalised software development costs. The offer is subject to the attainment of a 75% minimum acceptance quota. The attainment will mainly depend on the two major shareholders Manfred Wagner (~27%) and Global Derivative Trading GmbH (~25%).
- Win-win situation:** With a market share of 17.9%, EASY SOFTWARE AG is clearly the leading DMS/ECM software provider in Germany (source: ama). Bundling Allgeier's product and solutions in the fields of ERP, ECM and business solutions with those of EASY SOFTWARE would create a very strong unit with great revenue and earnings potential. The ECM strategies of both companies are rather complementary. While Allgeier primarily serves bigger companies, EASY has a very broad customer base in the SME segment. EASY's partner distribution network and Allgeier's strong direct sales also complement each other well.
- New estimates:** On 23 May, Allgeier had already announced the takeover of b+m Informatik AG which offers IT consulting and customised business solutions with special expertise in the financial sector and other industries. While we still do not incorporate the takeover of EASY SOFTWARE in our estimates before completion of the takeover, we do increase our sales and earnings estimates due to the b+m consolidation (about EUR 12m in annual sales) as from 1 June 2012. On basis of an unchanged price target of EUR 19.00, we maintain our BUY recommendation.

Y/E Dec 31, EUR m	2009	2010	2011	2012E	2013E	2014E
Sales	223.5	308.7	378.8	446.5	497.4	537.1
EBITDA	14.4	18.1	22.3	28.9	34.3	36.9
EBITA	12.8	15.6	19.0	24.8	28.5	32.1
EBIT	8.0	11.0	12.0	18.5	22.5	26.6
Net result	5.2	8.3	4.4	10.2	13.1	15.9
Basic EPS	0.60	0.99	0.52	1.20	1.54	1.87
Adjusted EPS	0.98	1.18	1.27	1.72	2.03	2.32
CPS	1.36	0.85	2.34	2.07	2.68	3.03
DPS	0.50	0.50	0.50	0.50	0.50	0.50
EBITDA margin	6.5%	5.9%	5.9%	6.5%	6.9%	6.9%
EBITA margin	5.7%	5.1%	5.0%	5.6%	5.7%	6.0%
EBIT margin	3.6%	3.6%	3.2%	4.2%	4.5%	4.9%
EV/EBITDA	7.7	6.2	5.0	3.9	3.2	3.0
EV/EBIT	13.9	10.1	9.3	6.0	4.9	4.2
P/E	18.0	10.8	20.5	8.9	7.0	5.7

Source: CBS Research AG, Allgeier Holding AG



Source: CBS Research, Bloomberg, Allgeier Holding SE

Change	2012E		2013E		2014E	
	new	old	new	old	new	old
Sales	446.5	439.8	497.4	484.2	537.1	523.0
EBITDA	28.9	28.4	34.3	33.4	36.9	35.9
EPS	1.20	1.18	1.54	1.52	1.87	1.85

Internet: www.allgeier.com      Sector: Software/IT services  
WKN: 508630      ISIN: DE0005086300  
Reuters: AEIG.DE      Bloomberg: AEI GY

### Short company profile:

Allgeier Holding SE, headquartered in Munich, is one of the leading IT consultancy and service companies in the German-speaking countries. With their units IT Solutions, IT Services & Recruiting, and Project Solutions, Allgeier offers a comprehensive range of services from the initial concept through implementation to the operation of IT landscapes. Allgeier's operational subsidiaries have >2,500 employees as well as >1,400 freelance experts serving some 3,000 customers in virtually all sectors.

### Share data:

Share price (EUR, latest closing price):	<b>10.70</b>
Shares outstanding (m):	8.4
Market capitalisation (EUR m):	89.7
Enterprise value (EUR m):	111.2
Ø daily trading volume (3 m., no. of shares):	11,102

### Performance data:

High 52 weeks (EUR):	13.20
Low 52 weeks (EUR):	9.26
Absolute performance (12 months):	-16.9%
Relative performance vs. CDAX:	
1 month	-10.7%
3 months	-10.2%
6 months	-7.2%
12 months	-2.6%

### Shareholders:

Supervisory Board & Management Board:	42%
Own shares:	7%
Institutional investors:	9%
Other free float:	42%

### Financial calendar:

1H report:	1 August 2012
9M report:	10 November 2012

### Author:

**Martin Decot** (Analyst)

Close Brothers Seydler Research AG  
Phone: +49 (0) 69-977 84 56 0  
Email: research@cbseydlerresearch.ag

www.cbseydlerresearch.ag

## Possible impact of the acquisition of EASY SOFTWARE on Allgeier Group's P&L

EASY SOFTWARE had an extraordinarily strong year 2011 in terms of the Group's operating margin. However, EBIT was affected by an impairment charge on purchased software (EUR 1.2m) and further EUR 0.3m of extraordinary expenses which accrued in the context of the dismissal of the former CEO. Regarding 2012, we assume that EASY SOFTWARE will return to a similar EBIT margin level as the company had reached in 2010 (roughly 10%), which is not very high for a software company. We assume that EASY should be able to achieve some margin improvements from a combination with Allgeier.

**EBIT margin of EASY SOFTWARE still shows room for improvement**

In order to offer a rough impression of the P&L metrics of the intended takeover, we simply added our rough FY 2012 sales and earnings estimates for EASY SOFTWARE to our FY 2012 estimates for Allgeier (see table below).

**Combined pro forma sales might exceed EUR 475m in 2012E**

### P&L key data of EASY SOFTWARE and potential impact of the takeover on the P&L of Allgeier Holding SE

EURm	EASY SOFTWARE 2010A	EASY SOFTWARE 2011A	EASY SOFTWARE 2012E*	Allgeier Group 2012E*	Sum Allgeier + EASY 2012E*
Sales	24.9	27.0	29.2	446.5	475.7
Gross margin	21.3	24.2	25.0	189.3	214.3
as % of sales	85.3%	89.6%	85.7%	42.4%	45.0%
EBITDA	4.8	5.9	5.3	18.5	23.8
as % of sales	19.3%	21.9%	18.2%	4.2%	5.0%
EBIT	2.5	2.4	2.9	28.9	31.8
as % of sales	10.2%	8.8%	10.0%	6.5%	6.7%
Adjusted EBIT**	-	3.9	-	-	-
as % of sales	-	14.3%	-	-	-

\*Estimates by CBS Research AG

\*\*EBIT adjustment: impairment charge of EUR 1.2m and further extraordinary expenses of EUR 0.3m.

## Implied takeover multiples

Due to the fact that EASYS SOFTWARE always receives the cash flow from its software maintenance contracts for the full year in advance, the Group's cash position was much higher at the end of 1Q 2012 (EUR 15.4m) than at the end of 2011 (EUR 6.5m). Since only the margin on the revenues from these contracts will remain in the company, we believe that it is more appropriate to take the year-end cash position for the calculation of the enterprise value. On basis of the offer price (EUR 4.00) and EASY SOFTWARE's financial debt (EUR 2.0m) and minority interest (carrying amount of EUR 1.8m), we calculate an EV of EUR 19.0m. Using our estimates for EASY's 2012E figures, we calculate an EV/EBITDA multiple of 3.6 and an EV/EBIT multiple of 6.5, which appears appropriate in our view. The unusually high difference between both multiples is due to EASY's high amortisations of capitalised software development costs.

**Offer price appears appropriate**

## Research



Schillerstrasse 27 - 29  
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 <a href="mailto:Roger.Peeters@cbseydlerresearch.ag">Roger.Peeters@cbseydlerresearch.ag</a>	Igor Kim	+49 (0)69 -977 8456- 15 <a href="mailto:Igor.Kim@cbseydlerresearch.ag">Igor.Kim@cbseydlerresearch.ag</a>
Martin Decot	+49 (0)69 -977 8456- 13 <a href="mailto:Martin.Decot@cbseydlerresearch.ag">Martin.Decot@cbseydlerresearch.ag</a>	Gennadij Kremer	+49 (0)69 – 977 8456- 23 <a href="mailto:Gennadij.Kremer@cbseydlerresearch.ag">Gennadij.Kremer@cbseydlerresearch.ag</a>
Anna von Klopmann	+49 (0)69 -977 8456- 10 <a href="mailto:Anna.Klopmann@cbseydlerresearch.ag">Anna.Klopmann@cbseydlerresearch.ag</a>	Ralf Marinoni	+49 (0)69 -977 8456- 17 <a href="mailto:Ralf.Marinoni@cbseydlerresearch.ag">Ralf.Marinoni@cbseydlerresearch.ag</a>
Daniel Kukalj	+49 (0)69 – 977 8456- 21 <a href="mailto:Daniel.Kukalj@cbseydlerresearch.ag">Daniel.Kukalj@cbseydlerresearch.ag</a>	Felix Parmantier	+49 (0)69 -977 8456- 22 <a href="mailto:Felix.Parmantier@cbseydlerresearch.ag">Felix.Parmantier@cbseydlerresearch.ag</a>
Manuel Martin	+49 (0)69 -977 8456- 16 <a href="mailto:Manuel.Martin@cbseydlerresearch.ag">Manuel.Martin@cbseydlerresearch.ag</a>	Veysel Taze	+49 (0)69 -977 8456- 18 <a href="mailto:Veysel.Taze@cbseydlerresearch.ag">Veysel.Taze@cbseydlerresearch.ag</a>
Marcus Silbe	+49 (0)69 -977 8456- 14 <a href="mailto:Marcus.Silbe@cbseydlerresearch.ag">Marcus.Silbe@cbseydlerresearch.ag</a>	Ivo Višić	+49 (0)69 -977 8456- 19 <a href="mailto:Ivo.Visic@cbseydlerresearch.ag">Ivo.Visic@cbseydlerresearch.ag</a>

## Institutional Sales



Schillerstrasse 27 – 29  
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 <a href="mailto:Raimar.Bock@cbseydler.com">Raimar.Bock@cbseydler.com</a>	Sule Erkan (Sales-Support)	+49 (0)69 -9 20 54-107 <a href="mailto:Sule.Erkan@cbseydler.com">Sule.Erkan@cbseydler.com</a>
Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 <a href="mailto:Ruediger.Eich@cbseydler.com">Ruediger.Eich@cbseydler.com</a>	Klaus Korzilius (Benelux, Germany)	+49 (0)69 -9 20 54-114 <a href="mailto:Klaus.Korzilius@cbseydler.com">Klaus.Korzilius@cbseydler.com</a>
Dr. James Jackson (UK)	+49 (0)69 -9 20 54-113 <a href="mailto:James.Jackson@cbseydler.com">James.Jackson@cbseydler.com</a>	Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 <a href="mailto:Markus.Laifle@cbseydler.com">Markus.Laifle@cbseydler.com</a>
Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 <a href="mailto:Stefan.Krewinkel@cbseydler.com">Stefan.Krewinkel@cbseydler.com</a>	Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 <a href="mailto:Bruno.deLencquesaing@cbseydler.com">Bruno.deLencquesaing@cbseydler.com</a>
Michael Laufenberg (Germany)	+49 (0)69 -9 20 54-112 <a href="mailto:Michael.Laufenberg@cbseydler.com">Michael.Laufenberg@cbseydler.com</a>	Janine Theobald (Austria, Germany)	+49 (0)69 -9 20 54-106 <a href="mailto:Janine.Theobald@cbseydler.com">Janine.Theobald@cbseydler.com</a>
Christopher Seedorf (Sales-Support)	+49 (0)69 -9 20 54-110 <a href="mailto:Christopher.Seedorf@cbseydler.com">Christopher.Seedorf@cbseydler.com</a>	Bas-Jan Walhof (Benelux)	+49 (0)69 -9 20 54-105 <a href="mailto:Bas-Jan.Walhof@cbseydler.com">Bas-Jan.Walhof@cbseydler.com</a>

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
13 March 2012	BUY (Initiating Coverage)	EUR 11.80	EUR 19.00
20 April 2012	BUY	EUR 11.75	EUR 19.00
10 May 2012	BUY	EUR 11.60	EUR 19.00
6 July 2012	BUY	EUR 10.70	EUR 19.00

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Graurheindorferstraße 108

53117 Bonn

and

Lurgiallee 12

60439 Frankfurt

Close Brothers Seydler  
Research AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

[www.cbseydlerresearch.ag](http://www.cbseydlerresearch.ag)

Tel.: 0049 - (0)69 - 97 78 45 60