

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

08 August 2012

Different price perceptions jeopardize takeover of EASY SOFTWARE

- EASY SOFTWARE AG announced yesterday that the Management and Supervisory Board **recommend the company's shareholders not to accept Allgeier's tender offer** due to an insufficient purchase price. In the joint statement on the offer document, it was also declared that Manfred Wagner, major shareholder (27.4%) and member of the Supervisory Boards of EASY SOFTWARE, will not accept Allgeier's offer. Due to the fact that the offer is subject to the attainment of a 75% minimum acceptance quota, **a refusal of Manfred Wagner would already implicate the failure of the takeover under the current terms of the bid** (in particular the offered price of EUR 4.00 per share).
- The recommendation issued by EASY SOFTWARE's Management and Supervisory Board is based, inter alia, on a **Fairness Opinion** according to IDW S 8. The commissioned audit firm used the discounted earnings method and a multiple-based valuation approach to value EASY SOFTWARE. As neither the used earnings forecasts nor the detailed valuation have been published, we cannot make an assessment of both.
- The acceptance period for the EASY SOFTWARE takeover bid will end on 21 August 2012. The Management of Allgeier has not yet given any indication whether or not they might consider an increase of the offered purchase price. Regarding our estimates and the valuation of Allgeier's share, a failure of the takeover would not have any effect. **As we had not incorporated the takeover of EASY SOFTWARE in our estimates yet, we leave all our estimates as well as our price target (EUR 19.00) unchanged.** We expect that Allgeier now will be able to conclude the **takeover of TECOPS** (see our update from 6 August 2012) within the coming weeks, and that first consolidation might even take place as of 1 September 2012. This would have a positive impact on our FY 2012 estimates for Allgeier, as we had provisionally assumed first consolidation as of 1 October. **TECOPS' business is highly profitable and fast-growing.** We also expect **significant synergies** from the combination of Allgeier and TECOPS.
- We reiterate our **BUY** recommendation for the Allgeier share.

Key data (takeover of TECOPS assumed as of 1/10/12; EASY SOFTWARE not yet included)

Y/E Dec 31, EUR m	2009	2010	2011	2012E	2013E	2014E
Sales	223.5	308.7	378.8	462.8	565.9	611.2
EBITDA	14.4	18.1	22.3	30.1	40.2	44.6
EBITA	12.8	15.6	19.0	25.6	32.9	36.6
EBIT	8.0	11.0	12.0	19.3	26.9	31.1
Net result	5.2	8.3	4.4	10.7	15.9	18.7
Basic EPS	0.60	0.99	0.52	1.27	1.87	2.21
Adjusted EPS	0.98	1.18	1.27	1.78	2.36	2.66
CPS	1.36	0.85	2.34	1.95	2.96	3.56
DPS	0.50	0.50	0.50	0.50	0.50	0.50
EBITDA margin	6.5%	5.9%	5.9%	6.5%	7.1%	7.3%
Adj. EBITDA margin	n/a	5.7%	6.2%	6.5%	7.1%	7.3%
EBITA margin	5.7%	5.1%	5.0%	5.5%	5.8%	6.0%
EV/EBITDA	7.6	6.1	4.9	3.7	2.7	2.5
P/E	17.8	10.7	20.3	8.4	5.7	4.8

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	-	462.8	-	565.9	-	611.2
EBITDA	-	30.1	-	40.2	-	44.6
EPS	-	1.27	-	1.87	-	2.21

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

Short company profile:

Munich-based Allgeier SE is one of the leading consulting and service companies in the German-speaking region. With more than 2,600 employees and around 1,500 freelance IT experts, Allgeier offers its customers a complete service approach spanning design, implementation, and through to the operation of IT landscapes. Fifteen corporate units, each with its own specialist and sector-related focus, work together for more than 2,000 customers from almost all sectors.

Share data:

Share price (EUR, latest closing price):	10.59
Shares outstanding (m):	8.4
Market capitalisation (EUR m):	88.8
Enterprise value (EUR m):	110.3
Ø daily trading volume (3 m., no. of shares):	9,204

Performance data:

High 52 weeks (EUR):	12.89
Low 52 weeks (EUR):	9.30
Absolute performance (12 months):	-0.4%
Relative performance vs. CDAX:	
1 month	-3.8%
3 months	-11.1%
6 months	-8.1%
12 months	-13.6%

Shareholders:

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

Financial calendar:

9M report:	8 November 2012
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Profit and loss account

	IFRS	EURm	2008	2009	2010	2011	2012E	2013E	2014E
Sales			178.7	223.5	308.7	378.8	462.8	565.9	611.2
YoY growth			34.0%	25.1%	38.1%	22.7%	22.2%	22.3%	8.0%
Inventory changes (finished goods, WIP)			0.0	-0.1	0.0	0.3	0.1	0.2	0.2
Other own work capitalised			0.0	0.0	0.1	0.1	0.1	0.1	0.1
Total output			178.7	223.5	308.8	379.1	463.0	566.2	611.4
Cost of materials			-111.2	-137.5	-182.5	-220.2	-259.9	-299.1	-322.6
as % of total output			-62.2%	-61.5%	-59.1%	-58.1%	-56.1%	-52.8%	-52.8%
Gross profit			67.5	86.0	126.2	158.9	203.1	267.1	288.8
as % of total output			37.8%	38.5%	40.9%	41.9%	43.9%	47.2%	47.2%
Personnel expenses			-44.3	-59.5	-88.4	-109.0	-140.1	-190.5	-203.8
as % of total output			-24.8%	-26.6%	-28.6%	-28.7%	-30.2%	-33.6%	-33.3%
Other operating income			2.1	4.0	5.8	6.6	6.9	9.1	9.2
as % of total output			1.2%	1.8%	1.9%	1.7%	1.5%	1.6%	1.5%
Other operating expenses			-13.1	-16.1	-25.5	-34.2	-39.9	-45.6	-49.5
as % of total output			-7.3%	-7.2%	-8.2%	-9.0%	-8.6%	-8.0%	-8.1%
EBITDA			12.1	14.4	18.1	22.3	30.1	40.2	44.6
as % of total output			6.8%	6.5%	5.9%	5.9%	6.5%	7.1%	7.3%
Operating EBITA*			10.8	12.8	15.6	19.0	25.6	32.9	36.6
as % of total output			6.0%	5.7%	5.1%	5.0%	5.5%	5.8%	6.0%
Depreciation and amortization, excl. goodwill impairments			-4.3	-4.1	-7.0	-10.3	-10.7	-13.3	-13.5
as % of total output			-2.4%	-1.9%	-2.3%	-2.7%	-2.3%	-2.4%	-2.2%
Goodwill impairments			-4.0	-2.3	0.0	0.0	0.0	0.0	0.0
as % of total output			-2.2%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT			3.9	8.0	11.0	12.0	19.3	26.9	31.1
as % of total output			2.2%	3.6%	3.6%	3.2%	4.2%	4.7%	5.1%
Interest income			3.1	0.8	0.7	0.4	0.4	0.2	0.1
Interest expenses			-2.2	-1.8	-1.6	-2.9	-3.1	-2.9	-2.9
Result from sale of temping business			82.6	-	-	-	-	-	-
EBT (Earnings before income taxes)			87.4	7.0	10.2	9.5	16.6	24.1	28.4
as % of total output			48.9%	3.2%	3.3%	2.5%	3.6%	4.3%	4.6%
Taxes on income			-7.1	-2.1	-1.5	-4.2	-5.0	-7.2	-8.5
as % of EBT			-8.1%	-29.6%	-14.4%	-44.1%	-30.0%	-30.0%	-30.0%
Net income of the group			80.4	5.0	8.7	5.3	11.6	16.9	19.8
as % of total output			45.0%	2.2%	2.8%	1.4%	2.5%	3.0%	3.2%
Minority interests			-0.6	0.2	-0.4	-0.9	-0.9	-1.0	-1.1
Net income attributable to shareholders			79.7	5.2	8.3	4.4	10.7	15.9	18.7
Basic earnings per share (EUR)			8.93	0.60	0.99	0.52	1.27	1.87	2.21
Adjusted earnings per share (EUR)**			0.85	0.98	1.18	1.27	1.78	2.36	2.66

* Operating EBITA: Earnings before interest, taxes and amortisation/impairments of assets from PPAs (goodwill, acquired order balances, customer lists, etc.) and effects on earnings from subsequent purchase price adjustments/earnouts

** Adjusted EPS = Adjusted net income divided by weighted average of shares outstanding;

Adjusted net income = Operating EBITA minus financial result minus assumed taxes (30% tax rate) minus minority interests.

Source: CBS Research AG, Allgeier Holding AG

Balance sheet

	IFRS	EURm	2008	2009	2010	2011	2012E	2013E	2014E
Assets									
Noncurrent assets			45.6	47.9	63.7	113.0	131.1	123.7	116.2
as % of total assets			23.6%	29.9%	31.2%	46.6%	42.6%	38.5%	35.1%
Intangible assets			41.9	42.3	57.4	102.8	120.5	113.1	104.8
Property, plant and equipment			3.4	4.6	5.4	8.8	10.3	10.3	11.0
Investments in companies consolidated at equity			0.0	0.4	0.0	0.0	0.0	0.0	0.0
Deferred taxes			0.3	0.5	1.0	1.4	0.3	0.3	0.3
Current assets			147.8	112.2	140.4	129.2	176.8	197.9	215.2
as % of total assets			76.4%	70.1%	68.8%	53.4%	57.4%	61.5%	64.9%
Inventories			1.0	2.7	3.1	3.0	4.0	4.3	4.5
Trade receivables			49.6	52.9	66.5	81.8	107.0	121.7	131.4
Other assets and receivables			28.1	7.4	9.5	12.4	17.6	15.9	16.7
Cash and cash equivalents			69.1	49.2	61.3	31.9	48.1	56.0	62.5
Total assets			193.4	160.1	204.1	242.1	307.9	321.6	331.3
Shareholders' equity and liabilities									
Shareholders' equity			81.8	79.5	85.5	88.2	95.7	108.4	124.0
as % of total equity and liabilities			42.3%	49.7%	41.9%	36.4%	31.1%	33.7%	37.4%
Subscribed capital			9.1	9.1	9.1	9.1	9.1	9.1	9.1
Capital reserve			11.3	11.3	11.3	11.3	11.3	11.3	11.3
Retained earnings			0.3	0.3	0.3	0.3	0.3	0.3	0.3
Own shares at acquisition cost			-1.7	-3.6	-4.5	-5.2	-5.2	-5.2	-5.2
Profit carried forward			-18.1	56.5	57.4	61.6	61.8	68.3	80.1
Net income for the year			79.7	5.2	8.3	4.4	10.7	15.9	18.7
Changes in equity recognised directly in equity			-0.9	-0.9	-0.2	2.2	2.2	2.2	2.2
Minority interests			2.0	1.8	3.7	4.5	5.4	6.4	7.5
Noncurrent liabilities and deferred income			24.0	23.8	31.6	35.5	99.8	93.2	80.2
as % of total equity and liabilities			12.4%	14.9%	15.5%	14.7%	32.4%	29.0%	24.2%
Non-current profit-participation liabilities (PREPS)			13.0	13.0	6.0	0.0	0.0	0.0	0.0
Noncurrent financial liabilities incl. promissory notes			2.2	0.3	15.6	2.6	72.6	72.6	70.0
Provisions for pensions and similar obligations			0.3	1.0	0.9	1.0	1.0	1.1	1.2
Other noncurrent liabilities (mainly earnout components from company acquisitions)			3.1	3.7	3.3	22.8	19.1	14.9	7.0
Deferred tax liabilities			5.5	5.8	5.7	9.2	7.0	4.5	2.0
Current liabilities			87.6	56.7	87.0	118.4	112.4	120.0	127.1
as % of total equity and liabilities			45.3%	35.4%	42.6%	48.9%	36.5%	37.3%	38.4%
Current profit-participation liabilities (PREPS)			0.0	0.0	7.0	6.0	0.0	0.0	0.0
Current financial liabilities			13.4	8.4	16.9	32.7	12.0	12.0	12.0
Current provisions			13.1	7.8	10.8	16.1	24.7	26.3	27.7
Trade accounts payable			22.6	23.3	29.8	36.5	40.4	44.9	48.4
Prepayments received			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities incl. earnout components from company acquisitions			38.5	17.3	22.5	27.1	35.3	36.8	39.0
Total equity and liabilities			193.4	160.1	204.1	242.1	307.9	321.6	331.3

Source: CBS Research AG, Allgeier Holding AG

Cash flow statement

	IFRS	EURm	2008	2009	2010	2011	2012E	2013E	2014E
EBIT			3.9	8.0	11.0	12.0	19.3	26.9	31.1
Depreciation and amortisation			8.3	6.4	7.0	10.3	10.7	13.3	13.5
Other non-cash income and expenses incl. expenses from additions to provisions			4.0	4.2	6.7	10.0	9.0	9.9	10.4
Change in non-current provisions			-0.4	0.1	0.0	0.0	0.1	0.1	0.1
Cash taxes paid/received			-6.1	-4.7	-3.2	-3.8	-6.5	-8.7	-11.3
Cash flow from changes in working capital			-13.3	-2.2	-14.5	-8.8	-16.1	-16.3	-13.6
Cash flow from operating activities			-3.7	11.8	7.2	19.6	16.6	25.1	30.2
Net cash outflows from the purchase and retirement of PP&E and intangible assets			-2.0	-1.6	-2.5	-4.2	-4.8	-5.9	-6.0
Payments for the purchase of subsidiaries and for the acquisition of assets and rights			-17.0	-4.1	-8.7	-25.4	-28.2	0.0	0.0
Purchase price components paid for companies acquired in other periods			0.0	-5.0	-0.9	-4.0	-3.1	-4.2	-7.9
Investments valued at equity (incl. disposals)			0.0	-0.2	0.3	-0.1	0.0	0.0	0.0
Payment balance from the sale of subsidiaries			103.7	-5.4	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities			84.7	-16.3	-11.9	-33.7	-36.1	-10.1	-13.9
Payments for own shares			-1.2	-1.9	-1.0	-1.1	0.0	0.0	0.0
Net borrowings/retirements of loans and cash flow from promissory notes			-6.1	-4.1	17.4	-0.6	47.3	0.0	-2.6
Net cash inflow from ABS programme (assignment of trade receivables)			3.8	-2.8	4.9	0.9	1.4	0.0	0.0
Repayment of profit-participation liabilities			0.0	0.0	0.0	-7.0	-6.0	0.0	0.0
Interests paid and received, net			1.0	-0.8	-0.7	-2.4	-2.7	-2.7	-2.8
Dividends paid			-22.3	-5.2	-4.2	-4.2	-4.2	-4.2	-4.2
Payments to/from shareholders with non-controlling interests and purchases of non-controlling interests			0.0	-0.1	-0.1	-0.9	-0.2	-0.2	-0.2
Cash flow from financing activities			-24.9	-14.9	16.4	-15.2	35.6	-7.1	-9.8
Total change in cash and cash equivalents			56.1	-19.4	11.6	-29.3	16.1	7.9	6.5
Currency-induced changes in cash and cash			0.0	0.0	0.3	-0.2	0.0	0.0	0.0
Cash and cash equivalents at the start of the period			12.5	68.6	49.1	61.1	31.6	47.8	55.7
Cash and cash equivalents at the end of the period			68.6	49.1	61.1	31.6	47.8	55.7	62.2
Bank overdraft			0.5	0.0	0.2	0.3	0.3	0.3	0.3
Cash and cash equivalents in the balance sheet			69.1	49.2	61.3	31.9	48.1	56.0	62.5

Source: CBS Research AG, Allgeier Holding AG

Research



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Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

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
6 August 2012	BUY	EUR 10.52	EUR 19.00

8 August 2012	BUY	EUR 10.59	EUR 19.00
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Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 12 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

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