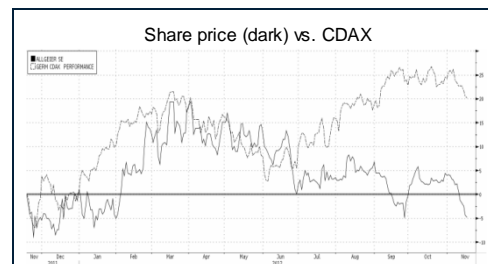


Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price target: **EUR 17.00** (17.00)

16 November 2012

Solid 3Q figures – our FY 2012 estimates appear achievable

- Allgeier SE reported solid 3Q figures today. **Quarterly sales strongly increased by 13.8% YOY** and reached EUR 107.7m (PY: 94.6m). We assume that TECOPS, which had been consolidated as of 1 September 2012, should have contributed about EUR 4m to 5m of sales in 3Q. In 9M 2012, sales amounted to EUR 297.8m (+12.1% compared to EUR 265.7m in 9M 2011).
- Operating EBITA increased in 3Q 2012 by 15.6% YOY, from EUR 4.5m to EUR 5.2m.** The corresponding EBITA margin remained at a constant level of 4.8% of sales. Operating EBITA is defined as earnings before interest, taxes and amortisation/impairments of assets from purchase price allocations (PPA) and effects on earnings from subsequent purchase price adjustments (earnouts). Subsequent purchase price adjustments can have significant impacts on EBITDA and EBIT. Acquired order balances and customer lists, in particular, are written off over a very short period and lead to a distortion of Allgeier's EBIT. **The operating EBITA figure gives an idea of the level of Allgeier's EBIT margin after a stop of all M&A activities and the expiration of all earnouts and PPA amortisations.**
- In 3Q 2012, the Group's EBITDA reached only the previous year's level. **In 9M 2012, however, EBITDA showed a solid growth of 7.4% YOY.**
- After the takeover of companies with strong customer bases and order books, the **increased PPA amortisations reduced the quarterly EBIT to EUR 3.0m** (PY: EUR 3.5m) and the **9M EBIT to EUR 6.3m** (PY: EUR 8.7m). These amortisations, however, will continue to weigh on EBIT only for a few years. Net income and EPS therefore also showed a decline in 3Q and 9M 2012 (see page 2 for detailed figures).
- Due to the seasonally stronger year-end business and the consolidation of TECOPS during the entire 4Q 2012, **we believe that Allgeier is well on the way to achieving our FY 2012 estimates.** We stick to our price target of EUR 17.00 and our **BUY** recommendation for the Allgeier share.



Source: CBS Research, Bloomberg, Allgeier SE

Change	2012E		2013E		2014E	
	new	old	new	old	new	old
Sales	439.6	462.8	547.9	565.9	591.7	611.2
EBITDA	25.9	30.1	35.4	40.2	41.2	44.6
EPS	0.54	1.27	1.13	1.87	1.76	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):	9.75
Shares outstanding (m):	8.4
Market capitalisation (EUR m):	81.7
Enterprise value (EUR m):	138.0
Ø daily trading volume (3 m., no. of shares):	8,039

Performance data:

High 52 weeks (EUR):	12.89
Low 52 weeks (EUR):	9.30
Absolute performance (12 months):	-11.0%
Relative performance vs. CDAX	
1 month	-2.9%
3 months	-10.0%
6 months	-22.5%
12 months	-22.9%

Shareholders:

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

Financial calendar:

-

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Y/E Dec 31, EUR m	2009	2010	2011	2012E	2013E	2014E
Sales	223.5	308.7	378.8	439.6	547.9	591.7
EBITDA	14.4	18.1	22.3	25.9	35.4	41.2
EBITA	12.8	15.6	19.0	18.8	27.2	34.4
EBIT	8.0	11.0	12.0	11.8	19.0	26.7
Net result	5.2	8.3	4.4	4.5	9.5	14.8
Basic EPS	0.60	0.99	0.52	0.54	1.13	1.76
Adjusted EPS	0.98	1.18	1.27	1.12	1.81	2.40
CPS	1.36	0.85	2.34	2.65	2.02	3.43
DPS	0.50	0.50	0.50	0.50	0.50	0.50
EBITDA margin	6.5%	5.9%	5.9%	5.9%	6.5%	7.0%
Adj. EBITDA margin	n/a	5.7%	6.2%	5.9%	6.5%	7.0%
EBITA margin	5.7%	5.1%	5.0%	4.3%	5.0%	5.8%
EV/EBITDA	9.6	7.6	6.2	5.3	3.9	3.3
P/E	16.4	9.8	18.7	18.1	8.6	5.5

Source: CBS Research AG, Allgeier SE

Appendix

Quarterly figures (YOY comparison)

IFRS	EURm	3Q 2012	3Q 2011	Change	9M 2012	9M 2011	Change
Sales		107.7	94.6	14%	297.8	265.7	12%
YoY growth		13.8%	16.3%		12.1%	23.5%	
Total output		108.4	96.4	12%	304.5	270.6	13%
Gross profit		52.3	41.1	27%	142.0	112.6	26%
as % of total output		48.3%	42.7%		46.6%	41.6%	
EBITDA		6.1	6.1	0%	16.1	14.9	7%
as % of sales		5.7%	6.5%		5.4%	5.6%	
Operating EBITA*		5.2	4.5	16%	13.0	12.0	8%
as % of sales		4.8%	4.8%		4.4%	4.5%	
EBIT		3.0	3.5	-15%	6.3	8.7	-27%
as % of sales		2.8%	3.7%		2.1%	3.3%	
Net income attrib. to shareholders		1.5	1.7	-11%	1.2	4.3	-71%
Earnings per share (EUR)		0.18	0.20	-11%	0.15	0.51	-71%
Net financial debt (net cash)		50.6	11.9				

* 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
Source: Allgeier SE, CBS Research AG

Profit and loss account

	IFRS	EURm	2008	2009	2010	2011	2012E	2013E	2014E
Sales			178.7	223.5	308.7	378.8	439.6	547.9	591.7
YoY growth			34.0%	25.1%	38.1%	22.7%	16.1%	24.6%	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	439.8	548.2	592.0
Cost of materials			-111.2	-137.5	-182.5	-220.2	-227.5	-250.5	-269.3
as % of total output			-62.2%	-61.5%	-59.1%	-58.1%	-51.7%	-45.7%	-45.5%
Gross profit			67.5	86.0	126.2	158.9	212.3	297.7	322.6
as % of total output			37.8%	38.5%	40.9%	41.9%	48.3%	54.3%	54.5%
Personnel expenses			-44.3	-59.5	-88.4	-109.0	-153.3	-219.5	-236.8
as % of total output			-24.8%	-26.6%	-28.6%	-28.7%	-34.8%	-40.0%	-40.0%
Other operating income			2.1	4.0	5.8	6.6	5.9	4.4	4.5
as % of total output			1.2%	1.8%	1.9%	1.7%	1.4%	0.8%	0.8%
Other operating expenses			-13.1	-16.1	-25.5	-34.2	-39.1	-47.1	-49.1
as % of total output			-7.3%	-7.2%	-8.2%	-9.0%	-8.9%	-8.6%	-8.3%
EBITDA			12.1	14.4	18.1	22.3	25.9	35.4	41.2
as % of total output			6.8%	6.5%	5.9%	5.9%	5.9%	6.5%	7.0%
Operating EBITA*			10.8	12.8	15.6	19.0	18.8	27.2	34.4
as % of total output			6.0%	5.7%	5.1%	5.0%	4.3%	5.0%	5.8%
Depreciation and amortization, excl. goodwill impairments			-4.3	-4.1	-7.0	-10.3	-14.1	-16.5	-14.5
as % of total output			-2.4%	-1.9%	-2.3%	-2.7%	-3.2%	-3.0%	-2.4%
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	11.8	19.0	26.7
as % of total output			2.2%	3.6%	3.6%	3.2%	2.7%	3.5%	4.5%
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	-4.4	-4.2	-4.1
Result from sale of temping business			82.6	-	-	-	-	-	-
EBT (Earnings before income taxes)			87.4	7.0	10.2	9.5	7.7	15.0	22.7
as % of total output			48.9%	3.2%	3.3%	2.5%	1.8%	2.7%	3.8%
Taxes on income			-7.1	-2.1	-1.5	-4.2	-2.3	-4.5	-6.8
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	5.4	10.5	15.9
as % of total output			45.0%	2.2%	2.8%	1.4%	1.2%	1.9%	2.7%
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	4.5	9.5	14.8
Basic earnings per share (EUR)			8.93	0.60	0.99	0.52	0.54	1.13	1.76
Adjusted earnings per share (EUR)**			0.85	0.98	1.18	1.27	1.12	1.81	2.40

* 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 SE

Balance sheet

	IFRS	EURm	2008	2009	2010	2011	2012E	2013E	2014E
Assets									
Noncurrent assets			45.6	47.9	63.7	113.0	127.9	117.4	109.1
as % of total assets			23.6%	29.9%	31.2%	46.6%	42.7%	39.0%	35.2%
Intangible assets			41.9	42.3	57.4	102.8	117.3	107.0	97.6
Property, plant and equipment			3.4	4.6	5.4	8.8	10.2	10.1	11.2
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	0.4	0.3	0.3
Current assets			147.8	112.2	140.4	129.2	171.6	184.0	200.8
as % of total assets			76.4%	70.1%	68.8%	53.4%	57.3%	61.0%	64.8%
Inventories			1.0	2.7	3.1	3.0	3.8	4.1	4.3
Trade receivables			49.6	52.9	66.5	81.8	97.8	112.6	120.8
Other assets and receivables			28.1	7.4	9.5	12.4	17.2	15.5	16.3
Cash and cash equivalents			69.1	49.2	61.3	31.9	52.8	51.8	59.4
Total assets			193.4	160.1	204.1	242.1	299.6	301.4	309.9
Shareholders' equity and liabilities									
Shareholders' equity			81.8	79.5	85.5	88.2	89.4	95.7	107.4
as % of total equity and liabilities			42.3%	49.7%	41.9%	36.4%	29.9%	31.8%	34.7%
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	62.1	67.4
Net income for the year			79.7	5.2	8.3	4.4	4.5	9.5	14.8
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	93.7	86.4	77.1
as % of total equity and liabilities			12.4%	14.9%	15.5%	14.7%	31.3%	28.7%	24.9%
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	2.3	2.5	2.7
Other noncurrent liabilities (mainly earnout components from company acquisitions)			3.1	3.7	3.3	22.8	12.6	8.4	4.5
Deferred tax liabilities			5.5	5.8	5.7	9.2	6.1	2.8	-0.1
Current liabilities			87.6	56.7	87.0	118.4	116.5	119.3	125.4
as % of total equity and liabilities			45.3%	35.4%	42.6%	48.9%	38.9%	39.6%	40.5%
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	11.4	12.0	12.0
Current provisions			13.1	7.8	10.8	16.1	21.6	21.9	23.7
Trade accounts payable			22.6	23.3	29.8	36.5	39.7	41.2	44.3
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	43.7	44.2	45.4
Total equity and liabilities			193.4	160.1	204.1	242.1	299.6	301.4	309.9

Source: CBS Research AG, Allgeier SE

Cash flow statement

	IFRS	EURm	2008	2009	2010	2011	2012E	2013E	2014E
EBIT			3.9	8.0	11.0	12.0	11.8	19.0	26.7
Depreciation and amortisation			8.3	6.4	7.0	10.3	14.1	16.5	14.5
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	1.4	0.2	0.2
Cash taxes paid/received			-6.1	-4.7	-3.2	-3.8	-4.5	-7.6	-9.2
Cash flow from changes in working capital			-13.3	-2.2	-14.5	-8.8	-9.5	-21.0	-13.8
Cash flow from operating activities			-3.7	11.8	7.2	19.6	22.2	17.0	28.8
Net cash outflows from the purchase and retirement of PP&E and intangible assets			-2.0	-1.6	-2.5	-4.2	-4.8	-6.1	-6.2
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	-3.9
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	-10.2	-10.1
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	48.3	0.0	-2.6
Net cash inflow from ABS programme (assignment of trade receivables)			3.8	-2.8	4.9	0.9	0.8	0.6	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	-4.0	-4.0	-4.0
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	34.7	-7.8	-11.1
Total change in cash and cash equivalents			56.1	-19.4	11.6	-29.3	20.9	-1.1	7.6
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	52.5	51.4
Cash and cash equivalents at the end of the period			68.6	49.1	61.1	31.6	52.5	51.4	59.1
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	52.8	51.8	59.4

Source: CBS Research AG, Allgeier SE

Research



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

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

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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
6 August 2012	BUY	EUR 10.52	EUR 19.00

8 August 2012	BUY	EUR 10.59	EUR 19.00
31 August 2012	BUY	EUR 10.76	EUR 19.00
4 September 2012	BUY	EUR 10.65	EUR 17.00
16 November 2012	BUY	EUR 9.75	EUR 17.00

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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

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The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

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