

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

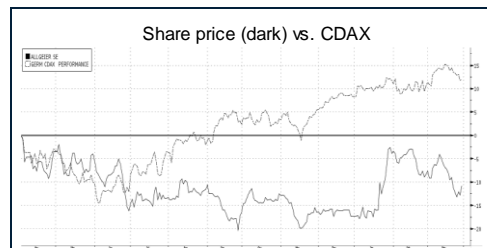
02 April 2013

FY2012: Income boosted by one-off effect

- Our estimates for 2012 had been based on the assumptions that the Group's pro forma sales (incl. full-year sales of the companies acquired in 2011) had already reached almost EUR 400m in 2011, and that the acquisitions made in the course of 2012 plus the Group's organic growth would result in an additional sales volume of about EUR 40m in 2012. The actual development of Allgeier, however, did not come up to these expectations. Allgeier has issued the following **preliminary set of figures for FY 2012**: Sales: EUR 423m (CBS Research estimate: EUR 439.6m; FY 2011: EUR 379m). EBITDA: EUR 22.9m (CBSRe: EUR 25.9m; FY 2011: EUR 22.3m). EBIT: EUR 9.1m (CBSRe: EUR 11.8m; FY 2011: EUR 12.0m). EBT from continuing operations: EUR 6.1m (CBSRe: EUR 6.8m; FY 2011: EUR 9.5m). EBIT generated by the operating divisions (before holding company costs) increased by 5% to EUR 17.5m (2011: EUR 16.6m). Earnings in 2012 were affected by extraordinary items adding up to a net amount of EUR 9.5m (2011: EUR 7.0m), including amortisation applied to purchase price allocations of EUR 9.5m (2011: EUR 7.2m).
- The bottom line of the P&L was boosted by an **unexpected income from discontinued operations** (EUR 5.1m before taxes) from the valuation of ongoing claims and risks arising from the Personnel Services division, which was sold in 2008. Obviously, **the Management had done a very good job negotiating this deal**. Allgeier thus reported a total net income (incl. discontinued operations; before deduction of minorities) of EUR 8.8m (CBSR estimate: EUR 5.4m; FY 2011: EUR 5.3m). EPS (incl. discontinued operations) were EUR 1.00 (CBSRe: EUR 0.46; FY 2011: EUR 0.52). Adjusted EPS (adjusted by PPA amortisations): EUR 1.84 (CBSR estimate: EUR 1.04; FY 2011: EUR 1.27).
- In view of the lower than expected sales volume in 2012, **we take a more cautious stance regarding our estimates for the following years**. For 2013E, we now assume a 'full-year effect' from the previous year's acquisitions of ~EUR 42m and continue to apply an organic growth rate of 8% p.a. for 2013E and 2014E. The resulting changes in estimates are displayed in the table on page 2. Our valuation approach still backs our previous **price target of EUR 17.00**. **We remain convinced of Allgeier's business model and maintain our BUY recommendation.**

Y/E Dec 31, EUR m	2010	2011	2012(E)	2013E	2014E	2015E
Sales	308.7	378.8	423.0	502.7	542.9	586.4
EBITDA	18.1	22.3	22.9	32.7	38.6	42.2
EBIT	11.0	12.0	9.1	17.4	23.5	32.7
EBT (continuing op.)	10.2	9.5	6.1	13.2	20.3	29.6
EBT (discontinued op.)	-	-	5.1	-	-	-
EPS (incl. discontinued op.)	0.99	0.52	1.00	0.98	1.56	2.34
Adjusted EPS	1.18	1.27	1.85	1.67	2.20	2.98
DPS	0.50	0.50	0.50	0.50	0.50	0.00
EBITDA margin	5.9%	5.9%	5.4%	6.5%	7.1%	7.2%
EBITA margin	5.1%	5.0%	4.5%	5.1%	5.8%	6.9%
EBIT margin	3.6%	3.2%	2.2%	3.5%	4.3%	5.6%
EV/EBITDA	7.3	5.9	5.7	4.0	3.4	3.1
P/E	11.0	20.8	10.8	11.0	7.0	4.6

Source: CBS Research AG, Allgeier SE



Source: CBS Research, Bloomberg, Allgeier SE

Change	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales	502.7	547.9	542.9	591.7	586.4	-
EBITDA	32.7	35.4	38.6	41.2	42.2	-
EPS	0.98	1.13	1.56	1.76	2.34	-

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):	10.85
Shares outstanding (m):	8.4
Market capitalisation (EUR m):	91.0
Enterprise value (EUR m):	147.2
Ø daily trading volume (3 m., no. of shares):	9,956

Performance data:

High 52 weeks (EUR):	12.75
Low 52 weeks (EUR):	9.57
Absolute performance (12 months):	-14.6%
Relative performance vs. CDAX:	
1 month	-3.4%
3 months	-4.4%
6 months	-9.5%
12 months	-28.3%

Shareholders:

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

Financial calendar:

1Q report:	15 May 2013
AGM:	18 June 2013

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Appendix

Change in sales and earnings estimates

EURm (except for EPS)	2012(E)		2013E		2014E		2015E	
	new	old	new	old	new	old	new	old
Sales	423.0	439.6	502.7	547.9	542.9	591.7	586.4	-
EBITDA	22.9	25.9	32.7	35.4	38.6	41.2	42.2	-
EBIT	9.1	11.8	17.4	19.0	23.5	26.7	32.7	-
Net result after minorities	8.4	4.5	8.3	9.5	13.1	14.8	19.6	-
EPS (EUR)	1.00	0.54	0.98	1.13	1.56	1.76	2.34	-

Source: CBS Research AG

Valuation summary

	Weighting factor	Fair value per share (EUR)
Peer group valuation	50.0%	14.46
DCF valuation	50.0%	22.07
Fair value per share (EUR)		18.27

Source: CBS Research AG

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	∞
Sales revenues	502.7	542.9	586.4	633.3	652.3	671.8	692.0	712.8	734.1	745.1	
Y-o-Y growth	18.8%	8.0%	8.0%	8.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	1.5%
EBIT	17.4	23.5	32.7	41.8	33.3	32.2	31.1	32.1	33.0	33.5	
EBIT margin as % of sales	3.5%	4.3%	5.6%	6.6%	5.1%	4.8%	4.5%	4.5%	4.5%	4.5%	
Income tax on EBIT (cash tax rate)	-3.9	-7.5	-10.1	-12.5	-10.0	-9.7	-9.3	-9.6	-9.9	-10.1	
Depreciation and amortisation	15.3	15.0	9.5	5.7	3.5	5.9	6.1	5.8	5.7	5.9	
Change in net working capital and non-cash income and expenses*	-6.1	-3.2	9.7	-12.5	-3.5	-3.5	-3.7	-3.8	-3.9	-3.0	
Net capital expenditure incl. earnouts	-19.9	-8.9	-5.0	-4.9	-5.5	-6.4	-7.6	-6.8	-5.8	-5.9	
Free cash flow	2.8	19.0	36.8	17.6	17.8	18.5	16.6	17.7	19.2	20.5	
Present values	2.6	16.1	28.6	12.4	11.5	10.9	8.9	8.7	8.5	8.3	109.0
Present value Phase 1	47.4										
Present value Phase 2	69.2										
Present value Phase 3	109.0										
Total present value	225.5										
+ Liquid funds	38.9										
- Financial debt** and minority interests	-79.4										
Fair value of equity	185.0										
Number of shares outstanding (m)	8.4										
Fair value per share (EUR)	22.07										

Risk free rate	3.50%	Target equity ratio	80.0%
Equity risk premium	6.00%	Beta	1.20
Debt risk premium	1.40%	WACC	9.25%
Tax shield (Phase 3)	30.0%	Terminal growth	1.50%

Sensitivity analysis						
Terminal growth (Phase 3)						
	0.5%	1.0%	1.5%	2.0%	2.5%	
8.25%	23.94	24.99	26.20	27.61	29.26	
8.75%	22.10	22.99	23.99	25.15	26.50	
WACC	9.25%	20.47	21.22	22.07	23.03	24.14
	9.75%	19.01	19.65	20.37	21.18	22.11
	10.25%	17.71	18.26	18.87	19.56	20.33

Source: CBS Research AG

Multiple-based valuation

Company name	P / E			EV / EBIT			EV / EBITDA		
	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
Allgeier (based on CBSR estimates)	10.8	11.0	7.0	14.4	7.5	5.6	5.7	4.0	3.4
European IT service/consulting companies (market cap below EUR 1bn):									
ASSYSTEM	8.7	8.4	8.4	5.0	4.7	n.m.	4.2	3.9	3.7
BOUVET ASA	9.7	8.6	7.9	5.6	5.0	4.6	5.0	4.4	4.1
CENIT AG	12.8	11.5	11.6	6.2	5.5	n.m.	4.7	4.4	n.m.
CONNECTA AB	12.6	10.0	8.9	10.8	7.4	6.6	8.8	6.9	6.2
COR&FJA AG	n.m.	8.8	n.m.	31.5	9.4	n.m.	10.1	5.6	n.m.
DATAGROUP AG	21.0	8.9	15.3	15.2	13.3	12.7	7.2	6.7	6.5
DEVOTEAM SA	8.3	6.0	4.3	4.1	3.5	n.m.	3.4	2.7	2.1
ECONOCOM GROUP	11.9	11.5	n.m.	8.6	8.2	n.m.	7.8	7.5	n.m.
GFI INFORMATIQUE	8.5	7.9	8.5	5.3	4.9	n.m.	4.7	4.4	4.5
GFT TECHNOLOGIES AG	10.3	9.2	n.m.	5.9	5.1	5.6	5.1	4.5	n.m.
GROUPE STERIA SCA	5.0	4.2	4.0	3.8	3.6	3.5	3.0	2.8	2.7
ORDINA NV	13.9	9.4	9.2	14.9	8.7	8.6	6.6	5.6	5.7
OSIATIS	9.2	8.0	7.4	5.0	4.6	4.2	4.5	4.1	3.8
PHOENIX IT GROUP LTD	8.0	6.3	n.m.	7.5	6.7	n.m.	5.1	4.5	n.m.
SOLUCOM	10.3	9.3	n.m.	5.4	4.9	n.m.	4.9	4.4	n.m.
SOPRA GROUP	9.7	8.9	7.8	8.4	7.8	7.1	7.4	6.9	6.1
TIETO OYJ	11.0	10.1	9.6	8.4	7.7	7.3	5.4	5.0	4.9
ADESSO AG	16.8	11.8	n.m.	8.4	6.3	5.7	5.4	4.5	n.m.
Average	11.0	8.8	8.6	8.9	6.5	6.6	5.7	4.9	4.6
Median Weight: 50.0%	10.3	8.9	8.5	6.8	5.9	6.2	5.1	4.5	4.5
Major players with market cap above EUR 1bn:									
ATOS	11.8	10.7	10.2	6.8	6.6	6.4	4.5	4.2	4.1
CAP GEMINI	12.0	10.8	9.9	6.2	5.7	5.4	4.8	4.5	4.2
INDRA SISTEMAS SA	10.4	9.1	8.5	9.1	8.2	7.7	7.3	6.7	6.4
LOGICA PLC									
Average	11.4	10.2	9.5	7.3	6.8	6.5	5.5	5.1	4.9
Median Weight: 25.0%	11.8	10.7	9.9	6.8	6.6	6.4	4.8	4.5	4.2
Indian IT service companies:									
INFOSYS LTD	18.0	16.5	14.9	13.4	12.2	10.9	12.4	11.2	10.2
TATA CONSULTANCY SVCS LTD	21.8	19.6	17.4	17.1	15.1	13.4	16.2	14.3	12.9
WIPRO LTD	16.1	14.8	13.2	12.6	11.6	10.5	11.3	10.4	9.4
Average Weight: 25.0%	18.6	17.0	15.2	14.4	12.9	11.6	13.3	12.0	10.8
Median	18.0	16.5	14.9	13.4	12.2	10.9	12.4	11.2	10.2
Weighted average of peer groups	12.7	11.4	10.5	8.7	7.8	7.6	7.1	6.4	6.0
EURm, except EPS (EUR)									
	EPS			EBIT			EBITDA		
	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
Allgeier SE (estimates by CBSR)	1.00	0.98	1.56	9.1	17.4	23.5	22.9	32.7	38.6
Applied multiples (peer group - weighted average)	12.7	11.4	10.5	8.7	7.8	7.6	7.1	6.4	6.0
Fair Enterprise Value	-	-	-	79.2	136.8	178.5	162.0	208.2	231.1
+ Liquid funds	38.9								
- Financial debt incl. pension provisions	-75.4								
- Minority interests	-4.0								
Fair value of equity from each multiple	106.9	93.6	137.4	38.7	96.3	138.0	121.5	167.7	190.6
Average of derived fair values	121.2								
Premium (discount) vs. peer group companies	0%								
Fair value of equity	121.2								
Number of shares outstanding (m)	8.4								
Fair value per share (EUR)	14.46								

Source: CBS Research AG

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- g. CBS has a significant financial interest in relation to the company that is subject of this analysis.

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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%.

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
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
2 April 2013	BUY	EUR 10.85	EUR 17.00

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