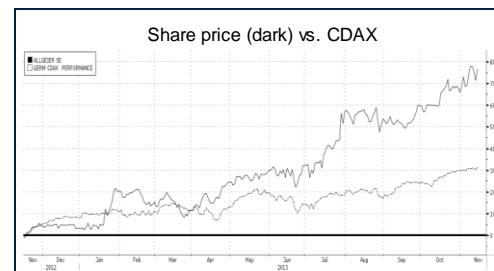


Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price target: **EUR 20.00** (17.00)

15 November 2013

Preliminary 9M figures confirmed

- With publication of the quarterly report, the Group's **preliminary 9M13 figures** issued on 7/11/2013 were **confirmed**. Sales reached **EUR 349.5m in 9M13** (PY: EUR 297.8m; +17.4%). This also included external growth (full year effects) from the consolidation of tecops personal GmbH as of 31/8/2012 (takeover of more than EUR 60m annual sales volume), the acquisition of b+m (sales volume of around EUR 12m, consolidation as of 31/5/2012), and the consolidation of Oxygen as of 31/10/2012. EBITDA accounted for EUR 21.4m (PY: EUR 16.1m). **EBIT jumped to EUR 12.4m (PY: EUR 6.3m)** which was also the result of declining amortisation charges arising from purchase price allocations (PPA).
- In **3Q13, group sales rose by 13.5% YOY** to EUR 122.2m (PY: EUR 107.7m). The gross margin rose from 48.3% in 3Q12 to 53.5% in 3Q13. EBITDA increased by 48% YOY to EUR 9.1m (PY: EUR 6.1m), and **EBIT even showed an increase of 106%** to EUR 6.1m (PY: 3.0m). While EBIT continued to be affected by PPA amortisation charges, this development nevertheless should direct investors' attention to Allgeier's strong EBIT margin increases which we will see in the future after the expiring of all PPA amortisations.
- Regarding the **sale of Allgeier DL GmbH**, which had taken place in 2008 and was provisionally recognised in the financial statements of FY2012, the final agreement and final settlement has been reached in 3Q13. In this context, Allgeier accrued to a **final payment in the amount of EUR 4.7m** (included in cash flow from investing activities), and a **net loss of EUR 0.2m** was posted in the P&L account in 3Q13. After deduction of this loss and minority interest (EUR 0.25m), the net income attributable to shareholders amounted to EUR 3.0m in 3Q13 (PY: EUR 1.5m). **Basic EPS including income from disposals** accounted for **EUR 0.36 (PY: EUR 0.18)**. Excluding disposals, basic EPS reached EUR 0.39 (PY: EUR 0.18).
- We leave our P&L estimates unchanged except for our net income and EPS estimates for FY 2013 which we change with regard to the financial result and the loss from the disposal of Allgeier DL. **Our new total EPS estimate (including disposals) is EUR 0.83 (previously: EUR 0.95)**. Our new EPS estimate excluding income from disposals is EUR 0.86.
- Our valuation approach backs a raise in our **price target to EUR 20.00 (old: EUR 17.00)**. We maintain our **BUY** recommendation.



Source: CBS Research, Bloomberg, Allgeier SE

Change	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales	-	502.7	-	542.9	-	586.4
EBITDA	-	29.0	-	33.2	-	36.8
EPS	0.83	0.95	-	1.43	-	1.90

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):	16.55
Shares outstanding (m):	8.4
Market capitalisation (EUR m):	138.8
Enterprise value (EUR m):	179.1
Ø daily trading volume (3 m., no. of shares):	11,224

Performance data:

High 52 weeks (EUR):	16.75
Low 52 weeks (EUR):	9.65
Absolute performance (12 months):	66.5%
Relative performance vs. CDAX:	
1 month	5.2%
3 months	2.0%
6 months	11.7%
12 months	16.6%

Shareholders:

Supervisory Board & Management Board:	42%
Own shares:	8%
Institutional investors:	3%
Other free float:	47%

Financial calendar:

-

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Y/E Dec 31, EUR m	2011	2012	2013E	2014E	2015E
Sales	378.8	422.8	502.7	542.9	586.4
EBITDA	22.3	22.9	29.0	33.2	36.8
EBIT	12.0	9.1	16.6	21.2	27.1
Net result	4.4	8.4	6.9	11.9	15.9
EPS (incl. discontinued op.)	0.52	1.00	0.83	1.43	1.90
EPS (from continuing op.)	0.52	0.39	0.86	1.43	1.90
DPS	0.50	0.50	0.50	0.50	0.50
EBITDA margin	5.9%	5.4%	5.8%	6.1%	6.3%
EBIT margin	3.2%	2.2%	3.3%	3.9%	4.6%
EV/EBITDA	8.0	7.8	6.2	5.4	4.9
P/E	31.7	16.6	20.0	11.6	8.7

Source: CBS Research AG, Allgeier SE

Quarterly figures (YOY comparison)

	IFRS	EURm	3Q 2013			9M 2013		
			3Q 2012	Change	9M 2012	Change		
Sales			122.2	107.7	13%	349.5	297.8	17%
Total output			121.7	108.4	12%	356.2	304.5	17%
Gross profit			65.1	52.3	24%	189.2	142.0	33%
as % of total output			53.5%	48.3%		53.1%	46.6%	
EBITDA			9.1	6.1	48%	21.4	16.1	33%
as % of sales			7.4%	5.7%		6.1%	5.4%	
EBIT			6.1	3.0	106%	12.4	6.3	96%
as % of sales			5.0%	2.8%		3.5%	2.1%	
Net income attrib. to shareholders			3.0	1.5	103%	5.0	1.2	303%
Earnings per share (EUR)			0.36	0.18	104%	0.60	0.15	306%

Source: Allgeier SE, CBS Research AG

Change in sales and earnings estimates

EURm (except for EPS)	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales	-	502.7	-	542.9	-	586.4
EBITDA	-	29.0	-	33.2	-	36.8
EBIT	-	16.6	-	21.2	-	27.1
Net result after minorities	6.9	7.9	-	11.9	-	15.9
EPS (EUR)	0.83	0.95	-	1.43	-	1.90

Source: CBS Research AG

Profit and loss account

IFRS	2010	2011	2012	2013E	2014E	2015E
Sales	308.7	378.8	422.8	502.7	542.9	586.4
YoY growth	38.1%	22.7%	11.6%	18.9%	8.0%	8.0%
Inventory changes (finished goods,	0.0	0.3	0.6	0.2	0.2	0.2
Other own work capitalised	0.1	0.1	0.0	0.1	0.1	0.1
Total output	308.8	379.1	423.5	503.1	543.2	586.6
Cost of materials	-182.5	-220.2	-218.8	-237.4	-256.4	-276.7
as % of total output	-59.1%	-58.1%	-51.7%	-47.2%	-47.2%	-47.2%
Gross profit	126.2	158.9	204.7	265.6	286.8	309.9
as % of total output	40.9%	41.9%	48.3%	52.8%	52.8%	52.8%
Personnel expenses	-88.4	-109.0	-149.0	-195.2	-210.8	-227.6
as % of total output	-28.6%	-28.7%	-35.2%	-38.8%	-38.8%	-38.8%
Other operating income	5.8	6.6	7.3	6.0	6.3	6.5
as % of total output	1.9%	1.7%	1.7%	1.2%	1.2%	1.1%
Other operating expenses	-25.5	-34.2	-40.0	-47.4	-49.2	-52.0
as % of total output	-8.2%	-9.0%	-9.4%	-9.4%	-9.1%	-8.9%
EBITDA	18.1	22.3	22.9	29.0	33.2	36.8
as % of total output	5.9%	5.9%	5.4%	5.8%	6.1%	6.3%
Depreciation and amortization, excl. goodwill impairments	-7.0	-10.3	-13.7	-12.5	-12.0	-9.6
as % of total output	-2.3%	-2.7%	-3.2%	-2.5%	-2.2%	-1.6%
Goodwill impairments	0.0	0.0	-0.2	0.0	0.0	0.0
as % of total output	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	11.0	12.0	9.1	16.6	21.2	27.1
as % of total output	3.6%	3.2%	2.2%	3.3%	3.9%	4.6%
Interest income	0.7	0.4	0.6	0.5	0.3	0.3
Interest expenses	-1.6	-2.9	-3.6	-4.9	-3.6	-3.8
EBT (Earnings before income taxes)	10.2	9.5	6.1	12.2	17.8	23.6
as % of total output	3.3%	2.5%	1.4%	2.4%	3.3%	4.0%
Taxes on income	-1.5	-4.2	-2.4	-4.5	-5.4	-7.1
as % of EBT	-14.4%	-44.1%	-38.9%	-37.1%	-30.0%	-30.0%
Income from continuing operations	8.7	5.3	3.7	7.7	12.5	16.5
Income from discontinued operations/ disposals, net of taxes	-	-	5.1	-0.2	-	-
Net income of the group	8.7	5.3	8.8	7.4	12.5	16.5
as % of total output	2.8%	1.4%	2.1%	1.5%	2.3%	2.8%
Minority interests	-0.4	-0.9	-0.4	-0.5	-0.6	-0.6
Net income attributable to shareholder:	8.3	4.4	8.4	6.9	11.9	15.9
Basic earnings per share (EUR)	0.99	0.52	1.00	0.83	1.43	1.90
- of which from continuing operations	0.99	0.52	0.39	0.86	1.43	1.90
Adjusted earnings per share (EUR)*	1.18	1.27	1.85	1.59	1.97	2.19

* 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

Valuation summary

	Weighting factor	Fair value per share (EUR)
DCF valuation	50.0%	21.26
Peer group valuation	50.0%	20.41
Fair value per share (EUR)		20.84

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	615.7	634.2	653.2	672.8	693.0	713.7	724.5	
Y-o-Y growth	18.9%	8.0%	8.0%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	1.5%
EBIT	16.6	21.2	27.1	30.5	31.7	32.7	33.6	34.6	35.7	36.2	
EBIT margin as % of sales	3.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Income tax on EBIT (cash tax rate)	-10.4	-4.2	-8.4	-9.2	-9.5	-9.8	-10.1	-10.4	-10.7	-10.9	
Depreciation and amortisation	12.5	12.0	9.6	9.2	6.2	6.0	6.5	6.6	6.8	6.7	
Change in net working capital and non-cash income and expenses*	-19.0	-3.6	-5.6	-4.1	-3.1	-3.1	-3.3	-3.4	-3.5	-2.6	
Net capital expenditure incl. earnouts	-11.7	-13.7	-10.6	-6.4	-5.6	-6.5	-7.8	-7.1	-6.6	-6.7	
Free cash flow	-12.1	11.7	12.1	20.1	19.7	19.2	18.9	20.4	21.7	22.8	
Present values	-12.0	10.5	10.0	15.0	13.5	12.0	10.7	10.6	10.2	9.8	128.2
Present value Phase 1	8.5										
Present value Phase 2	81.8										
Present value Phase 3	128.2										
Total present value	218.6										
+ Liquid funds and securities	36.0										
- Financial debt** and minority interests	-76.4										
Fair value of equity	178.2										
Number of shares outstanding (m)	8.4										
Fair value per share (EUR)	21.26										

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%	23.18	24.41	25.83	27.47	29.40
8.75%	21.16	22.20	23.38	24.74	26.32
WACC 9.25%	19.37	20.26	21.26	22.39	23.70
9.75%	17.78	18.54	19.39	20.35	21.44
10.25%	16.36	17.01	17.74	18.55	19.47

*Other non-cash income and expenses comprise mainly expenses from additions to provisions

**Financial debt including pension provisions

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)	20.0	11.6	8.7	10.8	8.4	6.6	6.2	5.4	4.9
European IT service/consulting companies (market cap below EUR 1bn):									
ASSYSTEM	12.5	10.8	10.1	7.3	6.3	5.6	5.8	5.3	4.9
BOUVET ASA	12.3	11.3	10.0	8.5	7.8	6.9	7.7	7.1	6.3
CENIT AG	14.8	13.7	11.5	7.0	6.3	5.3	5.4	5.0	4.4
COR&FJA AG	n.m.	23.1	11.6	n.m.	19.7	11.1	n.m.	8.8	6.4
DATAGROUP AG	18.6	16.0	14.4	14.5	13.2	12.6	7.4	6.7	6.6
DEVOTEAM SA	14.4	11.0	8.4	8.2	6.9	5.8	5.8	5.1	4.2
ECONOCOM GROUP	13.8	12.6	11.3	10.2	8.8	7.4	9.0	8.0	6.9
GFI INFORMATIQUE	13.4	11.4	10.5	6.9	6.3	5.8	6.1	5.6	5.2
GFT TECHNOLOGIES AG	15.0	13.2	11.5	10.4	8.2	7.4	8.8	7.1	6.6
GROUPE STERIA SCA	8.5	6.7	6.0	7.7	6.2	5.5	5.2	4.5	4.3
ORDINA NV	35.9	18.3	14.6	n.m.	14.1	8.5	14.0	9.2	6.3
PHOENIX IT GROUP LTD	12.0	10.0	n.m.	n.m.	n.m.	n.m.	5.8	5.4	n.m.
SOLUCOM	12.0	11.2	n.m.	6.9	6.4	n.m.	6.6	6.1	n.m.
SOPRA GROUP	12.4	10.9	9.8	10.3	8.9	7.9	9.1	7.8	7.0
TIETO OYJ	11.8	10.6	10.1	9.9	8.5	7.9	5.9	5.5	5.2
ADESSO AG	18.5	15.9	14.3	n.m.	n.m.	n.m.	7.0	6.2	5.7
REALTECH AG	n.m.	n.m.	15.6	n.m.	23.1	8.6	n.m.	9.0	5.2
S&T AG	9.1	8.1	7.5	8.4	7.9	7.5	6.1	5.6	5.2
Average	14.7	12.6	11.1	8.9	9.9	7.6	7.2	6.6	5.7
Median Weight: 50.0%	12.9	11.3	10.9	8.4	8.1	7.4	6.4	6.2	5.5
Major players with market cap above EUR 1bn:									
ATOS	15.0	13.6	12.6	9.4	8.5	7.9	6.1	5.6	5.3
CAP GEMINI	15.6	13.7	12.4	9.2	8.6	7.9	7.2	6.7	6.2
INDRA SISTEMAS SA	14.0	12.6	11.3	11.6	10.5	9.7	9.2	8.5	7.8
Average	14.9	13.3	12.1	10.1	9.2	8.5	7.5	6.9	6.4
Median Weight: 25.0%	15.0	13.6	12.4	9.4	8.6	7.9	7.2	6.7	6.2
Indian IT service companies:									
INFOSYS LTD	18.3	15.8	13.9	13.9	12.0	10.7	12.6	10.9	9.7
TATA CONSULTANCY SVCS LTD	21.9	18.5	15.9	16.6	14.3	12.4	15.8	13.6	11.7
WIPRO LTD	15.7	13.9	10.5	12.6	11.0	8.4	11.5	10.1	7.8
Average Weight: 25.0%	18.6	16.0	13.5	14.4	12.4	10.5	13.3	11.5	9.8
Median	18.3	15.8	13.9	13.9	12.0	10.7	12.6	10.9	9.7
Weighted average of peer groups	14.9	13.1	11.9	10.2	9.3	8.3	8.3	7.6	6.7
EURm, except EPS (EUR)									
	EPS			EBIT			EBITDA		
	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
Allgeier SE (estimates by CBSR)	0.83	1.43	1.90	16.6	21.2	27.1	29.0	33.2	36.8
Applied multiples (peer group - weighted average)	14.9	13.1	11.9	10.2	9.3	8.3	8.3	7.6	6.7
Fair Enterprise Value	-	-	-	168.4	197.0	226.1	240.6	253.6	247.2
+ Liquid funds and securities	36.0								
- Financial debt incl. pension provisions	-76.4								
- Minority interests	0.0								
Fair value of equity from each multiple	103.1	156.3	189.8	128.0	156.6	185.7	200.3	213.3	206.9
Average of derived fair values	171.1								
Premium (discount) vs. peer group companies	0%								
Fair value of equity	171.1								
Number of shares outstanding (m)	8.4								
Fair value per share (EUR)	20.41								

Source: CBS Research AG

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
16 November 2012	BUY	EUR 9.75	EUR 17.00
2 April 2013	BUY	EUR 10.85	EUR 17.00
21 May 2013	BUY	EUR 12.225	EUR 17.00
15 August 2013	BUY	EUR 14.75	EUR 17.00

15 November 2013	BUY	EUR 16.55	EUR 20.00
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Risk-scaling System:

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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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