

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

15 August 2014

Final 2Q figures match preliminary figures

Sale of Didas was closed – Allgeier expects proceeds from the sale of the Cancom shares in the amount of EUR 10m

- Final 2Q figures issued:** Sales and EBITDA almost exactly matched the preliminary figures as published on 29 July and discussed in our last Company Update. Accordingly, sales excluding discontinued operations (Didas) declined by 2.3% and reached EUR 102.0m in 2Q14 (2Q13: EUR 104.4m). EBITDA excluding Didas dropped to EUR 5.8m (2Q13: EUR 7.1m). EBIT excluding Didas accounted for EUR 2.7m (2Q13: EUR 4.3m). Figures including the discontinued operations are given on page 2.
- Outlook:** As already outlined in our last update, recent political discussions, in particular on the maximum duration of temporary employment, have resulted in significant uncertainties and material effects on Allgeier's Experts division. Together with the termination of a major project end of 2013, this was the cause for the decline in sales in 1H 2014 and the resulting decline in earnings. For 2H 2014, we expect improved clarity and legal certainty due to the announced draft laws. Because of this, and an arising IT investment backlog at many customers, we expect to see a recovery of the Experts segment in 2015. Regarding the Solutions segment, we assume that the difficulties at the subsidiaries in Switzerland and Turkey have been resolved and will no longer affect earnings in 2H 2014. We leave our sales and earnings estimates for FY 2014 unchanged.
- Sale of Didas:** The transaction was closed on 3 July 2014, and Allgeier has received 263,783 Cancom shares in return for the company. Allgeier expects proceeds from a future sale of the shares in the amount of EUR 10m which corresponds to a price per share of about EUR 37.90. As the share price has recently dropped to a level of around EUR 32.00, there still remains some uncertainty, especially as we do not know the extent to which Allgeier has hedged the share price. Contrary to our previous assumption, we now expect a sale of the shares before year-end (in case the desired price can be achieved). Net of the deconsolidated net assets in an amount of EUR 7.9m as well as directly related costs of EUR 0.8m, the net effect on income from discontinued operations is expected to be in the range of EUR 1.0m - 1.3m, as we had already assumed in our previous estimates.
- Recommendation:** On basis of an unchanged price target of EUR 20.00, we confirm our BUY recommendation.



Source: CBS Research, Bloomberg, Allgeier SE

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	-	438.0	-	468.6	-	499.1
EBITDA	-	30.6	-	33.1	-	36.2
EPS	-	1.15	-	1.44	-	1.78

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 IT companies for Business Performance in the German-speaking region. With more than 5,000 employees and over 1,200 freelance IT experts, Allgeier offers its customers a complete service approach spanning design, implementation, and through to the operation of IT landscapes. Six operating divisions, each with their individual specialist or sector-related focal points, work together for more than 2,000 customers from almost all sectors.

Share data:

Share price (EUR, last closing price):	15.23
Shares outstanding (m):	8.8
Market capitalisation (EUR m):	134.4
Enterprise value (EUR m):	214.3
Ø daily trading volume (3 m., no. of shares):	9,324

Performance data:

High 52 weeks (EUR):	19.88
Low 52 weeks (EUR):	13.62
Absolute performance (12 months):	3.3%
Relative performance vs. CDAX:	
1 month	-4.7%
3 months	-10.6%
6 months	-3.7%
12 months	-10.7%

Shareholders:

Supervisory Board & Management Board:	42%
Own shares:	1%
Institutional investors:	3%
Other free float:	54%

Financial calendar:

3Q report:	14 November 2014
------------	------------------

Author:

Martin Decot (Analyst)

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

www.cbseydlerresearch.ag

Y/E Dec 31, EUR m	2012	2013E	2014E	2015E	2016E
Sales	374.8	421.3	438.0	468.6	499.1
EBITDA	23.3	28.0	30.6	33.1	36.2
EBIT	10.6	14.5	18.4	23.1	26.9
Net result	8.8	3.5	10.1	12.8	15.7
EPS (incl. discontinued op.)	1.05	0.42	1.15	1.44	1.78
EPS (from continuing op.)	0.53	0.38	1.04	1.44	1.78
DPS	0.50	0.50	0.50	0.50	0.50
EBITDA margin	6.2%	6.6%	7.0%	7.1%	7.2%
EBIT margin	2.8%	3.4%	4.2%	4.9%	5.4%
EV/EBITDA	9.2	7.7	7.0	6.5	5.9
EV/EBIT	20.3	14.8	11.6	9.3	8.0

Source: CBS Research AG, Allgeier SE

Quarterly key data

	IFRS EURm	Continued and discontinued operations (DIDAS is still normally consolidated)			Continued operations (DIDAS is only included in net result from discontinued operations)		
		2Q 2014	2Q 2013	+/-	2Q 2014	2Q 2013	+/-
Sales		115.6	117.1	-1.2%	102.0	104.4	-2.3%
EBITDA		6.4	7.5	-15.1%	5.8	7.1	-17.7%
as % of sales		5.5%	6.4%		5.7%	6.8%	
EBIT		3.0	4.5	-33.3%	2.7	4.3	-38.0%
as % of sales		2.6%	3.8%		n/a	n/a	
Net income attributable to shareholders							
- from continuing operations					0.8	1.4	-43.5%
- including net income from discontinued business		1.0	1.5	-34.3%	1.0	1.5	-34.3%
		1H 2014	1H 2013	+/-	1H 2014	1H 2013	+/-
Sales		226.6	227.3	-0.3%	202.4	202.9	-0.3%
EBITDA		11.5	12.3	-6.6%	10.6	11.8	-10.1%
as % of sales		5.1%	5.4%		5.3%	5.8%	
EBIT		5.0	6.2	-19.7%	4.6	6.2	-26.6%
as % of sales		2.2%	2.7%		n/a	n/a	
Net income attributable to shareholders							
- only from continuing operations					1.3	2.0	-37.4%
- including net income from discontinued operations		1.5	2.0	-23.8%	1.5	2.0	-23.8%

Source: Allgeier SE, CBS Research AG

- Recent acquisition:** On 1 August 2014, Allgeier signed an agreement with T-Venture to purchase the material assets, employees and customers of Metasonic AG. Metasonic, based in Pfaffenhofen near Munich, is a business software company with focus on subject-oriented Business Process Management. The purchase price, including performance-related earn-out components, adds up to a low one-digit million euro figure. We appreciate that Metasonic's core business will be managed and expanded internationally by the former management team headed by Mr Herbert Kindermann, a former member of IDS Scheer AG's Management Board.

Profit and loss account

IFRS	2011	2012	2013	2012	2013	2014E	2015E	2016E
	DIDAS included in discontinued operations							
Sales	378.8	422.8	477.6	374.8	421.3	438.0	468.6	499.1
YoY growth	22.7%	11.6%	13.0%	n.m.	12.4%	4.0%	7.0%	6.5%
Inventory changes (finished goods,	0.3	0.6	0.5	0.6	0.6	0.5	0.5	0.6
Other own work capitalised	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total output	379.1	423.5	478.2	375.4	422.0	438.5	469.1	499.7
Cost of materials	-220.2	-218.8	-225.1	-191.9	-190.3	-182.8	-206.4	-227.4
as % of total output	-58.1%	-51.7%	-47.1%	-51.1%	-45.1%	-41.7%	-44.0%	-45.5%
Gross profit	158.9	204.7	253.1	183.5	231.6	255.6	262.7	272.3
as % of total output	41.9%	48.3%	52.9%	48.9%	54.9%	58.3%	56.0%	54.5%
Personnel expenses	-109.0	-148.4	-185.7	-132.2	-169.7	-185.6	-189.5	-194.9
as % of total output	-28.7%	-35.1%	-38.8%	-35.2%	-40.2%	-42.3%	-40.4%	-39.0%
Other operating income	6.6	7.3	9.2	6.6	8.1	5.7	6.1	6.2
as % of total output	1.7%	1.7%	1.9%	1.8%	1.9%	1.3%	1.3%	1.2%
Other operating expenses	-34.2	-40.0	-46.5	-34.6	-42.1	-45.2	-46.2	-47.5
as % of total output	-9.0%	-9.4%	-9.7%	-9.2%	-10.0%	-10.3%	-9.9%	-9.5%
EBITDA	22.3	23.5	30.1	23.3	28.0	30.6	33.1	36.2
as % of total output	5.9%	5.6%	6.3%	6.2%	6.6%	7.0%	7.1%	7.2%
Depreciation and amortization, excl. goodwill impairments	-10.3	-13.8	-14.5	-12.8	-13.5	-12.1	-9.9	-9.2
as % of total output	-2.7%	-3.3%	-3.0%	-3.4%	-3.2%	-2.8%	-2.1%	-1.9%
Goodwill impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
as % of total output	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	12.0	9.7	15.6	10.6	14.5	18.4	23.1	26.9
as % of total output	3.2%	2.3%	3.3%	2.8%	3.4%	4.2%	4.9%	5.4%
Result from at-equity consolidated investments	0.0	0.0	0.2	0.0	0.2	0.2	0.3	0.3
Interest and other financial income	0.4	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Interest expenses	-2.9	-3.5	-5.0	-3.5	-4.9	-4.8	-4.0	-3.2
EBT (Earnings before income taxes)	9.5	6.7	11.4	7.7	10.4	14.3	19.8	24.5
as % of total output	2.5%	1.6%	2.4%	2.0%	2.5%	3.3%	4.2%	4.9%
Taxes on income	-4.2	-2.6	-7.4	-2.8	-7.1	-5.0	-6.9	-8.6
as % of EBT	-44.1%	-38.0%	-65.0%	-36.8%	-68.3%	-35.0%	-35.0%	-35.0%
Income from continuing operations	5.3	4.2	4.0	4.8	3.3	9.3	12.9	15.9
Income from discontinued operations/ disposals, net of taxes	-	5.1	-0.3	4.4	0.4	0.9	-	-
Net income of the group	5.3	9.2	3.7	9.2	3.7	10.2	12.9	15.9
as % of total output	1.4%	2.2%	0.8%	2.5%	0.9%	2.3%	2.7%	3.2%
Minority interests	-0.9	-0.4	-0.1	-0.4	-0.1	-0.1	-0.1	-0.2
Net income attributable to shareholder:	4.4	8.8	3.5	8.8	3.5	10.1	12.8	15.7
Total basic EPS (EUR)	0.52	1.05	0.42	1.05	0.42	1.15	1.44	1.78
EPS from continuing operations	0.52	0.45	0.46	0.53	0.38	1.04	1.44	1.78
Adjusted earnings per share (EUR)*	1.27	1.91	1.63	n/a	n/a	1.64	1.87	2.17

* 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

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 Roger.Peeters@cbseydlerresearch.ag		
Martin Decot (Equities)	+49 (0)69 - 977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Igor Kim (Equities)	+49 (0)69 - 977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Gennadij Kremer (Corporate Credit)	+49 (0)69 - 977 8456- 23 Gennadij.Kremer@cbseydlerresearch.ag	Daniel Kukalj (Equities)	+49 (0)69 - 977 8456- 21 Daniel.Kukalj@cbseydlerresearch.ag
Carsten Kunold (Equities)	+49 (0)69 - 977 8456- 28 Carsten.Kunold@cbseydlerresearch.ag	Manuel Martin (Equities)	+49 (0)69 - 977 8456- 16 Manuel.Martin@cbseydlerresearch.ag
Felix Parmantier (Equities)	+49 (0)69 - 977 8456- 22 Felix.Parmantier@cbseydlerresearch.ag	Roland Pfänder (Equities)	+49 (0)69 - 977 8456- 26 Roland.Pfaender@cbseydlerresearch.ag
Dr. Oliver Pucker (Equities)	+49 (0)69 - 977 8456- 27 Oliver.Pucker@cbseydlerresearch.ag	Michele Sassano (Support)	+49 (0)69 - 977 8456- 17 Michele.Sassano@cbseydlerresearch.ag
Nicolas Pütz (Support)	+49 (0)69 - 977 8456- 24 Nicolas.Puetz@cbseydlerresearch.ag	Marcus Silbe (Equities)	+49 (0)69 - 977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag
Simone Steymann (Support)	+49 (0)69 - 977 8456- 25 Simone.Steymann@cbseydlerresearch.ag	Veysel Taze (Equities)	+49 (0)69 - 977 8456- 18 Veysel.Taze@cbseydlerresearch.ag
Ivo Višić (Equities)	+49 (0)69 - 977 8456- 19 Ivo.Visic@cbseydlerresearch.ag	Sergey Weinberg (Corporate Credit)	+49 (0)69 - 977 8456- 20 Sergey.Weinberg@cbseydlerresearch.ag

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Karl Filbert (Head of Sales)	+49 (0)69 -9 20 54-104 Karl.Filbert@cbseydler.com	Klaus Korzilius (Benelux, Scandinavia)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com
Sebastian Holl (Head of Sales Trading)	+49 (0)69 -9 20 54-119 Sebastian.Holl@cbseydler.com		
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com	Dr. James Jackson (UK, Ireland)	+49 (0)69 -9 20 54-113 James.Jackson@cbseydler.com
Claudia Jurewecz (Germany, Austria, Switzerland)	+49 (0)69 -9 20 54-106 Claudia.Jurewecz@cbseydler.com	Markus Laifle (Sales Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com
Angela Leser (Germany, Austria, Switzerland)	+49 (0)69 -9 20 54-111 Angela.Leser@cbseydler.com	Enikő-Sofia Matyas (Germany, France)	+49 (0)69 -9 20 54-115 Enikoe-Sofia.Matyas@cbseydler.com
Carsten Pfersdorf (Sales Execution)	+49 (0)69 -9 20 54-168 Carsten.Pfersdorf@cbseydler.com	Carsten Schlegel (Sales Trading)	+49 (0)69 -9 20 54-137 Carsten.Schlegel@cbseydler.com
Christopher Seedorf (Switzerland)	+49 (0)69 -9 20 54-110 Christopher.Seedorf@cbseydler.com	Bas-Jan Walhof (Benelux, Scandinavia)	+49 (0)69 -9 20 54-105 Bas-Jan.Walhof@cbseydler.com

Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)

This report has been prepared independently of the company analysed by Close Brothers Seydler Research AG and/ or its cooperation partners and the analyst(s) mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Close Brothers Seydler Research AG, Close Brothers Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Close Brothers Seydler Research AG is a majority owned subsidiary of Close Brothers Seydler Bank AG (hereafter ‘CBS’). However, Close Brothers Seydler Research AG (hereafter ‘CBSR’) provides its research work independent from CBS. CBS is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). CBS or CBSR may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. CBS holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. CBS was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve months.
- c. CBS has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. CBS acts as designated sponsor for the company’s securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers. Due to the designated sponsoring service agreement CBS may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. CBSR and the analysed company have a contractual agreement about the preparation of research reports. CBSR receives a compensation in return.
- g. CBS has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d, f

CBS and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. CBS may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

Recommendation System:

CBSR 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%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

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

Date	Recommendation	Price at change date	Price target
15 August 2014	BUY	EUR 15.23	EUR 20.00
30 July 2014	BUY	EUR 15.50	EUR 20.00
15 May 2014	BUY	EUR 17.53	EUR 23.00
13 May 2014	BUY	EUR 17.40	EUR 23.00
19 March 2014	BUY	EUR 17.895	EUR 23.00

28 January 2014	BUY	EUR 15.74	EUR 23.00
15 November 2013	BUY	EUR 16.55	EUR 20.00
15 August 2013	BUY	EUR 14.75	EUR 17.00

Risk-scaling System:

CBSR 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.

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.

These may change at any time without prior notice.

The opinions and forecasts contained in this report are those of the author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the management for the purpose of preparing the analysis. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by the author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies are available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgment on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any

such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)

Graurheindorferstraße 108

53117 Bonn

and

Marie-Curie-Str. 24-28

60439 Frankfurt

Close Brothers Seydler
Research AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

www.cbseidlerresearch.ag

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