



Allgeier SE

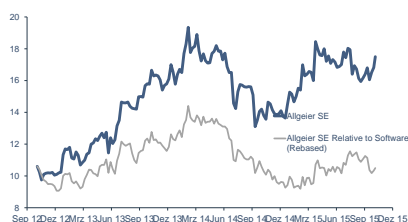
Buy → | Target 22.00 EUR

Price : 17.50 EUR | Upside : 26 %

Est.chng	2015e	2016e
EPS	-	-

Preliminary Q3 results beat our expectations

Thursday 05 November 2015



Bottom line outgrew sales

Allgeier SE (AEI) reported preliminary Q3 results with group revenue up 17.3% to to € 130.6m, beating our est. of € 123.7m). EBITDA improved 24.7% yoy to € 10.1m vs our estimate of € 7.4m. Thus, the EBITDA improved 40bp yoy and 150bp qoq to 7.7%. The EBIT margin improved despite increased amortization expense due to the first-time consolidation of acquired companies and higher investments. Since its Q1 EBIT loss, AEI managed to turn itself around in Q2 2015 with a margin of 3.1% and now with further improvement in Q3 2015 to 4.7%. Thus, Q3 2015 EBIT rose 24.5% yoy to € 6.1m, outstripping our estimate of € 4.1m.

Liquidity still adequate

Equity as of 30 September 2015 stood at € 104.8m (31 December 2014: € 100.7m). The Q3 preliminary figures also show still-adequate liquidity of € 51.5m (FY 2014: € 98.0m) mainly due to i) acquisition-related payments, ii) debt repayment, iii) earn-out payments, and iv) dividend pay-outs. The provisional balance sheet total on 30 September 2015 stood at € 326.5m (FY 2014: EUR 329.8m).

Capital

AEI GY AEIG.DE	
Market Cap (EURm)	159
Enterprise value (EURm)	199
Extrema 12 months	13.56 - 18.70
Free Float (%)	53.8

Performance (%)	1m	3m	12m
Absolute	6.7	-3.0	24.6
Perf. rel. "sector"	-2.4	1.7	8.4
Perf. rel. Software	-6.7	-5.9	-1.0

P&L	12/15e	12/16e	12/17e
Sales (EURm)	496	560	617
EBITDA (EURm)	28.6	36.6	45.4
Current EBIT (EURm)	15.4	22.6	31.2
Attr. net profit (EURm)	6.1	10.3	15.0
Adjusted EPS (EUR)	0.90	1.27	1.79
Dividend (EUR)	0.63	0.56	0.60

P/E (x)	19.4	13.8	9.8
P/B (x)	1.6	1.5	1.4
Dividend Yield (%)	3.6	3.2	3.4
FCF yield (%)	1.7	6.4	9.3
EV/Sales (x)	0.40	0.35	0.30
EV/EBITDA (x)	7.0	5.3	4.0
EV/Current EBIT (x)	12.9	8.6	5.9
Gearing (%)	27	22	11
Net Debt/EBITDA(x)	1.0	0.6	0.3

Next Events

16.11.2015 Q3 Results

Allgeier SE: preliminary Q3 results

in EURm	Q3/15 rep.	Q3/15 Oddo est.	Q3/14 rep.	% yoy
Group revenue	130.6	123.7	111.3	17.3%
EBITDA	10.1	7.4	8.1	24.7%
Margin	7.7%	6.0%	7.3%	+40bp
EBIT	6.1	4.1	4.9	24.5%
Margin	4.7%	3.3%	4.4%	+30bp

Source: Company data, Oddo Seydler

Well on track to achieve our positive 2015e expectations

Overall, the Q3 2015 preliminaries show that AEI is well on track to achieve or over archive our estimates for 2015. After 2 years of restructuring and underperformance, we now expect all of AEI's business segments to significantly improve their results both top and bottom line. Based on a pure sum-of-the-parts valuation AEI's market cap could be roughly double its current level. The necessary catalyst for a revaluation in our view would be consistent proof that the company's enhanced management structure can indeed successfully cope with its further-increasing number of acquired companies. Based on our DCF valuation AEI's stock has a target price of € 22, implying a target EV/sales target of 0.45x and a EV/EBITDA target ratio of 6.9x. These valuation ratios would still reflect significant discounts of -20% and -54% to NTM EV/EBITDA and EV/sales multiples of the corresponding IT service sector/ industry. AEI is currently trading at the lower end of the IT service sector valuation bandwidth of 0.3 to 1.2 for NTM EV/sales and 5 to 12 for NTM EV/EBITDA. In view of AEI's expected business turn-around, the currently bottoming valuation levels provide a good risk/reward profile. We therefore recommend Buying the stock. Detailed Q3 results to be published on 16 November 2015.

Henning Steinbrink (Analyst)
+49 (69) 92 05 48 17
henning.steinbrink@oddoseydler.com

Conflict of interests:

Oddo Securities, a division of Oddo & Cie, limited sharepartnership - Bank authorised by ACPR. Oddo & Cie and/or one of its subsidiaries could be in a conflict of interest situation with one or several of the groups mentioned in this publication. Please refer to the conflict of interests section at the end of this document. This is a non-contractual document, it is strictly for the private use of the recipient, and the information it contains is based on sources we believe to be reliable, but whose accuracy and completeness cannot be guaranteed. The opinions given in the document reflect our appraisal at the time of publication and may therefore be revised at a later date.

AEIG.DE | AEI GY
Software | Germany

	Buy			Price	17.50EUR		
	Upside	25.71%		TP	22.00EUR		
PER SHARE DATA (EUR)	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Adjusted EPS	0.68	0.42	0.74	0.30	0.90	1.27	1.79
Reported EPS	0.52	0.39	0.36	0.05	0.68	1.16	1.68
Growth in EPS(%)	-	-38.6%	79.2%	-59.3%	ns	40.9%	40.9%
Net dividend per share	0.50	0.50	0.50	0.50	0.63	0.56	0.60
FCF to equity per share	1.86	-2.40	2.23	0.12	0.30	1.12	1.63
Book value per share	9.99	10.63	10.46	10.83	11.08	11.70	12.91
Number of shares market cap	8.38	8.38	8.44	9.00	9.00	9.00	9.00
Number of diluted shares	8.38	8.38	8.44	9.00	9.00	9.00	9.00
VALUATION	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
12m highest price	14.00	12.70	16.70	19.35	18.70		
12m lowest price	9.70	9.70	10.00	12.71	13.64		
(*) Reference price	11.57	10.94	13.19	16.18	17.50	17.50	17.50
Capitalization	97	92	111	146	158	158	158
Restated Net debt	10	36	23	28	28	23	13
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	3.9	0.2	4.4	4.4	10	16
Provisions	32	34	23	16	18	23	29
Enterprise Value	139	158	157	185	199	194	183
P/E (x)	17	26	18	53	19	14	9.8
P/CF (x)	5.1	4.8	7.9	11	7.8	6.7	5.6
Net Yield (%)	4.3%	4.6%	3.8%	3.1%	3.6%	3.2%	3.4%
FCF yield (%)	16.1%	ns	16.9%	0.8%	1.7%	6.4%	9.3%
P/B incl. GW (x)	1.16	1.03	1.26	1.49	1.58	1.50	1.36
P/B excl. GW (x)	7.79	ns	72.73	62.34	81.49	21.12	8.56
EV/Sales (x)	0.37	0.37	0.37	0.43	0.40	0.35	0.30
EV/EBITDA (x)	6.2	7.6	6.0	7.9	7.0	5.3	4.0
EV/EBIT (x)	12	22	11	17	13	8.6	5.9
(*) historical average price							
PROFIT AND LOSS (EURm)	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales	379	423	421	428	496	560	617
EBITDA	22	21	26	23	29	37	45
Depreciations	-10.3	-13.7	-11.3	-12.8	-13.2	-14.0	-14.2
Current EBIT	12	7.1	15	11	15	23	31
Published EBIT	10	6.3	15	11	15	23	31
Net financial income	-0.9	-0.2	-4.4	-4.5	-2.0	-2.3	-2.3
Corporate Tax	-4.2	-2.4	-7.1	-5.1	-6.6	-9.1	-13.0
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-0.9	-0.4	-0.1	-0.6	-0.7	-0.8	-0.9
Attributable net profit	4.4	3.3	3.2	0.5	6.1	10	15
Adjusted attributable net profit	5.7	3.5	6.3	2.7	8.1	11	16
BALANCE SHEET (EURm)	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Goodwill	79	103	101	105	108	108	108
Other intangible assets	24	25	20	18	17	12	9.7
Tangible fixed assets	8.8	11	12	11	14	16	18
WCR	19	20	7.6	5.3	6.0	8.4	9.9
Financial assets	0.0	3.9	0.2	4.4	4.4	10	16
Ordinary shareholders equity	84	89	92	97	99	104	115
Minority interests	4.5	4.5	2.4	4.1	4.2	4.4	4.9
Shareholders equity	88	93	95	101	103	109	120
Non-current provisions	32	34	23	16	18	23	29
Net debt	10	36	23	28	28	23	13
CASH FLOW STATEMENT (EURm)	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
EBITDA	22.3	20.8	26.2	23.5	28.6	36.6	45.4
Change in WCR	0.0	0.0	10.8	2.7	0.4	-0.6	0.3
Interests & taxes	-5.1	-2.6	-11.5	-9.6	-8.6	-11.4	-15.3
Others	1.6	0.8	0.0	-0.3	0.0	-2.0	-2.0
Operating Cash flow	18.9	19.0	25.5	16.3	20.4	22.5	28.4
CAPEX	0.0	-41.7	-5.0	-13.7	-17.4	-11.7	-13.0
Free cash-flow	18.9	-22.7	20.5	2.6	3.0	10.8	15.5
Acquisitions / disposals	-1.1	-4.6	3.2	-4.7	-0.3	-5.9	-6.5
Dividends	-4.2	-4.2	-4.2	-4.5	-5.7	-5.1	-5.4
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-7.6	-19.6	-5.6	52.1	2.5	4.9	6.9
Change in net debt	13.6	-26.3	13.0	-4.4	-0.4	4.7	10.5
GROWTH MARGINS PRODUCTIVITY	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales growth	-	11.6%	-0.4%	1.6%	15.8%	12.8%	10.4%
Lfl sales growth	-	-	-	-	-	-	-
Current EBIT growth	-	-40.6%	ns	-28.0%	44.0%	46.5%	38.4%
Growth in EPS(%)	-	-38.6%	79.2%	-59.3%	ns	40.9%	40.9%
Net margin	1.5%	0.8%	1.5%	0.6%	1.6%	2.0%	2.6%
EBITDA margin	5.9%	4.9%	6.2%	5.5%	5.8%	6.5%	7.4%
Current EBIT margin	3.2%	1.7%	3.5%	2.5%	3.1%	4.0%	5.1%
CAPEX / Sales	0.0%	-9.9%	-1.2%	-3.2%	-3.5%	-2.1%	-2.1%
WCR / Sales	5.0%	4.7%	1.8%	1.2%	1.2%	1.5%	1.6%
Tax Rate	44.1%	38.9%	68.3%	82.0%	49.3%	45.0%	45.0%
Normative tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Asset Turnover	-	2.9	2.8	3.1	3.5	3.9	4.3
ROCE post-tax (normative tax rate)	-	2.9%	5.9%	4.6%	6.5%	9.4%	12.9%
ROCE post-tax hors GW (normative tax rate)	-	7.9%	18.5%	17.2%	25.9%	36.7%	50.0%
ROE	-	4.0%	6.9%	2.9%	8.3%	11.2%	14.7%
DEBT RATIOS	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Gearing	11%	39%	25%	28%	27%	22%	11%
Net Debt / Market Cap	0.10	0.40	0.21	0.19	0.18	0.15	0.08
Net debt / EBITDA	0.45	1.75	0.89	1.18	0.98	0.64	0.29
EBITDA / net financial charges	25.8	10,387.0	33.2	4.2	14.0	15.6	19.5

Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
30.07.15	Buy	22.00	17.24

Disclosures
Investment banking and/or Distribution

Has Oddo Group, or Oddo & Cie, or Oddo Seydler managed or co-managed in the past 12 months a public offering of securities for the subject company/ies? No

Has Oddo Group, or Oddo & Cie, or Oddo Seydler received compensation for investment banking services from the subject company/ies in the past 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the last 12 months? No

Research contract between Oddo group & the issuer

Oddo & Cie and the issuer have agreed that Oddo & Cie will produce and disseminate investment recommendations on the said issuer as a service to the issuer Yes

Liquidity provider agreement and market-making

At the date of the distribution of this report, does Oddo Group, or Oddo & Cie, or Oddo Seydler act as a market maker or has Oddo Group or Oddo & Cie, or Oddo Seydler signed a liquidity provider agreement with the subject company/ies? Yes

Significant equity stake

Does Oddo Group, or Oddo & Cie, or Oddo Seydler own 5% or more of any class of common equity securities of the subject company/ies? No

Does the subject company beneficially own 5% or more of any class of common equity of Oddo & Cie or its affiliates? No

Disclosure to Company

Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ? No

Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? No

Additional material conflicts

Is Oddo Group, or Oddo & Cie, or Oddo Seydler aware of any additional material conflict of interest? No

Statement of conflict of interests of all companies mentioned in this document may be consulted on Oddo & Cie's: www.oddosecurities.com



Disclaimer:

Disclaimer for Distribution by Oddo & Cie to Non-United States Investors:

This research publication is produced by Oddo Securities ("Oddo Securities"), a division of Oddo & Cie ("ODDO"), which is licensed by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the Autorité des Marchés Financiers ("AMF"), and/or by ODDO SEYDLER BANK AG ("Oddo Seydler"), a German subsidiary of ODDO, regulated by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin").

The research, when distributed outside of the U.S., is intended exclusively for non-U.S. customers of ODDO and cannot be divulged to a third-party without prior written consent of ODDO. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French and German regulatory provisions designed to promote the independence of investment research.

At the time of publication of this document, ODDO and/or Oddo Seydler, and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context and which is subject to change without notice. The views expressed in this research report accurately reflect the analyst's personal views about the subject securities and/or issuers and no part of his compensation was, is, or will be directly or indirectly related to the specific views contained in the research report.

This research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice.

Disclaimer for Distribution by Oddo New York to United States Investors:

This research publication is produced by Oddo Securities, a division of ODDO and/or by Oddo Seydler.

This research is distributed to U.S. investors exclusively by Oddo New York Corporation ("ONY"), MEMBER: FINRA/SIPC, and is intended exclusively for U.S. customers of ONY and cannot be divulged to a third-party without prior written consent of ONY. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French and German regulatory provisions designed to promote the independence of investment research.

At the time of publication of this document, ODDO and/or Oddo Seydler, and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context and which is subject to change without notice.

Rule 15a-6 Disclosure:

Under Rule 15a-6(a)(3), any transactions conducted by ODDO and/or Oddo Seydler, and/or one of its subsidiaries with U.S. persons in the securities described in this foreign research must be effected through ONY. ONY accepts responsibility for the contents of the research only to the extent it may be distributed to persons who are not major U.S. institutional investors as defined in Rule 15a-6, or where this research is distributed to major U.S. institutional investors who are located in states where there is no institutional exemption from registration in the state comparable to the definition of major U.S. institutional investor in Rule 15a-6.

FINRA Disclosures:

- Neither ONY, ODDO, nor Oddo Securities, nor Oddo Seydler beneficially owns 1% or more of any class of common equity securities of the subject company.
- The research analyst of Oddo Securities or Oddo Seydler, at the time of publication of this research report, is not aware, nor does he know or have reason to know of any actual, material conflict of interest of himself, ODDO, Oddo Securities, Oddo Seydler or ONY, except those mentioned in the paragraph entitled "Risk of Conflict of Interest."
- Oddo Securities or ODDO or Oddo Seydler may receive or seek compensation for investment banking services in the next 3 months from the subject company of this research report, but ONY would not participate in those arrangements.
- Neither ONY, ODDO, Oddo Securities, nor Oddo Seydler has received compensation from the subject company in the past 12 months for providing investment banking services except those mentioned in the paragraph of "Risk of Conflict of Interest".
- Neither ONY, ODDO, Oddo Securities nor Oddo Seydler has managed or co-managed a public offering of securities for the subject company in the past 12 months except those mentioned in the paragraph of "Risk of Conflict of Interest".
- ONY does not make (and never has made) markets and, accordingly, was not making a market in the subject company's securities at the time that this research report was published.

Regulation AC:

ONY is exempt from the certification requirements of Regulation AC for its distribution to a U.S. person in the United States of this research report that is prepared by an Oddo Securities research analyst because ODDO has no officers or persons performing similar functions or employees in common with ONY and ONY maintains and enforces written policies and procedures reasonably designed to prevent it, any controlling persons, officers or persons performing similar functions, and employees of ONY from influencing the activities of the third party research analyst and the content of research reports prepared by the third party research analyst.

Contact Information of firm distributing research to U.S. investors: Oddo New York Corporation, MEMBER: FINRA/SIPC, is a wholly owned subsidiary of Oddo & Cie; Philippe Bouclairville, President (pbouclairville@oddonny.com) 150 East 52nd Street New York, NY 10022 212-481-4002.