

Allgeier SE

Buy → | Target 22.00 EUR

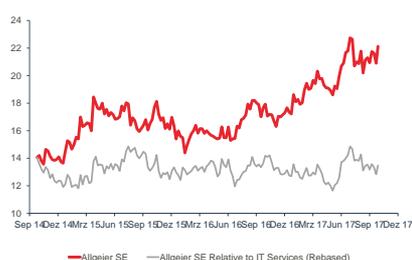
Price (26/10/2017) : 22.13 EUR | Upside : -1 %

Est.chg 2017e 2018e
EPS

Preliminary Q3 2017 results: Strong top line as expected, bottom line margins swing up after investment phase

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Source : Oddo BHF Securities, Fininfo

Capital			
AEI GY AEIG.DE			
Market Cap (EURm)	203		
Enterprise value (EURm)	250		
Extrema 12 months	16.31	- 22.74	
Free Float (%)	62.9		
Performance (%)	1m	3m	12m
Absolute	5.0	-2.1	26.1
Perf. rel. Country Index	3.1	-4.2	10.2
Perf. rel. IT Services	-0.2	-8.0	-1.5
P&L	12/17e	12/18e	12/19e
Sales (EURm)	559	620	676
EBITDA (EURm)	32.1	37.3	41.7
Current EBIT (EURm)	18.5	23.2	29.6
Attr. net profit (EURm)	6.6	8.7	11.6
Adjusted EPS (EUR)	0.72	0.95	1.26
Dividend (EUR)	0.50	0.50	0.50
P/E (x)	30.8	23.3	17.5
P/B (x)	1.8	1.7	1.6
Dividend Yield (%)	2.3	2.2	2.2
FCF yield (%)	7.7	8.3	10.1
EV/Sales (x)	0.45	0.40	0.36
EV/EBITDA (x)	7.8	6.7	5.9
EV/Current EBIT (x)	13.6	10.8	8.3
Gearing (%)	-2	-7	-17
Net Debt/EBITDA(x)	ns	ns	ns

Next Events	
17.11.2017	Q3 Results

Q3 2017 EBITDA significantly better than burdened H1 quarters

Allgeier SE (AEI) reported preliminary Q3 2017 results largely in line with our expectations. Total group revenue, at € 147m, was 1% shy of our estimate (€ 148.7m), but was still up substantially yoy, by 16.7%. We see Q3 as the turning point, where the growth investments of H1 2017 finally bear their fruits. Consequently, EBITDA came in at € 10m, significantly ahead of the burdened quarters of H1 (e.g. € 4.8m in Q2 2017). Compared to Q3 2016 (€ 9.2m), Q3 2017 EBITDA increased 9.2% yoy. The Q3 2017 EBITDA margin stood at 6.8%, only 10bp shy of our estimate. Adjusted EBITDA also increased yoy, by 7.4% to € 10.2m (Q3 2016: € 9.5m).

Allgeier SE: preliminary Q3 results

in EURm	Q3/17 prelim.	Q3/17 Oddo est.	rep. vs Oddo % chg.	Q3/16 rep.	% yoy
Total group revenue	147.0	148.7	-1.1%	126.0	16.7%
EBITDA	10.0	10.3	-2.9%	9.2	8.7%
Margin	6.8%	6.9%	-10bp	7.3%	-50bp
adj. EBITDA	10.2	10.4	-1.9%	9.5	7.4%
Margin	6.9%	7.0%	-10bp	7.5%	-60bp

Source: Oddo BHF Securities, Allgeier SE

FY 2017: recalibrated for future growth

Margin pressure in H1 2017 was mainly due to significant investments in business extensions, i.e. the integration of the European Ciber Inc. activities. Furthermore, AEI invested significantly in personnel at its Experts segment, and further strengthened its SAP activities at its Enterprise segment. The above-industry-average growth indicated by the preliminary Q3 2017 results show in our view that AEI is back on track to participate in the current digital transformation paradigm in the IT industry. Equity as of 30 September 2017 stood solid at € 124.2m (31 December 2016: € 116.9m). The Q3 2017 preliminary figures also show liquidity of € 56.2m (FY 2016: € 71.8m) and provisional total assets of € 348.3m (FY 2016: EUR 344.4m).

Stock offers attractive risk/reward profile – Buy reiterated

Our DCF valuation renders a TP of € 22, equating to an EV/Sales multiple of 0.4x and an EV/EBITDA multiple of 6.7x based on our 2018e estimates. These target multiples are substantially below the corresponding IT service sector multiples (EV/Sales: 1.7x; EV/EBITDA: 11.7x) and currently at the lower end of the IT service sector valuation bandwidth of 0.4x to 1.7x for EV/sales and 7x to 12x for EV/EBITDA. In view of AEI's expected growth, its current valuation levels still offer very good risk/reward. We therefore recommend Buying the stock.

The company will publish detailed Q3/9M 2017 results on 17 November 2017, after which, given the company's improved outlook, we will revisit our estimates and TP.

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AEIG.DE AEI GY IT services Germany	Buy		Price 22.13EUR					
	Upside	-0.57%	TP 22.00EUR					
PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Adjusted EPS	0.42	0.74	0.31	0.16	0.48	0.72	0.95	1.26
Reported EPS	0.39	0.36	0.05	0.07	0.48	0.72	0.95	1.26
Growth in EPS(%)	-38.6%	79.2%	-58.6%	-49.2%	ns	51.0%	32.0%	33.4%
Net dividend per share	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
FCF to equity per share	1.92	2.22	0.12	-0.92	1.62	1.71	1.83	2.23
Book value per share	10.63	10.46	10.83	12.38	12.55	12.49	12.98	13.80
Number of shares market cap	8.38	8.44	8.85	9.10	9.06	9.17	9.17	9.17
Number of diluted shares	8.38	8.44	8.85	9.10	9.06	9.17	9.17	9.17
VALUATION	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
12m highest price	12.70	16.70	19.35	18.70	18.50	22.74		
12m lowest price	9.70	10.00	12.71	13.64	14.22	17.06		
(*) Reference price	10.94	13.21	16.18	16.55	16.36	22.13	22.13	22.13
Capitalization	91.6	111	143	151	148	203	203	203
Restated Net debt	36.3	23.3	27.7	29.0	25.5	17.8	10.7	-2.5
Minorities (fair value)	0.0	0.0	0.0	0.0	16.0	16.0	16.0	16.0
Financial fixed assets (fair value)	3.9	0.2	4.4	8.2	8.2	8.2	8.2	8.2
Provisions	33.8	23.0	15.6	17.0	20.4	22.7	28.9	38.3
Enterprise Value	158	158	182	188	202	251	250	246
P/E (x)	26.3	17.7	52.5	106	34.4	30.8	23.3	17.5
P/CF (x)	5.0	8.0	10.6	10.8	7.5	9.8	8.8	8.4
Net Yield (%)	4.6%	3.8%	3.1%	3.0%	3.1%	2.3%	2.2%	2.2%
FCF yield (%)	17.6%	16.8%	0.8%	ns	9.9%	7.7%	8.3%	10.1%
P/B incl. GW (x)	1.03	1.26	1.49	1.34	1.30	1.77	1.70	1.60
P/B excl. GW (x)	ns	72.85	62.31	7.41	7.75	9.52	7.85	6.09
EV/Sales (x)	0.37	0.37	0.42	0.42	0.40	0.45	0.40	0.36
EV/EBITDA (x)	7.9	6.0	7.7	8.6	6.5	7.8	6.7	5.9
EV/EBIT (x)	25.0	10.7	17.0	20.8	11.5	13.6	10.8	8.3
(*) historical average price								
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales	423	421	428	452	499	559	620	676
EBITDA	20.0	26.1	23.5	21.9	30.9	32.1	37.3	41.7
Depreciations	-13.7	-11.3	-12.8	-12.8	-13.4	-13.6	-14.1	-12.1
Current EBIT	6.3	14.7	10.7	9.1	17.6	18.5	23.2	29.6
Published EBIT	6.3	14.7	10.7	9.1	17.6	18.5	23.2	29.6
Net financial income	-0.2	-4.4	-4.5	-2.8	-3.6	-2.9	-3.0	-3.0
Corporate Tax	-2.4	-7.1	-5.1	-5.2	-7.9	-8.5	-11.1	-14.7
Net income of equity-accounted companies	0.0	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	0.0
Minority interests	-0.4	-0.1	-0.6	-0.4	-1.8	-0.4	-0.4	-0.4
Attributable net profit	3.3	3.2	0.5	0.7	4.3	6.6	8.7	11.6
Adjusted attributable net profit	3.5	6.3	2.7	1.4	4.3	6.6	8.7	11.6
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Goodwill	103	101	105	101	104	104	104	104
Other intangible assets	25.0	20.3	18.0	16.2	15.6	5.9	9.1	13.2
Tangible fixed assets	11.2	12.2	11.5	13.0	14.9	14.4	13.5	15.3
WCR	20.0	7.6	5.3	23.7	6.0	8.2	9.5	7.7
Financial assets	3.9	0.2	4.4	8.2	8.2	8.4	8.7	8.7
Ordinary shareholders equity	88.9	92.3	96.6	110	112	114	119	126
Minority interests	4.5	2.4	4.1	5.3	5.3	5.5	5.7	6.1
Shareholders equity	93.4	94.7	101	116	117	120	125	133
Non-current provisions	33.8	23.0	15.6	17.0	20.4	22.7	28.9	38.3
Net debt	36.3	23.3	27.7	29.0	10.5	-2.2	-9.3	-22.5
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
EBITDA	20.0	26.1	23.5	21.9	30.9	32.1	37.3	41.7
Change in WCR	0.0	10.8	2.7	-18.1	18.6	-0.6	0.4	3.0
Interests & taxes	-2.6	-11.5	-9.6	-8.0	-11.4	-11.5	-14.2	-17.6
Others	0.8	0.0	-0.3	-0.2	0.0	0.0	0.0	0.0
Operating Cash flow	18.2	25.3	16.3	-4.5	38.1	20.0	23.5	27.1
CAPEX	0.0	-5.0	-13.7	-8.4	-17.5	-3.4	-6.0	-6.0
Free cash-flow	18.2	20.3	2.6	-12.9	20.6	16.6	17.5	21.1
Acquisitions / disposals	-0.8	3.2	-4.7	-4.6	-0.3	-0.3	-0.3	-0.3
Dividends	-4.2	-4.2	-4.4	-4.5	-4.5	-4.5	-4.5	-4.5
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-24.9	-5.5	52.1	8.1	2.7	0.8	-5.5	-3.2
Change in net debt	13.3	13.0	-4.3	-1.3	18.5	12.6	7.2	13.1
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales growth	11.6%	-0.4%	1.6%	5.6%	10.4%	12.0%	11.0%	9.0%
Lfl sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	-47.4%	ns	-27.4%	-15.4%	93.8%	5.1%	26.0%	27.4%
Growth in EPS(%)	-38.6%	79.2%	-58.6%	-49.2%	ns	51.0%	32.0%	33.4%
Net margin	0.8%	1.5%	0.6%	0.3%	0.9%	1.2%	1.4%	1.7%
EBITDA margin	4.7%	6.2%	5.5%	4.8%	6.2%	5.7%	6.0%	6.2%
Current EBIT margin	1.5%	3.5%	2.5%	2.0%	3.5%	3.3%	3.7%	4.4%
CAPEX / Sales	0.0%	-1.2%	-3.2%	-1.9%	-3.5%	-0.6%	-1.0%	-0.9%
WCR / Sales	4.7%	1.8%	1.2%	5.2%	1.2%	1.5%	1.5%	1.1%
Tax Rate	38.9%	68.3%	82.0%	83.3%	56.2%	55.0%	55.0%	55.0%
Normative tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Asset Turnover	2.9	2.8	3.1	3.1	3.4	4.1	4.6	4.9
ROCE post-tax (normative tax rate)	2.6%	5.9%	4.6%	3.7%	7.2%	8.1%	10.4%	12.9%
ROCE post-tax hors GW (normative tax rate)	7.0%	18.4%	17.2%	12.4%	23.6%	34.1%	46.0%	52.1%
ROE	4.0%	6.9%	2.9%	1.4%	3.9%	5.8%	7.4%	9.4%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Gearing	39%	25%	28%	25%	9%	-2%	-7%	-17%
Net Debt / Market Cap	0.40	0.21	0.19	0.19	0.07	-0.01	-0.05	-0.11
Net debt / EBITDA	1.82	0.89	1.18	1.32	0.34	ns	ns	ns
EBITDA / net financial charges	9,983.0	33.1	4.2	6.2	8.7	11.0	12.3	14.0

Source: ODDO BHF Securities, Fininfo



• **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

• **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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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)	Analyst
Recommendation split				
		Buy	Neutral	Reduce
Our whole coverage	(423)	46%	43%	12%
Liquidity providers coverage	(148)	39%	53%	7%
Research service coverage	(58)	50%	48%	2%
Investment banking services	(49)	65%	29%	6%

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