



# Allgeier SE

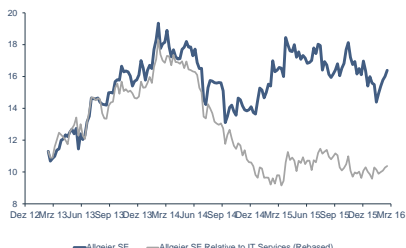
Buy → | Target 22.00 EUR

Price : 16.39 EUR | Upside : 34 %

Est.chg	2015e	2016e
EPS	-	-

## Preliminary 2015 results: delivered as expected

Monday 21 March 2016



Capital			
AEI GY   AEIG.DE			
Market Cap (EURm)	149		
Enterprise value (EURm)	190		
Extrema 12 months	14.22	- 18.70	
Free Float (%)	53.8		
Performance (%)			
	1m	3m	12m
Absolute	9.2	-0.7	0.4
Perf. rel. Country Index	5.1	5.0	17.2
Perf. rel. IT Services	4.9	3.5	9.7

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)	18.4	12.9	9.2
P/B (x)	1.5	1.4	1.3
Dividend Yield (%)	3.8	3.4	3.7
FCF yield (%)	1.8	6.8	10.0
EV/Sales (x)	0.38	0.33	0.28
EV/EBITDA (x)	6.7	5.0	3.8
EV/Current EBIT (x)	12.4	8.1	5.5
Gearing (%)	27	22	11
Net Debt/EBITDA(x)	1.0	0.6	0.3

Next Events	
29.04.2016	FY Results

### Earnings outgrew revenue

Allgeier SE (AEI) reported preliminary 2015 results on 18 March. Group revenue was up a substantial 9.3% yoy to € 498.9m and thus roughly in line with our estimate (€ 495.9m). Earnings again outgrew sales, with EBITDA up 12.9% yoy to € 27.1m (Oddo Seydler est.: € 28.6m), resulting in an EBITDA margin of 5.4%, an improvement of 10bp yoy. The EBIT margin improved 20bp yoy despite increased amortization expense following the first-time consolidation of acquired companies and higher investments.

### Allgeier SE: Preliminary 2015 results

in EURm	FY15 rep.	FY15 Oddo est.	FY15 Consensus	FY14 rep.	% yoy
Group revenue	498.9	495.9	496.3	456.5	9.3%
EBITDA adjusted	29.3	32.6		25.3	15.8%
Margin	5.9%	6.6%		5.5%	+40bp
EBITDA	27.1	28.6		24.0	12.9%
Margin	5.4%	5.8%		5.3%	+10bp
EBIT	12.6	15.4	17.7	10.5	20.0%
Margin	2.5%	3.1%	3.6%	2.3%	+20bp

Source: Company data, Oddo Seydler

### Sale of 3 subsidiaries generates additional pre-tax income of € 10m

AEI sold 3 subsidiaries from its Solutions segment in 2015 for an estimated c.€ 32m: i) b+m Informatik AG (Oddo Seydler est.: revenues of c.€ 8.5m, EBITDA margin of 8.4%, sold for an est. 6x EBITDA i.e. ~€ 4.3m), ii) terna Group (Oddo Seydler est.: ~€ 30m revenues, 11.3% EBITDA margin, sold for an est. 8x EBITDA i.e. ~€ ~27m), and iii) the Storage activities of Allgeier (Switzerland) AG (Oddo Seydler est.: revenues below ~€ 1m, 0% EBITDA margin, and probably sold for significantly less than 0.5x sales on our estimates). AEI shows these units as discontinued operations. According to preliminary figures the sale of these units generated incremental pre-tax income of € 10m. As a result, the Executive Board will propose at the next AGM a special DPS of € 0.20 in addition to the normal DPS of € 0.50.

### Maintain Buy recommendation and TP of € 22

All in all the 2015 preliminaries were not fantastic but still support our investment case. Based on a pure sum-of-the-parts valuation, AEI's market cap could be roughly double its current level. The catalyst for a revaluation towards our TP would be, in our view, consistent proof that the company's enhanced management structure can indeed successfully cope with the group's further-increasing number of acquired companies. Our DCF analysis derives a target price of € 22 equating to 5.5x EV/EBITDA and 0.4x EV/sales. At these multiples the shares would still trade at significant discounts of -26% and -54% to EV/EBITDA (7.4x) and EV/sales (0.88x) multiples of the corresponding IT service sector/ industry. AEI is currently trading at the lower end of the IT service sector valuation bandwidth of 5x to 12x for NTM EV/EBITDA and 0.3x to 1.2x for NTM EV/sales. In view of AEI's business turn-around, the currently bottoming valuation levels offer an attractive risk/reward profile. We therefore recommend Buying the stock.

The detailed 2015 results will be published on 29 April 2016.

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**AEIG.DE | AEI GY**  
**IT services | Germany**

	Buy			Price	16.39EUR		
	Upside	34.23%		TP	22.00EUR		
<b>PER SHARE DATA (EUR)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Adjusted EPS	0.68	0.42	0.74	0.30	0.90	1.27	1.79
<b>Reported EPS</b>	<b>0.52</b>	<b>0.39</b>	<b>0.36</b>	<b>0.05</b>	<b>0.68</b>	<b>1.16</b>	<b>1.68</b>
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
<b>VALUATION</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
12m highest price	14.00	12.70	16.70	19.35	18.70	16.95	
12m lowest price	9.70	9.70	10.00	12.71	13.64	14.22	
(*) Reference price	11.57	10.94	13.19	16.18	16.54	16.39	16.39
Capitalization	97	92	111	146	149	148	148
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
<b>Enterprise Value</b>	<b>139</b>	<b>158</b>	<b>157</b>	<b>185</b>	<b>190</b>	<b>184</b>	<b>173</b>
P/E (x)	17	26	18	53	18	13	9.2
P/CF (x)	5.1	4.8	7.9	11	7.4	6.3	5.2
Net Yield (%)	4.3%	4.6%	3.8%	3.1%	3.8%	3.4%	3.7%
FCF yield (%)	16.1%	ns	16.9%	0.8%	1.8%	6.8%	10.0%
P/B incl. GW (x)	1.16	1.03	1.26	1.49	1.49	1.40	1.27
P/B excl. GW (x)	7.79	ns	72.73	62.34	77.03	19.78	8.02
EV/Sales (x)	0.37	0.37	0.37	0.43	0.38	0.33	0.28
EV/EBITDA (x)	6.2	7.6	6.0	7.9	6.7	5.0	3.8
<b>EV/EBIT (x)</b>	<b>12</b>	<b>22</b>	<b>11</b>	<b>17</b>	<b>12</b>	<b>8.1</b>	<b>5.5</b>
(*) historical average price							
<b>PROFIT AND LOSS (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Sales	379	423	421	428	496	560	617
EBITDA	22.3	20.8	26.2	23.5	28.6	36.6	45.4
Depreciations	-10.3	-13.7	-11.3	-12.8	-13.2	-14.0	-14.2
<b>Current EBIT</b>	<b>12.0</b>	<b>7.1</b>	<b>14.9</b>	<b>10.7</b>	<b>15.4</b>	<b>22.6</b>	<b>31.2</b>
Published EBIT	10.4	6.3	14.7	10.7	15.4	22.6	31.2
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	10.3	15.0
<b>Adjusted attributable net profit</b>	<b>5.7</b>	<b>3.5</b>	<b>6.3</b>	<b>2.7</b>	<b>8.1</b>	<b>11.4</b>	<b>16.1</b>
<b>BALANCE SHEET (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
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
<b>Net debt</b>	<b>10</b>	<b>36</b>	<b>23</b>	<b>28</b>	<b>28</b>	<b>23</b>	<b>13</b>
<b>CASH FLOW STATEMENT (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
<b>EBITDA</b>	<b>22.3</b>	<b>20.8</b>	<b>26.2</b>	<b>23.5</b>	<b>28.6</b>	<b>36.6</b>	<b>45.4</b>
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
<b>Free cash-flow</b>	<b>18.9</b>	<b>-22.7</b>	<b>20.5</b>	<b>2.6</b>	<b>3.0</b>	<b>10.8</b>	<b>15.5</b>
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
<b>GROWTH MARGINS PRODUCTIVITY</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Sales growth	-	11.6%	-0.4%	1.6%	15.8%	12.8%	10.4%
<b>Lfl sales growth</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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%
<b>EBITDA margin</b>	<b>5.9%</b>	<b>4.9%</b>	<b>6.2%</b>	<b>5.5%</b>	<b>5.8%</b>	<b>6.5%</b>	<b>7.4%</b>
<b>Current EBIT margin</b>	<b>3.2%</b>	<b>1.7%</b>	<b>3.5%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>4.0%</b>	<b>5.1%</b>
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
<b>ROCE post-tax (normative tax rate)</b>	<b>-</b>	<b>2.9%</b>	<b>5.9%</b>	<b>4.6%</b>	<b>6.5%</b>	<b>9.4%</b>	<b>12.9%</b>
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%
<b>DEBT RATIOS</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Gearing	11%	39%	25%	28%	27%	22%	11%
Net Debt / Market Cap	0.10	0.40	0.21	0.19	0.19	0.16	0.09
<b>Net debt / EBITDA</b>	<b>0.45</b>	<b>1.75</b>	<b>0.89</b>	<b>1.18</b>	<b>0.98</b>	<b>0.64</b>	<b>0.29</b>
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**

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