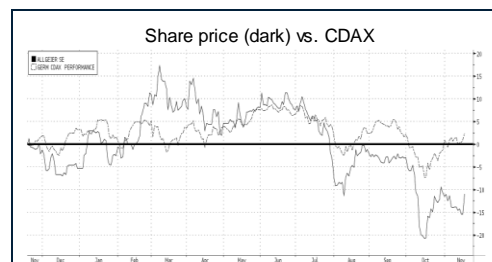


Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price target: **EUR 17.00** (20.00)

19 November 2014

## Preliminary 3Q figures confirmed

- 3Q report issued:** The final 3Q figures matched the preliminary figures as published on 6 November. Sales from continuing operations rose by 5.6% and reached EUR 109.6m in 3Q14 (3Q13: EUR 103.8m). EBITDA from continuing operations nevertheless dropped to EUR 8.1m (3Q13: EUR 8.8m). More 3Q and 9M figures are given on p. 2. On 30 Oct. 2014, the Company sold Allgeier Benelux, a business unit with net assets of about EUR 0.9m. Allgeier expects a minor capital gain from this sale. Allgeier Benelux was newly displayed within the discontinued operations in 9M14 and 9M13, just like the previously sold subsidiary Didas (closing: 3 July). Both divestment transactions further substantiated Allgeier's strategy to concentrate on future-oriented business fields with strong growth potential.
- Impact from Cancom shares:** Allgeier received 263,783 Cancom shares in return for Didas, and recorded a capital gain of EUR 1.8m from this transaction. According to company information, Allgeier has already sold more than 12% of the Cancom shares at a price relatively close to acquisition cost (roughly EUR 38 per share). The proceeds (EUR 1.3m) are shown in the cash flow statement in the line 'payments from the sale of subsidiaries'. The rest of the shares are held as available-for-sale securities and carried at current market value. Value changes are recognised directly in equity. Due to the unfavourable share price development since the closing date, Allgeier had to book a EUR 1.1m charge to equity in 3Q. As the future selling price of the remaining stake is unforeseeable, we do not assume any future P&L impact from these shares but note that Allgeier might only be able to sell the shares below the original acquisition cost.
- Adjusted estimates:** Political discussions, in particular on the maximum duration of temporary employment, have resulted in significant uncertainties and material effects on Allgeier's Experts Division. According to company information, Allgeier has by now carried out the necessary structural and service-related adjustments to react to the changed market environment, and is now on track to expand growth and margins again. Nevertheless, we cautiously cut our sales and earnings estimates for FY2014-16E.
- Valuation and conclusion:** We value the Cancom shares at yesterday's closing price of EUR 33.06 (13% below acquisition cost) and add this amount (EUR 7.6m) to Allgeier's fair value of equity from operations. A blend of a DCF model and a peer group comparison results in a new price target of EUR 17.00 (old: EUR 20.00). We confirm our 'BUY'.



Source: CBS Research, Bloomberg, Allgeier SE

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	435.2	438.0	465.7	468.6	496.0	499.1
EBITDA	26.9	30.6	29.8	33.1	33.0	36.2
EPS	0.86	1.15	1.06	1.44	1.35	1.78

Internet: [www.allgeier.com](http://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):	<b>14.28</b>
Shares outstanding (m):	8.8
Market capitalisation (EUR m):	126.0
Enterprise value (EUR m):	212.3
Ø daily trading volume (3 m., no. of shares):	8,753

### Performance data:

High 52 weeks (EUR):	19.88
Low 52 weeks (EUR):	12.60
Absolute performance (12 months):	-13.5%
Relative performance vs. CDAX:	
1 month	-5.6%
3 months	-13.0%
6 months	-22.1%
12 months	-23.3%

### Shareholders:

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

### Financial calendar:

-

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Y/E Dec 31, EUR m	2012	2013	2014E	2015E	2016E
Sales	374.8	421.3	435.2	465.7	496.0
EBITDA	23.3	28.0	26.9	29.8	33.0
EBIT	10.6	14.5	14.7	19.8	23.8
Net result (incl. discontinued op.)	8.8	3.5	7.6	9.5	12.1
EPS (incl. discontinued op.)	1.05	0.42	0.86	1.06	1.35
EPS (from continuing op.)	0.53	0.38	0.73	1.06	1.35
DPS	0.50	0.50	0.50	0.50	0.50
EBITDA margin	6.2%	6.6%	6.2%	6.4%	6.6%
EBIT margin	2.8%	3.4%	3.4%	4.3%	4.8%
EV/EBITDA	9.1	7.6	7.9	7.1	6.4
EV/EBIT	20.1	14.7	14.4	10.7	8.9

Source: CBS Research AG, Allgeier SE

**Quarterly key data**

	IFRS	EURm	3Q 2014	3Q 2013	Change	9M 2014	9M 2013	Change
<b>Sales</b>			109.6	103.8	6%	309.5	303.9	2%
<b>Total output</b>			111.3	103.6	7%	317.2	309.7	2%
YoY growth			0.0%	0.0%		0.0%	0.0%	
<b>Gross profit</b>			67.2	58.6	15%	189.9	170.2	12%
as % of total output			60.4%	56.5%		59.9%	55.0%	
<b>EBITDA</b>			8.1	8.8	-9%	19.3	21.3	-9%
as % of sales			7.3%	8.5%		6.2%	7.0%	
<b>EBIT</b>			4.9	6.2	-21%	10.2	13.1	-22%
as % of sales			4.5%	6.0%		3.3%	4.3%	
<b>Net income from continuing operations (excluding minority interest)</b>			2.4	3.4	-29%	4.5	6.0	-26%
<b>EPS from continuing operations (EUR)</b>			0.27	0.41	-33%	0.51	0.72	-30%
<b>Total net income of the group (excluding minority interest)</b>			4.0	3.0	33%	5.5	5.0	10%
as % of total output			3.6%	2.9%		1.8%	1.6%	
<b>Total EPS (EUR)</b>			0.45	0.36	25%	0.63	0.60	5%
<b>Net financial debt (incl. pension liab.)</b>			49.8					
<b>Liquid funds</b>			33.1					

Source: Allgeier SE, CBS Research AG

**Change in sales and earnings estimates**

EURm (except for EPS)	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	435.2	438.0	465.7	468.6	496.0	499.1
EBITDA	26.9	30.6	29.8	33.1	33.0	36.2
EBIT	14.7	18.4	19.8	23.1	23.8	26.9
Net result after minorities	7.6	10.1	9.5	12.8	12.1	15.7
EPS (EUR)	0.86	1.15	1.06	1.44	1.35	1.78

Source: CBS Research AG

## Profit and loss account

IFRS	2012	2013	2014E	2015E	2016E
<b>Sales</b>	<b>374.8</b>	<b>421.3</b>	<b>435.2</b>	<b>465.7</b>	<b>496.0</b>
YoY growth	n.m.	12.4%	3.3%	7.0%	6.5%
Inventory changes (finished goods, WIP)	0.6	0.6	0.7	0.6	0.6
Other own work capitalised	0.0	0.0	0.0	0.0	0.0
<b>Total output</b>	<b>375.4</b>	<b>422.0</b>	<b>436.0</b>	<b>466.3</b>	<b>496.6</b>
Cost of materials	-191.9	-190.3	-175.5	-201.2	-224.9
as % of total output	-51.1%	-45.1%	-40.3%	-43.2%	-45.3%
<b>Gross profit</b>	<b>183.5</b>	<b>231.6</b>	<b>260.5</b>	<b>265.1</b>	<b>271.6</b>
as % of total output	48.9%	54.9%	59.8%	56.9%	54.7%
Personnel expenses	-132.2	-169.7	-193.4	-194.9	-196.6
as % of total output	-35.2%	-40.2%	-44.4%	-41.8%	-39.6%
Other operating income	6.6	8.1	5.8	6.1	6.2
as % of total output	1.8%	1.9%	1.3%	1.3%	1.2%
Other operating expenses	-34.6	-42.1	-46.0	-46.4	-48.2
as % of total output	-9.2%	-10.0%	-10.6%	-10.0%	-9.7%
<b>EBITDA</b>	<b>23.3</b>	<b>28.0</b>	<b>26.9</b>	<b>29.8</b>	<b>33.0</b>
as % of total output	6.2%	6.6%	6.2%	6.4%	6.6%
Depreciation and amortization, excl. goodwill impairments	-12.8	-13.5	-12.2	-10.0	-9.1
as % of total output	-3.4%	-3.2%	-2.8%	-2.1%	-1.8%
Goodwill impairments	0.0	0.0	0.0	0.0	0.0
as % of total output	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT</b>	<b>10.6</b>	<b>14.5</b>	<b>14.7</b>	<b>19.8</b>	<b>23.8</b>
as % of total output	2.8%	3.4%	3.4%	4.3%	4.8%
Result from at-equity consolidated investments	0.0	0.2	0.2	0.3	0.3
Interest and other financial income	0.5	0.5	0.7	0.5	0.5
Interest expenses	-3.5	-4.9	-3.7	-3.5	-3.1
<b>EBT (Earnings before income taxes)</b>	<b>7.7</b>	<b>10.4</b>	<b>11.9</b>	<b>17.1</b>	<b>21.5</b>
as % of total output	2.0%	2.5%	2.7%	3.7%	4.3%
Taxes on income	-2.8	-7.1	-4.8	-6.8	-8.6
as % of EBT	-36.8%	-68.3%	-40.0%	-40.0%	-40.0%
<b>Net income from continuing operations</b>	<b>4.8</b>	<b>3.3</b>	<b>7.2</b>	<b>10.3</b>	<b>12.9</b>
Income from discontinued operations/ disposals, net of taxes	4.4	0.4	1.1	-	-
<b>Net income of the group</b>	<b>9.2</b>	<b>3.7</b>	<b>8.3</b>	<b>10.3</b>	<b>12.9</b>
as % of total output	2.5%	0.9%	1.9%	2.2%	2.6%
Minority interests	-0.4	-0.1	-0.7	-0.8	-0.8
<b>Net income attributable to shareholders</b>	<b>8.8</b>	<b>3.5</b>	<b>7.6</b>	<b>9.5</b>	<b>12.1</b>
<b>Total EPS incl. discontinued operations (EUR)</b>	<b>1.05</b>	<b>0.42</b>	<b>0.86</b>	<b>1.06</b>	<b>1.35</b>
<b>EPS from continuing operations (EUR)</b>	<b>0.53</b>	<b>0.38</b>	<b>0.73</b>	<b>1.06</b>	<b>1.35</b>

Source: CBS Research AG, Allgeier SE

**Valuation summary**

	Weighting factor	Fair value per share (EUR)
DCF valuation	50.0%	17.73
Peer group valuation	50.0%	16.37
<b>Fair value per share (EUR)</b>		<b>17.05</b>

Source: CBS Research AG

**Discounted Cash Flow Model**

EURm	PHASE 1			PHASE 2						PHASE 3	
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	∞
Sales revenues	435.2	465.7	496.0	520.7	541.6	557.8	574.6	591.8	606.6	615.7	
Y-o-Y growth	3.3%	7.0%	6.5%	5.0%	4.0%	3.0%	3.0%	3.0%	2.5%	1.5%	
EBIT	14.7	19.8	23.8	28.4	29.8	30.0	31.3	32.3	33.1	33.1	
EBIT margin as % of sales	3.4%	4.3%	4.8%	5.5%	5.5%	5.4%	5.4%	5.5%	5.5%	5.4%	
Income tax on EBIT (cash tax rate)	-5.9	-7.9	-9.5	-11.4	-11.9	-12.0	-12.5	-12.9	-13.2	-13.2	
Depreciation and amortisation	12.2	10.0	9.1	6.1	6.2	7.0	6.9	7.0	7.2	7.8	
Change in net working capital and non-cash income and expenses*	-4.7	-4.5	-4.3	-4.1	-3.9	-3.1	-3.3	-3.4	-3.3	-2.0	
Net capital expenditure incl. earnouts and proceeds from the sale of subsidiaries	-16.5	-13.9	-10.4	-9.3	-9.0	-8.8	-8.4	-7.9	-7.5	-7.8	
<b>Free cash flow</b>	<b>-0.2</b>	<b>3.6</b>	<b>8.7</b>	<b>9.8</b>	<b>11.2</b>	<b>13.1</b>	<b>14.0</b>	<b>15.1</b>	<b>16.2</b>	<b>17.9</b>	
<b>Present values</b>	<b>-0.2</b>	<b>3.3</b>	<b>7.3</b>	<b>7.6</b>	<b>8.0</b>	<b>8.7</b>	<b>8.6</b>	<b>8.5</b>	<b>8.5</b>	<b>8.6</b>	<b>133.2</b>
Present value Phase 1	10.4										
Present value Phase 2	58.5										
Present value Phase 3	133.2										
Total present value	202.0										
+ Liquid funds	33.1										
+ Securities**	7.6										
- Financial debt and minority interests***	-86.3										
<b>Fair value of equity</b>	<b>156.5</b>										
Number of shares outstanding (m)	8.8										
<b>Fair value per share (EUR)</b>	<b>17.73</b>										

Risk free rate	3.00%	Target equity ratio	70.0%
Equity risk premium	6.00%	Beta	1.20
Debt risk premium	2.00%	<b>WACC</b>	<b>8.04%</b>
Tax shield (Phase 3)	40.0%	<b>Terminal growth</b>	<b>1.50%</b>

<b>Sensitivity analysis</b>					
<b>Terminal growth (Phase 3)</b>					
	<b>0.5%</b>	<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.5%</b>
<b>7.04%</b>	19.46	20.90	22.60	24.65	27.14
<b>7.54%</b>	17.39	18.58	19.96	21.60	23.56
<b>WACC 8.04%</b>	15.60	16.59	<b>17.73</b>	19.06	20.63
<b>8.54%</b>	14.04	14.88	15.83	16.92	18.20
<b>9.04%</b>	12.67	13.38	14.18	15.09	16.14

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

\*\*Cancom shares (available for sale), valued at last closing price

\*\*Financial debt including pension provisions

Source: CBS Research AG

**Multiple-based valuation**

Company name	P / E			EV / EBIT			EV / EBITDA			
	2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E	
<b>European IT service/consulting companies (market cap below EUR 1bn):</b>										
ASSYSTEM	13.2	10.8	9.9	7.0	5.9	5.6	5.4	4.9	4.5	
CENIT AG	14.9	13.8	12.0	7.5	7.0	6.2	6.0	5.7	5.2	
DATAGROUP AG	31.3	12.8	9.9	21.1	10.2	8.4	9.9	6.8	6.4	
DEVOTEAM SA	16.5	11.4	9.5	4.5	3.9	3.5	3.8	3.2	2.8	
ECONOCOM GROUP	10.0	9.2	8.2	8.6	7.5	6.6	7.4	6.5	5.8	
GFI INFORMATIQUE	12.6	10.5	9.6	6.9	6.3	6.1	6.3	5.6	5.4	
GFT TECHNOLOGIES AG	14.0	11.7	10.9	11.2	8.8	8.3	8.9	7.4	7.0	
ORDINA NV	12.0	7.8	6.1	8.9	6.5	5.1	6.1	4.9	4.2	
PHOENIX IT GROUP PLC	14.0	12.1	n.m.	10.8	10.0	n.m.	5.6	5.3	n.m.	
SOLUCOM	13.9	12.6	n.m.	7.7	7.1	n.m.	7.3	6.7	n.m.	
SOPRA GROUP	9.3	7.9	6.9	8.6	5.2	4.5	7.0	4.6	4.1	
TIETO OYJ	12.7	12.4	11.7	9.9	9.7	9.3	7.8	6.9	6.6	
REALTECH AG	n.m.	19.2	11.7	n.m.	11.9	7.5	n.m.	5.8	4.4	
SEVEN PRINCIPLES AG	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	10.6	n.m.	
S&T AG	9.8	7.4	6.3	8.4	7.0	6.2	6.1	4.9	4.4	
<b>Average</b>	<b>14.2</b>	<b>11.4</b>	<b>9.4</b>	<b>9.3</b>	<b>7.6</b>	<b>6.4</b>	<b>6.8</b>	<b>6.0</b>	<b>5.1</b>	
<b>Median</b>	<b>Weight: 50.0%</b>	<b>13.2</b>	<b>11.5</b>	<b>9.8</b>	<b>8.6</b>	<b>7.0</b>	<b>6.2</b>	<b>6.3</b>	<b>5.7</b>	<b>4.8</b>
<b>Major players with market cap above EUR 1bn:</b>										
ATOS	12.1	10.5	9.5	8.6	7.3	6.6	5.5	4.8	4.5	
CAP GEMINI	15.6	14.0	12.7	9.7	8.8	8.1	7.8	7.1	6.6	
INDRA SISTEMAS SA	11.4	10.0	9.0	9.8	9.0	8.4	7.7	7.2	6.8	
<b>Average</b>	<b>13.0</b>	<b>11.5</b>	<b>10.4</b>	<b>9.4</b>	<b>8.4</b>	<b>7.7</b>	<b>7.0</b>	<b>6.4</b>	<b>5.9</b>	
<b>Median</b>	<b>Weight: 25.0%</b>	<b>12.1</b>	<b>10.5</b>	<b>9.5</b>	<b>9.7</b>	<b>8.8</b>	<b>8.1</b>	<b>7.7</b>	<b>7.1</b>	<b>6.6</b>
<b>Indian IT service companies:</b>										
INFOSYS LTD	19.7	17.6	15.6	15.2	13.5	12.0	14.1	12.5	11.0	
TATA CONSULTANCY SVCS LTD	23.7	20.4	17.7	18.9	16.1	14.2	17.8	15.2	13.3	
WIPRO LTD	16.1	14.4	12.8	13.3	11.6	10.4	11.9	10.5	9.3	
<b>Average</b>	<b>Weight: 25.0%</b>	<b>19.8</b>	<b>17.4</b>	<b>15.4</b>	<b>15.8</b>	<b>13.8</b>	<b>12.2</b>	<b>14.6</b>	<b>12.7</b>	<b>11.2</b>
<b>Median</b>	<b>19.7</b>	<b>17.6</b>	<b>15.6</b>	<b>15.2</b>	<b>13.5</b>	<b>12.0</b>	<b>14.1</b>	<b>12.5</b>	<b>11.0</b>	
<b>Weighted average of peer groups</b>	<b>14.6</b>	<b>12.8</b>	<b>11.1</b>	<b>10.7</b>	<b>9.2</b>	<b>8.2</b>	<b>8.7</b>	<b>7.8</b>	<b>6.9</b>	
<b>EURm, except EPS (EUR)</b>										
	<b>EPS</b>			<b>EBIT</b>			<b>EBITDA</b>			
	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	
Allgeier SE (estimates by CBSR)	0.73	1.06	1.35	14.7	19.8	23.8	26.9	29.8	33.0	
Applied multiples (peer group - weighted average)	14.6	12.8	11.1	10.7	9.2	8.2	8.7	7.8	6.9	
<b>Fair Enterprise Value</b>	-	-	-	<b>156.6</b>	<b>181.8</b>	<b>194.6</b>	<b>234.7</b>	<b>232.8</b>	<b>226.9</b>	
+ Liquid funds	33.1									
+ Securities (current market value)	7.6									
- Financial debt incl. pension provisions	-82.9									
- Minority interests	-3.4									
<b>Fair value of equity from each multiple</b>	<b>93.8</b>	<b>119.7</b>	<b>132.3</b>	<b>111.1</b>	<b>136.2</b>	<b>149.1</b>	<b>189.2</b>	<b>187.3</b>	<b>181.3</b>	
<b>Average of derived fair values</b>	<b>144.5</b>									
Premium (discount) vs. peer group companies	0%									
<b>Fair value of equity</b>	<b>144.5</b>									
Number of shares outstanding (m)	8.8									
<b>Fair value per share (EUR)</b>	<b>16.37</b>									

Source: CBS Research AG

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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
19 November 2014	BUY	EUR 14.28	EUR 17.00
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

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