

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price target: **EUR 23.00** (23.00)

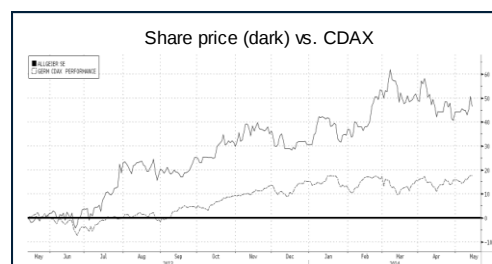
15 May 2014

Preliminary 1Q figures confirmed

- 1Q 2014 report issued:** The **preliminary 1Q figures** published on 28 April **were confirmed**. As already explained in our last update report on Allgeier, the company currently issues two sets of figures due to the imminent sale of its subsidiary Didas Business Services GmbH.
- Figures including discontinued operations (Didas):** Sales increased only slightly by 0.6% to EUR 111.0m in 1Q 2014 (1Q 2013: EUR 110.2m). **EBITDA**, climbed by 6.7% to EUR 5.1m (1Q 2013: EUR 4.8m). **EBIT** reached EUR 2.0m (1Q 2013: EUR 1.8m). **Net income** attributable to shareholders amounted to EUR 0.6m (1Q 2013: EUR 0.5m).
- Figures excluding discontinued operations (Didas):** Sales came in at EUR 100.4m (1Q 2013: EUR 98.6m). **EBITDA** reached EUR 4.8m (1Q 2013: EUR 4.7m). **EBIT** accounted for EUR 1.9m (1Q 2013: EUR 1.9m).
- Unchanged estimates:** As the final 1Q figures held no surprises, we leave our financial estimates unchanged. As already explained in our last update reports on Allgeier, the sale of Didas to Cancom is not closed yet. Nevertheless, we assume that Didas will be sold in any case (if not to Cancom, than to some other party). Currently, we take the LOI with Cancom as a basis for our estimates, assuming the closing at mid-year. We estimate that Allgeier will receive Cancom shares worth about EUR 9.5m in return for Didas, and will realise a profit (discontinued business) from the sale of some EUR 2m. Our financial estimates for 2014-2016 therefore already exclude Didas except for the assumed income from discontinued business in 2014E. On the one hand, this results in lower sales and earnings estimates. On the other hand, we included the assumed value of the Cancom shares in our valuation as a part of non-operating assets and added it to the fair value of Allgeier's operating business.
- Price target and recommendation:** Even though our last valuation update yielded a fair value per share of EUR 24.57, we leave our **price target** unchanged at a lower level of **EUR 23.00** and wait for the closing and publication of the exact terms of the Didas deal. We confirm our **BUY** recommendation.

Y/E Dec 31, EUR m	2012	2013E	2014E	2015E	2016E
Sales	374.8	421.3	463.9	498.7	534.6
EBITDA	23.3	28.0	32.3	35.4	38.9
EBIT	10.6	14.5	20.1	25.5	29.7
Net result	8.8	3.5	12.7	14.3	17.5
EPS (incl. discontinued op.)	1.05	0.42	1.44	1.62	1.99
EPS (from continuing op.)	0.53	0.38	1.17	1.62	1.99
DPS	0.50	0.50	0.50	0.50	0.50
EBITDA margin	6.2%	6.6%	7.0%	7.1%	7.3%
EBIT margin	2.8%	3.4%	4.3%	5.1%	5.6%
EV/EBITDA	9.9	8.3	7.2	6.6	6.0
EV/EBIT	21.9	16.0	11.5	9.1	7.8

Source: CBS Research AG, Allgeier SE



Source: CBS Research, Bloomberg, Allgeier SE

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	-	463.9	-	498.7	-	534.6
EBITDA	-	32.3	-	35.4	-	38.9
EPS	-	1.44	-	1.62	-	1.99

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 4,600 employees and over 1,300 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):	17.53
Shares outstanding (m):	8.8
Market capitalisation (EUR m):	154.7
Enterprise value (EUR m):	231.9
Ø daily trading volume (3 m., no. of shares):	18,970

Performance data:

High 52 weeks (EUR):	19.88
Low 52 weeks (EUR):	11.45
Absolute performance (12 months):	40.8%
Relative performance vs. CDAX:	
1 month	-5.1%
3 months	7.8%
6 months	-2.0%
12 months	9.4%

Shareholders:

Supervisory Board & Management Board:	42%
Own shares:	3%
Institutional investors:	3%
Other free float:	52%

Financial calendar:

Annual General Meeting:	17 June 2014
2Q report:	14 August 2014

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Key data 1Q 2014

	IFRS EURm	Continued and discontinued operations (DIDAS is still normally consolidated)			Only continued operations (DIDAS is included in result from discontinued operations)		
		1Q 2014	1Q 2013	+/-	1Q 2014	1Q 2013	+/-
Sales		111.0	110.2	0.6%	100.4	98.6	1.9%
EBITDA		5.1	4.8	6.7%	4.8	4.7	1.2%
as % of sales		4.6%	4.4%		4.8%	4.8%	
EBIT		2.0	1.8	15.1%	1.9	1.9	-1.2%
as % of sales		0.4%	0.4%		0.5%	0.5%	

Source: CBS Research AG, Allgeier SE

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	463.9	498.7	534.6
YoY growth	22.7%	11.6%	13.0%	n.m.	12.4%	10.1%	7.5%	7.2%
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	464.4	499.2	535.2
Cost of materials	-220.2	-218.8	-225.1	-191.9	-190.3	-215.9	-231.9	-248.3
as % of total output	-58.1%	-51.7%	-47.1%	-51.1%	-45.1%	-46.5%	-46.5%	-46.4%
Gross profit	158.9	204.7	253.1	183.5	231.6	248.4	267.3	286.8
as % of total output	41.9%	48.3%	52.9%	48.9%	54.9%	53.5%	53.6%	53.6%
Personnel expenses	-109.0	-148.4	-185.7	-132.2	-169.7	-180.2	-193.7	-207.4
as % of total output	-28.7%	-35.1%	-38.8%	-35.2%	-40.2%	-38.8%	-38.8%	-38.8%
Other operating income	6.6	7.3	9.2	6.6	8.1	6.0	6.0	6.0
as % of total output	1.7%	1.7%	1.9%	1.8%	1.9%	1.3%	1.2%	1.1%
Other operating expenses	-34.2	-40.0	-46.5	-34.6	-42.1	-42.0	-44.2	-46.6
as % of total output	-9.0%	-9.4%	-9.7%	-9.2%	-10.0%	-9.1%	-8.9%	-8.7%
EBITDA	22.3	23.5	30.1	23.3	28.0	32.3	35.4	38.9
as % of total output	5.9%	5.6%	6.3%	6.2%	6.6%	7.0%	7.1%	7.3%
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%	-2.6%	-2.0%	-1.7%
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	20.1	25.5	29.7
as % of total output	3.2%	2.3%	3.3%	2.8%	3.4%	4.3%	5.1%	5.5%
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	16.1	22.2	27.2
as % of total output	2.5%	1.6%	2.4%	2.0%	2.5%	3.5%	4.4%	5.1%
Taxes on income	-4.2	-2.6	-7.4	-2.8	-7.1	-5.6	-7.8	-9.5
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	10.4	14.4	17.7
Income from discontinued operations/ disposals, net of taxes	-	5.1	-0.3	4.4	0.4	2.4	-	-
Net income of the group	5.3	9.2	3.7	9.2	3.7	12.8	14.4	17.7
as % of total output	1.4%	2.2%	0.8%	2.5%	0.9%	2.8%	2.9%	3.3%
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	12.7	14.3	17.5
Total basic EPS (EUR)	0.52	1.05	0.42	1.05	0.42	1.44	1.62	1.99
EPS from continuing operations	0.52	0.45	0.46	0.53	0.38	1.17	1.62	1.99
Adjusted earnings per share (EUR)*	1.27	1.91	1.63	n/a	n/a	1.77	2.06	2.39

* 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

Balance sheet

	IFRS	EURm	2012	2013	2014E	2015E	2016E
Assets							
Noncurrent assets			145.7	130.9	134.0	130.1	126.5
as % of total assets			50.3%	45.2%	47.7%	50.3%	46.5%
Intangible assets			128.4	117.9	111.4	106.6	101.3
Property, plant and equipment			10.7	10.8	11.6	12.6	14.0
Investments in companies consolidated at equity			0.0	0.1	9.8	10.1	10.3
Deferred taxes			2.0	1.4	0.4	0.0	0.0
Other long-term receivables and assets			4.6	0.7	0.8	0.8	0.8
Current assets			143.9	158.4	146.7	128.8	145.4
as % of total assets			49.7%	54.8%	52.3%	49.7%	53.5%
Inventories			4.9	3.1	3.4	3.6	3.9
Trade receivables			76.4	73.3	78.8	84.7	90.8
Other assets and receivables			23.6	16.8	17.6	18.4	19.1
Cash and cash equivalents			38.9	46.7	46.8	22.0	31.6
Assets held for sale			0.0	18.6	0.0	0.0	0.0
Total assets			289.6	289.3	280.6	258.9	271.9
Shareholders' equity and liabilities							
Shareholders' equity			93.4	94.7	103.4	113.6	127.1
as % of total equity and liabilities			32.3%	32.7%	36.8%	43.9%	46.7%
Subscribed capital			9.1	9.1	9.1	9.1	9.1
Capital reserve			13.3	16.9	16.9	16.9	16.9
Retained earnings			0.1	0.1	0.1	0.1	0.1
Own shares at acquisition cost			-5.5	-2.0	-2.0	-2.0	-2.0
Profit carried forward			62.0	66.6	65.9	74.4	84.5
Net income for the year			8.8	3.5	12.7	14.3	17.5
Changes in equity recognised directly in equity			1.1	-1.9	-1.9	-1.9	-1.9
Minority interests			4.5	2.4	2.6	2.7	2.9
Noncurrent liabilities and deferred income			106.7	92.7	83.4	48.9	48.0
as % of total equity and liabilities			36.9%	32.0%	29.7%	18.9%	17.6%
Noncurrent profit-participation liabilities (PREPS)			0.0	0.0	0.0	0.0	0.0
Noncurrent financial liabilities incl. promissory notes			72.0	70.8	71.1	42.0	42.0
Noncurrent provisions			2.9	2.0	2.2	2.3	2.4
Other noncurrent liabilities (mainly earnout components from company acquisitions)			22.1	12.1	4.1	1.7	1.7
Deferred tax liabilities			9.7	7.7	5.9	2.9	1.9
Current liabilities			89.5	101.9	93.9	96.4	96.9
as % of total equity and liabilities			30.9%	35.2%	33.5%	37.2%	35.6%
Current profit-participation liabilities (PREPS)			0.0	0.0	0.0	0.0	0.0
Current financial liabilities			1.8	4.7	2.0	2.0	2.0
Current provisions			16.5	11.4	12.5	16.2	18.6
Trade accounts payable			33.3	29.4	31.9	34.3	36.7
Other liabilities incl. earnout components from company acquisitions			37.9	45.2	47.4	43.9	39.5
Liabilities relating to assets held for sale			0.0	11.2	0.0	0.0	0.0
Total equity and liabilities			289.6	289.3	280.6	258.9	271.9

Source: CBS Research AG, Allgeier SE

Cash flow statement

	IFRS	EURm	2012	2013	2014E	2015E	2016E
EBIT			10.6	14.5	20.1	25.5	29.7
Depreciation and amortisation			12.8	13.5	12.1	9.9	9.2
Other non-cash income and expenses incl. expenses from additions to provisions			8.3	5.4	8.8	8.7	9.0
Change in non-current provisions			0.2	0.0	0.2	0.1	0.1
Cash taxes paid/received			-4.8	-8.1	-6.6	-7.6	-9.1
Cash flow from changes in working capital			-12.2	-11.7	-9.2	-10.6	-12.0
Cash flow from operating activities			14.8	13.6	25.5	25.9	26.9
Net cash outflows from the purchase and retirement of PP&E and intangible assets			-3.5	-4.3	-6.4	-6.2	-5.3
Payments for the purchase of subsidiaries and for the acquisition of assets and rights			-30.7	-2.3	0.0	0.0	0.0
Purchase price components paid for companies acquired in other periods			-4.2	-3.1	-7.9	-7.7	-5.1
Investments valued at equity (incl. disposals)			0.0	-3.9	0.0	0.0	0.0
Payment balance from the sale of subsidiaries			0.0	4.7	0.0	0.0	0.0
Purchase/sale of bank bonds			-5.0	5.0	0.0	0.0	
Cash flow from investing activities			-43.4	-3.9	-14.3	-13.9	-10.4
Payments for own shares			-0.8	7.1	0.0	0.0	0.0
Net borrowings/retirements of loans and cash flow from promissory notes			50.3	0.8	-2.5	-29.1	0.0
Net cash inflow from ABS programme (assignment of trade receivables)			0.8	0.0	0.0	0.0	0.0
Repayment of profit-participation liabilities			-6.0	0.0	0.0	0.0	0.0
Interests paid and received, net			-2.6	-2.7	-4.3	-3.5	-2.7
Dividends paid			-4.2	-4.2	-4.2	-4.2	-4.2
Purchases of non-controlling interests			-0.8	-2.1	0.0	0.0	0.0
Payments to/from shareholders with non-controlling interests			-0.2	0.0	0.0	0.0	0.0
Cash flow from financing activities			36.6	-1.1	-11.0	-36.8	-6.9
Total change in cash and cash equivalents			8.0	8.6	0.2	-24.8	9.6
Currency-induced changes in cash and cash			0.0	-0.7	0.0	0.0	0.0
Cash and cash equivalents at the start of the period			30.1	38.0	45.9	46.1	21.3
Cash and cash equivalents at the end of the period			38.0	45.9	46.1	21.3	30.8
Bank overdraft			0.9	0.7	0.7	0.7	0.7
Cash and cash equivalents in the balance sheet			38.9	46.7	46.8	22.0	31.6

Source: CBS Research AG, Allgeier SE

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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 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
21 May 2013	BUY	EUR 12.225	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.

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