LB≡BW

Landesbank Baden-Württemberg

INSTITUTIONAL EQUITY RESEARCH | COMPANY ALERT

Company Alert

CANCOM IT Systeme

Results Initial View: Preliminaries beat expectations

COMPANY

CANCOM®

RATING
BUY (UNCHANGED)

TARGET PRICE
6.7 EUR (UNCHANGED)

HIGHLIGHTS

- Sales growth pushed by acquisitions
- Profitability increased strongly
- EPS guidance again increased
- Valuation still very low compared with closest competitor

Cancom announced impressive key figures for the first quarter of the current year. Sales increased by 9% to EUR 115m, whereas the main part is due to consolidation effects. Organic growth should be approx. 3%. However, earnings increased significantly due to top line growth in combination with a lower increase of the cost base. With an EBITDA of EUR 3m Cancom pushed operating earnings by 76.5% compared to Q1/09. We were already optimistic but the announced figures even exceeded our forecast (see table below). Additionally, the management increased the guidance. EPS 2010 is expected to reach 0.60 EUR (old: > 0.50 EUR, LBBWe 0.53 EUR) and EPS 2011e 0.70 EUR (old: > 0.60 EUR, LBBWe: 0.64 EUR). We will update our already optimistic estimates when the full Q1 report will be released.

If we compare the key figures of Cancom with the preliminary Q1 figures of Bechtle then Cancom shows clearly a stronger growth. The same is true for the full year estimates. Taking this into account we believe that a PER of under 10 (2010e) for the Cancom share is by far too low compared with the Bechtle PER of 13.8 (2010e, with old EPS forecast). We do not rule out that Cancom should be traded with a discount compared to Bechtle due to the lower profitability and the weaker balance sheet structure, but a discount of close to 30% is unjustifiable in our view. Therefore, we stick to our buy recommendation.

in EUR m	Q1/2010	LBBW E	Consensus
Sales	115.0	117.00	n.a.
EBIT	2.2	1.26	n.a.
Net profit	n.a.	0.71	n.a.
EPS (in EUR)	n.a.	0.07	n.a.

Source: CANCOM IT Systeme, LBBW Research

+++ **Reuters:** COKG +++ **Bloomberg:** COK GY +++

Current Price (XETRA (Germany); 2010-04-22; 01:10 pm)......5.68 EUR
CLOSING PRICE (2010-04-21):...... 5.40 EUR
EXPECTED PERFORMANCE:......24.1%
MARKET CAPITALIZATION:......56.11 EUR m
ENTERPRISE VALUE:...... 52.78 EUR m
NUMBER OF SHARES:......10.39 m
FREE FLOAT:......78.0 %
INDEX (WEIGHT):......Tech All Share (0.17 %)
AVG. DAILY TRADEVOL.: 98,489
ISIN:......DE0005419105
SECTOR: ...... IT Services

KEY DATA (DEC)	2009	2010E	2011E
Sales (EUR m)	422.5	495.0	519.8
EBITDA (EUR m)	10.4	12.7	14.5
EBIT (EUR m)	7.0	8.9	10.5
Net profit (EUR m)	5.1	5.5	6.7
FCF (EUR m)	3.2	3.1	3.6
FCF yield	7.9 %	5.5 %	6.5 %
EPS (EUR)	0.49	0.53	0.64
DPS (EUR)	0.15	0.25	0.30
EV / Sales (x)	0.1	0.1	0.1
EV / EBITDA (x)	3.6	4.2	3.6
EV / EBIT (x)	5.3	5.9	5.0
P / E (x)	8.0	10.1	8.4
P / BV (x)	0.92	1.17	1.08
Dividend yield	3.8 %	4.6 %	5.6 %

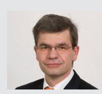
Figures not updated

PRICE PERFORMANCE

Source: CANCOM IT Systeme, LBBW Research, Thomson Reuters

UPCOMING EVENTS

May 12-10	Quarterly report



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Please Note

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LBBW Research Rating-Systematics (absolute share rating system)

Rating definitions:

Buy:	Based on a time horizon of up to 12 months, we recommend that investors buy the stock.
Sell:	Based on a time horizon of up to 12 months, we recommend that investors sell the stock.
Hold:	We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell.
Under review:	The rating is currently updated.
Suspended:	The evaluation of the company is currently not feasible.

Percentage of companies within this rating category

Buy:	49,2%
Sell:	12,6%
Hold:	35,7%
Under review:	1,7%
Suspended:	0,8%

Notes: Rating definitions prior to 6th April, 2009 were:

Buy: The price potential of the share is at least 10%. Hold: The price potential of the share is between 0% and 10%. Sell: A negative price performance of the share is expected. Ratings relate to a time horizon of up to 6 months.

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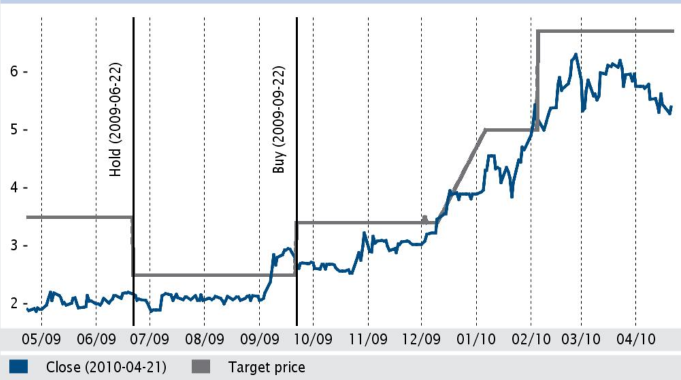
Price and Rating History CANCOM IT Systeme as of 2010-04-22



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