

Buy (old: Buy)

PT EUR 13.50 (old: 13.00)

Price	EUR 9.70
Bloomberg	COK GR
Reuters	COKG
Sector	Software/IT

One of the three largest independent Germany system houses


Share data: 29.07.2011 / Closing price

Market cap:	EUR 101 m
Enterprise Value (EV):	EUR 93.0 m
Book value:	EUR 65.0 m
No. of shares:	10.4 m
Trading volume Ø:	EUR 576 th

Shareholders:

Freefloat	87.8 %
Raymond Kober (Supervisory Board)	2.5 %
Klaus Weinmann (CEO)	1.9 %
Stefan Kober (Supervisory Board)	2.5 %

Calendar:

Figures Q2	08/11/11
Figures Q3	11/10/11

Change	2011E		2012E		2013E	
	old	Δ%	old	Δ%	old	Δ%
Sales	570	-6.3	566	-1.3	591	-1.3
EBIT	17.8	-14.3	17.3	0.7	17.9	3.9
EPS	1.13	0.9	1.12	0.9	1.16	4.3

Analysis:	Warburg Research
Date of publication:	01.08.2011
Analyst:	
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Good Q2 figures / PT raised

CANCOM has published a strong set of Q2 figures.

CANCOM - Q2 2011

Figures in EUR m	Q2/11	Q2/11e	Q2/10	yoy	6M/11	6M/10	yoy
Sales	126.9	143.6	106.5	19.2%	251.5	204.4	23.0%
EBITDA	6.1	4.7	2.8	117.9%	10.8	5.9	83.1%
<i>margin</i>	4.8%	3.3%	2.6%		4.3%	2.9%	
EBIT	2.9	2.9	1.8	61.1%	-3.3	3.7	-
<i>margin</i>	2.3%	2.0%	1.7%		-1.3%	1.8%	

Sources: CANCOM (historical data), Warburg Research (estimates)

Good IT environment: revenues grew by 19.2% yoy to EUR 126.9m and reflect the good economic environment. As a result of the solid operating development of the majority of CANCOM's medium-sized customers (revenue share in excess of 50%) they increasingly invest in IT, thus eliminating the investment backlog built up over the past years.

The deviation of sales from the estimate is mainly due to a change in accounting of Home of Hardware (reported as discontinued operation contrary to expectations). Furthermore, CANCOM has made UK business (revenues of ca. EUR 20m p.a.) available for sale which likewise leads to it being reported as discontinued operation.

Cloud solutions support rise in margins: the noticeable increase in EBITDA does not only reflect the reduced price pressure in the good economic environment but also underpins CANCOM's success in the central provisioning of applications and desktops via the customer's private cloud. This lowers the customer's IT operating costs and reduces the complexity of the IT infrastructure. Within one year CANCOM has roughly quadrupled the number of customers using the AHP private cloud solution.

Growing cloud market potential: CANCOM is presently engaged in various Citrix projects which often are the predecessors for CANCOM's AHP private cloud solution. At the same time, the market potential for the private cloud is increased by the ongoing modernisation cycle, as the centralisation and virtualisation of servers are the basis for CANCOM's private cloud solutions.

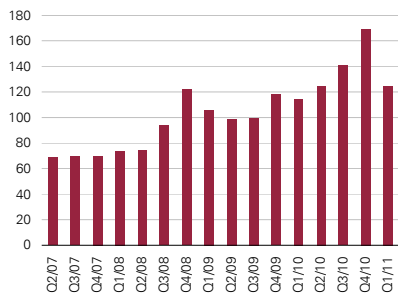
Share of recurring revenues is increased: thanks to the intensified sale of cloud solutions the share of services is also boosted while at the same time the share of recurring revenues is increased. As a result, more than 50% of the gross profit is already recurring. This does not only increase the visibility of earnings but also justifies a higher valuation multiple.

Model adjustment: the model was revised (taking account of the impacts of Home of Hardware and the UK business while simultaneously raising the operating earnings estimates). The final figures are due to be published on August 11.

The PT was increased to EUR 13.50 (old: 13.00). Unchanged: Buy.

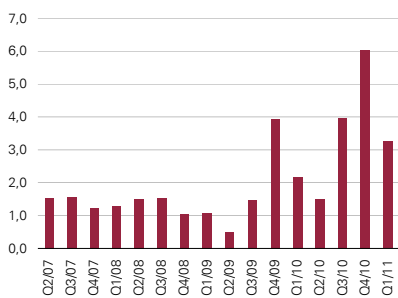
Fiscal year ending: 31.12. in EUR m	2007	2008	2009	2010	2011E	2012E	2013E
Sales	278	364	423	549	534	559	584
<i>Change Sales yoy</i>	4.7 %	31.2 %	16.0 %	30.0 %	-2.8 %	4.6 %	4.5 %
Gross profit	81.0	106	117	148	161	168	176
<i>Gross margin</i>	29.2 %	29.1 %	27.6 %	26.9 %	30.1 %	30.1 %	30.1 %
EBITDA	7.6	8.8	10.4	19.2	22.2	24.5	25.6
<i>EBITDA-margin</i>	2.7 %	2.4 %	2.5 %	3.5 %	4.2 %	4.4 %	4.4 %
EBIT	5.9	5.4	7.0	13.7	15.2	17.5	18.6
<i>EBIT-margin</i>	2.1 %	1.5 %	1.6 %	2.5 %	2.9 %	3.1 %	3.2 %
Net income	4.7	2.7	5.1	7.8	11.7	11.7	12.4
EPS	0.45	0.26	0.49	0.76	1.14	1.13	1.21
Free Cash Flow per share	0.12	0.97	0.58	0.86	0.85	1.02	1.05
Dividend	0.00	0.00	0.15	0.27	0.30	0.35	0.35
<i>Dividend Yield</i>	n.a.	n.a.	1.5 %	2.8 %	3.1 %	3.6 %	3.6 %
EV/Sales	0.4	0.3	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	13.1	11.4	9.7	5.2	4.2	3.5	3.0
EV/EBIT	17.0	18.6	14.4	7.3	6.1	4.8	4.2
PER	21.5	37.3	19.8	12.8	8.5	8.6	8.0
ROCE	11.5 %	9.2 %	10.9 %	18.5 %	17.8 %	18.6 %	18.0 %
Adj. Free Cash Flow Yield	3.6 %	6.0 %	6.1 %	11.8 %	19.3 %	21.3 %	24.4 %

Sales development
in EUR m



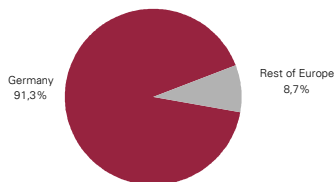
Source: CANCOM

EBIT development
in EUR m



Source: CANCOM

Sales by regions
2010



Source: CANCOM

Company background

CANCOM is the third largest manufacturer-independent system house in Germany.

The range of offers comprises the sale of hardware and software of all major manufacturers as well as IT services. The IT services offered include the conception and integration of IT systems as well as operation of the systems.

The company has more than 2,000 employees at over 30 sites in Germany, Austria and the UK. More than half of the staff is employed in the field of services.

Competitive quality

The German system house market is highly competitive and strongly fragmented. As one of the largest system houses in Germany CANCOM enjoys competitive advantages over mostly smaller market participants...

- ...favourable purchasing conditions.
- ...the broad one-stop offer of products and services.
- ...the presence at more than 30 sites in Germany contributing to the local high service quality.

Acquisitions are part of the company strategy. They help to improve the purchasing conditions and to expand the regional presence and the range of offers.

Consolidated Profit & Loss CANCOM							
in EUR m							
	2007	2008	2009	2010	2011E	2012E	2013E
Sales	278	364	423	549	534	559	584
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.9	0.3	1.0	1.3	0.7	0.8	0.8
Total sales	278	365	423	551	535	559	585
Material Expenses	197	258	307	403	374	391	409
Gross profit	81.0	106	117	148	161	168	176
Personnel expenses	56.3	73.0	82.8	100	110	115	120
Other operating income	1.5	1.7	2.7	3.4	2.1	2.8	2.9
Other operating expenses	18.6	26.1	26.1	31.7	30.4	31.3	33.3
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	7.6	8.8	10.4	19.2	22.2	24.5	25.6
Depreciation of fixed assets	1.2	1.4	2.4	4.2	4.2	4.2	4.2
EBITA	6.4	7.4	7.9	15.0	18.0	20.3	21.4
Amortisation of intangible fixed assets	0.5	1.0	0.9	0.0	2.8	2.8	2.8
Impairment charges and amortisation of goodwill	0.0	1.0	0.1	1.3	0.0	0.0	0.0
EBIT	5.9	5.4	7.0	13.7	15.2	17.5	18.6
Interest income	0.1	0.3	0.2	0.1	0.0	0.0	0.0
Interest expenses	0.8	1.6	1.5	2.1	1.0	0.9	0.9
Financial result	-0.7	-1.3	-1.3	-2.0	-1.0	-0.9	-0.9
Recurring pretax income from cont. operations	5.2	4.0	5.7	11.6	14.3	16.6	17.7
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	5.2	4.0	5.7	11.6	14.3	16.6	17.7
Taxes total	0.0	1.3	0.6	3.7	4.4	4.9	5.2
Net income from continuing operations	5.2	2.8	5.1	7.9	9.9	11.7	12.4
Income from discontinued operations (net of tax)	0.0	-0.1	0.0	0.0	1.8	0.0	0.0
Net income before minorities	5.2	2.7	5.1	7.9	11.7	11.7	12.4
Minority interest	0.5	0.0	0.0	0.1	0.0	0.0	0.0
Net income	4.7	2.7	5.1	7.8	11.7	11.7	12.4

Sources: CANCOM (historical data), Warburg Research (forecasts)

Consolidated Profit & Loss CANCOM							
in % of Sales							
	2007	2008	2009	2010	2011E	2012E	2013E
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase / decrease in inventory	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Own work capitalised	0.3 %	0.1 %	0.2 %	0.2 %	0.1 %	0.1 %	0.1 %
Total sales	100.3 %	100.1 %	100.2 %	100.2 %	100.1 %	100.1 %	100.1 %
Material Expenses	71.1 %	70.9 %	72.6 %	73.4 %	70.1 %	70.1 %	70.0 %
Gross profit	29.2 %	29.1 %	27.6 %	26.9 %	30.1 %	30.1 %	30.1 %
Personnel expenses	20.3 %	20.1 %	19.6 %	18.2 %	20.6 %	20.6 %	20.6 %
Other operating income	0.6 %	0.5 %	0.6 %	0.6 %	0.4 %	0.5 %	0.5 %
Other operating expenses	6.7 %	7.2 %	6.2 %	5.8 %	5.7 %	5.6 %	5.7 %
Unfrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITDA	2.7 %	2.4 %	2.5 %	3.5 %	4.2 %	4.4 %	4.4 %
Depreciation of fixed assets	0.5 %	0.4 %	0.6 %	0.8 %	0.8 %	0.8 %	0.7 %
EBITA	2.3 %	2.0 %	1.9 %	2.7 %	3.4 %	3.6 %	3.7 %
Amortisation of intangible fixed assets	0.2 %	0.3 %	0.2 %	0.0 %	0.5 %	0.5 %	0.5 %
Impairment charges and amortisation of goodwill	0.0 %	0.3 %	0.0 %	0.2 %	0.0 %	0.0 %	0.0 %
EBIT	2.1 %	1.5 %	1.7 %	2.5 %	2.9 %	3.1 %	3.2 %
Interest income	0.1 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest expenses	0.3 %	0.4 %	0.4 %	0.4 %	0.2 %	0.2 %	0.2 %
Financial result	-0.3 %	-0.4 %	-0.3 %	-0.4 %	-0.2 %	-0.2 %	-0.2 %
Recurring pretax income from cont. operations	1.9 %	1.1 %	1.3 %	2.1 %	2.7 %	3.0 %	3.0 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBT	1.9 %	1.1 %	1.3 %	2.1 %	2.7 %	3.0 %	3.0 %
Taxes total	0.0 %	0.4 %	0.1 %	0.7 %	0.8 %	0.9 %	0.9 %
Net income from continuing operations	1.9 %	0.8 %	1.2 %	1.4 %	1.9 %	2.1 %	2.1 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.3 %	0.0 %	0.0 %
Net income before minorities	1.9 %	0.7 %	1.2 %	1.4 %	2.2 %	2.1 %	2.1 %
Minority interest	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	1.7 %	0.7 %	1.2 %	1.4 %	2.2 %	2.1 %	2.1 %

Sources: CANCOM (historical data), Warburg Research (forecasts)

Balance sheet CANCOM

in EUR m

	2007	2008	2009	2010	2011E	2012E	2013E
Assets							
Intangible assets	25.7	28.3	31.5	42.5	42.7	43.1	43.8
thereof other intangible assets	3.8	4.5	6.7	18.9	19.1	19.5	20.2
thereof Goodwill	21.9	23.8	24.8	23.7	23.7	23.7	23.7
Property, plant and equipment	3.0	5.4	6.5	9.7	9.8	9.6	9.4
Financial assets	0.6	1.1	1.0	3.3	3.3	3.3	3.3
Fixed assets	29.3	34.8	39.1	55.5	55.8	56.0	56.5
Inventories	9.5	11.2	13.6	14.1	13.5	14.1	14.8
Accounts receivable	39.3	44.2	47.2	68.0	64.4	67.3	70.4
Other Assets	10.6	12.2	9.2	8.4	8.4	8.4	8.4
Liquid assets	11.8	18.3	25.8	31.5	31.8	40.3	47.6
Current assets	71.1	85.8	95.9	122	118	130	141
Total assets	100	121	135	177	174	186	198
Liabilities and shareholders' equity							
Subscribed capital	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Additional paid-in capital	15.4	15.4	15.4	15.9	15.9	15.9	15.9
Surplus capital	10.7	13.4	18.5	24.8	33.7	42.3	51.1
Other equity components	-0.3	-0.3	-0.4	-0.1	5.0	5.8	5.8
Book value	36.3	38.9	43.9	50.9	65.0	74.3	83.2
Minority Interest	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Total equity	36.3	38.9	43.9	51.0	65.0	74.4	83.3
Provision for pensions and similar obligations	0.2	0.2	0.0	0.1	0.0	0.0	0.0
Provisions	8.1	3.3	4.4	3.3	3.2	3.2	3.2
Financial liabilities	19.6	22.1	22.3	30.6	24.0	24.0	24.0
Accounts payable	30.0	39.3	47.9	64.4	57.1	59.7	62.4
Other liabilities	6.5	17.1	16.5	28.1	24.6	24.8	24.8
Liabilities	64.2	81.8	91.0	126	109	112	114
Total liabilities and shareholders' equity	100	121	135	177	174	186	198

Sources: CANCOM (historical data), Warburg Research (forecasts)

Balance sheet CANCOM

in % of Balance Sheet Total

	2007	2008	2009	2010	2011E	2012E	2013E
Assets							
Intangible assets	25.6 %	23.5 %	23.4 %	24.0 %	24.6 %	23.2 %	22.2 %
thereof other intangible assets	3.8 %	3.8 %	5.0 %	10.6 %	11.0 %	10.5 %	10.2 %
thereof Goodwill	21.8 %	19.7 %	18.4 %	13.4 %	13.6 %	12.7 %	12.0 %
Property, plant and equipment	3.0 %	4.5 %	4.8 %	5.5 %	5.6 %	5.2 %	4.7 %
Financial assets	0.6 %	0.9 %	0.7 %	1.8 %	1.9 %	1.8 %	1.7 %
Fixed assets	29.2 %	28.9 %	29.0 %	31.3 %	32.1 %	30.1 %	28.6 %
Inventories	9.5 %	9.3 %	10.1 %	7.9 %	7.8 %	7.6 %	7.5 %
Accounts receivable	39.2 %	36.6 %	35.0 %	38.3 %	37.0 %	36.2 %	35.6 %
Other Assets	10.5 %	10.1 %	6.9 %	4.7 %	4.8 %	4.5 %	4.2 %
Liquid assets	11.7 %	15.2 %	19.2 %	17.7 %	18.3 %	21.7 %	24.1 %
Current assets	70.9 %	71.1 %	71.1 %	68.8 %	67.9 %	69.9 %	71.4 %
Total assets	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Liabilities and shareholders' equity							
Subscribed capital	10.4 %	8.6 %	7.7 %	5.9 %	6.0 %	5.6 %	5.3 %
Additional paid-in capital	15.4 %	12.8 %	11.5 %	9.0 %	9.2 %	8.6 %	8.0 %
Surplus capital	10.7 %	11.1 %	13.7 %	14.0 %	19.4 %	22.7 %	25.9 %
Other equity components	-0.3 %	-0.3 %	-0.3 %	-0.1 %	2.9 %	3.1 %	2.9 %
Book value	36.1 %	32.3 %	32.5 %	28.7 %	37.4 %	40.0 %	42.1 %
Minority Interest	0.0 %	0.0 %	0.0 %	0.1 %	0.1 %	0.1 %	0.0 %
Total equity	36.1 %	32.2 %	32.5 %	28.8 %	37.4 %	40.0 %	42.1 %
Provision for pensions and similar obligations	0.2 %	0.1 %	0.0 %	0.1 %	0.0 %	0.0 %	0.0 %
Provisions	8.0 %	2.7 %	3.2 %	1.9 %	1.9 %	1.7 %	1.6 %
Financial liabilities	19.5 %	18.3 %	16.6 %	17.2 %	13.8 %	12.9 %	12.1 %
Accounts payable	29.9 %	32.5 %	35.5 %	36.3 %	32.8 %	32.1 %	31.6 %
Other liabilities	6.5 %	14.1 %	12.2 %	15.9 %	14.2 %	13.3 %	12.6 %
Liabilities	63.9 %	67.7 %	67.5 %	71.3 %	62.6 %	60.0 %	57.9 %
Total liabilities and shareholders' equity	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Sources: CANCOM (historical data), Warburg Research (forecasts)

Statement of Cash Flows CANCOM

in EUR m

	2007	2008	2009	2010	2011E	2012E	2013E
Net income	5.2	3.0	5.6	11.6	11.7	11.7	12.4
Depreciation of fixed assets	1.2	1.4	2.4	4.2	4.2	4.2	4.2
Amortisation of goodwill	0.0	1.0	0.1	1.3	0.0	0.0	0.0
Amortisation of intangible assets	0.5	1.0	0.9	0.0	2.8	2.8	2.8
Increase/decrease in long-term provisions	0.0	0.7	-0.2	0.3	-0.1	0.0	0.0
Other costs affecting income / expenses	-0.8	-0.3	-0.9	-1.0	0.0	0.0	0.0
Cash Flow	6.1	6.9	7.8	16.4	18.7	18.7	19.4
Increase / decrease in inventory	1.9	0.9	-0.9	0.3	0.6	-0.6	-0.7
Increase / decrease in accounts receivable	-4.8	4.4	0.8	-15.2	3.6	-2.9	-3.1
Increase / decrease in accounts payable	2.7	4.3	2.7	17.1	-7.3	2.6	2.7
Increase / decrease in other working capital positions	-0.7	-3.4	0.2	-1.7	0.0	0.0	0.0
Increase / decrease in working capital	-0.9	6.2	2.9	0.5	-3.1	-0.9	-1.1
Cash flow from operating activities	5.2	13.1	10.7	16.9	15.5	17.8	18.3
CAPEX	-3.9	-3.0	-4.7	-8.1	-6.8	-7.2	-7.5
Payments for acquisitions	-4.5	-3.0	1.4	-9.7	-1.0	0.0	0.0
Financial investments	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	3.7	4.8	0.7	0.5	2.0	1.0	0.1
Cash flow from investing activities	-4.7	-1.2	-2.6	-17.3	-5.8	-6.2	-7.4
Change in financial liabilities	4.8	-4.4	0.3	8.3	-6.6	0.0	0.0
Dividends paid	0.0	0.0	0.0	-1.6	-2.8	-3.1	-3.6
Purchase of own shares	0.0	0.0	-0.2	0.6	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.8	-0.1	-1.2	-1.5	0.0	0.0	0.0
Cash flow from financing activities	4.0	-4.5	-1.1	5.9	-9.4	-3.1	-3.6
Change in liquid funds	4.5	7.4	6.9	5.5	0.3	8.5	7.3
Effects of exchange rate changes on cash	0.0	-0.3	0.0	0.1	0.0	0.0	0.0
Liquid assets at end of period	11.8	18.9	25.8	31.5	31.8	40.3	47.6

Sources: CANCOM (historical data), Warburg Research (forecasts)

Financial Ratios CANCOM

	2007	2008	2009	2010	2011E	2012E	2013E
Operational Efficiency							
Total Operating Costs / Sales	97.6 %	97.7 %	97.8 %	96.7 %	96.0 %	95.8 %	95.8 %
Sales per Employee	221,966	229,312	237,748	267,949	248,372	253,893	259,422
EBITDA per Employee	6,084	5,511	5,830	9,360	10,337	11,120	11,359
EBIT-margin	2.1 %	1.5 %	1.6 %	2.5 %	2.9 %	3.1 %	3.2 %
EBITDA / Operating Assets	36.2 %	44.7 %	56.6 %	74.3 %	76.5 %	82.2 %	83.4 %
ROA	16.0 %	7.7 %	13.0 %	14.1 %	21.0 %	20.9 %	22.0 %
Efficiency of Capital Employment							
Plant Turnover	91.9	67.4	64.7	56.8	54.6	58.3	62.2
Operating Assets Turnover	13.2	18.6	23.1	21.3	18.4	18.8	19.0
Capital Employed Turnover	5.0	5.9	6.4	6.7	6.0	5.7	5.4
Return on Capital							
ROCE	11.5 %	9.2 %	10.9 %	18.5 %	17.8 %	18.6 %	18.0 %
EBITDA / Avg. Capital Employed	14.8 %	14.9 %	16.3 %	25.9 %	26.0 %	26.1 %	24.9 %
ROE	12.9 %	6.9 %	11.5 %	15.3 %	18.0 %	15.7 %	15.0 %
Net Profit / Avg. Equity	13.4 %	7.2 %	12.2 %	16.5 %	20.2 %	16.7 %	15.8 %
Recurring Net Profit / Avg. Equity	15.0 %	7.3 %	12.3 %	16.7 %	17.1 %	16.7 %	15.8 %
ROIC	8.1 %	4.1 %	6.8 %	8.3 %	10.0 %	10.8 %	10.6 %
Solvency							
Net Debt	7.8	3.9	-3.5	-0.9	-7.9	-16.4	-23.7
Net Gearing	21.5 %	9.9 %	-8.0 %	-1.8 %	-12.1 %	-22.0 %	-28.4 %
Book Value of Equity / Book Value of Debt	185.2 %	175.8 %	196.4 %	166.9 %	271.6 %	310.7 %	347.6 %
Current ratio	1.8	1.4	1.4	1.2	1.3	1.4	1.5
Acid Test Ratio	1.3	1.1	1.1	1.1	1.1	1.2	1.3
EBITDA / Interest Paid	9.0	5.6	7.1	9.1	23.4	27.2	28.4
Interest Cover	8.4	4.3	5.3	6.9	16.0	19.4	20.6
Cash Flow							
Free Cash Flow	1.2	10.1	6.0	8.8	8.7	10.6	10.8
Free Cash Flow / Sales	0.5 %	2.8 %	1.4 %	1.6 %	1.6 %	1.9 %	1.9 %
Adj. Free Cash Flow	3.6	6.0	6.1	11.8	17.9	18.0	18.8
Adj. Free Cash Flow / Sales	1.2 %	0.9 %	1.0 %	1.1 %	2.0 %	2.2 %	2.2 %
Free Cash Flow / Net Profit	26.7 %	374.7 %	118.4 %	113.1 %	74.6 %	90.6 %	87.1 %
Interest Received / Avg. Cash	1.5 %	2.0 %	0.7 %	0.5 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	5.2 %	7.5 %	6.6 %	8.0 %	3.5 %	3.8 %	3.8 %
Dividend Payout Ratio	0.0 %	0.0 %	30.5 %	35.3 %	31.2 %	30.9 %	29.0 %
Fund Management							
Investment ratio	1.4 %	0.8 %	1.1 %	1.5 %	1.3 %	1.3 %	1.3 %
Maint. Capex / Sales	1.3 %	0.7 %	1.0 %	1.3 %	1.1 %	1.2 %	1.2 %
Capex / Dep	222.3 %	87.6 %	136.9 %	146.3 %	97.1 %	102.9 %	107.1 %
Avg. Working Capital / Sales	6.5 %	4.4 %	3.1 %	2.5 %	3.3 %	3.5 %	3.6 %
Trade Creditors / Trade Debtors	131.1 %	112.5 %	98.6 %	105.6 %	112.8 %	112.7 %	112.8 %
Inventory turnover (days)	12.5	11.2	11.7	9.4	9.2	9.2	9.2
Receivables collection period (DSOs)	51.7	44.3	40.8	45.2	44.0	44.0	44.0
Payables collection period (days)	39.4	39.3	41.3	42.8	39.0	39.0	39.0
Cash conversion cycle (days)	23.7	14.2	10.2	10.7	13.2	13.2	13.3
Valuation							
Dividend Yield	n.a.	n.a.	1.5 %	2.8 %	3.1 %	3.6 %	3.6 %
P/B	2.8	2.6	2.3	2.0	1.5	1.4	1.2
EV/sales	0.4	0.3	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	13.1	11.4	9.7	5.2	4.2	3.5	3.0
EV/EBIT	17.0	18.6	14.4	7.3	6.1	4.8	4.2
EV/FCF	80.1	9.9	16.7	11.3	10.6	8.0	7.1
P/E	21.5	37.3	19.8	12.8	8.5	8.6	8.0
P/CF	16.6	14.7	13.0	6.1	5.4	5.4	5.2
Adj. Free Cash Flow Yield	6.1 %	6.9 %	7.8 %	16.4 %	20.1 %	22.1 %	25.2 %

Sources: CANCOM (historical data), Warburg Research (forecasts)

Free Cash Flow Yield - CANCOM

Figures in EUR m

	2007	2008	2009	2010	2011e	2012e	2013e
Net Income	4.7	2.7	5.1	7.8	11.7	11.7	12.4
+ Depreciation + Amortisation	1.7	3.4	3.4	5.5	7.0	7.0	7.0
- Net Interest Income	-0.7	-1.3	-1.3	-2.0	-1.0	-0.9	-0.9
+ Taxes	0.0	1.3	0.6	3.7	4.4	4.9	5.2
- Maintenance Capex	3.5	2.7	4.2	7.3	6.1	6.5	6.8
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Adjusted Free Cash Flow	3.6	6.0	6.1	11.8	17.9	18.0	18.8
Adjusted Free Cash Flow Yield	3.6%	6.0%	6.1%	11.8%	19.3%	21.3%	24.4%
Hurdle rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
= Enterprise Value	100.0	100.0	100.0	100.0	93.0	84.5	77.2
= Fair Enterprise Value	35.6	60.3	61.2	118.4	179.0	179.8	188.1
- Net Debt (Cash)	-0.9	-0.9	-0.9	-0.9	-7.9	-16.3	-23.7
- Pension Liabilities	0.1	0.1	0.1	0.1	0.0	0.0	0.0
- Others	0.1	0.1	0.1	0.1	0.1	0.1	0.1
= Fair Market Capitalisation	36.4	61.1	62.0	119.1	186.8	196.1	211.6
No. of shares (m)	10.4	10.4	10.4	10.4	10.4	10.4	10.4
= Fair value per share (EUR)	3.50	5.88	5.97	11.46	17.98	18.87	20.37
premium (-) / discount (+) in %	-63.9%	-39.4%	-38.5%	18.3%	85.4%	94.6%	110.1%

Sensitivity Fair value per Share (EUR)

	13.0%	12.0%	11.0%	10.0%	9.0%	8.0%	7.0%
Hurdle rate	2.71	2.93	3.19	3.50	3.88	4.35	4.97
	4.54	4.91	5.35	5.88	6.52	7.33	8.36
	4.61	4.98	5.43	5.97	6.62	7.44	8.49
	8.84	9.57	10.43	11.46	12.73	14.31	16.35
	14.00	15.11	16.41	17.98	19.89	22.28	25.36
	14.88	15.99	17.30	18.87	20.79	23.20	26.29
	16.19	17.35	18.72	20.37	22.38	24.89	28.13

Sources: CANCOM (historical data), Warburg Research (estimates)

DCF Model - CANCOM

Figures in EUR m

	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Sales	534.0	558.6	583.7	604.1	624.2	643.9	663.3	682.2	700.6	718.7	736.2	753.3	768.4	783.8
Change	-2.8%	4.6%	4.5%	3.5%	3.3%	3.2%	3.0%	2.9%	2.7%	2.6%	2.4%	2.3%	2.0%	2.0%
EBIT	15.2	17.5	18.6	18.1	18.4	18.6	18.7	18.9	19.0	19.1	19.2	19.2	19.2	19.6
EBIT-Margin	2.9%	3.1%	3.2%	3.0%	2.9%	2.9%	2.8%	2.8%	2.7%	2.7%	2.6%	2.6%	2.5%	2.5%
Tax rate	30.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
NOPAT	10.6	12.3	13.1	12.8	12.9	13.1	13.2	13.3	13.4	13.5	13.5	13.6	13.5	13.8
Depreciation	7.0	7.0	7.0	4.2	4.4	4.5	4.6	4.8	4.9	5.0	5.2	5.3	5.4	5.5
in % of Sales	1.3%	1.3%	1.2%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Change in Liquidity from														
- Working Capital	-3.1	-0.9	-1.1	2.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5
- Capex	-6.8	-7.2	-7.5	-4.2	-4.4	-4.5	-4.6	-4.8	-4.9	-5.0	-5.2	-5.3	-5.4	-5.5
Capex in % of Sales	1.3%	1.3%	1.3%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Other	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (WACC-Model)	7.6	11.2	11.5	15.3	12.3	12.5	12.6	12.7	12.8	12.9	13.0	13.0	13.1	13.3

Model parameter

Debt ratio	17.00%	Beta	1.30
Costs of Debt	4.0%	WACC	9.19%
Market return	9.00%		
Risk free rate	4.00%	Terminal Growth	2.00%

Valuation (mln)

Present values 2024e	93.0		
Terminal Value	54.1		
Liabilities	-30.6		
Liquidity	26.5	No. of shares (mln)	10.39
Equity Value	143.0	Value per share (EUR)	13.76

Sensitivity Value per Share (EUR)

Terminal Growth

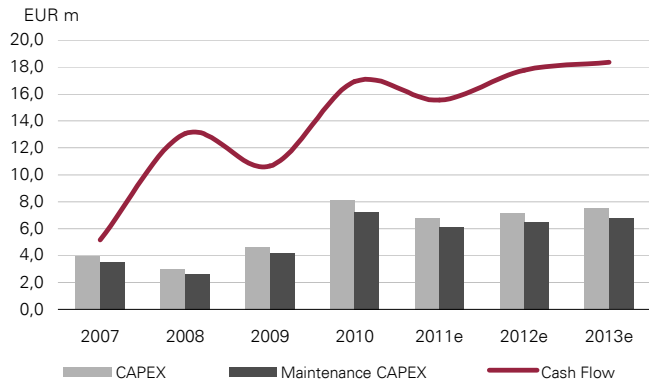
WACC	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
10.19%	11.73	11.84	11.95	12.07	12.20	12.33	12.47
9.69%	12.45	12.58	12.72	12.86	13.01	13.18	13.35
9.44%	12.85	12.99	13.14	13.29	13.46	13.65	13.84
9.19%	13.27	13.42	13.58	13.76	13.95	14.15	14.37
8.94%	13.71	13.88	14.06	14.26	14.46	14.69	14.93
8.69%	14.19	14.38	14.57	14.79	15.02	15.27	15.54
8.19%	15.24	15.47	15.72	15.98	16.27	16.59	16.93

Delta EBIT-margin

WACC	-1.5 pp	-1.0 pp	-0.5 pp	0.0	+0.5 pp	+1.0 pp	+1.5 pp
10.19%	4.84	7.25	9.66	12.07	14.48	16.89	19.30
9.69%	5.15	7.72	10.29	12.86	15.43	18.00	20.57
9.44%	5.32	7.98	10.64	13.29	15.95	18.61	21.27
9.19%	5.50	8.25	11.01	13.76	16.51	19.26	22.02
8.94%	5.70	8.55	11.40	14.26	17.11	19.96	22.81
8.69%	5.91	8.87	11.83	14.79	17.75	20.71	23.67
8.19%	6.37	9.58	12.78	15.98	19.19	22.39	25.60

Source: Warburg Research

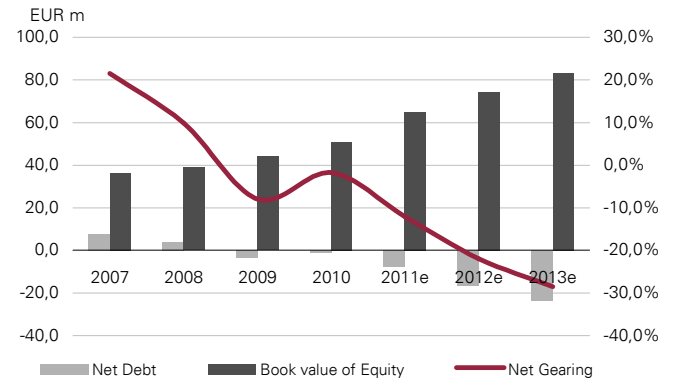
CAPEX and Cash Flow - CANCOM



Sources: CANCOM (historical data), Warburg Research (forecasts)

- 2007: asset deals make CAPEX rise
- CAPEX expected to be only slightly higher than maintenance capex

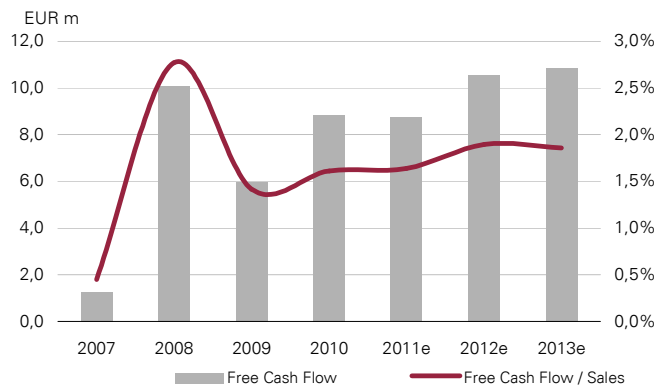
Balance Sheet Quality - CANCOM



Sources: CANCOM (historical data), Warburg Research (forecasts)

- In spite of numerous acquisitions: low net debt leaving head room...
- ...for inorganic growth

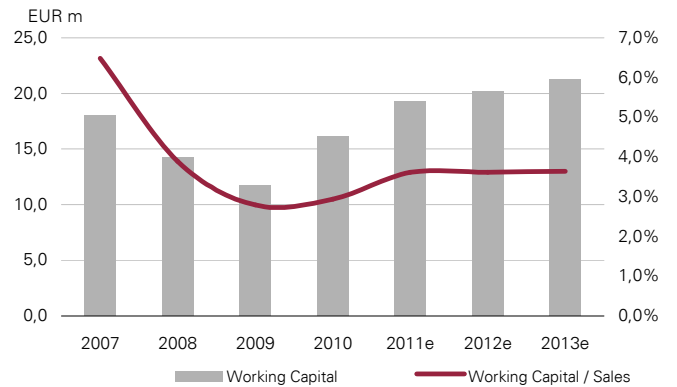
Free Cash Flow Generation - CANCOM



Sources: CANCOM (historical data), Warburg Research (forecasts)

- Ups and downs in FCF in particular due to...
- ...ups and downs in working capital

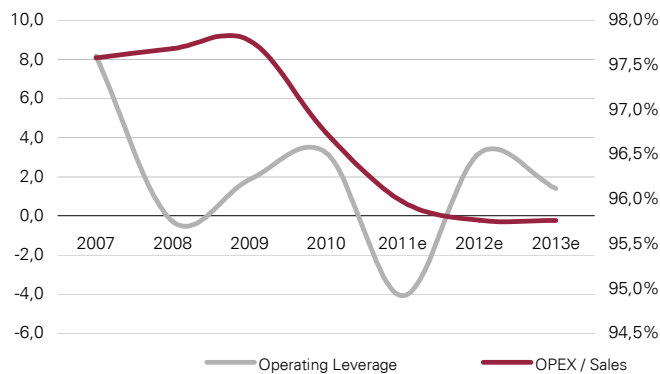
Working Capital - CANCOM



Sources: CANCOM (historical data), Warburg Research (forecasts)

- Capital mainly tied to working capital
- Risen share of services has reduced working capital ratio

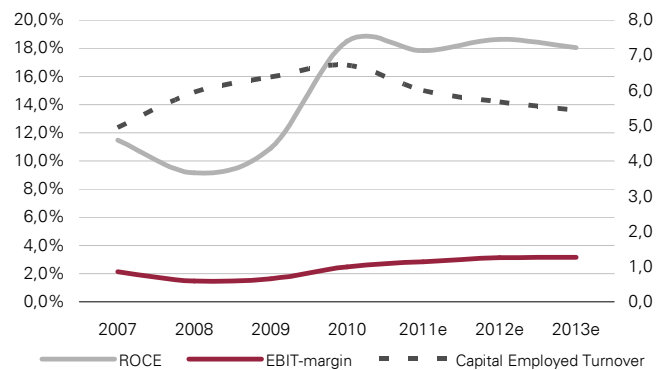
Operating Leverage - CANCOM



Sources: CANCOM (historical data), Warburg Research (forecasts)

- 2004-2007: continuous decline in operating expenses ratio...
- ...saw a reversal in 2009 caused by crisis

ROCE Development - CANCOM



Sources: CANCOM (historical data), Warburg Research (forecasts)

- Economies of scale contribute to ROCE being above cost of capital

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- B **Buy**: The price of the analysed equity security is expected to rise over the next 12 months.
- H **Hold**: The price of the analysed equity security is expected to remain mostly flat over the next 12 months.
- S **Sell**: The price of the analysed equity security is expected to fall over the next 12 months.
- “-“ **Rating suspended**: The available information does not currently permit an evaluation of the company.

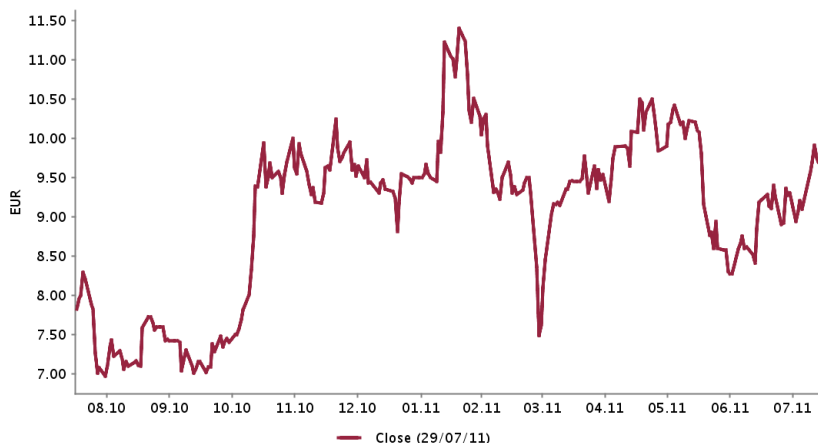
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Rating	Number of stocks	% of Universe
Buy	121	68%
Hold	50	28%
Sell	6	3%
Rating suspended	1	1%
Total	178	

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Rating	Number of stocks	% of Universe
Buy	106	71%
Hold	40	27%
Sell	3	2%
Rating suspended	1	1%
Total	150	

Price and Rating History
CANCOM IT Systeme AG as of 01/08/11



The charts have markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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