

# All for One Steeb AG

May 26, 2015

## Basic Report

### Analyst

Daniel Großjohann,  
+49 69 71 91 838 -42  
Daniel.Großjohann@bankm.de

### Evaluation Result

**NEUTRAL**

(previous: Neutral)

### Fair Value

**€ 51.65**

(previous: € 30.75)



**BankM Research on Bloomberg, Thomson/Reuters, Factset, CapitalIQ and www.BankM.de**

## SAP transformation creates additional upside potential

In purely organic terms, All for One Steeb AG grew by 10% in the first six months of 2014/15, thereby expanding its EBIT margin to 8.5% (previous year: 6.8%), and thus continuing its impressive development in recent years. This performance was a result of the company's targeted acquisition strategy and the expansion of its range of services, also in the wake of the new developments at SAP (e.g. SAP HANA). In our view, 2014/15 is likely to be a year of investments which will generate further growth in sales revenues in the high single-digit percentage range. Most recently, All for One Steeb reinforced its technology consulting business in the wholesale customers segment by means of a further acquisition. The EBIT margin should improve slightly over the course of the current financial year, with this margin growth also continuing into 2015/2016 as a result of changes in the company's product mix and economies of scale. Our recommendation for the share is "hold" (in spite the more than 45% rise in the share price since the beginning of the year). At the present time, the DCF evaluation (€ 58.91) in particular indicates even further potential for growth.

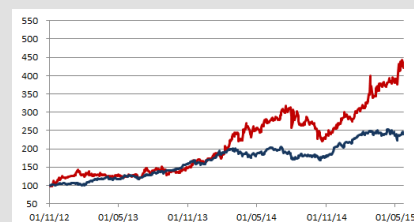
- As a result of its close relationship with SAP, All for One Steeb will be involved in the latter's transformation to a particularly large extent. The new talking points (mobile, BI, SAP HANA, cloud) are already in demand and in use among midmarket companies - however, we believe that this development will gain even greater impetus in the years to come. In addition, All41S is using its wholesale customers business to establish a strong reputation in the context of the new SAP solutions.
- Finally, All for One Steeb increased the share of its overall sales revenues represented by recurring revenues to 45% in the first six months of 2014/15. This underlying basis comprising software maintenance revenues and managed (cloud) services endows the business model with a certain stability and reduces the significance of the volatile licensing and consulting business.
- All for One Steeb's expansion of its range of services will further increase its chances of becoming the first point of contact in IT matters for the midmarket segment (one-stop-shopping concept). The trend towards decentralisation of IT budgets means that specialist departments (such as personnel departments) are now also potential customers, and All for One Steeb intends to exploit these opportunities to a greater extent.
- Outlook:** All for One Steeb expects to realise sales revenues of some € 240 mln and EBIT of between € 16 mln and € 17 mln in the 2014/15 financial year. This would represent a rate of growth of approximately 10%, with an EBIT margin of between 6.7% and 7.0% (2013/14: 6.2%).

### Earnings figures

Year	Sales (mln €)	EBITDA (mln €)	EBIT (mln €)	EBT (mln €)	adj. net (mln €)	adj. EPS (€)	DPS (€)	EBIT- Margin	Net- Margin
2012/13	186.3	16.8	10.5	8.8	4.8	0.99	0.50	5.6%	2.6%
2013/14	217.2	20.5	13.5	12.0	8.1	1.62	0.70	6.2%	3.7%
2014/15e	240.3	24.2	16.5	15.0	9.8	1.97	0.80	6.9%	4.1%
2015/16e	258.3	27.2	18.6	17.2	11.3	2.27	0.86	7.2%	4.4%
2016/17e	271.2	29.8	20.9	19.6	12.9	2.58	0.99	7.7%	4.7%

Source: All for One Steeb AG, BankM-Research

<b>Sector</b>	IT-Services		
<b>WKN</b>	511000		
<b>ISIN</b>	DE0005110001		
<b>Bloomberg/Reuters</b>	A10S GY/A 10S.DE		
<b>Accounting standard</b>	IFRS		
<b>Financial year</b>	30.09		
<b>Q3 2014/15</b>	Aug. 6, 2015		
<b>Market segment</b>	Regulated Market		
<b>Transparency standard</b>	Prime Standard		
<b>Financial ratios</b>	<b>14/15e</b>	<b>15/16e</b>	<b>16/17e</b>
EV/Sales	1.05	0.98	0.93
EV/EBITDA	10.44	9.30	8.48
EV/EBIT	15.37	13.60	12.11
P/E adj.	24.61	21.41	18.79
Price/Bookvalue	4.50	3.96	3.47
Price/FCF	16.81	14.70	13.29
ROE (in %)	19.22	19.0	19.0
Dividend yield (in %)	165	1.8	2.0
<b>Number of shares outs.</b> (in mln)	4.982		
<b>MarketCap / EV</b> (in €mln)	173/192		
<b>Free float</b> (in %)	24.0		
<b>Ø daily trading vol.</b> (3M, in €)	98,816		
<b>12M high / low</b> (in €XETRA-close)	52.50/24.55		
<b>Price May 22, 2015</b> (in €XETRA-close)	48.50		
<b>Performance</b>	<b>1M</b>	<b>6M</b>	<b>12M</b>
absolute (in %)	12%	64%	55%
relative (in %)	15%	40%	24%
<b>Benchmark index</b>	DAX-Subsector IT-Services		



All for One Steeb AG (XETRA) red/light compared to DAXsubsector IT/Services (blue/dark); Source: Deutsche Börse AG

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# All for One Steeb AG

May 26, 2015

Investment Case - 3/33 -

## Investment Case

From the perspective of investors, All for One Steeb AG is a company which in recent years has demonstrated the successful implementation of its buy-and-build strategy, as well as above-average organic growth as compared to the rest of the market and continuous expansion of margins, the latter development having been driven by, among other things, the targeted diversification of the Outsourcing Services business (including software maintenance), which generates revenues of a recurring nature. The increase in the share of overall sales represented by recurring revenues has furthermore had the effect of endowing the business model with a certain stability in the face of cyclical fluctuations, even though the volatile licensing business continues to have an impact on margins.

We continue to believe that the underlying trends are still prevailing. The ongoing consolidation among IT service providers has created favourable conditions for strategic acquisitions in the future. The fact that it has the largest midmarket SAP customer base within the DACH region (comprising Germany (D), Austria (A) and Switzerland (CH)) will enable All for One Steeb to continue to increase its scalable and strategically important outsourcing / managed cloud services revenues in the years to come and thus to expand its operating margins.

SAP's In Memory platform SAP HANA has had a highly dynamic impact on the market, with this global market leader taking on the role of innovative pioneer and attempting to use disruptive technologies not only to drive forward the process of digital transformation but also to reorganise the market for business software. In particular, this transformation represents a major opportunity for All for One Steeb, as SAP's largest partner in this context, to massively expand its business activities involving its existing customer base and at the same time to tap into new customer segments. All for One Steeb established a reputation for itself with regard to the new talking points (SAP HANA, cloud, mobile) at an early stage (also in its dealings with large corporations) and reinforced its management and technology consulting service offering for its wholesale customers business by acquiring a majority shareholding in Grandconsult DEXINA GmbH. Given that the use of new technologies is often initially confined to large corporations before also becoming widespread in the midmarket segment, we anticipate that All for One Steeb may experience a boom over the medium term in this regard.

The cloud/SaaS trend has also resulted in IT budgets becoming more decentralised, i.e. specialist departments now have separate IT budgets at their disposal, and All for One Steeb intends to focus more strongly on this target group. In addition, the company is gradually broadening its range of services – to include, for example, WEBMAXX (managed services within the Microsoft environment). All for One Steeb is thus developing from a SAP full service provider into an IT full service provider, without thereby weakening its core brands.

On the basis of the DCF evaluation, the All for One Steeb clearly has potential for a further appreciation in value. Forward-looking investments will to some extent have an initially countervailing effect on margin potential in 2015; on the other hand, widespread use of the new SAP technologies by midmarket companies has yet to materialise. We are of the opinion that All for One Steeb remains firmly on track and will experience further dynamic growth over the medium term, such that we recommend the purchase of additional shares in the event of any fall in the share price.

**Above-average growth, expansion of the basis for recurring revenues and improved margins ...**

**... are also set to continue over the medium term.**

**Further opportunities presented by the SAP transformation, ...**

**... new target groups and non-SAP-related issues**

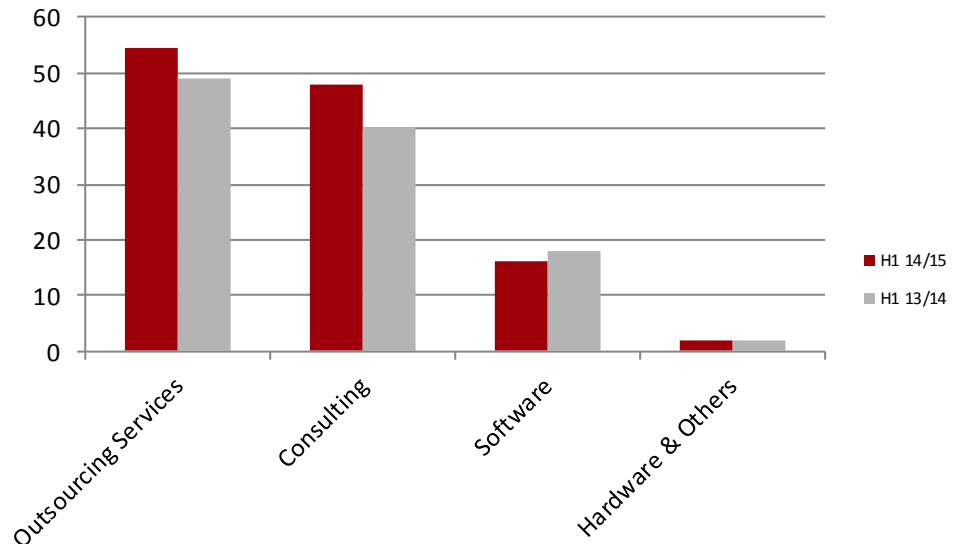
**Current potential for growth of approximately 7%, taking any fall in the share price as an opportunity to acquire further shares.**

## Corporate Profile

**Largest midmarket SAP partner within the DACH region**

All for One Steeb AG, with its headquarters in Filderstadt-Bernhausen (in the vicinity of Stuttgart), is the largest SAP partner focusing on the midmarket segment within the DACH region. All for One Steeb is an industry-focused SAP full service provider which, in addition to possessing business process know-how in its capacity as a one-stop-shopping facilitator, also has specific technological know-how (Cisco, NetApp, VmWare, Microsoft, IBM) relating to the managed cloud operation of customer applications at data centres. Its 1,107 employees (figure valid as of 31 March 2015) provide support to more than 1,400 customers. Recurring sales revenues generated from outsourcing and cloud services (including maintenance contracts), which form part of its strategic focus, accounted for approximately 46% of All for One Steeb's sales revenues in 2013/14. Further important revenue-generating segments are the licensing business (13/14: 14%) and consulting services (13/14: 38%).

**Image 01: Sales Revenues of All for One According to Type of Revenue (in € mln)**



Source: All for One Steeb AG

**Provision of customer support services on a worldwide basis by virtue of United VARs network**

As an alternative to investing its own funds in the setting up of its own global operations for the provision of on-site support to its international customers, All for One Steeb joined forces with Seidor S.A., Barcelona/Spain, in 2006 to establish the United VARs alliance, which has since developed into the world's largest alliance of SAP resellers. The network is currently composed of more than 30 partners, has a local presence in more than 70 countries, has more than 5,000 SAP consultants providing support to more than 8,000 existing customers, and enables each partner to offer support services to its customers on a (virtually) worldwide, single-source basis - without being subject to the extensive capital commitments or the risks which would be involved in establishing its own global operations. With respect to SAP, United VARs is striving to attain SAP Global VAR status, which to date has only been granted to a very few global corporate groups, such as Accenture, IBM and HP.

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# All for One Steeb AG

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Corporate Profile - 5/33 -

**Table 01: Historical Development of All for One Steeb AG**

<b>Year</b>	<b>Event</b>
1959	The AC Group was originally established as a result of the spinning-off of the IT activities of the AMAG Group (the largest automobile importer in Switzerland)
1975	AC-Service is a provider of standard software to the technical wholesale trade and industry, and the largest VAR of HP within the DACH region
1998	IPO of AC-Service AG on the <i>Neuer Markt</i> segment of the Frankfurt Stock Exchange
2006	Beginning of reorientation as a SAP full service provider; takeover of "All for One Systemhaus GmbH Midmarket Solutions"
2008	Change of name of AC-Service to All for One Midmarket AG; sale of subsidiary ACCURAT (non-SAP); considerable investment in new data centre concept
2009	Sale of AC-Service (Schweiz) AG (non-SAP)
2010	The new strategy is already bearing fruit during the years of the financial crisis; All for One also records growth in 2009 and 2010 in contrast to the prevailing market trend; development of market share
2011	Takeover of former SAP subsidiary Steeb; first-time consolidation as of 1 December 2011
2012	Change of name to All for One Steeb AG and merger with Steeb; November 2012: takeover of OSC AG, Lübeck (80 employees)
2013	Strategic partnership with Fiducia IT AG; takeover of SAP midmarket business of Fiducia (ORGA, asset deal); acquisition of a majority shareholding in WEBMAXX GmbH (Microsoft cloud technology); establishment of a support unit based in Turkey which handles the DACH market. Increase in shareholding in KWP from 56% to 100%
2014	Takeover of avantum consult AG (performance management, business analytics); market launch of Grandconsult brand (management and technology consulting services); number of All for One Steeb AG employees exceeds 1,000
2015	Acquisition of a majority shareholding (74.9%) in Grandconsult DEXINA GmbH with a view to strengthening its technology consulting business aimed at companies with their own data centres

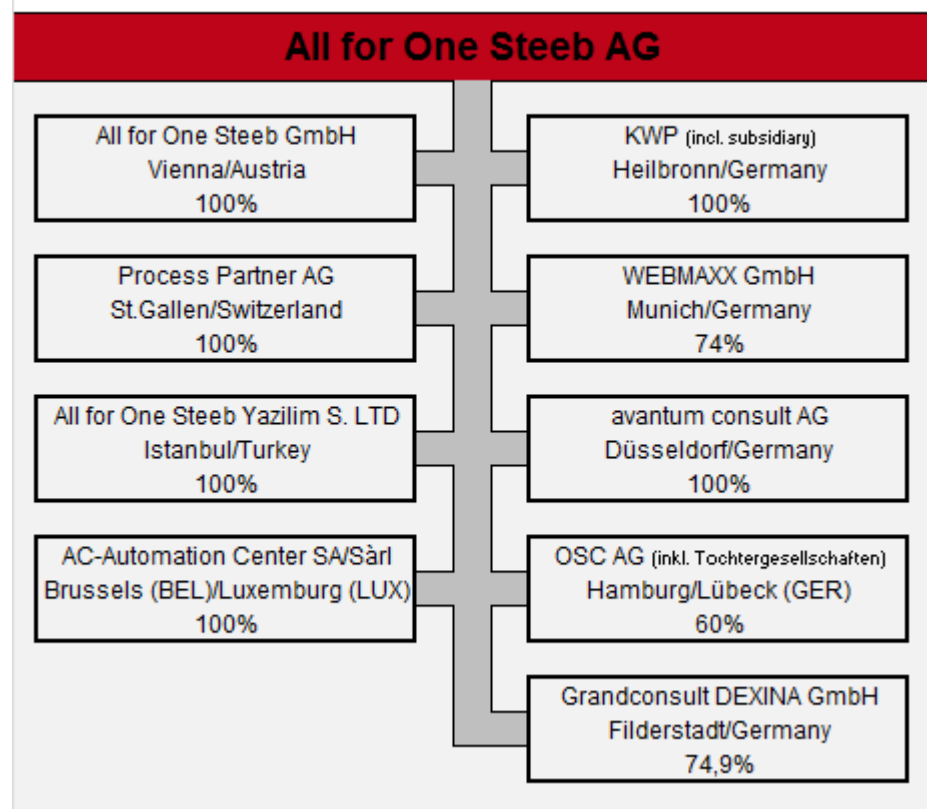
Source: All for One Steeb AG

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## Clear corporate structure

In spite of the fact that its growth strategy contains some elements of an inorganic nature, All for One Steeb's group structure is organised along clear lines. The lion's share of its sales revenues are directly attributable to the AG (*Aktiengesellschaft* - public limited company), which directly holds 100% of the shares in the majority of its subsidiaries, the exceptions hereto being OSC, WEBMAXX and Grandconsult DEXINA. All for One Steeb (directly) holds a majority shareholding in each of these three companies, and agreements are in place which permit it to increase these shareholdings to 100% over the medium term.

**Image 02: All for One Steeb AG Organigram (simplified depiction)**



Source: All for One Steeb AG

## Business Model

As a SAP full service provider, All for One Steeb is well positioned to address the needs of midmarket companies, however its activities are not limited to this customer segment. In fact, the company is en route to becoming a full service provider for all manner of SAP-, IT- and business-related matters, spanning the whole IT value chain from business processes to entire business software landscapes to the orchestration of IT operations from an integrative 360° perspective. All for One Steeb enjoys a very good reputation as a SAP service provider, and has a clear industry focus and numerous proprietary added-value solutions relating to SAP applications. Its focus is on areas of industry which in Germany are largely dominated by midmarket enterprises, such as mechanical engineering and plant construction, the supply of components to the automotive industry, the provision of project-based services, the consumer goods sector and the technical wholesale trade. In these areas of industry, there are more than 12,000 potential purchasers within the DACH region alone in the form of midmarket companies who do not yet use SAP solutions. All for One Steeb has proprietary industry solutions for each of the areas of industry on which it focuses, which are based on industry-specific business process know-how and differ from those offered by its competitors.

All for One Steeb typically provides support services for, and thereby repeatedly enhances (HCM, CRM, supply chain management, business analytics, mobile solutions), SAP ERP solutions for between 15 and 20 years, in most cases over an even longer period of time. Thus, the provision of consulting services and the implementation of a SAP landscape will typically give rise to a longstanding customer.

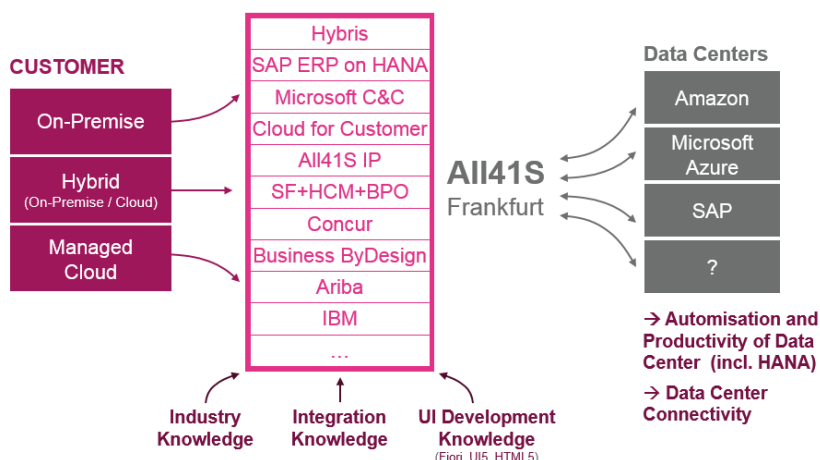
In addition, All for One Steeb has a comprehensive range of outsourcing and cloud services to enable customers to themselves orchestrate larger business software landscapes and the IT operating modes therefor, and thus better focus on their core business, meet the need for greater security and high availability, and expedite the digital transformation of their business processes. All for One Steeb also provides support services in this context through its integrated management and technology consulting unit Grandconsult DEXINA.

**SAP full service provider with an industry focus and ...**

**... long-standing customer relationships, recurring revenues ...**

**... and one-stop-shopping approach**

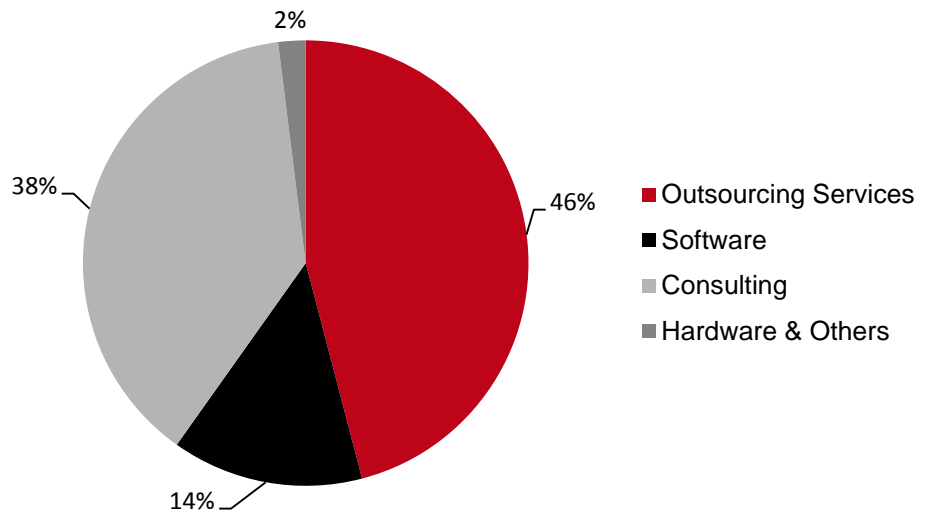
**Image 03: One-Stop-Shopping Approach**



Source: All for One Steeb AG

**Image 04: Revenue Mix in 1<sup>st</sup> Half of 2014/15**

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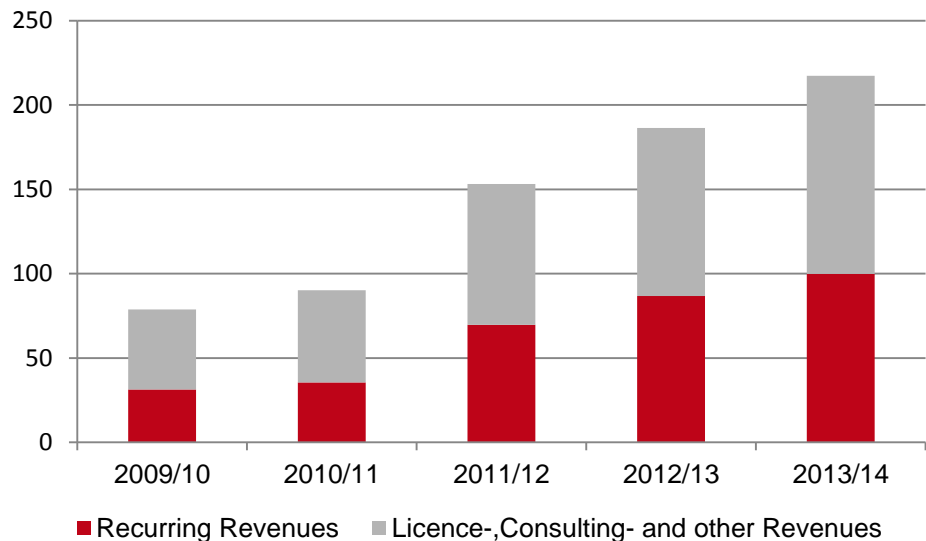


Source: All for One Steeb AG

## Recurring revenues of particular significance

Particularly recurring revenues (software maintenance, outsourcing and cloud services), to which sales revenues in the amount of € 54.4 mln may be attributed in the first half of 2014/15, are of great strategic importance in the context of the company's business model. The targeted increasing of the share of total sales revenues represented by recurring revenues reduces both cyclical fluctuations and the company's vulnerability to the volatile nature of the licensing business, and additionally creates scaling potential for further expansion of margins.

**Image 05: Changes in Recurring Revenues (5 years/in € mln)**



Source: All for One Steeb AG

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# All for One Steeb AG

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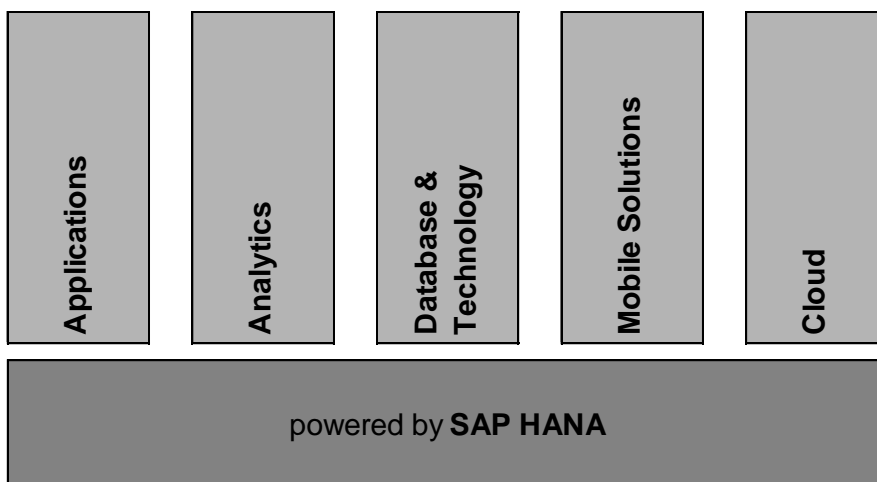
Corporate Profile - 9/33 -

Even though its focus has clearly been on SAP ERP products to date, the range of services offered by All for One Steeb already extends beyond this specific area to, for example, solutions based on the real-time platform SAP HANA which address various issues (cf. Image 06). In addition, February 2015 saw the launch of the successor to SAP ERP, SAP S/4HANA, with regard to which All for One Steeb is also broadening its portfolio. Given that the use of new technologies is initially confined to large-scale enterprises before also becoming widespread in the midmarket segment, All for One Steeb has recently invested greatly in the attainment of technological know-how in this regard, operating a SAP joint research & development lab in Walldorf together with technology partners such as NetApp, Cisco and VM Ware. Furthermore, it further expanded its technology consulting business aimed at companies with their own data centres, primarily large corporations at present, in acquiring a majority shareholding in Grandconsult DEXINA GmbH. The company additionally uses this technological know-how to expedite the transfer of novel solutions to midmarket enterprises and also in the context of the development of its data centres.

**Trailblazer among SAP partners with regard to SAP HANA, SAP S/4HANA and cloud services**

As such, All for One Steeb is extremely well positioned to reap the benefits once cloud, SAP HANA/SAP S/4 HANA, Applications and Business Intelligence become major talking points throughout the midmarket segment. Its larger SAP partners are of great importance to SAP, in that they take on the function of a catalyst with regard to such new developments - with the existence of established partner sales channels giving it a decisive competitive advantage over (young) (purely) cloud-oriented companies in the sales context.

## Image 06: SAP HANA: Multifaceted Real-Time Platform



Source: SAP AG

A portfolio of solutions for specialist fields relating to, for example, HCM (KWP subsidiary), Business Intelligence (avantum subsidiary) or Communications & Collaboration (Webmaxx subsidiary) rounds off the range of services offered by All for One Steeb. The use of most of these "line-of-business solutions" is not tied to any particular industry; they are already cloud-based to a considerable degree and are also increasingly be used directly by specialist departments of large-scale enterprises, which additionally have separate budgets at their disposal.

**Further potential of cloud-based line-of-business solutions, increasingly also for large-scale enterprises**

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## Strategically clever use of company-specific strengths

### Strategy

Compared to other SAP partners, All for One Steeb has a number of company-specific strengths which it brings to bear in a strategically skilful manner. In the following, we briefly describe the factors for success which we consider to be of material importance before addressing the company's acquisition strategy and the opportunities presented by the transformation of SAP in greater detail.

- 1) Having the largest established SAP-ERP customer base within the DACH region provides the company with unique **scaling** and **cross-selling** opportunities. Its successful buy-and-build strategy is aimed at facilitating the further use/exploitation of this potential, among other things.
- 2) All for One Steeb's size means that it is able to follow up on **SAP's process of transformation** at an earlier stage (than other SAP partners) and to better exploit the resultant opportunities.
- 3) In contrast to most midmarket SAP partners, All for One Steeb is also able (via Grandconsult DEXINA) to provide technology consulting services to large corporations with their own data centres, which enables it to more quickly **establish a reputation** in the field of new technologies.
- 4) As a result of its successful acquisitions in recent years, the company has established a good reputation as purchaser and integrator - thereby improving its **access to relevant M&A deals** and limiting the risks associated therewith.
- 5) Through the United VARs global partner network, the company is able to provide **integrated customer support** on a worldwide basis while at the same time only entering into **low-level capital commitments**.
- 6) Business process know-how, industry expertise, proprietary industry solutions and likewise technology and IT operating know-how, a high degree of recurring income from longstanding outsourcing and software maintenance contracts and a presence as a one-stop-shopping facilitator result in **differentiation** and a **high degree of customer loyalty**.
- 7) Having a good reputation as an employer and offering diverse prospects for development makes it easier to **recruit IT specialists / SAP consultants**, as compared to many of the company's competitors.

### Insert: Acquisition strategy

## First milestone 2011: The Steeb takeover

Factors which play a central role in All for One Steeb's implementation of its growth strategy include both healthy organic growth and acquisitions. The takeover of the former SAP subsidiary Steeb in 2011 was a first important milestone for All for One Midmarket AG as it existed at the time. The Steeb takeover places the company in a different size category and - just as subsequent acquisitions - was primarily strategically motivated, with the three major strategic motives being: 1) Better scaling of the company's internal capacities 2) The expansion of the company's own range of services relating to the inherent "core" ERP for the purposes of enabling greater penetration into its target industries 3) The exploitation of cross-selling potential.

## Strategic M&A goals: Exploit economies of scale ...

Economies of scale play a decisive role for SAP full service providers. On the one hand, a company must be of a certain size in order to be in a position to offer certain services (for example, the operation of customers' systems from centralised data centres) at competitive prices. On the other hand, the development of know-how with regard to specific matters and the new SAP fields

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(SAP HANA platform, Business Intelligence, mobile solutions, apps, cloud services) involves high fixed costs (the setting up of personnel-related resources, the certification of employees, the development of preset packages of solutions) which only suitable sized SAP partners are able to shoulder.

The WEBMAXX and avantum takeovers were primarily motivated by the company's desire to broaden its range of services to include solutions for specialist fields. WEBMAXX is a specialist for various Microsoft communication solutions (such as Exchange, Skype for Business, Sharepoint). Such products (for example, Managed Exchange) are a good fit for the managed services business division and enable All for One Steeb to provide its customers with comprehensive solutions for this field from a single source. avantum is considered to be a specialist for corporate performance management (CPM), for example deploying IBM Cognos, business analysis software which is also widely used by SAP customers. Both brands – avantum and WEBMAXX – are well-established among customers and have thus been retained. This multi-brand enables All for One Steeb to address new issues without weakening the core brand (SAP vendor).

The takeover of the OSC Group, which at the time had 80 employees, was implemented in November 2012, the goal being to strengthen the company's regional presence in North Germany. Given that OSC had already been a longstanding partner of All for One Steeb prior to the takeover (and thus well-established), and the payment of the purchase price was contingent upon the achievement of certain goals, the expansion of the business on a regional basis was subject to a low level of risk.

In the case of the Steeb share deal and the asset deal involving FIDUCIA IT AG, the focal point was the customer relationships thereby acquired which, on the one hand, enabled a better apportionment of fixed costs and, on the other hand, created considerable potential for cross-selling capable of being exploited post-takeover. The former SAP Steeb was unable to function as a full service provider for its customers in all areas, while the new entity All for One Steeb is now able to offer those customers a broader range of services by way of "one-stop-shopping" experience. The customer contracts (outsourcing, software maintenance, managed services) acquired from FIDUCIA IT AG relate to companies which do not come within Fiducia's typical line of focus (banks) but are therefore all the more in line with All for One Steeb's industry focus, with the result that both the former Steeb customers and the Fiducia customers acquired by way of asset deal benefit from the takeovers.

Its most recently acquired majority shareholding (74.9%) in Grandconsult DEXINA GmbH represents the further expansion by All for One Steeb of its technology consulting business aimed at companies with their own data centres, which was successfully launched at the beginning of 2014 under the newly created "Grandconsult" brand. This has enabled All for One Steeb, among other things, to establish a reputation in the field of new technologies – the use of which is typically initially confined to projects initiated by large corporations – which in turn enables All for One Steeb to acquire projects in the midmarket segment and to increasingly deploy new technologies in this context.

**... broaden range of services ...**

**... strengthen presence in local markets ...**

**... exploit cross-selling potential ...**

**... quickly establish a reputation in new technological fields**

## **Future takeovers likely to be in line with strategy to date ...**

We anticipate that the aforementioned three motives will also prove to be the decisive criteria for future acquisitions by All for One Steeb, and consider partners of All for One Steeb, in particular, but also larger entities to be likely candidates for a takeover. Should the possibility arise of acquiring such a larger entity at a reasonable price which cannot, however, be paid out of its liquid funds (approximately € 36.3 mln as of 30 September 2014) or without lowering the equity ratio too much, a capital increase would be a conceivable option, which could have the effect of further increasing the proportion of the company's shares in free float and thus the liquidity of the share (assuming the existing shareholders do not exercise their own subscription rights to the full extent). We furthermore anticipate that All for One Steeb will also only undertake future acquisitions at economically feasible prices, and that any dilution of its share capital will thus be kept in check by means of capital measures implemented as part of a larger takeover scenario.

## **... Trend towards consolidation among SAP partners set to continue**

The wave of consolidations among smaller SAP partners in particular is set to continue. We consider the reasons for this trend to be the increasing significance of fixed cost scaling (in the case of managed services) and the broadening of the SAP product range. Smaller SAP vendors lack the resources required to acquire expertise in all of these areas, with a further factor being competition for employees - the position of smaller, specialised SAP partners being more difficult in this regard given that consultants often assume that these offer only limited career prospects. This environment provides favourable conditions for the further successful implementation of All for One Steeb's buy-and-build strategy.

## **The real-time SAP HANA platform offers customers and consultants ...**

The transformation of SAP is centred around its own technology platform SAP HANA, the unique selling point of which is its use of "pedigree" in-memory technology. The platform thus has considerable real-time capability, even in cases calling for the processing of extremely large volumes of data needed to be processed, and could play a key role in the digital transformation of the most diverse business processes and also facilitate the creation of entirely new, data-based business models. SAP relies greatly on strong and appropriately sized partners for the marketing of solutions on the basis of this platform. All for One Steeb's position in this regard is highly promising.

## **... a virtually unlimited number of possible real-time applications.**

Well-known examples of applications which are run using the HANA platform include Business Intelligence, mobile and cloud applications which benefit customers in many ways, which SAP lists as including significant gains in market share, a reduction of the amount of working capital, a reduction of overall operating costs and faster processing of orders. However, more exotic applications can also be developed using the HANA platform: For example, the German Football Association (Deutscher Fußball-Bund - DFB) deployed HANA in the preparations for the 2014 World Cup, while Hoffenheim football club uses HANA to create individual training schedules for its players.

## **New software generation SAP S/4 HANA as successor to SAP ERP, advantages presented by the HANA platform really coming to the fore**

SAP additionally introduced SAP S/4HANA as the successor to the SAP Business Suite in the run-up to the 2015 CeBIT computer expo. The newly developed business software generation can only be run on SAP HANA and therefore consistently exploits the advantages presented by the HANA platform, for example less complexity, considerable lower consumption of resources and real-time processing. Elegant transition scenarios have been developed for the switch from the previous SAP Business Suite to SAP S/4HANA, however these are contingent upon the operation of the SAP Business Suite on the HANA platform.

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With a view to introducing SAP HANA to both new and existing customers in a targeted manner, All for One Steeb launched a workshop programme involving deployment scenarios for six SAP HANA deployment areas at the 2015 CeBIT computer expo, and meanwhile offers a comprehensive range of services relating to HANA, spanning evaluation, implementation and productive operation out of its own data centres, with managed cloud operation out of the data centres being of particular interest in strategic terms as a result of recurring revenues, and SAP HANA is already a talking point for most new customers.

While in the past the midmarket segment often considered SAP (ERP) solutions to be overly complex, oversized and expensive, this perception has changed considerably, and not solely as a result of the launch of the SAP S/4 HANA solution. The conversion of SaaS/cloud products, cloud-based solutions such as Business ByDesign and the product offering of SuccessFactors (HCM) for use on the HANA platform is making considerable headway or has already been completed. This development significantly widens the market which may be tapped into by All for One Steeb, and is increasingly focusing attention on specialist departments within large-scale enterprises with their separate IT budgets as potential customers.

All for One Steeb decided ahead of other SAP partners to acquire expertise in new technologies (HANA, mobile, cloud, BI) as well as the appropriate certifications, and thus has already established a reputation for itself (also in the eyes of large corporations) in this regard. All for One Steeb is currently investing to a greater extent in these fields, and we believe that these investments are likely to bear fruit once the proliferation of the new technologies throughout the midmarket segment picks up pace. Given that the use of new applications/technologies is typically initially confined to large corporations before also becoming widespread in the midmarket segment, we consider that All for One Steeb is optimally positioned to exploit opportunities arising over the medium term in this context.

## **Positioning as IT service provider and employer**

The key words which customers most closely associate with All for One Steeb are: SAP, outsourcing and midmarket segment. Should the company decide to focus on other fields or on non-midmarket customers, this could prove to be problematic (or have the effect of weakening the core brand). All for One Steeb has therefore retained any brands acquired by it which are well-established in the market. The acquisition of a majority shareholding in Grandconsult DEXINA GmbH has led to the establishment of a subsidiary to handle the management and technology consulting business previously merely operated under the "Grandconsult" brand.

Having a good reputation in the eyes of not only customers but also potential employees is of crucial importance in the context of the competition for IT specialists. In the past, All for One Steeb has always been able to keep on and further train employees of acquired companies who, together with its existing customers, we consider to be its most important "asset". This is doubtless due to its working environment, which accords employees considerable room for development and a great degree of individual responsibility, the distinctive corporate culture and the prospects for advancement which are available to individual employees in larger entities, as well as the various accolades received by it as an employer (including its ranking among "The Best Employers 2015

## **Possibility of targeting new customer groups**

**All for One a player at an early stage - and ideally positioned to reap the benefits once HANA wins over the midmarket segment**

**Multi-brand strategy: Development of specialist skills without weakening core brand**

**Maintaining a good reputation as an employer important when competing for good consultants**

("Focus" business publication)", "A GREAT PLACE TO WORK", "TOP-Consultant") and the 2013, 2014 and 2015 SAP Pinnacle Awards.

**Local presence in more than 70 countries thanks to global United VARs partner network**

## **Partnering Strategy**

In addition, All for One Steeb's sales activities are directed at companies who have their registered office within the DACH region but whose decisions with regard to IT-related investments very often extend beyond Germany, Austria and Switzerland and are also of central importance for their international operations (production, sales and service companies, etc.).

However, as an alternative to investing its own funds in the setting up of its own global operations for the provision of on-site support to its international customers, All for One Steeb has joined forces with Seidor S.A.. Barcelona / Spain to establish the United VARs alliance. The network initially comprised six SAP systems vendors in 10 countries, mutually assisting each other in the context of implementation and provision of support services with regard to international customers, and bringing their strengths, the provision of support in the national language in question with precise knowledge of local business rules, regulations and legislation, and the appropriate "cultural fit" to bear in this connection. United VARs has since developed into the world's largest alliance of SAP resellers. The network is currently composed of more than 30 partners, has a local presence in more than 70 countries, has more than 5,000 SAP consultants providing support to more than 8,000 existing customers, and enables each partner within the alliance to offer support services to its customers on a (virtually) worldwide, single-source basis - without being subject to the extensive capital commitments or the risks which would be involved in establishing its own global operations. With respect to SAP, United VARs is striving to attain SAP Global VAR status, which to date has only been granted to very few global players, such as Accenture, IBM and HP.

**Management board contracts of successful management board duo extended until September 2019**

## **Management Board and supervisory Board of All for One Steeb AG**

In July 2014, and ahead of schedule, the term of the contracts of the two members of the management board who have had a major hand in the company's success over the past years was extended by five years. The Chief Executive Officer, Lars Landwehrkamp (born: 1959), is responsible for the areas of strategy, M&A and operations, as well as personnel development, at All for One Steeb AG, and headed up the systematic development of the company into a well-known SAP systems vendor. Stefan Land (born: 1967) has been the Chief Financial Officer of All for One Steeb AG since April 2008, in which capacity this experienced capital markets expert is responsible for the commercial management of the company and the area of investor relations.

**Experienced supervisory board members**

Josef Blaszcik (a self-employed entrepreneur) will assume the position of chairman of the supervisory board of All for One Steeb with effect as of 26 May 2015, replacing the former chairman of the supervisory board, Peter Brogle (a self-employed entrepreneur), who has resigned from office on age-related grounds and will assume the position of vice chairman. Peter Fritsch (CFO of BEKO HOLDING AG) and Friedrich Roithner (CFO of KTM AG) are regular board members; in addition, the employee representatives Jürgen Dalhoff and Detlef Mehlmann have been members of the supervisory board since March 2013. Similarly to the two members of the management board, four of the six members of the supervisory board also hold shares in All for One Steeb AG in a private capacity.

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# All for One Steeb AG

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Corporate Profile - 15/33 -

## Shareholder structure

The shareholder structure of All for One Steeb is dominated by 4 major investors with a long-term orientation. The two largest shareholder collectives, Pierer Industrie AG and Unternehmens Invest AG, each hold approximately more than 25% of the voting rights.

**Table 02: Shareholder Structure of All for One Steeb AG (last updated: 30 March 2015)**

Shareholder	
Pierer Industrie AG	25%
Unternehmens Invest AG	25%
BEKO HOLDING AG	12%
Qino Capital Partners AG	10%
Board members	4%
Freefloat	24%
Total	100%

Source: All for One Steeb AG

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## Market Environment

### Market volume for IT services in Germany exceeded € 36 bln in 2014

The market for IT services in Germany amounted to € 36.3 bln in 2014, having experienced average annual growth of just over 2% in the preceding years. The market for software experienced more dynamic growth, increasing to € 19.1 bln between 2011 and 2014 (+ € 2.7 bln), which is equivalent to an average rate of growth of more than 5% per year. The industry association BITKOM estimates that the ITC market as a whole will record growth of 2.4% in 2015, with the software sub-segment evidencing the strongest performance (+5.5%). IT services should achieve an increased growth rate of 3% in the wake of the boom experience in the big data and cloud computing contexts, despite the dampening effect on overall performance of the shortage of IT specialists.

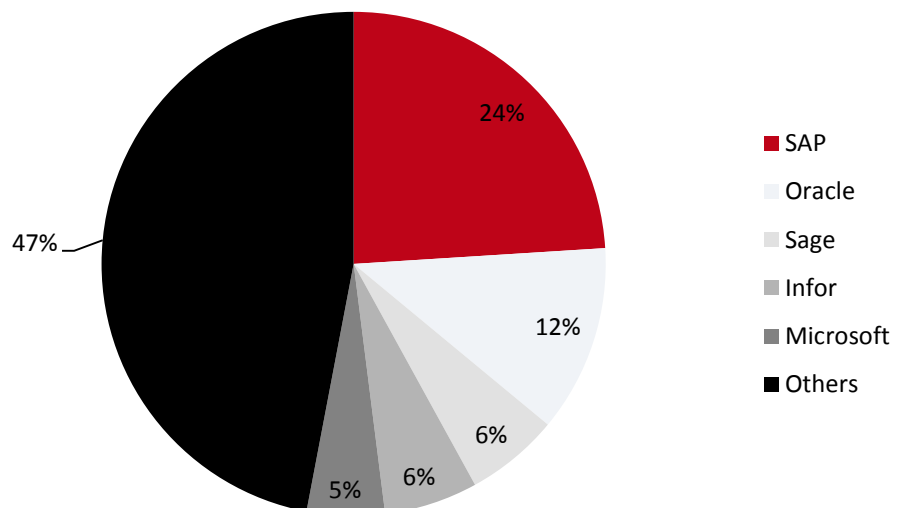
Trends such as the digitalisation of business processes (e.g. Industry 4.0), data-based business models (real-time enterprises) or industry-wide business processes (supply chains, purchasing platforms) will have a decisive influence on the development of software and IT services. SAP itself is a major driving force behind digital transformation, with the point of origin being the (SAP) ERP core market (SAP R/3). SAP is aiming to greatly expand the market with its new platform (HANA), new big data, mobile and cloud solutions, and SAP S/4 HANA as the successor to R/3. All for One Steeb provides support services to the largest SAP R/3 SAP midmarket customer base within the DACH region and is investing greatly in the integration of technology and application landscapes ("orchestration"), and as such may prove to be a major participant in the market expansion process.

### Global ERP market leader SAP reinforcing its dominant position

...

The global ERP market grew by 3.8% to USD 25.4 bln in 2013. SAP has further reinforced its position as worldwide market leader in this fragmented market, its share of the global market having risen from 18.8% in 2010 to approximately 23% in 2013. Apart from SAP, only Oracle, Sage, Infor and Microsoft have a share of the global market of 5% or more, with - often local - specialist players with shares of under 5% continuing to account for 47% of the global market.

**Image 07: Shares of Global ERP Market (2013)**



Source: Gartner (2014)

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SAP's growth strategy focuses on (observable) megatrends, such as cloud, mobile and Business Intelligence, which can be set up on the real-time platform SAP HANA, whereby it is possible to view the ERP system as the logical starting point in thematic terms. The primary topic of interest in the context of both mobile access to corporate data and the evaluation of large volumes of data is the comprehensive data of the ERP system.

## **Special market-related issue: SAP undergoing transformation**

Novel technologies and higher-performance hardware have the potential to bring about sustained changes in business models and a reallocation of market shares. SAP, as the market leader in the field of ERP software, has consciously positioned itself at the forefront of the development of new, disruptive technologies (such as in-memory technology/SAP HANA), thus actively helping to shape this process of transformation. The transformation of the SAP business models is currently underway, presenting (not only SAP itself but also) larger SAP partners, in particular, with new business opportunities.

SAP has set an extremely fast pace for the transformation of its own business model. The (new) SAP cloud business exhibited a 45% increase in sales revenues in 2014, while even more dynamic developments were experienced in the SAP HANA context: The number of customers using the "SAP Business Suite on HANA" increased by more than 100% in 2014, while the volume of HANA-related orders in hand rose from € 1.4 bln (at the end of 2013) to € 3 bln (at the end of 2014). These new developments present SAP partners with diverse opportunities for expanding their business in order to expedite the process of digital transformation within their own customer base. It is therefore not surprising that All for One Steeb has already successfully processed a number of projects of large-scale enterprises as well as midmarket companies in relation to these new fields.

The SAP HANA platform has already proved to be a major talking point in many cases relating to new customer projects handled by All for One Steeb in the past year. These projects comprised both actual SAP HANA projects and also often making the new solution in question "HANA-ready". We consider this to be strong evidence of the existence of great interest in this new technology and of a desire on the part of midmarket companies to keep the option of implementing HANA at a later point in time open. The number of such midmarket companies who are now observing the HANA product more closely with a view to possibly themselves taking action in this regard over the medium term is no doubt growing at a rapid pace at the present time.

This development is also primarily a result of the presentation of the new software generation SAP S/4HANA as the successor to the SAP Business Suite directly prior to the commencement of the 2015 CeBIT computer expo. SAP itself views S/4HANA as a milestone development which considerably reduces the complexity of IT landscapes, and considers the initial target audience for the new product generation to be primarily visionary enterprises which view innovative business processes as a means of gaining a competitive advantage. The use of SAP S/4HANA is therefore likely to gradually pick up pace, only becoming widespread within the midmarket segment over the medium to long term; however, we believe that this R/3 successor offers good prospects for investment.

**... and using ERP as a logical basis for exploiting the IT megatrend**

**Disruptive technologies and the handling thereof**

**SAP undergoing dynamic transformation: Cloud-related revenues +45%; SAP HANA > 100%; core business continues to grow**

**SAP HANA already an issue for All for One Steeb in the context of many projects involving new customers from the midmarket segment**

**S/4HANA is the new software generation developed by SAP**

**Our hypothesis: The German midmarket segment will experience the most extensive cloud-/SAP HANA-related growth in the next 2-5 years**

Typically, the use of innovative technologies initially takes root in large corporations, which makes it all the more important that All for One Steeb, whose activities are actually focused more on the midmarket segment, has positioned itself as a player in this context from the outset, establishing a reputation for itself among such large corporations. It has also already successfully handled a number of projects involving midmarket companies, however we believe that the major growth spurt is yet to come, with considerably increased impetus being experienced in this regard from next year onwards once large corporations become aware of the aforementioned successes and ROI calculations are on hand.

**All for One Steeb's cloud business primarily relates to "private cloud" services at present**

SAP itself distinguishes between three different cloud business models: 1) **Public cloud** 2) **business network** and 3) **private cloud**. The majority of All for One Steeb's managed cloud revenues are currently attributable to its "private cloud" activities and the operation of ERP systems and applications in its data centres. The underlying managed (cloud) services contracts have terms of up to five years, which are then mostly renewed. All for One Steeb has also long since been generating increasing recurring revenues with the other two SAP cloud business models, for example in the case of SAP Business ByDesign.

**SAP "business network" is number 1 worldwide**

Even though primarily private cloud services currently constitute an interesting source of recurring revenues for All for One Steeb, SAP public cloud and business network products are also likely to give rise to considerable additional business opportunities in the future. Due to the fact that SAP's public cloud products (e.g. those of the SAP subsidiary SuccessFactors which operates in the HCM field) are in line with the classic SaaS (software-as-a-service) model, they can be most readily compared with the product offerings of (young) purely cloud-oriented suppliers. The SAP business network is the largest of its kind, comprising the Ariba (B2B (purchasing) platform, sourcing, contract management, cash management), Fieldglass (vendor management system), Hybris (commerce) and Concur (travel management) entities. These business models are characterised by a high degree of customer loyalty and ensure solid growth of SAP sales revenues.

**Cloud business: Europe and Asia currently experiencing strongest growth; increasing acceptance**

SAP's own cloud business is experiencing the highest rates of growth (58% and 59%, respectively, in 2014) in the EMEA (Europe, Middle East and Africa) and APJ (Asia Pacific, including Japan) regions. Somewhat less dynamic growth (+39%) has been observed in North and South America, largely due to the fact that the topic of cloud services is already well-established in the US whereas it was initially viewed with some scepticism in Europe/Germany in light of concerns relating to data security (NSA/Snowden). However, these concerns are no longer quite so pronounced, as ever more data centres - also operated by US providers - open up in Germany (and other European countries) and are able to provide private cloud services on a domestic basis.

**SAP intends to increase its cloud-related revenues sevenfold by 2020**

SAP aims to increase the revenues generated by its cloud business in 2014 (€ 1.1 bln) sevenfold to approximately € 7.5 bln to € 8 bln, and by up to 86% to just over € 2 bln in 2015. We primarily attribute this considerable increase to its wholesale customers business - we postulate that the major growth spurt will be felt in the midmarket segment at a somewhat later date, at which point in time those SAP partners focusing on the midmarket segment, such as All for One Steeb, will benefit even more extensively from the transformation underway at SAP than is presently the case.

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SAP's cloud activities are by no means merely a way of shifting licensing revenues, rather have also granted it access to new customer groups not served by the previous range of solutions. Notable examples in this context are Business ByDesign as well as acquired business (e.g. SuccessFactors in the HCM market). Business ByDesign is preferentially used in branch offices of larger companies looking for flexible, scalable, low-cost solutions which can be implemented quickly in conjunction with the use of SAP R/3 or in the future SAP S/4HANA by head office.

**SAP cloud product range enables access to new customer groups**

We believe that a further effect of the cloud-based trend is that IT products will increasingly be procured by non-EDP specialist departments, simply because such solutions will no longer be implemented in-house and will be paid for according to the extent of the use thereof. This means that, for SAP partners such as All for One Steeb, maintaining relationships with companies' IT departments will not be sufficient if one also wishes to supply specialist departments with cloud solutions. As a result, All for One Steeb is pursuing a multi-brand strategy (KWP, avantum, Grandconsult DEXINA, Webmaxx) and also conducting specialist sales activities in order to address the specific needs of specialist departments in a targeted manner.

**All for One Steeb focusing in on specialist departments**

## Managed cloud services and non-SAP products

Recurring revenues are of great importance in strategic terms, particularly for IT service providers with formerly dominant consulting and licensing businesses, as they reduce the effect of fluctuating revenues in times of recession. For this reason, other publicly listed IT service providers apart from All for One Steeb, such as Cancom und Datagroup, both of which are included in our peer group comparison, have broadened their ranges of managed services. Despite bearing different names (for example, infrastructure-as-a-service (IaaS) or private cloud), the business models in question are essentially comparable with each other, distinctive features thereof being scaling in central data centres (realisation of cost benefits) and longstanding contractual relationships.

**Managed cloud services provide a stable basis for the generation of sales revenues**

All for One Steeb AG's managed cloud services offering comprises IT systems and applications aimed at customers with extensive business software landscapes relating to SAP-ERP, regarding which All for One Steeb possesses the necessary know-how with regard to business processes ("application") and also technological and operational IT aspects ("system"). The high availability of the SAP business software landscape is crucial for the success of the customer's day-to-day operations. The takeover of WEBMAXX provided All for One Steeb with specific know-how relating to managed services involving Microsoft solutions (Exchange, Skype for Business, SharePoint), i.e. applications used by most midmarket companies.

All for One Steeb's orchestrates extensive business software landscapes (cf. Image 03) with the aid of its managed services portfolio, thereby incorporating all IT operating models, including cloud operation and also hybrid models (mixed operation on a both on-premise and cloud basis) as well as purely on-premise operation models (remote support). It is therefore unsurprising that corporations such as HP and T-Systems are among the ten largest providers in this regard, which makes All for One Steeb's achievement in managing to enter this top bracket on the basis of its extensive SAP midmarket customer base after only a few years all the more impressive.

**Orchestration of managed services requires size – All for One among the Top 10 players in Germany**

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## **Customers prefer a single point of contact in IT-related matters**

### **Consolidation among IT and SAP service providers**

The consolidation evident among IT/SAP service providers has been driven by a number of developments. The high rate of innovation has intensified customers' demand to have as few points of contact as possible and to obtain the solutions to their IT issues from a single source. "Orchestrators" are increasingly in demand to function as "middle men" between software and technology manufacturers, on the one hand, and the user companies, on the other hand, and to design application and system landscapes, to consolidate these in a suitable manner and to operate them in the cloud on an industrial, secure and highly available basis. All for One Steeb, which presents itself as a one-stop-shopping facilitator, is well positioned to assume such a role. This is not a viable strategy for smaller (SAP) vendors, given that the procurement of the necessary resources (certified employees, IT infrastructure) would result in high fixed costs. An alternative approach would be close collaborations between smaller specialists and larger partners – All for One Steeb alone has entered into approximately 80 such partnerships in Germany (All for One Steeb Business Partner Programme).

## **Larger entities at an advantage in competition for IT specialists**

A further driver of the trend towards consolidation is the need to gain access to skilled employees, which is often depicted as a bottleneck situation, in which smaller entities are at a disadvantage because they are unable to offer prospective employees opportunities for development, flexibility and job security to the same extent as larger IT service providers operating at the national level.

## **However: Midmarket businesses are also looking for equal partners**

A countervailing trend in the consolidation is the desire on the part of midmarket companies to work with service providers on a level playing field. We are of the opinion that All for One Steeb has in this context succeeded in maintaining its midmarket-oriented profile even while growing at a rapid pace. Midmarket-influenced flexibility is also finding favour with many large-scale enterprises, as it facilitates fast decision-making processes in the application of cloud solutions, for example.

## **All for One Steeb's role as "consolidator"**

We expect that All for One Steeb will continue to play an active role in the consolidation of the market and consider larger entities as well as smaller SAP vendors (with a clear focus on certain fields), but also and in particular existing partners of All for One Steeb, to be likely candidates in this regard, with the latter enabling a gradual broadening of the company's own service at greatly reduced risk (the partners in question and their capabilities/structure also being a known quantity). Larger-scale takeovers would also be conceivable – assuming the existence of suitable targets with appropriate valuations.

## **Barriers to market entry limit competitive pressure**

We expect that the number of SAP partners will decrease in the years to come - while the size and the range of services of each individual partner is set to increase. Those partners who remain will particularly benefit from the changes underway at SAP due to the fact that SAP-ERP is a possible starting point for the purchase of other products by existing SAP customers already being provided with support services. We believe that the current developments at SAP will strengthen the position of the larger SAP partners, and IT-based trends such as cloud services or mobile solutions will enable the SAP partners to also expand their own areas of operation - to incorporate even solutions and services relating to adjoining non-SAP fields. All for One Steeb has already positioned itself to do so and we believe that as a result it will be able to expand its margins (on a sustained basis) over the medium term.

## Financial Discussion and Valuation

### Development of financial Figures and Valuation

All for One Steeb increased its group sales revenues by 17% to € 217.2 mln in the 2013/14 financial year, with this increase primarily having been achieved in an organic manner, only approximately 2 percentage points thereof being attributable to acquisitions. Economies of scale in the outsourcing / cloud services business and persistently high licensing sales resulted in a disproportionately high rise in EBIT (+28%), while improved financial results and lower tax burdens led to a 56% increase in earnings after tax.

All for One Steeb's projected group sales revenues for the current 2014/15 financial year amount to some € 240 mln, while its projected EBIT amounts to between € 16 mln and € 17 mln, and the EBIT margin should thus be between 6.7% and 7%, as compared to 6.2% in the previous year. We estimate that the company will generate sales revenues slightly in excess of € 240 mln, and expect the EBIT margin to approach the upper end of the company's projected range, at 6.9%.

In the context of the conversion of the results of the company's Swiss subsidiary, the massive appreciation in value achieved by the Swiss franc as compared to the euro is likely to have a neutral to mildly positive effect on balance. Given that the operating costs and revenues of the Swiss entity are denominated in local currency, fluctuations in the exchange rate are naturally hedged (i.e. do not have any impact on the subsidiary's operational profitability, rather only on the conversion of its results into euros). By way of countervailing force, a certain reluctance on the part of investors is discernible in the Swiss SAP market.

We expect that, in the future, All for One Steeb will benefit to an even greater extent from the transformation underway at SAP. All for One Steeb intends to invest in increasing its capacities in both the current and the coming year with a view to equipping itself to handle the consequences of increasingly widespread use among midmarket companies of the new technologies (demand presently being generated primarily by large corporations). In order to ensure that it is able to benefit from this development to a greater extent and at an earlier stage, it has acquired a majority shareholding in Grandconsult DEXINA GmbH, whose initial annual revenue volume amounts to approximately € 6 mln and reinforces the management and technology consulting business launched at the beginning of 2014. The purchase price for the 74.9% shareholding amounted to approximately € 2 mln and comprises an earn-out amount contingent upon the occurrence of certain events over the next two years, and in addition a put/call option which entitles All for One Steeb to increase its shareholding in the new subsidiary to 100% over the medium term.

We believe that All for One Steeb will succeed in further expanding its operating margins in the years to come; this expansion of margins will also be bolstered by its growing basis comprising outsourcing / managed cloud services revenues. Our model provides for a rise in the EBIT margin to 8.5% in the 2018/19 and 2019/20 financial years and thereafter; by way of precaution (in view of the possible emergence of new competitors, etc.), we slightly lower the EBIT margin to 7.5% in the terminal value.

**FY 2013/14: 15% organic growth, disproportionately high rate of growth in earnings**

**FY 2014/15: 10% increase in sales revenues in conjunction with further expansion of margins**

**CHF/EUR exchange rate constitutes a natural hedge; mildly positive overall effect**

**Future-oriented investments lead to further expansion of margins over the medium term**

## Vulnerability to cyclical fluctuations diminishes

It is possible that the trend towards higher margins as a result of outsourcing / managed cloud sales revenues may be offset by volatile licensing revenues on a temporary basis, however this would not signal the end of the fundamental margin-related trend, which is primarily tied to the development of the outsourcing revenues. All for One Steeb's vulnerability to cyclical fluctuations as a whole has consequently decreased in recent years. However, an economic downturn would still have a tangible impact were it to result in widespread postponement of new projects. At the same time, midmarket companies are less market-driven than larger businesses in this regard, with some actually using operational downtime for the implementation of IT restructuring measures/new projects. In contrast, the outsourcing services fields present opportunities for continuous growth which are immune to the effects of economic conditions to the greatest possible extent.

## Capex and depreciation & amortisation

In the current year, we expect the capex/revenues ratio to remain at the previous year's level, at 1.4%, with the depreciation and amortisation/revenues ratio being higher as a result of PPA-related writedowns. The four individual line items which are most relevant in this context comprise the customer bases of the former Steeb Anwendungssysteme, the former All for One Midmarket Solutions & Services GmbH, avantum consult AG and OSC AG (depicted in Table 03), and have been taken into account in our DCF model, except with regard to the 2023/24 financial year, for which we adjusted the depreciation and amortisation amounts in line with investments in order to prevent any distortion of the calculation of the terminal value.

**Table 03: PPA (excerpt)**

Client Base	Remaining (starting with 30.09.2014)	PPA p.a. (estimate)
Steeb Anwendungssysteme GmbH	up to 146 month	€ 1.9 mln
All for One Midmarket Solutions & Services GmbH	up to 76 month	€ 0.4 mln
avantum consult AG	115 month	€ 0.38 mln
OSC AG	121 month	€ 0.5 mln

Source: GB All for One Steeb AG, BankM Research

## Target capital structure reckoned to be 35:65

All for One Steeb reported an equity ratio of 34% as of the balance sheet date. We believe that this figure will also provide the company with a solid basis over the long term, and have consequently based our calculation of the weighted average cost of capital (WACC) on a ratio of 35:65 (equity:borrowed capital).

## DCF: Fair value per share at € 58.91

### DCF Model

We estimate the beta value of All for One Steeb at 1.5, given that, although a very low proportion of its shares are in free float, its trading revenues (averaging at a daily volume of approximately € 100,000 over the past 100 days) are relatively high when one considers that those shares are not listed on any of the main indices. In light of this and on the basis of the company's target capital structure (35:65), its weighted average cost of capital (WACC) amounts to 6.25%, which results, on the assumption of a perpetual rate of growth of 1%, in a fair value of € 58.91 per share.

## Cost of capital and interest rates

We based our previous calculations of the cost of capital on an assumed risk-free interest rate 5% (spread: 1%; risk premium: 5%), which indicated that All for One Steeb would be able to obtain debt financing at a rate of 6%. In actual fact, the fixed interest rate to which All for One Steeb is subject falls in the range –

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depending on the particular tranche and term in question - of only 2.6% to 4.3%. We have thus lowered the risk-free rate of interest (which is currently virtually zero) applied in our DCF calculation to 3.5%. The anticipated cost of borrowed capital for the period under consideration (until 2024), at 4.5%, still remains below the current average rate of interest on borrowed capital. We consider this projection to be quite conservative in view of the low interest rate policy currently prevalent throughout Europe.

**Table 04: DCF model**

	14/15e	15/16e	16/17e	17/18e	18/19e	19/20e	20/21e	21/22e	22/23e	23/24e
Sales	240.25	258.27	271.19	282.03	293.31	305.05	317.25	326.77	336.57	346.67
EBITDA	24.22	27.20	29.83	31.87	34.46	35.84	35.21	36.27	35.68	32.93
EBITDA-margin	0.10	0.11	0.11	0.11	0.12	0.12	0.11	0.11	0.11	0.10
EBIT	16.46	18.60	20.88	22.56	24.79	25.78	25.22	25.98	25.07	26.00
EBIT-margin	0.07	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.07	0.08
Taxes	4.94	5.58	6.26	6.77	7.44	7.73	7.57	7.79	7.52	7.80
+ Depreciation/amortisation	7.77	8.61	8.95	9.31	9.68	10.07	9.99	10.29	10.60	6.93
- Investments	6.51	5.86	5.74	5.97	6.20	6.45	6.71	6.91	7.12	6.93
- Change in Working Capital	2.88	2.25	1.61	1.36	1.41	1.47	1.53	1.19	1.23	1.26
Free-Cash-Flow	9.90	13.51	16.22	17.78	19.41	20.19	19.41	20.38	19.81	16.94
Discount rate	0.94	0.89	0.83	0.78	0.74	0.70	0.65	0.62	0.58	0.55
Value of op. CF today	9.32	11.97	13.52	13.95	14.34	14.04	12.70	12.55	11.48	9.24
Cum. Value of op. CF	123.10									
Present v. of the terminal value	176.09									
Company Value	299.19									
- Net debt	0.12									
- Minorities	5.60									
Market value	293.48									
Fair Value per share in €	58.91									

Source: BankM Research

## Sensitivity analysis

**Table 05: Sensitivity Analysis**

		WACC				
		5.25%	5.75%	6.25%	6.75%	7.25%
longterm growth rate	0.50%	67.82	61.26	55.83	51.27	47.37
	0.75%	70.21	63.11	57.30	52.45	48.33
	1.00%	72.87	65.16	58.91	53.73	49.37
	1.25%	75.88	67.44	60.68	55.13	50.50
	1.50%	79.28	69.98	62.63	56.66	51.72

Source: BankM Research

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## Peer Group Comparison

**IT consultancy firms focussing on SAP/ERP, private cloud product offerings, ...**

We have primarily selected IT service providers with an operational focus within the DACH region as peer group companies. **SNP AG** and **KPS AG** both have a "business transformation" orientation and a very strong SAP basis, while **Cancom** and **Datagroup** are suppliers of private cloud products/services which are comparable with the managed services offered by All for One Steeb in terms of the underlying business model.

**... and industry-oriented customer structures form the core of the peer group**

**Cenit** is an independent software/IT consulting firm and a partner of SAP and Dassault Systèmes - and the structure of its customer base is as a result similar to that of All for One Steeb (automotive, mechanical engineering). The majority of **PSI AG's** customers come from the industrial and energy supply sectors, and although the company supplies proprietary software solutions (including the ERP suite PSIpenta), it is increasingly focusing on the issue of "Industry 4.0". **adesso AG** is one of the largest IT service providers not tied to the products of any particular manufacturer in Germany, providing its customers with industry-specific consulting services and (individually designed) software solutions while an in-house unit handles matters relating to "mobile business". **SQS Software Quality Systems AG**, a company based in Cologne and primarily listed on the LSE, is a business consulting firm focussed on the areas of quality management and software testing. We did not include **GFT Technologies**, which in terms of its size and service portfolio would be a possible candidate for inclusion, in the peer group due to its one-sided focus on the financial sector and the boom experienced in this sector as a result of regulation.

**All peers visibly undergoing transformation – SAP, as a strong external player, is setting the pace for All for One Steeb**

The business models of the peer companies - similarly to that of All for One Steeb - have changed in a sustainable manner over the past few years and touched upon new business divisions/topics, specifically cloud-related matters, mobile business and even "Industry 4.0". We believe that All for One Steeb will particularly benefit from its close ties with SAP, on the one hand, and the latter's speedy and consistent transformation, on the other. The positive aspects of this development will largely be reflected in All for One Steeb's results over the medium term, namely once SAP's new solutions achieve widespread acceptance in the midmarket segment.

**Base years 2014 and 2015**

We took the year 2014, for which some peers have already prepared reports, and the current year 2015 as base years for the peer group evaluation. These two base years were equally weighted, and an outlier occurring in 2014 (indicated by an \*) was not included in the peer group evaluation



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**Table 06: Peer Group Evaluation 2014**

Company	MCap in € mln	P/E	EV/Sales	EV/EBITDA	EV/EBIT
		2014	2014	2014	2014
adesso	92.6	30.8	0.5	8.9	11.0
Cancom	516.6	18.6	0.6	9.9	17.5
Cenit	136.8	21.5	0.9	9.9	12.5
Datagroup	100.0	94,3 *	0.9	12.6	23.6
PSI	176.6	29.6	1.0	12.9	18.6
SQS Software Quality Syst	210.6	16.4	1.0	9.4	13.1
KPS AG	217.6	16.4	2.0	13.1	13.7
SNP AG	52.7	48.5	1.7	19.1	30.2
Average	187.9	26.0	1.1	12.0	17.5
All for One Steeb AG	241.6	29.9	1.1	12.1	18.4
Premium		15%	8%	1%	5%
Fair Value (impl.)		42.06	46.71	49.58	47.77
					46.53

Source: BankM Research, Factset

\*=Values not taken into account in calculating averages

**Table 07: Peer Group Evaluation 2015**

Company	MCap in € mln	P/E	EV/Sales	EV/EBITDA	EV/EBIT
		2015e	2015e	2015e	2015e
adesso	92.6	18.8	0.5	7.8	9.6
Cancom	516.6	18.5	0.6	8.3	12.4
Cenit	136.8	19.9	0.9	9.2	11.4
Datagroup	100.0	17.4	0.8	8.6	12.8
PSI	176.6	22.5	0.9	11.0	14.3
SQS Software Quality Syst	210.6	13.8	0.9	8.6	11.6
KPS AG	217.6	12.5	1.7	10.8	11.2
SNP AG	52.7	28.2	1.1	11.4	14.4
Average	187.9	19.0	0.9	9.4	12.2
All for One Steeb AG	241.6	24.6	1.0	10.2	15.1
Premium		30%	12%	8%	23%
Fair Value (impl.)		37.36	44.76	46.29	40.77
					42.30

Source: BankM Research, Factset

In the peer group comparison for the base year 2014, All for One Steeb appears to have been fairly valued, while the comparison for 2015 indicates that it may even have been slightly overvalued. Equally weighting the two base years results in a fair value per share of € 44.40.

**Peer group comparison: Fair value at € 44.40, margins still below average, ...**

**Table 08: Margin-Based Comparison**

Company	EBITDA-Margin	EBIT-Margin	Net margin	Equityratio	ROE
	2015e	2015e	2015e	current	2014
adesso	6.4%	5.2%	2.9%	47.0%	8.7%
Cancom	6.9%	4.6%	3.1%	47.0%	15.0%
Cenit	9.6%	7.8%	5.4%	57.0%	16.7%
Datagroup	9.5%	6.4%	3.6%	22.5%	4.7%
PSI	8.2%	6.3%	4.2%	39.2%	8.5%
SQS Software Quality	10.0%	7.4%	4.9%	50.0%	14.0%
KPS AG	16.2%	15.5%	13.9%	50.6%	52.7%
SNP AG	9.6%	7.5%	4.0%	58.6%	8.1%
Average	8.6%	7.6%	5.2%	46.5%	16.1%
All for One Steeb AG	10.1%	6.9%	4.1%	37.2%	13.6%

Source: BankM Research, Factset

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**... however above-average rate of top-line growth facilitates realisation of better economies of scale**

As a result of its readily scalable managed services revenues, the upward trend in sales revenues per customer (IT full service provider as opposed to SAP/ERP full service provider) and up-selling opportunities arising out of the SAP transformation, we believe that All for One Steeb is in a better position than many of its peers to further expand its margins. All for One Steeb has already in past years ultimately experienced growth at a disproportionately fast rate relative to its sales revenues. Special significance should continue to be attributed to strategic acquisitions (not taken into account in the model).

**Table 09: Comparison of Growth Rates** (not adjusted to reflect M&A)

	Sales CAGR (2013-2015e)	EBITDA CAGR (2013-2015e)	EBIT CAGR (2013-2015e)	EPS CAGR (2013-2015e)
adesso	11.2%	17.7%	34.6%	33.1%
Cancom	21.8%	37.3%	36.0%	24.3%
Cenit	3.5%	7.3%	9.3%	8.2%
Datagroup	0.5%	18.2%	52.0%	36.1%
PSI	2.8%	38.5%	67.1%	400.0%
SQS Software Quality	17.4%	41.7%	61.8%	29.1%
KPS AG	13.5%	23.2%	24.5%	1.0%
SNP AG	41,8% *	n.m.	n.m.	n.m.
Average	10.1%	26.3%	40.8%	n.m.
All for One Steeb AG	13.6%	19.9%	25.3%	41.4%

Source: BankM Research, Factset

**Fair value at € 51.65**

## Valuation Summary

If one takes the two evaluation methods into account with a 50% weighting in each case, this results in a fair value for All for One Steeb AG of € 51.65 per share.

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## SWOT Analysis

### Strengths

- The share of overall sales revenues represented by recurring revenues (2013/14: 46%) endows the business model with a certain stability
- All for One Steeb is the largest SAP partner (midmarket segment) within the DACH region. Considerable proximity to SAP top management
- United VARs facilitates the provision of customer support services on a worldwide basis without this involving major risks/capital commitments. The successful acquisitions in recent years have enabled All for One Steeb to establish a reputation which should prove to be of help in the context of future takeovers
- Low level of staff turnover, more than 1,100 employees

### Weaknesses

- The recurring outsourcing managed cloud business requires the lower-margin SAP consulting business
- Proportion of shares in free float less than 30%
- The market for SAP consulting services, in particular, remains subject to intense competition
- SAP will also continue to control/restrict the margins of the SAP consulting firms by means of its own price-setting measures
- Dependence on export-heavy key areas of industries (mechanical engineering and plant construction, automotive). Somewhat dampening effect of the expansion of the consumer goods sector (domestic economy)

### Opportunities

- Active role in consolidation among IT/SAP service providers
- Increased use of HANA and S/4HANA as successor to SAP Business Suite in midmarket segment
- Additional IT budgets for specialist divisions of large-scale enterprises
- Large All for One Steeb customer base for outsourcing / managed cloud services
- Cross-selling potential resulting from expansion of portfolio
- Success of SAP in the market for cloud services provides impetus for major partners; opportunity for substantial expansion of business
- Key role of an "orchestrator" in interaction between software and technology manufacturers and cloud using companies (add-on services)
- Big data as driver of business analytics (companies in need of know-how and support)

### Risks

- Continued dependence on new SAP business (albeit to a lesser degree)
- Economic risks could have an effect on the business, even though the outsourcing / managed cloud services business has in recent years further lowered the probability of this occurring
- The role of the SAP partners with regard to all new SAP activities (e.g. public cloud products) has not yet been finally defined.
- Availability of specialist IT personnel in Germany remains a bottleneck situation (All for One Steeb has supplemented its workforce in this regard with German-speaking employees of its Turkish subsidiary).
- The new product generation SAP S/4HANA could have the effect of causing potential customers to postpone making purchasing decisions.

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## Tables

<b>Profit and Loss Account (in € m)</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15e</b>	<b>2015/16e</b>	<b>2016/17e</b>
<b>Sales revenues</b>	<b>186.334</b>	<b>217.227</b>	<b>240.253</b>	<b>258.272</b>	<b>271.186</b>
Change in finished goods and work in progress	0.000	0.000	0.000	0.000	0.000
Other own cost capitalized	0.000	0.000	0.000	0.000	0.000
Other operating income	1.519	1.513	1.673	1.799	1.889
Total performance	187.853	218.740	241.926	260.071	273.074
Cost of material	-71.518	-79.643	-86.485	-91.810	-95.133
<b>Gross profit</b>	<b>116.335</b>	<b>139.097</b>	<b>155.441</b>	<b>168.260</b>	<b>177.941</b>
Personnel expenses	-72.218	-88.577	-97.966	-105.314	-110.579
Other operating expenses/income	-27.276	-30.064	-33.251	-35.745	-37.532
<b>EBITDA</b>	<b>16.841</b>	<b>20.456</b>	<b>24.224</b>	<b>27.202</b>	<b>29.830</b>
Depreciation and amortisation	-6.354	-6.992	-7.767	-8.607	-8.949
<b>EBIT</b>	<b>10.487</b>	<b>13.464</b>	<b>16.457</b>	<b>18.596</b>	<b>20.881</b>
Financial result	-1.653	-1.438	-1.417	-1.375	-1.309
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000
Pre tax result	8.834	12.026	15.040	17.221	19.572
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000
Taxes	-3.212	-3.259	-4.331	-5.166	-5.872
Minority interest	-0.831	-0.699	-0.889	-0.769	-0.839
<b>Net result</b>	<b>4.791</b>	<b>8.068</b>	<b>9.819</b>	<b>11.285</b>	<b>12.861</b>
Adjustments	0.000	0.000	0.000	0.000	0.000
Adjusted net result	4.791	8.068	9.819	11.285	12.861
Average number of shares	4.860	4.982	4.982	4.982	4.982
<b>EPS</b>	<b>0.99</b>	<b>1.62</b>	<b>1.97</b>	<b>2.27</b>	<b>2.58</b>
<b>Adjusted EPS</b>	<b>0.99</b>	<b>1.62</b>	<b>1.97</b>	<b>2.27</b>	<b>2.58</b>
<b>DPS</b>	<b>0.50</b>	<b>0.70</b>	<b>0.80</b>	<b>0.86</b>	<b>0.99</b>

Source: All for One Steeb AG, BankM Research (e)

<b>Cash Flow Statement (in €m)</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15e</b>	<b>2015/16e</b>	<b>2016/17e</b>
Net cash provided by operating activities	10.671	15.793	16.251	18.946	21.453
Net cash used in investing activities	-1.145	-6.701	-6.510	-5.859	-5.736
Net cash provided by financing activities	2.035	-7.881	-6.987	-7.677	-8.488
Change in cash and securities	11.536	1.211	2.754	5.410	7.228
Cash and securities at the end of the period	31.637	36.327	39.081	44.491	51.720

Source: All for One Steeb AG, BankM Research (e)

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# All for One Steeb AG

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Balance of Accounts (in €m)	2012/13	2013/14	2014/15e	2015/16e	2016/17e
<b>Long term assets</b>	<b>77.265</b>	<b>79.859</b>	<b>78.602</b>	<b>75.854</b>	<b>73.841</b>
Intangible assets	60.074	66.310	64.810	62.010	60.010
Tangible assets	8.943	8.615	8.858	8.910	8.897
Financial assets	8.248	4.934	4.934	4.934	4.934
<b>Current assets</b>	<b>62.766</b>	<b>69.985</b>	<b>73.007</b>	<b>81.209</b>	<b>90.438</b>
Inventories	0.362	0.686	0.759	0.816	0.856
Trade receivables	30.767	32.972	33.167	35.902	37.862
Receivables	0.000	0.000	0.000	0.000	0.000
Cash and cash equivalents	31.637	36.327	39.081	44.491	51.720
<b>Other assets</b>	<b>2.269</b>	<b>4.400</b>	<b>7.700</b>	<b>7.700</b>	<b>7.700</b>
<b>Total assets</b>	<b>142.300</b>	<b>154.244</b>	<b>159.309</b>	<b>164.763</b>	<b>171.979</b>
<b>Equity</b>	<b>49.643</b>	<b>52.094</b>	<b>59.315</b>	<b>67.393</b>	<b>76.805</b>
Reserves	43.429	47.388	53.720	61.029	69.602
Minorities	6.214	4.706	5.595	6.364	7.203
<b>Provisions</b>	<b>7.052</b>	<b>5.508</b>	<b>3.603</b>	<b>3.103</b>	<b>1.807</b>
<b>Liabilities</b>	<b>50.277</b>	<b>50.400</b>	<b>50.148</b>	<b>47.425</b>	<b>45.925</b>
Interest bearing liabilities	37.852	38.623	37.123	33.423	31.223
Trade payables	11.735	9.276	10.259	11.029	11.580
Non interest bearing liabilities	0.690	2.501	2.766	2.974	3.122
<b>Other liabilities</b>	<b>35.328</b>	<b>46.242</b>	<b>46.242</b>	<b>46.842</b>	<b>47.442</b>
<b>Total equity and liabilities</b>	<b>142.300</b>	<b>154.244</b>	<b>159.309</b>	<b>164.763</b>	<b>171.979</b>

Source: All for One Steeb AG, BankM Research (e)

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# All for One Steeb AG

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Key ratios	2012/13	2013/14	2014/15e	2015/16e	2016/17e
<b>Valuation ratios</b>					
EV/Sales	0.46	0.65	1.05	0.98	0.93
EV/EBITDA	5.11	6.91	10.44	9.30	8.48
EV/EBIT	8.21	10.50	15.37	13.60	12.11
P/E reported	14.77	16.13	24.61	21.41	18.79
P/E clean	14.77	16.13	24.61	21.41	18.79
PCPS	4.77	7.02	13.67	12.09	11.03
Price/Book Value	1.63	2.75	4.50	3.96	3.47
<b>Profitability ratios</b>					
Gross Margin	62.4%	64.0%	64.7%	65.1%	65.6%
EBITDA margin	9.0%	9.4%	10.1%	10.5%	11.0%
EBIT margin	5.6%	6.2%	6.9%	7.2%	7.7%
Pre tax margin	4.7%	5.5%	6.3%	6.7%	7.2%
Net margin	2.6%	3.7%	4.1%	4.4%	4.7%
ROE	12.4%	17.2%	19.2%	19.0%	19.0%
ROCE	12.1%	13.5%	15.7%	17.4%	19.5%
<b>Productivity ratios</b>					
Sales/employees (in € `000)	201.2	201.7	208.6	210.5	208.3
Net result/employees (in € `000)	5.2	7.5	8.5	9.2	9.9
Number of employees	926	1077	1152	1227	1302
<b>Financial ratios</b>					
Equity ratio	34.9%	33.8%	37.2%	40.9%	45.0%
Gearing	14.1%	8.2%	0.2%	-13.2%	-23.7%
Dividend yield	3.4%	2.7%	1.6%	1.8%	2.0%
<b>Cash flow ratios</b>					
Cash earnings per share	3.05	3.72	3.55	4.01	4.40
Operating cash flow per share	2.20	3.17	3.26	3.80	4.31
Free-cash-flow per share	2.37	3.12	2.88	3.30	3.65
<b>Other ratios</b>					
Depreciation/sales	3.4%	3.2%	3.2%	3.3%	3.3%
Capex/sales	1.8%	1.4%	1.4%	1.4%	1.4%
Working capital/sales	10.0%	10.1%	10.1%	10.1%	10.1%
Tax rate	36%	27%	29%	30%	30%

Source: BankM Research

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### A. Important information

Equity investments generally involve high risks. Investors may lose some or all of the money invested. Potential investors should take into account that share prices may fall and rise and that income from an investment may fluctuate considerably. Past performance is no guarantee for future results. Investors make their decisions at their own risk.

### B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV):

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**Responsible for the content of this document: biw Bank für Investments und Wertpapiere AG (biw AG), Willich, Germany.**

**Authors: Daniel Großjohann, Analyst.**

Regulatory authority for biw AG is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analysed instruments is All for One Steeb AG.

**Notice according to sec. 4 §. 4 N<sup>o</sup> 4 FinAnV (previous publications regarding the issuer within the last 12 months):**

Analysts	Date	Evaluation Result	Fair Value
Daniel Großjohann, Benjamin Ludacka	17.01.2014	Kaufen	€ 25,65
Daniel Großjohann, Benjamin Ludacka	19.02.2014	Neutral	€ 25,65
Daniel Großjohann, Benjamin Ludacka	03.06.2014	Neutral	€ 28,45
Daniel Großjohann, Benjamin Ludacka	18.08.2014	Verkaufen	€ 28,45
Daniel Großjohann, Benjamin Ludacka	18.11.2014	Neutral	€ 30,75

### II. Additional Information:

#### 1. Sources of information:

Main sources of information for the compilation of this document are publications in national and international media and information services (e.g. Reuters, VWD, Bloomberg, dpa-AFX, ACMR-IBIS World and others), financial newspapers and magazines (e.g. Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Economist and others), specialist media, published statistics, rating agencies as well as publications by peer group companies and the company itself. Furthermore talks with the management of the issuer have been held. This document was made available to the issuer before publication to ensure the accuracy of the information provided. This resulted in no textual changes.

#### 2. Summary of the valuation principles and methods used to prepare this document:

BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG (BankM) uses a 3-tier absolute rating model. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up to 12 months.

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#### 3. Date of first publication of this document:

**May 26, 2015**

#### 4. Date and time of prices of the instruments quoted in this document:

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