

Source: Deutsche Börse AG

## Introduction from Edison Investment Research

Welcome to the Edison research guide for the Deutsche Börse Eigenkapitalforum 2012. This book profiles over 180 companies that will be presenting at the Investors Forum.

We open with a strategy piece from Alastair George, who points out that since 2009 equity investors have rationally re-priced equities to reflect the lower growth environment. However, following several rounds of QE, price/book multiples in the US have expanded to levels not seen outside the US stock market bubble of 1995-2000. German non-financials are now trading near the top of the post-2009 trading range and UK equities are at their average for the period. As we cannot exclude the possibility of a growth disappointment by the end of the year, these are challenging levels to be fully invested in to fully-priced equities.

However, there is still plenty of value in the small-cap space where under-researched companies trading at modest multiples (also to growth) can still be found. The perennial issues of risk, transparency, sector mix and insufficient communication account for some of the discount, but probably not all, and not for all companies. According to a recent London Business School study, UK small caps have outperformed larger companies over the last 60 years. However, the wide and top-down view confirms that only half the world's small-cap indices (as listed in the study) have recovered from the turmoil of the last years – Germany, the US, Japan, Canada and Belgium have lagged. Small-cap valuations in Germany do not seem to reflect the quality and capability of many of the Mittelstand companies forging through the challenging economic situation.

Investor perceptions are that low liquidity, the ensuing price volatility and lower transparency increase the risk profile for small caps. However, these are neither endemic nor uniform problems, suggesting that artful stock picking will generously reward the brave and well informed.

Edison is a leading international investment research company. It has won industry recognition, with awards in the UK and internationally. The team of 95 includes over 60 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 400 companies across every sector and works directly with corporates, fund managers, investment banks, brokers and other advisers. Edison's research is read by institutional investors, alternative funds and wealth managers in more than 100 countries. Edison, founded in 2003, has offices in London, New York and Sydney and is authorised and regulated by the Financial Services Authority.

We welcome any comments/suggestions our readers may have.

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Introduction from Deutsche Börse

## German Equity Forum 2012 – Matching platform for entrepreneurs and investors

From 12 to 14 November 2012, Europe's largest and most important capital market event for corporate financing through the equity markets will take place in Frankfurt. True to the motto "Entrepreneurs meet Investors" this year's platform for information and networking will serve as an ideal meeting point for the entire community – comprising entrepreneurs, investors and analysts alike, not to mention the financial services sector.

Deutsche Börse and kfw Bankengruppe are proud to have hosted this annual event continuously ever since 1996. More than 45 partners and 25 sponsors support the event, contributing with their expert knowledge to fostering the constant growth and success of this conference. On behalf of Deutsche Börse Group, we welcome you to the German Equity Forum 2012 and wish you three informative days in the Congress Center of Messe Frankfurt's trade-fair complex and much pleasure with the following reading.

Yours,

The Equity Forum team

**Nicole Koludrovic: Vice President, Issuer Services**



Nicole Koludrovic joined Deutsche Börse in 2004. She is responsible for the annual German Equity Forum event and is the contact person for small- and medium-sized companies (SMEs) regarding financing options via the capital market as well as the support of issuers' investor relations. Since December 2006, she has been the account manager of the prime sectors: consumer, retail and food & beverages.

**Stefan Leisner: Key Account Manager, Issuer Services**



Stefan Leisner joined Deutsche Börse in 2009. Since 2011, he has been responsible for the account management of companies from the Industrial sector. He develops business connections with SMEs interested in the capital market and provides them with advice on the issuance of corporate bonds in Entry Standard. He is also a contact person for the German Equity Forum.

## Sector focus: IT services & software



Sector head: Dan Ridsdale

In March, BITKOM forecast that the German ICT market would grow 1.6% in 2012 to €151.0bn. Within this, the IT services sector is forecast to grow 2.5% to €34.9bn, making up close to a quarter of ICT revenues, and outgrowing the German government's recent GDP forecasts for calendar year 2012 of 0.8% (up marginally from the May forecast of 0.7%). Continued weakness in Europe and weaker than expected demand from China has led the government to reduce its 2013 forecast from 1.6% to 1.0%, although it expects global demand to start to recover in 2013.

Trends affecting IT services companies include:

- **Cloud computing:** As more companies choose to use cloud-based software and services, the relationship with system integrators is changing. The focus is moving from generating revenues from installing on-premise systems to helping clients move their data and software offsite, whether this is to a private cloud, a hosting provider or to a SaaS-software provider. Consulting services are broadening to include advice on whether and how this should happen. With client data moving offsite, data access security, data back-up services and connectivity back-up services are becoming more important.
- **Mobility:** With the trend for data access from multiple devices and locations, and for BYOD (bring your own device), IT security services are becoming increasingly critical.
- **Off-shoring:** German companies have tended to prefer near-shoring to Eastern Europe over off-shoring to countries such as India. Around 70% of off-shored German business has moved to Eastern Europe versus roughly a quarter to India. German language requirements have been the key driver of this trend.
- **Big data:** Many of the high-profile technologies used for big data are based on open-source software, eg Hadoop. Familiarity with these technologies and analytics capability will be key to helping companies make the best use of the large volumes of data they generate. The ever growing amounts of data are also driving increased storage needs.
- **SAP:** With a large installed base in Germany, the SAP-related ecosystem is heavily tied to the future roadmap of SAP. It will be crucial for these companies to develop skills in SAP's three key focus areas – cloud, HANA (in-memory computing) and mobility.

## One-stop SAP shop for the midmarket

### IT services & software

### Overview

All for One Steeb is a leading supplier of SAP industry solutions to mid-market companies in German speaking countries. The company supplies a combination of consultancy and implementation services, outsourcing and cloud based services. Through United VARs, a global SAP partners alliance, the company also provides international customers with worldwide SAP support.

### Key assets and operations: Recurring outsourcing business

The acquisition of Steeb, completed in December 2011, created one of the largest SAP-based solutions providers focused on German speaking markets. The company now services more than 2,000 customers – mostly small to medium businesses in the manufacturing industry, consumer goods and services sectors. In August of this year the company signed a letter of intent to acquire a 60% stake (with the intention to buy 100% once earn-outs are complete) in myOSC.com, a Lübeck based peer, significantly strengthening its position in the north of Germany.

Overall sales grew by 66% to €109.5m for the nine months to 30 June, clearly boosted by Steeb, although organic growth was also a very healthy 19%. Recurring outsourcing revenues increased by 91% and now account for 46% of total sales. Consulting revenues grew by 48% and accounted for 37% of the total, while licence revenues grew by 65% and account for 15% of sales. EBIT grew by 18% over the period to €4.0m, although this figure included €2.1m acquisition and integration related costs, implying underlying margins of 5.6%. The head count as at 30 June 2012 was 685 employees.

### Key management

**Chairman of the supervisory board:** Peter Brogle has been chair since 2003. Prior to that, he served as deputy chairman of the supervisory board.

**Chief executive officer:** Lars Landwehrkamp has served as a director since 2006. He was previously senior manager of a large auditing and consulting company.

**Chief financial officer:** Stefan Land has held the position since 2008. He previously served as chief financial officer of PULSION Medical Systems AG.

#### Key financial indicators

Year end	Sales (€m)	EBIT (€m)	Net assets (€m)	Net debt/(cash) (€m)
09/10	78.8	3.2	32.4	(9.8)
09/11	90.2	5.1	38.4	(12.6)

Source: Thomson Datastream

Price €11.15\*

Market cap €54m

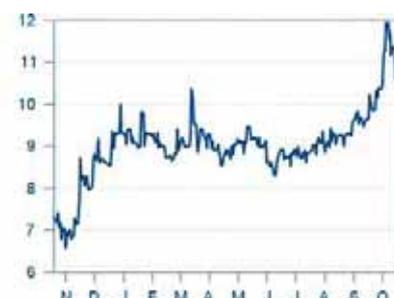
\*as at 19 October 2012

Free float 23%

Code A1OS

Primary exchange Frankfurt (Prime Standard)

### Share price performance



### Principal shareholders

CROSS Informatik GmbH	65.2%
BEKO HOLDING AG	11.2%
Landwehrkamp Lars	1.0%
Brogle Peter	0.9%
Land Stefan	0.7%

### Next events

Full year results 18 December

### Analyst

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