

# All for One Steeb AG

Technology

## SAP HANA and the cloud are major opportunities

All for One Steeb is the leading supplier of SAP solutions into the German-speaking mid-market. Notwithstanding the current economic uncertainty, near and medium-term demand drivers look robust. The SAP HANA transition cycle should continue to boost performance near term, while S4 HANA should start adding incremental opportunities over the course of the next year or so. The difficulty of recruiting high calibre, skilled staff and the potential for a regional economic pullback are major challenges.

## Expanding from the mid-market core

All for One Steeb's buy and build strategy has enabled the company to build scale and expand its customer footprint and range of solutions. In particular, the acquisitions of avantum (May 2014) and Grandconsult DEXINA (March 2015) have enhanced the company's capability set for larger mid-market companies. The company is a cofounder of United VARs, which was recently accredited with SAP Global VAR status. This has enhanced All for One Steeb's ability to service international businesses within its German language area regional focus.

## Cross-selling and scaling opportunities

We believe that SAP's evolution and broadening of its product set provide good opportunities for All for One Steeb to sell more into its customer base. The company is now benefitting from the HANA transition cycle and the contribution from solutions related to SAP's acquired cloud businesses such as BusinessObjects and SuccessFactors is starting to become more meaningful. The uptake of SAP S4 /HANA should provide incremental opportunities within a 12-18 month time frame.

## Strong growth base, hiring a margin constraint

A five-year track record of growth and margin expansion looks set to continue in FY15. The group generated 12% revenue growth in 9M15, on the back of a 20% increase in consulting and 12% growth in outsourcing revenues, while EBIT grew 57%, helped by a 2.3pp increase in operating margin to 8.0%. However, the shortage of qualified SAP staff may compress margins in FY16.

## Valuation: Factoring in sustained earnings growth

The 2016e P/E of 27.4 appears to factor in significant sustained earnings growth in coming years. We believe that the company has a strong platform to deliver this, although enforced investments in HANA and the cloud, as well as the difficulty in recruiting skilled SAP consulting staff and potential economic weakness in the region, are potential headwinds for the stock on a 12 month view.

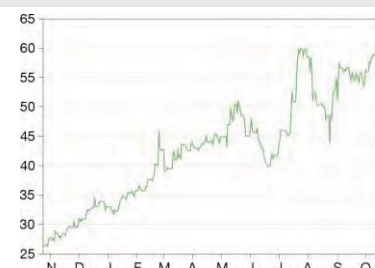
### Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
09/13	186.3	8.8	0.98	0.15	64.3	0.2
09/14	217.2	12.0	1.63	0.50	38.6	0.8
09/15e	240.3	15.6	2.06	0.80	30.6	1.3
09/16e	258.3	17.2	2.26	0.86	27.9	1.4

Source: Company data, Thomson Reuters

**Price** €63.0  
**Market cap** €315m

### Share price graph



### Share details

Code A10S  
Shares in issue 5.0m  
Net debt (€m) at 30 June 2015 1.7

### Business description

All for One Steeb is the leading supplier of SAP industry solutions to mid-market companies in German speaking countries. Outsourcing and consulting services generated 86% of 9M15 revenues. The company provides international customers with SAP support through United VARs.

### Bull

- Market leadership position.
- Well placed to benefit from the SAP HANA and then S4 HANA transition cycles.
- High recurring revenues (46%) and scope for take-off of SaaS to boost this further.

### Bear

- Challenge in hiring sufficient qualified staff in 2016.
- Potential deteriorating demand if conditions worsen for exporters in German speaking regions.
- Uncertainty over future revenue trend as one-off sales surge ahead of switch to SaaS.

### Analysts

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