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Company profiles

All for One Steeb

Investing in the digitisation opportunity

All for One Steeb is the leading supplier of SAP solutions into the German-speaking mid-market. The company is well placed to benefit from accelerating investment in digital and cloud transformation although the investment to secure this opportunity will suppress margins near term.

Acquisitions to drive scale and expand offering

All for One Steeb has successfully operated a buy-and-build strategy over the past six years. The initial focus was building scale and expanding customer footprint to the extent that the company is now the clear leader in the target segment, providing SAP solutions to the mid-market with over 2,000 clients and 1,200 experts. Recent acquisitions have focused on expanding the breadth of solutions deliver integrated solutions across key industry verticals and supporting on premise, private, public and hybrid cloud environments. The company's latest acquisition of a 70% stake cloud specialist B4Bin (amount undisclosed) was made to enhance the group's cloud-based delivery capability and accelerate growth in this area.

Digital transformation opportunity

The accelerating pace at which companies are investing in digital transformation and cloud presents a long-term structural growth opportunity for All for One Steeb, as it does for SAP, in which its prospects are closely tied. In the near term investment is required to ensure the business remains well placed to capture this opportunity through developing its cloud delivery capability (such as through the B4Bin acquisition) and boosting delivery capability in SAP's higher growth cloud product lines such as Business by Design, Success Factors Hybris and S/4HANA. Recruitment constraints are also a factor due to high demand for SAP consultants.

Investing to capture the opportunity

Sales growth has remained solid this year (+11% to €199.9m for 9M16) but margins and earnings growth have moderated (EBIT +1% to €14.6m; EBIT margin of 7.3% vs 8.0%). We believe that structural growth drivers are likely to remain robust although the uncertain economic picture is clearly a factor. We can see scope for margin expansion in the medium term but caution against assuming any significant recovery near term – high-margin licensing revenues have been strong in FY16 to date, while FY15 benefited from high utilisation levels.

Valuation: Factoring in sustained earnings growth

In the near term, we believe that All for One Steeb's FY17e P/E rating of c 18x looks fair. A key catalyst for upside would be visibility that the current investment phase will drive an acceleration in growth or that margins are set to expand again.

Consensus estimates

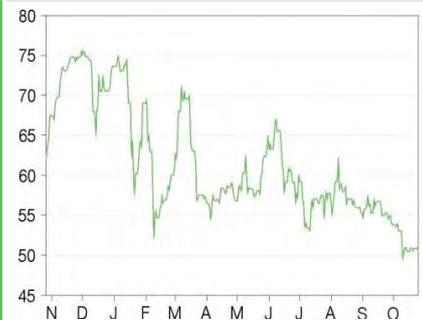
Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	241.6	16.1	2.25	0.80	22.6	1.6
12/16e	264.0	17.1	2.40	0.91	21.2	1.8
12/17e	280.0	20.1	2.86	1.11	17.8	2.2
12/18e	295.0	22.8	3.17	1.22	16.0	2.4

Source: Thompson Eikon consensus

Software services

Price €50.8
Market cap €253m

Share price graph



Share details

Code A1OS
Shares in issue 4.98m
Net cash (€m) at 30 June 2016 3.1

Business description

All for One Steeb is the leading supplier of SAP industry solutions to mid-market companies in German speaking countries.

Bull

- Market leadership position.
- Well placed to benefit from digital and cloud transformation.
- High recurring revenues (46% in FY15) and scope for take-off of SaaS to boost this further.

Bear

- Investment fees and recruitment constraints may suppress margins near term.
- Low free float and liquidity.
- Valuation is not compelling.

Analyst

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