

# All for One Steeb AG

January 14, 2019



## Information Analysis

Analyst:

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Evaluation result

**BUY**

(previous: BUY)

Fair value

**€70.60**

(previous: €72.30)

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## Acquisition of TalentChamp will ramp up growth of the LOB business

In our view, All for One Steeb has been able to ensure a positive news flow with the publication of its final figures for FY 2017/18, with the presentation of its strategy offensive 2022 and with the acquisition of talent management specialist **TalentChamp**, which is a good strategic fit. Even so, the All for One Steeb share was not entirely able to escape the weak capital market environment at the end of 2018. In our estimates for 2018/19ff, we have taken into account the acquisition of TalentChamp on 1 January 2019, but have become more cautious given the general economic outlook. With margins set to rise in the medium term and organic growth rates in the high single-digit percentage range, All for One Steeb's EV/sales multiple of 0.66 means the share is still inexpensive.

- With 35 consultants and 100 clients (upper-end SMEs/major corporations) **TalentChamp** most recently generated annual revenues of over €4m. The company has a many years' expertise in **SAP SuccessFactors** and has been working on project in this field with All for One Steeb's subsidiary KWP since 2016. The acquisition as of January 1, 2019 greatly strengthens All for One Steeb's SuccessFactors' activities. TalentChamp is expected to generate consolidated revenue of around €3m in 2018/19. We assume that the (undisclosed) final purchase price, which includes an earn-out clause, will be around 1.5 to 2 times TalentChamp's 2018 revenue, i.e. between €6m and €8m.
- There is **no sign of a cyclical downturn** in All for One Steeb's business at present. Besides, we believe that a cyclical downswing is likely to have less impact on the operating business than was the case a few years ago because of **the high proportion of recurring revenue** (2017/18: 47%) and wide range of business activities in the area of 'digital transformation' (e.g. new work, IT security, LOB clouds).
- Outlook:** The guidance issued by All for One Steeb on November 16, 2018 forecasts revenue in a range of €345m to €355m with EBIT before one-off effects of between €21m and €22m. The company expects the **strategy offensive 2022** to lift revenue to a range of €550m to €600m in FY 2022/23 with the EBIT margin topping 7%.

### Key data / Earnings

Year	Sales (mln €)	EBITDA (mln €)	adj.EBIT (mln €)	EBT (mln €)	adj. net (mln €)	adj. EPS (€)	DPS (€)	EBIT-Margin	Net-Margin
2016/17	300.5	29.4	20.1	19.4	13.1	2.63	1.20	6.7%	4.4%
2017/18	332.4	31.2	20.6	19.6	14.0	2.82	1.20	6.2%	4.2%
2018/19e	352.3	31.3	20.9	14.5	15.7	3.15	1.19	5.9%	4.5%
2019/20e	380.5	35.7	24.6	23.8	17.0	3.41	1.35	6.5%	4.5%
2020/21e	414.7	40.5	28.5	27.9	19.8	3.98	1.50	6.9%	4.8%

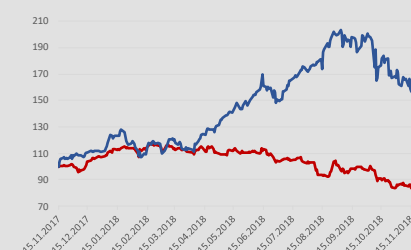
Source: All for One Steeb AG, BankM Research (e)

Sector	IT-Services
WKN	511000
ISIN	DE0005110001
Bloomberg/Reuters	A10S GY/A10S.DE
Accounting standard	IFRS
Financial year	Sep 30
Q1 2018/19	February 7, 2019
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	18/19e	19/20e	20/21e
EV/Sales	0.66	0.62	0.56
EV/EBITDA	7.5	6.6	5.8
EV/EBIT	11.2	9.5	8.2
P/E adj.	16.9	15.6	13.4
Price/Bookvalue	3.3	2.9	2.5
Price/FCF	35.1	13.4	11.3
ROE (in %)	19.5	19.3	19.9
Dividend yield (in %)	2.2	2.5	2.8

Number of shares outs. (in mln)	4.982		
MarketCap / EV (in € mln)	265 / 234		
Free float (in %)	38		
Ø daily trading vol. (3M, in €)	83		
12M high / low (in €, XETRA-close)	72.60/46.90		
Price Jan. 11, 2019 (in €, XETRA-close)	53.20		
Performance	1M	6M	12M
absolute (in %)	-2%	-17%	-23%
relative (in %)	-4%	-10%	-36%

Benchmark index DAX-Subsector IT-Services



All for One Steeb AG (red/grey), Performance 1y vs. DAXsubsector IT-Services (black)

Source: Bloomberg

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**Key points of the strategy offensive 2022**

The analysts' conference in December 2018 was an opportunity to present further **elements of the strategy offensive** to investors and analysts. At its heart is positioning All for One Steeb as an integrated, single-source supplier with specialist companies dedicated to specific fields. The drive includes extending the portfolio, for example, in the LOB (Line-of-Business) area, through in-house developments, IoT, machine learning and a new topic - IT security - which is becoming increasingly important for SMEs. Key accounts will be managed centrally across the Group, thus avoiding duplication of structures and allowing holistic targeting of clients. While the central focus will still be Germany, Austria and Switzerland, the customer base is shifting towards larger SMEs. The strategy offensive also comprises various elements to address the general problem that growth is often held back by a shortage of skilled staff. Ideas include the extension of **nearshoring**, albeit only within the EU as the GDPR has scuppered plans to scale up the unit in Turkey (50 employees).

**Impact of the TalentChamp acquisition on financials**

TalentChamp Consulting GmbH, which was established in Vienna in 2001 and also has an office in Munich, positioned itself in cloud technologies early on and has many years' experience of SAP SuccessFactors. In our estimates for 2018/19, we have included a revenue effect of around €3m and assume a slightly positive absolute contribution to EBIT. This is overshadowed by a more cautious estimate for the Group as a whole due to the economic situation. The undisclosed purchase price, which was probably in the mid to upper single-digit million range (assuming customary market multiples), is reflected by a cash outflow of €5m in this year and an earn-out payment of €2m in 2020/21e. Overall, however, the relative size of the acquisition means that its impact on the valuation is low.

**Strategic significance of the acquisition**

The acquisition makes All for One Steeb the **market leader in the SAP cloud HR market (in Germany, Austria and Switzerland)** and strengthens its cloud business and recurring revenue base. In addition, positive **cross-selling effects** are expected, although we have not explicitly factored these in. It greatly increases the entity's strength in the SuccessFactors' environment (50 employees), while the risks of the takeover should be limited thanks to the previous project-based collaboration.

**Microsoft portfolio and prestigious new customers**

All for One Steeb has a broadly based Microsoft portfolio and is one of the few market players that can provide both SAP and Microsoft consulting, enabling it to leverage synergies between the two most important business application landscapes for the benefit of its customers. The list of **new customers (Microsoft Consulting)** in the last year is impressive and includes Würth, BSH, Liebherr, Jenoptik, Frosta, Trumpf, NDR, Kuka and Bilfinger, amongst others.

## Tables

Profit and Loss Account (in € m)	2016/17	2017/18	2018/19e	2019/20e	2020/21e
<b>Sales revenues</b>	<b>300.521</b>	<b>332.357</b>	<b>352.298</b>	<b>380.482</b>	<b>414.726</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	2.972	4.988	5.287	5.710	6.224
Total performance	303.493	337.345	357.586	386.193	420.950
Cost of material	-109.242	-119.921	-120.442	-125.949	-133.293
<b>Gross profit</b>	<b>194.251</b>	<b>217.424</b>	<b>237.144</b>	<b>260.243</b>	<b>287.657</b>
Personnel expenses	-124.168	-139.848	-156.852	-171.682	-189.618
Other operating expenses/income	-40.709	-46.370	-49.001	-52.852	-57.540
<b>EBITDA</b>	<b>29.374</b>	<b>31.206</b>	<b>31.291</b>	<b>35.709</b>	<b>40.500</b>
Depreciation and amortisation	-9.312	-10.629	-10.380	-11.112	-12.001
<b>EBIT</b>	<b>20.062</b>	<b>20.577</b>	<b>20.911</b>	<b>24.597</b>	<b>28.499</b>
Financial result	-0.669	-1.021	-0.922	-0.809	-0.636
Non operating result before taxes	0.000	0.000	-5.500	0.000	0.000
Pre tax result	19.393	19.556	14.489	23.788	27.862
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000
Taxes	-6.308	-5.849	-4.623	-7.136	-8.358
Minority interest	0.018	0.324	0.324	0.324	0.324
<b>Net result</b>	<b>13.103</b>	<b>14.031</b>	<b>10.190</b>	<b>16.976</b>	<b>19.828</b>
Adjustments	0.000	0.000	5.500	0.000	0.000
Adjusted net result	13.103	14.031	15.690	16.976	19.828
Average number of shares	4.982	4.982	4.982	4.982	4.982
<b>EPS</b>	<b>2.63</b>	<b>2.82</b>	<b>2.05</b>	<b>3.41</b>	<b>3.98</b>
<b>Adjusted EPS</b>	<b>2.63</b>	<b>2.82</b>	<b>3.15</b>	<b>3.41</b>	<b>3.98</b>
<b>DPS</b>	<b>1.20</b>	<b>1.20</b>	<b>1.19</b>	<b>1.35</b>	<b>1.50</b>

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

Cash Flow Statement (in €m)	2016/17	2017/18	2018/19e	2019/20e	2020/21e
Net cash provided by operating activities	21.274	23.407	19.678	25.505	28.740
Net cash used in investing activities	-11.727	-7.743	-18.128	-8.478	-10.541
Net cash provided by financing activities	-12.674	-8.947	-9.678	-19.223	-10.005
Change in cash and securities	-3.294	6.576	-8.129	-2.196	8.193
Cash and securities at the end of the period	33.173	40.097	31.968	29.772	37.965

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

Balance of Accounts (in €m)	2016/17	2017/18	2018/19e	2019/20e	2020/21e
<b>Long term assets</b>	<b>83.932</b>	<b>86.095</b>	<b>95.343</b>	<b>92.709</b>	<b>91.249</b>
Intangible assets	66.149	62.247	63.680	60.092	58.491
Tangible assets	11.749	17.279	25.094	26.048	26.189
Financial assets	6.034	6.569	6.569	6.569	6.569
<b>Current assets</b>	<b>77.209</b>	<b>88.044</b>	<b>82.792</b>	<b>88.062</b>	<b>101.195</b>
Inventories	1.160	0.690	0.731	0.790	0.861
Trade receivables	42.876	47.257	50.092	57.500	62.369
Cash and securities	33.173	40.097	31.968	29.772	37.965
<b>Other assets</b>	<b>7.585</b>	<b>9.036</b>	<b>8.036</b>	<b>8.036</b>	<b>8.036</b>
<b>Total assets</b>	<b>168.726</b>	<b>183.175</b>	<b>186.171</b>	<b>188.807</b>	<b>200.481</b>
<b>Equity</b>	<b>69.510</b>	<b>77.019</b>	<b>80.906</b>	<b>91.635</b>	<b>104.434</b>
Reserves	69.363	77.208	81.419	92.472	105.595
Minorities	0.147	-0.189	-0.513	-0.837	-1.161
<b>Provisions</b>	<b>3.478</b>	<b>4.134</b>	<b>4.251</b>	<b>4.374</b>	<b>4.503</b>
<b>Liabilities</b>	<b>43.557</b>	<b>49.168</b>	<b>48.159</b>	<b>39.943</b>	<b>38.689</b>
Interest bearing liabilities	27.209	29.310	27.110	17.210	13.910
Trade payables	14.907	15.532	16.464	17.781	19.381
Non interest bearing liabilities	1.441	4.326	4.586	4.952	5.398
<b>Other liabilities</b>	<b>52.181</b>	<b>52.854</b>	<b>52.854</b>	<b>52.854</b>	<b>52.854</b>
<b>Total equity and liabilities</b>	<b>168.726</b>	<b>183.175</b>	<b>186.171</b>	<b>188.807</b>	<b>200.481</b>

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

# All for One Steeb AG

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Key ratios	2016/17	2017/18	2018/19e	2019/20e	2020/21e
<b>Valuation ratios</b>					
EV/Sales	0.98	0.92	0.66	0.62	0.56
EV/EBITDA	9.99	9.79	7.48	6.55	5.78
EV/EBIT	14.63	14.85	11.19	9.52	8.21
P/E reported	22.67	22.37	26.01	15.61	13.37
P/E clean	22.67	22.37	16.89	15.61	13.37
PCPS	10.29	10.39	12.81	9.39	8.29
Price/Book Value	4.28	4.07	3.26	2.87	2.51
<b>Profitability ratios</b>					
Gross Margin	64.6%	65.4%	67.3%	68.4%	69.4%
EBITDA margin	9.8%	9.4%	8.9%	9.4%	9.8%
EBIT margin	6.7%	6.2%	5.9%	6.5%	6.9%
Pre tax margin	6.5%	5.9%	5.7%	6.3%	6.7%
Net margin	4.4%	4.2%	4.5%	4.5%	4.8%
ROE	20.1%	18.7%	19.5%	19.3%	19.9%
ROCE	16.7%	16.0%	14.7%	16.1%	18.0%
<b>Productivity ratios</b>					
Sales/employees (in € `000)	224.8	189.7	192.8	200.0	209.8
Net result/employees (in € `000)	9.8	8.0	8.6	8.9	10.0
Number of employees	1337	1752	1827	1902	1977
<b>Financial ratios</b>					
Equity ratio	41.2%	42.0%	43.5%	48.5%	52.1%
Gearing	142.7%	137.8%	130.1%	106.0%	92.0%
Dividend yield	2.0%	1.9%	2.2%	2.5%	2.8%
<b>Cash flow ratios</b>					
Cash earnings per share	5.80	6.06	4.15	5.66	6.41
Operating cash flow per share	4.27	4.70	3.95	5.12	5.77
Free-cash-flow per share	4.86	4.52	1.52	3.96	4.70
<b>Other ratios</b>					
Depreciation/sales	3.1%	3.2%	3.2%	3.1%	3.1%
Capex/sales	1.6%	2.3%	3.7%	2.2%	2.1%
Working capital/sales	9.2%	8.5%	8.5%	8.5%	8.5%
Tax rate	33%	30%	32%	30%	30%

Source: BankM Research (e)

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**Author: Daniel Großjohann, Analyst.**

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Daniel Großjohann	16.01.2018	Buy	€ 76.40
Daniel Großjohann	20.02.2018	Buy	€ 76.20
Daniel Großjohann	18.05.2018	Buy	€ 78.50
Daniel Großjohann	14.08.2018	Buy	€ 75.90
Daniel Großjohann	22.11.2018	Buy	€ 72.30

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