

# All for One Steeb AG

February 23, 2017



## Information Analysis

### Analyst

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### Evaluation Result

**HOLD**

(previous: BUY)

### Fair Value

**€69.00**

(previous: €68.00)

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

## Double-digit growth at start of business year

Driven by strong license business (+28%), the All for One Steeb Group grew sales revenue 12% in Q1 16/17. Double-digit growth was also reported by the strategically significant Outsourcing & Cloud Services segment (+10%). EBIT was up 10% year-on-year and EPS increased by 21%. The EBIT margin slipped slightly from 8.1% to 8.0%. In view of the company's strong performance in the first quarter, we are raising our sales growth estimate for the full year from 7% to 8.5%. We still expect the EBIT margin 16/17e to be slightly lower than in the previous year. Both a peer group analysis and our DCF valuation indicate upside potential for the share price. However, following the recent rally, this is just under 15%. Consequently, we are revising our rating from buy to hold (despite the slight increase in our estimates).

- Revenue growth came from all three major types of revenue. As a result of a very strong December, Software licenses (+28%) grew sales even faster than Outsourcing & Cloud Services (+10%) and Consulting (+9%). Alongside SAP S4/HANA based on the SAP HANA in-memory database, which is increasingly being embraced by SMEs and will be a key theme in the coming years, subsequent licensing was of significance for license revenues. In view of the timing structure of license revenues (strong December 2016), there was a noticeable rise in trade accounts receivable and payable as of the reporting date.
- Outlook for 2016/17e:** The company has not altered its guidance. Revenues in the 2016/17 financial year (from October 1, 2016) are expected to be in a range of € 280 million to € 290 million. The company anticipates that EBIT will be in a range of € 18.5 million to € 20.5 million. Our revised estimates are close to the upper end of the ranges forecast by the company.
- The company sees a possible economic downturn as the biggest risk factor. To err on the side of caution, our forecast assumes a slight reduction in momentum. The German software market is in a dynamic growth phase. That said, alongside economic factors, strategic factors ("digital core") are driving forces for the SAP business with SMEs.

### Key data / Earnings

Year	Sales (mIn €)	EBITDA (mIn €)	EBIT (mIn €)	EBT (mIn €)	adj. net (mIn €)	adj. EPS (€)	DPS (€)	EBIT-Margin (%)	Net-Margin (%)
2014/15	241.6	27.5	19.3	16.1	11.4	2.30	0.80	8.0%	4.7%
2015/16	266.3	27.4	18.8	17.4	12.3	2.46	1.10	7.1%	4.6%
2016/17e	288.9	28.9	19.8	18.5	12.9	2.58	1.07	6.9%	4.5%
2017/18e	306.2	31.1	21.6	20.7	14.4	2.89	1.11	7.0%	4.7%
2018/19e	324.6	33.7	24.0	23.5	16.4	3.28	1.26	7.4%	5.0%

Source: All for One Steeb AG, BankM Research

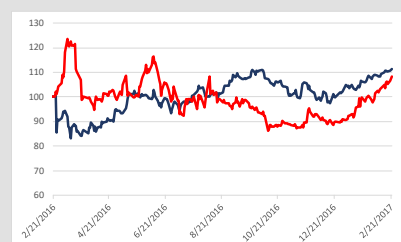
Sector	IT-Services
WKN	511000
ISIN	DE0005110001
Bloomberg/Reuters	A1OS GY/A1OS.DE
Accounting standard	IFRS
Financial year	30.09
Q2 2016/17	May 11, 2017
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	16/17e	17/18e	18/19e
EV/Sales	0.96	0.90	0.85
EV/EBITDA	9.6	8.9	8.2
EV/EBIT	14.0	12.8	11.5
P/E adj.	24.1	21.6	19.0
Price/Bookvalue	4.6	4.0	3.5
Price/FCF	20.0	17.2	16.2
ROE (in %)	20.2	20.0	20.0
Dividend yield (in %)	1.7	1.8	2.0

Number of shares outs. (in mln)	4.982
MarketCap / EV (in € mln)	304 / 277
Free float (in %)	24
Ø daily trading vol. (3M, in €)	78
12M high / low (in €; XETRA-close)	71,49/49,10
Price February 21, 2017 (in €; XETRA-close)	62.30

Performance	1M	6M	12M
absolute (in %)	9%	11%	10%
relative (in %)	3%	4%	-2%

Benchmark index DAX-Subsector IT-Services



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

Source: Deutsche Börse AG

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## Digitalization needs a “core”

For some time, “digitalization” has quite rightly been seen as a key issue for competitiveness and future-proofing. Investment focuses primarily on software solutions. In its forecast (10/16), the Federal Association for Information Technology, Telecommunications and New Media (BITKOM) assumes far more dynamic growth in the German software sector (6.2%) than in IT services (+2.7%) and IT hardware (+2.8%). SMEs are becoming increasingly aware that they need to group their digital services around a defined “digital core” (even if the services are only used by certain departments), otherwise there is a risk of “uncontrolled proliferation” and inefficient data management. As an ERP system, SAP S4/HANA (based on SAP HANA) is suitable as a digital core for companies. SAP took steps at an early stage to position itself in (specific) digital business processes/applications through acquisitions such as Concur, hybris and Fieldglass. Its partners can therefore offer SMEs a single-source solution that goes well beyond the original ERP concept. The (structured) digitalization of the SME sector will remain a key growth driver for SAP's partners for years.

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## Tables

<b>Profit and Loss Account (in € m)</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17e</b>	<b>2017/18e</b>	<b>2018/19e</b>
<b>Sales revenues</b>	<b>241.592</b>	<b>266.278</b>	<b>288.912</b>	<b>306.246</b>	<b>324.621</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	2.868	2.674	2.901	3.075	3.260
Total performance	244.460	268.952	291.813	309.322	327.881
Cost of material	-85.019	-96.505	-101.454	-106.342	-108.796
<b>Gross profit</b>	<b>159.441</b>	<b>172.447</b>	<b>190.359</b>	<b>202.980</b>	<b>219.085</b>
Personnel expenses	-99.532	-109.968	-121.880	-130.011	-141.071
Other operating expenses/income	-32.391	-35.076	-39.589	-41.885	-44.319
<b>EBITDA</b>	<b>27.518</b>	<b>27.403</b>	<b>28.891</b>	<b>31.084</b>	<b>33.695</b>
Depreciation and amortisation	-8.262	-8.555	-9.100	-9.494	-9.674
<b>EBIT</b>	<b>19.256</b>	<b>18.848</b>	<b>19.791</b>	<b>21.590</b>	<b>24.022</b>
Financial result	-3.136	-1.417	-1.259	-0.866	-0.493
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000
Pre tax result	16.120	17.431	18.532	20.725	23.528
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000
Taxes	-4.660	-5.140	-5.559	-6.217	-7.058
Minority interest	-0.024	-0.040	-0.110	-0.110	-0.110
<b>Net result</b>	<b>11.436</b>	<b>12.251</b>	<b>12.863</b>	<b>14.398</b>	<b>16.360</b>
Adjustments	0.000	0.000	0.000	0.000	0.000
Adjusted net result	11.436	12.251	12.863	14.398	16.360
Average number of shares	4.982	4.982	4.982	4.982	4.982
<b>EPS</b>	<b>2.30</b>	<b>2.46</b>	<b>2.58</b>	<b>2.89</b>	<b>3.28</b>
<b>Adjusted EPS</b>	<b>2.30</b>	<b>2.46</b>	<b>2.58</b>	<b>2.89</b>	<b>3.28</b>
<b>DPS</b>	<b>0.80</b>	<b>1.10</b>	<b>1.07</b>	<b>1.11</b>	<b>1.26</b>

Source: All for one Steeb AG, BankM Research

<b>Cash Flow Statement (in €m)</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17e</b>	<b>2017/18e</b>	<b>2018/19e</b>
Net cash provided by operating activities	21.027	16.900	19.790	21.393	23.060
Net cash used in investing activities	-6.796	-2.864	-6.653	-6.053	-7.116
Net cash provided by financing activities	-6.776	-22.651	-15.080	-17.906	-6.843
Change in cash and securities	7.667	-8.611	-1.944	-2.565	9.101
Cash and securities at the end of the period	41.041	35.646	33.702	31.137	40.238

Source: All for one Steeb AG, BankM Research

<b>Balance of Accounts (in €m)</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17e</b>	<b>2017/18e</b>	<b>2018/19e</b>
<b>Long term assets</b>	<b>83.641</b>	<b>75.747</b>	<b>73.300</b>	<b>69.859</b>	<b>67.301</b>
Intangible assets	65.684	61.116	58.119	54.094	51.278
Tangible assets	9.876	9.347	9.897	10.480	10.739
Financial assets	8.081	5.284	5.284	5.284	5.284
<b>Current assets</b>	<b>78.532</b>	<b>73.432</b>	<b>77.376</b>	<b>77.634</b>	<b>89.951</b>
Inventories	1.229	0.694	0.765	0.846	0.941
Trade receivables	36.262	37.092	42.908	45.650	48.771
Receivables	0.000	0.000	0.000	0.000	0.000
Cash and securities	41.041	35.646	33.702	31.137	40.238
<b>Other assets</b>	<b>5.804</b>	<b>6.610</b>	<b>6.610</b>	<b>6.610</b>	<b>6.610</b>
<b>Total assets</b>	<b>167.977</b>	<b>155.789</b>	<b>157.286</b>	<b>154.102</b>	<b>163.861</b>
<b>Equity</b>	<b>53.805</b>	<b>60.392</b>	<b>67.885</b>	<b>77.086</b>	<b>88.014</b>
Reserves	53.716	60.277	67.660	76.751	87.569
Minorities	0.089	0.115	0.225	0.335	0.445
<b>Provisions</b>	<b>4.859</b>	<b>5.583</b>	<b>5.793</b>	<b>6.012</b>	<b>6.243</b>
<b>Liabilities</b>	<b>53.776</b>	<b>35.983</b>	<b>32.778</b>	<b>25.249</b>	<b>24.623</b>
Interest bearing liabilities	37.528	22.424	19.824	11.224	9.924
Trade payables	10.948	12.318	11.585	12.512	13.015
Non interest bearing liabilities	5.300	1.241	1.369	1.514	1.683
<b>Other liabilities</b>	<b>55.537</b>	<b>53.831</b>	<b>50.831</b>	<b>45.754</b>	<b>44.982</b>
<b>Total equity and liabilities</b>	<b>167.977</b>	<b>155.789</b>	<b>157.286</b>	<b>154.102</b>	<b>163.861</b>

Source: All for one Steeb AG, BankM Research

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# All for One Steeb AG

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Key ratios	2014/15	2015/16	2016/17e*	2017/18e	2018/19e
<b>Valuation ratios</b>					
EV/Sales	0.83	1.11	0.96	0.90	0.85
EV/EBITDA	7.32	10.77	9.58	8.90	8.21
EV/EBIT	10.46	15.65	13.98	12.82	11.52
P/E reported	17.64	24.81	24.13	21.56	18.97
P/E clean	17.64	24.81	24.13	21.56	18.97
PCPS	8.87	11.37	14.00	12.87	11.82
Price/Book Value	3.76	5.04	4.59	4.04	3.54
<b>Profitability ratios</b>					
Gross Margin	66.0%	64.8%	65.9%	66.3%	67.5%
EBITDA margin	11.4%	10.3%	10.0%	10.2%	10.4%
EBIT margin	8.0%	7.1%	6.9%	7.0%	7.4%
Pre tax margin	6.7%	6.5%	6.4%	6.8%	7.2%
Net margin	4.7%	4.6%	4.5%	4.7%	5.0%
ROE	22.8%	21.5%	20.2%	20.0%	20.0%
ROCE	18.9%	17.6%	19.4%	20.4%	19.7%
<b>Productivity ratios</b>					
Sales/employees (in € `000)	234.6	210.9	216.0	216.8	218.2
Net result/employees (in € `000)	11.1	9.7	9.6	10.2	11.0
Number of employees	1030	1263	1338	1413	1488
<b>Financial ratios</b>					
Equity ratio	32.0%	38.8%	43.2%	50.0%	53.7%
Gearing	212.2%	158.0%	131.7%	99.9%	86.2%
Dividend yield	2.0%	1.8%	1.7%	1.8%	2.0%
<b>Cash flow ratios</b>					
Cash earnings per share	4.56	5.36	4.45	4.84	5.27
Operating cash flow per share	4.22	3.39	3.97	4.29	4.63
Free-cash-flow per share	3.42	4.60	3.12	3.62	3.84
<b>Other ratios</b>					
Depreciation/sales	3.4%	3.2%	2.1%	2.1%	3.0%
Capex/sales	2.4%	1.4%	2.3%	2.0%	2.2%
Working capital/sales	8.8%	9.1%	9.2%	9.6%	10.1%
Tax rate	29%	29%	30%	30%	30%

Source: All for one Steeb AG, BankM Research

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**Authors: Daniel Großjohann, Analyst.**

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Analysts	Date	Evaluation Result	Fair Value
Daniel Großjohann	09.06.2016	Hold	€ 62.00
Daniel Großjohann	17.08.2016	Buy	€ 65.00
Daniel Großjohann	02.12.2016	Buy	€ 65.50
Daniel Großjohann	20.01.2017	Buy	€ 68.00

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

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

Closing prices of February 21, 2017

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