

All for One Steeb AG

January 23, 2017



Information Analysis

Analyst

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Evaluation Result

BUY

(previous: BUY)

Fair Value

€68.00

(previous: €65.50)

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

Future investments underpin solid organic growth

At present, investors seem to be paying a lot of attention to the relationship between general sales growth (15/16: +10%) and the development of recurring sales (+7%). Due to the high strategic importance of recurring sales, this is comprehensible, but it is too short-term in our view: the strategic growth history of managed cloud services/maintenance is intact. The organic growth of 7% is clearly above the growth of the IT services market in Germany (16e: +2.7%). The All for One Steeb share price development in 2016 (-29%) has resulted in a favorable share price compared over several years while maintaining good growth prospects (growth through SAP S/4HANA, up-selling, outsourcing trend, industry 4.0) at the same time. In the short to medium term, strategic future investments (e.g. in employee training, expansion of the cloud service portfolio, development of own SAP S/4/HANA industry solutions) are likely to dampen margins slightly. We see this as an opportunity to gradually increase positions in the share as the price will gain momentum again by new margin expansions at the latest. DCF and peer evaluation show significant potential, so we are raising our target price.

- At All for One Steeb, the current and the upcoming business year will also be characterized by future investments in the range of offerings as well as employees. These are likely to pay off in the medium term. As it is more difficult for smaller SAP partners to scale the pre-processing costs to cover the broad range of SAP topics, consolidation among the SAP partners is also likely to continue. However, All for One Steeb is already broadly established in the DACH region, so that companies with special topics are likely to be the focus of attention. This also includes the takeover of cloud specialist B4B, which became effective in the current financial year and which opens up opportunities for scaling; the acquired turnover (around EUR 2 million p.a.) was rather a secondary motive.
- Outlook 2016/17e:** Revenue in the current financial year 2016/17 (starting 1 October 2016) is expected to be in the range of EUR 280 million to EUR 290 million. The company expects a range of EUR 18.5 million to EUR 20.5 million for the EBIT. Both indicators take into account the B4B takeover of 1 November 2016, but no further acquisitions.

Key data / Earnings

Year	Sales (mln €)	EBITDA (mln €)	EBIT (mln €)	EBT (mln €)	adj. net (mln €)	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	284.9	28.5	19.5	18.3	12.7	2.54	1.05	6.8%	4.4%
2017/18e	302.0	30.7	21.3	20.4	14.2	2.85	1.10	7.0%	4.7%
2018/19e	320.1	33.2	23.7	23.2	16.1	3.24	1.25	7.4%	5.0%

Source: All for One Steeb AG, BankM Research

Sector	IT-Services
WKN	51000
ISIN	DE000510001
Bloomberg/Reuters	A10S GY/A10S.DE
Accounting standard	IFRS
Financial year	30.09
Q1 2016/17	February 9, 2017
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	16/17e	17/18e	18/19e
EV/Sales	0.88	0.83	0.78
EV/EBITDA	8.8	8.1	7.5
EV/EBIT	12.8	11.7	10.5
P/E adj.	22.4	20.0	17.6
Price/Bookvalue	4.2	3.7	3.3
Price/FCF	18.6	15.9	15.0
ROE (in %)	20.0	19.8	19.8
Dividend yield (in %)	18	19	2.2

Number of shares outs. (in mln) 4.982

MarketCap / EV (in €mln) 304 / 240

Free float (in %) 24

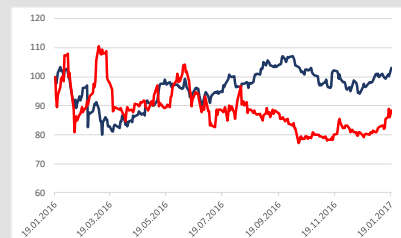
Ø daily trading vol. (3M, in €) 44

12M high / low (in €XETRA-close) 76.96/42.01

Price January 19, 2017 (in €XETRA-close) 56.88

Performance	1M	6M	12M
absolute (in %)	1%	0%	-12%
relative (in %)	4%	-6%	-14%

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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SAP S/4HANA – the next ERP generation at SAP

Generational changes in ERP/SAP is slower than in other areas of the software industry. After SAP R/2 (in 1979) and the successor SAP R/3 (in 1992), it took more than two decades before SAP introduced a new generation of software in 2015 with SAP S/4HANA. Not only is this launch a big leap in technical terms, but the introduction of or conversion to SAP S/4HANA will also be the central topic of day-to-day business for the SAP partners in the coming years; more than 1,200 existing customers need to be converted at All One for Steeb alone. SAP plans to have completed its conversions with its customers by 2025, which does not seem unambitious given the limited consultancy capacity.

Tense labour market inhibits growth

Experts remain a bottleneck in the market. Buying up local players, which will face frequent difficulties in the medium term due to their size (30–120 employees), for this reason alone, is not an option for All for One Steeb, especially if founders make the integration more difficult. A better way is to attract and retain employees through attractive and future-orientated positioning and by being a flexible, employee-friendly employer. The reported employee retention rate of 94.6% is likely to be clearly above the industry average. However, with regard to industry know-how, technology and cross-selling potential, takeovers are actually a means of accelerating growth, as the recent acquisition of B4B Solutions GmbH shows. We estimate that All for One Steeb could achieve purely organic growth rates in the medium to high single-digit range without these takeovers (acting as catalysts) and in light of the current labor market environment.

Various important growth-related subjects at All for One Steeb in the course of digitisation

Not only will SAP S/4HANA be a growth driver in the coming years, but both new business areas of SAP and non-SAP cloud topics will also hold potential. All for One Steeb's cloud activities go well beyond delivering "ready-made" SAP solutions "from the cloud". With "KWP viui HR", for example, All for One Steeb has developed an HR solution for its customers, which is preconfigured, terminal-independent and can be used immediately. The bundling of different services on one user interface at a fixed price (depending on the functions and number of users booked) gives the customer planning reliability and makes these solutions interesting for medium-sized companies. Inversely, based on the contract with SAP in this area, All for One Steeb does not enter any unilateral license risk in the event of a customer reducing or terminating the service.

Large conglomerate solutions migrating towards medium-sized companies

New solutions often have large conglomerates in mind before the solutions then also spread to medium-sized companies. This development has already been seen at SAP HANA. From 2018 onwards, for example, "SAP Ariba", the world's largest B2B shopping network, is likely to see increasing interest among the medium-sized customers of All for One Steeb.

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Tables

Profit and Loss Account (in € m)	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Sales revenues	241.592	266.278	284.917	302.013	320.133
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	2.861	3.033	3.215
Total performance	244.460	268.952	287.779	305.045	323.348
Cost of material	-85.019	-96.505	-100.009	-104.811	-107.173
Gross profit	159.441	172.447	187.769	200.235	216.175
Personnel expenses	-99.532	-109.968	-120.214	-128.253	-139.216
Other operating expenses/income	-32.391	-35.076	-39.064	-41.328	-43.729
EBITDA	27.518	27.403	28.491	30.654	33.230
Depreciation and amortisation	-8.262	-8.555	-8.975	-9.362	-9.540
EBIT	19.256	18.848	19.517	21.292	23.690
Financial result	-3.136	-1.417	-1.257	-0.865	-0.497
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000
Pre tax result	16.120	17.431	18.259	20.426	23.193
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000
Taxes	-4.660	-5.140	-5.477	-6.127	-6.957
Minority interest	-0.024	-0.040	-0.110	-0.110	-0.110
Net result	11.436	12.251	12.672	14.189	16.125
Adjustments	0.000	0.000	0.000	0.000	0.000
Adjusted net result	11.436	12.251	12.672	14.189	16.125
Average number of shares	4.982	4.982	4.982	4.982	4.982
EPS	2.30	2.46	2.54	2.85	3.24
Adjusted EPS	2.30	2.46	2.54	2.85	3.24
DPS	0.80	1.10	1.05	1.10	1.25

Source: All for one Steeb AG, BankM Research

Cash Flow Statement (in €m)	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Net cash provided by operating activities	21.027	16.900	19.843	21.092	22.737
Net cash used in investing activities	-6.796	-2.864	-6.596	-5.992	-7.051
Net cash provided by financing activities	-6.776	-22.651	-15.080	-17.827	-6.763
Change in cash and securities	7.667	-8.611	-1.833	-2.727	8.923
Cash and securities at the end of the period	41.041	35.646	33.813	31.086	40.009

Source: All for one Steeb AG, BankM Research

Balance of Accounts (in €m)	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Long term assets	83.641	75.747	73.368	69.997	67.509
Intangible assets	65.684	61.116	58.116	54.087	51.260
Tangible assets	9.876	9.347	9.968	10.626	10.964
Financial assets	8.081	5.284	5.284	5.284	5.284
Current assets	78.532	73.432	76.910	76.945	89.013
Inventories	1.229	0.694	0.755	0.835	0.928
Trade receivables	36.262	37.092	42.343	45.025	48.076
Receivables	0.000	0.000	0.000	0.000	0.000
Cash and securities	41.041	35.646	33.813	31.086	40.009
Other assets	5.804	6.610	6.610	6.610	6.610
Total assets	167.977	155.789	156.889	153.553	163.131
Equity	53.805	60.392	67.694	76.765	87.538
Reserves	53.716	60.277	67.469	76.430	87.093
Minorities	0.089	0.115	0.225	0.335	0.445
Provisions	4.859	5.583	5.793	6.012	6.243
Liabilities	53.776	35.983	32.571	25.021	24.368
Interest bearing liabilities	37.528	22.424	19.824	11.224	9.924
Trade payables	10.948	12.318	11.398	12.304	12.784
Non interest bearing liabilities	5.300	1.241	1.350	1.493	1.660
Other liabilities	55.537	53.831	50.831	45.754	44.982
Total equity and liabilities	167.977	155.789	156.889	153.553	163.131

Source: All for one Steeb AG, BankM Research

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All for One Steeb AG

January 23, 2017

Tables - 5/7 -

Key ratios	2014/15	2015/16	2016/17e*	2017/18e	2018/19e
Valuation ratios					
EV/Sales	0.83	1.11	0.88	0.83	0.78
EV/EBITDA	7.32	10.77	8.76	8.14	7.51
EV/EBIT	10.46	15.65	12.79	11.72	10.53
P/E reported	17.64	24.81	22.36	19.97	17.57
P/E clean	17.64	24.81	22.36	19.97	17.57
PCPS	8.87	11.37	12.97	11.92	10.94
Price/Book Value	3.76	5.04	4.20	3.71	3.25
Profitability ratios					
Gross Margin	66.0%	64.8%	65.9%	66.3%	67.5%
EBITDA margin	11.4%	10.3%	10.0%	10.1%	10.4%
EBIT margin	8.0%	7.1%	6.8%	7.0%	7.4%
Pre tax margin	6.7%	6.5%	6.4%	6.8%	7.2%
Net margin	4.7%	4.6%	4.4%	4.7%	5.0%
ROE	22.8%	21.5%	20.0%	19.8%	19.8%
ROCE	18.9%	17.6%	19.3%	20.2%	19.5%
Productivity ratios					
Sales/employees (in € `000)	234.6	210.9	213.0	213.8	215.2
Net result/employees (in € `000)	11.1	9.7	9.5	10.0	10.8
Number of employees	1030	1263	1338	1413	1488
Financial ratios					
Equity ratio	32.0%	38.8%	43.1%	50.0%	53.7%
Gearing	212.2%	158.0%	131.8%	100.0%	86.4%
Dividend yield	2.0%	1.8%	1.8%	1.9%	2.2%
Cash flow ratios					
Cash earnings per share	4.56	5.36	4.39	4.77	5.20
Operating cash flow per share	4.22	3.39	3.98	4.23	4.56
Free-cash-flow per share	3.42	4.60	3.06	3.57	3.78
Other ratios					
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	26.01.2016	Hold	€ 65.00
Daniel Großjohann	17.02.2016	Buy	€ 62.00
Daniel Großjohann	09.06.2016	Hold	€ 62.00
Daniel Großjohann	17.08.2016	Buy	€ 65.00
Daniel Großjohann	02.12.2016	Buy	€ 65.50

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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 January 19, 2017

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