

All for One Steeb AG

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Information Analysis

Analyst

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Evaluation Result

HOLD

(previous: BUY)

Fair Value

€62.00

(previous: €62.00)

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High capacity utilisation, strong licence business

The half-year figures do not show any signs of a dip in demand. On the contrary: consultants still have plenty to do. The strong growth in the licence business and the use of freelancers were reflected in the cost of materials in H1. We have therefore raised our expectations for the current fiscal year, especially as regards the development of revenues and material costs, but remain within the range given in the company's guidance. The strategically important sales from Outsourcing/Cloud Services (including maintenance) increased by 6%, which was less than other sources of revenue. However, in our view the corresponding decline in the share of sales (from 45% to 43%) is due to the currently strong licensing business. Since effects resulting from the upward revision of estimates are offset by peer group factors, we are not altering our price target. In light of the most recent share price increase entailing an EV/EBIT of 16.4, shares in All for One Steeb are no longer a bargain, though.

- Recurring revenues from outsourcing are still the largest revenue block, accounting for 43% of sales. In the first half of the fiscal year, however, revenue growth was faster in consulting (+15%; 41% of total sales), and the software licensing business (+22%; 14% of total sales). The background is that both new and existing clients are increasingly using SAP HANA instead of relational databases. This is driving both licence revenues and the consulting business. The consulting business also includes external growth resulting from the acquisition of what is now Grandconsult GmbH (technology consulting) as of April 1, 2015.
- Outlook for 2015/16e: The company is leaving its outlook from November 2, 2015 unchanged and expects revenues to be €255 mln - €265 mln in 2015/16e, with EBIT coming in at between €17.5 mln and €19.5 mln. In view of the strong revenue growth in H1 (+13%), we have raised our revenue expectations slightly, but decreased EBIT estimation due to increased cost of materials. Our growth assumption (+9% in 2015/16e) still implies lower momentum in the second half of the fiscal year. The biggest risk factor for project sales is an economic downturn but there are no signs of that at All for One Steeb's customers.

Key data / Earnings

Year	Sales (mln €)	EBITDA (mln €)	EBIT (mln €)	EBT (mln €)	adj. net (mln €)	adj. EPS (€)	DPS (€)	EBIT-Margin	Net-Margin
2013/14	217.2	20.5	13.5	10.8	7.5	1.52	0.70	6.2%	3.5%
2014/15	241.6	27.5	19.3	16.1	11.4	2.30	0.80	8.0%	4.7%
2015/16e	263.3	27.9	19.1	17.1	11.9	2.39	0.91	7.3%	4.5%
2016/17e	279.1	30.6	21.4	20.2	14.4	2.88	1.11	7.7%	5.1%
2017/18e	293.1	33.2	23.7	22.9	15.8	3.18	1.22	8.1%	5.4%

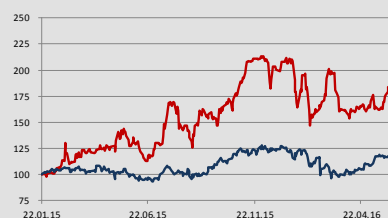
Source: All for one Steeb AG, BankM Research

Sector	IT-Services
WKN	511000
ISIN	DE0005110001
Bloomberg/Reuters	A1OS GY/A1OS.DE
Accounting standard	IFRS
Financial year	30.09
Q3 2015/16	August 9, 2016
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	15/16e	16/17e	17/18e
EV/Sales	1.19	1.12	1.07
EV/EBITDA	11.2	10.2	9.4
EV/EBIT	16.4	14.6	13.2
P/E adj.	28.0	23.3	21.1
Price/Bookvalue	5.4	4.7	4.1
Price/FCF	19.2	34.6	21.6
ROE (in %)	20.6	21.6	20.7
Dividend yield (in %)	1.4	1.7	1.8

Number of shares outs. (in mln)	4.982
MarketCap / EV (in € mln)	334 / 312
Free float (in %)	24
Ø daily trading vol. (3M, in €)	103
12M high / low (in €; XETRA-close)	75.68/30.50
Price June 8, 2016 (in €; XETRA-close)	67.00
Performance	1M 6M 12M
absolute (in %)	7% -10% 49%
relative (in %)	-1% -7% 18%

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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Bottleneck: SAP consultants for SMEs

Consultant capacity continues to hold back growth. The company is currently forced to use external specialists for projects, although this pushes up the cost of materials and therefore reduces margins. All for One Steeb requires SAP consultants specialised in SMEs. Apparently simple solutions - HP (Germany) would like to divest an entity comprising 350 SAP consultants together with the related (large-scale) clients - would not work for All for One Steeb: these consultants lack experience of SMEs and the large-scale clients would not be a good fit with All for One Steeb's structures, which are geared to SMEs.

Normal price trend in the outsourcing business

A reduction in (operating) costs over time through the use of cheaper and more powerful hardware as a result of technological progress is a normal development in the outsourcing business. These benefits are normally passed on to customers when multi-year contracts are extended. There has not been any change in this compared with previous years. Consequently, the fact that sales from the outsourcing business have "only" grown by 6% (compared with other revenue types) is not due to special discounts. Margins in these operations should therefore be steady.

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Tables

Profit and Loss Account (in € m)	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Sales revenues	217.227	241.592	263.335	279.135	293.092
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	1.513	2.868	3.126	3.314	3.479
Total performance	218.740	244.460	266.461	282.449	296.572
Cost of material	-79.643	-85.019	-95.603	-99.758	-103.700
Gross profit	139.097	159.441	170.858	182.691	192.872
Personnel expenses	-88.577	-99.532	-108.040	-114.772	-120.496
Other operating expenses/income	-30.064	-32.391	-34.951	-37.298	-39.163
EBITDA	20.456	27.518	27.867	30.621	33.213
Depreciation and amortisation	-6.992	-8.262	-8.776	-9.211	-9.546
EBIT	13.464	19.256	19.092	21.410	23.667
Financial result	-2.661	-3.136	-1.952	-1.231	-0.774
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000
Pre tax result	10.803	16.120	17.140	20.179	22.893
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000
Taxes	-3.259	-4.660	-5.255	-5.783	-7.018
Minority interest	-0.036	-0.024	0.026	-0.044	-0.044
Net result	7.508	11.436	11.911	14.352	15.830
Adjustments	0.000	0.000	0.000	0.000	0.000
Adjusted net result	7.508	11.436	11.911	14.352	15.830
Average number of shares	4.954	4.982	4.982	4.982	4.982
EPS	1.52	2.30	2.39	2.88	3.18
Adjusted EPS	1.52	2.30	2.39	2.88	3.18
DPS	0.70	0.80	0.91	1.11	1.22

Source: All for one Steeb AG, BankM Research

Cash Flow Statement (in €m)	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Net cash provided by operating activities	15.793	21.027	18.903	22.379	24.362
Net cash used in investing activities	-6.701	-6.796	-4.294	-15.066	-11.094
Net cash provided by financing activities	-7.881	-6.776	-20.686	-8.226	-19.626
Change in cash and securities	1.711	7.667	-6.077	-0.913	-6.358
Cash and securities at the end of the period	33.347	41.041	34.964	34.051	27.693

Source: All for one Steeb AG, BankM Research

Balance of Accounts (in €m)	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Long term assets	83.260	83.641	79.160	79.015	80.564
Intangible assets	66.731	65.684	62.884	60.984	58.984
Tangible assets	8.615	9.876	8.195	9.950	13.499
Financial assets	7.914	8.081	8.081	8.081	8.081
Current assets	67.005	78.532	75.829	77.368	73.176
Inventories	0.686	1.229	1.340	1.420	1.491
Trade receivables	32.972	36.262	39.526	41.897	43.992
Receivables	0.000	0.000	0.000	0.000	0.000
Cash and securities	33.347	41.041	34.964	34.051	27.693
Other assets	4.400	5.804	5.804	2.804	5.804
Total assets	154.665	167.977	160.793	159.187	159.543
Equity	46.828	53.805	61.705	71.574	81.923
Reserves	46.688	53.716	61.642	71.467	81.772
Minorities	0.140	0.089	0.063	0.107	0.151
Provisions	5.508	4.859	5.013	5.475	5.644
Liabilities	50.400	53.776	38.538	39.601	28.440
Interest bearing liabilities	38.623	37.528	20.828	20.828	8.728
Trade payables	9.276	10.948	11.933	12.649	13.282
Non interest bearing liabilities	2.501	5.300	5.777	6.124	6.430
Other liabilities	51.929	55.537	55.537	42.537	43.537
Total equity and liabilities	154.665	167.977	160.793	159.187	159.543

Source: All for one Steeb AG, BankM Research

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All for One Steeb AG

June 09, 2016

Tables - 5/7 -

Key ratios	2013/14	2014/15	2015/16e	2016/17e	2017/18e
Valuation ratios					
EV/Sales	0.63	0.83	1.19	1.12	1.07
EV/EBITDA	6.70	7.32	11.21	10.20	9.41
EV/EBIT	10.18	10.46	16.37	14.59	13.20
P/E reported	17.24	17.64	28.02	23.26	21.09
P/E clean	17.24	17.64	28.02	23.26	21.09
PCPS	7.47	8.87	16.02	14.07	13.07
Price/Book Value	2.77	3.76	5.42	4.67	4.08
Profitability ratios					
Gross Margin	64.0%	66.0%	64.9%	65.4%	65.8%
EBITDA margin	9.4%	11.4%	10.6%	11.0%	11.3%
EBIT margin	6.2%	8.0%	7.3%	7.7%	8.1%
Pre tax margin	5.0%	6.7%	6.5%	7.2%	7.8%
Net margin	3.5%	4.7%	4.5%	5.1%	5.4%
ROE	16.4%	22.8%	20.6%	21.6%	20.7%
ROCE	14.7%	18.9%	17.7%	19.2%	20.2%
Productivity ratios					
Sales/employees (in € `000)	201.7	218.6	223.2	222.4	220.4
Net result/employees (in € `000)	7.0	10.3	10.1	11.4	11.9
Number of employees	1077	1105	1180	1255	1330
Financial ratios					
Equity ratio	30.3%	32.0%	38.4%	45.0%	51.3%
Gearing	230.3%	212.2%	160.6%	122.4%	94.7%
Dividend yield	2.7%	2.0%	1.4%	1.7%	1.8%
Cash flow ratios					
Cash earnings per share	3.50	4.56	4.18	4.76	5.13
Operating cash flow per share	3.19	4.22	3.79	4.49	4.89
Free-cash-flow per share	2.89	3.42	3.48	1.94	3.10
Other ratios					
Depreciation/sales	3.2%	3.4%	3.3%	3.3%	3.3%
Capex/sales	1.4%	2.4%	1.3%	5.0%	3.4%
Working capital/sales	10.1%	8.8%	8.8%	8.8%	8.8%
Tax rate	30%	29%	31%	29%	31%

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	26.05.2015	Hold	€ 51.65
Daniel Großjohann	12.08.2015	Hold	€ 51.85
Daniel Großjohann	26.01.2016	Hold	€ 65.00
Daniel Großjohann	17.02.2016	Buy	€ 62.00

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3. Date of first publication of this document:

June 9, 2016

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

Closing prices of June 8, 2016

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