

All for One Steeb AG

February 20, 2018



Information Analysis

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Evaluation result

BUY

(previous: BUY)

Fair value

€76.20

(previous: € 76.40)

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High capacity utilisation, growth still >15% but peer multiples have slightly declined

All for One Steeb performed strongly in Q1 2017/18 (calendar Q4), with sales growing by around 16%. Quarter-on-quarter sales growth was above 15% for the third time in succession, and therefore well above the 8% increase we are forecasting for 2017/18e. EBIT rose by 5%, lagging sales growth as a result of continued high investment (including investment in personnel), increased use of consultancy resources from the partner network and a negative one-time effect (€0.5m) in the LOB segment. We regard our sales forecast for 2017/18e as relatively conservative, even though it is at the upper end of the guidance. More moderate sales growth in the rest of the year could actually prove positive for the EBIT margin because a higher proportion of in-house personnel could be assigned to projects. We are therefore leaving our estimates unchanged. Peer group valuations have slightly declined in the wake of the general market correction. All for One Steeb's operating performance is convincing and the share is proving robust in the current market environment. Since it has not yet reached our price target, we are confirming our buy rating with a price potential of just below 10%.

- The new breakdown of sales provides a more differentiated view of revenue types. There was a **13% rise in recurring sales**, which come from **"Software Support"** (+7%) and **"Cloud Services and Support"** (+25% to €13.4m). Revenue from "Software Support" (Q1: €23.4m) is currently more significant than the fast-growing revenue from Cloud Services. Furthermore, the business with **"Software Licences"** (+26%), which is often considered to be cyclical, remains very dynamic. Alongside the economic situation, it is benefiting from the digitalisation trend as a whole and from SAP solutions in particular. Revenue from **"Consulting and Services"**, which accounts for more than one third of sales, rose 13%.
- Outlook:** The company still expects to report sales of between €315m and €325m in 2017/18, with EBIT coming in at between €20.5m and €22.0m. Our forecasts are at the upper end of this range.

Key data / Earnings

Year	Sales (mln €)	EBITDA (mln €)	EBIT (mln €)	EBT (mln €)	adj. net (mln €)	adj. EPS (€)	DPS (€)	EBIT-Margin	Net-Margin
2015/16	266.3	27.4	18.8	17.4	12.3	2.46	1.10	7.1%	4.6%
2016/17	300.5	29.4	20.1	19.4	13.1	2.63	1.20	6.7%	4.4%
2017/18e	324.5	32.1	22.1	21.5	14.9	2.99	1.35	6.8%	4.6%
2018/19e	357.0	36.4	25.8	25.5	17.6	3.53	1.40	7.2%	4.9%
2019/20e	385.6	41.0	29.4	29.3	20.5	4.12	1.63	7.6%	5.3%

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

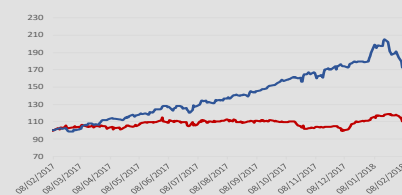
Sector	IT-Services
WKN	511000
ISIN	DE0005110001
Bloomberg/Reuters	A1OS GY/A1OS.DE
Accounting standard	IFRS
Financial year	Sep 30
Report Q2 2017/18	May 11, 2018
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	17/18e	18/19e	19/20e
EV/Sales	0.98	0.89	0.82
EV/EBITDA	9.9	8.7	7.7
EV/EBIT	14.4	12.3	10.8
P/E adj.	23.4	19.8	17.0
Price/Bookvalue	4.4	3.9	3.4
Price/FCF	21.0	17.2	14.4
ROE (in %)	20.1	21.0	21.4
Dividend yield (in %)	1.9	2.0	2.3

Number of shares outs. (in mln)	4.982
MarketCap / EV (in € mln)	347 / 345
Free float (in %)	38
Ø daily trading vol. (3M, in €)	183
12M high / low (in €; XETRA-close)	71.60/57.57
Price February 14, 2018 (in €; XETRA-close)	69.80

Performance	1M	6M	12M
absolute (in %)	2%	10%	16%
relative (in %)	7%	-17%	-38%

Benchmark index DAX-Subsector IT-Services



All for One Steeb AG (red/grey), Performance 1y vs. DAX-Subsector All Food Performance (black)

Source: Bloomberg

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B4B is the most successful SAP Cloud Partner

All for One Steeb's subsidiary **B4B Solutions** has been awarded the SAP MEE Award for Partner Excellence for Cloud ERP as its most successful partner. All for One Steeb is currently participating **more strongly than other SAP partners** in the (SAP) cloud trend. This can be seen indirectly from SAP's figures for Q4 2017: SAP "Cloud Subscriptions and Support" grew 20%, while All for One Steeb increased revenue from "Cloud Services and Support" by 25% in the same period.

High capacity utilisation

Utilisation of All for One Steeb's consulting resources is currently very high, so the company has to fall back on personnel from its partners. The expenses for this are reflected in the cost of materials and reduce the operating margin. The situation on the employment market is still tight. The company's positioning as an employer of choice is proving positive in terms of staff retention, which remained high at 93.6%, even though it was slightly lower than in the previous year (94.6%). Substantial investment in training, personnel development and recruitment is necessary at present.

New sales record but operating margin below prior-year Q1

Following a good start to the 2017/18 financial year, both our estimate and the company's revenue guidance seem conservative. In terms of revenue and margins, the calendar fourth quarter (i.e. Q1 2017/18) tends to be the strongest for companies in the software and IT sector. All for One Steeb is no exception, so the decline in the EBIT margin to around 7.3% (Q1 2016/17: 8.0%) despite a new revenue record seems surprising at first sight.

Many factors will influence development of the margin

In our view, there are a **range of factors** that will affect the operating margin in the remainder of the year. The high utilisation of in-house consulting resources means that All for One Steeb currently has to make greater use of partners for its own projects. This leads to additional expenses which are included in the cost of materials as expenses for purchased services. In our view, a (slight) reduction in growth momentum during the year would be **positive for the operating margin** (because, from All for One Steeb's viewpoint, it would reduce the **average cost of consultants**). **Process accelerators** should also have a positive effect. In addition, in Q1 the margin was held back by a **one-off effect** (totalling €0.5m). However, **future-oriented investments will continue to put pressure on margins**. Taking all these factors into account, we still assume that overall there is scope for a slight improvement in the EBIT margin in the present financial year.

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Profit and Loss Account (in € m)	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Sales revenues	266.278	300.521	324.540	356.994	385.553
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	2.674	2.972	3.210	3.530	3.813
Total performance	268.952	303.493	327.749	360.524	389.366
Cost of material	-96.505	-109.242	-116.628	-124.150	-129.964
Gross profit	172.447	194.251	211.122	236.374	259.402
Personnel expenses	-109.968	-124.168	-135.190	-151.826	-166.506
Other operating expenses/income	-35.076	-40.709	-43.802	-48.110	-51.886
EBITDA	27.403	29.374	32.129	36.438	41.011
Depreciation and amortisation	-8.555	-9.312	-10.060	-10.638	-11.566
EBIT	18.848	20.062	22.069	25.800	29.444
Financial result	-1.417	-0.669	-0.528	-0.336	-0.168
Non operating result before taxes	0.000	0.000	0.000	0.000	0.000
Pre tax result	17.431	19.393	21.541	25.464	29.276
Non operating result after taxes	0.000	0.000	0.000	0.000	0.000
Taxes	-5.140	-6.308	-6.677	-7.893	-8.782
Minority interest	-0.040	0.018	0.018	0.018	0.018
Net result	12.251	13.103	14.882	17.589	20.512
Adjustments	0.000	0.000	0.000	0.000	0.000
Adjusted net result	12.251	13.103	14.882	17.589	20.512
Average number of shares	4.982	4.982	4.982	4.982	4.982
EPS	2.46	2.63	2.99	3.53	4.12
Adjusted EPS	2.46	2.63	2.99	3.53	4.12
DPS	1.10	1.20	1.35	1.40	1.63

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

Cash Flow Statement (in €m)	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Net cash provided by operating activities	16.900	21.274	22.830	25.343	29.559
Net cash used in investing activities	-2.864	-11.727	-8.539	-8.093	-8.040
Net cash provided by financing activities	-22.651	-12.674	-8.578	-10.434	-20.292
Change in cash and securities	-8.611	-3.294	5.712	6.816	1.228
Cash and securities at the end of the period	35.646	33.173	38.885	45.702	46.930

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

Balance of Accounts (in €m)	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Long term assets	75.747	83.932	85.911	84.865	81.339
Intangible assets	61.116	66.149	63.895	60.019	56.099
Tangible assets	9.347	11.749	15.982	18.813	19.206
Financial assets	5.284	6.034	6.034	6.034	6.034
Current assets	73.432	77.209	86.441	98.013	106.825
Inventories	0.694	1.160	1.253	1.378	1.488
Trade receivables	37.092	42.876	46.303	50.933	58.408
Receivables	0.000	0.000	0.000	0.000	0.000
Cash and securities	35.646	33.173	38.885	45.702	46.930
Other assets	6.610	7.585	7.585	7.585	7.585
Total assets	155.789	168.726	179.937	190.463	195.750
Equity	60.392	69.510	78.396	89.232	102.735
Reserves	60.277	69.363	78.267	89.121	102.642
Minorities	0.115	0.147	0.129	0.111	0.093
Provisions	5.583	3.478	3.596	3.721	3.851
Liabilities	35.983	43.557	47.764	47.329	38.983
Interest bearing liabilities	22.424	27.209	30.109	27.909	18.009
Trade payables	12.318	14.907	16.098	17.708	19.125
Non interest bearing liabilities	1.241	1.441	1.556	1.712	1.849
Other liabilities	53.831	52.181	50.181	50.181	50.181
Total equity and liabilities	155.789	168.726	179.937	190.463	195.750

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

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Key ratios	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Valuation ratios					
EV/Sales	1.11	0.98	0.98	0.89	0.82
EV/EBITDA	10.77	9.99	9.89	8.72	7.75
EV/EBIT	15.65	14.63	14.40	12.31	10.79
P/E reported	24.81	22.67	23.37	19.77	16.95
P/E clean	24.81	22.67	23.37	19.77	16.95
PCPS	11.37	10.29	13.88	12.27	10.80
Price/Book Value	5.04	4.28	4.44	3.90	3.39
Profitability ratios					
Gross Margin	64.8%	64.6%	65.1%	66.2%	67.3%
EBITDA margin	10.3%	9.8%	9.9%	10.2%	10.6%
EBIT margin	7.1%	6.7%	6.8%	7.2%	7.6%
Pre tax margin	6.5%	6.5%	6.6%	7.1%	7.6%
Net margin	4.6%	4.4%	4.6%	4.9%	5.3%
ROE	21.5%	20.1%	20.1%	21.0%	21.4%
ROCE	17.6%	16.7%	16.6%	18.1%	20.0%
Productivity ratios					
Sales/employees (in € `000)	210.9	224.8	229.8	240.1	246.8
Net result/employees (in € `000)	9.7	9.8	10.5	11.8	13.1
Number of employees	1263	1337	1412	1487	1562
Financial ratios					
Equity ratio	38.8%	41.2%	43.6%	46.9%	52.5%
Gearing	158.0%	142.7%	129.5%	113.4%	90.5%
Dividend yield	1.8%	2.0%	1.9%	2.0%	2.3%
Cash flow ratios					
Cash earnings per share	5.36	5.80	5.03	5.69	6.47
Operating cash flow per share	3.39	4.27	4.58	5.09	5.93
Free-cash-flow per share	4.60	4.86	3.32	4.07	4.85
Other ratios					
Depreciation/sales	3.2%	3.1%	3.1%	3.1%	3.1%
Capex/sales	1.4%	1.6%	2.6%	2.3%	2.1%
Working capital/sales	9.1%	9.2%	9.2%	9.2%	9.2%
Tax rate	29%	33%	31%	31%	30%

Source: BankM Research

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Responsible for the content of this document: FinTech Group Bank AG (FTG Bank), Frankfurt, Germany.

Author: Daniel Großjohann, Analyst.

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Analyst	Date	Evaluation Result	Fair Value
Daniel Großjohann	23.02.2017	Hold	€ 69.00
Daniel Großjohann	24.05.2017	Buy	€ 77.38
Daniel Großjohann	14.08.2017	Buy	€ 77.50
Daniel Großjohann	10.11.2017	Buy	€ 75.65
Daniel Großjohann	16.01.2018	Buy	€ 76.40

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3. Date of first publication of this document:

February 20, 2018

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

Closing prices of February 14, 2018

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