

December 06, 2012

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 4.70

Overview

Industry: IT Services & Software
 Country: Germany
 ISIN: DE0007008906
 Reuters: RTCG.DE
 Bloomberg: RTC GR
 Website: www.realtech.de

| | |
|----------------------|-----------|
| Last price: | 4.24 |
| | High Low |
| Price 52 W.: | 7.18 3.95 |
| Market cap. (EURm) | 22.81 |
| Number of shares (m) | 5.39 |

Shareholders

| | |
|-----------------------|--------|
| Daniele Di Croco | 16.44% |
| Rainer Schmidt | 14.22% |
| Peter Stier | 13.84% |
| BW-Versorgungsanstalt | 5.39% |
| Free float | 50.11% |

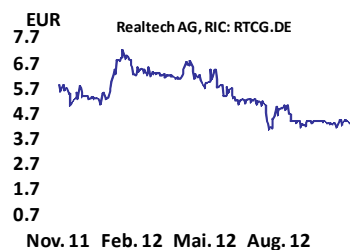
Performance

| | |
|----------|---------|
| 4 weeks | -2.03% |
| 13 weeks | -11.30% |
| 26 weeks | -25.48% |
| 52 weeks | -23.49% |
| YTD | -22.17% |

Dividend

| | in EUR | in % |
|------|--------|--------|
| 2008 | 0.50 | 11.81% |
| 2009 | 0.50 | 11.81% |
| 2010 | 0.00 | 0.00% |
| 2011 | 0.30 | 7.08% |

52-Week Chart



Analyst

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REALTECH AG

Weaker than expected 9M/12 sales; PT down

- Apart from sales, which in our view disappointed, REALTECH's 9M/12 figures showed a solid performance. While total revenues increased by 1.8% y-o-y to €29.1m, operating income improved from €-38k in 9M/11 to €-10k. Net income deteriorated from €464k to €-616k which however stemmed from a one-off profit of €1.1m in 9M/11.
- In 9M/12, the main growth driver was again the Consulting segment (+4.5% y-o-y to €20.2m), which benefitted from improved capacity utilization and new contracts e.g. for SAP Mobile. In the Asia/Pacific region, which was particularly affected by a strong recovery of sales in Japan (+84% to €5m) after the Fukushima catastrophe in H1/11, REALTECH registered a growth of 52.8% y-o-y to €7.3m. This and a higher gross margin, which stemmed from higher utilization of consultants, were the main reasons, why EBIT improved y-o-y.
- Due to a weaker net income y-o-y and an increase of working capital the operating cash flow deteriorated from €5.3m in 9M/11 to €-776k. Together with cash outflows from investing and financing activity – REALTECH paid out €1.6m in dividends for 2011 - this resulted in a reduction of the cash position by €2.8m to €10.4m. As liquid funds remained higher than interest-bearing debt, the company's net gearing amounted to -22.7% at the end of September 2012.
- As 9M/12 sales came in below our estimates, which in our opinion was caused by pricing pressure, we have adjusted our revenue forecasts for 2012 and beyond by c. 9%. Consequently, the price target goes down from previously €5.00 to €4.70; however does not affect our BUY recommendation. We still think that fiscal-year 2013 will be better for REALTECH and that risks remain low due to the company's high net cash position.

Key Figures

| EURm | 2008 | 2009 | 2010 | 2011 | 2012E | 2013E |
|-------------|--------|--------|---------|--------|--------|--------|
| Net sales | 70.82 | 61.68 | 39.50 | 39.18 | 41.14 | 47.72 |
| EBITDA | 8.04 | 3.71 | 5.33 | 1.41 | 1.31 | 2.46 |
| EBIT | 7.03 | 2.58 | 4.18 | 0.17 | 0.01 | 0.95 |
| Net income | 5.70 | 1.20 | -1.37 | 0.81 | -0.18 | 0.48 |
| EPS | 1.09 | 0.23 | -0.26 | 0.15 | -0.03 | 0.09 |
| BVPS | 5.42 | 5.26 | 4.60 | 4.77 | 4.72 | 4.81 |
| RoE | 20.01% | 4.27% | -5.26% | 3.22% | -0.71% | 1.88% |
| EBIT margin | 9.92 % | 4.18 % | 10.58 % | 0.43 % | 0.02 % | 2.00 % |
| P/E | 3.90 | 18.59 | neg. | 28.19 | neg. | 47.26 |
| P/BVPS | 0.78 | 0.80 | 0.92 | 0.89 | 0.90 | 0.88 |
| EV/EBITDA | 2.18 | 4.72 | 3.28 | 12.44 | 13.37 | 7.10 |

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1 Company profile

REALTECH AG is one of the leading German IT consultancies. The company was founded in 1994 in Walldorf, near Heidelberg, and has been listed on the Frankfurt stock exchange since 1999. Apart from Germany, REALTECH also has operations in other European countries, Asia/Pacific and North America. At the end of September 2012, it had 341 employees, thereof 249 in Germany.

In the past, the fast progress of IT technology has resulted in a high number of enterprise application systems as well as a diverse, heterogenic IT landscape. Especially, non-integrated standalone systems, proprietary software and isolated applications have led to significant integration deficits, which at company level have limited cross-functional work processes and complicated information supply for disposition tasks. REALTECH's IT consulting services can facilitate an instant integration of customers and suppliers into the value chain, which in turn can prevent media disruption and redundancies and allow new forms of intercompany collaboration. REALTECH's products allow IT departments or IT outsourcers to run a variety of applications and IT systems securely and efficiently and reduce IT costs significantly.

2 SWOT Analysis

| Strength | Weaknesses |
|---|---|
| <ul style="list-style-type: none"> • Due to the long-standing co-operation with and proximity to SAP REALTECH has a know-how edge when it comes to SAP applications. • A unique selling point in the area of Consulting is the combination of SAP knowledge as well as supplemental business and strategic consulting. Thus, REALTECH can provide a fast and long-term project success. Due to the partnership, which is also valid in foreign markets, it is also possible to integrate international locations into a comprehensive IT landscape. • theGuard! product family is an internationally unique software portfolio for the monitoring and the secure operation of IT systems for company-wide use. In Europe, REALTECH is the largest manufacturer of IT service management solutions. Unique selling points are the close connection of all disciplines, the centralized storage according to standards such as ITIL as well as the application in small companies, simultaneously guaranteeing future scalability of product use. | <ul style="list-style-type: none"> • Concentration on SAP solutions means a high dependence on market acceptance and SAP's existing customers. Thus, there is high business risk. However, a wide geographic diversification with branches in Europe, Asia and the US and cross-industry product distribution in over 25 countries reduce the above-mentioned risk. • There is strong competition in the area of Consulting. |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • The OEM contract with SAP in the area of IT infrastructure management as well as expansion of SAP solutions should all contribute to internationalization and growth of high-margin sales. • Due to standardization of the consulting portfolio, product sales in new countries and third-party sales of the enterprise solution for SAP ByDesign, there is an opportunity to generate high scale effects. • A higher demand for change management support, driven by the trend to use external suppliers in order to further develop SAP software should lead to additional sales. • IT systems increasingly constitute the basis for cross-departmental business processes, which lead to a higher level of complexity. Thus, there is higher demand for REALTECH's solutions for flexible, automated and failsafe systems. | <ul style="list-style-type: none"> • The ongoing consolidation within the IT industry can intensify competition through new or stronger competitors. This would result in a loss of revenues or lower prices. • A lack of qualified personnel caused by a structural shortage of supply in the industry would make it more difficult for the company to become aware of its opportunities. This is being counteracted by REALTECH's reputation as an attractive training provider, which stems from the company's SAP know-how. |

3 Valuation

In order to value REALTECH, we have used our DCF model, which derives a 12-months price target for the stock of €4.70. Compared to the current market level, this corresponds to an upside of 11.0%.

DCF model

WACC assumptions

Growth assumptions

| | |
|--------------------------------|---------|
| Long-term growth rate | 2.0% |
| Assimilation phase (from 2015) | 5 years |
| Sales growth at the beginning | 13.3% |
| Margin development (p.a) | -1 BP |

Equity

| | |
|---------------------|------|
| Risk-free rate | 2.3% |
| Market risk premium | 6.0% |
| Beta | 1.20 |

Equity costs **9.5%**

Debt costs

| | |
|-------------------------|-------|
| Debt costs (before tax) | 6.0% |
| Tax rate on interest | 30.0% |

Debt costs (after tax) **4.2%**

| | |
|---------|------|
| Equity | 100 |
| Debt | 0 |
| Gearing | 0.0% |

WACC **9.50%**

Discounted Cash Flow Model (Basis 11/2012)

| in EURm | Phase 1 | | | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E |
| Net sales | 41.14 | 47.72 | 54.88 | 62.18 | 68.39 | 73.52 | 77.20 | 79.51 | 81.10 |
| (y-o-y change) | 5.0% | 16.0% | 15.0% | 13.3% | 10.0% | 7.5% | 5.0% | 3.0% | 2.0% |
| EBIT | 0.01 | 0.95 | 1.65 | 2.49 | 3.08 | 3.23 | 3.40 | 3.42 | 3.51 |
| (EBIT margin) | 0.0% | 2.0% | 3.0% | 4.0% | 4.5% | 4.4% | 4.4% | 4.3% | 4.3% |
| NOPLAT | 0.01 | 0.67 | 1.15 | 1.74 | 2.15 | 2.26 | 2.38 | 2.39 | 2.46 |
| + Depreciation | 1.30 | 1.51 | 1.73 | 1.97 | 2.16 | 2.32 | 2.44 | 2.51 | 2.56 |
| = Net operating cash flow | 1.31 | 2.18 | 2.89 | 3.71 | 4.32 | 4.59 | 4.82 | 4.91 | 5.02 |
| - Total investments (Capex and WC) | -1.90 | -2.36 | -2.62 | -2.85 | -2.99 | -3.10 | -3.14 | -3.14 | -3.15 |
| Capital expenditure | -1.82 | -2.08 | -2.32 | -2.55 | -2.73 | -2.88 | -2.98 | -3.04 | -3.08 |
| Working capital | -0.08 | -0.28 | -0.30 | -0.31 | -0.26 | -0.22 | -0.15 | -0.10 | -0.07 |
| = Free cash flow (FCF) | -0.60 | -0.18 | 0.27 | 0.85 | 1.32 | 1.49 | 1.68 | 1.77 | 1.87 |
| PV of FCFs | -0.59 | -0.16 | 0.22 | 0.64 | 0.91 | 0.93 | 0.96 | 0.93 | 0.89 |

| | |
|---|--------------|
| PV of FCFs in explicit period | 4.73 |
| PV of FCFs in terminal period | 14.20 |
| Enterprise value (EV) | 18.93 |
| + Net cash / - net debt | 5.31 |
| + Investments / - Minorities | -1.14 |
| Shareholder value | 23.11 |
| Number of shares outstanding (m) | 5.39 |
| WACC | 9.5% |
| Equity costs | 9.5% |
| Debt costs before tax | 6.0% |
| Tax rate | 30.0% |
| Debt costs after tax | 4.2% |
| Equity ratio | 100.0% |
| Debt ratio | 0.0% |
| Fair value per share in € (today) | 4.29 |
| Fair value per share in € (in 12 months) | 4.70 |

| Sensitivity analysis | | Terminal EBIT margin | | | | | | |
|----------------------|-------|----------------------|------|------|------|------|-------|-------|
| | | 1.3% | 2.3% | 3.3% | 4.3% | 5.3% | 6.3% | 7.3% |
| WACC | 6.5% | 3.34 | 4.90 | 6.47 | 8.04 | 9.60 | 11.17 | 12.73 |
| | 7.5% | 2.95 | 4.13 | 5.32 | 6.51 | 7.70 | 8.88 | 10.07 |
| | 8.5% | 2.67 | 3.60 | 4.53 | 5.46 | 6.39 | 7.32 | 8.26 |
| | 9.5% | 2.45 | 3.20 | 3.95 | 4.70 | 5.45 | 6.20 | 6.95 |
| | 10.5% | 2.28 | 2.89 | 3.51 | 4.12 | 4.74 | 5.35 | 5.96 |
| | 11.5% | 2.14 | 2.65 | 3.16 | 3.67 | 4.18 | 4.69 | 5.20 |

Source: Dr. Kalliwoda Research GmbH

4 9M 2012 financial results

Revenues

In 9M/12, REALTECH generated total sales of €29.1m, which were 1.8% higher y-o-y. With +4.5% to €20.2m, the Consulting segment, which benefitted from a higher utilisation of consultants and new contracts e.g. for SAP Mobile, contributed most to top-line growth. Due to lower sales of software licenses revenues of the high-margin Software segment (-3.8% y-o-y to €8.9m) deteriorated y-o-y, which led to a decrease of the segment's gross margin from 85.9% to 84.7%. In terms of regional sales, all but USA and Asia/Pacific reported lower revenues y-o-y. Asia/Pacific, whose share in REALTECH's total sales went up from 16.7% in 9M/11 to 25.1%, benefitted especially from a strong recovery in Japan after the Fukushima catastrophe in H1/11.

9M/12 vs. previous year

| 9M/2012 vs previous year | | | |
|--------------------------|---------|---------|------------|
| in EURm | 9M 2012 | 9M 2011 | change (%) |
| Net sales | 29.09 | 28.57 | 1.8% |
| EBITDA | 0.92 | 0.42 | 119.8% |
| EBITDA margin | 3.2% | 1.5% | |
| EBIT | -0.01 | -0.36 | -97.3% |
| EBIT margin | 0.0% | -1.3% | |
| Net income | -0.62 | 0.46 | -232.8% |
| Net margin | -2.1% | 1.6% | |

Source: Company information, Dr. Kalliwoda Research GmbH

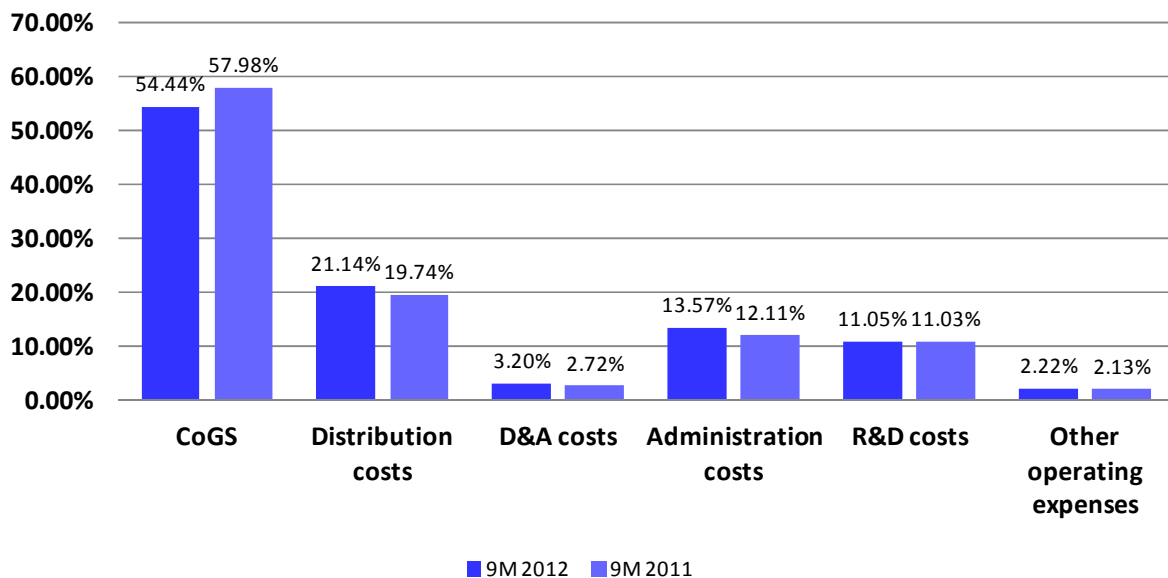
Sales and gross margins according to segments

| Sales and EBIT margins according to segments 9M/12 vs. 9M/11 | | | | | |
|--|---------|---------|----------------------|---------|---------|
| | 9M 2012 | 9M 2011 | | 9M 2012 | 9M 2011 |
| Consulting | | | Group | | |
| Sales €m | 20.20 | 19.33 | Total sales | 29.09 | 28.57 |
| share in total sales | 69.5% | 67.7% | change y-o-y | 1.8% | |
| Gross margin | 28.4% | 21.0% | | | |
| Software | | | | | |
| Sales €m | 8.88 | 9.23 | | | |
| share in total sales | 30.5% | 32.3% | | | |
| Gross margin | 84.7% | 85.9% | | | |
| Germany | | | USA | | |
| Sales €m | 19.10 | 20.70 | Sales €m | 2.20 | 2.10 |
| share in total sales | 65.7% | 72.5% | share in total sales | 7.6% | 7.4% |
| RoE (Portugal, Nordic) | | | Asia/Pacific | | |
| Sales €m | 0.50 | 1.00 | Sales €m | 7.29 | 4.77 |
| share in total sales | 1.7% | 3.5% | share in total sales | 25.1% | 16.7% |

Source: Company information, Dr. Kalliwoda Research GmbH

Profitability

Share in sales 9M/12 vs. 9M/11



Source: Company information, Dr. Kalliwoda Research GmbH

Although REALTECH's EBIT improved y-o-y, the net income was lower than in 9M/11. The operating income was positively affected by a higher gross margin, which stemmed from an improved utilization of consultants. The good performance of the Consulting segment offset a weaker gross margin in the Software unit, which resulted from lower sales of software licenses. Due to a one-off gain in 9M/11 (€1.1m) resulting from the reversal of the loss allowance on a claim from a loan to REALTECH Italy net income in 9M/12 decreased y-o-y.

Balance Sheet and Cash Flow

At the end of 9M/12, the most important positions on REALTECH's balance sheet were (1) equity of €23.4m (2) PP&E of €13.4m and (3) trade receivables of €11.3m. As of 30 September 2012, the company had interest-bearing debt of €6m (short- and long-term finance lease obligations) and liquid funds (cash plus financial assets) of €11.3m. Thus, net cash amounted to €5.3m.

Due to a net loss and increase of working capital by €1.6m (9M/11: reduction of €5.1m) REALTECH's operating cash flow deteriorated from €5.3m to €-76k. Together with a cash outflow from investing of €558k and financing of €1.6m, which stemmed from a dividend payout of €0.30 per share, this led to a total cash outflow of €2.8m in 9M/12.

5 Outlook

In the recent past, REALTECH has optimized its service portfolio, which showed positive effects in 9M/12 and led to first orders for new themes e.g. for SAP Mobile. The company has put a strong focus on trend themes such as real-time processing and analysis of large data volumes (In-Memory-Computing), mobile access to data and cloud applications, all around products of its partner SAP AG (e.g. SAP HANA solution). As enterprise processes are increasingly based on software and corporate customers need IT know-how, REALTECH expects to grow its Consulting business strongly in the next years.

In the Software segment, management's strategic objective is to become a leading player in the IT service management market. In order to achieve that, REALTECH plans to expand internationally and develop new products e.g. a new cloud-based applications, which are supposed to expand the company's integrated theGuard! portfolio significantly.

As 9M/12 revenues did not meet our expectations, we have lowered our top-line forecasts for fiscal-year 2012 and beyond. On the EBIT level, we are slightly more conservative than management, who guide for positive operating income. We see business suffering from pricing pressure and cautious customers, which limit their investments due to the European debt crisis and uncertain economic situation.

Our forecasts 2012E-14E

| Our Forecasts 2012E - 2014E | | | |
|-----------------------------|-------|-------|-------|
| in EURm | 2012E | 2013E | 2014E |
| Net sales | 41.14 | 47.72 | 54.88 |
| EBITDA | 1.31 | 2.46 | 3.38 |
| EBITDA margin | 3.2% | 5.2% | 6.2% |
| EBIT | 0.01 | 0.95 | 1.65 |
| EBIT margin | 0.0% | 2.0% | 3.0% |
| Net income | -0.18 | 0.48 | 0.97 |
| Net margin | -0.4% | 1.0% | 1.8% |

Source: Dr. Kalliwoda Research GmbH

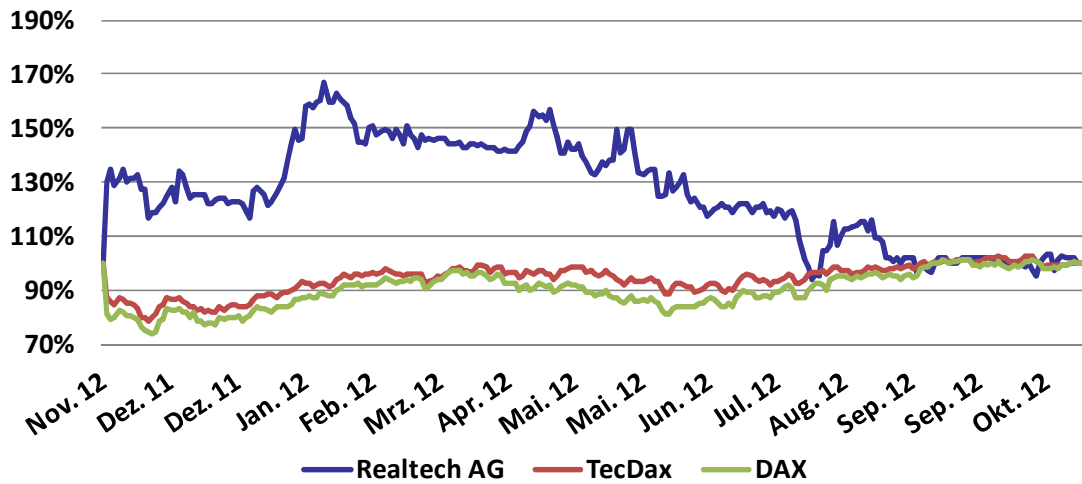
Sales estimates according to segments 2012E-14E

| Sales estimates according to segments 2012E-2014E | | | |
|---|-------|-------|-------|
| in EURm | 2012E | 2013E | 2014E |
| Consulting | 28.55 | 33.16 | 38.17 |
| change y-o-y | 8.0% | 16.1% | 15.1% |
| share in total sales | 69.4% | 69.5% | 69.6% |
| Software | 12.59 | 14.56 | 16.70 |
| change y-o-y | -1.2% | 15.7% | 14.7% |
| share in total sales | 30.6% | 30.5% | 30.4% |
| Total sales | 41.14 | 47.72 | 54.88 |

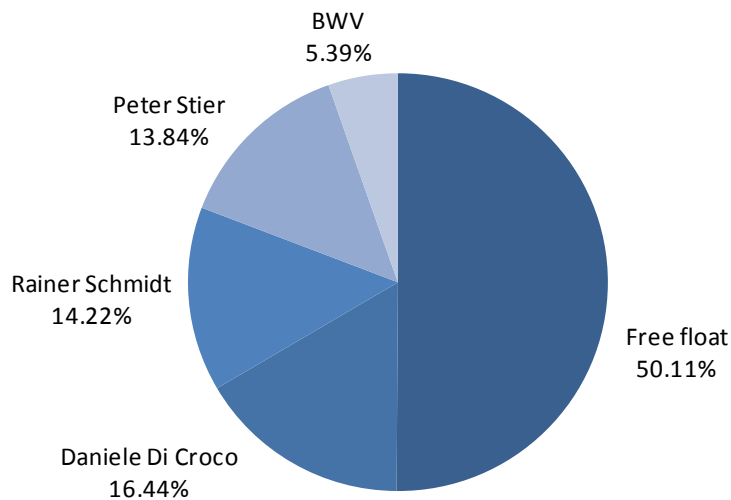
Source: Dr. Kalliwoda Research GmbH

6 Stock and shareholder structure

Stock Price Development



Shareholder Structure



7 Profit and loss statements

| Profit and loss statement - Realtech AG | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | Fiscal year | | | | | |
| in EURm | 2008 | 2009 | 2010 | 2011 | 2012E | 2013E |
| Sales split | | | | | | |
| Consulting | 54.05 | 49.53 | 26.60 | 26.43 | 28.55 | 33.16 |
| Software | 16.77 | 12.15 | 12.90 | 12.74 | 12.59 | 14.56 |
| Net sales | 70.82 | 61.68 | 39.50 | 39.18 | 41.14 | 47.72 |
| Change in inventories | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Output | 70.82 | 61.68 | 39.50 | 39.18 | 41.14 | 47.72 |
| Cost of goods sold | -42.90 | -39.69 | -20.39 | -20.99 | -22.04 | -25.57 |
| Gross profit | 27.92 | 21.99 | 19.11 | 18.18 | 19.09 | 22.15 |
| Other operating income | 2.53 | 2.04 | 2.04 | 1.05 | 1.07 | 1.09 |
| Distribution costs | -9.16 | -8.48 | -6.48 | -7.61 | -6.99 | -8.06 |
| Depreciation & Amortization | -1.01 | -1.13 | -1.15 | -1.24 | -1.30 | -1.51 |
| Administration costs | -7.05 | -6.68 | -4.66 | -4.97 | -5.14 | -5.87 |
| R&D costs | -4.62 | -3.85 | -3.62 | -4.30 | -4.11 | -4.68 |
| Other operating expenses | -1.57 | -1.31 | -1.05 | -0.94 | -2.60 | -2.16 |
| EBIT | 7.03 | 2.58 | 4.18 | 0.17 | 0.01 | 0.95 |
| Net financial results | 1.47 | -0.15 | -0.20 | -0.21 | -0.27 | -0.26 |
| EBT | 8.50 | 2.43 | 3.98 | -0.04 | -0.26 | 0.69 |
| Income taxes | -2.69 | -1.12 | -2.38 | -0.17 | 0.08 | -0.21 |
| Minority interests | -0.11 | -0.10 | -0.01 | -0.09 | 0.00 | 0.00 |
| Net income / loss | 5.70 | 1.20 | 1.59 | -0.30 | -0.18 | 0.48 |
| EPS | 1.09 | 0.23 | -0.26 | 0.15 | -0.03 | 0.09 |
| DPS | 0.50 | 0.50 | 0.00 | 0.30 | 0.00 | 0.00 |
| Change y-o-y | | | | | | |
| Net sales | n.a | -12.92% | -35.95% | -0.82% | 5.00% | 16.00% |
| Total Output | n.a | -12.92% | -35.95% | -0.82% | 5.00% | 16.00% |
| Cost of goods sold | n.a | -7.49% | -48.61% | 2.94% | 5.00% | 16.00% |
| Gross profit | n.a | -21.25% | -13.10% | -4.83% | 5.00% | 16.00% |
| Other operating income | n.a | -19.49% | -0.01% | -48.69% | 2.00% | 2.00% |
| Distribution costs | n.a | -7.41% | -23.61% | 17.53% | -8.16% | 15.32% |
| Depreciation & Amortization | n.a | 11.87% | 1.54% | 7.64% | 5.00% | 16.00% |
| Administration costs | n.a | -5.34% | -30.14% | 6.64% | 3.35% | 14.14% |
| R&D costs | n.a | -16.80% | -5.78% | 18.64% | -4.29% | 13.68% |
| Other operating expenses | n.a | -16.89% | -20.09% | -10.58% | 178.29% | -16.88% |
| EBIT | n.a | -63.32% | 62.18% | -95.98% | -95.11% | 11500.00% |
| Net financial results | n.a | -110.19% | 30.79% | 4.71% | 31.58% | -3.70% |
| EBT | n.a | -71.43% | 64.12% | -100.93% | 605.55% | -365.26% |
| Income taxes | n.a | -58.24% | 111.93% | -92.74% | -145.51% | -365.26% |
| Net income / loss | n.a | -78.91% | 32.40% | -118.99% | -39.82% | -365.26% |
| EPS | n.a | -79.00% | -213.32% | -158.20% | -122.48% | -365.26% |
| DPS | n.a | 0.00% | -100.00% | n.a | -100.00% | n.a |
| Share in total sales | | | | | | |
| Net sales | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % |
| Total Output | 179.30 % | 156.14 % | 100.00 % | 99.18 % | 104.14 % | 120.81 % |
| Cost of goods sold | -108.62 % | -100.48 % | -51.63 % | -53.59 % | -53.59 % | -53.59 % |
| Gross profit | 70.68 % | 55.66 % | 48.37 % | 46.41 % | 46.41 % | 46.41 % |
| Other operating income | 6.41 % | 5.16 % | 5.16 % | 2.67 % | 2.59 % | 2.28 % |
| Distribution costs | -23.19 % | -21.47 % | -16.40 % | -19.44 % | -17.00 % | -16.90 % |
| Depreciation & Amortization | -2.56 % | -2.87 % | -2.91 % | -3.16 % | -3.16 % | -3.16 % |
| Administration costs | -17.86 % | -16.91 % | -11.81 % | -12.70 % | -12.50 % | -12.30 % |
| R&D costs | -11.70 % | -9.73 % | -9.17 % | -10.97 % | -10.00 % | -9.80 % |
| Other operating expenses | -3.99 % | -3.31 % | -2.65 % | -2.39 % | -6.33 % | -4.53 % |
| EBIT | 17.79 % | 6.53 % | 10.58 % | 0.43 % | 0.02 % | 2.00 % |
| Net financial results | 3.72 % | -0.38 % | -0.50 % | -0.52 % | -0.66 % | -0.54 % |
| EBT | 21.51 % | 6.15 % | 10.09 % | -0.09 % | -0.64 % | 1.46 % |
| Income taxes | -6.80 % | -2.84 % | -6.02 % | -0.44 % | 0.19 % | -0.44 % |
| Net income / loss | 14.44 % | 3.04 % | 4.03 % | -0.77 % | -0.44 % | 1.01 % |

Dr. Kalliwoda | Research © 2012

8 Balance sheets

| Balance sheet - Realtech AG | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| in EURm | Fiscal year | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012E | 2013E |
| Assets | | | | | | |
| Cash and cash equivalents | 5.32 | 7.30 | 6.36 | 13.22 | 12.46 | 12.41 |
| Securities | 1.12 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Trade accounts and notes receivables | 24.03 | 17.99 | 16.71 | 9.88 | 10.38 | 12.04 |
| Other current assets | 1.78 | 1.74 | 4.35 | 4.93 | 5.18 | 6.01 |
| Current assets | 32.25 | 27.04 | 27.42 | 28.04 | 28.02 | 30.46 |
| Property, plant and equipment | 9.15 | 8.98 | 14.32 | 13.64 | 14.14 | 14.64 |
| Other intangible assets | 0.33 | 0.64 | 0.62 | 0.44 | 0.47 | 0.54 |
| Goodwill | 4.34 | 4.34 | 4.33 | 4.33 | 4.33 | 4.33 |
| Other financial assets | 0.14 | 0.15 | 0.20 | 0.66 | 0.69 | 0.80 |
| Deferred tax assets | 0.28 | 0.22 | 2.54 | 2.91 | 2.96 | 2.82 |
| Non-current assets | 14.23 | 14.32 | 22.01 | 21.98 | 22.59 | 23.13 |
| Total assets | 46.48 | 41.35 | 49.43 | 50.02 | 50.61 | 53.58 |
| Liabilities | | | | | | |
| Trade payables | 2.34 | 1.93 | 1.46 | 1.36 | 1.43 | 1.66 |
| Other liabilities | 5.59 | 4.80 | 12.08 | 11.81 | 12.40 | 14.39 |
| Short-term leasing debt | 0.00 | 0.00 | 0.26 | 0.26 | 0.27 | 0.28 |
| Provisions | 8.84 | 5.68 | 3.04 | 3.05 | 3.20 | 3.71 |
| Current liabilities | 16.77 | 12.41 | 16.85 | 16.48 | 17.30 | 20.04 |
| Long-term leasing debt | 0.00 | 0.00 | 5.33 | 5.14 | 5.04 | 4.94 |
| Deferred tax liabilities | 0.48 | 0.38 | 1.85 | 1.84 | 1.90 | 1.75 |
| Long-term liabilities | 0.48 | 0.38 | 7.18 | 6.99 | 6.94 | 6.69 |
| Total liabilities | 17.25 | 12.79 | 24.03 | 23.47 | 24.24 | 26.73 |
| Shareholders equity | 28.50 | 27.79 | 24.46 | 25.61 | 25.43 | 25.91 |
| Minority interests | 0.72 | 0.78 | 0.94 | 0.93 | 0.93 | 0.94 |
| Total equity and liabilities | 46.48 | 41.35 | 49.43 | 50.02 | 50.61 | 53.58 |

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9 Cash flow statements

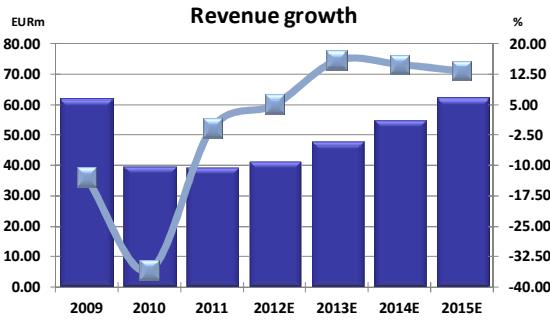
| Cash flow statement - Realtech AG | | | | | | |
|-------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|
| in EURm | Fiscal year | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012E | 2013E |
| Net income / loss | 5.70 | 1.20 | -1.37 | 0.81 | -0.18 | 0.48 |
| Depreciation & Amortization | 1.01 | 1.13 | 1.15 | 1.24 | 1.30 | 1.51 |
| Change of working capital | -3.28 | 5.36 | 0.81 | 6.73 | -0.08 | -0.28 |
| Others | -0.12 | -2.58 | 1.65 | -6.23 | 0.15 | 0.51 |
| Net operating cash flow | 3.31 | 5.11 | 2.24 | 2.54 | 1.19 | 2.23 |
| Cash flow from investment | 15.67 | -0.62 | -1.12 | 4.33 | -1.82 | -2.08 |
| Free cash flow | 18.98 | 4.49 | 1.12 | 6.88 | -0.63 | 0.14 |
| Cash flow from financing | -23.55 | -2.50 | -2.62 | -0.05 | -0.12 | -0.20 |
| Change of cash | -4.57 | 1.99 | -0.94 | 6.86 | -0.76 | -0.05 |
| Cash at the beginning of the period | 9.89 | 5.32 | 7.30 | 6.36 | 13.22 | 12.46 |
| Cash at the end of the period | 5.32 | 7.30 | 6.36 | 13.22 | 12.46 | 12.41 |

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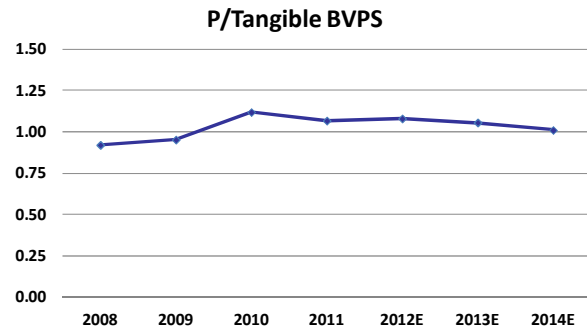
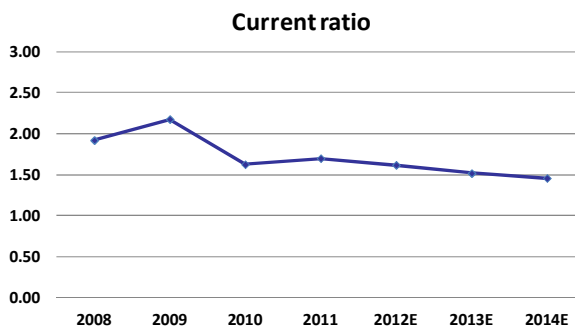
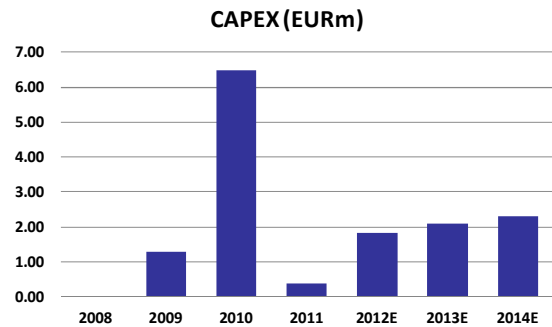
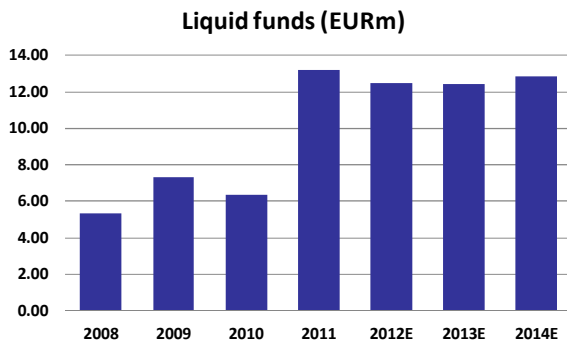
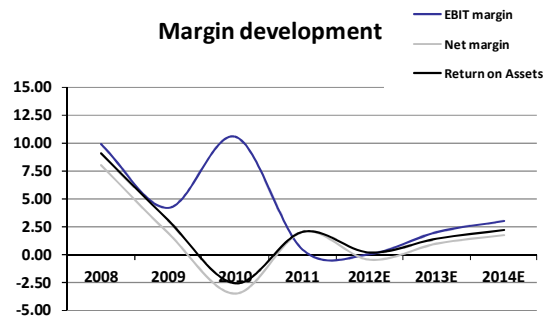
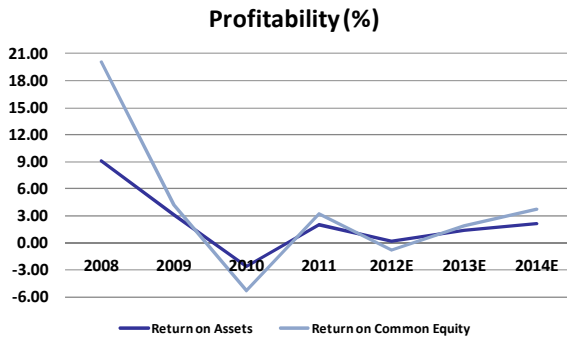
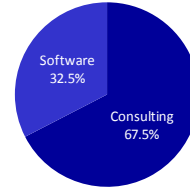
10 Financial ratios

| Fiscal year | 2008 | 2009 | 2010 | 2011 | 2012E | 2013E | 2014E | 2015E |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross margin | 39.42% | 35.65% | 48.37% | 46.41% | 46.41% | 46.41% | 46.41% | 46.41% |
| EBITDA margin | 11.35% | 6.02% | 13.50% | 3.59% | 3.18% | 5.16% | 6.16% | 7.16% |
| EBIT margin | 9.92% | 4.18% | 10.58% | 0.43% | 0.02% | 2.00% | 3.00% | 4.00% |
| Net margin | 8.05% | 1.95% | -3.48% | 2.06% | -0.44% | 1.01% | 1.77% | 2.51% |
| Return on equity (ROE) | 20.01% | 4.27% | -5.26% | 3.22% | -0.71% | 1.88% | 3.68% | 5.64% |
| Return on assets (ROA) | 9.11% | 3.08% | -2.60% | 2.03% | 0.18% | 1.43% | 2.20% | 3.05% |
| Return on capital employed (ROCE) | 16.17% | 4.79% | 5.17% | 2.83% | 0.02% | 1.99% | 3.38% | 4.95% |
| Net debt (in EURm) | -6.44 | -7.30 | -0.77 | -7.82 | -7.15 | -7.19 | -7.72 | -8.85 |
| Net gearing | -22.58% | -26.29% | -3.14% | -30.53% | -28.12% | -27.74% | -28.73% | -31.12% |
| Equity ratio | 61.32% | 67.19% | 49.49% | 51.21% | 50.25% | 48.36% | 47.05% | 46.50% |
| Current ratio | 1.92 | 2.18 | 1.63 | 1.70 | 1.62 | 1.52 | 1.46 | 1.44 |
| Quick ratio | 1.82 | 2.04 | 1.37 | 1.40 | 1.32 | 1.22 | 1.16 | 1.14 |
| Net interest cover | -4.78 | 17.20 | 21.33 | 0.82 | 0.03 | 3.67 | 6.59 | 10.36 |
| Net debt/EBITDA | -0.80 | -1.97 | -0.14 | -5.56 | -5.47 | -2.92 | -2.28 | -1.99 |
| Tangible BVPS | 4.60 | 4.44 | 3.78 | 3.97 | 3.92 | 4.01 | 4.19 | 4.48 |
| Capex/Sales | n.a | -2.07% | -16.38% | -0.96% | -4.43% | -4.36% | -4.22% | -4.10% |
| Working capital/Sales | 25.25% | 21.10% | 19.04% | 4.19% | 4.19% | 4.19% | 4.19% | 4.19% |
| EV/Sales | 0.25 | 0.28 | 0.44 | 0.45 | 0.43 | 0.37 | 0.32 | 0.28 |
| EV/EBITDA | 2.18 | 4.72 | 3.28 | 12.44 | 13.37 | 7.10 | 5.18 | 3.93 |
| EV/EBIT | 2.49 | 6.79 | 4.19 | 104.08 | 2126.60 | 18.33 | 10.63 | 7.04 |
| P/Tangible BVPS | 0.92 | 0.95 | 1.12 | 1.07 | 1.08 | 1.06 | 1.01 | 0.95 |
| P/E | 3.90 | 18.59 | -16.40 | 28.19 | -125.37 | 47.26 | 23.50 | 14.61 |
| P/FCF | 1.19 | 5.02 | 20.10 | 3.28 | -35.57 | 155.89 | 34.86 | 18.16 |

Source: Company information, Dr. Kalliwoda Research GmbH



Sales split 2011



Source: Company information, Dr. Kalliwoda Research GmbH

| | | |
|---|---|--|
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Analyst of this research:
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CEFA



| | |
|--------------------|---|
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| ACCUMULATE: | Based on our analysis, we expect the stock to appreciate and produce a total return between 5%- 10% over the next twelve months |
| HOLD: | Based on our analysis, we expect the stock to produce a total return between -5% and +5% over the next twelve months |
| REDUCE: | Based on our analysis, we expect the stock to cause a negative return between -5% and -10% over the next twelve months |
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