

Update

Industry: IT Services & Consulting
Country: Germany
WKN: 700890
Reuters: RTCG.DE
Website: www.realtech.de

Current Price: 5.59
Price 52W.: High 10.94 Low 4.89
Market Cap. (Mill. EUR) 30.2
No. Of Shares (in Mill.) 5.2

Shareholders

Free Float 55.24%
Daniele Di Croce 16.55%
Rainer Schmidt 14.31%
Peter Stier 13.90%

Performance

4 Weeks -1.2%
13 Weeks -19.6%
26 Weeks 1.9%
52 Weeks 0.0%
YTD -8.9%

Dividend

	EUR/Share	in %
2008	0.50	46%
2009	0.50	217%
2010	0.00	0%
2011e	0.50	113%
2012e	0.50	43%

52 Week Share Price History



Analysts

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REALTECH

Investing in Future Growth

- During the quarter the company disposed of its Spanish subsidiary in a management buyout. This will allow the company to focus on those areas with the potential to contribute most positively to future growth. The disposal for €2.7M led to an increase in cash to €1.6M, putting the company in a strong position to invest in future growth.
- Revenues from continuing operations were largely stable, but decreased slightly from €18.5M in H1 2010 to €18.4M in H1 2011. EBIT margins remained negative at -5% due to investment in sales and marketing, and research and development.
- Growth in sales in Germany was offset by low sales in Asia-Pacific, resulting from the earthquake in Japan. However, the company has seen orders from Japan pick up and anticipates replacements ordered in H2 to make up for low sales in H1.
- The Software segment experienced the highest growth with revenues increasing 20% from €5.1M in H1 2010 to €6.1M in H1 2011. Software's revenue share increased from 28% to 33%. The consulting segment was down slightly with sales of €12.3M (H1 2010: €13.4M). Gross profit margins from consulting continue to be pressured and slid from 24% in H1 2010 to 20% in H1 2011.
- As a result of the disposal of the Spanish subsidiary, we have lowered our revenue forecasts from 2011 onwards. We have likewise increased our margin expectations as the Spanish subsidiary was a lower margin business than other geographic sectors of REALTECH. REALTECH anticipates its high investment in 2011 to lead to high growth margins in the coming years. We believe the company will achieve this high growth rate and expect a 2012 EBIT margin in double digits.
- The recent turmoil in worldwide financial markets and the continuing economic uncertainty has led to an increase in risk in all investments. Over the past few weeks REALTECH's share has slid in line with the vast majority of listed companies. In order to reflect this, we have increased the market risk premium used in our valuation model from 5% to 6%.
- Due to these adjustments, we have lowered our price target from €8.85 to €7.87. However, with a current share price of €5.55, this results in an upside of 41.8%. We believe REALTECH is on target to meet our revised expectations and the slimmed down company will be in a strong position to perform over the coming periods.

Key Figures

EUR m	2008	2009	2010	2011e	2012e
Revenues	70.8	61.7	52.5	48.5	53.4
EBITDA	8.02	3.74	5.33	7.30	11.99
EBIT	7.02	2.64	4.36	6.30	10.99
Net Income	5.72	1.24	-1.44	4.96	9.40
EPS	1.08	0.23	-0.27	0.94	1.77
BVPS	5.61	5.49	4.77	4.83	5.32
CFPS	1.29	0.47	-0.09	1.12	1.96
RoE	19.6%	4.3%	-5.7%	19.4%	33.3%
RoS	8.1%	2.0%	-2.7%	10.2%	17.6%
EBIT margin	9.9%	4.3%	8.3%	13.0%	20.6%

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1. Company Profile

REALTECH AG has over 2500 SAP Consulting and Software customers and is Germany's leading IT Consulting firm. The company was founded in 1994 Walldorf by Heidelberg and has been listed since 1999. In addition to the company headquarters, REALTECH has an international presence with additional operations in Europe/Asia Pacific and North America. The rapid advancement of IT-Technology has in the past brought a growth of company IT systems and has led to a diverse, heterogeneous IT-landscape.

The lack of single integrated systems, in-house development, and easy solutions has led to inefficiencies in companies. Integration deficits and a lack of cross-functional and inter-organizational workflow make it difficult to supply the appropriate information for planning tasks. REALTECH's IT consulting services directly involve customers and suppliers place in the value chain in order to avoid discontinuities and redundancies and to provide possibilities for new forms of inter-firm cooperation. REALTECH's products allow the IT department or IT outsourcer the ability to operate a high number of applications safely and efficiently and to reduce the overall IT cost significantly.

An essential part of REALTECH AG's business focuses on consulting, implementation and operation of SAP products. The company has extensive specialist knowledge and has therefore built a strong position within this niche. REALTECH's consulting activities rely on close cooperation and thus the company has developed a deep understanding of the IT needs of companies. This knowledge is then used to develop customized software solutions. New technologies such as Linux, RedHat/Novell, oxygen enrichment and new hardware platforms such a Cisco Universal Server require new skills in technology consulting. REALTECH SAP is often the first among consultants to offer solutions to these new issues.

In addition to SAP, theGuard! is a cross-system software and can in principle be used for every company that uses IT. The focus for this product is in the German-speaking countries and the USA. The new cooperation with SAP is being used to tap into new markets. SAP thus complements the REALTECH direct sales by a vital additional sales channel.

REALTECH has a lean corporate structure and is thus able to react flexibly to market trends. The company has a strong hold on the domestic market with limited competition from foreign companies. Medium-sized companies in Germany tend to prefer suppliers and close contracts under German law. In foreign markets REALTECH places particular emphasis on its strengths in collaboration with the local SAP country organizations in terms of technological expertise and working in a partner network of larger application consulting firm.

In addition to many medium-sized customers, the company has an international presence. Thus there is a well balanced portfolio of clients.

2. Business Development

During Q2, REALTECH sold its Spanish subsidiary as part of a management buyout. This follows the sale of the Italian subsidiary in December, 2010. This is part of a strategy to rationalize the business and focus on geographical areas making the largest contributions to continued growth. REALTECH received €2.7M for the sale of the subsidiary. As with the Italian subsidiary, REALTECH will

continue to work closely with the Spanish partner to fulfill new and existing contracts between customers and partners.

The CEO of REALTECH left the company during the second quarter. He has been replaced by Dr. Rudolf Caspary, who has been at REALTECH since 2004 with global responsibility for the Software Products department.

REALTECH's sales in Germany increased 6.8% to €13.6M (H1 2010:€12.7M). However, this gain was offset by a decrease in revenues in Asia-Pacific from €3.5M in H1 2010 to €2.7M in H1 2011. This decline is due to the continued fallout from the earthquake in Japan. However, the company states that orders from Japan are gaining momentum and revenues are set to improve in the second half of 2011.

The software business segment continued to grow with revenues increasing 20% from €5.1M in H1 2010 to €6.1M in H1 2011. Software's revenue share increased from 28% to 33%. This follows on from a trend towards shifting emphasis of business activities to software. The gross profit margins remain relatively stable, though there was a slight decrease from 88% to 86%. However, this is in stark contrast to the lower and steadily falling margins in the consulting segment.

Overall, the gross profit margins of the company held steady at 42%. The total operating expenses increased €1.7M due to investment in research and development, sales and marketing, and increased administrative costs. This led to a slide in EBIT into negative territory from 5% to -5%. However, this investment in new products, new employees, and greater market penetration should be converted into higher revenues and profits in the coming years.

The company thus reported a loss from continuing operations of €1.2M (H1 2010: profit of €0.891). However, the discontinued Spanish subsidiary made a positive contribution to the company in the first half of the year. Total comprehensive income for H1 amounted to €0.35M (H1 2010: €0.68). Consequently, earnings per share amounted to €0.07.

Cash flow from operating activities rose from €1.8M to €6.0M. This was largely attributable to a decrease in receivables and increase in cash resulting from the sale of the Spanish subsidiary. Cash accordingly increased from €6.4M to €11.6M. Net liquidity rose from 22% to 27% of total assets, putting the company in a strong position to continue to invest in further growth.

3. Outlook

According to BITKOM The software and IT services industry continued its recovery trend. For the next two years, growth rates for the software industry are expected from 3.5 percent to 3.9 percent and 4.5 percent to 4.9 percent, respectively. A lack of skilled workers in the German market in the area of software development is, according to the BITKOM a risk the industry faces. 59% of ICT companies currently anticipate a skills shortage and in 2011 more than two-thirds of companies plan to hire new staff.

Quarterly earnings in the first half were impacted by a revenue decline due to a decrease in sales in Japan and the increase in R&D costs. These costs are part of an investment plan for the further development of the business including products initiated by two major SAP collaborations. We anticipate this investment will translate into positive earnings growth in subsequent quarters.

During the first half of 2011, REALTCH has worked to expand its product portfolio. REALTECH is supplying its theGuard! Configuration Management Database (CMDB) to SAP, and both companies

will be integrated into the SAP and REALTECH range of SAP in 2011. The intellectual property rights remain at REALTECH. SAP sells its products with the integrated theGuard! CMDB. In return REALTECH receives a fee for every company that uses the software. SAP currently has about 100,000 customers to which the product could be marketed. The maintenance of proprietary software takes part REALTECH, thus leading to a further source of revenue for the company.

theGuard! additionally provides some of the central components of REALTECH for the "Service Impact Management" consumer to SAP. The software enables the operation of the new SAP product "SAP Business by Design." As more operators move to this SaaS solution, REALTECH will acquire revenues from the increase in service offerings.

Furthermore, REALTECH's expansion plan includes the translation of software into new languages. The company is involving its national companies in the provision of accompanying measures such as software testing, pre-sales and support. The company has incorporated subsidiaries such as Portugal and Japan in the production process. This enables them to take advantage of further synergies which can encourage greater international cooperation and thus strengthen the group.

In the consulting segment, REALTECH is aiming to strengthen its position in strategy consulting, as many customers ask for advice in business process management. The company also sees potential in consulting on the integration of new hardware and technologies into existing IT systems due to the number of inquiries it receives. The company continues research and development in this area and intends to focus on a portion of his consulting business on it. If appropriate, the company will explore hiring specialized service providers or consider acquisitions. In any case, the technology consulting market will remain an important service offering, particularly during the migration to SAP. Changing operating system will always offer a challenge to companies and we foresee the demand to continue for the foreseeable future. REALTECH is also aiming to expand its market share in the consulting field in Germany. The company sees potential in offering a comprehensive range of consulting services in order to offer a one-stop-shop for customers.

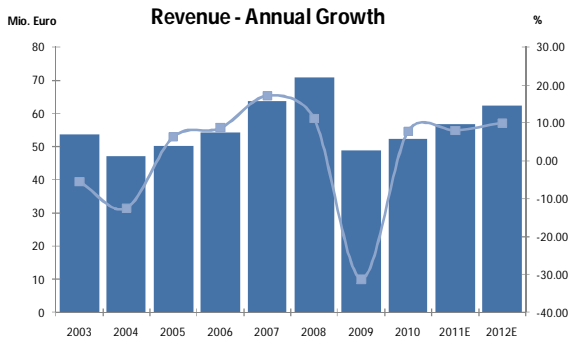
An essential component of business success for REALTECH will depend on continued demand for SAP products. SAP has a stable structure of existing customers and continues to generate new business. REALTECH currently has 2,000 customers, of which only a small percentage is made up of SAP users. One advantage of the business model is the relatively low barriers to entry in entering new geographical markets. This is due to the ease of building on existing SAP structures. Accordingly, the company is focusing on expanding the market share. Thus in order to achieve this goal in 2011 the marketing investment will be increased.

Industry associations estimate a global increase in IT spending from three to five percent in 2011. We expect revenue growth for REALTECH in the single digits above the industry average. We anticipate the situation in Japan will recover and catch up by year end due to replacement investments. We share the vision of the company will use the investments made in 2011 to generate growth from 2012. We believe the company will be able to realize double digit EBIT margins by y/e 2012.

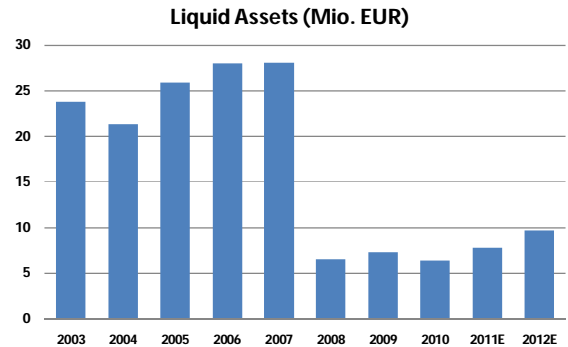
We additionally anticipate the reinstatement of dividend payments in the coming year.

4. Company Performance

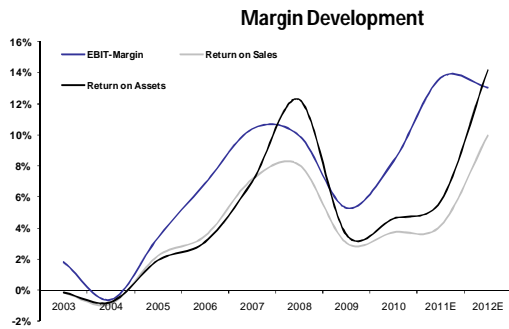
Revenue Development



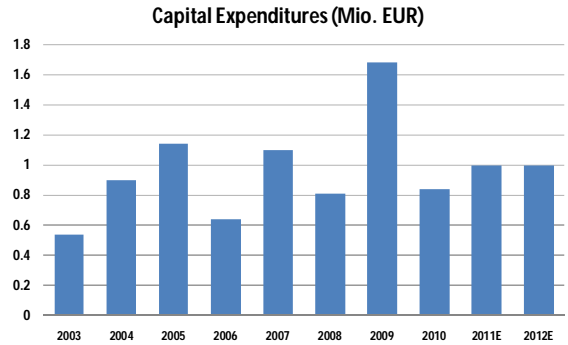
Liquid Asset Development



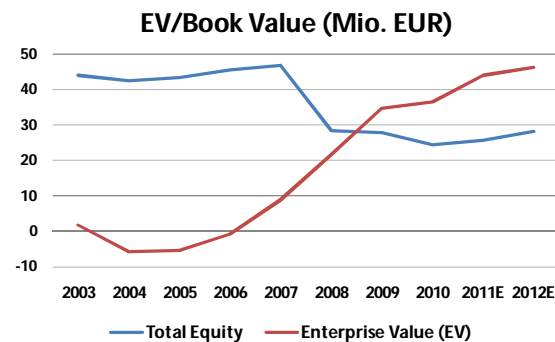
Margin Development



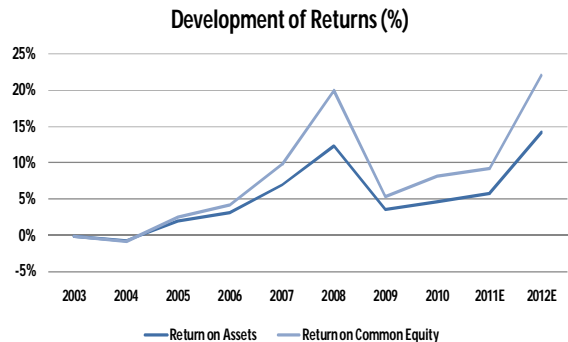
Investment Expenditures



Enterprise Value

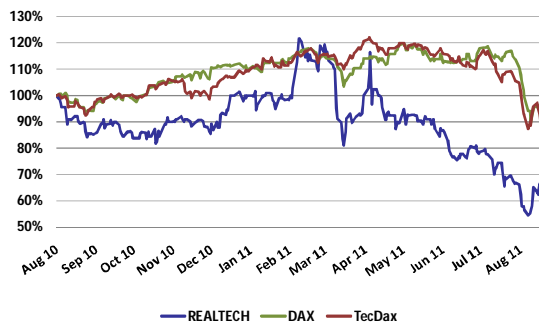


Return on Investments and Equity



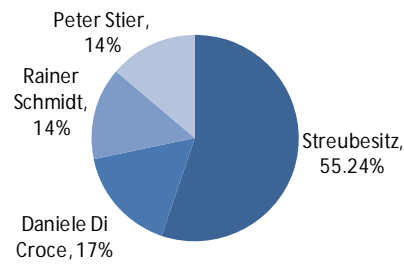
5. Share and Shareholder Structure

Share Price Development



Source: Dr. Kalliwoda Research, Reuters

Shareholder Structure



Source: Realtech AG

The share price has fallen over the course of the quarter. This downward trend in share price has been experienced by all peer group companies, though REALTECH has experienced it to a somewhat greater degree. We anticipate global markets to stabilize in the coming months, and for REALTECH's share to resume an upward trend.

6. SWOT Analysis

Strengths

- Location: Good relationship and located close to SAP
- Market position: Germany's leader in technology consulting
- Market position: Europe's largest provider of service management solutions
- Extensive customer base with well known and prominent customers
- Solid balance sheet and high cash flows
- Sustained revenues in spite of challenging business conditions

Opportunities

- Realtech has the potential to profit from increasing investments in IT.
- The company will develop additional international sales channels through its new partnership with SAP.
- Realtech serves top IT topics such as business intelligence, IT governance, IT security, and service-oriented architectures.

Weaknesses

- Realtech concentrates on the competitive German market
- International product sales are still too low
- IT plays only a subordinate roll in manufacturing production systems. Here we see great potential in the integration of isolated solutions in production IT infrastructure, particularly in the SME sector.

Threats

- Expenses for consulting and IIT services are closely interwoven with macro-economic development
- Realtech is, itself, in competition with SAP
- The IT consulting market is highly competitive which could lead to an increase in price competition.

7. Financial Analysis

7.1. Profit and Loss

Profit and Loss - REALTECH AG					
In €M	Year End				
	2008	2009	2010	2011E	2012E
Revenue	70.8	61.7	52.5	48.5	53.4
Cost of Sales	-43.9	-40.8	-32.1	-26.7	-27.1
Gross Profit	26.9	20.9	20.4	21.9	26.3
Sales and Marketing Costs	-9.2	-8.5	-7.6	-6.4	-6.9
Administrative Costs	-7.0	-6.7	-5.3	-4.8	-5.1
Research and Development Costs	-4.6	-3.8	-3.6	-4.9	-3.9
Other operating expenses	-1.5	-1.3	-1.3	-1.0	-1.1
Other operating income	2.5	2.0	1.7	1.6	1.6
Operating Profit	7.0	2.6	4.4	6.3	11.0
Interest Income/Expense	0.5	0.0	0.1	0.2	0.1
Financial Income/Expense	1.0	-0.1	0.0	0.2	0.1
Foreign Currency Exchange Gains/Losses	0.0	-0.1	0.1	-0.0	-0.0
Profit Before Tax	8.5	2.4	4.5	6.7	11.1
Income Tax Expense	-2.7	-1.1	-2.5	-1.6	-1.6
Profit for the Year	5.8	1.3	2.0	5.1	9.5
Attributable to Minority Interests	-0.1	-0.1	0.0	-0.1	-0.1
Profit/Loss from Discontinued Operations	0.0	0.0	-3.4	0.0	0.0
Profit for the Year	5.72	1.24	-1.44	4.96	9.40
Earnings per Share	1.08	0.23	-0.27	0.94	1.77
Profit and Loss (Growth)					
Revenue	11.1%	-12.9%	-14.9%	-7.6%	10.0%
Cost of Sales	13.7%	-7.1%	-21.3%	-16.9%	1.7%
Gross Profit	7.0%	-22.3%	-2.3%	7.0%	20.2%
Sales and Marketing Costs	14.9%	-7.8%	-9.9%	-15.9%	6.7%
Administrative Costs	4.1%	-5.1%	-21.0%	-8.6%	5.9%
Research and Development Costs	1.1%	-17.4%	-4.7%	34.0%	-20.6%
Other operating expenses	16.7%	-15.6%	-2.8%	-17.6%	5.4%
Other operating income	17.9%	-20.0%	-13.0%	-9.0%	2.6%
Operating Profit	6.0%	-62.4%	65.3%	44.4%	74.3%
Interest Income/Expense	-18.5%	-100.0%	-	92.8%	-48.9%
Financial Income/Expense	-	-	-100.0%	-	-76.0%
Foreign Currency Exchange Gains/Losses	-100.0%	-	-	-	46.7%
Profit Before Tax	18.7%	-71.4%	84.7%	47.9%	66.5%
Income Tax Expense	5.5%	-59.3%	130.1%	-36.5%	-0.2%
Profit for the Year	26.0%	-77.0%	47.5%	156.1%	87.7%
Attributable to Minority Interests	0.0%	0.0%	-100.0%	-	0.0%
Profit for the Year	26.5%	-78.3%	-	-	89.5%
Earnings per Share	24.1%	-78.7%	-	-	89.5%
Profit and Loss (Percentage of Revenue)					
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	-68.9%	-64.0%	-50.3%	-55.0%	-50.8%
Gross Profit	42.2%	32.8%	32.0%	34.3%	41.2%
Sales and Marketing Costs	-14.4%	-13.3%	-12.0%	-13.2%	-12.8%
Administrative Costs	-11.0%	-10.5%	-8.3%	-9.9%	-9.6%
Research and Development Costs	-7.2%	-6.0%	-5.7%	-10.0%	-7.2%
Other operating expenses	-2.4%	-2.0%	-2.0%	-2.1%	-2.1%
Other operating income	3.9%	3.1%	2.7%	3.3%	3.0%
Operating Profit	11.0%	4.1%	6.8%	9.9%	17.2%
Interest Income/Expense	0.8%	0.0%	0.1%	0.3%	0.1%
Financial Income/Expense	1.5%	-0.2%	0.0%	0.5%	0.1%
Foreign Currency Exchange Gains/Losses	0.0%	-0.2%	0.1%	0.0%	0.0%
Profit Before Tax	13.4%	3.8%	7.1%	10.5%	17.4%
Income Tax Expense	-4.2%	-1.7%	-4.0%	-3.3%	-3.0%
Profit for the Year	9.1%	2.1%	3.1%	7.9%	14.9%
Attributable to Minority Interests	-0.2%	-0.2%	0.0%	-0.1%	-0.1%
Profit for the Year	0.0%	0.0%	-5.4%	0.0%	0.0%
Earnings per Share	9.0%	1.9%	-2.3%	7.8%	14.7%

7.2. Balance sheet

Balance Sheet - REALTECH AG					
In €M	Year End				
	2008	2009	2010	2011E	2012E
Assets					
<i>Current Assets</i>					
Trade Receivables	24.0	18.0	16.7	17.7	18.8
Tax Receivables	0.7	0.5	3.6	0.2	0.2
Other Current Assets	1.1	1.2	0.7	1.2	1.2
Other Financial Assets	1.1	0.0	0.0	0.0	0.0
Cash and Cash Equivalents	5.3	7.3	6.4	7.8	9.7
Total Current Assets	32.2	27.0	27.4	26.9	29.9
<i>Non-Current Assets</i>					
Concessions, Industrial Rights and Similar Assets	0.3	0.6	0.6	0.5	0.5
Goodwill	4.3	4.3	4.3	4.3	4.3
Property, Plant and Equipment	7.5	7.5	7.2	7.3	7.3
Technical Equipment and Machines	0.1	0.1	0.0	0.1	0.1
Other Equipment and Office Equipment	1.6	1.5	1.3	1.5	1.5
Advance Payments and Construction in Progress	0.0	0.0	0.0	0.0	0.0
Loans Receivable	0.1	0.0	0.0	0.1	0.1
Deferred Tax Assets	0.3	0.2	1.2	0.3	0.2
Other Non-Current Assets	0.0	0.1	0.3	0.0	0.0
Total Non-Current Assets	14.2	14.3	14.9	14.1	14.0
Total Assets	46.4	41.4	42.4	41.0	43.9
<i>Equity</i>					
Issued Capital	5.3	5.3	5.4	5.3	5.3
Capital Reserves	13.3	13.5	11.0	13.3	13.3
Additional Paid-in Capital	-0.4	0.1	0.5	0.2	0.2
Other Comprehensive Income	0.0	0.0	0.0	0.0	0.0
Retained Earnings	10.3	8.9	7.5	6.1	8.7
Non-Controlling Interest	0.7	0.8	0.9	0.7	0.7
Total Equity	29.2	28.6	25.3	25.6	28.2
<i>Non-Current Liabilities</i>					
Deferred Tax Liabilities	0.5	0.4	0.4	0.4	0.4
Total Non-Current Liabilities	0.5	0.4	0.4	0.4	0.4
<i>Current Liabilities</i>					
Trade Payables	2.3	1.9	1.5	1.5	1.5
Income Tax Payables	1.1	0.4	6.5	1.5	1.5
Provisions	8.8	5.7	4.0	7.0	7.0
Other Financial Liabilities	4.5	4.4	4.7	5.0	5.2
Other Liabilities	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	16.7	12.4	16.7	15.0	15.3
Total Equity and Liabilities	46.4	41.4	42.4	41.0	43.9

7.3. Cash Flow Statement

Cash Flow Statement - REALTECH AG					
In €M	Year End				
	2008	2009	2010	2011E	2012E
Cash Flows from Operating Activities					
Profit for the Year	5.7	1.3	-1.4	5.0	9.4
Income Tax Expense					
Depreciation of Fixed Assets	1.0	1.1	1.0	1.0	1.0
Changes in Asset Disposals	0.1	0.4	0.3	0.2	0.2
Changes in Income Tax Payable	1.2	-0.8	-0.2	0.0	0.0
Income Tax Paid	-1.6	-0.4	-0.4	-1.6	-1.6
Changes in Provisions	0.3	-3.2	-1.7	3.0	0.0
Changes in Trade Receivables	-2.9	6.0	4.8	-1.0	-1.1
Changes in Other Assets	-0.6	0.6	0.4	1.5	1.5
Changes in Current Liabilities	-0.4	-0.6	-0.1	0.0	0.0
Proceeds from Interest	0.6	0.1	0.1	0.1	0.1
Payments for Interests	0.0	0.0	0.0	0.0	0.0
Non-Cash Change	-0.1	0.6	-0.5	0.0	0.0
Cash Flows from Operating Activities	3.3	5.1	2.3	8.2	9.6
Purchase of Intangible Assets	-0.1	-0.7	-0.3	-0.5	-0.5
Purchase of Tangible Assets	-0.7	-1.0	-0.6	-0.5	-0.5
Investment in Financial Assets	0.0	0.0	0.0	0.0	0.0
Changes in Current Financial Assets	16.5	1.1	0.0	0.0	0.0
Cash Flows from Investment Activities	15.7	-0.6	-0.9	-1.0	-1.0
Change in Dividends	-2.6	-2.6	-2.7	0.0	-2.6
Change in Convertible Bonds	0.0	0.2	0.3	0.0	0.0
Changes in Capital Reserves	-21.0	0.0	0.0	0.0	0.0
Cash Flows from Financing Activities	-23.6	-2.49	-2.37	0.0	-2.6
Change in Cash and Cash Equivalents	-4.6	2.0	-0.9	7.2	6.0
Cash and Cash Equivalents at the Beginning of the Period	9.9	5.3	7.3	6.3	13.5
Adjustments from Consolidation	0.0	0	0	0	0
Cash and Cash Equivalents at the End of the Period	5.3	7.3	6.3	13.5	19.5

Dr. Kalliwoda | Research © 2011

8. Valuation

8.1.DCF Model

Our valuation of REALTECH utilizes a discounted cash flow model corroborated by the market data of the peer group companies. This has been based on REALTECH's consolidated financial statements.

As a result of the disposal on REALTECH's Spanish subsidiary, we have decreased our revenue forecasts and increased our EBIT expectations. Changes to our forecasts are as follows:

All figures in €m	2011e			2012e		
	old	new	% change	old	new	% change
Revenues	56.72	48.53	-14%	62.39	53.38	-14%
Operating Profit	3.90	6.30	62%	8.00	10.99	37%
Net profit	2.35	4.96	111%	6.21	9.40	51%
EPS (€)	0.44	0.94	113%	1.17	1.77	52%

The valuation is driven by discounting the operating free cash flow calculation to the valuation date. We have calculated a residual value assuming a growth rate of 2% per annum.

Discounted Cash Flow Model (Basis 8/2011)

(Mio. EUR)	2011e	2012e	2013e	2014e	2015e	2016e
Revenue	48.53	53.38	58.72	61.66	63.51	66.05
Rate of Change	-8%	10%	10%	10%	1%	1%
EBIT	6.30	10.99	6.75	7.40	7.81	7.93
Rate of Change	44%	74%	-39%	10%	6%	1%
Margin	13.0%	20.6%	11.5%	12.0%	12.3%	12.0%
Interest and Income from Investment	0.08	0.15	0.08	0.10	0.10	0.10
EBT	6.38	11.14	6.83	7.50	7.91	8.03
Tax Expense	-1.61	-1.60	-2.22	-2.44	-2.57	-2.61
Tax Rate	25.2%	14.4%	32.5%	32.5%	32.5%	32.5%
Depreciation	1.00	1.00	1.00	1.20	1.20	1.20
Depreciation Rate	2.1%	19%	17%	19%	19%	18%
Changes in Long Term Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Percentage of Revenues	-	-	-	-	-	-
Change in Working Capital	0.20	-0.77	-1.00	-1.00	-1.25	-1.45
Working Capital Ratio	0.4%	-14%	-17%	-16%	-2.0%	-2.2%
Investments	-1.00	-1.00	-1.20	-1.20	-1.20	-1.06
Investment Rate	-2.1%	-19%	-2.0%	-19%	-19%	-16%
Increase in/Repayment of Debts	0.00	0.00	0.00	0.00	0.00	0.00
Free Cash Flow	4.97	8.77	3.41	4.06	4.09	4.11
Rate of Change	70%	76%	-6%	19%	1%	0%
Free Cash Flow Margin	10.2%	16.4%	5.8%	6.6%	6.4%	6.2%

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8.2. WACC

The discount rate was determined using the weighted cost of capital. We assume that the capital structure will not change significantly in the coming years.

WACC Assumptions

Growth Assumptions

Terminal Growth Rate/ Inflation Rate	2.0%
Residual Period	10 Jahre
Residual Period Sales Growth	3.0%
Terminal EBIT margin	+1 BP

Cost of Equity

Long Term Risk Free Rate	3.5%
Market Risk Premium	6.0%
Beta of the Company	0.95
Cost of Equity	9.2%

Cost of Debt

Pre-tax Cost of Debt	6.5%
Normal Tax Rate	30.0%
Cost of Debt	4.6%

Value of Equity	41
Value of Debt	0
Gearing	0.0%
WACC	9.20%

Adjustments to the liabilities of the current market interest rate have not been made. The risk-free rate is based on the average yield on 30-year government bonds. The determination of the risk premium follows the Capital Asset Pricing Model (CAPM) and covers the systematic risk (market risk premium). Company-specific risk is based on the performance of the DAX benchmark index.

As a result of the recent turmoil in financial markets and continuing economic uncertainty, we have increased our market risk premium from 5% to 6%. This has increased our WACC from 8.25% to 9.2%. We believe this increase reflects the share price volatility created by market risk as opposed to company specific factors.

8.3. Fair Value – Sensitivity Analysis

We have derived a fair value per share of €7.87. This represents a premium of 41.8% over the current share price of €5.55. Here we demonstrate the modification of terminal value parameters in a sensitivity analysis.

Sensitivity Analysis		Market Capitalisation					Sensitivity Analysis		per Share				
(Mio. EUR)		WACC					(EUR)		WACC				
β = 0.95		8.70%	8.95%	9.20%	9.45%	9.70%	β = 0.95		8.70%	8.95%	9.20%	9.45%	9.70%
Growth	1.0%	41.93	41.30	40.70	40.13	39.59	Growth	1.0%	7.97	7.85	7.74	7.63	7.53
	1.5%	42.33	41.66	41.03	40.43	39.87		1.5%	8.05	7.92	7.80	7.69	7.58
	2.0%	42.79	42.07	41.40	40.77	40.17		2.0%	8.13	8.00	7.87	7.75	7.64
	2.5%	43.32	42.55	41.83	41.16	40.52		2.5%	8.24	8.09	7.95	7.82	7.70
	3.0%	43.95	43.11	42.33	41.60	40.92		3.0%	8.36	8.20	8.05	7.91	7.78

9. Peer Group Analysis

We have utilized a peer group analysis to corroborate our DCF valuation. We have primarily selected companies that are exposed to similar industry factors. We have then used multiplier methods based on a comparative approach. We have selected an appropriate multiplier from capital market data and financial reporting practices of listed comparable companies.

The output data of comparable companies has been derived from the information provider Thomson Reuters.

The spectrum of values from our peer group analysis has decreased from €4.34 to €1.87 at the date of our previous report to €2.99 to €8.06. This corroborates the reduction of our price target to €7.87 due to market volatility.

Multiples - Peer Group							
Peer Group	EV/EBITDA		EV/EBIT		KGV		EBIT-Marge 2010E
	2011E	2012E	2011E	2012E	2011E	2012E	
ATOSS Software AG	6.0	5.7	6.4	6.0	14.2	13.2	22.5%
Beko Holding AG	4.3	n.a.	8.1	n.a.	26.8	15.7	2.3%
Brain Force Holding AG	4.5	n.a.	8.8	8.1	neg.	11.1	2.7%
itelligence AG	5.4	n.a.	8.7	8.0	15.2	13.0	6.2%
SEVEN PRINCIPLES AG	4.3	4.0	5.3	4.7	9.3	8.0	5.5%
SNP Schneider Neureither & Partner AG	7.2	5.6	8.5	6.2	17.5	12.4	20.9%
Softline AG	4.3	2.9	4.7	3.3	9.4	5.1	6.3%
Peer Benchmark	5.2	4.5	7.2	6.0	14.7	12.4	6.2%
Realtech AG	7.6	4.1	9.5	4.6	18.3	6.9	8.3%
Discount (-)/Premium (+)	46.5	-9.9	31.6	-23.8	24.2	-44.1	-25.0
Bewertungsbandbreite:	2.99 EUR bis 8.06 EUR						

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