Datagroup SE
Germany - IT Services

HAUCK & AUFHÄUSER
PRIVATBANKIERS SEIT 1796

Buy (Initiation)

Price target: EUR 32.00

Price:	EUR 25.20	**Next result:**	Q1 17: 22.02.17
Bloomberg:	D6H:GR	**Market cap:**	EUR 191.3 m
Reuters:	D6HG.DE	**Enterprise Value:**	EUR 249.3 m

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Revolutionizing Cloud Computing with CORBOX

In an astounding transformation Datagroup has actively scaled back low-margin on-site IT service revenues and shifted its focus to Cloud Computing - a business which is set to explain more than 50% of sales in 2017E (2011: 22%).

The beauty of this transformation lies in the **positive impact on visibility AND profitability** (EBITDA margin +500bp from 2011-17E) as Cloud Computing yields scalable, high-margin and recurring revenues thanks to multi-year contracts.

The secret to Datagroup's success: CORBOX. This cloud solution is the perfect fit for its German small- and mid-sized clientele offering unparalleled breadth (12 cloud services), flexibility (modular set-up) AND efficiency as it follows the logic of industrial serial production relying on standardized, qualified and clearly defined processes.

Datagroup's differentiation is perceived and valued by clients (124 CORBOX clients as of 2016) who have repeatedly voted the company amongst the top three cloud providers in Germany with respect to total customer satisfaction.

This provides the perfect backdrop for Datagroup to **continue its dynamic Cloud performance** as growth should be there for the taking: Datagroup needs to win less than 5% of cloud tenders in Germany p.a. to meet our 12% group top-line growth expectations (CAGR 2016-19E) which already account for a further decline of non-core on-site IT service revenues – **evidently a conservative scenario**.

Importantly, **the cloud deal with Hewlett-Packard is a game changer** adding € 150m sales in total until 2021E thus lifting Datagroup's cloud business to a whole new level.

Expected disproportionate net income growth of c. 35% (CAGR 2016-19E) is the icing on the cake thriving on the scalability of Datagroup's cloud business, efficiency gains and an improvement in the financial and tax results.

The market is seen to underestimate Datagroup's potential explaining why our 2018E expectations are ahead of eCons by 4% (sales) and 13% (EBITDA) **paving the way for ongoing positive news flow**. Trading on 13x EPS 2019E **valuation looks attractive** in light of the visible growth and ongoing transformation towards higher-margin, recurring sales. **Initiate with BUY and a € 32.00 PT based on FCFY 2019E**.

Y/E 30.9 (EUR m)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
Sales	156.9	152.4	157.6	174.9	217.9	232.1	247.0
Sales growth	7 %	-3 %	3 %	11 %	25 %	7 %	6 %
EBITDA	10.8	10.3	15.3	19.1	22.2	26.0	29.7
EBIT	4.3	4.8	9.6	12.7	15.5	20.0	23.6
Net income	1.9	1.1	4.9	5.7	8.4	11.4	13.8
Net debt	32.1	28.0	37.0	31.0	27.4	19.6	9.9
Net gearing	142.7 %	131.6 %	153.6 %	109.1 %	79.4 %	51.3 %	20.0 %
Net Debt/EBITDA	3.0	2.7	2.4	1.6	1.2	0.8	0.3
EPS pro forma	0.25	0.41	0.91	1.00	1.37	1.67	1.97
CPS	1.17	0.93	0.94	0.92	1.06	1.70	2.01
DPS	0.20	0.20	0.25	0.30	0.35	0.40	0.45
Dividend yield	0.8 %	0.8 %	1.0 %	1.2 %	1.4 %	1.6 %	1.8 %
Gross profit margin	64.0 %	63.9 %	66.3 %	66.8 %	67.5 %	68.0 %	68.3 %
EBITDA margin	6.9 %	6.8 %	9.7 %	10.9 %	10.2 %	11.2 %	12.0 %
EBIT margin	2.8 %	3.2 %	6.1 %	7.2 %	7.1 %	8.6 %	9.6 %
ROCE	5.5 %	6.1 %	12.1 %	11.9 %	12.1 %	16.1 %	18.8 %
EV/sales	1.5	1.5	1.5	1.5	1.1	1.0	0.9
EV/EBITDA	21.7	22.6	15.8	13.9	11.2	9.1	7.4
EV/EBIT	54.1	48.2	25.2	20.9	16.1	11.8	9.3
PER	100.8	61.3	27.8	25.3	18.4	15.1	12.8
Adjusted FCF yield	3.6 %	3.0 %	4.4 %	4.8 %	6.2 %	7.4 %	9.1 %

Source: Company data, Hauck & Aufhäuser Close price as of: 16.02.2017

Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	25.50 / 13.22
Price/Book Ratio:	5.6
Relative performance (TecDAX):	
3 months	-2.2 %
6 months	39.9 %
12 months	64.1 %

Changes in estimates

		Sales	EBIT	EPS
2017	*old:*	217.9	15.5	1.37
	Δ	-	-	-
2018	*old:*	232.1	20.0	1.67
	Δ	-	-	-
2019	*old:*	247.0	23.6	1.97
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs)	7.6
Authorised capital: (in € m)	3.0
Book value per share: (in €)	4.5
Ø trading volume: (12 months)	6,500

Major shareholders:

HHS Beteiligung (CEO)	61.4 %
Free Float	34.2 %
Executive Board	4.4 %

Company description:
Leading cloud / IT outsourcing provider in Germany

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Introducing Datagroup

Datagroup is a **leading Cloud Computing provider** in Germany targeting small and mid-sized enterprises. For several years already the company is in a **dynamic transformation** aimed at growing cloud services (44% of sales / 2009: 14%) while scaling back the low-margin part of its IT service business (22% / “Non-cloud Services”).

The beauty of this transformation lies in the **positive impact on visibility AND profitability** (EBITDA-margin +500bp from 2011-17E) as Cloud Computing yields high-margin, scalable, and recurring revenues thanks to multi-year contracts (3-5 years on average).

Datagroup’s cloud business is centred on CORBOX (124 clients as of 2016) – a modular portfolio of twelve standardised cloud service families which let the customer decide how far he wants to go “into the cloud”:

Clients can start off small using only Datagroup’s onsite IT support (“End User Services”). Alternatively, they can go all the way into Datagroup’s data centre entrusting the company with managing their entire IT hardware and applications (“Data Centre Services” and “Application Management”). **Most customers tend to upgrade to more modules over time** (9% of customers upgraded p.a. recently).

Note that while the rather simple End User Services would be a form of IT outsourcing, the more complex Data Centre Services would reflect a “true” cloud model involving internet-based and shared IT services (*see Appendix for more on Cloud Computing*).

CORBOX: An overview of Datagroup's cloud services (selection as of 2016)

Data Centre Services	Gives clients access to centrally managed computing and storage capacity from Datagroup's data centres.	57 clients	46% of total clients
SAP Services	SAP software - the core of a client's IT - is operated and managed by Datagroup.	35 clients	28% of total clients
Application Management	Datagroup operates and manages a client's standard software (e.g. Microsoft Office) and industry-specific software.	40 clients	32% of total clients
Network Services	Datagroup installs and manages networks (local, wide area) to ensure highest data availability - anytime and anywhere.	36 clients	29% of total clients
… … …	… … …	… … …	… … …
End User Services	Supports customers in implementing and maintaining IT workplaces (desktop PCs etc.). May include onsite IT service.	64 clients	52% of total clients
Service Desk	Datagroup's Service Desk is the central point of contact for customers in case of IT disruptions or questions.	76 clients	61% of total clients

Source: Company data, Hauck & Aufhäuser

When joining Datagroup’s cloud, clients make a one-time payment for the IT transition project (“Other Services” / 12% of sales) and subsequently pay a monthly fee for the cloud services (€ 0.75m p.a. on average). Datagroup invests into the needed IT hardware (e.g. storage, servers) and typically depreciates the hardware over three years. A client "goes live" 3-9 months after signing a CORBOX contract.

The IT hardware segment (22% of sales) mostly reflects revenues from reselling hardware to Cloud Services clients. In fact, **50% of segment sales are linked to CORBOX** and include devices such as laptops, printers, monitors etc. Note that this does NOT relate to hardware needed to run Datagroup's data centres (which is capex) but only to hardware sold to clients and used by them.

Datagroup operates four data centres in Germany (Bremen, Nuremberg, 2x in Frankfurt). In each case, the company rents the building but owns the hardware. One of the data centres in Frankfurt is a "back-up centre" i.e. a full copy of the main centre. To improve capital efficiency, Datagroup will phase out its centres in Bremen and Nuremberg and transfer all cloud business to Frankfurt.

The deal with Hewlett-Packard (HPE) signed in mid 2016 is a **game changer for Datagroup**. HPE has guaranteed total IT outsourcing revenues of € 150m over the next five years (€ 33m in 2017E). In return, Datagroup has assumed € 56m pension liabilities which are **fully covered** by cash received or to be received from HPE. Also, the company has taken over 306 employees from HPE – mostly SAP specialists which Datagroup can put to use to manage future growth.

	Cloud Services	Hardware	Other Services	Non-cloud Services	Group
	CORE	**ADD-ON**	**ADD-ON**	**LEGACY / OTHER**	
	Key growth driver (2016-19E)	**Slight growth expected (2016-19E)**	**Slight growth expected (2016-19E)**	**€ 10-15m still to be scaled back**	
	100% recurring	**Project-based**	**Project-based**		
	CORBOX: Clients can choose from a portfolio of twelve cloud services and pay a monthly recurring fee for usage. The typical contract duration is 3-5 years. The average customer lifetime is 10 years.	Third-party IT hardware and software sold into cloud, non-cloud and "other" IT projects. **50% of IT hardware sales are linked to Cloud Service** such as End User or Printing services.	**Mostly IT transition projects**. Customers pay a one-time fee to Datagroup for the transition to CORBOX. **€ 15-18m relate to own software sales**. Amongst other, Datagroup develops apps for mobile devices (subsidiary Datagroup Mobile Solutions).	€ 10-15m are legacy revenues from on-site IT services ("time and material") including e.g. rolling out desktop PCs or offering IT assistance. **This will be scaled back or converted to CORBOX**. The remaining € 30-35m relate to IT services such as digitalising IT processes e.g. transferring clients to SAP HANA. **This will be continued**.	
Sales 16 (€ m)	76	39	21	39	**175**
Sales share	43%	22%	12%	22%	**100%**
End markets	**Small and mid-sized enterprises in Germany** with 250 - 5,000 IT seats. Datagroup services 550,000 IT seats in total.				
Market positions	Amongst the leading cloud providers for small- and mid-sized enterprises in Germany.			Datagroup is **not** a major player in a fragmented market.	
Customers (2016)	**124 CORBOX clients**. Selection: Thales, Sprint, ECE, Gruner + Jahr, Christ, IT Baden-Württemberg etc. The biggest client accounts for 3.5% of group sales. **Datagroup wants to grow by at least 20 clients p.a**.			Undisclosed.	
Competitors	**Fragmented market**. Rivals include All for One Steeb, CANCOM, Bechtle, QSC, T-Systems, Computacenter etc.			Fragmented and competitive market with low margins. Hence, Datagroup will gradually scale back this business.	
Raw Materials	Energy and software rent (e.g. data centre operations software) are major cost factors.	IT hardware and software including servers, desktop PCs, laptops, SAP, Citrix, VMWare etc.	**No raw materials**. Sometimes Datagroup may rely on external IT service providers.	**No raw materials**. Sometimes Datagroup may rely on external IT service providers.	
Sales by region (16)	99% Germany				
Production sites	Datagroup operates a total of four data centres in Bremen, Nuremberg and Frankfurt (2x). **It will no longer invest into its data centres in Bremen and Nuremberg**. Rather, Datagroup plans to gradually migrate its entire business to the data centre in Frankfurt which should improve capital efficiency and capex requirements.				**4**
Capacity utilisation	The data centres offer more than enough space to accomodate future growth. Investments relate mostly to needed IT hardware (servers, storage).				
EBIT 16 (€ m)	Undisclosed				

Source: Company data, Hauck & Aufhäuser

Competitive Quality

Strong differentiation thanks to CORBOX

Datagroup has taken Cloud Services to a new level. Its CORBOX solution is the only cloud portfolio following the logic of industrial serial production:

All of its cloud services are standardised and provided on the basis of clearly defined and qualified processes, allowing Datagroup to **replicate them at the same consistently high quality**.

Customers value the resulting transparency and compliance with strict IT governance regulations. For Datagroup, **standardisation forms the basis for economies of scale** yielding cost advantages.

This is not the only reason why differentiation looks strong. In a highly fragmented market comprising several dozen rivals, Datagroup's CORBOX solution sets itself apart offering:

- **A full range of cloud services – rivals cover only parts of the business**. For instance: Spirit 21 and All for One Steeb are SAP Hosting experts but lack Application Management or Data Centre Services. Bechtle is strong in End User Services but has limited expertise in Network Services.

- **Flexibility thanks to its modular set-up**. Customers can "start small" to put CORBOX to the acid test and switch to additional modules once they feel comfortable with the service quality.

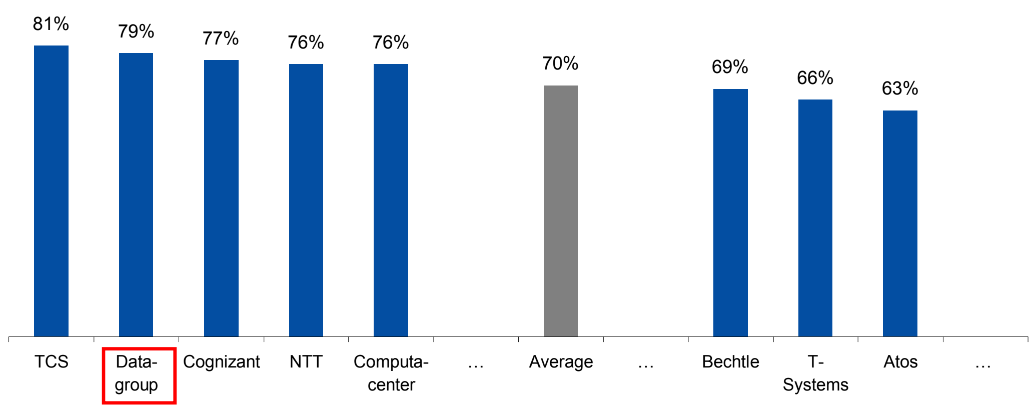
  Importantly, all modules are **perfectly tailored** to each other. This not only guarantees highest availability of cloud services (i.e. there is no "weak link") but also means that clients can smoothly upgrade to other modules.

CORBOX yields high customer satisfaction

All of this is perceived and valued by Datagroup's installed CORBOX base comprising 124 clients (2016). The evidence: **Datagroup ranks amongst the top cloud services providers in Germany** (#2 in 2016 / #3 in 2015 and 2014 each) achieving above-average customer satisfaction ratings.

Such rankings should **give a boost to Datagroup's brand reputation** further supporting the company's differentiation from competitors.

Customer satisfaction Cloud / IT outsourcing services in Germany (#2 out of 22)



Source: Whitelane Research

Speed and quality of service: Another differentiator

There is more to Datagroup's differentiation than CORBOX – especially when it comes to larger rivals such as IBM or T-Systems.

As a mid-sized company itself, Datagroup has the advantage of **dealing at eye level with its customer base** comprising mostly small- and mid-sized enterprises in Germany with 250-5,000 IT seats.

Meeting the needs of this clientele, **Datagroup is noted for the speed and quality of its service**.

- With more than thirty sales and service offices in Germany, **Datagroup is everywhere close to its client base** ensuring rapid reaction times in case of problems. Larger rivals typically lack this network. Further, even Datagroup's service desk is located in Germany and consists only of qualified employees.

- **Clients get the priority treatment**. Unhappy customers can in a second stage directly discuss problems with Datagroup's CEO. At larger suppliers, small companies typically receive a "second-class treatment" as these suppliers are focused on bigger clients.

- Customers have "peace of mind" when choosing Datagroup: All of its data centres are situated within Germany and clients can even receive a guarantee that their data centre traffic will never leave German soil. **This is a key advantage given widespread concerns over data security**.

There is simple evidence that customers perceive and value this service quality: **50% of new CORBOX customers p.a. come from larger rivals** (e.g. T-Systems, IBM) which did not meet the clients' service requirements.

On top of this, out of 22 providers, **Datagroup has captured the second place** in a survey assessing the "escalation effectiveness" i.e. the treatment priority a client receives in case of problems (source: Whitelane Research).

Solid business quality has further upside

Recurring revenues are a key feature of the business model thanks to the Cloud Services segment (43% sales share in '16 / 60% in 2019E).

Visibility on future growth is hence strong given the recurring nature of the business model AND the fact that Datagroup needs to win less than 5% of all tendered cloud projects per year to reach our growth estimates *(see chapter Growth)*.

Return on capital employed (ROCE) amounted to 12% in 2016 which looks solid clearly exceeding the WACC. Two reasons:

- **EBIT margins are healthy** exceeding those of peers (Bechtle, CANCOM) by 1.5-2.0pp given Datagroup's stronger focus on higher-margin cloud services.

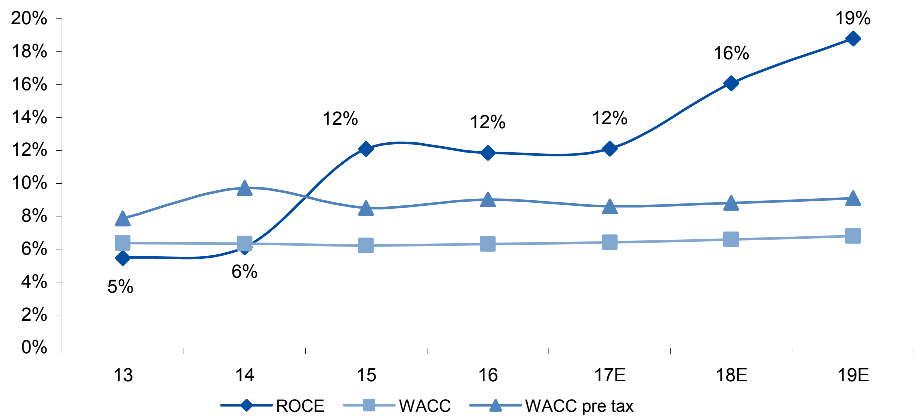
- **A lean set-up supports capital efficiency**. While Datagroup has local sales teams to deal with customers, important functions are centralised (data centre, SAP hosting, Service Desk) **serving several revenue-generating units at once**.

Importantly, ROCE is expected to grow strongly in the coming years and reach 19% by 2019E **representing excellent return generation.** Apart from the expected margin expansion, we see stronger capital efficiency providing a boost to ROCE:

- A short-term burden to capital employed (explaining the ROCE dip in 2016) pension liabilities assumed from HPE **should decline substantially in the coming years**. Datagroup will collect cash receivables from HPE to the tune of € 30m to cover pension liabilities.

- Datagroup will close down its data centres in Bremen (within 12-18 months) and Nuremberg (within 3-4 years) and transfer all business to its data centre in Frankfurt. **This should yield efficiency gains**.

Returns



Source: Company data, Hauck & Aufhäuser

Growth

Sales to grow at 12% (CAGR 2016-19E) on group level

Datagroup: Sales growth 2010-2019E	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	CAGR 2016-19E
Sales	**79.3**	**108.6**	**146.2**	**156.9**	**152.4**	**157.6**	**174.9**	**217.9**	**232.1**	**247.0**	**12%**
yoy	na	*37%*	*35%*	*7%*	*-3%*	*3%*	*11%*	*25%*	*7%*	*6%*	
Cloud Services	**11**	**24**	**32**	**37**	**42**	**57**	**76**	**113**	**129**	**147**	**25%**
yoy	na	118%	33%	16%	14%	36%	33%	48%	15%	14%	
in % of sales	14%	22%	22%	24%	28%	36%	43%	52%	56%	60%	
Hardware	**39**	**42**	**43**	**41**	**38**	**37**	**39**	**39**	**39**	**40**	**1%**
yoy	na	8%	2%	-5%	-7%	-3%	5%	1%	0%	1%	
in % of sales	49%	39%	29%	26%	25%	23%	22%	18%	17%	16%	
Other Services	**4**	**9**	**15**	**16**	**15**	**19**	**21**	**27**	**28**	**30**	**12%**
yoy	na	101%	75%	7%	-6%	27%	11%	29%	5%	5%	
in % of sales	5%	8%	10%	10%	10%	12%	12%	12%	12%	12%	
Non-cloud Services	**25**	**34**	**56**	**63**	**57**	**45**	**39**	**39**	**35**	**30**	**-8%**
yoy	na	36%	65%	13%	-10%	-21%	-13%	0%	-9%	-14%	
in % of sales	32%	31%	38%	40%	37%	29%	22%	18%	15%	12%	

Source: Company data, Hauck & Aufhäuser

While group revenue growth has been uninspiring in 2014 and 2015, this exclusively relates to Datagroup's decision to scale back non-cloud IT services: A low margin business given intense competition (e.g. from CANCOM, Bechtle). **The key segment Cloud Services has performed strongly throughout** thanks to Datagroup's attractive CORBOX offering driving dynamic customer adoption.

Importantly, the cloud transition has **reached the tipping point** already in 2016. Going forward, growth in Cloud Services (CAGR 2016-19E: 25%) should substantially outweigh the decline in non-cloud (CAGR 2016-19E: -8%) due to the base effect, leading to more healthy revenue growth rates on group level. The HPE deal (*see below*) should serve as a growth booster adding € 33m to group sales in 2017E.

Meanwhile, Other Services (CAGR 2016-19E: 12%) and Hardware (CAGR 2016-19E: 1%) are seen to record solid growth thanks to positive knock-on effects from Cloud Services (e.g. IT transition projects to Datagroup's cloud) and some revenue contribution from the HPE deal.

Looking at the key growth driver, **Cloud Services are expected to thrive on**:

- **CORBOX customer wins**
- **Upselling of additional CORBOX modules into the installed base**
- **The deal with Hewlett Packard Enterprise (HPE)**

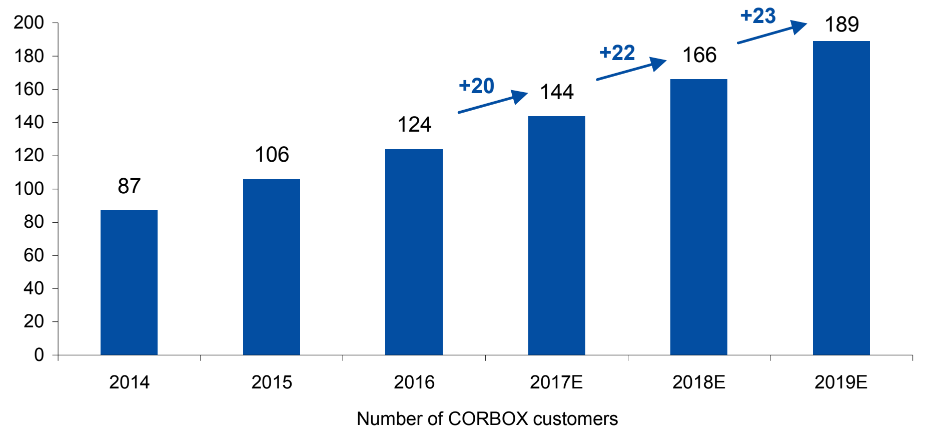
Note that we expect churn and price pressure to slightly offset growth in the Cloud Services segment. Churn (assumption: 1.5% churn rate) should relate to customers going bankrupt or getting acquired. Price pressure is seen at 5% once a contract is renewed after 5 years on average.

Cloud Services: Growth model 2014-2019E						
€ m	2014	2015	2016	2017E	2018E	2019E
Cloud Services	**42**	**57**	**76**	**113**	**129**	**147**
yoy	*14%*	*36%*	*33%*	*48%*	*15%*	*14%*
Incremental sales development:						
(1) Revenue (t-1)				**76**	**113**	**129**
(2) Revenue from new customers				**15**	**17**	**17**
Total CORBOX customers (number)	87	106	124	144	166	189
New customers (number)		19	18	20	22	23
ASP per customer (€ m)				0.75	0.75	0.75
(3) Revenue from upselling				**4**	**5**	**7**
Upselling ratio				10%	12%	14%
Successful upselling (# of customers)				13	18	24
Additional revenue per customer (€ m)				0.3	0.3	0.3
(4) Revenue contribution (incremental) HPE deal				**20**	**-3**	**-3**
(5) Revenue lost due to churn				**-2**	**-2**	**-2**
Churn rate				1.5%	1.5%	1.5%
(6) Revenue lost due to price pressure				**-1**	**-1**	**-1**
Price pressure (when contract is prolonged)				5%	5%	5%
(1) + (2) + (3) + (4) + (5) + (6): Revenue (t)				**113**	**129**	**147**

Source: Company data, Hauck & Aufhäuser

Winning new CORBOX customers

CORBOX: Customer trend 2015-2019E



Source: Company data, Hauck & Aufhäuser

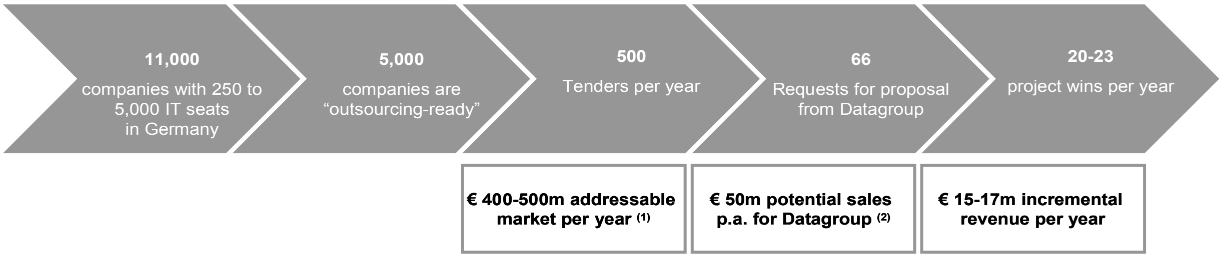
IT outsourcing and Cloud Computing are major growth markets as companies look to:

- **Save costs** – The cloud provider benefits from economies of scale.
- **Focus on core competencies.**
- Have an expert take care of IT which is becoming **ever more complex**.

The market potential looks huge. Within Datagroup's relevant market of 11,000 companies in Germany with 250 to 5,000 IT seats, some 5,000 should be "outsourcing-ready" meaning they have outsourced (but are dissatisfied and looking for a new supplier) or are planning to outsource. This yields a **total addressable market of above € 4bn for Datagroup** assuming CORBOX sales of € 0.75m per customer – the typical revenue generated with a new client.

As a rough estimate, some 500 outsourcing / cloud projects should be tendered annually. This is equal to 10% of the "outsourcing-ready" base indirectly implying a 10 year retention time for companies with existing outsourcing / cloud contracts. Of these 500 projects, we expect Datagroup to receive between 60-70 requests for proposal and **win 20 to 23 annually** (in-line with management guidance and customer wins in recent years).

CORBOX: Addressable market and revenue with new customers per year



Source: Company data, H&A. Assuming CORBOX sales per client of (1) € 0.75-1.0m; (2) € 0.75m

At an ASP of € 0.75m per year, **this would equal incremental revenues from new customers of € 15-17m annually**.

Revenue from new CORBOX customers

€ m	2014	2015	2016	2017E	2018E	2019E
Revenue from new customers				**15**	**17**	**17**
Total CORBOX customers (number)	87	106	124	144	166	189
New customers (number)		19	18	20	22	23
ASP per customer (€ m)				0.75	0.75	0.75

Source: Company data, Hauck & Aufhäuser

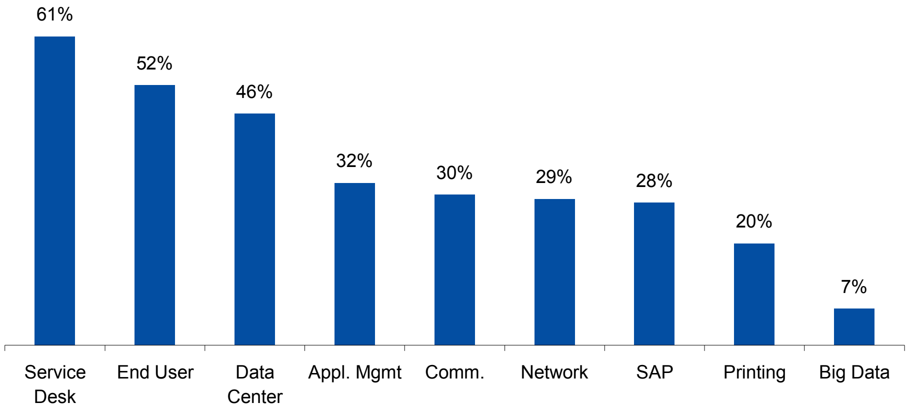
Put simply: **Growth is there for the taking**. Datagroup needs to win less than 5% of tenders per year to achieve double digit growth rates in its Cloud Services segment. Confidence that the company can at least achieve this is grounded in CORBOX: The solution represents one of the most comprehensive, **highest-quality cloud portfolios** in the market reflected in leading customer satisfaction ratings.

Evidently, CORBOX customer growth could be even more dynamic with additional sales & marketing investments: Stronger brand awareness should yield market share gains. However, we currently do not expect Datagroup to accelerate growth investments.

Upselling of additional CORBOX modules into the installed base

Datagroup's typical cloud customer starts out "small" which is made possible by the modular nature of CORBOX. The most popular modules include Service Desk (61% adoption rate) and End User Services (52%): These are rather "simple" services which do not "lock-in" the customer. Hence, they are perfect for clients to "try out" CORBOX.

CORBOX: Adoption rates (in % of total CORBOX customers)



Source: Company data, Hauck & Aufhäuser

Experience shows that once customers have put CORBOX to the acid test and feel confident with Datagroup's service quality and reliability, they tend to implement additional modules including Data Centre, Application Management and SAP.

In each of the past two years, **almost 10% of the existing customer base has opted for additional CORBOX modules**. On average, this boosted the recurring CORBOX revenue per customer by € 0.32m per year.

Management expects the upselling ratio (i.e. percentage of installed base opting for new modules) to grow by 2pp per year and reach 17-19% by 2021 as the existing customer base gets older and hence more comfortable with CORBOX.

In-line with management's expectation, we model a 10-14% upselling ratio from 2017-19E **yielding incremental revenue from € 4m (2017E) to € 7m (2019E)**. Our confidence that this is achievable is based on:

- Datagroup's **excellent customer satisfaction ratings** reflecting the high quality and reliability of its CORBOX offering.
- An almost 10% upselling ratio achieved in each of the past two years. The ratio should rather increase going forward as customers are more willing to implement additional CORBOX modules the longer the experience with Datagroup.

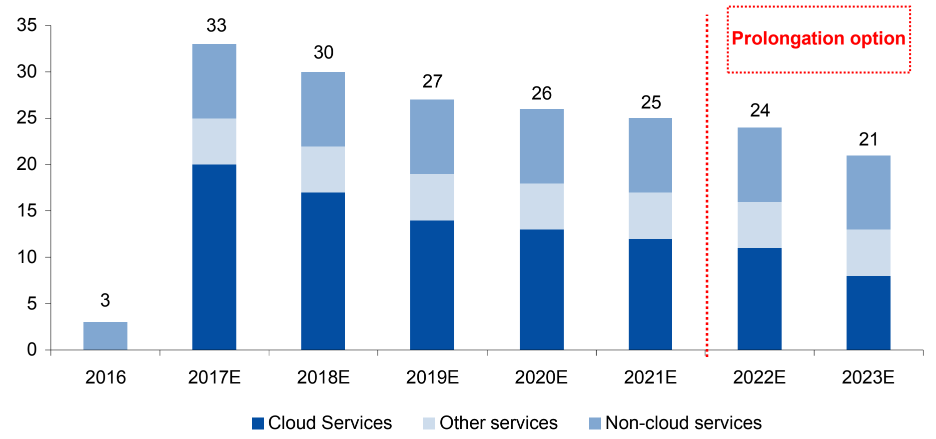
Revenue from upselling

€ m	2014	2015	2016	2017E	2018E	2019E
Revenue from upselling				**4**	**5**	**7**
Upselling ratio				10%	12%	14%
Successful upselling (# of customers)				13	18	24
Additional revenue per customer (€ m)				0.3	0.3	0.3

Source: Company data, Hauck & Aufhäuser

Revenue contribution from the HPE deal

Revenue contribution (€ m) from HPE deal 2016-2023E



Source: Company data, Hauck & Aufhäuser

The outsourcing deal with HPE was signed in mid 2016. As part of the transaction, Datagroup has assumed € 56m pension liabilities (fully covered by cash received or to be received from HPE) and taken over 306 employees. Beyond this, Datagroup has no obligations and no purchase price was paid.

In return, **HPE will guarantee a total of € 150m revenues from outsourcing contracts over five years** with an option for a two year prolongation. While HPE is Datagroup's direct customer and the contract is between the two parties, the related outsourcing revenues are in fact generated by some 70 companies which have a contract with HPE.

Datagroup generated initial sales of € 3m from the deal in 2016 booked in the non-cloud services segment. **Sales are expected to amount to a total of € 33m in 2017E** of which € 20m should accrue in Cloud Services, € 8m in non-cloud services and € 5m in other services.

Guaranteed revenues will decline gradually over the next years (*see graph above*) as outsourcing contracts between HPE and its customers reach the scheduled end. However, **Datagroup should have a good chance of transferring those clients into direct CORBOX customers** once they end their relationship with HPE (not included in our estimates).

The deal is a win-win: As per its strategy to shrink parts of its business HPE wanted to rid itself of the employees which are SAP specialists. For Datagroup, the deal makes sense because of the guaranteed revenues and the opportunity to win the end customers as direct CORBOX clients. Also, even if it does not win the follow-up CORBOX business, Datagroup will be able to make sensible use of the 306 employees as these are needed to support Datagroup's organic growth ambitions (e.g. transferring SAP clients to HANA).

We take a **conservative approach** in modelling revenue from the HPE deal as we currently do not include potential additional business apart from the guaranteed revenues.

Potential acquisitions (not included in estimates)

Acquisitions are a key pillar of Datagroup's strategy. The company should be looking at a variety of targets including:

- **Bolt-on acquisitions in the Cloud space** to get customer access offering the potential for cross-selling and cost synergies.

- **Acquisitions in the field of SAP implementation**. SAP personnel would help Datagroup generate revenue by migrating existing SAP CORBOX customers to HANA over the next years.

- **Buy-and-turnaround**. Datagroup has strong expertise and follows standardised – and proven – processes to integrate turnaround candidates. First steps include integrating reporting (e.g. accounting) and IT while also accessing synergies in admin and procurement (e.g. improved terms for SAP freelancers).

  This means acquired companies immediately get access to Datagroup's more efficient IT, better procurement terms AND benefit from its very lean set-up in administration. They also adopt CORBOX as the key method to operate in IT outsourcing and Cloud Computing.

  As an example, Datagroup managed to **boost EBITDA of an acquired company from € -1m to € 3m within twelve months** by executing efficiency measures and cutting headcount in half.

In total, of its 18 transactions since 2006, 16 take-overs have met management's internal expectations **revealing a strong track record**.

Bottom-line growth

Adjusted EBITDA to grow by 22% p.a. from 2016-2019E

Bottom-line growth 2010-2019E	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Material expense	**36**	**46**	**56**	**57**	**55**	**53**	**58**	**71**	**74**	**78**
in % of sales	46%	43%	38%	36%	36%	34%	33%	33%	32%	32%
Gross Profit	**43**	**63**	**91**	**101**	**98**	**105**	**117**	**147**	**158**	**169**
Gross margin	54%	58%	62%	64%	64%	66%	67%	68%	68%	68%
Personnel expenses	**32**	**48**	**67**	**74**	**72**	**77**	**86**	**106**	**112**	**118**
in % of sales	40%	44%	46%	47%	47%	49%	49%	49%	48%	48%
Other operating expenses	**8**	**11**	**17**	**19**	**19**	**17**	**21**	**23**	**24**	**25**
in % of sales	10%	10%	12%	12%	12%	11%	12%	11%	10%	10%
Other operating income	**2**	**2**	**3**	**4**	**3**	**5**	**8**	**4**	**3**	**3**
in % of sales	3%	2%	2%	2%	2%	3%	5%	2%	1%	1%
EBITDA	**6**	**6**	**10**	**11**	**10**	**15**	**19**	**22**	**26**	**30**
EBITDA margin	7.0%	5.5%	6.5%	6.9%	6.8%	9.7%	10.9%	10.2%	11.2%	12.0%
EBITDA adjusted for one-offs	**6**	**6**	**10**	**13**	**12**	**15**	**16**	**21**	**26**	**30**
EBITDA margin	7.0%	5.5%	6.5%	8.0%	7.6%	9.7%	9.3%	9.7%	11.2%	12.0%
D&A	**2**	**2**	**6**	**6**	**5**	**6**	**6**	**7**	**6**	**6**
in % of sales	3%	2%	4%	4%	4%	4%	4%	3%	3%	2%
EBIT	**3**	**4**	**4**	**4**	**5**	**10**	**13**	**16**	**20**	**24**
EBIT margin	3.8%	3.4%	2.6%	2.8%	3.2%	6.1%	7.2%	7.1%	8.6%	9.6%
Financial result	**-0.3**	**-0.9**	**-0.2**	**-1.9**	**-2.5**	**-1.8**	**-2.6**	**-2.8**	**-2.7**	**-2.6**
Taxes	**1.0**	**-0.6**	**1.0**	**0.6**	**1.3**	**2.9**	**4.4**	**4.3**	**5.9**	**7.1**
Tax rate	39%	-23%	29%	23%	54%	37%	43%	34%	34%	34%
Net income	**2**	**3**	**3**	**2**	**1**	**5**	**6**	**8**	**11**	**14**
in % of sales	2.4%	3.2%	1.8%	1.2%	0.7%	3.1%	3.3%	3.9%	4.9%	5.6%

Source: Company data, Hauck & Aufhäuser

Clean EBITDA in 2016 amounted to roughly € 16m. In conjunction with the HPE deal, Datagroup incurred a badwill with a positive effect of € 5.7m booked in other operating income. At the same time negative one-offs amounted to € 2.8m comprising personnel restructuring (€ 0.4m), M&A expenses for HPE (€ 2.0m) and expenses for the change of the company's legal status to an "SE" (€ 0.4m). **The net positive one-off EBITDA impact is close to € 3m**.

Looking forward **we expect EBITDA to grow by 16% between 2016 and 2019E**. If adjusted for the one-offs recorded in 2016, **EBITDA growth would be even more dynamic amounting to 22%** in the same time frame. Key bottom-line growth driver should be scalability in the Cloud Services segment as well as the positive earnings contribution from the HPE deal.

Scalability: Up to 25% incremental EBITDA margins achievable

Winning a new CORBOX customer typically yields € 0.75m sales **at a 15% EBITDA margin**. Incremental expenses associated with a new customer include:

- Higher rental expenses including electricity for space used in the data centre.
- An increase in software rental expenses. This comprises especially data centre operations software (USU Software) for e.g. archiving, backup, and

reporting but also virtualisation software (VMWare, Citrix).

- Hiring Cloud Services personnel specialising in e.g. SAP, operations, database etc.

Note that incremental depreciation is modest as **necessary hardware investments for a new customer amount to € 0.05-0.1m** which will be written off over three years.

Importantly, there are two drivers which should **boost incremental EBITDA margins to 25% by 2019E** from current levels of 15%.

- Datagroup's growing size is expected to result in **better procurement conditions**. This should reduce rental expenses for software and data centre space.

- Personnel expenses reflect **step-fixed costs** which should increasingly be scaled going forward supported by learning curve effects (i.e. higher productivity per data centre employee).

Accordingly, our EBITDA growth model assumes 15% incremental EBITDA margins in 2017E, 20% in 2018E and 25% in 2019E.

HPE deal to yield 10% EBITDA margins

Revenue from the deal with HPE (€ 33m 2017E) is seen to **yield EBITDA margins of 10%** which is confirmed by Datagroup's experience in the first few months of working with the new customers.

Operating expenses relating to the deal stem mainly from the 306 employees Datagroup took over from HPE. Also, in servicing the customers, Datagroup incurs IT hardware and other operating expenses (operations etc.)

Going forward, Datagroup expects that it **can increase the EBITDA margin on HPE revenues gradually to 15%** due to learning curve effects and as it may transfer customers to CORBOX thus boosting efficiency.

Efficiency gains to overcompensate for price pressure

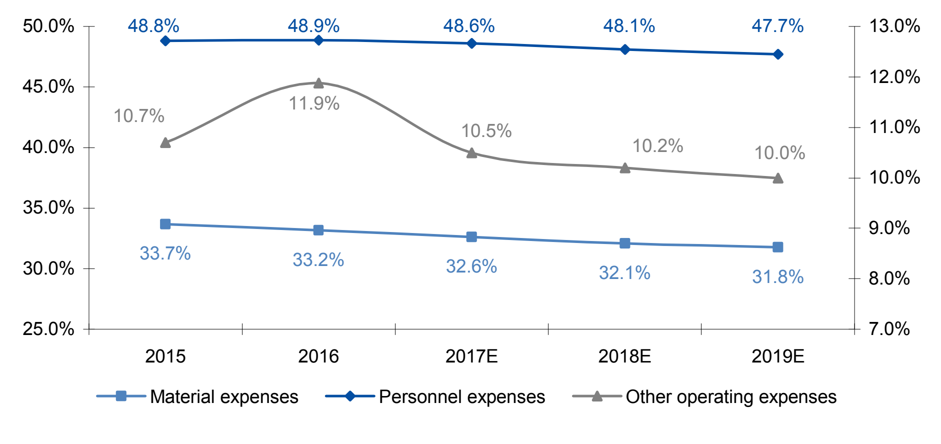
By the end of its fiscal year 2017, Datagroup will close **down its data centre in Bremen** and transfer all business to Frankfurt. This should **lead to efficiency gains** as well as improvements in purchasing clout. Notably, Datagroup is expected to receive volume discounts on rented data centre space, will save on overhead and need less personnel to manage the same number of CORBOX customers in one rather than two data centres.

We expect **total cost savings of € 2m** to be realised in FY '18E. At the same time, Datagroup should benefit from additional efficiency gains in its data centre operations and with regard to the new customers from HPE driven by rising automation and learning curve effects (*see above*).

This should overcompensate for price pressure of 5% once CORBOX contracts are renegotiated after five years on average. We model a € 0.9m EBIT burden per year between 2016 and 2019E due to price pressure.

The data centre in Nuremberg should be closed down within 3-4 years which would translate into another windfall efficiency gain for Datagroup not reflected in our estimates.

Trend in cost ratios (in % of sales)



Source: Company data, Hauck & Aufhäuser

Looking at cost ratios, we expect the ratios of personnel and other operating expenses to decline in the forecast period thanks to rising utilisation of data centre employees and economies of scale on rent, marketing etc. The bump in other operating expenses in 2016 reflects a € 2.6m negative one-off in conjunction with the legal status change as well as the HPE transaction.

The gross margin is seen to improve driven by a **better product mix** as the sales share of Cloud Services is seen to climb to almost 60% by 2019E from 43% in 2016:

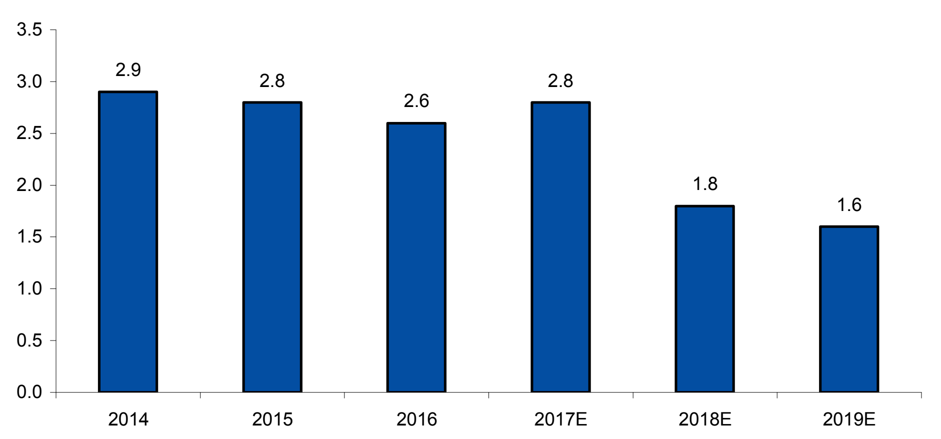
Cloud Services should offer a **stronger gross margin** than non-cloud services and hardware. The former incurs material expenses mainly in the form of software rental expenses. Non-cloud services involve the hiring of external IT service personnel which are expensed as cost of material.

Net income growth: The real star

Net income is expected to **grow disproportionately to EBITDA by 34% per year** (CAGR 2016-19E) driven by:

- **Declining PPA amortisation.** Amortisation from former acquisitions is scheduled to drop to € 1.6m in 2019E from € 2.6m in 2016.

PPA amortisation 2014-19E (in € m)

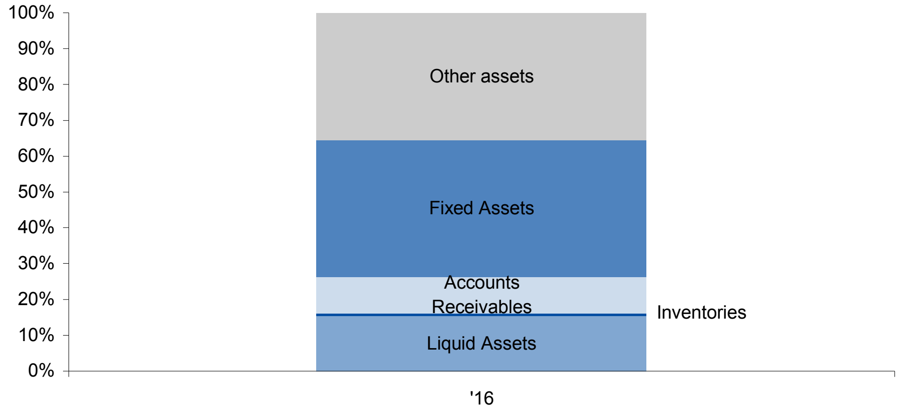


Source: Company data, Hauck & Aufhäuser

- **Discontinuation of one-off expenses** which burdened net income in 2016. This includes a € 0.6m negative one-off in the financial result as well as a € 0.7m negative tax one-off.

Balance sheet analysis

Balance sheet - Assets



Source: Company data, Hauck & Aufhäuser

Datagroup's balance sheet is dominated by intangibles and other assets on the left hand side while provisions and interest-bearing liabilities are the key positions on the right-hand side.

Intangibles (€ 48m / 30% of total assets) comprise mostly Goodwill (€ 39m) from Datagroup's many acquisitions in past years: M&A is an integral part of its strategy. The most recent acquisition was Excelsis in 2014, a specialist for mobile IT solutions, which Datagroup snapped up for € 7.5m including earn-out. **We expect Datagroup to execute up to two take-overs in 2017** (not modelled in our estimates).

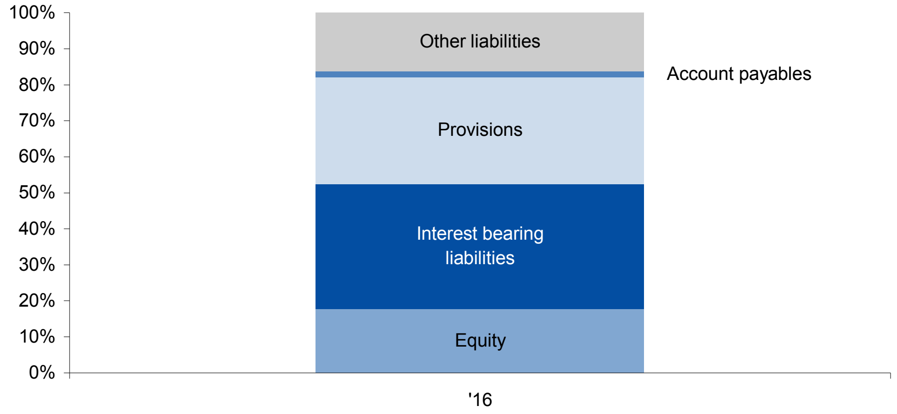
Note that PP&E (€ 7m) is not a significant balance sheet position accounting for only 5% of total assets. This is because (1) Datagroup rents the data centre buildings; (2) The business model is not that capital intensive requiring only € 0.05-0.1m IT hardware investments per new customer; (3) IT hardware is written down aggressively over three years.

Other Assets (€ 52m / 33% of total assets) include c. € 30m cash receivables from Hewlett-Packard Enterprise (HPE) related to the outsourcing asset deal signed in mid 2016. As part of this deal, Datagroup has assumed € 56m pension liabilities for 306 employees which were taken over.

The pension liabilities are fully covered by cash already received or still to be received from HPE. The latter explains the balance sheet receivable. In 2016, HPE paid Datagroup a total of € 26m. The remaining € 30m will be paid in increments over 5 years and is structured in such a way that Datagroup is not exposed to any interest rate risk.

We expect Datagroup to receive € 12m in 2017E and € 6m in each of the following three years. The cash will be handed over to a trustee and on the balance sheet netted against the pension liabilities.

Balance sheet - Liabilities



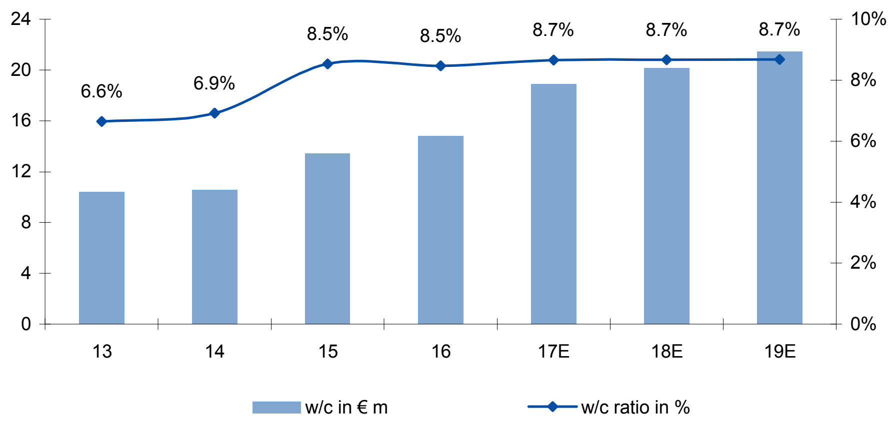
Source: Company data, Hauck & Aufhäuser

The pension liabilities can be found on the right hand side of the balance sheet under "provisions" explaining the magnitude of this position (€ 43m or 27% of total liabilities). Note that apart from HPE, Datagroup has assumed pension liabilities through several acquisitions in past years. All of these pension plans are by now closed.

Interest-bearing liabilities amount to € 55m (35% of total assets) mostly comprising bank debt. Net debt stands at € 31m (2016). The debt is a result of Datagroup's inorganic growth strategy. The main financial liability is a promissory note (issued in April 2016) with a 1.2% interest rate due in 2023. **Financial ratios look solid** (1.6x net debt to EBITDA in 2016) **and are well in-line with covenants** (<3.0x).

However, the Equity ratio looks subdued standing at 18% (2016) which is only slightly above the 17% mandated by covenants. Due to this a capital increase looks desirable especially if Datagroup were to decide to execute a major acquisition this year.

Working capital requirements



Source: Company data, Hauck & Aufhäuser

Investors may be surprised to find that Datagroup's business model is not that capital-intensive. First, w/c stands at € 15m or less than 9% of sales (2016). The ratio has remained fairly constant over recent years. Second, capex amounts to € 5m or 2.5% of sales (2016 / including finance lease).

Note that Datagroup has for years relied on finance lease for part of the needed cloud-related IT hardware (e.g. servers, storage). This explains why cash out for capex was on average € 2m below capex shown in the balance sheet. As of 2017, **Datagroup will no longer rely on finance lease**.

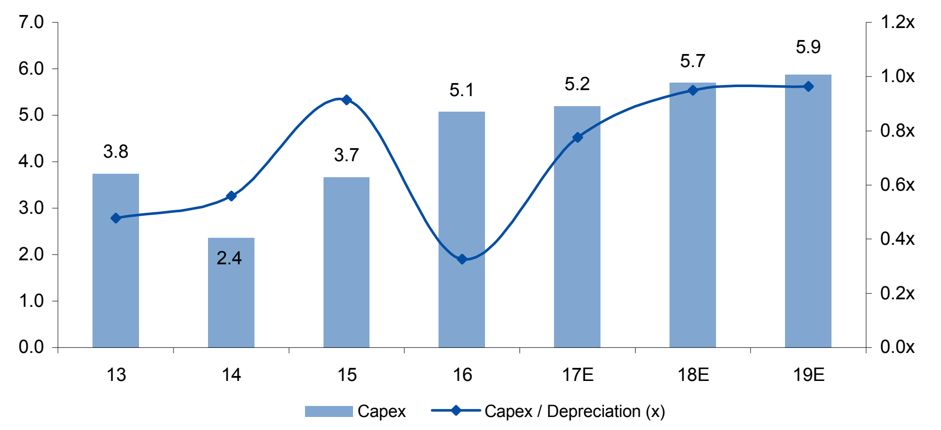
Both the w/c and capex ratios are not out of the ordinary when compared to peers (Bechtle, CANCOM, CENIT, GFT). Datagroup is more efficient when it comes to working capital management (peers: 14% w/c ratio) but benefits from factoring of receivables (c. € 10-11m). **The adjusted w/c ratio would be 15%** which is in-line with peers. Datagroup has somewhat higher capex requirements (peers: 1.8% capex to sales) because of its cloud business involving server and storage capacity.

Still, **Datagroup benefits from overall modest capital intensity**. This reflects that: (1) The cloud business is based on rented data centre space; (2) IT hardware investments per new CORBOX customer amount to only € 0.05-0.1m; (3) Services account for c. 35% of sales and are needed e.g. for cloud transition projects.

We expect Datagroup to mainly have to invest into data centre storage and server capacity when growing its cloud business going forward. Total capex (i.e. growth and maintenance investments) are expected to range between € 5m and € 6m per year in the forecast period (2016-19E) comprising c. € 2-2.5m expansion capex and € 3-3.5m maintenance capex.

Importantly, growing size will result in **better procurement conditions**. For instance, Datagroup has achieved a **50% yoy reduction in prices for storage capacity** in 2016.

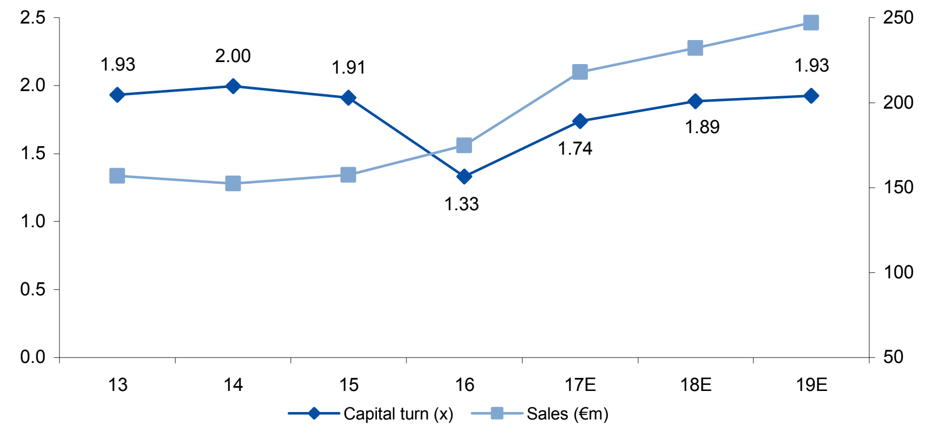
Capex and Capex / Depreciation



Source: Company data, Hauck & Aufhäuser

Note that D&A tends to overstate maintenance capex requirements. This is because amortisation expenses include € 2.6m PPA (2016) relating to past acquisitions comprising mainly order backlog and customer relationships. Evidently, these assets should not require any maintenance investments going forward. Also, **IT hardware investments are being written down aggressively over three years** while useful life should be around 5 years.

Capital employed turnover and sales

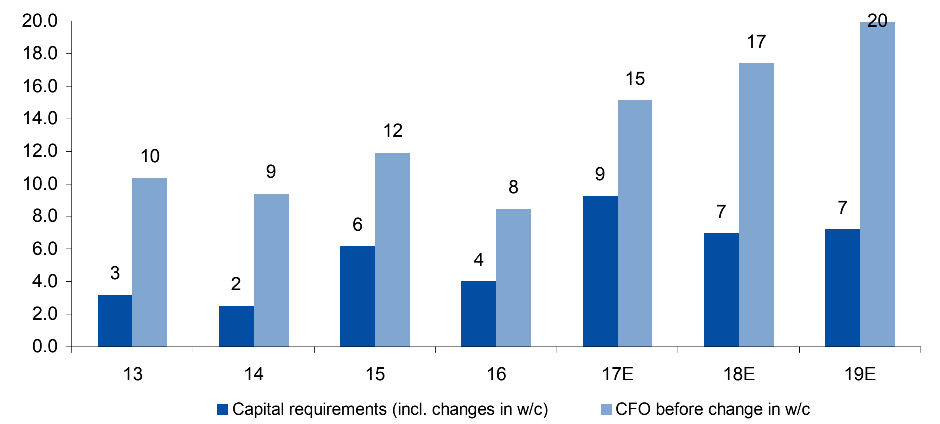


Source: Company data, Hauck & Aufhäuser

Capital efficiency of 1.3x in 2016 looks muted but is burdened by pension liabilities assumed through the HPE asset deal. Peers Bechtle and CANCOM benefit from stronger capital efficiency of 3.0x as their business is somewhat less capital intensive given a higher sales share of IT hardware and services. Still, combined with its healthy EBIT margins, Datagroup **generates returns of almost 12% (2016)**. This exceeds the WACC hence pointing towards value creation.

We expect capital efficiency to improve going forward. First, scheduled payments of € 30 from HPE over the next five years for the assumed pension liabilities will reduce capital employed. Second, Datagroup will be looking to shut down its data centres in Bremen and Nuremberg over the next years and migrate all of its business towards rented data centre space in Frankfurt. **This move is expected to boost efficiency**.

Capital requirements and CFO before changes in w/c



Source: Company data, Hauck & Aufhäuser

Given rising profitability as well as modest w/c and capex needs, **capital requirements should be easily financed by internal cash generation going forward**. In fact, looking at the graph above, it is evident that Datagroup's cash generation has sufficed to cover capital needs since 2013. The resulting free cash flow should be used for debt reduction and dividend payments (eH&A: € 0.30 DPS for 2016E) as well as M&A.

Valuation

DCF model

Our DCF model for Datagroup assumes a **12% sales growth CAGR** in the forecast period (2016-2019E) supported by the HPE deal and ongoing customer wins.

The medium-term growth rate is set at 7% (2019E-2023E) which should be achievable given a general trend to outsource IT to generate cost savings and focus on core competencies. The long-term growth rate is seen at 2.0%.

The terminal EBIT margin is set at 10.0%. This is not very aggressive when considering that (1) The EBIT margin adjusted for PPA amortisation should reach 8.4% already in 2017E and 10.2% in 2019E; (2) The cloud business model is scalable and the planned closure of data centres in Bremen and Nuremburg should yield efficiency gains.

The discount factor (WACC) of 7.5% is made up of a risk-free rate of 1.0%, a 5.5% equity risk premium and a beta of 1.1.

The DCF model leads to a fair value of € 34.10 per share for Datagroup.

DCF (EUR m) (except per share data and beta)	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	Terminal value
NOPAT	10.2	13.2	15.6	17.6	19.0	20.3	21.2	21.7	22.6
Depreciation	6.7	6.0	6.1	5.7	6.2	6.8	7.4	7.6	7.8
Increase/decrease in working capital	-4.1	-1.3	-1.3	-1.9	-1.9	-1.9	-1.4	-0.7	-0.6
Increase/decrease in long-term provisions and accruals	12.0	6.0	6.0	6.0	0.0	0.0	0.0	0.0	0.0
Capex	5.2	5.7	5.9	6.4	6.8	7.1	7.4	7.6	7.8
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	**30.1**	**30.1**	**32.2**	**33.8**	**30.1**	**32.3**	**34.6**	**36.2**	**37.6**
Present value	18.6	16.2	17.0	16.1	11.9	12.2	12.4	12.3	215.4
WACC	6.4%	6.6%	6.8%	7.0%	7.1%	7.1%	7.1%	7.1%	7.5%

DCF per share derived from	
Total present value	332
thereof terminal value	65%
Net debt (net cash) at start of year	31
Financial assets	6
Provisions and off balance sheet debt	47
Equity value	259
No. of shares outstanding	7.6
Discounted cash flow per share	**34.1**
upside/(downside)	**36%**
Share price	**25.20**

DCF avg. growth and earnings assumptions	
Short term growth (2016-2019)	12.2%
Medium term growth (2019 - 2023)	7.4%
Long term growth (2023 - infinity)	2.0%
Terminal year EBIT margin	10.0%

WACC derived from	
Cost of borrowings before taxes	3.0%
Tax rate	36.0%
Cost of borrowings after taxes	1.7%
Required return on invested capital	7.1%
Risk premium	5.5%
Risk-free rate	1.0%
Beta	1.10

Sensitivity analysis DCF

WACC \ Long term growth	0%	1.0%	2.0%	2.5%	3.0%
9.5%	19.4	21.2	23.4	24.8	26.4
8.5%	22.4	24.8	27.9	29.8	32.2
7.5%	26.2	29.5	34.1	37.1	40.8
6.5%	31.3	36.3	43.5	48.4	54.7
5.5%	38.6	46.3	58.4	67.5	80.2

Sensitivity analysis DCF

WACC \ EBIT margin terminal year	8.0%	9.0%	10.0%	11.0%	12.0%
9.5%	19.8	21.6	23.4	25.3	27.1
8.5%	23.3	25.6	27.9	30.2	32.4
7.5%	28.3	31.2	34.1	37.1	40.0
6.5%	35.7	39.6	43.5	47.3	51.2
5.5%	47.6	53.0	58.4	63.9	69.3

Source: Company data, Market Map, Hauck & Aufhäuser

Adjusted Free Cash Flow Yield

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and due to the fact that long-term returns often are flawed by the lack of sufficient visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The main driver of this model is the level of return available to a *controlling* investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after tax return equals the model's hurdle rate of 7.5%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap.

Our PT of € 32.00 is derived from FCFY 2019E. A look at 2019E for valuation purposes seems justified given the ongoing transition towards recurring, higher-margin cloud sales as well as the transformational nature of the Hewlett-Packard deal.

FCF yield, year end Dec. 31		2016	2017E	2018E	2019E	2020E
EBITDA		**16.2**	**22.2**	**26.0**	**29.7**	**32.4**
- Maintenance capex		2.5	3.0	3.2	3.4	3.6
- Minorities		0.0	0.0	0.0	0.0	0.0
- tax expenses		4.4	4.3	5.9	7.1	8.2
= Adjusted Free Cash Flow		**9.3**	**14.9**	**16.9**	**19.2**	**20.6**
Actual Market Cap		**191.3**	**191.3**	**191.3**	**191.3**	**191.3**
+ Net debt (cash)		31.0	27.4	19.6	9.9	0.0
+ Pension provisions		42.6	30.6	24.6	18.6	12.6
+ Off balance sheet financing		0.0	0.0	0.0	0.0	0.0
+ Adjustments HPE		-30.0	-18.0	-12.0	-6.0	0.0
- Financial assets		-5.6	-5.6	-5.6	-5.6	-5.6
- Dividend payment		-1.9	-2.3	-2.7	-3.0	-3.4
EV Reconciliations		*36.1*	*32.2*	*24.0*	*13.9*	*3.7*
= Actual EV'		**227.4**	**223.4**	**215.3**	**205.2**	**194.9**
Adjusted Free Cash Flow yield		**4.1%**	**6.7%**	**7.9%**	**9.3%**	**10.6%**
Sales		**174.9**	**217.9**	**232.1**	**247.0**	**269.2**
Actual EV/sales		1.3x	1.0x	0.9x	0.8x	0.7x
Hurdle rate		7.5%	7.5%	7.5%	7.5%	7.5%
FCF margin		5.3%	6.8%	7.3%	7.8%	7.6%
Fair EV/sales		0.7x	0.9x	1.0x	1.0x	1.0x
Fair EV		**124.4**	**198.6**	**225.4**	**255.8**	**274.4**
- EV Reconciliations		*36.1*	*32.2*	*24.0*	*13.9*	*3.7*
Fair Market Cap		**88.2**	**166.4**	**201.4**	**241.8**	**270.7**
No. of shares (million)		7.6	7.6	7.6	7.6	7.6
Fair value per share		**11.6**	**21.9**	**26.5**	**31.9**	**35.7**
Premium (-) / discount (+) in %		**-53.9%**	**-13.0%**	**5.3%**	**26.4%**	**41.5%**
Sensitivity analysis fair value						
Hurdle rate	7.5%	11.6	21.9	26.5	31.9	35.7
	10.0%	7.5	15.4	19.1	23.4	26.6
	12.5%	5.1	11.5	14.7	18.4	21.2
	15.0%	3.4	8.8	11.7	15.0	17.6

Source: Company data, Hauck & Aufhäuser

Theme

Investors can expect very positive news flow already in the short term:

- **Strong Q1 to materialise** (quarter ending December). We expect dynamic sales growth of above 20% yoy (organic growth: 6-7% yoy) benefitting from (1) Cloud Service customers won in 2016 (a total of 20) which are starting to contribute to growth and (2) c. € 7-8m revenues from the HPE deal. **EBIT is seen to more than triple** benefitting from economies of scale in admin, rent, and marketing: Datagroup needs to invest only incrementally into new personnel and hardware when adding new cloud / outsourcing customers. Figures will be released on February 22.

EUR	Q1 17 est	Q1 16	yoy	Q4 16	qoq
Sales	**51.9**	**41.6**	25%	**48.2**	7.7%
EBITDA	**4.8**	**2.5**	92%	**9.6**	-50%
EBITDA margin	9.2%	6.0%	*+ 3.2 pp*	19.9%	*- 10.7 pp*
EBIT	**3.0**	**0.9**	233%	**7.9**	-62%
EBIT margin	5.8%	2.2%	*+ 3.6 pp*	16.4%	*- 10.6 pp*
Net profit	**1.2**	**0.4**	187%	**4.9**	-77%
Net margin	2.2%	1.0%	*+ 1.3 pp*	10.2%	*- 8.0 pp*
EPS	**0.15**	**0.05**	188%	**0.65**	-76%

Source: Company data, Hauck & Aufhäuser

- **Consensus looks too conservative for 2017E onward**. We are 4% (2017E) and 4% (2018E) above consensus expectations for sales and 7% (2017E) and 13% (2018E) above consensus estimates for EBITDA. In our view, consensus underestimates Datagroup's growth and margin potential in both Cloud Services and the HPE outsourcing deal.

Consensus-Overview	2017E	2018E	2019E
Sales (consensus)	**210**	**223**	**233**
yoy in %		6%	4%
Sales (Hauck&Aufhäuser)	**218**	**232**	**247**
yoy in %		7%	6%
delta H&A estimates (%)	*4%*	*4%*	*6%*
EBITDA (consensus)	**21**	**23**	**na**
yoy in %		10.6%	
margin in %	9.9%	10.3%	
EBITDA (Hauck&Aufhäuser)	**22**	**26**	**30**
yoy in %		17%	14%
margin in %	10.2%	11.2%	12.0%
delta H&A estimates (%)	*7%*	*13%*	
EBIT (consensus)	**15**	**17**	**19**
yoy in %		15%	13%
margin in %	7.1%	7.7%	8.3%
EBIT (Hauck&Aufhäuser)	**16**	**20**	**24**
yoy in %		29%	18%
margin in %	7.1%	8.6%	9.6%
delta H&A estimates (%)	*4%*	*16%*	*22%*
Net profit (consensus)	**8**	**10**	**11**
margin in %	3.8%	4.5%	4.7%
Net profit (Hauck&Aufhäuser)	**8**	**11**	**14**
margin in %	3.9%	4.9%	5.6%
delta H&A estimates (%)	*5%*	*14%*	*26%*

Source: Bloomberg, Hauck & Aufhäuser

- **Up to two acquisitions look likely in 2017E**. M&A is a key part of Datagroup's growth strategy. We expect the company to execute up to two acquisitions this year. Likely targets: (1) **Bolt-on acquisitions in the Cloud Services space**. Datagroup could achieve cost synergies by cutting admin and migrating customers to its CORBOX portfolio. Also, acquired customers could choose additional CORBOX modules yielding growth synergies. (2) **Acquisitions in the field of SAP implementation**. Many of Datagroup's SAP Hosting customers are looking to migrate to HANA over the next years. Datagroup is eager to capitalise on this cross-selling opportunity and snap up the related IT service revenues. This means it will have to get its hands on SAP personnel which could happen through a take-over.

Investment risks

- Price pressure could intensify if larger rivals were to focus more strongly on German SMEs
- If it does not win HPE's outsourcing clients for CORBOX, Datagroup would need to generate additional service business to fully utilise the 306 employees it has taken over from HPE.
- Relocating cloud business from one data centre (e.g. Bremen) to another (e.g. Frankfurt) could lead to disruptions, unhappy customers and hence a loss of brand reputation for Datagroup.

Appendix

Cloud Computing in a nutshell

In simple terms, **Cloud Computing refers to the on-demand usage of hardware (e.g. servers, storage) and software (e.g. ERP, Microsoft Office) run by a third party and situated in external premises**.

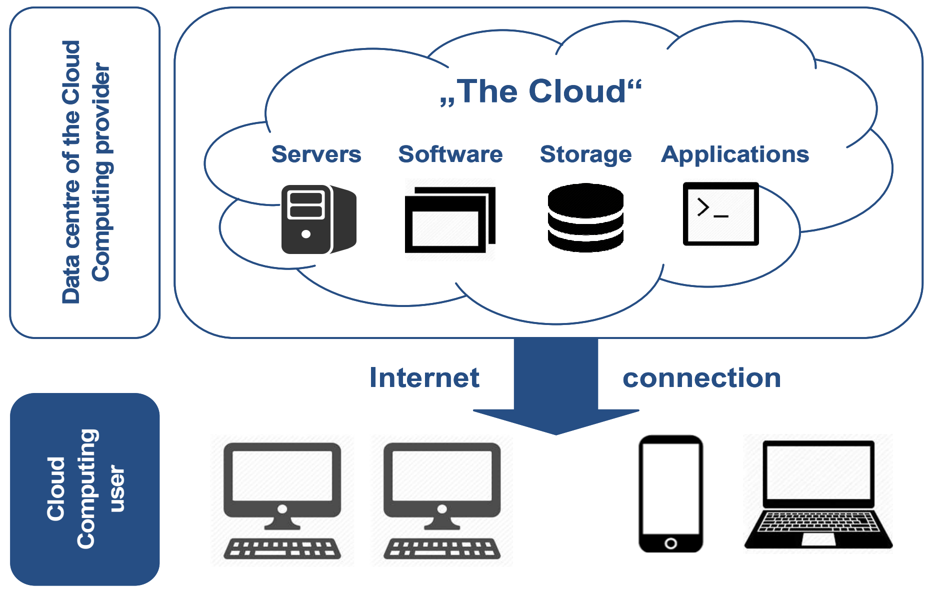
Cloud Computing involves heavy usage of the internet to grant remote “anywhere” access to users whether they are at the office at home or travelling.

For users, the beauty of Cloud Computing lies in its ability to reduce costs and enable the flexible use of IT resources: Cloud users can access software and hardware on an as-needed basis, paying only for those resources actually utilised

Note: Datagroup does not offer an “as-needed” model; however, it provides a modular cloud solution with a monthly fee depending on which modules are used. **The contract with clients is flexible** i.e. customers are allowed to increase or decrease the number of users to a certain extent on short notice.

In return, the cloud services provider benefits from significant economies of scale as he relies on virtualised, centralised and standardised IT resources.

Cloud Computing in a nutshell



Source: Company data, Hauck & Aufhäuser

The Benefits of Cloud Computing

Customers derive several important benefits from Cloud Computing:

- **Cost savings**. Cloud users benefit from the cloud provider’s economies of scale as well as from cost savings carried by a centralised, standardised and virtualised IT infrastructure. A further appeal: The business model is capex-free.
- **Flexible use of IT resources**. Cloud users can access software and hardware on an as-needed basis paying only for those resources actually utilised. Delivery is quick – the second a company needs more computing or

storage resources, the cloud provider can instantly meet the demand thanks to his vast resources.

- **Better performing IT and mobile access**. Customers benefit from the deeper IT know-how of the service provider as well as from regular and automatic software upgrades. Also, they may access IT resources from wherever they are.

Financials

Profit and loss (EUR m)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
Net sales	**156.9**	**152.4**	**157.6**	**174.9**	**217.9**	**232.1**	**247.0**
Sales growth	*7.4 %*	*-2.9 %*	*3.4 %*	*11.0 %*	*24.6 %*	*6.5 %*	*6.4 %*
Increase/decrease in finished goods and work-in-process	0.4	0.1	0.3	0.5	0.4	0.5	0.5
Total sales	**157.4**	**152.5**	**157.9**	**175.4**	**218.3**	**232.6**	**247.5**
Other operating income	3.8	3.0	4.6	8.4	3.7	3.2	3.2
Material expenses	56.6	55.0	53.2	58.2	71.0	74.4	78.5
Personnel expenses	74.4	71.5	77.1	85.7	105.9	111.6	117.8
Other operating expenses	19.3	18.7	16.9	20.8	22.9	23.7	24.7
Total operating expenses	146.6	142.2	142.6	156.3	196.1	206.6	217.8
EBITDA	**10.8**	**10.3**	**15.3**	**19.1**	**22.2**	**26.0**	**29.7**
Depreciation	2.4	1.9	2.1	2.8	2.8	3.1	3.4
EBITA	**8.4**	**8.4**	**13.3**	**16.3**	**19.4**	**22.9**	**26.3**
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.0	3.6	3.7	3.6	3.9	2.9	2.7
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**4.3**	**4.8**	**9.6**	**12.7**	**15.5**	**20.0**	**23.6**
Interest income	1.0	0.5	0.6	0.9	0.3	0.3	0.4
Interest expenses	2.9	2.9	2.4	3.5	3.0	3.0	3.0
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.9	-2.5	-1.8	-2.6	-2.8	-2.7	-2.6
Recurring pretax income from continuing operations	**2.5**	**2.4**	**7.8**	**10.1**	**12.7**	**17.2**	**21.0**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	**2.5**	**2.4**	**7.8**	**10.1**	**12.7**	**17.2**	**21.0**
Taxes	0.6	1.3	2.9	4.4	4.3	5.9	7.1
Net income from continuing operations	**1.9**	**1.1**	**4.9**	**5.7**	**8.4**	**11.4**	**13.8**
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**1.9**	**1.1**	**4.9**	**5.7**	**8.4**	**11.4**	**13.8**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (net of minority interest)	**1.9**	**1.1**	**4.9**	**5.7**	**8.4**	**11.4**	**13.8**
Average number of shares	7.6	7.6	7.6	7.6	7.6	7.6	7.6
EPS reported	**0.25**	**0.14**	**0.65**	**0.75**	**1.11**	**1.50**	**1.82**

Profit and loss (common size)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
Net sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Increase/decrease in finished goods and work-in-process	0.3 %	0.1 %	0.2 %	0.3 %	0.2 %	0.2 %	0.2 %
Total sales	**100.3 %**	**100.1 %**	**100.2 %**	**100.3 %**	**100.2 %**	**100.2 %**	**100.2 %**
Other operating income	2.4 %	2.0 %	2.9 %	4.8 %	1.7 %	1.4 %	1.3 %
Material expenses	36.1 %	36.1 %	33.7 %	33.3 %	32.6 %	32.1 %	31.8 %
Personnel expenses	47.4 %	46.9 %	48.9 %	49.0 %	48.6 %	48.1 %	47.7 %
Other operating expenses	12.3 %	12.3 %	10.7 %	11.9 %	10.5 %	10.2 %	10.0 %
Total operating expenses	93.4 %	93.3 %	90.5 %	89.4 %	90.0 %	89.0 %	88.2 %
EBITDA	**6.9 %**	**6.8 %**	**9.7 %**	**10.9 %**	**10.2 %**	**11.2 %**	**12.0 %**
Depreciation	1.5 %	1.2 %	1.3 %	1.6 %	1.3 %	1.3 %	1.4 %
EBITA	**5.3 %**	**5.5 %**	**8.4 %**	**9.3 %**	**8.9 %**	**9.9 %**	**10.7 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	2.6 %	2.4 %	2.3 %	2.1 %	1.8 %	1.2 %	1.1 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	**2.8 %**	**3.2 %**	**6.1 %**	**7.2 %**	**7.1 %**	**8.6 %**	**9.6 %**
Interest income	0.7 %	0.3 %	0.4 %	0.5 %	0.1 %	0.1 %	0.2 %
Interest expenses	1.8 %	1.9 %	1.5 %	2.0 %	1.4 %	1.3 %	1.2 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-1.2 %	-1.6 %	-1.2 %	-1.5 %	-1.3 %	-1.2 %	-1.1 %
Recurring pretax income from continuing operations	**1.6 %**	**1.5 %**	**4.9 %**	**5.8 %**	**5.8 %**	**7.4 %**	**8.5 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	**1.6 %**	**1.5 %**	**4.9 %**	**5.8 %**	**5.8 %**	**7.4 %**	**8.5 %**
Tax rate	23.5 %	53.7 %	36.7 %	43.4 %	34.0 %	34.0 %	34.0 %
Net income from continuing operations	**1.2 %**	**0.7 %**	**3.1 %**	**3.3 %**	**3.9 %**	**4.9 %**	**5.6 %**
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**1.2 %**	**0.7 %**	**3.1 %**	**3.3 %**	**3.9 %**	**4.9 %**	**5.6 %**
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income (net of minority interest)	**1.2 %**	**0.7 %**	**3.1 %**	**3.3 %**	**3.9 %**	**4.9 %**	**5.6 %**

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
Intangible assets	**49.6**	**46.5**	**50.0**	**48.3**	**46.6**	**45.9**	**45.4**
Property, plant and equipment	4.7	3.9	7.3	7.3	7.5	7.9	8.2
Financial assets	6.5	6.5	9.3	5.6	5.6	5.6	5.6
FIXED ASSETS	**60.7**	**56.9**	**66.6**	**61.2**	**59.7**	**59.4**	**59.2**
Inventories	1.5	1.1	1.5	1.4	2.2	2.3	2.5
Accounts receivable	13.9	12.8	16.7	16.1	20.0	21.3	22.7
Other current assets	12.2	12.7	14.8	52.0	40.0	29.0	23.4
Liquid assets	11.4	9.4	2.3	24.4	28.0	35.8	45.5
Deferred taxes	1.9	2.1	1.5	4.7	4.7	4.7	4.7
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	41.0	38.2	36.8	98.6	94.8	93.1	98.7
TOTAL ASSETS	**101.7**	**95.1**	**103.3**	**159.7**	**154.5**	**152.5**	**157.9**
SHAREHOLDERS EQUITY	22.5	21.3	24.1	28.4	34.5	38.2	49.4
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	35.9	29.9	24.6	51.8	51.8	51.8	51.8
Provisions for pensions and similar obligations	11.3	12.8	13.6	42.6	30.6	24.6	18.6
Other provisions	3.9	4.8	5.5	4.8	4.8	4.8	4.8
Non-current liabilities	**51.0**	**47.6**	**43.8**	**99.3**	**87.3**	**81.3**	**75.3**
short-term liabilities to banks	7.7	7.5	14.6	3.5	3.5	3.5	3.5
Accounts payable	5.0	3.3	4.7	2.6	3.3	3.5	3.7
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	13.5	14.2	15.4	23.0	23.0	23.0	23.0
Deferred taxes	2.1	1.3	0.8	2.9	2.9	2.9	2.9
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**28.2**	**26.3**	**35.5**	**32.1**	**32.8**	**33.0**	**33.2**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**101.7**	**95.1**	**103.3**	**159.7**	**154.5**	**152.5**	**157.9**

Balance sheet (common size)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
Intangible assets	**48.7 %**	**48.9 %**	**48.3 %**	**30.2 %**	**30.2 %**	**30.1 %**	**28.7 %**
Property, plant and equipment	4.6 %	4.1 %	7.1 %	4.6 %	4.9 %	5.2 %	5.2 %
Financial assets	6.4 %	6.8 %	9.0 %	3.5 %	3.6 %	3.6 %	3.5 %
FIXED ASSETS	**59.7 %**	**59.8 %**	**64.4 %**	**38.3 %**	**38.6 %**	**38.9 %**	**37.5 %**
Inventories	1.5 %	1.1 %	1.5 %	0.9 %	1.4 %	1.5 %	1.6 %
Accounts receivable	13.7 %	13.5 %	16.1 %	10.1 %	13.0 %	14.0 %	14.4 %
Other current assets	12.0 %	13.4 %	14.4 %	32.5 %	25.9 %	19.0 %	14.8 %
Liquid assets	11.2 %	9.9 %	2.2 %	15.3 %	18.1 %	23.5 %	28.8 %
Deferred taxes	1.9 %	2.2 %	1.4 %	2.9 %	3.0 %	3.1 %	3.0 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	40.3 %	40.2 %	35.6 %	61.7 %	61.4 %	61.1 %	62.5 %
TOTAL ASSETS	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
SHAREHOLDERS EQUITY	22.1 %	22.4 %	23.3 %	17.8 %	22.3 %	25.1 %	31.3 %
MINORITY INTEREST	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	35.3 %	31.5 %	23.8 %	32.4 %	33.5 %	34.0 %	32.8 %
Provisions for pensions and similar obligations	11.1 %	13.5 %	13.2 %	26.7 %	19.8 %	16.2 %	11.8 %
Other provisions	3.8 %	5.1 %	5.3 %	3.0 %	3.1 %	3.1 %	3.0 %
Non-current liabilities	**50.2 %**	**50.0 %**	**42.3 %**	**62.1 %**	**56.5 %**	**53.3 %**	**47.7 %**
short-term liabilities to banks	7.5 %	7.9 %	14.1 %	2.2 %	2.3 %	2.3 %	2.2 %
Accounts payable	4.9 %	3.5 %	4.6 %	1.7 %	2.1 %	2.3 %	2.4 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	13.2 %	14.9 %	14.9 %	14.4 %	14.9 %	15.1 %	14.6 %
Deferred taxes	2.0 %	1.3 %	0.8 %	1.8 %	1.9 %	1.9 %	1.8 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	**27.7 %**	**27.6 %**	**34.4 %**	**20.1 %**	**21.2 %**	**21.6 %**	**21.0 %**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
Net profit/loss	1.9	1.1	4.9	5.7	8.4	11.4	13.8
Depreciation of fixed assets (incl. leases)	2.4	1.9	2.1	6.4	2.8	3.1	3.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.0	3.6	3.7	0.0	3.9	2.9	2.7
Others	2.1	2.8	1.3	-3.7	0.0	0.0	0.0
Cash flow from operations before changes in w/c	10.4	9.4	11.9	8.4	15.1	17.4	19.9
Increase/decrease in inventory	0.5	0.4	0.6	0.1	-0.8	-0.2	-0.2
Increase/decrease in accounts receivable	1.6	1.1	-1.5	-5.1	-3.9	-1.3	-1.4
Increase/decrease in accounts payable	-1.5	-1.7	-1.1	5.7	0.7	0.2	0.2
Increase/decrease in other working capital positions	0.0	0.0	-0.5	0.4	0.0	0.0	0.0
Increase/decrease in working capital	0.6	-0.1	-2.5	1.1	-4.1	-1.3	-1.3
Cash flow from operating activities	**10.9**	**9.3**	**9.4**	**9.5**	**11.0**	**16.1**	**18.6**
CAPEX	3.1	2.2	3.7	3.3	5.2	5.7	5.9
Payments for acquisitions	3.0	2.2	4.5	2.0	0.0	0.0	0.0
Financial investments	0.0	0.8	1.6	-1.2	0.0	0.0	0.0
Income from asset disposals	0.8	0.9	0.5	0.4	0.0	0.0	0.0
Cash flow from investing activities	**-5.2**	**-4.3**	**-9.3**	**-3.7**	**-5.2**	**-5.7**	**-5.9**
Cash flow before financing	5.7	5.0	0.1	5.8	5.8	10.4	12.7
Increase/decrease in debt position	6.1	-3.8	-4.3	19.6	0.0	0.0	0.0
Purchase of own shares	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	1.5	1.5	1.5	1.9	2.3	2.7	3.0
Others	-1.7	-1.6	-1.7	-1.2	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	**2.8**	**-6.9**	**-7.5**	**16.5**	**-2.3**	**-2.7**	**-3.0**
Increase/decrease in liquid assets	8.5	-2.0	-7.4	22.4	3.6	7.8	9.7
Liquid assets at end of period	**11.4**	**9.4**	**2.1**	**24.4**	**28.0**	**35.8**	**45.5**

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
Domestic	156.0	151.2	156.0	172.1	215.1	229.3	244.3
yoy change	8.1 %	-3.1 %	3.2 %	10.3 %	25.0 %	6.6 %	6.5 %
Rest of Europe	0.9	1.2	1.6	2.8	2.8	2.8	2.7
yoy change	-50.5 %	29.5 %	29.3 %	77.6 %	1.2 %	-1.7 %	-2.4 %
NAFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TTL	**156.9**	**152.4**	**157.6**	**174.9**	**217.9**	**232.1**	**247.0**
yoy change	7.4 %	-2.9 %	3.4 %	11.0 %	24.6 %	6.5 %	6.4 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18E	2018/19E
P&L growth analysis							
Sales growth	7.4 %	-2.9 %	3.4 %	11.0 %	24.6 %	6.5 %	6.4 %
EBITDA growth	13.1 %	-4.7 %	49.1 %	24.5 %	16.3 %	16.9 %	14.4 %
EBIT growth	14.3 %	11.1 %	99.5 %	32.0 %	22.5 %	28.6 %	18.2 %
EPS growth	-26.3 %	-42.5 %	351.3 %	16.1 %	47.1 %	35.3 %	21.6 %
Efficiency							
Total operating costs / sales	93.4 %	93.3 %	90.5 %	89.4 %	90.0 %	89.0 %	88.2 %
Sales per employee	120.9	128.5	124.4	124.6	132.1	137.3	142.6
EBITDA per employee	8.3	8.7	12.1	13.6	13.5	15.4	17.2
Balance sheet analysis							
Avg. working capital / sales	6.8 %	6.9 %	7.6 %	8.1 %	7.7 %	8.4 %	8.4 %
Inventory turnover (sales/inventory)	103.7	141.2	102.8	125.6	101.0	100.0	99.0
Trade debtors in days of sales	32.4	30.7	38.6	33.5	33.5	33.5	33.5
A/P turnover [(A/P*365)/sales]	11.6	8.0	11.0	5.5	5.5	5.5	5.5
Cash conversion cycle (days)	9.9	15.7	16.5	25.7	27.7	27.7	27.8
Cash flow analysis							
Free cash flow	7.9	7.0	5.8	6.2	5.8	10.4	12.7
Free cash flow/sales	5.0 %	4.6 %	3.7 %	3.5 %	2.7 %	4.5 %	5.2 %
FCF / net profit	416.0 %	646.1 %	117.0 %	108.4 %	69.5 %	91.6 %	92.1 %
Capex / depn	47.7 %	56.0 %	91.4 %	32.6 %	77.6 %	95.0 %	96.4 %
Capex / maintenance capex	142.9 %	82.3 %	91.9 %	115.5 %	100.0 %	109.4 %	109.0 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Security							
Net debt	32.1	28.0	37.0	31.0	27.4	19.6	9.9
Net Debt/EBITDA	3.0	2.7	2.4	1.6	1.2	0.8	0.3
Net debt / equity	1.4	1.3	1.5	1.1	0.8	0.5	0.2
Interest cover	1.5	1.6	4.0	3.6	5.1	6.6	7.8
Dividend payout ratio	80.0 %	139.2 %	38.5 %	39.8 %	31.6 %	26.7 %	24.7 %
Asset utilisation							
Capital employed turnover	1.9	2.0	1.9	1.3	1.7	1.9	1.9
Operating assets turnover	10.4	10.5	7.6	7.9	8.3	8.3	8.3
Plant turnover	33.7	38.9	21.5	23.9	29.0	29.4	30.1
Inventory turnover (sales/inventory)	103.7	141.2	102.8	125.6	101.0	100.0	99.0
Returns							
ROCE	5.5 %	6.1 %	12.1 %	11.9 %	12.1 %	16.1 %	18.8 %
ROE	8.4 %	5.1 %	20.5 %	20.1 %	24.4 %	29.8 %	28.0 %
Other							
Interest paid / avg. debt	6.9 %	7.2 %	6.2 %	7.3 %	5.5 %	5.5 %	5.5 %
No. employees (average)	1298	1186	1267	1404	1650	1691	1732
Number of shares	7.6	7.6	7.6	7.6	7.6	7.6	7.6
DPS	0.2	0.2	0.3	0.3	0.4	0.4	0.5
EPS reported	0.25	0.14	0.65	0.75	1.11	1.50	1.82
Valuation ratios							
P/BV	8.5	9.0	8.0	6.7	5.5	5.0	3.9
EV/sales	1.5	1.5	1.5	1.5	1.1	1.0	0.9
EV/EBITDA	21.7	22.6	15.8	13.9	11.2	9.1	7.4
EV/EBITA	28.0	27.5	18.2	16.3	12.8	10.3	8.4
EV/EBIT	54.1	48.2	25.2	20.9	16.1	11.8	9.3
EV/FCF	29.7	32.9	42.0	42.8	42.6	22.6	17.2
Adjusted FCF yield	3.6 %	3.0 %	4.4 %	4.8 %	6.2 %	7.4 %	9.1 %
Dividend yield	0.8 %	0.8 %	1.0 %	1.2 %	1.4 %	1.6 %	1.8 %

Source: Company data, Hauck & Aufhäuser

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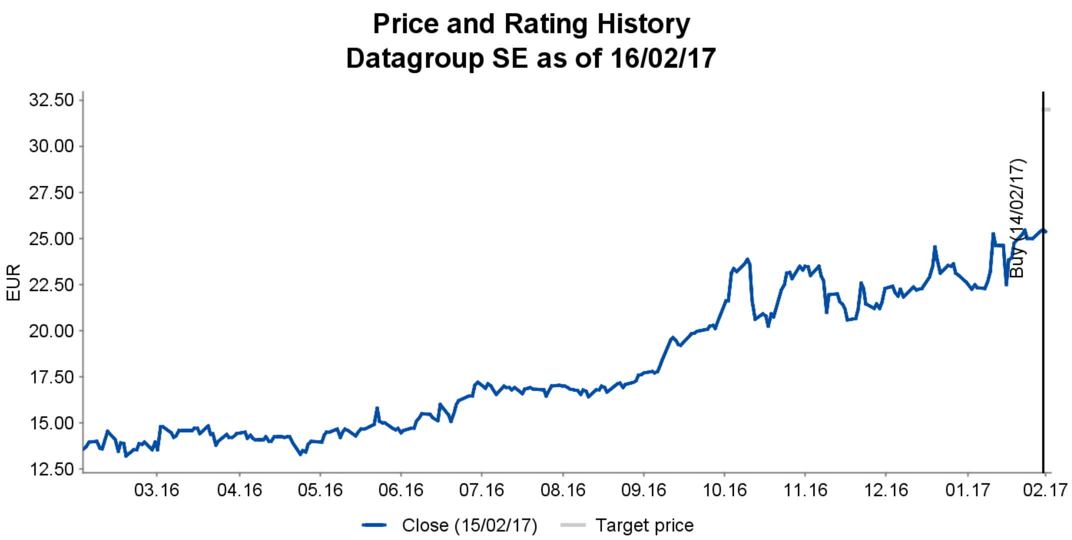
Company	Disclosure
Datagroup SE	8

Historical target price and rating changes for Datagroup SE in the last 12 months



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Company	Date	Analyst	Rating	Target price	Close

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