

H&A FIRST TAKE

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## Mid-day RS feedback: Organic growth to accelerate

Tim Wunderlich, CFA  
Analyst

tim.wunderlich@ha-ib.de  
+49 40 4143885 81

- **Organic growth looks set to accelerate to more than 10% yoy in FY'19/20E** compared to c. 6% yoy both this and last year. This development should be driven by client up-selling (eH&A: € 3-4m incremental sales) as well as the host of new client wins. In fact, so far this fiscal year, Datagroup has already signed 20 new CORBOX customers **good for € 40m revenues per year**, which provides outstanding visibility on improving top-line dynamics. In this regard, Datagroup is benefitting from positive word of mouth marketing, its growing reputation, and repeated top rankings when it comes to customer satisfaction. Stronger organic growth **should lead to a positive re-rating** as inadequate organic growth has so far been the main talking point of bears.
- **Consensus looks too conservative** expecting only € 320m and € 47m EBITDA in FY'19/20E. Even when accounting for the usual low churn and that some new CORBOX deals may start later in the year, the above mentioned growth drivers (up to € 43-44m incremental sales) plus the contribution from acquired UBL (€ 10m incremental sales) suggest that Datagroup **can eclipse € 330m sales** next year (note: the base should be € 295-300m sales this year). At the same time, EBITDA is seen to benefit from further efficiency gains (automation) and the rising average ticket size (now € 2m vs. € 1.0-1.5m in past years), which drives economies of scale. As such, **we see some 5-10% upside to eCons** while even our estimates for FY'19/20E (€ 329m sales / € 50m EBITDA) look increasingly conservative. Hence, **news flow is seen to remain positive**.
- **Expect further M&A this year.** Acquisitions are a key part of the strategy, have always created shareholder value in past years, and could boost mid-term sales and EBITDA significantly above expectations. In fact, with M&A, management expects to reach up to € 500m sales at 10% EBIT margin by 2021E vs. € 350m / 10% without M&A (eH&A: € 352m / 9.3%). The current key target generates more than € 50m sales p.a., could be bought at a symbolic price and has significant EBIT margin upside (10% achievable within 2 years vs. 4% currently according to management) due to efficiency gains.

**Reiterate BUY with a € 52.00 PT** (DCF) considering accelerating organic growth, predictable margin upside, the high level of recurring revenues (75%+) and the attractive valuation (30-35% discount to Bechtle on EV/EBITDA 2020E).

Buy

Price target: EUR 52.00

Price: EUR 43.90

Price as of: 28.05.2019; 3:30pm

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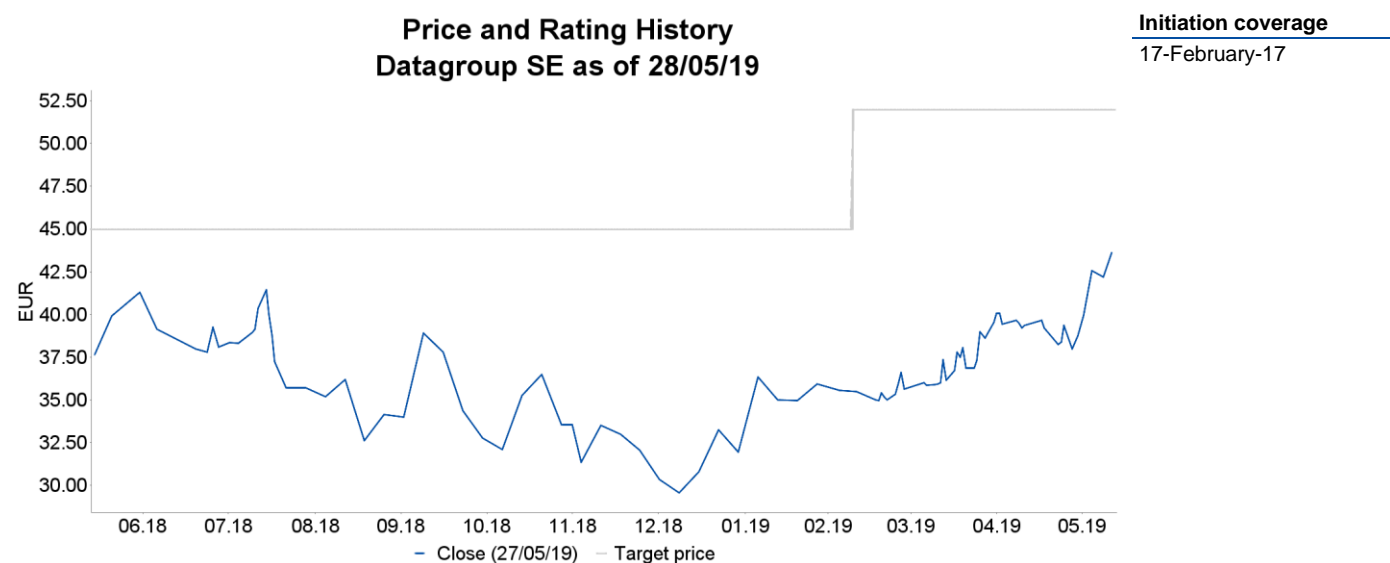
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Company	Disclosure
Datagroup SE	3, 6

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



Company	Date	Analyst	Rating	Target price	Close
Datagroup SE	24.05.2019	Wunderlich, CFA, Tim	Buy	EUR 52,00	EUR 42,20
	12.04.2019	Wunderlich, CFA, Tim	Buy	EUR 52,00	EUR 38,60
	15.03.2019	Wunderlich, CFA, Tim	Buy	EUR 52,00	EUR 35,65
	25.02.2019	Wunderlich, CFA, Tim	Buy	EUR 52,00	EUR 35,50

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## Contacts: Hauck&Aufhäuser Privatbankiers AG

### Hauck & Aufhäuser Research

Hauck & Aufhäuser  
Privatbankiers AG  
Mittelweg 16/17  
20148 Hamburg  
Germany

Tel.: +49 (0) 40 414 3885 91  
Fax: +49 (0) 40 414 3885 71  
Email: research@ha-ib.de  
www.ha-research.de

**Tim Wunderlich, CFA**  
Head of Transactional Research  
Tel.: +49 40 414 3885 81  
E-Mail: tim.wunderlich@ha-ib.de

**Henning Breiter**  
Head of Research  
Tel.: +49 40 414 3885 73  
E-Mail: henning.breiter@ha-ib.de

**Marie-Thérèse Grübner**  
Head of Corporate Brokerage  
Tel.: +49 40 450 6342 3097  
E-Mail: marie-therese.gruebner@ha-ib.de

**Carlos Becke**  
Analyst  
Tel.: +49 40 414 3885 74  
E-Mail: carlos.becke@ha-ib.de

**Simon Bentlage**  
Analyst  
Tel.: +49 40 450 6342 3096  
E-Mail: simon.bentlage@ha-ib.de

**Frederik Bitter**  
Analyst  
Tel.: +49 40 450 6342 3091  
E-Mail: frederik.bitter@ha-ib.de

**Robin Brass, CFA**  
Analyst  
Tel.: +49 40 414 3885 76  
E-Mail: robin.brass@ha-ib.de

**Christian Glowa**  
Analyst  
Tel.: +49 40 414 3885 95  
E-Mail: christian.glowa@ha-ib.de

**Aliaksandr Halitsa**  
Analyst  
Tel.: +49 40 414 3885 83  
E-Mail: aliaksandr.halitsa@ha-ib.de

**Alina Köhler**  
Analyst  
Tel.: +49 40 450 6342 3095  
E-Mail: alina.koehler@ha-ib.de

**Christian Salis**  
Analyst  
Tel.: +49 40 414 3885 96  
E-Mail: christian.salis@ha-ib.de

**Christian Sandherr**  
Analyst  
Tel.: +49 40 414 3885 79  
E-Mail: christian.sandherr@ha-ib.de

**Julius Stinauer**  
Analyst  
Tel.: +49 40 414 3885 84  
E-Mail: julius.stinauer@ha-ib.de

**Catharina Claes**  
Analyst  
Tel.: +49 40 450 6342 3092  
E-Mail: catharina.claes@ha-ib.de

### Hauck & Aufhäuser Sales

**Toby Woods**  
Head of Sales  
Tel.: +44 203 9473 245  
E-Mail: toby.woods@ha-ib.de

**Christian Alisch**  
Sales  
Tel.: +49 40 414 3885 99  
E-Mail: christian.alisch@ha-ib.de

**Vincent Bischoff**  
Sales  
Tel.: +49 40 414 3885 88  
E-Mail: vincent.bischoff@ha-ib.de

**Alexander Lachmann**  
Sales  
Tel.: +41 43 497 30 23  
E-Mail: alexander.lachmann@ha-ib.de

**Hugues Madelin**  
Sales  
Tel.: +33 1 78 41 40 62  
E-Mail: hugues.madelin@ha-ib.de

**Christian Schwenkenbecher**  
Sales  
Tel.: +44 203 9473 246  
E-Mail: christian.schwenkenbecher@ha-ib.de

**Imogen Voorspuy**  
Junior Sales  
Tel.: +44 203 9473 244  
E-Mail: imogen.voorspuy@ha-ib.de

### Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser  
Privatbankiers AG  
Mittelweg 16/17  
20148 Hamburg  
Germany

Tel.: +49 40 414 3885 78  
Fax: +49 40 414 3885 71  
Email: info@hauck-aufhaeuser.com  
www.hauck-aufhaeuser.com

**Mirko Brueggemann**  
Trading  
Tel.: +49 40 414 3885 78  
E-Mail: mirko.brueggemann@hauck-aufhaeuser.com

**Christian von Schuler**  
Trading  
Tel.: +49 40 414 3885 77  
E-Mail: christian.schuler@hauck-aufhaeuser.com

**Fin Schaffer**  
Trading  
Tel.: +49 40 414 3885 98  
E-Mail: fin.schaffer@hauck-aufhaeuser.com

**Kathleen Jonas**  
Middle-Office  
Tel.: +49 40 414 3885 97  
E-Mail: kathleen.jonas@hauck-aufhaeuser.com

**Alexander Hanisch**  
Middle-Office  
Tel.: +49 40 414 3885 87  
E-Mail: alexander.hanisch@hauck-aufhaeuser.com