

BRAIN FORCE HOLDING

Buy

EUR 3.30

(Reuters: BFCG.DE; Bloomberg: BFC GY; WPK: 919331)

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2006 brings a major improvement in operating cash flow

Performance (02/13/07)	1W	1M	3M
Absolute (%)	-0.6	1.8	17.4
Relative to Euro STOXX 50 (%)	-0.8	0.3	13.6

Rating

New: Buy Previous: Buy

Price target

New: EUR 4.20 Previous: EUR 4.20

Market cap. (EUR mn)

50.8

Free float (%)

84.3

Capital subscribed (EUR mn)

15.4

Number of shares (mn)

15.4

Shareholders

Helmut Fleischmann and
Helmut Fleischmann
private foundation 15.7%

Annual general meeting

09-May-07

Q4

27-Mar-07

Q1

May-07

	2006e	2007e	2008e
Sales (EUR mn)	88	110	116
EBITDA (EUR mn)	7	11	12
EBITA (EUR mn)	3	6	7
EBIT (EUR mn)	3	6	7
Net income (EUR mn)	4.2	4.4	5.2
EPS reported (EUR)	0.30	0.29	0.34
EPS adj. pre-goodwill (EUR)	0.30	0.29	0.34
P/E (EPS adj. pre-goodwill)	10.6	11.4	9.8
EV/sales	0.4	0.3	0.2
EV/EBITDA	4.8	3.3	2.4
EV/EBITA	10.7	6.1	4.2
Dividend (EUR)	0.10	0.10	0.11
Div. yield (%)	3.1	3.0	3.3

BRAIN FORCE HOLDING yesterday released preliminary figures for 2006. Sales came in at EUR 88.5 mn, therefore only slightly lower than our estimate of EUR 90.4 mn. The Enterprise Services segment fell short of our expectations (HVBe: EUR 37.2 mn) first and foremost with sales of EUR 34.1 mn. Business Solutions reported sales of EUR 26.7 mn (HVBe: EUR 26.7 mn) and Technology & Infrastructure even exceeded our estimate (HVBe: EUR 26.4 mn) with sales of EUR 27.7 mn. At EUR 2.92 mn, EBIT turned out to be weaker than we had expected (HVBe: EUR 3.1 mn). EPS of EUR 0.30 by far exceeded our estimate of EUR 0.21. We assume that BRAIN FORCE HOLDING benefited here from a more advantageous tax rate than we had anticipated. Adjusting for the one-time write-down on receivables as a result of the insolvency of BenQ Mobile in 2006, the company's own targets for the year (sales of EUR 90.5 mn and EBIT of EUR 4.5 mn) were largely reached. The final figures for 2006 will be reported on March 27.

Operating cash flow and the dividend proposal come as a positive surprise. The company stated during the conference call that operating cash flow is expected to have come to around EUR 5 mn in 2006. This corresponds to around 6% of sales (HVBe: 3%). Taking into consideration that BRAIN FORCE HOLDING was hit unexpectedly by the insolvency of BenQ Mobile, it becomes clear that the company managed its working capital extremely well in 2006. The company also stated that a dividend of EUR 0.10 will be proposed for 2006. We had assumed EUR 0.09 to date.

Targets for 2007 and the medium-term outlook confirmed. Accordingly, the company is expecting sales of EUR 116 mn (HVBe: EUR 109.6 mn), EBITDA of EUR 11.5 mn (HVBe: EUR 11.0 mn) as well as EBIT of EUR 6.4 mn (HVBe: EUR 5.9 mn). BRAIN FORCE HOLDING is planning organic sales growth of 9% p.a. in the medium term, corresponding to an organic sales target of around EUR 150 mn in 2010. Acquisitions are expected to contribute an additional sales volume of around EUR 100 mn. An EBIT margin of 10% is expected in 2010.

We have left our estimates for 2007 and 2008 unchanged. Given that the figures for 2006 were largely in line with our expectations, we have maintained our model assumptions. We still see the current price level as an attractive buying opportunity. We believe the operating trends (margin expansion and increase in operating cash flow) are intact. In addition, the shares are trading at a significant mark-down to the sector average (European IT services P/E of around 15 in 2007) on a P/E of around 11 (2007e).

This analysis was prepared by Mr. Knut Woller, CEFA and was published the first time on 02/14/2007
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Company	Date	Product	Rating	Price target
BRAIN FORCE HOLDING	11/27/2006	CF	Buy	4.20
BRAIN FORCE HOLDING	08/08/2006	CF	Buy	4.60
BRAIN FORCE HOLDING	06/22/2006	CF	Buy	4.80
BRAIN FORCE HOLDING	05/08/2006	CF	Outperform	4.40
BRAIN FORCE HOLDING	05/05/2006	CR	Outperform	4.30

CF: Company Flash, CR: Company Report, CU: Company Update, EV: E-Valuation, GD: German Daily, LP: Local Product, MSC: Mid Caps/Small Caps, SF: Sector Flash, SP: Sector Preview, SR: Sector Report, WP: Company Weekly Preview

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Company	Key
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