

BRAIN FORCE HOLDING

Buy

EUR 3.01

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

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Presentation at the second Munich Capital Market Conference

Performance (12/13/06)	1W	1M	3M
Absolute (%)	0.3	7.1	0.3
Relative to Euro STOXX 50 (%)	-2.0	6.9	-7.3

Rating

New: Buy	Previous: Buy
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Price target

New: EUR 4.20	Previous: EUR 4.20
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Market cap. (EUR mn)

46.3

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%
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Annual general meeting

09-May-07

Q4

27-Mar-07

Q1

May-07

	2006e	2007e	2008e
Sales (EUR mn)	90	110	116
EBITDA (EUR mn)	7	10	11
EBITA (EUR mn)	3	6	7
EBIT (EUR mn)	3	6	7
Net income (EUR mn)	2.9	4.5	5.2
EPS reported (EUR)	0.21	0.29	0.34
EPS adj. pre-goodwill (EUR)	0.21	0.29	0.34
P/E (EPS adj. pre-goodwill)	14.5	10.4	8.9
EV/sales	0.4	0.3	0.2
EV/EBITDA	5.4	3.1	2.3
EV/EBITA	11.6	5.3	3.9
Dividend (EUR)	0.09	0.09	0.09
Div. yield (%)	3.0	3.0	3.0

BRAIN FORCE HOLDING presented itself yesterday at the second Munich Capital Market Conference. The management (CEO Helmut Fleischmann and CFO Wolfgang Lippert) gave an overview of the company's business model, growth drivers, strategy as well as a short and medium-term outlook up to 2010.

Optimistic outlook for 2007 and up to 2010. Sales are expected to increase by around 30% y-o-y to EUR 116 mn in 2007 (HVBe: +21% y-o-y to EUR 110 mn). An increase in EBIT to EUR 6.4 mn is anticipated (margin: 6%). With an estimate of EUR 5.9 mn (margin: 5.4%), we are slightly more conservative than the company here, likewise for sales, and see our positive scenario as confirmed by BRAIN FORCE's "bullish" guidance. Operating cash flow is expected to be increased to 7-8% of sales in 2007 (HVBe: 7%). The company is conservatively assuming a tax rate of around 40% (HVBe: ca. 30%). In the medium term, BRAIN FORCE plans to increase sales by 9% p.a. in organic terms up to 2010. This would correspond to a sales volume of around EUR 150 mn in 2010. The EBIT margin is expected to grow to 10%, with the two segments Business Solutions and Technology & Infrastructure making a far above proportionate contribution to the margin.

Organic growth strategy to be complemented further by an inorganic growth strategy. Including acquisitions, BRAIN FORCE HOLDING is planning a sales volume of around EUR 250 mn in 2010. The "buy and build" strategy is therefore to be continued. BRAIN FORCE HOLDING currently has liquid funds of around EUR 15 mn. In addition, the company has at least EUR 10 mn in external funds available for acquisitions. Combined with the share buyback program announced as well as the still positive operating cash flow trend that we are expecting after 2007, the company should succeed in being able to carry out the planned acquisitions without taking additional capital measures. The next acquisition is targeted for mid-2007.

Share buyback program gets under way. BRAIN FORCE HOLDING also announced yesterday the start of a share buyback program (period: Dec. 18, 2006-May 13, 2007) of up to 1,538,674 shares (around 10% of the share capital). Based on yesterday's closing price, the share buyback program corresponds to a volume of around EUR 4.6 mn. According to the company, the acquired shares are to be used for future acquisitions.

Summary: With a P/E of 10.4 (2007e), BRAIN FORCE HOLDING is trading at a significant valuation discount compared to other European IT services providers (average for 2007: 14.6), which we do not regard as justified. We believe the operating trends are promising (such as a further increase in operating cash flow and margin expansion). Furthermore, the shares have come under pressure in 2006 from rumors over another capital increase. In light of the latest statements from the company, this burden should disappear, though. We are confirming our Buy rating and price target of EUR 4.20. This corresponds to a target P/E of around 14 (2007e).

This analysis was prepared by Mr. Knut Woller, CEFA and was published the first time on 12/14/2006
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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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