

BRAIN FORCE HOLDING

Buy

EUR 3.02

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

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Positive operating cash flow trend

Performance (08/25/06)	1W	1M	3M
Absolute (%)	0	1.0	-8.2
Relative to Euro STOXX 50 (%)	0.3	-3.2	-12.2

Rating

New: Buy Previous: Buy

Price target

New: EUR 4.60 Previous: EUR 4.60

Market cap. (EUR mn) 46.5

Free float (%) 84.3

Capital subscribed (EUR mn) 10.3

Number of shares (mn) 15.4

Shareholders Helmut Fleischmann and Helmut Fleischmann private foundation 15.7%

Annual general meeting 09-May-07

9M/Q3 27-Nov-06

Q4 27-Mar-07

	2005	2006e	2007e
Sales (EUR mn)	77	94	114
EBITDA (EUR mn)	6	9	11
EBITA (EUR mn)	4	5	7
EBIT (EUR mn)	4	5	7
Net income (EUR mn)	3.1	4.9	5.0
EPS reported (EUR)	0.30	0.34	0.32
EPS adj. pre-goodwill (EUR)	0.30	0.34	0.32
P/E (EPS adj. pre-goodwill)	10.9	9.0	9.5
EV/sales	0.4	0.4	0.3
EV/EBITDA	5.4	4.1	3.1
EV/EBITA	9.1	6.8	4.7
Dividend (EUR)	0.08	0.09	0.09
Div. yield (%)	2.5	3.0	3.0

Final H1/06 figures in the scope of the interim release from August 8.

Revenues rose 26.7% y-o-y to EUR 42.9 mn (the organic revenue plus came in at 6.8% y-o-y). EBITDA amounted to EUR 3.3 mn (margin: 7.6%) and EBIT reached EUR 1.6 mn (margin: 3.7%). EPS stood at EUR 0.15, while the order intake was EUR 20.6 mn (Q4/05: EUR 21.3 mn and Q1/06: EUR 24.7 mn). It should be considered here that the BHW order amounting to some EUR 3 mn, which was taken over by FJH, had originally been included in the order backlog. This has now been taken out. As a result, the Q2 performance was in line with the typical pattern of BRAIN FORCE.

Segments – solid margin trend for Business Solutions and Technology & Infrastructure; weak margin of Enterprise Services in Q2/06:

Revenues of the Enterprise Services segment fell by around 6% y-o-y to EUR 7.6 mn. EBIT declined from EUR 0.5 mn (margin: 6.7%) in Q2/05 to EUR 0.2 mn (margin: 2.3%) in Q2/06. One reason for the low margin was the high number of public holidays in Q2/06. For Q3/06 we anticipate a recovery to around 5%. The Business Solutions segment saw its revenues rise by about 37% y-o-y to EUR 7.0 mn in Q2/06. EBIT increased from EUR 0.3 mn (margin: 5.9%) in Q2/05 to EUR 0.7 mn (margin: 9.4%). The performance of the Technology & Infrastructure segment was also pleasing. Revenues soared by some 47% y-o-y to EUR 6.2 mn and EBIT improved from EUR 0.1 mn (margin: 3.4%) to EUR 0.2 mn (margin: 3.8%).

Positive trend of operating cash flow. The operating cash flow improved y-o-y from EUR -0.8 mn (H1/05) to EUR 1.9 mn (H1/06). This equals around 4.5% of revenues. When analyzing the operating cash flow of BRAIN FORCE since 2002, we consider the level reached in H1/06 positive (in 2002: operating cash flow/revenues: 2%; 2003: 3%, 2004: 1% and 2005: 2%). We expect the operating cash flow/revenues in the FY 2006 to reach a level similar to that of H1/06. We therefore see BRAIN FORCE as being on the right path. The equity ratio improved to 62.4% vs. 50.5% at the end of 2005. At the end of Q2/06, liquid funds incl. marketable securities came out to EUR 22.6 mn. If one were to include the not yet paid purchase price of some EUR 8 mn for SYSTEAM, this figure would reach some EUR 14.6 mn. We believe this makes a continuation of the buy and

build strategy pursued by BRAIN FORCE possible, even without a further capital increase. Rumors of a possible further capital increase weighed on the share price.

Full-year guidance confirmed: BRAIN FORCE confirmed its full-year guidance upon release of Q2/06 figures. The company accordingly expects revenues of EUR 90 mn (excl. SYSTEAM) and EBIT of EUR 4.5 mn. Incl. SYSTEAM, we anticipate revenues of around EUR 94 mn and EBIT of EUR 5.2 mn (this also includes a special effect of EUR 0.4 mn from Q1/06).

We are reiterating our price target of EUR 4.60 and our Buy rating: We have left our estimates, which we had already adjusted following the release of preliminary Q2/06 figures, unchanged. The share is clearly undervalued at the current price level in our opinion.

This analysis was prepared by Mr. Knut Woller, CEFA and was published the first time on 08/28/2006
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Company	Date	Product	Rating	Price target
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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