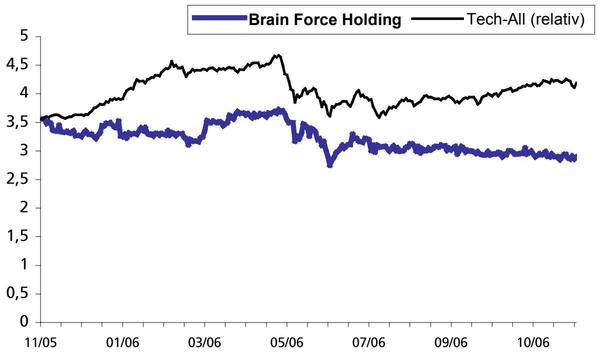
Brain Force Holding

New Estimates / News-Flash

SES RESEARCH

Buy (old: Buy) | **Risk:** high | **Target: € 4.80** | **Strong Outlook**

Bloomberg:	BFC GY	Price:	€ 2.99
Reuters:	BFCG.DE	Tech-AS:	880,20
ISIN:	AT0000820659		
Internet:	www.Brainforce.com		
Segment:	Prime Standard		
Sector:	IT Services		



Share data: Bloomberg — 30.11.2006 / closing price

High / Low 52 W:	€ 3.74/ € 2.64
Market capitalisation:	€ 46.01m
No. of shares (fully diluted):	15.39 m.

Shareholders:		
	Free float	71.59%
	H. Fleischmann Private Foundation	23.4%
	BEKO Holding AG	5.01 %

Calendar:

Analysis: SES Research

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Brain Force Holding posted its Q3 figures on 27.11.06. As expected, the figures were strongly affected by the insolvency of BenQ. In our News-Flash on 02.10.06 we had already pointed out such a development. Write-offs on uncollectible accounts burdened the EBITDA by around € 1m. Different accounting of one project causes the remaining difference of € 0.6m to our EBITDA estimate of € 2.17m. Deviations to bottom line earnings figures are caused by the described effects.

Q3 / 2006	reported	expected	delta	Previous year value
Sales	**20.27**	**20.97**	-3.4%	20.8
EBITDA	**0.51**	**2.17**	-76.4%	2.5
Margin	*2.5%*	*10.4%*		*12.2%*
EBIT	**-0.35**	**1.06**	n.a.	1.7
Margin	*-1.7%*	*5.0%*		*8,1%*
Net income.	**-0.56**	**0.78**	n.a.	1.2
Margin	*-2.7%*	*3.7%*		*5.8%*
EpS	**-0.04**	**0.12**	n.a.	-0.19

EpS in €, all other in €m

Table 1; source: Brain Force Holding AG, SES Research

End fiscal year	12/04	12/05	12/06e	12/07e	12/08e
Key figures per share in €, all other in €m, price: € 2.99					
Sales	64.4	76.6	92.2	109.4	117.0
Sales (old)			92.2	109.4	117.0
Delta			0.0%	0.0%	0.0%
EBITDA	4.4	6.5	7.5	11.5	13.5
Margin	*6.88%*	*8.44%*	*8.14%*	*10.55%*	*11.55%*
EBITDA (old)			9.1	11.8	13.5
Delta			-17.5%	-2.3%	0.0%
EBIT	2.4	3.6	3.0	5.9	7.6
Margin	*3.71%*	*4.67%*	*3.31%*	*5.40%*	*6.47%*
EBIT (old)			4.6	6.2	7.6
Delta			-34.2%	-4.5%	0.0%
Net income	1.8	3.0	3.0	4.3	5.4
Margin	*2.76%*	*3.95%*	*3.21%*	*3.92%*	*4.63%*
Net income (old)			4.0	4.5	5.4
Delta			-26.7%	-4.2%	0.0%
Earnings per share	0.24	0.30	0.19	0.28	0.35
Earnings per share (old)			0.26	0.29	0.35
Delta			-26.9%	-3.4%	0.0%
Cash flow per share	0.53	0.58	0.48	0.64	0.74
Cash flow per share (old)			0.55	0.66	0.74
Delta			-12.7%	-3.0%	0.0%
Dividend per share	0.00	0.08	0.08	0.10	0.11
Dividend yield	*0.00%*	*2.68%*	*2.68%*	*3.34%*	*3.68%*
Dividend (old)			0.08	0.10	0.11
Delta			0.0%	0.0%	0.0%
EV/SALES	0.53	0.44	0.37	0.31	0.29
EV/EBITDA	7.67	5.26	4.53	2.95	2.52
EV/EBIT	14.23	9.50	11.15	5.75	4.49
PER	12.46	9.97	15.74	10.68	8.54
ROCE	0.11	0.09	0.08	0.13	0.17

Brain Force is still expecting an EBITDA of € 9m for this fiscal year (before BenQ) – respectively € 7.6m after BenQ. Overall BenQ could cause EBITDA adjustments of up to a total of € 1.4m. In context with the insolvency of BenQ we adjust our estimates accordingly. The estimates for 2007 that were published at the German Equity Forum are pivotal.

Brain Force expects sales of € 116m and an EBITDA of € 11.5m. We adjust our estimates for 2007 only slightly. The PER adjusted by the net cash position is now around 8. This includes considerable non-operative depreciations on the purchase price of recent acquisitions (Purchase-Price-Allocation, PPA) – without it the PER would only be around 6. Our assessment is confirmed explicitly and we see the fair share price at € 4.80.

The price target does not include possible effects coming from future acquisitions. Brain Force intends to employ the current gross liquidity of about € 15m and around € 10m of outside funds for future acquisitions. The first acquisition is planned for mid 2007 and we expect this to have another major effect on the value. With this strategy sales will increase up to around € 250m at an EBIT margin of 10% (without PPA) by 2010. At a market conform EV/EBIT value with a multiple of 8 this would represent a value of c. € 200m (€ 45m at present). A major part thereof could be realised without any further dilution. Such a long-term scenario also supports our assessment and we continue to recommend the stock with a Buy rating. It is not unlikely that we would have to raise our price target in context with acquisitions.

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Key figures Brain Force Holding

P&L (€m)	2005	2006e	2007e	2008e
Sales	76,6	92,2	109,4	117,0
Total Sales	78,9	95,4	112,7	120,6
COGS	53,4	64,7	75,8	80,6
Gross Profit	25,5	30,7	36,9	40,0
Personnel Expenses	12,8	15,6	17,6	18,1
Other Operating Expenses	21,9	27,6	31,0	32,4
EBITDA	6,5	7,5	11,5	13,5
Depreciation and Amortisation	2,9	4,5	5,6	5,9
- thereof Goodwill Amortisation	0,4	0,6	0,7	0,7
EBIT	3,6	3,0	5,9	7,6
Financial Result	0,1	0,5	0,4	0,4
Extraordinary Result	0,0	0,0	0,0	0,0
EBT	3,7	3,5	6,3	8,0
Taxes	0,5	0,5	2,0	2,6
Net Profit before Minorities	3,1	3,0	4,3	5,4
Net Profit	3,0	3,0	4,3	5,4
Dividend Payout	0,8	1,2	1,5	1,7

Cash-Flow	2005	2006e	2007e	2008e
Cash Flow from Operations	5,9	7,4	9,9	11,4
Free Cash Flow	-2,6	-27,2	-28,8	-26,8
Capex	9,9	2,7	4,4	4,7

Balance sheet (€m)	2005	2006e	2007e	2008e
Fixed Assets	1,5	2,3	2,0	1,7
Intangible Assets	18,3	15,5	15,6	14,7
Net Working Capital	17,5	21,9	25,1	27,0
Current Assets	39,1	51,9	70,9	92,3
Cash and Cash Equivalents	11,8	19,4	34,8	53,7
Equity	32,1	76,7	136,4	197,0
Provisions	6,6	6,6	6,0	5,0
Financial Liabilities	6,2	-1,6	-11,0	-20,4
Net Cash	5,6	21,0	45,8	74,1
Total	63,6	65,3	75,1	85,6
Reporting standard	IFRS	IFRS	IFRS	IFRS
Fiscal year ending	31.12.2005	31.12.2006	31.12.2007	31.12.2008

Growth rates	2005	2006e	2007e	2008e
Sales	18,9%	20,3%	18,7%	7,0%
EBITDA	45,8%	16,1%	53,8%	17,2%
EBIT	49,8%	-14,9%	93,8%	28,2%
EBT	9,4%	-3,8%	78,4%	26,4%
Net profit	70,6%	-2,3%	45,1%	26,4%
Dividend	n.m.	0,0%	25,0%	10,0%

Cost intensities	2005	2006e	2007e	2008e
COGS / Sales	69,7%	70,2%	69,3%	68,9%
Personnel Expenses / Sales	16,7%	17,0%	16,1%	15,5%

Price Data	
Share Price (€)	2,99
Market Cap. (€m)	46,0
Enterprise Value (€m)	34,0

Share Key Data	2005	2006e	2007e	2008e
Earnings per Share (€)	0,30	0,19	0,28	0,35
Sales per Share (€)	7,47	5,99	7,11	7,61
Free Cash Flow per Share (€)	-0,25	-1,77	-1,87	-1,74
Dividend per Share (€)	0,08	0,08	0,10	0,11

Valuation Key Data	2005	2006e	2007e	2008e
P/E	10,13	15,56	10,72	8,49
P/Sales	0,40	0,50	0,42	0,39
EV/Sales	0,44	0,37	0,31	0,29
EV/EBITDA	5,26	4,53	2,95	2,52
EV/EBIT	9,50	11,15	5,75	4,49
P/Book	1,43	0,60	0,34	0,23
Dividend Yield	2,7%	2,7%	3,3%	3,7%

No. of shares (million)	2005	2006e	2007e	2008e
Ordinary shares out	10,26	15,39	15,39	15,39

Profitability	2005	2006e	2007e	2008e
EBITDA-margin	8,4%	8,1%	10,5%	11,6%
EBIT-margin	4,7%	3,3%	5,4%	6,5%
EBT-margin	4,8%	3,8%	5,8%	6,8%
Net Profit-margin	4,0%	3,2%	3,9%	4,6%
ROE	9,4%	3,9%	3,1%	2,8%
ROA	5,2%	4,4%	5,0%	5,1%
ROCE	9,2%	7,5%	13,3%	16,8%

Company profile

Brain Force Holding AG is a holding for investments in the field of Software. Brain Force primarily has shareholdings which are software product companies on the one hand and companies which possess implementation expertise on the other. Brain Force Holding AG is headquartered in Vienna. Most of the company's sales are earned in Germany, Italy and Austria. Brain Force was founded in 1983 and converted into an AG in 1998. This was also the year of the company's IPO.

Management

Helmut Fleischmann (CEO), Wolfgang Lippert (CFO)

Shareholders	
Free float	71.59%
Helmut Fleischmann Private Foundation	23.4%
Beko Holding	5.01%

Source: companies (reported data), SES Research (estimates and key figures), Bloomberg (share data)