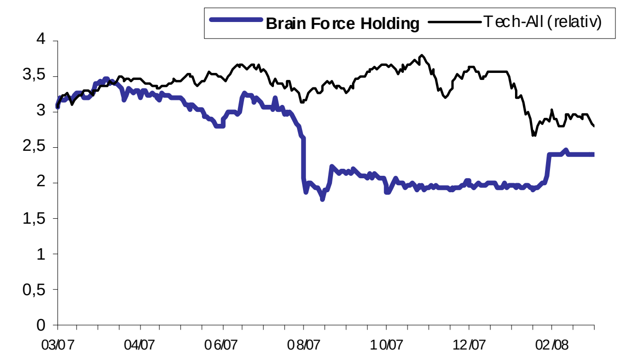
SES RESEARCH

**Hold** (old: Hold) | **Risk:** high | **Price target:** n.a.

| | | | |
|---|---|---|---|
| Bloomberg: | BFC GY | Price: | EUR 2.40 |
| Reuters: | BFCG.DE | Tech-AS: | 905.72 |
| ISIN: | AT0000820659 | | |
| Internet: | www.Brainforce.com | | |
| Segment: | Prime Standard | | |
| Sector: | IT service provider | | |




Share data: Bloomberg 03.03.2008 / Closing price

| | |
|---|---|
| High / Low 52 W: | EUR 3.45 / EUR 1.70 |
| Market cap: | EUR 36.39 m |
| No. of shares (fully diluted): | 15.39 m |

| | | |
|---|---|---|
| Shareholders | Free Float | 55,00% |
| | H. Fleischmann Privatstiftung | 15,67% |
| | BEKO Holding AG | 5,01% |
| | BF Inform.techn Bet.ges | 24,32% |
| | H. Fleischmann & Privat- | 15,67% |

| | | |
|---|---|---|
| Calendar | BPC | 27.03.2008 |
| | AGM 2008 | 23.04.2008 |


**Analysis: SES Research**

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## 2007 marked by restructurings – Offer seems to be fair

On February 29, 2008 Brain Force released its preliminary figures for 2007, which were in line with the guidance published by the company in November. Sales totalled EUR 98 m and the EBIT came to –16.7 m (guidance: sales expectation of EUR 98 m, EBIT -16.8 m).

The company is undergoing a restructuring phase, which had become necessary after the provider of IT services and software had been engaged in an offensive acquisition policy over the last years which resulted in structural problems (cf. News-Flash from 15.11.2007). The company has to reorganise the group now, primarily undertaking significant revaluations. It is true that Brain Force has a solid core business and good software products, but the group expansions, synergies and cross-selling potential hoped for have not materialised yet.

Accordingly, there's need for restructuring in the following fields:

- Strict focus on the company's profitable segments (restructuring). This includes the closing of all unprofitable sites not relevant for the growth of the company. As a consequence, the sites in the USA, Great Britain and Spain will be closed, where contributions to sales had been marginal so far.
- Development stop for projects where the earnings potential is too low.
- Reorganisation of distribution.
- Revaluation of acquired company segments (impairment).
- Revaluation of own services within the scope of projects and product developments.

The necessary adjustments were already made in the third quarter. In the fourth quarter, the EBIT of EUR 0.7 m was slightly positive again. For 2008, the company presently expects a sales increase of 5-10%. The EBIT is expected to be EUR 2 to 3 m. The final results and the new outlook will not be available before the BPC on March 27, 2008.

An important factor for the further development of the company and the share price, respectively, is the present takeover offer. Unternehmens Invest AG (UIAG) and Cross Industries AG offered Brain Force EUR 2.40 per share (mandatory offer) via their joint venture "BF Informationstechnologie-Beteiligungsgesellschaft mbH". BF already has a stake of more than 24 % in BFC.

It can be assumed that BF will again be able to substantially increase its stake on the basis of this offer. Based on the present company situation a valuation of EUR 2.40 seems to be fair.

This would correspond to an EV of around EUR 44 m.

Should Brain Force manage to turn around in 2008 and generate an EBIT margin of 3% (EBIT approx. EUR 3 m) this would result in an EV/EBIT multiple of 15.

This looks to be significantly more than the sum currently being paid for profitable German IT companies (cf. EV/EBIT 08e of Cenit (5), IDS Scheer (10) or even SAP(13)). Even Austrian-based Update Software, which has been strongly growing with high margins for years, has a significantly lower EV/EBIT multiple for 2008 (6). SES considers a valuation of 2.40 per BFC share to be fundamentally fair in view of the current situation.

The Hold rating is reiterated.