

All for One Steeb

SAP generation upgrade provides opportunity

All for One Steeb is the largest supplier of SAP solutions for the German-speaking mid-market. The generational upgrade of SAP products from R/3 to S/4HANA should provide significant growth opportunities in the short to mid-term, but will require continued investment in staff and R&D to maximise monetisation. Management has recently upgraded guidance, and the shares currently trade at a discount to peers.

Investing in cloud and vertical expertise

All for One Steeb has successfully operated a buy-and-build strategy over the past seven years. The initial focus was building scale and expanding customer footprint to the extent that the company is now the clear leader in the target segment, providing SAP solutions to the mid-market with over 2,000 clients and 1,400 experts. Recent acquisitions have focused on expanding the breadth of solutions to deliver integrated solutions across key industry verticals and supporting on-premise, private, public and hybrid cloud environments. The company's most recent acquisition, of inside Unternehmensberatung effective 1 April 2017 added specialist HR solutions capability, delivered primarily via a cloud subscription model.

Strong demand – capacity the key constraint

FY17 revenues grew by a healthy 13% to €300.5m, with strong (high-margin) licensing sales up 18% to £38.8m and recurring outsourcing and cloud service revenues increasing by 11% to €130.5m. However, EBIT grew by a more modest 6% to €20.1m, reflecting increased investment into an enterprise process library for SAP S/4HANA and the use of external consultants to fulfil strong demand during this investment phase. This performance was towards the top-end of upgraded guidance (Revenues €290-300m and EBIT of €19-20.5m). Guidance for FY18 was set at revenues of €315-325m with EBIT of €20.5m to €22m, but we believe there is scope for earnings growth to accelerate in the longer term as this investment phase moderates and margins expand.

Valuation: Upside if investment turns into margin

Despite All for One Steeb's good share price performance this year, the shares trade at a discount to peers. FY18 EV/sales and P/E multiples are 1.0x and 20x vs 1.6x and 34x for the peer group. The shares are supported by a yield of 1.9%. This valuation looks relatively attractive and we can see the potential for substantial outperformance if robust top-line growth can be maintained while investment levels are proportionately moderated.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
09/15	241.6	16.1	2.25	0.80	27.3	1.3
09/16	266.3	17.4	2.46	1.10	25.0	1.8
09/17	300.5	19.4	2.63	1.17	23.3	1.9
09/18e	324.5	21.7	3.03	1.23	20.3	2.0

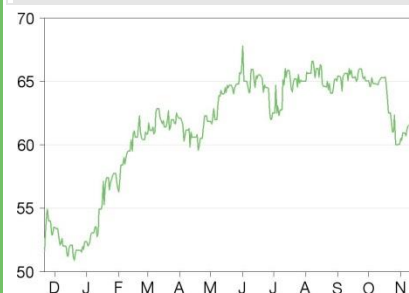
Source: Bloomberg

Software services

21 November 2017

Price €61.4
Market cap €306m

Share price graph



Share details

Code A1OS
Shares in issue 4.98m
Net debt (€m) at 30 June 2017 6.7

Business description

All for One Steeb is the leading supplier of SAP industry solutions to mid-market companies in German-speaking countries.

Bull

- Market leadership position.
- Well placed to benefit from digital and cloud transformation.
- High recurring revenues (43% in FY17) and scope for take-off of SaaS to boost this further.

Bear

- Investment fees and recruitment constraints may suppress margins near term.
- Low liquidity.
- Dependence on SAP.

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