

Buy EUR 43.00 Price EUR 35.11 Upside 22.5 %	Value Indicators: EUR DCF: 43.10 FCF-Value Potential 16e: 40.00	Share data: Bloomberg: COK GR Reuters: COKG ISIN: DE0005419105	Description: One of the three largest independent system houses in Germany
	Market Snapshot: EUR m Market cap: 513.2 No. of shares (m): 14.6 EV: 473.3 Freefloat MC: 492.6 Ø Trad. Vol. (30d; EUR): 5.26 m	Shareholders: Freefloat 96.0 % Klaus Weinmann (CEO) 2.0 % S. Kober (Superv. Board) 2.0 %	Risk Profile (WRe): 2014e Beta: 1.2 Price / Book: 2.9 x Equity Ratio: 47 % Net Fin. Debt / EBITDA: -0.8 x Net Debt / EBITDA: -0.8 x

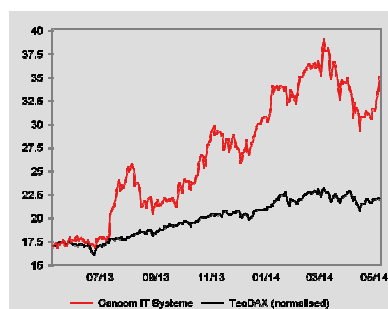
Preview: New segment reporting should increase transparency

Final Q1; Tuesday, May 13

Expected Figures Q1/2014:				Comment on Figures:		
Figures in EUR m	Q1/14e	Q1/13	yoy	2014e	2013	yoy
Sales	185.4	135.1	37.2%	780.0	613.8	27.1%
EBITDA	10.1	7.0	44.5%	51.5	33.4	54.2%
<i>margin</i>	5.4%	5.2%		6.6%	5.4%	
EBIT	4.1	4.8	-15.4%	30.5	22.6	34.6%
<i>margin</i>	2.2%	3.6%		3.9%	3.7%	
EBIT adjusted	7.0	5.1	36.9%	42.4	22.6	87.0%
<i>margin</i>	3.8%	3.8%		5.4%	3.7%	
EPS	0.17	0.28	-39.3%	1.38	1.23	12.2%
<i>margin</i>	0.1%	0.2%		0.2%	0.2%	
EPS adjusted	0.31	0.30	3.3%	1.94	1.23	57.7%

■ Organic growth should have been above 10%.
 ■ The recent acquisitions including Pironet, on line Datensysteme and HPM contributed to top-line growth.
 ■ M&A-related costs of EUR 0.5m negatively impacted the bottom line. Thus, adj. EBITDA was EUR 10.6m. Further adjustments at EBIT level are PPA-related.
 ■ The number of shares increased from 11.4m to over 14m due to the capital increase in conjunction with the Pironet acquisition. Thus, we expect only slight adj. EPS growth.

- CANCOM is scheduled to release final figures on May 13. Preliminary revenues and (adj.) EBITDA have already been announced.
- EPS as well as IFRS-EBIT are mainly the last unknown figures and will be negatively impacted by PPA-related amortisations. We gauge that these amounted to approx. EUR 2.5m.
- Along with the final figures, CANCOM will introduce new segment reporting which will display cloud-related revenues separately. Given the recurring nature of these revenues and their typically higher margins, investors are willing to pay higher multiples for this part of the business compared to CANCOM's original IT system house business.
- Continued margin expansion reflects a higher share of AHP Private Cloud projects as well as more services revenues.
- Given the intact course of growth and the promising cloud opportunities, which should receive an additional boost from the recently announced cooperation with HP, the Buy rating is being confirmed.



Rel. Performance vs TecDAX:

1 month:	13.9 %
6 months:	11.7 %
Year to date:	8.9 %
Trailing 12 months:	78.3 %

Company events:

13.05.14	Q1
25.06.14	AGM
07.08.14	Q2
11.11.14	Q3

FY End: 31.12. in EUR m	CAGR (13-16e)	2010	2011	2012	2013	2014e	2015e	2016e
Sales	12.8 %	474.6	544.4	558.1	613.8	780.0	830.0	880.0
Change Sales yoy		12.3 %	14.7 %	2.5 %	10.0 %	27.1 %	6.4 %	6.0 %
Gross profit margin		29.4 %	29.1 %	29.7 %	30.2 %	31.2 %	30.8 %	30.8 %
EBITDA	27.9 %	19.0	25.0	28.1	33.4	51.5	63.7	69.8
Margin		4.0 %	4.6 %	5.0 %	5.4 %	6.6 %	7.7 %	7.9 %
EBIT adj.	37.8 %	15.2	18.5	20.7	22.6	42.4	53.4	59.3
EBIT	32.6 %	15.2	18.5	20.7	22.6	30.5	44.9	52.8
Margin		3.2 %	3.4 %	3.7 %	3.7 %	3.9 %	5.4 %	6.0 %
Net income	35.0 %	7.8	11.5	11.5	14.5	20.2	30.3	35.8
EPS	24.8 %	0.76	1.11	1.09	1.23	1.38	2.03	2.39
DPS	14.5 %	0.15	0.30	0.35	0.40	0.45	0.50	0.60
Dividend Yield		2.2 %	3.4 %	2.9 %	2.0 %	1.3 %	1.4 %	1.7 %
FCFPS		0.86	1.67	0.34	0.94	2.64	2.69	2.65
EV / Sales		0.1 x	0.1 x	0.2 x	0.3 x	0.6 x	0.6 x	0.5 x
EV / EBITDA		3.7 x	2.9 x	3.5 x	5.2 x	9.2 x	7.2 x	6.2 x
EV / EBIT		4.6 x	3.9 x	4.7 x	7.7 x	15.5 x	10.3 x	8.2 x
EV / EBIT adj.		4.6 x	3.9 x	4.7 x	7.7 x	11.2 x	8.6 x	7.3 x
P / E		9.0 x	8.0 x	11.0 x	16.4 x	25.4 x	17.3 x	14.7 x
FCF Yield Potential		9.1 %	15.7 %	9.8 %	10.9 %	5.2 %	8.9 %	10.3 %
Net Debt		-0.8	-20.5	-29.1	-62.4	-39.9	-71.0	-97.6
ROE		16.5 %	20.6 %	16.2 %	11.9 %	12.5 %	17.7 %	18.4 %
ROCE (NOPAT)		24.1 %	29.0 %	29.1 %	20.1 %	17.8 %	23.6 %	29.1 %
Guidance:		2014: EBITDA EUR 50m						

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
CANCOM	5, 6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005419105.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

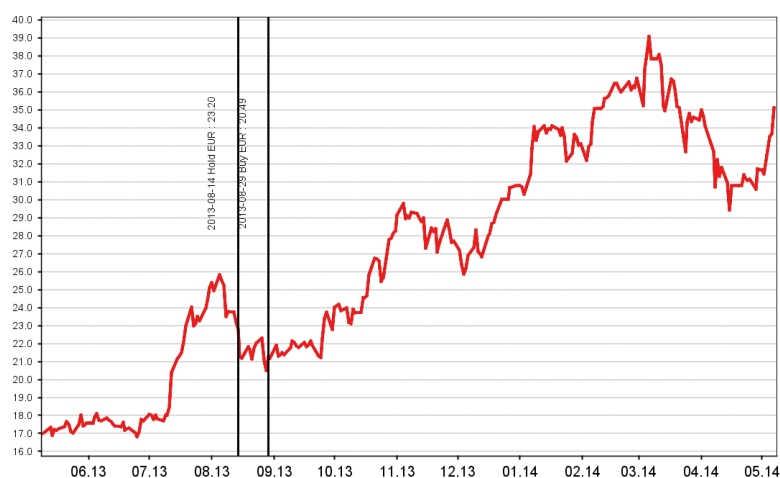
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Rating	Number of stocks	% of Universe
Buy	104	52
Hold	80	40
Sell	12	6
Rating suspended	3	2
Total	199	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... Looking only at companies for which a disclosure according to § 34b of the Germany Securities Trading Act and the FinAnV has to be made.

Rating	Number of stocks	% of Universe
Buy	78	57
Hold	54	39
Sell	4	3
Rating suspended	2	1
Total	138	100

PRICE AND RATING HISTORY CANCOM AS OF 08.05.2014


The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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