

Update

Equities | Germany

February 28, 2011

Rating:

Buy

Risk:

Medium

Current Price: EUR 14.25

New Target: EUR 20.0

Potential: 40.3%

Sector: Internet Services

Reuters Code: HTLG.F
Bloomberg Code: HTL GR

Internet Page: www.hotel.de
Fiscal Year Ending: December

Trading Data

High/Low 52w: EUR 16.1 - 10.0
Market Cap: EUR 52.48 mil.
Shares Outstst.: 3.75
Free Float: 41%

Price Graph



Financial Calendar

Apr 8, 2011
May 17, 2011

Annual Report
Q1 2011 results

Date and Time Of Prices
February 28th, 2011 10:00

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Please take a note of the Disclaimer and other Information on Page 3

hotel.de AG

2010: a very good year on the sales and earnings front

Today, hotel.de AG announced very satisfying 2010 results. Sales have reached EUR 36.17 mil., gaining 11.8% compared to 2009 and were in line with our expectations.

Good figures proof that private as well as business clients are travelling again, mainly thanks to a revitalisation of a global economy. International business was strong in particular. There, sales gained 16% to EUR 15.25 mil.. hotel.de has invested substantially in international expansion: The company has added new hotel clients abroad, has increased the number of the languages offered on the website and has improved and optimized its marketing strategy abroad. Those investments now have paid off and should continue do so in the future. Current foreign sales share has reached 42,2% (2009: 40,6%).

2010 earnings came in strong and hit our quite optimistic expectations. Operating earnings gained 128% to EUR 2,03 mil. compared to 2009. Consequently EBIT margins were 5,6%.

Net profit was EUR 1,78 mil. (+71% compared to 2009). Main responsible factors for the better earnings results were efficiency improvements thanks to a substantially higher automatisisation within reservation as well as administration process. Thus, historic investments finally seem to pay off.

Last but not least the company has announced to suggest a dividend increase from EUR 0,27 to EUR 0,47 (+74%).

Growth should continue in 2011

We see no reason, why the growth story of hotel.de should not continue in the future. All our defined growth drivers are still in tact. The global economy should continue to grow in 2011 and 2012, the trend to internet hotel booking should persist, hotel prices should increase in the coming period and company specific efficiency gains should help to improve future margins.

Consequently we believe that hotel.de should be able to reach a sales growth of 15% in 2011 compared to 2010 and should report sales of EUR 41.6 mil.. We expect that EBIT margins should expand and calculate for 2011 with operating margins of 8.0%, equal to EUR 3.3 mil..

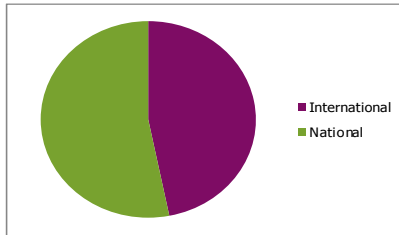
We doubt that the ongoing crisis in Arab countries will have a negative effect on the business development of hotel.de. On the one side the revolts lead more to rebookings to other (safe) regions instead of cancelations and on the other side hotel.de's exposure to those countries still is not very high.

Increase of the price target

We are increasing our price target for hotel.de from EUR 19.0 to EUR 20.0 as the investment risk is now lower thanks to a higher predictability of future sales and margins trends. This improved our fair value based on a Discounted Cash Flow model. Additionally the recalculation of our peer group analysis lead to a fair value increase as well.

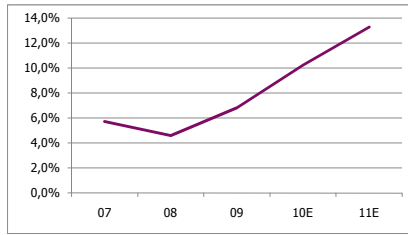
We still recommend buying this undervalued stock with an attractive dividend yield of currently 3.4%.

Sales Distribution



Source: hotel.de, VEM Aktienbank

EBITDA Margins Development



Source: hotel.de, VEM Aktienbank

Company Description

The German hotel.de AG was founded in 2001 and acts as an agent for hotel rooms and conferences on a global basis via Internet (93% of orders) and a call center (7% of orders). The headquarter is in Nurnberg. Bookings can be made via the internet pages www.hotel.de and www.hotel.info. Currently 100,000 hotels can be booked. The pages are available in 34 languages. The company has 5 subsidiaries in France, Italy, Spain, the UK and China. Two thirds of the client base is institutional the rest are private clients. Currently the company achieves 47% of sales with hotels outside of Germany. The service of hotel.de is free of charge for booking clients.

Summary Financials

Fiscal Year End December 31

Profit & Loss					Cash Flow Statement					
	2008	2009	2010E	2011E	2021E		2009	2010E	2011E	2021E
in EUR mil..										
Sales	32.7	32.4	36.2	41.6	47.8	Profit	1.04	1.78	2.55	4.00
Changes in %		-1%	12%	15.0%	15.0%	Depreciation	0.621	0.621	0.931	1.086
EBITDA	1.9	1.5	2.5	4.3	6.4	Changes in Working Capital	1.28	-0.93	-0.11	-0.71
in % of Total Sales	5.7%	4.6%	6.8%	10.2%	13.3%	Operative Cash Flow	2.95	1.47	3.37	4.37
EBIT	1.40	0.89	2.03	3.33	5.28	Investments	-0.62	-1.55	-1.40	-1.09
in % of Total Sales	4.3%	2.7%	5.6%	8.0%	11.0%	Financial Activities	-10.10	-1.69	-1.95	-1.24
Net Profit	1.2	1.0	1.8	2.6	4.0	Free Cash Flow	-7.78	-1.77	0.03	2.05
in % of Total Sales	3.8%	3.2%	4.9%	6.1%	8.4%					
Shares Outst. (in Mio)	3.75	3.75	3.75	3.75	3.75	Net Cash	-7.78	-1.77	0.03	2.05
EPS (reported)	0.33	0.28	0.47	0.68	1.07	Cash at the beginning of the Year	18.66	10.88	9.12	9.14
						Cash at the end of the Year	10.88	9.12	9.14	11.19

Balance Sheet					Key Ratios			
	2009	2010E	2011E	2021E		2011E	2012E	
in EUR mil.								
Long-term Assets		13.1	13.9	14.3	14.3	P/E	22.1	14.1
Inventories		0.0	0.0	0.0	0.0	P/Sales	1.3	1.1
Trade Debtors		6.6	7.5	7.9	9.0			
Cash		10.7	9.1	9.1	11.2	P/B	2.3	2.1
Share Capital		24.1	23.7	24.3	27.0	Dividend Yield	3.4%	3.7%
Provisions		2.6	2.8	3.1	3.4	ROE	10.5%	14.8%
Liabilities		4.1	4.0	4.1	4.1	ROIC	10.3%	14.5%
						Equity Ratio	77%	78%
						Tax Rate	30%	30%

Source: hotel.de, VEM Aktienbank

SWOT Analyse

Strengths

Due to a successful marketing strategy, the company has a very good market position and an excellent brand name. This should support future expansion plans.

hotel.de AG offers rooms in almost 100,000 hotels and has a strong position particularly in smaller cities and rural areas.

The company has streamlined the organization and runs now very efficiently.

The high cash position gives hotel.de AG enough flexibility to grow internally as well as externally

Weaknesses

The company focuses on hotel rooms and therefore might lose clients who are preferring to buy packaged trips

In comparison to competitors the provisions are still below average.

Opportunities

The positive trend towards online hotel booking should continue, which will support above average growth rates.

The business model is globally expandable as well as very scalable: We especially see strong potential in Asia as well as in Eastern Europe.

Risks

Competition is very intense and the fight for the client is hard. This could lead to an increase in marketing costs.

Especially retail clients do not have a strong loyalty to any particular booking site. Special efforts are needed to keep the client.

Hotel prices and the length of stay are very dependent on the economic environment, making the business model more cyclical than expected.

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Summary of VEM's recommendations over the last 12 month concerning the securities of the company being subject of this analysis

Date of publication	Share Price at this date	Recommendation	New Fair Value (at date of publication)
19.11.2009	11,6	Buy	22,5
26.03.2010	13,27	Buy	22,5
18.05.2010	11,79	Buy	20,0
13.12.2010	12,75	Buy	19,0

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Company	Disclosure
hotel.de AG	3 - 5 - 11
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This financial analysis is based on public available information (Company presentations, Annual Reports, Quarterly Reports, Press Information, prospectus, ad-hoc announcements etc.). Moreover, management interviews for more detailed information about the current business development were held with the company.

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- BUY: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is at least + 10 %.
- HOLD: The expected return (composed of the projected change of the share price and the anticipated dividend yield) ranges from - 10 % and + 10 %.
- SELL: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is worse than - 10 %.

For further important details concerning the valuation methods applied in the preparation of this analysis, the meaning of the specific investment recommendation (including the recommended investment period, the risks associated with the investment and the sensitivity of the valuation parameters) please see the Section "Valuation" in this analysis.

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Additional important information:

Date of first publication of this analysis by VEM : 28.02.2011

Date and Time of relevant Share Price (see first page):

A schedule for an update of this Analysis is not appointed yet. VEM reserves the right to update any individual analysis without prior notice.