

**Price target:
Euro 5,20**

FABASOFT AG. |
| Effective strategy in fast growing market

Special Situations S.A.

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Research Report FABASOFT AG.

Company Profile

Fabasoft is an European manufacturer of software for enterprise content management (ECM), compliance, electronic government, MoReq2-certified information governance and also a provider of cloud services for safe and reliable collaboration between companies, partners and customers over the internet. The company invests strongly in R&D and its own product portfolio development being also expanding its business geographies throughout Europe and the US.

Industry: Information Technology

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Management

Managing Board

Helmut Fallman, Leopold Bauernfeind

Investment Highlights

- ✓ Strong European player in the ECM industry being the only firm in the world with the MoReq2 Certification
- ✓ Strong presence in vertical markets such as Government and Financial
- ✓ Continuous focus on product innovation and commitment to open standards as a way of providing flexible offering
- ✓ Stronger recovery expected for 13/14 FY with current year earnings a little below last year performance

Financial Highlights

Financial Highlights									
Description	08/09	09/10	10/11	11/12	12/13 E	13/14 F	14/15F	15/16 F	
EBITDA	-500	3.669	1.023	2.153	2.065	2.833	3.736	4.601	
EBIT	-2.480	2.289	-345	748	632	1.402	2.292	3.137	
NET INCOME	-1.472	2.333	-429	767	710	1.266	1.921	2.558	

Investor's Box

Stock Exchange	Frankfurt Stock Exchange
Market Segment regulated Market	Prime Standard
ISIN	AT0000785407
First Trading Day	01/10/1999
Number of Shares	5.000.000
Stock Quote	3,71 Euro
Market Capitalisation	18,550 tsd. Euro
End of Fiscal Year	March 31st
Price Target (consensus)	n.a.
Freefloat	27,79%

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A| Company Profile

Fabasoft was founded in 1988 as a software producer focused on all aspects pertaining the management of electronic documents. The Company was founded and it is still managed by its founders - Mr. Helmut Fallmann and Mr. Leopold Bauernfeind.

The company operates in various fields within the Enterprise Content Management (ECM) arena. These include document management, business case handling, enterprise search, monitoring, information governance and compliance. The product portfolio can either be implemented on-premises at the customers site or distributed as cloud services.

Core revenue source markets come mainly from German speaking countries with strong focus on Austria, Germany and Switzerland. These three countries account for most of the revenues with Austria alone weighting more than 50% of total revenues.

Apart from these three countries, that together represent almost the total majority of revenue, there are also active subsidiaries in several countries in which the group is represented by local subsidiaries - UK, Italy, and other countries. Headquarters are located in Linz, Austria from where the Company steers all its operations.

Strengthening the competitive position of the company in its domestic and natural markets, while growing abroad in conjunction with local partners, is the key strategic orientation. Innovation at the product line level, through continued investment in R&D, increased effectiveness of Sales & Marketing, via new customer contact facilities and events, and the attraction of talented workforce will be the main strategic initiatives.

Fabasoft is listed in the Prime Standard of the Frankfurt Stock Exchange since October 1st, 1999.

A|1 Management

The stability of the management team in the last couple of years has been key to the steady growth that the company has registered. Aligned company visioning shared by long tenured managing board members have been translated into long term value decisions in areas such as strategic product innovation, sales and marketing organization, and the construction of important reputational value. This has proved being key to attract a talented and motivated workforce.

Mr. Fallman and Mr. Bauernfeind both founded Fabasoft in 1988 naming the Company after their own family names. Together, they co-manage the Company and steer its strategic direction since its inception. The Company was taken public eleven years later in 1999 in the Prime Standard - the most stringent transparency segment of the Frankfurt Stock Exchange.

A|2 Shareholder Structure

Shareholder Name	Percentage
Fallman & Bauernfeind Privatstiftung	67.19%
FB Beteiligungen GmbH	5,02%

Source: Company data

The majority of Fabasoft's shares are owned by Fallman & Bauernfeind Privatstiftung with 67% of share capital, being the remainder of the capital owned by employees and free-floating on the market.

A|3 Sales by Key Geographies

Sales By Region	2008/2009	2009/10	2010/2011	2011/2012
Austria	10.867	14.399	12.129	12.120
Germany	5.632	5.706	5.473	5.423
Switzerland	3.293	2.930	3.240	5.051
Other	231	252	278	289
Total	20.023	23.287	21.120	22.883

The company's core markets are comprised by German speaking European markets namely Austria, Germany and Switzerland with Other Countries representing USA, Great Britain and Italy. The most representative market continues to be the company's domestic market - Austria - where continues to derive 53% of the company's total turnover.

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B| Industry

B|1 Overview

Fabasoft operates in the fast growing industry of Enterprise Content Management (ECM). The industry is worth \$ 4.3 billion of annual software revenue and is expected to grow at a compound annual growth rate of 11.4% through 2015 according with industry analysts.

Basic and initial uses of enterprise content management that comprised secure file storage, workflows or structured libraries amongst others, evolved into ECM covering the management of the information across all the scope of the organization. From its foundations entailing mainly security, workflow and records management, ECM extended well below into the collaboration, transactional and media side of the enterprise. This led to focused IT solutions on areas such as Authoring or Document Management (collaboration technologies), Business Process Management or Document Output Management (transactional) and Web Content Management, Digital Asset Management or Document Output to the Customer.

B|2 Challenges

Cloud and mobile computing

A catalyst for the evolution and dynamics of the industry is the current possibility of consuming data and content wherever there are smartphones or tablets with internet access. This is paving the way to the integration of mobile access in the ECM systems triggering a new wave of innovation, investment in R&D and also industry consolidation.

Improved productivity and efficiency

ECM systems are now increasingly focusing on delivering higher productivity levels to enterprise resources in an evolution from the long and continued quest for efficiency optimization.

Content/ architecture strategy

A clearly defined content strategy supported by the adequate IT architecture will provide key on the investment on a ECM system as it will allow a higher return on investment. The clear definition of a content strategy will provide very beneficial to the objectives of the enterprise on choosing the right ECM solutions, existing system integration and key user profile.

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Regulatory Compliance

Providing evidence of satisfactorily meeting regulatory requirements is also key to some industries. The full life cycle of information needs to be adequately managed which drives company requirements for ECM systems according with the evolution of new compliance requirements.

Customer attraction and retention

Persuade customers through web content management or multichannel distributions are key market challenges of Client interaction management. ECM industry is also evolving to incorporate tools capable of delivering high value added interaction with the clients.

B|3 Structure

Enterprise Content Management (ECM) industry is characterized by a diverse array of competitors according to size, product offering, proprietary approaches versus open-source solutions, or in the way the solution is delivered to the client either through an on-premises approach, through the cloud, or using a hybrid model.

Figure 1 - ECM Industry - Vendor approach to content challenges

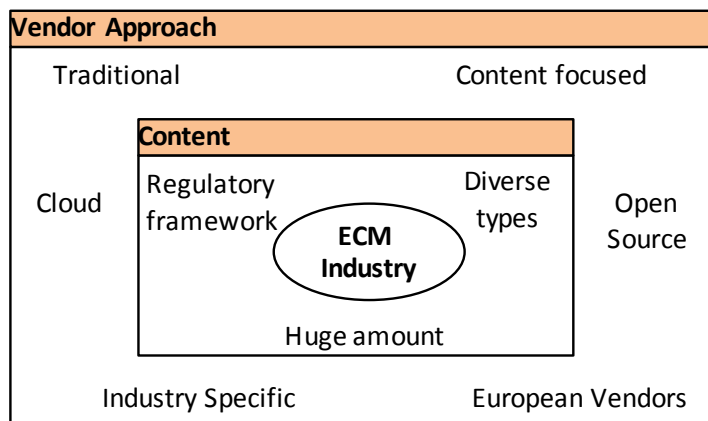


Figure 1 provides a view on this reality with vendors positioning themselves according to its desired strategy.

Competitive positioning in the industry is very much a result of the strategies each company pursues in light of the explosion of unstructured content as well as the proliferation of different content types that has been taking place. Huge amounts of content of different types coupled with an intensifying regulatory framework, create a wide array of strategic options companies can choose from when building their

offerings. Understanding content is therefore crucial to understand the industry and strategies followed by each company.

In order to better understand that dynamics we briefly characterize content into four different types: Basic, Collaboration, Transactional and Persuasive content types. We briefly describe each one below:

1. **Basic content** - these technological solutions typically focus around basic workflow, library services, search and record management.
2. **Collaboration content** - refers to the offerings that allow the completion of daily routine tasks and normally require exchange of information. These technologies include Authoring, Document Management, Team Collaboration, Enterprise Rights Management and Business Process Management.
3. **Transaction content** - normally deals with the content required and needed to be communicated within the scope of the interface with back-office applications. Enterprise Content Management vendors normally respond to these requirements with Imaging, E-forms or Document Output Management. At the transactional level this is normally a much needed requirement of corporations which are backward and forward integrated with their suppliers and customers respectively.
4. **Persuasive content** - is the target of technological solutions whose objective is the influence of markets, clients or specific target audiences. Typical offerings in this area range from Multichannel Distribution, Web Content Management to Digital Asset Management that are used as pillars of multi-channel marketing, lead generation or customer self-service.

B|4 Players

Traditional and content focused vendors

Key traditional players in this dimension are comprised of **IBM, EMC, OpenText** that all present a strong offering supported on a clear strategy. In any of the cases the offering is very complete and delivers the management of all content types through one single platform. However, on the side of the client, that normally entails significant investment, project complexity and long project cycles.

On the hand, we have vendors that focus on specific technologies rather than trying to deliver end-to-end integrated suites that cannot compete against traditional players. Focus on collaboration content and transactional content in order to get

differentiation from traditional players has been the strategy of some vendors like **Xerox** or **Perceptive**. Web Content Management and Digital Asset Management are standard offerings when it comes to persuasive content.

Open source solutions

Open source technological solutions such as **Alfresco's** offering entails standard ECM functionality while also enabling solutions to manage collaboration content such as blogs, wikis, threads and other.

Cloud vendors

Although security, integration and customization concerns play an important role on favour of on-premises solutions, the market looks increasingly for lower start-up costs, flexibility and streamlined implementations.

Evidence that cloud solutions proved secured, even provided room for the emergence of cloud-only vendors such as **Veeva** and **Knowledge Tree**. **Fabasoft** also operates in this segment with its Fabasoft Folio Cloud, MindBreeze Insite and Faba 5.

Industry-specific players

A vast number of offerings also emerged around specific verticals such as Health Care, Education, Legal or Government. This market approach has resulted extremely well for **Fabasoft** allowing the company to earn good references in Government, Energy, Financial services and Retail sector.

Geographical focused vendors

Some European vendors also focus on specific regional markets: **Ever Team** holds a strong position in France, Spain and the Middle East and **Fabasoft** and **Saperion** hold strong competitive positions in German speaking countries.

B|5 Peer Group

The selected peer group incorporated criteria such as company size, exposure to the same industry challenges and growth and also similar geography of revenue sources.

Most listed companies are large traditional ECM companies that offer fully fledged solutions but are not only restricted to the industry of ECM as they derive their profits not only from ECM business but also from aother businesses and product lines with different risk profiles.

However we did manage to find a restrict selection of companies similarly sized to Fabasoft that have their revenue stream mainly exposed to the industry of Enterprise Content Management. We believe these companies to be the most comparable ones and show them in the table below.

	P/E	P/S	P/B	ROE	Net Profit %	Operating %
FABASOFT	26,7	0,83	1,31	4,9%	3.1%	2.8%
CENIT	13,0	0,58	2,03	16,4	4,5%	6,5%
EASY SOFTWARE	8,3	0,92	1,58	21,2	12,6%	14,0%
USU SOFTWARE	24,7	1,60	1,64	6,7	6,5%	6,7%
Average	15,3	1,0	1,8	14,8	7,8%	9,1%

On a direct P/E comparison against the average, Fabasoft seems extremely expensive commanding a P/E ratio of 26.7 against an average of 15.3.

However, the company has undertaken important strategic actions in the most recent years, in terms of product portfolio, maintenance of R&D investment, sales & marketing as well as brand awareness. Its sound solid cash position, that provides a good indication of its minimum value, largely allowed the Company to correctly focus on future-oriented and sustainable topics as opposed to seek short term profitability. While the option for long term growth ensures sustainability it does penalize immediate earnings multiples.

This reality also explains the remaining multiples and profitability ratios as recent investments aimed at increasing the company's competitiveness in the market did not still start to pay off.

C|1 Business Model and Product Portfolio

Business Model

The business model results from the sale of the company's own software products and related services provisioning to both the public and private sector. Its products are offered under the umbrella brand Fabasoft and rely either on the internal sales and marketing organization or on the sales and implementation partner network.

Sales focus on customers seeking to quickly implement electronic document management, records management or electronic collaboration. Offering has also evolved to the deployment of tools allowing the wide search of information across systems while also meeting compliance requirements. Fabasoft Folio, Fabasoft Mindbreeze and Fabasoft app.telemetry are the key product lines covering these markets.

The public sector tenders tend to be largely centered around case and process management, and also e-government. The company presence is particularly strong in the public sector market of Germany, Austria and Switzerland where the company targets customers through a direct sales approach.

Projects and repeated business is then assured through sales organisations that do not only act as general contractors for project implementation that generate additional projects, Fabasoft also endeavours to establish new partnerships with local partners in new geographies.

In terms of the delivery model, customers may access the company portfolio either on-premises or through the cloud via the form of services. Within the Fabasoft Folio cloud, development partners can not only access, present and market their specialist applications, but also test products extensively without risk. This first contact with the company framework is provided free of any costs so potential developers gain knowledge to Fabasoft's Folio.

Product Portfolio

Fabasoft Folio Cloud

Folio Cloud is an European software service for electronic document management and digital business processes in the Cloud.

Valuable benefits for customers using Folio Cloud materialize mainly through the safely use of business software over the internet, investment savings in computer software and hardware, transparent accounting models based on monthly fees and also lower budgeting and forecasting risks as IT investment expenditure is reduced. On the operational front, clients get higher transparency and traceability in business-to-business, country wide collaboration (compliance support) as well as relevant and certified standards of security and traceability.

Security is adequately assured by the company, as Folio cloud is certified according to all relevant standards for security and reliability, including the Information Security Management System - ISO 27000; and ISAE 3402 Type 2 (Service Auditor Report). Secure team rooms to which only explicitly authorised, invited and previously authenticated people have access, either from their PC or from their mobile devices, translate into high flexibility delivered through Folio Cloud to customer's operations. Cloud access is protected through a two factor authentication and registration with a state proofed Digital ID. In Germany, Folio Cloud supports this with the German ID card, in Switzerland with the SuisseID and in Austria with mobile signature.

With the activation of Cloud Apps, Folio Cloud also enables customers and developers to integrate the service into business processes using Folio Cloud development Platform (platform-as-a-service) while also showcasing their products.

Fabasoft Folio

Fabasoft Folio is a software for secure electronic content management, records management, case management for digital data aimed at informal collaboration and the digitisation of workflow providing adequate answers to current market transparency, traceability and compliancy requirements. Examples of Fabasoft Folio include digital personnel files, electronic incoming mail registration and digital contract management among others.

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Fabasoft Folio is the first and currently **only software product in the world certified** according with the **European standard for records management - MoReq2**. This provides an important market advantage to Fabasoft as MoReq2 represents the EU sponsored standard for electronics records management systems.

The fact that its main intended usages are to serve as basis for invitations to tender (ie: requests for proposals) as well as providing a guidance framework for the development of new ERMS and their audits positions, Fabasoft Folio is therefore very well positioned among its peer competitors.

Folio is also platform agnostic running either Microsoft Windows platform or on Open Source platforms (Linux) providing significant flexibility, speed and solution quality.

The concept of **Single Instance Content Store** is also core to this product offering as it allows that multiple copies of the same document to take up only one single storage location. This directly addresses data centre storage capacity and respective cost increasing the competitiveness of the solution.

Fabasoft e-Gov Suite

E-Gov Suite is the leading product in German-speaking countries for enterprise content management in public administration. Central Administrations (federal ministries and federal administrations), regional and local authorities are the main beneficiaries of the suites' features namely at the level of document processing, storage, filing and other.

Being based on international standards, evaluated and certified by German, Swiss and Austrian authorities, and also based on Fabasoft Folio, Fabasoft's E-Gov Suite provides the backbone of citizen-oriented e-government processes.

The high scalability of the product (providing adequacy ranging from the implementation on small installations at the municipal level, to central project implementations with tens of thousands of users) and the sustainable approach to document management provided by the product, deliver the possible realisation of important benefits such as the reduction of waiting time in public services or even eliminate the need to travel to access information or services.

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Fabasoft MindBreeze

Mindbreeze Enterprise is a search software allowing users to find information in a wide variety of data supports including e-mail systems, file systems, databases document management systems, intranet and the internet. Mindbreeze Mobile even extends this capability to mobile devices such as smartphones and tablets making the very latest version of company information available regardless to time or place. The InApp flavour of Mindbreeze allows software manufacturers, integrators and developers to integrate Mindbreeze technology in their own solutions. This allows them to readily incorporate a professional search solution in their websites with semantic search queries and relevance models delivering intelligent results.

Mindbreeze Enterprise fits also large data and information overload providing a simple way of accessing, preparing and presenting company knowledge as a basis for sound decision making.

Fabasoft App.Ducx

App Ducx is the development environment for composite content applications based on Fabasoft Folio, Fabasoft Folio Cloud and Fabasoft E-Gov Suite. Fabasoft App.Ducx provides the basis and tool support for the development of document centric applications. The tool, also accessible for cloud app developers, allows the development of vertical specialist applications with a high level of quality.

Fabasoft App.Test

Fabasoft App.Test provides the development environment for automated acceptance tests for specialist applications for Fabasoft Folio, Fabasoft Folio Cloud and Fabasoft E-Gov Suite. Websites as well as Web apps can also be tested with Fabasoft App.Test.

The development offering platform of Fabasoft, basically comprises Fabasoft App.Ducx and App.Test, provides the adequate ground for software development in short development cycles, fulfilling high quality standards while continuously improving quality.

Fabasoft App.Telemetry

App.Telemetry is the Company offering aimed at measuring the transactions performance of distributed software applications and also allowing the analysis of this data in the context of specific cases. Execution time of specific queries sent to servers, time spend within a service or the duration of database query are all within

the monitored indicators of Fabasoft App.Telemetry. The software is also available through the cloud with the name of HeadsUp User Engagement.

Most valuable advantage translates into valuable feedback pertaining user specific navigation information and screenshots, so problems are easily detected, diagnosed and solved.

This software provides important information on the service levels of customer key applications paving the way to reduce data center resource consumptions namely time and energy.

Faba5

Fabasoft's FABA 5 is the Company's Content Management System (CMS) in the Cloud for the efficient construction and operation of websites. In this area, the key advantage of operating a CMS results directly from the increased value that this particular offering provides to the remaining Fabasoft product portfolio and its strategic positioning. Faba5 largely operates as an accelerator towards the full digitisation of business processes as marketers easily create device-optimised and accessible websites with customised templates, while also accelerating the production and maintenance of content. Once again, customers capture important savings through in-existent investment on unnecessary IT infrastructure, hardware and software, large IT teams, energy and cost.

Professional Services

The Fabasoft Professional Group's Organization (PSO) provides services supporting the Group's product portfolio. The services provided include consultancy, project management, user assistance, training, support, development support system integration and testing. As typical in the IT industry, these services are delivered under a basis of fixed price quotation or time & material agreements.

Some of the relevant projects per geography are outlined in the Table below:

Geography	Client	Area	Impact
Germany	Siemens AG	Doc Man & Special Apps	
	Paul Ehrlich Institute	Doc Management	
	Munich Admin Authority	Fully automatic Exch of information	
	Mayor Offices of Düsseldorf	Document Management (E-Gov Suite)	200 WS (option 1800)
Austria	SPAR Group	Migration DMS	4400 users
Switzerland	Swiss Federal Chancellery	E-Gov Suite	All processes migrated

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C|2 Financial Performance

Fabasoft is still largely exposed to German Speaking countries.

Within these geographies, the domestic market - Austria - still accounts for the larger share of revenue weighting roughly 53% of total business. The remaining is almost equally divided by the German and the Swiss market.

Sales Revenue By Geography								
	08/09	09/10	10/11	11/12	12/13 E	13/14 F	14/15F	15/16 F
Sales								
Austria	10.867	14.399	12.129	12.120	11.500	11.845	12.437	13.059
Germany	5.632	5.706	5.473	5.423	5.700	5.985	6.284	6.598
Switzerland	3.293	2.930	3.240	5.051	5.304	5.675	6.129	6.619
Other	231	252	278	289	250	400	450	500
Total	20.023	23.287	21.120	22.883	22.754	23.905	25.300	26.777

Units: K€

Growth in these economies will come mainly from a result of reaping market rewards of recent I&D investment on the company offering, innovation at both the product portfolio level and underlying infra-structure and also customer facing facilities and sales channels.

As one can see, sales have been growing slowly in the last years as the company has been focusing mainly on developing its core offering, adopting it to the cloud and lately raising brand awareness and marketing presence.

Profit & Loss Statement

For the current year of 2012/13 we are expecting total result to drop slightly under last year's figure of 740k€. This results mainly from sales that we are anticipating not to be strong as last year's as in the year of 2011/12.

Although the second half is normally stronger than the first one, the company may still face some risks of some deals not materialize due to delay in decision times. This is especially true in the public sector segment.

However, Fabasoft will continue to benefit from running a recently updated product offering, with significant sales & marketing investment made on a fast growing industry. The company is not financially constrained to finance growth as it plays on top of a very solid financial position.

Consolidated Comprehensive Income								
Description	08/09	09/10	10/11	11/12	12/13 E	13/14 F	14/15F	15/16 F
Sales Revenue	20.023	23.287	21.120	22.883	22.754	23.905	25.300	26.777
Other Operating Income	108	79	273	431	297	258	297	359
Expenses for Purchased Services	-622	-462	-351	-419	-438	-440	-450	-475
Employees Benefits Expenses	-12.735	-13.252	-13.041	-13.679	-13.855	-13.994	-14.273	-14.630
Dep & Amortization	-1.980	-1.380	-1.368	-1.405	-1.433	-1.431	-1.445	-1.464
Other operating Expenses	-7.274	-5.983	-6.978	-7.063	-6.693	-6.896	-7.138	-7.429
Operating result	-2.480	2.289	-345	748	632	1.402	2.292	3.137
Finance income	627	293	155	317	372	376	396	433
Finance Costs	-185	-36	-82	-21	-20	-20	-20	-20
Profit/Loss Shares of Affiliated companies - equity method	0	0	0	-28	0	0	0	0
Result before Income Taxes	-2.038	2.546	-272	1.016	984	1.758	2.667	3.550
Income Taxes	572	-181	-260	-273	-264	-472	-717	-954
Result for the Period	-1.466	2.365	-532	743	720	1.286	1.951	2.596
Chg Adjustment item Currency Conversion	8	44	102	-3	0	0	0	0
Change Market Valuation Reserve	0	0	5	0	0	0	0	0
Total result	-1.458	2.409	-425	740	720	1.286	1.951	2.596
Result - period attributable to:								
Equity holders	-1.472	2.333	-429	767	710	1.266	1.921	2.558
Minority	6	32	-103	-24	10	20	30	38

Unit: k€

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Balance Sheet

The company's financial situation is one of Fabasoft's core assets. As of the year end the 31st March of 2012 the Company had 55% of its total assets in Cash or Cash equivalents. This does not only provide the management with the capability to boost growth taking projects with different risk-return profiles but also enables the company to optimize its capital structure.

Consolidated Balance Sheet								
Description	08/09	09/10	10/11	11/12	12/13 E	13/14 F	14/15F	15/16 F
Assets								
Non Current Assets								
Property, Plant and Equipment	2.274	1.951	2.594	2.860	2.627	2.396	2.151	1.887
Intangible Assets	72	29	34	155	171	188	206	227
Financial assets - Equity Method	0	0	0	22	23	24	25	27
Available for Sale Financial Asset:	148	148	153	157	160	160	160	160
Deferred Income Tax Assets	1.030	698	664	526	400	420	441	463
Total Non-Current Assets	3.524	2.826	3.445	3.720	3.381	3.187	2.984	2.764
Current Assets								
Trade and Other Receivables	6.474	8.892	9.984	8.421	8.373	8.797	9.311	9.854
Income Tax receivables	0	0	104	20	20	20	20	20
Cash and Cash equivalents	17.067	17.387	12.452	14.628	14.781	15.550	17.014	19.169
Total Current Assets	23.541	26.279	22.540	23.069	23.175	24.367	26.344	29.043
Total Assets	27.065	29.105	25.985	26.789	26.555	27.554	29.328	31.806
Equity								
Capital and Reserves								
Share Capital	8.518	7.000	5.000	5.000	5.000	5.000	5.000	5.000
Capital Reserves	9.894	9.922	9.296	9.296	9.296	9.296	9.296	9.296
Adjustment item - currency conv:	226	270	377	374	374	374	374	374
Retained Earnings	-2.265	68	-876	-109	-149	357	1.519	3.318
	16.373	17.260	13.797	14.561	14.521	15.027	16.189	17.988
Minority Interests	11	42	-91	-104	-94	-74	-44	-6
Total Equity	16.384	17.302	13.706	14.457	14.427	14.953	16.145	17.982
Non-Current Liabilities								
Provisions for Severance Paymen	910	1.161	1.270	1.496	1.515	1.530	1.561	1.600
Deferred Income Tax Liabilities	20	5	119	117	120	120	120	120
Total Non-Current Liabilities	930	1.166	1.389	1.613	1.635	1.650	1.681	1.720
Current Liabilities								
Trade and Other Payables	3.395	4.543	3.974	3.553	3.367	3.469	3.591	3.737
Liabilities for Income Taxes	0	0	180	108	108	108	108	108
Revenue Accruals	6.356	6.094	6.736	7.058	7.018	7.373	7.804	8.259
Total Current Liabilities	9.751	10.637	10.890	10.719	10.493	10.950	11.502	12.104
Total Liabilities	9.751	10.637	10.890	10.719	10.493	10.950	11.502	12.104
Total Equity and Liabilities	27.065	29.105	25.985	26.789	26.555	27.554	29.328	31.806

This is not only relevant to provide adequate return to shareholders but also to retain the best talents which is core to the company's sustainable growth.

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Ratios								
Description	08/09	09/10	10/11	11/12	12/13 E	13/14 F	14/15F	15/16 F
Profitability								
Return on Assets	-9,2%	7,9%	-1,3%	2,8%	2,4%	5,1%	7,8%	9,9%
Return on Capital	-15,1%	13,6%	-2,2%	5,3%	4,3%	9,5%	14,7%	18,4%
Return on Equity		13,9%	-2,8%	5,4%	4,9%	8,6%	12,3%	15,0%
Margin								
EBITDA Margin	-2,5%	15,7%	4,8%	9,2%	9,0%	11,7%	14,6%	17,0%
EBIT Margin	-12,4%	9,8%	-1,6%	3,3%	2,8%	5,9%	9,1%	11,7%
Net Profit Margin	-7,4%	10,0%	-2,0%	3,4%	3,1%	5,3%	7,6%	9,6%
Asset Turnover								
Total Assets Turnover	0,74	0,80	0,81	0,85	0,86	0,87	0,86	0,84
Fixed Assets Turnover	8,53	11,76	8,04	7,59	8,13	9,25	10,73	12,67
Accounts Receivables Turnover	3,09	2,62	2,12	2,72	2,72	2,72	2,72	2,72
Credit								
Current Ratio	2,41	2,47	2,07	2,15	2,21	2,23	2,29	2,40
Quick Ratio	2,41	2,47	2,07	2,15	2,21	2,23	2,29	2,40
Long Term Solvency								
Total Debt/Equity	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total Liabilities/Total Assets	0,36	0,37	0,42	0,40	0,40	0,40	0,39	0,38
Growth								
Total Revenue	-	16%	-9%	8%	-1%	5%	6%	6%
EBITDA	-	-	-72%	110%	-4%	37%	32%	23%

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D| SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none">- Strong presence in some vertical markets such as Government, Financial and Retail;- Sound and competitive cloud offering;- Unique Moreq2-certified records management product in the world- Solid financial situation	<p>Weaknesses</p> <ul style="list-style-type: none">- Dependent on capability to boost reputation into new sectors where the presence is still lacklustre- Strong presence in local and regional Government sometimes deter entry into new sectors- Exposure to Public sector whose investment can suffer unexpected delays
<p>Opportunities</p> <ul style="list-style-type: none">- New products and versions provide room to expand market share and also share of wallet in existing customers- Demand for both Windows or Open-Source and secure solutions is a growing market for which the company holds adequate offering	<p>Threats</p> <ul style="list-style-type: none">- Dependency on German Speaking Countries;- Underlying risks of internationalisation;- Consolidation trend taking place in the industry even at the level of small players

E | Valuation

For valuation purposes, we used two different methodologies approaches: multiples and discounted cash flow (DCF).

Multiples

We believe that Fabasoft should not be directly compared with larger companies that, while competing directly with Fabasoft on its markets, also participate in other industries which have different profiles of risk.

Therefore, after screening similar competitors, especially in the specific arena of document management, we selected Cenit AG, Easy Software AG, and USU Software AG as being the most comparable to Fabasoft.

The average multiples for these three companies are 15.3x earnings, 1.0x sales and 1.8x Book value respectively.

Multiples Valuation			
	P/E	P/S	P/B
FABASOFT	26,7	0,8	1,3
CENIT AG	13,0	0,58	2,03
EASY SOFTWARE AG	8,3	0,92	1,58
USU SOFTWARE AG	24,7	1,60	1,64
Average	15,3	1,0	1,8

Implied Fabasoft Valuation					
	P/E	P/S	P/B	Average	Upside
Implied Valuation	10.869	23.512	25.247	19.876	5%
Cash at hand for P/E	14.781	23.512	25.247	21.180	12%

At these market multiples Fabasoft has an implied valuation of 19-21M€. Using the multiple approach we correct the P/E implied valuation scenario, as we believe the cash at hand to provide sound support to company value.

We therefore reached a 21.2M€ valuation using a multiples valuation.

Discounted Cash Flow

The valuation assumptions to calculate the present value of future cash flows are summarized in the table below. Using a risk free rate of 4% and also 1.5% premium to account for the smaller size we computed a 9,92% cost of capital.

Cost of Capital	
Description	Value
Risk Free-Rate	4%
Market Risk Premium	6%
Beta	0,74
Size Premium	1,5%
Cost of Capital	9,92%

DCF Model					
Description	12/13 E	13/14 F	14/15F	15/16 F	TV
Sales	23.051	24.163	25.597	27.136	
Operating Costs	-20.986	-21.330	-21.861	-22.535	
EBITDA	2.065	2.833	3.736	4.601	4.601
EBIT	632	1.402	2.292	3.137	
Taxes	-264	-472	-717	-954	-954
Capex	-1.216	-1.217	-1.219	-1.221	-1200
Increase in NWC	-178	34	38	59	-300
Free Cash Flow	406	1.177	1.839	2.486	2.147
Discount Period	0,25	1,25	2,25	3,25	
Discount Factor	0,98	0,89	0,81	0,74	
Perpetuity Growth	1%				
Discount Value	397	1.046	1.487	1.828	
PV of TV	17.703				
Entreprise Value	22.461				
Less: Total Debt	0				
Plus: Cash and Cash Equiv	14.781				
Implied Equity Value	37.242				

Using the assumptions summarized in the Table above **we reach a target market cap of 37.2 million euros for DCF.**

On setting our price target we decided to provide the multiples' approach with a 70% weight and DCF with 30% and therefore set a **final market cap of 26.0 M€ or 5,20€ per share that we are setting as our 12-month price target.**

E|2 Summary

Enterprise Content Management industry growth will continue to provide opportunities for companies with well-structured product offerings.

On the client side, the challenge of dealing with permanently increasing content will translate into stronger pressure for more competitive, innovative and cost efficient solutions. We anticipate this to occur within a scenario where a significant part of the market is cutting investment budgets, decision cycles are becoming wider and new contracting processes are being implemented.

However, we believe that Fabasoft has been restructuring its operations to accommodate this scenario. The innovation focused strategy that the Company has been implementing will start to materialize more clearly in the near future. The recently updated offering, providing either on-premises or cloud solutions together with the commitment to open standards, does provide a higher degree of competitive differentiation which is highly valued by the market during financially constrained times. This posture will also be key for the company's capability to attract and retain talent who will be key on developing new business.

Of utmost importance, we also grade very positively the investment in new sales and partner channels that we expect to accelerate branding reputation and company awareness. These arguments, together with the strong financial position of Fabasoft, should provide the capability of slowly securing the first deals abroad.

We expect the stock price of Fabasoft to reach € 5,20 or a 37% upside.

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During the company valuation there are used common and recognized types of valuations as Discounted Cashflow Models (DCF Model), Peergroup Analysis, adapted individual assessment procedures. Within the DCF Model we calculate the Present- and Terminal Value of the issuer which represents the discounted free Cashflows of the issuer. This gross rental method thus determines the capitalized value by using the forecasted future success of the issuer as well as its rate of interest.

Within the Peergroup Analysis we compare companies by correlating business ratios like Price-Earnings-Ratio, Price-Equity-Ratio, Enterprise Value/ Revenues Ratio, Enterprise Value/ EBITDA Ratio or Enterprise Value/ EBIT Ratio.

The comparableness of the figures is deduced out of the business activity and the business outlook of the companies.

The individual assessment procedures foresee the calculation of the company value by analysing and valuing the single company elements (assets and liabilities) at a certain key date.

The calculated net asset value can be reached under the assumption of continuance (asset value) or under the assumption of a scheduled liquidation (liquidation value).

The numbers underlying to the business valuation are figures out of the profit- and loss calculation, the cash flow statement and the balance sheet. There are used date based estimations which therefore are fraught with risk. Furthermore the figures and numbers can change anytime without prior notice.

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