

GBC - Research Note

ATOSS Software AG - NEUTRAL



Date: 02.04.2004
 Bloomberg: AOF
 Share price: 14.49
 Rating: NEUTRAL
 ISIN: DE0005104400
 Segment: Prime Standard
 Sector: Software

Corporate data and estimates (in € Mio.):

	2003	Q1 2004 e	2004 E
Sales:	23.41	5.17	24.02
EBITDA	3.41	0.35	3.60
EBIT :	2.39	0.10	2.60
EPS	0.50	0.05	0.52
EPS (diluted)	0.46	0.04	0.48
No. of shares (Mio) (diluted)			4.07
Market Cap (in €Mio.):			58.97
EV/EBITDA 2004 e:			7.61

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Preparation for Higher Growth in Years Ahead Is Hallmark of 2004

After ending the financial year 2003 most successfully with the emphasis on boosting profitability and a marked improvement in earnings, ATOSS Software AG aims now, in fiscal 2004, to lay the groundwork for further, more dynamic sales growth in the years ahead.

The objective of a variety of measures is to step up integration of sales and performance processes and focus on customer groups that have not been addressed much in the past. These measures are aimed at securing further market shares in the working time management and personnel deployment markets, leading to higher growth rates in years ahead.

Measures by which ATOSS plans to achieve this objective are:

- **Improved lead generation**, i. e. better realization of a larger number of addressable projects
- **An integrated sales and performance process** resulting from closer integration of sales, services and consulting
- **The provision of solutions for every customer requirement** by means of the ASES (ATOSS Staff Efficiency Suite) and ATC (ATOSS Time Control) solutions
- **Addressing the market for business process modeling** via AENEIS, a product that has so far grossed only low sales.

Outlook Positive for Full Year 2004, First Quarter and First Half Expected to be Weaker

For the financial year in progress, 2004, the ATOSS Executive Board anticipates higher sales growth than in the previous year. This target should be met, given that last year's 1% growth rate was far from high.

The growth that the Board forecasts for the full year is expected to be achieved especially in the second half when the

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integrated sales system is up, running and taking effect. In the first quarter of 2004 there will, however, be an initial sales decline that could, in the short term, lead to disappointment for investors. We anticipate Q1 sales of EUR 5.2 m, a decline of 10% to 11%. We expect earnings before interest and taxes (EBIT) to be around EUR 0.1 m (Q1 2003: EUR 0.3 m) and earnings per share (EPS) of between EUR 0.04 and EUR 0.05.

We anticipate Q2 sales on a par with the previous year, leading to first-half sales and earnings down on H1 2003. It must, however, be borne in mind that last year's first quarter and first half were especially successful, setting a high yardstick with the emphasis on large orders.

Assuming that the positive second-half scenario takes place as projected, we anticipate for the full year 2004 sales growth of between 2% and 3% to around EUR 24 m. Earnings before interest and taxes (EBIT) should then according to our latest estimate be around EUR 2.6 m and earnings per share (undiluted) around EUR 0.52.

Rating:

ATOSS continues to post very sound figures and is very well positioned operationally. For FY 2004, however, consolidation is anticipated at a high level, with the company focusing on paving the way for higher sales growth in the years ahead. In the process, the weaker first quarter expected could lead in the short term to disappointment for investors. At its present price we see the share as fairly valued against the background of our latest estimates. The proposed dividend payout of EUR 1.50 that is likely to be made on April 23, the day after the annual shareholders' meeting, should stabilize the share price.

Our latest, revised rating is NEUTRAL.

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