

<b>Buy</b> <b>EUR 26.00</b>  Price <b>EUR 15.50</b> Upside <b>67.7 %</b>	<b>Value Indicators:</b> EUR DCF: 26.04 FCF-Value Potential 23e: 11.18 Peer group 23e: 23.00	<b>Warburg ESG Risk Score: 3.0</b> ESG Score (MSCI based): 3.0 Balance Sheet Score: 5.0 Market Liquidity Score: 1.0	<b>Description:</b> Producer of software products (digital administration, knowledge management)
	<b>Market Snapshot:</b> EUR m Market cap: 170.5 No. of shares (m): 11.0 EV: 152.0 Freefloat MC: 97.4 Ø Trad. Vol. (30d): 42.89 th	<b>Shareholders:</b> Freefloat 57.10 % Fallmann & Bauernfeind Pst. 42.90 %	<b>Key Figures (WRE):</b> 2022/23e Beta: 1.2 Price / Book: 8.1 x Equity Ratio: 37 %

## Shift to cloud ecosystem and Mindbreeze to drive growth after staff expansion

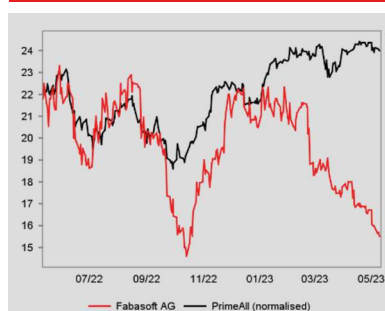
Fabasoft is a leading European software company that offers industry-standard software for public-sector digitalisation, highly secure cloud-based document management software and innovative enterprise search solutions. The company operates the three distinct ecosystems eGov, PROCECO and Mindbreeze. eGov is Fabasoft's **legacy business centred around document management software for the public sector**. Recently, Fabasoft has started to expand its PROCECO cloud ecosystem which hosts a diverse array of applications and complies with strict data-security guidelines. Fabasoft's subsidiary **Mindbreeze** has evolved from an innovative start-up to a leader on the growing market for insight engines and enterprise search.

Fabasoft aims to revamp its legacy business by migrating its customers, both private and public-sector, from traditional perpetual licenses and on-premise hosting to subscription-based contracts for cloud applications. The basis for the **cloud expansion** is the **PROCECO ecosystem** which is based on Fabasoft's in-house cloud that is built and operated entirely in Europe. The Fabasoft cloud ensures **compliance with strict data-protection laws** and regulations such as the EU General Data Protection Regulation (GDPR), the C5 attestation by the German Federal Office for Information Security or the EU Cloud Code of Conduct which represents a significant advantage over hyperscalers especially regarding public-sector customers that deal with highly sensitive personal data.

A key pillar of Fabasoft's cloud strategy going forward is strategic **expansion of the product portfolio by M&A**. Management targets small profitable cloud-based software companies with ambitious founders and management teams. By integrating the applications into the PROCECO ecosystem, Fabasoft enables the acquired companies to unlock new growth potential and offers customers a wider product portfolio. This way, Fabasoft aims to address new markets and create opportunities for cross-selling and upselling with existing customers. A key part of the M&A strategy is to keep founders and management teams on board and to facilitate the implementation of their innovations by integrating the companies into Fabasoft structures.

The subsidiary **Mindbreeze is a customisable insight engine based on cognitive search algorithms**. The software is designed to help organizations gain insights from their data by providing central search capabilities across multiple data sources. The company has grown entirely organically as part of Fabasoft with an initial stake of 76%. Independent research firms repeatedly rank Mindbreeze as an industry leader alongside companies like Coveo, Microsoft and IBM. The rapid growth and attractive profitability of the business have lifted Mindbreeze's EBIT contribution to 44% in FY 2021/22. In light of the growing importance to the company, Fabasoft has increased its stake in Mindbreeze to 85.5% in 2021.

Our PT of EUR 26.00 is based on a DCF model. The peer-group comparison indicates a fair value of EUR 23.00 supporting the upside potential to the current share price. We have slightly adjusted our model following an analyst change. The **Buy rating is confirmed**.

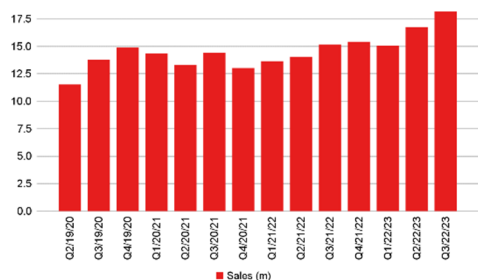


<b>Rel. Performance vs PrimeAll:</b>	
1 month:	-10.0 %
6 months:	-27.2 %
Year to date:	-35.6 %
Trailing 12 months:	-38.6 %

<b>Company events:</b>	
07.06.23	FY 2022/23
16.06.23	Warburg Highlights
03.07.23	AGM
11.08.23	Q1

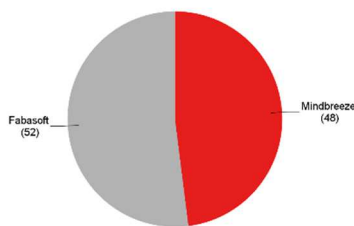
FY End: 31.3. in EUR m	CAGR (21/22-24/25e)	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
<b>Sales</b>	13.1 %	40.3	51.1	55.1	58.3	67.0	75.7	84.3
Change Sales yoy		26.0 %	26.8 %	7.9 %	5.8 %	15.0 %	13.0 %	11.3 %
Gross profit margin		97.4 %	95.6 %	95.5 %	95.0 %	94.5 %	94.5 %	94.5 %
<b>EBITDA</b>	7.5 %	11.5	16.8	19.6	17.6	16.8	18.9	21.9
Margin		28.5 %	32.9 %	35.5 %	30.3 %	25.0 %	25.0 %	26.0 %
<b>EBIT</b>	3.1 %	8.9	11.7	13.9	11.5	10.1	10.6	12.6
Margin		22.1 %	22.9 %	25.2 %	19.8 %	15.0 %	14.0 %	15.0 %
<b>Net income</b>	0.6 %	5.9	7.7	8.6	7.4	6.3	6.1	7.5
<b>EPS</b>	0.5 %	0.55	0.70	0.78	0.68	0.57	0.55	0.69
EPS adj.	0.5 %	0.55	0.70	0.78	0.68	0.57	0.55	0.69
<b>DPS</b>	-6.3 %	0.50	0.65	0.85	0.85	0.85	0.70	0.70
Dividend Yield		3.7 %	3.0 %	2.3 %	2.3 %	5.5 %	4.5 %	4.5 %
<b>FCFPS</b>		0.72	0.88	1.35	0.76	0.56	0.91	1.14
<b>FCF / Market cap</b>		5.4 %	4.1 %	3.7 %	2.1 %	3.6 %	5.9 %	7.3 %
<b>EV / Sales</b>		2.9 x	4.0 x	6.5 x	6.4 x	2.3 x	2.0 x	1.8 x
<b>EV / EBITDA</b>		10.0 x	12.2 x	18.3 x	21.2 x	9.1 x	8.0 x	6.8 x
<b>EV / EBIT</b>		13.0 x	17.5 x	25.8 x	32.4 x	15.1 x	14.3 x	11.7 x
<b>P / E</b>		24.5 x	30.8 x	46.9 x	54.2 x	27.2 x	28.2 x	22.5 x
<b>P / E adj.</b>		24.5 x	30.8 x	46.9 x	54.2 x	27.2 x	28.2 x	22.5 x
<b>FCF Potential Yield</b>		4.6 %	4.6 %	3.1 %	2.1 %	5.1 %	6.5 %	8.2 %
<b>Net Debt</b>		-29.9	-31.6	-44.5	-31.9	-18.8	-18.5	-22.3
<b>ROCE (EBIT)</b>		31.0 %	35.4 %	35.5 %	31.0 %	34.1 %	44.1 %	61.1 %
<b>Guidance:</b>	n.a.							

**Sales development**  
in EUR m



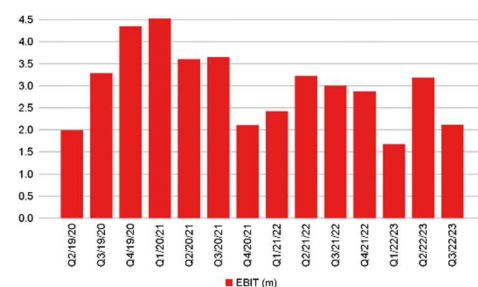
Source: Warburg Research

**Earnings contribution (EBIT)**  
2022/23e; in %



Source: Warburg Research

**EBIT development**  
in EUR m



Source: Warburg Research

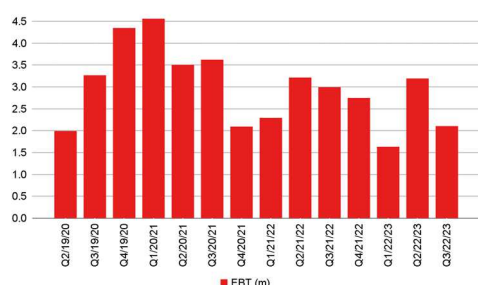
## Company Background

- Fabasoft is a European software producer and cloud service provider for digital document management as well as electronic documentation, process and file management.
- Its customers primarily include authorities and public administration, but also international corporations.
- Particularly noteworthy, besides the company's solutions in the field of public administration, are the solutions in the area of knowledge management.
- The area of knowledge management ("Mindbreeze") has developed impressively from a start-up to a profit driver in recent years.

## Competitive Quality

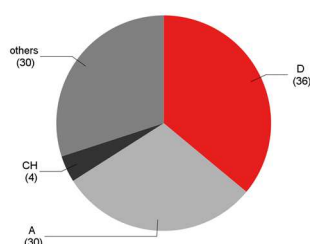
- Fabasoft has many years of experience in the area of software development in the public sector environment.
- The company's solutions can be classified as highly innovative from a technical point of view (digital files, Mindbreeze).
- The growing cloud ecosystem Fabasoft Proceco serves attractive niche markets offering secure cloud-based applications for content and file management.
- Mindbreeze offers technologically-leading insight engine and enterprise search applications that rival household industry names such as IBM and Microsoft as well as innovative players such as Sinequa and Coveo.

**EBT development**  
in EUR m



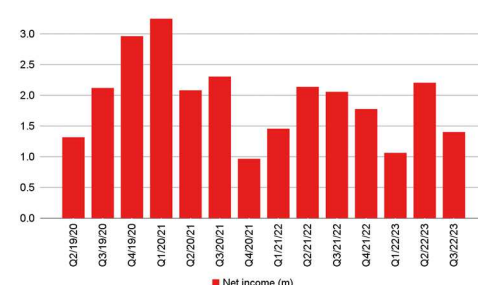
Source: Warburg Research

**Sales by regions**  
2021/22e; in %



Source: Warburg Research

**Net income development**  
in EUR m



Source: Warburg Research

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## Summary of Investment Case

### Investment triggers

- Fabasoft has started to invest in future growth by significantly expanding its workforce in order to service high demand for Mindbreeze search solutions and further advance the expansion of the PROCECO cloud ecosystem. The resulting decline in profitability is expected to reach a trough in the near future as investments peak and spur revenue growth of the cloud business and Mindbreeze.
- Migrating Fabasoft's large government customer base to the highly secure PROCECO cloud ecosystem represents an opportunity for margin expansion as subscription contracts tend to be more profitable than licenses.

### Competitive quality

- Fabasoft is the leading provider of software and consulting in the context of digital process and file management ("digital file") for public authorities and state bodies in the German-speaking region.
- The growing cloud ecosystem Fabasoft PROCECO serves attractive niche markets, offering secure cloud-based applications for content and file management.
- The Fabasoft cloud is developed and operated entirely in Europe and complies with strict data-protection regulations.
- Mindbreeze offers technologically-leading insight engine and enterprise search applications that rival household industry names such as IBM and Microsoft as well as innovative players such as Sinequa and Coveo.

### Growth

- Fabasoft's legacy business has been growing steadily over the past few years and now, the revamped cloud strategy centred around the PROCECO cloud ecosystem is expected to further improve momentum of the segment.
- The market for insight engines is at an early stage and offers significant growth potential at an estimated CAGR of 25.6% until 2030. Mindbreeze is continually ranked as a market leader in this segment paving the way for future growth.
- Mindbreeze has evolved from an innovative start-up to a significant driver of Fabasoft's business as the segment contributes almost half of group EBIT.
- Margin recovery is expected over the medium term as Fabasoft is significantly increasing its workforce which has caused short-term profitability headwinds but should enable the company to service high demand for Mindbreeze and further expand the PROCECO ecosystem.
- The high share of recurring revenues of over 50% increases visibility and represents a solid basis for future growth.

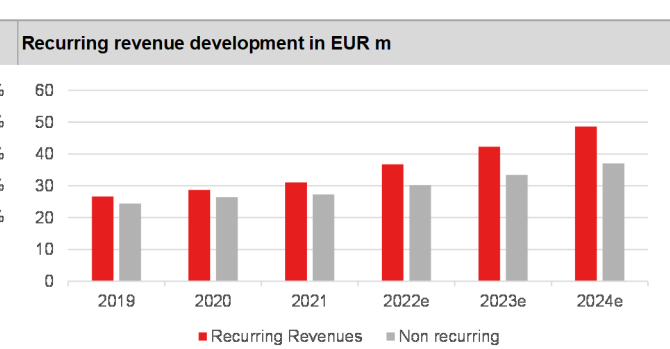
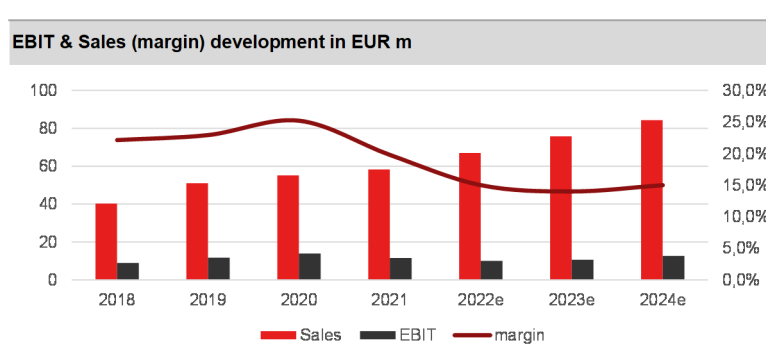
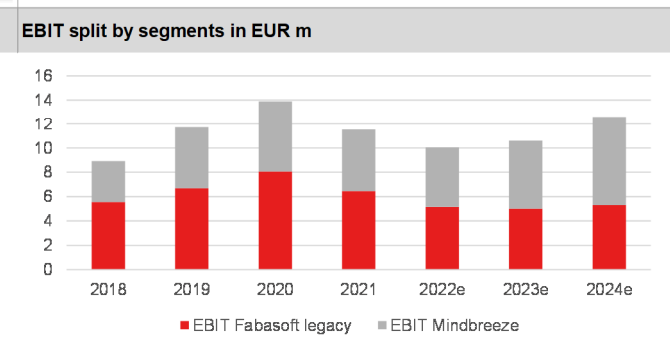
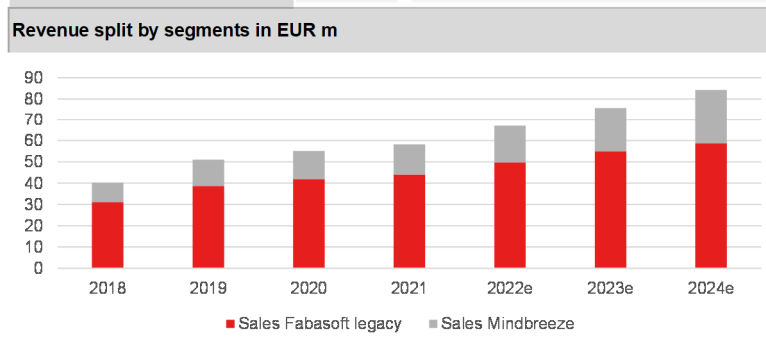
### Valuation

- The PT of EUR 26.00 is based on a DCF model.
- The peer-group comparison indicates a fair value of approx. EUR 23.00 and supports the upside potential derived from the DCF model.

## Company Overview



Business lines	Legacy business		Mindbreeze
Service spectrum and processes	<ul style="list-style-type: none"> <li>- Proceco (cloud-based ecosystem)</li> <li>- Host applications such as Approve, Contracts, Xpublisher etc.</li> <li>- Cloud-hosted eGov suite</li> </ul>	<ul style="list-style-type: none"> <li>- eGov suite on premise</li> <li>- Possibility to use Fabasoft Contracts on premise</li> </ul>	<ul style="list-style-type: none"> <li><b>Minbreeze InSpire</b> (full Insight Engine with ready-to-use connectors and industry-specific extensions)</li> <li><b>Mindbreeze Enterprise</b> (Mindbreeze-based full-text search that can be integrated into the Proceco ecosystem and the eGov suite)</li> </ul>
Data security and protection certificates	EU Cloud Code of Conduct (Level 3), Cloud Computing Criteria Catalogue (C5), Cyber Trust Gold Label, Web Accessibility Certificate (WACA), MoReq2, Ö-Cloud quality seal, BMEnet Seal of Quality for Contract Management/ Relationship Management, ISO 9001/ 20000-1/ 27001/ 27018, ISAE 3000 SOC2/ 3402 Type 2, IDW PS 880		
Revenue model	<ul style="list-style-type: none"> <li>- Annual subscription fees for license</li> <li>- Fee depends on number of users, number of applications and service requirements</li> </ul>	<ul style="list-style-type: none"> <li>- Perpetual license</li> <li>- Services billed according to installed base and billable time</li> </ul>	<ul style="list-style-type: none"> <li>- Deployment options: on-premise appliance, SaaS, Docker-based container</li> <li>- Transparent pricing model that depends only on input data volume</li> </ul>
Sales 2022e	EUR 50m		EUR 17m
Growth 2022e	13,2%		20,5%
Margin contribution 2022e	10,3%		28,5%
Market and market environment	Leading market position as a software provider for process management of public authorities and state bodies in the DACH-region. Competitors in this segment include specialists such as SoftwareOne and Alfresco as well as industry leaders such as DocuWare and opentext		Technology-leading Insight Engine in highly competitive market. Competitors include several large players such as IBM and Microsoft and numerous smaller players like Coveo and Sinequa
Clients/ Customers	Federal electronic records management (E-Akte im Bund) Free State of Bavaria (>45.000 users), Federal State of Rhineland-Palatine (>2.300 users) Federal State of Mecklenburg-Western Pomerania, Federal State of Hesse Federal electronic file management (ELAK im Bund) Constitutional Court (ELAK light, ELAK court) 8 out of 9 Austrian state governments Cantons Aargau, Appenzell Innerrhoden, Basel-Landschaft, St. Gallen, Thurgau, Zug		



Sources: Fabasoft, Warburg Research

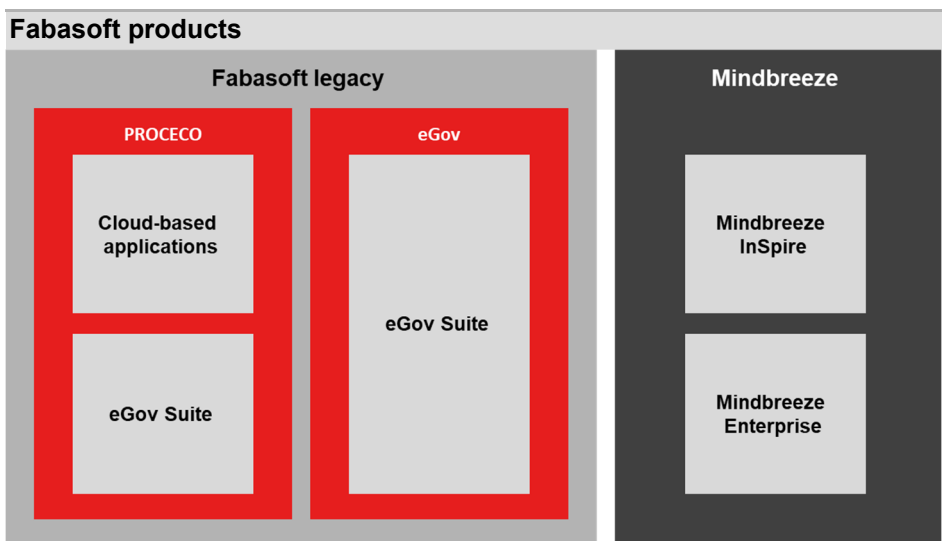
**Fabasoft’s products drive digitalisation**

Fabasoft offers software solutions for different client needs. While many of Fabasoft’s products can be used in tandem, the applications can be categorised into three ecosystems:

- **eGov**
- **PROCECO**
- **Mindbreeze**

Fabasoft’s legacy business includes the eGov and PROCECO ecosystems which offer applications that help digitise document-intensive processes. The eGov portfolio includes the industry-standard eGov suite which is used for public-sector digital file management in the DACH region. The suite can be used on-premise or within the cloud-based PROCECO ecosystem. PROCECO hosts a variety of digitalisation software applications such as Fabasoft Contracts, Approve or Xpublisher.

The Mindbreeze ecosystem is centred around Fabasoft’s insight engine Mindbreeze. The application helps organisations to integrate, access and analyse all company data regardless of structure, format or data source.



Sources: Fabasoft, Warburg Research




## Competitive Quality

- Fabasoft is the leading provider of software and consulting in the context of digital process and file management (“digital file”) for public authorities and state bodies in the German-speaking region.
- The growing cloud ecosystem Fabasoft PROCECO serves attractive niche markets offering secure cloud-based applications for content and file management.
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- Mindbreeze offers technologically-leading insight engine and enterprise search applications that rival household industry names such as IBM and Microsoft as well as innovative players such as Sinequa and Coveo.

### eGov suite is industry standard for government IT in DACH region

The Fabasoft eGov suite has established itself as the market leader and industry standard in the DACH region on the strength of its comprehensive and innovative features designed specifically for public-sector organizations. The suite offers a wide range of solutions for electronic records management, **digital archiving**, **e-File management**, and collaborative work processes. Its user-friendly interface and customizable modules make it easy for public-sector organisations to streamline their workflows, improve efficiency, and comply with legal and regulatory requirements. The Fabasoft eGov suite's **security features and data protection capabilities** are among the best in the industry, making it a trusted solution for sensitive data management. These features have led to the Fabasoft's eGov suite becoming the go-to choice for public organisations in the DACH region.

### Government eGov customers

Country	Selected projects
	Federal electronic records management (E-Akte im Bund) Free State of Bavaria (>45.000 users), Federal State of Rhineland-Palatine (>2.300 users) Federal State of Mecklenburg-Western Pomerania, Federal State of Hesse
	Federal electronic file management (ELAK im Bund) Constitutional Court (ELAK light, ELAK court) 8 out of 9 Austrian state governments
	Cantons Aargau, Appenzell Innerrhoden, Basel-Landschaft, St. Gallen, Thurgau, Zug

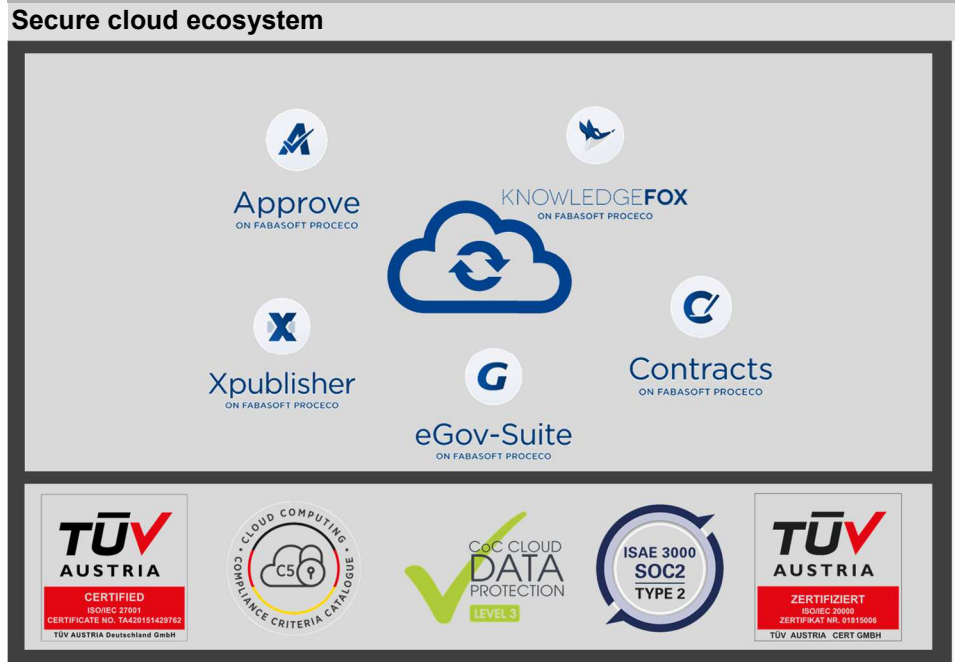
Sources: Fabasoft, Warburg Research

### Security as a competitive advantage of the PROCECO cloud ecosystem

Fabasoft's PROCECO cloud distinguishes itself by offering a secure and transparent ecosystem that is developed and operated in Europe. The Fabasoft cloud has been developed to comply with the stringent data protection regulations in the European Union, including the General Data Protection Regulation (GDPR) and the C5 attestation by the German Federal Office for Information Security. This means that all customer **data is securely stored and processed within the EU**, ensuring compliance with strict EU data protection laws which sets Fabasoft's in-house cloud apart from hyperscalers such as AWS, Google or Microsoft. Governments as well as enterprise customers such as Siemens, KSB and Palfinger rely on PROCECO for storage of sensible data.



In addition, Fabasoft's PROCECO Cloud utilizes **state-of-the-art security measures**, such as Fabasoft's encryption software and multi-factor authentication based on Fabasoft Secomo, to safeguard against data breaches and cyber-attacks. This enables customers to comply with data security regulations while also benefiting from the flexibility and scalability of a cloud-based solution.



Sources: Fabasoft, Warburg Research

**Cloud strategy is centred around applications and customisation**

“A curated, European ecosystem”

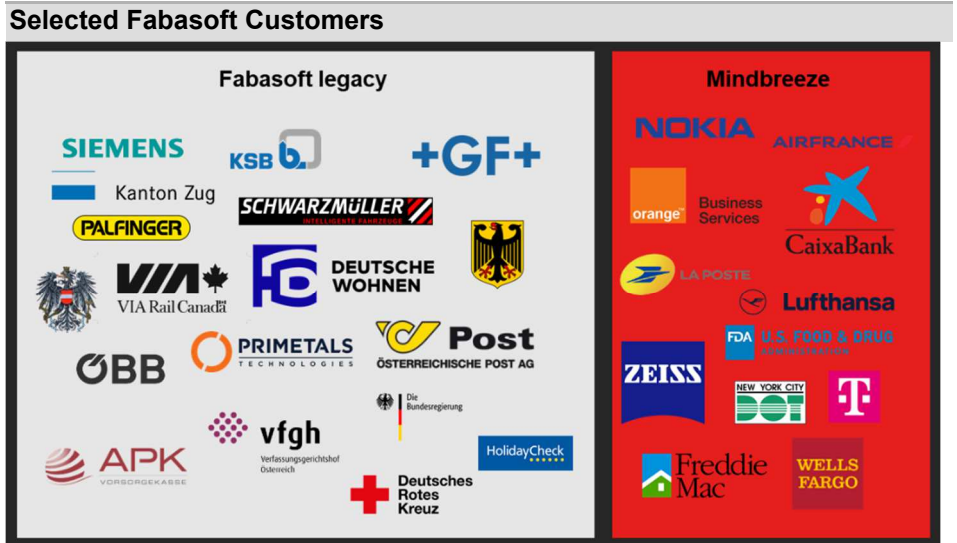
Based on its Business Process Cloud, Fabasoft is building a unique ecosystem offering customers a wide array of digitalisation solutions – especially for document-intensive operations.

The basis of Fabasoft's cloud product portfolio are legacy applications such as Contracts or Approve that are hosted in the Business Process Cloud. In addition, Fabasoft has expanded its product portfolio with strategic acquisitions such as Xpublisher or KnowledgeFox. Each solution is managed individually by entrepreneurs that often hold a minority stake in the subsidiary. This is the case with Xpublisher and 4teamwork, for example. Fabasoft Approve has been reorganized to be more entrepreneurial as well. Since April 2022, Fabasoft Approve GmbH is an independent company. Fabasoft AG holds 80% in the subsidiary and has sold the remaining 20% to the Fabasoft Approve GmbH management. The **focus on entrepreneurship** is a key aspect of Fabsoft's cloud strategy.

Within the ecosystem, individual solutions benefit from the secure Fabasoft cloud while the broad product portfolio enables cross-selling. In contrast to a more traditional platform approach, **individual PROCECO applications are not in competition with each other**. Solutions within the ecosystem are unique for a given market. Fabasoft AG management selects solutions strategically based on their growth prospects and suitability for integration into the cloud ecosystem. The applications are managed individually by dedicated management teams that are often the founders of the companies or have spent most of their careers with them.

Another key aspect of Fabasoft's cloud strategy is the **focus on customisation** of each solution and the cloud product as a whole. The base application can be expanded and tailored to specific customer needs using **low-code or no-code interfaces**. Once part of the ecosystem, all applications share a common code and data structure which simplifies operations and maintenance. Moreover, all applications within the ecosystem benefit from the compatibility of backend software such as app.telemetry which enables continuous

process optimisation and application performance tracking or Secomo which provides end-to-end encryption.



Sources: Fabasoft, Warburg Research

**Mindbreeze is a highly competitive insight engine**

Mindbreeze is a comprehensive cognitive search and analytics platform. At its core, Mindbreeze's platform is designed to **help organizations make better use of their data**. It accomplishes this by using advanced natural language processing (NLP) and machine learning (ML) algorithms to understand user queries and provide highly relevant search results and analyses. Mindbreeze provides **different deployment options** to fit the various needs of its diverse customer base. The solution is offered as an on-premise appliance which is often favoured for data-security reasons, a SaaS or hybrid solution and in the form of docker-based deployment.

One of the **key benefits of Mindbreeze's platform is its ease of use**. Users can search for information across multiple sources using a single search bar which simplifies and accelerates the process of finding the required information. The platform also includes a variety of other features designed to make it easy to use and customisable, including an intuitive user interface and the ability to integrate Mindbreeze into a wide variety of other software systems. In addition to its search and analytics capabilities, Mindbreeze's platform includes features to help organizations ensure the **security and compliance** of their data. These include multi-factor authentication, access controls, and encryption.

Enterprise Search applications such as Mindbreeze are useful in virtually any field of business while proving especially helpful in document-intensive sectors and large corporations. Aviation customers such as **Lufthansa** use Mindbreeze to access information from documents such as inventory lists, logistics information and maintenance plans stored in heterogenous internal data sources and connected cloud applications. The **US Food & Drug administration (FDA)** relies on Mindbreeze to make informed and consistent decisions during the process of reviewing and approving pharmaceuticals, to name just two of many use-cases.

Although Enterprise Search as a market is only just emerging and the company is a small player in the software landscape, Mindbreeze is already considered to be among the best and most promising solutions on the market. The client base is growing as an increasing number of large corporations are choosing Mindbreeze. Independent research firms confirm its competitiveness as Gartner classifies Mindbreeze as a leader on the insight engine market and Forrester calls it the **force majeure of Enterprise Search**.

Gartner Magic Quadrant: insight engines



Sources: Gartner, Warburg Research

Cognitive search accesses siloed enterprise data

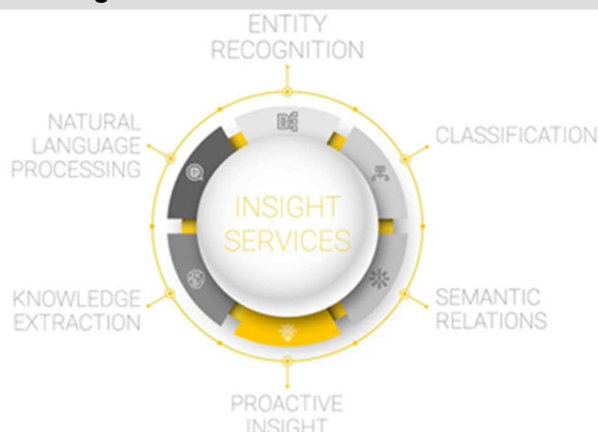
Insight engines such as Mindbreeze are based on Cognitive Search algorithms that enable companies to access, aggregate and filter all data available to the company. Enterprise data is often trapped in siloes and can thus not be aggregated by traditional search algorithms. **Cognitive search recognizes patterns and relationships between any type of data.** Crucially, the algorithm can process structured and unstructured data. Structured data includes customer data from a CRM system, financial data from accounting systems or inventory data from an ERM system. Unstructured data includes text-based data such as e-mails, social media posts or customer reviews and also rich media content such as images, audio and video.

**Natural Language Processing (NLP)** is used to process human language which comes into play during the interaction with the user and during processing of input data. Cognitive Search combines a statistical approach to understanding human language with the linguistic approach used in NLP. Moreover, Cognitive Search uses indexing, Machine Learning and Natural Human Interaction (NHI) to improve search results. **Entity recognition**, used in Mindbreeze applications, is an NLP technique used to identify and categorize named entities in text, such as people, organizations, locations, and products. Companies use entity recognition to analyse large amounts of text data and extract relevant information, such as customer feedback, market trends, and competitor activity which helps them make informed decisions.

The most common algorithms used in Cognitive Search include unsupervised learning algorithms like clustering which limits search volume by pre-filtering results or supervised learning methods such as classification to create models for label prediction or regression used to predict continuous numeric output.

Cognitive search combines NLP, indexing and ML

## Enterprise search algorithms



Source: Mindbreeze

### Highly flexible and easy-to-use application

#### Mindbreeze evolved from niche application to industry leader

Over the years, Mindbreeze has successfully evolved from a promising innovation to a market-leading application with ready-to-use extensions and a growing customer base of large private companies and public bodies. Mindbreeze is often favoured over competitors for its **ease-of-use and fast implementation**. This can be achieved on the basis of **pre-packaged Insight Services** that have been in operation at other companies in the same vertical for years. This approach allows for the development of industry-specific solutions while enabling Mindbreeze to offer customers time-tested solutions that can be rolled out quickly and with minimum operational risks. The fast implementation is especially useful for enterprise customers that can easily integrate Mindbreeze into existing private or hybrid cloud structures. Mindbreeze also offers interfaces to standard software which makes the integration of the services seamless. For example, Mindbreeze can be integrated into Microsoft SharePoint which is often already used by customers. Thus, customers do not need another application and do not need to change processes or their IT infrastructure.

In addition to pre-packaged solutions, Mindbreeze also offers **customisable insight applications** that can be developed by, or in cooperation with, the customer. Mindbreeze also offers insights as microservices which further increases its flexibility. For example, customers can create personalized dashboards by using **no-code interfaces** which improves search results and analyses. Also, experienced programmers can develop proprietary applications using the Mindbreeze **developer platform** which is based on Java, C# or C++. This way, developers do not need to code a search algorithm but can **integrate Mindbreeze into proprietary applications via APIs**. The service's ease-of-use and high degree of flexibility result in the market's highest level of customer experience according to the independent research firm Gartner. This results in **high renewal rates and low churn** among Mindbreeze customers.

**Mindbreeze's pricing model is another advantage.** Pricing is attractive compared to competitors and very transparent. Prices do not depend on the number of devices or users but only on the amount of input data which makes the services highly scalable and consumption fees easy to calculate. Entry packages are offered at transparent package prices while large and more customised contracts are negotiated individually.

Overview competitors



Source: Warburg Research

Partner network can open up new markets

As part of its international expansion efforts, Mindbreeze aims to build a network of partners to help **drive sales and expand its reach**, particularly in markets where the company does not have a strong local presence.

Mindbreeze's partner strategy includes both distribution partnerships with Value-Added Resellers (VAR) and product partnerships with Independent Software Vendors (ISV). Distribution partners help to sell and market Mindbreeze's software solutions to customers while research partners collaborate with Mindbreeze on joint projects to advance the company's technology.

- **VAR** partners are typically regional or industry-specific experts who have established relationships with customers in their respective markets. By partnering with these companies, Mindbreeze can leverage the partners' local knowledge and expertise to reach new customers and expand its footprint.
- Mindbreeze also collaborates with **ISVs** to advance its technology and develop new solutions. These partnerships include research centres and technology companies. By working with these partners, Mindbreeze can expand and improve its product offering, especially with regards to industry-specific use-cases. ISVs benefit from seamless integration of Mindbreeze's insight engine into their application and collaborative development with Mindbreeze Senior Software Architects. This way, ISVs can add new functionalities to existing products while Mindbreeze gains sector-specific knowledge.

The **partner ecosystem is an attractive opportunity** for Mindbreeze to open up new markets and expand its presence in the markets currently addressed. Management plans to continue expanding the partner network in the coming years to help drive sales and support its global expansion efforts.

Mindbreeze partner network



Source: Mindbreeze

## Analysis of Return on Capital

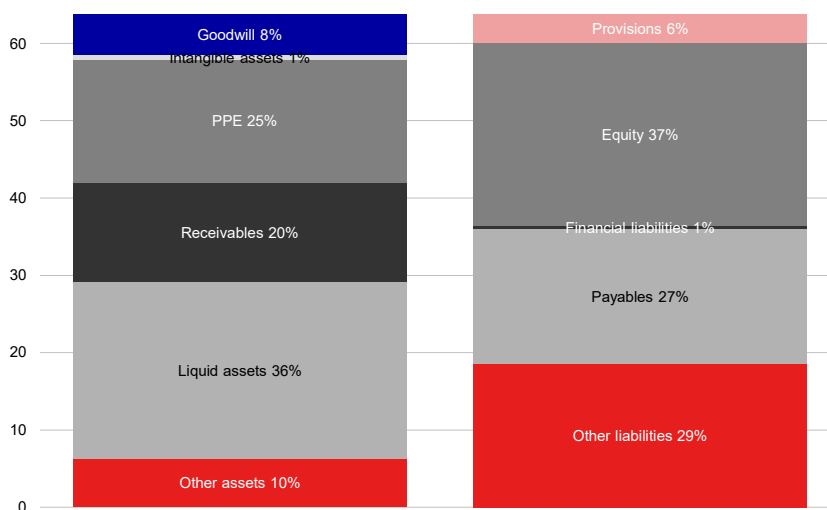
- The balance sheet reflects low capital intensity with its asset-light structure while cash reserves provide further room for investments and further M&A activity.
- Low goodwill and intangible assets positions as Fabasoft’s growth has been mostly organic.
- Stellar Free Cash Flow generation due to good working capital management.
- Recent increase in M&A activity has led to a small increase in goodwill and the absorption of a minor debt position.

### Short balance sheet reflects organic growth

Fabasoft’s business activity is characterized by low capital intensity as revenues are generated by software sales. This is reflected in the balance sheet as assets mostly consist of liquid assets and PPE which mainly comprises operational and business equipment. Moreover, Fabasoft’s growth has been, for the most part, organic. As a result, the balance sheet shows little goodwill which is often a by-product of acquisitions. Additionally, capital is tied up in receivables.

The estimated balance sheet items for FY22/23 shown below are mostly based on the reported 9M interim balance sheet as at December 31 2022. Some line items such as receivables and payables are expected to change in Q4 which is reflected in our estimates. Compared to the latest reported FY balance sheet as at March 31 2022, goodwill and Financial liabilities have increased as a result of acquisitions.

### Balance sheet FY2022/23e



Sources: Fabasoft, Warburg Research

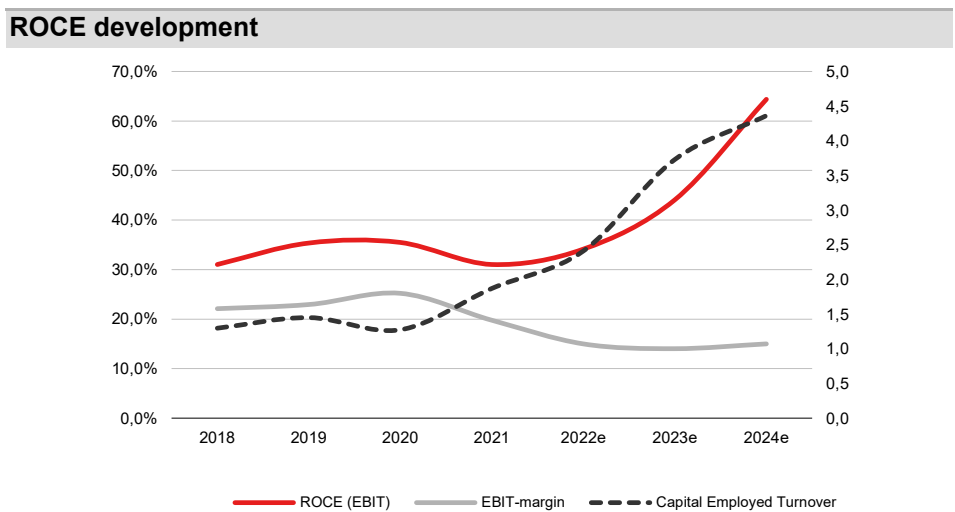
- The largest asset category in Fabasoft’s balance sheet is cash at 36% of total assets. Paired with the virtual absence of debt, **the balance sheet provides further room for M&A activities.**
- Property, plant & equipment make up 25% of assets and mostly comprise commercial buildings and structural investments as well as cars and office equipment.
- Fabasoft pursues a conservative policy in regard to capitalised own developments. Accordingly, intangible assets make up a negligible portion of assets.
- Goodwill has increased recently owing to M&A activity. At 8% of total assets, goodwill is still relatively low compared to peers because **Fabasoft’s growth has been mostly**

**organic.** The goodwill position includes EUR 2.8m related to the acquisition of Xpublisher, EUR 0.4m related to KnowledgeFox and EUR 1.9m related to 4teamwork.

- Equity makes up 37% of liabilities. As Fabasoft has **almost no financial debt**, the equity ratio appears rather low for a software company. However, the short balance sheet puts the figure into perspective as the equity ratio is mainly affected by payables and leasing-related liabilities.
- **Other liabilities** mainly comprise earn-out liabilities and non-current leasing liabilities. Earn-out clauses are usually part of Fabasoft's acquisition agreements to retain the management team.
- About 20% of assets are tied up in **Accounts Receivable**. This figure could be considered high compared to peers but should be seen in context of the relatively short balance sheet. Fabasoft's working capital management can be seen as efficient after DSO decreased substantially from 105 in 2018 to 65 in 2021.
- **Provisions** are mostly related to severance payments at EUR 3.6m while accrued taxes make up EUR 0.5m as at 31.12.2022. Provisions for pensions are entirely offset by pension reinsurance agreements.

### Higher capital efficiency to drive ROCE

The low capital intensity and solid profitability of Fabasoft's business activities is also reflected in convincing ROCE figures at levels above 30%. After profitability headwinds due to the company's expanding workforce, ROCE looks set to improve going forward as increasing demand for Fabasoft's expanding product portfolio improves capital employed turnover.



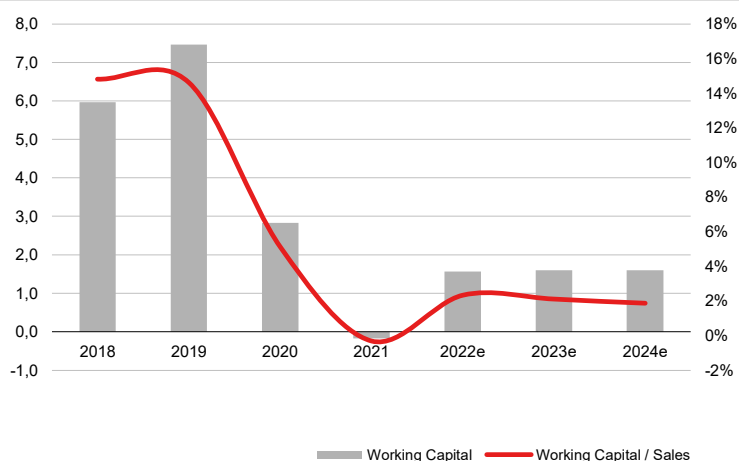
Sources: Fabasoft, Warburg Research

### Efficient working capital management

Working capital has decreased substantially over the past few years which is mostly attributable to improved receivables collection as DSO have decreased from 105 in FY 2018/19 to 65 in FY 2021/22. Working capital is expected to increase somewhat going forward due to higher receivables but at an expected ratio of approx. 2% to sales, Fabasoft's WC management is still highly efficient.



Higher receivables drive WC increase



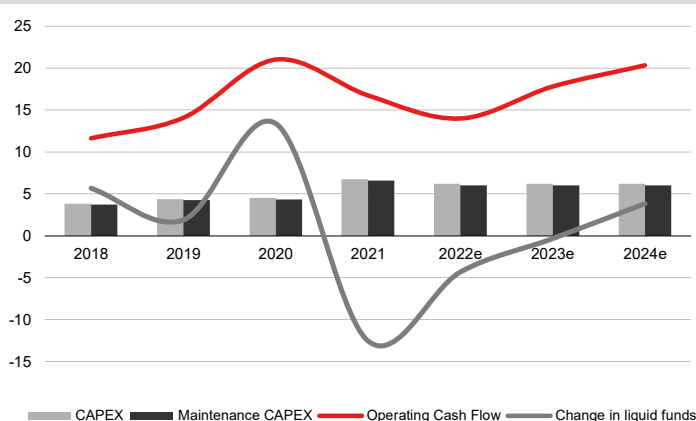
Sources: Fabasoft, Warburg Research

Cash flow looks set to recover going forward

Fabasoft’s capex are quite steady over the years and at low levels, typical for a software company. They mostly reflect maintenance capex for buildings, infrastructure and office equipment.

Cash flow was impacted by lower profitability recently and transaction payments have led to a significantly negative financing cash flow. As a result, Fabasoft’s cash position decreased in 2021. **Operating cash flow should recover** going forward driven by expected margin improvements, higher depreciation expenses and lower payables collection periods. However, capex of EUR 6.2m and dividend payments of approx. EUR 9.4m are expected to lead to a **net cash outflow in FY2022/23**.

Cash flow

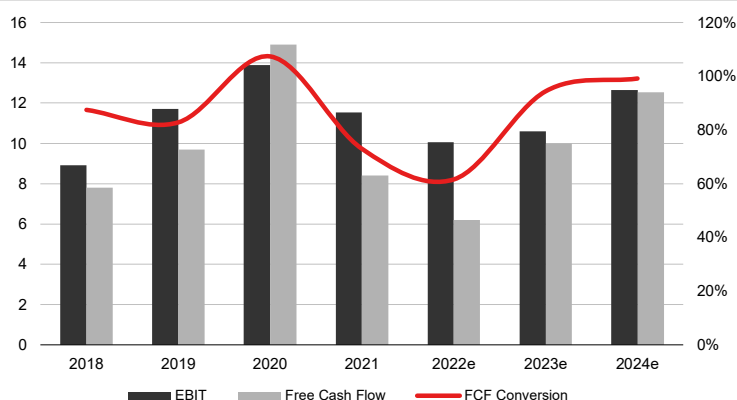


Sources: Fabasoft, Warburg Research

Impressive FCF conversion

Despite the recent decrease in FCF conversion ratios due to an increase in capex and stagnant payables collection periods, we still expect FCF conversion of above 60% of EBIT in FY 2022/23. Going forward, we expect FCF conversion rates to recover to levels around 100% which reflects the **attractive cash generation** of Fabasoft’s business model.

Free cash flow conversion



Sources: Fabasoft, Warburg Research

Cash generation among the best in peer group

Due to solid profitability and efficient working-capital management, Fabasoft's operating cash flow in percent of sales is highly attractive compared to peers. Combined with rather low capex, this leads to an FCF conversion close to 100% which is among the highest in the peer group. At FCF yields in the mid-single digits, Fabasoft's solid cash flow position seems to be mostly reflected in the share price.

Peer group cash flow comparison

Ticker	Price Latest	Hist Price	Shares	MC 2021	MC Latest	FCF to EBIT			Operating cash flow margin			FCF / Market cap			
						2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	
BC8-ETR	41.71		43.99	126.00	5,255.46	5,336.10	75.8%	61.5%	58.8%	6.3%	5.4%	5.2%	5.4%	4.8%	5.0%
ESY-HAM	14.00		14.00	6.44	90.19	90.19	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
YSN-ETR	193.40		203.50	6.50	1,257.10	1,222.00	77.1%	61.0%	58.3%	16.5%	13.7%	14.0%	3.2%	3.1%	3.6%
CSH-ETR	12.80		12.85	8.37	107.11	105.02	84.7%	74.4%	97.1%	6.9%	7.6%	8.4%	9.3%	11.3%	12.9%
SWON-SWX	13.59		12.99	158.58	2,155.12	2,172.57	59.5%	67.0%	76.4%	17.0%	19.4%	20.5%	5.4%	7.3%	9.9%
DOCU-USA	55.93		58.30	201.90	11,292.54	11,292.54	84.7%	84.4%	77.5%	20.2%	21.6%	21.3%	4.5%	5.1%	5.6%
ATO-PAR	11.18		11.39	110.95	1,240.44	1,236.56	-107.5%	-23.1%	34.8%	-8%	1.5%	4.4%	-41.4%	-10.9%	19.1%
TDC-USA	40.23		40.28	100.80	4,055.18	4,055.18	110.7%	109.6%	110.2%	18.2%	20.2%	22.7%	8.4%	9.7%	11.7%
CVO-TSE	7.46		7.80	52.09	388.58	388.58	44.6%	13.4%	-31.1%	-5.5%	-3.4%	-1.0%	-3.3%	-0.8%	0.7%
ESTC-USA	53.61		57.90	96.49	5,172.96	5,172.96	70.5%	108.6%	106.4%	2.1%	9.8%	12.5%	0.5%	2.6%	3.9%
PLTR-USA	7.98		8.45	1,997.73	15,941.85	15,941.85	73.6%	71.6%	43.7%	15.9%	17.5%	11.4%	2.3%	2.9%	2.3%
Average							57.4%	62.8%	63.2%	9.7%	11.3%	11.9%	-0.9%	3.6%	8.0%
Median							74.7%	69.3%	67.6%	9.7%	11.3%	11.9%	-1.2%	3.4%	7.7%
<b>FAA-ETR</b>	<b>17.65</b>		<b>17.78</b>	<b>11.00</b>	<b>194.15</b>	<b>192.50</b>	<b>61.6%</b>	<b>94.4%</b>	<b>99.8%</b>	<b>20.9%</b>	<b>23.5%</b>	<b>24.1%</b>	<b>3.2%</b>	<b>5.2%</b>	<b>6.6%</b>

Source: Factset, Warburg Research

## Growth / Financials

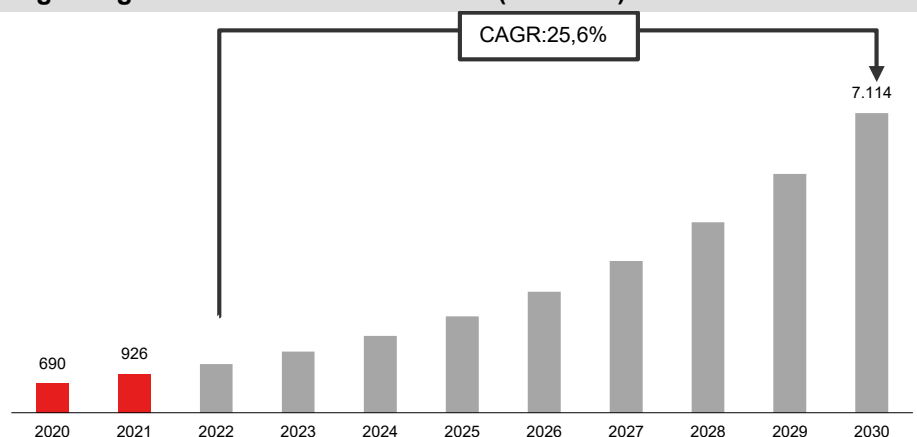
- Fabasoft's legacy business has been growing steadily over the past few years and now, the revamped cloud strategy centred around the PROCECO cloud ecosystem is expected to further improve momentum of the segment.
- The market for insight engines is at an early stage and offers significant growth potential at an estimated CAGR of 25.6% until 2030. Mindbreeze is continually ranked as a market leader in this segment, paving the way for future growth.
- Mindbreeze has evolved from an innovative start-up to a significant driver of Fabasoft's business as the segment contributes almost half of group EBIT.
- Margin recovery is expected over the medium term as Fabasoft is significantly increasing its workforce which has caused short-term profitability headwinds but should enable the company to service high demand for Mindbreeze and further expand the PROCECO ecosystem.
- The high share of recurring revenues of over 50% increases visibility and represents a solid basis for future growth.

### Early-stage market with compelling growth prospects

#### Increasing data volume drives demand for insight engines

As companies across all industries continue to drive the digitisation of their operations, the data volume creation per year keeps increasing. Also, data infrastructures are increasingly complex as the number and variety of endpoints increase and cloud and on-premise storage solution are deployed in tandem. With the **exponential growth of data volume, businesses are turning to insight engines** to help efficiently process and analyse large volumes of data. The insights allow them to gain valuable information and improve decision-making. Besides volume considerations, insight engines enable companies to harness and connect information from a multitude of sources such as emails, documents or databases. Additionally, the growing demand for personalized customer experiences and the **need to improve operational efficiency** are also driving growth of the insight engine market. The COVID-19 pandemic has further accelerated this trend as more organizations are turning to **digital transformation and remote work**, creating a need for enhanced data management and analytics.

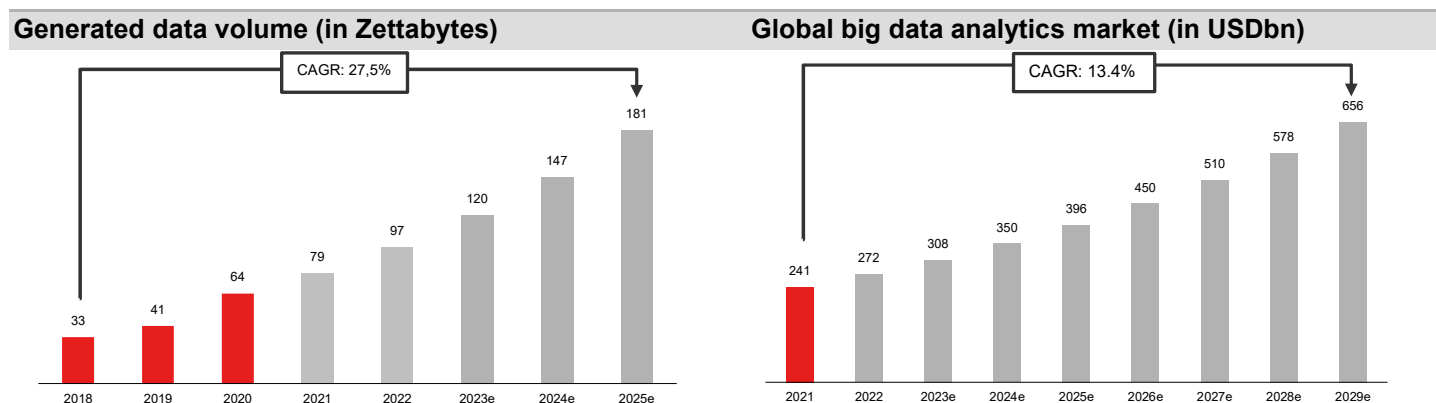
#### Insight engine market size and forecast (in USDm)



Sources: Verified Market Research, Coherent Market Insights, Warburg Research

### Big data and data analytics

A key driver of the insight engine market is the massive increase in data volumes generated and consumed. The total amount of data created globally, is forecast to grow at a CAGR of 25% until 2028. Recent **data volume growth has been higher than previously expected due to the COVID-19 pandemic** and the subsequent increase in remote work and advances in digitalisation. Due to the rapid growth of data, the big-data analytics market is also experiencing extraordinary growth. The global market is expected to grow at a CAGR of 13.4% to reach USD 656bn in 2030. Considering the early stage of the market and the broad reach of the product, the insight engine market is expected to grow faster than the overall big-data analytics market.



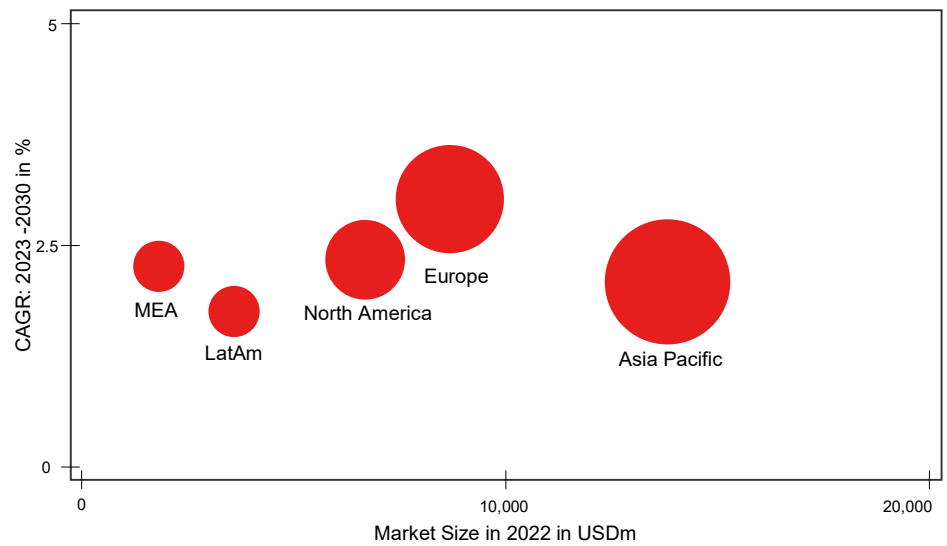
Sources: Statista, Warburg Research

### Fragmented market with numerous niche players

The insight engine market is highly fragmented with several large players such as IBM and Microsoft offering platform applications and **numerous smaller players offering niche solutions**. The market is highly competitive, with players competing on factors such as price, features, performance, and scalability. Additionally, there is a **trend towards consolidation** in the market, with larger players acquiring smaller ones to expand their product portfolio and gain market share. Examples include the acquisition of Tooso by Coveo in 2019 or the takeover of open.exchange by Squirro in 2022. Moreover, private equity investors have increasingly intervened in the market. Examples include Cloudera and Talend which were delisted in 2021. Additionally, **new players are continually entering the market** as new algorithms are developed and deployed.

The largest insight engine markets are Asia Pacific and Europe, followed by North America. This is due to the increasing adoption of big-data analytics and AI technologies in these regions, as well as the presence of major market players. Additionally, the growing demand for personalized customer experiences and the need for operational efficiency is also driving the adoption of insight engines in these regions. The **European market, in particular, is expected to experience significant growth** with the increasing adoption of digital technologies and the growing number of small and medium-sized enterprises (SMEs) as well as large corporations in the region adopting new technologies.

**Incremental value of regional insight engine markets**



Sources: Verified Market Research, Warburg Research

**State of digitalisation of government services**

The usage of eGovernment software has been on the rise in recent years, fuelled by the demand for digitalisation of administrative services and processes. The Covid-19 pandemic has further accelerated this trend, highlighting the importance of digital channels for delivering government services. Governments worldwide are investing in advanced eGovernment solutions to enhance efficiency, transparency, and accountability, leveraging emerging technologies.

The EU is focused on accelerating digital transformation for governments as a top priority. By 2030, Europe aims to have all important public services available online. To achieve this goal, investments and policies are being implemented, including allocating over 26% of spending under the EU Recovery and Resilience Facility to digital transition.

Compared to its EU neighbours, **Germany** has a lot of catching-up to do as the 2022 EU eGovernment Benchmark comparison of 35 countries ranked Germany in position 21. The study concludes that Germany's overall maturity score is 63%, which is below the EU average of approximately 68%. Germany's level of penetration is rated as medium-low, and its level of digitalisation is medium. As a result, Germany can be seen as a growth opportunity for eGovernment solutions in the medium term once more digital initiatives are launched and implemented.

As part of the German Online Access Act ("Onlinezugangsgesetz" or OZG), the German government targets roughly 600 government services to be digitised. However, only a small percentage of the processes outlined in the OZG have been fully digitised which illustrates the **significant gap between Germany's targets and its current level of digitalisation**.

**Austria** excels in many eGovernment areas, as it is in the top three performers in cross-border eID implementation and in the top-five in mobile accessibility to public websites. In the European comparison of digital administrative services Austria ranks 13th out of 35 and achieved an overall maturity score of 76%. Moreover, the country has several domestic projects identified and is presented as an example of international good practice.

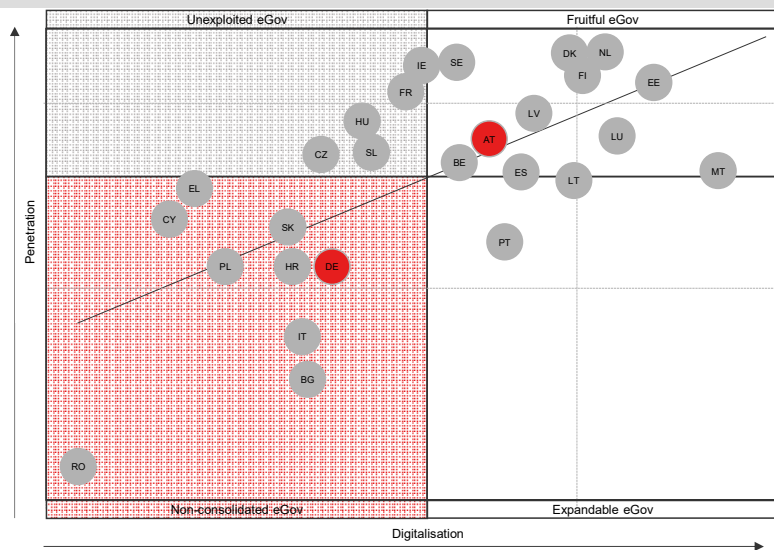
According to the EU eGovernment Benchmark report, **Switzerland** achieved a maturity score of 55%, which is well below the European average of 68%. Despite a slight improvement in overall performance, Switzerland ranks in position 28 of the 35 countries

**Still significant room for expansion in public-sector digitalisation**

evaluated in the study. Therefore, Switzerland has a need for further implementation of eGovernment services and improvement of existing processes.

Germany, Austria, and Switzerland have made significant progress in enhancing their eGovernment services, but there is **still much to be done** in the coming years. These countries have been investing heavily in digital infrastructure and platforms to streamline administrative processes and improve access to public services. However, challenges persist in terms of interoperability, data privacy, and cybersecurity, which require further attention and investment. To improve digitalisation, countries can enhance the digitalisation levels of both back-office and front-office operations. Governments should also prioritize building trust with citizens by ensuring that their data is secure, and services are accessible to all, according to the EU report.

**E-government benchmark 2022**



The penetration indicator shows the extent to which the internet is used for interaction with public authorities.

The digitalisation indicator shows the extent to which governments deliver digital public services.

Sources: European Commission, Warburg Research

**Mindbreeze expected to drive growth**

After slower growth in 2020 and 2021 we expect Fabasoft’s revenue growth to gain traction again as economic sentiment improves after two years of high uncertainty due to Covid.

During the pandemic, sentiment for investments in innovative IT projects was muted which had a strong impact on Mindbreeze. Lately, sentiment has improved but a lack of IT specialists has hindered the ability of Mindbreeze to meet customer demand – especially in the US. These effects are expected to cool as **Fabasoft is expanding its workforce** which brightens Mindbreeze’s revenue outlook. Accounting for these effects, we expect Mindbreeze’s revenue to grow by 20.5% in 2022 followed by 20.3% in 2023 and 23.2% in 2024.

The market for Fabasoft’s eGov suite is confined to the DACH region and thus long-term growth potential is limited. However, as Fabasoft expands its product portfolio within the PROCECO cloud ecosystem, the company can address new customers and increase contract volumes for existing customers by cross-selling and upselling. Also, **migrating the government customer base to the PROCECO ecosystem represents an attractive opportunity** for Fabasoft as it creates the potential to increase recurring revenues. Some products of the PROCECO ecosystem are offered to public-sector

**Sales growth expected to gain momentum again**

customers as an eGov version (e.g. Fabasoft Contracts) serving as an entry point to the cloud-based PROCECO ecosystem.

After slow growth in 2020 and 2021, especially due to muted demand in Austria and the loss of a large customer in Switzerland, we expect growth of Fabasoft's legacy business to improve in FY22 to 13.2% followed by 10.4% in FY23 and 6.9% in FY24. The growth estimates for FY22 and FY23 include inorganic contributions from the acquisitions of 4teamworks and KnowledgeFox. We estimate the inorganic revenue impact to be in the low- to mid-single-digit million range in FY22 and in the low-single-digit million range in FY23. **4teamwork should rekindle sales growth in Switzerland** as the company has a strong local presence among government customers.

Mindbreeze's **partner network** plays an important role in the company's revenue growth strategy going forward. By partnering with Value Added Resellers (VARs) and Independent Software Vendors (ISVs), Mindbreeze gains access to a wider network of customers and potential clients. These partnerships help to expand the company's reach and increase brand awareness, which can lead to new sales opportunities. Additionally, by leveraging the expertise and knowledge of their partners, Mindbreeze can better understand customer needs and preferences, which can help to tailor their products and services accordingly.

In addition to its stand-alone growth prospects, Mindbreeze also offers **cross-selling potential** since base-level cognitive search functions can be integrated into the PROCECO ecosystem. Thus, customers who host data in the Fabasoft cloud or use applications from the PROCECO ecosystem can easily access Mindbreeze's search functionalities to improve data accessibility.

Fabasoft segments							
in EUR m	2018	2019	2020	2021	2022e	2023e	2024e
<b>Fabasoft legacy</b>							
Sales Fabasoft legacy	31.1	38.7	41.9	44.0	49.8	55.0	58.8
yoy	-	24.2%	8.4%	5.0%	13.2%	10.4%	6.9%
EBITDA Fabasoft legacy	7.3	10.5	12.4	11.1	10.3	11.4	11.7
margin	23.3%	27.0%	29.6%	25.3%	20.6%	20.7%	20.0%
EBIT Fabasoft legacy	5.6	6.7	8.1	6.5	5.2	5.0	5.3
margin	17.9%	17.3%	19.2%	14.7%	10.3%	9.1%	9.0%
<b>Mindbreeze</b>							
Sales Mindbreeze	9.2	12.4	13.2	14.3	17.2	20.7	25.5
yoy	-	35.4%	6.3%	8.3%	20.5%	20.3%	23.2%
EBITDA Mindbreeze	4.2	6.3	7.2	6.5	6.5	7.5	10.2
margin	46.3%	51.0%	54.3%	45.8%	37.8%	36.2%	40.0%
EBIT Mindbreeze	3.4	5.0	5.8	5.1	4.9	5.6	7.3
margin	36.6%	40.5%	44.2%	35.6%	28.5%	27.1%	28.6%
<b>Consolidated group</b>							
Sales	40.3	51.1	55.1	58.3	67.0	75.7	84.3
yoy	-	26.8%	7.9%	5.8%	15.0%	13.0%	11.3%
EBITDA	11.5	16.8	19.6	17.6	16.8	18.9	21.9
Margin	28.5%	32.9%	35.5%	30.3%	25.0%	25.0%	26.0%
EBIT	8.9	11.7	13.9	11.5	10.1	10.6	12.6
margin	22.1%	22.9%	25.2%	19.8%	15.0%	14.0%	15.0%

Sources: Fabasoft, Warburg Research

### High share of recurring revenues increases visibility

Most of Fabasoft's software sales are generated by subscription or SaaS contracts. The resulting high share of recurring revenues improves visibility of future earnings and stabilises revenue streams. Moreover, we estimate subscription customers to offer potential for cross-selling and upselling at the time of contract renewals. This should provide growth tailwinds given Fabasoft's expanding and increasingly integrated ecosystem of applications.

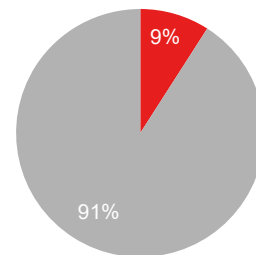
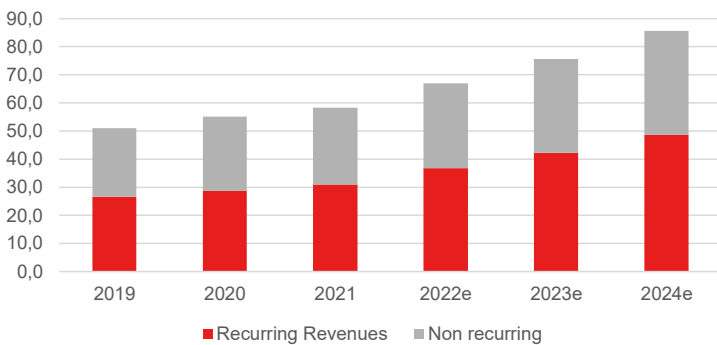
Most of Fabasoft's non-recurring revenues are related to services. **Revenues related to eGov customers account for the largest share of non-recurring revenues.** The large majority of government customers rely on perpetual licenses. In turn, government

customers tend to have a high need for consulting and professional services. Professional services include **implementation projects, maintenance and customer support**. Fabasoft and Mindbreeze are known for good customer support which is an important factor for winning and retaining customers.

A key opportunity going forward is to **increase the share of recurring revenues from eGov customers** by offering PROCECO-based applications to the public-sector customer base. Fabasoft has gained a reputation for providing innovative and highly secure applications that specifically fit the needs of government agencies in the DACH region. While governments tend to be reluctant to embrace cloud migrations, Fabasoft's reputation for meeting data protection guidelines as well as its highly secure cloud ecosystem PROCECO represent an advantage for Fabasoft in this regard. Moreover, migrating customer to the cloud should provide upside potential to customer lifetime values given cross-selling and upselling opportunities within the PROCECO ecosystem. Management sees Fabasoft Contracts and KnowledgeFox (soon to be Fabasoft Talents) as key assets in providing customers with benefits of the PROCECO ecosystem compared to the on-premise eGov solution as the two cloud-based applications cater to the needs of eGov customers.

**High share of recurring revenues**

**Non-recurring revenues mostly related to eGov**



■ Non-recurring (Software)  
■ Non-recurring (Professional Services)

Sources: Fabasoft, Warburg Research

**2022 marked by higher costs**

**Cost base increases in order to meet demand**

Recently, growth has been slower than expected at Fabasoft. While this is true for both segments, the effect on Mindbreeze is particularly strong. The **main reason for lower growth seems to be staff shortages** as solid sales leads signal growing demand but projects cannot be implemented because of a lack of skilled IT personnel. The company is managing this problem by significantly expanding the workforce and recruiting new personnel. However, the current shortage of IT workers means that high salaries have to be paid to graduates and experienced professionals which results in a steep **increase in personnel costs**.

The increasing cost base creates short-term margin pressure which is reflected in our estimates. However, we expect the **growing personnel base to boost revenue growth** going forward as the ability of the company to staff projects will allow Fabasoft, and especially Mindbreeze, to meet the high demand.

Moreover, Fabasoft has invested in its PROCECO cloud ecosystem which has contributed to higher costs. However, this strategic investment reflects a shift in the company's cloud strategy, moving from a stand-alone cloud product to hosting an ecosystem with many individual solutions. This change in strategy offers customers a range of tailored solutions that increase the value of Fabasoft's product offering. In the medium term, the **expansion of the product portfolio looks set to attract new customers and increase revenue potential with existing customers** by cross-selling.

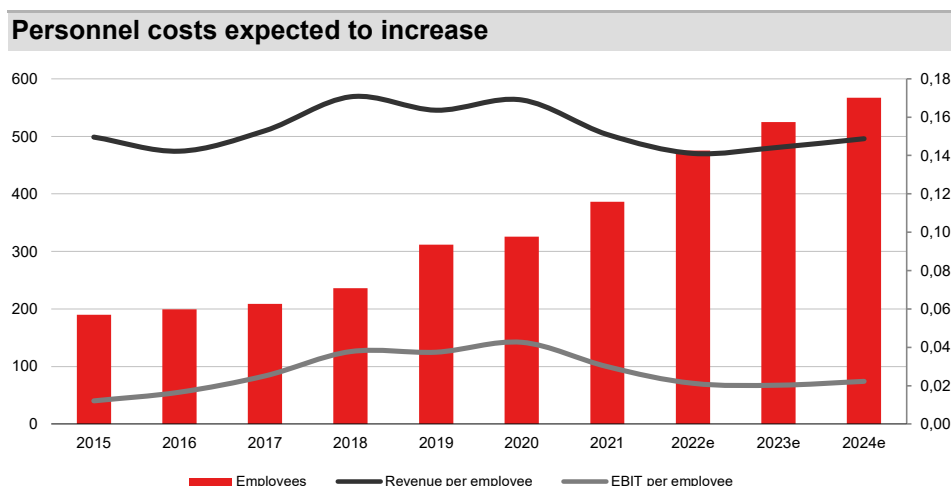


Additionally, the investments in the PROCECO ecosystem represent Fabasoft's **commitment to innovation** and to remaining competitive in an evolving market environment. By providing state-of-the-art solutions, Fabasoft can better attract and retain customers, positioning the company for sustainable long-term growth and profitability.

As a result of the increasing cost base, EBIT margins have decreased to below 20% in 2021. After Mindbreeze has been a margin driver for several years, the lower profitability expectation for the promising segment dampens the mid-term margin outlook at group level. The margin trough is expected in FY2023/24 at an EBIT margin of 14.0%. As investments peak and the workforce ramp-up slows down, we expect margins to improve over the medium term. However, a **recovery to historical highs around a 25% EBIT margin seems far away**.

Cost items							
in EUR m	2018	2019	2020	2021	2022e	2023e	2024e
<b>Sales</b>	<b>40.3</b>	<b>51.1</b>	<b>55.1</b>	<b>58.3</b>	<b>67.0</b>	<b>75.7</b>	<b>84.3</b>
Material Expenses	1.0	2.2	2.5	2.9	3.7	4.2	4.6
<b>Gross profit</b>	<b>39.2</b>	<b>48.8</b>	<b>52.6</b>	<b>55.4</b>	<b>63.3</b>	<b>71.5</b>	<b>79.7</b>
Personnel expenses	19.5	24.3	27.5	30.1	36.9	40.9	45.5
Other operating income	0.1	0.2	0.4	0.2	1.0	1.1	1.3
Other operating expenses	8.3	8.0	5.9	7.9	10.7	12.9	13.5
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>11.5</b>	<b>16.8</b>	<b>19.6</b>	<b>17.6</b>	<b>16.8</b>	<b>18.9</b>	<b>21.9</b>
Depreciation of fixed assets	2.6	4.9	5.4	5.8	6.7	8.3	9.3
<b>EBIT</b>	<b>8.9</b>	<b>11.7</b>	<b>13.9</b>	<b>11.5</b>	<b>10.1</b>	<b>10.6</b>	<b>12.6</b>
Interest income	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Interest expenses	0.0	0.1	0.1	0.3	0.0	0.0	0.0
Financial result	0.0	0.0	-0.1	-0.3	0.1	0.1	0.1
<b>Recurring pretax income from cont. operations</b>	<b>8.9</b>	<b>11.7</b>	<b>13.8</b>	<b>11.3</b>	<b>10.2</b>	<b>10.7</b>	<b>12.7</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>8.9</b>	<b>11.7</b>	<b>13.8</b>	<b>11.3</b>	<b>10.2</b>	<b>10.7</b>	<b>12.7</b>
Taxes total	2.4	3.1	4.1	3.4	2.9	3.1	3.7
<b>Net income from continuing operations</b>	<b>6.5</b>	<b>8.6</b>	<b>9.7</b>	<b>7.9</b>	<b>7.2</b>	<b>7.6</b>	<b>9.0</b>
Income from discontinued operations (net of tax)	0.0	0.0	-0.2	0.0	0.0	0.0	0.0
<b>Net income before minorities</b>	<b>6.5</b>	<b>8.6</b>	<b>9.5</b>	<b>7.9</b>	<b>7.2</b>	<b>7.6</b>	<b>9.0</b>
Minority interest	0.6	0.8	0.9	0.5	0.9	1.5	1.5
<b>Net income</b>	<b>5.9</b>	<b>7.7</b>	<b>8.6</b>	<b>7.4</b>	<b>6.3</b>	<b>6.1</b>	<b>7.5</b>

Sources: Fabasoft, Warburg Research



Sources: Fabasoft, Warburg Research

### M&A strategy

While Fabasoft's growth has been mostly organic so far, **the company has recently started to expand its cloud product portfolio by strategic M&A**. In 2019, Fabasoft acquired a majority stake in the content-software provider Xpublisher. The initial stake of

70% in the online-learning platform KnowledgeFox has been increased to 100% in 2022. The most recent acquisition was the Swiss government IT and cloud specialist 4teamwork. While 4teamwork offers access to the Swiss government IT market, which has been a rather slow market for Fabasoft recently, Xpublisher and KnowledgeFox seem less evident additions to the Fabasoft portfolio. However, Fabasoft's M&A strategy does not seem to be purely focused on filling gaps in the product portfolio.

The **M&A strategy is also focused on investing in promising cloud start-ups with committed entrepreneurs at the helm**. Similar to Mindbreeze, Fabasoft applications are planned to be run by entrepreneurs that are often the founder of the company and keep a minority stake in the business. As part of the Fabasoft Group, businesses can focus on product innovation as the group assumes administrative tasks. Moreover, acquired products can be remodelled and expanded in order to cater to the Fabasoft customer base. For example, the micro-learning software KnowledgeFox was acquired in early 2022. After reworking the code to facilitate integration into the PROCECO ecosystem, Fabasoft now plans to expand the service to become a platform for knowledge transfer within companies. The upgraded product is planned to be marketed as Fabasoft Talents.

Fabasoft CEO Helmut Fallmann is committed to **developing and expanding the European software and cloud sector** by offering promising founders an alternative to selling their businesses to US investors or companies. For Fabasoft, the acquisitions expand the PROCECO cloud ecosystem which offers customers a greater variety of solutions and opens up new markets for Fabasoft.

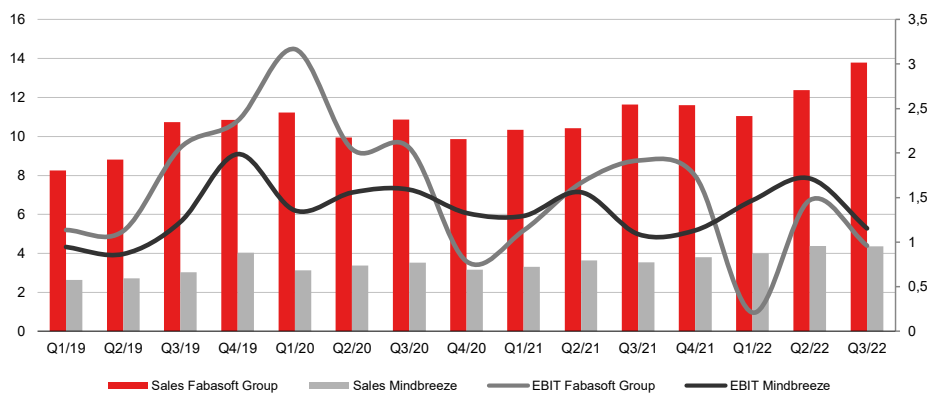
### **Legacy business not to be overlooked**

Fabasoft's legacy government IT and cloud business is a crucial component of the company's operations, and should not be overlooked. Although Mindbreeze is a margin driver and key component of Fabasoft's growth story, the **legacy government IT and cloud business contributes the majority of revenues**. While Mindbreeze has emerged as a high-growth segment for Fabasoft, the legacy business continues to contribute significantly to the company's financial success. Therefore, both the Mindbreeze segment and the legacy government IT and cloud business are vital components of Fabasoft's overall strategy, and both should be given due attention.

With the increase in M&A activity in the legacy segment, Fabasoft's established presence in the government market paired with a growing ecosystem of cloud applications provides growth potential going forward. **The company's reputation as a trusted provider of digital solutions to government agencies** gives it a unique edge in the market, and makes it an attractive partner for other technology companies looking to expand their offerings in this space.

Moreover, the **trend towards cloud-based solutions and subscription-based pricing** models should also reach at least parts of the public sector. This presents a significant opportunity for Fabasoft, as the company's cloud-based solutions are well-suited to meet the needs of government customers. As a result, **Fabasoft is well-positioned to capitalize on this trend** and to continue to expand its eGov business over the coming years.

Legacy business is a revenue driver albeit at a lower margin



Sources: Fabasoft, Warburg Research

## Valuation

- The PT of EUR 26.00 is based on a DCF model.
- The peer-group comparison indicates a fair value of approx. EUR 23.00 and supports the upside potential derived from the DCF model.

### DCF model

The DCF model is based on the following assumptions:

**Revenue growth** 2022-2025 at a CAGR of 13.1% as a result of:

- expansion of the PROCECO cloud ecosystem which opens up new markets and offers cross- and upselling potential with existing client base,
- investment in personnel base enables Mindbreeze to meet the high demand,
- digitalisation trend was accelerated by pandemic and is expected to reach the public sector, too. Cross-selling eGov customers to the PROCECO ecosystems represents a significant opportunity for Fabasoft.

Given the fast-growing emerging market that Mindbreeze operates in as well as the paradigm shift towards cloud-based solutions among Fabasoft customers, the long-term sales growth rate is expected to approach 3.0%.

**Expected reversal of recent margin trend:** Following slower-than-expected growth of Mindbreeze's high-margin business and cost pressure due to the expansion of the personnel base, Fabasoft's profitability has declined over the past few years. As investments are expected to peak in the near future and spur revenue growth, margins should improve going forward. Given the high margin potential of Mindbreeze and the trend towards cloud-based infrastructure and subscriptions which usually yield higher margins, a long-term EBIT margin of 23.0% seems feasible.

We assume capex of 7.0% to 9.3% of sales due to Fabasoft's conservative accounting approach regarding fixed assets. Capex is assumed to be largely in line with depreciation.

Long-term tax rate is estimated at 28.0%.

The core assumptions of our DCF model are a risk-free interest rate of 2.75% and a market risk premium of 5.5%. We assume a **beta of 1.22**, leading to **weighted average capital costs of 9.40%**.

These assumptions form the base case of our DCF model. The tables below show the sensitivity of the central point of the DCF to changes in the long-term EBIT margin and sales growth.

**DCF model**

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	22/23e	23/24e	24/25e	25/26e	26/27e	27/28e	28/29e	29/30e	30/31e	31/32e	32/33e	33/34e	34/35e	
Sales	67.0	75.7	84.3	94.4	105.3	116.3	128.0	139.5	150.6	159.7	166.1	171.0	176.2	
Sales change	15.0 %	13.0 %	11.3 %	12.0 %	11.5 %	10.5 %	10.0 %	9.0 %	8.0 %	6.0 %	4.0 %	3.0 %	3.0 %	3.0 %
EBIT	10.1	10.6	12.6	15.1	17.9	20.9	24.3	27.9	30.1	33.5	34.9	37.6	40.5	
EBIT-margin	15.0 %	14.0 %	15.0 %	16.0 %	17.0 %	18.0 %	19.0 %	20.0 %	20.0 %	21.0 %	21.0 %	22.0 %	23.0 %	
Tax rate (EBT)	29.0 %	29.0 %	29.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	
NOPAT	7.1	7.5	9.0	10.9	12.9	15.1	17.5	20.1	21.7	24.1	25.1	27.1	29.2	
Depreciation	6.7	8.3	9.3	9.4	9.5	9.3	9.0	9.8	10.5	11.2	11.6	12.0	12.3	
in % of Sales	10.0 %	11.0 %	11.0 %	10.0 %	9.0 %	8.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	
Changes in provisions	-0.2	-0.1	0.0	0.2	0.2	0.2	-0.1	0.4	0.1	-0.2	0.2	0.3	0.5	
Change in Liquidity from														
- Working Capital	1.7	0.0	0.0	0.3	0.2	1.4	0.3	0.3	0.3	0.3	0.2	0.1	0.2	
- Capex	6.2	6.2	6.2	7.6	8.4	9.3	9.0	9.8	10.5	11.2	11.6	12.0	12.3	
Capex in % of Sales	9.3 %	8.2 %	7.4 %	8.0 %	8.0 %	8.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	5.7	9.5	12.1	12.7	13.9	13.9	17.1	20.1	21.4	23.7	25.1	27.2	29.5	30
PV of FCF	5.7	8.7	10.1	9.7	9.7	8.9	10.0	10.7	10.4	10.5	10.2	10.1	10.0	160
share of PVs	8.61 %			35.26 %										56.14 %

**Model parameter**

Derivation of WACC:		Derivation of Beta:	
Debt ratio	1.00 %	Financial Strength	1.10
Cost of debt (after tax)	3.6 %	Liquidity (share)	1.30
Market return	8.25 %	Cyclicality	1.20
Risk free rate	2.75 %	Transparency	1.30
		Others	1.20
<b>WACC</b>	<b>9.40 %</b>	<b>Beta</b>	<b>1.22</b>

**Valuation (m)**

Present values 2034/35e	125		
Terminal Value	160		
Financial liabilities	0		
Pension liabilities	4		
Hybrid capital	0		
Minority interest	30		
Market val. of investments	0		
Liquidity	36	No. of shares (m)	11.0
<b>Equity Value</b>	<b>286</b>	<b>Value per share (EUR)</b>	<b>26.04</b>

**Sensitivity Value per Share (EUR)**

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		2.25 %	2.50 %	2.75 %	3.00 %	3.25 %	3.50 %	3.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.40	10.4 %	21.11	21.44	21.78	22.15	22.54	22.97	23.42	1.40	10.4 %	20.57	21.10	21.62	22.15	22.68	23.20	23.73
1.31	9.9 %	22.70	23.09	23.50	23.95	24.43	24.94	25.50	1.31	9.9 %	22.25	22.82	23.38	23.95	24.51	25.08	25.65
1.27	9.7 %	23.58	24.00	24.46	24.95	25.48	26.06	26.68	1.27	9.7 %	23.19	23.77	24.36	24.95	25.54	26.13	26.72
1.22	9.4 %	24.52	24.99	25.49	26.04	26.63	27.27	27.96	1.22	9.4 %	24.20	24.81	25.42	26.04	26.65	27.26	27.88
1.17	9.2 %	25.53	26.05	26.61	27.21	27.87	28.59	29.37	1.17	9.2 %	25.30	25.94	26.57	27.21	27.85	28.49	29.13
1.13	8.9 %	26.62	27.19	27.82	28.49	29.23	30.03	30.91	1.13	8.9 %	26.49	27.16	27.83	28.49	29.16	29.83	30.49
1.04	8.4 %	29.07	29.79	30.56	31.41	32.35	33.37	34.51	1.04	8.4 %	29.22	29.95	30.68	31.41	32.15	32.88	33.61

- Sales growth expected to rebound to double digits driven by strong Mindbreeze demand and expansion of PROCECO ecosystem.
- Margins are expected to recover as cost pressure gives way to profitable sales growth.

**Free Cash Flow Value Potential**

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e	
Net Income before minorities	6.5	8.6	9.5	7.9	7.2	7.6	9.0	
+ Depreciation + Amortisation	2.6	5.1	5.7	6.1	6.7	8.3	9.3	
- Net Interest Income	0.0	0.0	-0.1	-0.3	0.1	0.1	0.1	
- Maintenance Capex	3.7	4.3	4.3	6.6	6.0	6.0	6.0	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>= Free Cash Flow Potential</b>	<b>5.3</b>	<b>9.4</b>	<b>11.0</b>	<b>7.7</b>	<b>7.8</b>	<b>9.8</b>	<b>12.2</b>	
FCF Potential Yield (on market EV)	4.6 %	4.6 %	3.1 %	2.1 %	5.1 %	6.5 %	8.2 %	
WACC	9.40 %	9.40 %	9.40 %	9.40 %	9.40 %	9.40 %	9.40 %	
<b>= Enterprise Value (EV)</b>	<b>115.5</b>	<b>205.4</b>	<b>357.6</b>	<b>373.6</b>	<b>151.7</b>	<b>152.0</b>	<b>148.2</b>	
<b>= Fair Enterprise Value</b>	<b>56.5</b>	<b>99.8</b>	<b>116.5</b>	<b>82.1</b>	<b>83.0</b>	<b>104.5</b>	<b>130.0</b>	
- Net Debt (Cash)	-35.8	-35.8	-35.8	-35.8	-22.5	-22.1	-25.9	
- Pension Liabilities	3.9	3.9	3.9	3.9	3.7	3.6	3.6	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>= Fair Market Capitalisation</b>	<b>88.4</b>	<b>131.8</b>	<b>148.5</b>	<b>114.0</b>	<b>101.8</b>	<b>123.0</b>	<b>152.3</b>	
Number of shares, average	10.8	11.0	11.0	11.0	11.0	11.0	11.0	
<b>= Fair value per share (EUR)</b>	<b>8.19</b>	<b>11.98</b>	<b>13.50</b>	<b>10.36</b>	<b>9.25</b>	<b>11.18</b>	<b>13.85</b>	
premium (-) / discount (+) in %					-40.3 %	-27.9 %	-10.6 %	
<b>Sensitivity Fair value per Share (EUR)</b>								
	12.40 %	6.80	9.78	10.93	8.56	7.43	8.88	10.99
	11.40 %	7.14	10.39	11.64	9.06	7.93	9.52	11.78
	10.40 %	7.54	11.11	12.48	9.65	8.53	10.27	12.71
WACC	<b>9.40 %</b>	<b>8.19</b>	<b>11.98</b>	<b>13.50</b>	<b>10.36</b>	<b>9.25</b>	<b>11.18</b>	<b>13.85</b>
	8.40 %	8.65	13.06	14.76	11.25	10.15	12.31	15.26
	7.40 %	9.43	14.43	16.36	12.38	11.29	13.75	17.04
	6.40 %	10.44	16.23	18.46	13.86	12.79	15.64	19.39

- As a software company, Fabasoft has low capital requirements.
- FCF-Value-CAGR 2018-2024e: 9%.

### Peer-group valuation

For a peer-group comparison, international and domestic software companies were taken into consideration. While this comparison serves to derive a value indication, it is weakened by differences between the companies in terms of growth, geographic positioning, the size of the company or competitive positioning.

#### Bechtle AG

Employees: approx. 14,000

Bechtle AG, based in Germany, provides IT system integration services and solutions for corporate and public sector customers. Its portfolio includes hardware and software, as well as IT infrastructure, cloud and digital workplace services. Bechtle AG is one of the leading IT e-commerce providers in Europe.

#### Easy Software AG

Employees: approx. 400

Easy Software AG, headquartered in Germany, provides software solutions for digital document management and archiving, as well as workflow and process management. Its products automate and digitise business processes, reducing costs and improving efficiency for customers in various industries.

#### Secunet Security Networks AG

Employees: approx. 1,000

Secunet Security Networks AG, based in Germany, provides IT security solutions and services for government, public sector, and enterprise customers. Its portfolio includes products and solutions for encryption, digital signatures, and authentication, as well as consulting and support services.

#### Cenit AG

Employees: approx. 700

Cenit AG, based in Germany, provides software and consulting services for digital transformation, product lifecycle management (PLM), and enterprise information management (EIM). Its products and solutions help customers streamline processes and improve efficiency, as well as develop and manage digital products.

#### SoftwareOne Holding AG

Employees: approx. 5,500

Switzerland-based SoftwareOne Holding AG provides software asset management (SAM) solutions and services for enterprise customers worldwide. Its portfolio includes software procurement, compliance, and optimisation services, as well as cloud and digital transformation solutions.

#### DocuSign Inc.

Employees: approx. 7,000

DocuSign Inc, based in the United States, provides electronic signature and digital transaction management solutions for businesses of all sizes. Its cloud-based platform

enables users to sign, send, and manage documents securely and efficiently.

#### **Atos SE**

Employees: approx. 105,000

Atos SE, based in France, provides IT services and solutions for customers in various industries, including banking, healthcare, and manufacturing. Its portfolio includes consulting, digital transformation, and outsourcing services, as well as infrastructure and cybersecurity solutions.

#### **Teradata Corp.**

Employees: approx. 10,000

Teradata Corp, based in the United States, provides data analytics and management solutions for enterprise customers. Its portfolio includes analytics software, data warehousing, and consulting services, as well as cloud and hybrid deployment options.

#### **Coveo Solutions Inc.**

Employees: approx. 700

Canada-based Coveo Solutions Inc. provides AI-powered search and relevance solutions for digital experiences such as e-commerce and customer service. Its products and solutions help businesses deliver personalised and relevant experiences for their customers.

#### **Elastic NV**

Employees: approx. 2,000

Elastic NV, headquartered in the Netherlands, provides open source software for search, analytics, and visualisation. Its products and solutions enable users to search and analyse structured and unstructured data from various sources, as well as monitor and secure their IT environments.

#### **Palantir Technologies Inc.**

Employees: approx. 3,000

Palantir Technologies Inc, based in the United States, provides software solutions for data analysis, integration, and collaboration. Its products and solutions help government and enterprise customers make informed decisions and solve complex problems using data-driven insights.



**Basic data of the peer-group analysis**

Company	LC	Price in LC	MC in LC m	EV in LC m	EPS			Sales			EBITDA			EBIT		
					22e	23e	24e	22e	23e	24e	22e	23e	24e	22e	23e	24e
Bechtle AG	EUR	42.62	5,370.1	5,608.3	2.01	2.13	2.34	5,972.4	6,469.7	7,000.6	466.1	496.4	536.8	357.7	379.9	414.7
Easy Software AG	EUR	14.00	90.2	90.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Secunet Security Networks AG	EUR	205.00	1,332.5	1,300.5	4.93	5.45	6.63	344.7	382.0	444.3	61.1	70.0	82.0	47.0	51.9	63.1
CENIT AG	EUR	13.35	111.7	119.4	0.58	1.02	1.19	163.0	186.0	201.5	12.9	18.4	22.6	6.5	11.8	16.0
Softwareone Holding AG	CHF	13.94	2,210.6	1,896.8	0.82	0.88	1.01	1,049.8	1,125.3	1,252.4	244.1	242.4	279.3	159.4	183.6	217.1
DocuSign Inc	USD	56.96	11,500.5	11,357.1	1.98	1.92	2.36	2,087.9	2,495.8	2,702.0	487.6	564.2	619.3	416.6	494.9	602.3
Atos SE	EUR	11.50	1,275.4	3,793.2	0.45	1.78	2.72	11,274.6	11,076.8	11,113.4	943.0	933.2	1,067.4	315.8	76.2	298.0
Teradata Corp	USD	40.79	4,111.6	4,179.6	1.60	1.97	2.37	1,776.7	1,821.7	1,897.5	426.0	437.4	450.8	281.3	307.3	357.0
Coveo Solutions Inc	CAD	7.80	408.2	608.6	-0.65	-0.42	-0.43	114.1	150.4	177.1	-31.6	-21.1	-14.3	-50.6	-28.7	-22.3
Elastic NV	USD	56.19	5,421.9	5,141.1	-0.40	0.13	0.83	855.0	1,066.5	1,250.2	15.9	54.6	132.3	-2.4	35.9	122.2
Palantir Technologies Inc	USD	8.35	16,681.0	15,239.4	0.05	0.20	0.24	1,902.4	2,205.8	2,646.0	408.4	527.0	679.8	386.9	496.7	599.7
<b>Fabasoft</b>	<b>EUR</b>	<b>17.75</b>	<b>195.3</b>	<b>176.5</b>	<b>0.57</b>	<b>0.55</b>	<b>0.70</b>	<b>67.0</b>	<b>75.7</b>	<b>85.6</b>	<b>16.8</b>	<b>18.9</b>	<b>22.2</b>	<b>10.1</b>	<b>10.6</b>	<b>12.8</b>

Sources: Factset, Warburg Research

**Peer-group comparison**

As the P/E ratio is often distorted by the capital structure of a company, we base our valuation on EB/EBIT. Compared to peers, Fabasoft is trading at a slight discount. The peer-group-based fair value of EUR 23.00 supports the upside potential of the current share price compared to the DCF-based price target of EUR 26.00.

**Basic data of the peer-group analysis**

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E			EV / Sales			EV / EBITDA			EV / EBIT		
					22e	23e	24e	22e	23e	24e	22e	23e	24e	22e	23e	24e
Bechtle AG	EUR	42.62	5,370.1	5,608.3	21.17	20.01	18.24	0.9	0.9	0.8	12.0	11.3	10.4	15.7	14.8	13.5
Easy Software AG	EUR	14.00	90.2	90.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Secunet Security Networks AG	EUR	205.00	1,332.5	1,300.5	41.56	37.61	30.92	3.8	3.4	2.9	21.3	18.6	15.9	27.7	25.1	20.6
CENIT AG	EUR	13.35	111.7	119.4	23.02	13.15	11.27	0.7	0.6	0.6	9.3	6.5	5.3	18.5	10.1	7.5
Softwareone Holding AG	CHF	13.94	2,210.6	1,896.8	16.96	15.93	13.84	1.8	1.7	1.5	7.8	7.8	6.8	11.9	10.3	8.7
DocuSign Inc	USD	56.96	11,500.5	11,357.1	28.83	29.70	24.09	5.4	4.6	4.2	23.3	20.1	18.3	27.3	22.9	18.9
Atos SE	EUR	11.50	1,275.4	3,793.2	25.54	6.47	4.22	0.3	0.3	0.3	4.0	4.1	3.6	12.0	49.8	12.7
Teradata Corp	USD	40.79	4,111.6	4,179.6	25.48	20.73	17.19	2.4	2.3	2.2	9.8	9.6	9.3	14.9	13.6	11.7
Coveo Solutions Inc	CAD	7.80	408.2	608.6	neg.	neg.	neg.	5.3	4.0	3.4	neg.	neg.	neg.	neg.	neg.	neg.
Elastic NV	USD	56.19	5,421.9	5,141.1	neg.	432.23	67.70	6.0	4.8	4.1	n.a.	n.a.	38.9	n.a.	n.a.	42.1
Palantir Technologies Inc	USD	8.35	16,681.0	15,239.4	181.52	41.13	34.22	8.0	6.9	5.8	37.3	28.9	22.4	39.4	30.7	25.4
Average (all)					45.5x	68.6x	24.6x	3.5x	3.0x	2.6x	15.6x	13.4x	14.5x	20.9x	22.2x	17.9x
Median (all)					25.5x	20.7x	18.2x	3.1x	2.8x	2.6x	10.9x	10.4x	10.4x	17.1x	18.9x	13.5x
<b>Fabasoft</b>	<b>EUR</b>	<b>17.75</b>	<b>195.3</b>	<b>176.5</b>	<b>31.14</b>	<b>32.27</b>	<b>25.36</b>	<b>2.6</b>	<b>2.3</b>	<b>2.1</b>	<b>10.5</b>	<b>9.3</b>	<b>7.9</b>	<b>17.6</b>	<b>16.7</b>	<b>13.8</b>
Valuation difference to Average (all)					46%	112%	-3%	32%	27%	26%	48%	43%	83%	19%	33%	30%
Fair value per share based on Average (all)					25.94	37.70	17.24	22.9	22.1	21.8	25.5	24.7	31.1	20.8	23.0	22.6

Sources: Factset, Warburg Research

## Company & Products

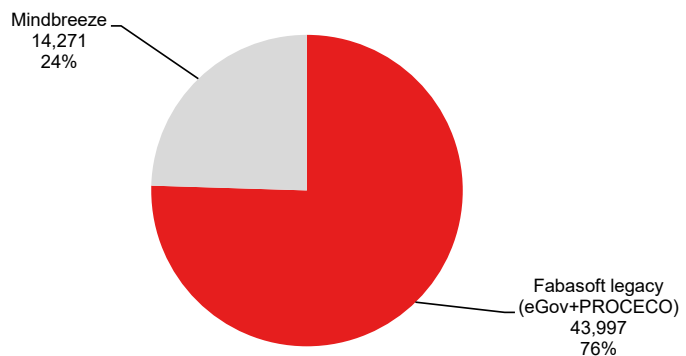
### Company profile

Fabasoft AG, based in Linz, Austria, was founded in 1988 and provides software solutions for the management of digital documents, records and processes, and secure cloud services. Moreover, the subsidiary Mindbreeze offers an insight engine that enables customers to integrate, analyse and reuse data from all areas of operations regardless of storage location or format. Fabasoft's products are categorised into the three ecosystems eGov, PROCECO and Mindbreeze.

- **eGov and PROCECO** include Fabasoft's software solutions for Enterprise Content Management (ECM), Business Process Management (BPM), Electronic Signatures, and Records Management. These solutions enable organizations to manage their documents, data, and processes securely and efficiently.
- **Mindbreeze** provides search and analytics solutions for enterprise data. Mindbreeze uses artificial intelligence and machine learning algorithms to provide relevant and personalized results, making it easier for users to access the information they are looking for.

Fabasoft has customers in various industries, including governments, financial services, healthcare, and manufacturing. Fabasoft is committed to providing innovative and secure solutions to its customers to help them succeed in their digital transformation journeys.

### Revenue share by segment 2021



Sources: Fabasoft, Warburg Research

### Broad product offering caters to diverse client base

Fabasoft provides a **range of innovative software solutions** designed to support digital business processes and document management. The company's products help organizations to manage, share and collaborate on digital content, comply with legal and regulatory requirements, and streamline business processes. Fabasoft's portfolio includes products such as the Fabasoft PROCECO ecosystems, a cloud-based ecosystem for document management and collaboration solutions, Fabasoft app.telemetry, a monitoring and analytics platform for business-critical applications, and Mindbreeze InSpire, an AI-powered search and knowledge management system. These products are used by a wide range of customers across various industries.

Product Portfolio		
Ecosystem	Key products	Description
PROCECO	Contracts	Easy-to-use contract classification and contract lifecycle management tool
	Approve	Secure and traceable platform for document review and approval procedures
	eGov Suite	Secure compilation, organization and storage of digital documents; “digital file”
	Xpublisher	Central online editorial system for managing structured and standardized content
	KnowledgeFox	Learning applications for business customers; organization of training processes
	4teamwork	Swiss-based IT services and government digitalisation specialist
eGov	eGov Suite	Secure compilation, organization and storage of digital documents; “digital file”
	Contracts	Compatible with on-premise eGov; mostly same source code as PROCECO version
Technical products	app.telemetry	Continuous process optimization of Fabasoft applications; compatible with all ecosystems
	Secomo	End-to-end encryption and digital signature; compatible with all ecosystems
Mindbreeze	SaaS On-premise Hybrid	Customisable AI-powered cognitive search and analytics platform
		Extract structured and unstructured data regardless of location and format
		Expanding portfolio of ready-to-use connectors to a plethora of data sources

Sources: Fabasoft, Warburg Research

**Comprehensive ecosystem based on secure in-house cloud**

**Cloud ecosystem PROCECO**

PROCECO is Fabasoft’s **business process ecosystem** that hosts solutions such as Contracts, Approve or the eGov suite on a user-friendly and scalable platform. The platform is **based on Fabasoft’s in-house cloud** which is built and operated entirely in Europe, ensuring compliance with strict data protection laws and regulations such as the EU General Data Protection Regulation (GDPR) and the C5 attestation by the German Federal Office for Information Security. The PROCECO ecosystem offers legacy products such as the eGov suite in the cloud and also integrates recent additions to the products portfolio such as Xpublisher which improves the product quality as services can be offered in a secure and scalable cloud with transparent data privacy policies. The ecosystem and its solutions offer a high degree of flexibility, allowing it to be integrated with existing systems such as CRM, ERP, and document management systems. Importantly, the individual solutions are not in competition with each other and each customer use-case is unique. The basis of the PROCECO ecosystem can be extended to suit individual customer needs and, when finished, customer solutions are rarely the same. The product portfolio offered on PROCECO includes:

- **Contracts** is a contract management solution that helps organizations to automate their contract lifecycle management processes. The software provides a central repository to store all contracts and related documents, allowing for easy tracking of contract milestones, deadlines, and renewal dates. Contracts also provides a range of features such as automated workflow processes, contract templates, document generation and features Mindbreeze AI components helping organizations to streamline their contract management workflows and reduce the risk of errors.
- **Approve** is an advanced software solution designed to automate approval processes for a wide range of business processes. The solution allows organizations to design and automate workflows for document approvals, purchase orders, travel requests, and other business processes. Fabasoft Approve enables teams to collaborate more effectively, reducing processing time and errors while increasing productivity. The solution provides a user-friendly interface that can be customized to suit specific business needs, making

it easy for users to access and complete their approval tasks from any device or location. Fabasoft Approve offers a high degree of flexibility, allowing it to be integrated with existing systems (e.g. ERP and CRM).

- **Xpublisher** is a comprehensive software solution that simplifies the creation and management of structured and standardized content. With content management, authoring, localization, and publishing features, the solution helps regulated industries, such as aerospace, automotive, and medical devices, to meet compliance standards and create technical documentation efficiently. The solution is also used by book publishing houses to produce high-quality publications managing the entire publishing process, including content creation, editing, proofreading, and publishing. It offers a range of features such as version control, automated formatting, and localization, allowing publishers to create and distribute their content globally.
- **KnowledgeFox** is an online learning platform designed to help organizations create and deliver engaging and effective training programmes ensuring an efficient transfer of knowledge. The platform provides a range of features such as customizable courses, interactive quizzes, and progress tracking, allowing organizations to deliver personalized training experiences to their employees. The platform also provides advanced reporting features, enabling organizations to track learner progress and measure the effectiveness of their training programmes. Management plans to rebrand KnowledgeFox as Fabasoft Talents once it is fully integrated into PROCECO.
- **app.telemetry** is a unique technical product that serves continuous process optimisation and is steered by application software. The solution tracks response times of relevant tasks and yields detailed information on user requests through both hardware and software infrastructure. Additionally, Fabasoft app.telemetry provides advanced reporting features, allowing organisations to report to customer support or helpdesks and gain insights into their application performance. The solution streamlines the monitoring and troubleshooting process, enabling organizations to identify and address issues quickly and reduce application downtime.
- **4teamwork** is a Swiss-based software development company that has established itself as a trusted partner for government customers. They specialize in creating custom software solutions for clients across a wide range of industries, with particular expertise in developing software solutions for the public sector. Their services include software development, web development, mobile app development, and software consulting. 4teamwork has a strong focus on Agile development methodologies, which allows them to work closely with government clients to understand their unique requirements and tailor their solutions accordingly.
- **Secomo** is a comprehensive security solution offering end-to-end encryption, identity and access management and secure communications. Secomo offers advanced threat detection and response capabilities, enabling organizations to detect and respond to cyber-attacks quickly. Company certificates are secured by a hardware security module (HSM) and cannot be exported. Secomo certificates can be used for legally compliant digital signatures of PDF documents.
- Fabasoft's **eGov Suite** is designed specifically for government organizations to digitise administrative processes and provide better services to citizens. The solution offers a range of features such as document management and digital archiving, allowing government agencies to manage workflows more efficiently and offer digital services to citizens. The PROCECO-based eGov suite is particularly suited for public bodies given the advanced data privacy and security features of the EU-based Fabasoft cloud.
- **Mindbreeze Enterprise** is a Mindbreeze-based full-text search that can be used within the PROCECO ecosystem. The application provides a customizable interface that can be tailored to fit specific business needs, enabling users to quickly access and analyze data from multiple sources.

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**Governments often favour on-premise solution**

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**eGov suite is industry standard for public-sector digitalisation**

While the cloud-based eGov suite is beginning to gain traction, most government organisations in the DACH region still favour on-premise solutions on the grounds of data privacy and security concerns. Digital file management and secure archiving by tools such as the eGov suite are the **basis for digital agency processes and digital interaction between civil servants and citizens**. Fabasoft's eGov suite is easy to use and install while offering a high degree of flexibility. The platform's features are particularly well-suited for the administrative processes in the DACH region which has led to the eGov suite being the industry standard in Austria and Germany. The eGov ecosystem version offers **on-premise** software solutions for government customers who are not yet willing to migrate to the **PROCECO-based cloud version** of the eGov suite.

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**Mindbreeze is a highly competitive insight engine**

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**The next generation search and data analytics tool Mindbreeze**

Mindbreeze was founded in 2005 by Daniel Fallmann who is still serving as CEO of the Mindbreeze GmbH. Fabasoft funded the venture with an equity stake of initially 76%. In 2021, Fabasoft increased the stake to 85.5% in light of Mindbreeze's growing importance for Fabasoft.

Mindbreeze is a **customisable insight engine based on cognitive search algorithms**. The software is designed to help organisations gain insights from their data by providing central search capabilities across multiple data sources. One of the key features of Mindbreeze's software is its ability to **unify and search across a wide variety of structured or unstructured data sources** such as documents, emails, databases, and social media. This means that users can quickly and easily find the information they need, regardless of where it is located. Another key feature of Mindbreeze's software is its **advanced analytics capabilities**. The software can automatically categorize and tag data and identify patterns and trends within the data. This can help organizations gain insights into their business processes, customer behaviour and other key areas. The software is offered in two specifications:

- **Mindbreeze InSpire** is a knowledge management system, integrated into the company's infrastructure of e-mail systems, document management systems, archives and sector-specific specialist applications. With this information, Mindbreeze compiles a comprehensive and autonomously maintained knowledge database.
- **Fabasoft Mindbreeze Enterprise** is sold as an add-on product (Mindbreeze-based full-text search) that can be integrated into the PROCECO ecosystem and the eGov suite.

One example of how Mindbreeze's software can help customers is in the area of customer service. By unifying and analysing customer data from multiple sources, such as email, chat logs, and social media, **the software can help customer service teams to quickly identify and resolve customer issues**. This can lead to improved customer satisfaction and loyalty. Another example of how Mindbreeze's software can **help customers is in the area of compliance and regulatory requirements**. Many industries, such as healthcare, finance, and government, are subject to strict regulations and requirements regarding data privacy and security. Mindbreeze's software can help these organizations to easily search and analyse data to ensure compliance with these regulations.

**Customer can choose ideal deployment method**

Mindbreeze provides **different deployment options** to fit the various needs of their customers.

- One option is the **on-premise appliance**, which involves installing the software on hardware located within the customer's own data centre. This option is ideal for organisations that require complete control over their data and infrastructure.
- Another option is the **Software-as-a-Service (SaaS) deployment**, which involves hosting the software in a private or public cloud and allowing customers to access it via

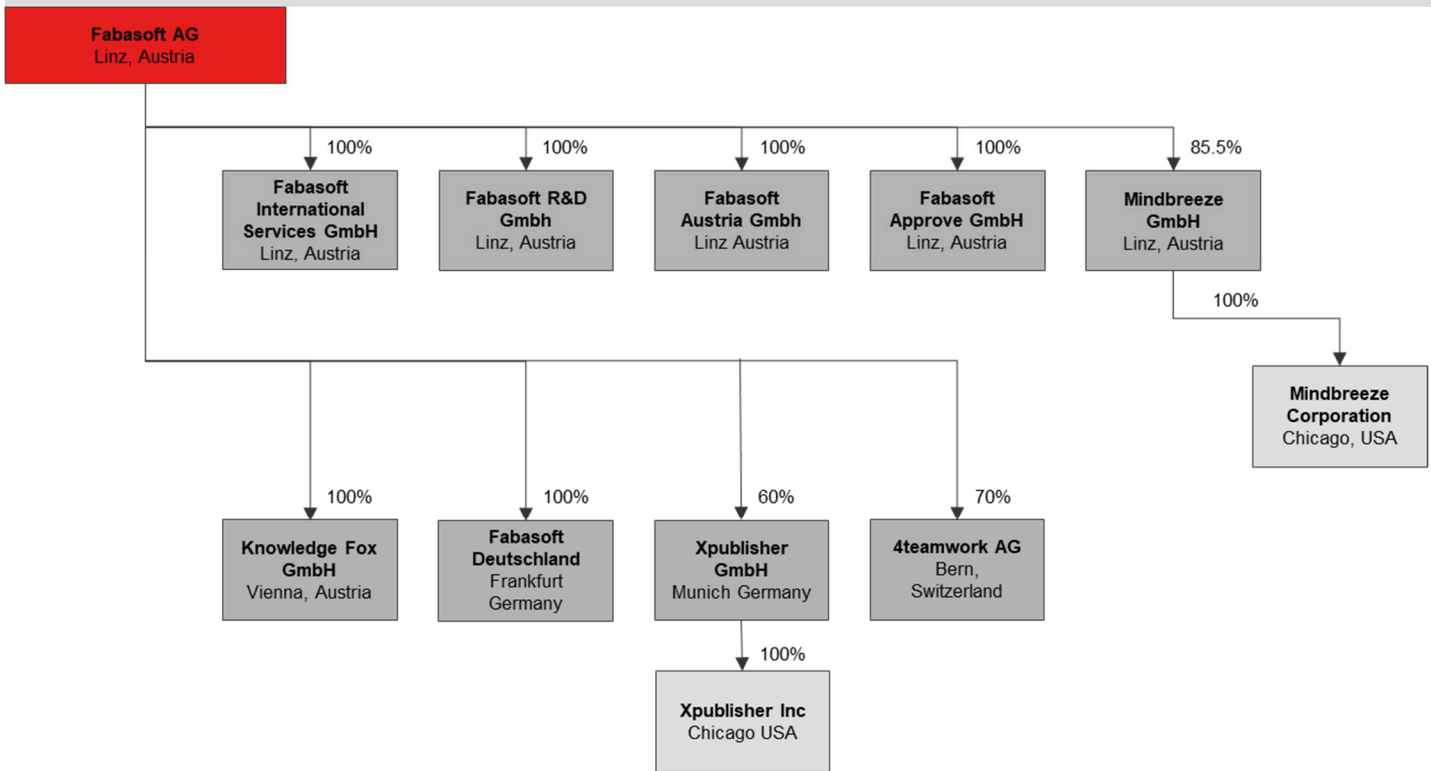
a web-based interface. This option is ideal for organizations that require flexibility and scalability, as it allows them to easily add or remove users or data volume as needed.

- Mindbreeze also offers **hybrid deployment** which involves a combination of on-premise and cloud-based deployment. This option is ideal for organizations that want to take advantage of both the control and security of an on-premise deployment and the flexibility and scalability of a cloud-based deployment. Customers can **keep sensitive data on premise** to ensure data security and autonomy while **moving less-critical data to the cloud** to benefit from advantages such as cost savings and higher flexibility.
- Finally, Mindbreeze also offers **docker-based deployment**, which allows customers to quickly and easily deploy the software within a **containerized environment**. This way, Mindbreeze can also be integrated into resource-efficient containers that are popular among customers for their scalability and the consistent and reproducible environment for applications.

**Holding structure**

As of late, Fabasoft is moving more towards a holding structure by holding majority stakes in subsidiaries that are managed by independent CEOs who often own minority stakes. This approach has been successful in the case of Mindbreeze and Fabasoft has applied the same structure to recent acquisitions such as 4teamwork or Xpublisher.

**Fabasoft AG structure**



Sources: Fabasoft, Warburg Research

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**M&A track record**

Acquisitions of innovative software companies that complement and expand the product portfolio are an important part of Fabasoft's strategy going forward. An overview of Fabasoft's past acquisitions can be found below.

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**Xpublisher GmbH**

**2019**

Xpublisher GmbH is a German software specialist localised in Munich that generated sales of EUR 1.3m in 2017 with just under 25 employees. Xpublisher offers software solution for the creation and management of structured and standardized content. The acquisition opens up new opportunities for sales activities in Europe and America and thus synergetic growth. Fabasoft holds a 60% stake in the company.

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**KnowledgeFox GmbH**

**2022**

KnowledgeFox GmbH is located in Vienna and is a specialist for mobile learning, micro learning and onboarding tools. The company generated sales of approximately EUR 1m in 2021. In 2022, Fabasoft AG acquired a 70% majority stake in KnowledgeFox for an undisclosed amount. Later the same year Fabasoft increased its stake to 100%.

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**4teamwork AG**

**2022**

4teamwork AG, headquartered in Bern, Switzerland is one of the most important IT service providers for public-sector customers in Switzerland. In 2022 it generated sales of around CHF 4m with approx. 30 employees. Fabasoft owns 70% of the company.

**Management and shareholders**

**Management board**



**Helmut Fallmann (Chief Executive Officer)**

Helmut Fallmann is the co-founder of Fabasoft and has led the company since its creation in 1988 together with co-founder Leopold Bauernfeind. After Mr. Bauernfeind resigned from the management board as of June 2022, Helmut Fallmann took the position of Chief Executive Officer. Mr. Fallmann played a pivotal role in shaping the direction of Fabasoft, leading the company through a period of significant growth and expansion while helping to pioneer the digitalisation of the public sector in Austria and the DACH region.



**Oliver Albl (Chief Technology Officer)**

Oliver Albl was appointed to the management board as Chief Technical Officer (CTO) with effect from May 1 2022. Previously, Mr. Albl was in charge of the Fabasoft International Services GmbH. Oliver Albl is a graduate of HTBLA Leonding and has been with the company in the field of software development since 1991, successfully taking on numerous management positions. His central task is to implement an optimised technical organisational culture that further integrates the areas of software development and IT operations.



**Matthias Wodniok (Member of the management board)**

Matthias Wodniok was appointed to the management board as of July 1 2022. He oversees the eGov suite and is responsible for government customers. Prior to joining the managing board, Mr. Wodniok served as Managing Director and Head of Professional Services Germany of Fabasoft Germany GmbH. He has been with Fabasoft for more than 20 years and is tasked with further strengthening Fabasoft’s leadership position in the DACH government IT market.

**Supervisory board**

**Members of the supervisory board**

Dr. Friedrich Roithmayr Chairman of the board	Prof. Dr. Ingrid Schaumüller-Bichl Member of the board	Dr. Andreas Altmann Member of the board	Michaela Schwinghammer-Hausleitner Member of the board

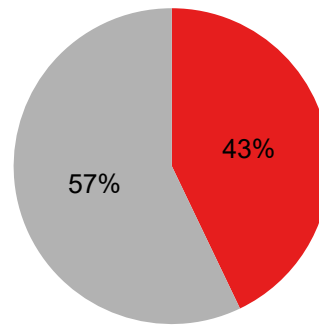
Sources: Fabasoft, Warburg Research

**Shareholder structure**

The Fallmann & Bauernfeind foundation remains the company’s largest shareholder at 57.1%. The Fallmann & Bauernfeind foundation is the private foundation of Fabasoft’s two founders. In 2021, the foundation reduced its stake by privately placing 800,000 shares. In the free float, there are many public funds and institutional investors. Currently, only Invesco Advisers holds a stake of more than 5% at 10.12%.



**Shareholder structure**



■ Fallmann & Bauernfeind Foundation ■ Free Float

Sources: Factset, Warburg Research

**DCF model**

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	22/23e	23/24e	24/25e	25/26e	26/27e	27/28e	28/29e	29/30e	30/31e	31/32e	32/33e	33/34e	34/35e	
Sales	67.0	75.7	84.3	94.4	105.3	116.3	128.0	139.5	150.6	159.7	166.1	171.0	176.2	
Sales change	15.0 %	13.0 %	11.3 %	12.0 %	11.5 %	10.5 %	10.0 %	9.0 %	8.0 %	6.0 %	4.0 %	3.0 %	3.0 %	3.0 %
EBIT	10.1	10.6	12.6	15.1	17.9	20.9	24.3	27.9	30.1	33.5	34.9	37.6	40.5	
EBIT-margin	15.0 %	14.0 %	15.0 %	16.0 %	17.0 %	18.0 %	19.0 %	20.0 %	20.0 %	21.0 %	21.0 %	22.0 %	23.0 %	
Tax rate (EBT)	29.0 %	29.0 %	29.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	28.0 %	
NOPAT	7.1	7.5	9.0	10.9	12.9	15.1	17.5	20.1	21.7	24.1	25.1	27.1	29.2	
Depreciation	6.7	8.3	9.3	9.4	9.5	9.3	9.0	9.8	10.5	11.2	11.6	12.0	12.3	
in % of Sales	10.0 %	11.0 %	11.0 %	10.0 %	9.0 %	8.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	
Changes in provisions	-0.2	-0.1	0.0	0.2	0.2	0.2	-0.1	0.4	0.1	-0.2	0.2	0.3	0.5	
Change in Liquidity from														
- Working Capital	1.7	0.0	0.0	0.3	0.2	1.4	0.3	0.3	0.3	0.3	0.2	0.1	0.2	
- Capex	6.2	6.2	6.2	7.6	8.4	9.3	9.0	9.8	10.5	11.2	11.6	12.0	12.3	
Capex in % of Sales	9.3 %	8.2 %	7.4 %	8.0 %	8.0 %	8.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	5.7	9.5	12.1	12.7	13.9	13.9	17.1	20.1	21.4	23.7	25.1	27.2	29.5	30
PV of FCF	5.7	8.7	10.1	9.7	9.7	8.9	10.0	10.7	10.4	10.5	10.2	10.1	10.0	160
share of PVs	8.61 %			35.26 %										56.14 %

**Model parameter**

Derivation of WACC:		Derivation of Beta:	
Debt ratio	1.00 %	Financial Strength	1.10
Cost of debt (after tax)	3.6 %	Liquidity (share)	1.30
Market return	8.25 %	Cyclicality	1.20
Risk free rate	2.75 %	Transparency	1.30
		Others	1.20
<b>WACC</b>	<b>9.40 %</b>	<b>Beta</b>	<b>1.22</b>

**Valuation (m)**

Present values 2034/35e	125		
Terminal Value	160		
Financial liabilities	0		
Pension liabilities	4		
Hybrid capital	0		
Minority interest	30		
Market val. of investments	0		
Liquidity	36	No. of shares (m)	11.0
<b>Equity Value</b>	<b>286</b>	<b>Value per share (EUR)</b>	<b>26.04</b>

**Sensitivity Value per Share (EUR)**

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		2.25 %	2.50 %	2.75 %	3.00 %	3.25 %	3.50 %	3.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.40	10.4 %	21.11	21.44	21.78	22.15	22.54	22.97	23.42	1.40	10.4 %	20.57	21.10	21.62	22.15	22.68	23.20	23.73
1.31	9.9 %	22.70	23.09	23.50	23.95	24.43	24.94	25.50	1.31	9.9 %	22.25	22.82	23.38	23.95	24.51	25.08	25.65
1.27	9.7 %	23.58	24.00	24.46	24.95	25.48	26.06	26.68	1.27	9.7 %	23.19	23.77	24.36	24.95	25.54	26.13	26.72
1.22	9.4 %	24.52	24.99	25.49	26.04	26.63	27.27	27.96	1.22	9.4 %	24.20	24.81	25.42	26.04	26.65	27.26	27.88
1.17	9.2 %	25.53	26.05	26.61	27.21	27.87	28.59	29.37	1.17	9.2 %	25.30	25.94	26.57	27.21	27.85	28.49	29.13
1.13	8.9 %	26.62	27.19	27.82	28.49	29.23	30.03	30.91	1.13	8.9 %	26.49	27.16	27.83	28.49	29.16	29.83	30.49
1.04	8.4 %	29.07	29.79	30.56	31.41	32.35	33.37	34.51	1.04	8.4 %	29.22	29.95	30.68	31.41	32.15	32.88	33.61

- Sales growth expected to rebound to double digits driven by strong Mindbreeze demand and expansion of PROCECO ecosystem.
- Margins are expected to recover as cost pressure gives way to profitable sales growth.

**Free Cash Flow Value Potential**

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e	
Net Income before minorities	6.5	8.6	9.5	7.9	7.2	7.6	9.0	
+ Depreciation + Amortisation	2.6	5.1	5.7	6.1	6.7	8.3	9.3	
- Net Interest Income	0.0	0.0	-0.1	-0.3	0.1	0.1	0.1	
- Maintenance Capex	3.7	4.3	4.3	6.6	6.0	6.0	6.0	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>= Free Cash Flow Potential</b>	<b>5.3</b>	<b>9.4</b>	<b>11.0</b>	<b>7.7</b>	<b>7.8</b>	<b>9.8</b>	<b>12.2</b>	
FCF Potential Yield (on market EV)	4.6 %	4.6 %	3.1 %	2.1 %	5.1 %	6.5 %	8.2 %	
WACC	9.40 %	9.40 %	9.40 %	9.40 %	9.40 %	9.40 %	9.40 %	
<b>= Enterprise Value (EV)</b>	<b>115.5</b>	<b>205.4</b>	<b>357.6</b>	<b>373.6</b>	<b>151.7</b>	<b>152.0</b>	<b>148.2</b>	
<b>= Fair Enterprise Value</b>	<b>56.5</b>	<b>99.8</b>	<b>116.5</b>	<b>82.1</b>	<b>83.0</b>	<b>104.5</b>	<b>130.0</b>	
- Net Debt (Cash)	-35.8	-35.8	-35.8	-35.8	-22.5	-22.1	-25.9	
- Pension Liabilities	3.9	3.9	3.9	3.9	3.7	3.6	3.6	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>= Fair Market Capitalisation</b>	<b>88.4</b>	<b>131.8</b>	<b>148.5</b>	<b>114.0</b>	<b>101.8</b>	<b>123.0</b>	<b>152.3</b>	
Number of shares, average	10.8	11.0	11.0	11.0	11.0	11.0	11.0	
<b>= Fair value per share (EUR)</b>	<b>8.19</b>	<b>11.98</b>	<b>13.50</b>	<b>10.36</b>	<b>9.25</b>	<b>11.18</b>	<b>13.85</b>	
premium (-) / discount (+) in %					-40.3 %	-27.9 %	-10.6 %	
<b>Sensitivity Fair value per Share (EUR)</b>								
	12.40 %	6.80	9.78	10.93	8.56	7.43	8.88	10.99
	11.40 %	7.14	10.39	11.64	9.06	7.93	9.52	11.78
	10.40 %	7.54	11.11	12.48	9.65	8.53	10.27	12.71
WACC	<b>9.40 %</b>	<b>8.19</b>	<b>11.98</b>	<b>13.50</b>	<b>10.36</b>	<b>9.25</b>	<b>11.18</b>	<b>13.85</b>
	8.40 %	8.65	13.06	14.76	11.25	10.15	12.31	15.26
	7.40 %	9.43	14.43	16.36	12.38	11.29	13.75	17.04
	6.40 %	10.44	16.23	18.46	13.86	12.79	15.64	19.39

- As a software company, Fabasoftware has low capital requirements.
- FCF-Value-CAGR 2018-2024e: 9%.

**Peer Group**

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E			EV / Sales			EV / EBITDA			EV / EBIT		
					22e	23e	24e	22e	23e	24e	22e	23e	24e	22e	23e	24e
Bechtle AG	EUR	42.62	5,370.1	5,608.3	21.17	20.01	18.24	0.9	0.9	0.8	12.0	11.3	10.4	15.7	14.8	13.5
Easy Software AG	EUR	14.00	90.2	90.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Secunet Security Networks AG	EUR	205.00	1,332.5	1,300.5	41.56	37.61	30.92	3.8	3.4	2.9	21.3	18.6	15.9	27.7	25.1	20.6
CENIT AG	EUR	13.35	111.7	119.4	23.02	13.15	11.27	0.7	0.6	0.6	9.3	6.5	5.3	18.5	10.1	7.5
Softwareone Holding AG	CHF	13.94	2,210.6	1,896.8	16.96	15.93	13.84	1.8	1.7	1.5	7.8	7.8	6.8	11.9	10.3	8.7
DocuSign Inc	USD	56.96	11,500.5	11,357.1	28.83	29.70	24.09	5.4	4.6	4.2	23.3	20.1	18.3	27.3	22.9	18.9
Atos SE	EUR	11.50	1,275.4	3,793.2	25.54	6.47	4.22	0.3	0.3	0.3	4.0	4.1	3.6	12.0	49.8	12.7
Teradata Corp	USD	40.79	4,111.6	4,179.6	25.48	20.73	17.19	2.4	2.3	2.2	9.8	9.6	9.3	14.9	13.6	11.7
Coveo Solutions Inc	CAD	7.80	408.2	608.6	neg.	neg.	neg.	5.3	4.0	3.4	neg.	neg.	neg.	neg.	neg.	neg.
Elastic NV	USD	56.19	5,421.9	5,141.1	neg.	432.23	67.70	6.0	4.8	4.1	n.a.	n.a.	38.9	n.a.	n.a.	42.1
Palantir Technologies Inc	USD	8.35	16,681.0	15,239.4	181.52	41.13	34.22	8.0	6.9	5.8	37.3	28.9	22.4	39.4	30.7	25.4
Average (all)					45.5x	68.6x	24.6x	3.5x	3.0x	2.6x	15.6x	13.4x	14.5x	20.9x	22.2x	17.9x
Median (all)					25.5x	20.7x	18.2x	3.1x	2.8x	2.6x	10.9x	10.4x	10.4x	17.1x	18.9x	13.5x
<b>Fabasoft</b>	<b>EUR</b>	<b>17.75</b>	<b>195.3</b>	<b>176.5</b>	<b>31.14</b>	<b>32.27</b>	<b>25.36</b>	<b>2.6</b>	<b>2.3</b>	<b>2.1</b>	<b>10.5</b>	<b>9.3</b>	<b>7.9</b>	<b>17.6</b>	<b>16.7</b>	<b>13.8</b>
Valuation difference to Average (all)					46%	112%	-3%	32%	27%	26%	48%	43%	83%	19%	33%	30%
Fair value per share based on Average (all)					25.94	37.70	17.24	22.9	22.1	21.8	25.5	24.7	31.1	20.8	23.0	22.6

**Valuation**

	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Price / Book	5.4 x	8.1 x	10.9 x	16.0 x	8.1 x	12.4 x	11.7 x
Book value per share ex intangibles	2.43	2.33	3.03	1.86	1.23	0.63	0.68
EV / Sales	2.9 x	4.0 x	6.5 x	6.4 x	2.3 x	2.0 x	1.8 x
EV / EBITDA	10.0 x	12.2 x	18.3 x	21.2 x	9.1 x	8.0 x	6.8 x
EV / EBIT	13.0 x	17.5 x	25.8 x	32.4 x	15.1 x	14.3 x	11.7 x
EV / EBIT adj.*	13.0 x	17.5 x	25.8 x	32.4 x	15.1 x	14.3 x	11.7 x
P / FCF	18.7 x	24.5 x	27.0 x	48.3 x	27.5 x	17.0 x	13.6 x
P / E	24.5 x	30.8 x	46.9 x	54.2 x	27.2 x	28.2 x	22.5 x
P / E adj.*	24.5 x	30.8 x	46.9 x	54.2 x	27.2 x	28.2 x	22.5 x
Dividend Yield	3.7 %	3.0 %	2.3 %	2.3 %	5.5 %	4.5 %	4.5 %
FCF Potential Yield (on market EV)	4.6 %	4.6 %	3.1 %	2.1 %	5.1 %	6.5 %	8.2 %

\*Adjustments made for: -

**Consolidated profit & loss**

In EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
<b>Sales</b>	<b>40.3</b>	<b>51.1</b>	<b>55.1</b>	<b>58.3</b>	<b>67.0</b>	<b>75.7</b>	<b>84.3</b>
Change Sales yoy	26.0 %	26.8 %	7.9 %	5.8 %	15.0 %	13.0 %	11.3 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Sales</b>	<b>40.3</b>	<b>51.1</b>	<b>55.1</b>	<b>58.3</b>	<b>67.0</b>	<b>75.7</b>	<b>84.3</b>
Material expenses	1.0	2.2	2.5	2.9	3.7	4.2	4.6
<b>Gross profit</b>	<b>39.2</b>	<b>48.8</b>	<b>52.6</b>	<b>55.4</b>	<b>63.3</b>	<b>71.5</b>	<b>79.7</b>
<i>Gross profit margin</i>	<i>97.4 %</i>	<i>95.6 %</i>	<i>95.5 %</i>	<i>95.0 %</i>	<i>94.5 %</i>	<i>94.5 %</i>	<i>94.5 %</i>
Personnel expenses	19.5	24.3	27.5	30.1	36.9	40.9	45.5
Other operating income	0.1	0.2	0.4	0.2	1.0	1.1	1.3
Other operating expenses	8.3	8.0	5.9	7.9	10.7	12.9	13.5
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>11.5</b>	<b>16.8</b>	<b>19.6</b>	<b>17.6</b>	<b>16.8</b>	<b>18.9</b>	<b>21.9</b>
<i>Margin</i>	<i>28.5 %</i>	<i>32.9 %</i>	<i>35.5 %</i>	<i>30.3 %</i>	<i>25.0 %</i>	<i>25.0 %</i>	<i>26.0 %</i>
Depreciation of fixed assets	2.6	4.9	5.4	5.8	6.7	8.3	9.3
<b>EBITA</b>	<b>8.9</b>	<b>11.9</b>	<b>14.1</b>	<b>11.8</b>	<b>10.1</b>	<b>10.6</b>	<b>12.6</b>
Amortisation of intangible assets	0.0	0.2	0.2	0.3	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>8.9</b>	<b>11.7</b>	<b>13.9</b>	<b>11.5</b>	<b>10.1</b>	<b>10.6</b>	<b>12.6</b>
<i>Margin</i>	<i>22.1 %</i>	<i>22.9 %</i>	<i>25.2 %</i>	<i>19.8 %</i>	<i>15.0 %</i>	<i>14.0 %</i>	<i>15.0 %</i>
<b>EBIT adj.</b>	<b>8.9</b>	<b>11.7</b>	<b>13.9</b>	<b>11.5</b>	<b>10.1</b>	<b>10.6</b>	<b>12.6</b>
Interest income	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Interest expenses	0.0	0.1	0.1	0.3	0.0	0.0	0.0
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>8.9</b>	<b>11.7</b>	<b>13.8</b>	<b>11.3</b>	<b>10.2</b>	<b>10.7</b>	<b>12.7</b>
<i>Margin</i>	<i>22.2 %</i>	<i>22.8 %</i>	<i>25.0 %</i>	<i>19.3 %</i>	<i>15.1 %</i>	<i>14.1 %</i>	<i>15.1 %</i>
Total taxes	2.4	3.1	4.1	3.4	2.9	3.1	3.7
<b>Net income from continuing operations</b>	<b>6.5</b>	<b>8.6</b>	<b>9.7</b>	<b>7.9</b>	<b>7.2</b>	<b>7.6</b>	<b>9.0</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income before minorities</b>	<b>6.5</b>	<b>8.6</b>	<b>9.5</b>	<b>7.9</b>	<b>7.2</b>	<b>7.6</b>	<b>9.0</b>
Minority interest	0.6	0.8	0.9	0.5	0.9	1.5	1.5
<b>Net income</b>	<b>5.9</b>	<b>7.7</b>	<b>8.6</b>	<b>7.4</b>	<b>6.3</b>	<b>6.1</b>	<b>7.5</b>
<i>Margin</i>	<i>14.6 %</i>	<i>15.1 %</i>	<i>15.6 %</i>	<i>12.7 %</i>	<i>9.4 %</i>	<i>8.1 %</i>	<i>9.0 %</i>
Number of shares, average	10.8	11.0	11.0	11.0	11.0	11.0	11.0
<b>EPS</b>	<b>0.55</b>	<b>0.70</b>	<b>0.78</b>	<b>0.68</b>	<b>0.57</b>	<b>0.55</b>	<b>0.69</b>
EPS adj.	0.55	0.70	0.78	0.68	0.57	0.55	0.69

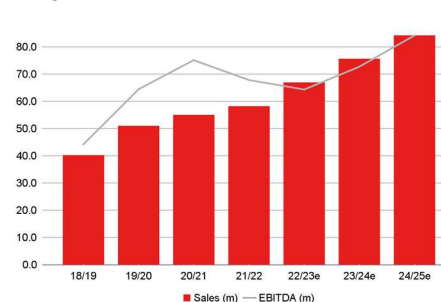
\*Adjustments made for:

Guidance: n.a.

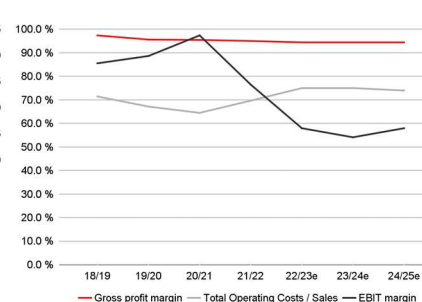
**Financial Ratios**

	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Total Operating Costs / Sales	71.5 %	67.1 %	64.5 %	69.7 %	75.0 %	75.0 %	74.0 %
Operating Leverage	2.7 x	1.2 x	2.4 x	-2.9 x	-0.9 x	0.4 x	1.7 x
EBITDA / Interest expenses	5749.0 x	316.6 x	179.4 x	62.1 x	n.a.	n.a.	n.a.
Tax rate (EBT)	27.4 %	26.6 %	29.4 %	30.0 %	29.0 %	29.0 %	29.0 %
Dividend Payout Ratio	83.2 %	83.6 %	96.1 %	118.7 %	129.7 %	101.4 %	85.1 %
Sales per Employee	170,674	163,641	168,988	150,953	141,053	144,244	148,713

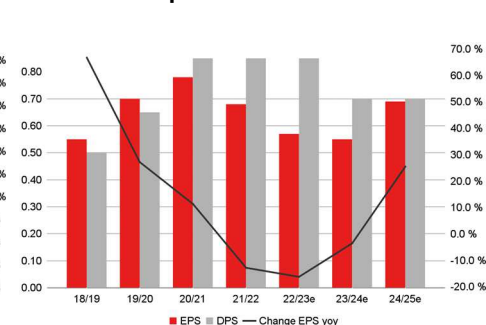
**Sales, EBITDA**  
in EUR m



**Operating Performance**  
in %



**Performance per Share**



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

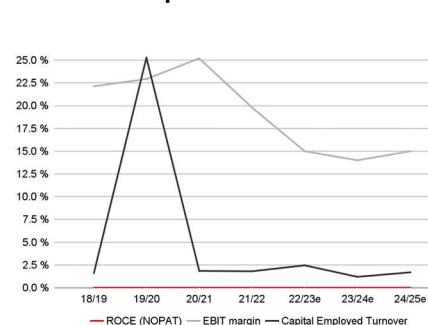
**Consolidated balance sheet**

In EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
<b>Assets</b>							
Goodwill and other intangible assets	0.1	3.8	3.7	5.0	7.6	6.9	7.1
thereof other intangible assets	0.1	3.8	0.5	0.7	0.7	0.9	1.1
thereof Goodwill	0.0	0.0	2.8	3.5	5.2	5.2	5.2
Property, plant and equipment	5.8	12.0	12.3	15.2	15.9	13.6	10.3
Financial assets	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other long-term assets	0.9	1.1	1.0	0.5	0.4	0.0	0.0
<b>Fixed assets</b>	<b>7.0</b>	<b>17.0</b>	<b>17.2</b>	<b>20.8</b>	<b>24.1</b>	<b>20.6</b>	<b>17.6</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	11.6	13.1	10.9	10.4	12.8	14.3	15.7
Liquid assets	33.2	35.1	48.4	35.8	22.8	22.4	26.3
Other short-term assets	0.0	0.0	0.1	2.6	4.1	4.1	4.1
<b>Current assets</b>	<b>44.8</b>	<b>48.2</b>	<b>59.4</b>	<b>48.9</b>	<b>39.7</b>	<b>40.8</b>	<b>46.0</b>
<b>Total Assets</b>	<b>51.8</b>	<b>65.3</b>	<b>76.6</b>	<b>69.7</b>	<b>63.8</b>	<b>61.4</b>	<b>63.6</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Capital reserve	15.2	15.2	19.5	19.6	19.6	19.6	19.6
Retained earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other equity components	0.7	3.3	6.5	-5.2	-9.4	-16.8	-16.0
Shareholders' equity	26.9	29.4	37.0	25.4	21.2	13.8	14.6
Minority interest	0.9	2.3	2.3	1.9	2.6	2.6	2.6
<b>Total equity</b>	<b>27.8</b>	<b>31.7</b>	<b>39.3</b>	<b>27.3</b>	<b>23.8</b>	<b>16.4</b>	<b>17.2</b>
Provisions	3.2	3.5	4.3	4.4	4.1	4.0	4.0
thereof provisions for pensions and similar obligations	3.2	3.5	3.9	3.9	3.7	3.6	3.6
Financial liabilities (total)	0.0	0.0	0.0	0.0	0.3	0.3	0.3
Short-term financial liabilities	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Accounts payable	5.7	5.7	8.1	10.6	11.2	12.7	14.1
Other liabilities	15.1	24.5	24.9	27.4	24.4	28.0	28.0
<b>Liabilities</b>	<b>24.0</b>	<b>33.6</b>	<b>37.3</b>	<b>42.4</b>	<b>40.0</b>	<b>45.1</b>	<b>46.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>51.8</b>	<b>65.3</b>	<b>76.6</b>	<b>69.7</b>	<b>63.8</b>	<b>61.4</b>	<b>63.6</b>

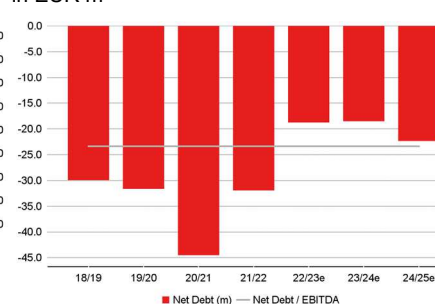
**Financial Ratios**

	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
<b>Efficiency of Capital Employment</b>							
Operating Assets Turnover	3.4 x	2.6 x	3.6 x	3.9 x	3.8 x	5.0 x	7.1 x
Capital Employed Turnover	-19.0 x	895.7 x	-10.5 x	-12.4 x	13.4 x	-35.1 x	-16.3 x
ROA	83.9 %	45.2 %	50.0 %	35.7 %	26.0 %	29.5 %	43.0 %
<b>Return on Capital</b>							
ROCE (NOPAT)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	23.7 %	27.4 %	25.9 %	23.8 %	26.9 %	34.9 %	53.3 %
Adj. ROE	23.7 %	27.4 %	25.9 %	23.8 %	26.9 %	34.9 %	53.3 %
<b>Balance sheet quality</b>							
Net Debt	-29.9	-31.6	-44.5	-31.9	-18.8	-18.5	-22.3
Net Financial Debt	-33.2	-35.1	-48.4	-35.8	-22.5	-22.1	-25.9
Net Gearing	-107.6 %	-99.8 %	-113.4 %	-117.2 %	-79.0 %	-113.2 %	-130.2 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	2.4	2.7	3.4	2.3	1.9	1.3	1.3
Book value per share ex intangibles	2.4	2.3	3.0	1.9	1.2	0.6	0.7

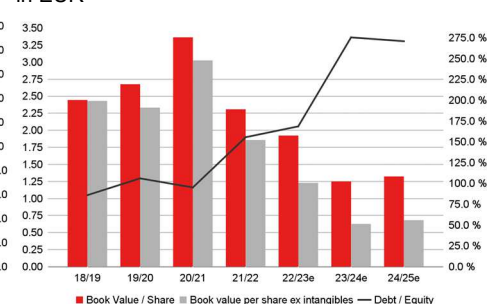
**ROCE Development**



**Net debt in EUR m**



**Book Value per Share in EUR**



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

**Consolidated cash flow statement**

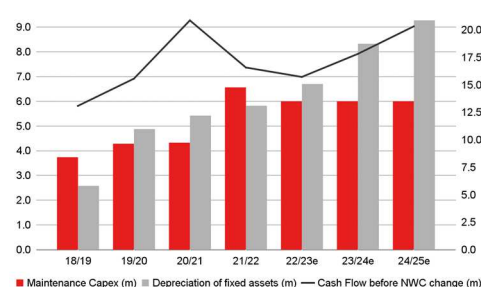
In EUR m	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Net income	6.5	8.6	9.5	7.9	7.2	7.6	9.0
Depreciation of fixed assets	2.6	4.9	5.4	5.8	6.7	8.3	9.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.2	0.2	0.3	0.0	0.0	0.0
Increase/decrease in long-term provisions	0.2	0.2	0.0	0.0	-0.2	-0.1	0.0
Other non-cash income and expenses	3.8	1.7	5.7	2.6	2.0	2.0	2.0
<b>Cash Flow before NWC change</b>	<b>13.1</b>	<b>15.6</b>	<b>20.9</b>	<b>16.6</b>	<b>15.7</b>	<b>17.8</b>	<b>20.3</b>
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in accounts receivable	-3.0	-1.5	2.2	0.5	-2.4	-1.5	-1.4
Increase / decrease in accounts payable	1.5	0.0	2.4	2.5	0.6	1.5	1.4
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-1.5	-1.5	0.1	0.1	-1.7	0.0	0.0
<b>Net cash provided by operating activities [1]</b>	<b>11.6</b>	<b>14.1</b>	<b>21.0</b>	<b>16.7</b>	<b>14.0</b>	<b>17.8</b>	<b>20.3</b>
Investments in intangible assets	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Investments in property, plant and equipment	-3.7	-4.3	-4.3	-6.6	-6.0	-6.0	-6.0
Payments for acquisitions	0.0	0.0	0.0	-0.6	-0.6	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
<b>Net cash provided by investing activities [2]</b>	<b>-3.8</b>	<b>-4.8</b>	<b>-4.3</b>	<b>-7.3</b>	<b>-6.7</b>	<b>-6.2</b>	<b>-6.2</b>
Change in financial liabilities	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Dividends paid	-2.0	-5.4	-7.2	-9.4	-9.4	-9.4	-7.7
Purchase of own shares	0.0	0.0	6.3	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-0.2	-2.0	-2.5	-12.7	-2.6	-2.6	-2.6
<b>Net cash provided by financing activities [3]</b>	<b>-2.2</b>	<b>-7.4</b>	<b>-3.3</b>	<b>-22.1</b>	<b>-11.6</b>	<b>-11.9</b>	<b>-10.3</b>
<b>Change in liquid funds [1]+[2]+[3]</b>	<b>5.6</b>	<b>1.9</b>	<b>13.4</b>	<b>-12.6</b>	<b>-4.3</b>	<b>-0.3</b>	<b>3.8</b>
Effects of exchange-rate changes on cash	0.0	0.0	-0.1	0.1	0.0	0.0	0.0
Cash and cash equivalent at end of period	33.2	35.1	48.4	35.9	31.5	22.4	26.3

**Financial Ratios**

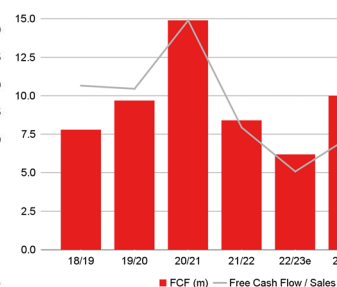
	2018/19	2019/20	2020/21	2021/22	2022/23e	2023/24e	2024/25e
<b>Cash Flow</b>							
FCF	7.8	9.7	14.9	8.4	6.2	10.0	12.5
Free Cash Flow / Sales	19.4 %	19.0 %	27.0 %	14.4 %	9.2 %	13.2 %	14.9 %
Free Cash Flow Potential	5.3	9.4	11.0	7.7	7.8	9.8	12.2
Free Cash Flow / Net Profit	132.4 %	125.8 %	173.3 %	113.2 %	98.7 %	164.1 %	166.0 %
Interest Received / Avg. Cash	0.1 %	0.0 %	0.0 %	0.0 %	0.3 %	0.4 %	0.4 %
Interest Paid / Avg. Debt	n.a.	n.a.	n.a.	n.a.	0.0 %	0.0 %	0.0 %
<b>Management of Funds</b>							
Investment ratio	9.5 %	8.6 %	8.2 %	11.6 %	9.3 %	8.2 %	7.4 %
Maint. Capex / Sales	9.3 %	8.4 %	7.9 %	11.3 %	9.0 %	7.9 %	7.1 %
Capex / Dep	148.8 %	86.3 %	79.9 %	110.3 %	92.5 %	74.4 %	66.9 %
Avg. Working Capital / Sales	13.0 %	13.2 %	9.3 %	2.3 %	1.0 %	2.1 %	1.9 %
Trade Debtors / Trade Creditors	205.2 %	231.5 %	135.1 %	98.4 %	113.9 %	112.6 %	111.3 %
Inventory Turnover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Receivables collection period (days)	105	94	72	65	70	69	68
Payables payment period (days)	1,995	926	1,190	1,342	1,113	1,113	1,110
Cash conversion cycle (Days)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

**CAPEX and Cash Flow**

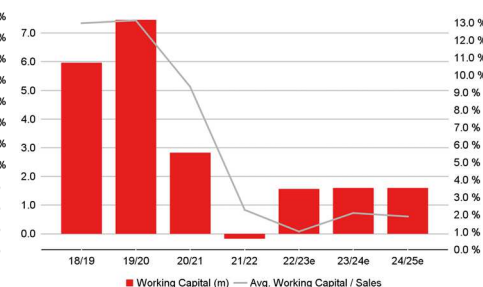
in EUR m



**Free Cash Flow Generation**



**Working Capital**



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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-B-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
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Rating	Number of stocks	% of Universe
Buy	160	75
Hold	43	20
Sell	7	3
Rating suspended	3	1
<b>Total</b>	<b>213</b>	<b>100</b>

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... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	46	88
Hold	5	10
Sell	0	0
Rating suspended	1	2
<b>Total</b>	<b>52</b>	<b>100</b>

**PRICE AND RATING HISTORY FABASOFT AS OF 11.05.2023**



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