

DATALAB D.D.

LJSE ticker: DATR
Bloomberg: DATR SV

19th December 2014

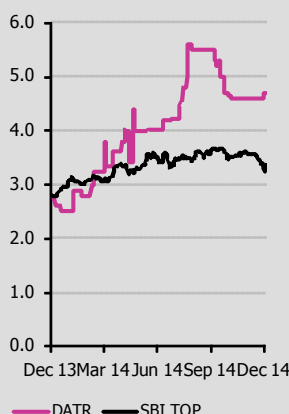
www.datalab.si

Target price:
5.1 EUR

Previous target price:
5.1 EUR, BUY (6.11.2014)

Recommendation:
BUY

12 months stock performance in EUR



Growth company.

Agro accounting story developing and awaiting first results.

Regional exposure.

Ambitious plan.

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Stock data as of 19.12.2014

Market price (EUR)	4.70	Market Cap (EURm)	10.0
52 week range (EUR)	2.50-5.60	No. of Shares in mio	2.1
Avg. daily trade vol., EUR(k)	4.33	Free float	68%
Average daily % of stock traded	0.055%	Dividend yield	0.0%

Price performance	3 months	12 months	Multiples:	TTM	2015F
			P/E	16.2	11.4
price change in %	-14.5%	67.9%	EV/Sales	1.6	1.4
SBI TOP index change in %	-8.6%	18.9%	EV/EBITDA	5.8	4.9
relative to SBI TOP index in %	-6.5%	41.2%	EV/EBIT	19.3	11.2

Key figures (According to International Accounting Standards) Consolidated data in thousand EUR.

thousand €	Income statement:				Balance sheet:			
	2013	2014	2015F	2016F	€	2013	2014	TTM
Sales	6,635.5	7,294.0	8,356.5	11,000.6	Investmen	210.2	233.6	184.2
Growth yoy	15.9%	9.9%	14.6%	31.6%	Cash	205.4	411.5	818.9
EBITDA	1,876.0	2,041.3	2,422.1	3,298.6	Debt	2,296.2	2,607.8	2,415.8
Margin	28.3%	28.0%	29.0%	30.0%	Net debt	1,880.6	1,962.7	1,412.7
EBIT	609.1	619.5	1,069.5	1,744.9	Equity	4,541.7	5,224.5	6,017.2
Margin	9.2%	8.5%	12.8%	15.9%	Assets	8,383.6	9,964.6	10,386.8
Net income	651.5	614.4	875.9	1,492.0	Fin. D/E	50.6%	49.9%	40.1%
Growth	94.0%	-5.7%	42.6%	70.3%	Fin. D/A	27.4%	26.2%	23.3%
EPS	0.39	0.29	0.41	0.66	Debt/EBIT	1.2	1.3	0.8

* EPS includes new issued shares due to ESOP program. Fiscal year for Datalab Group is from 1st July till 30th of June (difference to calendar year).

1Q15 results and outlook revision:

- Group sales revenues are up by hefty 18.5% YoY to EUR 961.7 thousand while total revenues (including capitalized own products) increased by 10.4% YoY. Operating cost on the other hand increased by 9.9% YoY as well, thereby EBIT margin stagnated. Here we should note cost of goods, materials and services lifted only by 0.6% YoY, but labor costs surged by 25.8%. D&A are down by 4.4% YoY. EBIT is negative but this is a usual cyclicity. Net financing result also deteriorated slightly which consequently brought net loss down to EUR 200 thousand.

thousand €	1Q14	4Q14	1Q15	QoQ	YoY
Sales	1,273.4	1,921.1	1,406.1	-26.8%	10.4%
EBITDA	166.3	477.5	142.3	-70.2%	-14.4%
Margin	13.1%	24.9%	10.1%		
EBIT	-162.5	130.7	-171.9		
Margin	-12.8%	6.8%	-12.2%		
Net income	-169.1	170.7	-199.7		
Margin	-13.3%	8.9%	-14.2%		

Total assets are at EUR 10.4m or up by 23.7% YoY due to an increase in intangibles (to EUR 6.6m) and account receivables (to EUR 1.6m). Equity is up as well to EUR 6.1m or by 36.6% YoY. Net debt to EBITDA ratio remains healthy.

- More detailed data on Agro Accounting traction will be published in next 2015 interim reports. Datalab is focusing on this segment as they believe it has a substantial stand-alone potential, as well as potential for cross sell when their relationship with clients is firmly established. Product launch in Swiss market is expected in February while discussions with management revealed they see several markets as very perspective, among others Poland and Romunia. For now we also see a big potential for the product, as segment is from IT perspective underdeveloped while underlying Agro trends are encouraging. It is true however this segment will need more capital injections for market development while visibility regarding growth pace remains low.
- Market conditions continue to be difficult, especially on the domestic market (number of bankruptcies), while in Croatia they are benefiting from a trend of legislature changes due to EU entrance. This means smaller competitors have difficulties supporting its customers. Due to adverse environment, pricing pressure remains though. As a consequence current strategy is to conquer market share (on the expense of price and revenues), also through Telcos cooperation. This seems sound as high customer loyalty can unlock potential in sales application add-on. Not to mention, sacrificing current revenues for reoccurring revenues is improving revenue stability.

Valuation commentary:

- Given the past seasonal dynamic weak 1Q15 was expected (and loss). Also current stock price catalyst (Agro Accounting) should deliver first meaningful data only in 2015 and beyond. Therefore we stick with our forecasts, target price and recommendation.
- We should mentioned that both, Agro Accounting and market share focus, are a viable strategy to reap the benefits in the long term, but short term patience will be needed.

Top5 shareholders:

Mertelj Andrej	32.0%
Raiffeisen Bank Fid	15.3%
Nepremičnine Noviforum	7.9%
Alpen.Si	4.7%
NLB Skladi	4.6%

Brief Company profile

Datalab is a Slovenian software company. Their main product is the PANTHEON business IT system (based on MS SQL for Windows and Linux environment) for monitoring and optimization of business processes thereby increasing productivity and lowering operating costs. Datalab develops, sells and implements the software directly, through its Partner Channel and through accounting firms. It is orientated on small and mid-sized companies in Slovenia and SouthEast Europe. Its domestic market share is around 9% (2010 data).

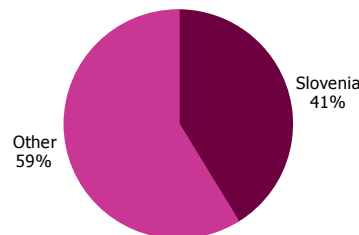
Sources of revenues:

- Licence fees and user fees for Pantheon IT system (declining segment).
- Upgrade contracts for Pantheon (main source of revenues).
- Leasing and subscription user fees (Pantheon Hosting, growing segment).
- Membership fees for support.
- Education and certification fees, advertisements etc.

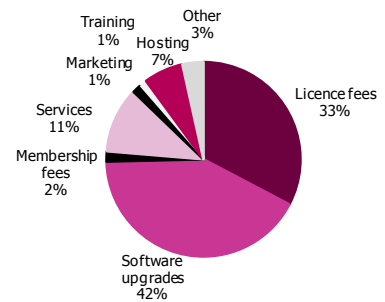
Datalab Group is organized into three levels. The controlling company is in charge of coordination of network, joint services and especially research and development. Second level consists of daughter companies, accountable for localization of PANTHEON, sales and support in respective country. On a third level there are partners or internal ServiceDesks for implementation of PANTHEON, support and activation of users.

Fiscal year for Datalab Group is from 1st July till 30th of June (difference to calendar year).

Group sales by region (2014)



Group sales by segment (2014)



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Sell	14	23%	13%

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