Hold (old: Hold)

PT EUR 5.80 (old: 6.70)

Price	EUR 5.65
Bloomberg	MGX GR
Reuters	MGXGn
Sector	Software/IT

Vendor of multimedia-software

Share data: 25.01.2012 / Closing price

Market cap:	EUR 58.9 m
Enterprise Value (EV):	EUR 26.9 m
Book value:	EUR 43.1 m
No. of shares:	10.4 m
Trading volume Ø:	EUR 64.8 th

Shareholders:

Freefloat	30.0 %
Presto Capital Management GmbH & Co. KG	28.0 %
Jürgen Jaron	14.0 %
Dieter Rhein	14.0 %
HeidelbergCapital Private Equity Fund I	14.0 %

Calendar:

Annual report 10/11	01/31/12
Figures Q1	02/29/12

Change	2010/11E		2011/12E		2012/13E	
	old	Δ%	old	Δ%	old	Δ%
Sales	36.1	0	37.0	-10.8	37.9	-10.8
EBIT	5.3	0	5.4	-30.2	5.8	-29.6
EPS	0.40	0	0.41	-29.3	0.43	-27.9

Analysis: Warburg Research

Date of publication: 26.01.2012

Analyst:

Felix Ellmann +49 (0)40-309537-120

fellmann@warburg-research.com

Weak Q1

On January 25, 2012 Magix AG released the preliminary figures for the first quarter in 2012 which were **well below expectations**:

MAGIX AG - Q1 2012

Figures in EUR m	Q1/12	Q1/12e	Q1/11	yoy	2012e	2011	yoy
Sales	8.1	10.0	10.7	-24.6%	35.0	36.1	-3.0%
EBITDA	1.2	2.6	3.0	-59.4%	8.1	9.1	-11.5%
margin	*15.1%*	*26.0%*	*28.1%*		*23.0%*	*25.2%*	
EBIT	0.3	1.6	2.0	-83.3%	4.4	5.3	-17.6%

Sources: MAGIX AG (historical data), Warburg Research (estimates)

Compared to the strong first quarter of the previous FY **group sales were down 25% in Q1 11/12.** As a result of scheduled **postponements of product launches** in favour of Q4 2010/2011 and Q2 2011/2012, a sales decline has been expected. However, revenues were also impacted by a **weak retail business and returns from the Christam business** (cf. Comment/downgrade of November 17, 2011). The overall drop in revenues was stronger than expected.

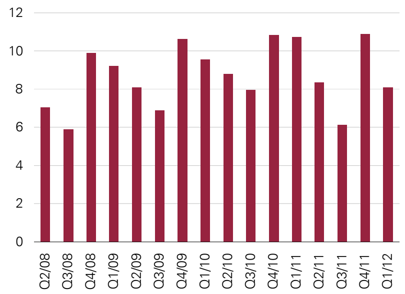
Extensive cost cutting measures were implemented as early as Q1 2011/2012 to counter the weak earnings development. These measures should become visible in the subsequent quarters without limiting the accelerated entry in the market for PC system tools and the expansion of the B2B business. Here marketing expenses are expected to be higher. In the system tools segment Magix has founded its own subsidiary „simplitec GmbH" already in December. The subsidiary is focused on PC system tools. **Marketing of this product group will be significantly pushed in spring 2012.** The PC system tools' market volume is much larger than the market for multimedia software addressed so far. In the case of simplitec, Magix can also resort to the experiences and relations in sales and distributions established in the present core market. In the medium term Magix will basically also benefit from the introduction of Windows 8.

More information on the preliminary quarterly figures will be published by the company on January 31, 2012 together with the annual accounts. The complete Q1 report will be published on February 29, 2012. As the second and third quarters are typically also weak the **news flow will be burdened in the medium term** as well. Despite the planned product launches, particularly in the promising new system tools segment, Q4 2012 will make the decisive contribution to the annual result in 2012. In this respect, the dependency on a good Q4 will presumably be much higher than in the previous years. **All in all, the estimates have to be considerably trimmed in view of the weak start to the year.**

Based on the new estimates the PT is EUR 5.80. **Hold rating reiterated.**

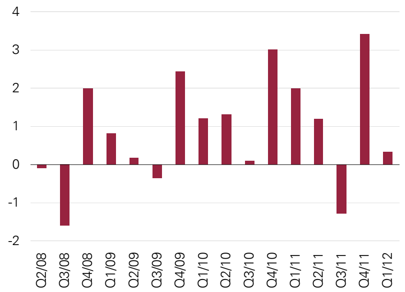
Fiscal year ending: 30.9. in EUR m	2006/07	2007/08	2008/09	2009/10	2010/11E	2011/12E	2012/13E
Sales	32.7	32.1	34.8	37.1	36.1	33.0	33.8
Change Sales yoy	-9.0 %	-1.7 %	8.3 %	6.7 %	-2.8 %	-8.6 %	2.5 %
Gross balance	28.5	27.6	28.5	31.5	31.1	28.4	29.1
Gross margin	*87.2 %*	*85.9 %*	*82.0 %*	*84.9 %*	*86.2 %*	*86.0 %*	*86.0 %*
EBITDA	6.0	5.6	6.6	9.1	9.1	7.3	7.6
EBITDA-margin	18.5 %	17.3 %	19.0 %	24.5 %	25.2 %	22.0 %	22.5 %
EBIT	3.1	2.1	3.1	5.6	5.3	3.8	4.1
EBIT-margin	9.4 %	6.5 %	8.8 %	15.1 %	14.7 %	11.5 %	12.0 %
Net income	2.6	2.0	2.2	4.4	4.1	3.0	3.2
EPS	0.21	0.17	0.20	0.42	0.40	0.29	0.31
Free Cash Flow per share	-0.15	-0.07	0.39	0.62	0.45	0.26	0.13
Dividend	0.00	0.00	0.00	0.88	1.12	0.00	0.00
Dividend Yield	*n.a.*	*n.a.*	*n.a.*	*15.6 %*	*19.8 %*	*n.a.*	*n.a.*
EV/Sales	0.8	0.8	0.7	0.7	0.8	0.8	0.8
EV/EBITDA	4.2	4.5	3.8	2.8	3.3	3.7	3.4
EV/EBIT	8.2	12.1	8.2	4.5	5.6	7.1	6.3
PER	26.9	33.2	28.2	13.4	14.1	19.5	18.2
ROCE	6.3 %	4.5 %	6.8 %	12.2 %	11.6 %	9.8 %	11.2 %
Adj. Free Cash Flow Yield	12.4 %	10.1 %	13.5 %	22.6 %	19.2 %	14.3 %	16.1 %

Sales development
in EUR m



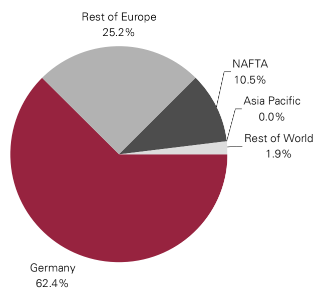
Source: MAGIX AG

EBIT development
in EUR m



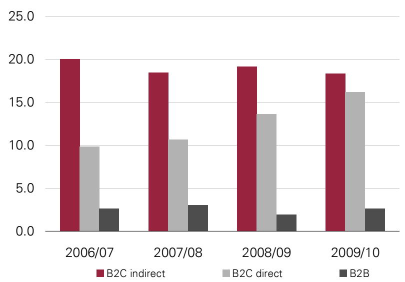
Source: MAGIX AG

Sales by regions
2010



Source: MAGIX AG

MAGIX AG - sales by types
in EUR m



Source: MAGIX AG

Company background

MAGIX is a leading international provider of software, online services and digital content for multimedia communication. The company is very successful in Germany, the most important European markets but also in the USA. The majority of revenues are generated from the sale of software with roughly half of it being sold online and the other half through retail channels.

Competitive quality

Magix differentiates from competitors mainly because of the following factors:

- **Innovative strength**: more than 15 years in the market as well as more than thousand awards worldwide are proof of the company's innovative strength. Today, Magix is market leader for multimedia software in Europe.
- **Retail position**: long-standing contacts in retail provide for a stable positioning („shelf space") in this segment..
- **Internet business & community**: Magix will presumably market roughly half of its products via its own internet presence in 2011/12. Therefore, the company has very attractive customers who mostly buy their products directly via the company's own internet portals..
- **Loyal customer group**: a major part of the customers (ca. 50%) has an age of 45+. These customers are characterised by their brand loyalty and an above-average income.
- **New products**: Magix can afford the high expenses for research and development and will continue to be among the innovative leaders of the sector going forward, which supports the competitive position

Consolidated Profit & Loss MAGIX

in EUR m	2006/07	2007/08	2008/09	2009/10	2010/11E	2011/12E	2012/13E
Sales	**32.7**	**32.1**	**34.8**	**37.1**	**36.1**	**33.0**	**33.8**
Cost of sales	4.2	4.5	6.3	5.6	5.0	4.6	4.7
Gross balance	**28.5**	**27.6**	**28.5**	**31.5**	**31.1**	**28.4**	**29.1**
Research and development	8.3	9.0	9.4	8.8	9.0	8.9	9.0
Sales and marketing	13.2	12.7	12.1	11.9	11.7	10.9	11.2
General and administration	4.3	4.2	4.6	5.8	5.8	5.4	5.6
Other operating income/expenses	0.5	0.5	0.8	0.7	0.7	0.7	0.7
Unfrequent items	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
EBITDA	**6.0**	**5.6**	**6.6**	**9.1**	**9.1**	**7.3**	**7.6**
Depreciation of fixed assets	0.3	0.3	0.4	0.3	0.4	0.3	0.3
EBITA	**5.7**	**5.2**	**6.3**	**8.8**	**8.7**	**6.9**	**7.3**
Amortisation of intangible fixed assets	2.7	3.1	3.2	3.1	3.4	3.1	3.2
Impairment charges and amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**3.1**	**2.1**	**3.1**	**5.6**	**5.3**	**3.8**	**4.1**
Interest income	1.3	1.2	0.8	0.4	0.2	0.2	0.2
Interest expenses	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Financial result	1.3	1.1	0.7	0.4	0.2	0.2	0.2
Recurring pretax income from cont. operations	**4.3**	**3.1**	**3.7**	**6.0**	**5.5**	**4.0**	**4.3**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**4.3**	**3.1**	**3.7**	**6.0**	**5.5**	**4.0**	**4.3**
Taxes total	1.8	1.1	1.6	1.5	1.4	1.0	1.1
Net income from continuing operations	**2.5**	**2.0**	**2.2**	**4.4**	**4.1**	**3.0**	**3.2**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**2.5**	**2.0**	**2.2**	**4.4**	**4.1**	**3.0**	**3.2**
Minority interest	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**2.6**	**2.0**	**2.2**	**4.4**	**4.1**	**3.0**	**3.2**

Sources: MAGIX (historical data), Warburg Research (forecasts)

Consolidated Profit & Loss MAGIX

in % of Sales	2006/07	2007/08	2008/09	2009/10	2010/11E	2011/12E	2012/13E
Sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Cost of sales	12.8 %	14.1 %	18.0 %	15.1 %	13.8 %	14.0 %	14.0 %
Gross balance	**87.2 %**	**85.9 %**	**82.0 %**	**84.9 %**	**86.2 %**	**86.0 %**	**86.0 %**
Research and development	25.6 %	28.1 %	27.1 %	23.8 %	25.0 %	27.0 %	26.5 %
Sales and marketing	40.4 %	39.7 %	34.9 %	32.2 %	32.5 %	33.0 %	33.0 %
General and administration	13.3 %	13.1 %	13.4 %	15.7 %	16.0 %	16.5 %	16.5 %
Other operating income/expenses	1.4 %	1.5 %	2.2 %	1.8 %	2.0 %	2.0 %	2.0 %
Unfrequent items	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
EBITDA	**18.5 %**	**17.3 %**	**19.0 %**	**24.5 %**	**25.2 %**	**22.0 %**	**22.5 %**
Depreciation of fixed assets	0.9 %	1.1 %	1.0 %	0.9 %	1.0 %	1.0 %	1.0 %
EBITA	**17.6 %**	**16.2 %**	**18.0 %**	**23.6 %**	**24.2 %**	**21.0 %**	**21.5 %**
Amortisation of intangible fixed assets	8.2 %	9.7 %	9.2 %	8.5 %	9.5 %	9.5 %	9.5 %
Impairment charges and amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	**9.4 %**	**6.5 %**	**8.8 %**	**15.1 %**	**14.7 %**	**11.5 %**	**12.0 %**
Interest income	4.1 %	3.6 %	2.3 %	1.0 %	0.6 %	0.6 %	0.6 %
Interest expenses	0.2 %	0.4 %	0.4 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	3.9 %	3.3 %	1.9 %	1.0 %	0.6 %	0.6 %	0.6 %
Recurring pretax income from cont. operations	**13.2 %**	**9.8 %**	**10.7 %**	**16.1 %**	**15.3 %**	**12.1 %**	**12.6 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBT	**13.2 %**	**9.8 %**	**10.7 %**	**16.1 %**	**15.3 %**	**12.1 %**	**12.6 %**
Taxes total	5.5 %	3.5 %	4.5 %	4.2 %	3.8 %	3.0 %	3.2 %
Net income from continuing operations	**7.7 %**	**6.3 %**	**6.2 %**	**11.9 %**	**11.4 %**	**9.1 %**	**9.4 %**
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income before minorities	**7.7 %**	**6.3 %**	**6.2 %**	**11.9 %**	**11.4 %**	**9.1 %**	**9.4 %**
Minority interest	-0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**8.0 %**	**6.3 %**	**6.2 %**	**11.9 %**	**11.4 %**	**9.1 %**	**9.4 %**

Sources: MAGIX (historical data), Warburg Research (forecasts)

Balance sheet MAGIX

in EUR m	2006/07	2007/08	2008/09	2009/10	2010/11E	2011/12E	2012/13E
Assets							
Intangible assets	13.8	14.0	13.6	13.7	14.0	15.4	17.7
thereof other intangible assets	11.7	11.9	11.5	11.6	11.9	13.3	15.6
thereof Goodwill	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Property, plant and equipment	1.7	1.5	1.2	0.9	0.5	0.2	-0.1
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**15.5**	**15.5**	**14.8**	**14.6**	**14.6**	**15.6**	**17.6**
Inventories	1.2	1.4	1.5	1.4	1.3	1.2	1.2
Accounts receivable	9.9	11.2	10.6	9.7	9.1	8.3	8.2
Other Assets	14.5	12.0	1.3	1.7	1.7	1.7	1.7
Liquid assets	17.4	15.6	26.7	33.8	29.3	20.4	21.7
Current assets	**42.9**	**40.2**	**40.1**	**46.5**	**41.4**	**31.6**	**32.9**
Total assets	**58.4**	**55.7**	**54.9**	**61.1**	**56.0**	**47.2**	**50.4**
Liabilities and shareholders' equity							
Subscribed capital	12.7	12.7	12.7	12.7	12.7	12.7	12.7
Additional paid-in capital	25.6	25.8	26.0	26.2	26.2	26.2	26.2
Surplus capital	8.7	5.1	4.6	9.1	4.0	-4.7	-1.5
Other equity components	-0.2	0.2	0.3	0.2	0.2	0.2	0.2
Book value	46.8	43.9	43.7	48.2	43.1	34.4	37.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	**46.8**	**43.9**	**43.7**	**48.2**	**43.1**	**34.4**	**37.6**
Provision for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	4.1	4.3	4.6	4.9	4.9	4.9	4.9
Financial liabilities	1.5	1.8	0.1	0.1	0.1	0.1	0.1
Accounts payable	1.2	1.0	1.0	1.4	1.4	1.3	1.3
Other liabilities	4.7	4.7	5.6	6.5	6.5	6.5	6.5
Liabilities	**11.6**	**11.8**	**11.3**	**12.9**	**12.9**	**12.8**	**12.8**
Total liabilities and shareholders' equity	**58.4**	**55.7**	**54.9**	**61.1**	**56.0**	**47.2**	**50.4**

Sources: MAGIX (historical data), Warburg Research (forecasts)

Balance sheet MAGIX

in % of Balance Sheet Total	2006/07	2007/08	2008/09	2009/10	2010/11E	2011/12E	2012/13E
Assets							
Intangible assets	23.6 %	25.2 %	24.8 %	22.4 %	25.1 %	32.7 %	35.1 %
thereof other intangible assets	20.0 %	21.4 %	21.0 %	18.9 %	21.3 %	28.2 %	30.9 %
thereof Goodwill	3.6 %	3.8 %	3.9 %	3.5 %	3.8 %	4.5 %	4.2 %
Property, plant and equipment	2.9 %	2.6 %	2.1 %	1.5 %	1.0 %	0.4 %	-0.3 %
Financial assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Fixed assets	**26.5 %**	**27.8 %**	**27.0 %**	**23.9 %**	**26.1 %**	**33.1 %**	**34.9 %**
Inventories	2.0 %	2.6 %	2.7 %	2.2 %	2.3 %	2.5 %	2.4 %
Accounts receivable	16.9 %	20.1 %	19.3 %	15.9 %	16.3 %	17.6 %	16.3 %
Other Assets	24.8 %	21.5 %	2.4 %	2.8 %	3.1 %	3.6 %	3.4 %
Liquid assets	29.8 %	28.0 %	48.6 %	55.3 %	52.4 %	43.2 %	43.1 %
Current assets	**73.5 %**	**72.1 %**	**73.0 %**	**76.1 %**	**74.0 %**	**67.0 %**	**65.2 %**
Total assets	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Liabilities and shareholders' equity							
Subscribed capital	21.7 %	22.7 %	23.1 %	20.7 %	22.6 %	26.8 %	25.1 %
Additional paid-in capital	43.8 %	46.4 %	47.4 %	42.9 %	46.8 %	55.5 %	52.0 %
Surplus capital	15.0 %	9.2 %	8.5 %	14.9 %	7.2 %	-9.9 %	-2.9 %
Other equity components	-0.3 %	0.4 %	0.6 %	0.4 %	0.4 %	0.5 %	0.5 %
Book value	80.2 %	78.8 %	79.5 %	78.8 %	77.0 %	72.9 %	74.6 %
Minority Interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total equity	**80.2 %**	**78.8 %**	**79.5 %**	**78.8 %**	**77.0 %**	**72.9 %**	**74.6 %**
Provision for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Provisions	7.1 %	7.7 %	8.3 %	8.0 %	8.7 %	10.4 %	9.7 %
Financial liabilities	2.5 %	3.2 %	0.3 %	0.2 %	0.2 %	0.3 %	0.2 %
Accounts payable	2.1 %	1.8 %	1.8 %	2.3 %	2.5 %	2.8 %	2.6 %
Other liabilities	8.1 %	8.5 %	10.2 %	10.7 %	11.6 %	13.8 %	12.9 %
Liabilities	**19.8 %**	**21.2 %**	**20.5 %**	**21.2 %**	**23.1 %**	**27.2 %**	**25.4 %**
Total liabilities and shareholders' equity	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Sources: MAGIX (historical data), Warburg Research (forecasts)

Statement of Cash Flows MAGIX

in EUR m	2006/07	2007/08	2008/09	2009/10	2010/11E	2011/12E	2012/13E
Net income	2.5	2.0	2.2	4.4	4.1	3.0	3.2
Depreciation of fixed assets	0.3	0.3	0.4	0.3	0.4	0.3	0.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.7	3.1	3.2	3.1	3.4	3.1	3.2
Increase/decrease in long-term provisions	-0.5	0.2	0.3	0.3	0.0	0.0	0.0
Other costs affecting income / expenses	-1.5	-1.5	-0.6	-0.5	0.0	0.0	0.0
Cash Flow	**3.5**	**4.2**	**5.3**	**7.8**	**7.9**	**6.5**	**6.7**
Increase / decrease in inventory	-0.2	-0.3	0.0	0.1	0.1	0.1	0.0
Increase / decrease in accounts receivable	-0.5	-1.3	0.6	0.9	0.6	0.8	0.1
Increase / decrease in accounts payable	-0.9	-0.2	0.0	0.5	0.0	-0.1	0.0
Increase / decrease in other working capital positions	-0.2	0.4	1.2	0.5	0.0	0.0	0.0
Increase / decrease in working capital	-1.9	-1.4	1.7	2.0	0.6	0.8	0.1
Cash flow from operating activities	**1.6**	**2.7**	**7.0**	**9.7**	**8.5**	**7.3**	**6.8**
CAPEX	-3.4	-3.5	-2.9	-3.3	-3.8	-4.5	-5.5
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-17.3	-5.5	-2.7	0.0	0.0	0.0	0.0
Income from asset disposals	1.3	3.6	10.6	0.4	0.0	0.0	0.0
Cash flow from investing activities	**-19.4**	**-5.4**	**5.0**	**-2.9**	**-3.8**	**-4.5**	**-5.5**
Change in financial liabilities	0.0	0.0	-1.1	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	-9.2	-11.7	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.2	0.7	0.1	0.3	0.0	0.0	0.0
Cash flow from financing activities	**0.2**	**0.7**	**-1.0**	**0.3**	**-9.2**	**-11.7**	**0.0**
Change in liquid funds	-17.6	-2.0	11.1	7.1	-4.4	-8.9	1.3
Effects of exchange rate changes on cash	**-0.1**	**0.2**	**0.1**	**-0.1**	**0.0**	**0.0**	**0.0**
Liquid assets at end of period	**17.4**	**15.6**	**26.7**	**33.7**	**29.3**	**20.4**	**21.7**

Sources: MAGIX (historical data), Warburg Research (forecasts)

Financial Ratios MAGIX

	2006/07	2007/08	2008/09	2009/10	2010/11E	2011/12E	2012/13E
Operational Efficiency							
Total Operating Costs / Sales	77.8 %	79.4 %	73.2 %	69.8 %	71.5 %	74.5 %	74.0 %
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT-margin	9.4 %	6.5 %	8.8 %	15.1 %	14.7 %	11.5 %	12.0 %
EBITDA / Operating Assets	52.5 %	42.5 %	54.0 %	86.6 %	95.4 %	86.3 %	95.5 %
ROA	16.9 %	13.0 %	14.6 %	30.4 %	28.3 %	19.2 %	18.2 %
Efficiency of Capital Employment							
Plant Turnover	19.5	22.1	29.8	41.2	66.9	157	-264
Operating Assets Turnover	2.8	2.5	2.8	3.5	3.8	3.9	4.2
Capital Employed Turnover	0.7	0.7	0.8	0.8	0.8	1.0	0.9
Return on Capital							
ROCE	6.3 %	4.5 %	6.8 %	12.2 %	11.6 %	9.8 %	11.2 %
EBITDA / Avg. Capital Employed	12.5 %	11.8 %	14.8 %	19.8 %	19.9 %	18.7 %	21.1 %
ROE	5.6 %	4.6 %	4.9 %	9.2 %	9.6 %	8.7 %	8.5 %
Net Profit / Avg. Equity	11.2 %	4.4 %	4.9 %	9.6 %	9.1 %	7.7 %	8.9 %
Recurring Net Profit / Avg. Equity	10.8 %	4.4 %	4.9 %	9.6 %	9.1 %	7.7 %	8.9 %
ROIC	4.7 %	4.0 %	4.4 %	8.2 %	8.5 %	7.5 %	7.4 %
Solvency							
Net Debt	-15.9	-13.8	-26.6	-33.7	-29.2	-20.3	-21.6
Net Gearing	-34.0 %	-31.5 %	-60.8 %	-69.9 %	-67.7 %	-58.9 %	-57.5 %
Book Value of Equity / Book Value of Debt	3164.7 %	2487.0 %	30110.3 %	39473.8 %	35333.7 %	28211.9 %	30830.1 %
Current ratio	5.8	5.4	6.0	5.8	5.2	4.0	4.1
Acid Test Ratio	3.6	3.3	3.4	3.5	3.1	2.4	2.5
EBITDA / Interest Paid	91.4	48.7	54.7	2276.3	n.a.	n.a.	n.a.
Interest Cover	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow							
Free Cash Flow	-1.9	-0.8	4.2	6.5	4.7	2.8	1.3
Free Cash Flow / Sales	-5.7 %	-2.4 %	12.0 %	17.4 %	13.1 %	8.4 %	4.0 %
Adj. Free Cash Flow	3.1	2.6	3.4	5.7	5.7	3.9	4.1
Adj. Free Cash Flow / Sales	3.6 %	4.1 %	5.0 %	11.2 %	12.0 %	8.7 %	9.0 %
Free Cash Flow / Net Profit	-70.8 %	-37.6 %	193.0 %	146.2 %	114.7 %	92.2 %	42.1 %
Interest Received / Avg. Cash	5.0 %	7.1 %	3.8 %	1.2 %	0.6 %	0.8 %	0.9 %
Interest Paid / Avg. Debt	4.5 %	7.0 %	12.7 %	3.0 %	0.0 %	0.0 %	0.0 %
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	207.3 %	282.9 %	0.0 %	0.0 %
Fund Management							
Investment ratio	63.4 %	28.2 %	16.1 %	8.8 %	10.5 %	13.6 %	16.3 %
Maint. Capex / Sales	9.2 %	9.3 %	9.2 %	9.2 %	9.4 %	10.3 %	10.3 %
Capex / Dep	697.2 %	261.4 %	157.3 %	93.6 %	100.3 %	129.9 %	154.9 %
Avg. Working Capital / Sales	30.1 %	33.4 %	32.6 %	27.9 %	25.8 %	26.1 %	24.1 %
Trade Creditors / Trade Debtors	812.1 %	1116.3 %	1089.0 %	677.0 %	650.0 %	638.5 %	630.8 %
Inventory turnover (days)	13.0	16.4	15.3	13.4	13.0	13.0	13.0
Receivables collection period (DSOs)	110	127	111	95.2	92.0	92.0	89.0
Payables collection period (days)	13.6	11.4	10.2	14.1	14.0	14.0	14.0
Cash conversion cycle (days)	110	132	116	94.5	91.0	91.0	88.0
Valuation							
Dividend Yield	n.a.	n.a.	n.a.	15.6 %	19.8 %	n.a.	n.a.
P/B	1.3	1.3	1.3	1.2	1.4	1.7	1.6
EV/sales	0.8	0.8	0.7	0.7	0.8	0.8	0.8
EV/EBITDA	4.2	4.5	3.8	2.8	3.3	3.7	3.4
EV/EBIT	8.2	12.1	8.2	4.5	5.6	7.1	6.3
EV/FCF	n.m.	n.m.	6.1	3.9	6.3	9.7	19.0
P/E	26.9	33.2	28.2	13.4	14.1	19.5	18.2
P/CF	17.0	14.1	11.0	7.6	7.4	9.1	8.7
Adj. Free Cash Flow Yield	12.4 %	10.1 %	13.5 %	22.6 %	19.2 %	14.3 %	16.1 %

Sources: MAGIX (historical data), Warburg Research (forecasts)

Free Cash Flow Yield - MAGIX AG

Figures in EUR m		2007	2008	2009	2010	2011e	2012e	2013e
Net Income		03	02	02	04	04	03	03
+ Depreciation + Amortisation		03	03	04	03	04	03	04
- Net Interest Income		01	01	01	00	00	00	00
+ Taxes		02	01	02	02	01	01	01
- Maintenance Capex		03	03	03	03	03	03	04
+ Others		0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Adjusted Free Cash Flow		**03**	**03**	**03**	**06**	**06**	**04**	**04**
Adjusted Free Cash Flow Yield		12%	10%	14%	23%	19%	14%	16%
Hurdle rate		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
= Enterprise Value		**25**	**25**	**25**	**25**	**30**	**27**	**26**
= Fair Enterprise Value		**31**	**26**	**34**	**57**	**57**	**39**	**41**
- Net Debt (Cash)		-34	-34	-34	-34	-29	-20	-22
- Pension Liabilities		00	00	00	00	00	00	00
- Others		00	00	00	00	00	-12	-12
= Fair Market Capitalisation		**65**	**59**	**68**	**91**	**86**	**71**	**74**
No. of shares (m)		10.4	10.4	10.4	10.4	10.4	10.4	10.4
= Fair value per share (EUR)		**006**	**006**	**007**	**009**	**008**	**007**	**007**
premium (-) / discount (+) in %		10%	00%	15%	54%	46%	20%	26%
Sensitivity Fair value per Share (EUR)								
	13.0%	006	005	006	007	007	006	006
	12.0%	006	005	006	008	007	006	006
	11.0%	006	005	006	008	008	006	007
Hurdle rate	**10.0%**	**006**	**006**	**007**	**009**	**008**	**007**	**007**
	9.0%	007	006	007	009	009	007	008
	8.0%	007	006	007	010	010	008	008
	7.0%	008	007	008	011	011	008	009

Sources: MAGIX AG (historical data), Warburg Research (estimates)

DCF Model - MAGIX AG

Figures in EUR m	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Sales	36	33	34	35	36	36	37	38	39	40	41	42	43	44
Change	*-03%*	*-09%*	*03%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
EBIT	05	04	04	05	05	05	05	05	05	05	05	05	06	06
EBIT-Margin	*15%*	*12%*	*12%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*
Tax rate	*25%*	*25%*	*25%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*
NOPAT	04	03	03	03	03	04	04	04	04	04	04	04	04	04
Depreciation	04	03	04	04	04	04	04	04	04	04	04	04	04	05
in % of Sales	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*
Change in Liquidity from														
- Working Capital	01	01	00	-01	00	00	00	00	00	00	00	00	00	00
- Capex	-04	-05	-06	-04	-04	-04	-04	-04	-04	-04	-05	-05	-04	-04
Capex in % of Sales	*11%*	*14%*	*16%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*11%*	*10%*	*10%*
Other	00	00	00	00	00	00	00	00	00	00	00	00	00	00
Free Cash Flow (WACC-Model)	05	03	01	03	03	03	03	03	03	03	04	04	04	04

Model parameter

Debt ratio	0.00%	Beta	1.50
Costs of Debt	n.a.	WACC	11.38%
Market return	9.00%		
Risk free rate	4.25%	Terminal Growth	2.00%

Valuation (mln)

Present values 2024e	24		
Terminal Value	12		
Liabilities	00		
Liquidity	25.0	No. of shares (mln)	10.43
Equity Value	**61**	**Value per share (EUR)**	**006**

Sensitivity Value per Share (EUR)

Terminal Growth

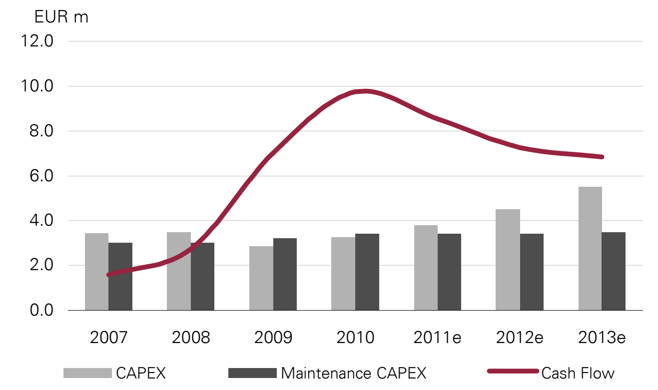
WACC	1.25%	1.50%	1.75%	**2.00%**	2.25%	2.50%	2.75%
12.38%	005	005	005	005	006	006	006
11.88%	006	006	006	006	006	006	006
11.63%	006	006	006	006	006	006	006
11.38%	006	006	006	**006**	006	006	006
11.13%	006	006	006	006	006	006	006
10.88%	006	006	006	006	006	006	006
10.38%	006	006	006	006	006	006	006

Delta EBIT margin

WACC	-1.5 pp	-1.0 pp	-0.5 pp	**0.0**	+0.5 pp	+1.0 pp	+1.5 pp
12.38%	005	005	005	005	006	006	006
11.88%	005	005	006	006	006	006	006
11.63%	005	005	006	006	006	006	006
11.38%	005	006	006	**006**	006	006	006
11.13%	005	006	006	006	006	006	006
10.88%	006	006	006	006	006	006	006
10.38%	006	006	006	006	006	007	007

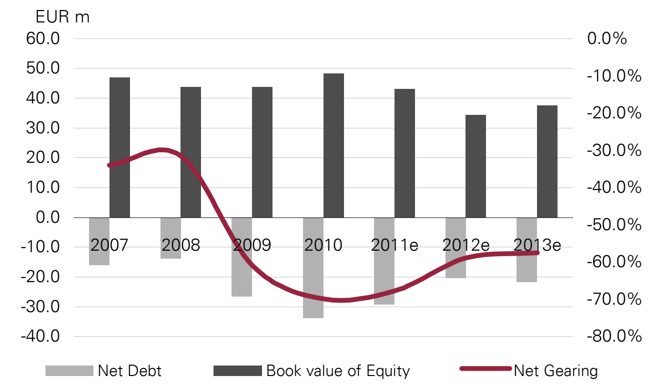
Source: Warburg Research

CAPEX and Cash Flow - MAGIX AG



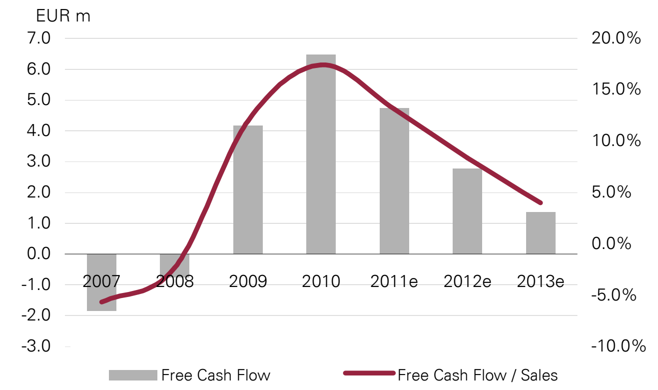
Sources: MAGIX AG (historical data), Warburg Research (forecasts)

Balance Sheet Quality - MAGIX AG



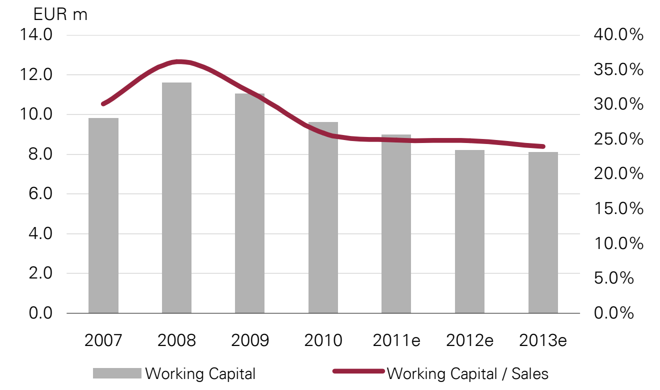
Sources: MAGIX AG (historical data), Warburg Research (forecasts)

Free Cash Flow Generation - MAGIX AG



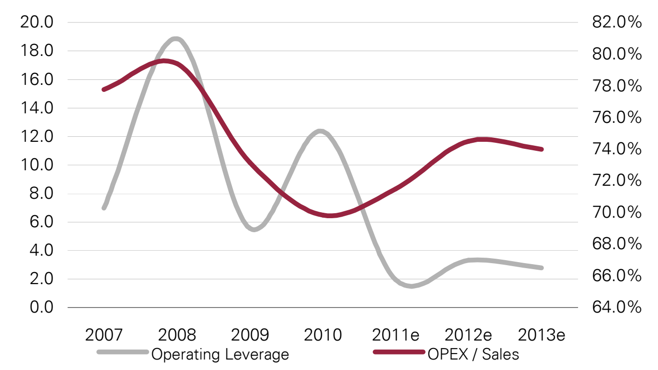
Sources: MAGIX AG (historical data), Warburg Research (forecasts)

Working Capital - MAGIX AG



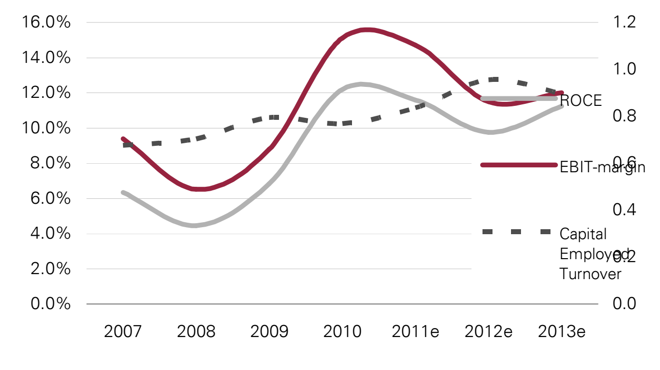
Sources: MAGIX AG (historical data), Warburg Research (forecasts)

Operating Leverage - MAGIX AG



Sources: MAGIX AG (historical data), Warburg Research (forecasts)

ROCE Development - MAGIX AG



Sources: MAGIX AG (historical data), Warburg Research (forecasts)

Legal Disclaimer

This research report was prepared by the Warburg Research GmbH, a subsidiary of the M.M.Warburg & CO KGaA. It contains selected information and does not purport to be complete. The report bases on publicly available information and data ("the Information") believed to be accurate and complete. Warburg Research GmbH neither does examine the Information to be accurate and complete, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the Information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. In particular, neither M.M.Warburg & CO KGaA nor the Warburg Research GmbH are liable for the statements, plans or other details contained in the Information concerning the examined companies, their associated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this research report, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the Information contained in this document. Provided any research report is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO KGaA and Warburg Research GmbH shall be restricted to gross negligence and willful misconduct. Only in case of failure in essential tasks, M.M.Warburg & CO KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO KGaA and Warburg Research GmbH is limited to typical, expectable damages and the liability for any indirect damages is excluded. This research report does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO KGaA or Warburg Research GmbH may serve on the board of directors of companies mentioned in a report. Opinions expressed in this report are subject to change without notice.

Copyright Notice

Disclosure according to Section 34b of the German Securities Trading Act and FinAnV

Section 34 b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a securities analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis. In this connection, we point out that:

- M.M.Warburg & CO KGaA or Warburg Research GmbH is party to an agreement with this company relating to the production of research recommendations.

This report has been made accessible to the company analysed and was modified thereafter

The valuation underlying the rating of the equity security analysed in this report is based on generally accepted and widely used methods of fundamental valuation, such as DCF model, Peer group comparison and – where applicable – a Sum-of-the-parts model.

M.M.Warburg & CO KGaA and Warburg Research GmbH have set up effective organisational and administrative arrangements to prevent and avoid possible conflicts of interest and, where applicable, to disclose them.

Valuations, ratings and target prices for the companies analysed by M.M.Warburg & CO KGaA and Warburg Research GmbH are subject to constant reviews and may therefore change, if any of the fundamental factors underlying these items do change.

All share prices given in this equity analysis are closing prices, except where stated otherwise.

Neither M.M.Warburg & CO KGaA's analysts nor Warburg Research GmbH's analysts do receive any payments directly or indirectly from any affiliates' investment banking activity.

M.M.Warburg & CO KGaA and Warburg Research GmbH are under supervision of the BaFin – German Federal Financial Supervisory Authority.

Investment recommendation: expected direction of the share price development for equity security up to the given Target price in the opinion of the analyst who covers the issue.

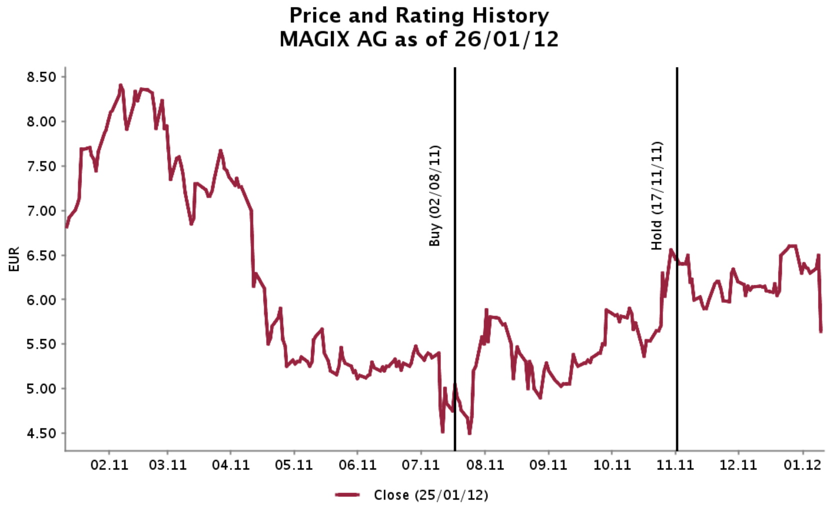
B	**Buy**:	The price of the analysed equity security is expected to rise over the next 12 months.
H	**Hold**:	The price of the analysed equity security is expected to remain mostly flat over the next 12 months.
S	**Sell**:	The price of the analysed equity security is expected to fall over the next 12 months.
"-"	**Rating suspended**:	The available information does not currently permit an evaluation of the company.

M.M.Warburg & CO KGaA and Warburg Research GmbH research universe by rating:

Rating	Number of stocks	% of Universe
Buy	130	72%
Hold	42	23%
Sell	6	3%
Rating suspended	3	2%
Total	**181**	

M.M.Warburg & CO KGaA and Warburg Research GmbH research universe by rating, looking only at companies for which a disclosure according to section 34b German Securities Trading Act has to be made:

Rating	Number of stocks	% of Universe
Buy	99	71%
Hold	35	25%
Sell	3	2%
Rating suspended	3	2%
Total	**140**	



The charts have markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

Warburg Research GmbH

Hermannstraße 9 | 20095 Hamburg | www.warburg-research.com

Tel.: +49 40 309537-0 | Fax: +49 40 309537-110 | info@warburg-research.com

WARBURG RESEARCH

Christian Bruns Head of Research	+49 40 309537-253 cbruns@warburg-research.com	**Henner Rüschmeier** Head of Research	+49 40 309537-270 hrueschmeier@warburg-research.com
Christian Cohrs	+49 40 309537-175 ccohrs@warburg-research.com	**Jochen Reichert**	+49 40 309537-130 jreichert@warburg-research.com
Felix Ellmann	+49 40 309537-120 fellmann@warburg-research.com	**Christopher Rodler**	+49 40 309537-290 crodler@warburg-research.com
Jörg Philipp Frey	+49 40 309537-258 jfrey@warburg-research.com	**Malte Schaumann**	+49 40 309537-170 mschaumann@warburg-research.com
Ulrich Huwald	+49 40 309537-255 uhuwald@warburg-research.com	**Susanne Schwartze**	+49 40 309537-155 sschwartze@warburg-research.com
Thilo Kleibauer	+49 40 309537-257 tkleibauer@warburg-research.com	**Oliver Schwarz**	+49 40 309537-250 oschwarz@warburg-research.com
Torsten Klingner	+49 40 309537-260 tklingner@warburg-research.com	**Marc-René Tonn**	+49 40 309537-259 mtonn@warburg-research.com
Eggert Kuls	+49 40 309537-256 ekuls@warburg-research.com	**Björn Voss**	+49 40 309537-254 bvoss@warburg-research.com
Frank Laser	+49 40 309537-235 flaser@warburg-research.com	**Andreas Wolf**	+49 40 309537-140 awolf@warburg-research.com
Malte Räther	+49 40 309537-185 mraether@warburg-research.com	**Stephan Wulf**	+49 40 309537-150 swulf@warburg-research.com
Andreas Pläsier	+49 40 309537-246 aplaesier@warburg-research.com		
Björn Blunck Business Support	+49 40 309537-160 bblunck@warburg-research.com	**Markus Pähler** Business Support	+49 40 309537-221 mpaehler@warburg-research.com
Daniel Bonn Business Support	+49 40 309537-205 dbonn@warburg-research.com	**Claudia Vedder** Business Support	+49 40 309537-105 cvedder@warburg-research.com
Annika Boysen Business Support	+49 40 309537-202 aboysen@warburg-research.com	**Katrin Wauker** Business Support	+49 40 309537-200 kwauker@warburg-research.com

M.M. Warburg & CO KGaA

Ferdinandstraße 75 | 20095 Hamburg | www.mmwarburg.com

Tel.: +49 40 3282-0 | Fax: +49 40 3618-1000 | info@mmwarburg.com

M. M. WARBURG & CO
1798

Oliver Merckel Head of Sales Trading	+49 40 3282-2634 omerckel@mmwarburg.com	**Holger Nass** Head of Equity Sales	+49 40 3282-2669 hnass@mmwarburg.com
Thekla Struve Sales Trading	+49 40 3282-2668 tstruve@mmwarburg.com	**Christian Alisch** Equity Sales	+49 40 3282-2667 calisch@mmwarburg.com
Gudrun Bolsen Sales Trading	+49 40 3282-2679 gbolsen@mmwarburg.com	**Robert Conredel** Equity Sales	+49 40 3282-2633 rconredel@mmwarburg.com
Bastian Quast Sales Trading	+49 40 3282-2701 bquast@mmwarburg.com	**Matthias Fritsch** Equity Sales	+49 40 3282-2696 mfritsch@mmwarburg.com
Patrick Schepelmann Sales Trading	+49 40 3282-2700 pschepelmann@mmwarburg.com	**Michael Kriszun** Equity Sales	+49 40 3282-2695 mkriszun@mmwarburg.com
Jörg Treptow Sales Trading	+49 40 3282-2658 jtreptow@mmwarburg.com	**Philippe Lorrain** Equity Sales	+49 40 3282-2664 plorrain@mmwarburg.com
		Marc Niemann Equity Sales	+49 40 3282-2660 mniemann@mmwarburg.com
Andrea Carstensen Sales Assistance	+49 40 3282-2632 acarstensen@mmwarburg.com	**Dirk Rosenfelder** Equity Sales	+49 40 3282-2692 drosenfelder@mmwarburg.com
Kerstin Tscherner Sales Assistance	+49 40 3282-2703 ktscherner@mmwarburg.com	**Julian Straube** Equity Sales	+49 40 3282-2666 jstraube@mmwarburg.com
Katharina Bruns Roadshow / Marketing	+49 40 3282-2694 kbruns@mmwarburg.com	**Philipp Stumpfegger** Equity Sales	+49 40 3282-2635 pstumpfegger@mmwarburg.com