

Buy (old: Buy)

PT EUR 6.00 (old: 6.00)

Price EUR 3.20
Bloomberg DVN1 GR
Reuters DVNG
Sector Media

Market leader for inflight entertainment systems.



Share data: 10.08.2011 / Closing price

Market cap: EUR 53.0 m
Enterprise Value (EV): EUR 65.5 m
Book value: EUR 50.4 m
No. of shares: 16.6 m
Trading volume Ø: EUR 85.9 th

Shareholders:
 Freefloat 62.3 %
 Aristotelis Mistakidis 10.8 %
 PAR Investment Partners 10.5 %
 Auctus Capital Partners 5.7 %
 Axxion S.A. 5.5 %
 Shareholder Value 5.2 %

Calendar:
 Figures Q2 08/31/11
 Figures Q3 11/17/11

Change	2011E		2012E		2013E	
	old	Δ%	old	Δ%	old	Δ%
Sales	120	0	134	0	138	0
EBIT	8.8	0	9.5	0	10.5	0
EPS	0.36	0	0.36	0	0.40	0

Analysis: Warburg Research
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Change in management board and new major shareholder

On August 11, 2011 Advanced Inflight Alliance AG announced a **change in the management board** and the **acquisition of a new major shareholder**.

The former CEO, Dr. Rüdiger Berndt, resigned from office yesterday. Louis Bélanger-Martin was appointed as CEO. Bélanger-Martin, co-founder and CEO of DTI Software Inc., has been a member of the company's management board since October 2010 and has been responsible for the operating business until now. Dr. Berndt has been significantly involved in the company's development since 2001. In March 2010 he resigned his seat as chairman of the supervisory board to become chairman of the management board. The company has been restructured under his leadership and returned to record earnings in FY 2010 and also in Q1 2011. After completion of the restructuring **Dr. Rüdiger Berndt is now resigning from office by mutual agreement**.

At the same time and, according to the company, independent of the change in management board Advanced Inflight Alliance succeeded in acquiring a new major shareholder. Auctus sechszwanzigste Beteiligungsgesellschaft mbH and PAR Investment Partners, L.P. (Boston) have agreed on the **sale of 1,740,000 shares** (some 10.5% of the voting rights) in Auctus to PAR. Furthermore, PAR announced that it has entered into further agreements which **increase the stake to over 29%**. However, PAR does not intend to exceed 29.99% („threshold for mandatory offer“).

In the context of the sale of the stake the **supervisory board was restructured** as well. Dr. Ingo Krocke (chairman of the supervisory board) and Arne Christes have resigned their supervisory board mandates with immediate effect.

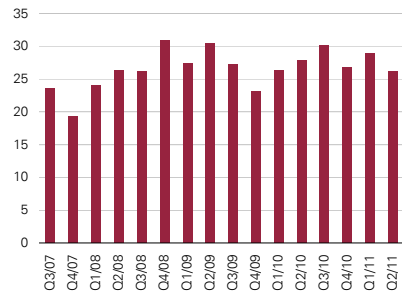
Particularly the **acquisition of PAR as new major shareholder is seen very positively**. Based on its activities PAR is a renowned specialist for the airline segment and has expertise in the media sector as well. The company has several billion US\$ under administration. Seller Auctus is invested in small to medium-sized, non stock-listed companies from various sectors (deal sizes of between EUR 20m and EUR 50m).

In view of unchanged estimates the PT of Advanced Inflight is still EUR 6. Buy rating reiterated.

Fiscal year ending: 31.12. in EUR m	2007	2008	2009	2010	2011E	2012E	2013E
Sales	85.1	107	108	111	120	134	138
<i>Change Sales yoy</i>	n.a.	26.2 %	0.6 %	2.8 %	8.0 %	11.7 %	3.0 %
Gross profit	24.5	36.6	40.3	44.1	49.6	55.9	57.8
<i>Gross margin</i>	28.8 %	34.1 %	37.3 %	39.7 %	41.3 %	41.7 %	41.9 %
EBITDA	5.3	12.8	11.7	12.6	15.5	17.8	18.9
<i>EBITDA-margin</i>	6.3 %	11.9 %	10.9 %	11.4 %	12.9 %	13.3 %	13.7 %
EBIT	3.5	8.9	6.8	8.4	8.8	9.5	10.5
<i>EBIT-margin</i>	4.1 %	8.2 %	6.3 %	7.6 %	7.3 %	7.1 %	7.6 %
Net income	3.4	6.0	4.7	5.5	5.6	6.0	6.7
EPS	0.22	0.41	0.33	0.38	0.36	0.36	0.40
Free Cash Flow per share	0.24	0.66	0.35	0.37	0.39	0.57	0.59
Dividend	0.00	0.08	0.10	0.12	0.14	0.16	0.18
<i>Dividend Yield</i>	n.a.	2.5 %	3.1 %	3.8 %	4.4 %	5.0 %	5.6 %
EV/Sales	0.7	0.6	0.6	0.5	0.5	0.4	0.4
EV/EBITDA	11.2	4.7	5.1	4.7	4.2	3.3	2.7
EV/EBIT	17.1	6.7	8.7	7.1	7.5	6.1	4.9
PER	14.5	7.8	9.7	8.4	8.9	8.9	8.0
ROCE	10.3 %	23.9 %	16.4 %	18.5 %	15.6 %	14.7 %	16.0 %
Adj. Free Cash Flow Yield	4.6 %	17.0 %	15.0 %	16.3 %	19.1 %	25.3 %	30.8 %

Sales development

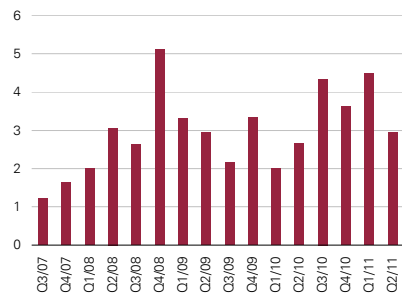
in EUR m



Source: Advance Inflight Alliance

EBITDA development

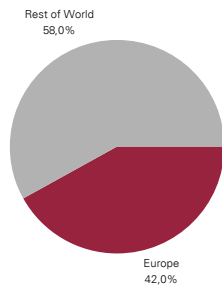
in EUR m



Source: Advance Inflight Alliance

Sales by regions

2010



Source: Advance Inflight Alliance

Company background

Market leader for inflight entertainment systems.

Competitive quality

- Based on many years of experience in the IFE market, Advanced Inflight Alliance can fall back on an excellent network. Being the market leader Advanced Inflight Alliance has a strong brand.
- On top, the stock listing and the solid balance sheet differentiate the company from smaller competitors.
- Unlike many smaller competitors, Advanced Inflight Alliance has locations at all major hubs. This enables the company to also efficiently address international airlines.
- Advanced Inflight Alliance is among the innovative leaders in this sector. The company anticipates current trends at an early stage and is the only one-stop-provider of movies, games and applications.

Consolidated Profit & Loss Advanced Inflight Alliance

in EUR m

	2007	2008	2009	2010	2011E	2012E	2013E
Sales	85.1	107	108	111	120	134	138
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
Total sales	85.1	107	108	111	120	134	138
Material Expenses	60.6	70.8	67.7	67.0	70.4	78.1	80.2
Gross profit	24.5	36.6	40.3	44.1	49.6	55.9	57.8
Personnel expenses	12.4	16.3	19.0	21.9	23.6	26.4	26.9
Other operating income	0.9	2.3	0.4	0.3	0.4	0.4	0.4
Other operating expenses	7.7	9.8	10.0	9.9	10.8	12.1	12.4
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	5.3	12.8	11.7	12.6	15.5	17.8	18.9
Depreciation of fixed assets	0.6	0.8	0.9	1.0	1.2	1.3	1.4
EBITA	4.7	12.0	10.8	11.6	14.3	16.5	17.5
Amortisation of intangible fixed assets	1.3	3.2	4.0	3.2	5.5	7.0	7.0
Impairment charges and amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	3.5	8.9	6.8	8.4	8.8	9.5	10.5
Interest income	0.9	0.3	0.1	0.1	0.1	0.1	0.1
Interest expenses	0.6	1.0	1.1	1.0	1.1	1.3	1.3
Financial result	0.4	-0.7	-1.0	-0.8	-1.0	-1.2	-1.2
Recurring pretax income from cont. operations	3.8	8.2	5.9	7.6	7.8	8.3	9.3
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	3.8	8.2	5.9	7.6	7.8	8.3	9.3
Taxes total	0.5	2.1	1.2	2.1	2.2	2.3	2.6
Net income from continuing operations	3.4	6.0	4.7	5.5	5.6	6.0	6.7
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	3.4	6.0	4.7	5.5	5.6	6.0	6.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	3.4	6.0	4.7	5.5	5.6	6.0	6.7

Sources: Advanced Inflight Alliance (historical data), Warburg Research (forecasts)

Consolidated Profit & Loss Advanced Inflight Alliance

in % of Sales

	2007	2008	2009	2010	2011E	2012E	2013E
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
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 %
Total sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Material Expenses	71.2 %	65.9 %	62.7 %	60.3 %	58.7 %	58.3 %	58.1 %
Gross profit	28.8 %	34.1 %	37.3 %	39.7 %	41.3 %	41.7 %	41.9 %
Personnel expenses	14.6 %	15.2 %	17.6 %	19.7 %	19.7 %	19.7 %	19.5 %
Other operating income	1.1 %	2.1 %	0.4 %	0.3 %	0.3 %	0.3 %	0.3 %
Other operating expenses	9.0 %	9.1 %	9.3 %	9.0 %	9.0 %	9.0 %	9.0 %
Unfrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITDA	6.3 %	11.9 %	10.9 %	11.4 %	12.9 %	13.3 %	13.7 %
Depreciation of fixed assets	0.7 %	0.7 %	0.8 %	0.9 %	1.0 %	1.0 %	1.0 %
EBITA	5.6 %	11.2 %	10.0 %	10.4 %	11.9 %	12.3 %	12.7 %
Amortisation of intangible fixed assets	1.5 %	2.9 %	3.7 %	2.9 %	4.6 %	5.2 %	5.1 %
Impairment charges and amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	4.1 %	8.2 %	6.3 %	7.6 %	7.3 %	7.1 %	7.6 %
Interest income	1.1 %	0.3 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.7 %	0.9 %	1.0 %	0.9 %	0.9 %	1.0 %	0.9 %
Financial result	0.4 %	-0.6 %	-0.9 %	-0.8 %	-0.8 %	-0.9 %	-0.9 %
Recurring pretax income from cont. operations	4.5 %	7.6 %	5.4 %	6.8 %	6.5 %	6.2 %	6.7 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBT	4.5 %	7.6 %	5.4 %	6.8 %	6.5 %	6.2 %	6.7 %
Taxes total	0.5 %	2.0 %	1.1 %	1.9 %	1.8 %	1.7 %	1.9 %
Net income from continuing operations	4.0 %	5.6 %	4.4 %	4.9 %	4.7 %	4.5 %	4.9 %
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	4.0 %	5.6 %	4.4 %	4.9 %	4.7 %	4.5 %	4.9 %
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	4.0 %	5.6 %	4.4 %	4.9 %	4.7 %	4.5 %	4.9 %

Sources: Advanced Inflight Alliance (historical data), Warburg Research (forecasts)

Balance sheet Advanced Inflight Alliance

in EUR m

	2007	2008	2009	2010	2011E	2012E	2013E
Assets							
Intangible assets	17.8	39.1	41.2	44.8	57.1	54.1	51.1
thereof other intangible assets	7.2	17.6	17.5	18.9	17.4	14.4	11.4
thereof Goodwill	10.6	21.4	23.7	25.8	39.7	39.7	39.7
Property, plant and equipment	2.2	2.4	2.4	2.2	3.1	2.4	1.6
Financial assets	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	20.2	41.5	43.7	47.0	60.2	56.5	52.7
Inventories	0.2	0.4	0.7	1.1	1.2	1.3	1.4
Accounts receivable	12.2	17.9	17.0	18.8	21.4	24.6	26.1
Other Assets	8.1	6.7	6.7	7.3	7.3	7.3	7.3
Liquid assets	19.0	17.5	16.5	14.0	15.7	20.0	24.1
Current assets	39.4	42.4	40.8	41.1	45.5	53.1	58.9
Total assets	59.6	83.9	84.5	88.1	106	110	112
Liabilities and shareholders' equity							
Subscribed capital	14.8	14.5	14.5	14.5	16.6	16.6	16.6
Additional paid-in capital	8.3	8.7	8.8	8.9	12.0	12.0	12.0
Surplus capital	5.4	10.9	14.5	18.5	22.4	26.2	30.2
Other equity components	-1.5	-8.1	-4.5	-0.6	-0.6	-0.7	-0.6
Book value	27.1	26.1	33.3	41.4	50.4	54.1	58.2
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	27.1	26.1	33.3	41.4	50.4	54.1	58.2
Provision for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.1	0.1	0.4	0.2	0.2	0.2	0.2
Financial liabilities	6.6	14.4	9.3	6.6	14.1	11.1	8.1
Accounts payable	19.1	26.3	24.3	25.1	26.3	29.4	30.3
Other liabilities	6.7	17.1	17.3	14.8	14.8	14.8	14.8
Liabilities	32.5	57.9	51.2	46.7	55.4	55.5	53.4
Total liabilities and shareholders' equity	59.6	83.9	84.5	88.1	106	110	112

Sources: Advanced Inflight Alliance (historical data), Warburg Research (forecasts)

Balance sheet Advanced Inflight Alliance

in % of Balance Sheet Total

	2007	2008	2009	2010	2011E	2012E	2013E
Assets							
Intangible assets	29.9 %	46.6 %	48.8 %	50.8 %	54.0 %	49.4 %	45.8 %
thereof other intangible assets	12.2 %	21.0 %	20.7 %	21.5 %	16.5 %	13.2 %	10.2 %
thereof Goodwill	17.7 %	25.6 %	28.0 %	29.3 %	37.5 %	36.2 %	35.6 %
Property, plant and equipment	3.8 %	2.9 %	2.9 %	2.5 %	3.0 %	2.2 %	1.5 %
Financial assets	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Fixed assets	33.9 %	49.5 %	51.7 %	53.3 %	56.9 %	51.6 %	47.2 %
Inventories	0.3 %	0.4 %	0.8 %	1.2 %	1.1 %	1.2 %	1.3 %
Accounts receivable	20.5 %	21.3 %	20.1 %	21.3 %	20.2 %	22.5 %	23.4 %
Other Assets	13.6 %	7.9 %	7.9 %	8.3 %	6.9 %	6.6 %	6.5 %
Liquid assets	31.8 %	20.8 %	19.5 %	15.8 %	14.8 %	18.2 %	21.6 %
Current assets	66.2 %	50.6 %	48.3 %	46.6 %	43.0 %	48.5 %	52.8 %
Total assets	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Liabilities and shareholders' equity							
Subscribed capital	24.8 %	17.3 %	17.2 %	16.5 %	15.7 %	15.1 %	14.9 %
Additional paid-in capital	14.0 %	10.3 %	10.4 %	10.1 %	11.3 %	10.9 %	10.7 %
Surplus capital	9.1 %	13.1 %	17.2 %	21.1 %	21.2 %	23.9 %	27.1 %
Other equity components	-2.6 %	-9.6 %	-5.3 %	-0.6 %	-0.5 %	-0.6 %	-0.5 %
Book value	45.4 %	31.1 %	39.4 %	46.9 %	47.6 %	49.3 %	52.2 %
Minority Interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total equity	45.4 %	31.1 %	39.4 %	46.9 %	47.6 %	49.3 %	52.2 %
Provision for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Provisions	0.2 %	0.1 %	0.4 %	0.2 %	0.2 %	0.2 %	0.1 %
Financial liabilities	11.1 %	17.1 %	11.0 %	7.5 %	13.3 %	10.1 %	7.2 %
Accounts payable	32.1 %	31.3 %	28.7 %	28.5 %	24.9 %	26.8 %	27.2 %
Other liabilities	11.2 %	20.4 %	20.4 %	16.9 %	14.0 %	13.5 %	13.3 %
Liabilities	54.6 %	69.0 %	60.6 %	53.0 %	52.4 %	50.6 %	47.8 %
Total liabilities and shareholders' equity	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Sources: Advanced Inflight Alliance (historical data), Warburg Research (forecasts)

Statement of Cash Flows Advanced Inflight Alliance

in EUR m

	2007	2008	2009	2010	2011E	2012E	2013E
Net income	3.4	6.0	5.9	7.6	5.6	6.0	6.7
Depreciation of fixed assets	0.6	0.8	0.9	1.0	1.2	1.3	1.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.3	3.2	4.0	3.2	5.5	7.0	7.0
Increase/decrease in long-term provisions	-0.4	0.0	0.2	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	-2.7	4.5	-1.2	-1.2	0.0	0.0	0.0
Cash Flow	2.2	14.5	9.8	10.6	12.3	14.3	15.1
Increase / decrease in inventory	0.0	-0.2	-0.3	-0.4	-0.1	-0.1	-0.1
Increase / decrease in accounts receivable	1.1	-6.6	1.6	0.2	-2.6	-3.2	-1.5
Increase / decrease in accounts payable	1.4	4.8	-3.2	-0.3	1.2	3.1	0.9
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	2.5	-2.1	-1.9	-0.5	-1.6	-0.2	-0.7
Cash flow from operating activities	4.6	12.5	7.9	10.1	10.7	14.1	14.4
CAPEX	-0.8	-2.8	-2.8	-4.8	-4.6	-4.6	-4.6
Payments for acquisitions	0.0	-17.1	-2.3	-3.7	-15.4	0.0	0.0
Financial investments	13.3	3.7	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	2.8	0.0	0.1	0.1	0.0	0.0	0.0
Cash flow from investing activities	15.2	-16.2	-5.1	-8.3	-20.0	-4.6	-4.6
Change in financial liabilities	-11.5	4.8	-2.3	-3.1	7.5	-3.0	-3.0
Dividends paid	0.0	0.0	-1.2	-1.5	-1.7	-2.2	-2.7
Purchase of own shares	-2.7	-0.5	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	5.2	0.0	0.0
Others	0.4	-0.7	-1.0	-0.9	0.0	0.0	0.0
Cash flow from financing activities	-13.9	3.6	-4.4	-5.5	10.9	-5.2	-5.7
Change in liquid funds	6.0	-0.1	-1.6	-3.7	1.7	4.3	4.2
Effects of exchange rate changes on cash	-1.1	-1.4	0.6	1.1	0.0	0.0	0.0
Liquid assets at end of period	19.7	17.5	16.4	13.9	15.7	20.0	24.1

Sources: Advanced Inflight Alliance (historical data), Warburg Research (forecasts)

Financial Ratios Advanced Inflight Alliance

	2007	2008	2009	2010	2011E	2012E	2013E
Operational Efficiency							
Total Operating Costs / Sales	93.7 %	88.1 %	89.1 %	88.6 %	87.1 %	86.7 %	86.3 %
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	4.1 %	8.2 %	6.3 %	7.6 %	7.3 %	7.1 %	7.6 %
EBITDA / Operating Assets	-118.0 %	-230.8 %	-286.4 %	-413.4 %	-2814.4 %	-1635.0 %	-1615.8 %
ROA	16.7 %	14.6 %	10.8 %	11.6 %	9.3 %	10.6 %	12.7 %
Efficiency of Capital Employment							
Plant Turnover	37.9	44.1	44.2	50.2	38.1	55.6	84.7
Operating Assets Turnover	-18.8	-19.3	-26.4	-36.4	-218	-123	-118
Capital Employed Turnover	2.5	2.7	2.5	2.3	1.9	2.1	2.1
Return on Capital							
ROCE	10.3 %	23.9 %	16.4 %	18.5 %	15.6 %	14.7 %	16.0 %
EBITDA / Avg. Capital Employed	15.8 %	34.6 %	28.3 %	27.9 %	27.5 %	27.5 %	28.8 %
ROE	12.5 %	23.2 %	14.2 %	13.2 %	11.1 %	11.1 %	11.5 %
Net Profit / Avg. Equity	24.9 %	22.8 %	15.9 %	14.7 %	12.2 %	11.5 %	11.9 %
Recurring Net Profit / Avg. Equity	25.0 %	22.8 %	15.9 %	14.7 %	12.2 %	11.5 %	11.9 %
ROIC	9.4 %	12.9 %	9.6 %	10.2 %	8.0 %	8.5 %	9.3 %
Solvency							
Net Debt	-12.3	-3.1	-7.2	-7.4	-1.6	-8.9	-16.0
Net Gearing	-45.6 %	-11.9 %	-21.5 %	-17.8 %	-3.1 %	-16.4 %	-27.5 %
Book Value of Equity / Book Value of Debt	408.0 %	181.3 %	357.7 %	628.2 %	357.7 %	487.8 %	720.1 %
Current ratio	1.3	0.8	0.9	0.9	1.0	1.1	1.2
Acid Test Ratio	1.3	0.8	0.9	0.9	1.0	1.1	1.2
EBITDA / Interest Paid	9.3	12.7	11.2	13.0	14.1	13.7	14.5
Interest Cover	n.a.	13.4	7.2	10.1	8.8	7.9	8.7
Cash Flow							
Free Cash Flow	3.8	9.7	5.1	5.4	6.1	9.5	9.8
Free Cash Flow / Sales	4.4 %	9.1 %	4.7 %	4.8 %	5.1 %	7.1 %	7.1 %
Adj. Free Cash Flow	2.7	10.1	8.9	9.7	12.5	14.7	15.7
Adj. Free Cash Flow / Sales	2.0 %	6.5 %	6.2 %	6.0 %	7.7 %	8.3 %	8.6 %
Free Cash Flow / Net Profit	112.3 %	160.9 %	107.6 %	98.0 %	109.9 %	158.6 %	146.6 %
Interest Received / Avg. Cash	4.9 %	1.9 %	0.6 %	0.9 %	0.7 %	0.6 %	0.5 %
Interest Paid / Avg. Debt	8.7 %	9.6 %	8.9 %	12.2 %	10.6 %	10.3 %	13.6 %
Dividend Payout Ratio	0.0 %	19.5 %	30.8 %	31.8 %	39.4 %	44.3 %	44.6 %
Fund Management							
Investment ratio	-14.6 %	-0.8 %	2.6 %	4.3 %	3.8 %	3.4 %	3.3 %
Maint. Capex / Sales	3.1 %	2.5 %	2.6 %	2.6 %	2.5 %	2.3 %	2.3 %
Capex / Dep	-671.7 %	-22.9 %	57.7 %	112.9 %	68.5 %	55.4 %	54.6 %
Avg. Working Capital / Sales	-7.9 %	-6.9 %	-6.7 %	-5.3 %	-3.7 %	-2.7 %	-2.3 %
Trade Creditors / Trade Debtors	63.8 %	68.2 %	70.1 %	74.8 %	81.4 %	83.7 %	86.1 %
Inventory turnover (days)	0.7	1.3	2.4	3.5	3.7	3.7	3.7
Receivables collection period (DSOs)	52.4	60.8	57.5	61.7	65.0	67.0	69.0
Payables collection period (days)	82.1	89.2	82.0	82.5	80.0	80.0	80.0
Cash conversion cycle (days)	-29.0	-27.1	-22.1	-17.3	-11.4	-9.3	-7.3
Valuation							
Dividend Yield	n.a.	2.5 %	3.1 %	3.8 %	4.4 %	5.0 %	5.6 %
P/B	2.0	2.0	1.6	1.3	1.1	1.0	0.9
EV/sales	0.7	0.6	0.6	0.5	0.5	0.4	0.4
EV/EBITDA	11.2	4.7	5.1	4.7	4.2	3.3	2.7
EV/EBIT	17.1	6.7	8.7	7.1	7.5	6.1	4.9
EV/FCF	15.8	6.1	11.8	11.1	10.7	6.1	5.2
P/E	14.5	7.8	9.7	8.4	8.9	8.9	8.0
P/CF	24.5	3.6	5.4	5.0	4.3	3.7	3.5
Adj. Free Cash Flow Yield	3.6 %	24.4 %	16.5 %	17.7 %	18.8 %	24.6 %	29.6 %

Sources: Advanced Inflight Alliance (historical data), Warburg Research (forecasts)

Free Cash Flow Yield - Advance Inflight Alliance

Figures in EUR m	2007	2008	2009	2010	2011e	2012e	2013e	
Net Income	3.4	6.0	4.7	5.5	5.6	6.0	6.7	
+ Depreciation + Amortisation	1.8	4.0	4.9	4.2	6.7	8.3	8.4	
- Net Interest Income	0.4	-0.7	-1.0	-0.8	-1.0	-1.2	-1.2	
+ Taxes	0.5	2.1	1.2	2.1	2.2	2.3	2.6	
- Maintenance Capex	2.6	2.7	2.8	2.9	3.0	3.1	3.2	
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Adjusted Free Cash Flow	2.7	10.1	8.9	9.7	12.5	14.7	15.7	
Adjusted Free Cash Flow Yield	4.6%	17.0%	15.0%	16.3%	19.1%	25.3%	30.8%	
Hurdle rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
= Enterprise Value	59.7	59.7	59.7	59.7	65.4	58.2	51.0	
= Fair Enterprise Value	27.2	101.1	89.4	97.2	124.8	147.2	157.1	
- Net Debt (Cash)	-7.4	-7.4	-7.4	-7.4	-1.6	-8.9	-16.0	
- Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Others	14.0	14.0	14.0	14.0	14.0	14.0	14.0	
= Fair Market Capitalisation	20.6	94.5	82.7	90.5	112.4	142.1	159.1	
No. of shares (m)	16.6	16.6	16.6	16.6	16.6	16.6	16.6	
= Fair value per share (EUR)	1.24	5.70	4.99	5.46	6.78	8.57	9.60	
premium (-) / discount (+) in %	-61.2%	78.2%	56.0%	70.7%	111.9%	168.0%	200.1%	
Sensitivity Fair value per Share (EUR)								
	13.0%	0.86	4.29	3.75	4.11	5.04	6.52	7.41
	12.0%	0.97	4.69	4.09	4.49	5.53	7.09	8.02
	11.0%	1.09	5.15	4.50	4.93	6.10	7.77	8.74
Hurdle rate	10.0%	1.24	5.70	4.99	5.46	6.78	8.57	9.60
	9.0%	1.42	6.38	5.59	6.12	7.62	9.56	10.66
	8.0%	1.65	7.23	6.34	6.93	8.66	10.80	11.97
	7.0%	1.95	8.32	7.30	7.98	10.01	12.38	13.66

Sources: Advance Inflight Alliance (historical data), Warburg Research (estimates)

DCF Model - Advance Inflight Alliance

Figures in EUR m	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Sales	120.0	134.0	138.0	142.2	146.4	150.8	155.3	160.0	164.8	169.7	174.8	180.1	185.5	189.2
Change	8.0%	11.7%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%
EBIT	8.8	9.5	10.5	11.4	11.7	12.1	12.4	12.8	13.2	13.6	14.0	14.4	14.8	15.1
EBIT-Margin	7.3%	7.1%	7.6%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Tax rate	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
NOPAT	6.3	6.9	7.6	8.2	8.4	8.7	8.9	9.2	9.5	9.8	10.1	10.4	10.7	10.9
Depreciation	6.7	8.3	8.4	7.1	7.3	7.5	7.8	8.0	8.2	8.5	8.7	9.0	9.3	7.6
in % of Sales	5.6%	6.2%	6.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.0%
Change in Liquidity from														
- Working Capital	-1.6	-0.2	-0.7	-0.6	-0.7	-0.7	-0.8	-0.8	-0.8	-0.9	-0.9	-1.0	-1.1	-1.1
- Capex	-4.6	-4.6	-4.6	-5.7	-5.9	-6.0	-6.2	-6.4	-6.6	-6.8	-7.0	-7.2	-7.4	-7.6
Capex in % of Sales	3.8%	3.4%	3.3%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
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	0.0
Free Cash Flow (WACC-Model)	6.9	10.4	10.7	9.0	9.2	9.5	9.7	10.0	10.3	10.6	10.9	11.2	11.5	9.8

Model parameter

Debt ratio	5.00%	Beta	1.35
Costs of Debt	6.8%	WACC	10.35%
Market return	9.00%		
Risk free rate	4.25%	Terminal Growth	2.00%

Valuation (mln)

Present values 2024e	74.2	Special items	14.0
Terminal Value	31.4		
Liabilities	-6.6		
Liquidity	14.0	No. of shares (mln)	16.57
Equity Value	99.0	Value per share (EUR)	5.97

Sensitivity Value per Share (EUR)

Terminal Growth

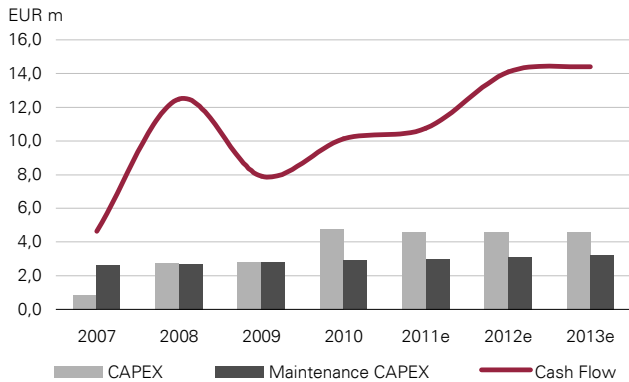
WACC	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
11.35%	5.25	5.28	5.32	5.36	5.40	5.44	5.49
10.85%	5.52	5.56	5.60	5.65	5.70	5.75	5.80
10.60%	5.66	5.71	5.76	5.81	5.86	5.92	5.98
10.35%	5.82	5.87	5.92	5.97	6.03	6.09	6.16
10.10%	5.98	6.03	6.09	6.15	6.21	6.28	6.36
9.85%	6.15	6.21	6.27	6.34	6.41	6.48	6.56
9.35%	6.53	6.60	6.67	6.75	6.84	6.93	7.03

Delta EBIT margin

WACC	-1.5 pp	-1.0 pp	-0.5 pp	0.0	+0.5 pp	+1.0 pp	+1.5 pp
11.35%	4.33	4.67	5.02	5.36	5.70	6.04	6.38
10.85%	4.57	4.93	5.29	5.65	6.01	6.37	6.73
10.60%	4.70	5.07	5.44	5.81	6.18	6.55	6.92
10.35%	4.83	5.21	5.59	5.97	6.35	6.74	7.12
10.10%	4.97	5.36	5.76	6.15	6.54	6.94	7.33
9.85%	5.12	5.53	5.93	6.34	6.74	7.15	7.55
9.35%	5.45	5.89	6.32	6.75	7.18	7.62	8.05

Source: Warburg Research

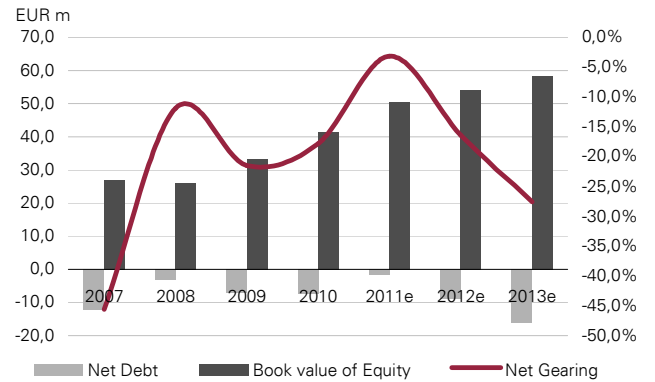
CAPEX and Cash Flow - Advance Inflight Alliance



Sources: Advance Inflight Alliance (historical data), Warburg Research (forecasts)

- Cash flow with a rising tendency, interrupted by crisis year

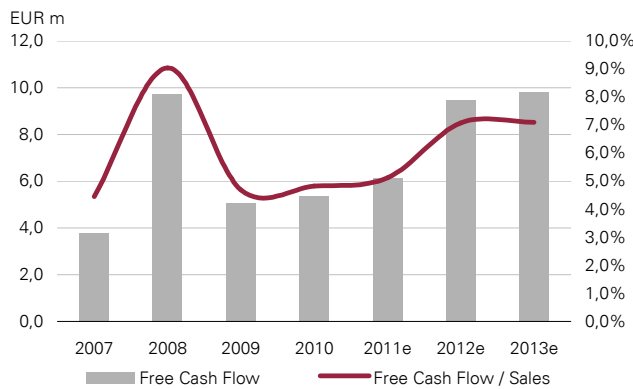
Balance Sheet Quality - Advance Inflight Alliance



Sources: Advance Inflight Alliance (historical data), Warburg Research (forecasts)

- Book value of the equity constantly rising thanks to steady profitability
- Company has a positive net cash (negative debt)

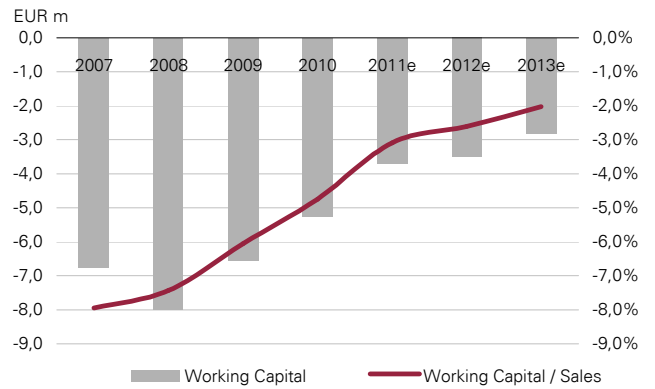
Free Cash Flow Generation - Advance Inflight Alliance



Sources: Advance Inflight Alliance (historical data), Warburg Research (forecasts)

- Free cash flow expected to approach peak of 2008 in the next few years

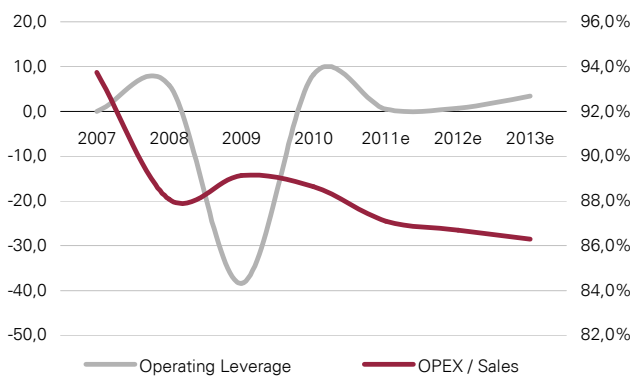
Working Capital - Advance Inflight Alliance



Sources: Advance Inflight Alliance (historical data), Warburg Research (forecasts)

- AIA's working capital is typically negative thanks to the airlines' high prepayments
- This should abate as value chain is expanded

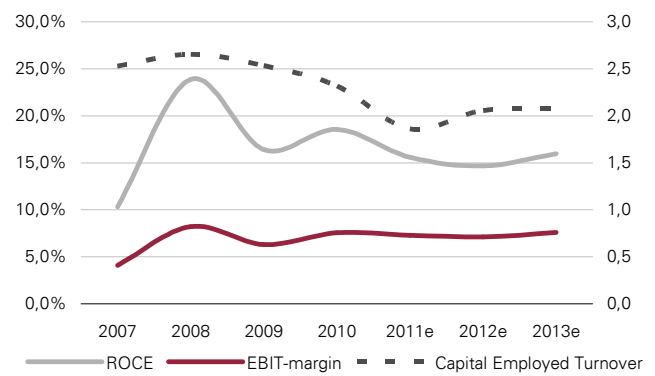
Operating Leverage - Advance Inflight Alliance



Sources: Advance Inflight Alliance (historical data), Warburg Research (forecasts)

- Operating expenses expected to gradually in the next few years thanks to consequent cost optimization

ROCE Development - Advance Inflight Alliance



Sources: Advance Inflight Alliance (historical data), Warburg Research (forecasts)

- EBIT margin may also be slightly raised as a result of efficiency increases
- ROCE expected to remain nearly constant owing to high capital employed

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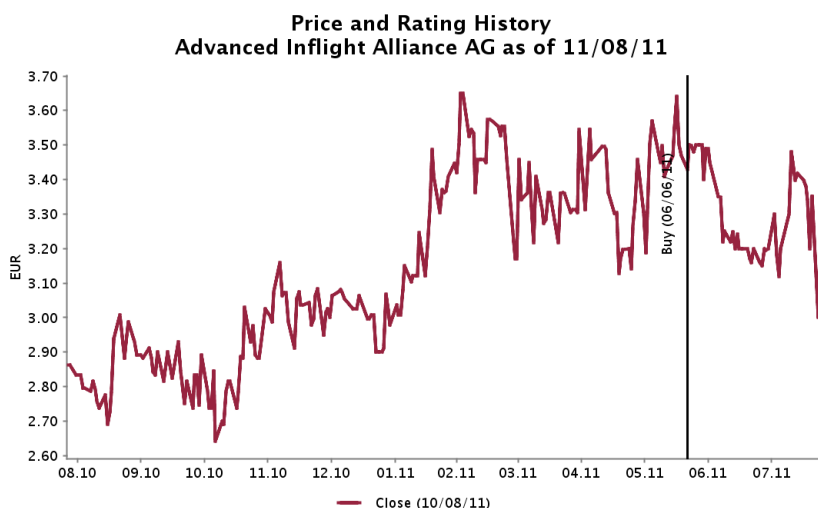
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Rating	Number of stocks	% of Universe
Buy	126	71%
Hold	46	26%
Sell	5	3%
Rating suspended	0	0%
Total	177	

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Rating	Number of stocks	% of Universe
Buy	114	74%
Hold	38	25%
Sell	3	2%
Rating suspended	0	0%
Total	155	



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