CFA Institute Research Challenge

hosted by CFA Society Netherlands

Team HEC-ULg School of Management / University of Liège

University of Liège

This report is published for educational purposes only by students competing in the CFA Institute Research Challenge.

Docdata N.V.

Date: 30/12/2014 Ticker: Factset Amsterdam Stock Exchange	Current Price: €19.46	Recommendation: SELL (6.82% downside) Target Price: €18.16

Key financial data (2014E)	
Total Sales	€156.4 million
Earnings per share	€1.11
Dividend per share	€0.62
Dividend payout ratio	56%
FCF yield	91%
Net Debt/Equity	-0.42
Net Debt/EBIT	-1.84
ROE	11.0%
ROA	5.5%

Source: Factset, Team analysis

Forward 12 months ratios (2015E)	
Total Sales growth	6.1%
Gross Profit margin	23.4%
EBITDA margin	10.9%
EBIT margin	6.7%
Net profit margin	5.0%
ROE	15.5%
ROA	7.7%
Net income/EBT	74.3%
EBT/EBIT	99.5%
EBIT/Revenue	6.7%
Revenue/total assets	154.9%
Total Assets/Total equity	201.4%

Source: Team estimates

Docdata N.V. : Highlights

We issue a SELL recommendation on Docdata N.V. forecasting.
Based on a panel of reasons, we issue a SELL recommendation.

A one year target price of €18.16.
According to the weighted average of the Discounted Cash Flow Method and the Multiple Method, we forecast a one year target price of €18.16.

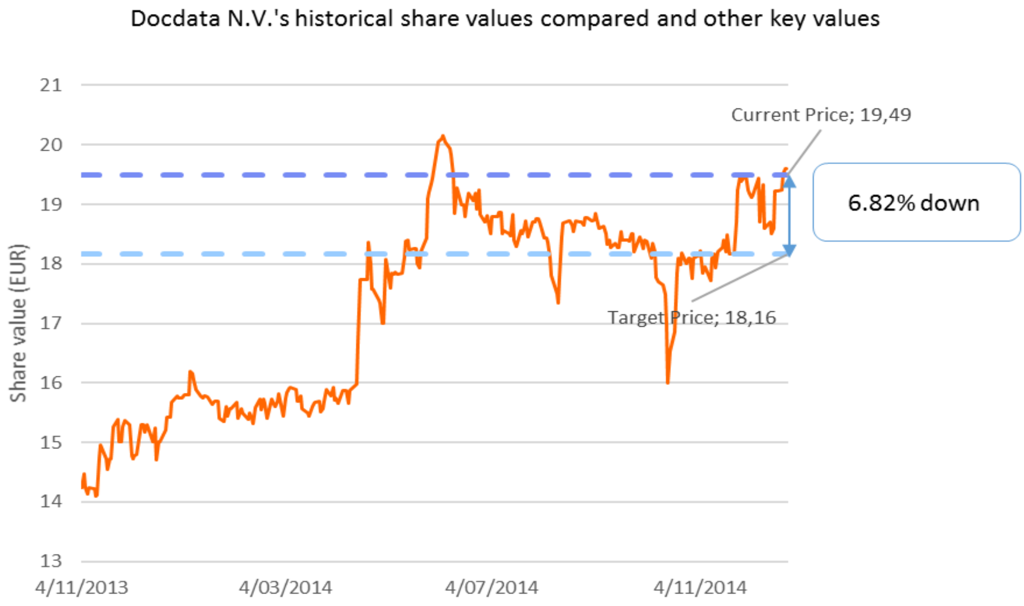
Our scenario hypothesis suggests a decreasing activity in 2015 that would be principally due to its customers' insourcing choice: Zalando as well as other clients in the e-commerce field that represent a major income share of the Docdata N.V. Group. Moreover through the peer group analysis an undervaluation of the company has been evaluated.

Increasing Challenges for the Docdata N.V. in the coming year.
Finally it would be important to underline the diverse difficulties and risks that the Group, according to its diverse activities is going to face in 2015 and that highlight as well our SELL recommendation.

Need of a sustainable strategy for Docdata to face actual risks.
Regarding the Docdata subsidiary, the main risk to underline which would highly impact its revenue structure for the coming years, especially for 2015, is the insourcing process risk by its customers. Therefore it would be highly recommended to Docdata to find new customers during the coming year in order to offset the future loss.

Secondly, Docdata's sales depend especially on large and major customers. Therefore it would be necessary for Docdata to find a way to lose this dependency on major clients to prevent similar events than those is currently facing with its main German Client Zalando.

***Challenging period for IAI Industrial Systems*.**
Depending exclusively on governmental decisions and economic conditions on which IAI's customers rely on, we believe that their revenue structure is also going to face a challenging time.



Source : Factset & Team estimates

Investment summary

Figure 1: Method summary

Method	Price	Weight
P/E	€ 16.98	50%
EV/EBIT	€ 18.42	50%
Trading Multiples	**€ 17.70**	
Base	€ 18.66	33%
Bull	€ 23.59	33%
Bear	€ 13.61	33%
DCF	**€ 18.62**	
Target price	**€ 18.16**	

Source: Team analysis

Figure 2: DCF assumptions

Assumptions	Base	Bull	Bear
CAGR Sales (14e-20f)	6.38%	7.75%	5.00%
Terminal Growth rate	1.50%	1.50%	1.50%
Average EBIT margin (14e-20f)	6.70%	7.37%	5.98%

Source: Team analysis

Fundamental analysis fosters a SELL recommendation.
Our fundamental analysis based on the discounted cash flow method revealed that the current price of 19.49€ was overvalued compared to the fair value that we established at 18.62€ in the time horizon analyzed (Figure 1). We used three different scenarios with an equally weighted ponderation of the prices obtained. Besides, the trading multiples bolstered our opinion, providing us a share price of 17.70€ (Appendix **C8**) even though EBIT margin is slightly increasing in the forecasted period and stood at c. 6.7% (Appendix **B4**). By aggregating the average of both results, we came up with a target price of **€18.16.** Accordingly, we have not identified reasonable justifications that could explain such an overvaluation of the company and our target price is justified by the historical volatility of the stock price (appendix **H1**).

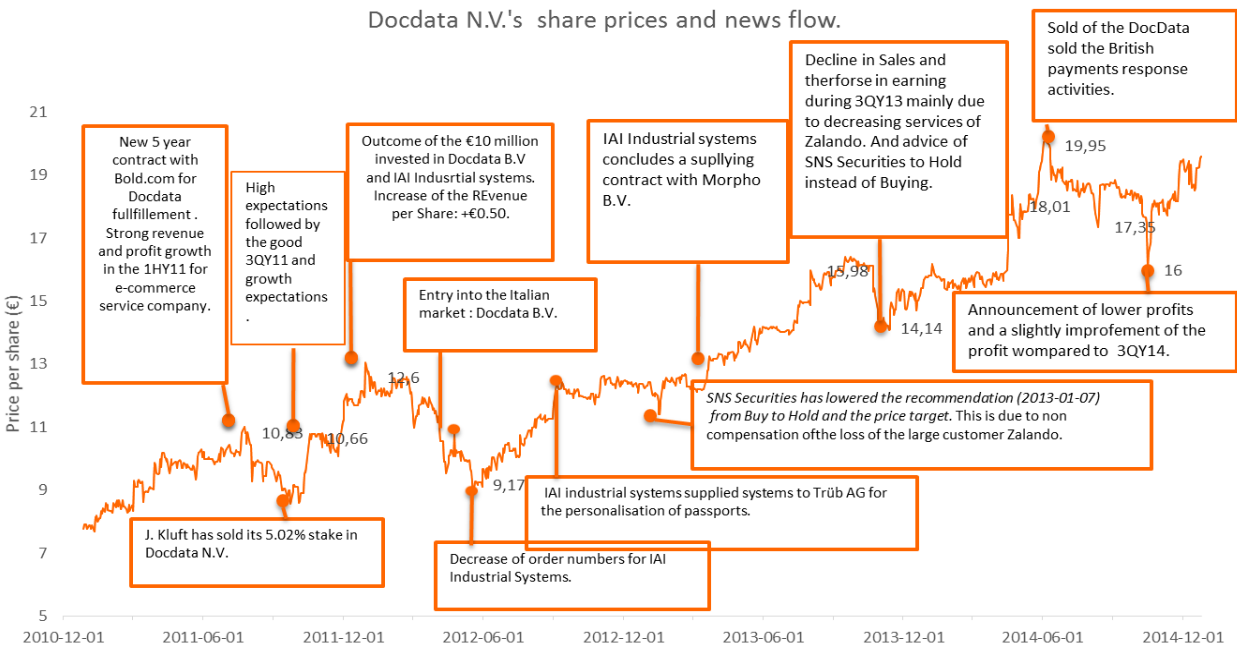
Customer concentration threatens sales growth.
Despite the fact of benefiting from a substantial growth in the e-commerce sector, which is the key factor to sales growth (Appendix **B2**), Docdata remains vulnerable to the contracts with its largest customer. In 2014, sales have suffered from the loss of a deal with Zalando, which insourced its software solutions, resulting in a heavily damaged sales growth for the year which is expected to decrease to -6.3%. Renewal of current contracts will be challenging in the future years albeit new future promising contracts with ASOS and Toys'R'Us resulting with a moderate growth estimated at 6.4% p.a

Amazon arrival.
The giant e-commerce company has recently entered the Dutch market which endangers local retailers such as Bol.com, Docdata's largest customer, and that leads to a highly probable decrease of the current margins on an already competitive mature market. As a result, we fear a restructuring effect in the e-commerce sector, meaning a potential insourcing of the software solutions. This new threat reinforces our opinion that it is time now to sell.

IAI operating in mature market faces major risk.
IAI's capacity to adapt will be tested in the following years due to the maturity of the security sector. The ability to convert its system capabilities to new segment will be decisive in order to generate higher sales.

Internationalization development curtail cash generation.
Cash flow from operations were largely consumed by the capital expenditures in the recent years and we believe that this process will go on in the future due to the will of the management to internationalize according to the group's « Vision 2020: Smart growth » policy. As a result, the FCF is expected to increase steadily until 2020.

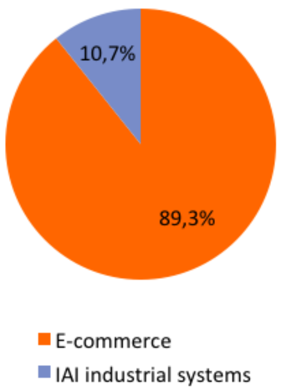
In the light of the risks provided and the result estimated in the different valuation methods, **<u>we come up with a SELL recommendation</u>**.



Business Description

DOCDATA N.V. GROUP (DOCD) has been founded in 1987, its headquarters is located in Waalwijk (Netherlands). The Docdata N.V. group is composed of two completely autonomous lines of businesses, both are subdivided into diverse activities (Appendix **A1**). Currently (30 June, 2014) the Docdata Group generated a total half year revenue of €76.3 million where Docdata was contributing to this growth by 90.59% and IAI Industrial systems by 9.41% (Figure 3).

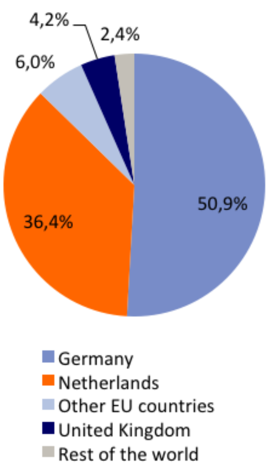
Figure 3: Sales by sector



Source: Company data

Docdata is active in the e-commerce industry proposing a wide range of solutions. These solutions can be categorized into four main activities: fulfilment solution, a fully integrated logistics; distribution solutions; reverse logistics solutions; online payment solutions; e-commerce related consultancy services. Those services are specially aiming at enhancing the company's customer e-commerce operations. DOCD is exclusively active on the European market but has a wide range of clients that it approaches with an adapted e-commerce business model (Appendix **A2**): from general resellers like Zalando and bol.com, major key customers of Docdata, to very specialized resellers such as Wine in Black and Gekruid. Moreover Docdata operates with several competitors on e-commerce industry market where Docdata is active like Syntel Inc., Atos S.E., Keyrus S.A, Zetes Industry and Simac Tekniek.

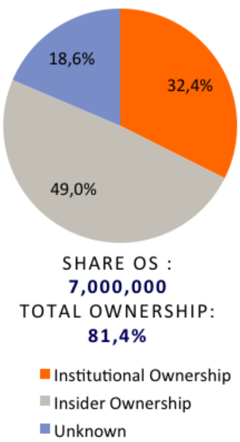
Figure 4: Sales by geography



Source: Company data

IAI Industrial systems exists since 1981, its head office is located in Veldhooven (Netherlands) for its core activities and owes a subsidiary, FEHA, located in Halle (Germany) carries out the design and production of CO2 lasers. IAI's success is due to its specialisation in the application of lasers and optical technologies in industrial systems in order to improve the speed and accuracy of processes. They are active all over the world mainly in the following niche markets: security documents including passports and bank notes printing, processing of solar cells and customized solutions for their customers. Its key customers are mainly national governments therefore the demand for IAI's systems depends largely on the economic situation of the diverse customer countries. Even if IAI operates mainly on niche markets it has to face competitors, for instance Gemalto N.V., Secunet Security Network, Qumak S.A.

Figure 5: Ownership statistics



Source : Company data

Company's strategy: "Growth through quality" and "Business first then investment".

Regarding Docdata:

• ***Unique offer:*** The online shoppers are more and more demanding in terms of available services and quality. One of the main goals of Docdata is to offer new solutions to each of these challenges. This ensures loyalty for all actors involved in the selling process until the end consumer.

• ***Knowledge sharing:*** Docdata has implemented a new Business Intelligence platform in order to enhance data sharing and ultimately propose a solution for each type of business model. This platform links the suppliers, partners and customers to ensure a successful use and clear understanding of the complexity and internationalization underlying the e-commerce industry.

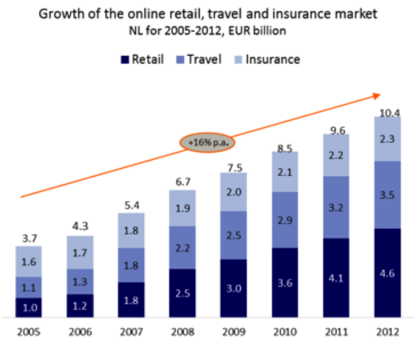
• **Increasing European presence**: The Company is going to expand its activities in France (Paris), Switzerland (St. Gallen) and Spain (Barcelona). They also keep a close eye on southern and eastern European markets which are growing markets but that don't offer a sufficient volume to attract DOCD yet.

Regarding IAI:

• ***Tightening links with its customers****:* The document security market, principal source of IAI's turnover, is slowly evolving into a mature market. This shift means that customer become more demanding and it is very important to reinforce the link with them in order to be able to respond to this evolving demand and ultimately increase IAI's market share.

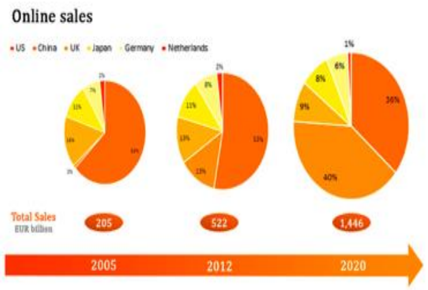
• ***Expanding activities through acquired knowledge***: The Company is using the much specialised knowledge in lasers, optics, mechatronics and OS development to create new applications. IAI is continually seeking to enter already established markets with game changing solutions and at the same time keeps looking for new

Figure 6: Trend in the industry (2005-2012, NL)



Source: MC Kinsey & Company

Figure 7: Evolution by country



Source: MC Kinsey & Company

Figure 8: Market growth in the Netherlands

Source : MC Kinsey & Company

market opportunities.

• ***Continuous development of new solutions***: IAI is continuously developing and industrializing innovative products like their recent "Q-switch lasers".

Corporate management: The Company is managed by a two-tier board. First the Management Board composed of professional members with a long experience in the company as Mr Michiel F. Alting von Geusau (CEO since 2002) and Mr Marc E. Verstraeten (CFO since 2001 reappointed till 2018). Secondly the Supervisory Board is composed of managers with a solid experience background in different fields (Appendix **A3**).

Shareholder Structure: Docdata's shareholder structure is quite diversified. The main shareholders (possessing above 10% of outstanding shares) are: Kempen Capital Management (18.3%), Cross Options Beheer (13.8%) and Lindenbergh Dirk (10.6%). Most of the shares are in the hand of institutions looking at long-term investment. Moreover Docdata has appointed SNS Securities NV as a liquidity provider, in the interest of supporting the trade in shares of the company and optimise the relationship with shareholders.

Industry overview

Europe Economic Performance.

The European Union is currently struggling to generate real growth, in 2012 EU faced a negative real GDP growth rate (-0.4%) and the 2013 rate was almost null (0.1%) but expectation for 2014 is the GDP growth rate to be around 0.8%. And it is not the only concern of EU, the inflation rate is near the zero bar even though the main refinancing rate have been almost constantly decreased since 2008 (currently at 0.05%).

However Mario Draghi, the president of the ECB, highlighted the weak economic activity indicators and said the ECB would broaden the size, pace and composition of its asset purchase programme if it was necessary.

Nevertheless this inflation problem is of less importance for Docdata N.V as the countries where the company is mainly active seems less inclined to dive into negative inflation rate: in 2014 the average inflation rate in Germany and the Netherlands was around 1.01% (HICP).

Europe - Knowledge industry enforcement priorities.

Europe has set some priorities for 2020 in order to strengthen the competitiveness of the bloc. The first one is "Smart Growth": Action will be taken in order to develop knowledge and innovation throughout Europe. The second one is "Sustainable growth": Emphasis the importance of resource efficiency and competitive economy. One of the initiatives that have been taken is to put a "digital agenda" in place. The goal of this agenda is in to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms.

Increasing E-commerce industry.

The e-commerce is one of the most progressive sectors of the economy worldwide (€522billion sales return in 2012) and has become as well a major influence on the European economy. The e-commerce industry account for around 2,2% of the total European GDP and the e-commerce turnover is expected to grow to €625 billion by 2016, compared to its current revenue of approximately €425.5 billion in 2014, that is to say an increase of 31,92%.

Interestingly, in 2013, the countries representing the biggest shares of turnover in the e-commerce field were: the United Kingdom (€107.1 billion) followed by Germany (€63.4 billion) and France (€51.1 billion). Those 3 countries by themselves represented around 60% of the total European B2C e-commerce sector.

Looking more specifically at the Netherlands (appendix B1) we can see that the Industry follows a steady growth rate of 16% per year on average, but this rate is more likely to fall around 8% between 2012 and 2020 as the market is maturing. This growth can be assigned to 5 main factors: An increasing proportion of online buyer in the pool of internet users, the number of online shopper growth to 59% between 2007 and 2012 in the Netherlands; an higher average online spending per year and a decrease of spending per delivery, indicator that online buying has become more accessible over time (especially in term of delivery fee); an increasing number of online buyers as well as the number of orders per buyer; an increasing number of online shops and online shopping offer of physical shops; an increasing share of product compare to services.

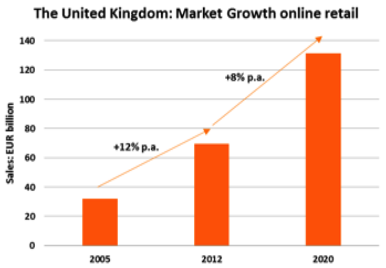
Hopefully this tendency, illustrated specifically for the Netherlands, is a global one and is happening in almost every European country with various strength. For instance the compound annual growth between 2012 and 2020 for the UK is estimated at 8% and 10% for Germany.

Finally, it is impossible to talk about the e-commerce industry without having a look at the Chinese position: in 2005 the country was only representing 1% of the total sales realised online, in 2012 this number jump to 13% and it is estimated to reach around 40% for 2020 (figure 7). Thus China is the place where this industry will really boom in the coming years.

Figure 9: Market growth in Germany

Source: MC Kinsey & Company

Figure 10: Market growth in the UK



Source: MC Kinsey & Company

The security sector.

Over the last ten years the global security market has faced a large growth representing nearly tenfold from €10 billion to a market size of €100 billion in 2011. Europe is a particularly juicy market for this sector due to the large number of different countries, and thus the variety of security mechanisms, representing about 180.000 employees and an annual turnover of around €30 billion.

Looking particularly at the document security market, the increasing use of Internet for administrative and commercial purposes have strengthened the need for securing online information. On the other hand, the physical identification documents show a stagnating demand: studies show that the passports and ID cards market is attaining maturity, pressuring down the prices and attracting more demanding customers.

Nevertheless an increasing demand coming from Asia and South America have boosted the overall size of the market in 2011. This demand increase was primarily driven by the need of driving licences, healthcare related cards, national ID and voters card. A similar tendency is expected from other fast growing countries.

Competitive position

Quick and easy insight into Docdata N.V. Group's information and its strengths.

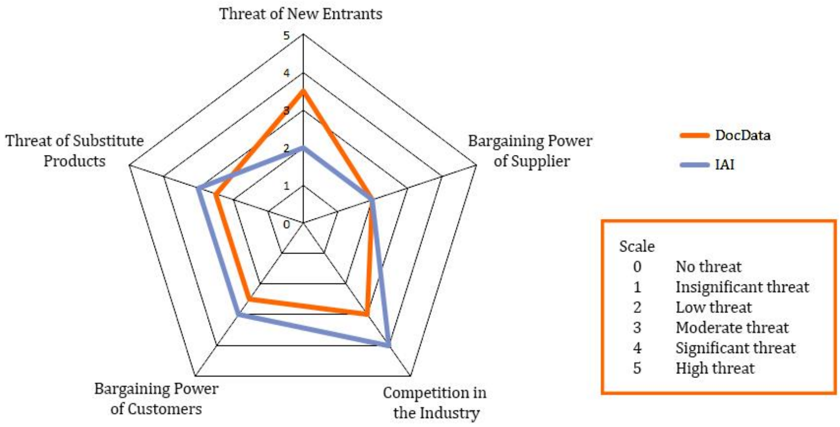
The fact that the company is quoted on the financial market can be seen as a strength as it is mainly financed through equity. It gives the shareholders, as well as its customers, an easy access to information and transparency, which is easier to set trust among the company, its suppliers and its customers. Moreover the high cash position of the company is an added insurance for the continuity of the activity on the long run. Finally the intrinsic diversification of the group through two very different subsidiaries completes the good shape of the group as a whole. For a detailed version of the Porter's five forces analysis, please refer to appendix **C1**

Expansion forecasts and launch of innovative Services: Docdata N.V.

During 2014 the company launched some innovative and specialized solutions in order to remain in the top-3 e-commerce service companies in Europe. Moreover the company increased its inventory capacity in Germany and Netherlands to be able to handle the increasing demand of the sector. The company is also planning to attract new clients by investing in new European markets and strengthening some of their positions (cf. appendix **C2**). These new acquired markets should offset the loss of some important contracts during 2014.

All these potential investments are in line with Docdata's "follow their clients' demand" strategy. This put the company in a safe investing environment where it is almost sure that expectations will be met. But the trade-off is that Docdata is more likely to suffer a

Figure 11: Porter's Five Forces Analysis



Source: Team analysis

time lag when it comes to entering a fast growing market, which will most likely occur in Eastern Europe.

Nevertheless this position is not much of an issue for Docdata thanks to their broad and unique range of very effective offers, giving it a real advantage over its competitors. The reversion logistics service is a good example of this advantage: it is a very tough process to put in place and competitors tend to have a not so complete offer.

On the other hand Docdata subsidiary faces also weaknesses and threats. Indeed, Docdata's revenue concerning the e-commerce service depends largely on some big Clients, especially Zalando and Bold.com that represent each more than 10% of the total revenue even after the insourcing decision of Zalando concerning the fulfilment service. Concerning the threats, the company relies on delivery companies for the e-commerce activity. Also Docdata faces the threat of mergers or takeover of clients by their competitors that could lead to changes in the fulfilment or payment solution.

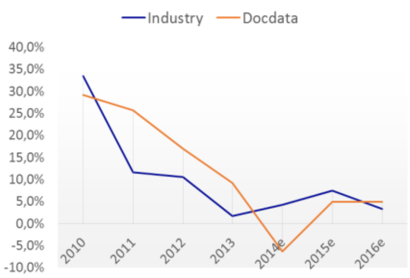
Unique balance between specific knowledge and laser technology: IAI Industrial Systems.

This unique balance gives IAI an edge over its competitors. It allows the company to answer to very specific demands where products process required advanced machinery design. On the other hand this obliges the company to permanently be innovative and seek places where its knowledge and resources can be applied effectively.

Moreover the company is currently relying, almost exclusively, on the security market to achieve its turnover. As it has been stated before, this market is becoming really harsh as it is maturing, increasing the need for IAI to diversify its activities.

Financial Analysis

Figure 12: Sales Growth

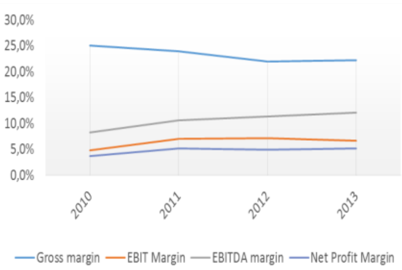


Source: Factset, Team Analysis

Challenges in Growth sales.

European e-commerce sales Industry grew at a CAGR of 6.7% between 2010 and 2013 while Docdata N.V. outperformed the industry with a CAGR of 17.1% during the same period (Appendix **D1**). These figures reflect the booming of e-commerce in the recent years in Western Europe and especially Docdata's Dutch clients. However, biggest players are expected to insource e-commerce solutions due to cost control strategy and in-house know-how development, challenging the industry as an overall. Moreover, these facts decrease forecasted sales growth in the following years. Docdata's sales are expected to decrease in 2014 as a result of substantial lower revenue from the services provided to Zalando, the biggest German client, notwithstanding the fact of winning ASOS as a new client, which partially offsets the decrease in the German contract. Going forward, sales growth rate will be driven by expansion of e-commerce by small dealers in Eastern and Central Europe (Appendix **D2**) and the acceleration of the use of digital devices (mobile phones, tablets…) in Western Europe.

Figure 13: Margins



Source: Factset, Team Analysis

Sustainable profitability driven by constant margins.

Docdata has been able in general to manage a historical flattened level of costs thanks to flexible and integrated modular e-commerce solutions. Despite lower prices and higher costs that impacted negatively gross margin in UK for Docdata segment, group gross margin increased by 0.2%, partially offset by IAI Industrial Systems cost efficiency and higher sales on delivered systems (Appendix **D4**). EBIT grew at a slower pace than sales due to a mix of higher SG&A expenses and higher "other operating expenses". EBIT margin in 2013 stood at 6.7%, a slight decrease of 0.5%, which resulted mainly from impairment losses on goodwill contract of the UK division that were acquired in 2006 and the restructuring of that entity.

Increasing SG&A lead by internationalization.

Going forward, SG&A increased as a result of internationalization of both lines of business in Poland and the incorporation of the Italian entity with a purpose on achieving future growth opportunities and strengthening profitability corresponding to objectives stated in "Vision 2020: Smart Growth". Besides, additional costs have been incurred for investment in the organization and the implementations of new clients.

ROE function of the asset turnover.
The Dupont analysis (Appendix D3) revealed that the increasing ROE between 2010 and 2013 is widely the expression of an enlarged asset turnover and a decreasing tax burden.

Net working capital affecting strong cash flows.
Cash flow from operations strongly rose at a CAGR of 32.6% between 2010 and 2013 (Appendix **D5**), mainly explained by a sharp increase in EBITDA which more than doubled in the period analysed (2010-2013). However, net cash flow from operations appeared to be irregular due to an instable working capital management due to overtrading. More than 82% of CFO are dedicated to capital expenditure in 2013 resulting from investment for the further expansion of capacity in Netherlands and Poland, and the development of new generation system by IAI.

Sound balance sheet with vigorous ratios.
Robust current ratio that stood at 1.3 and quick ratio at 1.2 in 2013, demonstrate a solid liquidity of the balance sheet (Appendix **D7**). Net financing is predominantly explained by foreign currency exchange results. Cash conversion cycle has dramatically reduced driven by an increase of day payables in the last year, threatening thus possible relations with suppliers due to delay of payments.

Figure 14:
Forecasted assumptions

History vs Forecast	10a-13a	14e-20f	
Sales growth	17.08%	6.38%	CAGR
Gross Margin	23.26%	23.36%	Average
SG&A growth	7.23%	6.38%	CAGR
EBIT margin	6.41%	6.70%	Average
Net profit margin	4.75%	4.97%	Average

Source: Team estimates

Financial Forecasts

Moderate sales growth of 6.4% p.a. until 2020.
We had set a forecast period until 2020. Having received H1 2014 statement, we estimated income statement for the entire year with the growth that occurred between H1 2013 and H2 2014. Going forward, we derived a negative total sales growth rate of -6.3% in 2014 due to the loss of contract with Zalando, knowing that the strong sales growth of Bol.com, the largest Docdata's customer, offset this decline and the new promising contract with ASOS and Toys'R'Us. For the following years, we based our growth forecast on a moderate demand in the e-commerce solutions caused by an accelerating process of insourcing from the largest customers and a stronger demand from smaller retailers in Southern Europe resulting in a sales growth rate of 6.4% p.a. Finally, Amazon has recently entered the Dutch market threatening therefore all the e-commerce in the Netherlands. The giant can severely harm current retailers margins leading to an internalization of the software solutions.

Figure 15:
WACC assumptions

WACC Assumptions	
Risk Free Rate	2.09%
Market Premium	5.00%
Size Premium	1.35%
Country risk	1.00%
Unlevered beta	0.82
Relevered beta	0.82
Cost of Equity	**8.56%**
Tax rate	25.66%
Cost of Debt	**5.09%**
D/E	0.00%
WACC	**8.56%**

Source: Team analysis

Stable margins and lower operating expenses increase profitability.
We forecasted a stable gross margin because the company was able to manage constant high margins in line with Vision 2020 target objectives. We assumed smaller SG&A growth rate due to consolidation of the current internationalization process. Besides, no further impairment on goodwill in the UK entity should be incurred in the following years and salaries will be managed wisely thanks to adequate and flexible workforce policy. As a consequence, EBIT margin and net profit margin should slightly increase thanks to lower operating expenses.

CAPEX in line with sales.
Capital expenditure target were not provided by the management. We assume therefore forecasted investments as a proportion of sales (6.4%), which was the average ratio between 2010 and 2013. Going forward, we used the same method for depreciations which stood at 4.2% of sales for the forecasted period.

The Gordon Growth model was used to estimate the terminal value which stood at 1.5% in line with the long term maturity growth rate of the industry.

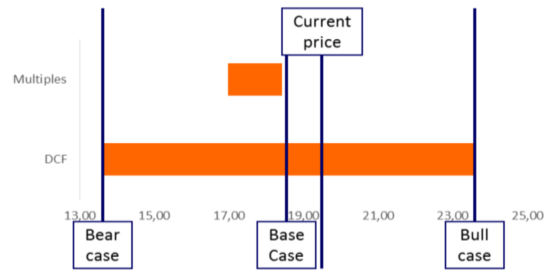
Valuation overview

We used the trading multiples and the discounted cash flow method as valuation methods which enabled us to provide a price range for the share company.

Discounted cash flow method

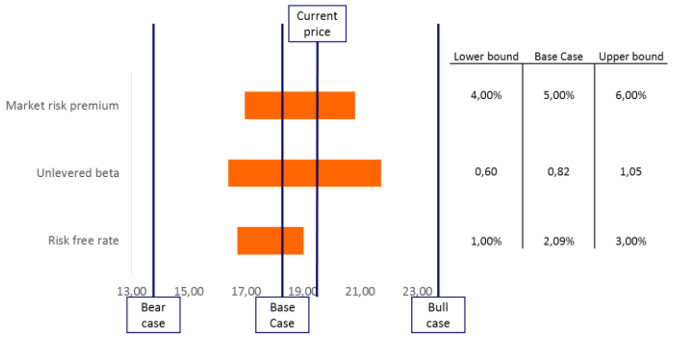
We forecasted three scenarios (base, bull, bear) concerning our DCF valuation in order to broaden our view on the intrinsic value of the company

Figure 16: Football field



Source: Team analysis

Figure 17: Sensitivity analysis



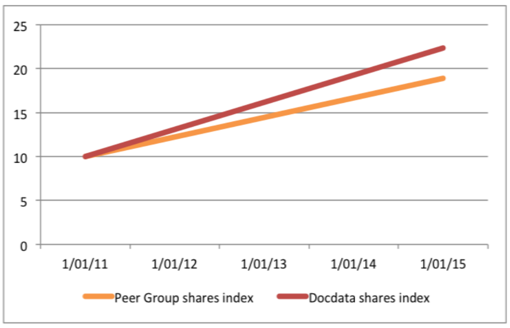
Source: Team analysis

Figure 18: Companies selected

Docdata's peers
Ingenico SA (ING-FR)
Cap Gemini SA (CAP-FR)
Atos SE (ATO-FR)
Syntel Inc (SYNT-US)
AB SA commerce (ABE-PL)
IAI's peers
Gemalto N.V. (GTO-NL)
Secunet Security Networks AG (YSN-DE)
Zetes Industries NV (ZTS-BE)

Source: Team analysis

Figure 19: Comparison share



Source: Team analysis, Factset

Cautious WACC amounted at 8.56%

The WACC that was used to discount free cash flow stood at 8.56%. The main assumptions used to compute it are a beta of 0.82 (appendix **E2**), obtained by taking the betas regardless of the capital structure of the different companies in the peer group with a ponderation of 85% for Docdata's peer and 15% for IAI's one, and a cost of equity based on the CAPM with a risk free rate aligned with the German Bund 30 years, Dutch and size premiums. The cost of debt that we determined did not have any impact on the WACC due to a D/E ratio of 0% explained by no debt position. Further explanations of the WACC computations can be found in appendix **E3**.

Using the base case assumptions (Appendix **E4**), we derived free cash flows ranging between €5.0 m and €8.0 m (Appendix **E5**)which are largely nibbled by the capital expenditures during the forecasted period covered. As a result, FCFE, deduced by adding the negative net debt (cash) (Appendix **E1**) from the FCFF, obtained reached with difficulty €130.6m and therefore, a share price of roughly €18.66 came out. This is a discount of c.5% compared to the current price (€19.49). The generous bullish scenario offered a share price 23.59€, whilst the bearish one indicated a feeble price of €13.61. Taking an equally weighted ponderation of the three scenarios we came with **a price of €18.62**. meaning a fair value slightly under the current price (€19.49).

Sensitivity Analysis emphasized the overvaluation.

Going forward, we ran a sensitivity analysis (Appendix **E6**) and it sound clear that the key drivers (market premium, unlevered beta, risk free rate) were hugely impacting the share price final value. However, the current price seemed locate in the upper part of the intervals for the market premium and the unlevered beta. Besides, the quotation largely exceeds the risk free rate sensitivity.

Trading multiples.

Even if we consider the first method to be the best way to evaluate the company we also considered the trading multiples using peer groups pricing.

This method has been used to get another vision of the company's background.

Therefore, we have first selected the most appropriated companies that represent a likely activity whether for Docdata subsidiary or IAI Industrial Systems subsidiary that are part of the Docdata N.V. group (see figure 18). However, it is important to underline that none of these businesses perfectly fits the activities operated by Docdata N.V. Therefore we chose several companies operating in likely sectors and/or operating partly in the same activities, using as well a factor of risk and the EBIT growth rate to select them. Further selection details, financial and structural information from each of these peers are provided in appendix **E7**.

We have based our pricing on forecasted multiples, since the variability of the historical multiples over years was too high to provide relevant multiples. The detailed computation can be found in appendix **E8**.

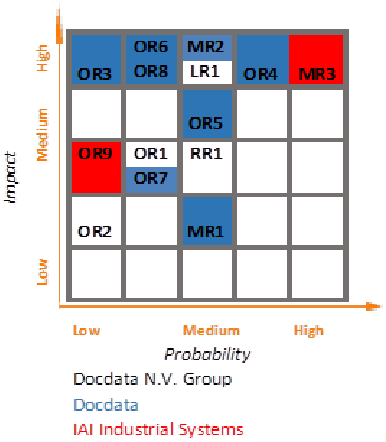
Two common multiples (EV/EBIT and price earnings ratio) were used at equal importance to value the company, while the peer group has been split into two groups: companies comparable to Docdata, and to IAI, differently weighted according to their shares in sales.

The first method is the EV/EBIT, useful for transnational comparisons as it ignores the distorting effects of individual countries' taxation policies. Due to the fact that the rent must be reclassified as an operational lease, we cannot depreciate it as if it was a financial lease. Therefore, we have decided to use this multiple instead of the one using data before depreciation and amortization. Following this, we have obtained a result of €18.42 for the value of the share. This result could suggest an overvaluation of the stocks issued by Docdata.

Aside from this, we have also valued the company using the P/E ratio. The company's ratio seems very comparable to the peer groups. The fact that it is

slightly below the peer's ratio could mean that investors are expecting a lower growth than the peers, or that the share is cheap, but this tendency is really weak. Thanks to this multiple, we have obtained a value of the company's shares of €16.98, far below the current value of the share of the Company. After having valued this, we have created an index taking into account the variation of the peers' share prices (Appendix **E6**), that shows that the variation of Docdata's share has been much greater than the ones of its peers in the last four years (see figure 19).
Taking into account these two values at equal importance, we value Docdata at **€17.70** via these multiples, again situated below the current price of the stock.
That means that it could have a great upside potential, the investors estimating the share's value at a higher level, but it could also have led to an overestimation of the stock by the investors.
We have therefore decided to establish a target price of **<u>€18.16</u>** with an equally weighted proportion of the trading multiples and the DCF. Given this price and the risks, presented in the following section, that jeopardize the company, we recommend to SELL the share.

Figure 20: Risk matrix



Source: Team analysis

Investment risks

The impact and the likelihood of the following risks are shown in figure 20 and appendix **F1**, the risks being sorted according to the form of risks. Therefore we have broken up the risks in three parts being the ones for Docdata N.V., so supported by the whole Group, and the other ones have been broken up into risks for Docdata and for IAI Industrial Systems. Below are stated the risks that represent for our Team the main risks and that should be more likely considered as they have a high impact on the Company/subsidiary considered and a high probability to occur. The other Risks that are located in the Risk matrix (Figure 20) are shown in appendix **F2**. Finally, Docdata N.V.'s risk management model is based on the COSO framework.

Individual risk analysis:

Operational risk | Delays in delivering products by fortuity events (OR4) *Docdata*

As a consequence of strikes (the number of strikes in some countries is more important than in other European countries) or natural calamities (due to inundation, snow, etc.) the deliveries could be delayed or damaged. As Docdata works with carriers' companies (e.g. Bpost, post.nl, UPS, etc.) what enables Docdata to be active all around the European countries, it is also a risk as Docdata is dependent on the services delivered by the carriers. Therefore Docdata might have well-established contracts with the carrier companies in case of such events.

Operational risk | Risk of clients insourcing some services (OR5) *Docdata*

The current e-commerce market shows issues concerning the market trend of insourcing for certain market segments. Docdata's management claimed having already identified this issue during the determination of their "Vision 2020: Smart Growth" strategy. However, Docdata has to face a future loss of revenue due to the insourcing choice of fulfillment services of three different clients, including Zalando, one of Docdata's biggest customers. The loss of revenue is relative to the size of the client. Following the triple loss, the impact therefore will be high in 2015. According to Docdata's management, the reasons for these decisions are not related to Docdata N.V. but more to strategic reasons of the client on the one hand, and on the other hand the customers believe that they could do the same services cheaper by themselves.
However, there is also another phenomenon that shows that some other companies opt for outsourcing.
In order to face this risk, Docdata focuses on developing the e-commerce related to customized solutions for diverse parties, investing for more capacity, better IT services and efficiency improvements; and aims winning new clients located in different markets in Europe in order to balance the eventual losses.

Market risk | Dependence on customers' performance (MR2) *Docdata*

Docdata's revenue is partially based on the number and size of the transactions made by its clients' customers. Therefore the company's performance is not totally under its

Figure 21: Risks Vs Mitigants

Risks	Mitigating Strategy
Operational Risk	
Shareholder Withdraw	Long term sharholders.
Increase of Salaries	No information
Warehouse damage (Docd.)	Insurance contracts??
Delays in delivering Products by fortuity events (Docd.)	Well established contracts with the carrier companies.
Client's insourcing of Docdata's services (Docd.)	Development of customized solutions, inestment in diverse facilities, efficiency imporvements,…
Non-renewal of contracts (Docd.)	Offer of new performing services, low prices
IT risk - platform shutdown (Docd.)	Focus on the companie's know-how, experience in the fiels and highly skilled employees.
Substitute Risk (IAI)	Focus on new markets and continious improvement in innovating systems.
Market Risk	
Exchange rate risk (Docd.)	Agreements with merchants
Dependency on client's performance risk (Docd.)	Constant research for new clients.
Exchange rate risk (IAI)	No information
Legal Risk	
Litigation risk regarding unhealthy clients	Close relationship with clients and an effective compliance officer.
Regulatory Risk	
Payment risk - Restriction of online payments (Docd.)	Update of the new regulations regarding online payments

Source : Team Analysis

own control, leading to uncertainty concerning its future performance. In addition, the fact that the company relies on some big clients to form a big part of its revenue add even more potential impact to this risk.

Market risk | Exchange rate risk (MR3) *IAI*

IAI is also facing the Exchange rate Risk but in a much higher proportion as it is increasingly operating worldwide (figure 19). To illustrate this, IAI has had in 2014 a record year in security printing thanks to the increase of the number of incoming orders outside the euro zone. Moreover, IAI's Vision 2020 'Smart with laser technologies' focusing on expanding globally by investing in new applications would increase the probability of this risk. The impact could be considered as high as the amount of the European inflowing money is quite high and because there are no real evidence how Docdata covers this risk.

Legal risk | Litigation risk regarding unhealthy clients (LR1) *Docdata N.V. Group*

Following the crisis some clients went bankrupt. These situations have led to the loss of parties and delay of projects' definitive awards. Accordingly to the size of the partner, the impact could be very high, as the cost of lost and the legal proceedings can be important. The expectation of such a risk has to be considered even if the economy is stabilizing. Moreover, Docdata N.V. is closely related to its client's operation and finance, which allows it to have information available. Thanks to that it should be possible for the company to forecast the bankruptcy of its clients and gently handle such situations with the charged compliance officer.

Corporate governance and corporate social responsibility

In order to assess Docdata's potential, we have assessed two factors that could have an impact on it: corporate governance and corporate social responsibility.

Corporate governance.

Docdata's corporate governance rules have been based on the Dutch corporate governance Code. Since late 2013, the Management Board has decided to comply with these rules, and to be bound by it, as well as the company's external auditor did.
However, three deviations from this code have been decided by the company's governance, mainly protecting their rights. For those, please refer to appendix **G1**.
In addition to that, let's underline the fact that Dirk Lindenbergh, member of the supervisory board, owns 10.59% of the shares, while the management board holds as many shares and right to shares (Appendix **G1**).

Corporate social responsibility.

Agreement for temporary workers with Hobij, which has been awarded with the title « best workplace » for temporary workers in 2014.
The transparency index assesses the content and quality of CSR reports of Dutch companies. Docdata is only ranked 211 out of 244, with a score of 33 which is better than last year's 25.
In their report, Docdata underlines the fact that they are trying to work in a socially responsible way with all their stakeholders, while taking care of the environmental aspect when it is possible. They highlight their measures to improve their supply chain in a sustainable way, as well as the different norms they comply with (Appendix **G2**).
For all those reasons, we think that Docdata is going to the right direction, but there seems to be room for improvement for both corporate governance and CSR.

Disclosures:

Ownership and material conflicts of interest:

The author(s), or a member of their household, of this report does not hold a financial interest in the securities of this company.

The author(s), or a member of their household, of this report does not know of the existence of any conflicts of interest that might bias the content or publication of this report.

Receipt of compensation:

Compensation of the author(s) of this report is not based on investment banking revenue.

Position as an officer or director:

The author(s), or a member of their household, does not serve as an officer, director or advisory board member of the subject company.

Market making:

The author(s) does not act as a market maker in the subject company's securities.

Disclaimer:

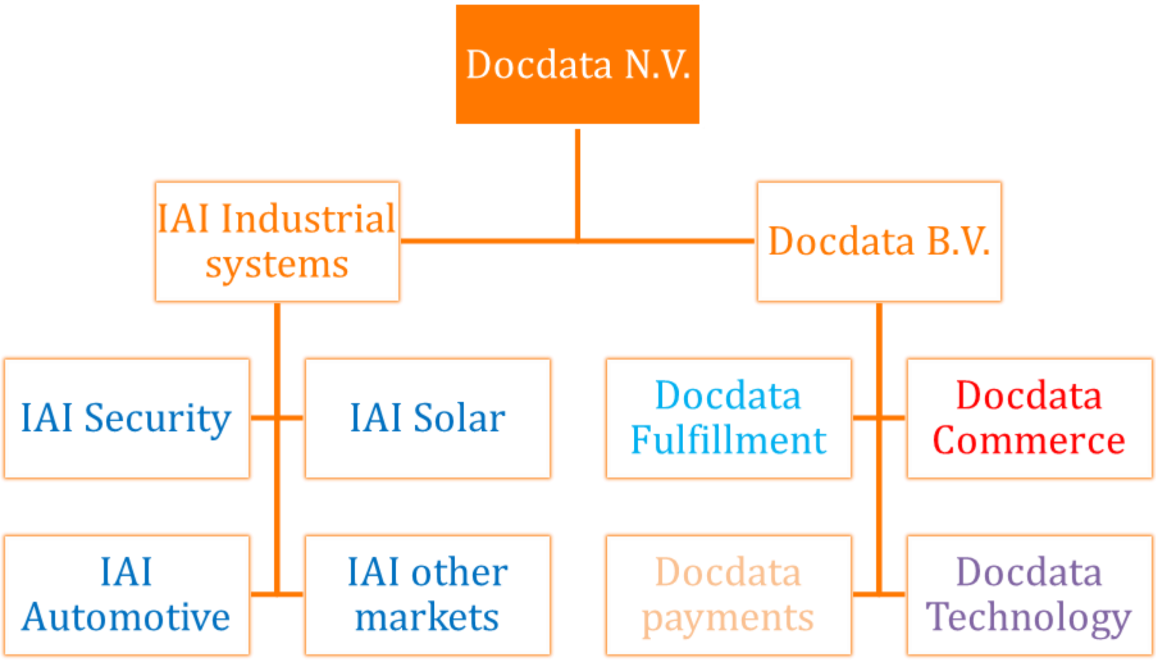
The information set forth herein has been obtained or derived from sources generally available to the public and believed by the author(s) to be reliable, but the author(s) does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security. This report should not be considered to be a recommendation by any individual affiliated with CFA society Netherlands, CFA Institute or the CFA Institute Research Challenge with regard to this company's stock.

CFA Institute

CFA Institute Research Challenge

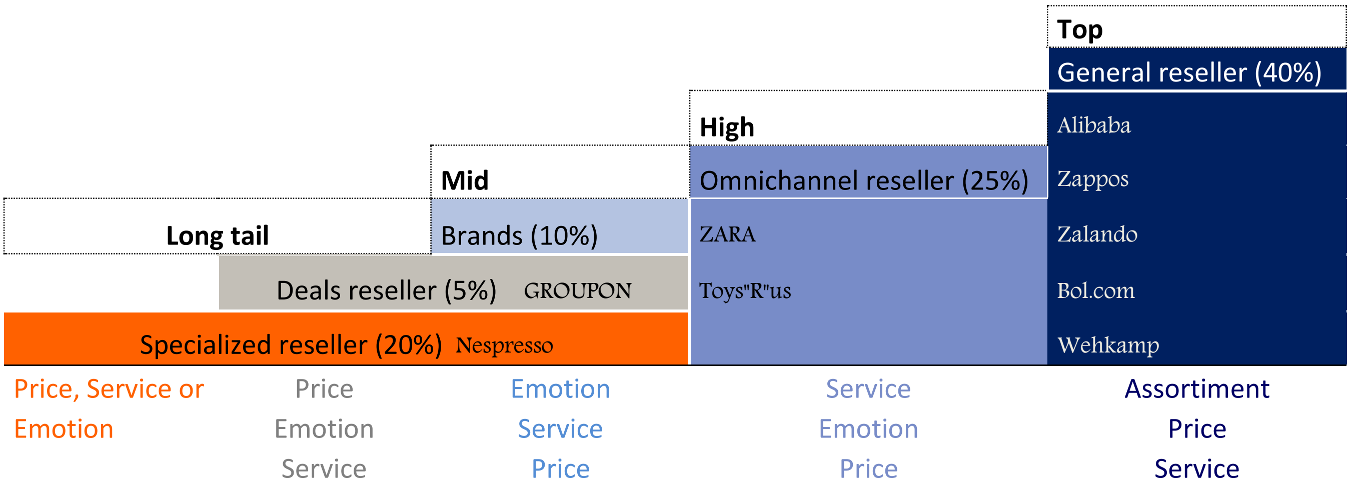
Appendices

Appendix A1: Company structure



Source: Annual Report

Appendix A2: Docdata's e-commerce business model for its customers



Source: Docdata N.V.

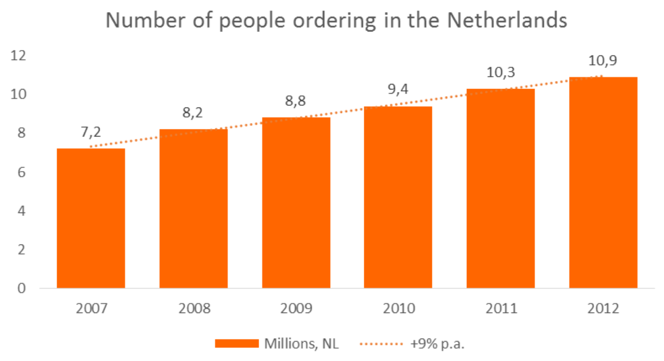
Appendix A3: Corporate management: Two-tier board

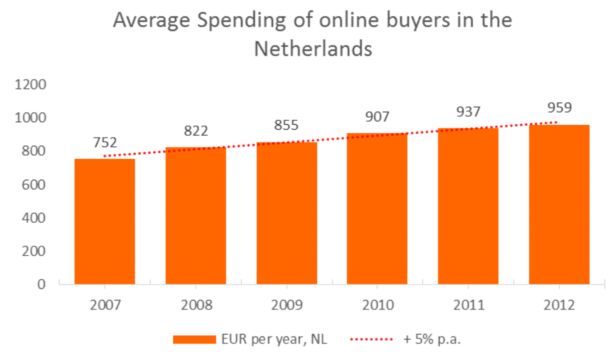
Management board			
Manager	Position	Held Since	Other related Information
Mr Michiel F. Alting von Geusau	Chief Excecutive Officer	Since 2002	- Had been CFO from 1998 to 2002 of Docdata's Management board. - Has been member of the management board since 1998. - Insider Holdings: 93,239 and Options/Indirect Shares (17 June 2014): 45,078.
Mr Marc E. Verstraeten	Chief Financial Officer	Since 2001	- Has been reappointed as CFO till 2018. - Insider Holdings : 48,078.
Ms Sandra Voets	Head Investor Relations	None	
Supervisory board			
Mr Adriaan Schouwenaar	Vice Chairman- Supervisory board	Since May, 2009	- Board of Directors at Docdata NV, Brunel International NV, Stadion Amsterdam NV, Stage Entertainment B.V., Amsterdam Arena, and Asito Dienstengroep BV. - Chairman-Supervisory Board at Holland Casino BV and at ADG Dienstengroep BV - Former CEO & Chair-Management board by Endemol Holding NV, Chairman- supervisory Board by Talpa Media Holding NV, and a Principal by Corus Group Pic. - Graduated at the Erasmus University Rotterdam. - Member of Supervisory Board at Stokvis Niehe Produkties B.V.,Brunel International NV and Holland Casino BV., Stage Entertainment B.V. - Several Supervisory Board positions, including the board chair at John de Mol's Talpa Media
Mr Dirk Lindenbergh	Member - Supervisory Board	Since May, 2006	- Member of Astor II Participations since 2007. - Founder of Errel. -Experience as an Independent Entrepreneur in the hospitality and gaming machine sector. - Member of Supervisory Board at BE Semiconductor Industries NV, DPA Group NV, TIE Kinetix N.V., NedSense Enterprises NV, Blue Fox Enterprises NV, WJM Holding B.V., Blikkenburg B.V. and Schild-Holland N.V. - Fomer Member of the Supervisory Board at NedSense Enterprises NV, Blue Fox Enterprises NV.
Mr Jacobus A. de Vreeze	Chairman- Supervisory board	Since May 2002	- Director of Pro-Vision B.V. - Former CEO by Hermans Holding BV.

Mr Johannes V. Elsendoorn	Member - Supervisory Board	May 12, 2006	- Member of the board of directors at TNO Bedrijven BV, Beijing Building Technology Development Co., Ltd, and TÜV Reihnland TNO Automotive International BV. - Managing director at TNO Bedrijven BV - Managing director at TNO Defence Security & Safety, at Holland Meterology NV, and at NMI Netherland BV. - Former chairman-Supervisory Board by TNP Heimolen BV.

Source: Factset

Appendix B1: Netherlands overview





Required parameters are missing or incorrect.

Source: MC Kinsey & Company

Appendix C1: Porter's Five Forces analysis

Docdata

Threat of New Entrants | MODERATE - SIGNIFICANT

The industry looks particularly easy to enter, there is no legal barriers or licenses needed to operate in such a business. Moreover the growth perspective, especially in southern and Eastern Europe are really attractive. The infrastructures needed are pretty basic, warehouses and offices are the only requirements. However, responding to specific demand such as fulfillment of perishable products or handling the return of goods needs specific material and experience. Thus, a kind of "know-how" is required and reputation for reliable services must be built. Finally, as an intermediary for financial transaction, trust has to be established with customers. All these factors lead to loyalty among the suppliers and customers active in this segment.

Threat of Substitute Products | LOW

Online payment and fulfillment is by essence the substitute of physical shopping, thus there is a substitution threat between both options. However the general trend is largely in favor of the online method. Other methods such as Television Shopping or "vente privé" are also potential substitute but are more marginal and specific to some type of product or environment.

Bargaining Power of Customers | MODERATE

Depending on their size, customers have more or less power to negotiate with Docdata. For example big customers such as bol.com or Zalando have certainly some weight in the balance, giving them more power. But on the other hand Docdata is playing the card of the differentiation as it operates already on several European markets and proposes unequalled solutions such as the reverse logistic service, product enrichment and value added services. Moreover the lack of other big players in the particular segment exploited by the company gives few alternatives to their customers.

Bargaining Power of Suppliers | MODERATE - LOW

Docdata mainly needs services from its suppliers, such as delivery or temporary workforce recruitment. Regarding the delivery there is a large range of possible choices, especially in the biggest european countries, diminishing the bargaining power of the delivery companies. Concerning the temporary workforce recruitment Docdata wants to keep very high standards leading such suppliers to have more weight during the negotiation.

Competitive Rivalry within the industry | LOW - MODERATE

As a leader in its specific segment, Docdata is in a very favorable place regarding competitive rivalry. Nevertheless looking at the different segments composing the industry competition appears to be fierce, there are a lot of actors proposing inventory and fulfillment solutions for venture e-shops or proposing a support for introducing and managing online payments. But those competitors appear to be weak especially where Docdata is at its best by offering very complete solutions: handling the online payments, the delivery and the return of goods by doing it for all kind of goods, from clothes to wines, which is generally not the case for its competitors.

IAI

Threats of new entrants| LOW

In order to enter the security market, companies would need to invest in a considerable amount of money in order to obtain the required capital and technologies. Indeed, to compete in the security market, cutting-edge technology (laser) need to be used. These high cost investments in terms of capital create a barrier for the company that wishes to enter this market. Therefore the threat of new entrants is low

Threats of substitute products |LOW

Considering the regulation by law required by government agency responsible for issuing passports, identity cards, banknotes and others, there are not much choices in order to make them as secure as possible. In the future, security printing will continue to fulfil his role of preventing and identifying fake and counterfeit while supporting the product authenticity. The threat of substitute products remains to a low level due to the impossibility for the customers to substitute to another technology in order to secure its official documents. These technologies are currently in development according to DocData N.V. but they are nowadays not effective.

Bargaining power of buyers | SIGNIFICANT

The buyers in the security market are few in number. The security market is maturing and becoming a buyers' market. The demand in the security market comes from customers including national governments and this demand is related to the economic state of the countries and its security failures. The customers are becoming more and more demanding. Therefore the companies need to tighten their links with their customers in order to satisfy their demands.

Bargaining power of suppliers | MODERATE

Considering the specific technologies that IAI Industrial Systems and the security market are using, the relation with their suppliers is really important. The quality of the IT systems and the technologies are directly related to quality to the systems of their suppliers. A malfunctioning of the IT system may put at risk the company in short term. The bargaining power of the suppliers of the security market is reduced thanks to the in house knowledge considering the interaction between the process, the production system and the required material.

Competitive Rivalry within the industry: MODERATE

The security market is a worldwide growing niche market. There are in this industry different players which are close to each other's in terms of service provided. The target objective for IAI is still to be the best supplier of technology system and to allow their customers to launch their application, which differentiate IAI from its competitors. Thanks to their unique combination of core competence IAI will be able to retain its position in the market and realize new projects and then moderate the competition within the industry.

Appendix C2: SWOT analysis

Strenght	Weakness
● Docdata's sustainable strategy called Vision 2020: Smart Growth. ● Docdata N.V. is quoted on the market this fact gives the clients a better insight to the information of Docdata especially because it is only financed through Equity (no long term debts). ● Docdata has a high cash position. ● The combination of the two businesses can finance each other during harsh period.	● Internal tensions due to both subsidiary financing each other.
● Docdata is active in several European markets and has a large range of international customers. ● Strategic partnership with ASOS: possibilities of increasing orders. ● Contract commitments with clients in e-commerce that last around 3 to 5 years before being renewed. ● New and innovative services offered by Docdata that can be hardly copied.	● Docdata's strategy is to follow the demand of the clients to expand. ● To implement a new warehouse it can take up to 2 years. ● The revenue of e-fullfillment service is dependent on large clients. For example, Zalando and Bol.com both represent more than 10% of the total revenue of Docdata.
● IAI is also active in markets worldwide and offers highly competitive systems.	● The turnover of IAI is mainly achieved through the document security market the other segments represent just a small part of it .

Opportunity	Threat
● The European "Smart Growth" objectives for 2020. ● Docdata's clients are growing as well as the number of consumers. This leads to an increase of the orders treated by Docdata. ● The e-commerce industry is growing rapidly all over the world through an evolving demand that requires a highly customer-oriented strategy.	● Risk of merger or takeover of Docdata's clients by their competitors, leading to changes in the fulfilment or payment solution. ● Insourcinig of the e-fulfillment services by Docdata's clients. ● The specific nature and the large number of transactions of Docdata Payments, as far as it concerns the handling of Internet payments and donations in the form of cash, cheques and/or
● Southern America and Asian security markets are growing due to an enforcement of security regulation. ● There are just few players in the security market.	● Demand for IAI depends on GDP of governments (passport market). ● The security market is maturing and becoming a buyer's market, implying high costs (marketing, commercial diplomacy, lobbying),the demand for more integrated and customized contracts is increasing. ● Security expenses are strongly related to the economic state of the countries, security failures events (e.g.: bombing, attack, etc.) and regulatory policies.

Source: Team Analysis

Appendix D1: Industry sales

Industry sales (EURm)	2010	2011	2012	2013	2014e	2015e	2016e	CAGR FY10-13
Total Sales	192 337	209 170	228 415	233 784	224 954	241 876	246 102	6,7%
Growth	33,5%	8,8%	9,2%	2,4%	-3,8%	7,5%	1,7%	

Source: Factset, Team Analysis

Appendix D2: E-commerce in Europe

E-commerce Europe	2014	
	Sales	Growth rate
Western	€178bn	+12,4%
Central	€93bn	+22,7%
South	€41bn	+18,9%
North	€32bn	+12,7%
East	€19bn	+47,3%
Entire Europe	€363bn	+16,3%
EU 28	€318bn	+14,7%

Source: Ecommerce Europe

Appendix D3: Dupont Analysis

Dupont Analysis	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimate	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
ROE	14.0%	19.9%	20.0%	20.3%	11.0%	15.5%	15.2%	15.3%	15.4%	15.0%	14.6%
Net income / EBT	77.5%	73.9%	68.4%	78.6%	70.9%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%
EBT/EBIT	99.2%	100.9%	100.0%	99.0%	98.2%	99.5%	99.7%	99.8%	99.8%	99.8%	99.7%
EBIT/Revenue	4.8%	7.0%	7.2%	6.7%	9.0%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
Revenue/ total assets	185.9%	224.2%	183.9%	188.4%	88.9%	154.9%	156.6%	157.6%	165.1%	160.0%	159.5%
Total assets/Total Equity	203.0%	170.7%	221.5%	207.2%	198.9%	201.4%	195.3%	195.5%	188.1%	188.6%	184.2%

Source: Factset, Team Analysis

Appendix D4: Income statement

Income statement (in EURm)	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimate	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Total Sales	104.0	130.7	152.8	166.9	156.4	166.0	181.0	196.8	206.1	215.9	226.7
COGS Docdata	(66.8)	(88.9)	(112.2)	(117.6)	(106.6)	(113.1)	(123.4)	(134.2)	(140.5)	(147.2)	(154.5)
COGS IAI	(11.3)	(10.5)	(7.1)	(12.3)	(13.2)	(14.0)	(15.3)	(16.7)	(17.5)	(18.3)	(19.2)
Gross Profit	26.0	31.3	33.6	37.0	36.5	38.8	42.3	46.0	48.2	50.4	53.0
Gross Margin	25.0%	23.9%	22.0%	22.2%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
Total Operating Expenses	(21.0)	(22.1)	(22.6)	(25.9)	(26.1)	(27.6)	(30.2)	(32.8)	(34.3)	(36.0)	(37.8)
EBIT	5.0	9.1	11.0	11.1	10.5	11.1	12.1	13.2	13.8	14.5	15.2
EBIT margin	4.8%	7.0%	7.2%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
+ Depreciation and Amortisation	3.6	4.8	6.5	9.1	6.6	7.3	8.3	9.4	10.3	11.2	12.2
EBITDA	8.6	13.9	17.4	20.3	17.1	18.4	20.5	22.6	24.1	25.7	27.4
EBITDA margin	8.3%	10.6%	11.4%	12.1%	10.9%	11.1%	11.3%	11.5%	11.7%	11.9%	12.1%
Net financing expenses	(0.0)	0.0	0.0	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Profit before tax	5.0	9.2	11.0	11.0	10.4	11.1	12.1	13.2	13.8	14.4	15.2
Income tax expense	(1.2)	(2.4)	(3.4)	(2.4)	(2.7)	(2.8)	(3.1)	(3.4)	(3.5)	(3.7)	(3.9)
Minority Interests	0.0	(0.0)	(0.1)	-	-	-	-	-	-	-	-
Net Income	3.9	6.8	7.5	8.7	7.8	8.2	9.0	9.8	10.2	10.7	11.3
Net profit margin	3.7%	5.2%	4.9%	5.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Shares Outstanding	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
EPS (in EUR)	0.55	0.97	1.07	1.24	1.11	1.18	1.29	1.40	1.46	1.53	1.61
Dividend per share	0.35	0.5	0.55	0.7	0.62	0.66	0.72	0.79	0.82	0.86	0.91
Dividend payout ratio	64%	51%	51%	57%	56%	56%	56%	56%	56%	56%	56%

Source : Factset, Team analysis

Source: Factset, Team Analysis

Appendix D5: Statement of Cash Flows

Cash flow statement (in EURm)	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 LE	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Profit for the period	3.8	6.8	7.6	8.7	7.8	8.2	9.0	9.8	10.2	10.7	11.3
Depreciation and amortisation	3.6	4.8	6.5	9.1	6.6	7.3	8.3	9.4	10.3	11.2	12.2
Costs share options	0.1	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Loss/(Gain) on sale of PPE	-	0.0	(0.3)	-	-	-	-	-	-	-	-
Financial income	(0.2)	(0.3)	(0.2)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Financial expenses	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2
Share of losses of associate	-	(0.1)	0.0	-	-	-	-	-	-	-	-
Income tax expense	1.2	2.4	3.4	2.4	2.7	2.8	3.1	3.4	3.5	3.7	3.9
Cash flows from operating activities before changes in WC and provisions	**8.8**	**14.1**	**17.4**	**20.5**	**17.3**	**18.7**	**20.7**	**22.9**	**24.4**	**26.0**	**27.8**
(Increase)/ decrease in trade and other receivables	(2.2)	(1.8)	(4.5)	(3.7)	2.5	(1.5)	(3.8)	(4.8)	(4.0)	(3.0)	(3.3)
(Increase)/ decrease in inventories	1.8	1.1	(1.8)	(0.9)	0.7	(0.4)	(0.6)	(0.7)	(0.4)	(0.4)	(0.4)
Increase/ (decrease) in trade and other payables	3.7	(1.3)	7.4	(3.1)	(1.5)	1.7	2.5	2.6	1.6	1.7	1.8
Increase/ (decrease) in provisions and other non-current liabilities	(0.6)	(0.2)	1.2	0.4	0.0	0.1	(0.1)	0.1	(0.1)	0.1	(0.1)
Cash generated from the operations	**11.5**	**12.0**	**19.7**	**13.2**	**19.0**	**18.5**	**18.7**	**20.1**	**21.6**	**24.3**	**25.8**
Interest paid	(0.3)	(0.3)	(0.2)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Interest received	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Income taxes paid	(1.0)	(1.2)	(3.5)	(4.2)	(1.9)	(2.1)	(2.2)	(2.4)	(2.6)	(2.7)	(2.8)
Income taxes received	2.8	0.6	0.1	0.9	0.9	0.9	1.0	1.1	1.1	1.2	1.3
Net cash from operating activities	**13.2**	**11.4**	**16.2**	**9.9**	**17.8**	**17.4**	**17.4**	**18.7**	**20.2**	**22.8**	**24.2**
Acquisition of property, plant and equipment	(6.1)	(7.7)	(10.3)	(6.9)	(7.4)	(7.4)	(8.0)	(8.6)	(9.2)	(9.9)	(10.6)
Acquisition of intangible assets	(0.8)	(1.0)	(1.4)	(1.4)	(1.3)	(1.4)	(1.5)	(1.6)	(1.7)	(1.8)	(1.9)
Loans provided to associates and other investments	-	-	-	(0.0)	-	-	-	-	-	-	-
Proceeds from sale of property, plant and equipment	0.1	0.1	0.4	0.0	-	-	-	-	-	-	-
Proceeds from sale of associates and other investments	-	-	0.1	0.0	-	-	-	-	-	-	-
Acquisition of subsidiaries	(2.2)	-	0.3	-	-	-	-	-	-	-	-
Proceeds from sale of replication activities	-	-	0.4	-	-	-	-	-	-	-	-
Net cash from investing activities	**(9.1)**	**(8.6)**	**(10.5)**	**(8.2)**	**(8.7)**	**(8.8)**	**(9.5)**	**(10.2)**	**(10.9)**	**(11.7)**	**(12.5)**
Proceeds from/(repayment of) bank overdrafts	4.0	(4.0)	-	-	-	-	-	-	-	-	-
Dividends paid	(3.7)	(2.4)	(3.5)	(3.9)	(4.3)	(4.6)	(5.1)	(5.5)	(5.8)	(6.0)	(6.3)
Proceeds from exercise of share options	0.0	1.7	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.6
Own shares bought	-	-	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Acquisition of non-controlling interests	(0.8)	-	(1.3)	-	-	-	-	-	-	-	-
Repayment of interest-bearing loans and other borrowings	-	(0.0)	(0.1)	-	-	-	-	-	-	-	-
Net cash from financing activities	**(0.4)**	**(4.7)**	**(4.7)**	**(3.7)**	**(4.2)**	**(4.5)**	**(4.9)**	**(5.3)**	**(5.6)**	**(5.8)**	**(6.1)**
Net increase/(decrease) in cash and cash equivalents	3.7	(2.0)	1.0	(2.1)	5.0	4.1	3.1	3.2	3.7	5.3	5.6
Cash and cash equivalents at the beginning of the period	6.1	9.8	7.8	8.8	20.5	25.5	29.5	32.6	35.8	39.4	44.7
Restricted cash and cash equivalents	-	-	11.9	13.8	-	-	-	-	-	-	-
Effect of exchange rate fluctuations on cash held	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Cash and cash equivalents at the end of the period	**9.8**	**7.8**	**20.7**	**20.5**	**25.5**	**29.5**	**32.6**	**35.8**	**39.4**	**44.7**	**50.3**

Source: Factset, Team Analysis

Appendix D6: Balance sheet

Balance sheet in EURm	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimate	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Property, plant and equipment	10.4	14.1	19.6	22.0	22.9	24.5	22.5	23.6	21.4	22.2	19.8
Intangible assets	9.7	9.4	8.9	5.9	7.2	8.6	10.1	11.7	13.5	15.3	17.2
Other Investments	0.2	0.2	0.0	0.4	-	-	-	-	-	-	-
Other non-current assets	0.2	0.2	-	-	-	-	-	-	-	-	-
Deferred income tax assets	1.0	0.7	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total non current-assets	21.5	24.6	29.1	29.1	30.8	33.8	33.4	36.1	35.6	38.3	37.8
Inventories	5.4	4.1	6.2	7.1	6.5	6.9	7.5	8.1	8.5	8.9	9.4
Account receivables	16.8	18.7	23.2	26.5	24.0	25.5	27.8	30.2	31.7	33.2	34.8
Other receivables	2.4	2.1	3.2	4.7	4.7	4.7	4.7	4.8	4.8	4.9	4.9
Cash and cash equivalents	9.8	7.8	20.7	20.5	25.5	29.5	32.6	35.8	39.4	44.7	50.3
Short term securities	-	1.0	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Total current assets	34.5	33.7	54.0	59.5	61.4	67.3	73.3	79.7	85.2	92.4	100.1
Total assets	56.0	58.3	83.1	88.6	92.2	101.1	106.7	115.8	120.8	130.7	137.9
Share Capital	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Share premium	16.9	16.9	16.9	16.9	16.9	16.9	16.9	16.9	16.9	16.9	16.9
Reserve	(3.5)	(1.5)	(1.0)	(0.1)	0.1	0.3	0.4	0.6	0.9	1.1	1.3
Retained earnings (from prior year)	9.5	10.9	13.5	16.6	21.0	24.1	27.3	30.7	34.8	39.0	43.3
Net income	3.9	6.8	7.5	8.7	7.8	8.2	9.0	9.8	10.2	10.7	11.3
Minority interest	0.2	0.3	-	-	-	-	-	-	-	-	-
Total Equity	27.6	34.2	37.5	42.8	46.4	50.1	54.2	58.7	63.4	68.3	73.5
Deferred income tax liabilities	0.5	1.0	1.2	1.0	1.0	1.1	1.2	1.3	1.4	1.4	1.5
Other non-current liabilities	-	-	0.3	0.4	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Total non-current liabilities	0.5	1.0	1.5	1.4	1.2	1.3	1.4	1.6	1.6	1.7	1.8
Bank overdraft	4.2	-	-	-	-	-	-	-	-	-	-
Income tax payable	0.5	0.8	1.1	1.8	1.9	1.9	1.9	1.9	1.9	2.0	2.0
Account payables	11.0	11.3	25.6	25.9	24.3	25.8	28.1	30.6	32.0	33.6	35.2
Other payables	11.7	10.8	15.9	14.8	14.9	15.1	15.3	15.4	15.6	15.8	16.0
Provisions	0.4	0.3	1.5	1.9	1.9	2.0	1.9	2.0	1.9	2.0	2.0
Liabilities classified as held for sale	-	0.0	-	-	-	-	-	-	-	-	-
Total current liabilities	27.9	23.2	44.1	44.4	43.0	44.8	47.2	50.0	51.5	53.3	55.1
Total Liabilities	28.4	24.1	45.6	45.8	44.2	46.1	48.6	51.5	53.2	55.0	56.9
Total Equity & Liabilities	56.0	58.3	83.1	88.6	90.6	96.2	102.9	110.2	116.6	123.3	130.4

Source: Factset, Team Analysis

Appendix D7: Key ratios

Balance sheet in EURm	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimate	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Activity Ratio											
Days on inventory on hand	28.8d	17.5d	15.9d	18.8d	19.7d	19.7d	19.7d	19.7d	19.7d	19.7d	19.7d
Daysof sales outstanding	59.0d	55.9d	56.3d	60.0d	59.5d	59.5d	61.2d	61.0d	58.7d	58.7d	58.9d
Number of days payable	46.0d	41.5d	55.5d	72.0d	68.6d	78.3d	80.3d	80.1d	77.3d	77.3d	77.5d
Liquidity ratio											
Current ratio	1.2	1.5	1.2	1.3	1.4	1.5	1.6	1.6	1.7	1.7	1.8
Quick ratio	1.0	1.3	1.1	1.2	1.3	1.4	1.4	1.4	1.5	1.6	1.6
Cash ratio	0.4	0.4	0.5	0.5	0.6	0.7	0.7	0.7	0.8	0.9	0.9
Cash conversion cycle	41.8	31.9	16.7	6.9	10.6	0.9	0.5	0.5	1.1	1.1	1.1
Solvency ratio											
Debt-to-assets ratio	51%	41%	55%	52%	48%	46%	46%	44%	44%	42%	41%
Debt -to-capital ratio	103%	71%	121%	107%	95%	92%	90%	88%	84%	81%	77%
Interest coverage ratio	19.7	33.9	48.1	48.3	37.1	46.9	61.3	84.1	94.2	90.6	86.6
Profitability ratios											
Gross profit margin	25.0%	23.9%	22.0%	22.2%	22.6%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
EBIDTA margin	8.3%	10.6%	11.4%	12.1%	12.8%	10.9%	11.1%	11.3%	11.5%	11.7%	11.9%
EBIT margin	4.8%	7.0%	7.2%	6.7%	9.0%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
Net Profit margin	3.7%	5.2%	4.9%	5.2%	6.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
ROA	6.9%	11.7%	9.0%	9.8%	5.5%	7.7%	7.7%	7.8%	8.1%	7.8%	7.8%
ROE	14.0%	19.9%	20.0%	20.3%	11.0%	15.5%	15.2%	15.3%	15.4%	15.0%	14.6%

Source: Factset, Team analysis

Appendix E1: Net debt position at the end of 2014

Net debt at the end of 2014	
Cash and cash equivalents	-25.5
Total debt	0.0
Total net debt (cash)	-25.5

Source: Factset, Team analysis

Appendix E2: Docdata' Beta

Beta								Peers' weighted beta
	Docdata	ING-FR 0,83	ATO-FR 0.77	ABE-PL 0.69	CAP-FR 0.95	SYNT-US 1.17	85%	
	IAI	GTO-NL 0.65	YSN-DE 0.27	ZTS-BE 0.32			15%	**0.82**

Appendix E3 – WACC assumptions

Wacc assumptions		
Tax rate	25.66%	Average effective tax rate between 2010-2013
Rf	2.09%	German Bund 30 years
Market Premium	5.00%	Based on Professor Damodaran's country risk premium computation from Stern University
Unlevered beta	0.82	Computed from peer group
Relevered beta	0.82	Team computations
D/E	0.00%	Team computations
Size Premium	1.35%	Due to the small size of the company
Country risk	1.00%	Based on Professor Damodaran's country risk premium computation from Stern University
Re	8.56%	Team computations
Rd	5.09%	German Bund 30 years + spread of 3% based on the average industry rating (BBB)
We	100.00%	Team computations
Wd	0.00%	Team computations
WACC	**8.56%**	**Team computations**

Source: Team Analysis

Source: Team Analysis

To compute the WACC, we used the CAPM to set the cost of capital (Re) with extra premium adjustments (size and country) and the cost of debt corresponding to German Bund 30 years and a spread.

Appendix E4 – Scenarios assumptions

Assumptions	Base	Bull	Bear
CAGR Sales (14e-20f)	6.38%	7.75%	5.00%
Terminal Growth rate	1.50%	1.50%	1.50%
Average EBIT margin (14e-20f)	6.70%	7.37%	5.98%

Source: Team Analysis

Appendix E5- Valuation of the 3 scenarios

EURm	Base 2014 LE	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Free Cash Flow							
EBIT	10.5	11.1	12.1	13.2	13.8	14.5	15.2
Taxes	(2.7)	(2.9)	(3.1)	(3.4)	(3.5)	(3.7)	(3.9)
NOPLAT	7.8	8.3	9.0	9.8	10.3	10.8	11.3
D&A	6.6	7.3	8.3	9.4	10.3	11.2	12.2
Δ WC	1.7	(0.1)	(2.0)	(2.8)	(2.8)	(1.7)	(1.9)
Capex	(8.7)	(8.8)	(9.5)	(10.2)	(10.9)	(11.7)	(12.5)
FCFF	7.3	6.6	5.8	6.3	6.8	8.6	9.1
Discounting factor	-	0.9	0.8	0.8	0.7	0.7	0.6
Discounted FCFF	**-**	**6.1**	**5.0**	**4.9**	**4.9**	**5.7**	**78.5**
Enterprise value	105.2						
Net Debt	(25.5)						
FCFE	130.6						
# shares outstanding	7.0						
Share price	**18.66**						

EURm	BullCase 2014 LE	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Free Cash Flow							
EBIT	10.5	12.5	13.3	14.8	16.2	17.8	19.4
Taxes	(2.7)	(3.2)	(3.4)	(3.8)	(4.2)	(4.6)	(5.0)
NOPLAT	7.8	9.3	9.9	11.0	12.1	13.2	14.4
D&A	6.6	7.6	8.6	9.8	10.8	12.0	13.2
Δ WC	1.7	(0.4)	(2.9)	(2.7)	(3.2)	(2.4)	(2.7)
Capex	(8.7)	(8.8)	(9.5)	(10.2)	(10.9)	(11.7)	(12.5)
FCFF	7.3	7.7	6.0	7.8	8.7	11.1	12.4
Discounting factor	-	0.9	0.8	0.8	0.7	0.7	0.6
Discounted FCFF	**-**	**7.1**	**5.1**	**6.1**	**6.3**	**7.4**	**107.6**
Enterprise value	139.7						
Net Debt	(25.5)						
FCFE	165.1						
# shares outstanding	7.0						
Share price	**23.59**						

EURm	Bear Case 2014 LE	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Free Cash Flow							
EBIT	10.5	11.1	10.9	10.7	10.9	11.1	11.2
Taxes	(2.7)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.9)
NOPLAT	7.8	8.2	8.1	8.0	8.1	8.3	8.3
D&A	6.6	7.3	8.1	8.9	9.7	10.5	11.3
Δ WC	1.7	(0.1)	(1.8)	(1.8)	(1.9)	(1.3)	(1.5)
Capex	(8.7)	(8.8)	(9.5)	(10.2)	(10.9)	(11.7)	(12.5)
FCFF	7.3	6.6	4.9	4.9	4.9	5.7	5.6
Discounting factor	-	0.9	0.8	0.8	0.7	0.7	0.6
Discounted FCFF	**-**	**6.1**	**4.2**	**3.8**	**3.6**	**3.8**	**48.3**
Enterprise value	69.8						
Net Debt	(25.5)						
FCFE	95.2						
# shares outstanding	7.0						
Share price	**13.61**						

Source: Team Analysis

Appendix E6 -Sensitivity analysis

Unlevered beta	Market Risk premium 4.00%	4.50%	5.00%	5.50%	6.00%
0.6	23.93	22.77	21.73	20.80	19.95
0.75	21.73	20.58	19.55	18.64	17.81
0.82	20.82	19.67	**18.66**	17.76	16.96
0.9	19.95	18.81	17.81	16.94	16.15
1.05	18.46	17.36	16.40	15.57	14.82

Risk free rate 1.00%	1.50%	2.09%	2.50%	3.00%
21.65	20.15	18.66	17.76	16.80

Source: Team analysis

Appendix E7 - Peer group

Peer group selection

Given the fact that there are no companies really close to Docdata N.V., we have chosen to select a quite wide variety of companies, taking into account two factors. Having selected several companies, the probability of error due to an irrelevance of a company has been minimized.

The first and main criterion is the sectors in which the companies are active. We have split the peer group in companies comparable to Docdata, and others to IAI. The impact of these companies on our valuation has been weighted according to the split of sales in 2014. We have also taken into account a factor of risk and trend being comparable to the ones of Docdata N.V.

Docdata subsidiary being mostly active in Europe, most of the companies selected are from the same area, only one being from the US. The size criterion has not been taken into account due to the small number of companies active in a comparable sector.

After having selected around fifteen companies, we have observed the EBIT growth, which has led to a rejection of more or less half of them. This is due to the fact that these companies didn't grow at all like Docdata (most of them had decreasing EBIT while the trend of Docdata tends to be the opposite).

Below are listed the different companies selected with their historical structural data, first for Docdata:

Docdata's peers		2010	2011	2012	2013
Ingenico SA (ING-FR)	EV	2310.384	2149.712	3092.280	4430.040
	Cash	162.400	354.500	385.700	353.300
	D/E	2.260	2.135	0.001	2.467
Cap Gemini SA (CAP-FR)	EV	4301.640	3287.000	4434.300	7218.080
	Cash	2376.000	2296.000	2098.000	1715.000
	D/E	0.415	0.402	0.403	0.356
Atos SE (ATO-FR)	EV	2919.286	2971.605	4320.435	5559.204
	Cash	424.300	767.900	1162.800	1325.300
	D/E	1.745	2.163	2.130	1.450
Syntel Inc (SYNT-US)	EV	1695.400	1623.245	1861.704	3273.876
	Cash	287.200	320.400	421.300	668.900
	D/E	0.210	0.211	0.283	0.380
AB SA commerce (ABE-PL)	EV	382.945	541.400	507.026	535.837
	Cash	18.660	16.440	16.460	12.480
	D/E	0.686	0.669	0.828	0.735

In millions except for the ratios, all data in local currencies

And then, the companies chosen comparable to IAI:

IAI's peers		2010	2011	2012	2013
Gemalto N.V. (GTO-NL)	EV	2418.496	2807.38	5361.54	6438.66
	Cash	264	338.8	378	477.7
	D/E	0.41509317	0.40238234	0.40336439	0.35550395
Secunet Security Networks AG (YSN-DE)	EV	66.56724	48.75792	70.94183	114.76184
	Cash	14.344	17.636	24.025	29.265
	D/E	0.68626824	0.66883234	0.82756693	0.73472596
Zetes Industries NV (ZTS-BE)	EV	84.227	78.7152	71.9026	94.2277
	Cash	14.6	14.31	12.8	10.59
	D/E	1.03195175	1.08624649	1.05109677	1.11742572

In millions except for the ratios, all data in local currencies

Source: Factset

We have also analyzed the comparable companies' betas, to see if those are exposed to a comparable market risk. Therefore, we already knew that companies comparable to Docdata, the greater part of the company, should have a quite high beta, between more or less 0.7 and 1.5. Therefore, we have used forecasted betas for the coming years, given by Factset, and we have rejected companies without any information provided or that don't match this criterion.

Aside from this, we have also analyzed the variations of the peer's share prices over three years in the table below. As expected, the data are very different from one company to another. This is of course due to several factors, especially the fact that almost no company operates the same activities or is present in the same sectors with the same weight, but also that some companies have performed better than some others.

We can notice, that Docdata N.V. shows a very high share price growth from December 2010 to 2015.

Share price	1/01/11	1/01/15	Growth rate	Weight
ING-FR	27.09	87.28	222.19%	17.00%
CAP-FR	34.93	59.48	70.28%	17.00%
ATO-FR	39.84	66.3	66.42%	17.00%
SYNT-US	23.9	44.98	88.20%	17.00%
ABE-PL	26.5	30.6	15.47%	17.00%
GTO-NL	31.84	67.93	113.35%	5.00%
YSN-DE	12.15	19.2	58.02%	5.00%
ZTS-BE	17.4	24.99	43.62%	5.00%
Median peer group growth		16.61%		
Weighted peer group growth		**89.38%**		
Docdata (DOCD-NL)	8.85	19.8	**123.73%**	
Peer Group shares index	10	18.94		
Docdata shares index	10	22.37		

All data in local currencies

Source: *Factset*

Appendix E8: Multipliers pricing

Given the high variability of the peers' multiple, we have decided to use the forecasted multiple, generally more steady because they don't take into account special events.

Computation with the EV/EBIT multiple

Docdata

EV/EBIT	2015E
ING-FR	15.6
CAP-FR	8.3
ATO-FR	7.1
SYNT-US	9.9
ABE-PL	7.6
Average EV/EBIT	9.70

	Target EV/EBIT	Weight
Docdata's peers	9.70	85%
IAI's peers	11.93	15%
Docdata's target EV/EBIT	**10.035**	
Docdata's expected EV/EBIT	10.6	
Historical discount rate	5.63%	

IAI

EV/EBIT	2015E
GTO-NL	11.9
YSN-DE	13.2
ZTS-BE	10.7
Average EV/EBIT	11.93

Value following this multiple:

Docdata's EBIT	10.5
Docdata's target EV/EBIT	10.04
Docdata's value computed with EV/EBIT	**105.37**
Debt	1.20
Cash	24.10
Short-term investments	0.70
Docdata's equity value	**128.97**
Number of shares outstanding	7.00
Value of the share from EV/EBIT	**18.42 €**

in millions except for the multiples

Computation with the Price Earning Ratio multiple

Docdata

P/E	2015E
ING-FR	21.2
CAP-FR	15
ATO-FR	12.6
SYNT-US	15.5
ABE-PL	8.3
Average P/E	14.52

	Target P/E	Weight
Docdata's peers	14.52	85%
IAI's peers	19.70	15%
Docdata's target P/E	**15.297**	
Docdata's expected P/E (2015)	14.7	
Historical discount rate	-3.90%	

IAI

EV/EBIT	2015E
GTO-NL	16.6
YSN-DE	27.2
ZTS-BE	15.3
Average P/E	19.70

Value following this multiple:

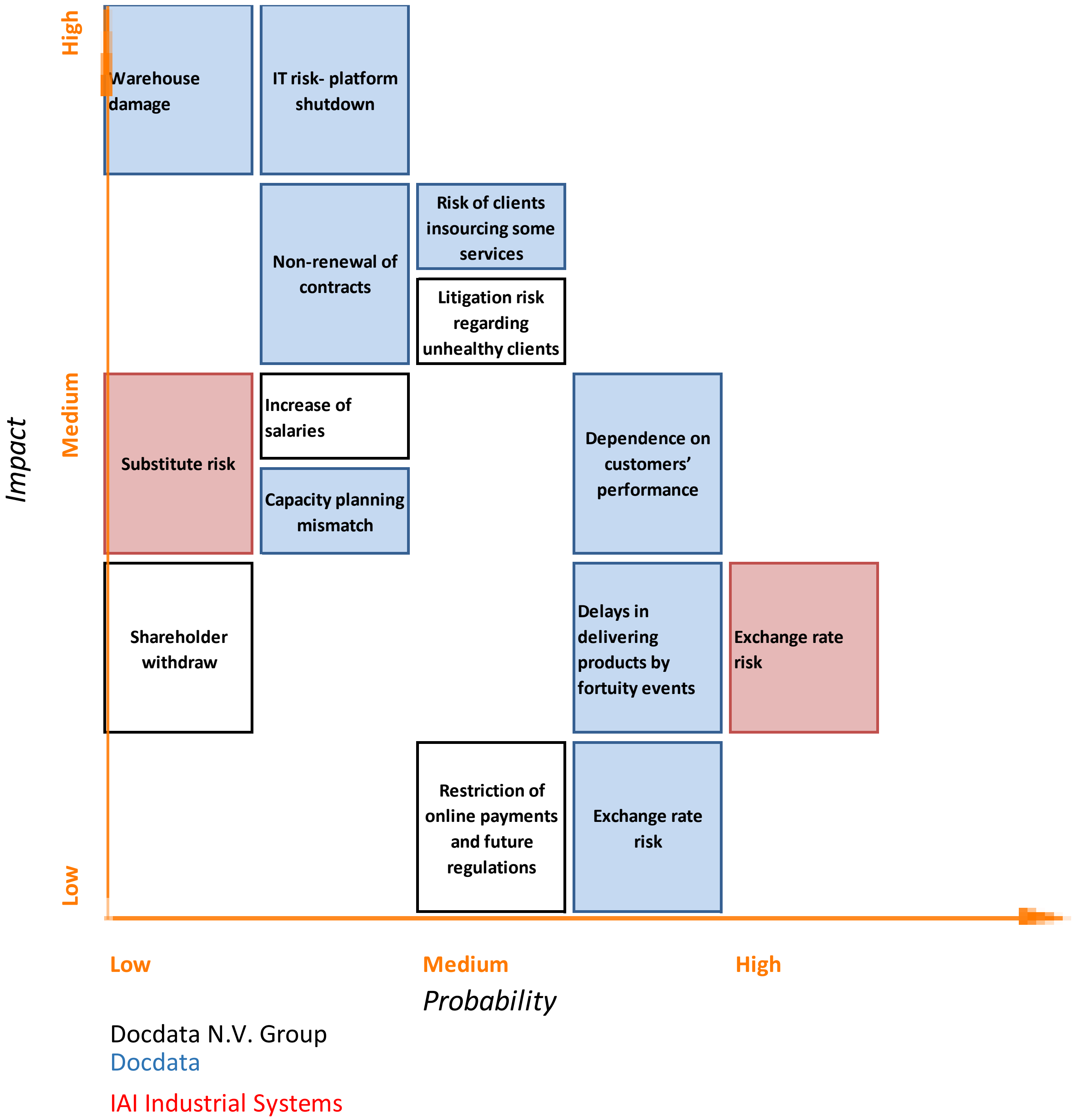
Docdata's EPS	1.11
Docdata's target P/E	15.30
Value of the share from P/E	**16.98 €**

Value of Docdata's shares

	Weight
Value from EV/EBIT	50%
Value from P/E	50%
Share value	**17.70 €**

Source: Factset, Team analysis

Appendix F1: Risk Matrix



Source: Company data, Teams Analysis

Appendix F2: Explanation of the Risk Matrix

Operational risk | Increase of salaries (OR1) *Docdata N.V. Group*

Docdata's labor structure is quite variable. On average Docdata employs 50% own labor and 50% temporary workers according to the seasonal needs. Moreover in the last 3 to 4 years the number of workers has increased from 30 people to 97. These different factors could have an impact on the salaries but at the same time we can observe that the European labor cost index (figure 18) shows a lower increase of these costs in the last periods. Therefore the risk of increasing salary could be seen as not seeming to happen in the next months.

Operational risk | Shareholder withdraw (OR2) *Docdata N.V. Group*

Figure 19: Geographical presentation

Current Docdata operation:
Waalwijk (NL - 1999)
Oxford (UK - 2006)
Berlin (DE - 2008)
Münster (DE - 2008)
München (DE - 2010)
Egglham (DE - 2010)
Milano (IT - 2012)
Swiebodzin (PL - 2013)

Current partner operations
Saint Gallen (CH - 2013)
Barcelona (ES – 2013)
Paris (FR – 2014)

Future (partner) operations
Wien (AT)
Madrid (ES)
Istanbul (TR)
Oslo (NO)

Source : Annual Report

Docdata has many shareholders including a few owning a significant proportion of Docdata's shares (e.g. Kempen Capital Management 18.3%, Cross Option Beheer 13.8%, Lindeberg Dirk 10.6%). However most of the shareholders have a very low activism. Therefore the likelihood that the risk occurs is very low.

Operational risk | Warehouse damage (OR3) *Docdata*

Moreover as Docdata is exclusively financed by its Capital and not by long term debt the loss of an important shareholder could influence its financial plan but not on a very large scale.

By renting warehouses, any kind of event that could damage the warehouse, or any other kind of event (fire, etc.) could cause a high damage to the products stocked in the warehouses. We assume that Docdata has entered into an insurance contract for its rented warehouses to minimize this risk, even if no information has been provided about this.

However, the probability that such a risk happens is very low as long as the warehouses are not constructed in risky environments.

Operational risk | Non-renewal of contracts (OR6) *Docdata*

Docdata faces the risk of non-renewable contracts. Indeed most Clients have just a 3 to 5 years contract with Docdata. Afterwards it might be possible that Customers change to other suppliers. A loss of client could have indeed a negative impact which force is relative to the size of the contract not renewed.

In order to mitigate the risk, Docdata focuses on improving its services to its clients by offering them a client's suited service that differentiates Docdata from its competitors.

Operational risk | Capacity planning mismatch (OR7) *Docdata*

This risk comes from the non-linearity of the buying process, especially online. For instance, the number of orders are a lot greater in December, for some products, than it is in June. This requires the company to forecast the number of order it will have to handle in order to hire an adequate number of workers to answer the demand with the same quality. A wrong forecast could have a fairly bad impact on the image of the company, ultimately leading to the loss of clients, or, on the contrary, unnecessary expenses. However the likelihood of such an error is low, thanks to the accuracy of the forecasting tools and the good relation between Docdata and its clients, giving opportunities for information exchange.

Operational risk | IT risk- platform shutdown (OR8) *Docdata*

This risk represents the probability that the platform installed for clients shuts down. Indeed one if the services offered by Docdata imply the IT risk. Such an event would have first of all an impact on the final customer and then on Docdata's Clients and, following this, a decrease its revenue. The phenomenon could have a high impact as it could influence its clients' decision of the contract terms and influence Docdata's image. However the know-how, their experience in that sector as well as the skilled employees smooth the risk faced.

Operational risk | Substitute risk (OR9) *IAI*

IAI operates in market segments where its laser technologies are used for securing documents, card or passports. Indeed, IAI has to show that its services are more innovative than other technologies as these markets are very competitive and rely on effective results. The likelihood could be assumed as low, as IAI shouldn't face nowadays a situation where its services were replaced by another. Even if there are already some research made to replace those technologies, IAI's management claims that those aren't effective yet. To alleviate the risk, IAI focuses on searching ways to use their laser technology in new markets as the security market is maturing. Moreover Docdata is continuously improving its services to respond to new needs and to be more competitive.

Market risk | Exchange rate risk (MR1) *Docdata*

The probability of this risk is high, but would have a small impact as most of the activities, and operations are done within the Euro-Zone (figure 19). Even though Docdata Payment could face some exchange rate risk when merchants accepted payments in another currency than Euro. To lower this risk Docdata contracts Agreements with merchants on the payment currency. According to different situations Docdata tries to cover this risk rather by using the term of the agreement or by charging a fixed percentage in order to cover the variable (banking) costs, the difference between bid price and asking price (the spread) as well as the currency risk.

Regulatory risk | Restriction of online payments and future regulations (RR1) *Docdata N.V. Group*

Regulations regarding the e-commerce and more particularly the online payments are in constant evolution, trying to catch up with the technical evolutions available on the market, all those regulations being different for every country, which could potentially lead to inconsistency. All these factors are creating uncertainty regarding the future laws that the e-commerce market will have to face. This will also lead to a cost increase for Docdata. Although this risk is pretty low in the countries where the company is currently operating, the rules being already set and having done their proofs thus big changes will most likely not occur, such changes are more likely to occur on the growing market, such as Eastern Europe and Asia.

IAI is also subject to regulations, on their use of their laser technology for example. However, IAI has to constantly take care of their image to maintain its demand. Therefore, the company is always working on the innovative and security aspects.

IAI is also subject to regulations, on their use of their laser technology for example. However, IAI has to constantly take care of their image to maintain its demand. Therefore, the company is always working on the innovative and security aspects.

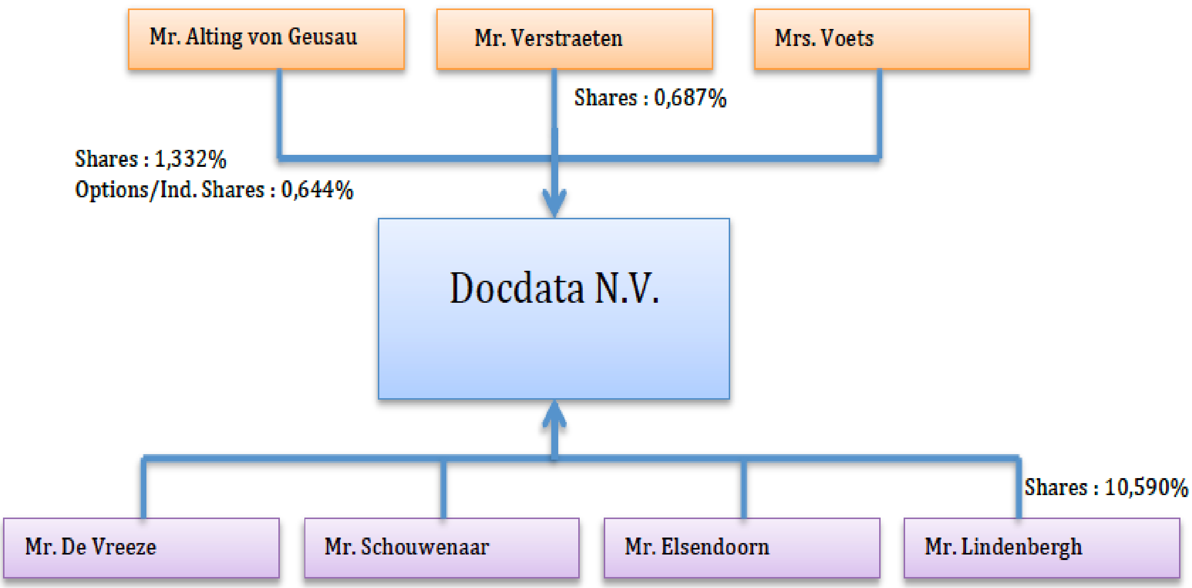
Appendix G1: Corporate governance

The company mainly doesn't match three different principles from the Dutch Corporate Governance Code. First of all, two which could be considered ad protecting the boards' rights:

- Best practice provision III.6.5: Even if the management board accept to avoid any kind of conflict of interest, there is no rules about the holdings and transactions in securities of other companies.

- Best practice provision II.2.11: The Supervisory board should have the right to recover (in part) the Management Board members' variable remuneration, and this since the amendment of the 2003 Code of governance with the 2008 one. However, this has still not been included in the Management Board members' contracts. They have signed an addendum, which will solve this problem and comply with the new "Bill for the adjustment and recovery of bonuses and profit sharing of board members and day-to-day policy makers"
- The third one seems of less importance and is about the fact that, for economic reasons, no internal auditor have been appointed.

Aside from this, some members of the boards hold shares, or options in Docdata N.V.:



Source: Factset

Appendix G2: Norms of Docdata N.V.

As mentioned, Docdata complies with different norms:

IAI	Norm	Details
Docdata	ISO 9001	Compliance with criterias for a quality management system in the different areas of the business (including facilities, training, services, etc.).
Docdata Fashion	ÖkoTex Standaard 100	Certification of textile quality given by an independent association
IAI	ISO9001	Compliance with criterias for a quality management system in the different areas of the business (including facilities, training, services, etc.).
IAI	ISO14001	Compliance with standard outlining the way to put in place an effective environmental management in place.

Docdata payment works as well in accordance with the PCI DSS (Payment Card Industry Data Security Standard), while the whole company complies with the laws applicable.

Appendix H1: Historical prices Vs Estimated prices