

Athena IT-Group A/S OMX/First North: "Athena"

Date of publication:
September 30, 2008

Share price on September 29, 2008:
DKK 10.00

Current Market Cap
DKK 44m

Bloomberg
Athena DC

Share price target
DKK 14.11

Living up to aggressive growth strategy

Athena lives up to its announced strategy of rapid growth through acquisitions and realises a turnover of MDKK 71,7 (MDKK 41,6) and an EBITDA of MDKK 4,9 (MDKK 1,5) for the full year 2007/08. Proforma figures show a turnover of MDKK 88,3 and an EBITDA of MDKK 10,5, which constitutes an increase in turnover of 112% and an increase in EBITDA of 581% - a significant financial boost compared to the previous year.

Athena has successfully completed the integration of Munk Hosting and more IT GmbH and can look forward to reaping potential benefits from cross-selling and cost-reductions in the upcoming years.

Athena has undergone several changes in 2007/08 transforming Athena to a **more streamlined organisation** geared for future growth and acquisitions. With the sale of the ERP-Division, and the acquisitions of Munk Hosting and more IT GmbH, Athena's primary competences are now within IT-Outsourcing and Hosting services, a market with an estimated growth rate of approx. 10% pr. year, according to IDC.

Athena is **looking to expand its geographic reach through acquisitions in Denmark and the Northern German market** in order to maintain a leading position within hosting and IT-outsourcing solutions.

We reiterate our previous share price target of 24.05 (March 14, 2008) to a **conservative share price target of 14.11**, which corresponds to a market cap. of MDKK 57 indicating an upside potential of 41.10%, from the current share price. The fall in the share price target is caused by a drop in peer company ratios, which can mainly be attributed to the current financial crisis.

Our share price target is based on an **organic growth scenario without acquisitions**.

| | |
|-----------------------------|------------------|
| ISIN: | DK0060084374 |
| Region Country: | Europe / Denmark |
| Price (September 29, 2008): | 10.00 |
| Outstanding shares: | 4,041,862 |



— Price - 08 (OMX-Copenhagen Stock Exchange)

| TDKK | | | | |
|-----------|--------|--------|-------------------|--------------------|
| Year | 06/07 | 07/08 | 07/08 Proforma | 08/09 ^e |
| Revenue | 41,606 | 71,969 | 88,276 | 94,400 |
| EBITDA | 1,542 | 4,879 | 10,503 | 11,900 |
| Profit | 0,530 | 1,264 | 4,213 | 4,190 |
| P/E | 97.4 | 35.2 | 10.4 | 10.6 |
| EV/S | 1.0 | 0.9 | 0.8 | 0.7 |
| EV/EBITDA | 42.9 | 13.8 | 6.4 | 5.6 |
| EPS | 0.17 | 0.31 | 1.04 | 1.04 |
| EPS (g) | n/a | 82% | 550% | 0% |

The table contains the forecasted key figures for Athena IT-Group. The numbers have not been audited by Athena, but reflect the opinion of Korral Partners.

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Athena has become one of the leading providers within hosting and it-outsourcing in the Danish market.

Our view: Streamlining organisation and creating solid platform for further growth and acquisitions

Following aggressive growth strategy: Athena has lived up to an aggressive strategy of pursuing acquisitions and has successfully integrated Munk Hosting and more IT GmbH, making Athena one of the leading Danish providers within Hosting and IT-Outsourcing. Athena attained positive results for their 2007/08 accounts and fulfill previous announced expectations, on a proforma basis, by posting a proforma turnover of MDKK 88.3 and an EBITDA of MDKK 10.5 (realised figures for 2007/08 post a turnover of MDKK 71.9 and an EBITDA of MDKK 4.9).

Framework in place for further acquisitions and growth: With the acquisition of Munk Hosting, Athena now has one common hosting center in Odense, with a vast capacity for further implementation of new acquisitions. Furthermore, Athena has built new offices and hosting facilities in Haderslev for current and future employees to service new customers and provide a range of hosting and outsourcing services.

Overcoming challenges: 2007/08 has presented several challenges for Athena, with the integration of Munk Hosting and more IT GmbH. Athena has successfully completed the integrations and taken measures to maintain the focus on sales and cost reduction in the organisation, as well as a focus on cultural integration across the acquired companies.

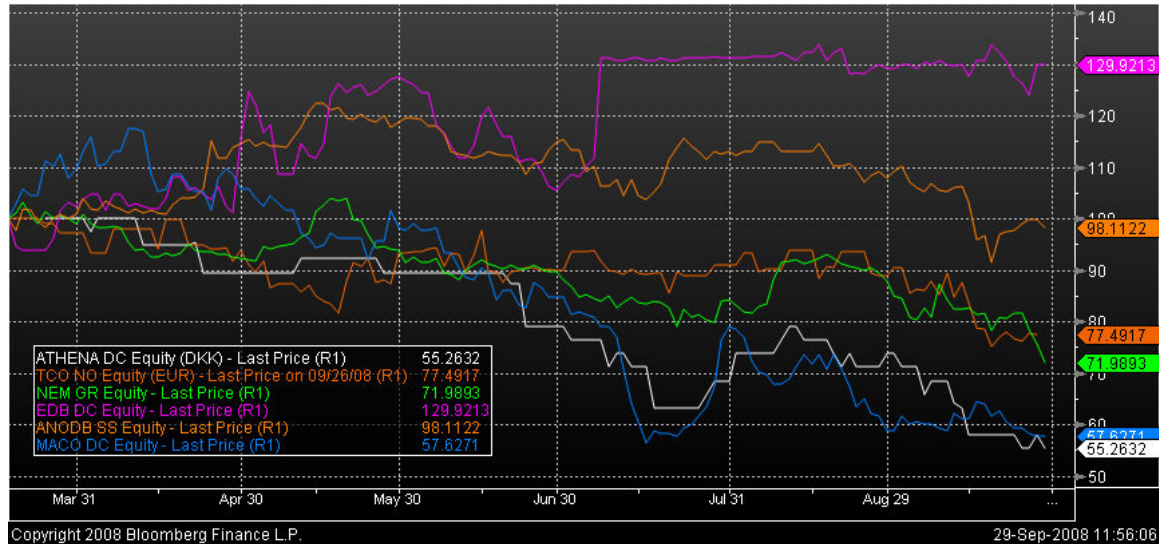
Valuation

We revise our share price target for Athena reaching a share price target of DKK 14.11, indicating an upside potential of 41.10% from the current share price.

Athena's is pursuing an aggressive strategy of growing organically and through acquisitions. A successful acquisition, at an attractive takeover price, may enable further upside potential for Athena's target price.

Lower revised share price target despite good performance: Our valuation includes key ratios from comparable listed companies and the lower industry average in our peer group accounts for the reiteration of a lower share price target for Athena, from our previous analysis on Athena (March 14, 2008). The industry averages for 2008, from our previous peer group, have dropped from respectively a P/E from 18.0 to 12.1, and EV/S of 1.4 to 0.7, and an EV/EBITDA of 9.1 to 8.9. As the graph below illustrates, the majority of the peer group companies have dropped in value, since the publication of our previous analysis on Athena.

Athena IT-Group A/S



Investment merits

Clear focus. The strategic acquisitions of Munk Hosting and more IT GmbH have provided Athena with a clear aim of becoming the leading provider of hosting and IT-outsourcing solutions in Denmark and Northern Germany.

Cross-selling and cost-reductions. By leveraging Athena's existing business area, through the acquisitions of Munk Hosting and more IT GmbH, and sale of the ERP Division, Athena will realise potential synergies through cross-selling of products to customers, and expanding the current product portfolio with additional services and products. Athena will also benefit from potential cost-reductions through economies of scale, in the upcoming years. Athena is aiming to achieve an EBITDA margin of 20% in 2009/10 and 80% of the turnover from fixed contracts in 2010/11, which will require that Athena utilises the synergy effects and large-scale operations from the streamlining of the organisation. Furthermore, Athena has with the acquisition of Munk Hosting and more IT GmbH leveraged its client base, improved its profitability, and significantly increased its hosting capacity. Athena will, through a focused acquisition strategy, continue expanding its Infrastructure and Outsourcing Division (IOD).

Future markets. Geographically, Athena is looking to further expand in Denmark and move into Northern Germany, as Athena believes there are significant first-mover advantages. The Northern German market is an immature and unstructured market approx. three times as large as the Danish market in terms of demand for IT-outsourcing services.

New office locations. Athena has gained a significant amount of

excess capacity to facilitate future growth in the organisation as well as other acquisitions, with the facilities acquired from Munk Hosting and the newly built office location in Haderslev.

Moving to OMX in 2009. It has been Athena's strategy to move to the larger exchange of OMX, since its listing on First North in May 2007. Athena is expected to do so in 2009, in order to increase the liquidity in the Athena share, attract new investors, and spread greater awareness of the Athena share.

Considering dual listing on Hamburger Börse. Parallel to a potential capital increase in Athena, Athena will also consider a dual listing on the Hamburger Börse to spread greater awareness of the Athena share, in the Northern German market.

Investment risks

The company is following an aggressive growth strategy of M&A and there is a risk concerning the future earning capacity and reputation if the company does not live up to its stated goals of consolidating and structuring the acquired businesses.

Athena is fast growing, but may encounter **margin erosion** as the company invests for growth and encounters various adjustment costs through its new acquisitions.

With the recent financial turmoil and talks of recession in the US, the **stock market may suffer from low liquidity and/or drops in share prices**, weakening companies abilities to raise further equity capital.

With an aggressive acquisition strategy, Athena may encounter **higher than anticipated integration costs** of future companies.

Company profile

Athena is a Danish IT-outsourcing and hosting oriented company established in 1995, situated in Haderslev with departments throughout Denmark and in Northern Germany. The overall mission for Athena is to develop and deliver value-creating total IT solutions for the private and public sector. In its present form, Athena is the result of mergers with a number of enterprises.

Athena IT-Group was listed on the Nordic Stock Exchange (OMX) "First North" in May 2007. Prior to the IPO the company raised MDKK 30 in new capital to launch an ambitious growth strategy over the coming years. The strategy is to grow via acquisitions of related companies and to boost organic growth via additional

Munk hosting was a very well-reputed name in the hosting industry

marketing and sales efforts.

In June 2007, the first acquisition – more IT GmbH of Flensburg Germany, was made, expanding the infrastructure and outsourcing activities of the company.

In December 2007, Athena acquired Munk Hosting A/S, at that time the second largest supplier of IT-hosting and outsourcing services to the SMB market in Denmark. With this acquisition, the company's Infrastructure & Outsourcing division (IOD) would grow significantly, giving the company a leading position in the market for IT-Infrastructure & -Outsourcing services in the Nordic region.

Products & Services

Infrastructure & Outsourcing Division

In the field of hosting and outsourcing, the company supplies a complete range of services, which can be scaled to match the individual customers' needs. At present, the company hosts solutions of all sizes: from small companies with five employees to companies with several hundreds.

The product palette includes:

- IT Outsourcing (server hosting, rent of rack cabinets, monitoring and IT operation)
- IT and consultancy services
- Sale of IT infrastructure (hardware, software and networks)
- Webhotel and mailhotel systems, including the hosting of CMS solutions
- SPAM & Virus filters for e-mails
- Remote Backup
- Hosted Office
- Exchange Hosting
- ASP – rental of software, including packages from Microsoft and SAP

The technology is largely based on the Microsoft platform, with the use of some Linux machines. The company focuses on Citrix, Microsoft Terminal and Softgrid technologies.

The strategy and future market for IT outsourcing services is developing rapidly, and the company notices an increase in demand for hosting and the operation of companies' complete infrastructure setups.

BSD is the second-largest Autodesk dealer for the construction industry.

Building System Division

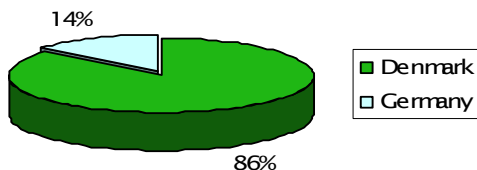
The Building Systems Division supplies software and consultancy services to the construction industry, focusing on:

- AutoDesk software
- Consultancy assistance
- CAD courses
- Athena Dimension calculation programs for engineers
- InnoCielo Software - Document management

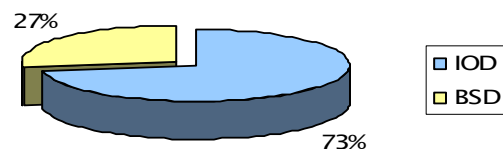
The division is a complete supplier of IT systems for the construction industry, with the emphasis on architects, engineers, building contractors, manufacturers of type houses, and suppliers to the construction sector. As such, Athena supplies software (CAD and Project collaboration), courses and consultancy in the AutoDesk programs, as well as construction-technical calculation programs and document management.

In collaboration with the other Athena divisions, Building Systems also supplies infrastructure and business solutions such as Time/Task management systems. Most of the people employed by this division have trained in various sectors of the construction industry, which assures a very high level of competence that is continuously updated through supplementary training in the newest programs and technologies. As a result, customers perceive Athena as being a very serious and competent sounding board in the fields of CAD implementation, training and consultancy.

Athena IT-Group
Geographic split 2007/2008e
(Proforma)



Athena IT-Group
Product group split 2007/08e
(Proforma)



Market opportunities and risks

The Danish outsourcing and hosting market is, according to IDC¹ a rapidly growing market in the Nordic region with an estimated growth of approx. 10% pr. year.² Athena primarily focuses on the Danish SMB market, defined as companies with 5-250 IT-users. The Danish market for IT outsourcing was approx. EUR 1.13 billion (DKK 8.4 billion) in 2006 and according to a

¹ IDC - Global Market Intelligence Firm

² <http://www.tdchosting.dk>

recent survey, more than 50 percent of the existing IT outsourcing agreements in the public and private sector are due to renegotiation during the coming years. The contracts are expected to be worth DKK 3 billion, although the majority is expected to keep their existing suppliers.³

The Danish CAD market for the construction industry has consolidated over the past 5–6 years.⁴ Today, there are only two major players, who share approximately 80 per cent of the market, along with 3–4 minor players who share the remainder. Through the acquisitions of Just R. Data ApS and Lura A/S, Athena has cemented its position as the second-largest AutoDesk dealer for the construction industry in the Nordic region, with a market share of approximately 35 percent.

Athena's Building Systems Division (BSD) is expected to encounter harder times with the current price fall in the building industry. Athena will focus on sales and conquering an even greater market share with smaller acquisitions within this segment.

Expansion through acquisitions in Northern Germany. Athena is now looking to expand its geographic reach through acquisitions in the Northern German market (as well as Denmark) and become a leading player in these areas within hosting and IT-outsourcing solutions. Athena will have significant first-mover advantage in the Northern German market being among the first companies to introduce remote back-up and hosting solutions to the SME⁵ market. Athena estimates that the market for IT-outsourcing and hosting solutions in the Northern German region is three times as great as the Danish market.

Considering dual listing on Hamburger Börse. Parallel to a potential capital increase in Athena, Athena will consider a dual listing on the Hamburger Börse in order to increase the liquidity in the Athena share, attract new investors, and spread greater awareness of the Athena share, in the Northern German market.

Share Price Development

As the graph below illustrates, the Athena share has had a positive correlation with the First North index. The First North market has in the last year received negative publicity. The share price development of the First North index has been disappointing, dragging other First North companies with it – such as Athena.

Disappointing share development despite Athena only having positive announcements for the market.

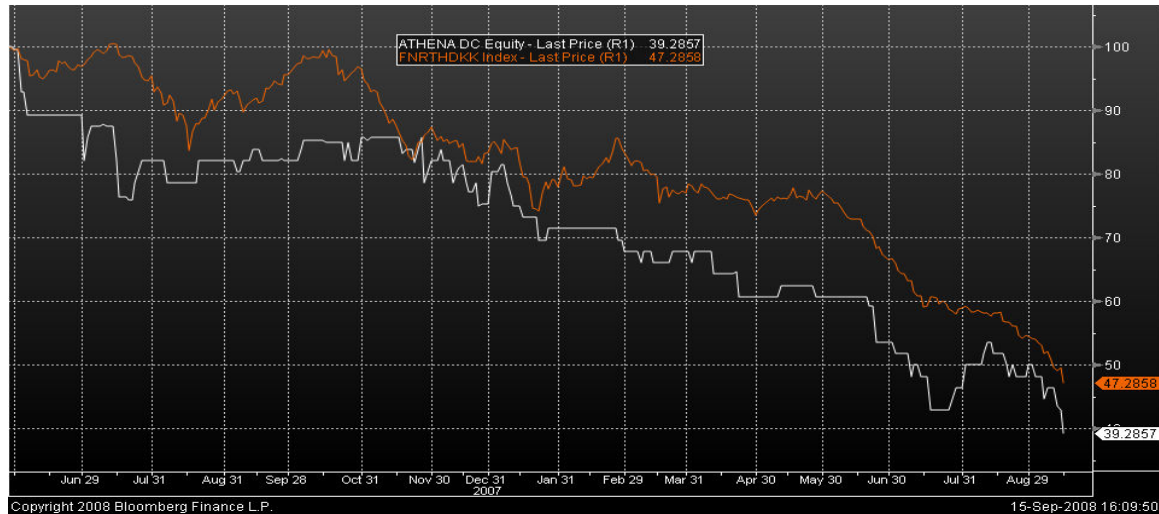
³ Guide to the European IT Markets

⁴ Athena Prospectus (March 2008)

⁵ Small and medium size businesses

Athena was listed at a share price of DKK 25.00 pr. May 29, 2007, with a market cap. of MDKK 80 - The share price is today DKK 10.00 pr. September 29, 2008 with a market cap. of MDKK 44.

Share price correlation with First North index since listing in May 2007



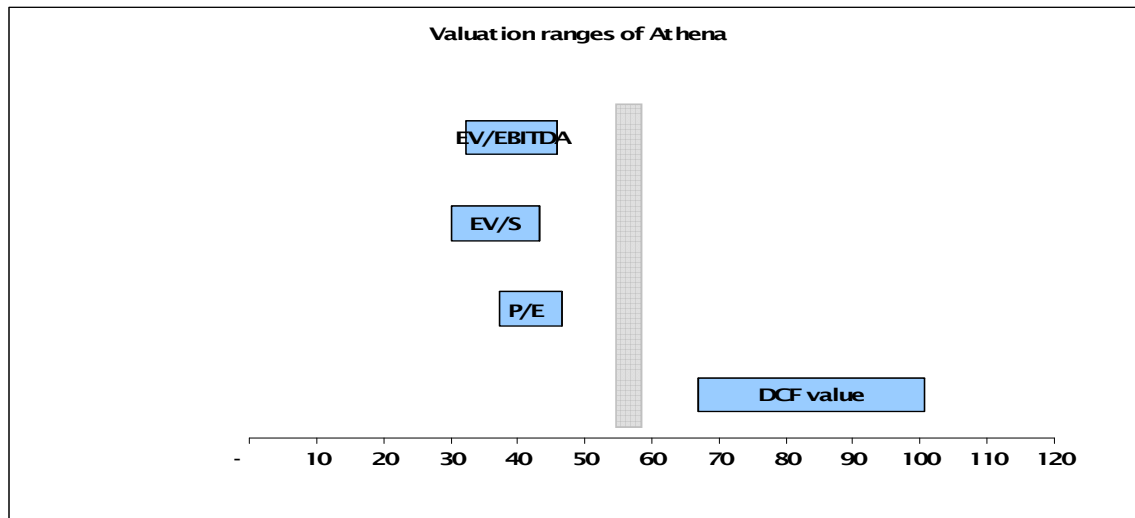
Our valuation derives a target price of DKK 14.11 – a potential upside of 41.10%.

Calculating a fair value of Athena has been carried out using a NPV model and key ratios from comparable listed companies.

When calculating the net present value of earnings from Athena, a Weighted Average Cost of Capital (WACC) has been constructed. The market premium has been fixed at 8.0%, which corresponds with the consensus on the Danish stock market. A beta of 0.71 has been calculated in order to reflect the systematic risk of the industry in which the company operates.

The target capital structure of Athena is based on the industry average. The combined WACC is calculated to be 15.78%. The growth in earnings (g) in the terminal period is estimated to 1.50%.

Korral estimates a fair value of MDKK 57, corresponding to a share price of DKK 14.11 showing an attractive share rating. A relative valuation of Athena based on the ratios P/E, EV/S, EV/EBITDA and DCF value indicates a value of the company in the range 32 MDKK to 101 MDKK. The upside of this range is generated by the relative high valuation from the DCF value, based on the earnings of Athena. The grey shaded area in the below chart illustrates the combined suggested value range of Athena from 54 MDKK to 60 MDKK.



We believe with the current profitability and growth prospects, Athena represents an **attractive investment opportunity**. Athena is geared to cope with the significant growth in the hosting and IT-outsourcing space, by having acquired several companies strengthening its primary IOD segment.

Peer group

To value Athena using a peer group valuation, we have selected a number of different companies within the same or similar areas of computer services companies as Athena. We have changed the previous peer companies of respectively Mamut and Columbus IT-Partner, which were previously peers to Athena's now sold of E-Solutions Division, with EDB-Gruppen and Addnode. The companies Telecomputing, EDB Gruppen and Addnode operates within Outsourcing, IT Services and Solutions, and are peer companies to Athena's hosting segment (IOD). Maconomy is a provider of management and administration software solutions and a peer company to Athena's focus on the SMB market. Nemetschek AG provides software solutions for the design, planning, construction and management of building and real estate. Nemetschek's solutions are targeted at architects, engineers, designers, building contractors and a peer company to Athena's Building Systems Division (BSD).

Athena IT-Group A/S

| Total Industry | | | | | | | |
|-------------------------|-------------|-------------|------------|------------|--------------|--------------|-------------|
| Company | P/E-08 | P/E-09 | EV/S-08 | EV/S-09 | EV/EBITDA-08 | EV/EBITDA-09 | Beta |
| Athena | 13,5 | 13,6 | 0,9 | 0,8 | 7,6 | 6,7 | 0,71 |
| Telecomputing | 18,1 | 13,7 | 0,8 | 0,8 | 7,0 | 6,1 | 0,46 |
| Nemetchek AG | 7,6 | 7,2 | 0,9 | 0,9 | 5,3 | 5,1 | 0,71 |
| EDB-Gruppen | 16,6 | 12,0 | 0,6 | 0,5 | 7,0 | 5,6 | 0,57 |
| Addnode | 6,1 | 5,5 | 0,5 | 0,5 | 4,1 | 3,4 | 0,72 |
| Maconomy | n/a | 17,2 | 0,9 | 0,8 | 20,9 | 8,7 | 0,566 |
| Industry average | 12,1 | 11,1 | 0,7 | 0,7 | 8,9 | 5,8 | 0,61 |

Source: Bloomberg

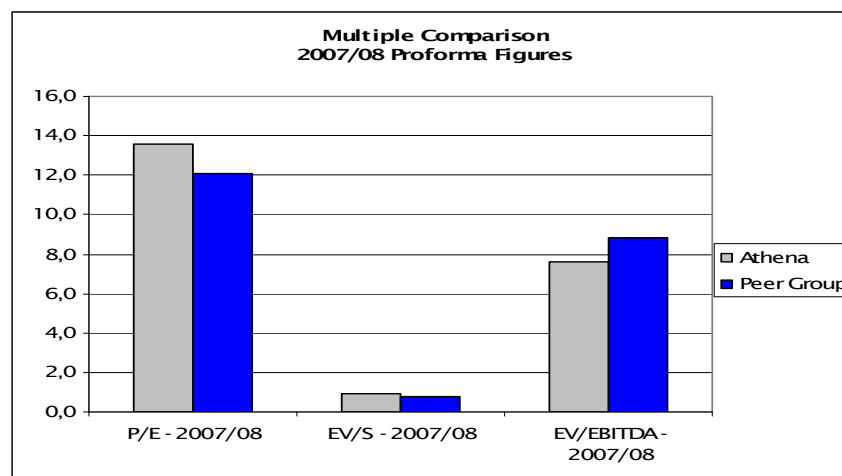
Comparisons with peers

The fair value of MDKK 57 for Athena corresponds to a P/E of 13.6, an EV/S of 0.8, and an EV/EBITDA of 6.7 for 2008/09, which corresponds well to the peer group average for 2009.

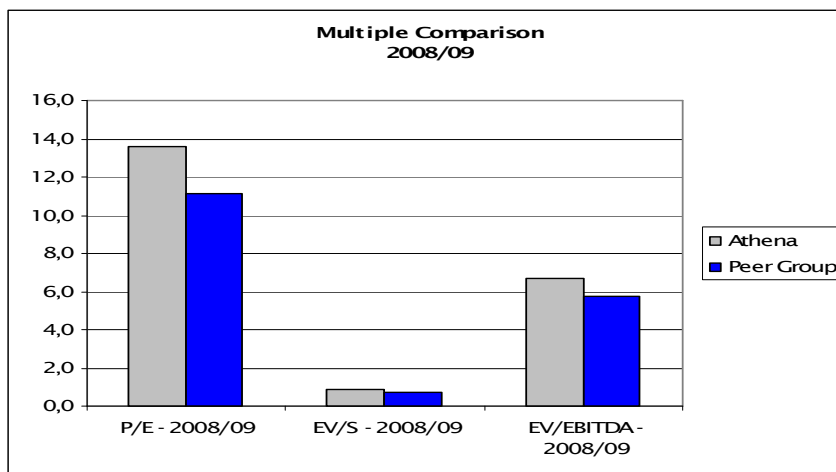
For 2007/08 proforma figures, Athena is trading on respectively; a premium on its P/E multiple of 11.6%; a premium of 28.6% on its EV/S multiple; and a discount on its EV/EBITDA multiple of 14.6%.

For 2008/09 figures, Athena is trading on respectively; a premium on its P/E multiple of 22.5%; a premium of 14.3% on its EV/S multiple; and a premium on its EV/EBITDA multiple of 15.5%.

Multiple comparison illustrates Athena fair value is well-aligned with peer group.



Slight premium on multiples is justified by high growth prospect in DCF value.



Growth assumptions for Athena

The table below contains the forecast income statement used in the valuation of Athena, and only assuming organic growth. The budget numbers for the income statement do *not* include Athena's expected growth from future acquisitions, but are solely based on Athena's organic growth and expected revenue from its existing operations. The income statement reveals a steady increase in turnover, as well as gross profit, over the next three years. The significant increase in turnover and earnings FY2009/2010 from the previous year can mainly be attributed to the acquisition of the Munk Hosting and more IT GmbH, and the synergy effects from these acquisitions to materialise then.

Athena's gross profit-margins are expected to climb to approx. 70% in 2008/09 and as synergies from cross-selling, economies of scale, staff reductions, etc. are gradually expected to break through, we expect Athena to reach its goal of approx. 20% in EBITDA margin in 2009/10.

Athena IT-Group A/S

Athena P&L forecast

| Income statement for Athena IT Group | | | | | | | |
|--|---------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| MDKK | Realised 2006/07 | Realised 2007/08 | Proforma Realised 2007/08 | Estimate 2008/09 | Estimate 2009/10 | Estimate 2010/11 | Estimate 2011/12 |
| Turnover | 41,606 | 71,969 | 88,276 | 94,400 | 115,400 | 131,556 | 147,343 |
| Cost on goods sold and other fixed costs | -17,760 | -25,307 | -29,184 | -28,000 | -35,000 | -42,098 | -46,413 |
| Gross profit | 23,846 | 46,662 | 59,092 | 66,400 | 80,400 | 89,458 | 100,930 |
| <i>Gross profit margin (%)</i> | <i>57,3%</i> | <i>64,8%</i> | <i>66,9%</i> | <i>70,3%</i> | <i>69,7%</i> | <i>68,0%</i> | <i>68,5%</i> |
| Administration costs | -6,122 | -11,536 | -13,476 | -23,500 | -26,000 | -24,996 | -26,000 |
| Personnel costs | -16,182 | -30,246 | -35,113 | -31,000 | -33,000 | -37,757 | -43,466 |
| EBITDA | 1,542 | 4,879 | 10,503 | 11,900 | 21,400 | 26,706 | 31,464 |
| <i>EBITDA-margin (%)</i> | <i>3,7%</i> | <i>6,8%</i> | <i>11,9%</i> | <i>12,6%</i> | <i>18,5%</i> | <i>20,3%</i> | <i>21,4%</i> |
| Depreciation | -0,777 | -4,067 | -5,891 | -6,000 | -7,500 | -8,683 | -9,872 |
| EBIT | 0,765 | 0,813 | 4,612 | 5,900 | 13,900 | 18,023 | 21,592 |
| <i>EBIT-margin (%)</i> | <i>1,8%</i> | <i>1,1%</i> | <i>5,2%</i> | <i>6,3%</i> | <i>12,0%</i> | <i>13,7%</i> | <i>14,7%</i> |
| Divestitures | 0,000 | 1,399 | 1,399 | 0,000 | 0,000 | 0,000 | 0,000 |
| Financial income | 0,092 | 0,393 | 0,610 | 0,610 | 0,610 | 0,610 | 0,610 |
| Financial expenses | -0,218 | -0,839 | -0,926 | -0,923 | -1,015 | -1,117 | -1,228 |
| Pre-tax income | 0,639 | 1,765 | 5,695 | 5,587 | 13,495 | 17,516 | 20,973 |
| Tax | -0,109 | -0,501 | -1,485 | -1,397 | -3,374 | -4,379 | -5,243 |
| Net income | 0,530 | 1,264 | 4,210 | 4,190 | 10,121 | 13,137 | 15,730 |

| Growth assumptions Athena IT Group | | | | | | | |
|--|--|---------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| % | | Realised 2007/08 | Proforma Realised 2007/08 | Estimate 2008/09 | Estimate 2009/10 | Estimate 2010/11 | Estimate 2011/12 |
| Turnover | | 73,0% | 112,2% | 6,9% | 22,2% | 14,0% | 12,0% |
| Cost on goods sold and other fixed costs | | 42,5% | 64,3% | -4,1% | 25,0% | 20,3% | 10,3% |
| Gross profit | | 95,7% | 147,8% | 12,4% | 21,1% | 11,3% | 12,8% |
| Administration costs | | 88,4% | 120,1% | 74,4% | 10,6% | -3,9% | 4,0% |
| Personnel costs | | 86,9% | 117,0% | -11,7% | 6,5% | 14,4% | 15,1% |
| EBITDA | | 216,4% | 581,1% | 13,3% | 79,8% | 24,8% | 17,8% |
| Depreciation | | 423,4% | 658,2% | 1,8% | 25,0% | 15,8% | 13,7% |
| EBIT | | 6,2% | 502,8% | 27,9% | 135,6% | 29,7% | 19,8% |
| Net income | | 138,6% | 694,3% | -0,5% | 141,5% | 29,8% | 19,7% |

Athena IT-Group A/S

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The principals and employees of Korral are also current investors into Athena IT-Group. The research has been carried out using traditional analysis methods and publicly available information sources.

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