

Recommendation: Buy

Price target: 24.00 Euro

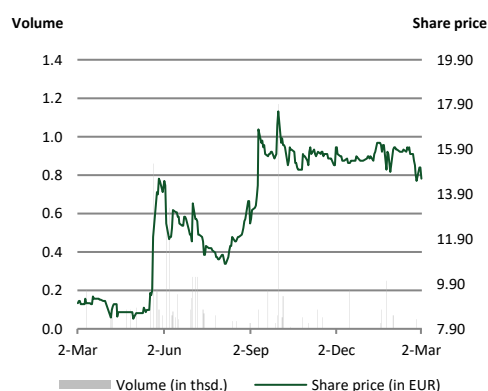
Upside potential: +60 percent

Share data

Share price	15.00 Euro (XETRA)
Number of shares (in m)	1.92
Market cap. (in Euro m)	28.7
Enterprise Value (in Euro m)	24.9
Code	TR9
ISIN	DE000A0S9R37

Performance

52 week high (in Euro)	17.60
52 week low (in Euro)	8.35
3 M relative to CDAX	+3.2%
6 M relative to CDAX	+27.2%



Shareholder

Freefloat	30.0%
VBGM GmbH	40.0%
UX3 GmbH	30.0%

Calendar

Annual Report 2021	9. June 2022
AGM	21. June 2022

Changes in estimates

	2021e	2022e	2023e
Sales (old)	10.7	11.8	13.4
Δ in %	-	-	-
EBIT (old)	1.5	1.5	1.7
Δ in %	-	-	-
EPS (old)	0.55	0.55	0.60
Δ in %	-	-	-

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Publication

Initial report 3 March 2022

Clean up the mess – structure your service with OTRS

A software provider with an international service desk solution, **recurring revenue in excess of 90%**, and net liquidity of 13% of the market cap: We believe OTRS AG is one of the hidden gems on the German stock market. As the manufacturer and world's largest service provider of the help desk and IT service management suite of the same name, the B2B provider structures the companies' internal and external communication flows and enables customers to automate and digitize their business processes. OTRS addresses a variety of different end markets, all of which offer attractive growth opportunities.

OTRS was initiated as an open-source project in 2001 and is therefore used by international companies of different sizes. Over the last few years, the company has implemented a **change in strategy**: An exclusive focus on the further development of the fee-based business version and on the distribution of scalable managed contracts. Consequently, revenue generated by annual contracts with software access increased disproportionately at a CAGR 2017-2020 of 15.5% and the proportion of recurring revenue grew from 76.3% to 91.2%.

That said, a key indicator analysis of OTRS AG alone is of extremely limited significance. On the one hand, the gradual **increase in margins since 2018, which we expect to continue**, only becomes visible after the elimination of own funds capitalized which have been rather irregular so far. On the other hand, the company's own distribution companies address the markets outside the EMEA region. These companies generate a proportional consolidated contract volume of 16%, but have not been included in the annual accounts, which have only been published at AG level so far. This leads to an **underestimated sales and earnings potential** as well as optically higher multiples.

The operating development in **H1/21 (revenues +10.2% yoy; adj. EBIT +120.1% yoy)** and the resultant higher **top line guidance** hold out the prospect of continued positive news flow also in terms of the annual report which will be published on 9 July. We expect further momentum for the stock driven by an intensified internationalization and the establishment of a network of implementation and sales partners. Additional tailwind may come from the monetization of the **ADVANCED ANALYTICS** and **CONTROL** software solutions which are almost finalized but not actively marketed yet, and which we have not included in our valuation.

Based on our DCF valuation, the shares are **clearly undervalued** as shown by a **free cash flow yield 2023e of 7.3%**. The adjusted 2023e EV/EBIT multiple of 14.9x is below the multiple of the peer group, which consists of domestic listed software producers (17.5x) – even without including the contributions of the foreign subsidiaries.

Conclusion: The successful transformation into a solutions provider with recurring revenue of >90% is only insufficiently reflected in the share price in our view. For historical reasons, OTRS has a broad user basis which has not been monetized yet. The market environment is structurally intact and has enough tailwind for profitable growth. We take up coverage of the shares with a **buy recommendation** and a **price target of EUR 24.00**.

FYend: 31.12.	2019	2020	2021e	2022e	2023e
Sales	9.2	9.7	10.7	11.8	13.4
Growth yoy	10.4%	5.8%	10.2%	10.3%	13.4%
EBITDA	1.6	2.3	2.2	2.3	2.6
EBIT	1.1	1.8	1.5	1.5	1.7
Net income	0.8	1.2	1.1	1.1	1.1
Gross profit margin	96.0%	94.5%	89.7%	89.5%	89.0%
EBITDA margin	17.7%	23.8%	20.4%	19.6%	19.1%
EBIT margin	12.3%	18.2%	14.1%	12.8%	12.4%
Net Debt	-2.4	-2.7	-4.0	-5.3	-6.7
Net Debt/EBITDA	-1.5	-1.2	-1.9	-2.3	-2.6
ROCE	469.2%	224.1%	138.1%	197.4%	733.4%
EPS	0.41	0.63	0.55	0.55	0.60
FCF per share	0.38	0.72	0.67	0.77	0.95
Dividend	0.00	0.07	0.11	0.19	0.24
Dividend yield	0.0%	0.5%	0.7%	1.3%	1.6%
EV/Sales	2.7	2.6	2.3	2.1	1.9
EV/EBITDA	15.4	10.7	11.4	10.8	9.7
EV/EBIT	22.1	14.1	16.4	16.4	15.1
PER	36.6	23.8	27.3	27.3	25.0
P/B	10.5	7.3	5.7	4.9	4.3

Source: Company data, Montega, CapitalIQ

Figures in EUR m, EPS in EUR, Price: 15.00

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INVESTMENT CASE

OTRS is the producer and the world's largest service provider of the help desk and IT service management suite (ITSM) of the same name. The ticketing system optimizes the structure of internal and external corporate communication. It also enables automation, digitization and professionalizing of recurring business processes and tasks. OTRS AG bundles the product development and the global sales management. The company has an international footprint with five active subsidiaries located in the USA, Mexico, Brazil, Hungary, and Singapore. Operating activities are divided in the four segments below:

1) "Managed IT-Services and Support" (sales share in 2020: 91.2%)

- Revenues currently exclusively generated by OTRS and STORM software products
- Two other solutions (ADVANCED ANALYTICS and CONTROL) are almost finalized but the company has yet to initiate marketing activities
- **OTRS (segment share: ~ 95%):** The service management suite is mainly used by employees in IT support and by call center agents. It is predominantly utilized as ITSM tool (approx. 60%) and in external customer services (approx. 40%). ITSM is a general term that refers to systems and processes aimed at improving a company's use of IT with the help of service management. It combines important applications such as knowledge, incident, change, problem, and request management. The ticket system provides employees and clients of a company with a communication platform to report incidents and request for services. Thanks to the broad range of functions (e.g. ticket classifications, service level agreements, knowledge database articles, statistics and chat availability) customers can be optimally supported and informed about the current processing status through an own interface. The structured, transparent, and audit-compliant communication flow is to contribute to a sustainable increase in service quality. The modular design of OTRS allows for a flexible connection of external systems.
- **STORM (~ 5%):** This product is a variation of the "OTRS" core product enhanced by security features. The security incident management software assists companies in establishing and implementing end-to-end processes to address security-related incidents. Security teams (CERT) can respond faster and easier to hacker attacks and other cybercrimes. Enhanced functionalities of the so-called "SOAR" tool (security orchestration, automation, and response), for instance, include automated virus checks of attachments and a blacklist check of all IP addresses. STORM is also available as a managed and on-premises solution.
- **CONTROL (still 0%):** This software allows for the documented operation of an information security management system (ISMS) according to the ISO/IEC 27001 standard. An ISMS defines rules and methods to guarantee information security in an organization. The ISO/IEM standard specifies the requirements for the introduction, implementation, documentation, and improvement of an ISMS. CONTROL offers archiving functions for important documents and automated audit reminders.
- **ADVANCED ANALYTICS (still 0%):** The analysis platform is connected to an installed OTRS system. It proactively provides real-time information through ongoing data analysis. The analyses are related to ticket trends and the usefulness of articles stored in the knowledge database, among others.

2) "Consulting Services" (sales share in 2020: 8.2%)

- Consulting services, which OTRS mainly provides in the context of new contracts
- As such, they directly contribute to an increase in recurring revenue

3) "Custom Engineering" (sales share in 2020: 0.4%)

- Customized adjustments and development services
- Are only provided as an exception because of an insufficient scalability

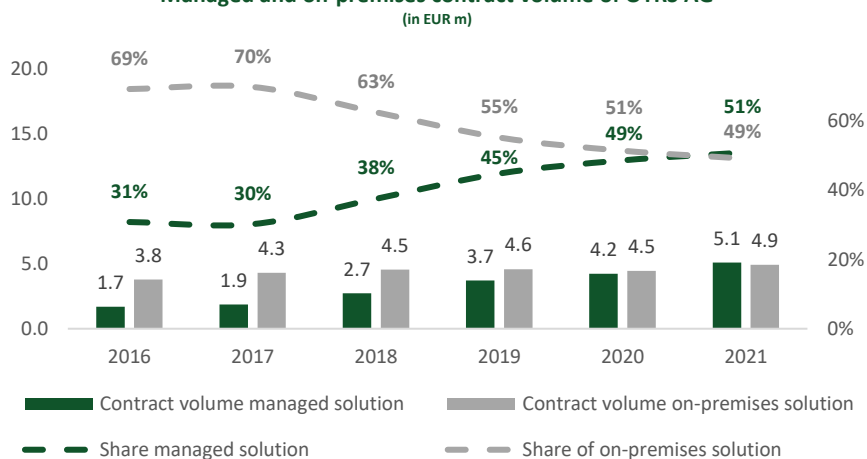
4) "Others" (sales share in 2020: 0.2%)

- Is not relevant for further analysis

The OTRS suite can also be used as an enterprise service management (ESM) solution thanks to an integrated process management via drag & drop. To this effect, the applications of OTRS offer more than simple IT service processes due to the ticket-based digitization of cross-divisional business processes and tasks (e.g. employee onboarding, distribution and evaluation of customer surveys, and invoice management). A ticket acts like an accompanying document which receives changes as notifications. The ticket path and responsibility of the process steps are pre-defined.

Driven by an increasing use of cloud computing and a change in the marketing strategy of OTRS, the total contract value (TCV) of the managed solution has gradually grown over the last few years and has outperformed on-premises contracts for the first time in 2021. In this context, OTRS is also responsible for the platform management in certified provider data centers, for remote control and administration as well as for updates, upgrades, and backups.

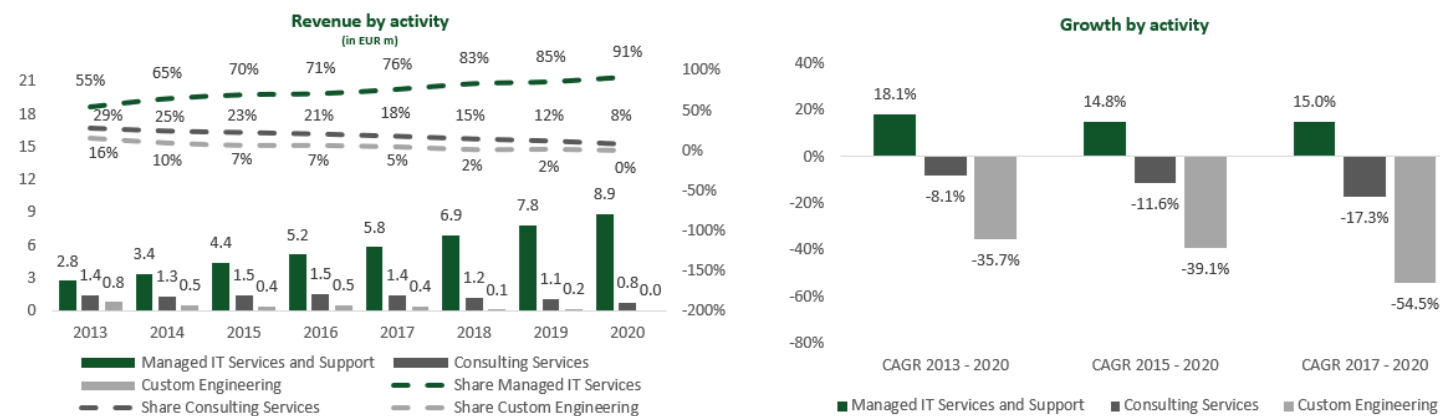
Managed and on-premises contract volume of OTRS AG



Source: Company

The Managed IT Services and Support segment is currently the only area of growth because of the company's strategic focus on recurring revenue. The one-year contracts of the OTRS and STORM software solutions are automatically extended if no cancellation is received.

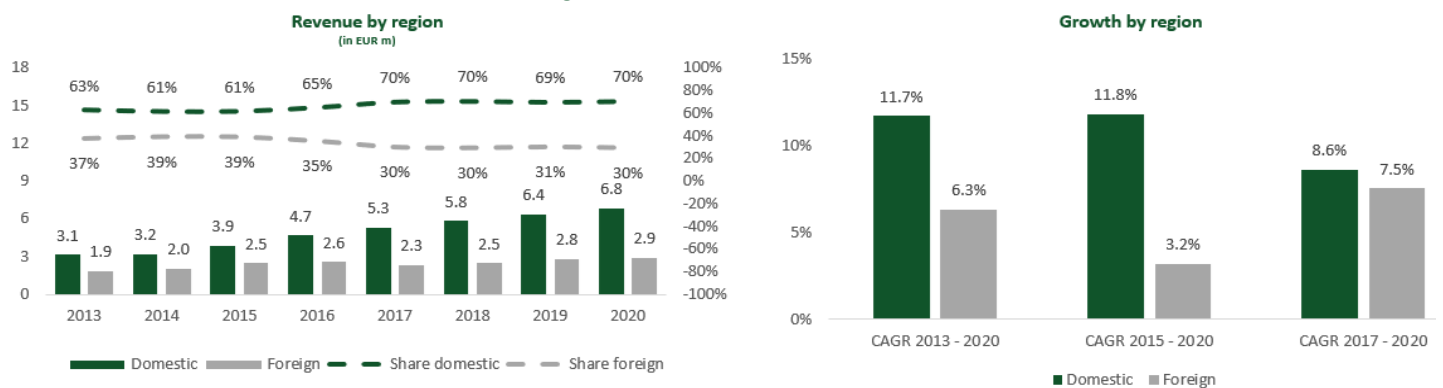
Segment reporting of OTRS AG



Source: Company

In regional terms, Germany accounts for the largest sales share. As the company does not yet publish consolidated financial statements, data on the subsidiaries in the USA, Brazil, Hungary, Mexico, and Singapore has not been coherent so far. Although OTRS AG (Germany + EMEA) accounts for the majority of the contracts (MONE: 80%), foreign sales are expected to exceed the 30% reported by the AG. In 2020, the group's foreign sales totaled EUR 4.6m, which is a share of 40%.

Regional revenue distribution of OTRS AG



Source: Company

According to OTRS, the subsidiaries generated revenues of EUR 1.7m in 2020. Their contract volume likewise amounted to EUR 1.7m at the end of the year, which reflects a group share of 16.0% or a premium of 19.0% over the figure of the AG. These companies have to be accounted for separately in the valuation of OTRS AG.

Subsidiaries of OTRS AG – External revenues & contract volumes (in EUR m)

Revenue*	2017	2018	2019	2020	CAGR 17-20	Share 2017	Share 2020
USA	0.70	0.64	0.62	0.68	-1.0%	53.5%	39.4%
Mexico	0.46	0.49	0.41	0.48	1.5%	35.4%	28.1%
Brazil	0.10	0.08	0.11	0.17	21.0%	7.4%	9.9%
Hungary	-	-	0.19	0.15	-	-	8.8%
Singapore	0.05	0.20	0.18	0.24	70.8%	3.6%	13.7%
Total	1.31	1.42	1.52	1.72	9.7%		

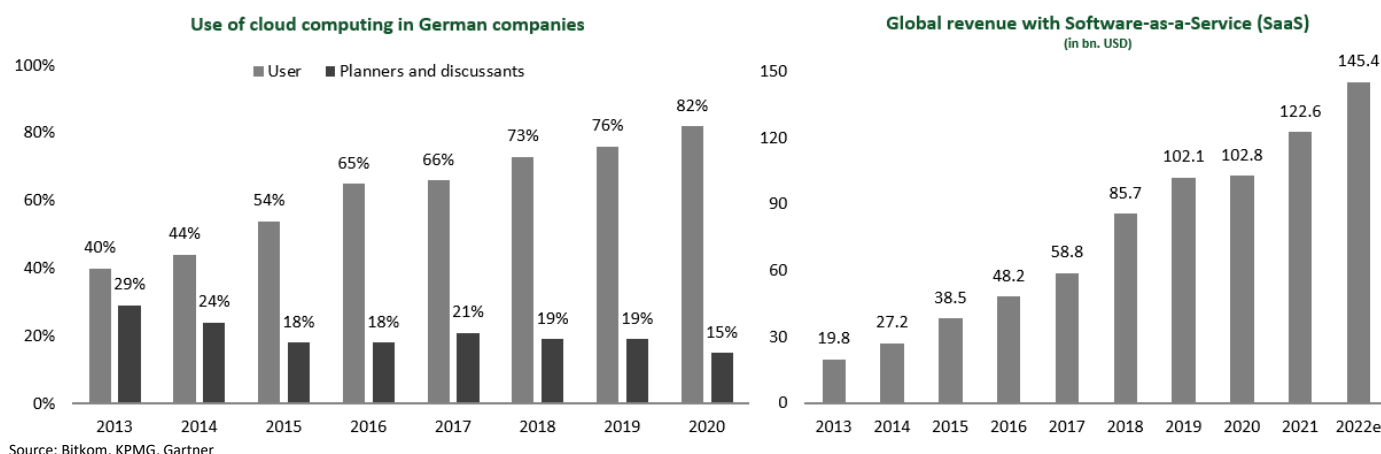
	2016	2017	2018	2019	2020
Contract volume (TCV) OTRS AG	5.5	6.2	7.3	8.3	8.7
Contract volume (TCV) OTRS AG Subsidiaries	1.2	1.2	1.4	1.6	1.7
Mark-up by TCV of subsidiaries	22.0%	19.0%	18.8%	18.8%	19.0%
Revenue OTRS AG	7.3	7.6	8.3	9.2	9.7
Revenue OTRS AG Subsidiaries*		1.3	1.4	1.5	1.7
Mark-up by revenue of subsidiaries		17.1%	17.0%	16.5%	17.7%

Source: Company; * The exchange rate of 31.12.20 (1 USD = 0.819 Euro) was used uniformly for the conversion.

Promising perspectives in structural growth markets

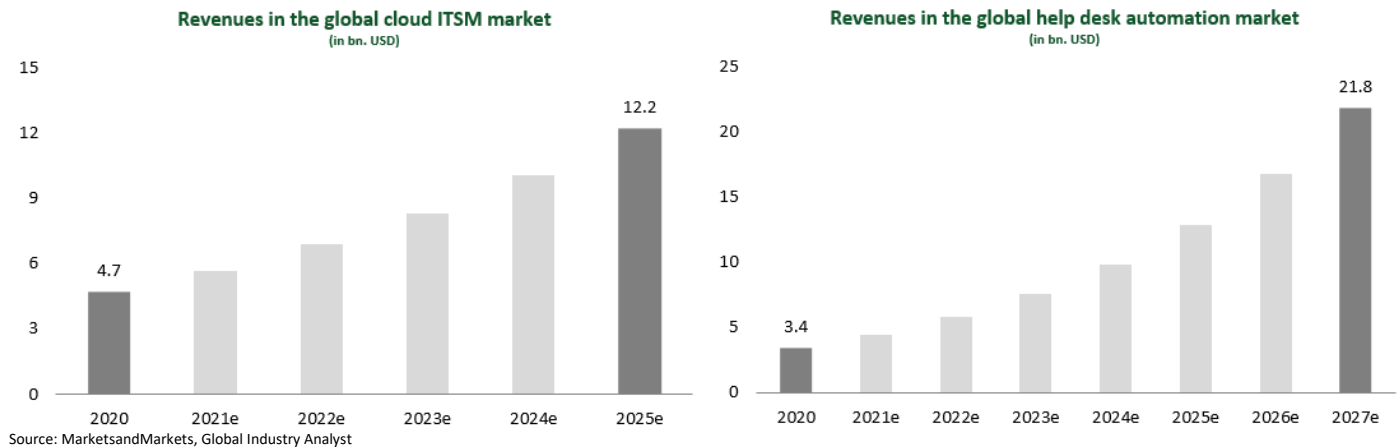
OTRS is active in a variety of areas because of the long-term industry experience and the company's combined solution expertise. **OTRS**, the SaaS core product, mainly addresses the markets of IT service management (ITSM), enterprise service management (ESM), help desk automation and process management. The **STORM** SOAR tool is primarily relevant for a so-called CERT (computer emergency response team) and addresses the cybersecurity and IT security segments. **CONTROL**, the information security management system, is an important tool for ISO 27001 certificates. **ADVANCED ANALYTICS** proactively transmits real-time information based on analytic evaluations and addresses the business intelligence (BI) market. All of the sectors listed above enjoy attractive growth rates.

Thanks to a strong focus on managed contracts, OTRS benefits from the trend towards an increasing use of cloud computing and SaaS software. We believe that providing secure services and data in the cloud is currently one of the most important growth drivers in the IT industry. The model's user-dependent invoicing of services with a customized and flexible design is convincing. The customers do not have to operate and maintain own IT resources or invest in server hardware which often results in savings potential. Overall revenues in the global SaaS market have grown by a CAGR of 24% over the last seven years. Gartner expects this trend to continue in the current calendar year at an anticipated rate of 18.6%. Additionally, as much as 82% of the German companies are already using cloud services according to a 2020 survey conducted by Bitkom and KPMG. Another 15% are considering an implementation.

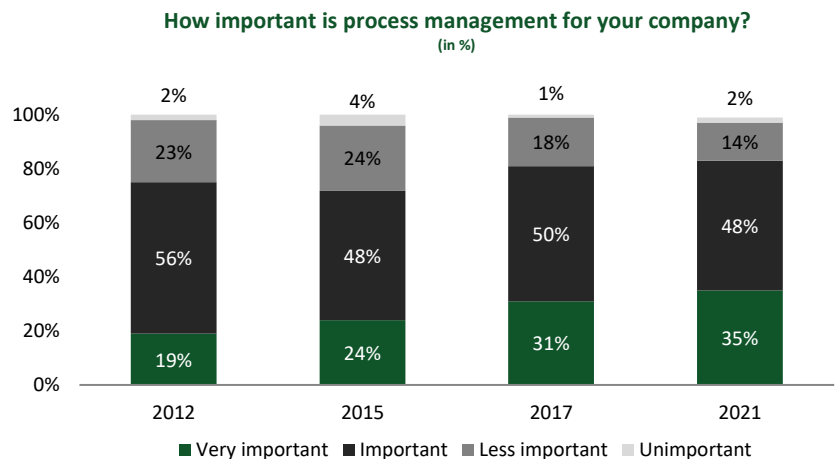


Based on the growing acceptance of cloud computing, the possibilities for cloud based ITSM, ESM and help desk providers such as OTRS have improved as well. According to the 2021 IT Service Management study published by IDG Research Services, the main rationales for the implementation of an ITSM tool are to optimize IT processes, increase employee and customer satisfaction, establish service catalogs, and fulfil service level agreements. ESM is an addition to the ITSM principles and is dedicated to a cross-divisional improvement of service provision. ITSM and ESM therefore are complementary approaches. While a service desk (ITSM/ESM) is focused on the continuing provision of services, the help desk rather focuses on the elimination of errors. Using a dedicated help desk software can make customer support more transparent, collaborative, and efficient.

Both areas enjoy attractive growth opportunities. MarktsandMarkets assumes that revenues in the global **cloud ITSM market** will grow at a CAGR 2020-2025e of 21.2% from some USD 4.7bn to some USD 12.2bn. The strong cloud growth is supported by the analyses of kbv research (CAGR 2019-2025e: 20.3%) and Fortune Business Insights (CAGR 2019-2027e: 18.2%). The overall ITSM market including on-premises installations is expected to grow at a CAGR 2019-2026e of "only" 11.2% according to data provided by Verified Market Research. These dimensions support the diverging growth of OTRS's contract volume. While the managed solution achieved a CAGR 2016-2020 of 25.8%, on-premises contracts grew by 4.2%. Market researchers Global Industry Analysts (CAGR 2020-2027e: 30.4%), Market Research Engine (CAGR 2018-2025e: 32.0%) and IMARC (CAGR 2021-2026e: 23.6%) project even higher growth rates for the global **help desk automation market**. This market is mainly driven by an increasing demand for automated routine processes to solve customer queries.

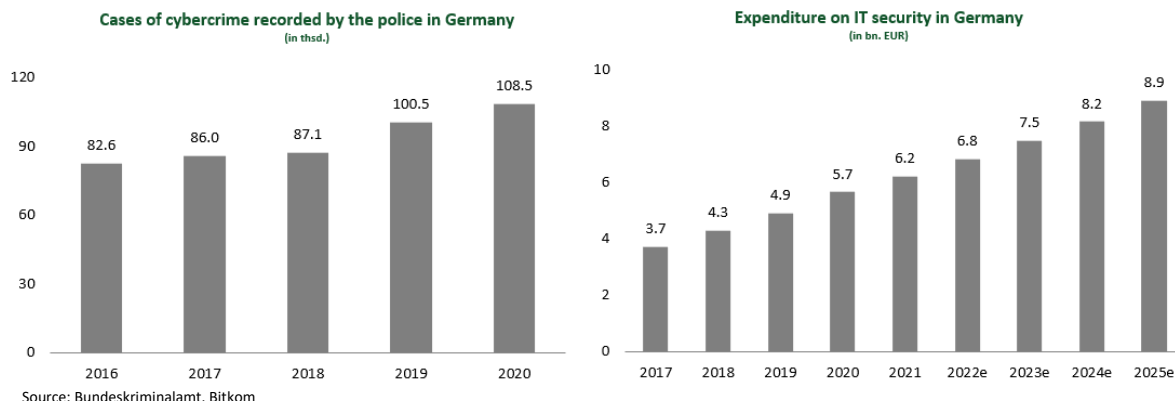


The decision for a solution like OTRS is often based on a company's strategic considerations to introduce ITSM according to ITIL. ITIL stands for Information Technology Infrastructure Library and is the established de facto standard in the ITSM sector. The framework is composed of a set of processes which are aimed at enabling an efficient ITSM. However, we believe that efficiency increases generated by ITSM software are only gaining in importance through the harmonization of the business processes involved. Driven by digital transformation, process management has already become much more important in the last few years. A current study by BearingPoint and BPM&O shows that the benefits of process management are often explained by qualitative advantages. However, they are rather based on an increased transparency, better collaboration between employees and a better perception of roles and tasks. The OTRS software addresses this market through an integrated process management via drag & drop.



Source: BearingPoint, BPM&O

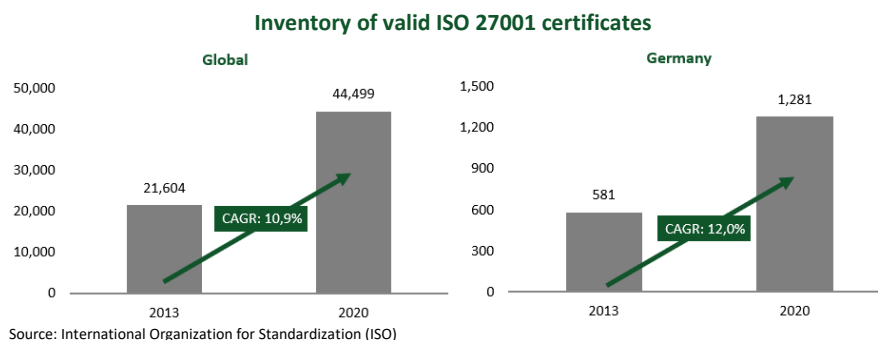
Additionally, the companies are increasingly more concerned about security and privacy, making cybersecurity awareness a company-wide challenge. The significance of IT security has also grown through an increasing number of employees which are working from home. The higher risk for attacks to IT systems is illustrated by the number of cybercrime cases recorded by the police. In Germany, for instance, this number has grown at a CAGR of 8.1% from roughly 86.0k in 2017 to roughly 108.5k in 2020. Over the same period, domestic investments in IT security have grown disproportionately at a CAGR of 15.2%. According to Bitkom, the growth rate is expected to remain at high levels until 2025 with a security-oriented increase in IT spending of 9.5% p.a.



STORM is the relevant security incident management software offered by OTRS in this sector. The SOAR tool assists companies in establishing and implementing end-to-end processes to address security-related incidents. Computer emergency response teams (CERT) can respond faster and easier to hacker attacks and other cybercrimes.

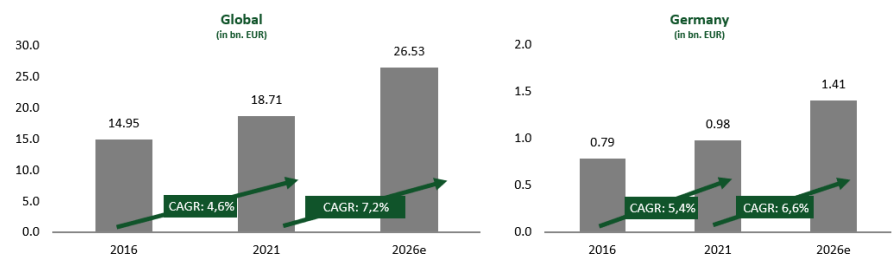
CONTROL and ADVANCED ANALYTICS, the two software solutions not yet monetized, also address markets with dynamic growth rates.

CONTROL provides B2B customers with an information security management system with fully documented operations according to the globally accepted ISO/IEC 27001 standard. The international standard specifies the requirements for the introduction, implementation, documentation, and improvement of an ISMS. CONTROL thus optimizes the structure of processes, enables audit-compliant storage of important documents, and includes automated reminders amongst others. The time saved for administration processes and audits in comparison to an ISMS administered in Excel amounts to roughly 35% according to the company. Cooperation partners and customers often require an ISMS certification according to ISO 27001. While the number of certificates has internationally grown by 10.9% p.a. from 2013 to 2020, the annual growth rate in Germany amounts to 12.0%. Driven by an increase in IT security spending, we also expect to see continued growth of the only auditable ISMS standard worldwide.



The ADVANCED ANALYTICS platform is connected to a managed OTRS. It identifies data relationships, makes comparisons, and reveals dependencies so that the customer proactively receives real-time information. Consequently, the analytic evaluations provide assistance in decision-making, risk minimization and opportunity identification. Possible applications are, for instance, analyses on ticket trends or evaluations regarding the usefulness of knowledge database articles stored in OTRS. The product benefits from ever growing data volumes, which often can only be efficiently used in a standardized form and with the help of a structured evaluation. According to Statista, business intelligence solutions are expected to generate sales in the period from 2021 to 2026 that exceed those levels generated from 2016 to 2021 both at a global level (7.2% p.a.) and in Germany (6.6% p.a.).

Revenue with Business-Intelligence-Software

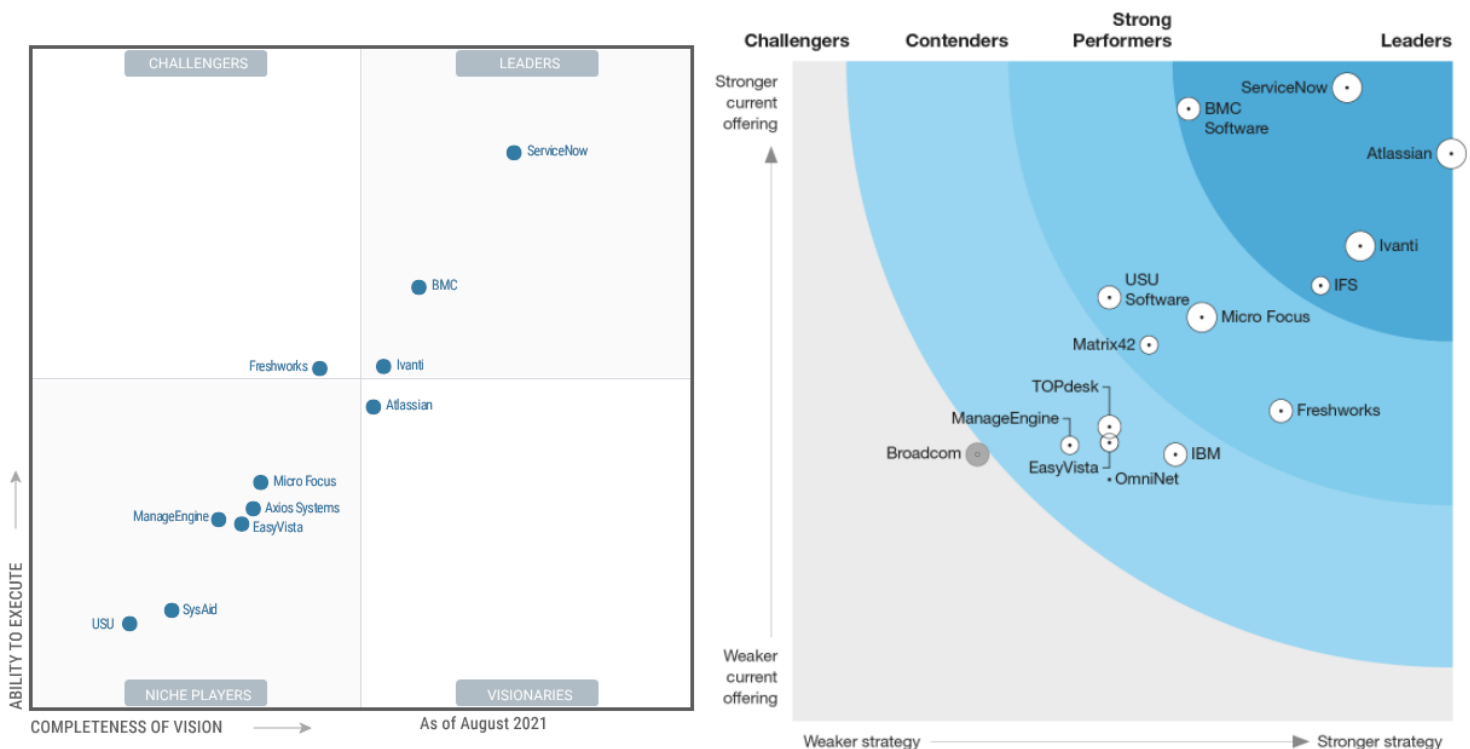


Source: Statista, Financial reporting of key players, national statistical offices

Competitive advantages and differentiation thanks to highly flexible software suite

The competitive environment can be considered intense in our view given that the addressed markets are highly attractive. These markets are served by both major US competitors (ServiceNow, Atlassian, BMC Software, Ivanti) and domestic competitors (e.g. USU Software and Serviceware).

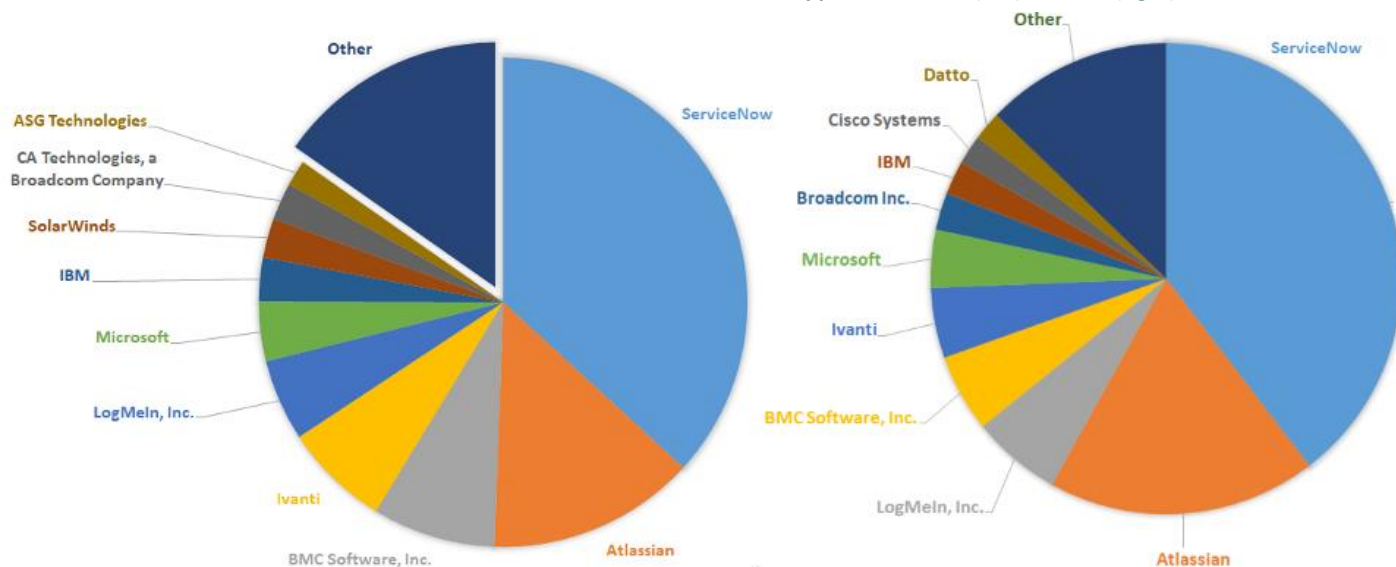
Gartner Magic Quadrant (ITSM-Tools 08/21) and Forrester Wave (ESM-Provider 12/21)



Source: Gartner, Forrester

According to market researcher “Apps Run The World”, the market shares are relatively stable in the fragmented provider structure. The ITSM market was divided as follows over the course of time:

Market shares of ITSM applications 2018 (left) vs. 2020 (right)



ServiceNow, Atlassian, LogMeIn, BMC Software and Ivanti accounted for almost three fourths of the global ITSM market volume both in 2018 and 2020. This survey included a total of 5,440 companies, with the Top 10 providers accounting for 87.2% of revenues. ServiceNow is the clear market leader with a share of 39.6%.

This competitive situation corresponds to the statement made by the management of OTRS that the company mainly has to compete with ServiceNow, Atlassian and BMC Software in calls for tenders or in relation to additions and losses in the customer structure. It comes as a surprise though that OTRS has hardly come in contact with the domestic peer group (USU Software, Serviceware) so far. However, this is not unusual in the IT sector because of the big market size of individual segments, suggesting that many strongly growing SAP and Microsoft service providers can be successful in parallel.

Today, OTRS has a broad customer base of roughly 700 companies. This also includes the business units of international corporations such as Lufthansa, TUI Cruises, Bayer, Porsche, and T-Systems. Accordingly, OTRS seems to be able to regularly prevail over its predominantly much larger rivals and especially over ServiceNow. We mainly put this down to five aspects:

- **Freedom in the choice of the usage or license model:** According to KPMG and Bitkom, the use of company-internal IT systems results in an even bigger number of security incidents than the use of public cloud solutions. That said, some companies still prefer the on-premises system where the software is installed in the own IT environment. While market leader ServiceNow only offers this type of model in exceptional cases for strategically important customers (e.g. federal authorities), the customers of OTRS have complete freedom of choice. The Jira von Atlassian application has no longer been sold as on-premises version since February 2021. Support for this solution ("end of life") will end in February 2024.
- **Privacy concerns weigh on US companies:** According to Bitkom, conformity with the EU GDPR (must have: 95%) and a transparent security architecture including regular controls (must have: 88%) are the most important criteria for German companies in choosing a cloud provider. Uncertainty among European B2B customers regarding data transfers in the USA has once more increased after the European Court of Justice invalidated the Privacy Shield Framework in 2020. It may therefore be probable that domestic business units tend to prefer European software providers. As part of its managed contracts, OTRS operates data centers through service providers which all have a GDPR-compliant certification (ISO/IEC 27001).

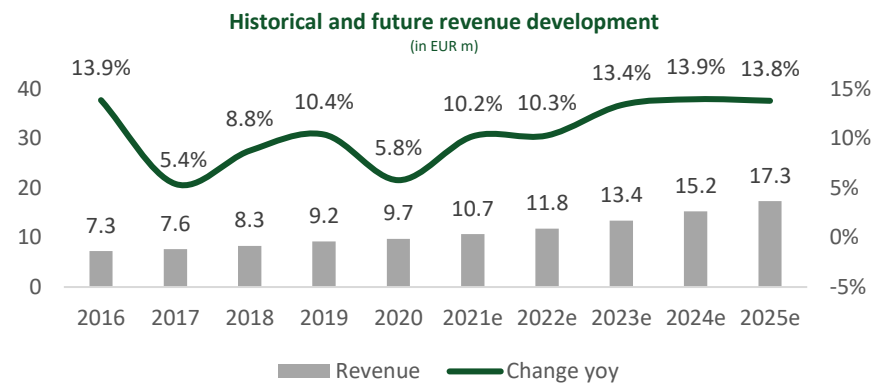
- **ITSM and help desk markets addressed in equal measure:** Help desk providers such as Zendesk, Freshworks, Help Scout and LiveAgent are almost exclusively focused on external customer services. Conversely, industry players such as ServiceNow, Ivanti and Serviceware generate the majority of revenues with ITSM or ESM modules. We believe there are only few providers, e.g. OTRS and USU Software, whose external communication addresses both segments in equal measure. OTRS currently generates approx. 40% of revenues in the help desk market and the remaining 60% in the ITSM/ESM market according to the management.
- **Pricing on the basis of concurrent users:** Depending on the OTRS service package, the software per customer contract can be used by a certain number of so-called “concurrent agents” (silver = 10, gold = 50, titanium = 100, platinum > 200). In contrast, a couple of competitors such as ServiceNow license their software on the basis of the total number of employees in a department, i.e. it is related to personnel. This leads to a significantly lower degree of flexibility for the corporate customers as well as a disadvantageous price-performance ratio for many applications in our view.
- **Appreciation and support of customers of all sizes:** Thanks to the company’s mid-market structure and history, OTRS also fully understands the requirements of small and medium-size companies and efficiently supports these companies in implementing the product portfolio. In this respect, OTRS has advantages over big US companies which are primarily focused on accumulating as much contract volume as possible on the marketing side.

Despite the company’s expertise with numerous well-known customers, we believe that competition in the ITSM and help desk markets will remain high and will also result in the occasional loss of a relevant customer.

Increased pace of growth in the first half of 2021 likely to continue

Note: OTRS has not yet published consolidated financial statements. For this reason, all financial figures are exclusively related to OTRS AG, which generated a pro-rata contract volume of 84% from 2017 through 2020. We have separately accounted for the active subsidiaries outside the EMEA region (USA, Brazil, Mexico, Hungary, and Singapore) in our company valuation.

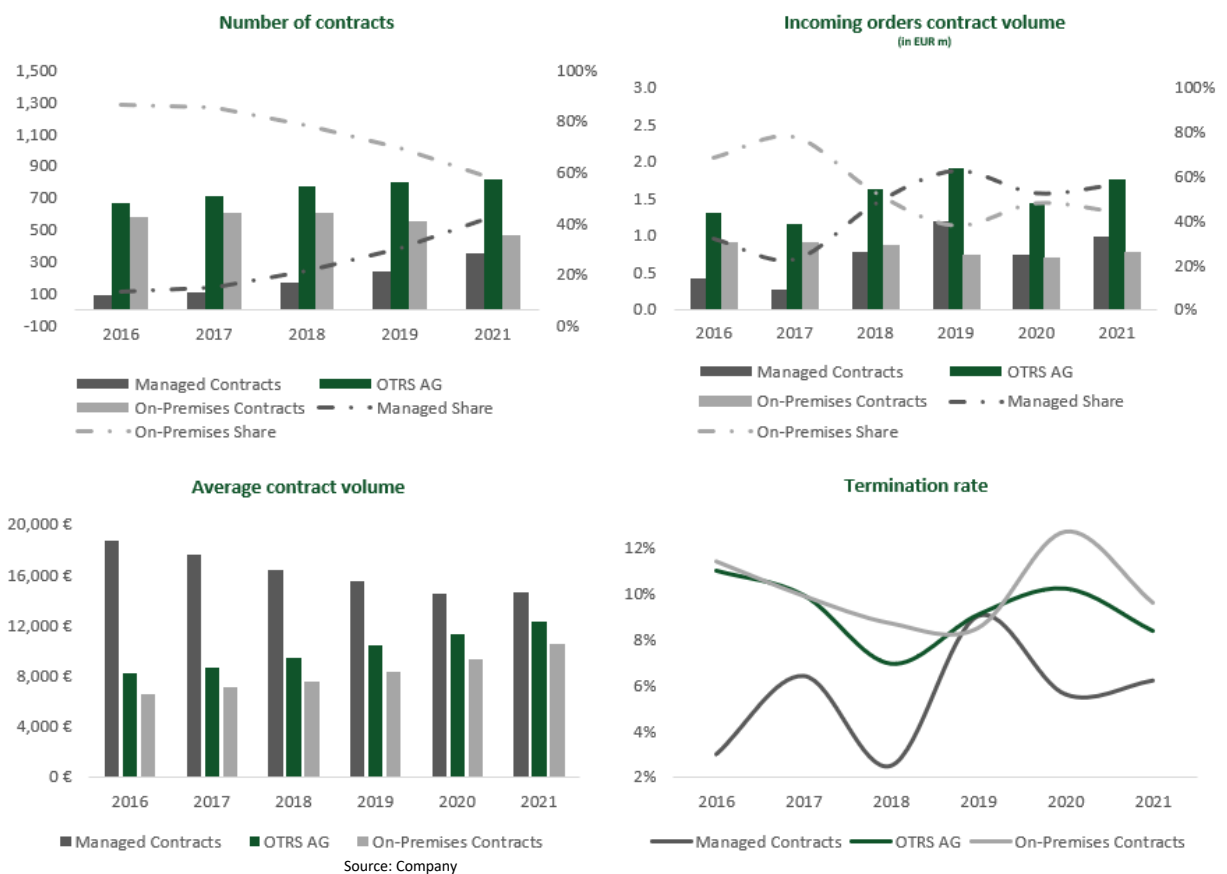
In the first half of 2021, revenues of OTRS AG grew by 10.2% yoy, thus exceeding the performance of the past years which had already been dynamic (CAGR 2015-2020: 8.8%). Despite a growth rate of 7.3%, recurring revenue amounted to 88.5% (-2.4pp yoy) pointing to a lower contribution for the first time. This is attributable to the disproportionate share of consulting revenues (+11.0% yoy to EUR 0.6m) which had declined by -17.3% p.a. from 2017 to 2020. On the one hand, this trend reversal is due to catch-up effects since consulting services had been postponed in H1/20 for Covid-19 reasons amongst others. On the other hand, this development suggests a good order pipeline as consulting services are often linked to new contracts which, in turn, also leads to recurring revenue. In view of the positive first half of the year, OTRS increased its sales guidance for FY 2021 on publication of the H1 report and now expects a growth rate of 10% (previously: 5%). We believe revenues have grown by 10.2% yoy to EUR 10.7m in the fiscal year just ended. The annual report will be published on 9 June 2022. This should be followed by growth rates in the lower double-digit area until 2025 (CAGR: 12.8%). Our estimates yield a revenue level of EUR 17.3m.



Source: Company, Montega

Our assumptions are based on the following trends in the contract portfolio:

Trends in the contract portfolio of OTRS AG



- In addition to an increase in recurring revenue, the marketing strategy of OTRS has been based on the “managed first” maxim since 2017.
- OTRS benefits from several advantages of a managed contract in comparison to on-premises installations: Data sovereignty leads to knowledge gains about a user’s behavior, lower churn rates, higher customer lifetime value (CLV), bigger total contract value (TCV) as well as an easier installation and maintenance.
- The decline in the average volume of a managed contract from EUR 18.7k in 2016 to EUR 14.5k in 2020 is only due to a temporary deliberate pricing strategy to provide incentives for new customers. While we expect this trend to reverse, the disproportionate increase in on-premises prices should continue.

- Despite the declines in the period from 2016 to 2020, the volume of managed contracts is still 40% above the TCV of on-premises contracts on average. Consequently, managed contracts account for 50.9% of the contract volume in 2021, whilst the nominal share of the contracts "only" amounts to 42.6%.
- This strategy is mainly reflected in a significantly increased proportion of managed contracts in the TCV order intake (56.0% in 2021 vs. 22.5% in 2017).

Revenue planning OTRS AG (in EUR m)	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e
Managed Contracts									
Contract volume (beginning of the year)	1.7	1.9	2.7	3.7	4.2	5.1	6.3	7.7	9.4
Termination rate (contract volume)	6.4%	2.5%	9.0%	5.6%	6.2%	6.0%	6.0%	6.0%	6.0%
Price change					2.0%	2.0%	2.0%	2.0%	2.0%
Number of new contracts	23	71	98	83	76	92	106	121	134
yoy number of new contracts		208.7%	38.0%	-15.3%	-8.4%	20.8%	15.0%	15.0%	10.0%
Average volume of a new contract (in EUR)					14,400	15,218	15,827	16,460	17,118
Contract volume (end of year)	1.9	2.7	3.7	4.2	5.1	6.3	7.7	9.4	11.3
On-Premises Contracts									
Contract volume (beginning of the year)	3.8	4.3	4.5	4.6	4.5	4.9	5.0	5.1	5.2
Termination rate (contract volume)	9.9%	8.7%	8.5%	12.7%	9.6%	10.0%	10.0%	10.0%	10.0%
Price change					10.0%	7.0%	7.0%	7.0%	7.0%
Number of new contracts	114	55	32	39	40	25	25	25	25
yoy number of new contracts		-51.8%	-41.8%	21.9%	2.6%	-37.5%	0.0%	0.0%	0.0%
Average volume of a new contract (in EUR)					10,500	10,895	11,331	11,784	12,255
Contract volume (end of year)	4.3	4.5	4.6	4.5	4.9	5.0	5.1	5.2	5.3
Total OTRS AG									
Total contract volume (end of year)	6.2	7.3	8.3	8.7	10.0	11.3	12.8	14.6	16.6
Discount for revenue calculation	5.3%	5.0%	5.7%	-2.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Segment revenue "Managed IT Services and Support plus consulting revenues"	5.8	6.9	7.8	8.9	9.6	10.9	12.3	14.0	16.0
Consulting share of total revenue	18.4%	14.9%	12.4%	8.2%	10.0%	8.0%	8.0%	8.0%	8.0%
Total revenue					10.7	11.8	13.4	15.2	17.3

Source: Company, Montega

Driven by the recent disproportionate growth in recurring revenue (91.2% in 2020 vs. 69.7% in 2015) in connection with a slight decline in the churn rate, the business development of OTRS AG enjoys significantly higher planning security. Based on the higher visibility, management believes it is realistic to generate revenues of EUR 14.0m in 2023. Most of the published targets were met in the past, at least concerning the top line guidance:

Revenue- and EBITDA forecasts of OTRS management

Financial year	P&L-Position	Objective	Source	Result
2014	Revenue	5.5	Annual Report 2013	5.3
2015	Revenue	6.3	Annual Report 2014	6.4
	EBITDA	0.58		0.47
2016	Revenue	7.2	Annual Report 2015	7.3
	EBITDA	0.49		0.54
2017	Revenue	7.8	Annual Report 2016	7.6
	EBITDA	" moderate increase "		0.52
2018	Revenue	> 8.0	Annual Report 2017	8.3
2019	Revenue	> 9.0	Annual Report 2018	9.2
2020	Revenue	n.m. (corona-conditioned)	n.m.	9.7
2021 (old)	Revenue	> 10.0	Annual Report 2020	
2021 (new)	Revenue	" approx. 11.0"	Half-Year Report 2021	

Source: Company

The good results in H1/21 are evidence of the progress made in operating terms. This combined with a number of potential growth drivers (establishment of a partner network, expansion of the service portfolio, further internationalization) as well as a sentiment that is fully intact in the markets addressed by the company makes us believe that the communicated sales target is well within reach. That said, our estimates are below the company's guidance (MONE revenues in 2023: EUR 13.4m) because of the uncertainties regarding further virus variants which may lead to reluctance to conclude new agreements.

As part of a potential expansion of the product portfolio, OTRS plans to expand its managed solution in the medium term and develop products in the context of a so-called "solution management". The company's increasing inclusion of external technologies should help to address additional customer requirements. This may include, for instance, an optimization of the marketing strategy on the basis of the data stored in the OTRS system. We have not taken account of any possible revenues here, since OTRS has yet to publish tangible results regarding these plans.

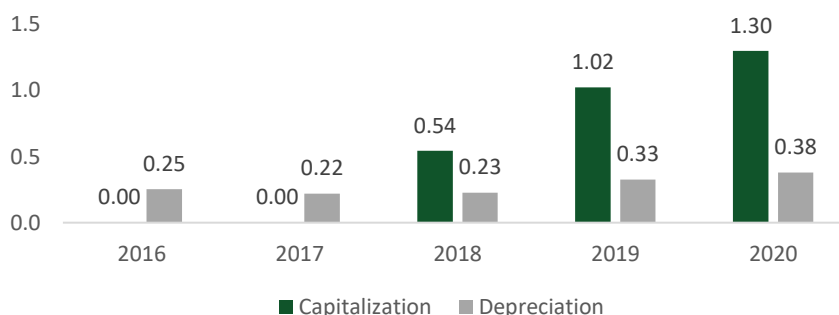
Further increase in profits and margin improvements within sight

In comparison to the top line, we anticipate a disproportionate upward trend on the bottom line due to economies of scale. This should lead to a gradual increase in margins. In view of an increasing virtualization, for instance, international expansion and consulting services can initially be managed by the headquarter. While the share of remote consulting services was still 9% in 2019 according to the management, it has grown to 92% in 2021 due to Covid-19. Moreover, the use of resources, e.g. for server capacity, grows at a disproportionately low rate.

The cost base of OTRS is dominated by personnel expenses, which is usual among software producers. The expense ratio has even increased recently due to investments in growth (60.3% in 2020 vs. 56.9% in 2017). OTRS is unlikely to see significant profitability gains due to the company's medium-term strategic focus on acquiring as many customers as possible. However, we still assume that margins will continuously grow yoy driven by the advantageous trend in the contract portfolio.

To guarantee the best possible comparability between the historical margins and the margin structure expected by us it appears to be reasonable to eliminate own funds capitalized which have been rather irregular so far. A capitalization means that the expenses, which normally are recognized in the income statement, will be recognized over the depreciable life of the respective assets. This period is five years at OTRS. Based on the long-term availability of the OTRS software as an open-source version, the company had not met the requirements for the capitalization of self-developed software until 2018. For this reason, OTRS has only recognized the development costs for the SaaS/IaaS technology platform with the help of which the OTRS software had been made available for the customers "on demand". As a result, capitalization declined gradually from a level of EUR 0.9m in 2010 to EUR 0 in 2016. Volume capitalized between 2018 and 2020 can be allocated to the completed development of the OTRS software in the versions 7 and 8 which have been monetized by now.

Historical capitalization and depreciation of own funds capitalized
(in EUR m)



Source: Company

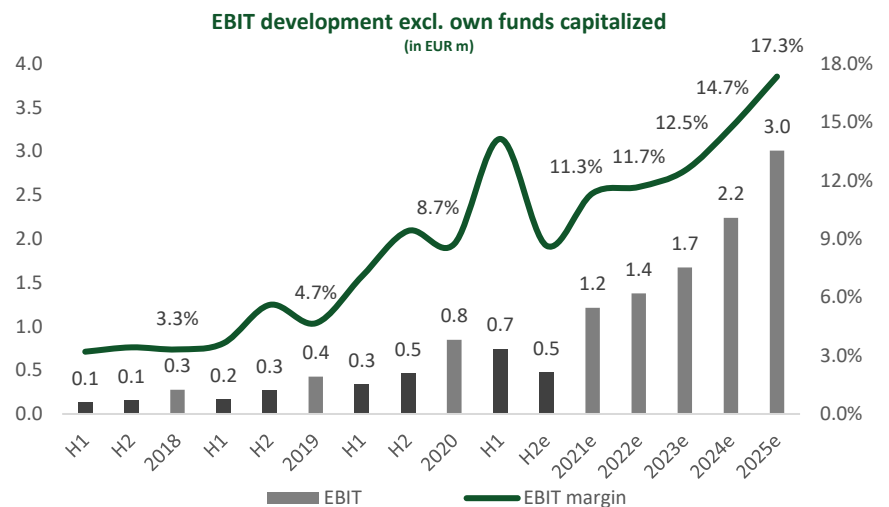
Management considers own funds capitalized of between EUR 0.5-1.0m p.a. to be realistic in the medium term (MONE: EUR 0.8m) in respect of new functionalities. This assumption has been reflected in our estimates accordingly, meaning that our earnings estimates in the annex include all capitalizations which are also included in the cash flow from investment activities. Based on the rolling depreciation, the diverging EBIT effect from the capitalization declines over time and is fully eliminated for the first time in fiscal year 2026. That said, the earnings development will still be distorted in the next few years but has already reached its highest level in 2020.

EBIT development including and excluding capitalized development costs
(in EUR m)

	Own funds capitalized	Depreciation on own fund	Effect on EBIT	EBIT incl. Capitalization	EBIT Margin	EBIT excl. Capitalization	EBIT-Margin	Difference EBIT Margin
FY 2016	0.00	0.25	-0.25	0.14	1.9%	0.39	5.4%	+350 BP
FY 2017	0.00	0.22	-0.22	0.13	1.7%	0.35	4.6%	+290 BP
FY 2018	0.54	0.23	0.32	0.59	7.1%	0.28	3.3%	-380 BP
FY 2019	1.02	0.33	0.70	1.12	12.3%	0.43	4.7%	-760 BP
FY 2020	1.30	0.38	0.92	1.77	18.2%	0.85	8.7%	-950 BP
FY 2021e	0.80	0.50	0.30	1.51	14.1%	1.21	11.3%	-280 BP
FY 2022e	0.80	0.66	0.14	1.52	12.8%	1.38	11.7%	-120 BP
FY 2023e	0.80	0.82	-0.02	1.65	12.4%	1.67	12.5%	+10 BP
FY 2024e	0.80	0.86	-0.05	2.19	14.3%	2.24	14.7%	+40 BP
FY 2025e	0.80	0.97	-0.17	2.84	16.4%	3.01	17.3%	+100 BP
FY 2026e	0.80	0.80	0.00	3.89	19.8%	3.89	19.8%	+/-0 BP

Source: Company, Montega

Adjusted for the capitalization and depreciation of own funds, a significant upside trend for OTRS has already been visible since 2018 due to the reorientation of the sales strategy. We expect this trend to continue after comparatively major staff cutbacks in H2/21. Without an adjustment of earnings figures, however, profitability is even seen to decline in the fiscal year 2021 but this is not relevant, as the capitalization of own funds only amounts to EUR 0.8m (vs. EUR 1.3m in 2020).



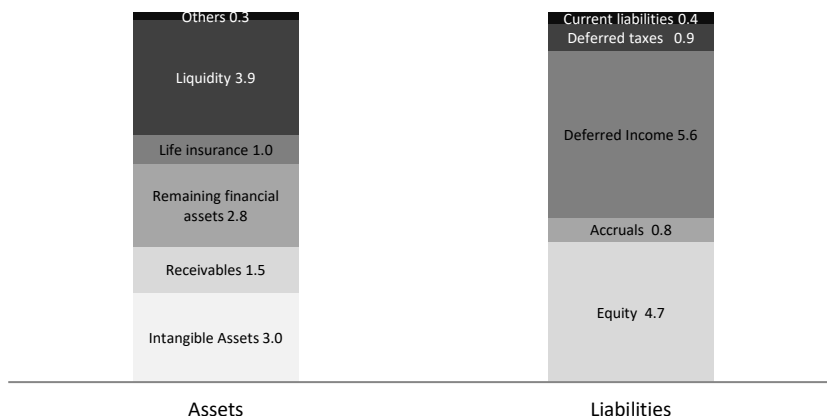
Source: Company, Montega

High balance sheet quality as revenues are pre-financed by customers

Thanks to the extremely solid balance sheet structure OTRS has enough scope to meet its ambitious growth targets.

Balance sheet structure

(per 30.06.2021; in EUR m)



Source: Company

The **equity ratio** on the liabilities side (38.0%) is attractive, but still appears to be comparatively low at first sight given that there are no financial liabilities. However, this can be put down to an extremely strong working capital management. OTRS reported **deferred income** of EUR 5.6m (45.1%) in its latest financial accounts. This balance sheet item includes advance payments for managed and on-premises contracts which are recognized as revenue in the subsequent year according to the revenue recognition principle. As the B2B customers are required to pay their annual fee in advance, the negative working capital of OTRS is rather an indicator of an extremely positive business efficiency in our view. The advance payments have even increased disproportionately in the last few years due to a strong increase in the contract portfolio. While their proportion in revenues was still 36.8% in 2015, and 45.9% in 2017, it grew to 52.9% in 2020.

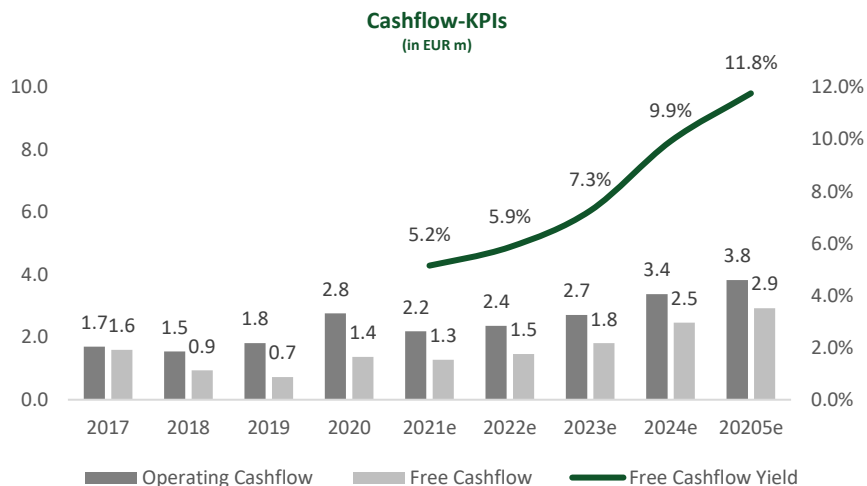
The assets side of the balance sheet is characterized by **strong liquidity** of EUR 3.9m (31.0%) enabling OTRS to seize growth opportunities even without taking up outside capital. **Claims from life insurance policy** account for EUR 1.0m (7.9%) and are due to a life insurance from 2020 taken out by CEO André Mindermann. In the end, this item is a financial investment to avoid a negative interest rate. The **remaining financial assets** of EUR 2.8m (22.5%) represent the shares in the affiliated companies. This amount is composed of the acquisition costs (initial share capital and capital increases) of the subsidiaries outside the EMEA region which are not consolidated in the accounts of OTRS AG. **Intangible assets** (24.5%) are mainly covered by own funds capitalized.

Improved cash flow profile suggests double-digit FCF yield

Capitalization of own funds distorts the company's bottom line (e.g. EBIT or EPS) and prevents drawing conclusions on the operating performance. The focus should rather be placed on adjusted figures or on free cash flow KPI.

We believe that the disproportionate increase in adjusted operating earnings, which is mainly due to economies of scale, will also lead to a corresponding increase in cash inflow. The outstanding working capital management caused by negative working capital should also contribute to significantly higher cash flows. We take a conservative view regarding the gradual improvement of the working capital ratio (-38.5% in 2020 vs. -33.2% in 2017) and anticipate only slight changes in the medium term (Ø 2023 bis 2025: -41.2%).

Given that own funds capitalized are allocated to CAPEX, operating cash flows are also volatile and distorted accordingly. In addition to the adjusted figures, the free cash flow is the only significant figure in our view.



Source: Company, Montega

Other investments are mainly made in IT equipment and other office equipment and amount to only approx. EUR 100k. We attribute the lack of improvement in free cash flow in 2021 to a reduction of receivables in the previous year. The cash flow effect caused by accounts receivables was EUR +0.2m in 2020, while we expect to see an impact of EUR -0.1m in 2021.

Having in mind the positive performance in structurally growing markets, we anticipate an ongoing improvement of the free cash flows. Having a free cash flow yield of 9.9% on today's enterprise value as early as in 2024 is a first indication for a rather attractive opportunity to by OTRS shares in our view.

Good news flow expected to continue

The operating development of the last few quarters illustrates impressively that OTRS has taken the right decision in focusing on the sale of the business version and on managed contracts and thus on recurring revenue. The good H1 2021 results (revenues +10.2% yoy, EBIT excl. own funds capitalized +120.1% yoy) and an increase in the targets for the year (revenues +10% yoy; previously: +5% yoy) hold out the prospect of a gratifying second half of the year. The positive sentiment is also reflected in the significant outperformance of the shares in 2021 (+80.1% vs. CDAX +13.6%).

Although potential new customers appear to still be reluctant to sign agreements due to contact restrictions, the Covid-19 pandemic can basically be considered the driver of digital transformation. We believe the attractiveness of the OTRS offering will grow again as soon as the legal restriction ceases to exist. This holds mainly true for the direct approach of the software users of the open-source version which is no longer supported. These users have either not been monetized so far or only in the form of temporary services (e.g. consulting services, customized adjustment). Further momentum for the shares should come from the continuing internationalization and the establishment of a partner network. OTRS would also tap additional sources of revenue with a successful launch of the ADVANCED ANALYTICS and CONTROL software solutions, which have not been considered in our estimates yet.

Growth potential not adequately reflected in current valuation

We have valued the OTRS shares on the basis of a DCF model and put this result into perspective with the help of a peer group analysis. Both valuation methods suggest that the shares are undervalued.

DCF scenario: In view of the structural growth in demand of the addressed target markets, we expect the top line development to remain dynamic in the medium term (organic sales CAGR 2021e-2026e: 12.9%). In combination with economies of scale, this is expected to result in positive free cash flows. The assumption of a beta of 1.6 and a WACC of 9.0% leads to a fair value per share of EUR 24.00. This implies an attractive upside of 60% on the basis of the latest closing price.

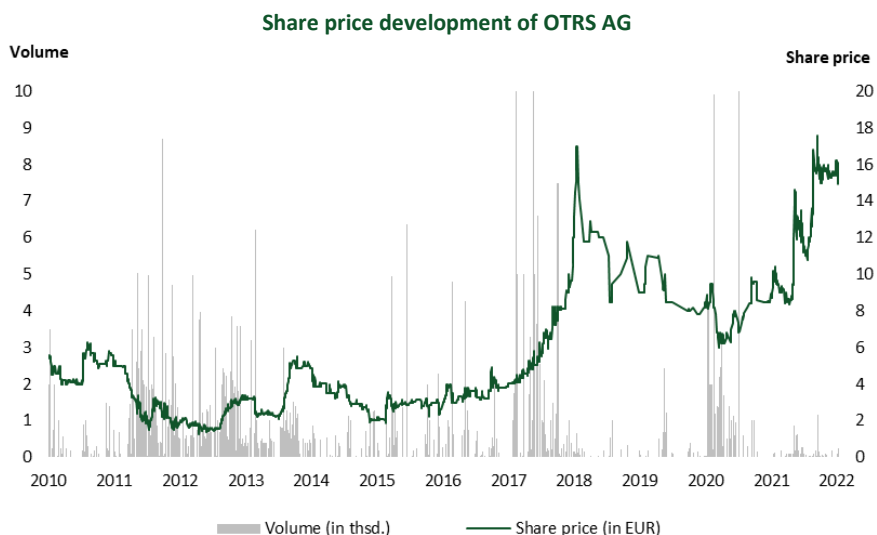
Peer group: Our comparison of the two peer groups underlines the outcome of the DCF model. OTRS currently trades at a 2023e EV/sales multiple of 1.9x and a 2023e EV/EBIT multiple of 14.9x which is below the average multiples of the peer groups (2023e EV/sales of 2.1x and 6.5x, respectively and 2023e EV/EBIT of 17.5x and 32.7x respectively).

Conclusion

Having been in the market for 20 years, the help desk and ITSM suite of OTRS are globally used by companies of different sizes. The customer base comprises well-known players such as Lufthansa, NASA, Airbus, and BSI. The equity story of OTRS is still largely unknown and we believe it offers an attractive opportunity to buy into the shares, especially in view of the change in strategy implemented in 2020. The company discontinued its professional support of the open-source version and has strategically focused on the business suite which can be purchased in the form of one-year contracts. The share of recurring revenue stood at 91.2% in 2020. The sales CAGR 2017-2020 is 15.0% in the strongly scalable segment and is expected to remain at double-digit levels in the medium term driven by intensified marketing campaigns, the initiation of a network of implementation and sales partners and the ongoing internationalization. Given a net liquidity of EUR 2.02 per share OTRS is well positioned for the further development of its business. We expect the EBIT margin (adjusted for own funds capitalized) to gradually increase to 12.5% by 2023 (vs. 8.7% in 2020) driven by economies of scale amongst others. The current valuation does not adequately reflect the prospects of OTRS in our view. We therefore initiate coverage with a price target of EUR 24.00 (upside: 60%) and a “buy” rating.

TIMING AND SENTIMENT

The OTRS stocks were listed on the Open Market on 23 December 2009. Following the all-time-high of EUR 17.00 in February 2018, the stock has been on a gradual downward trend towards EUR 6.00 which continued until the market collapsed in March 2020 with the onset of Covid-19. Prices have significantly recovered thereafter. At a current level of EUR 15.00 the stock is nearing its historical all-time-high again. The stock was mainly driven by an improvement of the fundamental operating data due to the change in strategy. Accordingly, the company exclusively focuses on the continuing development of the fee-based business version and on scalable managed contracts in terms of sales and marketing. As a consequence, OTRS has grown its share of recurring revenue from 76.3% in 2017 to 91.2% today. Concurrently, managed contracts accounted for the larger share of the overall contract volume (51%) for the first time in H1 2021. In 2017, the contract volume was still dominated by on-premises contracts which accounted for 70%. This trend significantly strengthens the medium-term visibility on the business performance as well as the realization of economies of scale. The leap in prices in May 2021 was probably also due to new investor contacts which OTRS had established at a capital market conference a couple of days before.



Source: Capital IQ

Positive news flow and intensified capital market communication expected

The OTRS service desk solution has been available on the market for some 20 years and is used internationally by companies of various sizes. The very broad user base has been manifested in revenues growing since 2013 (CAGR 2013-2020: 9.9%). Because of the manufacturer's exclusive professional support of the fee-based version since the beginning of 2021, OTRS is expected to increasingly sign contracts with software users which have either not been monetized or only sporadically so far. An increase in marketing activities, the establishment of a partner network and the continuation of the expansion strategy also offer promising potential in new customer business. Consequently, revenues are expected to increase in the subsequent quarters as well. Combined with a disproportionate increase in earnings driven by the materialization of economies of scale, news flow should remain positive. Along with the intensification of IR activities in the form of roadshows and conference participations planned by management, the company's awareness is expected to increase significantly which should also benefit the share price in our view.

Conclusion: OTRS has been outside the radar of many institutional investors because of its low market capitalization and defensive IR activities. The software manufacturer offers complementary help desk and ITSM solutions that are already used internationally. Given the promising growth prospects, a positive sector sentiment and the company's plans to intensify capital market communications, we anticipate continuing positive news flow. We believe this should lead to a continued increase in prices.

SWOT

The strengths of OTRS primarily lie in the extensive expertise in the help desk and ITSM market gained in over 20 years in the industry, a very diversified customer structure that is independent of size or industry as well as extremely solid balance sheet ratios. The market environment still offers significant growth opportunities due to an increasing acceptance of cloud-based technologies, dynamic demand for automation in business processes and efficient routine processes in addressing service requirements.

We believe the highly competitive market environment entails the biggest weaknesses and threats. This may put the company at risk of failing to achieve traditional “SaaS margins”. As for the entry in new markets, OTRS may be faced with implementation risks, especially since the company has yet to establish a sales and partner network.

Strengths

- Recurring “as a service revenue” of as much as 91.2% in 2020 provide stability and high degree of planning reliability of the cash flows.
- The product and service portfolio of OTRS addresses customers independent of size and industry. The company attends to more than 700 B2B customers with roughly 1,000 contracts at group level. The Top 10 customers account for only 9.5% of the total contract value (TCV).
- The company’s internationalization with five active subsidiaries outside the EMEA region shows the entrepreneurial flexibility of OTRS.
- OTRS has an extremely solid balance sheet for the further development of its business. The company has a high net liquidity per share of EUR 2.02 including a reinsurance policy of EUR 0.51. Additionally, there is no acquisition-based goodwill in the balance sheet due to pure organic growth.
- The business model is mostly independent of economic cycles and financially sound with strong high cash generation, which underlines the resistance to crisis.

Weaknesses

- OTRS is one of the smaller players in the international help desk and ITSM market. Many competitors have a broader customer base, higher awareness level and greater financial strength. We believe that this restricts the company’s pricing power despite prestigious references.
- Some competitors also have a broader range of services. For instance, OTRS does not offer financial management in the ITSM segment or chatbots in digital customer service.
- Many B2B customers choose their software providers on the basis of studies on markets and competitors (e.g. Gartner, Forrester Research). OTRS has not gained visibility on these channels so far.
- Most of the products have been sold directly, as OTRS has not established a conceptual network of sales and implementation partners yet.
- The low free float and a comparatively low market capitalization restrict the liquidity of the shares.

Opportunities

- Given that the expectations towards service management processes have changed, cloud computing is used to an increasing extent and IT security is gaining in importance, the market segments relevant for OTRS should continue to grow at attractive rates.
- As the structural growth of the market is intact, the company has an international footprint and a growing share of recurring revenue, business is expected to further scale up which should result in significantly higher margins.

- A successful implementation of a partner and cooperation network is likely to increase the awareness and market acceptance of the OTRS software. This would eventually lead to stronger customer growth and a corresponding increase in revenues.
- Based on the extensive expertise in IT and the still low market capitalization, OTRS is a takeover candidate for other industry players and market consolidators, especially since the two anchor shareholders, André Mindermann (CEO) and Burchard Steinbild (Chairman of the supervisory board) hold a stake of approx. 70%. That said, this is no relevant option according to management especially in view of the numerous growth opportunities.
- Further internationalization and expansion of the existing business relationships abroad offer considerable revenue potential. OTRS is available worldwide and is already used in many countries.
- Following the first dividend payment (EUR 0.07 per share for FY 2020), the OTRS shares may get increasingly more attention from investors interested in dividend stocks. When considering the company's growth plans and corresponding investments, however, the dividend yield is unlikely to increase significantly, at least in the short to medium term.

Threats

- B2B customers partially enjoy lower switching costs in the area of help desk and ITSM tools than in other software areas (e.g. ERP systems). Competition is intense in connection with the predominantly homogeneous software functionalities in the fragmented market environment.
- OTRS sees itself as a direct peer of the "big five in the ITSM market" (ServiceNow, Atlassian, BMC Software, amongst others). Concurrently, the industry is faced with ever more complex and extensive selection procedures on part of the customers. Interested people thus have a distinct price and market transparency in our view. Competitors with more financial resources may gain market shares from OTRS.
- Technological changes are taking place with increasingly fast pace in the area of process and communications management. Disruptive novelties seem to be possible which would intensify competition. OTRS's research and development costs (R&D) have already grown from 13.7% of revenue in 2015 to 27.0% in 2020.
- A high-performance software platform must be made available to maintain a high customer retention rate. Technical problems, system failures or cyberattacks to the systems of OTRS may lead to a higher cancellation rate and significant sales losses.
- Although the Covid-19 pandemic has triggered a boom for digital processes and cloud solutions, many companies have reduced their investments for initiatives aimed at growth or transformation due to contact restrictions. This somewhat restrained readiness to take action may result in lower growth momentum especially in times of new virus variants and lockdowns.
- There were 96,000 IT job vacancies in Germany in 2021 according to Bitkom (vs. 43,000 in 2015). As much as 65% of the companies (+10pp vs. 2015) confirm that there is a skills shortage. This is a challenge for OTRS as well.
- The development of further foreign markets can result in implementation risks, especially when customers are addressed with own resources only.

VALUATION

We have valued OTRS with the help of a DCF model and have also conducted a peer group analysis to verify the plausibility. The assumptions of the DCF model and the peer group are shown below.

DCF model

The DCF model reflects the attractive growth prospects of OTRS. In the next few years, the company should primarily benefit from structural growth in demand for automation services in business processes and for efficient routine processes to solve customer queries. The establishment of a partner network and the further internationalization likewise offer significant revenue potential. We expect revenues to increase in the low double-digit percentage ranges (CAGR 2021e-2026e: 12.9%). To determine the terminal value we have assumed a long-term growth rate of 2.2%. Our estimates only take account of the organic growth potential. It may well be conceivable that OTRS will strengthen its operating business through acquisitions in order to enter new regions, expand the product portfolio or to recruit skilled staff.

As for the bottom line, the company is expected to achieve economies of scale of >60% despite a temporary increase in the personnel expense ratio. Consequently, EBIT margins (adjusted for own funds capitalized) are seen to gradually increase driven by the favorable market environment in the foreseeable future. We assume an EBIT margin of 20.0% for the calculation of the terminal value.

As the company does not yet publish consolidated financial statements, the data basis is relatively limited. For this reason, we account for the five active **subsidiaries** with a value corresponding to 2.5x the reported revenues. The multiple represents a valuation discount to our peer group, which we have created for plausibility reasons, and to the intrinsic valuation of OTRS AG. Based on total revenues of EUR 1.7m in 2020, the subsidiaries make a **positive contribution of EUR 4.2m**. The transfer pricing of EUR 214k in 2020 and EUR 108k in 2019, which the sales units contribute to OTRS AG, is still relatively low and was deliberately not eliminated by us at the level of the AG. In return, employees on the payroll of OTRS AG partially provide development and other services for the subsidiaries. However, the foreign subsidiaries reimburse other directly attributable OPEX such as server and travel expenses almost equivalent to the relevant amount through "other operating income" (share of cost charges in this item of the P/L: 23.7% in 2020). Capital injected by OTRS AG (e.g. capital increase or lending) is recognized in the investment cash flow under "investments in financial assets". The company states that it does not anticipate any further cash outflows for the existing subsidiaries because of their established market position.

The beta of 1.6 reflects the business model, which is largely independent of economic cycles, and the company's solid balance sheet structure. On the other hand, it also takes account of the lower awareness level of the help desk and IT service management suite in comparison to other providers as well as the current low trading liquidity of the OTRS shares.

We assume a risk-free yield of 2.5% on the basis of long-term fixed-rate securities. We apply a market yield of 9.0%, which results in a risk premium of 6.5%. The assumption of a long-term debt ratio of 40% leads to WACC of 9.0%.

The DCF model yields a **fair value per share of EUR 24.00** for OTRS AG, which implies an **upside of some 60%**. In this respect, the five subsidiaries account for an equity value of EUR 2.19 per share each. This corresponds to a share of 9.1% in the price target, even though the sales companies contribute some 16% to the group's TCV. Their consideration therefore can be regarded as conservative. Additionally, an EV/EBIT 2023e of 14.9x and an FCF Yield 2023e of 7.3% would make the valuation seem even cheaper.

DCF Model

Figures in m	2021e	2022e	2023e	2024e	2025e	2026e	2027e	Terminal Value
Sales	10.7	11.8	13.4	15.2	17.3	19.6	22.2	22.7
<i>Change yoy</i>	<i>10.2%</i>	<i>10.3%</i>	<i>13.4%</i>	<i>13.9%</i>	<i>13.8%</i>	<i>13.3%</i>	<i>13.0%</i>	<i>2.2%</i>
EBIT	1.5	1.5	1.7	2.2	2.8	3.9	5.0	4.5
<i>EBIT margin</i>	<i>14.1%</i>	<i>12.8%</i>	<i>12.4%</i>	<i>14.3%</i>	<i>16.4%</i>	<i>19.8%</i>	<i>22.3%</i>	<i>20.0%</i>
NOPAT	1.0	1.0	1.1	1.5	2.0	2.7	3.4	3.2
Depreciation	0.7	0.8	0.9	0.9	0.9	0.9	0.9	0.9
<i>in % of Sales</i>	<i>6.3%</i>	<i>6.7%</i>	<i>6.7%</i>	<i>6.2%</i>	<i>5.2%</i>	<i>4.4%</i>	<i>4.0%</i>	<i>4.0%</i>
Change in Liquidity from								
- Working Capital	0.5	0.5	0.7	0.9	0.9	1.0	1.1	0.0
- Capex	-0.9	-0.9	-0.9	-0.9	-0.8	-0.9	-0.9	-0.9
<i>Capex in % of Sales</i>	<i>8.4%</i>	<i>7.6%</i>	<i>6.7%</i>	<i>5.9%</i>	<i>4.9%</i>	<i>4.4%</i>	<i>4.0%</i>	<i>4.0%</i>
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (WACC-Model)	1.3	1.5	1.8	2.5	2.9	3.7	4.5	3.2
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Present Value	1.3	1.4	1.5	1.9	2.1	2.4	2.7	25.9
Total present value	1.3	2.7	4.2	6.1	8.2	10.7	13.4	39.3

Valuation

Total present value (Tpv)	39.3
Terminal Value	25.9
Share of TV on Tpv	66%
Liabilities	0.0
Liquidity	2.7
Equity Value	42.1
incl. Mark-up Subsidiaries	46.3

Number of shares (mln)	1.92
Value per share (EUR)	24.14
+Upside / -Downside	61%
Share price	15.00

Model parameter

Debt ratio	40.0%
Costs of Debt	4.5%
Marktet return	9.0%
Risk free rate	2.50%
Beta	1.60
WACC	9.0%
Terminal Growth	2.2%
Source: Montega	

Growth: sales and margin

Short term: Sales growth	2021-2024	12.5%
Mid term: Sales growth	2021-2027	12.9%
Long term: Sales growth	ab 2028	2.2%
EBIT margin	2021-2024	13.4%
EBIT margin	2021-2027	16.0%
Long term EBIT margin	ab 2028	20.0%

Sensitivity Value per Share (EUR)

Terminal Growth

WACC	1.45%	1.95%	2.20%	2.45%	2.95%
9.50%	21.58	22.32	22.72	23.15	24.12
9.25%	22.17	22.97	23.41	23.88	24.93
9.00%	22.80	23.66	24.14	24.66	25.82
8.75%	23.47	24.41	24.93	25.50	26.78
8.50%	24.19	25.21	25.79	26.41	27.83

Sensitivity Value per Share (EUR)

EBIT margin from 2028e

WACC	19.50%	19.75%	20.00%	20.25%	20.50%
9.50%	20.22	20.38	20.53	20.68	20.83
9.25%	20.89	21.05	21.21	21.37	21.53
9.00%	21.61	21.78	21.94	22.12	22.29
8.75%	22.39	22.56	22.74	22.92	23.10
8.50%	23.22	23.41	23.60	23.79	23.97

Peer group comparison

A comprehensive analysis of the industry is made more difficult by several aspects. Many direct competitors of OTRS are either not listed or listed in only one other country or they have an exposure in other business segments. We therefore have decided for two peer groups.

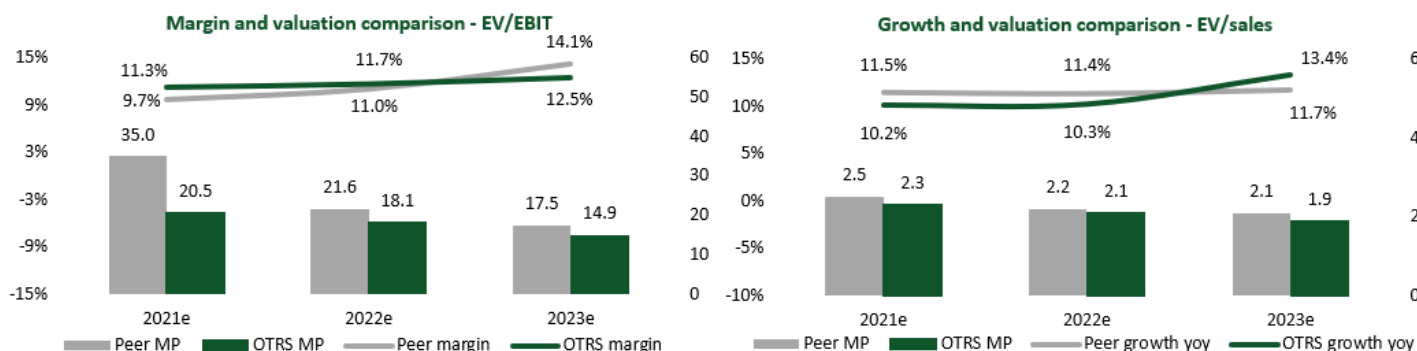
(1) Initially, we compare OTRS with other profitable software manufacturers that are based in the DACH region. This peer group is made up of 13 companies.

(2) Additionally, we create a peer group with seven software companies which are predominantly active in the help desk and ITSM sector or which have quite a few overlaps in these sectors.

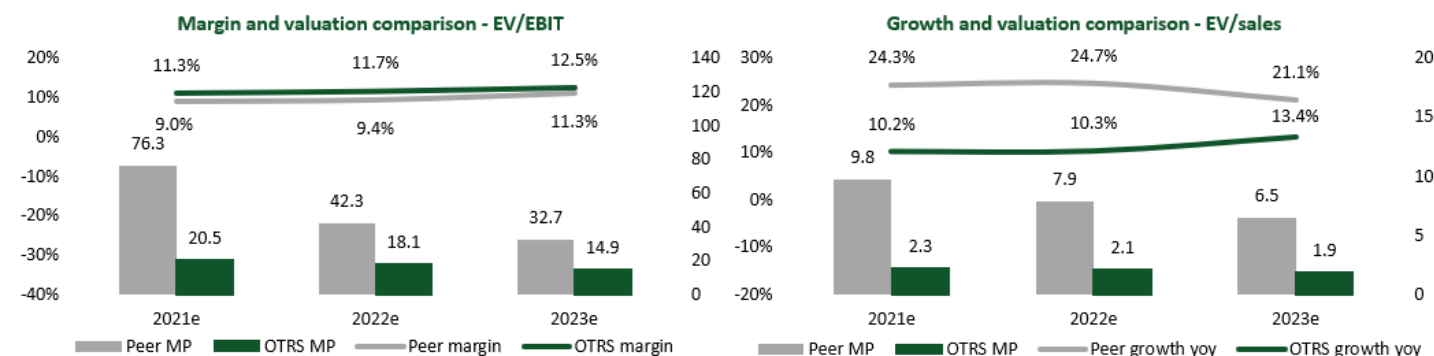
The peer group analysis confirms the current undervaluation of OTRS. At an EV/sales multiple of 1.9x on the basis of 2023, the share trades below the average multiples of the peers of 2.2x (peer group 1) and of 6.5x (peer group 2). We believe the EV/EBIT multiple also points at a favorable valuation of the share (OTRS 2023e: 14.9x vs. peer group: 17.5x and 32.7x respectively).

Peer group comparison OTRS AG

Software vendors listed in Germany



Help Desk and ITSM SaaS platforms



Source: Capital IQ, Company, Montega; MP = Multiple

We would suggest to rather focus on the first peer group, which has a lower valuation, especially because of the strongly diverging top line growth rates. Our DCF-based fair value of approx. EUR 22.00 (excluding the contributions of the subsidiaries) can be substantiated when adding the negative working capital and thus pre-financed operating growth.

Peer group OTRS AG - software vendors listed in Germany

Company	Price (LC)	EV / Sales			Sales growth yoy		
		2021e	2022e	2023e	2021e	2022e	2023e
USU Software AG	21.60	2.02	1.81	1.62	4.3%	11.3%	12.0%
Serviceware SE	12.15	1.23	1.08	0.93	10.4%	13.8%	15.4%
EQS Group AG	31.00	6.93	4.95	3.87	33.1%	40.0%	27.9%
GK Software SE	123.50	1.99	1.72	1.54	12.8%	15.5%	11.7%
SNP Schneider-Neureither & Partner SE	30.98	1.82	1.61	1.45	15.5%	13.4%	11.0%
CompuGroup Medical SE & Co. KGaA	49.32	3.20	3.03	2.89	22.0%	5.5%	4.8%
ATOSS Software AG	168.60	13.57	11.93	10.16	12.8%	13.8%	17.4%
Fabasoft AG	26.75	4.93	4.64	4.11	7.9%	6.2%	12.9%
Nemetschek SE	80.02	13.58	12.19	10.89	13.7%	11.4%	11.9%
Mensch und Maschine Software SE	54.40	3.51	3.15	2.85	9.0%	11.5%	10.5%
B+S Banksysteme Aktiengesellschaft	2.54	2.37	2.21	2.10	6.0%	7.3%	5.4%
INTERSHOP Communications Aktiengesellschaft	3.87	1.56	1.41	1.27	7.1%	10.4%	10.7%
PSI Software AG	35.90	2.46	2.25	2.10	11.5%	9.3%	7.4%
Median		2.46	2.25	2.10	11.5%	11.4%	11.7%
OTRS AG	15.00	2.33	2.11	1.86	10.2%	10.3%	13.4%
Potential		6%	7%	13%	-1.3 PP	-1.1 PP	1.7 PP
Fair value per share (in Euro)		15.75	15.87	16.65			

Company	EV (Mio. LC)	EV/EBIT			EBIT margin		
		2021e	2022e	2023e	2021e	2022e	2023e
USU Software AG	225.53	22.67	19.24	14.34	8.9%	9.4%	11.3%
Serviceware SE	98.17	81.81	24.54	13.83	1.5%	4.4%	6.8%
EQS Group AG	347.17	neg.	176.05	27.46	-7.1%	2.8%	14.1%
GK Software SE	263.58	12.66	11.83	10.12	15.7%	14.5%	15.2%
SNP Schneider-Neureither & Partner SE	302.04	61.73	21.62	15.25	2.9%	7.4%	9.5%
CompuGroup Medical SE & Co. KGaA	3.266.71	23.41	20.19	17.46	13.7%	15.0%	16.6%
ATOSS Software AG	1.317.15	48.60	45.69	36.84	27.9%	26.1%	27.6%
Fabasoft AG	271.50	19.55	21.13	16.88	25.2%	22.0%	24.4%
Nemetschek SE	9.217.58	53.68	50.18	42.51	25.3%	24.3%	25.6%
Mensch und Maschine Software SE	933.92	26.99	23.00	19.10	13.0%	13.7%	14.9%
B+S Banksysteme Aktiengesellschaft	24.74	118.93	35.34	24.74	2.0%	6.3%	8.5%
INTERSHOP Communications Aktiengesellschaft	56.01	43.09	21.56	16.26	3.6%	6.5%	7.8%
PSI Software AG	597.14	25.37	20.50	17.53	9.7%	11.0%	11.9%
Median		35.04	21.62	17.46	9.7%	11.0%	14.1%
OTRS AG	24.9	20.51	18.08	14.88	11.3%	11.7%	12.5%
Potential		71%	20%	17%	1.6 PP	0.7 PP	-1.6 PP
Fair value per share (in Euro)		24.19	17.54	17.26			

Source: Company, Montega, Capital IQ

Peer group OTRS AG - Help Desk and ITSM SaaS platforms

Company	Price (LC)	EV / Sales			Sales growth yoy		
		2021e	2022e	2023e	2021e	2022e	2023e
USU Software AG	21.60	2.02	1.81	1.62	4.3%	11.3%	12.0%
Serviceware SE	12.15	1.23	1.08	0.93	10.4%	13.8%	15.4%
Zendesk, Inc.	123.88	10.36	8.18	6.54	30.0%	26.6%	25.0%
ServiceNow, Inc.	582.28	19.19	15.25	12.22	30.5%	25.8%	24.7%
salesforce.com, inc.	210.88	9.84	7.90	6.52	24.3%	24.7%	21.1%
HubSpot, Inc.	528.63	19.12	14.40	11.38	47.3%	32.8%	26.5%
Micro Focus International plc	3.79	1.56	1.68	1.74	-3.4%	-7.0%	-3.6%
Median		9.84	7.90	6.52	24.3%	24.7%	21.1%
OTRS AG	15.00	2.33	2.11	1.86	10.2%	10.3%	13.4%
Potential		323%	274%	250%	-14.1 PP	-14.4 PP	-7.8 PP
Fair value per share (in Euro)		56.97	50.64	47.51			

Company	EV (Mio. LC)	EV/EBIT			EBIT margin		
		2021e	2022e	2023e	2021e	2022e	2023e
USU Software AG	225.53	22.67	19.24	14.34	8.9%	9.4%	11.3%
Serviceware SE	98.17	81.81	24.54	13.83	1.5%	4.4%	6.8%
Zendesk, Inc.	13.862.21	137.71	107.61	69.69	7.5%	7.6%	9.4%
ServiceNow, Inc.	113.124.00	76.33	60.88	47.13	25.1%	25.0%	25.9%
salesforce.com, inc.	209.200.65	55.55	42.25	32.68	17.7%	18.7%	19.9%
HubSpot, Inc.	24.869.48	211.53	159.11	111.76	9.0%	9.0%	10.2%
Micro Focus International plc	4.533.41	5.06	5.62	5.59	30.9%	29.9%	31.2%
Median		76.33	42.25	32.68	9.0%	9.4%	11.3%
OTRS AG	24.9	20.51	18.08	14.88	11.3%	11.7%	12.5%
Potential		272%	134%	120%	2.3 PP	2.2 PP	1.2 PP
Fair value per share (in Euro)		50.33	32.36	30.53			

Source: Company, Montega, Capital IQ

COMPANY BACKGROUND

As a provider of the help desk and IT service management (ITSM) solution of the same name, OTRS optimizes the structure of internal and external corporate communications. The ticketing software was known as “Open Ticket Request System” before and had also been supported by the manufacturer as an open-source version to a limited extent. The products of OTRS enable B2B customers to manage and answer service requests and to automate and digitize business processes. 95% of revenues are generated with the core product. The company’s portfolio also includes a security incident management software with security expansions, an information security management system (ISMS) and an advanced analytics tool. OTRS plans to expand the company towards solution management by increasingly including external technologies, which should also address additional customer requirements. OTRS AG currently has 819 fee-based customer contracts with an annual volume of EUR 10.0m.

Key Facts

Ticker	TR9	Revenue	EUR 9.7m
Sector	Application Software	EBIT*	EUR 0.8m
Employees	73	EBIT margin*	8.7%
Core competence	Manufacturer and world’s largest service provider of the help desk and IT service management suite OTRS		
Locations	Oberursel (headquarters in Germany), Cupertino (USA), Mexico-City (Mexico), São Paulo (Brazil), Budapest (Hungary) and Singapore		
Customer structure	International as well as size- and industry-independent B2B business with currently around 700 companies (i.a. Deutsche Bahn, Lufthansa, TUI Cruises, ARD, BSI, Airbus, Bundeswehr, Doppelmayr, NASA, ENAV, GÉANT)		

Source: Company

* excl. own work capitalized; figures for OTRS AG only; As of FY 2020

Key milestones in the company’s history

- 2001** Start of the OTRS open-source project
- 2003** Foundation of OTRS GmbH and development of the EMEA economic area
- 2006** Foundation of OTRS Inc. in the wake of the US expansion
- 2007** Change of name into OTRS AG
- 2009** Listing on the Entry Standard of the Frankfurt Stock Exchange
Development of the Latin American market
- 2010** Foundation of a subsidiary in Mexico
- 2011** Market entry in the Asian-Pacific region
- 2015** Additional launch of the fee-based OTRS Business Solution™ with exclusive features and services as well as a managed option
- 2016** Foundation of subsidiaries in Hong Kong and São Paulo
- 2017** Foundation of a subsidiary in Singapore
Product launch: STORM powered by OTRS
- 2018** Foundation of a subsidiary in Hungary
Fee-based OTRS Business Solution™ renamed OTRS
Free version renamed “Community Edition”
Product launch: CONTROL powered by OTRS

2020 Release of OTRS 8 with new and customizable agent surface as well as direct interfaces to Facebook, Twitter, and LinkedIn

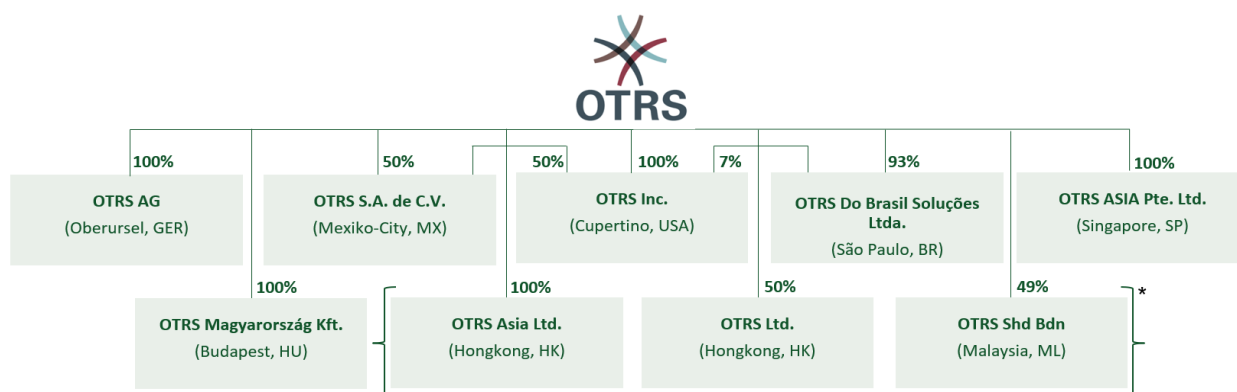
End-of-Life (EOL) of the Community Edition as per 1 January 2021 announced on 23 December

2021 First dividend payment in the company's history

Organisational structure

OTRS AG plays a key role in the company's organizational structure. The domestic company bundles product development and global sales control. The affiliated foreign subsidiaries are mainly acting as sales companies for the respective region. Based on regulatory requirements, the subsidiaries in Mexico and Brazil need another associate which is represented by OTRS Inc. The company has discontinued the operating business of the subsidiaries OTRS Ltd. (50%), OTRS Shd Bdn (49%), and OTRS Asia Ltd. (100%) because of unsuccessful partner concepts. For this reason, the Asian-Pacific region will be exclusively controlled from Singapore going forward. Accordingly, the three companies are insignificant for the presentation of a true and fair view of the group's net assets, financial position, and result of operations.

Organisational structure of OTRS AG



Source: Company; * Operational business operations already discontinued

Business model and segment overview

The OTRS service management suite takes center stage in the business model and has been available in its eighth version since March 2020. During the development process, the company primarily focused on a multitude of personalization possibilities and optimized user guidance. A possible interconnectedness with other systems (e.g. project management and CRM applications) allows users to process and track service requests independent of processes. The OTRS core product is mainly used in two areas:

(1) Help desk and service management solution for the administration of tickets, complaints, support queries and other types of reports

OTRS provides the basis for efficient processing of IT service requests through different channels. This includes structuring of internal work processes but also handling of external complaints amongst others. For instance, the IT service staff (agents) can communicate with their customers (users) and other agents via email, telephone, social media, notes or SMS. Thanks to the high flexibility of the OTRS software, the company has implemented prestigious customer projects in the application scenarios below:

- Deutsche Bahn: Internal processing and visualization of train delays as an information basis for conductors
- ARD Group: Processing of internal service requests regarding the production of programs

- Lufthansa: Coordination of customer complaints and refund of airline tickets
- TUI Cruises: Documentation of defects including automated generation of orders for spare parts as well as resource planning for the maintenance of cruise liners
- Mack Rides: Data aggregation of the rides including ticket-based reporting of malfunctions and initiation of pre-defined escalation levels

User Interface of OTRS 8

The screenshot displays the OTRS 8 user interface. The top header includes a search bar, a user profile icon, and the OTRS logo. The sidebar on the left contains various navigation icons. The main content area is divided into three sections, each with a table of tickets.

Reminder Tickets (36 Objects)

Title	Prio	State	Customer User	Owner	Responsible	Queue	Watch
Software Service Subscription for next Year	3 normal	open	Carl Customer	Carmen Customer Service	Carmen Customer Service	Wait	
Login to old CRM application does not work	1 very low	pending reminder	Konrad Kunde	Tim Technical Expert	Tim Technical Expert	Intern	
Development of a new Mobile App	2 low	open	Gabriel Garcia	Adam Application Expert	Adam Application Expert	Work	
Event detection in Security Monitoring	4 high	open	Pedro Perez	Sven SOC Analyst	Sven SOC Analyst	Some	
API accessibility	5 very high	open	Fernando Martins	Tim Technical Expert	Tim Technical Expert	IT	
Software Service Subscription for next Year	3 normal	open	Carl Customer	Carmen Customer Service	Carmen Customer Service	Special Things	
Login to old CRM application does not work	1 very low	open	Konrad Kunde	Tim Technical Expert	Tim Technical Expert	Child	

Escalated Tickets (326 Objects)

Title	Prio	State	Customer User	Owner	Responsible	Queue	Watch
Software Service Subscription for next Year	3 normal	pending reminder	Carl Customer	Carmen Customer Service	Carmen Customer Service	Wait	
Login to old CRM application does not work	1 very low	pending reminder	Konrad Kunde	Tim Technical Expert	Tim Technical Expert	Intern	
Development of a new Mobile App	2 low	pending reminder	Gabriel Garcia	Adam Application Expert	Adam Application Expert	Work	
Event detection in Security Monitoring	4 high	pending reminder	Pedro Perez	Sven SOC Analyst	Sven SOC Analyst	Some	
API accessibility	5 very high	pending reminder	Fernando Martins	Tim Technical Expert	Tim Technical Expert	IT	
Software Service Subscription for next Year	3 normal	pending reminder	Carl Customer	Carmen Customer Service	Carmen Customer Service	Special Things	
Login to old CRM application does not work	1 very low	pending reminder	Konrad Kunde	Tim Technical Expert	Tim Technical Expert	Child	

New Tickets (12 Objects)

Title	Prio	State	Customer User	Owner	Responsible	Queue	Watch
Software Service Subscription for next Year	3 normal	new	Carl Customer	Carmen Customer Service	Carmen Customer Service	Wait	
Login to old CRM application does not work	1 very low	new	Konrad Kunde	Tim Technical Expert	Tim Technical Expert	Intern	
Development of a new Mobile App	2 low	new	Gabriel Garcia	Adam Application Expert	Adam Application Expert	Work	
Event detection in Security Monitoring	4 high	new	Pedro Perez	Sven SOC Analyst	Sven SOC Analyst	Some	
API accessibility	5 very high	new	Fernando Martins	Tim Technical Expert	Tim Technical Expert	IT	

Source: Company

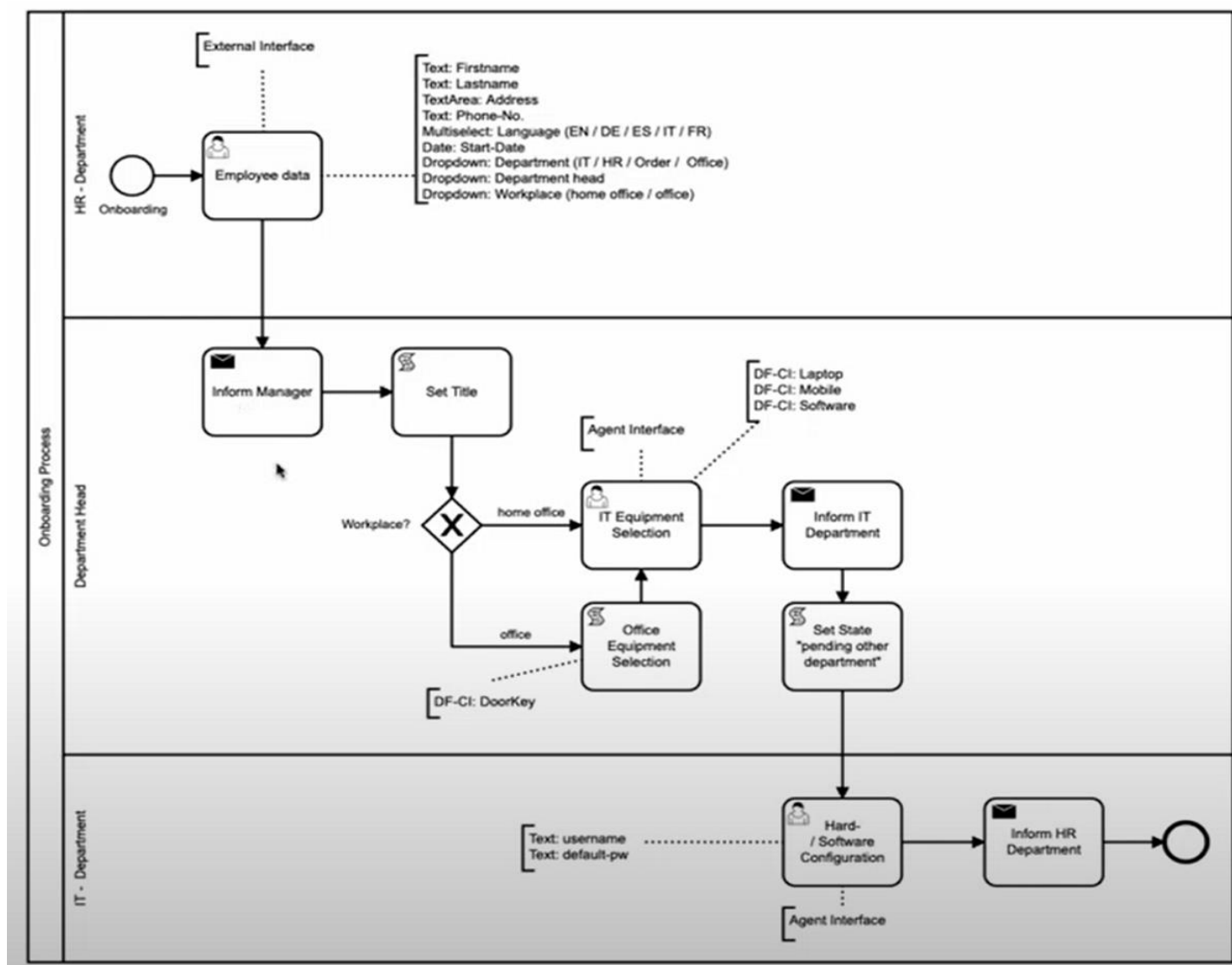
OTRS has a modular structure meaning that all objects, lists, widgets, and overviews can be configured by the customer. The applications required for an efficient incident and problem management are covered by the broad range of functions. This includes priority labelling, provision for service level agreements (SLA), knowledge database articles, statistics and reports, rights management, audit-compliant communication protocols, attachments across files, notification service for several groups of agents or individual persons, calendar-based appointment management and chat availability.

The software, which is written in Perl and Javascript, also supports different database systems such as MySQL, PostgreSQL, Oracle, and SQL service and can be used in almost all areas of a company. Users can login through a web application or through the apps developed for Android and iOS.

(2) Process design for automation and digitization of business processes

Process management is used for a comprehensive control of all service processes with the aim of a structured automation, digitization, and professionalization of recurring business processes and tasks. In this respect, OTRS is also used as a tool in enterprise service management (ESM) and business process management (BPM). Using drag & drop, a process drawing is to accelerate workflows and reduce human errors. A ticket acts like an accompanying document in this scenario which receives changes as notifications. This procedure pre-defines the path of the tickets and assigns agents to the respective process steps. The process path of an employee onboarding in OTRS is shown below as an example:

Process design in OTRS 8



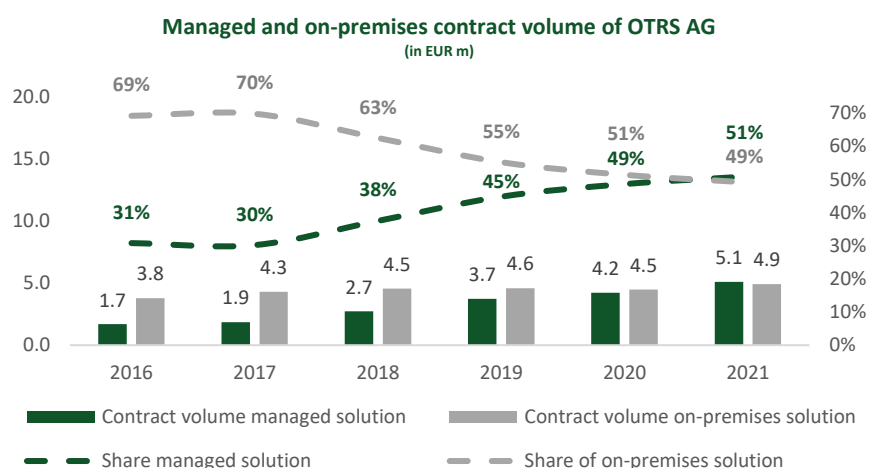
Source: Company

All operational processes can basically be improved with process design. This includes distribution and evaluation of customer surveys, administration of meeting rooms, processing of travel requests or requests for IT equipment as well as invoice management.

OTRS is available as a managed cloud solution and as an on-premises solution. The managed version includes much more than pure hosting, where a service provider only makes available the server space to the customer. OTRS provides the following services:

- Hardware and platform management in provider data centers certified according to ISO/IEC 27001 and with GDPR-compliant data protection
- Remote control and administration (monitoring)
- Application of updates, upgrade and backups (e.g. for the operating system and the underlying databases)
- Complete application management (administration and implementation of all required patches)

As for the on-premises version, the customer must take care of the network management, compliance with data protection, creation of backups and assurance of data integrity. Given that the software runs on their servers, customers are also responsible for their administration, which entails additional costs for hardware procurement, operations, maintenance, and further IT services if necessary. In 2021, the contract volume of the managed solution accounted for the majority of the total contract value (TCV) of OTRS for the first time. Based on an increasing use of cloud computing we expect this trend to continue.



Source: Company

The company has three other products alongside OTRS:

Erweitertes Leistungsportfolio von OTRS



Source: Company

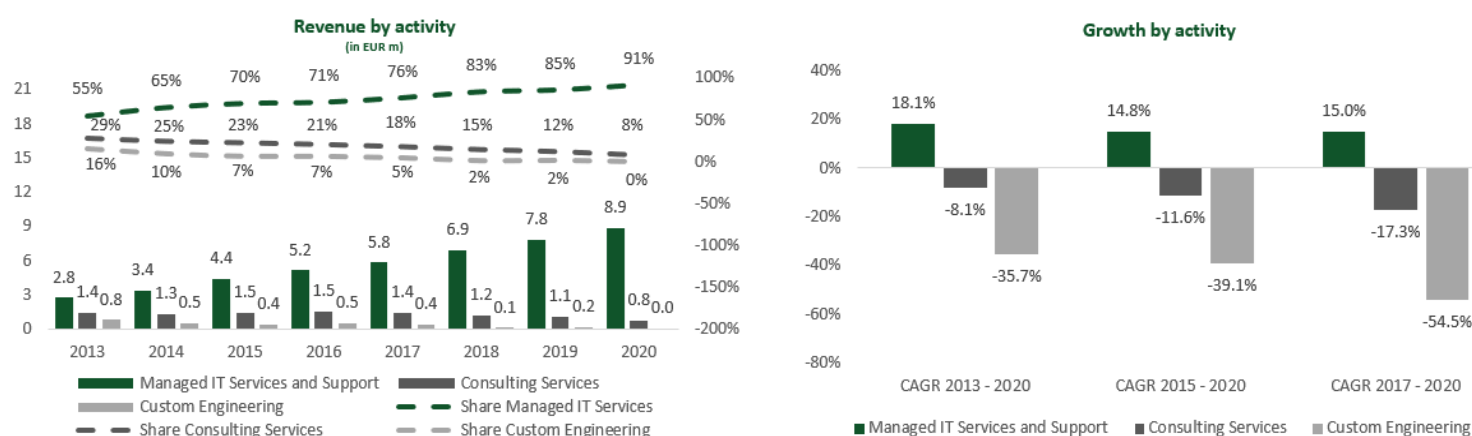
STORM, the security incident management software, is a SOAR tool (security orchestration, automation, and response). It enables customers to detect threats from different data sources and to automatically respond to defined security issues. The improved efficiency of security operations is of relevance for a so-called CERT (computer emergency response team). As such, STORM is a variation of the "OTRS" core product enhanced by security features. This includes automated virus checks of attachments or blacklist checks of all IP addresses. The product's share in revenues is some 5% according to management. Customers are German Bundeswehr, Airbus and BSI.

The **CONTROL** information management system (ISMS) addresses companies which are certified according to ISO/IEC 27001 and which have to provide the relevant documentation. The international ISO standard includes recommendations for different control mechanisms in information security. CONTROL optimizes the structure of processes, enables audit-compliant storage of documents and also includes automated reminders. The product is in the last development stages and does not generate revenues yet.

ADVANCED ANALYTICS continuously retrieves data from connected OTRS systems and provides support in the form of analytic evaluations in decision-making, risk minimization and opportunity identification. Services exceed the reporting and statistics functionalities included in the core product as the product offers useful real-time insights. To this end, it identifies relationships of the data stored in OTRS, makes comparisons, and reveals dependencies. Practice-related applications are analyses on ticket trends, on communication rounds, on the usefulness of knowledge database articles as well as analyses on appointments and customer behavior. The product is currently being tested by different customers and does not yet generate external revenues either.

OTRS divides its business activities in four segments, with the “Others” segment being excluded since it has a sales share of below 1%:

Segment reporting of OTRS AG



Source: Company

The **Managed IT Services and Support** segment (**share: 91%**) only includes the revenues from the annual contracts of OTRS and STORM. Depending on the selected service package, the customer receives a diverging number of simultaneous users, feature add-ons that can be installed in parallel as well as available service requests for each contract period. A customer of the OTRS core product can choose between a silver, gold, titanium or platinum version. STORM provides two versions: AMBER and Red. Based on the company's strategy to primarily focus on recurring revenue, this segment has been the only area of growth as of late.

Consulting Services (**share: 8%**) can be regarded as auxiliary revenue. The conclusion of new contracts usually includes a certain level of consulting services. This directly serves to increase recurring revenue going forward.

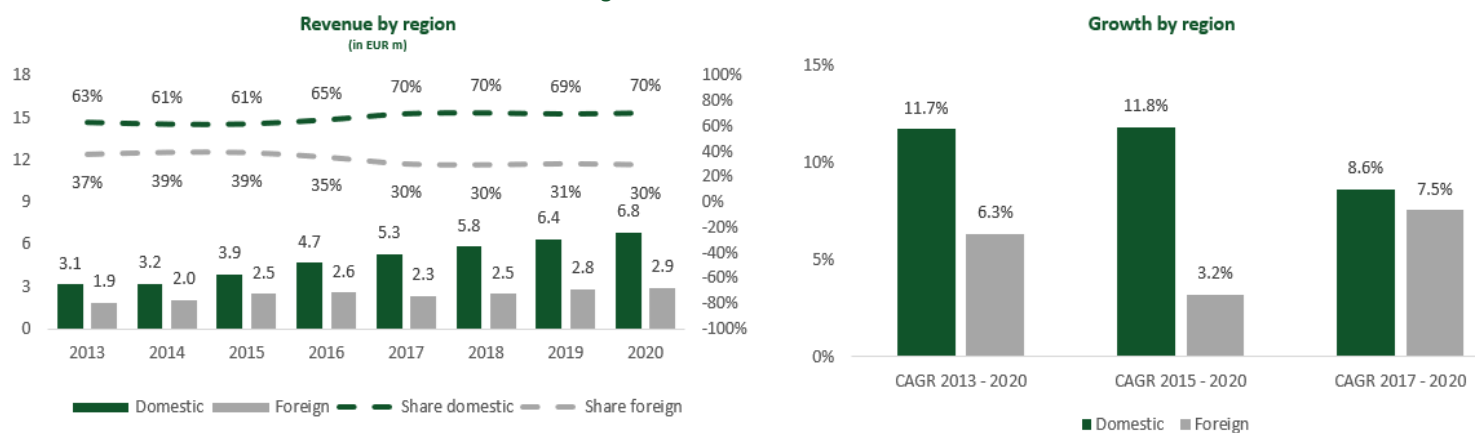
The **Custom Engineering** segment (**share: 0%**) deals with customized adjustments and developments. However, these services are only provided as an exception because of the insufficient scalability.

Target markets, sales structure, and sales regions

The OTRS portfolio can be used by all B2B customers independent of their size and industry. The products are almost exclusively distributed through own resources, but the strategic agenda also provides for the initiation of a partner concept.

The market entry in the EMEA regions marked the start of the international expansion in 2003, no more than two years after the project start of OTRS. The product has significantly gained in popularity after being officially used as a help desk system by the NASA in 2005. According to management, the download statistics of the open-source version have shown that the product was used internationally by call centers and service centers at a very early stage. The company has gradually continued expansion leading to five active foreign sales companies as of today. As the business results below only show the revenues of OTRS AG, foreign sales exclusively refer to the EMEA region.

Regional revenue distribution of OTRS AG



Source: Company

As consolidated financial statements are not available, there have been no regular publications on the figures of the active foreign subsidiaries in the USA, Brazil, Hungary, Mexico, and Singapore. Although most of the contracts (MONE: 80%) are generated by OTRS AG, revenues abroad are expected to still exceed the reported 30%.

OTRS AG - Subsidiaries		2017	2018	2019	2020	CAGR 17-20	Share 2017	Share 2020
OTRS Inc. (USA)	External revenue	0.70	0.64	0.62	0.68	-1.0%	53.5%	39.4%
	EBT	-0.23	-0.30	-0.16	-0.04			
	EBT margin	-33.2%	-46.3%	-25.4%	-5.9%			
OTRS S.A. (Mexico)	External revenue	0.46	0.49	0.41	0.48	1.5%	35.4%	28.1%
	EBT	0.04	0.11	0.04	0.11			
	EBT margin	7.6%	22.3%	8.7%	22.3%			
OTRS Do (Brazil)	External revenue	0.10	0.08	0.11	0.17	21.0%	7.4%	9.9%
	EBT	-0.11	-0.06	-0.02	0.03			
	EBT margin	-117.8%	-70.9%	-18.6%	18.7%			
OTRS Magv. (Hungary)	External revenue			0.19	0.15	-	-	8.8%
	EBT			0.08	0.08			
	EBT margin			43.6%	52.7%			
OTRS Asia Pte. (Singapore)	External revenue	0.05	0.20	0.18	0.24	70.8%	3.6%	13.7%
	EBT	-0.01	-0.11	-0.16	0.04			
	EBT margin	-24.1%	-56.5%	-89.1%	16.3%			
Total	External revenue	1.31	1.42	1.52	1.72	9.7%		
	EBT	-0.32	-0.36	-0.22	0.22			
	EBT margin	-24.7%	-25.3%	-14.6%	12.7%			

Source: Company; in EUR m; * The exchange rate of 31.12.20 (1 USD = 0.819 Euro) was used uniformly for the conversion.

According to OTRS, the subsidiaries generated revenues of EUR 1.7m in 2020. The contract volume likewise amounted to EUR 1.7m at the end of the year, which reflects a group share of 16.0% or a premium of 19.0% over the figures of the AG. These parameters have to be accounted for separately regarding a valuation of OTRS AG.

	2016	2017	2018	2019	2020
Contract volume (TCV) OTRS AG	5.5	6.2	7.3	8.3	8.7
Contract volume (TCV) OTRS AG Subsidiaries	1.2	1.2	1.4	1.6	1.7
Mark-up by TCV of subsidiaries	22.0%	19.0%	18.8%	18.8%	19.0%
Revenue OTRS AG	7.3	7.6	8.3	9.2	9.7
Revenue OTRS AG Subsidiaries*		1.3	1.4	1.5	1.7
Mark-up by revenue of subsidiaries		17.1%	17.0%	16.5%	17.7%

Source: Company; in EUR m; * The exchange rate of 31.12.20 (1 USD = 0.819 Euro) was used uniformly for the conversion.

Management

The operating business is run by a management board consisting of three members.



André Mindermann has been the Chief Executive Officer (CEO) of OTRS AG since August 2005. He has also been the co-founder and Managing Director of Enterprise Consulting GmbH from 1998 until 2009, an international consulting company for information management and business organization. André Mindermann has already gained deep software expertise from 2001 to 2003 as the CEO of Techspan Enterprise, a German/Indian/American joint venture focused on offshore software development.



Christopher Kuhn has been Chief Operations Officer (COO) since October 2011 and is responsible for Managed Services, Consulting and Sales at OTRS. He joined the company in September 2005 and initially was responsible for the distribution of software consulting as Vice President Global Consulting. In this position, Christopher Kuhn also accelerated the international expansion of OTRS AG through the strategic key account management.



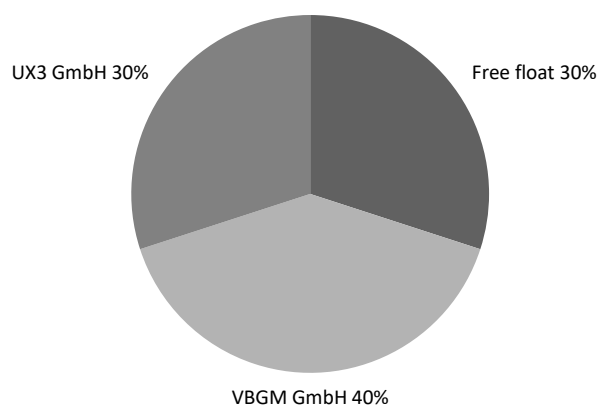
Sabine Riedel has been a management board member of OTRS AG since July 2012. She is responsible for Marketing and Human Resources. Having joined the company in 2006, Sabine Riedel initially held the position as Vice President Global Human Resources at OTRS. She also gained comprehensive experience in corporate development and leadership communication while managing her own training and consulting company from 2003 to 2012.

Shareholder structure

The shares of OTRS AG were admitted to trading on the First Quotation Board of the Frankfurt Stock Exchange in December 2009 and listed on the Entry Standard in June 2012. Since March 2017, the shares have traded on the Basic Board (OTC) which serves as a catchment segment for the participants in the Entry Standard that no longer exists. The company's share capital amounts to EUR 1,916,300 and is divided in just as much bearer shares.

The shares are mainly held by CEO André Mindermann (VBGM GmbH) and Burchard Steinbild (UX3 GmbH), the co-founder and Chairman of the supervisory board. The remaining 30% are free float.

Shareholder structure of OTRS AG



Source: Company

APPENDIX

P&L (in Euro m) OTRS AG*	2018	2019	2020	2021e	2022e	2023e
Sales	8.3	9.2	9.7	10.7	11.8	13.4
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.5	1.0	1.3	0.8	0.8	0.8
Total sales	8.8	10.2	11.0	11.5	12.6	14.2
Material Expenses	1.5	1.4	1.8	1.9	2.0	2.3
Gross profit	7.3	8.8	9.2	9.6	10.6	11.9
Personnel expenses	4.8	5.6	5.9	6.5	7.2	8.1
Other operating expenses	1.9	1.9	1.4	1.3	1.5	1.7
Other operating income	0.4	0.3	0.4	0.4	0.4	0.5
EBITDA	1.0	1.6	2.3	2.2	2.3	2.6
Depreciation on fixed assets	0.1	0.1	0.1	0.1	0.1	0.1
EBITA	0.9	1.5	2.2	2.1	2.2	2.5
Amortisation of intangible assets	0.2	0.3	0.4	0.5	0.7	0.8
Impairment charges and Amortisation of goodwill	0.1	0.1	0.1	0.1	0.1	0.0
EBIT	0.6	1.1	1.8	1.5	1.5	1.7
Financial result	0.0	0.0	0.0	0.0	0.0	0.0
Result from ordinary operations	0.6	1.1	1.8	1.5	1.5	1.7
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
EBT	0.6	1.1	1.8	1.5	1.5	1.7
Taxes	0.1	0.4	0.6	0.5	0.5	0.5
Net Profit of continued operations	0.4	0.8	1.2	1.1	1.1	1.1
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	0.4	0.8	1.2	1.1	1.1	1.1
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.4	0.8	1.2	1.1	1.1	1.1

Source: Company (reported results), Montega (forecast)

* Subsidiaries are not consolidated in the financial statements of OTRS AG

P&L (in % of Sales) OTRS AG*	2018	2019	2020	2021e	2022e	2023e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Increase / decrease in inventory	-0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
Own work capitalised	6.5%	11.2%	13.4%	7.5%	6.8%	6.0%
Total sales	106.4%	111.2%	113.5%	107.5%	106.8%	106.0%
Material Expenses	18.5%	15.1%	19.1%	17.8%	17.3%	17.0%
Gross profit	87.9%	96.0%	94.5%	89.7%	89.5%	89.0%
Personnel expenses	57.5%	61.4%	60.3%	60.4%	60.9%	60.8%
Other operating expenses	22.9%	20.6%	14.3%	12.5%	12.5%	12.5%
Other operating income	4.3%	3.6%	4.0%	3.6%	3.5%	3.4%
EBITDA	11.8%	17.7%	23.8%	20.4%	19.6%	19.1%
Depreciation on fixed assets	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%
EBITA	11.0%	16.9%	23.1%	19.7%	18.9%	18.5%
Amortisation of intangible assets	2.7%	3.6%	3.9%	4.7%	5.6%	6.1%
Impairment charges and Amortisation of goodwill	1.1%	1.0%	1.0%	0.9%	0.5%	0.0%
EBIT	7.1%	12.3%	18.2%	14.1%	12.8%	12.4%
Financial result	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Result from ordinary operations	7.2%	12.3%	18.3%	14.2%	12.9%	12.5%
Extraordinary result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	7.2%	12.3%	18.3%	14.2%	12.9%	12.5%
Taxes	1.8%	3.8%	5.8%	4.4%	4.0%	3.9%
Net Profit of continued operations	5.4%	8.5%	12.5%	9.8%	8.9%	8.6%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit before minorities	5.4%	8.5%	12.5%	9.8%	8.9%	8.6%
Minority interests	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit	5.4%	8.5%	12.5%	9.8%	8.9%	8.6%

Source: Company (reported results), Montega (forecast)

* Subsidiaries are not consolidated in the financial statements of OTRS AG

Balance sheet (in Euro m) OTRS AG*	2018	2019	2020	2021e	2022e	2023e
ASSETS						
Intangible assets	1.3	1.9	2.7	2.9	3.0	3.0
Property, plant & equipment	0.1	0.1	0.1	0.2	0.2	0.2
Financial assets	2.5	2.8	3.8	3.8	3.8	3.8
Fixed assets	4.0	4.8	6.7	6.9	7.0	7.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	1.2	1.3	1.2	1.3	1.4	1.6
Liquid assets	1.9	2.4	2.7	4.0	5.3	6.7
Other assets	0.3	0.6	0.5	0.5	0.5	0.5
Current assets	3.4	4.2	4.5	5.9	7.2	8.9
Total assets	7.4	9.1	11.1	12.8	14.2	15.9
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	2.0	2.7	4.0	5.0	5.9	6.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.4	0.6	0.6	0.6	0.6	0.6
Financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.1	0.1	0.2	0.2	0.2	0.2
Other liabilities	4.9	5.6	6.4	7.0	7.6	8.4
Liabilities	5.4	6.3	7.2	7.8	8.4	9.2
Total liabilities and shareholders' equity	7.4	9.1	11.1	12.8	14.2	15.9

Source: Company (reported results), Montega (forecast)

* Subsidiaries are not consolidated in the financial statements of OTRS AG

Balance sheet (in %) OTRS AG*	2018	2019	2020	2021e	2022e	2023e
ASSETS						
Intangible assets	17.5%	20.9%	24.5%	22.9%	21.2%	18.8%
Property, plant & equipment	2.0%	1.5%	1.2%	1.3%	1.3%	1.3%
Financial assets	34.3%	30.8%	34.1%	29.6%	26.7%	23.8%
Fixed assets	53.8%	53.1%	59.9%	53.8%	49.2%	43.9%
Inventories	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Accounts receivable	16.8%	14.2%	10.6%	10.2%	9.9%	10.1%
Liquid assets	25.0%	26.2%	24.8%	31.6%	37.3%	42.4%
Other assets	4.5%	6.1%	4.9%	4.3%	3.9%	3.4%
Current assets	46.3%	46.5%	40.4%	46.0%	51.0%	55.9%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	26.6%	30.2%	35.7%	39.2%	41.2%	41.7%
Minority Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	5.5%	6.3%	5.4%	4.6%	4.2%	3.7%
Financial liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	1.7%	1.1%	1.5%	1.6%	1.4%	1.3%
Other liabilities	66.2%	62.0%	57.7%	54.4%	53.4%	53.1%
Total Liabilities	73.4%	69.4%	64.6%	60.6%	59.0%	58.1%
Total Liabilities and Shareholders' Equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company (reported results), Montega (forecast)

* Subsidiaries are not consolidated in the financial statements of OTRS AG

Statement of cash flows (in Euro m) OTRS AG*	2018	2019	2020	2021e	2022e	2023e
Net income	0.4	0.8	1.2	1.1	1.1	1.1
Depreciation of fixed assets	0.1	0.1	0.1	0.1	0.1	0.1
Amortisation of intangible assets	0.3	0.4	0.5	0.6	0.7	0.8
Increase/decrease in long-term provisions	0.0	0.1	-0.1	0.0	0.0	0.0
Other non-cash related payments	0.9	0.5	0.9	0.0	0.0	0.0
Cash flow	1.7	1.9	2.5	1.7	1.8	2.0
Increase / decrease in working capital	-0.2	-0.1	0.2	0.5	0.5	0.7
Cash flow from operating activities	1.5	1.8	2.8	2.2	2.4	2.7
CAPEX	-0.6	-1.1	-1.4	-0.9	-0.9	-0.9
Other	-0.2	-0.3	-1.0	0.0	0.0	0.0
Cash flow from investing activities	-0.8	-1.4	-2.4	-0.9	-0.9	-0.9
Dividends paid	0.0	0.0	0.0	0.0	-0.2	-0.4
Change in financial liabilities	0.0	0.1	-0.1	0.0	0.0	0.0
Other	-0.3	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-0.3	0.1	0.0	0.0	-0.2	-0.4
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Change in liquid funds	0.4	0.5	0.4	1.3	1.3	1.4
Liquid assets at end of period	1.9	2.4	2.7	4.0	5.3	6.7

Source: Company (reported results), Montega (forecast)

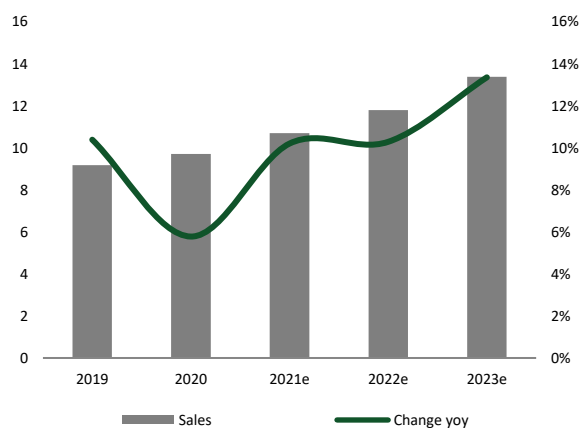
* Subsidiaries are not consolidated in the financial statements of OTRS AG

Key figures OTRS AG*	2018	2019	2020	2021e	2022e	2023e
Earnings margins						
Gross margin (%)	87.9%	96.0%	94.5%	89.7%	89.5%	89.0%
EBITDA margin (%)	11.8%	17.7%	23.8%	20.4%	19.6%	19.1%
EBIT margin (%)	7.1%	12.3%	18.2%	14.1%	12.8%	12.4%
EBT margin (%)	7.2%	12.3%	18.3%	14.2%	12.9%	12.5%
Net income margin (%)	5.4%	8.5%	12.5%	9.8%	8.9%	8.6%
Return on capital						
ROCE (%)	223.6%	469.2%	224.1%	138.1%	197.4%	733.4%
ROE (%)	24.4%	39.7%	44.2%	26.5%	21.0%	19.6%
ROA (%)	6.1%	8.6%	11.0%	8.2%	7.4%	7.2%
Solvency						
YE net debt (in EUR)	-1.9	-2.4	-2.7	-4.0	-5.3	-6.7
Net debt / EBITDA	-1.9	-1.5	-1.2	-1.9	-2.3	-2.6
Net gearing (Net debt/equity)	-0.9	-0.9	-0.7	-0.8	-0.9	-1.0
Cash Flow						
Free cash flow (EUR m)	0.9	0.7	1.4	1.3	1.5	1.8
Capex / sales (%)	9.9%	14.8%	24.4%	8.4%	7.6%	6.7%
Working capital / sales (%)	-33%	-34%	-36%	-37%	-38%	-38%
Valuation						
EV/Sales	3.0	2.7	2.6	2.3	2.1	1.9
EV/EBITDA	25.3	15.4	10.7	11.4	10.8	9.7
EV/EBIT	42.1	22.1	14.1	16.4	16.4	15.1
EV/FCF	26.5	34.4	18.1	19.3	17.0	13.7
PE	65.2	36.6	23.8	27.3	27.3	25.0
KBV	14.6	10.5	7.3	5.7	4.9	4.3
Dividend yield	0.0%	0.0%	0.5%	0.7%	1.3%	1.6%

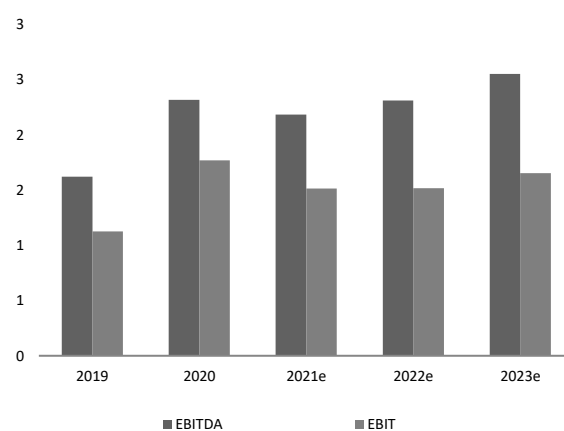
Source: Company (reported results), Montega (forecast)

* Subsidiaries are not consolidated in the financial statements of OTRS AG

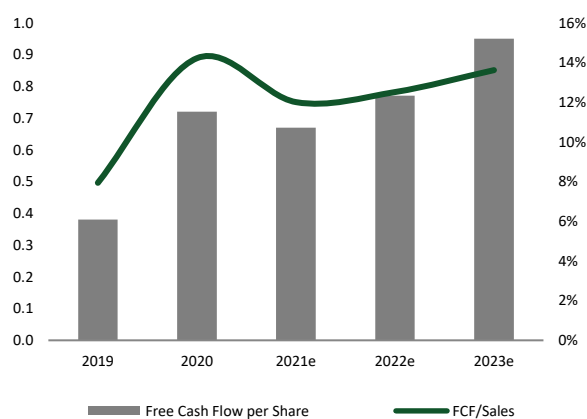
Sales development



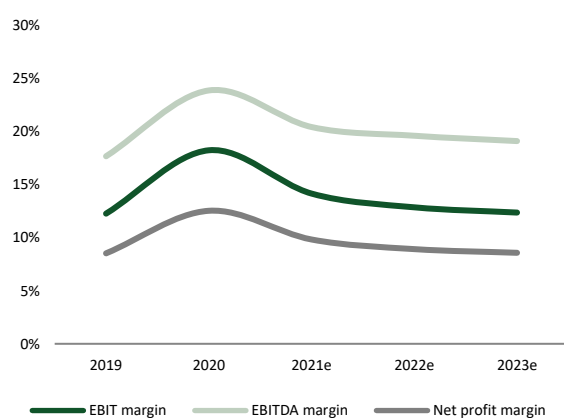
Earnings development



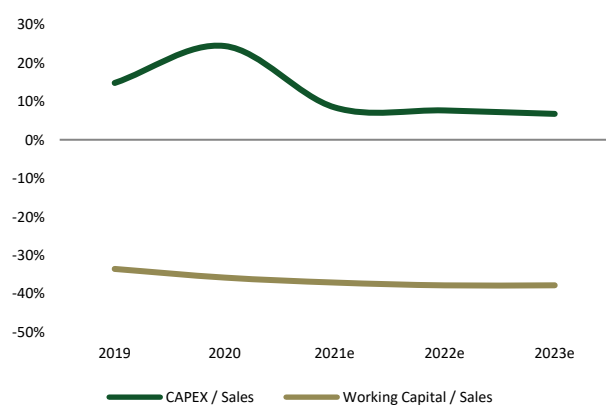
Free-Cash-Flow development



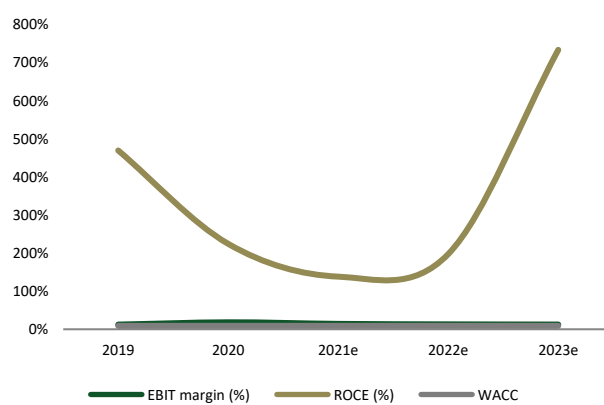
Margin development



Capex / Working Capital



EBIT-Yield / ROCE



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Prices of financial instruments mentioned in this analysis are closing prices of the publishing date (respectively the previous day) if not explicitly mentioned otherwise. Any updating of this publication will be made in the case of events that Montega considers to be possibly relevant to the stocks' price performance. The end of regular comments on events in context with the issuer (coverage) will be announced beforehand.

Sources of information: The main sources of information for the preparation of this financial analysis are publications of the issuer as well as publicly available information of national and international media, which Montega regards as reliable. There have also been discussions with members of the management team or the investor relations division of the company concerned when preparing this analysis.

Reference pursuant to MiFID II (as of 3 March, 2022): This publication was prepared on the basis of a contract between Montega AG and the issuer and will be paid by the issuer. This document has been widely published and Montega AG makes it simultaneously available for all interested parties. Its receipt therefore is considered a permissible minor non-monetary benefit in the sense of section 64 Paragraph 7 Sentence 2 No. 1 and 2 of the German Securities Trading Act (WpHG).

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Our ratings:

Buy: The analysts at Montega AG believe the share price will rise during the next twelve months.

Hold: Upside/downside potential limited. No immediate catalyst visible.

Sell: The analysts at Montega AG believe the share price will fall during the next twelve months.

Authority responsible for supervision:

Bundesanstalt für Finanzdienstleistungsaufsicht

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Share price and recommendation history

Recommendation	Date	Price (EUR)	Price target (EUR)	Potential
Buy (Initiation)	03.03.2022	15.00	24.00	+60%