Advanced Inflight Alliance

WARBURG RESEARCH

Buy (old: Buy)

PT EUR 6.00 (old: 5.20)

Price	EUR 3.07
Bloomberg	DVN1 GR
Reuters	DVNG
Sector	Media

Market leader for inflight entertainment systems.

Share data: 10.11.2011 / Closing price

Market cap:	EUR 50.9 m
Enterprise Value (EV):	EUR 64.7 m
Book value:	EUR 49.0 m
No. of shares:	16.6 m
Trading volume Ø:	EUR 50.3 th

Shareholders:

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

Calendar:

Figures Q3	11/17/11

Change	2011E		2012E		2013E	
	old	Δ%	old	Δ%	old	Δ%
Sales	120	0	123	-2.2	126	-2.2
EBIT	6.8	0	9.0	24.6	10.1	18.6
EPS	0.27	0	0.34	29.4	0.38	23.7

Analysis: Warburg Research

Date of publication: 11.11.2011

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Excellent operating Development

On November 11, 2011 Advanced Inflight Alliance AG **published preliminary** Q3 figures, respective 9M 2011. The figures reported were in-line with expectations.

Advance Inflight Alliance - Q3 2011

Figures in EUR m	Q3/11	Q3/11e	Q3/10	yoy	9M/11	9M/11e	9M/10	yoy
Sales	32.0	31.0	30.1	6.2%	89.1	88.1	84.3	5.7%
EBITDA	2.6	2.8	4.3	-40.6%	10.0	10.2	9.0	10.9%
margin	*8.1%*	*9.0%*	*14.4%*		*11.2%*	*11.6%*	*10.7%*	
EBIT	-0.6	-0.3	0.0	-	4.2	4.5	6.2	-32.5%
margin	*-2.0%*	*-1.0%*	*0.0%*		*4.7%*	*5.1%*	*7.4%*	
EPS in EUR	-0.04	-0.02	0.00	-	0.18	0.20	0.00	-

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

As the reported figures include higher non-recurring expenses and restructuring measures (EUR 3.7 Mio.) than expected (EUR 2.7 Mio.), the operating margin development may be valued extremely positive.

The cost saving measures, targeted as of 2012 may also be valued positively. According to the group, these come in at a "medium single-digit million range" and thus also above expectations. **The earnings estimate can thus be increased for 2012.**

For comparison: During the first nine months 2011 alone, the company gained an EPS of EUR 0.34 (adjusted by non-recurring expenses). The adjusted EPS will come in at around EUR 0.44 in the full year 2011 (estimate MMW). In light of the expected cost savings, the absence of significant restructuring expenses and the working cost savings in 2012, the EPS should at least reach this level in 2012.

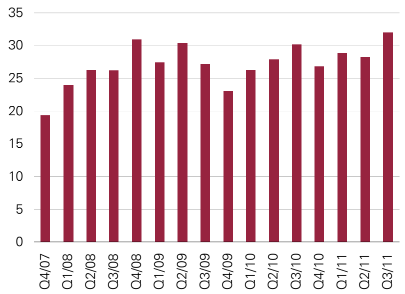
- Besides changes in management already realised, **the restructuring programme** of AIA also intends to clearly reduce the personnel level. The compensation payment to the former chairman already amounted to EUR 1.8m. Until December 31, 2012 staff is to be reduced by ca. 20%. The major part of the necessary measures is already to be finalised until December 31, 2011.Due to this reduction slightly lower sales are expected for 2012.

Due to a strong reported profitability the EPS estimate for 2012 will thus be raised to EUR 0.44. These include amortisations (PPA) of EUR 0.12 per share (PPA adjusted EPS: EUR 0.56). On the current share price level an adjusted P/E of 6 is calculated.

Based on the new estimates a DCF based PT of EUR 6.00 (EUR 5.20) is calculated, rating continues to remain Buy.

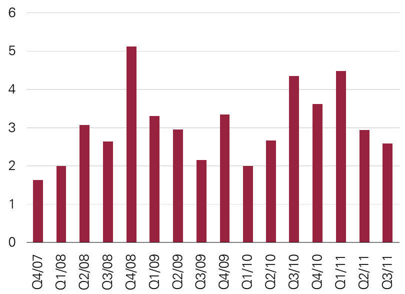
Fiscal year ending: 31.12. in EUR m	2007	2008	2009	2010	2011E	2012E	2013E
Sales	85.1	107	108	111	120	121	123
Change Sales yoy	n.a.	26.2 %	0.6 %	2.8 %	8.0 %	0.5 %	2.0 %
Gross profit	24.5	36.6	40.3	44.1	49.6	53.7	54.7
Gross margin	28.8 %	34.1 %	37.3 %	39.7 %	41.3 %	44.5 %	44.5 %
EBITDA	5.3	12.8	11.7	12.6	13.6	19.4	20.1
EBITDA-margin	6.3 %	11.9 %	10.9 %	11.4 %	11.3 %	16.1 %	16.3 %
EBIT	3.5	8.9	6.8	8.4	6.8	11.2	11.9
EBIT-margin	4.1 %	8.2 %	6.3 %	7.6 %	5.7 %	9.3 %	9.7 %
Net income	3.4	6.0	4.7	5.5	4.2	7.2	7.7
EPS	0.22	0.41	0.33	0.38	0.27	0.44	0.47
Free Cash Flow per share	0.24	0.66	0.35	0.37	0.30	0.62	0.64
Dividend	0.00	0.08	0.10	0.12	0.14	0.16	0.18
Dividend Yield	*n.a.*	*2.6 %*	*3.3 %*	*3.9 %*	*4.6 %*	*5.2 %*	*5.9 %*
EV/Sales	0.7	0.5	0.5	0.5	0.5	0.5	0.4
EV/EBITDA	10.8	4.5	4.9	4.6	4.8	2.9	2.4
EV/EBIT	16.5	6.5	8.4	6.8	9.5	5.1	4.1
PER	14.0	7.5	9.3	8.1	11.4	7.0	6.5
ROCE	10.3 %	23.9 %	16.4 %	18.5 %	12.3 %	17.5 %	18.0 %
Adj. Free Cash Flow Yield	4.7 %	17.6 %	15.5 %	16.9 %	16.3 %	28.8 %	34.6 %

Sales development
in EUR m



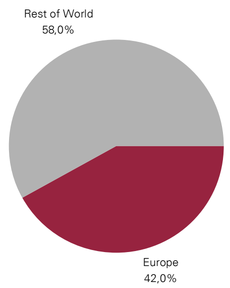
Source: Advance Inflight Alliance

EBITDA development
in EUR m



Source: Advance Inflight Alliance

Sales by regions
2010



Source: Advance Inflight Alliance

Company background

Market leader for inflight entertainment systems.

Competitive quality

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

Consolidated Profit & Loss Advanced Inflight Alliance in EUR m	2007	2008	2009	2010	2011E	2012E	2013E
Sales	**85.1**	**107**	**108**	**111**	**120**	**121**	**123**
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**85.1**	**107**	**108**	**111**	**120**	**121**	**123**
Material Expenses	60.6	70.8	67.7	67.0	70.4	66.9	68.3
Gross profit	**24.5**	**36.6**	**40.3**	**44.1**	**49.6**	**53.7**	**54.7**
Personnel expenses	12.4	16.3	19.0	21.9	25.6	23.8	24.0
Other operating income	0.9	2.3	0.4	0.3	0.4	0.4	0.4
Other operating expenses	7.7	9.8	10.0	9.9	10.8	10.9	11.1
Unfrequent items	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
EBITDA	**5.3**	**12.8**	**11.7**	**12.6**	**13.6**	**19.4**	**20.1**
Depreciation of fixed assets	0.6	0.8	0.9	1.0	1.2	1.3	1.4
EBITA	**4.7**	**12.0**	**10.8**	**11.6**	**12.4**	**18.1**	**18.7**
Amortisation of intangible fixed assets	1.3	3.2	4.0	3.2	5.5	6.9	6.8
Impairment charges and amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**3.5**	**8.9**	**6.8**	**8.4**	**6.8**	**11.2**	**11.9**
Interest income	0.9	0.3	0.1	0.1	0.1	0.1	0.1
Interest expenses	0.6	1.0	1.1	1.0	1.1	1.3	1.3
Financial result	0.4	-0.7	-1.0	-0.8	-1.0	-1.2	-1.2
Recurring pretax income from cont. operations	**3.8**	**8.2**	**5.9**	**7.6**	**5.8**	**10.0**	**10.7**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**3.8**	**8.2**	**5.9**	**7.6**	**5.8**	**10.0**	**10.7**
Taxes total	0.5	2.1	1.2	2.1	1.6	2.8	3.0
Net income from continuing operations	**3.4**	**6.0**	**4.7**	**5.5**	**4.2**	**7.2**	**7.7**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**3.4**	**6.0**	**4.7**	**5.5**	**4.2**	**7.2**	**7.7**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**3.4**	**6.0**	**4.7**	**5.5**	**4.2**	**7.2**	**7.7**

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

Consolidated Profit & Loss Advanced Inflight Alliance in % of Sales	2007	2008	2009	2010	2011E	2012E	2013E
Sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Increase / decrease in inventory	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Own work capitalised	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Material Expenses	71.2 %	65.9 %	62.7 %	60.3 %	58.7 %	55.5 %	55.5 %
Gross profit	**28.8 %**	**34.1 %**	**37.3 %**	**39.7 %**	**41.3 %**	**44.5 %**	**44.5 %**
Personnel expenses	14.6 %	15.2 %	17.6 %	19.7 %	21.3 %	19.7 %	19.5 %
Other operating income	1.1 %	2.1 %	0.4 %	0.3 %	0.3 %	0.3 %	0.3 %
Other operating expenses	9.0 %	9.1 %	9.3 %	9.0 %	9.0 %	9.0 %	9.0 %
Unfrequent items	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
EBITDA	**6.3 %**	**11.9 %**	**10.9 %**	**11.4 %**	**11.3 %**	**16.1 %**	**16.3 %**
Depreciation of fixed assets	0.7 %	0.7 %	0.8 %	0.9 %	1.0 %	1.1 %	1.1 %
EBITA	**5.6 %**	**11.2 %**	**10.0 %**	**10.4 %**	**10.3 %**	**15.0 %**	**15.2 %**
Amortisation of intangible fixed assets	1.5 %	2.9 %	3.7 %	2.9 %	4.6 %	5.7 %	5.5 %
Impairment charges and amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	**4.1 %**	**8.2 %**	**6.3 %**	**7.6 %**	**5.7 %**	**9.3 %**	**9.7 %**
Interest income	1.1 %	0.3 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.7 %	0.9 %	1.0 %	0.9 %	0.9 %	1.1 %	1.1 %
Financial result	0.4 %	-0.6 %	-0.9 %	-0.8 %	-0.8 %	-1.0 %	-1.0 %
Recurring pretax income from cont. operations	**4.5 %**	**7.6 %**	**5.4 %**	**6.8 %**	**4.9 %**	**8.3 %**	**8.7 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBT	**4.5 %**	**7.6 %**	**5.4 %**	**6.8 %**	**4.9 %**	**8.3 %**	**8.7 %**
Taxes total	0.5 %	2.0 %	1.1 %	1.9 %	1.4 %	2.3 %	2.4 %
Net income from continuing operations	**4.0 %**	**5.6 %**	**4.4 %**	**4.9 %**	**3.5 %**	**6.0 %**	**6.3 %**
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income before minorities	**4.0 %**	**5.6 %**	**4.4 %**	**4.9 %**	**3.5 %**	**6.0 %**	**6.3 %**
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**4.0 %**	**5.6 %**	**4.4 %**	**4.9 %**	**3.5 %**	**6.0 %**	**6.3 %**

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

Balance sheet Advanced Inflight Alliance

in EUR m	2007	2008	2009	2010	2011E	2012E	2013E
Assets							
Intangible assets	17.8	39.1	41.2	44.8	57.1	54.2	51.4
thereof other intangible assets	7.2	17.6	17.5	18.9	17.4	14.5	11.8
thereof Goodwill	10.6	21.4	23.7	25.8	39.7	39.7	39.7
Property, plant and equipment	2.2	2.4	2.4	2.2	3.1	2.4	1.7
Financial assets	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**20.2**	**41.5**	**43.7**	**47.0**	**60.2**	**56.6**	**53.1**
Inventories	0.2	0.4	0.7	1.1	1.2	1.2	1.2
Accounts receivable	12.2	17.9	17.0	18.8	21.4	22.1	23.3
Other Assets	8.1	6.7	6.7	7.3	7.3	7.3	7.3
Liquid assets	19.0	17.5	16.5	14.0	14.3	19.3	24.3
Current assets	**39.4**	**42.4**	**40.8**	**41.1**	**44.1**	**49.9**	**56.1**
Total assets	**59.6**	**83.9**	**84.5**	**88.1**	**104**	**107**	**109**
Liabilities and shareholders' equity							
Subscribed capital	14.8	14.5	14.5	14.5	16.6	16.6	16.6
Additional paid-in capital	8.3	8.7	8.8	8.9	12.0	12.0	12.0
Surplus capital	5.4	10.9	14.5	18.5	21.0	26.0	31.1
Other equity components	-1.5	-8.1	-4.5	-0.6	-0.6	-0.6	-0.6
Book value	27.1	26.1	33.3	41.4	49.0	54.0	59.1
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	**27.1**	**26.1**	**33.3**	**41.4**	**49.0**	**54.0**	**59.1**
Provision for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.1	0.1	0.4	0.2	0.2	0.2	0.2
Financial liabilities	6.6	14.4	9.3	6.6	14.1	11.1	8.1
Accounts payable	19.1	26.3	24.3	25.1	26.3	26.4	27.0
Other liabilities	6.7	17.1	17.3	14.8	14.8	14.8	14.8
Liabilities	**32.5**	**57.9**	**51.2**	**46.7**	**55.4**	**52.5**	**50.1**
Total liabilities and shareholders' equity	**59.6**	**83.9**	**84.5**	**88.1**	**104**	**107**	**109**

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

Balance sheet Advanced Inflight Alliance

in % of Balance Sheet Total	2007	2008	2009	2010	2011E	2012E	2013E
Assets							
Intangible assets	29.9 %	46.6 %	48.8 %	50.8 %	54.7 %	50.9 %	47.1 %
thereof other intangible assets	12.2 %	21.0 %	20.7 %	21.5 %	16.7 %	13.7 %	10.8 %
thereof Goodwill	17.7 %	25.6 %	28.0 %	29.3 %	38.0 %	37.3 %	36.3 %
Property, plant and equipment	3.8 %	2.9 %	2.9 %	2.5 %	3.0 %	2.3 %	1.5 %
Financial assets	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Fixed assets	**33.9 %**	**49.5 %**	**51.7 %**	**53.3 %**	**57.7 %**	**53.2 %**	**48.6 %**
Inventories	0.3 %	0.4 %	0.8 %	1.2 %	1.2 %	1.1 %	1.1 %
Accounts receivable	20.5 %	21.3 %	20.1 %	21.3 %	20.5 %	20.8 %	21.3 %
Other Assets	13.6 %	7.9 %	7.9 %	8.3 %	7.0 %	6.8 %	6.7 %
Liquid assets	31.8 %	20.8 %	19.5 %	15.8 %	13.7 %	18.1 %	22.2 %
Current assets	**66.2 %**	**50.6 %**	**48.3 %**	**46.6 %**	**42.3 %**	**46.8 %**	**51.3 %**
Total assets	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Liabilities and shareholders' equity							
Subscribed capital	24.8 %	17.3 %	17.2 %	16.5 %	15.9 %	15.6 %	15.2 %
Additional paid-in capital	14.0 %	10.3 %	10.4 %	10.1 %	11.5 %	11.3 %	11.0 %
Surplus capital	9.1 %	13.1 %	17.2 %	21.1 %	20.1 %	24.4 %	28.5 %
Other equity components	-2.6 %	-9.6 %	-5.3 %	-0.6 %	-0.5 %	-0.5 %	-0.5 %
Book value	45.4 %	31.1 %	39.4 %	46.9 %	46.9 %	50.7 %	54.1 %
Minority Interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total equity	**45.4 %**	**31.1 %**	**39.4 %**	**46.9 %**	**46.9 %**	**50.7 %**	**54.1 %**
Provision for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Provisions	0.2 %	0.1 %	0.4 %	0.2 %	0.2 %	0.2 %	0.2 %
Financial liabilities	11.1 %	17.1 %	11.0 %	7.5 %	13.5 %	10.4 %	7.4 %
Accounts payable	32.1 %	31.3 %	28.7 %	28.5 %	25.2 %	24.8 %	24.7 %
Other liabilities	11.2 %	20.4 %	20.4 %	16.9 %	14.2 %	13.9 %	13.6 %
Liabilities	**54.6 %**	**69.0 %**	**60.6 %**	**53.0 %**	**53.1 %**	**49.3 %**	**45.9 %**
Total liabilities and shareholders' equity	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

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

Statement of Cash Flows Advanced Inflight Alliance
in EUR m

	2007	2008	2009	2010	2011E	2012E	2013E
Net income	3.4	6.0	5.9	7.6	4.2	7.2	7.7
Depreciation of fixed assets	0.6	0.8	0.9	1.0	1.2	1.3	1.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.3	3.2	4.0	3.2	5.5	6.9	6.8
Increase/decrease in long-term provisions	-0.4	0.0	0.2	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	-2.7	4.5	-1.2	-1.2	0.0	0.0	0.0
Cash Flow	**2.2**	**14.5**	**9.8**	**10.6**	**10.9**	**15.4**	**15.8**
Increase / decrease in inventory	0.0	-0.2	-0.3	-0.4	-0.1	0.0	0.0
Increase / decrease in accounts receivable	1.1	-6.6	1.6	0.2	-2.6	-0.7	-1.2
Increase / decrease in accounts payable	1.4	4.8	-3.2	-0.3	1.2	0.1	0.6
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital	2.5	-2.1	-1.9	-0.5	-1.6	-0.6	-0.6
Cash flow from operating activities	**4.6**	**12.5**	**7.9**	**10.1**	**9.4**	**14.8**	**15.2**
CAPEX	-0.8	-2.8	-2.8	-4.8	-4.6	-4.6	-4.6
Payments for acquisitions	0.0	-17.1	-2.3	-3.7	-15.4	0.0	0.0
Financial investments	13.3	3.7	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	2.8	0.0	0.1	0.1	0.0	0.0	0.0
Cash flow from investing activities	**15.2**	**-16.2**	**-5.1**	**-8.3**	**-20.0**	**-4.6**	**-4.6**
Change in financial liabilities	-11.5	4.8	-2.3	-3.1	7.5	-3.0	-3.0
Dividends paid	0.0	0.0	-1.2	-1.5	-1.7	-2.2	-2.7
Purchase of own shares	-2.7	-0.5	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	5.2	0.0	0.0
Others	0.4	-0.7	-1.0	-0.9	0.0	0.0	0.0
Cash flow from financing activities	**-13.9**	**3.6**	**-4.4**	**-5.5**	**10.9**	**-5.2**	**-5.7**
Change in liquid funds	6.0	-0.1	-1.6	-3.7	0.3	5.0	5.0
Effects of exchange rate changes on cash	**-1.1**	**-1.4**	**0.6**	**1.1**	**0.0**	**0.0**	**0.0**
Liquid assets at end of period	**19.7**	**17.5**	**16.4**	**13.9**	**14.3**	**19.3**	**24.3**

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

Financial Ratios Advanced Inflight Alliance

	2007	2008	2009	2010	2011E	2012E	2013E
Operational Efficiency							
Total Operating Costs / Sales	93.7 %	88.1 %	89.1 %	88.6 %	88.7 %	83.9 %	83.7 %
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT-margin	4.1 %	8.2 %	6.3 %	7.6 %	5.7 %	9.3 %	9.7 %
EBITDA / Operating Assets	-118.0 %	-230.8 %	-286.4 %	-413.4 %	-2465.3 %	-2869.6 %	-2416.5 %
ROA	16.7 %	14.6 %	10.8 %	11.6 %	7.0 %	12.7 %	14.5 %
Efficiency of Capital Employment							
Plant Turnover	37.9	44.1	44.2	50.2	38.1	49.8	73.6
Operating Assets Turnover	-18.8	-19.3	-26.4	-36.4	-218	-178	-148
Capital Employed Turnover	2.5	2.7	2.5	2.3	1.9	1.9	1.8
Return on Capital							
ROCE	10.3 %	23.9 %	16.4 %	18.5 %	12.3 %	17.5 %	18.0 %
EBITDA / Avg. Capital Employed	15.8 %	34.6 %	28.3 %	27.9 %	24.4 %	30.3 %	30.3 %
ROE	12.5 %	23.2 %	14.2 %	13.2 %	8.6 %	13.4 %	13.1 %
Net Profit / Avg. Equity	24.9 %	22.8 %	15.9 %	14.7 %	9.3 %	14.0 %	13.7 %
Recurring Net Profit / Avg. Equity	25.0 %	22.8 %	15.9 %	14.7 %	9.3 %	14.0 %	13.7 %
ROIC	9.4 %	12.9 %	9.6 %	10.2 %	6.1 %	10.2 %	10.6 %
Solvency							
Net Debt	-12.3	-3.1	-7.2	-7.4	-0.2	-8.2	-16.2
Net Gearing	-45.6 %	-11.9 %	-21.5 %	-17.8 %	-0.4 %	-15.2 %	-27.4 %
Book Value of Equity / Book Value of Debt	408.0 %	181.3 %	357.7 %	628.2 %	347.9 %	487.3 %	731.0 %
Current ratio	1.3	0.8	0.9	0.9	1.0	1.1	1.2
Acid Test Ratio	1.3	0.8	0.9	0.9	0.9	1.1	1.2
EBITDA / Interest Paid	9.3	12.7	11.2	13.0	12.3	14.9	15.4
Interest Cover	n.a.	13.4	7.2	10.1	6.8	9.3	9.9
Cash Flow							
Free Cash Flow	3.8	9.7	5.1	5.4	4.8	10.2	10.6
Free Cash Flow / Sales	4.4 %	9.1 %	4.7 %	4.8 %	4.0 %	8.5 %	8.7 %
Adj. Free Cash Flow	2.7	10.1	8.9	9.7	10.6	16.3	16.9
Adj. Free Cash Flow / Sales	2.0 %	6.5 %	6.2 %	6.0 %	6.5 %	10.1 %	10.2 %
Free Cash Flow / Net Profit	112.3 %	160.9 %	107.6 %	98.0 %	113.2 %	141.6 %	137.8 %
Interest Received / Avg. Cash	4.9 %	1.9 %	0.6 %	0.9 %	0.7 %	0.6 %	0.5 %
Interest Paid / Avg. Debt	8.7 %	9.6 %	8.9 %	12.2 %	10.6 %	10.3 %	13.6 %
Dividend Payout Ratio	0.0 %	19.5 %	30.8 %	31.8 %	52.3 %	36.8 %	38.6 %
Fund Management							
Investment ratio	-14.6 %	-0.8 %	2.6 %	4.3 %	3.8 %	3.8 %	3.7 %
Maint. Capex / Sales	3.1 %	2.5 %	2.6 %	2.6 %	2.5 %	2.6 %	2.6 %
Capex / Dep	-671.7 %	-22.9 %	57.7 %	112.9 %	68.5 %	56.1 %	56.7 %
Avg. Working Capital / Sales	-7.9 %	-6.9 %	-6.7 %	-5.3 %	-3.7 %	-2.8 %	-2.3 %
Trade Creditors / Trade Debtors	63.8 %	68.2 %	70.1 %	74.8 %	81.4 %	83.7 %	86.3 %
Inventory turnover (days)	0.7	1.3	2.4	3.5	3.7	3.7	3.7
Receivables collection period (DSOs)	52.4	60.8	57.5	61.7	65.0	67.0	69.0
Payables collection period (days)	82.1	89.2	82.0	82.5	80.0	80.0	80.0
Cash conversion cycle (days)	-29.0	-27.1	-22.1	-17.3	-11.4	-9.3	-7.3
Valuation							
Dividend Yield	n.a.	2.6 %	3.3 %	3.9 %	4.6 %	5.2 %	5.9 %
P/B	1.9	2.0	1.5	1.2	1.0	0.9	0.9
EV/sales	0.7	0.5	0.5	0.5	0.5	0.5	0.4
EV/EBITDA	10.8	4.5	4.9	4.6	4.8	2.9	2.4
EV/EBIT	16.5	6.5	8.4	6.8	9.5	5.1	4.1
EV/FCF	15.2	5.9	11.3	10.7	13.6	5.5	4.6
P/E	14.0	7.5	9.3	8.1	11.4	7.0	6.5
P/CF	23.5	3.5	5.2	4.8	4.7	3.3	3.2
Adj. Free Cash Flow Yield	4.7 %	17.6 %	15.5 %	16.9 %	16.3 %	28.8 %	34.6 %

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

Free Cash Flow Yield - Advance Inflight Alliance

Figures in EUR m		2007	2008	2009	2010	2011e	2012e	2013e
Net Income		3.4	6.0	4.7	5.5	4.2	7.2	7.7
+ Depreciation + Amortisation		1.8	4.0	4.9	4.2	6.7	8.2	8.1
- Net Interest Income		0.4	-0.7	-1.0	-0.8	-1.0	-1.2	-1.2
+ Taxes		0.5	2.1	1.2	2.1	1.6	2.8	3.0
- Maintenance Capex		2.6	2.7	2.8	2.9	3.0	3.1	3.2
+ Others		0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Adjusted Free Cash Flow		**2.7**	**10.1**	**8.9**	**9.7**	**10.6**	**16.3**	**16.9**
Adjusted Free Cash Flow Yield		4.7%	17.6%	15.5%	16.9%	16.3%	28.8%	34.6%
Hurdle rate		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
= Enterprise Value		**57.5**	**57.5**	**57.5**	**57.5**	**64.7**	**56.7**	**48.7**
= Fair Enterprise Value		**27.2**	**101.1**	**89.4**	**97.2**	**105.6**	**163.2**	**168.5**
- Net Debt (Cash)		-7.4	-7.4	-7.4	-7.4	-0.2	-8.2	-16.2
- Pension Liabilities		0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Others		14.0	14.0	14.0	14.0	14.0	14.0	14.0
= Fair Market Capitalisation		**20.6**	**94.5**	**82.7**	**90.5**	**91.8**	**157.4**	**170.7**
No. of shares (m)		16.6	16.6	16.6	16.6	16.6	16.6	16.6
= Fair value per share (EUR)		**1.24**	**5.70**	**4.99**	**5.46**	**5.54**	**9.50**	**10.30**
premium (-) / discount (+) in %		-59.5%	85.7%	62.6%	78.0%	80.4%	209.3%	235.6%
Sensitivity Fair value per Share (EUR)								
	13.0%	0.86	4.29	3.75	4.11	4.07	7.22	7.96
	12.0%	0.97	4.69	4.09	4.49	4.48	7.86	8.61
	11.0%	1.09	5.15	4.50	4.93	4.96	8.60	9.38
Hurdle rate	**10.0%**	**1.24**	**5.70**	**4.99**	**5.46**	**5.54**	**9.50**	**10.30**
	9.0%	1.42	6.38	5.59	6.12	6.25	10.59	11.43
	8.0%	1.65	7.23	6.34	6.93	7.13	11.96	12.84
	7.0%	1.95	8.32	7.30	7.98	8.27	13.72	14.66

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

DCF Model - Advance Inflight Alliance

Figures in EUR m	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Sales	120.0	120.6	123.0	125.5	128.0	130.5	133.2	135.8	138.5	141.3	144.1	147.0	150.0	152.9
Change	*8.0%*	*0.5%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
EBIT	6.8	11.2	11.9	12.5	12.8	13.1	13.3	13.6	13.9	14.1	14.4	14.7	15.0	15.3
EBIT-Margin	*5.7%*	*9.3%*	*9.7%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
Tax rate	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*
NOPAT	4.9	8.1	8.6	9.0	9.2	9.4	9.6	9.8	10.0	10.2	10.4	10.6	10.8	11.0
Depreciation	6.7	8.2	8.1	6.3	6.4	6.5	6.7	6.8	6.9	7.1	7.2	7.4	7.5	6.1
in % of Sales	*5.6%*	*6.8%*	*6.6%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*4.0%*
Change in Liquidity from														
- Working Capital	-1.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.9
- Capex	-4.6	-4.6	-4.6	-5.0	-5.1	-5.2	-5.3	-5.4	-5.5	-5.7	-5.8	-5.9	-6.0	-6.1
Capex in % of Sales	*3.8%*	*3.8%*	*3.7%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (WACC-Model)	5.5	11.1	11.5	9.7	9.9	10.1	10.3	10.5	10.7	10.9	11.1	11.3	11.5	10.2

Model parameter

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

Valuation (mln)

Present values 2024e	74.5	Special items	14.0
Terminal Value	31.7		
Liabilities	-6.6		
Liquidity	14.0	No. of shares (mln)	16.57
Equity Value	**99.5**	**Value per share (EUR)**	**6.01**

Sensitivity Value per Share (EUR)

Terminal Growth

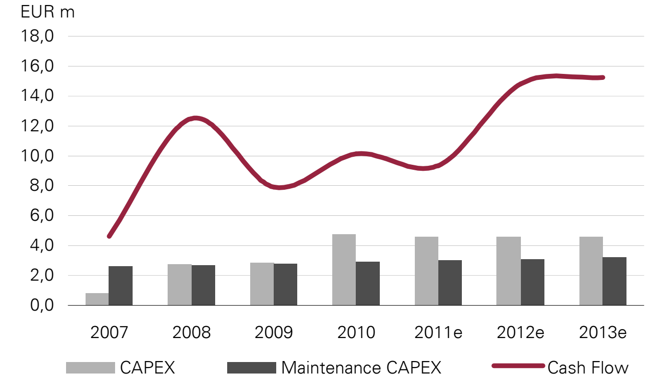
WACC	1.25%	1.50%	1.75%	**2.00%**	2.25%	2.50%	2.75%
11.35%	5.26	5.30	5.33	5.37	5.41	5.46	5.50
10.85%	5.54	5.58	5.63	5.67	5.72	5.77	5.83
10.60%	5.69	5.74	5.78	5.83	5.89	5.95	6.01
10.35%	5.85	5.90	5.95	**6.01**	6.07	6.13	6.20
10.10%	6.02	6.07	6.13	6.19	6.25	6.32	6.40
9.85%	6.19	6.25	6.32	6.38	6.45	6.53	6.61
9.35%	6.58	6.65	6.73	6.81	6.89	6.99	7.09

Delta EBIT margin

WACC	-1.5 pp	-1.0 pp	-0.5 pp	**0.0**	+0.5 pp	+1.0 pp	+1.5 pp
11.35%	4.52	4.81	5.09	5.37	5.66	5.94	6.22
10.85%	4.78	5.07	5.37	5.67	5.97	6.27	6.57
10.60%	4.91	5.22	5.53	5.83	6.14	6.45	6.76
10.35%	5.06	5.37	5.69	**6.01**	6.32	6.64	6.96
10.10%	5.21	5.54	5.86	6.19	6.51	6.84	7.17
9.85%	5.38	5.71	6.05	6.38	6.72	7.05	7.39
9.35%	5.73	6.09	6.45	6.81	7.17	7.52	7.88

Source: Warburg Research

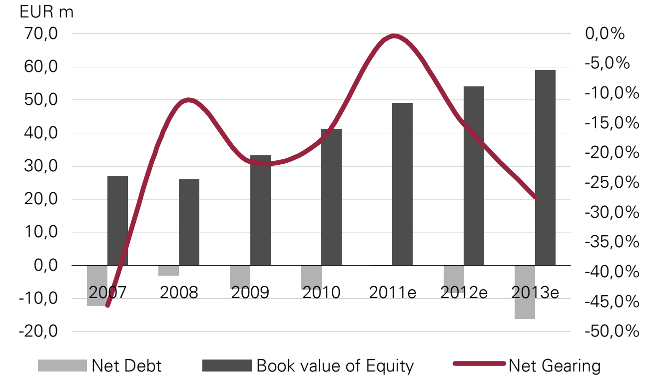
CAPEX and Cash Flow - Advance Inflight Alliance



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

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

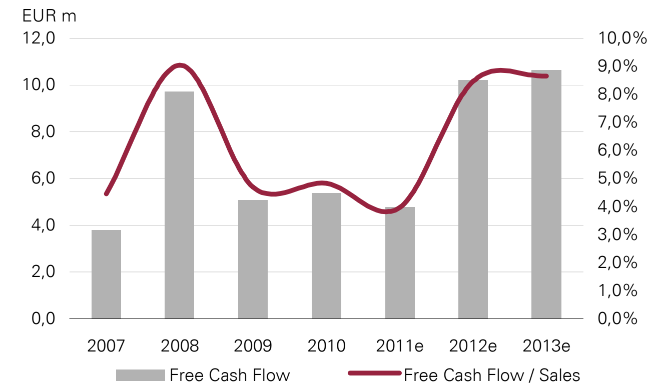
Balance Sheet Quality - Advance Inflight Alliance



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

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

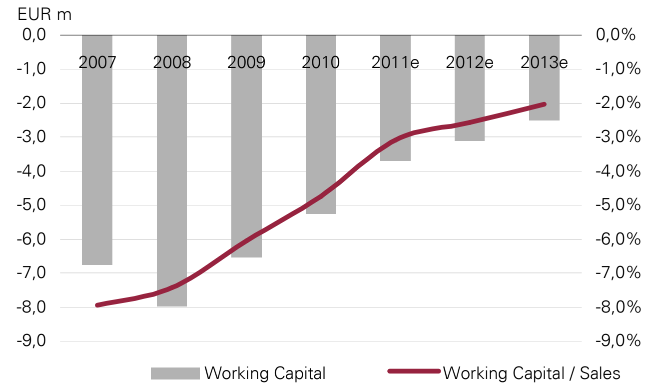
Free Cash Flow Generation - Advance Inflight Alliance



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

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

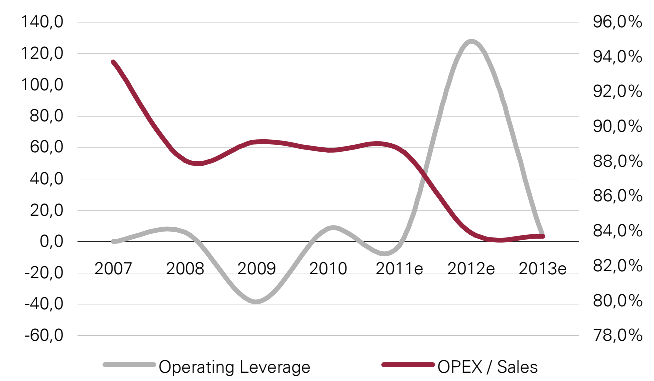
Working Capital - Advance Inflight Alliance



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

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

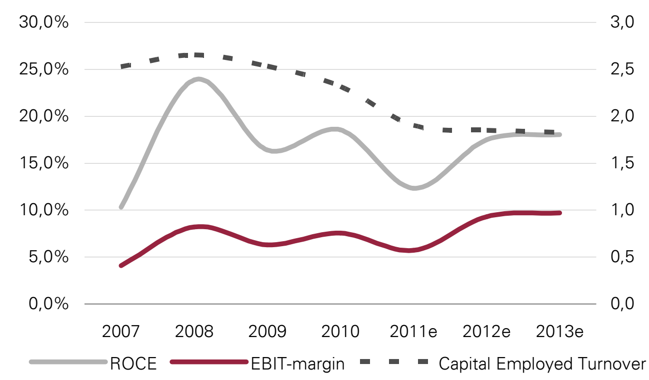
Operating Leverage - Advance Inflight Alliance



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

- Operating expenses exepcted to gradually in the next few years thanks to consequent cost optimation

ROCE Development - Advance Inflight Alliance



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

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

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

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Rating	Number of stocks	% of Universe
Buy	128	72%
Hold	42	24%
Sell	6	3%
Rating suspended	1	1%
Total	**177**	

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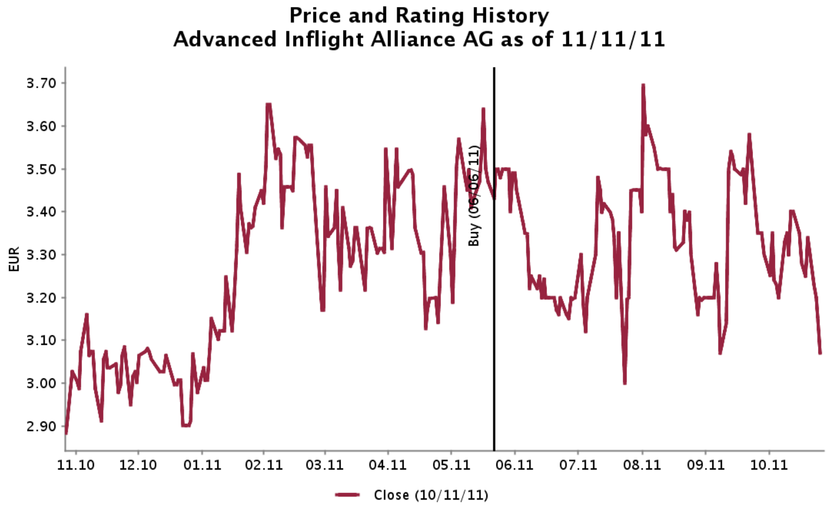
Rating	Number of stocks	% of Universe
Buy	108	78%
Hold	29	21%
Sell	1	1%
Rating suspended	1	1%
Total	**139**	



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

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