

Buy EUR 135.00	Value Indicators: EUR	Warburg ESG Risk Score: 3.0	Description:
	DCF: 136.00 FCF-Value Potential: 42.39	ESG Score (MSCI based): 3.0 Balance Sheet Score: 4.0 Market Liquidity Score: 2.0	Custom software and digital engineering
Price: EUR 86.00 Upside: 57.0 %	Market Snapshot: EUR m	Shareholders:	Key Figures (WRe): 2021e
	Market cap: 978.9 No. of shares (m): 11.4 EV: 1,099.7 Freefloat MC: 618.7 Ø Trad. Vol. (30d): 1.07 m	Freefloat: 63.2 % Carl G. Duerschmidt: 25.0 % Detlef Dinsel: 11.8 %	Beta: 1.1 Price / Book: 14.4 x Equity Ratio: 17 % Net Fin. Debt / EBITDA: 0.8 x Net Debt / EBITDA: 0.8 x

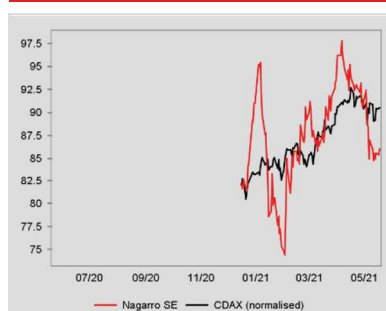
IT engineering meets structural digitalisation demand; Initiation with Buy

Nagarro is an IT engineering company providing the full range of services along the **custom software** value chain, such as conceptualisation, **agile software development** or maintenance. Digital commerce, CRM, ERP solutions as well as managed services are complementary business fields and support cross-selling. Since December 2020 and the spin-off from the Allgeier Group, Nagarro shares have been listed on the German stock exchange and offer investors exposure to a founder-driven enterprise with a strong entrepreneurial spirit. Nagarro's organic growth at a 2020-23e CAGR of 18% is outpacing market expansion of 12%. Growth is fuelled by the following drivers:

- Demand for **tailor-made software** remains high, as it allows companies to differentiate themselves from the competition and to digitalise processes that are not covered by standard solutions. Nagarro's agile approach, processes and organisational design as an essential basis for agility in projects and client engagements enable clients to quickly execute digitalisation projects to respond to technological and competitive challenges. The company has access to a scarce resource: **IT talent**. Supported by its proprietary software Ginger, a **distributed organisational model** enables **collaboration**, fast adaptation and high utilisation of its approx. 8,000 IT engineers, e.g. in India, China or Romania. At the same time, the company serves clients in higher-price regions such as Central Europe or North America. Average personnel costs of approx. EUR 30k contribute to competitive advantages.
- In addition to its focus on customer satisfaction, high employee retention, which exceeds that of competitors, enables Nagarro to seize new business opportunities.
- Nagarro's IT engineering and services offering is complemented by more than 40 technology partnerships with a strong footprint in cloud and exponentially growing technologies such as artificial intelligence, big data, IoT or multi-channel commerce.

While the measures to contain the COVID-19 pandemic were just a dent in Nagarro's historical organic growth pace of nearly 20%, management is targeting approx. 15% growth for 2021, which seems conservative. Execution should continue to proceed smoothly, as approx. 80% of revenue is generated based on a time-and-expense model and customer diversification is high. Nagarro services more than 750 clients of different sizes and across all verticals, leveraging its technological expertise. Revenue visibility is also high as more than 85% of revenues are usually contracted or budgeted at the beginning of a year. About 90% of sales are generated with existing clients, which reflects a high level of customer loyalty and allows the share of wallet to increase as the addressable market grows. Nagarro is perceived as a reliable partner accompanying the digitalisation journey. Economies of scale in central functions should contribute to continuous margin expansion.

While our fair value is based on a DCF model, the comparison with offshore providers trading at approx. **20x 2022e EV/EBIT** on average **underpins the share price potential**. Given the upside to our fair value, the attractive relative valuation and the intact growth trends, the coverage is initiated with a Buy rating and a PT of EUR 135.

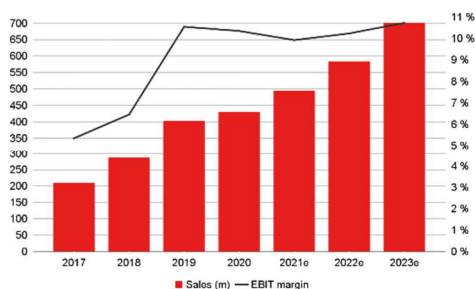


Rel. Performance vs CDAX:	
1 month:	-5.9 %
6 months:	n/a
Year to date:	-14.4 %
Trailing 12 months:	n/a

Company events:	
08.06.21	Warburg Highlights
28.06.21	AGM
13.08.21	Q2
12.11.21	Q3

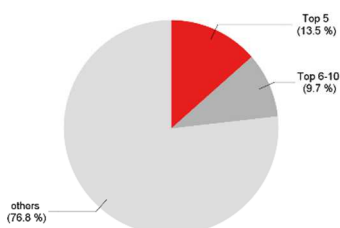
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Sales	17.6 %	210.6	287.3	402.4	430.4	494.9	584.0	700.8
Change Sales yoy		n.a.	36.5 %	40.1 %	6.9 %	15.0 %	18.0 %	20.0 %
gross margin (company reporting)		30.5 %	31.3 %	32.1 %	32.6 %	31.5 %	31.3 %	31.6 %
EBITDA adj.		25.5	34.3	55.0	76.2	77.3	91.9	113.2
<i>Margin</i>		12.1 %	12.0 %	13.7 %	17.7 %	15.6 %	15.7 %	16.2 %
EBITDA	17.6 %	21.4	32.3	61.6	66.2	73.3	87.4	107.7
<i>Margin</i>		10.1 %	11.2 %	15.3 %	15.4 %	14.8 %	15.0 %	15.4 %
EBIT	19.0 %	11.3	18.6	42.4	44.5	49.1	59.8	75.1
<i>Margin</i>		5.4 %	6.5 %	10.5 %	10.3 %	9.9 %	10.2 %	10.7 %
Net income before minorities		3.7	8.2	30.4	24.4	28.8	36.0	46.5
Net income	28.3 %	3.1	6.9	25.5	18.4	24.1	30.2	38.9
EPS	28.3 %	n.a.	n.a.	n.a.	1.62	2.12	2.65	3.42
FCFPS		n.a.	n.a.	n.a.	4.24	1.98	2.04	2.81
FCF / Market cap		n.a.	n.a.	n.a.	5.0 %	2.3 %	2.4 %	3.3 %
EV / Sales		n.a.	n.a.	n.a.	2.4 x	2.2 x	1.9 x	1.5 x
EV / EBIT adj.		n.a.	n.a.	n.a.	21.9 x	21.1 x	17.3 x	13.6 x
EV / EBIT		n.a.	n.a.	n.a.	23.6 x	22.4 x	18.2 x	14.2 x
P / E		n.a.	n.a.	n.a.	52.6 x	40.6 x	32.5 x	25.1 x
Net Debt		46.9	67.4	86.0	80.8	61.7	39.0	8.1
ROCE (NOPAT)		12.4 %	8.9 %	23.0 %	21.0 %	25.7 %	28.9 %	32.6 %
Guidance:		2021: revenue: approx. 15% growth; adj. EBITDA margin: approx. 15%						

Sales development in EUR m



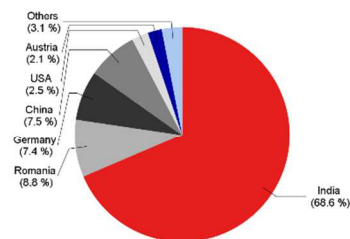
Source: Warburg Research

Customer split 2020



Source: Company

IT engineers by region 2020



Source: Warburg Research

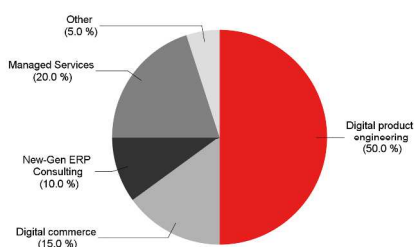
Company Background

- Nagarro provides technology and custom software development services for digital transformation,...
- ...with a focus on disruptive technologies such as artificial intelligence, big data, and internet of things.
- Complementary business fields such as managed services, e-commerce solutions or ERP consulting complete the offering.
- While the majority of revenue is generated in higher price countries, Nagarro is able to serve this demand with access to experts in regions associated with lower costs.

Competitive Quality

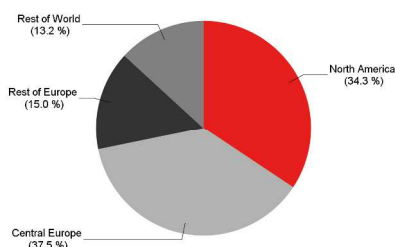
- Nagarro is a trusted and valued digitalisation partner developing tailor-made software to achieve competitive differentiation for its clients.
- Technological focus and expertise position the company as an IT engineering expert rather than a consulting or services company.
- Proprietary software Ginger supports collaboration, a decentralised organisational structure which provides access to IT talent and enables Nagarro to serve both, small and large companies around the globe.
- Organizational design and processes allow Nagarro to cross-fertilize knowledge across the global organisation and adapt quickly to new technologies and client needs with lean and agile teams and short time-to-market.
- Access to scarce IT specialists: Nagarro's approx. 8,000 IT experts e.g. in India, China or Romania have a strong footprint in future-oriented technologies such as cloud, AI, IoT, deep learning or big data.

Revenue by service line estimates / approx.



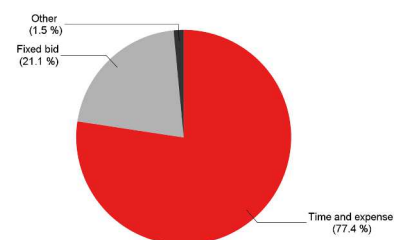
Source: Estimate Warburg Research

Sales by segments 2020; in %



Source: Warburg Research

Revenue by contract type 2020



Source: Warburg Research

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Summary of Investment Case

Investment triggers

- Custom software developer with an engineering DNA that allows expansion into complementary service areas.
- Founder-driven company with strong entrepreneurial spirit and flat, entrepreneurial management with more than a quarter of top-level leaders being entrepreneurs.
- Growth supported by strong secular tailwinds.
- Nagarro is little known among investors – valuations of US-listed peers underpin further share price potential.
- Since December 2020, Nagarro shares have been listed on the German stock exchange as a result of the spin-off from the Allgeier Group, offering investors exposure to a founder-driven enterprise with a strong entrepreneurial spirit.

Competitive quality

- Nagarro is a **trusted and valued digitalisation partner** developing tailor-made software to achieve competitive differentiation for its clients.
- Technological focus and expertise position the company as an IT engineering expert rather than a consulting or services company.
- Proprietary software **Ginger** supports collaboration and a distributed organisational structure that provides access to IT talent and enables Nagarro to **serve small and large companies worldwide**.
- **Access to scarce IT specialists** around the globe: with approx. 8,000 IT experts, e.g. in India, China and Romania, Nagarro has significant **cost advantages** over local IT service providers.
- Strong footprint in future-oriented technologies such as cloud, AI, IoT, deep learning or big data.
- Diversified client base and **high customer loyalty due to Nagarro's comprehensive understanding of customer solutions**.

Growth

- Thanks to impressive organic growth over the last few years (2017-2019 CAGR of 19%) and a successful M&A track record, Nagarro **has significantly outperformed the underlying market**.
- Nagarro **covers major disruptive IT trends** such as IoT, AI, machine learning or cloud, fuelling its organic growth.
- While the 2020 expansion was dampened by the measures to contain the COVID-19 pandemic, the pipeline is healthy.
- Management targets approx. 15% revenue growth in 2021. Thereafter, organic growth should return to historical levels of nearly 20% p.a.
- Peer group comparison illustrates further margin potential.

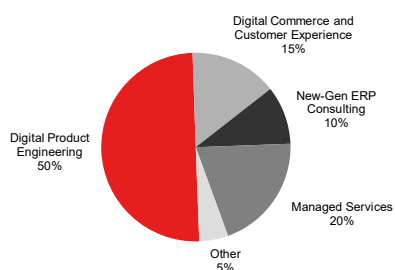
Valuation

- The price target of **EUR 135** is based on a **DCF model**.
- The **peer group comparison** indicates a fair value of approx. **EUR 113** and supports the significant upside potential derived from the DCF model.

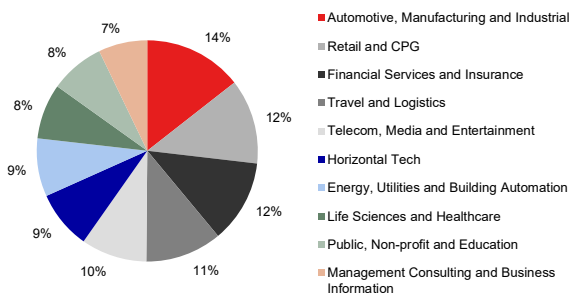
Company Overview

Business description	Nagarro provides technology and customer-specific software development services for digital transformation, with a focus on disruptive technologies such as artificial intelligence, big data, and internet of things. Complementary business fields such as managed services, e-commerce solutions or ERP consulting complete the offering.			
Service lines	<p>Digital Product Engineering Implementing custom-made software solutions for clients and support along the solution life cycle (e.g. conceptualisation, design, development, testing, maintenance, support).</p> <p>Digital Commerce & Customer Experience Solutions for e-commerce and multi-channel with a focus on customer experience. SAP's C/4 HANA and Adobe's Magento are among the third-party solutions supported in this business field.</p> <p>New-Gen ERP Strategy and process consulting, ERP solution implementation, SAP cloud solutions, migration to SAP S/4 HANA, custom-developed extensions.</p>	<p>Managed Services Running and managing customers' IT landscape. Offerings include application management (for both, custom-made software and third-party applications), cloud hosting, security operations management or helpdesk.</p> <p>Others Services such as third party testing, consulting and other services which can not be allocated to other business lines.</p>		
Segments	North America	Central Europe	Rest of Europe	Rest of World
Revenue 2020	EUR 148m	EUR 161m	EUR 65m	EUR 57m
Recurring revenues and visibility	Approx. 90% of sales are generated with existing customers. Usually, more than 85% of sales are already contracted or budgeted at the beginning of a given year.			
Targets	2021: approx. 15% organic revenue growth; approx. 15% adj. EBITDA margin ambition: return to historical organic revenue growth rates of approx. 20%; 15% adj. EBITDA margin			
Market growth	Nagarro's underlying worldwide digital IT engineering market is expected to grow at 12% p.a. until 2024, i.e. significantly faster than their overall IT services market.			
Competitors	Competitors are predominantly other IT engineering companies that offer similar product development and digital engineering such as EPAM, Globant or Endava. Consulting and IT services companies such as Accenture, Capgemini, TCS, Wipro, etc.			
Customers	Nagarro boasts more than 750 clients from various industries. The client base consists e.g. of large multinational clients, mid-sized regional players, as well as smaller companies.			

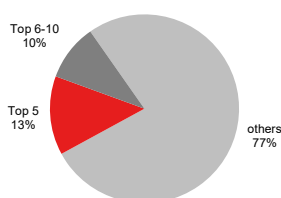
Revenue share by business fields (WRe)



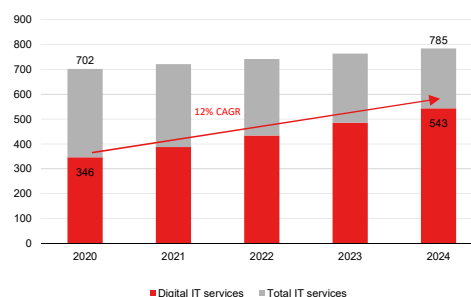
Leveraging technology skills in various industries



Customer split



Underlying market growth of 12% p.a. (USD bn)



Sources: Nagarro, IDC, Warburg Research

Competitive Quality

- Valued development partner for mission-critical software
- Engineering DNA supports value chain expansion
- Access to a scarce resource: IT specialists
- SAP expertise supports client access and cross-selling of expertise and development capabilities
- Leveraging technological expertise in various industries

Valued development partner for mission-critical software

Nagarro develops **mission-critical** solutions for its small, medium and large clients. The subsequent support and maintenance of the software solutions lead to high customer loyalty and support revenue visibility.

The **tailor-made** solutions enable Nagarro's clients to differentiate themselves from the competition and digitalise their business processes. The ability to carry out large and complex software development projects is reflected in the fact that several German DAX-listed companies and many international market and industry leaders rely on Nagarro's expertise. At the same time, its high agility and **scale** (approx. 8,000 IT engineers in global development centres) guarantee short time-to-market.

With Lufthansa, for example, Nagarro has developed the ticketing platform and flight planning software. Other customer examples include Siemens, Assa Abloy, or automotive OEMs such as Audi or BMW, as well as public-sector clients.

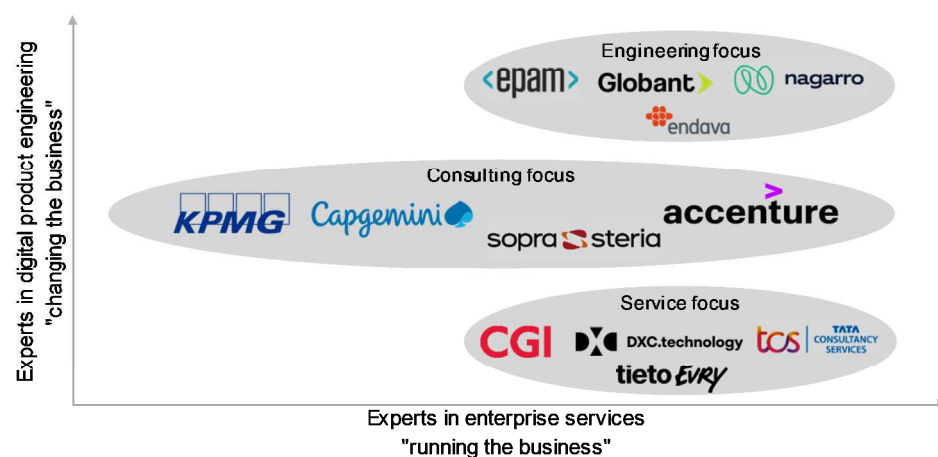
Approx. 90% of revenues are accompanied by high visibility

Engineering DNA supports value chain expansion

The competitive landscape can be broadly divided into three groups, i.e. engineering companies, companies with a strong footprint in consulting and service-oriented IT companies.

Nagarro's origins lie in IT engineering. This focus has enabled the company to leverage its expertise in adjacent service offerings and expand its value chain. However, the evolution from a service company to a technology-oriented player is associated with higher barriers due to clients' provider perceptions. This also explains why market participants such as DXC acquire engineering-oriented players such as Luxoft.

Characterised by its IT engineering origins



Sources: Nagarro, Warburg Research

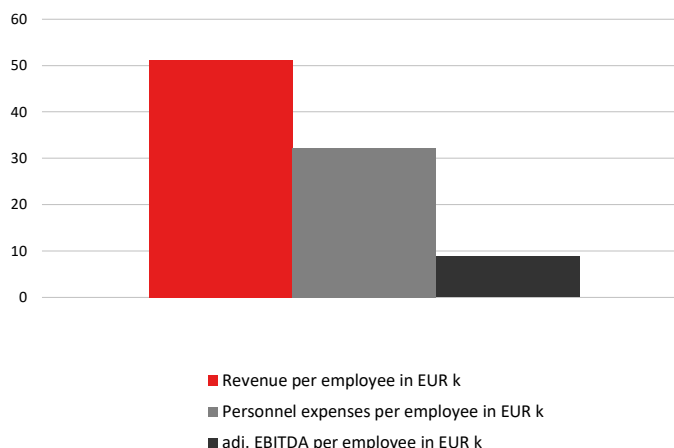
Access to a scarce resource: IT specialists

While the COVID-19 pandemic has underpinned the necessity to accelerate the digitalisation process, most countries around the globe are suffering from a structural shortage of skilled IT specialists. In Germany, for example, there are more than 100k IT-related vacancies. Combined with high GDP per capita, this shortage contributes to high personnel costs. Nagarro's access to IT competence in...

- ...Asia (India and China, approx. 69% and 8% of IT engineers who develop and manage high-end software applications) and...
- ...Eastern Europe (mainly Romania, approx. 9% of engineering personnel) ...

...facilitates digitalisation for its clients. This access to IT talent contributes to competitive advantages over local software providers, as indicated by the group's personnel costs of approx. EUR 30k per employee (WRe).

Per employee figures



Source: Warburg Research

Ginger facilitates a differentiated organisational structure...

Nagarro's corporate structure resembles a network of individual entrepreneurs rather than a company with hierarchical structures. The latter is also reflected in the fact that, depending on the skills required within a project, seniors may be under the direction of a junior. There is also no conventional CEO or CFO concept within the group. Nagarro has no headquarters and is watchful against territorialism or parochialism. Instead, Nagarro emphasizes the importance of Nagarro as a whole.

To facilitate collaboration, Nagarro has developed Ginger – its proprietary business operating system. This multi-channel interface supports communication and collaboration within the company. One of Ginger's main use cases is linking employees to resources and information within the company. Other functionalities aim to enhance client and employee engagement, supporting customer and employee satisfaction.

Consequently, agility and a flexible work style improve access to IT talent in various regions and enabled Nagarro to instantly adapt to the social distancing measures to fight the pandemic.

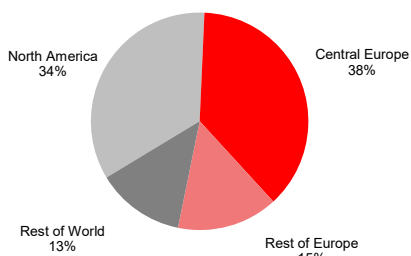
...and increases IT talent retention and remote service delivery

Nagarro has built a differentiated structure that supports a virtual global organisation, enabling collaboration across lean and agile teams that deliver change-the-business IT solutions that are mission-critical to Nagarro customers' operations.

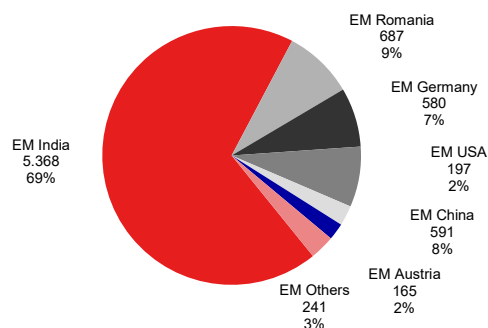
The higher flexibility associated with Nagarro's agile and distributed collaboration contributes to the perception of Nagarro as an attractive employer and consequently to improved recruitment and retention of engineering and management professionals across geographies. Higher employee retention, in turn, strengthens existing client engagements and contributes to new projects wins.

As Nagarro focuses not only on its customers but also on its employees, who are a key competitive factor, Nagarro's employee attrition of approx. 13% is significantly below the industry average for offshore IT service providers. This fact contributes to Nagarro's dynamic organic growth.

Revenue by regions



IT experts in lower-cost countries



Sources: Nagarro, Warburg Research

SAP expertise supports client access and cross-selling...

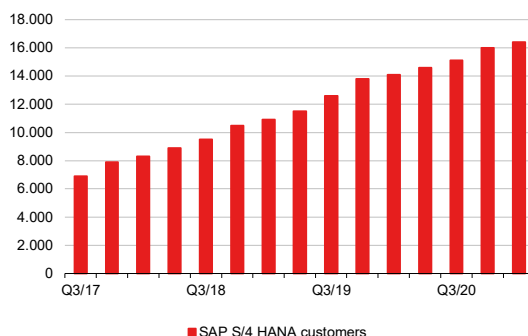
Nagarro’s SAP-related activities and experts, as well as many successful cloud transformation projects, have positioned Nagarro as an **SAP S/4 Cloud Focus Partner**. This certification is a strong reference for existing and potential customers. In Germany, there are less than a handful of SAP partners that achieve this status. Furthermore, it...

- ...provides Nagarro with **access to important SAP resources** such as technological support and intensive knowledge sharing such as training and coaching, and...
- ...**supports cross-selling**: SAP has more than 400k customers worldwide and is leading in ERP software with a global market share of 25-30%. SAP is also among the top providers in adjacent offerings such as software for HR, e-commerce, travel & expense management, supply chain etc. Nagarro’s SAP’s expertise supports access to projects and enhances Nagarro’s visibility among clients.

In 2020, SAP announced accelerated cloud migration plans that will further increase existing staffing bottlenecks created by SAP’s plans to transition clients to S/4 HANA by **2027**. Customers still running on legacy non-S/4 HANA solutions will not be supported by SAP after this deadline.

One of the few SAP Cloud Focus Partners SAP’s S/4 HANA customers require migration

SAP® Cloud Focus Partner









Sources: Nagarro, SAP, Warburg Research

...of its expertise and development capabilities

In addition to SAP, Nagarro maintains partnerships with over 40 other vendors. For example, the company is a partner for various Google products such as Google Cloud Services, Apigee and Google Glass. The cloud footprint is underpinned by partnerships with Salesforce, AWS and Microsoft. For Microsoft, Nagarro is also a system integrator for their Dynamics product. Other partnerships include Atlassian, where Nagarro is a platinum partner, or ServiceNow.

Examples of partnerships

 Microsoft Gold partner for Application Development, Cloud, Collaboration and Content; System Integrator for Dynamics	 Salesforce Gold partner for consulting	 SAP Gold partner and Diamond award winner for cloud; Hybris global business partner	SRI International SRI International Research and go-to-market partner
 Google Partner for Google Cloud Services, Apigee, and Google Glass	 Atlassian Platinum partner	 Amazon Web Services Consulting partner and reseller	40+ alliances

Source: Nagarro

Accompanying the digitalisation journey supports visibility

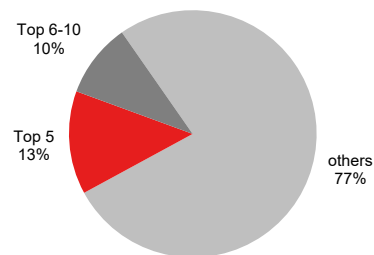
After winning a development and implementation project, Nagarro builds comprehensive knowledge of a customer’s business processes and tailor-made software solutions. Successful project delivery allows the share of customers’ IT budgets to be increased. Consequently, project sizes can reach EUR 5-10m or more in the third or fourth year of a customer relationship.

Nagarro is held in high esteem by its > 750 clients, as evidenced by high revenue levels of approx. 90% with existing customers. Insights into customer roadmaps and IT budgets provide visibility for 9-12 months. Long-term relationships are established not only by contracts, but also by the fact that digital transformation is an ongoing process that requires permanent adaptation of business processes and will usually lead to further follow-up projects. The further development as well as the maintenance and modernisation of the tailor-made software solutions therefore create a competitive moat that is hard to overcome.

Leveraging technological expertise for various industries and clients

For its clients, Nagarro is one of the preferred partners for topics related to the digitalisation of core business processes and IT modernisation, supported by new technologies such as artificial intelligence, deep learning, big data or IoT. Consequently, this technological expertise is leveraged for a growing customer base: While IT services companies often rely on just a few large customers, Nagarro serves **more than 750 clients** from nearly all industries and of all sizes, from innovative SMEs to major global corporations.

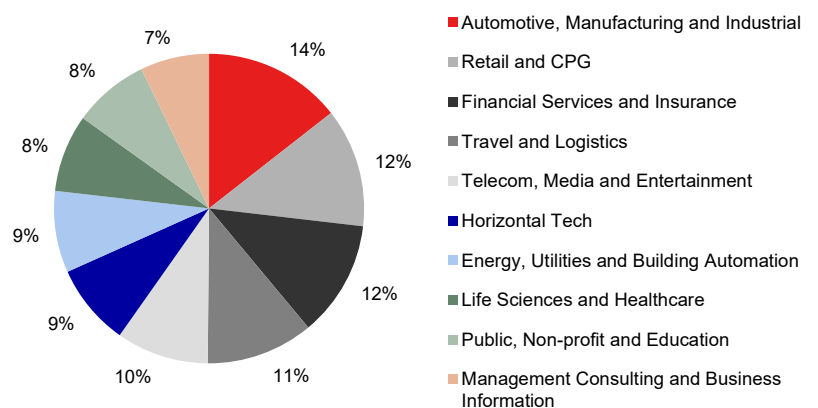
Diversified client base



Source: Nagarro

Nagarro’s technology-focused and industry-agnostic approach has allowed the company to achieve broad revenue diversification across various industries, contributing to higher resilience of the overall business model.

Leveraging technological expertise in various verticals



Source: Nagarro

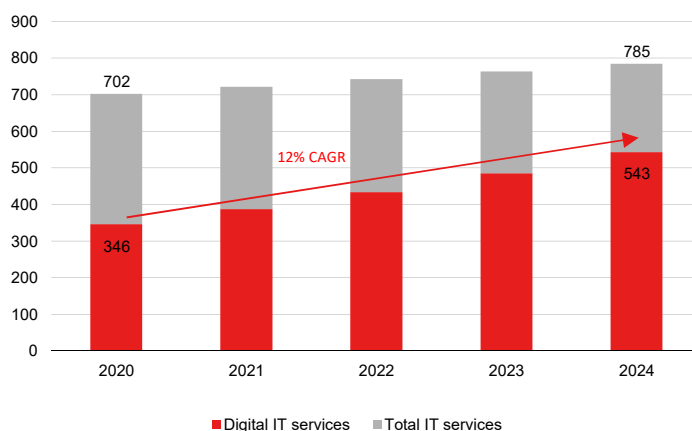
Growth / Financials

- Impressive track record of organic growth and successful M&A-strategy has enabled Nagarro to **significantly outperform the underlying market**.
- Nagarro **covers major disruptive, exponentially growing IT trends** such as IoT, AI and machine learning.
- While the 2020 business development was dampened by the measures to contain the pandemic, the pipeline is healthy, as reflected in Nagarro's 1,000 vacancies.
- Management targets approx. 15% revenue growth in 2021. Thereafter, growth should return to historical levels of approximately 20% organic growth.
- Management's medium-term target of an adj. EBITDA margin of 15% looks conservative, as economies of scale, e.g. in central functions, support higher margins.
- Peer group comparison shows further margin potential.

Digitalisation as secular growth trend

The overall global IT services market is expected to grow moderately at a CAGR of 3% until 2024. However, digital engineering, which is part of this market, is growing much more dynamically at an average rate of **12%**. As a result, the market is expected to reach a volume of EUR 543bn by 2024.

Digital engineering outpaces overall IT services market in USD bn



Source: IDC (2020 and 2024); Warburg Research (2021-23: estimate based on CAGR)

Demand for digital engineering is fuelled by various technological and social structural changes, supporting demand for services offered by companies like Nagarro.

Technological trends support market growth	
Automotive, manufacturing and industrial	Connected everything
Telecom, media and entertainment	Immersive experiences
Travel and aviation	Dynamic pricing
Financial services and insurance	Fintech
Retail and CPG	E-commerce
Lifesciences and healthcare	Connected health

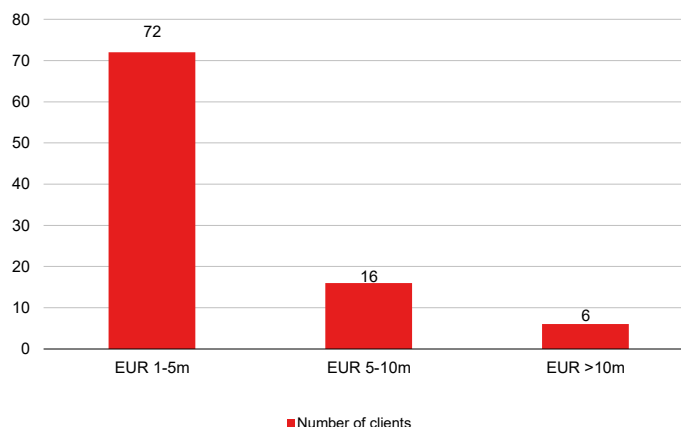
Source: Nagarro

In addition to technological drivers, demand for Nagarro's IT experts is supported by demographic factors and the shortage of IT talent – in Germany, for example, there are more than 100k vacancies that cannot be filled, which supports IT services demand. Nagarro is present in several countries that have higher supply of IT talent at reasonable cost, such as India, China and Romania.

Growing by supporting the client's digitalisation journey

When acquiring new customers, Nagarro often starts with smaller projects and grows the volume over time. Due to Nagarro's reliable project delivery, project sizes can reach EUR 5-10m after a few years. From a client base of over 750 small, medium and large companies, only about 90 have already grown into a meaningful revenue size. A growing share of a client's IT wallet therefore supports revenue growth.

Bigger share of wallet provides growth opportunities



Source: Nagarro

Impressive organic growth track record looks set to continue

Since 2017, Nagarro has grown by > 20% annually, both organically and through M&A. **Average organic growth 2017-2019 has been at an impressive level of 19%**, reflecting market share gains.

In 2020, however, some clients cut their IT spending. The strongest decline in 2020 compared to 2019 included clients in **Telecom, Media and Entertainment** (-13.9%), as well as **Energy, Utilities & Building Automation** (-11.6%). Business with other verticals expanded: **Horizontal Tech** grew by 23.9%, **Management Consulting & Business Information** by 20.9% and **Automotive, Manufacturing & Industrial** by 19.1%

As 2020 was impacted by social distancing measures, Nagarro looks set to return to its double-digit top-line growth in 2021 and has already announced that it is targeting organic revenue growth of approx. 15%. In the medium term, management is targeting an adj. EBITDA margin of 15%.

While the revenue growth targets are in line with our estimates, the margin target looks conservative. We assume that management aims to build a successful track record exceeding its targets.

M&A supports technological and regional expansion

Strategic acquisitions have been and will continue to be an integral part of Nagarro's growth strategy: they broaden and improve Nagarro's technological expertise and enable the expansion of its geographical reach. Due to its decentralised structure, new companies can be easily integrated into the organisation. Since teams are organised by skill set and region, new employees can be assigned to projects immediately.

The recent takeovers illustrate the strategy:

- The acquisitions of GES Systemhaus in 2020 and parts of Ciber in 2017 allowed Nagarro to expand its portfolio in terms of SAP-related products and broaden its client base in the public sector.
- The acquisition of Objectiva enabled Nagarro to expand its footprint in e-commerce and content.
- iQuest is active in verticals such as life sciences, financial services and energy. Moreover, Nagarro also acquired the development centres in Romania, which again supports the service and delivery model.

Nagarro takeovers		
Year	Target	Focus
2014	Hexa Business Services GmbH	Cloud consulting
2014	Softcon AG	Services for SAP and other software as well as self-developed solutions
2016	Conduct AS	Provider of open source solutions and services
2016	Mokriya Inc.	Design and engineering company
2017	Parts of Ciber Global	SAP consulting, implementation and managed services, as well as add-on development
2017	AI2S-Consulting SAS	SAP consulting and managed services
2018	ANECON Software Design und Beratung GmbH	Software development and consulting
2018	Objectiva Software Solutions Inc.	Provider of software outsourcing services
2018	iQuest Holding GmbH	Technology consultancy and software provider
2019	Farabi Technology Middle East LLC and the subsidiary Solutions 4 Mobility LLC	Developer for mobile applications to support digital transformation
2020	Public sector SAP division of GES Systemhaus GmbH & Co. KG	SAP software solutions provider with their own software suite
2020	Maihiro Products GmbH	SAP Add-on solutions (SAP CX, SAP S/4 HANA)
2021	Livisi GmbH	smart home IoT

Source: Nagarro

Economies of scale provide further margin potential

Income statement

in EUR m	2018	2019	2020	2021e	2022e	2023e
Sales	287.3	402.4	430.4	494.9	584.0	700.8
Own work capitalised	0.5	0.9	0.3	1.0	1.5	1.9
Total sales	287.8	403.3	430.7	495.9	585.5	702.7
Material Expenses	39.9	49.1	49.2	57.4	68.9	79.9
<i>ratio</i>	<i>13.9%</i>	<i>12.2%</i>	<i>11.4%</i>	<i>11.6%</i>	<i>11.8%</i>	<i>11.4%</i>
Personnel expenses	179.8	254.7	271.7	310.8	367.9	441.5
<i>ratio</i>	<i>62.6%</i>	<i>63.3%</i>	<i>63.1%</i>	<i>62.8%</i>	<i>63.0%</i>	<i>63.0%</i>
Other operating income	2.4	12.7	11.6	6.0	7.0	8.0
Other operating expenses	37.4	49.8	53.3	56.9	64.2	77.1
<i>ratio</i>	<i>13.0%</i>	<i>12.4%</i>	<i>12.4%</i>	<i>11.5%</i>	<i>11.0%</i>	<i>11.0%</i>
EBITDA adjusted	34.3	55.0	76.2	77.3	91.9	113.2
<i>margin</i>	<i>12.0%</i>	<i>13.7%</i>	<i>17.7%</i>	<i>15.6%</i>	<i>15.7%</i>	<i>16.2%</i>
EBITDA	32.3	61.6	66.2	73.3	87.4	107.7
<i>margin</i>	<i>11.2%</i>	<i>15.3%</i>	<i>15.4%</i>	<i>14.8%</i>	<i>15.0%</i>	<i>15.4%</i>

Sources: Nagarro (reported figures), Warburg Research (estimates)

Owing to Nagarro's business model, **personnel expenses** represent the lion's share of costs. They range from 62-63% (according to the income statement) or 52-54% (as part of cost of sales) compared to sales and fluctuate depending on utilisation and currencies (see table below). **Material expenses** are mainly related to subcontractors, which contribute to costs flexibility. The 12% ratio is comparable to peers e.g. in Germany.

As most office buildings and computer hardware are leased, IFRS 16-related depreciation of right-of-use assets accounts for most of the depreciation. Apart from leasing, the business is capital-light, as is reflected in the cash flow statement.

EBITDA adjustments mainly relate to non-operating items. In 2020, for example, the main part of the adjustments was attributable to Nagarro in connection with the spin-off of the company and the listing of its shares.

A significant portion of **other operating income** in 2019 was attributable to the change in the fair value of purchase price liabilities in connection with the acquisition of Objectiva. The change accounts for EUR 7m. **Currency exposure** that could impact the top- and bottom-line development exists in particular for the Indian rupee, Romanian leu, Chinese renminbi, and US dollar. Nagarro conducts foreign exchange forward transactions to hedge currency fluctuations.

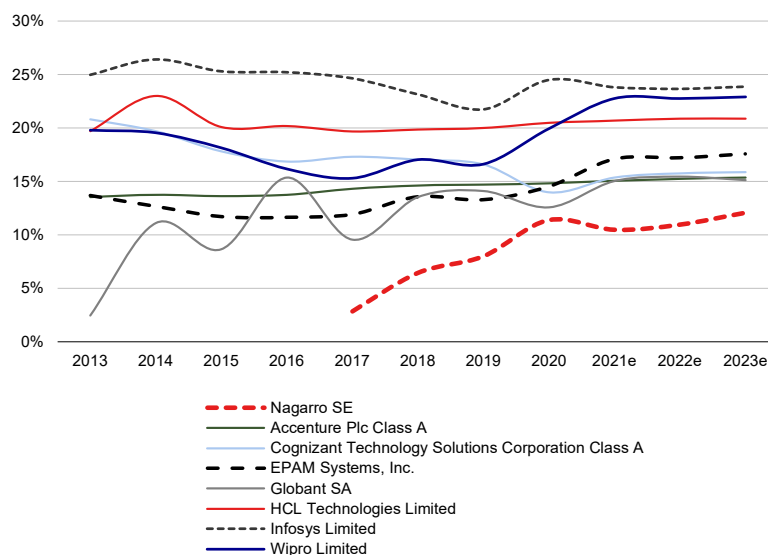
Cost of sales

in EUR m	2018	2019	2020	2021e	2022e	2023e
Sales	287.3	402.4	430.4	494.9	584.0	700.8
Cost of sales	197.4	273.3	290.2	339.0	401.2	479.6
thereof cost of materials	39.9	49.1	49.2	57.4	68.9	79.9
<i>ratio</i>	<i>13.9%</i>	<i>12.2%</i>	<i>11.4%</i>	<i>11.6%</i>	<i>11.8%</i>	<i>11.4%</i>
therof staff costs	149.4	212.4	233.6	266.3	315.4	378.4
<i>ratio</i>	<i>52.0%</i>	<i>52.8%</i>	<i>54.3%</i>	<i>53.8%</i>	<i>54.0%</i>	<i>54.0%</i>
gross profit (company reporting)	89.9	129.1	140.2	155.9	182.8	221.3
<i>ratio</i>	<i>31.3%</i>	<i>32.1%</i>	<i>32.6%</i>	<i>31.5%</i>	<i>31.3%</i>	<i>31.6%</i>
SG&A	55.6	74.1	64.0	84.6	93.4	116.3
<i>ratio</i>	<i>12.0%</i>	<i>13.7%</i>	<i>17.7%</i>	<i>15.6%</i>	<i>15.7%</i>	<i>16.2%</i>
EBITDA adjusted	34.3	55.0	76.2	77.3	91.9	113.2
Adjustments EBITDA	2.1	-6.5	10.0	4.0	4.5	5.5
EBITDA	32.3	61.6	66.2	73.3	87.4	107.7

Sources: Nagarro (reported figures), Warburg Research (estimates)

As the EBIT development of recent years shows, Nagarro has succeeded in increasing profitability. This trend has mainly been supported by economies of scale. Driven by Nagarro’s revenue growth, this trend looks set to continue. Nagarro’s peers demonstrate the margin potential that is associated with higher revenues.

EBIT margin comparison reflects further margin potential



Sources: FactSet (consensus estimates)

Minorities of 16.17% reported in the P&L are attributable to management and co-founders. These minorities reflect the company’s entrepreneurial approach to aligning the interests of management and shareholders.

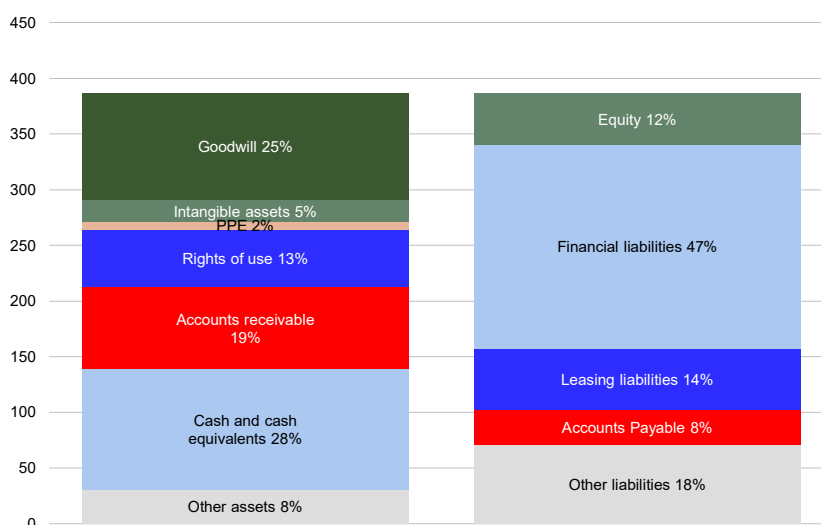
A capital-light business model

Balance sheet characterised by acquisitions and spin-off

As Nagarro generates revenues through its service delivery, capital intensity is low. This is also reflected in the balance sheet. Most of the fixed assets are reflected in intangibles, which in turn are a result of Nagarro’s M&A history.

As a service company, working capital mainly relates to receivables. To finance receivables, Nagarro entered into a factoring facility with a limit of EUR 20m in September 2020. Other liabilities also include employee liabilities (salaries etc.), which are comparable to a position reducing the net working capital.

Balance sheet 2020



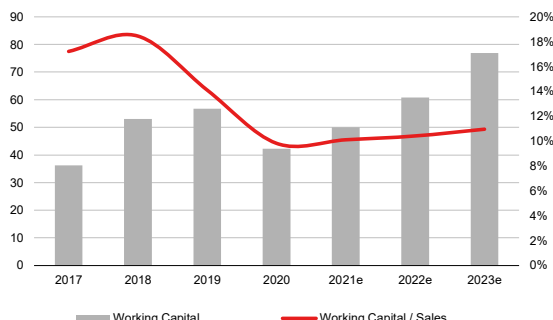
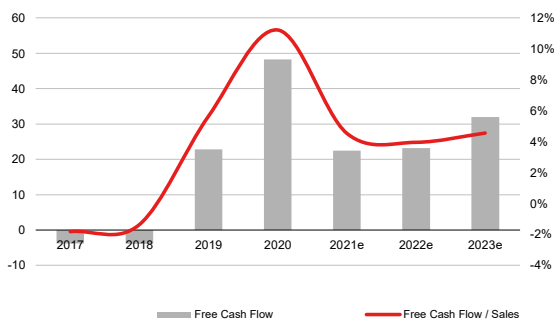
Sources: Nagarro, Warburg Research

Strong cash flow supports M&A activities

Nagarro’s capital expenditures are negligible and mainly relate to e.g. office equipment, software, etc. Investments in property, plant and equipment are low.

FCF generation

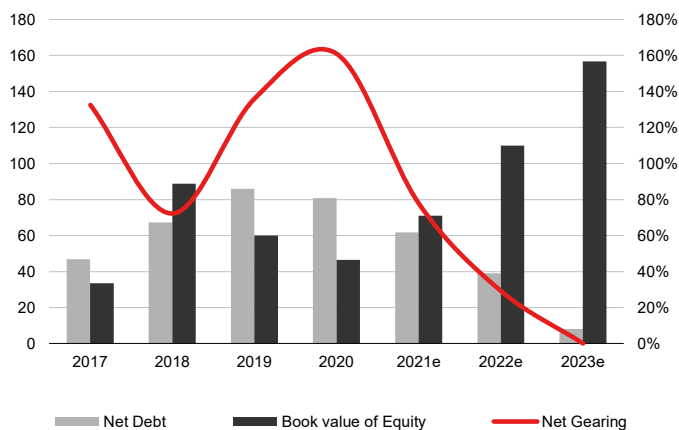
Working capital development



Source: Warburg Research

Considering the solid cash flow generation, Nagarro should be able to strengthen its capital structure, while continuing to meet its working capital requirements and acquire complementary enterprises. As the underlying market is in the process of consolidation, management does not currently plan to pay a dividend.

Cash flow supports deleveraging

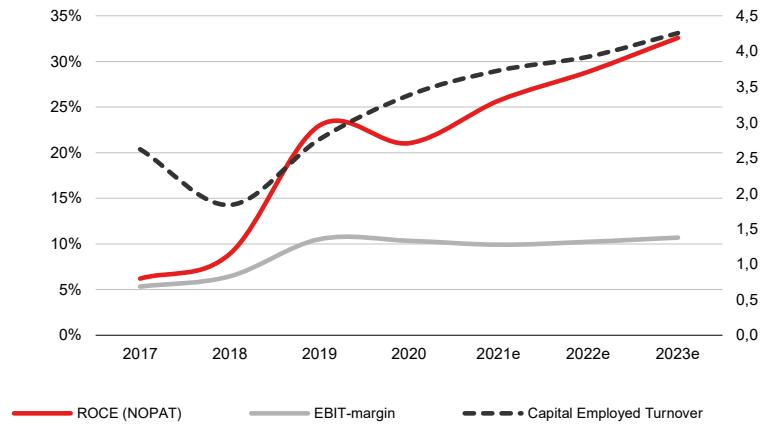


Source: Warburg Research

ROCE benefits from strong growth

The low capital intensity of the business supports ROCE development. Combined with a solid top-line performance and slight margin expansion, EBIT is expected to grow dynamically, leading to an attractive ROCE. The fact that ROCEs are well above the cost of capital indicates that the acquisitions made in the past have been value-accretive.

ROCE development



Source: Warburg Research

Valuation

- The price target of **EUR 135** is based on a **DCF model**.
- The **peer group comparison** indicates a fair value of approx. **EUR 113** and supports the significant upside potential derived from the DCF model.

DCF model

The PT of EUR 135 is based on a DCF model and the following assumptions:

Revenue growth 2020-2023e at a CAGR of 18% is a result of:

- the gradual economic recovery supporting Nagarro's return to its historical revenue growth of approx. 20%, and
- a strong positioning in structural trends such as IT security, cloud computing, IoT and big data analysis.

The long-term growth rate of 2% is approximated after the transition period between 2024 and 2033.

We have modelled a slight EBIT margin expansion towards 11-12%, flanked by economies of scale and continued high capacity utilisation. The peer group comparison indicates that our assumptions might be too conservative. The beta of 1.1 reflects Nagarro's solid FCF generation and a robust business model supported by structural tailwinds.

Conclusion: These model assumptions lead to the PT of EUR 135.

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	
Sales	494.9	584.0	700.8	805.9	919.6	1,041.5	1,171.2	1,308.4	1,452.4	1,602.7	1,758.6	1,919.4	1,957.8	
Sales change	15.0 %	18.0 %	20.0 %	15.0 %	14.1 %	13.3 %	12.5 %	11.7 %	11.0 %	10.3 %	9.7 %	9.1 %	2.0 %	2.0 %
EBIT	49.1	59.8	75.1	90.4	103.2	116.9	131.4	146.8	163.0	179.8	197.3	215.4	219.7	
EBIT-margin	9.9 %	10.2 %	10.7 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	
Tax rate (EBT)	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	
NOPAT	33.4	40.7	51.1	61.5	70.2	79.5	89.4	99.8	110.8	122.3	134.2	146.4	149.4	
Depreciation	24.2	27.6	32.6	8.9	9.2	10.4	11.7	13.1	14.5	16.0	17.6	19.2	21.5	
in % of Sales	4.9 %	4.7 %	4.6 %	1.1 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.1 %	
Changes in provisions	0.5	0.5	1.0	1.2	1.3	1.4	1.5	1.6	1.6	1.7	1.8	1.8	0.4	
Change in Liquidity from														
- Working Capital	7.7	10.8	16.1	19.8	13.6	14.6	15.6	16.5	17.3	18.0	18.7	19.3	4.6	
- Capex	4.0	5.4	6.4	8.9	10.1	11.5	12.9	14.4	16.0	17.6	19.3	21.1	21.5	
Capex in % of Sales	0.8 %	0.9 %	0.9 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	
Other	20.3	23.9	28.7	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)	26.1	28.7	33.5	42.9	56.9	65.2	74.1	83.6	93.7	104.4	115.5	127.1	145.2	148
PV of FCF	26.1	26.8	29.2	35.0	43.4	46.5	49.4	52.1	54.6	56.9	58.8	60.5	64.6	1,323
share of PVs	4.26 %			27.08 %										68.65 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	11.00 %	Financial Strength	1.10
Cost of debt (after tax)	2.4 %	Liquidity (share)	1.10
Market return	7.00 %	Cyclicality	1.10
Risk free rate	1.50 %	Transparency	1.10
		Others	1.10
WACC	6.98 %	Beta	1.10

Valuation (m)

Present values 2033e	604		
Terminal Value	1,323		
Financial liabilities	183		
Pension liabilities	6		
Hybrid capital	0		
Minority interest	297		
Market val. of investments	0		
Liquidity	108	No. of shares (m)	11.4
Equity Value	1,550	Value per share (EUR)	136.14

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.30	8.0 %	93.51	96.48	99.68	103.16	106.93	111.05	115.57	1.30	8.0 %	83.03	89.74	96.45	103.16	109.87	116.57	123.28
1.20	7.5 %	106.07	109.74	113.73	118.09	122.86	128.11	133.92	1.20	7.5 %	95.88	103.28	110.68	118.09	125.49	132.90	140.30
1.15	7.2 %	113.17	117.28	121.76	126.67	132.07	138.04	144.68	1.15	7.2 %	103.26	111.06	118.86	126.67	134.47	142.27	150.07
1.10	7.0 %	120.93	125.54	130.58	136.14	142.28	149.11	156.74	1.10	7.0 %	111.41	119.65	127.90	136.14	144.38	152.62	160.86
1.05	6.7 %	129.42	134.61	140.33	146.64	153.66	161.51	170.35	1.05	6.7 %	120.46	129.19	137.91	146.64	155.37	164.10	172.83
1.00	6.5 %	138.76	144.64	151.13	158.36	166.43	175.52	185.83	1.00	6.5 %	130.54	139.81	149.09	158.36	167.63	176.90	186.17
0.90	6.0 %	160.52	168.16	176.70	186.32	197.23	209.70	224.10	0.90	6.0 %	154.63	165.19	175.76	186.32	196.89	207.45	218.01

- Slight EBIT margin expansion anticipated
- Other: IFRS 16 impact in the detailed forecast. Depreciation and capex at same levels thereafter.

Peer group highlights undervaluation

Nagarro competes with companies from various fields, such as Accenture or Tata Consultancy Services for large enterprise. EPAM or Globant are players Nagarro encounters in complex IT engineering projects.

While this comparison serves to derive a value indication, it is influenced by differences between the companies in terms of growth, geographic positioning, size and competitive positioning.

Accenture (IRL)

Employees: approx. 500,000

Accenture is a global professional service company providing a broad range of services and solutions in strategy, consulting, digitalisation, technology and operations.

Cognizant (USA)

Employees: approx. 300,000

Cognizant is an IT service company that provides services in consulting, information technology, information security, ITO and BPO.

Endava (UK)

Employees: approx. 7,200

Endava is a software development firm that also offers digital transformation consulting.

EPAM Systems (USA)

Employees: approx. 40,000

EPAM Systems is an IT consulting company that offers services related to software product development and digital platform engineering.

Globant (LUX)

Employees: approx. 12,000

Globant mainly develops software products that support companies in their digital transformation. The company also consults clients on their strategy and culture.

HCL Technologies (IND)

Employees: approx. 150,000

HCL Technologies is a services and consulting company that provides application services, systems integration and BPO services, among other IT-related services.

Infosys (IND)

Employees: approx. 250,000

Infosys is a consulting, technology and outsourcing company that provides end-to-end business solutions enabling clients to enhance their business performance. It offers information technology services, engineering services, consulting services, BPO services and products and platforms.

Tata Consultancy Services (IND)

Employees: approx. 450,000

Tata Consultancy Services (TCS) is an IT services company that also offers business solutions and outsourcing.

Wipro (IND)

Employees: approx. 190,000

Wipro Limited offers IT services and products. Additionally, the company acts as a consulting and business process service company.

Peer group data for valuation multiples

Company	LC	Price in LC	MC in LC m	EV in LC m	EPS			Sales			Sales CAGR	EBIT			EBIT CAGR
					21e	22e	23e	21e	22e	23e		21e	22e	23e	
Accenture Plc Class A	USD	287.00	190,888.0	181,108.7	8.47	9.37	10.17	49,123.0	52,732.0	56,412.0	7%	7,390.5	8,021.7	8,636.1	8%
Cognizant Technology Solutions Corporation Class A	USD	70.64	37,253.7	37,263.3	3.96	4.37	4.75	18,000.3	19,094.0	20,291.0	6%	2,769.0	3,027.5	3,201.9	8%
Endava Plc Sponsored ADR Class A	USD	90.00	3,055.1	5,093.9	1.57	1.88	2.20	600.2	733.6	887.1	22%	115.2	140.4	171.5	22%
EPAM Systems, Inc.	USD	447.74	25,254.7	25,412.1	7.75	9.50	11.80	3,445.9	4,228.6	5,225.6	23%	589.3	730.0	903.0	24%
Globant SA	USD	212.58	8,409.6	8,746.0	3.40	4.05	5.09	1,136.7	1,361.0	1,662.9	21%	184.8	224.0	255.3	18%
HCL Technologies Limited	INR	921.90	2501,732.3	2411,027.9	50.99	57.00	62.10	851,560.2	943,328.0	1029,765.9	10%	175,616.5	196,077.5	210,779.0	10%
Infosys Limited	INR	1,329.15	5663,229.0	5436,693.8	52.78	59.60	66.70	1169,851.0	1307,949.4	1448,364.0	11%	278,136.9	312,125.0	349,380.7	12%
Tata Consultancy Services Limited	INR	3,069.80	11355,344.0	11218,880.6	106.80	118.50	130.60	1899,113.5	2106,727.0	2298,787.0	10%	500,650.0	557,668.0	594,876.0	9%
Wipro Limited	INR	499.65	2842,511.5	2589,359.3	20.55	22.80	25.11	736,606.0	809,995.0	872,875.0	9%	131,953.0	145,803.0	161,144.5	11%
Nagarro	EUR	86.00	978.9	1,099.7	2.12	2.65	3.42	494.9	584.0	700.8	19%	49.1	59.8	75.1	24%

Sources: FactSet, Warburg Research

As the P/E ratio is often distorted by the capital structure of a company, we base our valuation on EV/EBIT. Looking at these multiples, Nagarro shows significant upside, especially compared to peers such as Endava or EPAM, which have a similar growth rate to Nagarro.

In conclusion, based on EV/EBIT, the fair value per share is indicated at EUR 113, supporting the upside potential derived from the DCF model.

Peer group valuation multiples

Company	LC	Price in LC	MC in LC m	EV in LC m	P/E			EV / Sales			Sales CAGR	EV / EBIT			EBIT CAGR
					21e	22e	23e	21e	22e	23e		21e	22e	23e	
Accenture Plc Class A	USD	287.00	190,888.0	181,108.7	33.9 x	30.6 x	28.2 x	3.7 x	3.4 x	3.2 x	7%	24.5 x	22.6 x	21.0 x	8%
Cognizant Technology Solutions Corporation Class A	USD	70.64	37,253.7	37,263.3	17.8 x	16.2 x	14.9 x	2.1 x	2.0 x	1.8 x	6%	13.5 x	12.3 x	11.6 x	8%
Endava Plc Sponsored ADR Class A	USD	90.00	3,055.1	5,093.9	57.2 x	47.9 x	40.9 x	8.5 x	6.9 x	5.7 x	22%	44.2 x	36.3 x	29.7 x	22%
EPAM Systems, Inc.	USD	447.74	25,254.7	25,412.1	57.8 x	47.1 x	37.9 x	7.4 x	6.0 x	4.9 x	23%	43.1 x	34.8 x	28.1 x	24%
Globant SA	USD	212.58	8,409.6	8,746.0	62.5 x	52.5 x	41.8 x	7.7 x	6.4 x	5.3 x	21%	47.3 x	39.0 x	34.3 x	18%
HCL Technologies Limited	INR	921.90	2501,732.3	2411,027.9	18.1 x	16.2 x	14.8 x	2.8 x	2.6 x	2.3 x	10%	13.7 x	12.3 x	11.4 x	10%
Infosys Limited	INR	1,329.15	5663,229.0	5436,693.8	25.2 x	22.3 x	19.9 x	4.6 x	4.2 x	3.8 x	11%	19.5 x	17.4 x	15.6 x	12%
Tata Consultancy Services Limited	INR	3,069.80	11355,344.0	11218,880.6	28.7 x	25.9 x	23.5 x	5.9 x	5.3 x	4.9 x	10%	22.4 x	20.1 x	18.9 x	9%
Wipro Limited	INR	499.65	2842,511.5	2589,359.3	24.3 x	21.9 x	19.9 x	3.5 x	3.2 x	3.0 x	9%	19.6 x	17.8 x	16.1 x	11%
Average					36.2 x	31.2 x	26.9 x	5.1 x	4.4 x	3.9 x		27.5 x	23.6 x	20.7 x	
Median					28.7 x	25.9 x	23.5 x	4.6 x	4.2 x	3.8 x		22.4 x	20.1 x	18.9 x	
Nagarro	EUR	86.00	978.9	1,099.7	40.6 x	32.5 x	25.1 x	2.2 x	1.9 x	1.6 x	19%	22.4 x	18.4 x	14.6 x	24%
Valuation difference to Median					-29%	-20%	-7%	109%	121%	139%		0%	9%	29%	
Fair value per share based on Median					60.94	68.65	80.39	191.46	202.66	220.50		86.09	95.04	113.88	

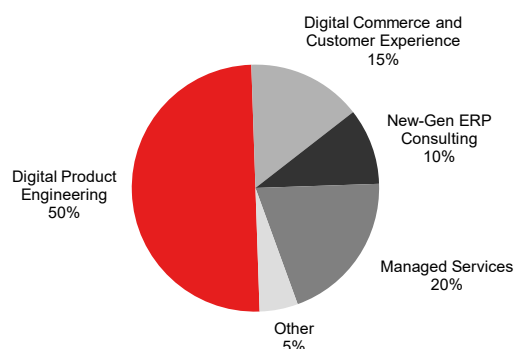
Source: FactSet, Warburg Research

Company & Products

Service areas

Nagarro is a technology-oriented, custom software development service provider for digital transformation. The focus is on disruptive technologies such as artificial intelligence, big data and the internet of things. For this purpose, the company offers an extensive service portfolio comprising the business fields of digital product engineering, digital commerce and customer experience, ERP consulting, managed services and other services.

Revenue by business line



Source: Warburg Research (estimate)

As the company has its origins in **Digital Product Engineering**, this service area represents the largest share of revenues. In this area, the company supports the digitalisation of customers through the development of custom software. Nagarro accompanies all stages of a product from design and agile development to maintenance and subsequent support.

In the **Digital Commerce and Customer Experience** business segment, the company offers various solutions for e-commerce with a focus on customer experience. This offering also relates to third-party standard software such as SAP or Adobe.

New-gen ERP consulting supports clients in keeping up with modern ERP requirements. In this context, Nagarro advises clients on strategy and processes. Subsequently, solutions from various providers such as Oracle, Infor and especially SAP are implemented. In addition to managing third-party applications, the company also develops proprietary add-ons and extensions.

Managed Services deals with the customer's requirements for the operation and management of their digital landscape. Nagarro implements, manages and enhances applications and manages and hosts clouds, among other services. These services are provided for both third-party and Nagarro-developed applications.

Other includes services such as third-party testing, consulting etc.

Segments and regions

Nagarro reports its operating segments by customer region to reflect its primary approach to resource allocation and management: Nagarro is managed in a multi-dimensional structure that includes regional sales and marketing units, service regions for delivery and global business units. Moreover, the strategic acquisition and investment strategy is characterised by a regional focus.

As the company is in a continuous transformation mode, the regional division is more permanent. Nagarro is active on five continents in 50 countries. Most of its revenue is generated in the core markets of Europe and North America, accounting for 53% and 34% of revenue, respectively. The remaining 13% are distributed over the rest of the world.

Clients

Nagarro leverages its technological expertise in various verticals, with Automotive, Manufacturing & Industrial and Retail & CPG being the two largest client groups.

The total customer base comprises more than 750 clients, ranging from smaller companies to multinational corporations. These include industry-leading blue-chip companies and several companies that are leaders in their respective niches.

Examples of customers

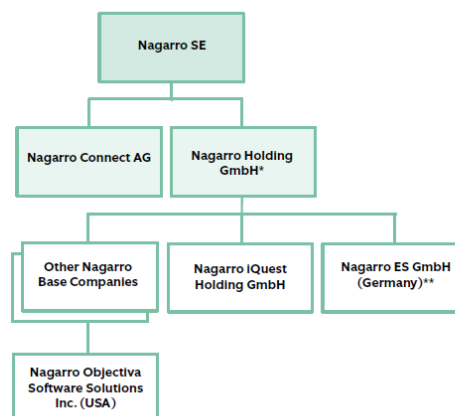
<p>Automotive, Manufacturing and Industrial</p> 	<p>Energy, Utilities and Building Automation</p> 
<p>Travel and Logistics</p> 	<p>Public, Non-profit and Education</p> 
<p>Telecom, Media and Entertainment</p> 	<p>Life Sciences and Healthcare</p> 
<p>Retail and CPG</p> 	<p>Horizontal Tech</p> 
<p>Financial Services and Insurance</p> 	<p>Management Consulting and Business Information</p> 

Source: Nagarro

Corporate structure

The newly established Nagarro SE essentially consists of all the former Nagarro entities. These companies are now bundled under the Nagarro Holding. Additionally, the former Allgeier subsidiaries offering SAP-related services were merged to form Nagarro ES GmbH.

Major corporate units



Source: Nagarro

Nagarro SE holds 83.83% of the economic interest in Nagarro Holding, with the remaining 16.17% held by minorities, i.e. management and co-founders, through various trusts and partnerships. The company had announced its intention to roll-over the minority shareholding in Nagarro Holding to the level of Nagarro SE in 2021.

Company History

- Nagarro was founded in **1996** by, among others, Manas Fuloria and Vikram Sehgal, who are still members of the board today.
- In **2011**, Nagarro was acquired by Allgeier. At that time, Nagarro generated revenues of USD 22m.
- In the years **2014-2016**, Nagarro took over several companies active in the areas of managed services, cloud, design and IT security, for example.
- In **2017**, Nagarro acquired Ciber, which provides SAP-related services including consulting as well as add-on solutions.
- In **2018**, three acquisitions were made: Anecon is one of the leading software development and consulting companies in Austria, and iQuest and Objectiva are two companies active in custom software development.
- In **2019**, Nagarro acquired Farabi and S4M. Both focus on mobile application development to support digital transformation.
- In **2020**, Nagarro acquired GES's division for public sector SAP consulting and development. Nagarro also acquired major parts of Allgeier's SAP-related business as part of the asset reshuffling ahead of the spin-off.
- Nagarro shares have been listed on the Frankfurt Stock Exchange since December 16, 2020.
- In 2021, Nagarro acquired Livisi, a player in smart home IoT.

Management

Executive Board



Manas Fuloria, Custodian of entrepreneurship in the organisation.

Manas Fuloria, co-founder of the company, is responsible for organisation design and internal alignment. From 2013 to 2020, he was also part of Allgeier's management board.

He obtained his master's degree from Stanford University and received his doctorate from the Indian Institute of Technology in Delhi. Manas Fuloria started his professional career as a researcher in the Technology and Operations Management group at Harvard Business School. During his career, he focused mainly on software products and services.



Vikram Sehgal, Custodian of operational excellence in the organisation

As a member of the management board, Vikram Sehgal is responsible for operations design and coordination. He is a co-founder of the company.

Vikram Sehgal obtained his Bachelor of Technology degree from the National Institute of Technology Kurukshetra and is a gold medallist in Electronics & Communications Engineering from said university.



Annette Mainka, Custodian of regulatory compliance

Annette Mainka joined the Allgeier Group in 2017 and has been part of Nagarro's management team since 2020. She is responsible for the coordination of compliance activities worldwide.

Before joining Allgeier and later Nagarro, she worked at the language school Berlitz for several years, where she held the position of Managing Director as well as Chief Operating Officer. She completed a dual degree in business administration at the University of Applied Sciences Pforzheim and the Grande Ecole de Commerce, Lille.

Supervisory Board

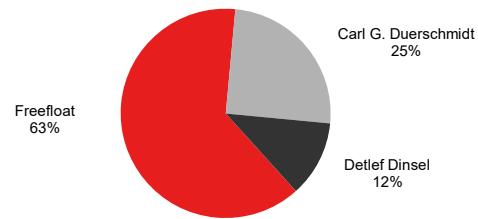
Allgeier's CEO, **Carl Georg Duerschmidt**, and supervisory board chairman, **Detlef Dinsel**, are members of Nagarro's supervisory board. They hold significant stakes in Nagarro, with 25% and 12% respectively. They are joined by **Shalini Sarin**, who holds several board positions and has experience in human resources having previously served as head of human resources and chief human resources officer for various companies. She has a doctorate in organisational behaviour, a master's degree in sociology, and participated in the INSEAD director's programme.

Shareholders

The spin-off of Nagarro was executed on December 16, 2020. Since then, the company has been listed on the Frankfurt Stock Exchange. The shares of Nagarro were allocated to Allgeier shareholders at a ratio of 1:1, resulting in both companies having an identical shareholder structure at the first moment of trading.

The largest shareholder is, **Carl Georg Duerschmidt**, chairman of the supervisory board, who holds 25% of the shares. Detlef Dinsel, also a member of the supervisory board, owns approx. 12% of the shares. The remaining 63% are **free float**.

Shareholder structure



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	
Sales	494.9	584.0	700.8	805.9	919.6	1,041.5	1,171.2	1,308.4	1,452.4	1,602.7	1,758.6	1,919.4	1,957.8	
Sales change	15.0 %	18.0 %	20.0 %	15.0 %	14.1 %	13.3 %	12.5 %	11.7 %	11.0 %	10.3 %	9.7 %	9.1 %	2.0 %	2.0 %
EBIT	49.1	59.8	75.1	90.4	103.2	116.9	131.4	146.8	163.0	179.8	197.3	215.4	219.7	
EBIT-margin	9.9 %	10.2 %	10.7 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	
Tax rate (EBT)	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	
NOPAT	33.4	40.7	51.1	61.5	70.2	79.5	89.4	99.8	110.8	122.3	134.2	146.4	149.4	
Depreciation	24.2	27.6	32.6	8.9	9.2	10.4	11.7	13.1	14.5	16.0	17.6	19.2	21.5	
in % of Sales	4.9 %	4.7 %	4.6 %	1.1 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.1 %	
Changes in provisions	0.5	0.5	1.0	1.2	1.3	1.4	1.5	1.6	1.6	1.7	1.8	1.8	0.4	
Change in Liquidity from														
- Working Capital	7.7	10.8	16.1	19.8	13.6	14.6	15.6	16.5	17.3	18.0	18.7	19.3	4.6	
- Capex	4.0	5.4	6.4	8.9	10.1	11.5	12.9	14.4	16.0	17.6	19.3	21.1	21.5	
Capex in % of Sales	0.8 %	0.9 %	0.9 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	1.1 %	
Other	20.3	23.9	28.7	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)	26.1	28.7	33.5	42.9	56.9	65.2	74.1	83.6	93.7	104.4	115.5	127.1	145.2	148
PV of FCF	26.1	26.8	29.2	35.0	43.4	46.5	49.4	52.1	54.6	56.9	58.8	60.5	64.6	1,323
share of PVs	4.26 %			27.08 %										68.65 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	11.00 %	Financial Strength	1.10
Cost of debt (after tax)	2.4 %	Liquidity (share)	1.10
Market return	7.00 %	Cyclicality	1.10
Risk free rate	1.50 %	Transparency	1.10
		Others	1.10
WACC	6.98 %	Beta	1.10

Valuation (m)

Present values 2033e	604		
Terminal Value	1,323		
Financial liabilities	183		
Pension liabilities	6		
Hybrid capital	0		
Minority interest	297		
Market val. of investments	0		
Liquidity	108	No. of shares (m)	11.4
Equity Value	1,550	Value per share (EUR)	136.14

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.30	8.0 %	93.51	96.48	99.68	103.16	106.93	111.05	115.57	1.30	8.0 %	83.03	89.74	96.45	103.16	109.87	116.57	123.28
1.20	7.5 %	106.07	109.74	113.73	118.09	122.86	128.11	133.92	1.20	7.5 %	95.88	103.28	110.68	118.09	125.49	132.90	140.30
1.15	7.2 %	113.17	117.28	121.76	126.67	132.07	138.04	144.68	1.15	7.2 %	103.26	111.06	118.86	126.67	134.47	142.27	150.07
1.10	7.0 %	120.93	125.54	130.58	136.14	142.28	149.11	156.74	1.10	7.0 %	111.41	119.65	127.90	136.14	144.38	152.62	160.86
1.05	6.7 %	129.42	134.61	140.33	146.64	153.66	161.51	170.35	1.05	6.7 %	120.46	129.19	137.91	146.64	155.37	164.10	172.83
1.00	6.5 %	138.76	144.64	151.13	158.36	166.43	175.52	185.83	1.00	6.5 %	130.54	139.81	149.09	158.36	167.63	176.90	186.17
0.90	6.0 %	160.52	168.16	176.70	186.32	197.23	209.70	224.10	0.90	6.0 %	154.63	165.19	175.76	186.32	196.89	207.45	218.01

- Slight EBIT margin expansion anticipated
- Other: IFRS 16 impact in the detailed forecast. Depreciation and capex at same levels thereafter.

Valuation	2017	2018	2019	2020	2021e	2022e	2023e
Price / Book	n.a.	n.a.	n.a.	22.2 x	14.4 x	9.2 x	6.4 x
Book value per share ex intangibles	n.a.	n.a.	n.a.	-5.54	-3.42	-0.06	3.91
EV / Sales	n.a.	n.a.	n.a.	2.4 x	2.2 x	1.9 x	1.5 x
EV / EBITDA	n.a.	n.a.	n.a.	15.9 x	15.0 x	12.4 x	9.9 x
EV / EBIT	n.a.	n.a.	n.a.	23.6 x	22.4 x	18.2 x	14.2 x
EV / EBIT adj.*	n.a.	n.a.	n.a.	21.9 x	21.1 x	17.3 x	13.6 x
P / FCF	n.a.	n.a.	n.a.	20.1 x	43.5 x	42.2 x	30.6 x
P / E	n.a.	n.a.	n.a.	52.6 x	40.6 x	32.5 x	25.1 x
P / E adj.*	n.a.	n.a.	n.a.	52.6 x	40.6 x	32.5 x	25.1 x
Dividend Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF Potential Yield (on market EV)	n.a.	n.a.	n.a.	3.0 %	3.2 %	3.8 %	4.8 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Sales	210.6	287.3	402.4	430.4	494.9	584.0	700.8
Change Sales yoy	n.a.	36.5 %	40.1 %	6.9 %	15.0 %	18.0 %	20.0 %
Increase / decrease in inventory	-1.3	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.0	0.5	0.9	0.3	1.0	1.5	1.9
Material expenses	31.6	39.9	49.1	49.2	57.4	68.9	79.9
Personnel expenses	128.0	179.8	254.7	271.7	310.8	367.9	441.5
Other operating income	6.3	2.4	12.7	11.6	6.0	7.0	8.0
Other operating expenses	34.6	37.4	49.8	53.3	56.9	64.2	77.1
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	21.4	32.3	61.6	66.2	73.3	87.4	107.7
<i>Margin</i>	<i>10.1 %</i>	<i>11.2 %</i>	<i>15.3 %</i>	<i>15.4 %</i>	<i>14.8 %</i>	<i>15.0 %</i>	<i>15.4 %</i>
Depreciation of fixed assets	7.3	10.4	15.7	16.9	20.5	24.1	29.0
EBITA	14.1	21.9	45.9	49.3	52.8	63.3	78.7
Amortisation of intangible assets	2.8	3.3	3.5	4.7	3.7	3.5	3.6
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	11.3	18.6	42.4	44.5	49.1	59.8	75.1
<i>Margin</i>	<i>5.4 %</i>	<i>6.5 %</i>	<i>10.5 %</i>	<i>10.3 %</i>	<i>9.9 %</i>	<i>10.2 %</i>	<i>10.7 %</i>
EBIT adj.	12.7	20.8	45.4	48.0	52.1	62.8	78.1
Interest income	0.9	0.5	0.2	0.5	0.2	0.2	0.2
Interest expenses	3.9	4.6	5.5	7.3	7.0	7.0	7.0
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	8.2	14.4	37.2	37.7	42.3	53.0	68.3
<i>Margin</i>	<i>3.9 %</i>	<i>5.0 %</i>	<i>9.2 %</i>	<i>8.8 %</i>	<i>8.6 %</i>	<i>9.1 %</i>	<i>9.8 %</i>
Total taxes	4.6	6.2	6.8	13.4	13.5	17.0	21.9
Net income from continuing operations	3.7	8.2	30.4	24.4	28.8	36.0	46.5
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	3.7	8.2	30.4	24.4	28.8	36.0	46.5
Minority interest	0.6	1.3	4.9	5.9	4.7	5.8	7.5
Net income	3.1	6.9	25.5	18.4	24.1	30.2	38.9
<i>Margin</i>	<i>1.5 %</i>	<i>2.4 %</i>	<i>6.3 %</i>	<i>4.3 %</i>	<i>4.9 %</i>	<i>5.2 %</i>	<i>5.6 %</i>
Number of shares, average	n.a.	n.a.	n.a.	11.4	11.4	11.4	11.4
EPS	n.a.	n.a.	n.a.	1.62	2.12	2.65	3.42
EPS adj.	n.a.	n.a.	n.a.	1.62	2.12	2.65	3.42

*Adjustments made for:

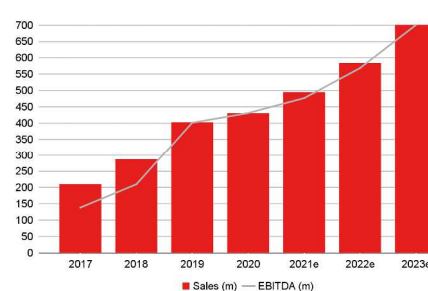
Guidance: 2021: revenue: approx. 15% growth; adj. EBITDA margin: approx. 15%

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Total Operating Costs / Sales	89.2 %	88.9 %	84.9 %	84.7 %	85.4 %	85.3 %	84.9 %
Operating Leverage	n.a.	1.8 x	3.2 x	0.7 x	0.7 x	1.2 x	1.3 x
EBITDA / Interest expenses	5.4 x	7.0 x	11.2 x	9.1 x	10.5 x	12.5 x	15.4 x
Tax rate (EBT)	55.7 %	43.3 %	18.2 %	35.5 %	32.0 %	32.0 %	32.0 %
Dividend Payout Ratio	n.a.	n.a.	n.a.	0.0 %	0.0 %	0.0 %	0.0 %
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

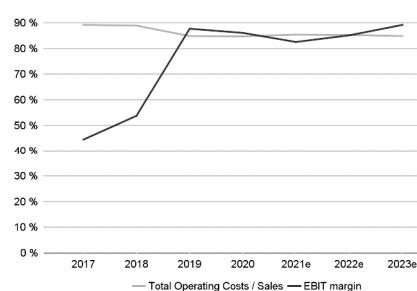
Sales, EBITDA

in EUR m

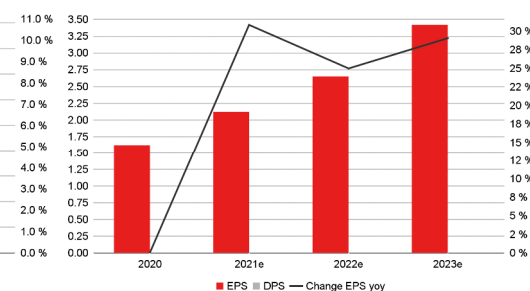


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

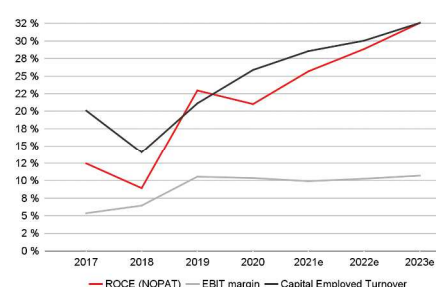
Consolidated balance sheet

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Assets							
Goodwill and other intangible assets	45.5	107.7	111.4	106.9	107.1	107.6	108.2
thereof other intangible assets	5.8	10.2	9.0	11.0	11.2	11.7	12.4
thereof Goodwill	39.0	97.5	102.4	95.9	95.9	95.9	95.9
Property, plant and equipment	4.2	6.7	7.2	6.4	9.2	13.0	17.7
Financial assets	3.6	3.4	2.7	3.0	3.0	3.0	3.0
Other long-term assets	28.0	47.3	54.9	51.7	57.0	70.8	85.8
Fixed assets	81.3	165.0	176.2	168.0	176.2	194.4	214.7
Inventories	0.3	0.1	0.0	0.1	0.1	0.2	0.3
Accounts receivable	50.3	75.0	80.3	73.9	88.1	105.6	130.6
Liquid assets	16.6	27.9	43.8	107.7	113.0	136.1	168.1
Other short-term assets	17.7	29.1	41.7	37.1	41.0	47.5	52.0
Current assets	84.8	132.1	165.8	218.8	242.2	289.4	351.0
Total Assets	166.1	297.1	342.0	386.8	418.4	483.9	565.7
Liabilities and shareholders' equity							
Shareholders' equity	28.0	74.5	50.2	43.8	68.1	106.9	152.7
Minority interest	5.4	14.4	9.7	2.7	3.0	3.0	4.0
Total equity	33.5	88.9	59.9	46.5	71.1	109.9	156.7
Provisions	12.6	20.9	25.5	33.2	34.5	37.0	40.0
thereof provisions for pensions and similar obligations	2.5	3.2	4.4	6.0	6.5	7.0	8.0
Financial liabilities (total)	60.9	92.1	125.3	182.6	168.2	168.2	168.2
Short-term financial liabilities	3.5	5.7	5.3	14.4	0.0	0.0	0.0
Accounts payable	14.3	17.4	16.1	22.2	25.8	30.4	36.5
Other liabilities	45.0	77.8	115.1	102.4	118.8	138.4	164.3
Liabilities	132.7	208.2	282.0	340.3	347.3	374.0	409.0
Total liabilities and shareholders' equity	166.1	297.1	342.0	386.8	418.4	483.9	565.7

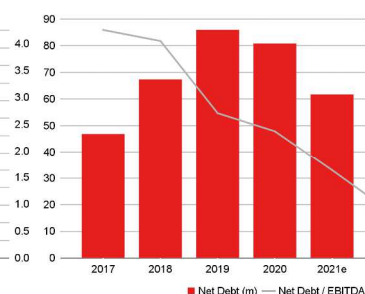
Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Efficiency of Capital Employment							
Operating Assets Turnover	5.2 x	4.8 x	6.3 x	8.8 x	8.4 x	7.9 x	7.4 x
Capital Employed Turnover	2.6 x	1.8 x	2.8 x	3.4 x	3.7 x	3.9 x	4.3 x
ROA	3.8 %	4.2 %	14.5 %	11.0 %	13.7 %	15.5 %	18.1 %
Return on Capital							
ROCE (NOPAT)	12.4 %	8.9 %	23.0 %	21.0 %	25.7 %	28.9 %	32.6 %
ROE	21.8 %	13.4 %	40.8 %	39.2 %	43.1 %	34.5 %	30.0 %
Adj. ROE	21.8 %	13.4 %	40.8 %	39.2 %	43.1 %	34.5 %	30.0 %
Balance sheet quality							
Net Debt	46.9	67.4	86.0	80.8	61.7	39.0	8.1
Net Financial Debt	44.3	64.2	81.6	74.8	55.2	32.0	0.1
Net Gearing	140.1 %	75.8 %	143.4 %	173.7 %	86.8 %	35.5 %	5.2 %
Net Fin. Debt / EBITDA	207.6 %	198.8 %	132.4 %	113.1 %	75.3 %	36.6 %	0.1 %
Book Value / Share	n.a.	n.a.	n.a.	3.8	6.0	9.4	13.4
Book value per share ex intangibles	n.a.	n.a.	n.a.	-5.5	-3.4	-0.1	3.9

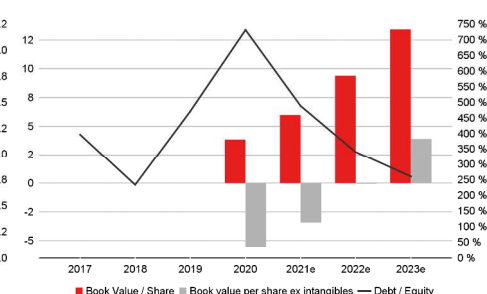
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

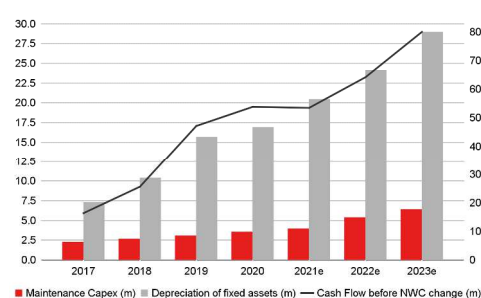
In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Net income	3.7	8.2	30.4	24.4	28.8	36.0	46.5
Depreciation of fixed assets	7.3	10.4	15.7	16.9	20.5	24.1	29.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.8	3.3	3.5	4.7	3.7	3.5	3.6
Increase/decrease in long-term provisions	0.3	0.6	0.4	1.2	0.5	0.5	1.0
Other non-cash income and expenses	2.3	3.1	-2.9	6.6	0.0	0.0	0.0
Cash Flow before NWC change	16.4	25.6	47.1	53.8	53.5	64.2	80.1
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in other working capital positions	-10.8	-17.0	-6.3	15.6	-6.7	-11.7	-13.0
Increase / decrease in working capital (total)	-10.8	-17.0	-6.3	15.6	-6.7	-11.7	-13.0
Net cash provided by operating activities [1]	5.5	8.6	40.9	69.4	46.8	52.5	67.1
Investments in intangible assets	0.0	0.0	-1.3	-1.0	-1.0	-1.3	-1.5
Investments in property, plant and equipment	-2.3	-2.7	-1.8	-2.6	-3.0	-4.1	-4.9
Payments for acquisitions	-4.1	5.0	-2.9	-7.8	-2.9	0.0	0.0
Financial investments	-0.3	0.4	-2.5	1.2	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.4	0.1	0.0	0.0	0.0
Net cash provided by investing activities [2]	-6.7	2.7	-8.0	-10.1	-6.8	-5.4	-6.4
Change in financial liabilities	9.0	4.3	-3.3	23.9	-14.4	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Other	-6.5	-8.1	-13.8	-17.5	-20.3	-23.9	-28.7
Net cash provided by financing activities [3]	2.5	-3.9	-17.1	6.5	-34.7	-23.9	-28.7
Change in liquid funds [1]+[2]+[3]	1.3	7.5	15.7	65.8	5.2	23.2	31.9
Effects of exchange-rate changes on cash	-0.7	0.4	0.4	-1.4	0.0	0.0	0.0
Cash and cash equivalent at end of period	0.7	24.4	44.0	108.1	113.0	136.1	168.1

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Cash Flow							
FCF	-3.8	-3.9	22.8	48.2	22.5	23.2	31.9
Free Cash Flow / Sales	-1.8 %	-1.3 %	5.7 %	11.2 %	4.5 %	4.0 %	4.6 %
Free Cash Flow Potential	14.5	13.6	36.8	31.6	35.5	41.2	50.7
Free Cash Flow / Net Profit	-124.2 %	-56.5 %	89.4 %	261.5 %	93.3 %	76.8 %	82.0 %
Interest Received / Avg. Cash	10.8 %	2.1 %	0.6 %	0.7 %	0.2 %	0.2 %	0.1 %
Interest Paid / Avg. Debt	12.9 %	6.0 %	5.0 %	4.7 %	4.0 %	4.2 %	4.2 %
Management of Funds							
Investment ratio	1.1 %	0.9 %	0.8 %	0.8 %	0.8 %	0.9 %	0.9 %
Maint. Capex / Sales	1.1 %	0.9 %	0.8 %	0.8 %	0.8 %	0.9 %	0.9 %
Capex / Dep	22.7 %	19.4 %	16.1 %	16.5 %	16.4 %	19.5 %	19.7 %
Avg. Working Capital / Sales	8.6 %	15.5 %	13.6 %	11.5 %	9.3 %	9.5 %	9.8 %
Trade Debtors / Trade Creditors	352.3 %	431.9 %	500.3 %	332.8 %	341.5 %	347.4 %	357.8 %
Inventory Turnover	119.2 x	398.7 x	5452.4 x	387.1 x	574.1 x	344.6 x	266.3 x
Receivables collection period (days)	87	95	73	63	65	66	68
Payables payment period (days)	165	159	119	165	164	161	167
Cash conversion cycle (Days)	-75	-106	-103	-172	-177	-171	-177

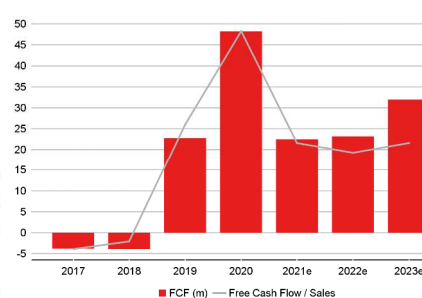
CAPEX and Cash Flow

in EUR m



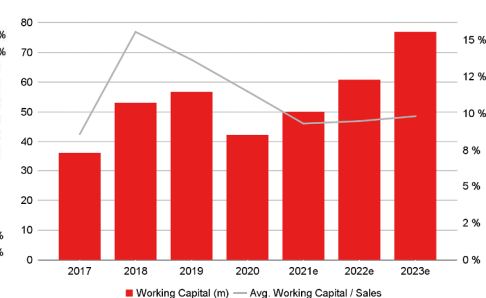
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Nagarro	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A3H2200.htm

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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Rating	Number of stocks	% of Universe
Buy	150	70
Hold	53	25
Sell	5	2
Rating suspended	5	2
Total	213	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	44	90
Hold	2	4
Sell	0	0
Rating suspended	3	6
Total	49	100

PRICE AND RATING HISTORY NAGARRO AS OF 19.05.2021


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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