PROFETA
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**Attention: Board of Directors of Datagroup**

Profeta Investments is one of the top twenty shareholders in Datagroup, by virtue of the funds we manage for our clients. We are surprised to see the management and supervisory boards' intention in recommending Kohlberg Kravis Roberts' (KKR) €54 per share offer for minority shareholders' shares.

We believe that this price deeply undervalues the shares, and a recommendation to accept the offer by the board would represent a breach of the board's fiduciary duties to shareholders. We think that the steps that the board have taken to engage with KKR for the best interests of the major shareholder, HHS Beteiligungsgesellschaft (HHS), at the expense of minority shareholders, represent unconscionable conduct and are a fraud on the minority.

Recommending an offer at a price below the current share price and well below recent transaction prices for similar IT services companies would be disappointing and unconscionable in our view. Further, the board's insistence on supporting a transaction that would lead to the company being delisted is a threat to institutional shareholders who have mandates to only hold listed equities. We believe this to be unethical conduct.

The board and major shareholder have been in discussions with KKR in order to agree to a transaction whereby KKR form a joint venture with HHS Beteiligungsgesellschaft (HHS), with KKR agreeing separately to acquire 4.4% of the company from HHS at a value of €60 million. This effectively equates to a price per share of €163.7, significantly above the price offered to minority shareholders.

The fact that HHS is not selling the other 50% of the business, reflects the fact that this major shareholder, who has a major influence over both the management and supervisory boards, knows that the company is worth significantly higher than €54 per share. The fact that the current share price of Datagroup in the listed market is €56 per share reflects the fact that investors see the value of Datagroup at above KKR's offer price.

We will outline the valuation of similar IT services companies in Europe as well as globally, and the most recent transaction multiples for comparative companies. Two recent acquisitions of IT services companies include the current acquisition of Crayon by Software One, as well as the acquisition of Perficient by EQT Private Capital Asia late last year.

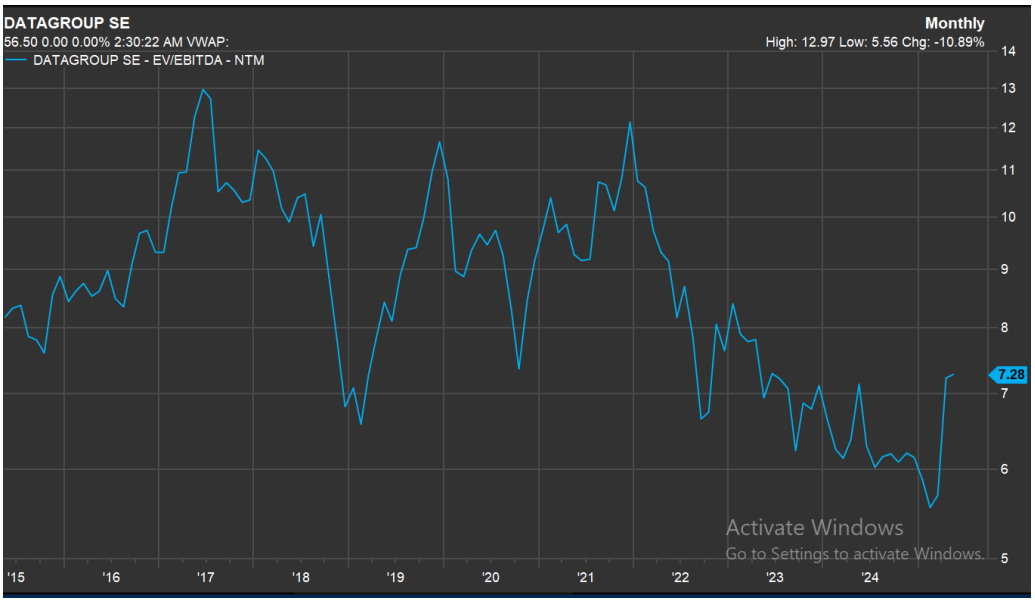
EQT Private Capital offered US$76 per share for Perficient, which represented a 75% premium to Perficient's closing price, prior to the bid. This is significantly above the 30% premium offered by KKR at a time when Datagroup was hitting multi-year lows in price, despite strong sales growth and earnings growth expected. EQT's purchase price reflected an enterprise value of approximately US$3 billion and an Enterprise value to EBITDA of 15x.

On 19 December 2024, Software One offered to acquire Crayon at a price of NOK 172.50 per share, which represented a 64% premium to the volume-weighted share price over the previous year and a 43% premium to the three-month volume-weighted share price. This transaction was a cash and scrip offer, with the deal due to complete after an over 90% acceptance rate from Crayon shareholders. The valuation of this acquisition reflects an Enterprise Value to EBITDA (EV/EBITDA) of 11x.

The current intended offer from KKR for Datagroup reflects an EV/EBITDA value of only 7x. A more appropriate EV/EBITDA multiple for Datagroup of 10x would result in a share price of €80 per share. This valuation is in line with many investment banks covering the stock, including Baader Europe and Warburg Research. We provide a table below of listed comparable companies around the world and their valuations.

| | SHARE PRICE | EV/EBITDA FY25 | EV/EBITDA FY26 |
|---|---|---|---|
| **ACCENTURE** | 307.9 | 14.7 | 14 |
| **CDW CORPORATION** | 178.94 | 13.8 | 13.1 |
| **GLOBANT** | 128.79 | 11 | 10 |
| **TATA CONSULTANCY** | 3442.2 | 16.6 | 15.2 |
| **WIPRO** | 2.82 | 11.9 | 11.2 |
| **INFOSYS** | 17.49 | 14.3 | 13.2 |
| **COGNISANT TECHNOLOGY SOLUTIONS** | 79.17 | 10 | 9.6 |
| **EPAM SYSTEMS** | 177.1 | 10.5 | 9.4 |
| ***AVERAGE*** | | ***12.9*** | ***12.0*** |
| **DATAGROUP** | 56.5 | 7.65 | 7.06 |

We also note that the current bid price for Datagroup of €54 per share is opportunistic, trying to take advantage of weak equity markets for European small-capitalised companies over the past year.




Datagroup was trading at above 10x EV/EBITDA for most of the past 10 years, and we expect it to re-rate back to these levels in the next few years as Europe is seeing a return to favour with strong equity inflows since the start of this year.

Kind Regards,

**Garry Laurence**

CIO at Profeta Investments