

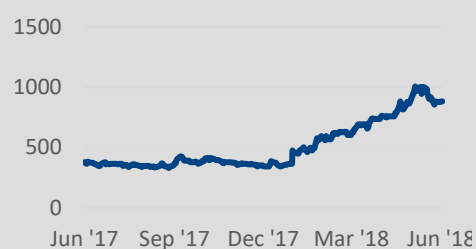
SOPHEON

SOFTWARE & COMPUTER SERVICES

SPE.L

880p

Market Cap: £89.8m

SHARE PRICE (p)


12m high/low

1005p/328p

Source: LSE Data

KEY INFORMATION

Enterprise value	£82.7m
Index/market	AIM
Next news	Interims, Sep 2018
Gearing	N/A
Interest cover	N/A

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AGM statement notes continued momentum

New business wins underpin current year estimates

Sopheon's AGM statement highlights trading so far in 2018 which reflects the continuation of the strong performance seen in 2017 into the current year. The company also completed an oversubscribed secondary placing in May which broadened its institutional shareholder base. Sopheon continues to add new clients and to improve revenue visibility through growing recurring revenue streams. The announcement reiterates that the Group will consider suitable acquisitions to augment its good organic growth. The outlook statement is, unsurprisingly, positive with the Board both 'confident' and 'enthusiastic' about the outturn for 2018 and delivery on its strategy. We have already taken account of the Group's 'ambitious' investment plans in our conservative Adjusted EBITDA estimate of US\$7 million for FY 2018E. Consequently, we leave estimates unchanged, noting that trading so far in 2018 appears supportive of our numbers.

- The update highlights the signing of additional new business this year which we see as supportive to our estimates for FY 2018E. The wins include several perpetual license deals and major services extensions. In addition, Sopheon closed a further major SaaS deal during Q2.
- The momentum seen in 2017, when Sopheon experienced a pleasing balance of repeat custom, new name sales and a useful extension into new areas of Enterprise Innovation Management, looks to have extended into 2018 as expected.
- Full year revenue visibility from contracted business and recurring revenue streams is up an impressive 34% at US\$23.5 million versus \$17.5 million this time last year - and ahead of the US\$19.3 million seen at the end of December 2017. Management says that this level is 'an all-time high' for its mid-year AGM report, and the figure clearly underpins our forecasts as shown below.
- Sopheon has previously flagged that it expected to recruit additional staff during 2018 to support its positioning as it moves to capitalise on the growth in its marketplace. We expect these hires to fall mainly in product development, sales and solution deployment roles. As we note above, this investment in growth opportunities is reflected in our existing EBITDA estimate for the current financial year.

FYE DEC (\$M)	2016	2017	2018E	2019E
Revenue	23.2	28.5	30.1	33.9
Adj EBITDA	5.2	8.0	7.0	8.5
Fully adj PBT	2.7	5.1	4.4	5.7
Fully adj EPS (c)	27.6	48.4	40.6	52.3
EV/Sales (x)	4.8	3.9	3.7	3.3
EV/EBITDA (x)	21.1	13.8	15.8	13.1
PER (x)	42.8	24.3	29.0	22.5

Source: Company Information and Progressive Equity Research estimates

Financial Summary: Sopheon

Year end: December (\$m unless shown)

	2016	2017	2018E	2019E
PROFIT & LOSS				
Revenue	23.2	28.5	30.1	33.9
Adj EBITDA	5.2	8.0	7.0	8.5
Adj EBIT	3.0	5.6	4.8	6.2
Reported PBT	3.0	5.1	4.4	5.7
Fully adj PBT	2.7	5.1	4.4	5.7
NOPAT	2.9	5.1	4.4	5.7
Reported EPS (c)	42.2	52.6	43.8	56.9
Fully adj EPS (c)	27.6	48.4	40.6	52.3
Dividend per share (p)	0.0	0.0	2.5	3.0
CASH FLOW & BALANCE SHEET				
Operating cash flow	5.4	6.0	6.4	9.0
Free Cash flow	2.8	3.4	5.6	5.1
FCF per share (c)	27.4	32.9	55.3	50.0
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	0.1	0.0	0.0	0.0
Net cash flow	2.8	3.1	3.2	5.5
Overdrafts / borrowings	(5.8)	(3.2)	(3.3)	(3.4)
Cash & equivalents	10.1	12.7	15.9	21.4
Net (Debt)/Cash	4.2	9.5	12.6	18.0
NAV AND RETURNS				
Net asset value	10.4	18.6	22.4	27.3
NAV/share (c)	101.5	182.4	219.7	267.3
Net Tangible Asset Value	0.2	0.4	0.5	0.6
NTAV/share (c)	2.4	4.0	4.9	5.8
Average equity	7.9	14.5	20.8	25.7
Post-tax ROE (%)	37.0%	35.4%	21.2%	22.0%
METRICS				
Revenue growth	11.1%	23.0%	5.5%	12.7%
Adj EBITDA growth	27.4%	53.3%	(12.8%)	20.7%
Adj EBIT growth	94.8%	85.7%	(14.7%)	29.3%
Adj PBT growth	84.2%	93.1%	(14.3%)	29.7%
Adj EPS growth	98.3%	75.7%	(16.1%)	28.7%
Dividend growth	N/A	N/A	N/A	20.0%
Adj EBIT margins	13.0%	19.6%	15.8%	18.2%
VALUATION				
EV/Sales (x)	4.8	3.9	3.7	3.3
EV/EBITDA (x)	21.1	13.8	15.8	13.1
EV/NOPAT (x)	37.7	21.6	25.1	19.5
PER (x)	42.8	24.3	29.0	22.5
Dividend yield	N/A	N/A	0.2%	0.3%
FCF yield	2.3%	2.8%	4.7%	4.2%

Source: Company information and Progressive Equity Research estimates

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