

# SOPHEON

## SOFTWARE & COMPUTER SERVICES

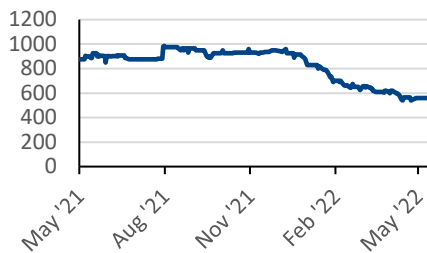
9 June 2022

### SPE.L

560p

Market Cap: £58.8m

### SHARE PRICE (p)



12m high/low

985p/540p

Source: LSE Data (priced as at prior close)

### KEY DATA

Net (Debt)/Cash	\$25.0m (at 31/05/22)
Enterprise value	£40.8m
Index/market	AIM
Next news	Interim results Aug '22
Shares in Issue (m)	10.5
Executive Chairman	Andy Michuda
Chief Executive	Greg Cotichia
Finance Director	Arif Karimjee

### COMPANY DESCRIPTION

Sopheon is an international provider of software and services for product lifecycle management.

[www.sopheon.com](http://www.sopheon.com)

SOPHEON IS A RESEARCH CLIENT OF PROGRESSIVE

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## Strong start to another year of progress

Sopheon's AGM Statement, issued today, provides a reflection upon a busy FY2021 and looks forward to what has already started as a year of progress in FY2022. In FY2021, Sopheon grew recognised revenues and annual recurring revenues by 15%, beating market expectations in the process. The year also saw a new CEO and a reinforcement of the management team, along with the acquisition of ROI Blueprints. FY2022 appears to have started well, with six new customer wins (all SaaS based) already, compared with 10 in all of FY2021, and with the acquisition of Solverboard, announced in May. We are leaving our forecasts unchanged and continue to be impressed by Sopheon's expansion and SaaS transition as management grows a more substantial business with greater long-term revenue visibility.

- Good trading start to FY2022.** This year has clearly started well with, in addition to the new customer wins, ARR at \$21.7m vs \$19m a year ago. Management also states that the sales pipeline includes several major extensions with existing customers and a growing list of new prospects. Our estimates for FY2022 include only 6% revenue growth, so we are comfortable leaving our forecasts in place.
- Strong balance sheet provides foundation for growth.** Despite the growth and investment, Sopheon retains a strong balance sheet and is generating positive cashflow. Net cash at the end of May was \$25m, up from \$24.2m at the year end and \$23m at this time last year.
- Looking to another year of strategic and financial progress.** Importantly, with ROI Blueprints (see our [note](#)) and Solverboard (see our [note](#)) under Sopheon's belt, the chairman's statement strikes a confident tone with regard to traction for the company both in the US (59% revenues in 2021) and in Europe (31% revenues in 2021), and refers to possible further M&A opportunities. FY2022 looks set to be another year of strong financial and strategic progress for Sopheon.

We anticipate that product development and innovation software will become increasingly important, and we find Sopheon's combination of established position and transition to flexible, easier to use (and sell) SaaS-based solutions particularly interesting. The SaaS transition is a short-term drag on profitability and the market might appear to be overly penalising the company for following what is the correct long-term path. We urge investors to look ahead to where Sopheon is now clearly heading.

FYE DEC (\$M)	2019	2020	2021	2022E	2023E
Revenue	30.3	30.0	34.4	36.3	39.8
Adj EBITDA	6.4	5.9	6.2	4.9	5.7
Fully adj PBT	3.1	2.2	2.1	0.6	1.3
Fully adj dil EPS (c)	26.5	17.8	15.5	5.9	11.9
EV/Sales (x)	1.9x	1.9x	1.7x	1.6x	1.4x
EV/EBITDA (x)	8.8x	9.6x	9.2x	11.6x	10.0x
PER (x)	29.3x	43.7x	50.2x	132.7x	65.3x

Source: Company Information and Progressive Equity Research estimates.

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Please refer to important disclosures at the end of the document.

**Financial Summary: Sopheon**

Year end: December (\$m unless shown)

	2019	2020	2021	2022E	2023E
<b>PROFIT &amp; LOSS</b>					
Revenue	30.3	30.0	34.4	36.3	39.8
Adj EBITDA	6.4	5.9	6.2	4.9	5.7
Adj EBIT	3.0	2.2	2.2	0.7	1.4
Reported PBT	2.5	1.7	1.2	0.2	0.9
Fully adj PBT	3.1	2.2	2.1	0.6	1.3
NOPAT	2.8	2.0	1.9	0.6	1.2
Reported Dil EPS (c)	19.2	14.1	7.5	2.2	8.3
Fully adj dil EPS (c)	26.5	17.8	15.5	5.9	11.9
Dividend per share (p)	3.25	3.25	3.25	3.25	3.25
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	7.1	6.6	10.6	(0.2)	4.3
Free Cash flow	3.4	1.9	4.9	(1.4)	3.1
FCF per share (c)	31.6	17.8	44.5	(12.6)	27.8
Acquisitions	0.0	0.0	(1.5)	(0.7)	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.1	0.1	0.6	0.0	0.0
Net cash flow	2.7	2.4	3.2	(2.1)	3.1
Overdrafts / borrowings	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	19.4	21.7	24.2	22.1	25.2
Net (Debt)/Cash	19.4	21.7	24.2	22.1	25.2
<b>NAV AND RETURNS</b>					
Net asset value	27.9	30.2	31.3	35.6	37.0
NAV/share (c)	274.2	289.0	297.8	335.6	349.5
Net Tangible Asset Value	0.5	0.5	0.6	0.6	0.7
NTAV/share (c)	5.0	5.1	5.8	6.1	6.2
Average equity	26.7	29.0	31.4	32.7	33.0
Post-tax ROE (%)	10.5%	6.7%	6.2%	1.9%	3.7%
<b>METRICS</b>					
Revenue growth	18.9%	18.9%	18.9%	18.9%	18.9%
Adj EBITDA growth	14.7%	14.7%	14.7%	14.7%	14.7%
Adj EBIT growth	19.6%	19.6%	19.6%	19.6%	19.6%
Adj PBT growth	30.5%	30.5%	30.5%	30.5%	30.5%
Adj EPS growth	17.5%	17.5%	17.5%	17.5%	17.5%
Dividend growth	30.0%	30.0%	30.0%	30.0%	30.0%
Adj EBIT margins	20.3%	20.3%	20.3%	20.3%	20.3%
<b>VALUATION</b>					
EV/Sales (x)	1.9	1.9	1.7	1.6	1.4
EV/EBITDA (x)	8.8	9.6	9.2	11.6	10.0
EV/NOPAT (x)	20.3	29.0	29.2	89.7	46.3
PER (x)	29.3	43.7	50.2	132.7	65.3
Dividend yield	0.4%	0.4%	0.4%	0.4%	0.4%
FCF yield	4.1%	2.3%	5.7%	(1.6%)	3.6%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

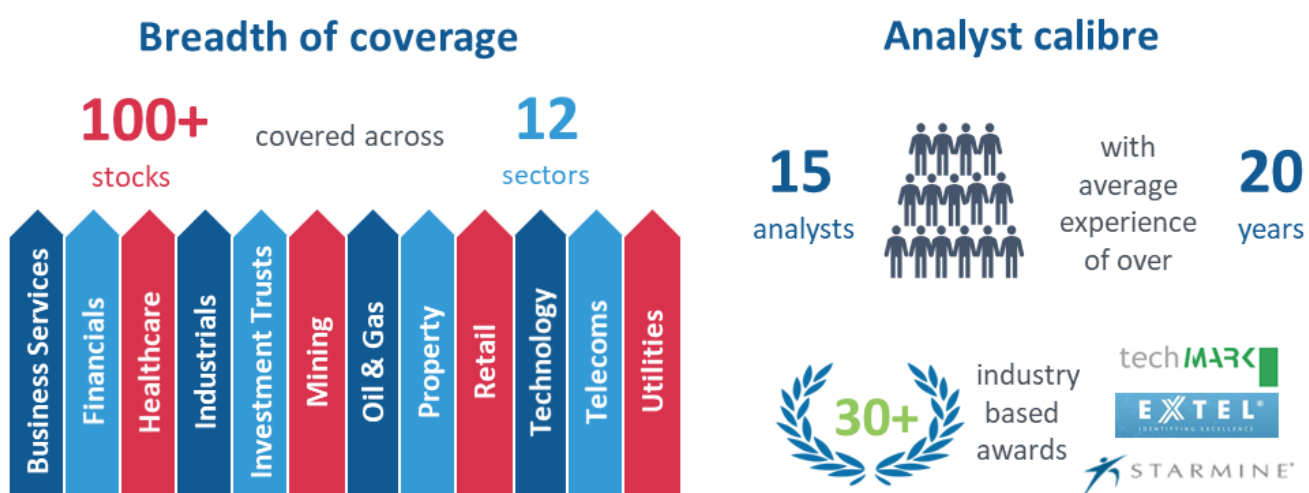
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