

SOPHEON

SOFTWARE AND COMPUTER SERVICES

SPE.L

362.5p

Market Cap: £27.0m

SHARE PRICE (p)



12m high/low

500.0p/85.5p

Source: LSE Data

KEY INFORMATION

Enterprise value	£23.6m
Index/market	AIM
Next news	Interims, Sep 2017
Gearing	6%
Interest cover	4.9x

 SOPHEON IS A RESEARCH CLIENT OF
 PROGRESSIVE

ANALYSTS

Gareth Evans
 +44 (0)20 7781 5301
 gevens@progressive-research.com

Ian Poulter
 +44 (0)20 7781 5307
 ipoulter@progressive-research.com

AGM statement notes further progress

Confidence in 'continued positive development'

Sopheon's AGM statement notes that, during 2017, it has continued to advance its Accolade software platform, launching version 11.1 in February. The Group has recently been included in Gartner's Magic Quadrant for Project Portfolio Management, a strong validation of its unique position in the enterprise portfolio management, enterprise initiative management, and product development markets. Full year revenue visibility is up, despite a robust prior year comparator. That combines with a strong pipeline to produce a confident statement from the Board on future delivery. We expect that the benefits of Sopheon's products will continue to drive customer wins as the requirement to manage innovation becomes more fully recognised.

- Accolade is now in its eleventh major release. The state-of-the-art platform allows Enterprise customers to manage and monitor their pipelines of innovation. Sopheon has won (and retained) a large number of global blue-chip clients - including NASA, Merck and BASF.
- Sopheon notes that its inclusion in Gartner's Magic Quadrant for Project Portfolio Management makes it the only vendor referenced in both that and the Market Guide for Strategy Execution Software.
- The statement says that full year revenue visibility for 2017 from contracted business and recurring revenue streams is now at \$17.5m, compared to just under \$17m at this time last year. We recall that the first half of last year included a very substantial order from an existing enterprise tier customer. The strong comparator from last year included that contract, while the current year's visible revenues include 20 license orders versus 14 last year and are more broadly spread across Sopheon's growing customer base.
- Sopheon continues to invest in its vertical industry focus areas of chemical, consumer goods, food & beverage, aerospace and defence, and high-tech. Having recently signed customers in the insurance, services and automobile industries, it is also researching those sectors to assess new growth opportunities.

Today's statement provides good reassurance that management are comfortable with progress, and we make no changes to estimates.

FYE DEC (US\$M)	2015	2016	2017E	2018E	2019E
Revenue	20.9	23.2	26.0	29.0	32.0
Adjusted EBITDA	4.3	5.2	5.3	6.1	7.3
Adjusted PBT	1.6	2.7	2.7	3.5	4.6
Adjusted EPS (¢)	13.9	28.1	28.5	36.8	45.1
EV/Adj. EBITDA	7.0x	5.5x	5.4x	4.7x	3.9x
P/E	32.6x	16.1x	15.9x	12.3x	10.0x
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company Information and Progressive Equity Research estimates

Financial Summary

FINANCIAL SUMMARY

PROFIT & LOSS (US\$m)	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
Revenue	18.3	20.9	23.2	26.0	29.0	32.0
Adj EBITDA	1.4	4.1	5.2	5.3	6.1	7.3
Adj EBIT	(0.9)	1.5	3.0	2.9	3.9	5.1
Reported PBT	(1.3)	1.2	3.0	2.7	3.5	4.6
Fully adj PBT	(1.3)	1.4	2.7	2.7	3.5	4.6
NOPAT	(0.9)	1.5	3.0	2.9	3.9	5.1
Reported EPS (¢)	(18.4)	11.4	42.2	26.1	34.4	45.1
Fully adj EPS (¢)	(18.4)	13.9	28.1	28.5	36.8	45.1
Dividend per share (¢)	0.0	0.0	0.0	0.0	0.0	0.0

CASH FLOW & BALANCE SHEET	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
Operating cash flow	3.2	4.3	5.4	5.3	5.6	6.8
Free Cash flow (US\$m)	0.3	1.7	2.9	3.0	3.1	4.3
FCF per share (¢)	4.2	16.9	28.9	29.1	30.7	41.9
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	0.0	0.1	0.0	0.0	0.0
Net cash flow	0.1	1.5	2.8	2.8	3.0	4.1
Overdrafts / borrowings	(5.4)	(6.1)	(5.8)	(5.9)	(6.0)	(6.1)
Cash & equivalents	4.7	7.0	10.1	12.9	15.8	19.9
Net (Debt)/Cash	(0.7)	0.9	4.2	6.9	9.8	13.8

NAV AND RETURNS	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
Net asset value	4.2	5.5	10.4	13.0	16.5	21.1
NAV/share (¢)	58.3	76.0	142.3	178.8	227.1	290.3
Net Tangible Asset Value	(1.6)	(0.0)	4.9	7.6	11.1	15.6
NTAV/share (¢)	(22.6)	(0.7)	67.2	104.7	151.9	214.7
Average equity	2.1	4.9	7.9	11.7	14.8	18.8
Post-tax ROE (%)	-63.0%	23.1%	54.2%	22.8%	23.8%	24.4%

METRICS	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
Revenue growth	<i>n.a.</i>	14.2%	11.1%	12.0%	11.5%	10.3%
Adj EBITDA growth	<i>n.a.</i>	197.3%	27.4%	0.6%	15.5%	20.0%
Adj EBIT growth	<i>n.a.</i>	-268.2%	94.8%	-2.9%	33.0%	29.9%
Adj PBT growth	<i>n.a.</i>	-207.9%	84.2%	0.2%	32.1%	31.0%
Adj EPS growth	<i>n.a.</i>	-175.7%	102.4%	1.1%	29.4%	22.4%
Dividend growth	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Adj EBIT margins	-5.0%	7.4%	13.0%	11.2%	13.4%	15.8%

VALUATION	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
EV/Sales	1.6	1.4	1.2	1.1	1.0	0.9
EV/EBITDA	20.8	7.0	5.5	5.4	4.7	3.9
EV/NOPAT	(31.3)	18.6	9.5	9.8	7.4	5.7
PER	<i>n.a.</i>	32.6	16.1	15.9	12.3	10.0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	0.9%	3.7%	6.4%	6.4%	6.8%	9.2%

Source: Company information, Progressive Equity Research estimates

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