

SOPHEON

SOFTWARE & COMPUTER SERVICES

SPE.L

942p

Market Cap: £96.1m

SHARE PRICE (p)



12m high/low

1015p/340p

Source: LSE Data

KEY INFORMATION

| | |
|------------------|-------------------------|
| Enterprise value | £88.9m |
| Index/market | AIM |
| Next news | Trading update, Jan '19 |
| Gearing | N/A |
| Interest cover | N/A |

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Contract evidences growing SaaS acceptance

Accolade solution for Doosan Bobcat North America

Sopheon has received a contract from Doosan Bobcat North America to deploy its Accolade software to manage Doosan Bobcat's portfolio of projects across a number of corporate groups. The implementation went live in August. In its recent interim results announcement, Sopheon noted that it had signed a number of Software-as-a-Service (SaaS) deals and extensions including a major new win. Our estimates already reflect that backdrop. Doosan Bobcat's decision to go with a SaaS contract is another example of the growing acceptance of the SaaS model within the market for enterprise innovation management solutions. In the results announcement, Sopheon also said that it planned to make specific investment in product, people and processes to further extend Accolade. This will provide impetus to the Group's focus on expanding its "lifetime value" opportunities across a number of blue chip clients through extending the business application areas addressed by Accolade. It recently released Accolade version 12.1. Sopheon produced a strong performance in the first half of 2018 and the Group retains both good momentum and excellent revenue visibility. We look forward to further updates.

- Over the last eighteen months, the Group's Accolade platform has enjoyed success in new and emerging areas as well as its traditional sales areas. Sopheon's recent interim results announcement showed strong momentum in the Group's business and reflected the evolution of its customer base in adopting Accolade for an increasingly wide range of applications.
- Up to now, sales of Accolade have been mainly on perpetual licences with annual maintenance and hosting fees. That has reflected a slower take-up of the SaaS model for the management of innovation processes and decision support compared to some other markets. However, Sopheon notes that this contract is additional evidence of movement on that point.
- The latest software releases targeted an enhanced user experience and included a new mobile app, enhanced usability through simplification and role-focused workflows. Sopheon also expects to add further differentiation through sharing its best-practice content and innovation methodology.

| 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) | 5.0 | 4.1 | 3.9 | 3.4 |
| EV/EBITDA (x) | 22.2 | 14.5 | 16.6 | 13.8 |
| PER (x) | 44.8 | 25.5 | 30.4 | 23.6 |

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) | 5.0 | 4.1 | 3.9 | 3.4 |
| EV/EBITDA (x) | 22.2 | 14.5 | 16.6 | 13.8 |
| EV/NOPAT (x) | 39.6 | 22.7 | 26.3 | 20.5 |
| PER (x) | 44.8 | 25.5 | 30.4 | 23.6 |
| Dividend yield | N/A | N/A | 0.2% | 0.2% |
| FCF yield | 2.2% | 2.7% | 4.5% | 4.1% |

Source: Company information and Progressive Equity Research estimates

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