

STATPRO GROUP

SOFTWARE & COMPUTER SERVICES

SOG.L

86.5p

Market Cap: £58.4m

SHARE PRICE PERFORMANCE



12m high/low 107p/78p

Source: LSE Data

KEY INFORMATION

Enterprise value	£54.7m
Index/market	FTSE AIM
Next news	H1 Trading update July 2013
Net cash	£3.7m
Interest cover	13x

ANALYSTS

Gareth Evans
+44 (0) 20 7349 5156
gevans@progressive-research.com

Ian Spence
+44 (0) 1189 001360

POSITIVE AGM UPDATE

StatPro has provided an AGM statement containing an in-line and upbeat trading update relating to Q1 (to March). Trading is described as being in line with expectations for revenue, profit and other operational targets.

We continue to draw investors' attention to the unusual combination of (1) an exciting growth story, (2) an entrenched and strong market position and (3) a decent yield, well covered by current earnings.

We also remain positive about the prospects for StatPro Revolution and, in time, Revolution Plus, which is slated to become the cloud-delivered upgrade path for the current StatPro Seven. Progress is clearly being made across a number of fronts, as detailed below, and the update is reassuring.

- **Revolution** – the group has seen a good expansion in the number of customers, rising to 178 clients from 156 at December 2012; there has also been a steady increase in fund administrator partners, a metric that we believe key for long-term growth and industry-wide uptake of the platform.
- **Revolution Plus** – this product is on schedule for a July beta launch, and will eventually form the cloud-delivered replacement for StatPro Seven, with all the benefits of cloud products to both the customer and StatPro.
- **Figures** – we make no change to our forecasts (summarised below and detailed overleaf) as the statement is clear that performance in Q1 was in line with expectations. Investors should recall that our forecasts for 2013 include an increased level of spend around product development and sales infrastructure, both to support Revolution sales under way, and to prepare for Revolution Plus later in the year; the AGM update reiterates this intention.
- **Overall tone** – the statement reads positively and, taken together with the strong FY12 results announced in March, suggests that the group is on track to deliver solid growth in the new SaaS product, Revolution. Equally, StatPro seems to be on the verge of the valuable migration of the “core” customer base to the SaaS equivalent of the mainstream product line later this year. Both elements of the story therefore appear solid, and we await further developments with interest.

Forecasts (DEC) £m	2011	2011	2012	2013E	2014E
Revenue	33.1	31.7	32.0	33.0	33.9
Adjusted EBITDA	8.4	6.0	6.7	5.2	6.2
Adjusted PBT	6.6	4.4	5.0	3.8	4.8
Adjusted EPS (p)	7.8	5.2	5.9	4.0	5.1
EV/Sales (x)	1.9	1.9	1.7	1.6	1.6
EV/ Adj. EBITDA (x)	7.2	9.7	7.6	9.7	7.9
P/E (x)	11.1	16.8	14.8	21.4	17.0

Source: Company information, Progressive Equity Research forecasts

FINANCIAL FORECASTS

StatPro Group

Year ended Dec	FY-11	FY-12	FY-13	FY-14
	£m	£m	£m	£m
Profit & Loss	Act	Act	Est	Est
Revenue £m	31.7	32.0	33.0	33.9
Adj EBITDA £m	6.0	6.7	5.2	6.2
Adj EBIT £m	5.1	5.5	4.2	5.2
Reported PBT	3.9	3.8	3.6	4.5
PBT before exceptionals and AAG	4.3	5.2	4.0	5.0
Fully adj PBT	4.4	5.0	3.8	4.8
NOPAT	3.6	4.0	3.1	3.8
Reported EPS	4.7	4.3	3.7	4.8
EPS before exceptionals and AAG	5.0	6.0	4.2	5.2
Fully adj EPS	5.2	5.9	4.0	5.1
Dividend per share p	2.60	2.70	2.80	2.90
Cash flow & Balance sheet				
Operating cash flow	9.9	9.2	8.5	9.5
Free Cash flow £m	4.9	3.2	2.8	3.6
FCF per share p	8.0	5.1	4.2	5.2
Capex	-4.8	-4.2	-4.5	-4.5
Acquisitions	0.0	0.0	0.0	0.0
Net cash flow	2.4	1.9	0.7	1.3
Shares issued	0.0	5.9	0.0	0.0
Net cash	-3.4	3.7	4.4	5.7
Metrics	FY-11	FY-12	FY-13	FY-14
Revenue growth	-4.3%	0.9%	3.0%	3.0%
Adj EBITDA growth	-28.6%	12.0%	-22.7%	19.0%
Adj EBIT growth	-31.2%	9.5%	-23.3%	23.3%
Adj PBT growth	-33.3%	13.8%	-23.8%	25.7%
Adj EPS growth	-33.9%	13.5%	-31.0%	25.7%
Dividend growth	8.3%	3.8%	3.7%	3.6%
Adj EBIT margins	15.9%	17.3%	12.9%	15.4%
Operating cash conversion	113%	91%	100%	100%
Capex/Depreciation	502%	351%	469%	469%
Valuation	FY-11	FY-12	FY-13	FY-14
EV/sales	1.9	1.7	1.6	1.6
EV/EBITDA	9.7	7.6	9.7	7.9
EV/NOPAT	16.0	12.7	16.5	13.0
PER	16.8	14.8	21.4	17.0
Dividend yield	3.0%	3.1%	3.2%	3.4%
FCF yield	5.7%	3.7%	3.3%	4.1%

Source: Company information, Progressive Equity Research estimates

Disclaimers and disclosures

Copyright 2013 Progressive Equity Research Limited (“PERL”). All rights reserved. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is not regulated by the Financial Conduct Authority (FCA).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. This document is a marketing communication under FCA Rules. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.