

SOPHEON

SOFTWARE AND COMPUTER SERVICES

SPE.L

500p

Market Cap: £50.0m

SHARE PRICE (p)



12m high/low

500.0p / 328.5p

Source: LSE Data

KEY INFORMATION

Enterprise value	£43.4m
Index/market	FTSE AIM
Next news	Finals, 22 Mar 2018
Gearing	N/A
Interest cover	8.6x

 SOPHEON IS A RESEARCH CLIENT OF
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Significantly ahead of expectations

A strong final quarter adds to revenue visibility

In today's more detailed trading update, Sopheon has confirmed its brief statement in early January that revenue and profit for FY 2017E will exceed market expectations. As well as providing an anticipated revenue figure above U\$28 million, it states that both EBITDA and pre-tax profits will be 'significantly ahead of current market expectations.' Today's update notes that volume of transactions increased with a greater number of license deals and new SaaS customers – and Q4 contained two substantial deals. Sopheon ended 2017 with net cash of U\$9.5 million. The group has a higher recurring revenue base and greater revenue visibility overall. We adjust FY 2017E numbers to reflect the guidance given today, driving a 31% increase in our Adjusted EBITDA estimate to U\$6.9 million. We also adjust estimates for December's conversion of loan stock and that is the only influence on our estimates for subsequent years where we retain a conservative stance and note future investment in the Accolade platform. We will look to revisit those estimates when further detail is available at the time of the results announcement.

- Sopheon states that the final quarter of 2017 included the signing of two substantial deals in the USA and Germany reflecting the increasing recognition of the wide range of applications for the Accolade platform.
- The update notes that licenses sold in 2017 included applications for Accolade beyond its traditional innovation 'footprint' – such as capital expenditure management, IP management, IT project and portfolio management and enterprise initiative management.
- The Group recorded 59 license deals during 2017 compared to 49 in the prior year. Three new SaaS customers added to recurring revenue alongside the more traditional perpetual license sales.
- The update highlights that overall revenue visibility for 2018 is currently U\$18 million compared to U\$13 million a year ago. This reflects closed license orders including those conditional on client acceptance, contracted services business, and recurring maintenance, hosting, SaaS and rental streams.
- Predominantly as a result of the conversion of the loan stock in December, the year end net cash position of U\$9.5m (2016: \$4.2m) is ahead of our expectation of U\$6.9 million and our revised estimates reflect that improved position.

FYE DEC (US\$M)	2015	2016	2017E	2018E	2019E
Revenue	20.9	23.2	28.0	29.0	32.0
Adjusted EBITDA	4.3	5.2	6.9	6.1	7.3
Adjusted PBT	1.6	2.7	4.2	3.5	4.6
Adjusted EPS (¢)	13.9	28.1	43.9	35.1	46.0
EV/Adj. EBITDA	7.5x	5.9x	9.0x	10.2x	8.5x
P/E	47.5x	23.5x	15.1x	20.4x	15.5x
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company Information and Progressive Equity Research estimates

SUMMARY FINANCIALS

PROFIT & LOSS (US\$m)	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
Revenue	18.3	20.9	23.2	28.0	29.0	32.0
Adj EBITDA	1.2	4.1	5.2	6.9	6.1	7.3
Adj EBIT	(1.1)	1.5	3.0	4.5	3.9	5.1
Reported PBT	(1.5)	1.2	3.0	4.2	3.5	4.6
Fully adj PBT	(1.5)	1.4	2.7	4.2	3.5	4.6
NOPAT	(1.1)	1.5	3.0	4.5	3.9	5.1
Reported EPS (¢)	(20.9)	15.5	59.1	58.0	35.1	46.0
Fully adj EPS (¢)	(20.9)	13.9	28.1	43.9	35.1	46.0
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	3.0	4.3	5.4	6.0	6.6	6.8
Free Cash flow (US\$m)	0.1	1.7	2.9	3.6	4.1	4.3
FCF per share (¢)	1.7	16.9	28.9	35.1	40.8	42.7
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	1.9	0.0	0.0
Net cash flow	(0.1)	1.5	2.8	5.3	3.9	4.1
Overdrafts / borrowings	(5.4)	(6.1)	(5.8)	(5.9)	(6.0)	(6.1)
Cash & equivalents	4.7	7.0	10.1	15.4	19.3	23.4
Net (Debt)/Cash	(0.7)	0.9	4.2	9.5	13.3	17.3
NAV AND RETURNS	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
Net asset value	4.2	5.5	10.4	16.5	20.0	24.6
NAV/share (¢)	58.3	76.0	142.3	164.9	200.0	246.0
Net Tangible Asset Value	(1.6)	(0.0)	4.9	11.1	14.5	19.1
NTAV/share (¢)	(22.6)	(0.7)	67.2	110.9	145.2	190.9
Average equity	2.1	4.9	7.9	13.4	18.2	22.3
Post-tax ROE (%)	-71.6%	23.1%	54.2%	31.5%	19.2%	20.6%
METRICS	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
Revenue growth	<i>n.a.</i>	14.2%	11.1%	20.5%	3.6%	10.4%
Adj EBITDA growth	<i>n.a.</i>	242.5%	27.4%	31.5%	-11.8%	20.3%
Adj EBIT growth	<i>n.a.</i>	-240.3%	94.8%	51.0%	-14.7%	30.3%
Adj PBT growth	<i>n.a.</i>	-194.9%	84.2%	59.3%	-17.1%	31.2%
Adj EPS growth	<i>n.a.</i>	-166.6%	102.4%	55.8%	-20.0%	31.2%
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	-6.0%	7.4%	13.0%	16.3%	13.4%	15.8%
VALUATION	FY-14A	FY-15A	FY-16	FY-17E	FY-18E	FY-19E
EV/Sales	3.4	3.0	2.7	2.2	2.1	1.9
EV/EBITDA	51.7	15.1	11.8	9.0	10.2	8.5
EV/NOPAT	(56.3)	40.1	20.6	13.6	16.0	12.3
PER	<i>n.a.</i>	51.4	25.4	16.3	20.4	15.5
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	0.2%	2.4%	4.0%	4.9%	5.7%	6.0%

Source: Company information, Progressive Equity Research estimates

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