

StatPro Group

Trading remains in line with expectations

AGM trading update

Software & comp services

Trading remains in line and we have maintained our forecasts, which imply 2.7% FY19 organic revenue growth. Management's two key priorities for FY19 are 1) improving EBITDA margins in all areas of the business and 2) ensuring the Delta integration is a success. In the longer run, margins stand to benefit from the group's increasing scale and costs dropping out as the group's three software platforms are consolidated over the next few years. In our view, the shares continue to look attractive, given the group's c £56m recurring revenue book and the declining rating (c 15x FY20e), especially in light of the active M&A backdrop in the financial software sector. We note that Axioma, a StatPro competitor in the risk space, was recently acquired by Deutsche Börse for \$850m or c 8.5x sales.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/17	49.3	3.3	5.8	2.9	22.8	2.2
12/18	54.8	5.0	7.3	2.9	18.2	2.2
12/19e	58.0	6.2	8.0	2.9	16.5	2.2
12/20e	61.0	7.4	9.1	2.9	14.6	2.2

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Two new contract wins underpin our forecasts

StatPro has recently announced two new contract wins: 1) a three-year contract with an EU investment manager for Revolution Delta, with a minimum contract value of €1.2m, including the addition of a new module to cover the new EU Money Market Regulations; and 2) a three-year contract extension with a top 20 fund administrator for Revolution, with a minimum contract value of £2.44m.

Extension of banking facilities

The group has increased its financing facilities to an aggregate £49m and extended them to April 2024. The funding is available for acquisitions, share buy-backs and general corporate purposes.

SiSoft legal case update

The SiSoft legal case was initiated in 2011, and in January 2017 the Commercial Court of Paris found in favour of StatPro. However, the Court of Appeal of Paris has now found in favour of the SiSoft shareholders and partially overturned the original ruling. StatPro strongly rejects the interpretation of the agreement by the Appeal Court and is considering an appeal to the French Supreme Court. We have assumed £0.85m of additional acquisition costs and £0.15m of interest. We now forecast the group to end FY19 with net debt of £22.2m (previously £21.2m).

Valuation: Highly scalable cloud computing upside

StatPro's stock trades on c 17x our maintained FY19e EPS, which falls to c 15x in FY20e and to c 12x in FY21e. Alternatively, the shares trade on c 1.9x FY19 EV/Sales, around a third of the level of StatPro's larger US financial software peers and a quarter of the level of US-based pure software-as-a-service companies. Our DCF model, when incorporating 10-year organic revenue CAGR of c 3.7%, terminal growth of 2%, a long-term operating margin target of 24.0% and a WACC of 9%, values the shares at 230p, 74% above the current share price.

23 May 2019

Price 132.5p
Market cap £87m

Net debt (£m) at 31 December 2018	24.6
Shares in issue	65.6m
Free float	82%
Code	SOG
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	6.9	12.3	(22.7)
Rel (local)	9.0	11.0	(17.5)
52-week high/low	180.5p	105.0p	

Business description

StatPro Group provides cloud-based portfolio analytics solutions to the global investment community.

Next events

Trading update	July 2019
Interim results	August 2019

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Exhibit 1: Financial summary

	£'000s	2016	2017	2018	2019e	2020e	2021e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		37,545	49,260	54,841	58,000	61,000	64,287
Cost of Sales		0	0	0	0	0	0
Gross Profit		37,545	49,260	54,841	58,000	61,000	64,287
EBITDA		5,104	6,838	9,011	9,499	10,499	12,303
Adjusted Operating Profit		3,461	4,917	7,214	7,880	8,886	10,641
Amortisation of acquired intangibles		(1,060)	(2,243)	(3,161)	(3,161)	(3,161)	(3,161)
Exceptionals		(11,378)	(3,934)	(2,578)	(1,000)	0	0
Share based payments		(361)	(626)	(207)	(675)	(700)	(725)
Operating Profit		(9,338)	(1,886)	1,268	3,044	5,025	6,755
Net Interest		(786)	(1,585)	(2,256)	(1,664)	(1,464)	(1,264)
Profit Before Tax (norm)		2,675	3,332	4,958	6,217	7,423	9,377
Profit Before Tax (FRS 3)		(10,124)	(3,471)	(988)	1,381	3,562	5,491
Tax		(489)	563	(141)	(932)	(1,410)	(1,875)
Profit After Tax (norm)		2,843	4,505	5,434	5,284	6,013	7,502
Profit After Tax (FRS 3)		(10,613)	(2,908)	(1,129)	448	2,152	3,616
Minority interests		(94)	(131)	(21)	0	0	0
Net income (norm)		2,186	3,764	4,796	5,284	6,013	7,502
Net income (statutory)		(10,707)	(3,039)	(1,150)	448	2,152	3,616
Average Number of Shares Outstanding (m)		65.3	64.8	65.7	65.9	66.2	66.5
EPS - normalised (p)		3.3	5.8	7.3	8.0	9.1	11.3
EPS - FRS 3 (p)		(16.4)	(4.7)	(1.8)	0.7	3.2	5.4
Dividend per share (p)		2.90	2.90	2.90	2.90	2.90	2.90
Gross Margin (%)		100.0	100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)		13.6	13.9	16.4	16.4	17.2	19.1
Operating Margin (before GW & except.) (%)		9.2	10.0	13.2	13.6	14.6	16.6
BALANCE SHEET							
Fixed Assets		59,088	70,864	69,615	67,658	65,542	63,394
Intangible Assets		55,696	64,793	63,701	61,913	59,885	57,791
Tangible Assets		2,742	3,303	3,447	3,278	3,191	3,136
Other assets		650	2,768	2,467	2,467	2,467	2,467
Current Assets		19,081	20,912	18,438	21,112	25,967	32,433
Stocks		0	0	0	0	0	0
Debtors		14,725	16,601	15,867	16,781	17,649	18,600
Cash		4,356	4,311	2,571	4,331	8,318	13,833
Current Liabilities		(35,686)	(38,171)	(35,224)	(37,376)	(39,534)	(41,851)
Creditors		(27,227)	(30,720)	(27,433)	(29,585)	(31,743)	(34,060)
Short term borrowings		(8,459)	(7,451)	(7,791)	(7,791)	(7,791)	(7,791)
Long Term Liabilities		(9,897)	(22,989)	(25,444)	(22,518)	(19,591)	(16,665)
Long term borrowings		(5,961)	(17,076)	(19,418)	(18,719)	(18,019)	(17,320)
Other long term liabilities		(3,936)	(5,913)	(6,026)	(3,799)	(1,572)	655
Net Assets		32,586	30,616	27,385	28,877	32,384	37,311
CASH FLOW							
Operating Cash Flow		7,454	10,676	12,839	15,702	17,117	19,183
Net Interest		(500)	(1,227)	(1,873)	(1,814)	(1,464)	(1,264)
Tax		(1,294)	(144)	(763)	(350)	(870)	(1,336)
Capex		(6,445)	(7,213)	(7,794)	(7,942)	(8,176)	(8,440)
Acquisitions/disposals		(4,786)	(10,269)	(3,417)	(1,225)	0	0
Equity financing		(2,079)	926	147	0	0	0
Dividends		(1,877)	(2,012)	(1,980)	(1,912)	(1,921)	(1,929)
Net Cash Flow		(9,527)	(9,263)	(2,841)	2,459	4,686	6,214
Opening net debt/(cash)		(1,283)	10,065	20,217	24,638	22,179	17,493
Other		(1,821)	(889)	(1,580)	()	0	0
Closing net debt/(cash)		10,065	20,217	24,638	22,179	17,493	11,279

Source: StatPro accounts, Edison Investment Research

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