

SNP Schneider-Neureither & Partner

Preliminary results

Focusing on organic growth in FY18

SNP recorded c 14% organic growth in Q4 and a c 6% EBITDA margin. FY17 group revenue of around €122m was €2m ahead of our forecasts while EBITDA, at €2m, was €1m below our forecast. We have edged up our revenue forecasts while maintaining profit forecasts. After a hectic FY17, with multiple acquisitions, fund-raising and significant corporate change, we understand that management intends to focus on organic growth in FY18. Given the attractive industry drivers and the potential for margin recovery, the shares look attractive on c 21x our FY19e earnings.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	56.2	3.4	58.8	34.0	59.3	1.0
12/16	80.7	5.7	94.4	39.0	37.0	1.1
12/17e**	122.0	(1.7)	(27.5)	45.0	N/A	1.3
12/18e	151.2	6.4	76.9	52.0	45.4	1.5

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **12/17e shown are preliminary results.

Record revenues in Q417, full year organic growth 8%

FY17 revenue was €122m, up c 51%, including 8% organic growth. This implies Q4 revenues of c €40m (Q416 €23.1m). FY17 EBITDA was c €2m, indicating that Q4 EBITDA was c €2.5m for a c 6% EBITDA margin. Excluding c €4.3m of one-off extraordinary costs, FY17 EBITDA was €6.3m, for an EBITDA margin of c 5.2%. Incoming orders were €130.7m in FY17 for a book-to-bill ratio of 1.07x. This implies that Q4 orders were €35.7m, equating to a book-to-bill ratio of 0.87x.

Strategy: Pushing out the new products

The immediate focus remains on integrating the recent acquisitions and harmonising group-wide process. Consultants from the acquired companies are being trained on transformation software. In January, SNP appointed a software industry veteran in the new role of chief revenue officer to head the global sales effort. The role is based in Philadelphia, US, supported by a small team. A key focus will be on pushing the new products CrystalBridge and Interface Scanner. The group's acquisition strategy has shifted away from consulting businesses to acquiring businesses that will broaden the group's technological expertise.

Forecasts: Revenues edge up, profits maintained

We have brought our FY17 revenues and EBITDA into line with the update. SNP forecasts FY18 revenues of €150-155m (we were forecasting €149.2m). We have increased FY18 and FY19 revenues by €2.0m and €2.2m respectively. We have broadly maintained our FY18 and FY19 profits and balance sheet forecasts. We are forecasting operating margins of 4.9% in FY18 rising to 8.4% in FY19.

Valuation: Strong growth play in the ERP space

The stock trades on c 45x our FY18e EPS, which falls to c 21x in FY19e. Our discounted cash flow valuation (based on c 7.8% organic revenue CAGR over 10 years, 10% WACC, 15.8% long-term margin and 2% terminal growth) is €43.30/share, 24% above the current share price.

Software & comp services

5 February 2018

Price €34.90

Market cap €191m

Net debt (€m) at 30 September 2017 7.5

Shares in issue 5.5m

Free float 53.0

Code SHF

Primary exchange Frankfurt (Xetra)

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 4.3 19.9 (24.6)

Rel (local) 5.0 26.1 (31.4)

52-week high/low €49.1 €28.5

Business description

SNP Schneider-Neureither & Partner (SNP) is a software and consulting business focused on supporting customers in implementing change, and rapidly and economically tailoring IT landscapes to new situations. It has developed a proprietary software suite, CrystalBridge and Transformation Backbone with SAP LT (T-B), which automatically analyses and applies and tracks changes in IT systems.

Next events

Annual report 28 March 2018

Q1 results 27 April 2018

AGM 30 May 2018

Q2 results 2 August 2018

Analysts

Richard Jeans +44 (0)20 3077 5700

Katherine Thompson +44 (0)20 3077 5730

tech@edisongroup.com
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Exhibit 1: Financial summary

	€'000s	2014	2015	2016	2017e	2018e	2019e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		30,480	56,236	80,685	122,000	151,249	165,280
Cost of sales		0	0	0	0	0	0
Gross Profit		30,480	56,236	80,685	122,000	151,249	165,280
EBITDA*		862	5,484	8,524	2,000	10,967	17,924
Adjusted Operating Profit *		(66)	4,222	6,857	(500)	7,394	13,936
Amortisation of acquired intangibles		0	0	0	0	0	0
Exceptionals		1,505	356	0	0	0	0
Associates		0	(3)	8	0	0	0
Operating Profit		1,439	4,575	6,865	(500)	7,394	13,936
Net Interest		(66)	(828)	(1,137)	(1,200)	(1,000)	(800)
Profit Before Tax (norm)		(132)	3,394	5,720	(1,700)	6,394	13,136
Profit Before Tax (FRS 3)		1,373	3,747	5,728	(1,700)	6,394	13,136
Tax		(344)	(1,195)	(1,517)	510	(1,918)	(3,941)
Profit After Tax (norm)		(477)	2,198	4,203	(1,190)	4,476	9,195
Profit After Tax (FRS 3)		1,028	2,552	4,211	(1,190)	4,476	9,195
Minority interest		(40)	0	(147)	(248)	(267)	(289)
Adjustments for normalised earnings		0	0	0	0	0	0
Net income (norm)		(517)	2,198	4,056	(1,438)	4,208	8,906
Net income (FRS 3)		988	2,552	4,064	(1,438)	4,208	8,906
Average Number of Shares Outstanding (m)		3.7	3.7	4.3	5.2	5.5	5.5
EPS - normalised (c)		(13.9)	58.8	94.4	(27.5)	76.9	162.7
EPS - normalised & fully diluted (c)		(13.9)	58.8	94.4	(27.5)	76.9	162.7
EPS - FRS 3 (c)		26.6	68.3	94.6	(27.5)	76.9	162.7
Dividend per share (c)		13.00	34.00	39.00	45.00	52.00	60.00
Gross Margin (%)		100.0	100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)		2.8	9.8	10.6	1.6	7.3	10.8
Adjusted Operating Margin (%)		-0.2	7.5	8.5	-0.4	4.9	8.4
BALANCE SHEET							
Fixed Assets		8,291	15,243	29,054	70,404	69,856	69,173
Intangible Assets		5,190	11,675	24,179	62,939	62,939	62,939
Tangible Assets		1,231	1,999	3,161	6,151	5,603	4,919
Other		1,871	1,570	1,714	1,314	1,314	1,314
Current Assets		17,882	29,996	59,478	84,155	79,359	83,841
Stocks		0	0	0	0	0	0
Debtors		11,286	16,084	27,201	41,129	50,990	55,720
Cash		5,681	13,769	31,914	42,663	28,006	27,758
Current Liabilities		(9,782)	(13,703)	(34,382)	(34,853)	(44,078)	(48,040)
Creditors		(9,182)	(11,101)	(21,583)	(32,753)	(41,978)	(45,940)
Short term borrowings		(600)	(2,602)	(12,799)	(2,100)	(2,100)	(2,100)
Long Term Liabilities		(2,501)	(15,513)	(5,576)	(52,440)	(40,366)	(32,792)
Long term borrowings		(1,650)	(12,344)	(434)	(40,434)	(35,434)	(30,434)
Other long term liabilities		(851)	(3,169)	(5,141)	(12,005)	(4,931)	(2,357)
Net Assets		13,890	16,024	48,575	67,267	64,771	72,183
CASH FLOW							
Operating Cash Flow		2,579	1,879	1,005	(929)	10,211	17,098
Net Interest		(66)	(167)	53	(1,200)	(1,000)	(800)
Tax		(1,102)	(554)	(412)	476	(1,790)	(3,678)
Capex		(701)	(1,779)	(3,451)	(5,490)	(3,025)	(3,306)
Acquisitions/disposals**		(500)	(3,228)	(5,923)	(27,770)	(11,701)	(1,716)
Shares issued		0	0	30,129	18,293	0	0
Dividends		(335)	(483)	(1,264)	(1,932)	(2,352)	(2,847)
Net Cash Flow		(124)	(4,332)	20,137	(18,552)	(9,657)	4,751
Opening net debt/(cash)		(3,505)	(3,431)	1,176	(18,681)	(129)	9,528
HP finance leases initiated		0	0	0	0	0	0
Other		51	(275)	(281)	0	0	0
Closing net debt/(cash)		(3,431)	1,176	(18,681)	(129)	9,528	4,777

Source: Company accounts, Edison Investment Research. Note: Includes c €4.3m exceptional costs in FY17. **Includes additional payments for ADEPCON in FY18 and FY19, and final payments for RSP, Astrums/Hartung and Harlex in FY18.

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