

StatPro Group

Trading update

Adjusted EBITDA jumps by 32%

StatPro's FY18 EBITDA was slightly ahead of our expectations, while revenues came in lower than expected. The resulting margin gain reflects management's determination to improve profitability levels. As we have pointed out previously, margins stand to benefit from the group's increasing scale and costs dropping out as the group's software platforms are streamlined 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 FY19e), especially in light of the active M&A backdrop in the financial software sector.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/16	37.5	2.7	3.3	2.9	35.5	2.4
12/17	49.3	3.3	5.8	2.9	20.5	2.4
12/18e	54.7	5.2	7.3	2.9	16.2	2.4
12/19e	58.0	6.2	8.0	2.9	14.9	2.4

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

Trading update: Recurring revenue book rose 4%

Group revenue grew by 11% to c £54.7m (we forecast £56.8m) while adjusted EBITDA increased by 32% to c £9.0m (£8.7m) as the EBITDA margin rose by c 260bp to c 16.5%. Year-end net debt stood at £24.6m, above our forecast of £22.3m, which partly reflects the weakness of sterling in late 2018. Annualised recurring revenue grew by 4% over the 12 months at constant currencies to stand at £55.7m and StatPro Revolution's ARR grew by 17% organically. The group's ARR renewal rate improved to 92% from 91% in H1, but still stands below the long-term average of 93–94%.

Management says Q4 sales were robust and the group signed 20 clients in eight different countries for contracts greater than \$100k per annum in FY18, including seven banner deals. While organic growth remains close to flat, the Revolution platform continues to mature and provides a stronger foundation for growth to accelerate. For instance, a large US asset service provider (acting as a reseller of Revolution) recently added a client to Revolution at short notice for a minimum three-year contract value of \$1.5m. Further impetus for Revolution is expected in 2019 as additional functionality is added. Additional drivers include the new managed services arm and a focus on commercialising the group's data assets.

Forecast changes: Sales eased, EBITDA maintained

We have eased our revenue forecasts while maintaining EBITDA. The changes are outlined on page 2.

Valuation: Highly scalable cloud computing upside

StatPro's stock trades on c 16x our increased FY18e EPS, which falls to c 15x in FY19e and to c 13x in FY20e. Alternatively, the shares trade on c 1.8x 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

Software & comp services

24 January 2019

Price 119p
Market cap £78m

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	7.2	(4.4)	(19.9)
Rel (local)	4.5	(3.3)	(9.7)
52-week high/low	186.5p	105.0p	

Business description

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

Next events

Final results	March 2019
AGM	May 2019
Trading update	July 2019
Interim results	August 2019

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Forecast changes: FY19 and FY20 profits maintained

We have adjusted our FY18 numbers in line with the trading update. We have reduced our revenue forecasts 3% in FY19 and 2% in FY20. We have maintained our FY19 and FY20 EBITDA and EPS forecasts. We now forecast the group to end FY19 with net debt of £22.6m (previously £20.3m) falling to £20.4m a year later (previously £18.2m).

Exhibit 1: Forecast changes

	Revenues (£m)			EBITDA (£m)			EPS (p)		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2018e	56.8	54.7	(4)	8.7	9.0	3	7.0	7.3	4
2019e	59.5	58.0	(3)	9.5	9.5	0	8.0	8.1	0
2020e	62.1	61.0	(2)	10.5	10.5	0	9.1	9.1	0

Source: Edison Investment Research

Exhibit 2: Financial summary

	£000s	2015	2016	2017	2018e	2019e	2020e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		30,187	37,545	49,260	54,700	58,011	61,005
Cost of Sales		0	0	0	0	0	0
Gross Profit		30,187	37,545	49,260	54,700	58,011	61,005
EBITDA		4,044	5,104	6,838	9,000	9,500	10,500
Adjusted Operating Profit		2,852	3,461	4,917	7,075	7,631	8,688
Amortisation of acquired intangibles		(32)	(1,060)	(2,243)	(3,243)	(3,243)	(3,243)
Exceptionals		0	(11,378)	(3,934)	0	0	0
Share based payments		(121)	(361)	(626)	(650)	(675)	(700)
Operating Profit		2,699	(9,338)	(1,886)	3,182	3,713	4,745
Net Interest		(290)	(786)	(1,585)	(1,839)	(1,414)	(1,214)
Profit Before Tax (norm)		2,562	2,675	3,332	5,237	6,218	7,474
Profit Before Tax (FRS 3)		2,409	(10,124)	(3,471)	1,344	2,300	3,531
Tax		(788)	(489)	563	(372)	(933)	(1,413)
Profit After Tax (norm)		1,774	2,843	4,505	4,865	5,285	6,061
Profit After Tax (FRS 3)		1,621	(10,613)	(2,908)	972	1,367	2,118
Minority interests		0	(94)	(131)	(40)	0	0
Net income (norm)		1,774	2,186	3,764	4,825	5,285	6,061
Net income (statutory)		1,621	(10,707)	(3,039)	932	1,367	2,118
Average Number of Shares Outstanding (m)		67.6	65.3	64.8	65.7	66.0	66.3
EPS - normalised (p)		2.6	3.3	5.8	7.3	8.0	9.1
EPS - FRS 3 (p)		2.4	(16.4)	(4.7)	1.4	2.1	3.2
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 (%)		13.4	13.6	13.9	16.5	16.4	17.2
Operating Margin (before GW & except.) (%)		9.4	9.2	10.0	12.9	13.2	14.2
BALANCE SHEET							
Fixed Assets		51,857	59,088	70,864	68,669	66,653	64,738
Intangible Assets		48,613	55,696	64,793	63,046	61,158	59,226
Tangible Assets		2,233	2,742	3,303	2,855	2,726	2,744
Other assets		1,011	650	2,768	2,768	2,768	2,768
Current Assets		10,665	19,081	20,912	17,662	20,124	22,619
Stocks		0	0	0	0	0	0
Debtors		8,462	14,725	16,601	18,434	19,550	20,559
Cash		2,203	4,356	4,311	(772)	574	2,060
Current Liabilities		(19,778)	(35,686)	(38,171)	(38,594)	(40,967)	(43,279)
Creditors		(19,660)	(27,227)	(30,720)	(31,143)	(33,516)	(35,828)
Short term borrowings		(118)	(8,459)	(7,451)	(7,451)	(7,451)	(7,451)
Long Term Liabilities		(1,227)	(9,897)	(22,989)	(22,290)	(19,363)	(16,437)
Long term borrowings		(801)	(5,961)	(17,076)	(16,377)	(15,677)	(14,978)
Other long term liabilities		(426)	(3,936)	(5,913)	(5,913)	(3,686)	(1,459)
Net Assets		41,517	32,586	30,616	25,448	26,446	27,641
CASH FLOW							
Operating Cash Flow		6,548	7,454	10,676	12,932	15,616	16,996
Net Interest		(84)	(500)	(1,227)	(1,839)	(1,414)	(1,214)
Tax		(832)	(1,294)	(144)	(1,227)	(319)	(870)
Capex		(4,999)	(6,445)	(7,213)	(7,753)	(8,127)	(8,538)
Acquisitions/disposals		0	(4,786)	(10,269)	(3,663)	(1,803)	(2,274)
Equity financing		64	(2,079)	926	0	0	0
Dividends		(1,960)	(1,877)	(2,012)	(1,879)	(1,907)	(1,915)
Net Cash Flow		(1,263)	(9,527)	(9,263)	(3,429)	2,045	2,185
Opening net debt/(cash)		(2,680)	(1,283)	10,065	20,217	24,600	22,555
Other		(134)	(1,821)	(889)	(954)	0	()
Closing net debt/(cash)		(1,283)	10,065	20,217	24,600	22,555	20,370

Source: StatPro accounts, Edison Investment Research

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