

# StatPro Group

Q1 trading in line, focus on integrating UBS Delta

AGM trading update

Software & comp services

In an in-line AGM trading update, StatPro says that sales have progressed well and that the pipeline remains solid. We have maintained all of our forecasts, but see scope for upgrades as the year progresses, unless sterling continues its recovery. In April, StatPro said that it was acquiring UBS Delta, a portfolio analysis and risk management system, at a valuation of less than 0.8x revenues. The valuation compared with the c 7.3x sales that FactSet recently paid for BISAM, a key competitor of StatPro. We continue to see strong upside potential in the shares, if StatPro can successfully integrate UBS Delta, given the significant valuation disparity between StatPro and its US-listed financial software peers.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/15	30.2	2.6	2.6	2.9	47.2	2.3
12/16	37.5	2.7	3.5	2.9	35.5	2.3
12/17e	48.9	4.2	5.0	2.9	25.0	2.3
12/18e	57.3	6.1	7.2	2.9	17.2	2.3

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

## Trading update: A solid pipeline

In the trading update, StatPro says that “trading in the first quarter of the current financial year is in line with expectations. New sales of StatPro Revolution and StatPro Seven have progressed well and the pipeline for the remainder of the year remains solid”. Following the acquisition of UBS Delta, c 81% of annualised recurring software revenues now come from SaaS or cloud-based solutions with the balance from the group’s hosted StatPro Seven product. Carl Bacon is stepping down as chairman in November, after 17 years. Rory Curran will take on the role as chairman. Mr Curran joined the board as a non-executive director in May 2016.

## Acquisition of UBS Delta has effectively completed

In April, StatPro said it was acquiring UBS Delta, an early-generation private cloud application used by front offices of institutional investors for portfolio management and marketing purposes, from UBS for c €13m. UBS Delta’s technology needs to be refreshed and to achieve this, its functionality, along with the customer base, will be transitioned to StatPro Revolution. The deal achieved its first closing date on 15 May, and now has effectively completed following the initial payment of €8.7m. The balance will be paid over the next three years. At the time of the acquisition, we noted that the deal significantly scales up StatPro’s business, boosting FY18 revenues by c 33%, adjusted EBITDA by c 40% and EPS by 40%.

## Valuation: Highly scalable cloud computing upside

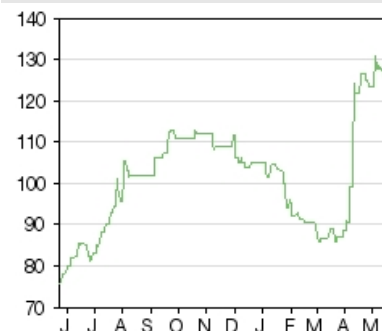
StatPro’s stock trades on c 25x our FY17e EPS, which falls to c 17x in FY18e. Alternatively, the shares trade on c 1.8x FY18e EV/sales, around one-third of the level of StatPro’s larger US peers and US-based pure SaaS companies. Our DCF model, when incorporating 10-year organic revenue growth of 4.4%, a terminal growth of 2%, a long-term margin target of 24.5% and a WACC of 9%, values the shares at 212p, 71% above the current share price.

22 May 2017

**Price** 124p  
**Market cap** £80m

Net debt (£m) at 31 December 2016	10.1
Shares in issue	64.7m
Free float	82%
Code	SOG
Primary exchange	AIM
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	(2.0)	37.0	64.2
Rel (local)	(6.1)	33.0	34.0
52-week high/low		131.0p	75.5p

### Business description

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

### Next events

Trading update	July 2017
Interim results	August 2017

### Analysts

Richard Jeans	+44 (0)20 3077 5700
Dan Ridsdale	+44 (0)20 3077 5729

[tech@edisongroup.com](mailto:tech@edisongroup.com)

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**Exhibit 1: Financial summary**

	£'000s	2013	2014	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
Revenue		32,486	32,018	30,187	37,545	48,948	57,304
Cost of Sales		0	0	0	0	0	0
Gross Profit		32,486	32,018	30,187	37,545	48,948	57,304
EBITDA		5,463	4,359	4,044	5,104	7,030	8,916
Adjusted Operating Profit		4,327	2,875	2,852	3,461	5,230	7,116
Amortisation of acquired intangibles		(402)	(188)	(32)	(1,060)	(1,060)	(1,060)
Exceptionals		(347)	0	0	(11,378)	0	0
Share based payments		(192)	(26)	(121)	(361)	(213)	(225)
Operating Profit		3,386	2,661	2,699	(9,338)	3,958	5,831
Net Interest		(273)	(291)	(290)	(786)	(998)	(1,021)
Profit Before Tax (norm)		4,054	2,584	2,562	2,675	4,232	6,095
Profit Before Tax (FRS 3)		3,113	2,370	2,409	(10,124)	2,960	4,810
Tax		(1,030)	(774)	(788)	(395)	(889)	(1,280)
Profit After Tax (norm)		3,024	1,810	1,774	2,843	3,344	4,815
Profit After Tax (FRS 3)		2,083	1,596	1,621	(10,519)	2,071	3,530
Minority interests		0	0	0	(94)	(121)	(129)
Net income (norm)		3,024	1,810	1,774	2,280	3,223	4,686
Net income (statutory)		2,083	1,596	1,621	(10,613)	1,950	3,401
Average Number of Shares Outstanding (m)		67.5	67.5	67.6	65.3	64.9	65.2
EPS - normalised (p)		4.5	2.7	2.6	3.5	5.0	7.2
EPS - FRS 3 (p)		3.1	2.4	2.4	(16.3)	3.0	5.2
Dividend per share (p)		2.80	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 (%)		16.8	13.6	13.4	13.6	14.4	15.6
Operating Margin (before GW & except.) (%)		13.3	9.0	9.4	9.2	10.7	12.4
<b>BALANCE SHEET</b>							
Fixed Assets		55,992	56,113	51,857	59,088	71,757	72,285
Intangible Assets		53,524	52,546	48,613	55,696	68,452	68,774
Tangible Assets		1,883	2,470	2,233	2,742	2,655	2,861
Other assets		585	1,097	1,011	650	650	650
Current Assets		10,312	10,441	10,665	19,081	24,018	28,637
Stocks		0	0	0	0	0	0
Debtors		6,167	7,722	8,462	14,725	19,197	22,475
Cash		4,014	2,692	2,203	4,356	4,821	6,162
Current Liabilities		(18,514)	(20,271)	(19,778)	(35,686)	(42,727)	(47,207)
Creditors		(18,502)	(20,259)	(19,660)	(27,227)	(34,268)	(38,748)
Short term borrowings		(12)	(12)	(118)	(8,459)	(8,459)	(8,459)
Long Term Liabilities		(882)	(598)	(1,227)	(9,897)	(22,223)	(21,523)
Long term borrowings		0	0	(801)	(5,961)	(16,060)	(15,360)
Other long term liabilities		(882)	(598)	(426)	(3,936)	(6,163)	(6,163)
Net Assets		46,908	45,685	41,517	32,586	30,826	32,191
<b>CASH FLOW</b>							
Operating Cash Flow		9,403	7,705	6,548	7,454	11,604	14,417
Net Interest		(98)	(10)	(84)	(500)	(998)	(1,021)
Tax		(1,616)	(1,173)	(832)	(1,294)	(1,000)	(846)
Capex		(4,412)	(5,904)	(4,999)	(6,445)	(6,486)	(7,808)
Acquisitions/disposals		(990)	0	0	(4,786)	(10,861)	(820)
Equity financing		0	2	64	(2,079)	0	0
Dividends		(1,856)	(1,889)	(1,960)	(1,877)	(1,893)	(1,881)
Net Cash Flow		431	(1,269)	(1,263)	(9,527)	(9,633)	2,041
Opening net debt/(cash)		(3,667)	(4,002)	(2,680)	(1,283)	10,065	19,698
Other		(96)	(53)	(134)	(1,821)	(0)	(0)
Closing net debt/(cash)		(4,002)	(2,680)	(1,283)	10,065	19,698	17,657

Source: StatPro Group accounts, Edison Investment Research estimates

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