

StatPro Group

On target

In a short trading update, StatPro has said that trading is in line with expectations. The group recently signed a major cloud conversion contract with a top 10 global fund administrator. Such deals require significant commitment from the client and, once live, have the potential to be scaled up if the client takes additional licences to extend to its own client base. Given the ongoing busy M&A backdrop in financial software and the significant valuation disparity between StatPro and its US-listed financial software peers, we continue to see strong upside potential in the shares.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/16	37.5	2.7	3.3	2.9	53.9	1.6
12/17	49.3	3.4	5.9	2.9	30.4	1.6
12/18e	56.5	5.4	7.0	2.9	25.9	1.6
12/19e	58.5	6.2	7.8	2.9	23.2	1.6

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

Trading update

StatPro says FY18 trading is in line with its expectations. Sales of StatPro Revolution have progressed well, including sales to both new clients and conversions and upsells to existing clients. The StatPro Revolution fixed income module will be launched, as planned, in early Q318.

Revolution win with top 10 global fund administrator

StatPro has signed a multi-year cloud conversion and extension contract, worth at least \$500k per year, with a top 10 global fund administrator, which has over \$1.5tn funds under administration. The customer is converting from StatPro Seven to StatPro Revolution. As a fund administrator, the customer acts as a Revolution reseller by offering it to investors that subscribe to its administration services. By taking StatPro Performance, which is the cloud replacement for StatPro's traditional Seven software core, the customer will be able to offer transaction-based calculations while leveraging the elastic cloud for speedy calculations.

CEO share sale

Last week Justin Wheatley, CEO, sold 665k shares, or c 1% of StatPro's share capital. Mr Wheatley still retains just over 6.8m shares or 10.4%. We note that three non-executive directors, including the chairman, have all acquired shares.

Valuation: Highly scalable cloud computing upside

StatPro's stock trades on c 26x our maintained FY18e EPS, which falls to c 23x in FY19e and to c 21x in FY20e. Alternatively, the shares trade on c 2.4x FY19e EV/sales, around a half of the level of StatPro's larger US peers and, well below a half of US-based pure SaaS companies. Our DCF model, when incorporating 10-year organic revenue growth of c 3.8%, a terminal growth of 2%, a long-term margin target of 24.5% and a WACC of 9%, values the shares at 220p, c 22% above the current share price.

AGM trading update

Software & comp services

24 May 2018

Price 180.50p
Market cap £118m

Net debt (£m) at 31 December 2017	20.2
Shares in issue	65.6m
Free float	82%
Code	SOG
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	6.5	(0.8)	45.6
Rel (local)	1.5	(7.5)	39.5
52-week high/low	186.5p	114.0p	

Business description

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

Next events

Trading update	July 2018
Interim results	August 2018

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StatPro Group is a research client of Edison Investment Research Limited

Exhibit 1: 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	49,337	56,500	58,480	61,100
Cost of Sales		0	0	0	0	0	0
Gross Profit		30,187	37,545	49,337	56,500	58,480	61,100
EBITDA		4,044	5,104	6,951	8,666	9,255	10,149
Adjusted Operating Profit		2,852	3,461	5,030	6,766	7,405	8,349
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)	(1,773)	2,873	3,487	4,406
Net Interest		(290)	(786)	(1,585)	(1,396)	(1,221)	(1,071)
Profit Before Tax (norm)		2,562	2,675	3,445	5,370	6,184	7,278
Profit Before Tax (FRS 3)		2,409	(10,124)	(3,358)	1,477	2,266	3,335
Tax		(788)	(489)	537	(752)	(1,051)	(1,456)
Profit After Tax (norm)		1,774	2,843	4,592	4,618	5,133	5,823
Profit After Tax (FRS 3)		1,621	(10,613)	(2,821)	725	1,215	1,880
Minority interests		0	(94)	(131)	(40)	0	0
Net income (norm)		1,774	2,186	3,851	4,578	5,133	5,823
Net income (statutory)		1,621	(10,707)	(2,952)	685	1,215	1,880
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	5.9	7.0	7.8	8.8
EPS - FRS 3 (p)		2.4	(16.4)	(4.6)	1.0	1.8	2.8
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	14.1	15.3	15.8	16.6
Operating Margin (before GW and except.) (%)		9.4	9.2	10.2	12.0	12.7	13.7
BALANCE SHEET							
Fixed Assets		51,857	59,088	70,864	68,978	67,043	65,111
Intangible Assets		48,613	55,696	64,793	63,282	61,442	59,477
Tangible Assets		2,233	2,742	3,303	2,928	2,833	2,866
Other assets		1,011	650	2,768	2,768	2,768	2,768
Current Assets		10,665	19,081	20,717	21,585	23,472	25,532
Stocks		0	0	0	0	0	0
Debtors		8,462	14,725	16,406	18,788	19,446	20,318
Cash		2,203	4,356	4,311	2,797	4,026	5,215
Current Liabilities		(19,778)	(35,686)	(40,011)	(42,979)	(44,841)	(46,994)
Creditors		(19,660)	(27,227)	(32,560)	(35,528)	(37,390)	(39,543)
Short term borrowings		(118)	(8,459)	(7,451)	(7,451)	(7,451)	(7,451)
Long Term Liabilities		(1,227)	(9,897)	(22,416)	(21,717)	(18,790)	(15,864)
Long term borrowings		(801)	(5,961)	(17,076)	(16,377)	(15,677)	(14,978)
Other long term liabilities		(426)	(3,936)	(5,340)	(5,340)	(3,113)	(886)
Net Assets		41,517	32,586	29,154	25,867	26,884	27,786
CASH FLOW							
Operating Cash Flow		6,548	7,454	10,676	14,579	15,516	16,844
Net Interest		(84)	(500)	(1,227)	(1,396)	(1,221)	(1,071)
Tax		(832)	(1,294)	(144)	(1,253)	(698)	(989)
Capex		(4,999)	(6,445)	(7,213)	(8,094)	(8,333)	(8,707)
Acquisitions/disposals		0	(4,786)	(10,269)	(2,771)	(1,429)	(2,274)
Equity financing		64	(2,079)	926	()	0	0
Dividends		(1,960)	(1,877)	(2,012)	(1,879)	(1,907)	(1,915)
Net Cash Flow		(1,263)	(9,527)	(9,263)	(814)	1,928	1,888
Opening net debt/(cash)		(2,680)	(1,283)	10,065	20,217	21,031	19,103
Other		(134)	(1,821)	(889)	()	0	0
Closing net debt/(cash)		(1,283)	10,065	20,217	21,031	19,103	17,214

Source: Company accounts/Edison Investment Research

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