

# SNP Schneider-Neureither

Global expansion continues

Capital increase

Software & comp services

Last week, SNP carried out a 10% capital increase, raising €18.74m before costs. The funds will be used to help finance the proposed acquisitions of three South American SAP consultancy firms. The acquisitions will create SNP's first significant presence in South America, and follow recent acquisitions in Asia, the UK and Poland. We will update our forecasts for the capital increase and acquisitions following the Q2 results, when we will have more information. Given SNP's strong position in software-based transformation projects and assuming a sustained high level of activity, we believe the shares remain attractive on c 18x our (pre-deals) FY19e EPS.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	56.2	3.4	58.8	34.0	67.1	0.9
12/16	80.7	5.7	94.4	39.0	41.8	1.0
12/17e	110.0	7.2	96.3	45.0	41.0	1.1
12/18e	135.1	13.6	185.6	52.0	21.3	1.3

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

## 10% capital increase

SNP successfully placed the maximum of 497,677 new shares that were offered to selected institutional investors by means of an accelerated book-building process. New shares were placed at a price of €37.65, raising c €18.74m in gross proceeds. The shareholding of Dr Andreas Schneider-Neureither, CEO, has subsequently fallen from 20.03% to 18.21%.

## Three related acquisitions in South America

SNP is seeking to acquire three unnamed South American SAP consultancy firms. The companies have high-quality customer bases and focus on projects with very large data volumes. All three consultancies are profitable and have generated robust revenue growth in recent years. In FY16, total revenue amounted to c \$20m and EBIT margins have been c 9% in the previous few years. SNP expects an earnings contribution of \$0.7m to \$0.9m from the acquisitions for the remaining six-month period in FY17, or \$1.4m to \$1.8m on an annualised basis.

## Contract win: Major automotive component supplier

Last week, SNP said it had received an order for an extensive transformation project from one of the world's largest automotive component suppliers. This order for services follows the purchase of software licences from SNP in 2016. The customer is consolidating its entire SAP ERP territory and SNP will be involved in the migration of core and transaction data, as well as the transformation of processes from the old SAP systems, to a modern digital platform.

## Valuation: Strong growth play in the ERP space

The stock trades on c 41x our FY17e EPS, which falls to c 21x in FY18e and to c 18x in FY19e. In our last note, our discounted cash flow valuation came out at €47.75/share. However, our model is based on conservative assumptions and took no account of any additional acquisitions.

11 July 2017

Price **€39.47**

Market cap **€216m**

Net cash (€m) at 31 March 2017 12.2

Shares in issue 5.48m

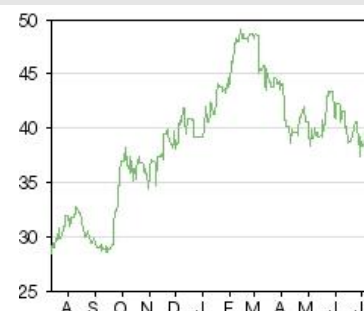
Free float 63%

Code SHF

Primary exchange Frankfurt (Xetra)

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (4.3) 2.4 44.5

Rel (local) (1.5) 0.4 11.8

52-week high/low €49.1 €27.2

### 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 product called SNP Transformation Backbone with SAP Landscape Transformation software (T-B).

### Next events

Q2 results 28 July 2017

Q3 results 27 October 2017

### Analysts

Richard Jeans +44 (0)20 3077 5700

Katherine Thompson +44 (0)20 3077 5730

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

[Edison profile page](#)

**SNP Schneider-Neureither & Partner**  
**SNP Schneider-Neureither & Partner is a research client of**  
**Edison Investment Research Limited**

**Exhibit 1: Financial summary**

	€000s	2014	2015	2016	2017e	2018e	2019e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
Revenue		30,480	56,236	80,685	109,991	135,142	147,665
Cost of sales		0	0	0	0	0	0
Gross Profit		30,480	56,236	80,685	109,991	135,142	147,665
EBITDA		862	5,484	8,524	10,077	16,804	19,823
Adjusted Operating Profit		(66)	4,222	6,857	8,000	14,328	17,038
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	8,000	14,328	17,038
Net Interest		(66)	(828)	(1,137)	(800)	(750)	(700)
Profit Before Tax (norm)		(132)	3,394	5,720	7,200	13,578	16,338
Profit Before Tax (FRS 3)		1,373	3,747	5,728	7,200	13,578	16,338
Tax		(344)	(1,195)	(1,517)	(2,160)	(4,073)	(4,901)
Profit After Tax (norm)		(477)	2,198	4,203	5,040	9,505	11,437
Profit After Tax (FRS 3)		1,028	2,552	4,211	5,040	9,505	11,437
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	4,792	9,237	11,148
Net income (FRS 3)		988	2,552	4,064	4,792	9,237	11,148
Average Number of Shares Outstanding (m)		3.7	3.7	4.3	5.0	5.0	5.0
EPS - normalised (c)		(13.9)	58.8	94.4	96.3	185.6	224.0
EPS - normalised & fully diluted (c)		(13.9)	58.8	94.4	96.3	185.6	224.0
EPS - FRS 3 (c)		26.6	68.3	94.6	96.3	185.6	224.0
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	9.2	12.4	13.4
Adjusted Operating Margin (%)		-0.2	7.5	8.5	7.3	10.6	11.5
<b>BALANCE SHEET</b>							
Fixed Assets		8,291	15,243	29,054	50,377	50,603	50,772
Intangible Assets		5,190	11,675	24,179	45,779	45,779	45,779
Tangible Assets		1,231	1,999	3,161	3,284	3,510	3,679
Other		1,871	1,570	1,714	1,314	1,314	1,314
Current Assets		17,882	29,996	59,478	80,293	86,280	93,771
Stocks		0	0	0	0	0	0
Debtors		11,286	16,084	27,201	37,081	45,560	49,782
Cash		5,681	13,769	31,914	42,849	40,357	43,626
Current Liabilities		(9,782)	(13,703)	(34,382)	(33,134)	(46,041)	(49,576)
Creditors		(9,182)	(11,101)	(21,583)	(31,034)	(38,941)	(42,476)
Short term borrowings		(600)	(2,602)	(12,799)	(2,100)	(7,100)	(7,100)
Long Term Liabilities		(2,501)	(15,513)	(5,576)	(45,576)	(36,076)	(26,576)
Long term borrowings		(1,650)	(12,344)	(434)	(40,434)	(35,434)	(30,434)
Other long term liabilities		(851)	(3,169)	(5,141)	(5,141)	(641)	3,859
Net Assets		13,890	16,024	48,575	51,961	54,767	68,391
<b>CASH FLOW</b>							
Operating Cash Flow		2,579	1,879	1,005	9,526	16,129	19,085
Net Interest		(66)	(167)	53	(800)	(750)	(700)
Tax		(1,102)	(554)	(412)	(2,016)	(3,802)	(4,575)
Capex		(701)	(1,779)	(3,451)	(2,200)	(2,703)	(2,953)
Acquisitions/disposals		(500)	(3,228)	(5,923)	(21,200)	(9,127)	0
Shares issued		0	0	30,129	0	0	0
Dividends		(335)	(483)	(1,264)	(1,676)	(2,240)	(2,588)
Net Cash Flow		(124)	(4,332)	20,137	(18,366)	(2,492)	8,269
Opening net debt/(cash)		(3,505)	(3,431)	1,176	(18,681)	(315)	2,177
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)	(315)	2,177	(6,092)

Source: Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. [www.edisongroup.com](http://www.edisongroup.com)

#### DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by SNP Schneider-Neureither & Partner and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.