

StatPro Group

Q3 trading update

In-line trading, underpinned by Infovest contract

In an in-line Q3 trading update, StatPro says that its annualised recurring revenue (ARR) rose by 3% at constant currencies over the past 12 months to £54.8m. Additionally, earlier this week StatPro announced a c £1.0m five-year Infovest contract, which highlights the quality of the group's Infovest data management solution. The main focus for growth remains the fund administrator channel and, in January, the group will operate a new structure with three divisions (Revolution for analytics, StatPro: Source for data, and Infovest for integration and data management) to drive the business. Following the recent de-rating, we believe the shares look increasing attractive on 15x our maintained FY19 earnings, especially in light of the active M&A backdrop in financial software and the scope for revenue acceleration and margin expansion.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/16	37.5	2.7	3.3	2.9	36.6	2.4
12/17	49.3	3.3	5.8	2.9	21.1	2.4
12/18e	56.8	5.0	7.0	2.9	17.6	2.4
12/19e	59.5	6.2	8.0	2.9	15.3	2.4

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

Q3 trading: Underlying ARR grows 3% in 12 months

The group's ARR rose by 3% to £54.8m over the 12 months to 30 September. This includes c £1.4m from the managed risk service of ODDO that was acquired in July. Importantly, StatPro Revolution's underlying ARR growth (excluding the impact of acquired revenue and including conversions from StatPro Seven) was 16%. The migration of Delta is progressing well. While the underlying ARR number was broadly in line with the 30 June level, management remains confident that growth will accelerate, largely driven by the reseller (fund administrator/outourcing) channel, outsourced managed services, the exploitation of under-utilised data assets and value-enhancing acquisitions. Further, profitability will be enhanced from disciplined management of costs. We have maintained all of our forecasts.

Sizeable c £1m Infovest contract in South Africa

StatPro has signed a ZAR19.5m (c £1.0m) Infovest contract with a large unnamed South African financial institution that is an existing StatPro customer. The customer will use Infostore to provide a consolidated view of all its positions in the market on a daily basis. In addition, the solution will enable business intelligence and analytics. This contract is among the largest Infovest contracts to date.

Valuation: Highly scalable cloud computing upside

StatPro's stock trades on c 18x our maintained FY18 EPS, which falls to c 15x in FY19 and to c 13x in FY20. Alternatively, the shares trade on c 1.7x FY19 EV/sales, around half of the level of StatPro's larger US peers and around one-third of US-based pure software-as-a-service companies. When incorporating 10-year organic revenue growth of c 3.6%, a terminal growth of 2%, a long-term margin target of 24.0% and a WACC of 9%, our DCF model values the shares at 222p, c 81% above the current share price.

Software & comp services

25 October 2018

Price **122.50p**

Market cap **£80m**

Net debt (£m) at 30 June 2018 23.2

Shares in issue 65.6m

Free float 82%

Code SOG

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (11.4) (27.4) (17.8)

Rel (local) (4.5) (19.4) (11.1)

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 January 2019

Final results March 2019

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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	49,260	56,751	59,501	62,123
Cost of Sales	0	0	0	0	0	0
Gross Profit	30,187	37,545	49,260	56,751	59,501	62,123
EBITDA	4,044	5,104	6,838	8,743	9,511	10,455
Adjusted Operating Profit	2,852	3,461	4,917	6,818	7,642	8,643
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)	2,925	3,724	4,700
Net Interest	(290)	(786)	(1,585)	(1,839)	(1,414)	(1,214)
Profit Before Tax (norm)	2,562	2,675	3,332	4,980	6,228	7,429
Profit Before Tax (FRS 3)	2,409	(10,124)	(3,471)	1,087	2,310	3,486
Tax	(788)	(489)	563	(354)	(934)	(1,404)
Profit After Tax (norm)	1,774	2,843	4,505	4,626	5,294	6,025
Profit After Tax (FRS 3)	1,621	(10,613)	(2,908)	733	1,376	2,082
Minority interests	0	(94)	(131)	(40)	0	0
Net income (norm)	1,774	2,186	3,764	4,586	5,294	6,025
Net income (statutory)	1,621	(10,707)	(3,039)	693	1,376	2,082
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	7.0	8.0	9.1
EPS - FRS 3 (p)	2.4	(16.4)	(4.7)	1.1	2.1	3.1
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	15.4	16.0	16.8
Operating Margin (before GW & except.) (%)	9.4	9.2	10.0	12.0	12.8	13.9
BALANCE SHEET						
Fixed Assets	51,857	59,088	70,864	68,960	67,074	65,182
Intangible Assets	48,613	55,696	64,793	63,282	61,479	59,536
Tangible Assets	2,233	2,742	3,303	2,910	2,827	2,878
Other assets	1,011	650	2,768	2,768	2,768	2,768
Current Assets	10,665	19,081	20,912	20,684	22,861	25,167
Stocks	0	0	0	0	0	0
Debtors	8,462	14,725	16,601	19,125	20,052	20,936
Cash	2,203	4,356	4,311	1,559	2,809	4,231
Current Liabilities	(19,778)	(35,686)	(38,171)	(41,296)	(43,465)	(45,635)
Creditors	(19,660)	(27,227)	(30,720)	(33,845)	(36,014)	(38,184)
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	26,058	27,106	28,277
CASH FLOW						
Operating Cash Flow	6,548	7,454	10,676	14,600	15,713	17,090
Net Interest	(84)	(500)	(1,227)	(1,839)	(1,414)	(1,214)
Tax	(832)	(1,294)	(144)	(1,227)	(304)	(872)
Capex	(4,999)	(6,445)	(7,213)	(8,043)	(8,336)	(8,694)
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)	(2,052)	1,950	2,121
Opening net debt/(cash)	(2,680)	(1,283)	10,065	20,217	22,269	20,319
Other	(134)	(1,821)	(889)	()	0	0
Closing net debt/(cash)	(1,283)	10,065	20,217	22,269	20,319	18,198

Source: StatPro accounts, Edison Investment Research

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