

StatPro Group

New divisional structure sets path for growth

StatPro took a decade to develop its cloud platform and all the key components, including a new divisional structure, are now in place for growth. The group's broadened managed service offering is well placed to benefit from outsourcing trends in the asset management industry and we believe this offering will be a key component to growth. In addition, margins stand to benefit from the group's increasing scale and costs dropping out as the group's software platforms are streamlined. In our view, the shares look increasingly attractive, given the group's £55m recurring revenue book and the much reduced rating (c 15x FY19e), especially in light of the active M&A backdrop in financial software.

| Year end | Revenue (£m) | PBT* (£m) | EPS* (p) | DPS (p) | P/E (x) | Yield (%) |
|----------|--------------|-----------|----------|---------|---------|-----------|
| 12/16 | 37.5 | 2.7 | 3.3 | 2.9 | 35.1 | 2.5 |
| 12/17 | 49.3 | 3.3 | 5.8 | 2.9 | 20.2 | 2.5 |
| 12/18e | 56.8 | 5.0 | 7.0 | 2.9 | 16.8 | 2.5 |
| 12/19e | 59.5 | 6.2 | 8.0 | 2.9 | 14.7 | 2.5 |

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

Revolution: Cloud software and managed services

Full parity with the legacy Seven software suite is expected in FY19, which will provide impetus to convert customers to the Revolution cloud platform. The first version of StatPro Delta (front office fixed income analytics) is scheduled for 15 May 2020 and there have been significant improvements to the migration to make the transition seamless for new customers. A goal is to combine front office with middle office functionality to create the best risk offering on the market. Increasingly management is discovering customers who are excited at the prospect of outsourcing the operation of Revolution to StatPro's new managed services unit.

Infovest: Complements the group's cloud solutions

The South African unit, 100% owned by StatPro since March, specialises in data warehouse, ETL (Extract, Transform and Load) and reporting software. The aim is to use StatPro's global sales team to target the international markets – initially Europe with North America to follow. The South African offices of Infovest and StatPro are merging into one office of 60–65 employees in FY19.

Source: StatPro – exploiting the group's data assets

This new division was set up with the goal to exploit the group's under-utilised data assets, which range from asset pricing/valuations and benchmarking to yield curves, complex asset pricing and indices. A data industry expert has been hired to lead this division. A useful analogy is stock exchanges, whose data assets are now proving more lucrative than their traditional capital markets activities.

Valuation: Highly scalable cloud computing upside

StatPro's stock trades on c 17x our maintained FY18e EPS, which falls to c 15x in FY19e and to c 13x in FY20e. Alternatively, the shares trade on c 1.7x FY19 EV/Sales, around a third of the level of StatPro's larger US financial software peers and well below one-third of US-based pure software-as-a-service companies.

Capital markets day

Software & comp services

30 November 2018

Price **117.5p**

Market cap **£77m**

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 (0.8) (17.3) (21.4)

Rel (local) (1.0) (10.5) (17.1)

52-week high/low 186.50p 114.00p

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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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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