

CREALOGIX Group

Growth drivers remain in place

Interim results

Software & comp services

26 March 2018

Price CHF173
Market cap CHF206m

Net cash (CHFm) at 31 December 2017 15.4
Shares in issue 1.19m
Free float 32%
Code CLXN
Primary exchange Switzerland
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(1.7)	28.6	63.2
Rel (local)	3.5	30.9	53.8
52-week high/low	CHF100.0		CHF81.0

Business description

CREALOGIX Group provides digital banking technology solutions to banks, wealth managers and other financial services companies. The company's suite of solutions includes online and mobile banking, digital payments, digital learning and security.

Next events

Prospectus	Late March 2018
Final results	September 2018

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H1 organic revenue growth was 8% and management expects growth to accelerate in H2. Hence, the group remains on target for 10% organic growth in FY18. In January CREALOGIX announced that it was acquiring Innofis, a Barcelona-based digital banking peer, to expand its core digital banking business into the lucrative Middle Eastern markets. As well as expanding the group's geographical coverage, the acquisition broadens its product offering and creates an opportunity to grow the employee base in a significantly lower-cost market. We will review our forecasts after a prospectus is published for the Innofis acquisition later this month.

Year end	Revenue (CHFm)	PBT* (CHFm)	EPS* (CHF)	DPS (CHF)	P/E (x)	Yield (%)
06/16	63.3	2.2	1.65	0.00	105.1	N/A
06/17	74.9	5.0	2.67	0.50	64.9	0.3
06/18e	82.3	8.1	5.24	1.00	33.0	0.6
06/19e	89.7	10.5	6.89	1.50	25.1	0.9

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

Interim results: Organic growth was 8% h-o-h

Revenue grew by 11%, or 8% at constant currencies, to CHF39.7m, reflecting weakness in the CHF. CREALOGIX has been benefiting from a number of growth drivers including PSD2 and Germany has been very strong, while the UK has been rebounding after the Brexit vote. EBITDA rose by 6% to CHF4.4m, reflecting a 50bp decline in margin, mainly due to a temporary increase in IT freelancers to cope with the project delivery backlog in Germany. Operating cash flow swung to a CHF2.1m outflow from a CHF2.0m inflow, mainly because of a sharp increase in payables. This was due to the timing of projects and most is expected to reverse in H2. The group finished CY17 with cash of CHF30.4m and CHF15.0m of convertible bonds, for net cash of CHF15.4m. As the share price is well above the bonds conversion price, the bonds have been actively converting.

Guidance and forecasts: Review after prospectus

CREALOGIX maintained its mid-term guidance with annual sales growth of more than 20%, EBITDA of more than 15%, product sales of 70%+ of the total and international sales of 70%+. For FY18, CREALOGIX now expects 15% revenue growth, including a six-month contribution from Innofis, and at least a 10% EBITDA margin. We will review our forecasts after more details of the Innofis acquisition are revealed when the prospectus is published, which is expected to be on 28 March. Limited information has been provided on the Innofis deal as yet, including the price. However, we know that Innofis has been growing consistently in double digits and generated revenues of c CHF10m in the year to December 2017. Given the size of the deal, CREALOGIX is required to produce a prospectus.

Valuation: Innofis deal solidifies the investment case

The acquisition creates a range of opportunities for management to accelerate revenue growth and boost margins. The stock trades on 33.0x our existing pre-deal earnings in FY18e, which falls to 25.1x in FY19e and to 22.2x in FY20e.

Exhibit 1: Financial summary

	CHF'000s	2015	2016	2017	2018e	2019e	2020e
Year end 30 June		Swiss GAAP	Swiss GAAP	Swiss GAAP	Swiss GAAP	Swiss GAAP	Swiss GAAP
PROFIT & LOSS							
Revenue		49,307	63,317	74,858	82,345	89,707	97,090
Gross Profit		37,017	51,693	59,695	67,198	74,814	82,428
EBITDA		(10,555)	3,696	7,304	9,879	12,170	13,983
Adjusted Operating Profit		(11,815)	2,264	5,916	8,579	10,920	12,783
Amortisation of acquired intangibles		(1,616)	(2,634)	(1,799)	(1,799)	(1,799)	(1,799)
Exceptionals		0	0	0	0	0	0
Operating Profit		(13,431)	(370)	4,117	6,780	9,121	10,984
Associates		(837)	517	(21)	250	263	276
Net Interest		95	(630)	(936)	(750)	(650)	(100)
Profit Before Tax (norm)		(12,557)	2,151	4,959	8,079	10,532	12,959
Profit Before Tax (Statutory)		(14,173)	(483)	3,160	6,280	8,733	11,160
Tax		3,899	(130)	(1,751)	(2,192)	(2,876)	(3,551)
Profit After Tax (norm)		(8,658)	2,021	3,208	5,887	7,657	9,407
Profit After Tax (Statutory)		(10,274)	(613)	1,409	4,088	5,858	7,608
Minority interest		0	(270)	(360)	(198)	(108)	(58)
Net income (norm)		(8,658)	1,751	2,848	5,689	7,549	9,349
Net income (Statutory)		(10,274)	(883)	1,049	3,890	5,750	7,550
Average Number of Shares Outstanding (m)		1.06	1.06	1.07	1.09	1.09	1.20
EPS - normalised (CHF)		(8.13)	1.65	2.67	5.24	6.89	7.80
EPS - Statutory (CHF)		(9.65)	(0.83)	0.98	3.58	5.25	6.30
Dividend per share (CHF)		2.00	0.00	0.50	1.00	1.50	2.00
Gross Margin (%)		75.1	81.6	79.7	81.6	83.4	84.9
EBITDA Margin (%)		(21.4)	5.8	9.8	12.0	13.6	14.4
Op Margin (before GW and except.) (%)		(24.0)	3.6	7.9	10.4	12.2	13.2
BALANCE SHEET							
Fixed Assets		20,371	28,910	26,430	24,401	22,564	20,924
Intangible assets and deferred tax		14,115	21,004	18,119	16,320	14,521	12,722
Tangible Assets		1,869	1,595	1,385	1,155	1,117	1,276
Investments & pensions		4,387	6,311	6,926	6,926	6,926	6,926
Current Assets		28,217	48,275	52,495	60,847	67,792	78,161
Stocks		3,447	3,661	3,419	3,761	4,097	4,434
Debtors		11,633	17,119	15,301	16,831	18,336	19,845
Cash		10,815	27,495	33,775	40,255	45,358	53,882
Current Liabilities		(19,183)	(24,752)	(24,219)	(26,546)	(50,716)	(31,253)
Creditors		(19,183)	(24,752)	(24,219)	(26,546)	(28,879)	(31,253)
Short term borrowings		0	0	0	0	(21,837)	0
Long Term Liabilities		(2,723)	(27,331)	(25,191)	(22,043)	(206)	(206)
Long term borrowings		0	(24,141)	(24,005)	(21,837)	0	0
Other long term liabilities		(2,723)	(3,190)	(1,186)	(206)	(206)	(206)
Net Assets		26,682	25,102	29,515	36,660	39,434	67,626
CASH FLOW							
Operating Cash Flow		(4,503)	1,281	9,735	10,291	12,618	14,469
Net Interest		91	5	(616)	(750)	(650)	(100)
Tax		(269)	(144)	(1,273)	(1,178)	(2,181)	(2,844)
Capex		(1,018)	(486)	(862)	(1,070)	(1,211)	(1,359)
Acquisitions/disposals		(4,158)	(9,350)	(346)	0	(2,387)	0
Financing		925	1,504	(215)	1,890	0	21,837
Dividends		(2,126)	0	0	(534)	(1,086)	(1,642)
Net Cash Flow		(11,058)	(7,190)	6,423	8,648	5,103	30,360
Opening net debt/(cash)		(21,724)	(10,815)	(3,354)	(9,770)	(18,418)	(23,521)
Other		149	(271)	(7)	0	0	0
Closing net debt/(cash)		(10,815)	(3,354)	(9,770)	(18,418)	(23,521)	(53,882)

Source: CREALOGIX (historics), Edison Investment Research (forecasts)

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