

SNP Schneider-Neureither & Partner

Revenue guidance is cut by 9.8% at mid-points

SNP's preliminary H118 results indicate that the strongly anticipated tsunami of SAP S/4HANA transformations has continued to shift out as enterprises await greater clarity on the technological transition to the new cloud platform. After the Q1 results in May we reported that there had been several S/4HANA project delays, as such transformations are highly complex to implement. We understand this trend has continued. Nevertheless, SNP remains extremely confident that the tsunami is just a matter of time. In preparation, SNP has established new partnership with IBM Services incorporating a novel 'Bluefield' approach to target the potentially substantial S/4HANA market. We have removed our forecasts and will review them after the full Q2/H1 results on Thursday.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/16	80.7	6.4	109.7	39.0	16.1	2.2
12/17	122.3	0.2	(7.4)	0.0	N/A	0.0

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

Trading update: Delays in project completions

H1 revenue was c €65m, representing c 35% growth over H117 while there was an adjusted loss before interest and tax (LBIT) of c €3.6m and a statutory LBIT of c €6.0m. The performance was primarily affected by delays in project completions, resulting in temporarily lower capacity utilisation for Professional Services, particularly software licence revenue from SNP's in-house products fell short of expectations. Management now expects FY18 group revenue to be €135–140m (previous guidance was €150–155m) with a slightly negative EBIT margin. This suggests the H2 EBIT margin will be in positive single digits.

Partnership with IBM Services to target S/4HANA

In May, SNP announced a partnership with IBM Services, a unit of the US tech giant, to accelerate SAP S/4HANA adoption. The partnership will broaden SNP's route to market in North America and across the globe. The partners have developed a highly automated 'Bluefield' approach to rival traditional 'Greenfield' and 'Brownfield' approaches. It leverages SNP's data transformation engine along with S/4HANA project management, technical and functional expertise from IBM Services to provide a faster approach to SAP S/4HANA adoption. The partnership will generate software sales for SNP, while IBM Services gets the services work.

Forecasts and valuation: Review after H2 numbers

We will review our forecasts after the full Q2 results on Thursday. The share price has halved since April and based on management's new guidance, SNP trades on just over 1x FY18 revenues. This is cheap if management can return the business to double-digit margins, which we believe is highly probable if the S/4HANA transformation tsunami does materialise and the group can successfully grow its high-margin software sales.

Preliminary H1 results

Software & comp services

31 July 2018

Price €17.70

Market cap €97m

Net debt (€m) at 31 March 2018 32.6

Shares in issue 5.5m

Free float 53.0

Code SHF

Primary exchange Frankfurt (Xetra)

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (35.3) (49.8) (47.2)

Rel (local) (37.8) (50.5) (49.8)

52-week high/low €37.4 €17.8

Business description

SNP Schneider-Neureither & Partner 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 suite, CrystalBridge and Transformation Backbone with SAP LT (T-B), which automatically analyses and applies and tracks changes in IT systems.

Next events

Full Q2/H1 results 2 August

Q3 results 31 October

German Equity Forum 26-28 November 201

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Exhibit 1: Financial summary

	€'000s	2012	2013	2014	2015	2016	2017
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		27,157	23,536	30,480	56,236	80,685	122,343
Cost of sales		0	0	0	0	0	0
Gross Profit		27,157	23,536	30,480	56,236	80,685	122,343
EBITDA		3,714	(1,972)	862	5,484	8,524	3,268
Adjusted Operating Profit		2,951	(2,714)	(66)	4,222	7,514	1,513
Amortisation of acquired intangibles		0	0	0	0	(657)	(2,021)
Exceptionals		0	0	1,505	356	0	0
Associates		(107)	0	0	(3)	8	(24)
Operating Profit		2,845	(2,714)	1,439	4,575	6,865	(532)
Net Interest		20	(85)	(66)	(828)	(1,137)	(1,327)
Profit Before Tax (norm)		2,972	(2,799)	(132)	3,394	6,377	186
Profit Before Tax (FRS 3)		2,865	(2,799)	1,373	3,747	5,728	(1,859)
Tax		(947)	477	(344)	(1,195)	(1,517)	(807)
Profit After Tax (norm)		2,025	(2,322)	(477)	2,198	4,860	(620)
Profit After Tax (FRS 3)		1,918	(2,322)	1,028	2,552	4,211	(2,666)
Minority interest		(127)	(84)	(40)	0	(147)	234
Adjustments for normalised earnings		0	0	0	0	0	0
Net income (norm)		1,897	(2,405)	(517)	2,198	4,713	(386)
Net income (FRS 3)		1,791	(2,405)	988	2,552	4,064	(2,431)
Average Number of Shares Outstanding (m)		3.4	3.7	3.7	3.7	4.3	5.2
EPS - normalised (c)		55.7	(64.7)	(13.9)	58.8	109.7	(7.4)
EPS - normalised & fully diluted (c)		55.7	(64.7)	(13.9)	58.8	109.7	(7.4)
EPS - FRS 3 (c)		52.5	(64.7)	26.6	68.3	94.6	(46.8)
Dividend per share (c)		24.00	8.00	13.00	34.00	39.00	0.00
Gross Margin (%)		100.0	100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)		13.7	-8.4	2.8	9.8	10.6	2.7
Adjusted Operating Margin (%)		10.9	-11.5	-0.2	7.5	9.3	1.2
BALANCE SHEET							
Fixed Assets		4,236	7,759	8,291	15,243	30,109	75,171
Intangible Assets		2,327	5,194	5,190	11,675	24,179	67,012
Tangible Assets		1,486	1,070	1,231	1,999	3,161	5,187
Other		422	1,496	1,871	1,570	2,769	2,972
Current Assets		18,316	16,145	17,882	29,996	58,424	78,614
Stocks		0	0	0	0	371	371
Debtors		7,309	9,105	11,286	16,084	25,652	43,781
Cash		10,152	6,355	5,681	13,769	31,914	33,877
Current Liabilities		(4,781)	(5,804)	(9,782)	(13,703)	(32,631)	(40,531)
Creditors		(4,781)	(5,204)	(9,182)	(11,101)	(14,523)	(29,295)
Short term borrowings		0	(600)	(600)	(2,602)	(18,108)	(11,236)
Long Term Liabilities		(772)	(4,338)	(2,501)	(15,513)	(7,327)	(53,157)
Long term borrowings		0	(2,250)	(1,650)	(12,344)	(5,531)	(49,487)
Other long term liabilities		(772)	(2,088)	(851)	(3,169)	(1,796)	(3,670)
Net Assets		16,998	13,762	13,890	16,024	48,575	60,097
CASH FLOW							
Operating Cash Flow		3,022	(2,110)	2,579	1,879	1,005	(5,316)
Net Interest		42	4	(66)	(167)	53	(798)
Tax		(1,826)	(1,062)	(1,102)	(554)	(412)	(1,366)
Capex		(465)	(230)	(701)	(1,779)	(3,451)	(5,234)
Acquisitions/disposals		(107)	(2,267)	(500)	(3,228)	(5,923)	(28,783)
Shares issued		4,839	(35)	0	0	30,129	18,293
Dividends		(2,048)	(937)	(335)	(483)	(1,264)	(1,932)
Net Cash Flow		3,457	(6,638)	(124)	(4,332)	20,137	(25,136)
Opening net debt/(cash)		(6,695)	(10,152)	(3,505)	(3,431)	1,176	(8,275)
HP finance leases initiated		0	0	0	0	0	0
Other		0	(10)	51	(275)	(10,686)	(9,985)
Closing net debt/(cash)		(10,152)	(3,505)	(3,431)	1,176	(8,275)	26,847

Source: Company accounts

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