



Prodware

Application Software / France

[You can continue to receive AlphaValue's Research under MiFID II](#) [Learn more](#)

Dynamic start to the year

Earnings/sales releases - 17/05/2018

Revenue growth was significant at constant perimeter in Q1 18 (+4.9%). Prodware benefited from the strong development of SaaS revenue (+37.2%) and Business Consulting (+12.2%) while the other activities remained rather stable. Prodware demonstrates its ability to move successfully from a licence fee-based model to a SaaS model.

Fact

Q1 18 revenue

Revenue reached €45.1m (+4.1%, +4.9% at constant perimeter). The change in scope related to the acquisition of Nerea (integration in Q2 17) and the divestment of non-core Sage businesses in France (disposal in Q4 17) for a total estimated at €-0.3m (o/w €+0.9m for Nerea and €-1.2m for the non-core activities).

SaaS revenue surged by 37.2% to €5.7m and represented 13% of the total (+3pts). The Business Consulting services increased by 12.2% to €2.8m and represented 6% of the total.

Geographically, total revenue growth was driven by international (+22.3% to €24.9m), sustained by the deployment of Microsoft Dynamics 365.

Analysis

Revenue growth acceleration

At constant perimeter, revenue growth accelerated in Q1 18 (+4.9% vs +2.2% in Q1 17, +2.6% in Q1 16). There may be a positive impact of the postponement of some projects from Q4 17 to H1 18. Nevertheless, it is a good achievement taking also into account some pressure in hiring people in the IT services market.

SaaS and Business Consulting for growth drivers

Prodware posted impressive SaaS revenue growth in Q1 18 (+37.2% vs +30.4% in Q1 17) and benefited from double-digit growth in its new consulting services offering (+12.2%). These fast-growing activities with a strong growth potential in the medium-term contributed to increase total revenue by €1.8m in Q1 18.

The other activities, i.e. software editing and services excluding the consulting services (a total of €36.6m), were rather stable (€+0.3m) which was a good point.

Impact

Our 2018 revenue estimate will be revised upwards. Our model includes actually total revenue growth of 1.6% in 2018 including the change of the perimeter. Total revenue growth should be higher (+2.5-3% at least) on the back of the good performance in Q1 18, a similar trend assumed at constant perimeter in Q2 18 (April 2018 in line with Q1 18, strong performance expected in June 2018) and stronger Q4 18 compared to the weak Q4 17.

**Hélène COUMES**software@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

AlphaValue is contracted by Prodware to provide equity research on Prodware, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Add	Upside: 15.3%
Target Price (6 months)	€ 16.2
Share Price	€ 14.0
Market Cap. €M	109
Price Momentum	STRONG
Extremes 12Months	7.07 ▶ 14.0
Bloomberg	ALPRO FP Equity
Reuters	ALPRO.PA

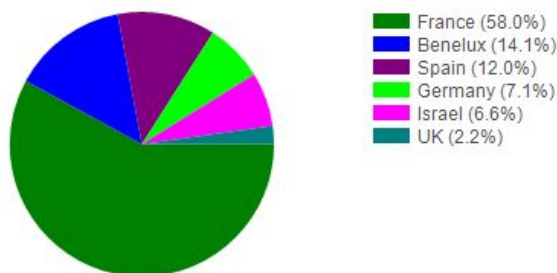
[Download Full Analysis](#)[Company Page](#)

PERF	1w	1m	3m	12m
Prodware	2.33%	7.50%	12.3%	78.8%
Software	-0.39%	8.52%	11.4%	7.54%
STOXX 600	0.20%	4.10%	3.31%	-0.68%

Last updated: 03/04/2018	12/16A	12/17A	12/18E	12/19E
Adjusted P/E (x)	6.38	6.91	8.93	8.05
Dividend yield (%)	0.60	0.67	0.57	0.71
EV/EBITDA(R) (x)	3.23	3.51	4.86	4.37
Adjusted EPS (€)	1.04	1.29	1.57	1.74
Growth in EPS (%)	52.7	23.8	21.8	11.0
Dividend (€)	0.04	0.06	0.08	0.10
Sales (€M)	176	168	170	171
EBITDA/R margin (%)	18.2	18.3	18.6	19.0
Attributable net profit (€M)	9.44	11.6	13.5	14.9
ROE (after tax) (%)	7.95	8.94	9.95	10.2
Gearing (%)	48.5	49.6	40.8	33.3

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

	12/17A	12/18E	12/19E
Sales	€M 168	170	171
Change in sales	% -4.64	1.65	0.41
Change in staff costs	% -0.40	3.23	1.80
EBITDA	€M 20.5	21.2	22.0
EBITDA(R) margin	% 12.2	12.4	12.9
Depreciation	€M -2.54	-2.56	-2.57
Underlying operating profit	€M 7.18	8.06	9.34
Operating profit (EBIT)	€M 4.62	6.56	7.84
Net financial expense	€M -4.47	-3.84	-3.72
of which related to pensions	€M	-0.07	-0.06
Exceptional items & other	€M 0.02	0.00	0.00
Corporate tax	€M 10.4	9.97	9.92
Equity associates	€M 0.59	0.79	0.93
Minority interests	€M -0.02	-0.02	-0.02
Adjusted attributable net profit	€M 11.1	13.5	14.9
NOPAT	€M 5.27	6.48	7.51

Cashflow Statement

	12/17A	12/18E	12/19E
EBITDA	€M 20.5	21.2	22.0
Change in WCR	€M 7.00	1.33	-0.04
Actual div. received from equity holdi...	€M 0.17	0.17	0.17
Paid taxes	€M -0.37	9.97	9.92
Exceptional items	€M		
Other operating cash flows	€M 6.54	0.00	0.00
Total operating cash flows	€M 33.8	32.7	32.1
Capital expenditure	€M -23.1	-22.0	-21.0
Total investment flows	€M -24.8	-22.0	-21.0
Net interest expense	€M -4.47	-3.84	-3.72
Dividends (parent company)	€M -0.31	-0.46	-0.62
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 1.36	0.00	0.00
Total financial flows	€M -5.04	-9.96	-10.5
Change in cash position	€M 6.32	0.70	0.58
Free cash flow (pre div.)	€M 6.24	6.81	7.34

Per Share Data

	12/17A	12/18E	12/19E
No. of shares net of treas. stock (year...)	Mio 7.74	7.74	7.74
Number of diluted shares (average)	Mio 8.61	8.57	8.57
Benchmark EPS	€ 1.29	1.57	1.74
Restated NAV per share	€		
Net dividend per share	€ 0.06	0.08	0.10

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 14.8	35%	● Atos
NAV/SOTP per share	€ 21.5	20%	■ Capgemini
EV/Ebitda	€ 16.7	20%	● Indra Sistemas
P/E	€ 16.4	10%	■ Sopra Steria Group
Dividend Yield	€ 4.95	10%	■ Sage Group (the)
P/Book	€ 24.5	5%	■ Software AG
TARGET PRICE	€ 16.2	100%	

NAV/SOTP Calculation

Balance Sheet

	12/17A	12/18E	12/19E
Goodwill	€M 34.2	34.2	34.2
Total intangible	€M 101	107	112
Tangible fixed assets	€M 7.44	6.66	5.88
Financial fixed assets	€M 62.9	63.5	64.2
WCR	€M 11.7	10.3	10.4
Other assets	€M 2.14	2.10	2.10
Total assets (net of short term liab.)	€M 186	190	195
Ordinary shareholders' equity	€M 130	141	152
Quasi Equity & Preferred	€M		
Minority interests	€M 0.36	0.38	0.39
Provisions for pensions	€M 4.35	4.47	4.51
Other provisions for risks and liabilities	€M 0.62	0.50	0.50
Total provisions for risks and liabilities	€M 4.97	4.97	5.01
Tax liabilities	€M -10.3	-10.5	-10.5
Other liabilities	€M		
Net debt (cash)	€M 60.6	54.2	47.4
Total liab. and shareholders' equity	€M 186	190	195

Capital Employed

	12/17A	12/18E	12/19E
Capital employed after depreciation	€M 183	187	193

Profits & Risks Ratios

	12/17A	12/18E	12/19E
ROE (after tax)	% 8.94	9.95	10.2
ROCE	% 2.88	3.46	3.90
Gearing (at book value)	% 49.6	40.8	33.3
Adj. Net debt/EBITDA(R)	x 2.95	2.56	2.15
Interest cover (x)	x 1.65	2.18	2.60

Valuation Ratios

	12/17A	12/18E	12/19E
Reference P/E (benchmark)	x 6.91	8.93	8.05
Free cash flow yield	% 9.05	6.27	6.75
P/Book	x 0.53	0.77	0.71
Dividend yield	% 0.67	0.57	0.71

EV Calculation

	12/17A	12/18E	12/19E
Market cap	€M 69.0	109	109
+ Provisions	€M 4.97	4.97	5.01
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00
+ Net debt at year end	€M 60.6	54.2	47.4
+ Leases debt equivalent	€M 0.00	0.00	0.00
- Financial fixed assets (fair value)	€M 62.9	65.2	65.2
+ Minority interests (fair value)	€M 0.36	0.38	0.39
= EV	€M 72.0	103	96.2
EV/EBITDA(R)	x 3.51	4.86	4.37
EV/Sales	x 0.43	0.60	0.56

Analyst : H el ene Coumes, Changes to Forecasts : 03/04/2018.