



Prodware

Application Software / France

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Focus on profitability and cash flow generation

Business transformation to SaaS - 31/05/2018

Change in Target Price

€ 16.4 vs 16.0	+2.23%
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The upgrade of the target price is attributable to the upward revision of our 2018 estimates (see the related comments).

Prodware had a strong start to the year which is expected to continue in Q2 18 at least. Prodware reiterated its focus on higher profitability and the generation of cash flow in 2018. The stock is still trading at a low 2018E P/E ratio, below 10x, despite the significant outperformance of the share price (+24% ytd) vs the software sector (+7% ytd) - situation on 30/05/18.

Change in EPS

2018 : € 1.61 vs 1.57	+2.62%
2019 : € 1.75 vs 1.74	+0.44%

2018E adjusted EPS is revised upwards to €1.61/share (vs €1.57/share previously). The upgrade is due to the upward revision of total revenue following the dynamic trend in Q1 18 (+4.9% at constant perimeter). 2018 revenue is now estimated at €172.3m (vs €170.5m previously) taking into account the expectation of strong revenue growth at constant perimeter in Q2 18 and Q4 18 (respectively +4.5% and +6% estimated) and a slight decrease at constant perimeter in Q3 18, traditionally the weaker quarter of the year (-1% estimated) considering the high basis of comparison last year. We maintain our estimate of an EBITDA margin of 18.6% of revenue in 2018 (+0.3pt) and will update it when H1 18 revenue and results are published.



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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.

Buy Upside : 20.6%

Target Price (6 months)	€ 16.4
Share Price	€ 13.6
Market Cap. €M	105
Price Momentum	STRONG
Extremes 12Months	7.07 ▶ 14.1
Bloomberg	ALPRO FP Equity
Reuters	ALPRO.PA

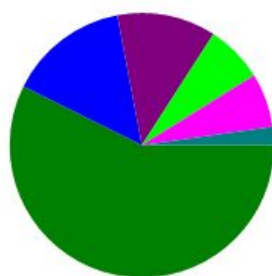

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PERF	1w	1m	3m	12m
Prodware	3.66%	-2.02%	17.4%	92.5%
Software	0.29%	6.04%	11.3%	8.46%
SXXR Index	-1.68%	0.74%	3.17%	1.47%

Last updated: 31/05/2018	12/16A	12/17A	12/18E	12/19E
Adjusted P/E (x)	6.38	6.91	8.43	7.76
Dividend yield (%)	0.60	0.67	0.59	0.74
EV/EBITDA(R) (x)	3.23	3.51	4.59	4.13
Adjusted EPS (€)	1.04	1.29	1.61	1.75
Growth in EPS (%)	52.7	23.8	25.0	8.63
Dividend (€)	0.04	0.06	0.08	0.10
Sales (€M)	176	168	172	173
EBITDA/R margin (%)	18.2	18.3	18.6	19.0
Attributable net profit (€M)	9.44	11.6	13.8	15.0
ROE (after tax) (%)	7.95	8.94	10.2	10.2
Gearing (%)	48.5	49.6	40.6	32.9

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Sales by Geography



France	(57.3%)
Benelux	(14.7%)
Spain	(12.1%)
Germany	(7.0%)
Israel	(6.6%)
UK	(2.2%)

Consolidated P&L Accounts

	12/17A	12/18E	12/19E
Sales	€M 168	172	173
Change in sales	% -4.64	2.75	0.46
Change in staff costs	% -0.40	3.23	1.80
EBITDA	€M 20.5	21.6	22.3
EBITDA(R) margin	% 12.2	12.5	12.9
Depreciation	€M -2.54	-2.58	-2.60
Underlying operating profit	€M 7.18	8.43	9.40
Operating profit (EBIT)	€M 4.62	6.93	7.90
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	9.96	9.91
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	13.8	15.0
NOPAT	€M 5.27	6.73	7.56

Cashflow Statement

	12/17A	12/18E	12/19E
EBITDA	€M 20.5	21.6	22.3
Change in WCR	€M 7.00	1.22	-0.05
Actual div. received from equity holdi...	€M 0.17	0.17	0.17
Paid taxes	€M -0.37	9.96	9.91
Exceptional items	€M		
Other operating cash flows	€M 6.54	0.00	0.00
Total operating cash flows	€M 33.8	33.0	32.3
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	1.00	0.86
Free cash flow (pre div.)	€M 6.24	7.12	7.62

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	1.61	1.75
Restated NAV per share	€		
Net dividend per share	€ 0.06	0.08	0.10

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 15.3	35%	Atos
NAV/SOTP per share	€ 21.9	20%	Capgemini
EV/Ebitda	€ 16.7	20%	Indra Sistemas
P/E	€ 16.2	10%	Sopra Steria Group
Dividend Yield	€ 4.83	10%	Sage Group (the)
P/Book	€ 24.0	5%	Software AG
TARGET PRICE	€ 16.4	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	6.65	5.85
Financial fixed assets	€M 62.9	63.5	64.2
WCR	€M 11.7	10.4	10.5
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	153
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	53.9	46.8
Total liab. and shareholders' equity	€M 186	190	195

Capital Employed

	12/17A	12/18E	12/19E
Capital employed after depreciation	€M 183	188	193

Profits & Risks Ratios

	12/17A	12/18E	12/19E
ROE (after tax)	% 8.94	10.2	10.2
ROCE	% 2.88	3.59	3.92
Gearing (at book value)	% 49.6	40.6	32.9
Adj. Net debt/EBITDA(R)	x 2.95	2.49	2.10
Interest cover (x)	x 1.65	2.28	2.62

Valuation Ratios

	12/17A	12/18E	12/19E
Reference P/E (benchmark)	x 6.91	8.43	7.76
Free cash flow yield	% 9.05	6.76	7.24
P/Book	x 0.53	0.75	0.69
Dividend yield	% 0.67	0.59	0.74

EV Calculation

	12/17A	12/18E	12/19E
Market cap	€M 69.0	105	105
+ 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	53.9	46.8
+ 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	99.2	92.2
EV/EBITDA(R)	x 3.51	4.59	4.13
EV/Sales	x 0.43	0.58	0.53

Analyst : H el ene Coumes, Changes to Forecasts : 31/05/2018.