



Prodware

Application Software / France

EBITDA margin increase anticipated based on good revenue.

Transformation to SaaS - 27/02/2019

Change in Target Price

€ 15.5 vs 15.4 **+0.72%**

The adjustment of the target price is related to the fine-tuning of our model (see our comments on the change of 2018E EPS).

The share price has recovered since the beginning of the year 2019 (+10% ytd) but has underperformed the software sector (+12.3% ytd) (situation on 25 February 19). The stock is trading at low PE ratios (<8x 2018E and <7x 2019E based on a cautious outlook) and could appreciate further when 2018 earnings are released (11 March 19).

Change in EPS

2018 : € 1.69 vs 1.61 **+4.58%**
2019 : € 1.75 vs 1.75 **-0.08%**

The upwards revision of 2018E EPS is due to revenue above expectation (€175.9m vs. €172.2m estimated), thanks to a strong Q4. In 2018, Group EBITDA is now estimated to €32.8m (vs. €32.1m previously), corresponding to a margin rate of 18.6% of revenue (+0.3pt yoy).

Change in NAV

€ 23.0 vs 21.9 **+4.95%**

The NAV is based on EV/Sales multiples to value both operating segments, i.e. 2.0x for the Infrastructures and SaaS and 0.8x for the Own Software Solutions in Integration of Business Software Solutions. The upgrade of the NAV is due to the switch to 2019E revenue.



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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 : 60.3%

Target Price (6 months)	€ 15.5
Share Price	€ 9.66
Market Cap. €M	74.8
Price Momentum	GOOD
Extremes 12Months	8.10 ▶ 14.2
Bloomberg	ALPRO FP Equity
Reuters	ALPRO.PA



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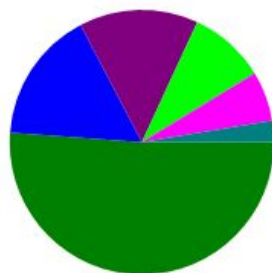


PERF	1w	1m	3m	12m
Prodware	6.74%	-2.42%	4.09%	-13.5%
Software	0.77%	4.55%	9.43%	14.2%
SXXR Index	1.34%	4.61%	4.64%	0.32%

Last updated: 27/02/2019	12/17A	12/18E	12/19E	12/20E
Adjusted P/E (x)	6.88	7.04	5.52	5.34
Dividend yield (%)	0.68	0.67	1.04	1.24
EV/EBITDA(R) (x)	3.49	3.84	2.74	2.36
Adjusted EPS (€)	1.29	1.69	1.75	1.81
Growth in EPS (%)	23.8	30.8	3.78	3.24
Dividend (€)	0.06	0.08	0.10	0.12
Sales (€M)	168	176	175	174
EBITDA/R margin (%)	18.3	18.6	18.8	19.3
Attributable net profit (€M)	11.6	14.5	15.0	16.1
ROE (after tax) (%)	8.94	10.6	10.2	10.1
Gearing (%)	49.6	40.3	32.4	25.7

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

Sales by Geography



France	(51.2%)
Spain	(16.2%)
Benelux	(14.6%)
Germany	(9.4%)
Israel	(6.1%)
UK	(2.6%)

Consolidated P&L Accounts

	12/17A	12/18E	12/19E
Sales	€M 168	176	175
Change in sales	% -4.64	4.90	-0.64
Change in staff costs	% -0.40	3.23	1.80
EBITDA	€M 20.5	22.3	22.3
EBITDA(R) margin	% 12.2	12.7	12.8
Depreciation	€M -2.54	-2.64	-2.62
Underlying operating profit	€M 7.18	9.10	9.40
Operating profit (EBIT)	€M 4.62	7.60	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	9.93	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	14.5	15.0
NOPAT	€M 5.27	7.20	7.55

Cashflow Statement

	12/17A	12/18E	12/19E
EBITDA	€M 20.5	22.3	22.3
Change in WCR	€M 7.00	1.00	0.07
Actual div. received from equity holdi...	€M 0.17	0.17	0.17
Paid taxes	€M -0.37	9.93	9.91
Exceptional items	€M		
Other operating cash flows	€M 6.54	0.00	0.00
Total operating cash flows	€M 33.8	33.4	32.4
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	1.42	0.97
Free cash flow (pre div.)	€M 6.24	7.54	7.73

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	1.69	1.75
Restated NAV per share	€		
Net dividend per share	€ 0.06	0.08	0.10

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 13.7	35%	● Atos
NAV/SOTP per share	€ 23.0	20%	● Capgemini
EV/Ebitda	€ 16.1	20%	● Indra Sistemas
P/E	€ 14.5	10%	● Sopra Steria Group
Dividend Yield	€ 4.65	10%	● Sage Group (the)
P/Book	€ 19.3	5%	● Software AG
TARGET PRICE	€ 15.5	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	6.62	5.81
Financial fixed assets	€M 62.9	63.5	64.2
WCR	€M 11.7	10.7	10.6
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	142	154
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	53.4	46.3
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	10.6	10.2
ROCE	% 2.88	3.83	3.92
Gearing (at book value)	% 49.6	40.3	32.4
Adj. Net debt/EBITDA(R)	x 2.95	2.40	2.07
Interest cover (x)	x 1.65	2.46	2.62

Valuation Ratios

	12/17A	12/18E	12/19E
Reference P/E (benchmark)	x 6.88	7.04	5.52
Free cash flow yield	% 9.09	8.20	10.3
P/Book	x 0.53	0.65	0.49
Dividend yield	% 0.68	0.67	1.04

EV Calculation

	12/17A	12/18E	12/19E
Market cap	€M 68.6	92.0	74.8
+ 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	53.4	46.3
+ 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 71.7	85.5	61.2
EV/EBITDA(R)	x 3.49	3.84	2.74
EV/Sales	x 0.43	0.49	0.35

Analyst : H el ene Coumes, Changes to Forecasts : 27/02/2019.