USU Software AG
Germany - Software

HAUCK & AUFHÄUSER
PRIVATBANKIERS SEIT 1796

Buy (old: Buy)

Price target: EUR 27.00 (old: EUR 27.00)

Price:	EUR 20.20	**Next result:**	Q3 18: 22.11.18
Bloomberg:	OSP2@GR	**Market cap:**	EUR 212.6 m
Reuters:	OSPGk.DE	**Enterprise Value:**	EUR 198.6 m

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Not your USUal IT management software provider

Digitalisation is undoubtedly an irreversible trend. For many companies **digital transformation means automating their business processes** in the quest for more efficiency and thus higher profitability.

Not surprisingly, 78% of businesses in Germany have established a digitalisation strategy, according to Bitkom. While functions such as ERP and CRM have already been automated in many organisations, the **management of service processes and knowledge within companies is still widely done manually** via spreadsheets etc.

This builds the starting point of USU's business approach that comprises a **comprehensive suite of software around IT management**. The portfolio entails software to automate service processes and track the related costs as well as software for the intelligent management of digital information within companies. On top of this USU offers license management software that keeps track of all the used software (SAP, Oracle, etc.) within companies. Next to its software products USU offers **consulting and individual software development services**. Revenues from software and consulting split roughly 50/50.

The value USU's products bring to customers is clear: **better service quality at lower costs**, hence better profitability. Being an **early mover** USU's competitive quality rests on a competitive proprietary **technology** as well as a **widespread partner network**.

A base of **more than 1000 customers with churn below 3%** (vs. a 5% industry benchmark eH&A) illustrates that USU's value proposition is **perceived and valued**.

While the digitalisation trend should drive USU's top line another trend is serving the bottom line: **software from the cloud aka SaaS**. With SaaS customers pay monthly fees for the use of the software instead of paying an upfront license fee. Consequently, the share of **recurring revenues is expected to grow from 27% to 40% until 2021E**. Importantly, after c. three years the SaaS payments exceed the initial license and maintenance fee, thereby driving margins as there are hardly any incremental costs.

We expect USU to **grow sales by 13%** (CAGR 17-20E) to € 121m and **EBITDA by 38%** p.a. to € 18m over the same time horizon, driven by international expansion to France and the US, M&A and strong demand for IT management in core markets.

Given the sound growth prospects from its US expansion as well as its solid domestic business, USU is a **BUY**. Our DCF derives a **PT of € 27.00 (>30% upside)**.

Y/E 31.12 (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	58.9	66.1	72.1	84.4	95.3	107.7	120.6
Sales growth	6 %	12 %	9 %	17 %	13 %	13 %	12 %
EBITDA	8.9	9.9	10.8	6.8	10.5	14.1	18.0
EBIT	6.7	7.6	8.3	3.2	7.0	10.6	14.4
Net income	5.5	8.4	6.8	3.4	6.5	9.8	13.4
Net debt	-18.9	-23.1	-23.2	-14.6	-16.3	-20.9	-26.8
Net gearing	-34.0 %	-38.0 %	-36.4 %	-23.1 %	-25.0 %	-29.5 %	-34.2 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.57	0.84	0.76	0.61	0.77	1.08	1.32
CPS	0.53	1.06	0.39	0.44	0.68	0.86	1.19
DPS	0.30	0.35	0.40	0.40	0.38	0.58	0.63
Dividend yield	1.5 %	1.7 %	2.0 %	2.0 %	1.9 %	2.9 %	3.1 %
Gross profit margin	53.1 %	53.1 %	55.2 %	54.0 %	55.0 %	55.5 %	56.0 %
EBITDA margin	15.1 %	14.9 %	15.0 %	8.1 %	11.0 %	13.0 %	14.9 %
EBIT margin	11.3 %	11.5 %	11.5 %	3.8 %	7.3 %	9.8 %	11.9 %
ROCE	11.4 %	12.0 %	12.4 %	4.6 %	9.6 %	13.8 %	17.9 %
EV/sales	3.3	2.9	2.7	2.4	2.1	1.8	1.6
EV/EBITDA	22.0	19.4	17.8	29.3	19.0	13.8	10.5
EV/EBIT	29.3	25.2	23.1	62.1	28.6	18.4	13.1
PER	35.6	24.2	26.6	33.0	26.1	18.8	15.3
Adjusted FCF yield	2.7 %	4.7 %	4.2 %	3.3 %	4.0 %	5.7 %	7.8 %

Source: Company data, Hauck & Aufhäuser Close price as of: 06.09.2018

Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	31.55 / 19.75
Price/Book Ratio:	3.3
Relative performance (SDAX):	
3 months	-
6 months	-
12 months	-

Changes in estimates

		Sales	EBIT	EPS
2018	*old:*	95.3	7.0	0.78
	Δ	-	-	-0.1%
2019	*old:*	107.7	10.6	1.08
	Δ	-	-	-0.2%
2020	*old:*	120.6	14.4	1.32
	Δ	-	-	-0.1%

Key share data:

Number of shares: (in m pcs)	10.5
Authorised capital: (in € m)	0.0
Book value per share: (in €)	6.2
Ø trading volume: (12 months)	6,300

Major shareholders:

AUSUM GmbH (Udo Strehl)	51.1 %
Free Float	34.2 %
USU Board (excl. Udo Strehl)	4.9 %
Peter Scheufler	5.3 %
MainFirst SICAV	4.6 %

Company description:
USU develops and distributes IT software and service solutions to more than 1000 customers.

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USU Software in a nutshell

- **Provider of software** for IT and knowledge management
- **Early mover** in a structurally growing market driven by digitalisation
- **Comprehensive product portfolio** generating well perceived value for blue chip customer base

USU is a **software provider** focusing on IT and knowledge management.

As **early mover** with more than 40 years of experience USU is well positioned to grasp the promising opportunities that are arising in a **market that is structurally growing** as companies increasingly automate business processes to improve their efficiency.

USU's software supports CFOs and CIOs to streamline internal and external service processes and provides them with detailed information on IT and service costs. The outcome: **higher profitability based on better service quality and lower costs**.

Its **comprehensive product portfolio** differentiates USU from competitors. Three of USU's software products are particularly **well perceived by the market** (c. 73% of total sales) and should be the drivers for growth in the midterm future: Aspera, Valuemation and K-center (unymira).

The graph below gives an **overview of the products** which are clustered into two segments: IT Management and Digital Interaction.

Overview of USU's product portfolio

Segment	IT-Management		Digital Interaction
Product	Valuemation USU	Aspera USU	unymira USU
Function	IT and enterprise service management	Software asset management (SAM)	Knowledge management
Explanation	Efficient management of services through automation and prioritization.	Monitoring and optimising of IT license usage to save costs and avoid penalty payments.	Intelligent structuring of digital information in a knowledge database including quick delivery to user.
Example	User needs new software. Orders it via Valuemation. Approval is automatically requested. User is informed after installation.	Company owns SAP licenses for 300 workstations but uses only 200. Aspera tracks this and alerts the person in charge.	Call center agent needs to solve specific question. Searches answer via keyword. K-center quickly delivers answer.

Source: Company data; Hauck & Aufhäuser

Aspera (c. 35% of total sales, including implementation revenues) **automatically tracks the software usage** within an organisation and compares it to the number of users it pays for. This helps to **avoid penalties**

from vendor audits. More importantly, it **saves costs** on unused software.

Valuemation (c. 23 % of total sales, including implementation revenues) is a product suite that entails different features for the **service management** within corporations. The software automates services ranging from ordering new office furniture to solving complex IT issues, thereby significantly **improving service quality and costs**.

K-center (c. 15% of total sales, including implementation revenues) is a knowledge management software that intelligently **structures all the digital information** within a company so it is available when needed. In call centres for instance, agents often require specific knowledge to solve certain problems. K-center quickly delivers the relevant information to agents thus **improving response time and quality**.

The value these products provide is **very well perceived**. A highly reputable international base of **more than 1000 customers including several blue chip companies (e.g. Apple, Facebook, VW)** mainly within the DACH region and several public authorities speaks for its own.

All of USU's products are sold either **via cloud** (Software as a Service, i.e. SaaS) or **on premise** (license), leaving the choice to the customer. With a trend to SaaS, **recurring revenues are increasing**, already representing 26% of sales. Importantly, these revenues persist for as long as customers use the software. While it typically takes c. three years for SaaS payments to equalize the upfront license and maintenance fee, all **revenues thereafter come at no further cost** except for data center rental. We therefore expect this trend to **drive USU's profitability** going forward.

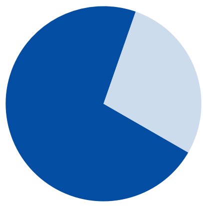
Next to its software products USU also offers **consulting services** for IT projects and individual application development to its customers **mainly in the DACH region**. These consulting services provide **steady revenues**, representing c. 23% of total sales.

USU's accounting thus includes **two segments**, namely product business and service business. The **product segment** comprises all revenues related to the above mentioned products including implementation and customization services. Revenues from USU's individual consulting activities are accounted for in the **service segment**.

USU Software AG

	Product Business	Service Business	unallocated	Group
Products	Products in the markets for IT and knowledge management	Consulting services for IT projects and individual application development with most customers coming from the financial and manufacturing industry as well as public sector		
Sales 17 (€ m)	64.5	19.7	0.1	**84.4**
Sales share	76%	23%		**100%**
End markets	Broad range of companies from various sectors including Federal Ministries and regional public sector entities, insurance companies, banks, manufacturing industry, service businesses			
Market positions	Among market leaders in Europe, Follower in the USA			
Customers				**> 1000 worldwide**
Competitors	BMC Software, CA Technologies, Flexera, HP, IBM, ServiceNow, Serviceware, Snow			

Sales distribution by region (17)



	Product Business	Service Business	unallocated	Group
Employees	482	104	82	**668**
Locations	Germany, Austria, Czech Republic, France, Italy, USA (+ 20 Partners in 8 countries worldwide)			
Reported EBIT 17 (€ m)	7.4	1.7	-5.9	**3.2**
EBIT-margin 17	11.5%	8.6%	-	**3.8%**
Adjusted ROCE 17*	-	-	-	**10.9%**

*Source: Company data; Hauck & Aufhäuser; *Adj. EBIT and net cash*

Competitive Quality

- **Early Mover** with high-ROI products
- **Differentiation** through proprietary technology, complementary full range portfolio and strong network
- **Value and Perception:** Large customer base and low churn
- **Increasing share of recurring revenues and scalability** drive business quality

Founded more than 40 years ago, USU is an **early mover** and **among the market leaders** for IT service management in Germany.

The value USU's products bring to customers can be best described in a simple equation:

Higher productivity + lower costs = higher efficiency (i.e. higher profitability)

With USU's software companies **digitise services** and thereby **improve their productivity**. For instance a company installed K-center to **reduce the average call time in its call center by 20-30%** leading to higher capacity and thus higher productivity per agent.

Moreover, the installation of Aspera or Valuemation leads to **higher transparency** on software, services and the respective costs. For example, an international telecommunication company raised its annual savings to > €2.6m through the implementation of Valuemation.

The combination of higher productivity and lower costs leads to a **hard to beat return on investment**. On average clients amortize the cost of the software within one to two years.

While USU is not the only company providing such software it **differentiates from competitors** in three different ways:

1. Competitive technology

As an **early mover** USU brings a competitive proprietary **technology** to the table. With annual **R&D investments of € 14m** (i.e. 16% of sales) and ongoing **M&A investments** rounding up the offering, USU is in a position to further develop its products. In 2017 for example, USU acquired EASYTRUST in France. The company owns **one of only 6** license scanning products worldwide accepted by Oracle, thus further expanding USU's technological capabilities.

The fact that **CA technologies**, a large US competitor in IT service management, decided to resell USUs license management software instead of building its own illustrates **USU's edge** in this area.

Similarly, Valuemation was the **first software in Germany to be certified for 16 ITIL processes** by Pink Elephant, a globally renowned certification institute. The ITIL processes serve as best practices framework in the industry. A certification attests that the respective software fully **covers all relevant processes** and delivers a **high degree of automation** as well as high data quality. Companies therefore use these **certifications as quality indicators** in the selection stage.

2. Comprehensive product portfolio

USU's **comprehensive portfolio** marks a **clear differentiation** from competitors. While those focus either on software asset management (e.g. Flexera, Snow) or on IT service management (Serviceware, OMNINET), USU offers both, and additionally enhances the portfolio with its knowledge management solutions.

USU thus serves as **one-stop-shop** for customers. For USU this approach opens opportunities for **cross- and up-selling**. The result: c. 40% of all Valuemation customers are also Aspera users.

3. Far-reaching partner network

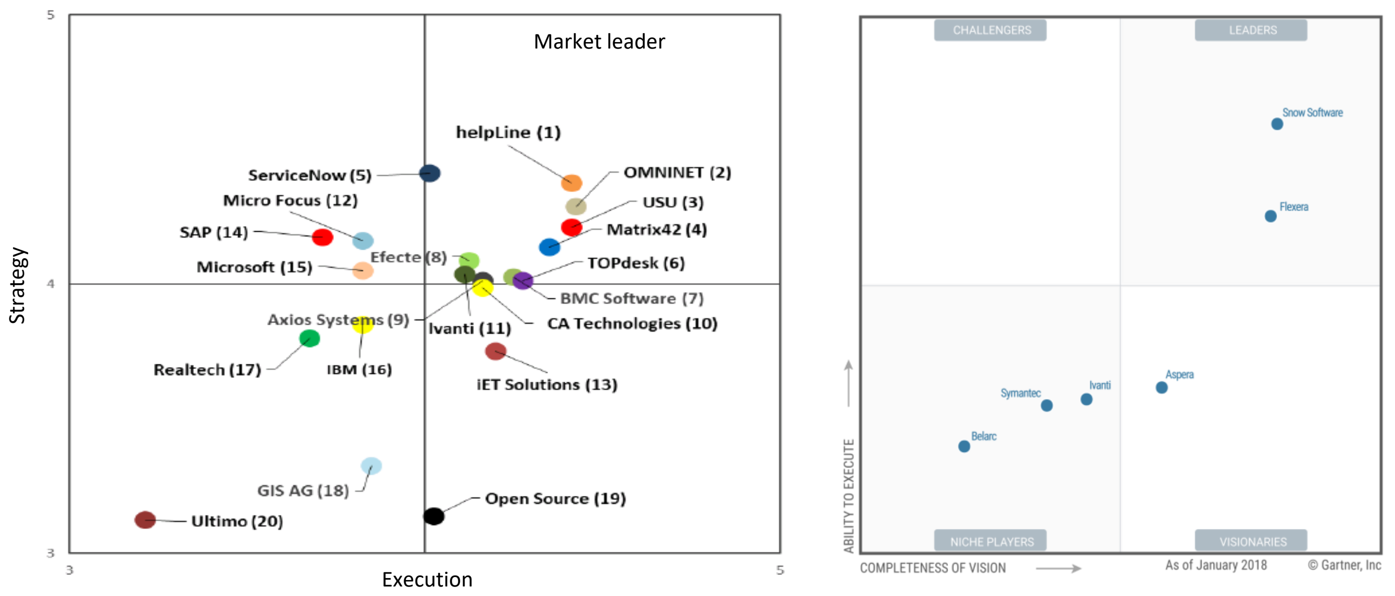
With more than 20 partners in 8 countries as well as its own sales force USU has a **strong local and international network**. With this network USU ensures excellent customer service. Not surprisingly, Research in Action, a market research company focused on the sector, ranks **USU #1 for customer service**.

The power of USUs competitive position results in a **reputable customer base with more than 1000 customers**. Among them are large international companies such as BMW, VW, Apple and Facebook.

Churn below 3% (vs. 5% in the industry eH&A) further demonstrates the value of the product itself and the **loyalty of customers** that comes with it.

The graph below shows USU's position in the market, which is seen to be the consequence of its competitive quality. USU is a leader among IT service management providers in the German market (**~ 25% market share**, Valuemation). Among global license management companies (c. 20% market share, Aspera), Gartner sees USU (Aspera) as visionary, closing the gap to rivals Snow and Flexera, which are larger and have greater international presence.

German IT service management (ls) and global license management (rs) market

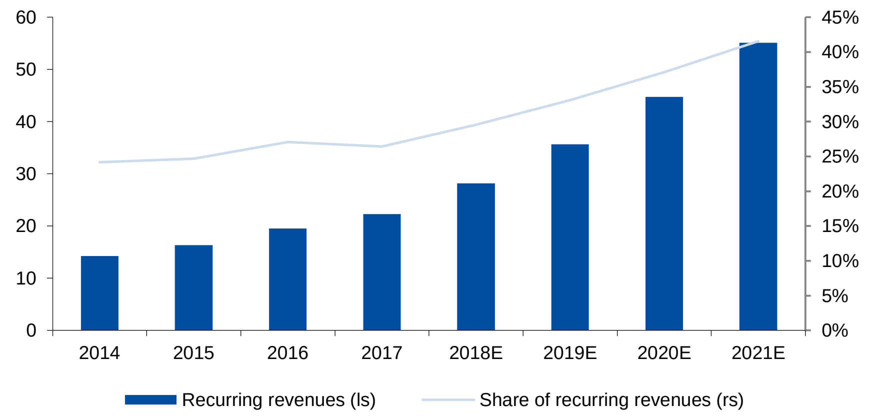


Source: Gartner 2018, Research in Action 2018; Hauck & Aufhäuser

Business Quality

Thanks to increasing maintenance revenues as well as a shift towards SaaS, **USU is growing its recurring revenues** (FY 2017: 26%) at 16.8% (CAGR15-17). Expecting USU to continue this trend we see recurring revenues at c. 40% of total revenues by 2021E (see graph below).

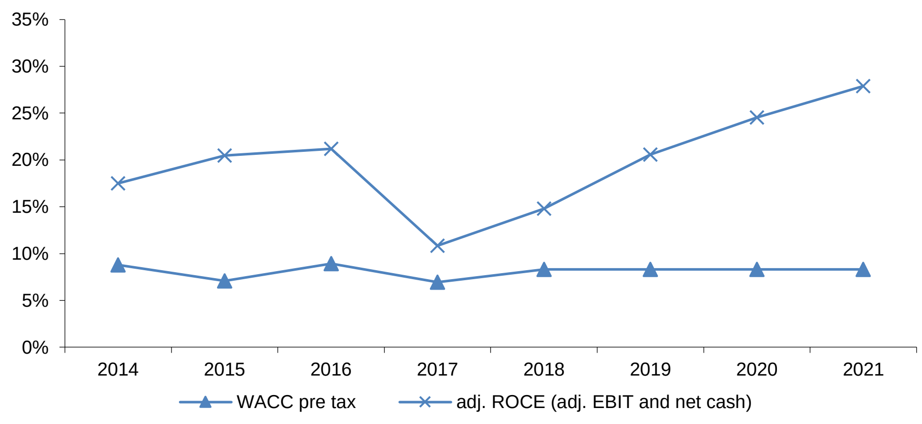
Growing share of recurring revenues



Source: Company data; Hauck & Aufhäuser

USU currently invests heavily in its salesforce. We expect the sales team to gain experience and efficiency, moving forward. On the back of the scalability of the sales capacity and the capital light character of USU's business model, return on capital employed (ROCE) looks set to grow. We see ROCE, adjusted for net cash and based on adjusted EBIT, increasing towards c. 28% in 2021E. The chart below also clearly shows **ROCE exceeding the cost of capital**. Note, potential future acquisitions (not included in eH&A) could weigh on net cash and thus on the adjusted ROCE.

Returns



Source: Company data; Hauck & Aufhäuser

Growth

- **Structurally growing market** driven by digitalisation and growing importance of customer service
- **Strong organic top line development** on the back of US expansion
- **M&A as proven source of growth** with strong track record
- **Disproportionate EBIT growth** due to shift towards SaaS and sales investments paying off

Market Growth

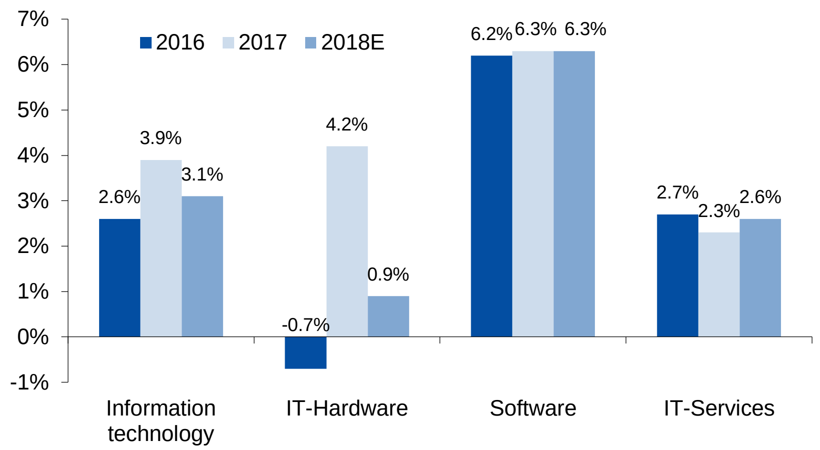
USU's growth prospects are based on a **strong market development**, which is driven by two structural trends:

1. Digitalisation based on the need for efficiency

In order to increase profitability, CEOs will need to operate their business more efficiently. Automation often yields these efficiency gains, which is why according to Bitkom, **78% of businesses in Germany have established a digitalisation strategy**.

Not surprisingly, the **biggest growth area** within the German IT market is seen to be software, with forecasted growth of 6.3% in 2018, according to Bitkom (see graph below).

German ICT market growth rates 2016-2018E



Source: Bitkom 2018; Hauck & Aufhäuser

After many companies have reaped efficiencies by digitising and automating enterprise resource planning (ERP) and customer relationship management (CRM) functions, we expect **IT service management to be the next big thing**.

2. Growing importance of customer service

Many companies differentiate from others by their customer service. A few figures demonstrate how important customer service has become:

- $ 62bn of business is lost per year due to poor customer service (US only) according to New Voice Media.
- 72% of businesses say that improving customer experience is their top priority, in a Gartner study.
- 96% of respondents to a Microsoft study state customer service as important in their choice of loyalty to a brand

With Valuemation and K-center USU provides **software to improve customer service** and hence should see strong demand driven by this trend.

Top-line Growth

Within this overall favourable market environment USU should grow its top line thanks to several drivers:

International expansion: USU is selling its software mainly in Germany (c. 72% of total sales) and Europe but is also extending its business to the USA, which already represents c. 29% of international sales. The graph below shows USU's presence in Europe.

European locations

Source: Company data; Hauck & Aufhäuser

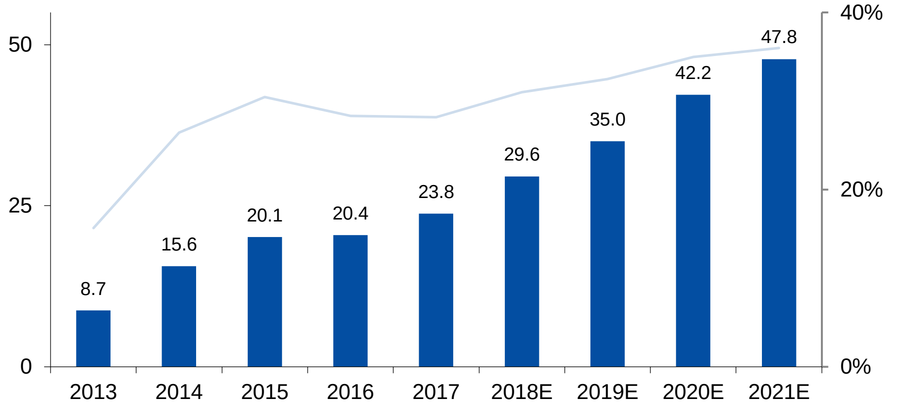
In 2013 USU successfully rolled out Aspera to the US. Today Aspera already counts **more than 30 customers** in the US. Among them are blue chip companies like **Apple** and **Facebook**.

In 2018 USU started rolling out K-center in the US as well. Here first customers have already been gained (eg. Columbia Sportswear, Colony Brands), which is why we expect **international sales to grow at 19%** CAGR17-21E to € 48m in 2021E. Thereby contributing 36% to group sales (vs. 28% in FY 2017).

Furthermore, on the basis of the existing partner/ customer network developed with Aspera and K-center, Valuemation should be launched in the US in the near future as well.

Altogether this is meant to **push the share of international sales** well above the current level of around 30%.

Development of foreign sales (in €m)



Source: Company data; Hauck & Aufhäuser

M&A is the second element of USU's growth strategy. The key intentions behind M&A are access to **valuable technology or entry to a promising market** and thus customer base expansion.

USU has been very **successful with this strategy**: Aspera for example was acquired in 2010. Here USU bought the license management software, which now represents 35% of group sales.

Recently USU also acquired French EASYTRUST and thus gained an important oracle license management software, which is worldwide **one of only 6 products accepted by Oracle directly**. Additionally, the acquisition gave USU **access to the French market**.

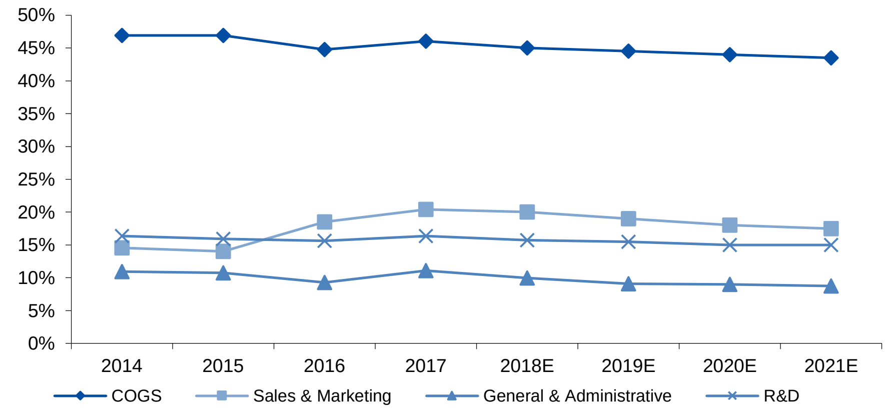
Note, USU has an **outstanding financial situation** with net cash set to amount to > € 25m by 2020E. The company scans roughly **10-20 targets each year** and looks to pay multiples below 10x EBIT. The company's midterm guidance of € 140m of sales includes € 15m through M&A (not included in eH&A).

Bottom-line Growth

The expected growth of sales should **translate into higher EBIT** (i.e. 66% CAGR17-20E) as we expect (see graph below):

- Gross margin to increase from 54% of total sales to 57.5% by 2021E, **driven by the shift to SaaS**.
- General & Administrative costs to slightly decrease from 11% to 8.8% of total sales in 2021E due to the growing share of recurring revenues.
- Sales & Marketing investments to normalise after 2019E, given that the salesforce should gain efficiency with more experience.
- Research & Development costs benefitting from scale and thus decreasing from 16.4% in 2017 to 15% of total sales in 2021E.

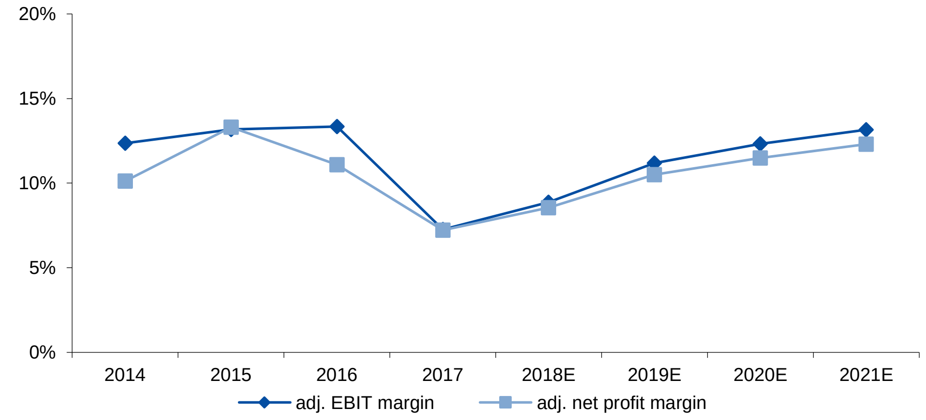
Operating costs in % of total sales



Source: Company data; Hauck & Aufhäuser

On the back of the decelerating cost structure benefitting from scale and a growing share of recurring revenues, we expect margins adjusted for M&A to be at levels above 10%, in 2019E and onwards (see graph below).

Adj. EBIT and adj. net profit margin



Source: Company data; Hauck & Aufhäuser

Valuation

- **Fair PT of € 27.00** based on DCF yielding > 30% of upside to current levels
- **Adj. FCF yield confirms upside**

DCF Valuation

Our DCF valuation derives a **price target of € 27.00** for USU. The key assumptions of our model are:

Terminal EBIT margin: 11%. This compares to a 12% EBIT margin USU is expected to achieve in 2020E and a 4% EBIT margin the company generated in 2017.

Terminal growth: 2%. Medium Term growth is modelled at 8.5% in-line with expectations for overall market growth.

WACC: 7.5% consisting of a beta of 1.1x, a 5.5% equity risk premium and a 1.5% risk free rate.

DCF (EUR m) (except per share data and beta)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	Terminal value
NOPAT	6.3	9.5	12.9	15.7	18.1	19.5	20.9	21.9	17.6
Depreciation	3.5	3.5	3.6	3.6	3.6	3.6	3.7	3.8	3.9
Increase/decrease in working capital	-1.2	-2.7	-2.8	-2.6	-2.6	-2.5	-2.3	-1.8	-1.1
Increase/decrease in long-term provisions and accruals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capex	-1.9	-2.2	-2.4	-2.7	-2.9	-3.1	-3.3	-3.5	-3.9
Acquisitions	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	**5.8**	**8.3**	**11.5**	**14.2**	**16.3**	**17.7**	**19.0**	**20.6**	**16.6**
Present value	5.6	7.5	9.7	11.2	12.8	12.9	12.9	13.0	181.1
WACC	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.5%

DCF per share derived from	
Total present value	267
thereof terminal value	68%
Net debt (net cash) at start of year	-23
Financial assets	1
Provisions and off balance sheet debt	7
Equity value	284
No. of shares outstanding	10.5
Discounted cash flow per share	**27.0**
upside/(downside)	**34%**
Share price	**20.20**

DCF avg. growth and earnings assumptions	
Short term growth (2017-2020)	12.7%
Medium term growth (2020 - 2025)	7.8%
Long term growth (2025 - infinity)	2.0%
Terminal year EBIT margin	10.8%

WACC derived from	
Cost of borrowings before taxes	5.0%
Tax rate	10.0%
Cost of borrowings after taxes	4.5%
Required return on invested capital	7.6%
Risk premium	5.5%
Risk-free rate	1.5%
Beta	1.1

Sensitivity analysis DCF

		Long term growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.5%	19.4	20.0	20.8	21.6	22.6
	8.5%	21.4	22.3	23.4	24.6	26.0
	7.5%	24.2	25.5	27.0	28.8	31.0
	6.5%	28.0	29.9	32.3	35.2	39.0
	5.5%	33.6	36.8	40.8	46.1	53.7

Sensitivity analysis DCF

		EBIT margin terminal year				
		9%	10%	11%	12%	13%
WACC	9.5%	18.6	19.7	20.8	21.9	22.9
	8.5%	20.7	22.0	23.4	24.7	26.0
	7.5%	23.6	25.3	27.0	28.7	30.3
	6.5%	27.9	30.1	32.3	34.5	36.7
	5.5%	34.7	37.7	40.8	43.8	46.9

Source: Company data; Hauck & Aufhäuser estimates

Free Cash-Flow Yield

Our FCF yield model derives an implied fair value of € 20.80 based on FY2020E estimates and a fair value of **€ 25.20** based on FY2021E. To reflect the **shift towards SaaS** and the related **growth and scalability** it seems fair to look at 2021E figures.

The main driver of this model is the level of return available to a controlling investor influenced by the cost of that investor's capital (opportunity costs) and the purchase price – the enterprise value of the company.

Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capital expenditures).

Put simply, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after tax return equals the model's hurdle rate of 7.5%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap.

FCF yield, year end Dec. 31		2018E	2019E	2020E	2021E
EBITDA		**10.5**	**14.1**	**18.0**	**21.1**
- Maintenance capex		0.9	1.8	1.8	1.8
- Minorities		0.0	0.0	0.0	0.0
- tax expenses		0.7	1.1	1.5	1.8
= Adjusted Free Cash Flow		**8.9**	**11.2**	**14.7**	**17.5**
Actual Market Cap		**212.6**	**212.6**	**212.6**	**212.6**
+ Net debt (cash)		-16.3	-20.9	-26.8	-35.0
+ Pension provisions		2.3	2.4	2.6	2.7
+ Off balance sheet financing		0.0	0.0	0.0	0.0
+ Adjustments prepayments		7.5	7.5	7.5	7.5
- Financial assets		-0.7	-0.7	-0.7	-0.7
- Dividend payment		-4.2	-4.0	-6.1	-6.6
EV Reconciliations		*-11.5*	*-15.8*	*-23.5*	*-32.2*
= Actual EV'		**201.1**	**196.8**	**189.1**	**180.4**
Adjusted Free Cash Flow yield		**4.4%**	**5.7%**	**7.8%**	**9.7%**
Sales		**95.3**	**107.7**	**120.6**	**132.7**
Actual EV/sales		2.1x	1.8x	1.6x	1.4x
Hurdle rate		7.5%	7.5%	7.5%	7.5%
FCF margin		9.3%	10.4%	12.2%	13.2%
Fair EV/sales		1.2x	1.4x	1.6x	1.8x
Fair EV		**118.1**	**149.5**	**195.7**	**232.7**
- EV Reconciliations		*-11.5*	*-15.8*	*-23.5*	*-32.2*
Fair Market Cap		**129.6**	**165.2**	**219.2**	**264.9**
No. of shares (million)		10.5	10.5	10.5	10.5
Fair value per share		**12.3**	**15.7**	**20.8**	**25.2**
Premium (-) / discount (+) in %		**-39.1%**	**-22.3%**	**3.1%**	**24.6%**
Sensitivity analysis fair value					
Hurdle rate	7.5%	12.3	15.7	20.8	25.2
	10.0%	9.5	12.1	16.2	19.6
	12.5%	7.8	10.0	13.4	16.3
	15.0%	6.7	8.6	11.5	14.1

Source: Company data; Hauck & Aufhäuser estimates

Theme

- **Strong sentiment** for IT service management sector
- **Bernhard Böhler leaving USU** as board member but continuing as external consultant to the company
- **H1 shows positive development**

Strong sector sentiment

The strong structural growth as well as the attractiveness of software business models have led the **market to show strong interest in the sector**, valuing it at high multiples:

Serviceware for example had its IPO in April of this year. The company currently trades on 3.6x sales 2018E vs. 2.2x for USU.

Strong sentiment for the sector is also shown by the recent take-over of BMC Software in June. KKR is said to have acquired BMC for $ 8.5bn (including debt) implying a **transaction multiple of almost 5x sales**.

While BMC is not a pure-play on IT service management software, the deal provides a positive cross-read for USU revealing that market participants are willing to pay high multiples for these business models given the strong growth prospects driven by digitalisation.

Weak shareprice development seen as entry opportunity

Despite this favourable sentiment in the market USU stock has developed rather weak (c. -17% 180d), being valued at **2.2x sales** 2018E. Two reasons:

1) USU invested heavily in its salesforce last year and also this year (eH&A: € 20m i.e. 20% of sales in 2018E). While these investments weigh on earnings in the short term we expect the effect to reverse as the salesforce should gain experience and become more and more efficient, going forward.

2) The acquired EASYTRUST in France is not yet profitable. However, we expect the French operations of USU to become profitable by the beginning of next year. Milestones like the win of important customers (e.g. Societe General, Airfrance, etc.) show the positive development. Additionally, USU already integrated EASYTRUST's Oracle license management feature into Aspera, which should support sales in all markets.

Given the scalability of the salesforce as well as the turnaround in France, we expect **positive future news flow** on these topics to support the stock, moving forward.

Board member to stay as external consultant

USU announced that Bernhard Böhler, the board member responsible for the international expansion, will leave the company in early 2020 due to personal reasons. Positively, he will **keep supporting USU as external consultant**. As of now USU decided to continue without direct replacement given the ongoing support of Böhler. Böhler owns 165k shares possibly up for sale.

Reassuring H1 results

H1 results provide reassuring evidence of USU's progress (see graph below). **Sales** were up 7.5% yoy to € 41.8m. As sales increased by 10% to €12.2m driven especially by the US business which contributed c. € 4m (eH&A), H1 figures hint at a p**ositive development of USU's international expansion**.

EBITDA was down 46% to € 947k being held back by ongoing **ramp up investments into personnel**.

USU Software AG	**Q2 2018**	**Q2 2018** est	**Q2 2017**	yoy	**H1 2018**	**H1 2018** est	**H1 2017**	yoy
Total Sales	**20.8**	**20.3**	**20.0**	3.9%	**41.8**	**41.3**	**38.9**	7.5%
EBIT	**-0.9**	**-0.9**	**0.3**	n.a.	**-0.5**	**-0.5**	**0.4**	n.a.
EBIT margin	*-4.1%*	*-4.6%*	*1.4%*	*- 5.5 pp*	*-1.1%*	*-1.3%*	*1.1%*	*- 2.2 pp*
adj. EBIT	**-0.50**	**-0.53**	**0.9**	n.a.	**0.3**	**0.2**	**1.6**	-83.7%
adjusted EBIT margin	*-2.4%*	*-2.6%*	*4.4%*	*- 6.8 pp*	*0.6%*	*0.6%*	*4.0%*	*- 3.4 pp*

Source: Company data; Hauck & Aufhäuser estimates

Regarding the **guidance, management confidently assured that it is going to achieve the targeted range of € 93-98m sales and € 7.5-10m adj. EBIT**, admitted however that the lower end seems more likely (eH&A: sales € 95m, adj. EBITDA € 8.5m). As USU usually achieves c. 30% of its FY sales and > 40% of its FY EBITDA in Q4, the guidance seems in reach. Additionally, the **pipeline is filled** with an order backlog of € 49m, 6.6% above the previous year's levels.

Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	**58.9**	**66.1**	**72.1**	**84.4**	**95.3**	**107.7**	**120.6**
Sales growth	*5.8 %*	*12.1 %*	*9.1 %*	*17.0 %*	*13.0 %*	*13.0 %*	*12.0 %*
Cost of sales	27.7	31.0	32.3	38.8	42.9	47.9	53.1
Gross profit	**31.3**	**35.1**	**39.8**	**45.5**	**52.4**	**59.8**	**67.6**
Sales and marketing	8.6	9.3	13.3	17.2	19.1	20.5	21.7
General and administration	6.5	7.1	6.7	9.3	9.5	9.8	10.9
Research and development	9.6	10.5	11.3	13.8	15.0	16.7	18.1
Other operating income	1.5	1.0	1.3	1.0	1.0	1.0	1.0
Other operating expenses	0.2	0.2	0.2	0.7	0.7	0.8	0.7
Unusual or infrequent items	-1.3	-1.3	-1.2	-2.2	-2.2	-2.5	-2.8
EBITDA	**8.9**	**9.9**	**10.8**	**6.8**	**10.5**	**14.1**	**18.0**
Depreciation	0.0	0.8	1.0	1.2	1.5	1.4	1.2
EBITA	**8.9**	**9.1**	**9.7**	**5.7**	**9.0**	**12.7**	**16.8**
Amortisation of goodwill	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Amortisation of intangible assets	2.2	1.5	1.4	1.6	2.0	2.2	2.4
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	**6.7**	**7.6**	**8.3**	**3.2**	**7.0**	**10.6**	**14.4**
Interest income	0.5	0.3	0.3	0.1	0.4	0.6	0.7
Interest expenses	0.6	0.1	0.3	0.2	0.2	0.2	0.2
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.1	0.3	0.0	-0.1	0.2	0.4	0.5
Recurring pretax income from continuing operations	**6.6**	**7.9**	**8.3**	**3.1**	**7.2**	**10.9**	**14.8**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	**6.6**	**7.9**	**8.3**	**3.1**	**7.2**	**10.9**	**14.8**
Taxes	1.1	-0.5	1.5	-0.3	0.7	1.1	1.5
Net income from continuing operations	**5.5**	**8.4**	**6.8**	**3.4**	**6.5**	**9.8**	**13.4**
Result from discontinued operations (net of tax)	0.5	0.4	1.2	3.1	1.7	1.5	0.5
Net income	**5.5**	**8.4**	**6.8**	**3.4**	**6.5**	**9.8**	**13.4**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	**5.5**	**8.4**	**6.8**	**3.4**	**6.5**	**9.8**	**13.4**
Average number of shares	10.5	10.5	10.5	10.5	10.5	10.5	10.5
EPS reported	**0.52**	**0.80**	**0.64**	**0.32**	**0.61**	**0.93**	**1.27**

Profit and loss (common size)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Cost of sales	46.9 %	46.9 %	44.8 %	46.0 %	45.0 %	44.5 %	44.0 %
Gross profit	**53.1 %**	**53.1 %**	**55.2 %**	**54.0 %**	**55.0 %**	**55.5 %**	**56.0 %**
Sales and marketing	14.5 %	14.0 %	18.5 %	20.4 %	20.0 %	19.0 %	18.0 %
General and administration	10.9 %	10.8 %	9.3 %	11.1 %	10.0 %	9.1 %	9.0 %
Research and development	16.4 %	15.9 %	15.6 %	16.4 %	15.7 %	15.5 %	15.0 %
Other operating income	2.6 %	1.4 %	1.7 %	1.2 %	1.1 %	0.9 %	0.8 %
Other operating expenses	0.3 %	0.4 %	0.3 %	0.9 %	0.8 %	0.7 %	0.6 %
Unusual or infrequent items	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EBITDA	**15.1 %**	**14.9 %**	**15.0 %**	**8.1 %**	**11.0 %**	**13.0 %**	**14.9 %**
Depreciation	0.0 %	1.2 %	1.4 %	1.4 %	1.6 %	1.3 %	1.0 %
EBITA	**15.1 %**	**13.7 %**	**13.5 %**	**6.7 %**	**9.4 %**	**11.8 %**	**13.9 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.9 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	3.8 %	2.2 %	2.0 %	2.0 %	2.1 %	2.0 %	2.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	**11.3 %**	**11.5 %**	**11.5 %**	**3.8 %**	**7.3 %**	**9.8 %**	**11.9 %**
Interest income	0.8 %	0.5 %	0.4 %	0.1 %	0.5 %	0.5 %	0.6 %
Interest expenses	1.0 %	0.1 %	0.4 %	0.2 %	0.2 %	0.2 %	0.2 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	0.4 %	0.0 %	neg.	0.3 %	0.3 %	0.4 %
Recurring pretax income from continuing operations	**11.2 %**	**11.9 %**	**11.5 %**	**3.7 %**	**7.5 %**	**10.1 %**	**12.3 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	**11.2 %**	**11.9 %**	**11.5 %**	**3.7 %**	**7.5 %**	**10.1 %**	**12.3 %**
Tax rate	16.4 %	-6.4 %	18.4 %	-8.2 %	10.0 %	10.0 %	10.0 %
Net income from continuing operations	**9.4 %**	**12.7 %**	**9.4 %**	**4.0 %**	**6.8 %**	**9.1 %**	**11.1 %**
Result from discontinued operations (net of tax)	0.8 %	0.6 %	1.7 %	3.7 %	1.8 %	1.4 %	0.4 %
Net income	**9.4 %**	**12.7 %**	**9.4 %**	**4.0 %**	**6.8 %**	**9.1 %**	**11.1 %**
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net profit (reported)	**9.4 %**	**12.7 %**	**9.4 %**	**4.0 %**	**6.8 %**	**9.1 %**	**11.1 %**

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	**41.4**	**42.3**	**41.0**	**49.7**	**49.6**	**48.5**	**47.4**
Property, plant and equipment	2.1	2.1	2.1	2.2	1.7	1.4	1.4
Financial assets	0.0	0.0	0.0	0.7	0.7	0.7	0.7
FIXED ASSETS	**43.6**	**44.4**	**43.1**	**52.6**	**52.0**	**50.6**	**49.4**
Inventories	4.8	3.1	4.4	4.0	4.5	5.1	5.7
Accounts receivable	11.3	11.9	14.8	18.5	19.5	22.0	24.7
Other current assets	1.1	1.3	1.6	1.5	1.5	1.5	1.5
Liquid assets	18.9	23.1	23.2	15.7	17.5	22.1	27.9
Deferred taxes	4.1	4.2	3.8	5.9	5.9	5.9	5.9
Deferred charges and prepaid expenses	1.4	1.1	1.0	1.3	1.3	1.3	1.3
CURRENT ASSETS	41.7	44.8	48.8	46.8	50.1	57.9	66.9
TOTAL ASSETS	**85.2**	**89.2**	**91.9**	**99.4**	**102.1**	**108.5**	**116.4**
SHAREHOLDERS EQUITY	55.6	60.8	63.6	63.0	65.3	71.1	78.3
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.0	0.3	0.3	0.3	0.3
Provisions for pensions and similar obligations	1.9	1.9	2.3	2.2	2.3	2.4	2.6
Other provisions	3.1	2.9	2.7	4.6	4.6	4.6	4.6
Non-current liabilities	**4.9**	**4.8**	**5.0**	**7.1**	**7.2**	**7.3**	**7.4**
short-term liabilities to banks	0.0	0.0	0.0	0.9	0.9	0.9	0.9
Accounts payable	1.4	1.6	1.9	3.6	3.9	4.4	4.9
Advance payments received on orders	11.0	9.9	9.3	7.5	7.5	7.5	7.5
Other liabilities (incl. from lease and rental contracts)	7.1	6.7	6.2	7.4	7.4	7.4	7.4
Deferred taxes	0.8	0.1	0.0	2.5	2.5	2.5	2.5
Deferred income	4.4	5.3	6.0	7.5	7.5	7.5	7.5
Current liabilities	**24.6**	**23.6**	**23.3**	**29.3**	**29.7**	**30.1**	**30.6**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**85.2**	**89.2**	**91.9**	**99.4**	**102.1**	**108.5**	**116.4**

Balance sheet (common size)	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	**48.7 %**	**47.4 %**	**44.6 %**	**50.0 %**	**48.6 %**	**44.7 %**	**40.7 %**
Property, plant and equipment	2.4 %	2.4 %	2.3 %	2.2 %	1.6 %	1.3 %	1.2 %
Financial assets	0.0 %	0.0 %	0.0 %	0.7 %	0.7 %	0.6 %	0.6 %
FIXED ASSETS	**51.1 %**	**49.8 %**	**46.9 %**	**52.9 %**	**50.9 %**	**46.7 %**	**42.5 %**
Inventories	5.6 %	3.5 %	4.8 %	4.0 %	4.4 %	4.7 %	4.9 %
Accounts receivable	13.3 %	13.3 %	16.1 %	18.6 %	19.1 %	20.3 %	21.2 %
Other current assets	1.3 %	1.5 %	1.8 %	1.5 %	1.5 %	1.4 %	1.3 %
Liquid assets	22.2 %	25.9 %	25.2 %	15.8 %	17.1 %	20.4 %	24.0 %
Deferred taxes	4.8 %	4.7 %	4.1 %	5.9 %	5.8 %	5.4 %	5.1 %
Deferred charges and prepaid expenses	1.6 %	1.3 %	1.1 %	1.3 %	1.2 %	1.2 %	1.1 %
CURRENT ASSETS	48.9 %	50.2 %	53.1 %	47.1 %	49.1 %	53.3 %	57.5 %
TOTAL ASSETS	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
SHAREHOLDERS EQUITY	65.3 %	68.2 %	69.2 %	63.4 %	63.9 %	65.5 %	67.3 %
MINORITY INTEREST	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	0.0 %	0.0 %	0.0 %	0.3 %	0.2 %	0.2 %	0.2 %
Provisions for pensions and similar obligations	2.2 %	2.1 %	2.5 %	2.2 %	2.3 %	2.2 %	2.2 %
Other provisions	3.6 %	3.3 %	2.9 %	4.7 %	4.5 %	4.3 %	4.0 %
Non-current liabilities	**5.8 %**	**5.4 %**	**5.4 %**	**7.1 %**	**7.0 %**	**6.7 %**	**6.4 %**
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	0.9 %	0.9 %	0.8 %	0.8 %
Accounts payable	1.6 %	1.8 %	2.0 %	3.6 %	3.9 %	4.1 %	4.2 %
Advance payments received on orders	12.9 %	11.1 %	10.1 %	7.5 %	7.3 %	6.9 %	6.4 %
Other liabilities (incl. from lease and rental contracts)	8.3 %	7.5 %	6.8 %	7.5 %	7.3 %	6.8 %	6.4 %
Deferred taxes	0.9 %	0.1 %	0.0 %	2.5 %	2.4 %	2.3 %	2.1 %
Deferred income	5.2 %	5.9 %	6.5 %	7.5 %	7.3 %	6.9 %	6.4 %
Current liabilities	**28.9 %**	**26.4 %**	**25.4 %**	**29.5 %**	**29.1 %**	**27.8 %**	**26.3 %**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Net profit/loss	5.5	8.4	6.8	3.4	6.5	9.8	13.4
Depreciation of fixed assets (incl. leases)	0.0	0.8	1.0	1.2	1.5	1.4	1.2
Amortisation of goodwill	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Amortisation of intangible assets	2.2	1.5	1.4	1.6	2.0	2.2	2.4
Others	0.4	0.2	-0.2	-0.2	0.1	0.1	0.1
Cash flow from operations before changes in w/c	8.1	10.8	9.0	6.7	10.1	13.4	17.1
Increase/decrease in inventory	-0.9	1.7	-1.3	0.4	-0.5	-0.6	-0.6
Increase/decrease in accounts receivable	0.9	-0.6	-2.9	-3.7	-1.0	-2.5	-2.6
Increase/decrease in accounts payable	-0.3	0.2	0.3	1.7	0.4	0.5	0.5
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-0.4	1.3	-3.9	-1.6	-1.2	-2.7	-2.8
Cash flow from operating activities	**7.7**	**12.2**	**5.1**	**5.2**	**8.9**	**10.8**	**14.3**
CAPEX	1.1	1.0	1.2	1.3	1.9	2.2	2.4
Payments for acquisitions	0.0	0.6	0.0	7.1	1.0	0.0	0.0
Financial investments	0.0	3.3	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Cash flow from investing activities	**-1.1**	**-4.9**	**-1.2**	**-8.2**	**-2.9**	**-2.2**	**-2.4**
Cash flow before financing	6.6	7.3	4.0	-3.1	6.0	8.6	11.9
Increase/decrease in debt position	0.0	-0.6	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	2.6	3.2	3.7	4.2	4.2	4.0	6.1
Others	0.0	-2.6	-0.2	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.7	3.3	0.0	-0.2	0.0	0.0	0.0
Cash flow from financing activities	**-2.6**	**-6.4**	**-3.9**	**-4.2**	**-4.2**	**-4.0**	**-6.1**
Increase/decrease in liquid assets	4.7	4.2	0.1	-7.5	1.8	4.6	5.8
Liquid assets at end of period	**18.9**	**23.1**	**23.2**	**15.7**	**17.5**	**22.1**	**27.9**

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Domestic	43.3	45.9	51.7	60.5	65.8	72.7	78.4
yoy change	-7.8 %	6.0 %	12.5 %	17.0 %	8.7 %	10.5 %	7.9 %
Rest of Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	15.6	20.2	20.4	23.9	29.6	35.0	42.2
yoy change	78.7 %	29.1 %	1.2 %	17.0 %	23.8 %	18.5 %	20.6 %
TTL	**58.9**	**66.1**	**72.1**	**84.4**	**95.3**	**107.7**	**120.6**
yoy change	5.8 %	12.1 %	9.1 %	17.0 %	13.0 %	13.0 %	12.0 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
P&L growth analysis							
Sales growth	5.8 %	12.1 %	9.1 %	17.0 %	13.0 %	13.0 %	12.0 %
EBITDA growth	61.8 %	11.2 %	9.2 %	-36.6 %	52.9 %	34.4 %	71.9 %
EBIT growth	95.8 %	13.7 %	9.3 %	-61.2 %	115.8 %	51.8 %	106.4 %
EPS growth	51.2 %	52.1 %	-19.1 %	-50.4 %	92.2 %	51.6 %	106.5 %
Efficiency							
Total operating costs / sales	39.6 %	39.7 %	42.0 %	47.5 %	45.4 %	43.4 %	41.8 %
Sales per employee	130.4	136.8	138.4	148.9	155.9	164.1	172.0
EBITDA per employee	19.7	20.5	20.7	12.1	17.1	21.4	25.6
Balance sheet analysis							
Avg. working capital / sales	5.8 %	5.5 %	8.0 %	11.5 %	12.6 %	12.9 %	12.7 %
Inventory turnover (sales/inventory)	12.3	21.3	16.4	21.2	21.2	21.2	21.2
Trade debtors in days of sales	70.0	65.5	74.7	74.7	74.7	74.7	74.7
A/P turnover [(A/P*365)/sales]	18.4	18.7	20.9	33.5	33.5	33.5	33.5
Cash conversion cycle (days)	115.0	83.3	103.4	83.7	79.4	79.8	80.3
Cash flow analysis							
Free cash flow	6.6	11.1	3.9	3.8	7.0	8.6	11.9
Free cash flow/sales	11.2 %	16.9 %	5.4 %	4.5 %	7.3 %	8.0 %	9.9 %
FCF / net profit	120.2 %	132.9 %	57.8 %	113.6 %	107.9 %	87.8 %	89.1 %
Capex / depn	50.5 %	190.3 %	48.8 %	37.2 %	54.5 %	61.5 %	66.7 %
Capex / maintenance capex	43.6 %	83.5 %	101.4 %	236.2 %	54.5 %	61.5 %	66.7 %
Capex / sales	1.9 %	6.6 %	1.7 %	1.6 %	2.0 %	2.0 %	2.0 %
Security							
Net debt	-18.9	-23.1	-23.2	-14.6	-16.3	-20.9	-26.8
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Interest cover	11.7	138.0	31.8	16.2	34.9	53.0	72.1
Dividend payout ratio	57.3 %	43.9 %	62.1 %	125.0 %	62.1 %	62.1 %	49.5 %
Asset utilisation							
Capital employed turnover	1.0	1.0	1.1	1.2	1.3	1.4	1.4
Operating assets turnover	10.2	11.7	7.1	6.2	6.7	6.5	6.2
Plant turnover	28.4	30.9	33.8	37.8	56.6	76.4	86.1
Inventory turnover (sales/inventory)	12.3	21.3	16.4	21.2	21.2	21.2	21.2
Returns							
ROCE	11.4 %	12.0 %	12.4 %	4.6 %	9.6 %	13.8 %	17.9 %
ROE	9.9 %	13.8 %	10.7 %	5.3 %	9.9 %	13.8 %	17.1 %
Other							
Interest paid / avg. debt	n/a	n/a	n/a	17.0 %	17.0 %	17.0 %	17.0 %
No. employees (average)	452	483	521	567	612	657	702
Number of shares	10.5	10.5	10.5	10.5	10.5	10.5	10.5
DPS	0.3	0.4	0.4	0.4	0.4	0.6	0.6
EPS reported	0.52	0.80	0.64	0.32	0.61	0.93	1.27
Valuation ratios							
P/BV	3.8	3.5	3.3	3.4	3.3	3.0	2.7
EV/sales	3.3	2.9	2.7	2.4	2.1	1.8	1.6
EV/EBITDA	22.0	19.4	17.8	29.3	19.0	13.8	10.5
EV/EBITA	22.0	21.1	19.7	35.3	22.2	15.3	11.2
EV/EBIT	29.3	25.2	23.1	62.1	28.6	18.4	13.1
EV/FCF	29.5	17.2	48.9	52.3	28.4	22.5	15.8
Adjusted FCF yield	2.7 %	4.7 %	4.2 %	3.3 %	4.0 %	5.7 %	7.8 %
Dividend yield	1.5 %	1.7 %	2.0 %	2.0 %	1.9 %	2.9 %	3.1 %

Source: Company data, Hauck & Aufhäuser

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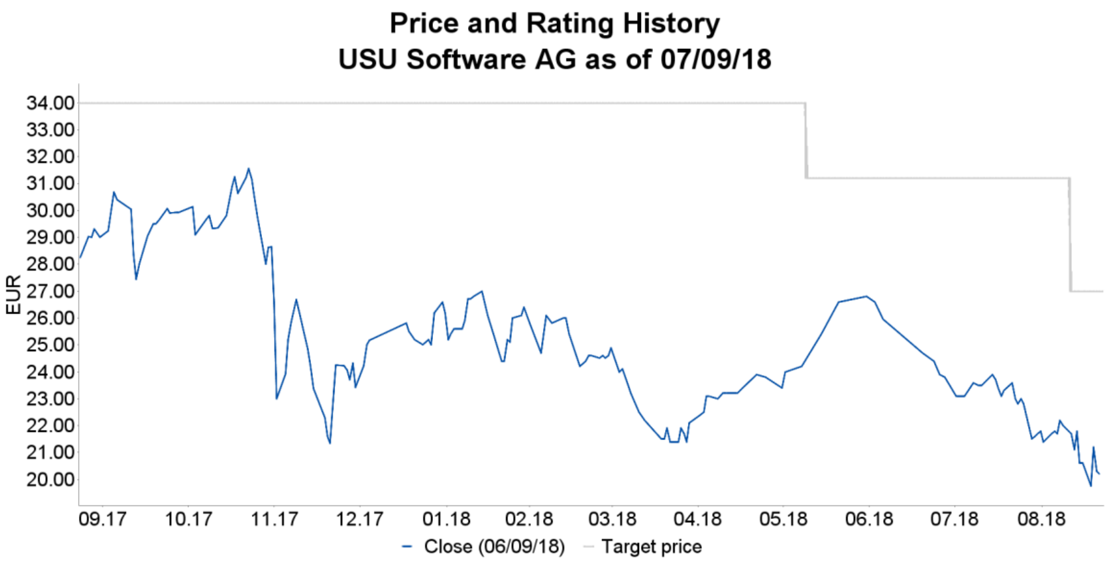
Company	Disclosure
USU Software AG	2

Historical target price and rating changes for USU Software AG in the last 12 months



Initiation coverage
30-April-13

Company	Date	Analyst	Rating	Target price	Close
USU Software AG	27.08.2018	Bentlage, Simon	Buy	EUR 27,00	EUR 21,70
	28.05.2018	Bentlage, Simon	Buy	EUR 31,20	EUR 24,20

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