

# Company Alert

## USU Software

### Company Update: Investing in future growth



RATING  
**HOLD** (UNCHANGED)

TARGET PRICE  
**21 EUR** (UNCHANGED)

**HIGHLIGHTS**

- Q3 results positively affected by catch-up effects from Q2
- High advances on future organic growth
- 2016 guidance confirmed, price target and rating affirmed

**Q3 results positively affected by catch-up effects from Q2:** in Q3, USU was able to boost sales by 8.1% y-o-y to EUR 17.4m, while increasing (adj.) operating income even more by 9.3% to EUR 2.0m. Whereas consulting income of EUR 9.6m stagnated at the prior-year level, license sales surged by 31.8% to EUR 2.5m. This was attributable primarily to orders from the US that had been postponed from Q2 to Q3. According to management, not all the postponed orders have been completed, but the company is confident that these will be realized in Q4.

**High advances on future organic growth:** USU intends to continue on its organic growth path. For this purpose, the company is expanding its sales team; together with higher commissions for the distribution cooperation in the US, this took cost of sales up significantly in Q3 (+41% y-o-y). Moreover, at EUR 2.6m or 15.1% of sales, expenses for new and further developments within the product portfolio remain high. This also means that the product pipeline is well filled, though. Both these measures are aimed at supporting the plans to generate EUR 85m in sales in 2017 (+13-20% y-o-y). Inorganic growth is to add another EUR 15m in sales via one or several acquisitions. In our view the company has the required financial leeway (9M 2016: cash and cash equivalents of EUR 22.4m; equity ratio of 71%), but management statements lead us to hope that they will adhere to their rather careful acquisition strategy.

**2016 guidance confirmed, rating and price target affirmed:** USU is still targeting sales of EUR 71-75m and (adj.) EBIT between EUR 9m and EUR 10.5m in 2016. However, in order to reach the upper end of the sales range, the company needs to achieve an impressive sales increase of 27% in the ongoing Q4. Therefore, we have slightly reduced our sales estimate. However, the assumed sales mix with better margins (more license and maintenance business, less service) prompted us to moderately increase our earnings expectations. Given our valuation that is based primarily on a DCF model, we affirm our price target as well as the Hold rating. We deem a cut-back on IT expenditure on the back of macroeconomic conditions to be the greatest risk to our investment case.

+++ Reuters: OSPGk +++ Bloomberg: OSP2 GY +++  
 Current Price (XETRA; 16-11-17; 02:31 pm) ..... 20.29 EUR  
 CLOSING PRICE (2016-11-16): ..... 19.97 EUR  
 EXPECTED PERFORMANCE: ..... 5.2%  
 MARKET CAPITALIZATION: ..... 210.16 EUR m  
 ENTERPRISE VALUE: ..... 189.27 EUR m  
 NUMBER OF SHARES: ..... 10.52 m  
 FREE FLOAT: ..... 29.7%  
 INDEX (WEIGHT): ..... CDAX (0.01 %)  
 AVG. DAILY TRADEVOL.: ..... 5,271  
 ISIN / WKN: ..... DE000A0BVU28 / A0BVU2  
 SECTOR: ..... Software

KEY DATA (DEC)	2016E	2017E	2018E
Company figures in m EUR, per share data in EUR			
Sales	73.2	85.0	94.0
EBITDA	10.9	13.4	16.7
EBIT adjusted	9.5	11.6	14.6
Net profit adjusted	8.4	10.1	12.5
Free cash flow	9.5	10.5	13.1
FCF yield	4.5 %	5.0 %	6.2 %
EPS adjusted	0.80	0.96	1.19
Dividend	0.40	0.45	0.50
EV / Sales	2.6	2.2	2.0
EV / EBITDA	17.4	14.1	11.3
EV / EBIT adjusted	19.9	16.3	13.0
P / E adjusted	25.1	20.8	16.8
P / BV	3.26	3.04	2.77
Dividend yield	2.0 %	2.3 %	2.5 %

**PRICE PERFORMANCE**



Source: USU, LBBW Research, Thomson Reuters

**UPCOMING EVENTS**

Q4/2016 Im Februar 2017

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# Data Overview

## Financials

## USU Software

### Summary Estimate Changes (EUR m)

P/L statement	2016e			2017e			2018e		
	old	new	Δ	old	new	Δ	old	new	Δ
Sales	76.0	73.2	-3.7%	85.0	85.0	0.0%	94.0	94.0	0.0%
EBITDA	10.5	10.9	3.8%	13.0	13.4	3.1%	16.3	16.7	2.5%
EBIT	7.7	8.3	7.8%	10.0	10.4	4.0%	13.0	13.3	2.3%
EBIT adjusted	9.2	9.5	3.3%	11.5	11.6	0.9%	14.5	14.6	0.7%
Net profit	6.8	7.3	7.4%	8.7	9.0	3.4%	11.0	11.4	3.6%
Net profit adjusted	8.2	8.4	2.4%	10.0	10.1	1.0%	12.3	12.5	1.6%
<b>Per share (EUR )</b>	<b>old</b>	<b>new</b>	<b>Δ</b>	<b>old</b>	<b>new</b>	<b>Δ</b>	<b>old</b>	<b>new</b>	<b>Δ</b>
EPS (basic)	0.65	0.69	6.2%	0.83	0.86	3.6%	1.05	1.09	3.8%
EPS adjusted	0.78	0.80	2.6%	0.95	0.96	1.1%	1.17	1.19	1.7%
Dividend	0.40	0.40	0.0%	0.45	0.45	0.0%	0.50	0.50	0.0%

Source: USU, LBBW Research

### Key Data USU Software (EUR m)

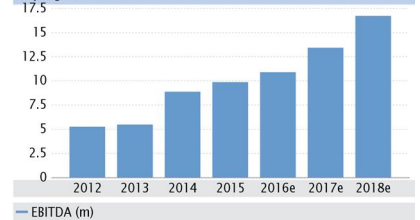
Profit and loss statement (EUR m) (Dec)	2012	2013	2014	2015	2016e	2017e	2018e
Sales	51.2	55.7	58.9	66.1	73.2	85.0	94.0
EBITDA	5.3	5.5	8.9	9.9	10.9	13.4	16.7
EBIT	3.5	3.4	6.7	7.6	8.3	10.4	13.3
EBIT adjusted	7.1	5.1	7.3	8.8	9.5	11.6	14.6
Net profit	4.8	3.7	5.5	8.4	7.3	9.0	11.4
Net profit adjusted	7.2	5.2	6.0	9.7	8.4	10.1	12.5
EPS adjusted	0.69	0.49	0.57	0.92	0.80	0.96	1.19
<b>Growth y-o-y</b>							
Sales		8.8 %	5.8 %	12.1 %	10.8 %	16.1 %	10.6 %
Gross profit		14.0 %	8.7 %	12.2 %	15.3 %	16.7 %	11.1 %
EBITDA		4.3 %	61.9 %	11.2 %	10.4 %	23.2 %	24.5 %
EBIT adjusted		-28.1 %	43.1 %	20.8 %	8.3 %	22.1 %	25.5 %
Net profit adjusted		-28.1 %	15.6 %	61.0 %	-13.3 %	20.9 %	23.3 %
EPS adjusted		-29.0 %	16.3 %	61.4 %	-13.0 %	20.0 %	24.0 %
EPS (basic)		-23.9 %	51.4 %	50.9 %	-13.8 %	24.6 %	26.7 %
<b>Margins</b>							
EBITDA	10.3 %	9.9 %	15.1 %	14.9 %	14.9 %	15.8 %	17.8 %
EBIT adjusted	13.8 %	9.1 %	12.3 %	13.3 %	13.0 %	13.7 %	15.5 %
Net profit	9.4 %	6.6 %	9.4 %	12.7 %	9.9 %	10.6 %	12.1 %
Net profit adjusted	14.1 %	9.3 %	10.2 %	14.6 %	11.4 %	11.9 %	13.3 %
<b>Balance sheet (EUR m)</b>							
goodwill	32.4	34.6	34.6	35.6	35.6	35.6	35.6
Tangible assets	1.2	2.1	2.1	2.1	2.0	1.5	1.0
Net working capital	-1.5	-6.0	-6.2	-9.0	-10.3	-10.6	-11.0
Cash / Cash equivalents	11.4	14.2	18.9	20.1	25.7	32.0	40.3
Equity	52.3	53.2	55.6	60.8	64.4	69.2	75.9
Net debt / (Net cash) end of FY	-11.4	-11.3	-16.4	-22.8	-28.4	-34.7	-43.0
<b>Cash flow statement (EUR m)</b>							
Net profit	4.8	3.7	5.5	8.4	7.3	9.0	11.4
Depreciation	1.7	2.1	2.2	2.3	2.6	3.1	3.4
Changes to working capital	-7.1	4.8	0.2	2.9	1.3	0.3	0.4
Operating cash flow	5.6	9.9	7.7	12.1	11.2	12.4	15.2
Investments in fixed assets	-0.7	-1.4	-0.8	-0.8	-1.2	-1.4	-1.6
Free cash flow	4.8	8.1	6.8	10.0	9.5	10.5	13.1
Dividend payment	-2.1	-2.6	-2.6	-3.2	-3.7	-4.2	-4.7
Changes in liquid funds	-5.7	2.8	4.7	1.2	5.8	6.3	8.3
<b>Valuation ratios</b>							
EV / Sales	1.3	1.6	2.2	2.7	2.6	2.2	2.0
EV / EBITDA	12.2	15.8	14.5	18.0	17.4	14.1	11.3
EV / EBIT adjusted	9.1	17.0	17.7	20.3	19.9	16.3	13.0
P / E adjusted	10.3	18.7	23.9	20.6	25.1	20.8	16.8
P / BV	1.4	1.8	2.6	3.3	3.3	3.0	2.8
Return on equity	9.2 %	6.8 %	9.9 %	13.8 %	11.3 %	13.1 %	15.1 %
Dividend yield	3.5 %	2.7 %	2.2 %	1.9 %	2.0 %	2.3 %	2.5 %
FCF yield	6.4 %	8.4 %	4.8 %	5.0 %	4.5 %	5.0 %	6.2 %
<b>Financial ratios</b>							
Net debt to EBITDA	-2.2	-2.1	-1.8	-2.3	-2.6	-2.6	-2.6
Gearing	-21.8 %	-21.3 %	-29.5 %	-37.5 %	-44.1 %	-50.1 %	-56.7 %
Interest cover (EBIT/Interest expense)	10.2	5.3	11.7	138.0	33.1	69.2	133.5

Source: USU, LBBW Research

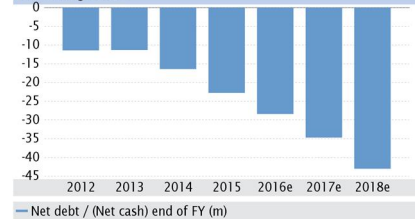
### GUIDANCE - USU

USU forecasts sales of EUR 71-75m and adjusted EBIT of EUR 9.0-10.5m in 2016. Management intends to cross the EUR 100m sales threshold by 2017 (incl. additional acquisition) and targets an operating margin in excess of 15%.

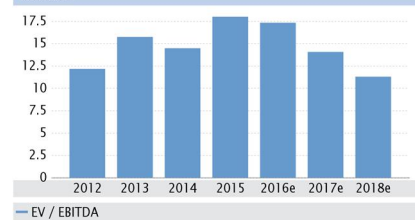
### Key Figures



### Accounting Ratios



### Valuation



Source: USU, LBBW Research

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