

Aktie Kompakt

USU Software

Company Update: 2019 planning signals significant earnings increase



RATING
BUY (UNCHANGED)

TARGET PRICE
20.5 EUR (UNCHANGED)

HIGHLIGHTS

- Reduced targets for 2018 achieved
- Significant revenue growth in 2019
- Price target and recommendation confirmed

Reduced targets for 2018 achieved: With Q4 revenue of EUR 26.2m (+3.0% y-o-y), USU posted annual sales of EUR 90.5m (+7.3%; LBBWe: EUR 89.7m), right in the middle of their guidance, which had been reduced to between EUR 89m and 91m in late 2018. Compared to 2017, the sales mix lacks approximately EUR 2.2m (-14.5%) of high-margin license revenues. In addition, costs from internal IT projects burdened the development of the operating result. However, with a decrease of 32.7% to EUR 4.1m (adjusted EBIT basis, LBBWe: EUR 4.1m), it is still within the guidance of EUR 4m to 5m.

Significant revenue growth in 2019: In the current fiscal year, USU is aiming for a sales volume of EUR 98m to 101m (+8 to +12%, LBBWe: EUR 98.8m). In this remarkably narrow forecast range, the proportion of higher-margin product revenues in group sales should increase disproportionately when compared with service revenues. The elimination of burdensome internal projects and a disproportionately low cost trend in R&D are expected to result in a significant increase in earnings from adjusted EBIT EUR 7.5m to 10m (+82 to +142%; LBBWe: EUR 7.7m). If the 2018 shift in US orders to licensing revenues instead of SaaS is realized in the current year, the upper ends of the two ranges are within reach.

Price target and recommendation confirmed: We have slightly revised our forecasts. Our price target, which is primarily based on a DCF model, thus continues to be EUR 20.50. We are reiterating our Buy recommendation. The main risk for our investment case would be continued weak development of high-margin license revenues.

PROS

| | |
|---|---|
| + | Multi-award-winning software applications |
| + | Big data, Industry 4.0, and the digitalization of companies as growth drivers |
| + | International expansion picking up momentum, sound balance sheet ratios |

CONS

| | |
|---|---|
| - | Low free-float market capitalization |
| - | Individual large orders can cause significant volatility between quarters |

+++ Reuters: OSPGk +++ Bloomberg: OSP2 GY +++
 Current Price (XETRA; 19-03-28; 01:49 pm) 15.00 EUR
 CLOSING PRICE (2019-03-28): 15.10 EUR
 EXPECTED PERFORMANCE: 35.8 %
 MARKET CAPITALIZATION: 158.91 EUR m
 ENTERPRISE VALUE: 138.74 EUR m
 NUMBER OF SHARES: 10.52 m
 FREE FLOAT: 29.7 %
 INDEX (WEIGHT): CDAX (0.01 %)
 ISIN / WKN: DE000A0BVU28 / A0BVU2
 SECTOR: Software

| KEY DATA (DEC) | 2018 | 2019 E | 2020 E |
|---|-------|--------|--------|
| COMPANY FIGURES IN M EUR, PER SHARE DATA IN EUR | | | |
| Sales | 90.5 | 98.8 | 110.1 |
| EBITDA | 5.5 | 9.5 | 14.3 |
| EBIT | 2.7 | 6.6 | 11.2 |
| Net profit | 1.0 | 5.4 | 9.1 |
| EPS | 0.09 | 0.51 | 0.86 |
| Dividend | 0.40 | 0.45 | 0.50 |
| EV / EBIT | 57.7 | 20.9 | 12.4 |
| P / E | 172.5 | 29.6 | 17.6 |
| Dividend yield | 2.5 % | 3.0 % | 3.3 % |

PRICE PERFORMANCE



Source: USU, LBBW Research, Thomson Reuters

UPCOMING EVENTS

| | |
|---------|-------------|
| Q1/2019 | 23 May 2019 |
|---------|-------------|

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Senior Investment Analyst

Data Overview

Investment case, profile, key data

USU Software

INVESTMENT CASE - USU SOFTWARE

The generally positive environment for USU's product portfolio should allow for higher growth than the sector average. USU supplements its own product portfolio with smaller takeovers. Further growth of the company is expected to be driven by the full product pipeline, the new Katana business area positioned in the Industry 4.0 growth area, and the expansion of international activities. We have significantly revised our forecasts. We have slightly revised our estimates. Our price target, which is primarily based on a DCF model, thus continues to be EUR 20.50. We are reiterating our Buy recommendation.

Key Data USU Software

(Company figures in m EUR, per share data in EUR)

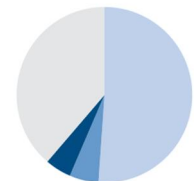
| Profit and Loss Statement (Dec) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 e | 2020 e |
|--|--------|---------|---------|---------|---------|--------|--------|
| Sales | 58.9 | 66.1 | 72.1 | 84.4 | 90.5 | 98.8 | 110.1 |
| EBITDA | 8.9 | 9.9 | 10.8 | 6.8 | 5.5 | 9.5 | 14.3 |
| EBIT | 6.7 | 7.6 | 8.3 | 3.2 | 2.7 | 6.6 | 11.2 |
| Earnings after tax | 5.5 | 8.4 | 6.8 | 3.4 | 1.0 | 5.4 | 9.1 |
| Net profit | 5.5 | 8.4 | 6.8 | 3.4 | 1.0 | 5.4 | 9.1 |
| Earnings per share | 0.53 | 0.80 | 0.64 | 0.32 | 0.09 | 0.51 | 0.86 |
| Dividend | 0.30 | 0.35 | 0.40 | 0.40 | 0.40 | 0.45 | 0.50 |
| growth yoy | | | | | | | |
| Sales | 12.1 % | 9.1 % | 17.0 % | 7.3 % | 9.2 % | 11.4 % | |
| EBITDA | 11.2 % | 9.2 % | -36.6 % | -19.5 % | 73.3 % | 49.8 % | |
| EBIT | 13.7 % | 9.3 % | -61.2 % | -16.0 % | 145.3 % | 69.0 % | |
| Earnings after tax | 51.1 % | -19.1 % | -50.4 % | -71.5 % | 459.0 % | 68.5 % | |
| Net profit | 51.1 % | -19.1 % | -50.4 % | -71.5 % | 459.0 % | 68.5 % | |
| Earnings per share | 50.9 % | -20.0 % | -50.0 % | -71.9 % | 466.7 % | 68.6 % | |
| Dividend | 16.7 % | 14.3 % | 0.0 % | 0.0 % | 12.5 % | 11.1 % | |
| Margins | | | | | | | |
| EBITDA | 15.1 % | 14.9 % | 15.0 % | 8.1 % | 6.1 % | 9.7 % | 13.0 % |
| EBIT | 11.3 % | 11.5 % | 11.5 % | 3.8 % | 3.0 % | 6.7 % | 10.2 % |
| Earnings per share (reported, undiluted) | 9.4 % | 12.7 % | 9.4 % | 4.0 % | 1.1 % | 5.4 % | 8.2 % |
| Net profit | 9.4 % | 12.7 % | 9.4 % | 4.0 % | 1.1 % | 5.4 % | 8.2 % |
| Valuation Ratios | | | | | | | |
| EV / Sales | 2.1 | 2.7 | 2.6 | 3.1 | 1.7 | 1.4 | 1.3 |
| EV / EBITDA | 13.8 | 17.9 | 17.7 | 38.0 | 28.4 | 14.5 | 9.7 |
| EV / EBIT | 18.3 | 23.3 | 22.9 | 80.7 | 57.7 | 20.9 | 12.4 |
| Price-Earnings-Ratio | 25.8 | 23.7 | 31.3 | 81.9 | 172.5 | 29.6 | 17.6 |
| Price-Book-Ratio | 2.6 | 3.3 | 3.3 | 4.4 | 2.8 | 2.6 | 2.5 |
| Return on equity | 10.0 % | 13.8 % | 10.7 % | 5.3 % | 1.6 % | 8.9 % | 14.1 % |
| FCF yield | 6.2 % | 6.1 % | 2.1 % | 1.5 % | 0.6 % | 0.8 % | 1.0 % |
| Dividend yield | 2.2 % | 1.9 % | 2.0 % | 1.5 % | 2.5 % | 3.0 % | 3.3 % |

Source: USU, LBBW Research, Thomson Reuters

COMPANY PROFILE - USU SOFTWARE

USU develops applications for recording IT infrastructure in terms of its performance, spread, and cost. In addition, USU offers knowledge-based database solutions with the KnowledgeCenter. The product portfolio is rounded off by accompanying services. In 2018, USU had 694 employees and generated sales of EUR 90.5m. The balance sheet is characterized by a high equity ratio, no liabilities to banks, and high net liquidity. Founder Udo Strehl is the majority owner of the company with a share of just over 50%.

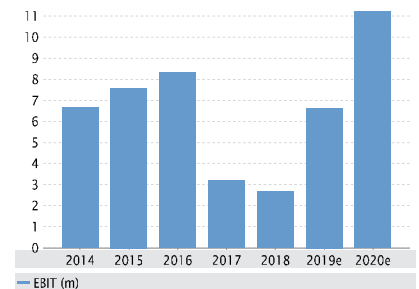
Shareholder Structure



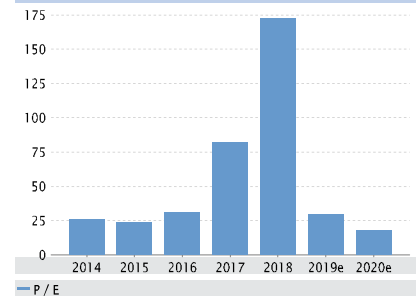
Udo Strehl (51.09%) Peter Scheufler (5.35%)
USU-Organ (4.84%) Freefloat (38.72%)

Source: LBBW Research

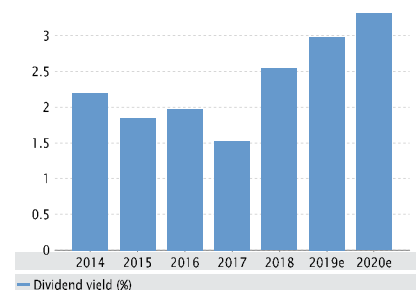
Profitability



Valuation



Key Figures



Source: USU, LBBW Research, Thomson Reuters

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USU Software

LBBW Research Rating Systematics (absolute share rating system)

Rating definitions:

| | |
|----------------------|---|
| Buy: | Based on a time horizon up to 12 months, we recommend that investors buy the stock. |
| Sell: | Based on a time horizon up to 12 months, we recommend that investors sell the stock |
| Hold: | We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell. |
| Under review: | The rating is currently updated. |
| Suspended: | The evaluation of the company is currently not feasible. |

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USU Software

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