Company Alert
USU Software

Results Initial View: Positive long-term forecast for 2020

**HIGHLIGHTS**

- High-margin final quarter 2016
- Positive long-term forecast for 2020

**High-margin final quarter 2016:** USU has presented first key figures for the past financial year 2016. Sales of EUR 20.6m in Q4/2016 fell short of our expectations (see below table). Reason for this seems to be higher demand for the cloud version of the USU software. In the cloud business, revenue tends to spread over three years instead of making the largest sales contribution in the first year, as is the case for the license version. According to the company, this caused a low single-digit million euro burden on license revenue, which would largely explain the difference to our sales forecast. Despite the shortfall in high-margin license sales, USU managed to generate profit of EUR 4.2m, in line with our expectations. This is mainly due to strict operating cost management, allowing for a margin of 20.6%, which exceeds both the previous year’s value (Q4/2015: 20.2%) and our expectation (LBBWe: 19.3%).

**Positive long-term forecast for 2020:** The company updated its previous sales target for 2017 of "EUR 85m organic + EUR 15m with acquisitions" to EUR 83-88m organic. USU has always been maintaining a sense of proportion with respect to the takeover prices it has paid in the past, which renders additional acquisitions difficult considering the valuations currently typical for the sector. We therefore believe it is a good decision to remove takeover pressure, which would have steadily increased over the course of 2017. The management has not given up hope, however, and anticipates an acquisition-driven sales contribution of roughly the same amount in its new long-term sales forecast of EUR 140m for 2020. The operating profit target is adj. EBIT of "more than EUR 20m". According to the company, the expected acquisitions do not have a major impact here.

<table>
<thead>
<tr>
<th>in EUR m</th>
<th>Q4 2016</th>
<th>LBBW E</th>
<th>Q4 2015</th>
<th>y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>20.6</td>
<td>21.8</td>
<td>20.1</td>
<td>+2.5%</td>
</tr>
<tr>
<td>EBIT adj.</td>
<td>4.2</td>
<td>4.2</td>
<td>4.1</td>
<td>+4.6%</td>
</tr>
</tbody>
</table>

Source: USU, LBBW Research
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<table>
<thead>
<tr>
<th>Rating</th>
<th>Definition</th>
<th>Percentage of companies within this rating category</th>
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</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Based on a time horizon of up to 12 months, we recommend that investors buy the stock.</td>
<td>41.6%</td>
</tr>
<tr>
<td>Sell</td>
<td>Based on a time horizon of up to 12 months, we recommend that investors sell the stock.</td>
<td>5.3%</td>
</tr>
<tr>
<td>Hold</td>
<td>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.</td>
<td>53.1%</td>
</tr>
<tr>
<td>Under review</td>
<td>The rating is currently updated.</td>
<td>0.0%</td>
</tr>
<tr>
<td>Suspended</td>
<td>The evaluation of the company is currently not feasible.</td>
<td>0.0%</td>
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