

Aktie Kompakt

USU Software



RATING
BUY (UNCHANGED)

TARGET PRICE
27 EUR (UNCHANGED)

Company-Update: Buy rating confirmed

HIGHLIGHTS

- Advance payments drag on results as expected in 2017
- On course with growth trajectory
- Price target and rating unchanged

Advance payments drag on results as expected in 2017: In 2017, USU increased its sales by 17.0% y-o-y to EUR 84.4m. A strong final quarter (+22.9%) contributed in particular to this. Not including acquisitions, organic growth came to approximately 10% in 2017. At +3.8% to EUR 3.2m, the operating result did track the sales trend in 2017. Firstly, this is due to the good development of the SaaS business, which initially results in lower proceeds with high-margin licenses. Secondly, advance payments in the form of higher marketing and selling expenses along with the planned further expansion of international business (+16.4%) in North America and Europe had a negative impact.

On course with growth trajectory: USU has confirmed its sales guidance at EUR 93 - 98m and its earnings forecast at EUR 7.5 - 10m. This reflects the continuing investments in international expansion in 2018. With a high cost/income ratio of 16.4% for the development of new products compared with the rest of the industry, USU continues to fill the product pipeline. We expect to see strong growth in the new Katana business area. USU positions itself here with a wide range of solutions in the big data analytics segment, a key cornerstone of Industry 4.0. Initial projects are underway via Heidelberger Druckmaschinen AG and other companies.

Price target and rating unchanged: Our valuation of USU is based primarily on a DCF model. Based on the updated forecasts, the model gives a fair value of EUR 27.17, from which we derive our price target of EUR 27.00. We confirm our previous Buy rating. The main risk to our investment case would be decreasing investment propensity on the part of individual customer groups due to a general economic downturn.

PROS

+	Highly esteemed 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; 2018-04-20; Close Price)23.10 EUR
 CLOSING PRICE (2018-04-20): 23.10 EUR
 EXPECTED PERFORMANCE:16.9 %
 MARKET CAPITALIZATION:243.10 EUR m
 ENTERPRISE VALUE:222.93 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)	2017	2018 E	2019 E
COMPANY FIGURES IN M EUR, PER SHARE DATA IN EUR			
Sales	84.4	94.9	109.3
EBITDA	6.8	10.6	16.0
EBIT	3.2	6.5	11.4
Net profit	3.4	5.5	9.6
EPS	0.32	0.53	0.91
Dividend	0.40	0.50	0.55
EV / EBIT	81.6	34.0	19.6
P / E	81.9	43.8	25.3
Dividend yield	1.5 %	2.2 %	2.4 %

PRICE PERFORMANCE



Source: USU, LBBW Research, Thomson Reuters

UPCOMING EVENTS

Q1/2018	Quarterly Result
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Mirko Maier
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. USU's operating earnings should also benefit from this. We are confirming our Buy rating with an unchanged price target of EUR 27.

Key Data USU Software

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

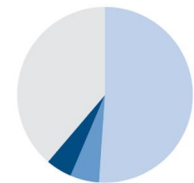
Profit and Loss Statement (Dec)	2013	2014	2015	2016	2017	2018 e	2019 e
Sales	42.0	58.9	66.1	72.1	84.4	94.9	109.3
EBITDA	5.5	8.9	9.9	10.8	6.8	10.6	16.0
EBIT	3.4	6.7	7.6	8.3	3.2	6.5	11.4
Earnings after tax	3.7	5.5	8.4	6.8	3.4	5.5	9.6
Net profit	3.7	5.5	8.4	6.8	3.4	5.5	9.6
Earnings per share	0.35	0.53	0.80	0.64	0.32	0.53	0.91
Dividend	0.25	0.30	0.35	0.40	0.40	0.50	0.55
growth yoy							
Sales	40.3%	12.1%	9.1%	17.0%	12.5%	15.2%	
EBITDA	61.9%	11.2%	9.2%	-36.6%	55.3%	51.0%	
EBIT	95.8%	13.7%	9.3%	-61.2%	103.3%	73.3%	
Earnings after tax	50.9%	51.1%	-19.1%	-50.4%	64.7%	73.6%	
Net profit	50.9%	51.1%	-19.1%	-50.4%	64.7%	73.6%	
Earnings per share	51.4%	50.9%	-20.0%	-50.0%	65.6%	71.7%	
Dividend	20.0%	16.7%	14.3%	0.0%	25.0%	10.0%	
Margins							
EBITDA	13.1%	15.1%	14.9%	15.0%	8.1%	11.2%	14.7%
EBIT	8.1%	11.3%	11.5%	11.5%	3.8%	6.9%	10.4%
Earnings per share (reported, undiluted)	8.8%	9.4%	12.7%	9.4%	4.0%	5.8%	8.8%
Net profit	8.8%	9.4%	12.7%	9.4%	4.0%	5.8%	8.8%
Valuation Ratios							
EV / Sales	2.0	2.1	2.7	2.6	3.1	2.3	2.0
EV / EBITDA	15.0	13.8	17.9	17.7	38.5	21.0	13.9
EV / EBIT	24.2	18.3	23.3	22.9	81.6	34.0	19.6
Price-Earnings-Ratio	26.3	25.8	23.7	31.3	81.9	43.8	25.3
Price-Book-Ratio	1.8	2.6	3.3	3.3	4.4	3.8	3.6
Return on equity	6.9%	10.0%	13.8%	10.7%	5.3%	8.8%	14.3%
FCF yield	11.5%	6.2%	6.1%	2.7%	1.9%	2.7%	3.5%
Dividend yield	2.7%	2.2%	1.9%	2.0%	1.5%	2.2%	2.4%

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 2017, USU generated sales of EUR 84.4m. 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 more than 50%.

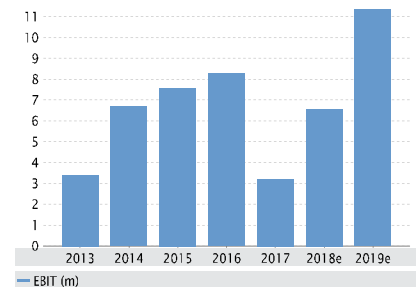
Shareholder Structure



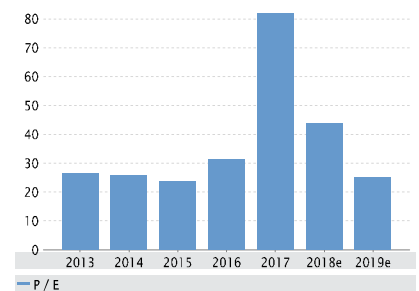
Udo Strehl (51.08%) Peter Scheufler (5.32%)
USU-Organe (4.84%) Freefloat (38.76%)

Source: LBBW Research

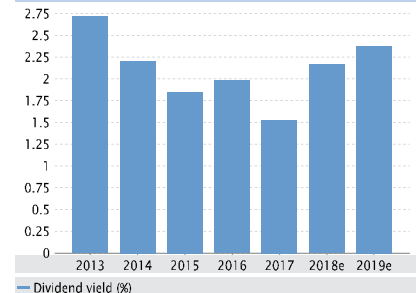
Profitability



Valuation



Key Figures



Source: USU, LBBW Research, Thomson Reuters

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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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