

27th January 2016

TMT

Software AG

Price EUR30.06

Final FY15 results fully in line with initial estimates and FY16 guidance confirmed

Fair Value EUR34 (+13%)

BUY

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	30.2 / 22.5
Market Cap (EUR)	2,374
Avg. 6m daily volume (000)	221.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.3%	17.2%	9.4%	13.8%
Softw.& Comp.				
SVS	-2.5%	1.6%	1.6%	-3.3%
DJ Stoxx 600	-7.4%	-9.8%	-14.0%	-7.3%
	2015	2016e	2017e	2018e
P/E	13.0x	13.2x	12.3x	11.5x
Div yield (%)	1.8%	2.0%	2.2%	2.3%

ANALYSIS

- **Software AG has confirmed the preliminary FY15 results announced on 19th January.** The figures are fully in line with those pre-announced: revenues up 1.8% to EUR873.1m (-1.7% lfl), a non-IFRS op. margin of 29.7% (+1.8ppt), and EBIT up 19% to EUR209.4m. By division, figures were also confirmed, with DBP (Digital Business Platform) sales up 2% at cc, A&N (Adabas & Natural) sales down 5% lfl, and Consulting down 5% lfl. The new figures announced today were: 1) net profit up 26.7% to EUR139.6m (BG est.: EUR136m), 2) free cash flow up 28.1% to EUR170m (19% of sales).
- **FY16 guidance confirmed.** Software AG confirmed the FY16 guidance announced on 19th January, i.e. DBP product sales up 5-10%cc, A&N product sales down 4-8% cc, and a non-IFRS op. margin of 30-31%. Management reiterated its confidence in delivering the 32-35% non-IFRS operating margin target set a year ago for 2020 – provided that an economic shock does not jeopardise it. For 2016, thanks to the improving trend in the DBP division we expect 2.9% lfl revenue growth – the first year of positive lfl growth since 2010.

VALUATION

- Software AG's shares are trading at est. 8.1x 2016 and 7.1x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR13.9m (net gearing: 1%).

NEXT CATALYSTS

Investor Day on 10th February from 10.30am CET / 9.30am BST / 4.30am EDT in Darmstadt (Germany).

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Distribution of stock ratings

BUY ratings 60,2%

NEUTRAL ratings 30,8%

SELL ratings 9%

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