

26th April 2016

TMT

Software AG

Price EUR33.50

Q1 16 results fully in line with initial estimates and FY16 guidance confirmed

Fair Value EUR40 (+19%)

BUY

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	34.9 / 23.8
Market Cap (EUR)	2,647
Avg. 6m daily volume (000)	250.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	10.8%	28.5%	26.8%
Softw.& Comp.				
SVS	0.0%	-0.3%	1.7%	-3.4%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%
	2015	2016e	2017e	2018e
P/E	14.4x	14.0x	13.2x	12.4x
Div yield (%)	1.6%	1.8%	1.9%	2.1%

ANALYSIS

- **Software AG has confirmed the preliminary Q1 results announced on 13th April.** The figures are fully in line with those pre-announced: revenues up 6.3% to EUR206.2m (+8.8% lfl), a non-IFRS op. margin of 28.7% (+3.9ppt), and EBIT up 45.6% to EUR45.3m. By division, figures were also confirmed, with DBP (Digital Business Platform) sales up 6% cc, A&N (Adabas & Natural) sales up 20% lfl, and Consulting up 2% lfl. The new figures announced today were: 1) net profit up 57.8% to EUR29.5m (BG est.: EUR29.6m), 2) free cash flow up 0.3% to EUR60.5m (29% of sales).
- **FY16 guidance confirmed.** Software AG confirmed the FY16 guidance announced on 19th January, i.e. DBP product sales up 5-10% lfl, A&N product sales down 4-8% lfl, and a non-IFRS operating margin of 30-31%. Thanks to the improving trend in the DBP division and the strong Q1 in the A&N division we expect 4.1% lfl sales growth and a non-IFRS operating margin of 31.4% - which implies that the margin should widen 1.2ppt (vs. +3.9ppt for Q1) over the last three quarters of the year.

VALUATION

- Software AG's shares are trading at est. 9.1x 2016 and 8.1x 2017 EV/EBIT multiples.
- Net cash position on 31st March 2016 was EUR49.1m (net gearing: -4%).

NEXT CATALYSTS

AGM on 31st May. Q2 results on 20th July before markets open.

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Distribution of stock ratings

BUY ratings 57,6%

NEUTRAL ratings 33,8%

SELL ratings 8,6%

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