

Cast

Price EUR3.38

Q1 sales in line with our estimate, FY16 targets unchanged

Fair Value EUR3,6 (+7%)

NEUTRAL

Bloomberg	CAS.PA
Reuters	CAS FP
12-month High / Low (EUR)	3.7 / 3.0
Market Cap (EUR)	55
Ev (BG Estimates) (EUR)	39
Avg. 6m daily volume (000)	11.80
3y EPS CAGR	ns

Yesterday evening Cast reported Q1 sales in line with our forecast, with 13% lfl revenue growth. These numbers are consistent with the double-digit revenue increase guided for 2016. We do not expect a significantly positive share price reaction short-term.

ANALYSIS

- Q1 2016 sales in line with our forecasts.** Cast has reported Q1 sales up 13.4% to EUR6.6m, in line with our EUR6.7m estimate. This quarter was not impacted by fx. The quarter essentially benefited from new licence deals - with managed services performed by Cast on top of them in some cases - on the Cast AIP platform in Europe (a big insurance company in Germany, a bank through IBM in France), in the US and in India (a bank in a Nordic country through TCS). Revenues were essentially made up of mid-sized contracts, the largest one being that signed in Germany.
- Update on partnerships.** The partnership with BCG is progressing, although it has not contributed meaningfully to revenues so far as most of the deals signed are assessments, pending the signing of enterprise licence deals in the future. With BCG, more than a dozen opportunities are in talks on identified and specified projects.
- FY16 guidance reiterated.** Management reiterated FY16 guidance, i.e. sales up double-digit and a positive operating profit similar to that of 2015. As mentioned a month ago, 2016 will be another year of investment in order to maximise revenue growth, with opex expected to rise double-digit (services, R&D, sales, marketing). This makes us confident with our ests., i.e. sales up 10.5% to EUR40.2m and an operating margin down 0.4ppt to 1.9%, but, as Q1 historically accounts for 15-20% of the full-year revenues, we consider it is too early to be more bullish in our forecasts.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.4%	3.7%	-1.2%	11.9%
Softw. & Comp.	-1.5%	-0.6%	-1.6%	-4.6%
DJ Stoxx 600	2.4%	2.0%	-9.4%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	36.3	40.1	45.3	50.7
% change		10.2%	13.0%	12.0%
EBITDA	1.3	3.4	4.6	6.3
EBIT	0.8	0.6	1.9	3.7
% change		-14.9%		95.1%
Net income	0.1	0.6	1.5	2.8
% change			148.0%	87.5%

	2015	2016e	2017e	2018e
Operating margin	2.4	1.9	4.5	7.6
Net margin	0.1	1.4	3.2	5.4
ROE	0.4	4.2	9.6	15.3
ROCE	139.6	-27.2	-42.1	-56.9
Gearing	-99.3	-114.3	-121.7	-125.6

(EUR)	2015	2016e	2017e	2018e
EPS	0.00	0.04	0.10	0.18
% change	-		147.9%	87.5%
P/E	NS	87.6x	35.3x	18.8x
FCF yield (%)	0.8%	5.1%	5.3%	7.8%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.1x	1.0x	0.8x	0.6x
EV/EBITDA	31.7x	11.3x	7.8x	5.1x
EV/EBIT	48.5x	52.3x	18.0x	8.4x

VALUATION

- Cast's shares are trading at est. 52.3x 2016 and 18.0x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR13m (net gearing: -99%).

NEXT CATALYSTS

Q2 sales on 28th July after markets close.

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