

## Cast

Price EUR3.50

H1 2016 results below our expectations, but FY16 guidance reiterated

Fair Value EUR3.6 (+3%)

NEUTRAL

Bloomberg	CAS.PA
Reuters	CAS.FP
12-month High / Low (EUR)	3.6 / 3.0
Market Cap (EUR)	57
Ev (BG Estimates) (EUR)	41
Avg. 6m daily volume (000)	7.40
3y EPS CAGR	ns

Yesterday evening, Cast reported H1 2016 results below our expectations, but confirmed its FY 16 target to post revenue growth above 10% while staying profitable. The deal flow remains promising and the large contract postponed in June with a US bank is still on the cards. We expect no significant share price reaction on the back of these numbers.

## ANALYSIS

- H1 2016 results below our expectations but in line with management's anticipations.** For H1 2016, Cast reported sales down 1.6% to EUR14.6m (-0.9% lfl), an operating loss of EUR3.9m (vs. a EUR2.4m operating loss in H1 2015) below than our EUR2.9m forecast, and a net loss of EUR4.1m (vs. a net loss of EUR2.5m in H1 2015). These results are in line with the management's anticipation that the operating loss would deteriorate due to the slippage of two large transactions in Q2. Operating expenses were up 7.6% to EUR18.5m, which is a deceleration compared to the +14% reported for 2015 in H1 and H2 due to lower sales commissions due to the revenue miss in Q2.
- Net cash increase.** During the period, free cash improved by EUR1.3m, leading to a net cash position of EUR14.3m on 30<sup>th</sup> June 2016. This increase stemmed from working capital improvement (EUR4m) - primarily on accounts receivable (EUR5m), while the operating cash flow was EUR0.3m, capex were EUR0.3m and Cast bought back EUR0.1m shares.
- FY16 guidance reiterated.** Cast reiterates FY16 guidance, i.e. sales up above 10% and a positive operating profit, based on the reiteration of a strong sales pipeline and confidence that the large deal which slipped with a US bank in June will be signed in the coming weeks or months. Investments planned for this year are a bit behind schedule due to delayed hiring. While management remains comfortable with a EUR40m revenue scenario, the operating profit would be, as mentioned previously, close to the level of 2015 (EUR0.8m), based on our scenario of an opex increase of 10% (o/w +14% for H2 2016).
- Update on partnerships.** Management considers the alliance with BCG is promising, but still slow to ramp-up revenues as no shortening of the sales cycle has been noticed so far. With McKinsey, Cast is essentially on 'tactical' deals with a small size. With IT Services companies, the most buoyant revenue prospects are with Cognizant, Accenture and IBM.

## VALUATION

- Cast's shares are trading at est. 54.7x 2016 and 18.9x 2017 EV/EBIT multiples.
- Net cash position on 30<sup>th</sup> June 2016 was EUR14.3m.

## NEXT CATALYSTS

Q3 2016 sales on 31<sup>st</sup> October after markets close.

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## Distribution of stock ratings

BUY ratings 55,3%

NEUTRAL ratings 33,3%

SELL ratings 11,3%

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