Edison investment research

21 October 2009

StatPro Group

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/07	24.1	5.2	8.2	1.50	12.0	1.5
12/08	27.9	4.7	7.0	1.75	14.0	1.8
12/09e	31.1	6.5	8.8	2.00	11.1	2.0
12/10e	32.5	7.5	9.4	2.25	10.4	2.3

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: Portfolio buy

StatPro's experienced management team has, through acquisition, built a range of software products used by the middle offices of asset managers to analyse the value and risk profile of their portfolios. This business model generates over £28m in contracted revenues and flows through in healthy profits and cash generation, which supports upside in growth and group equity value. However, the most interesting development for shareholders could be the launch of the new SaaS product next year which has the potential to transform the business at a number of levels.

Traditional business model: £28m contracted revenues

StatPro is a leading provider of portfolio analytics and data solutions for the global asset management industry. The group offers eight integrated software products that provide data, portfolio measurement and valuation and enterprise wide risk and reporting. These products have historically been sold directly to over 200 banking and asset management clients, priced on a rental model and typically installed on customer premises. Fourteen of the top 20 global asset managers are clients.

Software-as-a-service: Launch in March 2010

The real operational and strategic uplift to the business could come next year when the group launches SaaS2. The new platform will be multi-tenant (specifically for use over the internet and delivered on a one-to-many basis). Importantly SaaS2 should reduce cost and complexity, as well as substantially broaden the target market.

Financials and valuation: Upside from SaaS

We forecast revenue growth this year of 11.6% and 4.5% in FY10 which translates into normalised pre-tax profits of £6.5m and £7.5m. We forecast net debt to fall from £10.8m as at the end of June to £9.7m at the end of December. Using our typical approaches we reach a group valuation of 122p based upon these forecasts. However, as we highlight in this report, the successful launch of the SaaS product could potentially add 50% upside to financial projections and valuation in the medium term.

Price	97.5p
Market Cap	£58m

Share price graph

Share details

Code	SOG
Listing	AIM
Sector	Software & Comp Services
Shares in issue	60m

Price

52 week	High	Low
	99p	35p

Balance Sheet as at 30 June 2009

Debt/Equity (%)	35.0
NAV per share (p)	51.4
Net borrowings (£m)	10.8

Business

StatPro Group provides asset management software and asset pricing to the global investment industry.

Valuation

	2008	2009e	2010e
P/E relative	132%	90%	70%
P/CF	7.0	5.9	5.2
EV/Sales	2.1	1.9	1.8
ROE	13%	15%	14%

Revenues by geography

UK	Europe	US	Other
23%	26%	38%	13%

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StatPro Group is a research client of Edison Investment Research Limited

Investment summary: Portfolio buy

Company description: Asset manager software supplier

StatPro has built through acquisition a range of software products that 230 asset managers use to measure the performance and risk profile of their funds under management. This rental-based business model currently generates over £28m of contracted revenue and c 25% margins. We forecast that growing the client base and cross-selling applications can deliver further growth and upside for shareholders. However, the most intriguing part of the investment case is the launch of the group's web-based, multi-tenant, software-as-a-service next year. This will reduce complexity and cost internally and has the potential to significantly expand the client base and growth profile.

Valuation: 122p, but upside from SaaS

Based upon simple earnings metrics as well as comparing the group with the UK sub-sector and DCF analysis, we value the traditional business at c 122p. This represents 26% upside from the current share price and is supported by very visible revenue streams and healthy cash generation (we forecast the group will repay its £10.8m net debt and remaining £0.7m of deferred acquisition costs within 2.5 years). However, as we illustrate in Exhibit 1, if the SaaS strategy is successful then revenue streams from these new customers (essentially SaaS) will enable StatPro to target the front offices of the larger asset managers for the first time. Additionally it could also target the c 10k smaller asset managers (AMs) that have less sophisticated IT systems. This strategy could deliver 50% upside to profitability and group valuation.

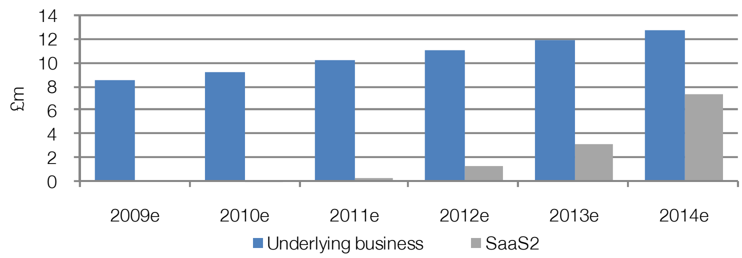
Sensitivities: Stock market volatility, competition

In reaching our forecast assumptions we highlight three key sensitivities: stock market volatility (the health of the equity and bond markets will partly determine the IT investment budgets of the asset management firms), risk of client cannibalisation from the SaaS launch (existing customers may try and trade down to the simpler and initially cheaper service) and competition.

Financials: Six years of healthy cash generation

Revenue has grown every year since StatPro listed in 2000 at a compounded growth rate of c 24% per annum, with growth having been driven both organically and through acquisitions. The group has been profitable and generated positive free-cash flows in each year since 2003. In H109 cash generated from operations jumped 56% to £5.3m while free cash flow swelled to £3.5m. Acquisitions (£0.5m) and dividends (£0.8m) reduced the surplus to £2.3m, while exchange rate movements (£0.4m) and gains from a debt financing (£1.2m) took H1 debt reduction to £3.8m.

Exhibit 1: StatPro EBITDA forecasts – potential impact of SaaS contribution

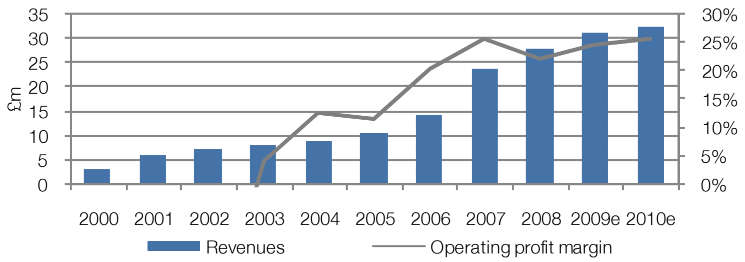


Source: Edison Investment Research estimates

Company description: Portfolio analytics solutions

StatPro is a leading provider of portfolio analytics and data solutions for the global asset management industry. The group offers eight integrated software products that provide data, portfolio measurement and valuation and enterprise wide risk and reporting to over 200 banking and asset management clients. These products have historically been sold directly, priced on a rental model and typically installed on a customer premises. Fourteen of the top 20 global asset managers are clients. This market opportunity alone supports further upside in the group's valuation. However, the launch of a multi-tenant software-as-a-service solution next year could deliver substantial operational leverage and transform the growth and valuation profile of StatPro.

Exhibit 2: StatPro revenue and operating margin track-record

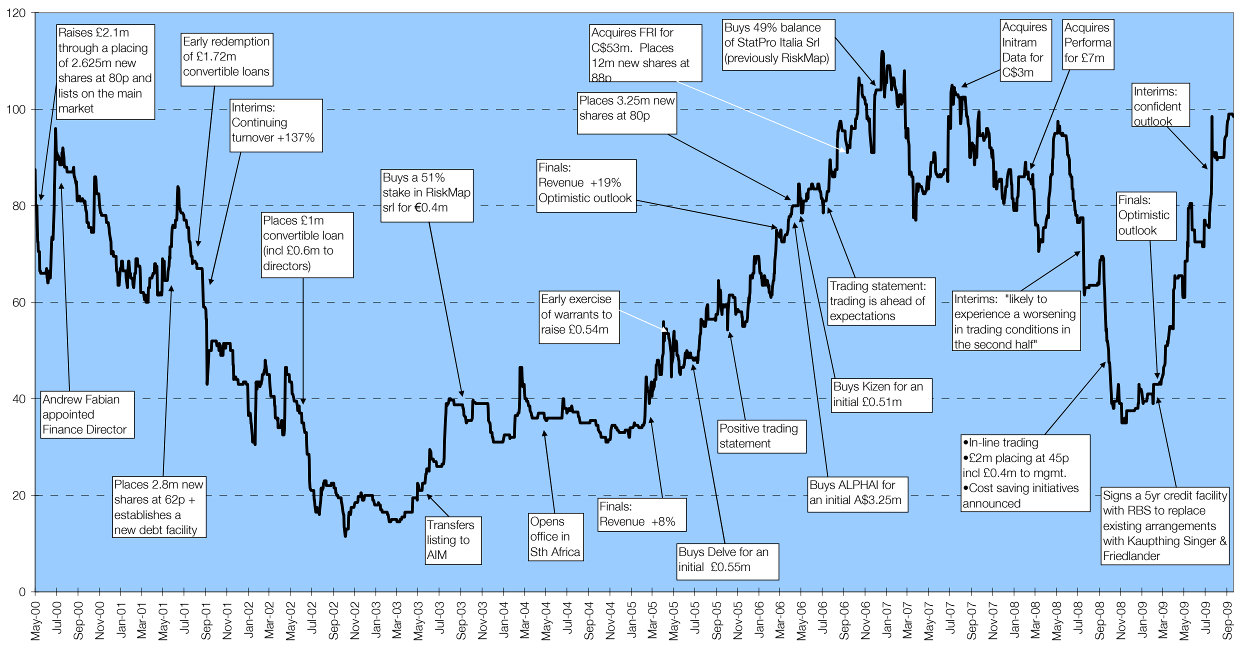


Source: Company accounts, Edison Investment Research estimates

Background: Founded in 1994 and built through acquisition

StatPro was founded in 1994 by Justin Wheatley (current CEO) to develop portfolio analysis software systems. It was floated on the London Stock Exchange in May 2000, and in June 2003 StatPro's listing was transferred to AIM. The company has made a series of acquisitions (raising equity and debt) to extend its offering.

Exhibit 3: StatPro share price history



Source: Edison Investment Research

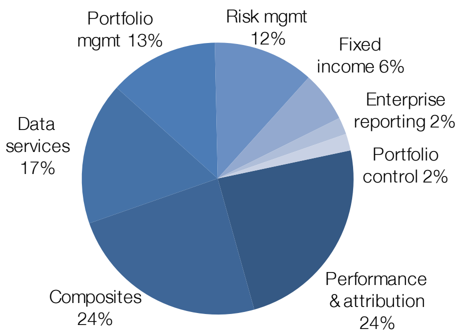
Traditional strategy and business model

The offering: Range of portfolio measurement products

Through the acquisition trail highlighted in Exhibit 3 StatPro has developed a suite of data and analytics products which are targeted broadly at the middle offices of the top 500 asset managers. While this target market has clearly suffered a fair amount of turmoil over the last two years, volatility and a lower interest rate environment should help underpin retail demand for equities and bonds, and therefore the longer-term industry growth profile. In addition, competitive, cost and regulatory pressures all require asset managers to maintain and upgrade their reporting and risk management systems. StatPro's software solutions for this market include:

- Performance measurement and attribution analysis. StatPro Performance & Attribution software significantly reduces the time and cost of analysing portfolio performance. The tools use holdings and transaction data to calculate highly accurate returns, enabling users to drill down into performance from portfolio through to the security level.
- Composites. StatPro offers a multi-currency composites and portfolio reporting solution (a composite is an aggregation of individual portfolios representing a similar investment mandate) designed for maintaining compliance with Global Investment Performance Standards (GIPS).
- Risk management. StatPro's risk model provides forward-looking risk estimates at the security and portfolio level. The model uses a variety of risk measures (eg value at risk, volatility and tracking error), with a comprehensive coverage of global assets, including fixed income, equity, FX, commodities, simple and complex derivatives, OTC and structured products.
- Portfolio management. The portfolio management solution offers analytics, accounting, and reporting functionality as standard, with built in trading and valuation interfaces.

Exhibit 4: Revenue breakdown by product and service



Source: Company accounts

Around these core software offerings, StatPro is able to offer a range of add-on software products. StatPro can also supply data feeds for the monitoring and valuation of the securities within the fund manager's portfolios. Data is largely purchased from external suppliers and extends across some 500k instruments although through its recent acquisition of FRI, StatPro now collects its own pricing information on Canadian and US bonds (in total data services accounted for 18% of revenues in FY08). The group also support its clients with project management, consulting, implementation and training services (historically almost all clients have installed the group's software into their own IT systems).

The business model: Multi-year, rental-based sale

StatPro has always operated a rental- or subscription-based business model for its solutions, typically trying to lock clients into multi-year deals.

- Rental model. StatPro does not charge traditional licence or maintenance fees. The company typically supports the implementation of its software into clients' enterprise IT systems and then charges a rental fee a year in advance for use of the software. Consequently, the group has a high level of deferred income (£11m as at 30 June) on its balance sheet and very high forward revenue visibility (over 90% of H109 revenue was recurring).
- Long-term contracts. Due to the high (15%) cancellation rate during the 2002 bear market, StatPro increased contract terms to three years (with a three-month notice period). Churn since 2002 has been around 5% a year. Currently over 80% of contracts have more than a year left and the software is much more 'embedded' in customer processes.
- High value and often long sales process. StatPro products are targeted at experts within the larger asset managers. Therefore customers typically need a dedicated portfolio performance analyst (c £50k), StatPro software (average 'cost' per customer is around £120k a year) and hosting (£50k) representing a c £200k+ a year investment. The relatively high cost means the sales process can often be complex (requiring specialist direct sales staff and input from developers etc) and lengthy (often 12 months plus).

Growth is achieved by adding new client wins and cross-selling products to existing customers – hence the acquisition strategy – and providing high levels of service. StatPro has, in total, around 230 customers taking an average of around two products, while its top 30 customers take on average four and a half, generating half of total revenues. Management therefore has a target of trying to grow existing client spend by 5-10% annually. This underlying traditional business currently generates a run-rate of around £28m in rental revenues.

SaaS strategy and business model

Evolved to a SaaS1 hosting model

Over the last couple of years StatPro has begun to evolve its traditional business model by offering software products as a hosted service. This current SaaS offering (labelled SaaS1 by management) is based on a single tenant, Citrix based architecture, ie StatPro has to host the hardware and software for customers on a one-to-one basis with the associated costs. In October last year management took the strategy a step further by basing all new sales on the SaaS business model.

Launch of SaaS2 in March next year simplifies the proposition

The real operational and strategic uplift to the business could come next year when the group launches SaaS2 (due for beta testing in January and launch in March). The new platform will be multi-tenant (specifically for use over the internet and delivered on a one-to-many basis).

Importantly, the launch of the platform should reduce cost, complexity and substantially broaden the target market.

- Reduces complexity and cost. The launch of SaaS2 should support a number of cost efficiencies. Like most software businesses the traditional approach of on-site customer implementation has contributed to a range of bespoke developments and several software versions. These multiple versions are costly to develop with R&D efforts often bespoke to single customer developments and sophisticated resources are required to support multiple versions in different time zones. SaaS2 will simplify and standardise future customer deployments.
- New pricing approach. As we have highlighted above, the strategy of the business traditionally has been to cross-sell and charge for software products. SaaS1 is similar in that it still is sold as a transaction-based performance measurement product. However, with the launch of SaaS2 the group's strategy will be to bundle all the software products as a service and charge asset managers per portfolio for using the tools. Again this simplifies the offering and significantly increases the 'saleability' of the service, ie a much broader range of tools, sold at a much lower 'entry' price. Clearly it is too early to accurately assess price points but we assume £1,000 per year per portfolio in our financial analysis.
- Other benefits for clients. In addition there are benefits for asset managers (AMs) using a SaaS service. For the large AMs SaaS offers the opportunity to save a significant proportion of the c £100k personnel and hosting costs of an on-site installation highlighted earlier. For smaller AMs, the new service will be more affordable, as well as providing a competitive advantage. Not only does faster, better reporting, valuation and risk management keep the regulators happy but, more importantly, it helps them deliver improved information to their retail investors, demonstrating their performance and hopefully helping them grow their funds under management.
- New routes to market. Internally the SaaS2 launch has positive implications for the scale and cost effectiveness of StatPro's salesforce. For example selling a simple, standard SaaS product requires a less sophisticated and therefore less costly sales staff (possibly even utilising telesales). The approach could also support the build-out of an indirect sales channel. In particular, StatPro already has 18 global custodian banks as clients. A custodian bank safeguards the financial assets (equities, bonds etc) of firms and individuals, managing transactions on the accounts and providing reporting. Clearly there is an opportunity for StatPro to open discussions around more formal partnerships, where these banks could market StatPro's services (based on a revenue share, white label etc) to its tens of thousands of customers. In addition, the web-based architecture could enable StatPro to market its software in more of a retail model on its own website.
- Broader target market. The reduced complexity, broader offering and cheaper total cost of ownership all highlighted above should help StatPro reach a larger market. The complexity and costs meant that the traditional products were aimed at middle office specialists. SaaS2 can be bought by front office fund managers, enabling instant fund reporting without the time delay and cost of IT support from the middle office. This

should help StatPro to 'up-sell' to existing clients. Clearly, it also opens up the opportunity to market to smaller fund managers. It is difficult to accurately size the asset management industry. However, there are more than 500 asset managers with over $5bn under management (StatPro's traditional target market) but probably well over five thousand smaller firms (FUMs in the range $500m to $5bn) that are unlikely to have any competing service (in terms of technology and price point). Up until now these smaller firms have been economically more difficult for StatPro to reach with its expensive direct sales model. This is the new, substantially larger, target market for StatPro's SaaS service.

Financials: High visibility cashflows

Interims: Strong growth

Trading in the first half of 2009 was better than management expected with revenues increasing 19% to £15.6m (around half of the growth reflecting FX benefits) and adjusted profit before tax rising to £3.2m (H108: £2.0m). Importantly, contracted annual recurring revenue at 30 June 2009 was £28.3m (H108: £23.8m). Normalised earnings per share increased to 4.3p (H108: 3.1p). Net debt reduced to £10.8m at the end of June (£14.6m at 31 December 2008) reflecting strong operating cashflow and the restructuring of the group's debt facility.

Debt facility

In February, the company signed a new five-year senior debt credit facility agreement with RBS. The facility, committed to February 2014, consists of a term loan of £7.0m with a bullet repayment in February 2014. In addition the group secured a multi-currency, fully revolving, five-year amortising loan with an initial value (flexibility to withdraw or repay without penalty) of £10.25m (with six-monthly repayments) and a revolving working capital loan amounting to £2.0m. Management has already repaid part of the facility, leaving total headroom (including overdraft) of c £6m at end June 2009. Covenants on the loan are based upon interest cover, gross debt to EBITDA and cashflow ratios and management is confident that the group is operating well within them.

Financial forecasts

We have based our forecasts on the traditional and SaaS1 revenue streams and do not include any contribution from SaaS2. All costs are shown in operating expenses, including the group's 245 staff. These are based in 11 offices around the world with R&D teams in London, South Africa, Italy (Milan) and Canada and three data centres (Toronto, Montreal and London).

Our key forecast assumptions are:

- Revenues. We are forecasting revenues to rise by 11.6% in FY09 (partly benefiting from weak sterling) to £31.1m, slowing to 4.5% growth in FY10 to £32.5m.
- Operating expenses. We forecast opex to rise 8.3% in FY09 and by 3% in FY10. We expect EBIT margins to move towards 28% in the medium term as the group leverages its established office structure. R&D is included in opex.
- Research and development. We are forecasting a £4.4m R&D spend in FY09 rising to £4.9m in FY10. We assume £2.4m is capitalised in FY09 rising to £2.9m in FY10 and £1.9m is amortised in FY09 rising to £2.5m in FY10. Our long-term assumptions are

that 15% of revenue is spent on R&D each year of which 60% is capitalised and amortised over the following three years.

- Other investment. We assume tangible investment (net) of £0.9m in FY09 rising to £1m in FY10 (running at c 3% of revenues per annum). We assume investment in working capital runs at 0.5% of revenues per annum, while contingent consideration payments in H2 take the FY09 acquisition spend to just over £1m and we assume the remaining earn outs are paid in FY10.
- Interest and tax. We assume a £1.1m net interest charge in FY09, and expect the charge to decline as debt is paid down. We assume a tax rate of 20% in FY09 rising to 25% in FY10 and 26% in FY11.

Exhibit 5: Forecasts

	2007	2008	2009e	2010e	2011e
Revenues (£'000s)					
Software licences	15,230	20,640	23,226	24,355	25,867
Data	4,050	4,120	5,378	5,612	5,920
Professional services	4,790	3,110	2,500	2,538	2,586
Group Revenue	24,074	27,871	31,104	32,504	34,373
Growth (%)	64.8	15.8	11.6	4.5	5.8
Administrative expenses	(17,920)	(21,724)	(23,516)	(24,222)	(25,263)
Adjusted EBIT	6,154	6,147	7,588	8,282	9,109
EBIT Margin (%)	25.6	22.1	24.4	25.5	26.5
Growth (%)	109.4	(0.1)	23.4	9.1	10.0
Net interest	(996)	(1,478)	(1,100)	(800)	(500)
Profit before tax norm	5,158	4,669	6,488	7,482	8,609
Amortisation of acquired intangibles	(459)	(659)	(487)	(368)	(368)
Share based payments	(127)	(118)	(125)	(150)	(175)
Exceptional items (net of tax)		(2,061)	1,158		
Profit before tax	4,572	1,831	7,034	6,964	8,066
Tax charge	(821)	(729)	(1,175)	(1,741)	(2,097)
Minority interest	(33)	(78)	(87)	(91)	(96)
Profit after tax	3,718	1,024	5,772	5,132	5,873
Adjusted EPS (p)	8.2	7.0	8.8	9.4	10.6
P/E - Adjusted EPS	12.0	14.0	11.1	10.4	9.2

Source: Company accounts/Edison Investment Research

Cash flow and balance sheet assumptions

The group had net debt of £10.8m on its balance sheet as at 30 June 2009. We forecast free cash flow before dividends of £5.4m in FY09, £5.8m in FY10 and £6.4m in FY11 and net debt to fall to £9.7m at the end of FY09. By the end of FY10 we expect net debt of £5.2m and £0.1m a year later.

Sensitivities

In reaching our forecast assumptions we highlight three key sensitivities:

- End market. Clearly stock market performance will remain volatile, and therefore retail investment flows into and out of portfolio asset managers will remain a cyclical feature. The health of the equity and bond markets will therefore partly determine the IT investment budgets of the asset management firms.
- Risk of SaaS cannibalisation. SaaS2 will be simpler and initially cheaper for asset managers to buy. Our expectation is that this will help StatPro extend the number of users within existing clients as well as win new business. However, there is a risk that

some existing clients replace current traditional rental arrangements with possibly cheaper SaaS based deals.

- Competition. The main competitor for a company like StatPro will always be the potential for an in-house IT department to build its own systems (although this is not an option for the smaller players). Once asset managers make the purchasing decision to buy an outside solution there are competing options. Management highlight several players including Riskmetrics (US, NYSE-quoted ticker RMG, SaaS based risk products), SunGard (very large, privately held, US financial software conglomerate), Factset (US, very large, NYSE-quoted, ticker FDS, data service provider) and Wilshire Associates (US, private company, advisory services led). All these companies are strong competition in their vertical markets but management believes that these players do not provide the same breadth of offering as StatPro. StatPro has itself been highly acquisitive, and in our view, M&A consolidation will continue to be a feature of the sector.

Valuation: 122p on traditional model, SaaS upside

Valuing StatPro today: Modest growth from traditional business

Over its 15-year history, StatPro has established a strong niche as a provider of solutions for the asset management industry. It has strengthened its position through a series of acquisitions which have provided the product breadth and scale to operate highly effectively on a global basis. We now see a greater emphasis on organic growth. However, the traditional business has a relatively modest growth profile and we believe management will actively seek new projects, such as SaaS2, to drive growth.

We highlight the following points on the group's valuation:

- Discounted cash-flow valuation. Given the rental-based business model, and high level of contracted revenues, we have assumed a weighted average cost of capital of 12%. Applying our forecasts, our DCF model values the shares at 122p, or 26% above the current share price. Discounting back from our forecasts, the market is attributing a break-even WACC of 13.9% to the stock (see Exhibit 6).

- Traditional valuation measures. In traditional valuation terms, the stock trades on 11.1x our earnings forecasts in FY09, falling to 10.4x in FY10 and to 9.2x in FY11.

- Peer comparison. The stock trades on 2.1x FY10 revenues (above its UK peers, below its US peers) and 7.6x FY10 EBITDA (in-line with its UK peers, below its US peers).

Exhibit 6: Valuation

DCF valuation	% owned	£ m	-- Per share --	Assumptions		
StatPro operations	100.0%	83.2	139p	WACC: 12%	Number of shares	60.0m
					Share price	97.5p
					Market capitalisation	£58.5m
Total consolidated assets		83.2	139p			
Group Enterprise Value		83.2	139p			
Less: Adjusted net (debt)/add cash		(9.7)	(16p)			
Group Equity Value (£m)		**73.5**	**122p**	**Up/(down)side from current price**	**26%**	

Ratio Analysis	2009f	2010f
EV/Sales	1.9	1.8
EV/EBITDA	7.0	6.5
EV/EBIT	7.8	7.2
Price/Book	1.7	1.5
Price/Earnings	11.1	10.4
Price/Op Cash Flow	5.9	5.2
ROE	15%	14%
Gearing	28%	13%
Interest Cover	6.9	10.4

Grp DCF Scenarios	-----------------Terminal growth rate-----------------
	3.00%
WACC 16.5%	75p
WACC 15.0%	87p
WACC 13.5%	102p
WACC 12.0%	122p
WACC 10.5%	151p
Breakeven WACC	13.9%

Peer comparison (Year 2)	EV/Revs	EV/Ebitda
----US quoted peers----		
FactSet	4.2	10.2
Riskmetrics	3.5	9.5
---UK financial software cos----		
FFastFill	1.7	9.0
Fidessa	1.6	8.7
First Derivatives	2.2	6.6
Patsystems	1.4	6.0
Median	2.0	8.9
Mean	2.4	8.3
SOG	**1.8**	**6.5**

Revenue sensitivity					
Multiple	1.9x	2.2x	2.5x	2.8x	3.1x
Revenue Y2 (£m)	32.5	32.5	32.5	32.5	32.5
Implied EV (£m)	61.8	71.5	81.3	91.0	100.8
Net (debt)/cash (£m)	(9.7)	(9.7)	(9.7)	(9.7)	(9.7)
Grp equity value (£m)	52.1	61.8	71.6	81.3	91.1
Per share (p)	**87**	**103**	**119**	**136**	**152**

Source: Edison Investment Research

Valuing the future: Upside from SaaS2

In the analysis above, we have simply valued the outlook for the traditional on-site and hosted software rental business. We have not included revenue from SaaS2 – although clearly the company is bearing the development costs. In Exhibit 7 we have attempted to show how a successful SaaS2 strategy could transform the operational outlook of the group. Our assumptions are based on 20 clients in FY10 rising to 400 by FY14. It should be noted, however, that under the SaaS business model the 'customer roll-out' could be substantially quicker than the group has achieved historically. We also assume that the number of portfolios per client rises from five to 30 over the period and an annual fee of £1,000 per portfolio and an EBITDA margin of 60%. Costs will largely consist of datacentre space and any revenue share agreements – most R&D costs are expensed by the group already. Clearly these figures should be considered tentative, but they do illustrate that if the strategy is successful, there could be c 50%+ upside to forecasts and valuation in the medium term.

Exhibit 7: Illustration of the impact of SaaS2 revenues

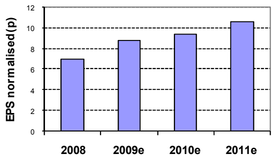
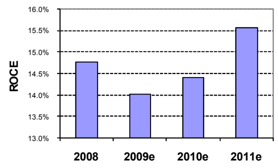
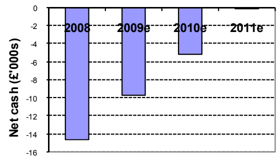
	2009e	2010e	2011e	2012e	2013e	2014e
Underlying business						
Analytics Software	23.2	24.4	25.9	27.4	29.0	30.5
Data	5.4	5.6	5.9	6.2	6.5	6.8
Professional Services	2.5	2.5	2.6	2.6	2.7	2.7
Total Underlying Revenue	31.1	32.5	34.4	36.3	38.2	40.1
EBITDA	8.4	9.2	10.0	10.9	11.8	12.6
EBITDA margin	27.1%	28.2%	29.2%	30.1%	30.8%	31.4%
SaaS 2						
Number of clients		20	50	100	200	400
Number of portfolios/client		5	10	20	25	30
Annual Revenues £/portfolio		1000	1000	1000	1000	1000
Revenues £m		0.1	0.5	2.0	5.0	12.0
EBITDA contribution		0.1	0.3	1.2	3.0	7.2
EBITDA margin		60.0%	60.0%	60.0%	60.0%	60.0%

Source: Edison Investment Research

Exhibit 8: Financials

£'000s	2006	2007	2008	2009e	2010e	2011e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	14,604	24,074	27,871	31,104	32,504	34,373
Cost of Sales	0	0				
Gross Profit	14,604	24,074	27,871	31,104	32,504	34,373
EBITDA	3,019	6,572	6,752	8,428	9,160	10,037
Operating Profit (before GW and except.)	2,939	6,154	6,147	7,588	8,282	9,109
Amortisation of acquired intangibles	(234)	(459)	(659)	(487)	(368)	(368)
Exceptionals	(1,421)	0	(2,600)	1,158	0	0
Share based payments	(58)	(127)	(118)	(125)	(150)	(175)
Operating Profit	1,226	5,568	2,770	8,134	7,764	8,566
Net Interest	(89)	(996)	(1,478)	(1,100)	(800)	(500)
Profit Before Tax (norm)	2,850	5,158	4,669	6,488	7,482	8,609
Profit Before Tax (FRS 3)	1,137	4,572	1,292	7,034	6,964	8,066
Tax	77	(821)	(190)	(1,175)	(1,741)	(2,097)
Profit After Tax (norm)	2,927	4,337	4,479	5,313	5,741	6,512
Profit After Tax (FRS 3)	1,214	3,751	1,102	5,859	5,223	5,969
Ave Number of Shares Outstanding (m)	40.2	52.8	55.4	59.6	60.2	60.8
EPS - normalised (p)	6.5	8.2	7.0	8.8	9.4	10.6
EPS - FRS 3 (p)	3.3	7.0	1.8	9.7	8.5	9.7
Dividend per share (p)	1.00	1.50	1.75	2.00	2.25	2.50
Gross Margin (%)	100.0	100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)	20.7	27.3	24.2	27.1	28.2	29.2
Operating Margin (before GW and except.) (%)	20.1	25.6	22.1	24.4	25.5	26.5
BALANCE SHEET						
Fixed Assets	37,850	44,988	56,810	53,362	53,362	53,635
Intangible Assets	34,419	41,235	51,669	48,877	48,780	48,950
Tangible Assets	3,431	3,753	5,141	4,484	4,582	4,685
Investment in associates	0	0	0	0	0	0
Current Assets	8,679	8,155	12,824	14,773	15,203	17,338
Stocks	0	0	0	0	0	0
Debtors	5,352	7,205	8,561	9,554	9,984	10,558
Cash	3,327	950	4,263	5,219	5,219	6,780
Current Liabilities	(15,239)	(16,472)	(24,185)	(22,256)	(21,153)	(21,998)
Creditors	(13,382)	(13,728)	(18,326)	(18,397)	(18,794)	(19,639)
Short term borrowings	(1,857)	(2,744)	(5,859)	(3,859)	(2,359)	(2,359)
Long Term Liabilities	(13,319)	(11,662)	(15,281)	(11,559)	(8,323)	(4,823)
Long term borrowings	(9,145)	(8,339)	(13,023)	(11,023)	(8,023)	(4,523)
Other long term liabilities	(4,174)	(3,323)	(2,258)	(536)	(300)	(300)
Net Assets	17,971	25,009	30,168	34,320	39,089	44,152
CASH FLOW						
Operating Cash Flow	3,889	7,026	8,345	9,945	11,575	12,784
Net Interest	94	(942)	(1,478)	(1,100)	(800)	(500)
Tax	(105)	200	(324)	(190)	(1,175)	(1,741)
Capex	(2,241)	(3,858)	(3,724)	(3,285)	(3,754)	(4,125)
Acquisitions/disposals	(24,517)	(3,382)	(6,731)	(1,035)	(157)	0
Financing	13,685	(884)	286	27	0	0
Dividends	(298)	(618)	(860)	(969)	(1,189)	(1,357)
Net Cash Flow	(9,493)	(2,458)	(4,486)	3,393	4,500	5,061
Opening net debt/(cash)	(1,818)	7,675	10,133	14,619	9,663	5,163
HP finance leases initiated	0	0	0	0	0	0
Other	0	0	0	1,563	0	0
Closing net debt/(cash)	7,675	10,133	14,619	9,663	5,163	102

Source: Company accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength
		

Sensitivities evaluation	
Litigation/regulatory	○
Pensions	○
Currency	◖
Stock overhang	○
Interest rates	◖
Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	
EPS CAGR 06-10e	9.0	ROCE 09e	13.7	Gearing 09e	28.2
EPS CAGR 08-10e	14.7	Avg ROCE 06-10e	14.9	Interest cover 09e	6.9
EBITDA CAGR 06-10e	32.0	ROE 09e	14.9	CA/CL 09e	0.7
EBITDA CAGR 08-10e	16.5	Gross margin 09e	N/A	Stock turn 09e	N/A
Sales CAGR 06-10e	22.1	Operating margin 09e	24.4	Debtor days 09e	112
Sales CAGR 08-10e	8.0	Gr mgn / Op mgn 09e	N/A	Creditor days 09e	200

Company details	
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Principal shareholders	%
Justin Wheatley	11.9
Herald Inv Mgmt	11.7
AXA Framlington Inv Mgmt	11.1
SVG Investment Managers Ltd	6.6
Liontrust Asset Mgmt PLC	6.5
Mark C Adorian	4.2
BNP Paribas	3.4

Forthcoming announcements/catalysts	Date *
Year end trading update	January 2010
Final results	March 2010
AGM	May 2010
*Note: * = estimated*	

Management team

CEO: Justin Wheatley

Justin Wheatley began his career at Micropal, selling performance measurement software to fund managers in the UK. In 1991, he founded an agency in Switzerland to distribute Micropal products and in 1993 he wrote the first version of TAP. Justin founded StatPro in 1994.

CFO: Andrew Fabian

Andrew Fabian was appointed finance director in 2000. He previously was group financial controller at William Baird PLC. Andrew is a chartered accountant and qualified corporate treasurer.

Chairman: Carl Bacon

Carl Bacon was appointed chairman in 2000. He previously was director of risk control and performance at Foreign & Colonial Investment Management Limited. Before that he was vice president – head of performance at JP Morgan Investment Management Inc.