

# Sopheon

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## Investors cotton on to Sopheon's potential as numbers impress

It has taken a while for the stock market to get a handle on enterprise software group Sopheon plc (LON:SPE).

In January, however, a very strong trading update finally saw the penny drop and the share price has not looked back.

**WATCH:** Sopheon PLC focused on expanding its footprint and seizing growth opportunities

All metrics showed a big uplift: Sales rose 22%; margins improved; profit was 'significantly ahead of expectations' and net cash more than doubled to US\$9.5mln.

Results in March added the final details with profits rising to US\$5.1mln from US\$3mln and a maiden dividend of 2.5p.

There was also some icing on the cake in the form of forward revenue for 2018 of US\$19.3mln, up from US\$13mln a year earlier.

The onus now is on Sopheon to maintain its progress, but chief executive Andy Michuda seems relaxed about that prospect.

While the share price momentum might look spectacular, it was market driven, the American said.

From a company's perspective, management will just do the same things it has for some years now, he added.

Since 2014 sales have risen to US\$28.5mln from US\$18.3mln, while the group has strongly improved its profitability continuously for three years.

**Helping to make decisions**

Sopheon provides customers, multinationals primarily, with software (enterprise programmes) that helps the "client paint their go-forward growth strategy, track performance of strategic initiatives, and implement changes with speed and agility in response to how their businesses and markets perform".

Its dashboards can identify areas of weakness or friction and help executives make decisions and devote resources more quickly and with transparency across large portfolios of business.

Speed in decision making is increasingly relevant today, says Michuda, as traditional business segments (or verticals) come under attack by start-ups and other ventures implementing new technologies and business models.

"In today's business environment there is constant change and things move faster than they ever have before.

"As a result of how organisations have historically grown, all kinds of organisational frictions, silo's and barriers prevent

**Price:** 765

**Market Cap:** £77.83 m

### 1 Year Share Price Graph



### Share Information

**Code:** SPE

**Listing:** AIM

**52 week High Low**  
1410 549.5

**Sector:** Software & services

**Website:** www.sopheon.com

### Company Synopsis:

*Sopheon is an international provider of software and services. The Company's software applications automate product development and strategic product planning, delivering efficiencies and decision support to companies. The Company operates in the United States, the United Kingdom and the Netherlands.*

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them from operating with speed.

"Our software brings people and data from disparate departments into a single repository and workflow, and allows executives to operate at speed, improve decisions, and decide priorities on where to invest for maximum return."

#### Big names on customer list

Sopheon's customer list is impressive and encompasses a host of household names such as Electrolux, Tetra Pak, Merck, Procter & Gamble and PepsiCo.

Originally, the company's focus was on the R&D and product development process, but this has now broadened to the entire enterprise portfolio investment and strategy enablement arena.

"We have dashboards that give visibility to executives, who can make change and optimise performance, and to operational teams executing organisational strategy."

#### Accolades for Accolade

Another trigger has been the growth of Accolade, Sopheon's flagship enterprise software product.

Of note is a sharp rise in the size of the contracts being won.

Sopheon competes with software giants such as SAP as Accolade moves from a R&D sale to an enterprise sale, but Michuda believes the increasing market pull and size of orders indicate it is on the right track.

In a business where software traditionally focused on what had happened in the past, Accolade allows businesses to make decisions about the future, he says.

The most current version, Accolade 12.0, which among other features includes a new app for allowing data to be accessed and decisions to be made on a mobile or tablet, has just been launched.

#### Research analyst and industry advisor recognition

Among its peers, Sopheon has also achieved notable recognition.

Top market research house Gartner has cited it in five categories that are core to Sopheon's business and span enterprise strategy realisation to product portfolio management, something no other software vendor in this space has managed.

Sopheon is also recognised as a leader in the Forrester Wave for Strategic Portfolio Management Tools.

#### Shares on a tear

Since January, the share price has risen from 350p to a near all-time high of 755p, which values the company at £75m.

On sales of US\$28.5m and profits of US\$5.1m, that is a rate that is starting to catch up to Sopheon's peer group but (just as Accolade does) the market is starting to look ahead to what might happen in future.

Management has already decided to put in the infrastructure for future expansion by strengthening sales, marketing and R&D.

While that will require investment, the sure-footed progress to this point has re-assured investors.

"We continue to invest to make our product smarter to stay ahead of the market," says Michuda.

As its reach extends, partnerships will be an increasing focus.

Sopheon has just signed its first customer in Japan with the help of a local partner, and is looking at building on similar arrangements in China.

Asia is as yet untapped and potentially another huge opportunity for the company.

Michuda hints the company might also use its strong financial position for an acquisition if the right opportunity becomes available.

He insists, though, it will have to have strategic merit and not just be to bolt on growth.

#### SaaS opportunity

House broker finnCap, meanwhile, sees the emerging transition from licence sales to a pay-as-you-go service (SaaS) as another potential growth driver.

In addition, more sales could come from the existing customer base with additional applications for the Accolade platform, such as "capex management; corporate initiatives; and monitoring and monetisation of intellectual property."

The house finnCap is a big fan and raised its share price target to 1,000p following the results, a valuation more in line with its peers said the broker.

"Visibility is at record levels and Sopheon's stars are aligned."

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