

Sopheon

07:07 19 Apr 2018

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 them from operating with speed.

Price: 780

Market Cap: £79.36 m

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.

action@proactiveinvestors.com

"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."

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.