

SoftwareOne

Valor: 49 645 150 Industry: Software-License

BUY
SWON 12m Price Target: **CHF 31.-** Price: **CHF 23.80** Upside: **30.3%**


Source: www.fuw.ch

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Stock Data

Price	23.80 CHF
52-Week Range	17.98 CHF - 30.15 CHF
P/E	21.0x
Price/Book	4.8x
Dividend yield	1.3%
Market cap.	3'609 CHF
Sales	7'906 CHF
EBIT	132.8 CHF
Earnings	176.8 CHF

Description

SoftwareOne is a Stans-based IT service provider that listed on the SIX in 2019. It makes a large part of its revenue from the sale and management of software and cloud solutions for corporate customers. It also offers IT consulting services and operates its own platform for corporate customers to manage their software inventory. It sells software from 7500 vendors, but relies on Microsoft products for about half of its revenue. The stock market newcomer is active in 90 countries and has 6300 employees.

Outlook

The service business is experiencing a real boom. With home office spaces on the rise, there are plenty of opportunities there. Sales increased strongly in 2019 thanks to the major acquisition of Comparex. In the future, further acquisitions should help to achieve further growth. Software will become increasingly important in the future and with its good contacts worldwide, SoftwareOne has good opportunities to benefit from this trend.

Valuation

The valuation is on a rather low level for an IT company. Other shares in the same sector have P/E ratios well above 30. The P/B ratio is at a medium level, but at an acceptable level for a service provider. For the valuation to rise, however, it must first be proven that higher profits can be generated in the future.

	12/2017	12/2018	12/2019	12/2020
P/E	-	-	30x	25.8x
Price/Book	-	-	6.5x	5.0x

Growth

The Group's revenues are mainly made up of software and cloud solutions. Half of them are dependent on Microsoft products. This area declined by 7.5% in 2020. On the other hand, the Solution & Service business increased by 16.5%. In the future, both businesses should grow again, especially the service business.

	12/2017	12/2018	12/2019	12/2020
Sales	3'310	3'741	7'611	7'906
Growth		13%	103%	3.9%
Earnings (EBIT)	66	113	119	133
Growth		71%	5.3%	11.8%

Efficiency

The return on sales looks very small at first glance. The reason for this is that all software purchases made by customers are processed via Pyracloud. SoftwareOne takes a small margin on all software purchases. The margins are correspondingly higher for the fees for operating Pyracloud and for consulting.

	12/2017	12/2018	12/2019	12/2020
Return on sales	2.0%	2.1%	1.7%	2.2%
Sales per employee	1'188'936	1'355'926	1'398'566	1'295'640

Profitability

The return on equity is much higher compared to other software groups. SAP has only half the return on equity. If more value is created, the return on equity can also be increased further.

	12/2017	12/2018	12/2019	12/2020
Return on equity	21.5%	33.2%	28.0%	25.0%
e.g. SAP	15.8%	14.2%	10.8%	17.3%

Balance sheet quality

Financially, the company is in extremely good shape. SoftwareOne is practically debt-free. This is not a matter of course for a software company that went public only a few years ago. With the large cash position, further acquisitions are also possible.

	12/2017	12/2018	12/2019	12/2020
Equity ratio	19.6%	21.6%	21.4%	24.8%
Liquidity	115	154.1	313.5	434.9

SWOT-Analysis

Strengths <ul style="list-style-type: none"> Well-scalable business model in a growing market. Globally represented and diversified Debt-free balance sheet and satisfactory profitability 	Weaknesses <ul style="list-style-type: none"> Great dependence on Microsoft. The many acquisitions cost a lot of work.
Opportunities <ul style="list-style-type: none"> The strong cloud business and the steadily growing service business offer great opportunities. SoftwareOne benefits from the growth of its customers. 	Threats <ul style="list-style-type: none"> SoftwareOne could come under pressure when the licensing models changed.

Appointments

GA: 20.5.2021, Stans
 Year-end figures: 25.3.2021
 Quarterly statement: 26.08.2021

Website

<https://www.softwareone.com>

Recommendation method:

The research of "Cleverinvesting" uses recommendations like "Buy", "Hold" and "Sell". The assessment is relative to the price target. The investment horizon of a recommendation is twelve months. For a "Buy" recommendation, "Cleverinvesting" assumes that the Price Target is at least 20% higher than the current price. In the case of a "Hold" recommendation, "Cleverinvesting" expects a development within the range of (+/- 10%). In the case of a "Sell" rating, the current price is expected to be at least 10% above the price target.

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