

Aktie

Kompakt

LBBW Research | Corporates

USU

- Muted performance in Q3
- Additional momentum will have to wait until 2024
- Price target adjusted, recommendation confirmed

The course of business in Q3 was again characterized by the ongoing shift from one-time license business to SaaS business. This is slowing current sales momentum and weighing heavily on earnings performance.

- International business developed positively this time at +6% y-o-y, compensating for the downturn of 1% on the German market. Consulting business and SaaS revenue again enjoyed strong performance, whereas high-margin license business declined sharply. The lower-margin sales mix is weighing heavily on operating earnings.
- USU is also investing significantly in expanding its product range. R&D expenditure has increased by an average of 21% y-o-y over the past four quarters. New features such as AI and machine learning are being integrated into existing solutions, for example. This is reflected in the awards received from IT market research firms like Forrester.
- Although the guidance for 2023 has been confirmed, our view is that only the lower end of the sales and earnings ranges is realistic in the current fourth quarter. We believe that above-average earnings growth will only be possible again in 2024 on the back of positive sales development.
- Our revised forecasts, especially for 2023, result in a new price target of EUR 23 based on our valuation of the shares using the DCF model. We are retaining our Buy recommendation.

Opportunities

Multi-award-winning software applications

International expansion bearing fruit; sound balance sheet ratios

Increasing growth momentum

Threats

Strong SaaS growth holding back margin development

Major orders creating higher volatility during the year

Low free float market capitalization

RATING
BUY
(UNCHANGED)

TARGETPRICE
23.00 EUR
(24.00 EUR)



Reuters: OSPGk

Bloomberg: OSP2 GY

| | |
|-------------------------------|-----------------------|
| CURRENT PRICE | 17.15 EUR |
| (XETRA; 2023-11-22; 12:50 PM) | |
| CLOSE PRICE (2023-11-21) | 18.05 EUR |
| EXPECTED PERFORMANCE | 27.4 % |
| MARKET CAPITALIZATION | 190 m EUR |
| INDEX (WEIGHT) | CDAX (0.01 %) |
| ISIN / WKN | DE000A0BVU28 / A0BVU2 |
| SECTOR | Software |

Key figures

Company figures in m EUR,
per share data in EUR

| | 2022 | 2023E | 2024E |
|----------------|-------|-------|-------|
| Sales | 127 | 132 | 146 |
| EBITDA | 17 | 12 | 16 |
| EPS adjusted | 0.72 | 0.53 | 0.79 |
| Dividend | 0.55 | 0.60 | 0.70 |
| P / E adjusted | 28.2 | 34.3 | 22.8 |
| Dividend yield | 2.7 % | 3.3 % | 3.9 % |

Source: USU, Refinitiv, LBBW Research

Analyst: Mirko Maier
Senior Investment Analyst

COMPLETION: 2023-11-24 13:06

FIRST DISSEMINATION: 2023-11-24 13:22

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Company profile.

USU is the largest European provider of software and service solutions for IT and customer service management with over 1,200 international customers. The balance sheet is characterized by a high equity ratio, no liabilities to banks and high net liquidity. Founder Udo Strehl is the majority owner of the company with a share of just over 50%.

Business Update.

Muted performance in Q3: Growth in consolidated sales continues to slow. Consolidated sales increased by a strong 13% in Q1 2023 and a further 3% in Q2, but by just 1% to EUR 32.9m in Q3. Strong international business (+6%) compensated for the sustained weakness in Germany (-1%). Consulting (+12%) and SaaS revenue (+15%) again developed positively. Maintenance revenue was relatively stable (-1%), whereas license revenue again declined significantly by -67%. The resulting lower-margin sales mix and the continued above-average increase in R&D expenditure (+22%) meant that operating earnings (EBIT adj.) declined by 51% to EUR 1.6m.

Additional momentum will have to wait until 2024: Although USU has confirmed its 2023 guidance for sales (EUR 132-139m) and earnings (EBITDA adj. EUR 13-15m), our view is that only the lower end of each range is realistic. This would require sales growth of just under 2% and a slower decline in earnings of around -18% in the current Q4. Although the shift from license business to SaaS is set to continue in 2024, we expect the negative impact of a further reduction in license revenue on future sales and earnings development to be comparatively less pronounced because the share of sales attributable to licenses is now low (Q3: 4%). We consider sales growth of 8-12% in 2024 to be realistic. Taken together with the fact that R&D expenditure is likely to peak for the time being during the course of the year, this would deliver the conditions for above-average earnings growth.

USU

Headquarters:
Möglingen (DE)

Number of employees: 814
www.usu.de



+6 %

International
sales growth

Next Events:

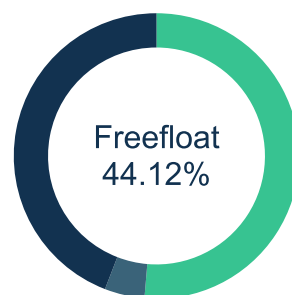
Analyst conference
2023-11-27

Price performance and shareholder structure.



USU Software in EUR

Source: USU, Refinitiv, LBBW Research



- Udo Strehl (51.35%)
- Peter Scheuffer (4.53%)

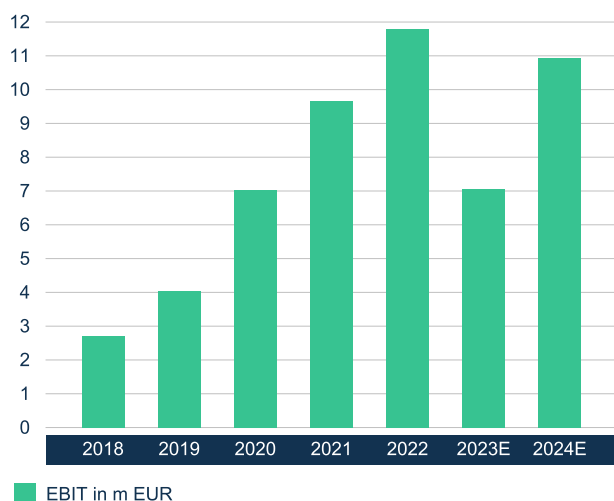
Key data.

(Company figures in m EUR, per share data in EUR)

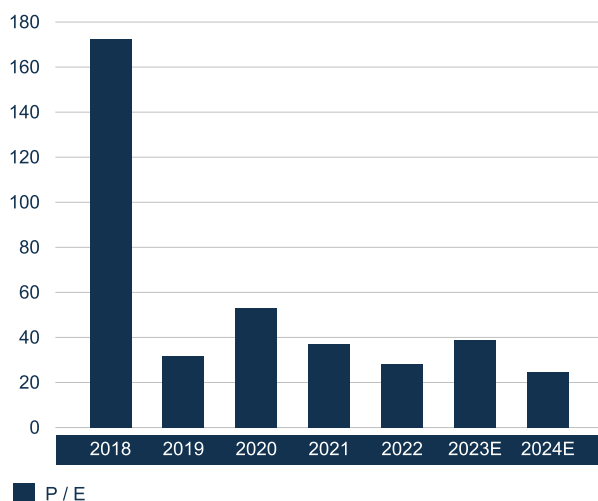
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|---|-------|---------|--------|--------|--------|---------|--------|
| PROFIT AND LOSS STATEMENT (DEC 31) | | | | | | | |
| Sales | 90 | 96 | 107 | 112 | 127 | 132 | 146 |
| EBITDA | 6 | 10 | 13 | 14 | 17 | 12 | 16 |
| EBIT | 3 | 4 | 7 | 10 | 12 | 7 | 11 |
| Earnings before taxes (EBT) | 3 | 4 | 7 | 10 | 12 | 7 | 11 |
| Net profit | 1 | 5 | 5 | 7 | 8 | 5 | 8 |
| EPS adjusted | 0.18 | 0.70 | 0.72 | 0.69 | 0.72 | 0.53 | 0.79 |
| Dividend | 0.40 | 0.40 | 0.40 | 0.50 | 0.55 | 0.60 | 0.70 |
| GROWTH YOY | | | | | | | |
| Sales | n.a. | 5.7 % | 12.2 % | 4.3 % | 13.1 % | 4.6 % | 10.0 % |
| EBITDA | n.a. | 49.8 % | 73.2 % | 37.7 % | 22.1 % | -40.2 % | 54.7 % |
| EBIT | n.a. | 50.9 % | 48.5 % | 10.2 % | 15.9 % | -32.2 % | 48.4 % |
| Earnings before taxes (EBT) | n.a. | 44.1 % | 67.9 % | 43.1 % | 23.0 % | -41.6 % | 56.9 % |
| EPS adjusted | n.a. | 281.7 % | 3.6 % | -4.7 % | 5.3 % | -27.3 % | 50.2 % |
| Dividend | n.a. | 0.0 % | 0.0 % | 25.0 % | 10.0 % | 9.1 % | 16.7 % |
| MARGINS | | | | | | | |
| EBITDA margin | 6.1 % | 10.4 % | 12.5 % | 12.9 % | 13.3 % | 9.1 % | 11.0 % |
| EBIT margin | 4.6 % | 6.5 % | 8.6 % | 9.1 % | 9.3 % | 6.0 % | 8.2 % |
| Earnings before taxes (EBT) | 3.1 % | 4.2 % | 6.3 % | 8.7 % | 9.5 % | 5.3 % | 7.5 % |
| Net profit margin | 1.1 % | 5.5 % | 5.1 % | 6.2 % | 6.0 % | 3.7 % | 5.3 % |
| VALUATION RATIOS | | | | | | | |
| Enterprise value / Revenue | 1.7 | 1.6 | 2.6 | 2.0 | 1.6 | 1.3 | 1.2 |
| Enterprise value / EBITDA | 28.5 | 15.6 | 20.5 | 15.7 | 11.8 | 14.1 | 10.6 |
| Enterprise value / EBIT | 58.1 | 38.1 | 39.0 | 23.3 | 16.9 | 24.0 | 15.5 |
| Price-To-Earnings ratio (P / E ratio) | 86.2 | 22.7 | 38.3 | 35.2 | 28.2 | 34.3 | 22.8 |
| Price-To-Book ratio (P / B ratio) | 2.8 | 2.8 | 4.7 | 4.0 | 3.8 | 3.4 | 3.4 |
| Dividend yield | 2.5 % | 2.5 % | 1.4 % | 2.1 % | 2.7 % | 3.3 % | 3.9 % |

Source: USU, Refinitiv, LBBW Research

Key figures.



Valuation.



Disclaimer.



LBBW Research Rating Systematics (absolute share rating system)

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Buy: Based on a time horizon up to 12 months, we recommend that investors buy the stock.

Sell: Based on a time horizon up to 12 months, we recommend that investors sell the stock

Hold: We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell.

Under review: The rating is currently updated.

Suspended: The evaluation of the company is currently not feasible.

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| Date | Recommendation |
|------------|----------------|
| 2020-05-27 | Buy |

| Date | Target price |
|------------|--------------|
| 2023-11-22 | 23.00 EUR |
| 2023-08-24 | 24.00 EUR |
| 2023-05-25 | 29.00 EUR |
| 2022-09-15 | 24.50 EUR |