

**Sell** (old: Hold)

24.04.2024

**EUR 18.50** (old: EUR 17.00)

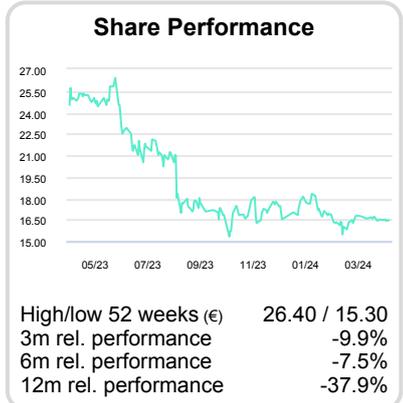
## Higher than expected offer price still way below intrinsic value

Yesterday, USU announced to have reached a **delisting-agreement** with AUSUM GmbH (Udo Strehl) and NUNUS GmbH, a wholly owned subsidiary of AUSUM. While AUSUM already holds 53.7% of voting rights in USU, NUNUS currently does not hold any shares. On the basis of the agreement, **NUNUS will offer the shareholders of USU approximately € 18.50 per share** in the context of a voluntary public delisting offer. USU will submit an application to revoke the admission of the shares to the regulated market as well as all OTC markets already before the end of the offer period.

Mind you, in an initial statement on the intention to delist on March 12<sup>th</sup>, it was stated that the offer price should be expected to be equivalent to the statutory minimum price, e.g. the volume-weighted average price of the past six months. According to our calculations, this would have resulted in an offer price of € 17.00 per share.

While the **actual offer price is now seen to be some 9% above our and markets expectations**, it is still way **below the intrinsic fair value of € 30**, according to our DCF valuation model (2.5% LT growth, 7.6% WACC, 12.5% TY EBIT margin).

**Our view:** Although € 18.50 is still not a fair offer (eNuW), we advise investors who have no intention of being invested in a highly illiquid asset to tender their shares once the delisting offer has been made. While we previously advised investors to HOLD the stock in anticipation of a higher-than-expected offer, **we now change our recommendation to SELL at an increase PT of € 18.50**, as we do not expect anymore upside. Yet, given the vast discount to the intrinsic value, the case might be of interest for special situation investors, who are eyeing for a potential squeeze-out at a later stage.



### Market data

Share price (in €)	16.45
Market cap (in € m)	181.5
Number of shares (in m pcs)	10.0
Enterprise value (in € m)	183.9
Ø trading volume (6 months)	5,292

### Identifier

Bloomberg	OSP2 GR
Reuters	OSPGK
WKN	A0BVU2
ISIN	DE000A0BVU28

### Key shareholders

AUSUM GmbH (Udo Strehl)	50.7%
Peter Scheufler	5.0%
MainFirst SICAV	4.7%
Shares held in treasury	5.0%
Board (excl. Udo Strehl)	2.5%
Free Float	32.2%

### Estimates changes

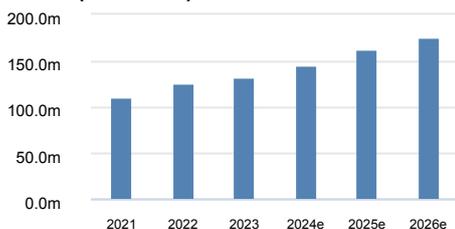
	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	-20%	-27%	-24%
EPS	-19%	-27%	-24%

- ### Comment on changes
- Changes reflect the recent release of the FY '23 figures.
  - FY '26e is introduced.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	111.9	126.5	132.1	146.0	162.1	176.7
Sales growth	4.3%	13.1%	4.4%	10.6%	11.0%	9.0%
Adj. EBITDA	14.4	16.8	13.3	15.7	19.9	26.0
Net debt (if net cash=0)	-7.5	0.6	2.5	1.3	-9.0	-23.6
FCF	12.5	9.2	6.2	6.7	10.3	14.6
Net Debt/EBITDA	0.0	0.0	0.2	0.1	0.0	0.0
EPS pro forma	0.68	0.72	0.50	0.67	0.91	1.28
Adj. EBITDA margin	12.9%	13.3%	10.1%	10.8%	12.3%	14.7%
ROCE	12.1%	14.5%	9.2%	12.4%	15.9%	20.3%
EV/sales	2.4	1.4	1.4	1.3	1.1	0.9
EV/EBITDA	18.8	10.9	14.9	12.1	8.9	6.2
PER	26.6	25.2	36.2	27.3	20.0	14.2
Adjusted FCF yield	3.4%	5.5%	4.3%	5.3%	7.1%	8.3%

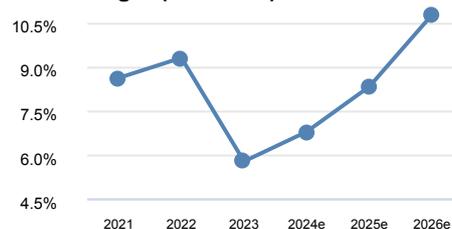
Source: Company data, NuWays, Close price as of 22.04.2024

### Sales (2021-26e)



Source: NuWays Research

### EBIT margin (2021-26e)



Source: NuWays Research

### ROCE (2021-26e)



Source: NuWays Research

### Company description

USU Software is a leading provider of software and service solutions for IT and customer service management. The company offers solutions and services around the globe to companies in order for them to become more agile, cut costs, etc.

### Guidance

- FY '24 sales: € 143-146m
- FY '24 adj. EBITDA: € 14-16m

## Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>Sales</b>	<b>111.9</b>	<b>126.5</b>	<b>132.1</b>	<b>146.0</b>	<b>162.1</b>	<b>176.7</b>
Sales growth	4.3%	13.1%	4.4%	10.6%	11.0%	9.0%
Cost of sales	55.7	63.3	67.5	74.5	81.8	86.6
<b>Gross profit</b>	<b>56.2</b>	<b>63.2</b>	<b>64.6</b>	<b>71.5</b>	<b>80.3</b>	<b>90.1</b>
Sales and marketing	20.5	22.6	26.2	28.5	30.8	33.6
General and administration	10.2	11.7	10.8	11.7	12.6	13.3
Research and development	16.7	18.1	20.9	22.6	24.6	25.6
Other operating income	1.5	2.0	1.7	1.9	2.1	2.2
Other operating expenses	0.6	1.0	0.6	0.7	0.8	0.8
<b>EBITDA</b>	<b>14.4</b>	<b>16.8</b>	<b>12.4</b>	<b>15.2</b>	<b>19.4</b>	<b>25.5</b>
Unusual or infrequent items	0.0	0.0	0.9	0.5	0.5	0.5
<b>Adj. EBITDA</b>	<b>14.4</b>	<b>16.8</b>	<b>13.3</b>	<b>15.7</b>	<b>19.9</b>	<b>26.0</b>
Depreciation	1.2	1.1	1.6	1.6	1.6	1.6
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.5	3.9	3.2	3.7	4.3	4.8
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>9.7</b>	<b>11.8</b>	<b>7.6</b>	<b>9.9</b>	<b>13.5</b>	<b>19.1</b>
Interest income	0.2	0.3	0.1	0.2	0.3	0.3
Interest expenses	0.1	0.2	0.2	0.2	0.2	0.2
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	0.1	0.2	-0.1	0.1	0.1	0.1
<b>Recurring pretax income from continuing operations</b>	<b>9.7</b>	<b>12.0</b>	<b>7.5</b>	<b>10.0</b>	<b>13.6</b>	<b>19.2</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>9.7</b>	<b>12.0</b>	<b>7.5</b>	<b>10.0</b>	<b>13.6</b>	<b>19.2</b>
Income tax expense	3.0	4.4	2.3	3.0	4.1	5.8
<b>Net income from continuing operations</b>	<b>6.8</b>	<b>7.6</b>	<b>5.3</b>	<b>7.0</b>	<b>9.5</b>	<b>13.4</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>6.8</b>	<b>7.6</b>	<b>5.3</b>	<b>7.0</b>	<b>9.5</b>	<b>13.4</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>6.8</b>	<b>7.6</b>	<b>5.3</b>	<b>7.0</b>	<b>9.5</b>	<b>13.4</b>
Average number of shares	10.5	10.0	10.0	10.0	10.0	10.0
<b>EPS reported</b>	<b>0.64</b>	<b>0.76</b>	<b>0.53</b>	<b>0.70</b>	<b>0.95</b>	<b>1.34</b>

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
<b>Sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Cost of sales	49.8%	50.0%	51.1%	51.0%	50.5%	49.0%
<b>Gross profit</b>	<b>50.2%</b>	<b>50.0%</b>	<b>48.9%</b>	<b>49.0%</b>	<b>49.5%</b>	<b>51.0%</b>
Sales and marketing	18.4%	17.9%	19.9%	19.5%	19.0%	19.0%
General and administration	9.2%	9.3%	8.2%	8.0%	7.8%	7.5%
Research and development	14.9%	14.3%	15.8%	15.5%	15.2%	14.5%
Other operating income	1.4%	1.6%	1.3%	1.3%	1.3%	1.3%
Other operating expenses	0.5%	0.8%	0.5%	0.5%	0.5%	0.5%
<b>EBITDA</b>	<b>12.9%</b>	<b>13.3%</b>	<b>9.4%</b>	<b>10.4%</b>	<b>12.0%</b>	<b>14.4%</b>
Unusual or infrequent items	0.0%	0.0%	0.7%	0.3%	0.3%	0.3%
<b>Adj. EBITDA</b>	<b>12.9%</b>	<b>13.3%</b>	<b>10.1%</b>	<b>10.8%</b>	<b>12.3%</b>	<b>14.7%</b>
Depreciation	1.1%	0.9%	1.2%	1.1%	1.0%	0.9%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	3.1%	3.1%	2.4%	2.5%	2.6%	2.7%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>8.6%</b>	<b>9.3%</b>	<b>5.8%</b>	<b>6.8%</b>	<b>8.3%</b>	<b>10.8%</b>
Interest income	0.2%	0.3%	0.1%	0.2%	0.2%	0.2%
Interest expenses	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	0.1%	0.1%	neg.	0.1%	0.1%	0.1%
<b>Recurring pretax income from continuing operations</b>	<b>8.7%</b>	<b>9.5%</b>	<b>5.7%</b>	<b>6.8%</b>	<b>8.4%</b>	<b>10.9%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>8.7%</b>	<b>9.5%</b>	<b>5.7%</b>	<b>6.8%</b>	<b>8.4%</b>	<b>10.9%</b>
Tax rate	30.5%	36.6%	29.9%	30.0%	30.0%	30.0%
<b>Net income from continuing operations</b>	<b>6.0%</b>	<b>6.0%</b>	<b>4.0%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>7.6%</b>
<b>Net income</b>	<b>6.0%</b>	<b>6.0%</b>	<b>4.0%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>7.6%</b>
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>6.0%</b>	<b>6.0%</b>	<b>4.0%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>7.6%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	43.4	42.7	42.9	39.7	36.1	31.9
Property, plant and equipment	19.7	18.7	18.4	18.3	18.5	18.8
Financial assets	0.7	0.8	0.1	0.1	0.1	0.1
<b>FIXED ASSETS</b>	<b>63.9</b>	<b>62.2</b>	<b>61.3</b>	<b>58.1</b>	<b>54.6</b>	<b>50.7</b>
Inventories	5.3	6.5	3.7	7.5	8.3	9.1
Accounts receivable	14.9	22.3	24.4	25.7	28.5	31.1
Other assets and short-term financial assets	1.0	1.6	1.3	1.3	1.3	1.3
Liquid assets	24.3	15.5	13.5	14.7	25.0	39.5
Deferred taxes	4.9	2.4	0.9	0.9	0.9	0.9
Deferred charges and prepaid expenses	1.8	2.5	3.0	3.0	3.0	3.0
<b>CURRENT ASSETS</b>	<b>52.2</b>	<b>50.8</b>	<b>46.7</b>	<b>53.1</b>	<b>67.0</b>	<b>84.9</b>
<b>TOTAL ASSETS</b>	<b>116.0</b>	<b>113.0</b>	<b>108.1</b>	<b>111.2</b>	<b>121.6</b>	<b>135.7</b>

<b>SHAREHOLDERS EQUITY</b>	<b>64.4</b>	<b>57.0</b>	<b>57.2</b>	<b>58.7</b>	<b>68.2</b>	<b>81.7</b>
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	1.3	1.0	1.1	1.1	1.2	1.3
Other provisions and accrued liabilities	2.9	3.7	4.4	4.4	4.4	4.4
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	4.5	7.0	6.6	8.2	9.0	9.6
Advance payments received on orders	3.2	3.9	1.4	1.4	1.4	1.4
Other liabilities (incl. from lease and rental contracts)	10.0	10.1	7.9	7.9	7.9	7.9
Deferred taxes	0.9	1.2	0.7	0.7	0.7	0.7
Deferred income	11.3	11.9	12.1	12.1	12.1	12.1
<b>CURRENT LIABILITIES</b>	<b>17.7</b>	<b>21.0</b>	<b>15.9</b>	<b>17.5</b>	<b>18.3</b>	<b>18.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>116.0</b>	<b>113.0</b>	<b>108.1</b>	<b>111.2</b>	<b>121.6</b>	<b>135.7</b>

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	37.4%	37.8%	39.7%	35.7%	29.7%	23.5%
Property, plant and equipment	17.0%	16.6%	17.0%	16.5%	15.2%	13.8%
Financial assets	0.6%	0.7%	0.1%	0.1%	0.0%	0.0%
<b>FIXED ASSETS</b>	<b>55.0%</b>	<b>55.1%</b>	<b>56.8%</b>	<b>52.3%</b>	<b>44.9%</b>	<b>37.4%</b>
Inventories	4.6%	5.7%	3.4%	6.7%	6.8%	6.7%
Accounts receivable	12.8%	19.7%	22.6%	23.1%	23.5%	22.9%
Other assets and short-term financial assets	0.8%	1.4%	1.2%	1.2%	1.1%	0.9%
Liquid assets	20.9%	13.7%	12.5%	13.2%	20.5%	29.1%
Deferred taxes	4.2%	2.1%	0.9%	0.8%	0.8%	0.7%
Deferred charges and prepaid expenses	1.6%	2.2%	2.8%	2.7%	2.5%	2.2%
<b>CURRENT ASSETS</b>	<b>45.0%</b>	<b>44.9%</b>	<b>43.2%</b>	<b>47.7%</b>	<b>55.1%</b>	<b>62.6%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>55.5%</b>	<b>50.4%</b>	<b>53.0%</b>	<b>52.8%</b>	<b>56.1%</b>	<b>60.2%</b>
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	1.2%	0.9%	1.0%	1.0%	1.0%	0.9%
Other provisions and accrued liabilities	2.5%	3.3%	4.1%	3.9%	3.6%	3.2%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	3.8%	6.2%	6.1%	7.4%	7.4%	7.1%
Advance payments received on orders	2.7%	3.5%	1.3%	1.2%	1.1%	1.0%
Other liabilities (incl. from lease and rental contracts)	8.7%	8.9%	7.3%	7.1%	6.5%	5.8%
Deferred taxes	0.8%	1.1%	0.7%	0.7%	0.6%	0.5%
Deferred income	9.7%	10.6%	11.2%	10.9%	9.9%	8.9%
<b>CURRENT LIABILITIES</b>	<b>15.2%</b>	<b>18.6%</b>	<b>14.7%</b>	<b>15.7%</b>	<b>15.0%</b>	<b>13.9%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	6.8	7.6	5.3	7.0	9.5	13.4
Depreciation of fixed assets (incl. leases)	1.2	1.1	1.6	1.6	1.6	1.6
Amortisation of goodwill & intangible assets	3.5	3.9	3.2	3.7	4.3	4.8
Other costs affecting income / expenses	-0.1	4.2	-2.6	0.0	0.0	0.0
Cash flow from operating activities	11.0	7.9	5.5	6.2	9.7	10.7
Increase/decrease in inventory	-0.4	-1.2	2.8	-3.8	-0.8	-0.7
Increase/decrease in accounts receivable	2.0	-7.4	-2.1	-1.3	-2.8	-2.6
Increase/decrease in accounts payable	0.3	2.5	-0.4	1.6	0.8	0.5
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	1.9	-6.0	0.3	-3.5	-2.8	-2.8
<b>Cash flow from operating activities</b>	<b>13.3</b>	<b>10.5</b>	<b>7.9</b>	<b>8.8</b>	<b>12.6</b>	<b>17.1</b>
CAPEX	0.9	1.3	1.7	2.1	2.4	2.6
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.1	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-0.8</b>	<b>-1.3</b>	<b>-1.6</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-2.6</b>
Cash flow before financing	8.3	3.9	0.8	1.2	10.3	14.6
Increase/decrease in debt position	-0.4	-2.9	-3.0	0.0	0.0	0.0
Purchase of own shares	0.0	9.8	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	4.2	5.3	5.5	5.5	0.0	0.0
Others	-2.4	0.0	0.3	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.3	0.1	-0.1	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-7.0</b>	<b>-18.0</b>	<b>-8.2</b>	<b>-5.5</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	5.8	-8.7	-2.0	1.2	10.3	14.6
<b>Liquid assets at end of period</b>	<b>24.3</b>	<b>15.5</b>	<b>13.5</b>	<b>14.7</b>	<b>25.0</b>	<b>39.5</b>

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>P&amp;L growth analysis</b>						
Sales growth	4.3%	13.1%	4.4%	10.6%	11.0%	9.0%
EBITDA growth	7.6%	17.0%	-26.2%	22.5%	27.5%	90.7%
EBIT growth	37.7%	22.1%	-35.4%	30.1%	36.4%	171.9%
EPS growth	23.2%	18.1%	-30.3%	32.5%	36.1%	41.0%
<b>Efficiency</b>						
Sales per employee	149.9	159.9	157.9	165.7	175.0	223.2
EBITDA per employee	19.3	21.3	14.9	17.3	21.0	32.2
No. employees (average)	746	792	836	882	926	792
<b>Balance sheet analysis</b>						
Avg. working capital / sales	12.3%	12.0%	12.4%	14.2%	14.4%	11.9%
Inventory turnover (sales/inventory)	21.0	19.5	19.5	19.5	19.5	19.5
Accounts receivable turnover	48.6	64.3	64.3	64.3	64.3	64.3
Accounts payable turnover	29.2	40.3	40.3	40.3	40.3	40.3
<b>Cash flow analysis</b>						
Free cash flow	12.5	9.2	6.2	6.7	10.3	14.6
Free cash flow/sales	11.2%	7.2%	4.7%	4.6%	6.3%	8.2%
FCF / net profit	184.8%	120.7%	117.5%	95.7%	107.9%	108.4%
Capex / sales	0.8%	1.0%	1.3%	1.5%	1.5%	1.5%
<b>Solvency</b>						
Net debt	-7.5	0.6	2.5	1.3	-9.0	-23.6
Net Debt/EBITDA	0.0	0.0	0.2	0.1	0.0	0.0
Dividend payout ratio	77.9%	72.5%	104.1%	0.0%	0.0%	0.0%
Interest paid / avg. debt	0.9%	1.0%	1.4%	1.0%	1.1%	1.1%
<b>Returns</b>						
ROCE	12.1%	14.5%	9.2%	12.4%	15.9%	20.3%
ROE	10.5%	13.3%	9.2%	11.9%	14.0%	16.4%
Adjusted FCF yield	3.4%	5.5%	4.3%	5.3%	7.1%	8.3%
Dividend yield	2.8%	3.0%	3.0%	0.0%	0.0%	0.0%
DPS	0.5	0.6	0.6	0.0	0.0	0.0
EPS reported	0.64	0.76	0.53	0.70	0.95	1.34
Average number of shares	10.5	10.0	10.0	10.0	10.0	10.0
<b>Valuation ratios</b>						
P/BV	3.0	3.4	3.3	3.3	2.8	2.3
EV/sales	2.4	1.4	1.4	1.3	1.1	0.9
EV/EBITDA	18.8	10.9	14.9	12.1	8.9	6.2
EV/EBIT	28.0	15.5	24.3	18.5	12.8	8.3

Source: Company data, NuWays

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Company	Disclosures
USU Software AG	2

### Historical target price and rating changes for USU Software AG

Company	Date	Analyst	Rating	Target Price	Close
USU Software AG	13.03.2024	Sennewald, Philipp	Hold	EUR 17.00	EUR 16.25
	24.08.2023	Sennewald, Philipp	Buy	EUR 30.00	EUR 21.00

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