

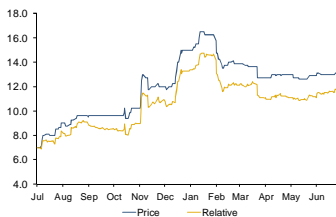
WorkPlace Systems (WSI) *

HOLD

Key Data

Index	FTSE AIM
Price	13p
Market cap	£19.5m
Target price	14p (from 12p)
12 mth price range	7p - 17p
Avg daily volume	89,842
Free float	40.0%
Next news flow	AGM, Aug 2011
Website	www.workplacesystems.com
Last different rec.	Initiation

Price and Price Relative to FTSE All Share



%	1M	3M	12M
Actual	+1.0	+3.9	+89.3
Relative	+0.1	+2.2	+54.3

Source: Datastream

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In line prelims, a growing pipeline

Today's prelims came in line with expectations. WorkPlace's business activity in terms of pilots remains vibrant but the timing of the conversion of these pilots to rollouts remains a key uncertainty. While WorkPlace's transition to a SaaS-based business model is proving to be bumpy, the substantial pipeline suggests that the medium-term opportunity is still attractive. In addition, the balance sheet remains in good shape with net cash of £2.3m. We retain our Hold recommendation.

■ **Prelims detail a pipeline of opportunities** WorkPlace prelims came in line with our estimates which was lowered at 22 March trading update. In FY 2011, WorkPlace reported a PBT of -£349k in comparison to our forecast of -£400k. WorkPlace remains debt free and the FY 2011 net cash of £2.3m pleasingly came ahead of our net cash forecast of £2.0m. In terms of outlook, while the decision making within a number of customers remains cautious, we understand that the business has remained on budget in the first two months of FY 2012E. WorkPlace details that "levels for both the Company's SaaS and On Premise customer base have continued to grow and provide the basis for strong confidence in the future".

■ **The pipeline for SaaS deals remains robust** WorkPlace's SaaS business has grown from 17% of revenue in FY 2010 to 27% of revenue in FY 2011. In the UK, there are eight pilots ongoing for the SaaS Workforce Management solutions (*WorkPlace OnLine*). These pilots are with major retail and leisure groups with contract value ranging from £350-700k per year. As flagged in the March trading update, the key challenge remains the timing of the transition of the pilots to commercial rollouts. We understand only one of the eight pilots is a competitive bid and we estimate that four to five of these pilots need to be converted to meet our unchanged FY 2012E estimates.

■ **Building momentum in North America** WorkPlace's momentum in North America continues to build in particular due to the significant opportunity to grow within its major US customer i.e. by bringing more of this customer's workforce on to the WorkPlace solutions. WorkPlace is also building a pipeline of "a number of other large US groups" and developing a reputation as a specialist in the pharmacist area.

■ **Estimates remain unchanged** We leave our FY 2012E estimates unchanged. We note that our forecasts for FY 2013/14E will prove to be conservative should WorkPlace successfully convert its pipeline and deliver on FY 2012E expectations. As a result, we retain our Hold recommendation and move our target price to 14p (from 12p).

Year to	Sales	Adj PBT	Tax	Adj EPS	PER	Div	Yield	Net cash	EV/
Mar	£m	£m	%	p	x	p	%	£m	EBITDA
2010A	9.1	0.1	0.0	0.0	390.9	0.0	n/a	2.1	45.0
2011A	9.1	-0.3	0.0	-0.2	n/a	0.0	n/a	2.3	172.7
2012E	11.7	1.5	0.0	1.0	13.5	0.0	n/a	3.4	9.0
2013E	12.4	1.7	0.0	1.1	11.7	0.0	n/a	5.0	8.1
2014E	13.2	1.9	0.0	1.3	10.2	0.0	n/a	6.9	7.2

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Where reference is made to Last Different Core Rec this covers the period of the preceding twelve months from the date of this document.

Where the company's reporting currency is other than sterling, the PER, Yield and EV/EBITDA are calculated on a sterling basis using a daily exchange rate and so fluctuations in the exchange rate will be reflected in these calculations.

Altium Securities Research - Recommendation Definition

Altium has adopted the recommendation structure summarised below. All views are predicated on a market neutral basis and the valuation approach(es) adopted in arriving at the recommendation are detailed within the research report.

Recommendation (12 months)	
Buy	10% or greater upside
Hold	+10%/-10% variation
Sell	10% or greater downside

Summary Profit & Loss (£m)

Year to Mar	2010	2011	2012E	2013E	2014E
Revenues	9.06	9.10	11.67	12.40	13.17
Gross profit	8.23	8.13	10.42	11.07	11.77
EBITDA	0.39	0.10	1.90	2.12	2.36
Administration expenses	(8.18)	(8.48)	(8.97)	(9.41)	(9.86)
Operating profit (loss)	0.05	(0.36)	1.45	1.67	1.90
Finance income	0.09	0.00	0.01	0.01	0.01
PBT	0.05	(0.35)	1.45	1.68	1.92
Taxation	-	-	-	-	-
Profit for the year	0.05	(0.35)	1.45	1.68	1.92
Exchange difference	(0.01)	(0.04)	-	-	-
Non-controlling interests	0.00	0.03	-	-	-
Retained Profit	0.04	(0.42)	1.45	1.68	1.92

Per Share Data

Year to Mar	2010	2011	2012E	2013E	2014E
Basic EPS (p)	0.03	(0.24)	0.98	1.14	1.30
Diluted EPS (p)	0.03	(0.24)	0.89	1.02	1.17
DPS (p)	-	-	-	-	-
FCF / share (p)	0.1	0.4	0.8	1.3	1.4
Net Assets / share (p)	0.0	0.0	0.0	0.0	0.1
Ave no of shares (FD) (m)	163.1	163.9	163.9	163.9	163.9

Summary Cash Flow (£m)

Year to Mar	2010	2011	2012E	2013E	2014E
Operating profit (loss)	0.0	(0.4)	1.4	1.7	1.9
Share based payments	0.1	0.1	0.1	0.1	0.1
Dep. and amort.	0.3	0.5	0.5	0.5	0.5
Working capital movement	(0.3)	0.5	(0.6)	(0.1)	(0.1)
Other	-	-	-	-	-
Operating cash flow	0.2	0.7	1.4	2.1	2.3
Exchange differences	(0.0)	(0.0)	-	-	-
Net operating cash flow	0.2	0.6	1.4	2.1	2.3
Net capex	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Operating FCF	0.1	0.6	1.4	2.1	2.3
Net (Acquisitions)/Disposals	(0.4)	(0.4)	(0.2)	(0.4)	(0.4)
Dividends	-	-	-	-	-
Share Issues	0.0	0.0	-	-	-
Net borrowings	-	-	-	-	-
Increase in Cash/(Debt)	(0.3)	0.2	1.2	1.6	1.9
Opening Cash/(Debt)	2.4	2.1	2.3	3.4	5.0
Exchange rate effects	(0.0)	(0.0)	-	-	-
Closing Cash/(Debt)	2.1	2.3	3.4	5.0	6.9

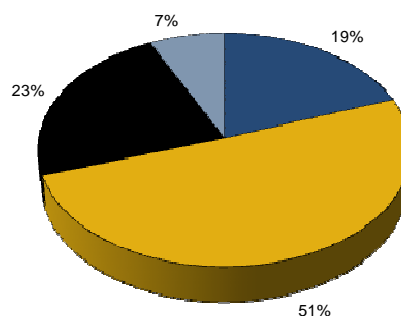
Balance Sheet (£m)

Year to Mar	2010	2011	2012E	2013E	2014E
Goodwill	1.7	1.7	1.7	1.7	1.7
Other intangible assets	0.7	0.8	0.8	0.9	1.0
Tangible Assets	0.4	0.3	0.3	0.2	0.2
Net Working Capital	9.3	8.8	11.1	13.1	15.3
Capital Employed	12.2	11.7	13.9	15.9	18.1
Net Cash/(Debt)	2.1	2.3	3.4	5.0	6.9
Net Assets	4.0	3.7	5.2	7.0	9.0

Performance ratios

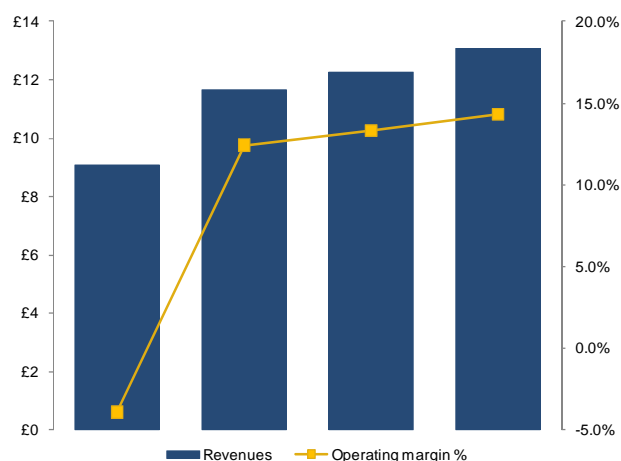
Year to Mar	2011	2012E	2013E	2014E
Total Sales Growth %	0.4%	28.2%	6.3%	6.2%
Operating profit Growth %	-	-	15.3%	14.1%
PBT Growth %	-	-	15.4%	14.3%
EPS Growth %	-	-	15.4%	14.3%
Dividend Growth %	-	-	-	-
Operating margin %	-3.9%	12.4%	13.5%	14.5%
PBT margin %	-3.8%	12.5%	13.5%	14.6%
ROCE	-3.0%	10.4%	10.5%	10.5%

Revenue breakdown (FY 2011)



■ Software licence ■ Recurring revenue ■ Consultancy ■ Other

Revenue and operating margin progression



Operating Efficiency and Solvency

Year to Mar	2011	2012E	2013E	2014E
Net Debt/EBITDA x	cash	cash	cash	cash
Cash conversion %	-79%	63%	94%	94%
Net Capex / Depreciation x	0.4	0.4	0.4	0.4
Working Capital / Sales %	96.4%	95.6%	105.7%	116.3%
Net Capex / Sales %	0.4%	0.3%	0.3%	0.2%
Interest Cover x	na	na	na	na
Dividend Cover x	n/a	n/a	n/a	n/a

Valuation ratios

Year to Mar	2011	2012E	2013E	2014E
EV/Sales x	1.9	1.5	1.4	1.3
EV/EBITDA x	172.7	9.0	8.1	7.2
EV/Operating profit x	-48.2	11.8	10.2	9.0
PER (adjusted) x	-56.1	14.9	12.9	11.3
Dividend Yield %	0.0%	0.0%	0.0%	0.0%
FCF Yield %	3%	7%	11%	12%
EV/EBITDA @ target price	186.0	10.9	9.7	8.8
PER (A) @ target price x	-59.2	15.8	13.7	12.0