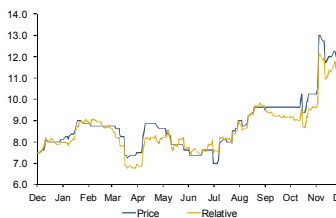


Key Data

Index	FTSE AIM
Price	12p
Market cap	£17.7m
Target price	12p
12 mth price range	7p - 13p
Avg daily volume	85,466
Free float	40.0%
Next news flow	Prelims, Jun 2011
Website	www.workplacesystems.com
Last different rec.	n/a

Price and Price Relative to FTSE All Share



%	1M	3M	12M
Actual	+17.1	+26.3	+60.0
Relative	+18.1	+16.7	+45.1

Source: Datastream

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Interim results

The interims confirmed the strong pipeline of opportunities and continued growth in WorkPlace Online as the group transforms itself to a SaaS provider. As highlighted at the time of the trading update, challenging trading conditions and protracted decision processes led to the deferral of a number of orders into H2. As a result of the delayed orders, H1 saw a loss of -£0.48m and leads us to decrease our estimates for FY 2011E. The signing of a number of these deferred contracts in H2 and the strong pipeline of opportunities is encouraging. We leave our FY 2012E PBT estimates unchanged. We retain our 12p target price, which is in line with the current share price. As a result our recommendation changes to Hold (Buy).

- **WorkPlace Online gains traction** The total number of organisations using the SaaS product now stands at over 130 and covers tens of thousands of users globally. It is encouraging to see that since the end of H1, WorkPlace Online has signed a number of new customers. The pipeline of opportunities remains strong, with interest from a number of large organisations across each of the major geographies of the UK, US and Australia.
- **Details of results** Revenue for H1 2011 increased 6% to £4.7m, despite the delayed orders. However, overheads increased significantly to £4.6m following the investment in the hosting of the SaaS product, expansion in the US and a full period of the Australian subsidiary. This led to a loss of -£0.48m in H1. Since the end of H1, management has undertaken cost reductions equating to savings of £0.5m per year which alongside growing revenues will improve profitability going forwards.
- **Increased recurring revenue** The level of recurring revenue increased to 54% in H1 (H1 2010 41%) as the transition occurs to the SaaS business model from the on-premises solutions. We expect this trend to continue as more SaaS deals are signed improving visibility for the group as a whole.

Table 1: Revised Estimates

Year to	Sales (£m)		PBT (£m)		EPS (p)		DPS (p)	
	New	Old	New	Old	New	Old	New	Old
2011E	10.2	10.8	0.4	1.5	0.2	0.9	0.0	0.0
2012E	12.5	11.3	1.9	1.9	1.1	1.1	0.0	0.0

Source: Altium Securities

- **Changes to estimates** As a result of the delayed orders we reduce our estimates for PBT in FY 2011E from £1.5m to £0.4m. We do however keep our estimates unchanged for FY 2012E to reflect the positive momentum following the signing of a number of SaaS customers in H2 and the strong pipeline of opportunities.

Year to	Sales	Adj PBT	Tax	Adj EPS	PER	Div	Yield	Net cash	EV/
Mar	£m	£m	%	p	x	p	%	£m	EBITDA
2009A	9.6	-0.4	0.0	-0.2	n/a	0.0	n/a	2.4	-41.9
2010A	9.1	0.1	0.0	0.0	390.9	0.0	n/a	2.1	100.7
2011E	10.2	0.4	0.0	0.2	51.9	0.0	n/a	2.8	18.4
2012E	12.5	1.9	0.0	1.1	10.5	0.0	n/a	4.3	5.7

*Altium Capital acts as broker and advisor to this company. Altium Securities makes markets in this stock.

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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