

19 June 2008

WorkPlace Systems International

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (x)	Yield (%)
03/07	8.8	(1.5)	(0.9)	0.0	N/A	N/A
03/08	10.8	1.2	0.9	0.2	12.4	1.9
03/09e	12.4	2.1	1.4	0.3	7.5	2.8
03/10e	13.5	2.6	1.8	0.4	6.0	3.7

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: Work in progress

WorkPlace has a heavily invested, leading software solution and an enviable blue chip client base. In addition the group has reinvigorated management, a strong balance sheet, sustained profitability from H207 and, importantly, significant visibility of future revenues. We forecast that earnings will double over the next two years and highlight valuation upside towards 20p in the medium-term.

Management and strategy: Slimmed down and focused

Barney Quinn, the CEO, has streamlined the company, closing offices in the US and the UK. He has focused the sales force on account management, increasing average selling prices and concentrating particularly on the major opportunities in the retail sector. This is contributing to encouraging order flow, increasing visibility of medium-term revenues and an operational geared uplift in profits.

Financials: Back to black and with robust balance sheet

WorkPlace returned to profit in H207 and free cash flow swung around to a £0.5m inflow in FY08. Net cash rose to c £2.7m as at 31 March and we forecast it will surpass £4m by 31 March 2009. We forecast that the 'roll-out' of software by retail customers underpins revenues increasing to £12.4m in FY09 and £13.5m in FY10, and with EBIT of £2.0m in FY09 and £2.4m in FY10 as margins approach 20%.

Preliminary results: Cautious on pipeline conversion

We note a more cautious tone from the management in the results, reflecting the current global economic environment, hence we have made conservative assumptions on new licence wins for the next two years. However, the recent signing of its first significant software contract in the US (Armani Exchange) as well as the first contract for the new Workplace Task Management solution augurs well.

Valuation: Cheap on both PE and DCF measures

The stock trades on 7.5x our FY09 forecasts falling to just 6x in FY10. Our DCF model, which assumes a weighted average cost of capital of 15%, values the shares at 19.1p – this is c 80% above the current share price.

Price 10.75p
Market Cap £16m

Share price graph



Share details

Code WSI
Listing AIM
Sector Software & Computer Services
Shares in issue 146.6m

Price

52 week High 12.25p Low 7.25p

Balance Sheet as at 31 March 2008

Debt/Equity (%) N/A
NAV per share (p) 4.4
Net cash (£m) 2.7

Business

WorkPlace is a world leader in the development and supply of software products for workforce management.

Valuation

	2008	2009e	2010e
P/E relative	95%	72%	62%
P/CF	N/A	9.3	6.5
EV/Sales	1.2	1.0	1.0
ROE	20%	27%	28%

Revenues by geography (FY09 estimate)

	UK	Europe	US	Other
	75%	15%	10%	0%

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Investment summary: Visibility of sustainable growth

Company description: Workforce management software provider

WorkPlace is a leader in the development and supply of software products for workforce management. Its modules address all areas of staff planning and tracking based on an underlying proprietary software algorithm and around two core software platforms. Major application modules include: Labour Budgeting, Workload Demand Forecasting, Staff Scheduling, Roster Management, Time and Attendance, Work Planning and Tracking, Performance and Productivity, Mobile Working and Advanced Planning System for the manufacturing sector. WorkPlace differentiates its solutions with a sole focus on workforce management, sophisticated multi-country and multi-language functionality and high level consulting. Customers include Argos, BA, BAe Systems, Focus (DIY) Ltd, Metro Cash & Carry, Rank Leisure, Next, Severn Trent, Wickes/Travis Perkins and Whitbread.

Sensitivities: Mild economic slowdown could increase demand

WorkPlace could arguably be viewed to having counter-cyclical characteristics, as falling profitability might encourage potential customers seek to improve the efficient utilisation of their staff. However, the key risk to our forecasts is that an economic downturn squeezes IT budgets and leads to delays or cancellations in orders.

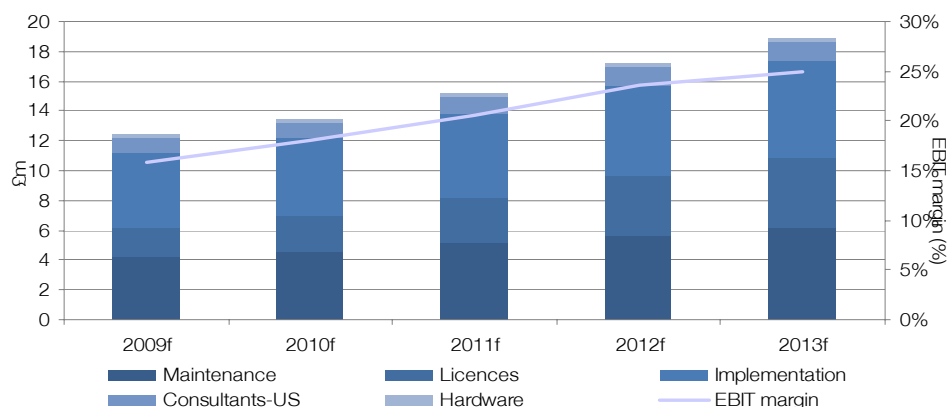
Financials: Free cash flow positive, improved revenue visibility

After reporting healthy profits in FY00 and FY01, WorkPlace recorded losses in FY02 and FY03, returned to profit at the operating level in FY04 and FY05, before making losses again in FY06 and FY07. With refreshed management WorkPlace returned to profit again in H207 and finished FY08 with £1.2m of PTP and £2.7m of cash. With the Q407 restructuring cutting group costs by £2m and the roll-out of software by major retail customers underpinning revenues, we forecast a strong uplift in profits and normalised earnings to more than double over the next two years.

Valuation: Cheap on most measures

The stock trades on 7.5x our forecasts in FY09 falling to just 6x in FY10. Our DCF model, which assumes a weighted average cost of capital of 15%, values the shares at 19.1p. As we show in Exhibit 1, we believe the group is well positioned to deliver a target £20m of revenues in the medium-term, margins of around 25% and high cash conversion.

Exhibit 1: Group revenue and margin forecasts



Company description: Workforce optimiser

Develops, supplies, implements workforce management software

WorkPlace Systems was established in 1986 in Milton Keynes by Ian Lenagan (current Chairman and major shareholder) with the aim of developing, selling and implementing standard solutions in the emerging markets for workforce management software. The company developed the core software algorithms for managing complex staff scheduling and began by selling Time and Attendance and Work Tracking software to blue chip companies. It later developed specialist staff scheduling and resource planning modules for the manufacturing, utility, telecom and rail markets.

The group acquired Care Interactive Software in 1988 to move into the retail scheduling market and purchased Insight Logistics (2000) and Solus (2001) for continuous manufacturing and aviation workforce scheduling products respectively. Labour Systems International Inc (LSI) – a US consultancy firm specialising in retail consultancy – was acquired in 2005 with the goal of establishing a worldwide workforce management consultancy business.

WorkPlace listed on the main market of the London Stock Exchange in August 2000 as TeleWork Group plc. The company's equity was valued at £262m at the 145p IPO price, at £363m immediately after the flotation, and in the following weeks peaked briefly at c £800m. The group in those days included telecoms software unit TeleWare, which was sold to its management in June 2003 for £5.2m. The company then changed its name to WorkPlace Systems International plc and it transferred its listing to AIM in August 2005. WorkPlace has a fairly traditional software business model with high margin software sales, supported by specialist consulting and implementation services and ongoing maintenance contracts.

Management: Recently reinvigorated

When Barney Quinn was appointed Chief Executive in November 2006 the share price was a little above 3p, valuing the equity at c £5m. He found a business with no debt, a highly developed and market leading software product (over 20 years of development) and with an enviable blue chip client base. But the company had a bloated cost base – the legacy of acquisitions. Mr Quinn streamlined the company, closing the Atlanta office in the US and two offices in the UK at a cost of £0.6m. These moves generated annual savings of c £2m. WorkPlace now operates out of four offices – Milton Keynes, Reading and Rossendale, Lancashire in the UK and St Louis, Missouri in the US. In addition he has focused the sales force on account management and increasing the average selling price of the software. Consequently, WorkPlace has begun to win more business.

Strategy: Focus on retail, transportation and media sectors

While the business has a range of products and add-ons tailored for different industries, the sales force is focusing its attention on the retail (Staff Planner brand) and transportation (Staff Tracker/Work Tracker brands) and media sectors. There is a substantial market to tap in these sectors over the next few years but we would expect the company to broaden its focus as the business expands.

Competitive environment: Strong in US but weak in Europe

The workforce management software industry is fairly well established in the US. However, competition is relatively subdued in Europe largely due to the complex labour laws and the language issues. The structure of the global competitive environment is as follows:

- **Pure competitors.** The majors include Kronos, Blue Cube and Workbrain (all US-based).
- **Specialists.** An example includes the Canadian firm Hastus which focuses on rail and bus as well as the many time and attendance software providers worldwide.
- **SAP/Oracle.** Oracle and SAP offer add-ons in time and attendance and scheduling. Here the sale is generated in the boardroom or via a systems integrator. In our view WorkPlace's complex algorithms give it a considerable advantage over Oracle and SAP.
- **Quoted UK HR/workforce management companies.** Investors often compare WorkPlace with: Bond International Software (software to the global recruitment and HR industries); Manpower Software (develops, supplies and supports workforce planning and duty rostering software globally); and ServicePower (provides scheduling solutions for workforce management, mainly in the US) albeit which is currently undergoing a major refinancing. However, these companies are not direct competitors.

We believe the major differentiators of WorkPlace's solution are: the breadth and depth of its sophisticated functionality; complexity of the underlying algorithm; and the easy to use front-end. Further, the multi-country functionality (understanding different employment laws and regulations as well as language) together with the know-how to implement well give it a distinct advantage.

Revenue growth drivers: Cutting customers costs

WorkPlace's customer base is currently spread across a range of sectors from emergency services and healthcare to manufacturing, retail, transport and utilities. While there is no limit to the sectors that the software can be marketed to, the product is most effectively targeted at industries with large workforces. The company itself is limited by the size of its sales force and consultants.

Retail: Roll-out by major retailers a major opportunity

The retail solution StaffPlanner has five modules: Time & Attendance, Scheduling, Forecasting, Budgeting and the recently released Task Management. Customers will typically purchase the Scheduling and Forecasting modules and possibly Time & Attendance which is a generic solution offered by many competitors. WorkPlace has 23 existing retail clients – we estimate taking an average of two (out of the five available) modules each. Only one customer is taking four modules.

Key drivers include:

- 1) **Cost cutting.** WorkPlace believes its solutions can reduce labour costs by 3–8%. This is particularly important in businesses like retail where employee costs represent a substantial slice of operating costs and operating margins can be thin.
- 2) **Limited penetration.** Only some 20% of retailers have a scheduling solution and 50% have a time and attendance solution and they typically have little in-house expertise.
- 3) **Specialist skills required.** A scheduling module is difficult software to implement and WorkPlace has established considerable expertise in this field. This is because it has developed labour standards know-how across many countries and has the experience of implementing its solutions in many languages and legislations.
- 4) **Service level improvement.** WorkPlace believes its solutions can help increase revenue typically by 1% and improve staff retention and significantly reduce queue length.

Recently Metro Cash & Carry, a division of Metro Group, the world's fourth largest retailer, cut its labour costs by 3–7% varying by country and cut customer queues by 50% following a pilot using web-based Workforce Management software from WorkPlace. Metro is now a major WorkPlace customer.

WorkPlace estimates there are roughly 100 large multi-national retailers (with number of stores ranging from 1,000 to 12,000) which it is targeting, and it is in active discussions with 20 of these potential customers. The roll-out strategy of major retail customers underpins revenue visibility as they roll-out store-by-store and country-by-country over multi-year programmes.

Transportation and media: High recurring revenue

Staff Tracker/Work Tracker are Oracle based solutions which handle discrete workforce scheduling and real time rostering. Customers include major airlines and rail operators as well as a large UK media organisation.

Key customer benefits include:

- Reduced administrative costs, paperwork and manpower.
- Improved labour utilisation.
- Control of legislative and agreed practices – health and safety and working time Directives.
- Reduced absence and overtime.
- Fraud prevention through employee accountability.
- Improved service level to customers and accurate service measurement.

This sector represents a significant proportion of the group's maintenance revenues and is highly cash generative. There is scope for growth, particularly from up-selling to existing customers. Customers include: BA, BAA, Eurostar, EWS Railway, GNER, Kuwait Airways, Menzies Aviation, 'one' railway, Serviceair, South West Trains and Virgin Atlantic.

US business: First major software sale highlights opportunity

In September 2005 WorkPlace acquired the US consultancy LSI, which specialises in retail sector labour standards, initially with the goal of establishing a worldwide workforce management consultancy business. The unit had a good utilisation but the cost base was high and the Atlanta office was recently closed. The business is now operating solely out of St Louis, Missouri – conveniently near the centre of the US.

The consultancy is used globally to implement labour standards and following the recent hiring of a salesperson is now attempting to convert its consulting relationships (25 of top 100 retailers – eg Home Depot, JC Penny, Toys R Us) into software sales. The recent sale to a prestigious east coast retailer (which took the Time & Attendance, Scheduling and Forecasting modules) highlights the opportunity. Competition is strong in the US but management has demonstrated that WorkPlace software is easier to use and with greater functionality than its competitors.

Software as a Service: Early investment

WorkPlace has recently purchased 25% of Australian application service provider (ASP) company WorkBuddy Pty and WorkPlace holds exclusive distribution rights for its ASP service and products in the US and UK. WorkBuddy specialises in Workforce Management solutions for the lower end of the market focusing on Time & Attendance and Rotas.

The market for this solution would include smaller store chains (eg five to six stores), pubs and restaurants. We believe WorkPlace would need a partner to fully exploit this opportunity, ie a technology company with the appropriate established client base. Given the nascency of this business we have excluded it from our forecasts.

Business model: Licensing, consulting and maintenance

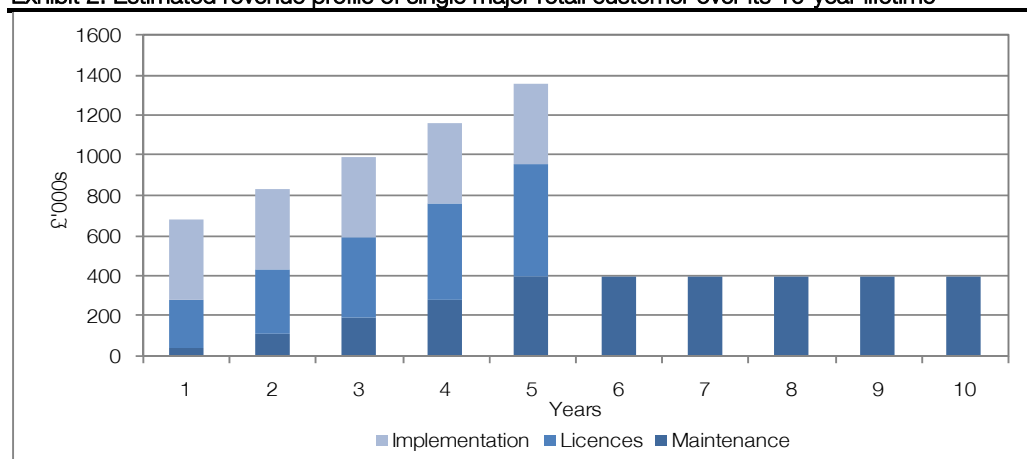
WorkPlace has traditionally sold software licences priced by number of personnel managed and marketed implementation services around them. However, with the focus now on the retail sector, software licences are typically priced on a per site basis (as conservative retailers choose to test the software in a store or country and then phase the full company wide implementation and capital cost over a longer period). WorkPlace's consultants typically implement the software, helping customers roll-out on a site-by-site and country-by-country basis.

In addition, the company offers high-level consulting and project management, and maintenance contracts are standard practice. WorkPlace employs 22 consultants in the UK who deal with implementation and maintenance. Utilisation has expanded from 60% to 85% over the last two years and the company plans to recruit a further seven consultants in the current year to meet demand. The US business employs eight consultants to deal with global retail sector labour standards.

Revenue profile: Retail customers drive high revenue visibility

For illustration purposes in Exhibit 2, we have generated a prospective revenue profile for a typical large retail customer, ie rolling out WorkPlace's StaffPlanner software across its store network over five years. Our assumptions in the chart are as follows:

- **Licences.** WorkPlace typically licenses its software for the first two modules at c €1k per store in a big roll-out. In the chart we have assumed a total of 2,500 sites (current customers range in number of stores from around 200 to 12,000) are rolled out on an ascending basis over five years at £800-per-site for an aggregate licence value of £2m. Other modules may be licensed additionally during the period.
- **Implementation.** Customers usually order consulting and implementation upfront and the implementation process can take three to nine months per site. We assume two consultants are hired out at £1,000 per day, 200-days-a-year, over five years to implement the software.
- **Maintenance.** An Annual Use Licence Maintenance Agreement (AULM) is standard practice, charged at 20% pa, and subject to indexation. We have assumed maintenance is charged at 20% over the installed software base.
- **'£1m-a-year contracts'.** Average customer life is around 10 years. As the chart shows, a typical retail customer in the early years can be expected to generate revenues of £0.5m to more than £1.0m a year roughly split into thirds between each of licensing, implementation and maintenance over time. After five years maintenance is the only contracted income but obviously WorkPlace has the opportunity to 'up-sell' new modules over time.

Exhibit 2: Estimated revenue profile of single major retail customer over its 10-year lifetime

Source: Edison Investment Research

Financials

WorkPlace grew strongly in the 1990s and listed on the stock exchange near the peak of the technology boom in August 2000. After reporting healthy profits in FY00 and FY01, the company recorded losses in FY02 and FY03, returned to profit at the operating level in FY04 and FY05 before making losses again in FY06 and FY07. WorkPlace returned to profit again in H207 and in FY08 made £1.2m of PTP and finished the year with £2.7m of cash. Following the restructurings the group is now much better placed for sustainable growth in our view.

Profitability and cash flow: H1 return to profit and cash inflows

In FY08 WorkPlace reported a £1.1m operating profit compared with a £1.6m (before restructuring costs of £0.6m) loss in FY07. Free cash flow swung around to a £1m inflow in FY08 after a £1.9m outflow in the previous year. However, a tax refund (£0.3m) and property disposals/capex (net: £0.6m inflow) were more than offset by the increase in working capital (£1.3m). WorkPlace has a healthy balance sheet with £2.7m cash at 31 March (£1.9m at 31 March 2007) and no debt.

Cost structure: Significant reduction in overheads

Employee costs (which include consultants and sales force) are the main outgoing. Staff costs took £6.5m in FY06 rising to £7.1m in FY07, and the ratio of staff costs to revenues climbed above 80% in FY07 compared to just 65% in FY05. Included in staff costs is Research & Development which was £2.4m in each of FY06 and FY07 and involves around 40% of the workforce. However, R&D is substantially customer-funded. We estimate central R&D in FY08 including the development of Task Management was c £0.8m. We estimate that staff costs fell significantly in FY08 to c £6.6m given the FY07 restructuring which involved concentrating the US operation at St Louis and making 20 redundancies in the UK. After also taking into account revenue growth we have estimated the ratio of staff costs to revenues to fall steeply in FY08 to just above 60%.

Exhibit 3: Staff cost analysis

	2004a	2005a	2006a	2007a	2008a	2009f
Revenues (£'000s)	10,664	7,680	8,291	8,808	10,844	12,431
Staff costs (£'000s)	5,973	4,955	6,504	7,119	6,619	7,678
Staff costs/revenues	56.0%	64.5%	78.4%	80.8%	61.0%	61.8%
Average employees	134	112	127	138	113	125
Revenues/employee (£'000s)	80	69	65	64	96	99
Costs/employee (£'000s)	45	44	51	52	59	61
Margin (£'000s)	35	24	14	12	37	38

Source: Company accounts/Edison Investment Research (Note: FY08 data are estimated)

P&L forecasts: Conservative key assumptions

We have treated costs differently to how they have appeared historically, noting that the company has begun reporting under IFRS. In our forecasts we have treated customer-financed R&D as a cost of sales. Our key forecast assumptions are as follows:

Exhibit 4: Forecasts

WorkPlace Systems	2007a	2008a	2009f	2010f	2011f
Revenues (£'000s)					
Total licences			1,925	2,329	3,061
Maintenance			4,300	4,600	5,117
Implementation			4,973	5,275	5,587
Consultants - US			1,050	1,100	1,150
Hardware			184	193	202
Group Revenue	8,808	10,844	12,431	13,497	15,118
Growth %	6.2	23.1	14.6	8.6	12.0
Gross Profit					
Gross Margin %			50.6	51.7	53.6
Central costs			(4,320)	(4,536)	(4,990)
Group EBIT	(1,638)	1,137	1,972	2,442	3,115
EBIT Margin %	(18.6)	10.5	15.9	18.1	20.6
Growth %	N/A	N/A	73.5	23.8	27.6
Interest			137	204	294
Profit before tax			2,109	2,646	3,410
Tax charge			0	0	(852)
Profit after tax			2,109	2,646	2,557
Reported EPS (p)			1.44	1.80	1.74
P/E - Reported EPS			7.5	6.0	6.2

Source: Edison Investment Research

- Licences.** Our forecasts are conservatively based on one new customer win in FY09 and two in FY10 rising to five-a-year in the medium term. Our conservative assumptions are that the average annual licence rises from £225k in FY09 to £250k in FY10 and that each new licence is rolled out over five years (ie total software revenue per customer of c £1m). We model revenues from existing customers rolling out across their networks and assume modest additional modules from up-sell to existing customers. This does not take into account any potential benefits from the development or acquisition of further modules. We have assumed 100% gross margins.

Exhibit 5: Licence assumptions

	2009f	2010f
Number of new customers	1	2
Average initial licence (£'000s)	225	250
Licences - new customers	225	500
Licences - roll out of existing customers	1,400	1,475
Licences - additional modules	300	354
Total licences (£'000s)	1,925	2,329
change %		21.0

Source: Edison Investment Research

- Maintenance.** We have assumed £4.3m revenues in FY09 rising to £4.6m in FY10. This includes a small amount of hosting revenue. We have assumed 50% gross margins.
- Consultants/implementation.** We have assumed 25 consultants in FY09 increasing by around one a year in the medium term, a charge rate of £1,000 per day (growing 2% pa) and utilisation of 75%. We assume 40% margins. For the US consultancy business we have assumed c £1m of revenues and 20% gross margins.

- **Hardware.** This small revenue stream represents clocks which are sold for c £400 each. We have assumed this business generates c £200k per year in revenues, and assumed 10% gross margins.
- **Central costs and tax.** We have assumed costs of £4.3m in FY09 and £4.5m in FY10. We have assumed there will be no tax charge until FY11 given the company's £7m tax losses.

Cash flow and balance sheet forecast assumptions

In Exhibit 7 we show that property disposals boosted cash inflows in FY08 and have also substantially reduced tangible fixed assets. We assume that working capital expands above trend in FY09–12 as the company positions itself for growth. Our assumption is that gross capex represents 2% of sales and working capital expands at 0.5% of sales over the long term. We have assumed dividends are paid out from FY09. We have ignored any potential tax benefits from R&D as was experienced in FY07 and FY08. We reach forecast year end net cash of £4.1m in FY09 and £6.0m in FY10.

Sensitivities

- **Business cycle.** While there is some evidence that an economic downturn may encourage companies to more actively seek ways to reduce costs and effectively manage their workforces, a more severe downturn would induce customers to slash investment and put greater limitations on their IT budgets.
- **Technological risks.** Competitors might succeed in developing superior products.
- **Other competitive factors.** US majors might seek more actively to move into Europe.
- **Staff issues.** The gain or loss of key staff could have a significant impact on this business. The company could have challenges recruiting in Milton Keynes and St Louis.
- **Customer roll-outs.** Our forecasts are dependent upon the pace of customer roll-outs of WorkPlace software.
- **Legal risks.** There are general legal risks in respect of doing business in the US. Widening the model to license software could be expected to increase these risks.

Valuation: Cheap on most measures

We note a slightly more cautious tone from management in the preliminary results, reflecting the current economic backdrop. However, the order pipeline remains very healthy and current roll-outs across most of the group's major customers remain on track.

- **Improved revenue visibility.** WorkPlace has accelerated its pipeline in the last six months. The business is perhaps benefiting from the current economic uncertainty as companies are more inclined to seek ways to cut costs – WorkPlace's software is proven to do just that. Timing is uncertain but the company is talking to around 20 prospective '£1m-a-year' retail customers.
- **Dividends.** We expect the company to be highly cash generative going forward. In the April trading statement the company said it expects to resume paying dividends beginning with 0.2p for the year to 31 March 2008 and thereafter paid semi-annually. We anticipate annual dividends of 0.3p and 0.4p in FY09 and FY10 respectively providing respectable yields of 2.6% and 3.4%.
- **Discounted cash flow valuation.** Based on our forecasts and a weighted average cost of capital (WACC) of 15%, our DCF model values the shares at 19.1p, c 80% above the current share price. However, discounting back from our forecasts, the market is

attributing a very high break-even WACC (23%) to the stock (see Exhibit 6, Group DCF Scenarios).

- **Traditional valuation measures.** In traditional valuation terms, the stock trades on 7.5x our forecasts in FY09 falling to 6.0x in FY10. The stock trades on just 1.0x FY10 revenues, which is an attractive valuation compared with the company's peers and its own historical trading patterns as well as recent deals in the sector.
- **Sector M&A.** We believe consolidation will remain a feature of the sector with potential consolidators including direct workforce management competitors to payroll/HR providers wishing to extend their offerings and possibly private equity. We note that a number of the major players have been purchased in recent years. Blue Cube was acquired by RedPrairie in 2006; Kronos was bought by private equity firm Hellman & Friedman Capital Partners LLC in Mar 2007 for \$1.74bn or 3x FY06 revenues; while Workbrain was taken over by Infor in April 2007 for \$227m or about 2.4x FY06 revenues.
- **Future potential.** The company, while known as TeleWork, generated £17.4m of revenues in FY00 and £21.9m in FY01. Operating profits in those years were £2.9m and £5.5m respectively. In our view there is a reasonable chance these numbers will be surpassed in over the next few years. Clearly we are not forecasting a repeat of tech boom valuations. However, if our forecasts are met, and the company is able to maintain an outlook for sustainable growth rather than reverting to the erratic performance of recent years, we believe there is good potential for WorkPlace shares to generate excellent returns over the next few years. In Exhibit 1 we present what growth could look like over the next five years with revenues heading towards £20m and margins lifting to around 25%.

Exhibit 6: Valuation

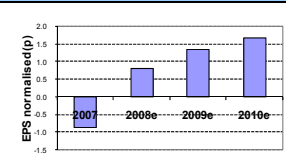
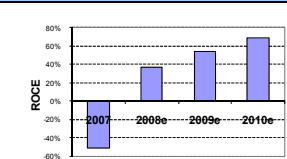
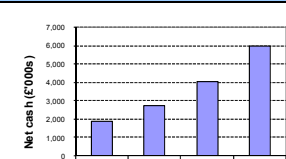
DCF valuation	% owned	£m	- Per share --	Assumptions				
WorkPlace Systems	100.0%	25.4	17.3p	WACC: 15%		Number of shares	146.8m	
						Share price	10.8p	
						Market capitalisation	£15.8m	
Group Enterprise Value		25.4	17.3p					
Less: Adjusted net (debt)/add cash		2.7	1.9p					
Group Equity Value (£m)		28.1	19.1p			Up / (down)side from current price		78%
Ratio Analysis	2009f	2010f	Grp DCF Scenario's		-----Terminal growth rate-----			
					3.00%		6.00%	
EV/Sales	1.0	1.0						
EV/EBITDA	5.9	4.9		30.00%	7.6p		7.6p	
EV/EBIT	6.6	5.3		25.00%	9.5p		9.6p	
Price/Book	2.1	1.7		20.00%	12.8p		13.1p	
Price/Earnings	8.1	6.4		15.00%	19.1p		20.5p	
Price/Op Cash Flow	9.3	6.5		10.00%	35.8p		46.8p	
ROE	27%	28%						
Gearing	(36%)	(29%)						
Interest Cover	(14.4)	(12.0)						
				Breakeven WACC		22.8%		23.0%
Peer comparison (Year 2)	EV/Revs	EV/Ebitda	Revenue sensitivity					
Bond International Software	1.2	8.4	Multiple	1.0x	1.5x	2.0x	2.5x	3.0x
Manpower Software	2.0	12.2	Revenue Y2 (£m)	12.4	12.4	12.4	12.4	12.4
			Implied EV (£m)	12.4	18.6	24.9	31.1	37.3
			Net (debt)/cash (£m)	2.7	2.7	2.7	2.7	2.7
Median	1.6	10.3	Grp equity value (£m)	15.2	21.4	27.6	33.8	40.0
Mean	1.6	10.3						
WorkPlace Systems	1.0	4.9	Per share (p)	10.3	14.6	18.8	23.0	27.3

Source: Edison Investment Research

Exhibit 7: Financials

	£'000s	2006	2007	2008	2009e	2010e	2011e
Year end 31 March		UK GAAP	UK GAAP	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		8,291	8,808	10,844	12,431	13,497	15,118
Cost of Sales		(375)	(334)	(4,737)	(4,662)	(5,736)	(6,803)
Gross Profit		7,916	8,474	6,107	7,770	7,761	8,315
EBITDA		(1,186)	(1,492)	1,276	2,196	2,685	3,388
Operating Profit (before GW and except.)		(1,322)	(1,638)	1,137	1,972	2,442	3,115
Goodwill Amortisation		(383)	(669)	0	0	0	0
Exceptionals		0	(594)	112	0	0	0
Other		0	0	0	0	0	0
Operating Profit		(1,705)	(2,901)	1,249	1,972	2,442	3,115
Net Interest		241	92	91	137	204	294
Profit Before Tax (norm)		(1,081)	(1,546)	1,228	2,109	2,646	3,410
Profit Before Tax (FRS 3)		(1,464)	(2,809)	1,340	2,109	2,646	3,410
Tax		95	279	27	0	0	(852)
Profit After Tax (norm)		(986)	(1,267)	1,255	2,109	2,646	2,557
Profit After Tax (FRS 3)		(1,369)	(2,530)	1,367	2,109	2,646	2,557
Average Number of Shares Outstanding (m)		143.3	143.5	144.8	146.8	146.8	146.8
EPS - normalised (p)		(0.7)	(0.9)	0.9	1.4	1.8	1.7
EPS - FRS 3 (p)		(1.0)	(1.8)	0.9	1.4	1.8	1.7
Dividend per share (p)		0.0	0.0	0.2	0.3	0.4	0.4
Gross Margin (%)		95.5	96.2	56.3	62.5	57.5	55.0
EBITDA Margin (%)		-14.3	-16.9	11.8	17.7	19.9	22.4
Operating Margin (before GW and except.) (%)		-15.9	-18.6	10.5	15.9	18.1	20.6
BALANCE SHEET							
Fixed Assets		4,022	3,977	3,549	3,225	3,252	3,282
Intangible Assets		2,904	2,946	2,985	2,985	2,985	2,985
Tangible Assets		1,118	1,031	215	240	267	297
Investment in associates		0	0	349	0	0	0
Current Assets		6,461	4,971	6,503	8,628	10,995	14,230
Stocks		0	0	0	0	0	0
Debtors		2,653	3,073	3,776	4,577	5,034	5,704
Cash		3,808	1,898	2,727	4,052	5,961	8,527
Current Liabilities		(1,436)	(1,583)	(1,233)	(1,602)	(1,834)	(2,344)
Creditors		(1,436)	(1,583)	(1,233)	(1,602)	(1,834)	(2,344)
Short term borrowings		0	0	0	0	0	0
Long Term Liabilities		(2,649)	(2,766)	(2,400)	(2,580)	(2,967)	(3,796)
Long term borrowings		0	0	0	0	0	0
Other long term liabilities		(2,649)	(2,766)	(2,400)	(2,580)	(2,967)	(3,796)
Net Assets		6,398	4,599	6,419	7,671	9,446	11,372
CASH FLOW							
Operating Cash Flow		(1,366)	(1,923)	28	1,699	2,415	3,161
Net Interest		241	92	91	137	204	294
Tax		95	0	262	27	0	0
Capex		(226)	(64)	599	(249)	(270)	(302)
Acquisitions/disposals		(2,989)	(37)	(137)	0	0	0
Financing		16	0	0	0	0	0
Dividends		(36)	0	0	(290)	(440)	(587)
Net Cash Flow		(4,265)	(1,932)	843	1,325	1,909	2,566
Opening net debt/(cash)		(8,073)	(3,808)	(1,898)	(2,727)	(4,052)	(5,961)
HP finance leases initiated		0	0	0	0	0	0
Other		0	22	(14)	0	0	0
Closing net debt/(cash)		(3,808)	(1,898)	(2,727)	(4,052)	(5,961)	(8,527)

Source: Company accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
			Litigation/regulatory	●
			Pensions	○
			Currency	●
			Stock overhang	●
			Interest rates	○
			Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	Company details
EPS CAGR 06-10e	N/A	ROCE 09e	54.0	Gearing 09e	N/A
EPS CAGR 08-10e	44.3	Avg ROCE 07-10e	27.1	Interest cover 09e	N/A
EBITDA CAGR 06-10e	N/A	ROE 09e	27.5	CA/CL 09e	5.4
EBITDA CAGR 08-10e	45.1	Gross margin 09e	62.5	Stock turn 09e	0.0
Sales CAGR 06-10e	N/A	Operating margin 09e	15.9	Debtor days 09e	134
Sales CAGR 08-10e	11.6	Gr mgn/Op mgn 09e	3.9	Creditor days 09e	31.9
				Address:	
				Precedent Drive, Rooksley, Milton Keynes, MK13 8PP, UK	
				Phone	01908 242 042
				Fax	01908 201 148
				www.workplacesystems.com	

Principal shareholders	%	Management team
Ian Francis Lenagan	48	CEO: Bernard Quinn
Liontrust Asset Management Ltd	13	Barney was appointed Chief Executive in November 2006. He has over 30 years' experience in application software IT companies including 13 years as a Main Board Director of Sherwood International plc, a provider of software and services to the insurance industry. He set up Sherwood's North American operation, which he ran for three years, and then became Director of Worldwide Operations/Chief Operating Officer of Sherwood from 2001 to 2004.
Michael D Wailing	5	
Schroder Investment Management Limited	4	
Timothy M Westaway	3	
JF Watkinson & family members	3	
		CFO: Michael Wailing
		Mike qualified as a chartered accountant and worked at Pricewaterhouse for three years before joining Centroway Industries plc as a subsidiary Company Finance Director. During his 13 years with Centroway, he became Group Finance Director and then Group Managing Director. In 1987, he bought into a privatised company, Carlyle plc, which operates in the bus and coach industry, holding the position of Executive Chairman for 13 years. He has been Finance Director of WorkPlace since 1993.
Forthcoming announcements/catalysts	Date *	Chairman: Ian F Lenagan
AGM	1 August 2008	Ian founded WorkPlace Systems plc in 1986. He has more than 25 years' experience in the computer software business. Prior to founding WorkPlace, he worked for Burroughs Corporation (now Unisys) for 10 years and was then Managing Director of Ring Electrical Ltd, Banbury Homes & Gardens Ltd and DiGiCo Ltd over a period of a further seven years. He holds a BSc in Mathematics from Manchester University and an MSc in Magnetohydrodynamics from Liverpool University.
Interim results	12 December 2008	
Preliminary results	June 2009	
<i>Note: * = estimated</i>		

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