

7 October 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	9.4	2.5
03/09e	11.5	1.5	1.0	0.3	7.8	3.7
03/10e	12.4	2.0	1.4	0.4	5.8	4.9

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

### Investment summary: Retail resilience

WorkPlace Systems' trading statement highlighted the trading challenges in the current economic backdrop. However, the pipeline remains substantial, the company remains profitable, has a strong balance sheet position and a customer proposition that has a clear economic payback in a tougher retail trading environment.

#### Trading statement: Progress depends on the backdrop

The company reported that H109 revenues were similar to H108 but the timing of deliveries and orders late in the period will result in full year numbers being below previous expectations. In our view the demand picture remains healthy but signing orders is taking longer and we have therefore reduced our FY09 forecasts. The 'push-out' of orders means that FY10 looks reasonably well supported but given the economic uncertainty we have also pulled back next year's forecasts.

#### Forecasts: Shifted numbers out

We have cut our revenue forecasts by £0.5m in FY09 to £11.5m and by £0.4m to £12.4m in FY10. Our pre-tax profit forecasts falls by £0.4m in each period to £1.5m and £2m respectively while EPS comes back to 1.0p (1.3p) in FY09 and to 1.4p (1.6p) in FY10. Net cash was slightly lower at £2.5m as at September 30, but we expect it to rise to c £3.3m by the end of FY09 as working unwinds in H2.

#### Investment case: Cutting customers' costs

In difficult economic times, retailers recognise the need to reduce costs, and WorkPlace's solutions typically help cut staff overheads by 3-8%. The company benefits from a strong cash position, a healthy order book and a second licence sale in the US highlights the potential in the sizeable North American market.

#### Valuation: Remains cheap on PE and DCF measures

The shares reflect investors' concern about the retail outlook, with our FY09 forecasts trading on a PE of 7.8x and falling to just 5.8x in FY10. However, we believe the business model is robust and our DCF model, which assumes a weighted average cost of capital of 15%, currently values the shares at 17.1p or more than twice the current share price.

Price 8.1p  
Market Cap £12m

#### Share price graph



#### Share details

Code WSI  
Listing AIM  
Sector Software & Computer Services  
Shares in issue 146.8m

#### Price

52 week High 12.25p Low 5.25p

#### Balance Sheet as at 31 March 2008

Debt/Equity (%) N/A  
NAV per share (p) 4.5  
Net cash (£m) 2.7

#### Business

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

#### Valuation

	2008	2009e	2010e
P/E relative	74%	100%	82%
P/CF	N/A	12.8	6.8
EV/Sales	0.8	0.8	0.7
ROE	19%	21%	23%

#### Revenues on geography (FY09 est)

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

#### Analysts

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## Exhibit 1: Financials

	£'000s	2006	2007	2008	2009e	2010e	2011e
Year end 31 March		UK GAAP	UK GAAP	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
<b>Revenue</b>		<b>8,291</b>	<b>8,808</b>	<b>10,844</b>	<b>11,480</b>	<b>12,390</b>	<b>14,147</b>
Cost of Sales		(375)	(334)	(300)	(4,305)	(5,266)	(6,366)
Gross Profit		7,916	8,474	10,544	7,175	7,124	7,781
<b>EBITDA</b>		<b>(1,186)</b>	<b>(1,492)</b>	<b>1,276</b>	<b>1,618</b>	<b>2,118</b>	<b>2,967</b>
<b>Operating Profit (before GW and except.)</b>		<b>(1,322)</b>	<b>(1,638)</b>	<b>1,137</b>	<b>1,411</b>	<b>1,895</b>	<b>2,713</b>
Goodwill Amortisation		(383)	(669)	0	0	0	0
Exceptionals		0	(594)	112	0	0	0
Other		0	0	0	0	0	0
<b>Operating Profit</b>		<b>(1,705)</b>	<b>(2,901)</b>	<b>1,249</b>	<b>1,411</b>	<b>1,895</b>	<b>2,713</b>
Net Interest		241	92	91	111	153	222
<b>Profit Before Tax (norm)</b>		<b>(1,081)</b>	<b>(1,546)</b>	<b>1,228</b>	<b>1,521</b>	<b>2,047</b>	<b>2,934</b>
<b>Profit Before Tax (FRS 3)</b>		<b>(1,464)</b>	<b>(2,809)</b>	<b>1,340</b>	<b>1,521</b>	<b>2,047</b>	<b>2,934</b>
Tax		95	279	27	0		(734)
<b>Profit After Tax (norm)</b>		<b>(986)</b>	<b>(1,267)</b>	<b>1,255</b>	<b>1,521</b>	<b>2,047</b>	<b>2,201</b>
<b>Profit After Tax (FRS 3)</b>		<b>(1,369)</b>	<b>(2,530)</b>	<b>1,367</b>	<b>1,521</b>	<b>2,047</b>	<b>2,201</b>
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	1.0	1.4	1.5
EPS - FRS 3 (p)		(1.0)	(1.8)	0.9	1.0	1.4	1.5
Dividend per share (p)		0.0	0.0	0.2	0.3	0.4	0.4
Gross Margin (%)		95.5	96.2	97.2	62.5	57.5	55.0
EBITDA Margin (%)		-14.3	-16.9	11.8	14.1	17.1	21.0
Operating Margin (before GW and except.) (%)		-15.9	-18.6	10.5	12.3	15.3	19.2
<b>BALANCE SHEET</b>							
<b>Fixed Assets</b>		<b>4,022</b>	<b>3,977</b>	<b>3,549</b>	<b>3,223</b>	<b>3,248</b>	<b>3,276</b>
Intangible Assets		2,904	2,946	2,985	2,985	2,985	2,985
Tangible Assets		1,118	1,031	215	238	263	291
Investment in associates		0	0	349	0	0	0
<b>Current Assets</b>		<b>6,461</b>	<b>4,971</b>	<b>6,710</b>	<b>8,132</b>	<b>9,794</b>	<b>12,719</b>
Stocks		0	0	0	0	0	0
Debtors		2,653	3,073	3,983	4,859	5,309	6,127
Cash		3,808	1,898	2,727	3,274	4,485	6,592
<b>Current Liabilities</b>		<b>(1,436)</b>	<b>(1,583)</b>	<b>(3,788)</b>	<b>(4,010)</b>	<b>(4,141)</b>	<b>(4,846)</b>
Creditors		(1,436)	(1,583)	(3,788)	(4,010)	(4,141)	(4,846)
Short term borrowings		0	0	0	0	0	0
<b>Long Term Liabilities</b>		<b>(2,649)</b>	<b>(2,766)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long term borrowings		0	0	0	0	0	0
Other long term liabilities		(2,649)	(2,766)	0	0	0	0
<b>Net Assets</b>		<b>6,398</b>	<b>4,599</b>	<b>6,471</b>	<b>7,345</b>	<b>8,900</b>	<b>11,148</b>
<b>CASH FLOW</b>							
<b>Operating Cash Flow</b>		<b>(1,366)</b>	<b>(1,923)</b>	<b>28</b>	<b>928</b>	<b>1,747</b>	<b>2,755</b>
Net Interest		241	92	91	111	153	222
Tax		95	0	262	27	0	0
Capex		(226)	(64)	599	(230)	(248)	(283)
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	547	1,211	2,107
<b>Opening net debt/(cash)</b>		<b>(8,073)</b>	<b>(3,808)</b>	<b>(1,898)</b>	<b>(2,727)</b>	<b>(3,274)</b>	<b>(4,485)</b>
HP finance leases initiated		0	0	0	0	0	0
Other		0	22	(14)	0	0	0
<b>Closing net debt/(cash)</b>		<b>(3,808)</b>	<b>(1,898)</b>	<b>(2,727)</b>	<b>(3,274)</b>	<b>(4,485)</b>	<b>(6,592)</b>

Source: Company accounts/Edison Investment Research

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