

31 October 2008

WorkPlace Systems

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (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	6.3	3.6
03/09e	11.5	1.5	1.0	0.3	5.3	5.5
03/10e	12.4	2.0	1.4	0.4	3.9	7.3

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

Investment summary: Bargain basement

WorkPlace announced today it has won a significant order from H&M, the Swedish based global retailer. The contract, worth more than €2m (£1.6m), covers both software and services to support the deployment of WorkPlace's Workforce Management suite in five further countries for H&M, including Sweden and the UK.

This contract win reinforces our view that the demand picture remains healthy, despite recent trading challenges. Earlier this month the company said 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. However, WorkPlace retains a strong pipeline and a second licence sale in the US recently highlights the potential in the substantial North American market.

We are retaining our forecasts as we believe the contract win will help WorkPlace meet our FY09 and FY10 numbers. The group's enterprise value stands at just £5.6m, implying the stock is trading at less than half our 2009 revenue forecast. In our view the valuation fails to take into account growth initiatives, such as the ASP business, North American expansion and the potential for extending the business across new sectors.

The shares reflect investor concern about the retail sector's outlook, trading on 5.3x our FY09 earnings forecast, falling to just 3.9x in FY10. Nevertheless, we believe the business model is robust and that the stock has the potential for significant price appreciation over the medium term if our forecasts are met.

Price 5.5p
Market Cap £8m

Share price graph



Share details

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

Price

52 week High 12.25p Low 5.25p

Business

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

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