

Somero Enterprises

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Trading Update

- Somero has published another positive trading update. With continued strong trade in North America and the Middle East, a good contribution from Europe and Latin America and increased activity in recent months in China, we are again upgrading forecasts for the full year. Interim results will be published on 8th September 2015.

Trading update summary

The company previously reported strong momentum in the first four months of the year and we upgraded our forecasts. The company has published a trading update today in which it reports that it continues to enjoy strong trade in its largest market, namely North America, as well as in the Middle East. Europe, South East Asia and Latin America are all contributing satisfactorily to overall growth and in China, where the company had previously reported a slow start to 2015, activity in May and June has increased and there appears to be healthy demand for its product. From a product perspective, the S22E, the small line S-485 and the 3D Profiler system have all been key growth drivers in H1 2015.

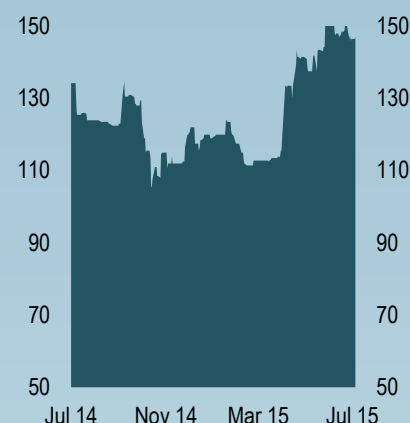
2015 forecasts

The company summarises by saying that overall results are to date tracking slightly ahead of market expectations for the full year to 31 December 2015 and we have again revisited our forecasts. We have increased our revenue growth assumption, increasing 2015 revenues by \$1.1m. We have also increased our gross margin assumption. With some small changes to our SG&A growth assumption for the year the net effect is an upgrade to our 2015E forecasts.

For 2015, our previous EBITDA forecast of \$16.4m moves up to 17.2m; PBT of \$14.8m; EPS of 17.3p. For 2016E, we have upgraded EBITDA from \$17.5m to \$18.3m, PBT of \$16.3m; EPS of 18.8p. We have maintained our DPS assumptions at this stage.

Previous research on Somero by Broker Profile

We published two detailed notes on Somero in H2 2014 and another note in May 2015. These notes outline the business, its strategic review and objectives, and growth prospects out to 2019E. We would recommend these notes to interested investors who are not familiar with the business.



TIDM	SOM
Market cap (£m)	82.2
Net cash (FY1, \$m)	8.0
Broker	Canaccord
Listing	AIM

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Year to Dec	Revenue (\$m)	Adj PBT (\$m)	EPS (USc)	DPS (USc)	Net Cash (\$m)	P/E (x)	Yield (%)
FY14a	59.3	14.5	19.7	5.5	5.4	7.5	3.7
FY15e	66.7	16.3	19.8	6.0	8.3	7.4	4.0
FY16e	72.5	17.8	21.3	6.5	13.2	6.9	4.4

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Somero Income Statement

	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E
North America	18.1	25.5	37.2	44.3	48.7	53.1	57.9	62.5
<i>Growth %</i>		40.9%	46.0%	19.0%	10.0%	9.0%	9.0%	8.0%
EMEA	5.8	7.8	6.3	6.4	6.8	7.4	8.1	8.9
<i>Growth %</i>		34.5%	-19.0%	2.0%	6.0%	8.0%	10.0%	10.0%
ROW	8.3	11.8	15.8	16.0	16.9	18.3	20.1	22.1
<i>Growth %</i>		42.2%	34.0%	1.0%	6.0%	8.0%	10.0%	10.0%
Total	32.2	45.1	59.4	66.7	72.5	78.8	86.1	93.6
<i>Growth %</i>		40.1%	28.0%	12.4%	8.7%	8.7%	9.3%	8.7%
Revenues (USD)	32.2	45.1	59.3	66.7	72.5	78.8	86.1	93.6
<i>Growth %</i>		40.1%	31.3%	12.4%	8.7%	8.7%	9.3%	8.7%
Gross Profit	15.7	23.5	32.0	36.6	40.2	44.1	48.2	52.4
Gross Margin %	48.8%	52.1%	53.9%	54.9%	55.5%	56.0%	56.0%	56.0%
Amortisation	-2.3	-2.0	-1.5	-1.5	-1.1	-0.5	0.4	0.4
<i>Operating Costs %</i>	-44.1%	-37.9%	-32.6%	-32.5%	-33.2%	-33.0%	-32.3%	-31.2%
Ebit	1.4	6.4	12.6	14.9	16.2	18.1	20.4	23.2
<i>Ebit margin %</i>	4.3%	14.2%	21.2%	22.4%	22.3%	23.0%	23.7%	24.8%
Ebitda	3.9	9.0	15.0	17.2	18.3	19.3	20.8	23.5
<i>Ebitda margin %</i>	12.1%	20.0%	25.4%	25.9%	25.2%	24.6%	24.2%	25.2%
Interest	-0.2	0.1	-0.2	0.0	0.1	0.1	0.2	0.3
PBT	1.2	6.5	12.4	14.8	16.3	18.2	20.6	23.5
Adj PBT	3.7	8.5	14.5	16.3	17.8	19.1	20.6	23.5
Tax	-0.2	-1.1	1.5	-5.0	-5.5	-6.2	-7.0	-8.0
<i>Tax %</i>	-16.7%	-16.9%	12.1%	-34.0%	-34.0%	-34.0%	-34.0%	-34.0%
Shares in issue	56.43	56.43	56.27	56.6	57.1	57.8	57.9	58.0
Shares in issue (FD)	61.59	60.73	57.94	57.94	57.94	57.94	57.94	57.94
EPS (c): pre-amortisation, FD	6.0 5.7	13.1 12.2	28.7 27.8	19.8 19.3	21.3 21.0	22.2 22.2	23.3 23.3	26.6 26.6
EPS (c) (basic)	1.8	9.7	25.8	17.3	18.8	20.8	23.5	26.8
EPS (c) (FD)	1.6	9.1	25.0	16.9	18.5	20.8	23.5	26.8
EPS (c) adj for tax benefit			19.7					
EPS (p) Adj dil	3.8	8.1	12.0	12.2	13.3	14.0	14.8	16.9
DPS (c)	0.8	2.2	5.5	6.0	6.5	7.0	7.7	8.8
<i>DPS Growth %</i>		175%	150%	9%	9%	8%	11%	14%
<i>DPS Cover (x)</i>	2.2	4.4	3.6	2.9	2.9	3.0	3.0	3.0

Source: Somero Enterprises, Broker Profile

Somero Cash-Flow

	2012A	2013A	2014A	2015E	2016E	2017E	2018E	2019E
Profit	1.0	5.4	14.5	13.8	16.3	18.2	20.6	23.5
Depr. & Amort.	2.6	2.4	1.9	1.9	1.5	0.9	0	0
Gross Cash Flow	3.6	7.8	16.4	15.7	17.8	19.1	20.6	23.5
Working Capital	-0.6	-0.1	-1.4	-0.9	-1.0	-1.0	-1.2	-1.2
Operating Cash Flow	3.0	7.7	15.0	14.8	16.8	18.1	19.4	22.3
Net Interest	0	0	-0.2	0.1	0.1	0.1	0.2	0.3
Tax	0.1	0.1	-3.3	-4.7	-5.3	-5.9	-6.6	-7.5
Net Cash Flow	3.1	7.8	11.5	10.1	11.6	12.4	13.0	15.1
Capex	-0.6	-0.8	-1.2	-4.5	-3.0	-1.0	-1.0	-1.0
Acq/Disp	0	0	0	0	0	0	0	0
JV Inv	0	0	0	0	0	0	0	0
Other	0.2	0	0	0.3	0	0	0	0
Net Cash Flow After Inv Activities	2.7	7.0	10.3	6.0	8.6	11.4	12.0	14.1
Dividends	0	-1.0	-1.6	-3.2	-3.7	-4.0	-4.5	-5.1
Equity	0	-0.6	0	0	0	0	0	0
Other	0.2	0.1	-6.6	0.1	0	0	0	0
Borrowings	-1.7	-0.5	0	0	0	0	0	0
Forex	-0.1	-0.2	-0.1	0	0	0	0	0
Net Movement in Cash	1.1	4.8	2.0	2.9	4.9	7.3	7.5	9.0
Cash	1.2	6.0	8.0	10.9	15.8	23.1	30.6	39.7
Net Cash	-1.9	3.4	5.4	8.3	13.2	20.5	28.0	37.1

Source: Somero Enterprises, Broker Profile

Somero Balance Sheet

	2012A	2013A	2014E	2015E	2016E
Non Current Assets	14.3	13.3	15.4	18.0	19.5
Current Assets	12.6	18.8	23.8	33.2	43.3
Total Assets	26.9	32.1	39.2	51.1	62.7
Current Liabilities	-4.2	-6.8	-7.3	-8.9	-9.4
Non Current Liabilities	-2.6	-1.4	-1.1	-5.1	-5.7
Total Liabilities	-6.8	-8.2	-8.4	-14.0	-15.1
Net Assets	20.1	23.9	30.8	37.1	47.6
Cash	1.2	6.0	8.0	10.9	15.8
Net Cash	-1.9	3.4	5.4	8.3	13.2

Source: Somero Enterprises, Broker Profile

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