

Buy

PT: €11.50

Changes	2021E	2022E
Revenue	-4.3%	-4.3%
EPS	-15.9%	-10.2%

Key data

Ticker	ALPRO FP
Price (22 July 2021)	€5.82
Upside to Price Target (%)	97.6
Market Cap (m)	54
Free Float (%)	45.1
Daily Value Traded (m)	0.1
Next Reporting Date	Oct 13 2021
No. of Shares (m)	9.29
1mth perf (%)	2.1
3mth perf (%)	0.4
12mth perf (%)	(4.0)
12mth high-low (€)	7 - 4

Key financials

(In EUR M)

Year to Dec	2020A	2021E	2022E
Group revenue	172	169	176
EBITDA (rep.)	49.1	47.8	50.8
EBIT (rep.)	19	17.82	20.3
EPS (adj.) (c)	1.51	1.53	1.76
DPS (c)	0.03	0.04	0.05
Net debt/(cash)	112.3	106.6	97.1
ROCE (NOPAT) (%)	7.0	7.4	8.2
EPS (adj.) y/y (%)	6.6	1.4	15.2
Net debt/EBITDA	2.24	2.18	1.88
EV/Sales	0.9	0.9	0.8
EV/EBITDA (adj.)	3.3	3.2	2.9
EV/EBIT (adj.)	8.6	8.8	7.3
P/E (adj.)	3.86	3.81	3.31
Dividend yield (%)	0.5	0.7	0.9
Free CF yield (%)	7.8	23.8	32.5
EV/ICE	0.6	0.6	0.6

Prices are as of close 22 July 2021

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All sources unless otherwise stated: Company data, FactSet, Stifel estimates

Share price performance (indexed)



Revenue H1: Solid trend and ESG analysis

Summary

- Revenue recovery and solid order backlog:** after a slight increase in Q1 (€44.6m, +1.4% pro forma), notably impacted by the lockdowns throughout Europe and the lack of visibility, revenue increased by +3.4% (€35.8m) in Q2-21. This enabled Prodware to achieve revenues of €81.6m in H1-21, up by 2.3%. With a growing need for digitalisation, especially with regard to support functions, brought on by the generalisation of remote work and e-commerce and the search for efficiency, the group reports a solid backlog of orders.
- SaaS revenues continue to grow:** SaaS related revenues reached €22m in H1-21 (+16% on a pro forma basis), representing 27% of group revenues. In a context where the COVID-19 crisis has accelerated digital adoption, SaaS subscription models and collaboration tools have proven to be especially well adapted to enable work from home lifestyles.
- ESG analysis shows positive momentum:** we include our full ESG framework analysis in this report, which overall shows some positive momentum. At the moment this has no impact on our valuation methodology. We maintain our Buy rating and unchanged price target of €11.5.

Key Points

Solid foundation of strategic partnership. The group relies on its prestigious technological partnerships (Microsoft Dynamics 365, Sage) and has just been awarded best Microsoft partner of the year 2021 in the "technical skills" category. As a reminder, Prodware is the only French company to be part of Microsoft's "Inner Circle" for Microsoft Dynamics business solutions, an accolade bestowed on just a dozen partners worldwide.

Digital transformation should help bolster growth. The group is pursuing its 2021-25 strategic plan "The Place to Be and to Work With" with a strong focus on its Consulting practice and on developing innovative industry-specific software solutions, to support its clients in accelerating their digital transformation. After the exceptional nature of the year 2020, we are confident in Prodware's ability to deliver organic growth of 2.5% in 2021 (reflecting growth of around +2.7% in H2-21) and 4% in 2022.

We keep our rating (Buy) and our price target (€11.5) unchanged. We continue to apply a 20% discount to our valuation methods to reflect the high levels of capex and increasing indebtedness in recent years, coupled with a small market capitalisation and low liquidity. Assuming Prodware delivers on its operational trends, and based on our financial estimates, we could see a re-rating of the stock, which currently trades at low EV/EBITDA 21e multiples of 3.3x (ex. IFRS16).

ESG Review. We believe that ESG issues are an area of focus for the group that provides a lot of information. Some improvements were even made in 2020, suggesting a positive ESG momentum for the group. At this stage, ESG issues do not impact our valuation. We note no major risks here. Please refer to the full ESG framework section in this report for more details.

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All relevant disclosures and certifications appear on pages 13 - 16 of this report.

KEY FINANCIALS AND RATIOS

YEAR TO DECEMBER (IN EUR m)	2019A	2020A	2021E	2022E
PROFIT & LOSS ACCOUNT				
Group revenue	188	172	169	176
EBITDA (rep.)	46.5	49.1	47.8	50.8
EBIT (rep.)	17.29	19	17.82	20.3
Pre-tax results	10.9	13.1	13.2	15.6
Income tax and other items	(0)	(2)	(2)	(3)
Net result group	10.4	11.4	11.3	13.0
Minorities and other items	0.11	(0)	(0)	(0)
Net result shareholders, rep.	10.5	11.2	11.1	12.8
EPS, fully diluted (c)	1.01	1.07	1.09	1.25
Exceptionals in EBIT	0.01	0.30	0	0
Profit and Loss Account (adj)				
EBITDA	48.3	50.1	48.8	51.8
EBIT	17.28	18.90	17.82	20.3
Operating result (company definition)	17.3	19.2	17.8	20.3
Net result, shareholders	10.5	11.3	11.5	13.2
EPS (adj.) (c)	1.41	1.51	1.53	1.76
CASH FLOW STATEMENT				
EBITDA (rep.)	46.5	49.1	47.8	50.8
Cash interest and tax payments	5.74	6.00	5.46	6.21
Change in working capital	3.27	(9)	1.30	0.22
Other operating cash flow items	(22)	(20)	(18)	(19)
Cash flow before capex	33.7	26.1	36.8	38.6
Capital expenditure	(37)	(23)	(26)	(24)
Free cash flow	(3)	3.50	10.8	14.6
Acquisitions/Disposals/Financial assets	0.11	0	0	0
Dividends, minority payouts	(0)	0	0	0
Equity measures, other	(33)	(3)	(5)	(5)
Change in net cash	(36)	0.46	5.65	10
Net cash (debt)	(113)	(112)	(107)	(97)
BALANCE SHEET				
Fixed assets	214	218	218	218
Goodwill	34.6	32.6	32.6	32.6
Current Assets	146	163	143	154
t/o Inventories	0.06	0.10	0.10	0.10
t/o Trade receivables	53.2	74.2	48.6	50.6
t/a Cash and equivalents	3.81	10.5	16.1	25.7
Group equity	145	155	167	182
t/o Shareholders equity	144	155	167	182
Interest-bearing liabilities	117	123	123	123
Other liabilities and provisions	98.4	102	70.2	66.5
t/ Pension provisions	5.70	5.90	5.90	5.90
t/o Trade liabilities	23.6	19.7	23.7	20.9
Balance sheet total	360	380	360	372
Net Working Capital	29.7	54.6	25.0	29.8
Capital Employed (incl. Goodwill)	243	272	243	247
RATIOS				
Revenue y/y (%)	6.7	(8.2)	(1.9)	4.0
EBITDA Margin (adj.) (%)	25.8	29.1	28.9	29.5
EBIT adj margin (%)	9.2	11.0	10.5	11.5
EPS (adj.) y/y (%)	18.6	6.6	1.4	15.2
Working capital intensity (%)	15.8	31.7	14.8	16.9
DSOs	104	157	105	105
Inventory turnover (Days)	0.11	0.21	0.22	0.21
Net debt (cash) / EBITDA (adj.)	2.33	2.24	2.18	1.88
EBITDA (adj.) / Capex	1.30	2.22	1.88	2.16
Free CF yield (%)	(7.4)	7.8	23.8	32.5
Oper. FCF Yield (%)	(5.6)	(1.5)	3.4	5.7

Company Snapshot

Investment case summary

Prodware is well placed to capitalise on the growth in the digital transformation market, which has been heightened by the pandemic, with a solid foundation of strategic partnerships and its know-how in terms of innovation. The group offers a unique value proposition that has required investment and reorganisation, to accompany its clients from end to end, throughout their digital transformation. We are confident in Prodware's ability to deliver organic growth of 2.5% in 2021 and 4% in 2022.

In addition to being a source of recurring revenue, the ramp-up of SaaS (from 21% in 2019 to 40% in 2022) should contribute to a reduced cost structure and therefore increase Prodware's profitability to 12% from 9.1% in 2019.

Capex will also gradually improve from here as ERP investments are gradually phased out by 2021. This should propel FCF into positive territory and help alleviate concerns around its high level of net debt.

Target price methodology

We value Prodware using a mixture of a DCF approach – applying a WACC of 9.2% and a perpetual growth rate of 1.5% – and peer group multiples (EV/Revenue, EV/EBIT, P/E).

High capex, increasing indebtedness in recent years, and a slower than expected conversion of the model towards SaaS have weighed on the stock historically. As indicated above, we believe those issues will be addressed in the coming months, which should lead to a re-rating. Nevertheless, we acknowledge that investors will want to see actual progress before agreeing to pay full price for the shares, and hence we apply a 20% discount to our valuation methods to reflect these issues, which we may reassess this depending on the group's progress.

Risk to our valuation and rating

- Lack of visibility due to the current economic context (cancellation or postponement of projects)
- More competitive pressure, especially in attracting the best employees
- Limited financial manoeuvres in the current economic context

Key dates

- H1-21 Results: 13 October 2021

Company description

Founded in 1989, Prodware is a leading French consulting, publishing and IT integration services company. Present in 13 countries worldwide, the company supports SMEs and subsidiaries of major groups through their digital transformation. The group has streamlined its services, focusing on what it masters best, only addressing the Distribution, Manufacturing, Professional services and Retail sectors. What sets Prodware apart is that it has the ability to accompany its customers from end to end with its four key fundamentals: Consulting, Publishing, Implementation and Management services. Prodware has also placed innovation at the heart of its strategy, enabling the group to offer tailor-made solutions with higher added value.

Key products, clients and end markets

Prodware addresses the global digital transformation market which was valued at US\$284.4 billion in 2019 and is expected to reach US\$1.17 trillion by 2027, at a CAGR of 22.5% over the forecast period 2020-2027. The group, a hybrid of a digital service company and software publisher, is the only French group to be part of Microsoft's "Inner Circle", allowing Prodware to obtain valuable certifications such as Scorefact. Relying on its strategic partnerships and on its know-how in terms of innovation, the group develops its own software bricks to offer adapted and customised solutions. Prodware has strengthened its regional and international footprint in recent years, to offer a responsive local service to over 19,000 clients. International activities represented 60% of sales in 2019 compared with 49% in 2013.

Key shareholders

- Management: 47.7%
- Private investors: 5.4%
- Employees: 1.7%

Senior management

- Chairman: Philippe Bouaziz
- CEO: Alain Conrard
- CFO: Stephane Conrard

ESG analysis

We believe that ESG issues are an area of focus for the group that provides a lot of information. Some improvements were even made in 2020, suggesting a positive ESG momentum for the group. At this stage, ESG issues do not impact our valuation. We note no major risks here. Please refer to the full ESG framework section in this report for more details.

Figure 1: ESG summary

Environmental



Prodware took actions to reduce travel GHG emissions and improve waste management and recycling. But, it still has some improvement opportunities regarding its disclosures. Any quantitative objective concerning these aspects would be viewed positively.

Nevertheless, in its annual report 2020, the group presents a panel of objectives aimed at reducing its CO2 footprint for the coming years, based on mobility, collaborative tools, responsible purchasing, eco-citizen actions, etc. Without giving many quantified objectives, this panel is a step in the right direction and demonstrates the group's real commitment.

Social



Prodware is engaged in the UN SDGs, undertaking some strategic goals and some contributions. On diversity, the company's parity is improving, despite the challenges posed by the recruitment context.

We see a clear opportunity to engage more in data protection and ethical sourcing, given the nature of the business.

Additionally, any disclosure of upward mobility data, mention of apprenticeships or internships, and creation of timely objectives for parity would be positively seen.

Governance



We do not foresee any risks linked to a lack of ethics and believe that the background and years of experience of Prodware's management team are relevant.

The group has invested a lot in recent years to remain a key partner for its clients (SaaS, new technologies...), mechanically penalising the financial results. However, most of the investments have been made, notably with the development of a proprietary ERP. We believe that the group is now moving in a new direction and towards a more normative level of investment, favourable to shareholder returns.

Source: Company reports and Stifel Research & estimates

ESG Assessment Framework

ESG Assessment Framework – Environmental

Standards	Description/Definition	Assessment	Rating				Reference
						N/A	
Air							
	Has company acknowledged a role in improving the climate?	Prodware acknowledges its role in improving the climate, as it defines it as one of its key challenges. The company is a signatory to the UN Global Compact since 2009.					Annual Report 2020 - p32
	If so does it have a stated area of focus (CO2/GHG)?	As an IT services company, Prodware has a limited impact on the environment, with the exception of its greenhouse gas (GHG) emissions. The company focuses mainly on the reduction of employee travel, by implementing a restrictive travel policy, with the goal of reducing its GHG emissions from company travel. Air travel is only allowed if the train journey is longer than three hours.					Annual Report 2020 - p46,47
	A timeline/goals established. What is our overall assessment?	CO2 emissions in 2020 are not very representative given the restrictions caused by the COVID-19 related health crisis. In 2019, GHG emissions related to travel were of 1,503 tons of CO2. On a per employee basis, this corresponds to 1.35 ton of CO2, vs 1.31 and 1.82 in 2018 and 2017. In 2020, the group presents a panel of objectives aimed at reducing its CO2 footprint for the coming years, based on mobility, collaborative tools, responsible purchasing, eco-citizen actions, etc. Without giving many quantified objectives, this panel, in our view, is a step in the right direction and demonstrates the group's real commitment.					Annual Report 2020 – p47, 48
Water							
	Is the company:						
	A user of water in a process					N/A	
	If a user, does it have stated goals to reduce, improve the use and/or the discharge of water?					N/A	
	A timeline/goals established. What is our overall assessment?					N/A	
	Or a provider of service/equipment that impacts the quality of the water used and or discharged from a process.					N/A	
	If a provider of service/equipment, does it have stated goals to improve the performance, utility and outcome of customer/society use, discharge and reuse of water?					N/A	
	A timeline/goals established. What is our overall assessment?					N/A	
Land							
	Does the company's business model depend on:						
	A use of land	Prodware does not use land as part of its business model, but indirectly impacts the land through its waste policy.				N/A	Annual Report 2020 – p46
	If a user, does it have stated goals to reduce, improve the use of the land once activity is	The group complies with the requirements of the Directive on the Waste of Electrical and Electronic Equipment (WEEE). The					Annual Report 2020 – p47

Standards	Description/Definition	Assessment	Rating			Reference
						N/A
	completed?	company implemented some rules to limit office waste, to promote the use of and training in collaborative tools and to reclassify computer hardware...but does not measure the impact of that decision.				
	A timeline/goals established. What is our overall assessment?	We regret that Prodware fails to disclose any data on the impact of its waste management and recycling policy. We would view positively any quantitative objective concerning these aspects.				Annual Report 2020 - p48
	Or a provider of service/equipment that impacts the quality of the land used during a process/activity.					N/A
	If a provider of service/equipment, does it have stated goals to improve the performance, utility and outcome of customer/society use and reuse of land?					N/A
	A timeline/goals established. What is our overall assessment?					N/A
Environmental Summary						
	Strengths/Opportunities/Weaknesses/Risks	<p>Prodware acknowledges its role in improving the climate, and took action on these matters, especially on travel GHG emissions and waste management and recycling. However, it still has some improvements opportunities regarding its disclosures.</p> <p>In addition, any quantitative objective concerning these aspects would be viewed positively.</p> <p>Nevertheless, in its annual report 2020, the group presents a panel of objectives aimed at reducing its CO2 footprint for the coming years, based on mobility, collaborative tools, responsible purchasing, eco-citizen actions, etc. Without giving many quantified objectives, this panel, in our view, is a step in the right direction and demonstrates the group's real commitment.</p>				
	Clearly stated and published goals/plans to improve standard; once in place, making positive progress on these goals over the last 12 months. We view company performance in this area as potentially positive for investment returns and/or risk.					
	Company has goals/plans to improve standard but not stated publicly or in published materials; and/or may not be showing evidence of progress against goals over last 12 months. We view company performance in this area as potentially neutral for investment returns and/or risk.					
	No disclosure and/or no plan to improve standard. We view company performance in this area as potentially negative for investment returns and/or risk.					
N/A	Not applicable to this company					

ESG Assessment Framework – Social

Standards	Description/Definition	Assessment	Rating			Reference
						N/A
Promote diversity & upward mobility within the workforce						
Policies, procedures and programs which promote diversity and upward mobility within the workforce	Provide an overview of the company's attention to diversity and achievements in instilling diversity within the workforce. Any commentary on the organizational wide promotion of diversity, training, educational, apprentice programs and a focus on upward mobility.	<p>Prodware states the development of its human capital is one of its key challenges.</p> <p>The company's workforce has a 25.9% proportion of women. This figure is down from 2019 (33.7%) and 2018 (27%). It is still inadequate, but the company puts it in its</p>				Annual Report 2020 – p39, 37, 41, 42, 44

Standards	Description/Definition	Assessment	Rating			Reference	
		<p>recruitment context: Most employees come from engineering schools, which have a low proportion of women. The COVID-19 crisis seems to have crystallised the trends traditionally observed. Among the youngest categories (<25 yrs. and 25-34 yrs.), women account for 31% and 22.9% of hires respectively, which is consistent with the feminisation of the profession. Nevertheless, some improvements are still needed. It will be important to monitor the evolution of these indicators beyond this particular year.</p> <p>Regarding the remuneration parity, women earn 26% less than their male counterparts in 2020.</p> <p>The age distribution within the group remains particularly homogeneous. The under-25 category accounted for 13.8% of total hires in 2020 (compared to 4.3% in 2019). The first two categories represented 49.1% of hires in 2020.</p> <p>The internal mobility of the workforce is mentioned in reports, but no precise data is communicated. Some indicators such as the turnover, the average seniority and employee training can give some hints about the satisfaction of employees.</p> <p>In 2020, Prodware registered a stable employee turnover of 19%. The average seniority was of 7.94 years. The average training per employee in 2020 was of 16.74 hours, down from 22.76 hours in 2019. At the end of 2020, the group set up a new training platform that supports employees in their development path, in line with the company's needs. This platform, which is currently being deployed in two countries, should eventually be extended to all countries.</p>	Green	Yellow	Red	N/A	
Employee Health and Safety							
<p><i>Policy, Procedures, Training and reportable incidents</i></p>	<p>Provide any details of the group's focus on Health and Safety standards. This could encompass other programs such as counselling and mentoring programs. Please provide any details on training and support of such policies. In addition, any targets, improvements to policy, frequency or review would be beneficial to include. Please note any reportable incidents.</p>	<p>The exceptional conditions linked to the health crisis led the group to take measures to protect and secure its employees in all its countries of operation. Working from home remained the preferred working method in most countries. Several initiatives were developed, notably to prevent a possible feeling of isolation. The management of the crisis was praised by a large majority of employees in the internal satisfaction survey "Speak your Mind".</p>	Green				<p>Annual Report 2020 – p43, 44</p>

Standards	Description/Definition	Assessment	Rating				Reference
						N/A	
		<p>In 2020, the company registered a 4.3% rate of absenteeism (compared to 5.1% in 2019), mainly due to the effects of the lockdown and working from home. It will be important to monitor the evolution of these indicators beyond this particular year.</p> <p>Part-time contracts remained an important element of balance among the group's employees and represented 8.6% of workforce in 2020, which is positive for the work/life balance of the company.</p>					
Customer privacy, Data security							
<i>Policy, Procedures, Training and reportable incidents</i>	Provide any commentary on the group policy and procedures covering data protection, customer privacy and other matters on cyber security. Please include any relevant data on local regulations, or regulations/legislation in operating countries to underscore (non)/compliance or more stringent standards. Also any commentary on new systems, testing, and outsourcing to provide context to commentary should aim to be included. Include any relevant reportable incidents.	Prodware complies with the General Data Protection Regulation (GDPR). The company does not disclose any other engagements on the protection of customer privacy, which is surprising for a data-oriented business.					Annual Report 2020 – p50
Product Quality & Safety							
<i>Ethical sourcing and Modern slavery practices policy and training</i>	Provide any commentary on the group's commitment, policy and training in relation to ethical sourcing either for corporate purposes or in the manufacturing/production of its products or services and modern slavery. Note any relevant legislation/regulation compliance, non-compliance or incidents. In addition, any commentary on anonymous reporting and whistleblowing should be included to provide context if relevant.	The company has not undertaken any specific action to tackle the potential risks related to human rights. Prodware subscribes to the UN Global Compact, but we would like to see additional engagements given the human intensity of the business.					Annual Report 2020 - p50
Selling, advertising and product labelling practices.							
<i>Policy, procedure and to ensure high standards for Selling, Advertising and product labelling practices</i>	Provide any commentary on the group's commitment, policy and training in relation to its selling, advertising and/or product labelling practices. Note any regulatory compliance, non-compliance or incidents. (SFO investigates, Office for fair practice reviews, breach of sanction, money laundering, etc.). In addition, any commentary on anonymous reporting and whistleblowing should be included to provide context.	Prodware adopted the Middelnext Anti-Corruption Code of Conduct, which refers to the UN Convention against Corruption. The goal of this adoption is to set out anti-corruption rules and principles for the company. No other engagements are mentioned in reports, but the risks are low given the French regulatory environment.					Annual Report 2020 - p49
Social Summary							
	Strengths/Opportunities/Weaknesses/Risks	<p>Given the very specific context in 2020 linked to the health crisis, some indicators will need to be monitored closely in 2021.</p> <p>Strengths:</p> <p>Prodware is engaged in the UN SDGs, undertaking some strategic goals (4, 8, 9, and 10) and some contributions (3, 5, and 16). They correspond mainly to social and societal</p>					

Standards	Description/Definition	Assessment	Rating			Reference
						N/A
		<p>engagements. Then on diversity, the company's parity is improving, despite the challenges posed by the recruitment context.</p> <p>Weaknesses: We regret the lack of engagement regarding data security and protection, and ethical sourcing, given the data and human capital intensity of Prodware's business. We are aware of the high turnover of the company's workforce, and hope that the group will step up its efforts to keep this figure under control.</p> <p>Opportunities: In this way, we see a clear opportunity to engage more in data protection and ethical sourcing, given the nature of the business.</p> <p>Additionally, any disclosure of upward mobility data, mention of apprenticeships or internships, and creation of timely objectives for parity would be positively seen.</p>				

	Clearly stated and published goals/plans to improve standard; once in place, making positive progress on these goals over the last 12 months. We view company performance in this area as potentially positive for investment returns and/or risk.
	Company has goals/plans to improve standard but not stated publicly or in published materials; and/or may not be showing evidence of progress against goals over last 12 months. We view company performance in this area as potentially neutral for investment returns and/or risk.
	No disclosure and/or no plan to improve standard. We view company performance in this area as potentially negative for investment returns and/or risk.
N/A	Not applicable to this company

ESG Assessment Framework – Governance

Standards	Description/Definition	Assessment	Rating			Reference
						N/A
Ethics & Transparency						
<i>Financial Reporting</i>	Offer a view of the company's financial reporting practices, especially vs. other companies in the sector. This could include Non-GAAP vs. GAAP reporting (where applicable), management's priority metrics, and transparency of the company's financials. While ALL public companies have to file Qs/Ks with the SEC, there are many items management teams either "promote" or "hide" during earnings releases and earnings calls. Our job is to expose that nuance.	Prodware's accounting practices are transparent, accurate and are in accordance with the law and IFRS. Any new information about Prodware's financial statements or regulatory requirements is published in a press release, which is available in French and English.				
<i>Culture</i>	Offer an objective opinion of a company's ethical culture. Does the management team and board promote a culture of integrity, truthfulness and sincerity? Does the company promote a culture of fairness and impartiality regarding employee advancement and promotion?	Prodware promotes a culture of integrity and communicates about ethical matters, without giving details.				
<i>Diversity</i>	Provide an assessment of the company's approach to measuring and reporting on diversity (gender, race, geographic, and economic) among their suppliers, employees and leadership. What does the company measure? Does it affirmatively set diversity goals? Does it	The group has chosen to draw on this SDG frame (17 Sustainable Development Goals adopted by the United Nations).				Annual Report 2020 - p32

Standards	Description/Definition	Assessment	Rating			Reference
						N/A
	report diversity numbers publicly and regularly?	Prodware reports diversity numbers (average workforce by gender, by geographical region, by age segments) and mentions that the challenge will be to attract female talent in a sector that remains predominantly male.				
Shareholder Protection						
<i>Ownership Structure</i>	Provide details about the company's ownership balance, including any potential asymmetric dynamics. Do any shareholders (including officers or founders of the company) hold outsized influence over decisions? Are rights associated with various share classes consistent with standard shareholder protections?	The group is 39.12% owned by the managers. The remaining shares are 51.94% free float and other private investors that do not hold more than 2.68%. The company's ownership appears to be relatively well balanced with the majority being free float.				
<i>Capital Discipline</i>	Describe management's approach to capital allocation. Describe any extraordinary or unusual expenses. Do capital investment decisions reflect a balanced approach to maximizing shareholder returns? Does the company effectively and regularly communicate its capital management decisions and rationale?	Prodware has invested a lot in recent years to remain a key partner for its clients (SaaS, new technologies...). However, most of the investments have been made, notably with the development of a proprietary ERP that will enable it to be even more efficient. We believe that the group is now moving in a new direction and towards a more normative level of investment, which is favourable to shareholder returns.				
<i>Risk Management</i>	Assess the company's risk exposure by considering its ability to anticipate and respond to disruptions of any kind, with an emphasis on distributed and diverse operations as a potential mitigating factor. For example: is the company materially dependent on one region, supplier or customer? What level of conservatism does management exhibit in evaluating potential risk and how well does the company communicate these calculations and decisions?	CSR risks and challenges have been defined and analysed by the Finance Division. The risks stemming from operations are presented mainly from an economic point of view in the section of the management report dealing with risk factors.				
Board Oversight						
<i>Independence</i>	Assess and describe the nature of board members' relationship (including emotional, financial, professional, or personal) to management. Are there any circumstances or affiliations that would impact objectivity or create a situation in which insiders or executives could exercise control or influence over board decisions?	Prodware's Board of Directors comprises six members (o/w two are part of the Conrard family and two are part of the Bouaziz family). This patrimonial approach offers long-term horizon and, in our view, limits risk. There are only two women (1/3) on the Board. Thus, further efforts can be made to increase this number.				Annual Report 2020 – p27
<i>Business Relevance</i>	Assess and describe the degree to which board members possess skills, experience, relationships, or expertise relevant to the current needs of the business and/or potential areas of expansion. This may include legal expertise, accounting, marketing, industry-specific knowledge or analogous experience in other industries.	Based on our assessment, the management team appears to be strong with a complementary skillset. Moreover, it is in tune with the sector, in terms of both skills and experience.				Annual Report 2020 – p27
<i>Track Record</i>	Describe the reputation and track record of board members in other contexts, including their own professional resume, experience on other boards, or contributions to significant decisions or actions by the company in question. Additionally, describe the board's record of decision-making on executive hiring or replacements; are there any notable	We notice that two members of the Board of Directors are related to the Conrard family and two members are related to the Bouaziz family. A wider diversification of the Board with				

Standards	Description/Definition	Assessment	Rating			Reference
						N/A
	misjudgments or examples of failure to act or address known executive management team issues?	more independent members would be appreciated.				
Management Accountability						
<i>Track Record</i>	Does the management team articulate a clear vision that balances company and shareholder interests? Has the team effectively established and executed a strategy to realize that vision? Are there accountability mechanisms in place if the management team falls short of its goals?	Prodware has invested a lot in recent years to remain a key partner for its clients. The group is positioned on a market in constant evolution and must invest in the challenges of tomorrow. After an intense investment phase, which mechanically penalised the financial results, the return to a more normative level should benefit shareholders in the medium term.				
<i>Tenure</i>	Describe the management team's reputation, years of experience, and previous successes or relevant experience. Use your own experience as an analyst and familiarity with management teams to qualify the impact of management team tenure on the company.	The Conrard family and the Bouaziz family have always been involved in the management of the group since its foundation in 1989. We deem that their background and years of experience are relevant to the group.				
<i>Compensation</i>	Assess management team compensation alignment with shareholder returns. Does the company tie management compensation to shareholder value? Are performance metrics clearly and publicly defined and linked to management compensation? Are there accountability structures in place that impact executive compensation?	These past few years, the Group has tightened its remuneration structure, emphasising the variable portion connected with the attainment of qualitative and quantitative objectives. An incentive Plan 2021 illustrates the group's determination to associate certain key employees with the group's performance, with performance and loyalty as key components.				
Governance Summary						
	Strengths/Opportunities/Weaknesses/Risks	We do not foresee any risks linked to a lack of ethics and believe that the background and years of experience of Prodware's management team are relevant. The group has invested a lot in recent years to remain a key partner for its clients (SaaS, new technologies...), mechanically penalising the financial results. However, most of the investments have been made, notably with the development of a proprietary ERP. We believe that the group is now moving in a new direction and towards a more normative level of investment. This, in our view, is favourable to shareholder returns.				

	Clearly stated and published goals/plans to improve standard; once in place, making positive progress on these goals over the last 12 months. We view company performance in this area as potentially positive for investment returns and/or risk.
	Company has goals/plans to improve standard but not stated publicly or in published materials; and/or may not be showing evidence of progress against goals over last 12 months. We view company performance in this area as potentially neutral for investment returns and/or risk.

Standards	Description/Definition	Assessment	Rating	Reference
			 N/A	
	No disclosure and/or no plan to improve standard. We view company performance in this area as potentially negative for investment returns and/or risk.			
N/A	Not applicable to this company			

ESG Assessment Framework – Reports

Sustainability Report		Website	Yes	No	Reference
	Company has a published report	X	X		
	And the report is updated at least annually	X	X		
Reporting Frameworks					
	Company submits data to CDP (Carbon Disclosure Project)	www.cdp.net		X	
	Company submits data to GRI (Global Reporting Initiative)	www.globalreporting.org		X	
	Company submits data to SASB (Sustainable Accounting Standards Board)	www.sasb.org		X	
	Other providers such as TCFD / CDSB / UN PRI etc.			X	
Score					
	Company has a Bloomberg ESG score	www.bloomberg.com/professional/solution/sustainable-finance		X	
	Company has an ISS Quality score			X	
	Company has a Refinitiv ESG score			X	
	Company has a RobecoSam score			X	
	Company has a Sustainalytics score			X	
	Other scores such as MSCI, DowJones Sustainability, etc.			X	
	Gender equality index				
	ECOVADIS Evaluation				

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Prodware (ALPRO FP) as of July 21, 2021 (in EUR)



*Represents the value(s) that changed.
Buy=B; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Discontinued=D; Initiation=I

For a price chart with our ratings and any applicable target price changes for ALPRO FP go to <http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=ALPRO FP>

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Speculative Buy¹ - We expect a total return of greater than 30% over the next 12 months, with total return equal to the percentage price change plus dividend yield, accompanied by substantially higher than normal risk including the possibility of a binary outcome.

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¹ This rating is only utilised by Stifel Canada.

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