

THRUVISION TECHNOLOGY

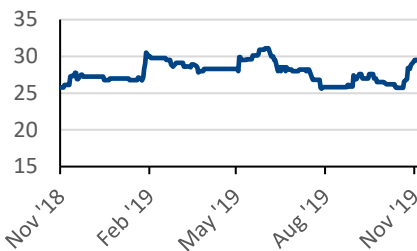
25 November 2019

THRU.L

29.4p

Market Cap: £42.8m

SHARE PRICE (p)



12m high/low

31p/26p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£9.4m
Enterprise value	£33.4m
Index/market	AIM
Next news	Trading update Feb '20
Shares in Issue (m)	145.5
Chairman	Tom Black
Chief Executive	Colin Evans
Finance Director	Adrian Crockett

COMPANY DESCRIPTION

Thruvision develops, manufactures and sells people screening technology to the global security market

www.thruvision.com

THRUVISION IS A RESEARCH CLIENT OF
PROGRESSIVE

ANALYSTS

Gareth Evans

+44 (0) 20 7781 5301

gevens@progressive-research.com



www.progressive-research.com

High-end product driving strong performance

Thruvision has reported a very successful H1 of its FY20 year. Revenues were up 53% y/y to £4.8m based on a material increase in average selling prices, allowing the group to roughly halve its operating loss. Cash remains strong at £8.7m. We take the opportunity to introduce forecasts for the first time, at what we believe to be a cautious level, hopefully allowing scope for upgrades over time.

- H1 financials** As described above, H1 results appear extremely positive – the £4.8m is 53% growth y/y but also some 70% growth compared to H2 FY19 (where revenue was some £2.8m). This performance fed through to an increase of some £1.1m in Gross Margin during the six months. Overheads expanded by £0.7m to fund further growth, but the overall results still drove a reduction of the group's Operating Loss from £0.8 to £0.4m.
- Key driver – sales of higher value units** During the first half, the group has seen material success in selling new higher-value (and more performant) units. The number of units shipped rose only slightly – to 64 from 60 in the prior year – but the overall revenue growth of 53% was driven by the group being able to sell these high-end units to customers keen to deliver the very best performance in challenging environments. We note the comments around success in the USA (Customs and Border Protection and LA Airports) which may account for a large proportion of the uplift.
- Estimates introduced** We publish estimates for the first time...as we described in our recent initiation note, we chose to wait for H1 numbers to produce forecasts. Our new estimates are in line with current consensus forecasts, and we believe incorporate a very high degree of caution. Sales remain volatile and hard to predict, and we expect that US revenues may decline H2/H1 as the USA federal budget cycle runs to September. The group is, however, seeing good traction in other areas, and we feel confident predicting solid growth over time as the customer base continues to grow.

Thruvision has this morning announced a very strong H1 period with significant grounds for optimism moving forward. We have set our new forecasts at levels we hope to be cautious, and anticipate further positive developments across H2 and beyond.

FYE MAR (£M)	2018	2019	2020E	2021E	2022E
Revenue	3.1	6.0	8.5	10.8	12.5
Adj EBITDA	-1.8	-1.6	-0.8	-0.4	-0.2
Fully Adj PBT	-2.9	-1.7	-1.0	-0.6	-0.3
Fully Adj EPS (p)	-1.7	-1.1	-0.7	-0.4	-0.2
EV/Sales (x)	10.8x	5.6x	3.9x	3.1x	2.7x
EV/EBITDA (x)	-18.7x	-21.5x	-39.3x	-77.4x	-177.9x
PER (x)	N/A	N/A	N/A	N/A	N/A

Source: Company Information and Progressive Equity Research estimates

This publication should not be seen as an inducement under MiFID II regulations.

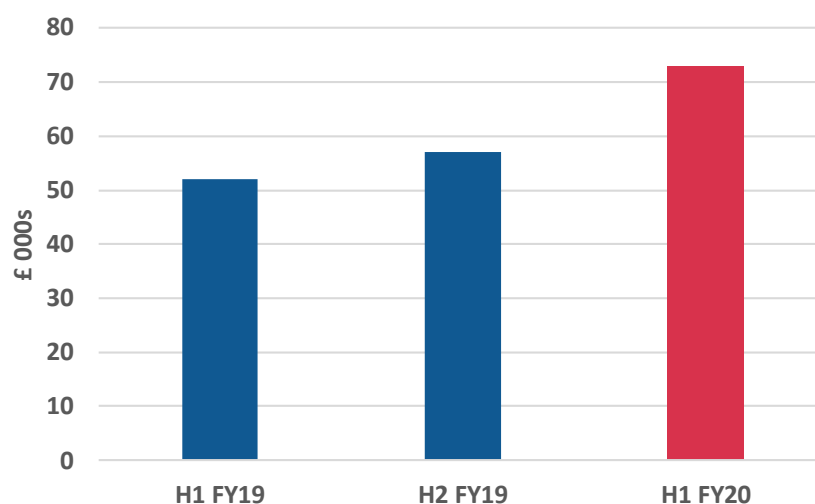
Please refer to important disclosures at the end of the document.

H1 highlights

In addition to the financial performance as described on the previous page, Thruvision delivered on a number of operational and other metrics in the various target markets :

- Material progress in the US marketplace (**Aviation** and **Customs** market segments) – US Customs and Border Protection and Los Angeles World Airports (including LAX) added (we believe these sorts of customer to be highly focussed on product performance, and prepared to pay higher prices for highly effective screening devices). The group expects to take part, under the auspices of the TSA (Transportation Security Administration), in trials of airport passenger screening – until now, the focus of airport screening has been on airside staff. Clearly a move to mass passenger screening could provide a transformational revenue opportunity for Thruvision.
- Additional success in **Loss Prevention** (generally screening of employees in their workplaces – often fulfilment centres/warehouses) with the addition of Morrisons and Sports Direct as clients
- **Customs** (outside the USA) also driving growth, with Hong Kong placing repeat orders, and new sales to Macau
- Further progress has been made in **Entrance Security** (although this remains a difficult market) and in **Surface Transportation** where the British Transport Police have conducted a number of trials.
- Average revenue per unit has grown materially compared to prior periods, as shown in the table below:

INCREASE IN AVERAGE SELLING PRICE PER UNIT



Source: Company information, Progressive Equity Research Ltd analysis

- Strong growth in Gross Margin percentage (mainly due to sales of higher performance, higher priced products) – margin rose from 39% to 48%, although we caution that this may not be achievable in the long term as mix is likely to drift back to slightly lower price and performance products.

Forecasts introduced

We have this morning introduced financial estimates for the first time, as shown on the front page and in more detail overleaf.

The group continues to see strong momentum, but the sales line remains dominated by a small number of relatively high-value sales (64 in H1, at an average value of £74k). This means that revenue is difficult to forecast, especially given what we assume to be a degree of reliance on particular customers; H1 saw some good traction with US customers who may be slower to spend in H2 given that the federal budget cycle is to September each year.

We have assumed roughly-consensus levels of sales (despite the implication of a dip in H2) which suggest good growth in aggregate into 2020 and beyond. We have modelled what we believe to be realistic levels of gross margin and overheads, with prudent levels of working capital requirement driving the net cash position as shown.

Overall, we feel these to be highly prudent estimates, and we hope to be able to upgrade later this year and beyond – nevertheless, with the business still at a relatively small absolute scale, and with H2 seasonality likely challenging on the back of US federal budget cycles, we believe the forecasts sensibly set.

We will look for further positive news, both in terms of client relationships and volumes of sales to demonstrate the traction that the group is undoubtedly beginning to enjoy.

Financial Summary: Thruvision

Year end: March (£m unless shown)

	2018	2019	2020E	2021E	2022E
PROFIT & LOSS					
Revenue	3.1	6.0	8.5	10.8	12.5
Adj EBITDA	(1.8)	(1.6)	(0.8)	(0.4)	(0.2)
Adj EBIT	(2.2)	(1.7)	(1.0)	(0.6)	(0.3)
Reported PBT	(3.2)	(2.1)	(1.2)	(0.8)	(0.5)
Fully Adj PBT	(2.9)	(1.7)	(1.0)	(0.6)	(0.3)
NOPAT	(2.2)	(1.7)	(1.0)	(0.6)	(0.3)
Reported EPS (p)	(1.9)	(1.3)	(0.8)	(0.5)	(0.4)
Fully Adj EPS (p)	(1.7)	(1.1)	(0.7)	(0.4)	(0.2)
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET					
Operating cash flow	(3.6)	(4.2)	(2.8)	(1.3)	(1.1)
Free Cash flow	(3.6)	(4.2)	(2.8)	(1.3)	(1.1)
FCF per share (p)	(2.2)	(2.7)	(2.0)	(0.9)	(0.8)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Net cash flow	(3.6)	(4.2)	(2.8)	(1.3)	(1.1)
Overdrafts / borrowings	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	17.6	9.4	6.5	5.2	4.1
Net (Debt)/Cash	17.6	9.4	6.5	5.2	4.1
NAV AND RETURNS					
Net asset value	19.5	14.1	12.9	12.1	11.5
NAV/share (p)	11.8	9.7	8.8	8.3	7.9
Net Tangible Asset Value	0.3	0.8	0.6	0.4	0.3
NTAV/share (p)	0.2	0.5	0.4	0.3	0.2
Average equity	9.7	16.8	13.5	12.5	11.8
Post-tax ROE (%)	(17.8%)	(6.0%)	(4.4%)	(2.8%)	0.0%
METRICS					
Revenue growth		92.7%	42.0%	27.0%	16.0%
Adj EBITDA growth		(12.8%)	(45.3%)	(49.2%)	(56.5%)
Adj EBIT growth		(20.6%)	(41.8%)	(41.4%)	(41.3%)
Adj PBT growth		(40.1%)	(41.9%)	(41.4%)	(41.3%)
Adj EPS growth		(34.1%)	(38.1%)	(41.4%)	(41.3%)
Dividend growth		N/A	N/A	N/A	N/A
Adj EBIT margins		(29.0%)	(11.9%)	(5.5%)	(2.8%)
VALUATION					
EV/Sales (x)	10.8	5.6	3.9	3.1	2.7
EV/EBITDA (x)	-18.7	-21.5	-39.3	-77.4	-177.9
EV/NOPAT (x)	-15.3	-19.3	-33.1	-56.5	-96.3
PER (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(7.5%)	(9.3%)	(6.6%)	(3.2%)	(2.6%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

Copyright 2019 Progressive Equity Research Limited (“PERL”). All rights reserved. Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

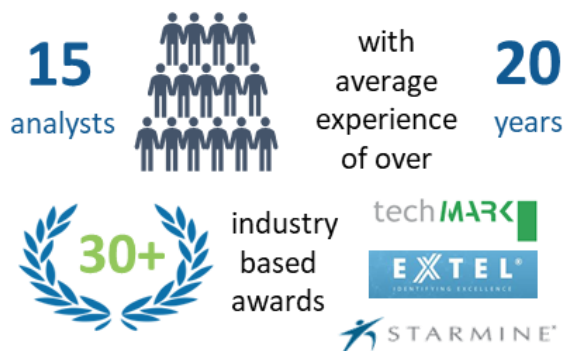
The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.

Broad coverage

across **12** sectors



Analyst calibre



To arrange a meeting with the management team, or for further information about Progressive, please contact:

Emily Ritchie
+44 (0) 20 7781 5311
eritchie@progressive-research.com