

THRUVISION TECHNOLOGY

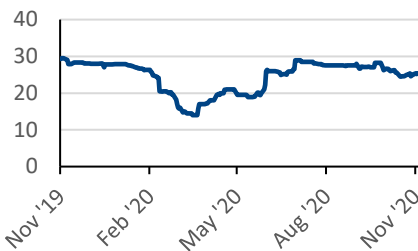
23 November 2020

THRU.L

25.4p

Market Cap: £36.9m

SHARE PRICE (p)



12m high/low 30p/14p

Source: LSE Data

KEY DATA

Net (Debt)/Cash £5.0m (at 30/09/20)

Enterprise value £31.9m

Index/market AIM

Next news Trading update, Apr '21

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

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Resilient performance in H1 FY21

Growing confidence in medium-term prospects

Thruvision has reported results for the six months to end-September 2020, showing a steady financial performance, with cost control enabling EBITDA break-even to be achieved in the half year, despite the challenges presented by the COVID-19 pandemic. H1 FY21 revenues were steady year-on-year at £4.7m, with gross margin being held at 48%. Net cash has increased from £5.0m at 30 September 2020 to £7.8m at 20 November, following payment from US Customs and Border Protection (CBP), which made a substantial £2.9m follow-on order in the half year. Near-term uncertainty means management are not in a position to provide full-year guidance for FY21, but they report a strengthening sales pipeline and their growing confidence in medium-term prospects is evidenced by investment in sales and pre-sales resource in both the US and Europe to support increased demand.

- **A range of new customers signed** – During the half year, a major Gulf State signed up as Thruvision's ninth international customs agency customer, while four new UK-based profit protection customers were signed, including Superdrug's parent company AS Watson, and LaGuardia became Thruvision's third airport employee screening customer. Since the period end, CEVA Logistics has signed as a new profit protection customer.
- **New lease financing for customers** – Thruvision's first lease hire deals were signed in the half year, with two profit protection customers purchasing units on a lease basis. Since the half year-end, Thruvision has put in place full equipment financing facilities for the UK market.
- **Selectively increasing headcount** – Thruvision has added Profit Protection sales expertise to the US team, aiming to capitalise on coronavirus-generated interest from retail and logistics organisations, and has also added an experienced sales resource for Profit Protection, based in Holland, to start addressing EU-based organisations more directly.

In our view, Thruvision has delivered a robust performance in H1 FY21, achieving similar results to H1 FY20 despite obvious challenges, as well as maintaining a strong cash position. Although sales efforts have been constrained by travel restrictions, new customers have been signed in the half year across all three focus sectors: Customs, Profit Protection and Aviation, while there appears to be growing momentum building in the Profit Protection business, particularly in the US.

FYE MAR (£M)	2018	2019	2020
Revenue	3.1	6.0	8.0
Adj EBITDA	-1.8	-1.6	-0.8
Fully Adj PBT	-2.9	-1.7	-1.2
Fully Adj EPS (p)	-1.7	-1.1	-0.7
EV/Sales (x)	10.3x	5.3x	4.0x
EV/EBITDA (x)	-17.9x	-20.6x	-42.4x
PER (x)	N/A	N/A	N/A

Source: Company Information and Progressive Equity Research estimates

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Promising manufacturing and product developments

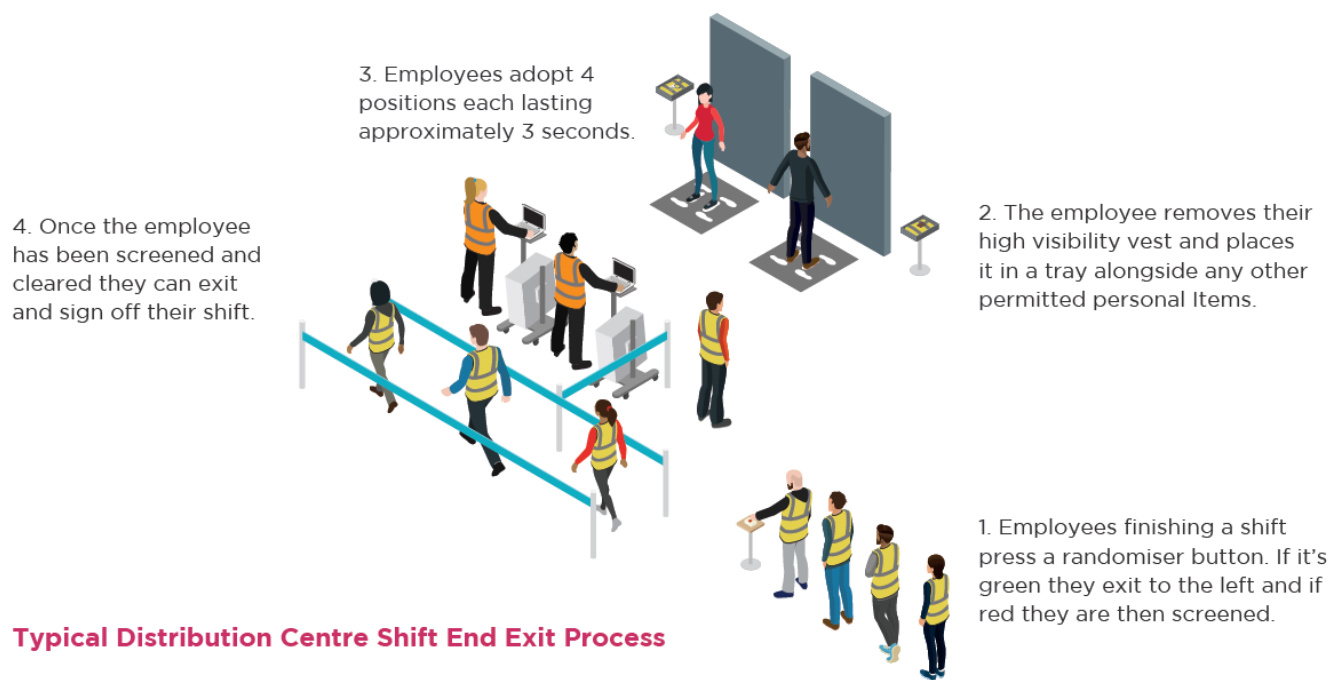
Expanded, more tailored product range

Research and development work to expand Thruvision’s product range progressed well during the half year. This is based on a new, modular hardware architecture and the use of different interface software to tailor user functionality for each end-market. Management expects to enter 2021 with a seven-camera range, designed to meet the specific needs and price points of Thruvision’s three key markets. Additionally, ongoing development and testing of a new Artificial Intelligence (AI)-based detection algorithm continues to progress well.

Greater manufacturing process efficiencies

Much of the cost saving during the half year reflected temporary reductions, such as the decrease in international travel costs, but more enduring savings were achieved in relation to manufacturing costs. During the period, these costs declined due to greater efficiencies being realised in the manufacturing process, with material procurement cost reductions achieved by working closely with the supply chain. Additionally, volume efficiencies are being achieved, with Thruvision now producing units at a greater rate than before the pandemic, in anticipation of enhanced sales going forward.

Thruvision screening solution is proven to reduce theft in distribution centres by up to 80%



Typical Distribution Centre Shift End Exit Process

Source: Company

Ongoing uncertainty over near-term outlook...

Ongoing uncertainty, particularly over national and international travel restrictions, and the resulting impact on Thruvision’s ability to close sales, means that management consider it unwise to provide detailed guidance for the company’s prospects for the current financial year. However, recent announcements on COVID-19 testing and potential vaccines give some cause for wider optimism over a return to more normal sales activity in 2021. Combining this with the company’s healthy cash balance, zero debt and strengthening sales pipeline, management has strong grounds to remain confident about Thruvision’s medium-term prospects.

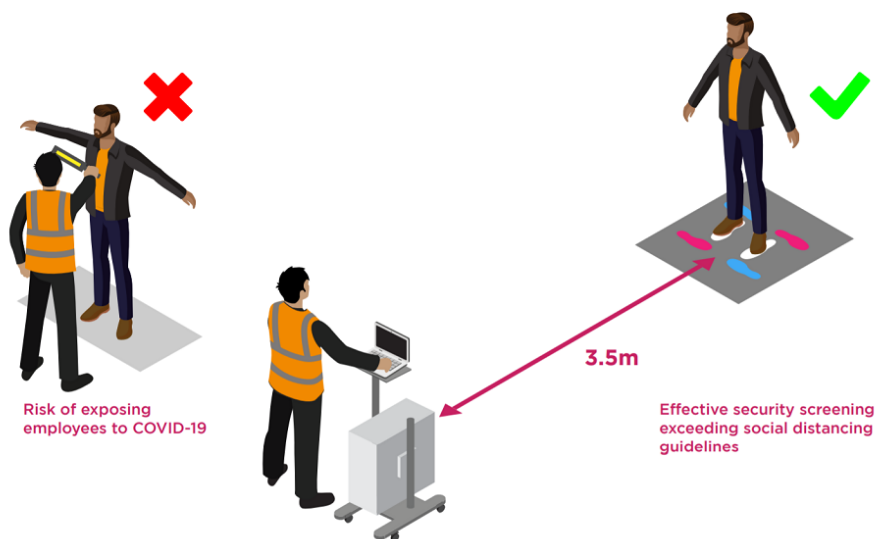
...but medium-term prospects remain strong...

Thruvision CEO Colin Evans sums up the differing near- and medium-term dynamics in the company’s end-markets and how this affects business prospects very clearly, emphasising that the coronavirus pandemic has affected Thruvision’s focus market sectors in markedly differing ways. He notes the sharp contrast between online sales and home deliveries, which have boomed, while aviation, mass transit and hospitality sectors have been severely affected. Although he expects these various markets to recover at different rates, his firm belief is that they are all likely to try to reintroduce people security screening measures in a way that removes the need to physically search people. With its growing profile and customer list, Evans believes Thruvision is increasingly well positioned to benefit from this trend.

...underpinned by ‘safe distance’ screening technology

By operating at a physically distant range of several metres, Thruvision completely removes the need for physical searches, while providing enhanced security effectiveness by detecting non-metallic as well as metallic items. The two most widely deployed existing technologies, walk-through metal detectors and airport body scanners both require close proximity ‘pat-downs’ to resolve alarms, and almost all organisations have currently banned ‘pat-downs’ as they risk virus transmission. We believe this makes Thruvision exceptionally well-positioned to address the growing international need to safely, quickly and comprehensively security screen individuals for weapons, contraband or other illicit items potentially concealed in their clothing.

Thruvision screening solution for distribution centres addresses COVID-19 risk



Source: Company

Financial Summary: Thruvision

Year end: March (£m unless shown)

	2018	2019	2020
PROFIT & LOSS			
Revenue	3.1	6.0	8.0
Adj EBITDA	(1.8)	(1.6)	(0.8)
Adj EBIT	(2.2)	(1.7)	(1.2)
Reported PBT	(3.2)	(2.1)	(1.5)
Fully Adj PBT	(2.9)	(1.7)	(1.2)
NOPAT	(2.2)	(1.7)	(1.0)
Reported EPS (p)	(1.9)	(1.3)	(0.9)
Fully Adj EPS (p)	(1.7)	(1.1)	(0.7)
Dividend per share (p)	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET			
Operating cash flow	(3.6)	(4.2)	(0.7)
Free Cash flow	(3.6)	(4.2)	(0.7)
FCF per share (p)	(2.2)	(2.7)	(0.5)
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0
Net cash flow	(3.6)	(4.2)	(0.7)
Overdrafts / borrowings	0.0	0.0	0.0
Cash & equivalents	17.6	9.4	8.4
Net (Debt)/Cash	17.6	9.4	8.4
NAV AND RETURNS			
Net asset value	19.5	14.1	13.4
NAV/share (p)	11.8	9.7	9.2
Net Tangible Asset Value	0.3	0.8	1.2
NTAV/share (p)	0.2	0.5	0.9
Average equity	9.7	16.8	13.7
Post-tax ROE (%)	(17.8%)	(7.2%)	(5.0%)
METRICS			
Revenue growth		92.7%	33.8%
Adj EBITDA growth		(12.8%)	(51.4%)
Adj EBIT growth		(20.6%)	(30.8%)
Adj PBT growth		(40.1%)	(30.5%)
Adj EPS growth		(34.1%)	(39.7%)
Dividend growth		N/A	N/A
Adj EBIT margins		(29.0%)	(15.0%)
VALUATION			
EV/Sales (x)	10.3	5.3	4.0
EV/EBITDA (x)	-17.9	-20.6	-42.4
EV/NOPAT (x)	-14.6	-18.4	-32.7
PER (x)	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A
FCF yield	(8.6%)	(10.8%)	(1.9%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

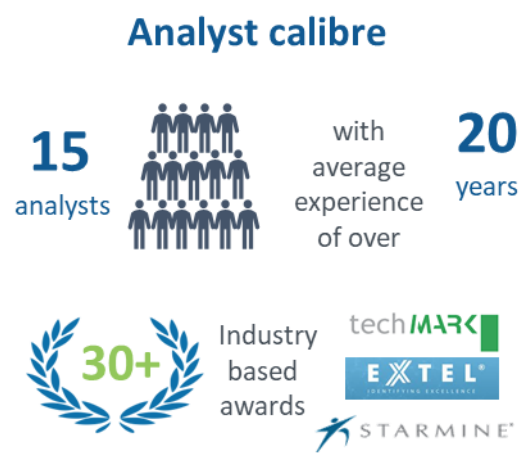
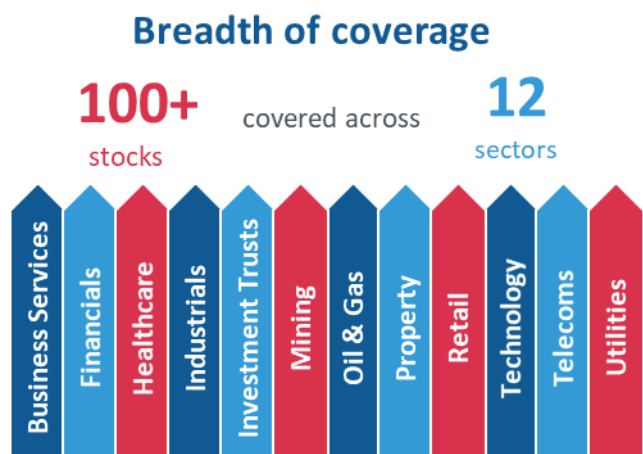
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