

# THRUVISION TECHNOLOGY

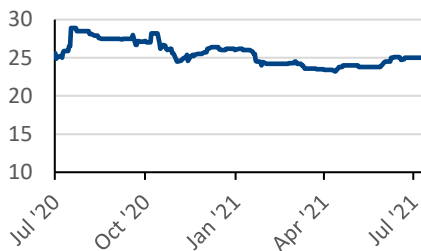
12 July 2021

## THRU.L

25p

Market Cap: £36.4m

### SHARE PRICE (p)



12m high/low 29p/23p

Source: LSE Data

### KEY DATA

Net (Debt)/Cash	£7.3m (at 31/03/21)
Enterprise value	£29.1m
Index/market	AIM
Next news	Interims, December '21
Shares in Issue (m)	145.8
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](http://www.thruvision.com)

THRUVISION IS A RESEARCH CLIENT OF  
PROGRESSIVE

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## Strong growth in Profit Protection

### Resilient performance in a tough year

Thruvision has demonstrated resilience during FY21, with management acting quickly to offset weakness in some core end markets due to the COVID-19 pandemic. The group has delivered gross margin growth and retained its balance sheet strength due to stringent cost control and a shift in revenue mix. The Profit Protection sector operates in a growth market and has also been a major beneficiary of the knock-on impact of the global pandemic. We believe Thruvision is well-positioned to grow rapidly as the market leader of 'safe distance' people-screening technology in a number of international markets as activity levels normalise.

- Full year results** were in line with the April post close trading update, with revenue of £6.7m, compared with £8.0m in FY20. The full year was a tale of two halves as further travel restrictions impeded the expected recovery in H2. The adjusted operating loss increased to £2.3m (FY20 £1.2m). Costs continue to be proactively managed and the gross margin increased to 48% (FY20 47%). The balance sheet remains very strong, with £7.3m cash at year-end, compared with £8.4m in FY20.
- Strong growth in Profit Protection.** Revenues grew by 49% with 16 new customers added, split between third-party logistics and retailers including FedEx, ASOS, and Asda. This has shifted the Group's revenue mix to 30% Profit Protection in FY21, up from 20% in the previous year. The market opportunity for this sector has increased due to rapid growth in online retail, leading to an increase in demand for distribution centres. Management have acted quickly to capitalise on this growth and we see this being a significant driver of profitability in the short to medium term.
- Current trading.** Aviation was most badly affected by the pandemic, with no new contracts signed in H2. Thruvision has resumed its accreditation process with the US Transportation Security Administration which should open up significant opportunities in this highly regulated market once activity levels improve. The robust performance of the Group demonstrates the significant strengthening of the Profit Protection business in H2, and Thruvision is well placed to benefit from this rapidly growing market. The Group remains financially sound and poised to take advantage of the expected recovery in both Customs and Aviation over the medium term.

FYE MAR (£M)	2018	2019	2020	2021
Revenue	3.1	6.0	8.0	6.7
Adj EBITDA	-1.8	-1.6	-0.8	-1.8
Fully Adj PBT	-2.9	-1.7	-1.2	-2.3
Fully Adj EPS (p)	-1.7	-1.1	-0.7	-1.6
EV/Sales (x)	9.4x	4.9x	3.6x	4.3x
EV/EBITDA (x)	-16.4x	-18.8x	-38.7x	-15.9x
PER (x)	N/A	N/A	N/A	N/A

Source: Company Information and Progressive Equity Research estimates.

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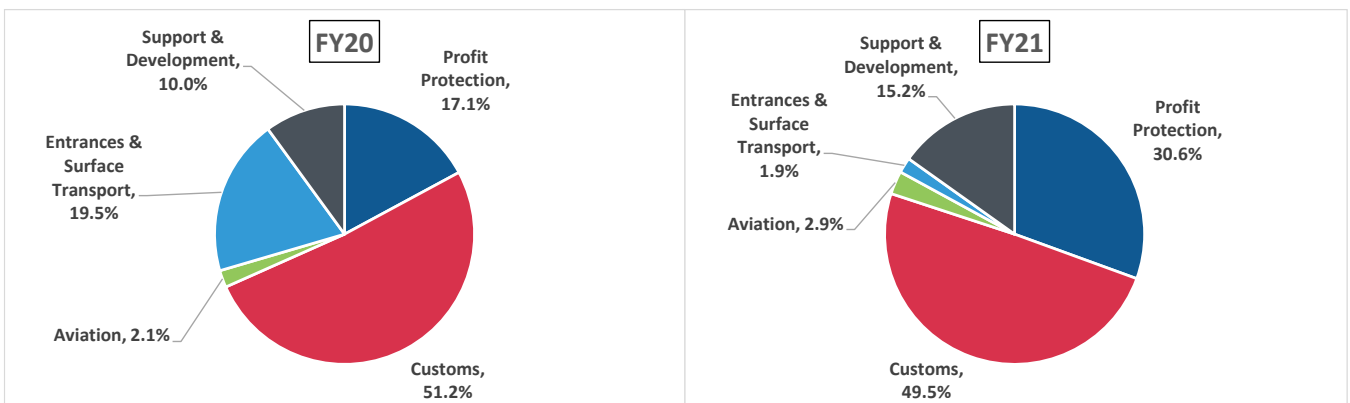
Please refer to important disclosures at the end of the document.

## FY21 Highlights

Thruvision has reported FY21 results consistent with its Apr-21 trading statement. Despite a good first half, further lockdowns and travel restrictions curtailed any immediate recovery in H2. However, there is clear evidence that the Profit Protection product offering is gaining traction in this high growth market. This helped underpin full year performance with overall Group revenue decreasing by a modest 16% to £6.7m (FY20 £8m), despite the near total shut down in two out of four of its end markets.

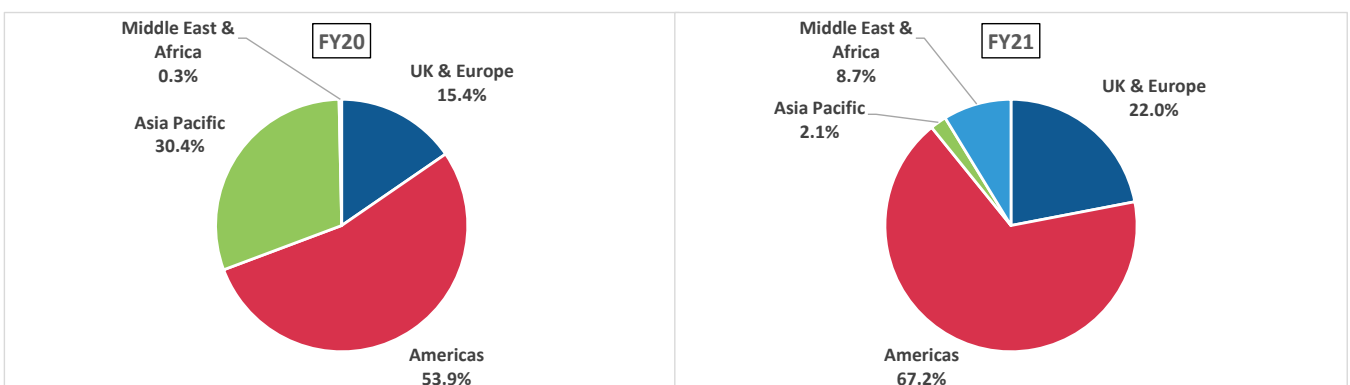
Revenues were significantly lower in Thruvision’s Asian markets, however, the UK, US, and Middle East regions all recorded modest improvements. This was driven by the growth experienced in its Profit Protection sector where revenue grew by 49% compared to last year. This sector now accounts for 30% of Group revenues, up from 20% in FY20.

### Sector revenue split



Source: Company information, Progressive Equity Research

### Geographical revenue split



Source: Company information, Progressive Equity Research

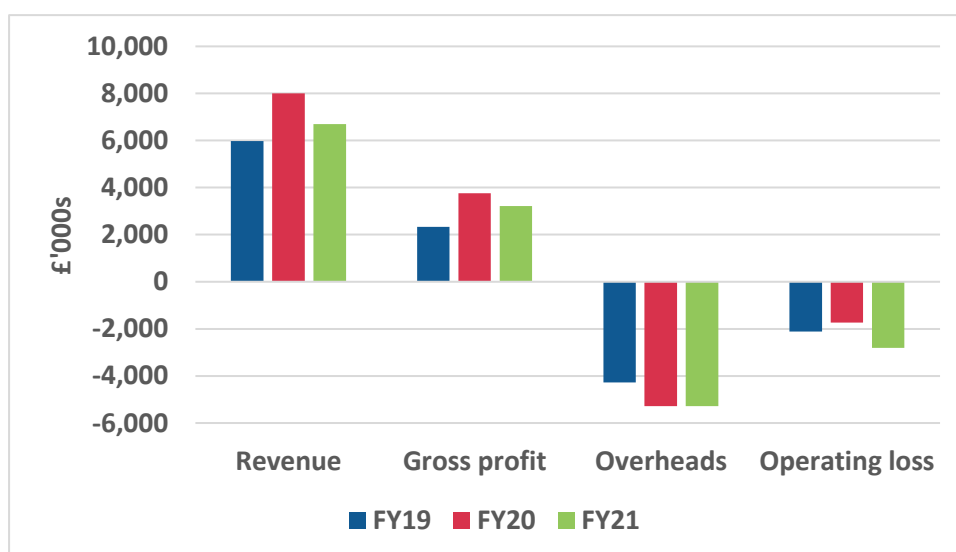
Thruvision has shifted its short-term focus on to accelerating growth in Profit Protection by beefing up its sales and marketing resources. However, it is also ready to react quickly to capitalise on the expected increase in activity levels in its Government-led sectors, given the strategic progress that Thruvision has made with US Federal Government agencies.

KEY PERFORMANCE METRICS			
	FY19	FY20	FY21
Units shipped	109	114	84
Average revenue per unit (£'000s)	54	68	77
Gross margin	39%	47%	48%

Source: Company information, Progressive Equity Research analysis

The number of units shipped dropped from 114 to 84. However, revenue was supported by a rise in the average revenue per unit to £77k (FY20 £68k). This reflects higher pricing as the sales mix has shifted to newer higher specification products. There was a small uplift in the gross profit margin to 48% (FY20 47%), helped by more profitable customer-funded R&D projects. Overheads were well managed and stayed flat at £5.3m, despite investment in sales and marketing resources, leading to a slightly increased headcount.

#### REVENUE AND PROFIT PROGRESSION



Source: Company information, Progressive Equity Research analysis

The operating loss increased to £2.8m for the year (FY20 £1.7m), exacerbated by the strengthening of Sterling against the US Dollar which caused an adverse year on year movement of £417k (£329k FX losses in FY21 compared to £88k net gains in FY20).

The adjusted loss before tax from continuing operations (excluding share-based payments and share buyback costs) was £2.3m in FY20 compared with an adjusted loss before tax of £1.7m in FY19. The cash balance at the year-end was £7.3m (FY20 £8.4), better than the losses suggest, given careful working capital management.

## Customer and market developments

The Thruvision offering addresses the growing international need to safely screen weapons or other illicit objects concealed in clothing. Existing technologies that are widely deployed include walk-through and body scanners which fall short in today's post Covid environment, as close proximity searches tend to be required. The Thruvision product addresses this issue by allowing an operative/ security guard to see concealed items of any material as small as 3cm by 3cm from a safe distance of 3m.

- **Profit Protection** – This is a well-established high-growth market, largely involving screening for non-metallic items being pocketed by employees at retail distribution centres. There is a growing uptake from a mix of large international and large high-growth businesses in this market, driven by growth in online retail and rapid expansion in distribution centres and home delivery. There are a potentially a very large number of retailers across sub-sectors including fashion, healthcare, grocery, electronics, and third-party logistics.

16 new customers were added in the period, with 12 being added in H2. Thruvision's customers include major third-party logistics providers such as DPD, high growth online retailers such as ASOS, and more traditional retailers such as Asda and Tesco. As well as new unit sales, system upgrades will also form part of revenue growth going forwards.

- **Customs** – This is a well-established market for Thruvision, predominantly relating to screening for non-metallic objects, such as cash and drugs at border checkpoints. This market has been hard hit with FY21 sales underpinned by a single order from US Customs and Border Protection in H1. Some units were also sold in H1 as part of a pilot programme in the Gulf. However other opportunities particularly in Asia were heavily delayed and no revenue was booked in H2.
- There are early signs of a return to more normal activity levels as vaccination efforts take effect in certain markets. Thruvision's customers are national government agencies, including CBP, Hong Kong Customs, and the US State Department's Bureau of International Narcotics and Law Enforcement (INL).
- **Aviation** – This is a key market for Thruvision relating to people screening for prohibited items at airport security checkpoints. Pre Pandemic, Thruvision was making good progress in gaining accreditation of its Checkpoint Camera (CPC) for the highly regulated airport passenger screening market. This was delayed due to the near-total shutdown of the aviation market, however, Thruvision has now restarted the formal accreditation process with the US Transportation Security Administration (TSA). If successful we believe that this will open up the international aviation security market.
- **Entrance Protection** – this involves screening for weapons at the entrance to buildings driven by levels of mass causality firearm attacks. This market remains subdued due to the pandemic.
- **Surface Transport** – involves screening for suicide vests and weapons at railways, undergrounds, and airport concourses. Asia was the strongest region for the Group but it has been hit hard by the pandemic. We see a significant opportunity for Thruvision as the US TSA Surface Transport division tests its products.

## Summary

Thruvision has shown good resilience despite the challenges it has faced due to the Pandemic. Its FY21 results highlight a significant strengthening of the Profit Protection business in the second half of the year, in contrast to a not unexpected, short-term weakness in both Customs and Aviation sub-sectors due to the COVID-19 pandemic. Costs continue to be proactively managed and Thruvision retains a strong balance sheet, with £7.3m cash at year-end. Management sees momentum rebuilding in the Customs and Aviation sub-sectors during FY22 and expects to continue to benefit from the strong growth of the Profit Protection business, where Thruvision's 'hands-off' security screening is rapidly gaining traction.

As a consequence of the limited short-term visibility, we withdrew our forecasts for the next two financial years, however, given better visibility we are revisiting our estimates. There are early signs of recovery in Customs but Aviation is expected to pick up more slowly. We expect the strong performance in Profit Protection to continue. Virtual pre-sales work is shortening the front-end of the sales cycle and system upgrades for existing clients represent a significant opportunity for the Group. We, therefore, believe that FY21 will represent the peak in Covid-related disruption for Thruvision. We believe Thruvision is well-positioned to grow rapidly as the leading provider of 'safe distance' people-screening technology to the international security market, both during the coming year as activity levels normalise and over the medium term.

**Financial Summary: Thruvision**

Year end: March (£m unless shown)

	2018	2019	2020	2021
<b>PROFIT &amp; LOSS</b>				
Revenue	3.1	6.0	8.0	6.7
Adj EBITDA	(1.8)	(1.6)	(0.8)	(1.8)
Adj EBIT	(2.2)	(1.7)	(1.2)	(2.3)
Reported PBT	(3.2)	(2.1)	(1.5)	(2.8)
Fully Adj PBT	(2.9)	(1.7)	(1.2)	(2.3)
NOPAT	(2.2)	(1.7)	(1.0)	(2.3)
Reported EPS (p)	(1.9)	(1.3)	(0.9)	(1.7)
Fully Adj EPS (p)	(1.7)	(1.1)	(0.7)	(1.6)
Dividend per share (p)	0.0	0.0	0.0	0.0
<b>CASH FLOW &amp; BALANCE SHEET</b>				
Operating cash flow	(3.6)	(4.2)	(0.7)	(1.9)
Free Cash flow	(3.6)	(4.2)	(0.7)	(2.2)
FCF per share (p)	(2.2)	(2.7)	(0.5)	(1.5)
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0
Net cash flow	(3.6)	(4.2)	(0.7)	(2.2)
Overdrafts / borrowings	0.0	0.0	0.0	0.0
Cash & equivalents	17.6	9.4	8.4	7.3
Net (Debt)/Cash	17.6	9.4	8.4	7.3
<b>NAV AND RETURNS</b>				
Net asset value	19.5	14.1	13.4	11.3
NAV/share (p)	11.8	9.7	9.2	7.8
Net Tangible Asset Value	0.3	0.8	1.2	1.1
NTAV/share (p)	0.2	0.5	0.9	0.8
Average equity	9.7	16.8	13.7	12.3
Post-tax ROE (%)	(17.8%)	(7.2%)	(17.0%)	(3.3%)
<b>METRICS</b>				
Revenue growth		92.7%	33.8%	(16.3%)
Adj EBITDA growth		(12.8%)	(51.4%)	142.6%
Adj EBIT growth		(20.6%)	(30.8%)	94.7%
Adj PBT growth		(40.1%)	(30.5%)	93.6%
Adj EPS growth		(34.1%)	(39.7%)	137.6%
Dividend growth		N/A	N/A	N/A
Adj EBIT margins		(29.0%)	(15.0%)	(34.8%)
<b>VALUATION</b>				
EV/Sales (x)	9.4	4.9	3.6	4.3
EV/EBITDA (x)	-16.4	-18.8	-38.7	-15.9
EV/NOPAT (x)	-13.4	-16.8	-29.9	-12.5
PER (x)	N/A	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A
FCF yield	(8.8%)	(10.9%)	(1.9%)	(5.9%)

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

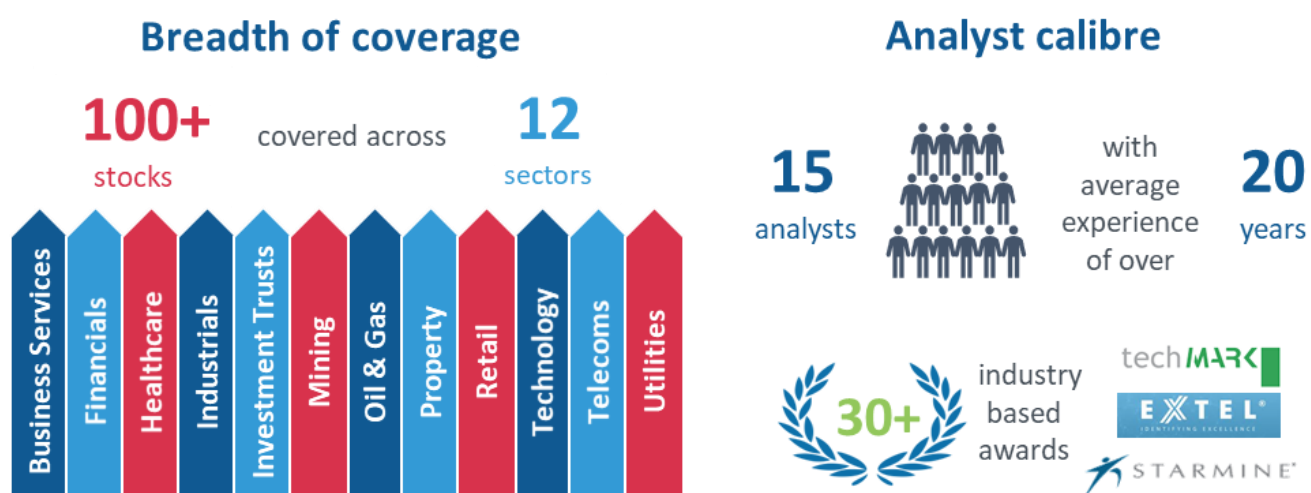
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