

THRUVISION TECHNOLOGY

4 April 2022

THRU.L

27.2p

Market Cap: £39.7m

SHARE PRICE (p)



12m high/low

29p/17p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£4.1m (at 30/09/21)
Enterprise value	£35.6m
Index/market	AIM
Next news	FY Results, July '22
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

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THRUVISION IS A RESEARCH CLIENT OF
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On track to breakeven

Thruvision, the leading provider of 'safe distance' people screening technology, has announced a trading update for the full year to 31 March 2022. Good momentum has continued, with a strong performance from Profit Protection, where revenue was up 70% on the prior year. The decision by Tesco, the leading UK retailer, to deploy Thruvision at scale represents a significant contract win, coupled with the addition of its first major European customer, Zalando. In the US, Profit Protection has secured its first order from Republic National Distributing Company (RNDC), one of the US's largest alcohol distributors, representing a foothold into the US market. Management has reiterated confidence in an increased order flow from US Customs and Border Protection (CBP) given its close engagement. Finally, we introduce FY23 estimates – these anticipate growth of some 20%-25% on the FY22 revenue outturn, and importantly also suggest an EBITDA-breakeven result for the first time in the group's history. Overall, a strong update for FY22, and boding very well for FY23 and beyond.

- **Strong momentum** has continued into H2, with a significant improvement over the first half. Full-year revenue is expected to be £8.4m (FY21: £6.7m), slightly ahead of our FY22 revenue estimate of £8m, which we reinstated at the interim results in November following improved visibility for the group. The cash balance is expected to have increased at the year-end to £5.5m (H1 21: £4.1m; FY21: £7.3m).
- **Profit Protection is a key driver of growth**, with Thruvision gaining significant traction in this high-growth market. Revenue grew by 70% compared to FY21, with some big UK names such as Tesco deploying the product, plus good repeat business from both its new and established client base. Revenue from the US and Europe is starting to flow through.
- **Further order flow is expected from US CBP**, with material orders secured in H2 to upgrade CBP's existing 8-channel cameras. CBP publicly announced that it intends to increase its use of 'passive body scanners', which we view as a direct positive for Thruvision.

With Profit Protection performing strongly and growing confidence on order flow with US CBP, we introduce FY23 estimates. We forecast FY23 revenue of £10.1m, suggesting growth of 22% on FY22, and we arrive at an EBITDA-breakeven position for the first time in the group's history. We believe that Thruvision is back on track to deliver its pre-pandemic growth trajectory. We look forward to further detail with full-year results, likely in July.

FYE MAR (£M)	2019	2020	2021	2022E	2023E
Revenue	6.0	8.0	6.7	8.4	10.1
Adj EBITDA	-1.6	-0.8	-1.8	-1.3	0.0
Fully Adj PBT	-1.7	-1.2	-2.3	-1.7	-0.5
Fully Adj EPS (p)	-1.1	-0.7	-1.6	-1.2	-0.3
EV/Sales (x)	5.9x	4.4x	5.3x	4.2x	3.5x
EV/EBITDA (x)	-22.9x	-47.2x	-19.4x	-26.5x	N/A
PER (x)	N/A	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.

Profit Protection

There is clear evidence that Profit Protection is gaining traction. This is a high-growth market driven by the increase in online retailing and associated theft by employees in distribution centres, often of small, high-value items (eg tobacco and razor blades).

Following a pilot programme that demonstrated a strong return on investment, Tesco has confirmed its commitment to rolling out the Thruvision product, with a significant order placed in H2. Three new clients have been added in FY21, including Zalando, Thruvision's first major European customer. CEVA Logistics and ASOS, which first purchased units in FY21, have also placed further orders in H2, and established customers such as Next and Boots have started upgrading their fleets.

Thruvision has strengthened its Profit Protection team in the US and secured an order from Republic National Distributing Company (RNDC), one of the US's largest alcohol distributors operating across 38 states. Management continues to invest for growth in the US market and is seeing a strengthened pipeline of orders.

Customs

Customs is a well-established market for Thruvision, where its equipment can detect non-metallic, prohibited items such as cash and drugs, with currently no direct competition.

Thruvision works closely with US CBP, recently helping to deploy existing units to the Southern Border to manage migration, which has proved a success. As a result, Thruvision has received a material order in H2 to start the process of upgrading CBP's existing 8-channel cameras to the latest high-performance 16-channel model, which will extend into FY23. CBP publicly announced procurement plans to acquire significant numbers of additional 'passive body scanners' during 2022. We believe Thruvision is well placed to pitch in the upcoming tender process, with potentially very significant volumes attached.

Aviation and other

We are encouraged to note that aviation traffic levels are starting to slowly recover and Thruvision continues to progress the TSA accreditation process in the US. Its contactless detection capability remains a key differentiator, and management continues to focus on national accreditations to fully enter the contactless aviation market. Previously stalled opportunities with other customs authorities and prison services are starting to move forward again, giving confidence for additional revenue from the broader international market in FY23.

Board changes

After three years with the business, Adrian Crockett the Finance Director, will be leaving the company in April. An experienced interim CFO, Chris Mann, has been appointed, with a process underway to appoint a permanent successor. Katrina Nurse has been appointed a non-executive director. Katrina is a highly experienced CFO from the retail sector, with a track record of growing businesses including Selfridges, Pentland Group, Arcadia Group and most recently Asda. She will chair a new Profit Protection Advisory Board, which aims to increase the visibility of the Thruvision brand to more senior retail industry executives across the UK, US and Europe.

Financial Summary: Thruvision

Year end: March (£m unless shown)

	2019	2020	2021	2022E	2023E
PROFIT & LOSS					
Revenue	6.0	8.0	6.7	8.4	10.1
Adj EBITDA	(1.6)	(0.8)	(1.8)	(1.3)	0.0
Adj EBIT	(1.7)	(1.2)	(2.3)	(1.9)	(0.6)
Reported PBT	(2.1)	(1.5)	(2.8)	(1.8)	(0.7)
Fully Adj PBT	(1.7)	(1.2)	(2.3)	(1.7)	(0.5)
NOPAT	(1.7)	(1.0)	(2.3)	(1.9)	(0.6)
Reported EPS (p)	(1.3)	(0.9)	(1.7)	(1.2)	(0.5)
Fully Adj EPS (p)	(1.1)	(0.7)	(1.6)	(1.2)	(0.3)
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET					
Operating cash flow	(4.2)	(0.7)	(1.9)	(1.8)	(0.9)
Free Cash flow	(4.2)	(0.7)	(2.2)	(1.8)	(0.9)
FCF per share (p)	(2.7)	(0.5)	(1.5)	(1.2)	(0.6)
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	(4.2)	(0.7)	(2.2)	(1.8)	(0.9)
Overdrafts / borrowings	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	9.4	8.4	7.3	5.5	4.5
Net (Debt)/Cash	9.4	8.4	7.3	5.5	4.5
NAV AND RETURNS					
Net asset value	14.1	13.4	11.3	9.5	8.8
NAV/share (p)	9.7	9.2	7.8	6.5	6.1
Net Tangible Asset Value	0.8	1.2	1.1	0.7	0.3
NTAV/share (p)	0.5	0.9	0.8	0.5	0.2
Average equity	16.8	13.7	12.3	10.4	9.2
Post-tax ROE (%)	(7.2%)	(17.0%)	(14.1%)	(4.6%)	0.0%
METRICS					
Revenue growth		33.8%	(16.3%)	25.0%	21.0%
Adj EBITDA growth		(51.4%)	142.6%	(26.7%)	(100.2%)
Adj EBIT growth		(30.8%)	94.7%	(17.0%)	(67.2%)
Adj PBT growth		(30.5%)	93.6%	(25.2%)	(72.3%)
Adj EPS growth		(39.7%)	137.6%	(25.4%)	(72.3%)
Dividend growth		N/A	N/A	N/A	N/A
Adj EBIT margins		(15.0%)	(34.8%)	(23.1%)	(6.3%)
VALUATION					
EV/Sales (x)	5.9	4.4	5.3	4.2	3.5
EV/EBITDA (x)	-22.9	-47.2	-19.4	-26.5	17541.3
EV/NOPAT (x)	-20.5	-36.4	-15.2	-18.4	-56.1
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	(10.0%)	(1.7%)	(5.5%)	(4.5%)	(2.4%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

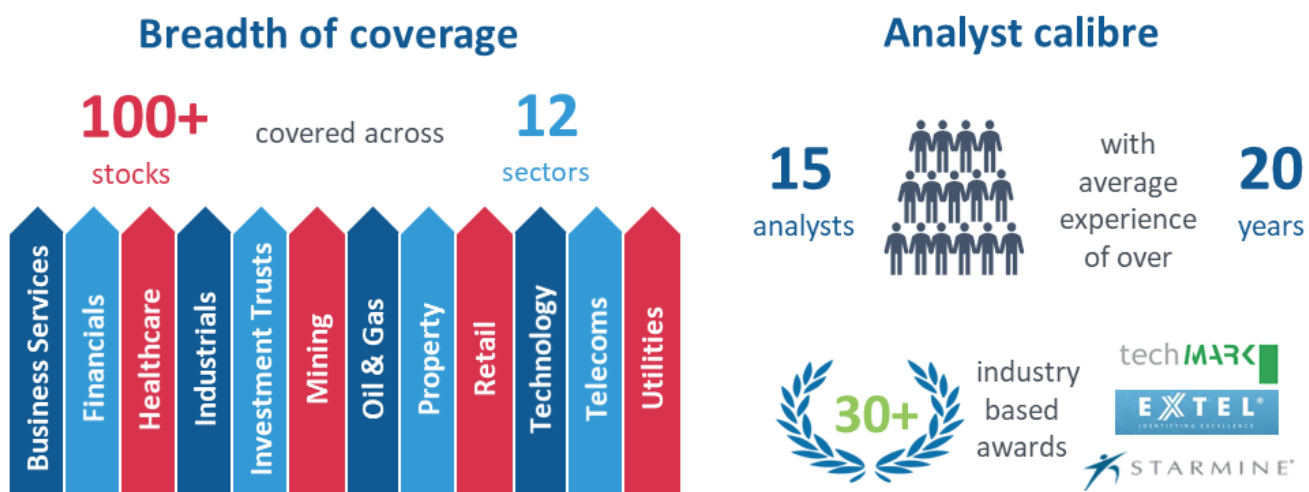
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