

THRUVISION TECHNOLOGY

12 October 2022

THRU.L

23.3p

Market Cap: £34m

SHARE PRICE (p)



12m high/low 35p/17p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£3.1m (at 11/10/22)
Enterprise value	£30.9m
Index/market	AIM
Next news	Interim results, Nov 22
Shares in Issue (m)	145.8
Chairman	Tom Black
Chief Executive	Colin Evans
Finance Director	Victoria Balchin

COMPANY DESCRIPTION

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

www.thruvision.com

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Strong and reassuring trading update

Thruvision has announced a positive H1 23 trading update, to 30 September 2022, as the group continues to benefit from its diversified revenue base. The Customs division has contributed very strongly, and we expect the acceleration of growth to continue given the recently announced US Customs and Border Protection (CBP) framework agreement. The quantum of CBP spend is large, with the two recent orders totalling \$9.7m, and we upgrade revenue by 26% for FY23E. Economic headwinds have created a challenging environment for retailers, with H1 23 Profit Protection revenue flat year on year having achieved 70% growth in FY22. Any uptick in demand in Profit Protection could allow further upgrades later in the financial year, and we note that there has been a good level of new business in this area, plus upselling opportunities. We look forward to further developments as the technology becomes rapidly more accepted and mainstream.

- Strong revenue growth and order backlog.** Thruvision expects revenue for the period to increase by 41% to £2.8m (H1 22: £2.0m). Cash at 30 September was £1.1m, but £3.1m at 11 October. Despite Profit Protection revenue remaining flat at £1m, we note that the model is evolving. Customers appear to be comfortable paying higher prices for walk-through lanes to allow mass screening, as the group pioneered with Next Plc, rather than just relying on single-person spot-checks.
- Revenue diversification.** Against a challenging economic backdrop, Thruvision is benefitting from its technology being applicable to multiple end markets. The two significant recent orders from CBP have totalled \$9.7m (see our [note](#)). This means that the total CBP spend with Thruvision for the last US Government fiscal year was \$14m, which we believe gives an indication of the potential scale of the opportunity.
- Upgrading estimates.** The order backlog for equipment is \$8.3m (£7.3m using \$/£ 1.1), with most (if not all) expected to be recognised in H2. We upgrade revenue from £10.4m to £12.7m for FY23E and maintain EBITDA-breakeven, given an uptick in costs due to investment for growth.

In our view, this is a strong and reassuring update. Management has been open and quick to acknowledge the slower growth in Profit Protection due to economic uncertainty, however employee theft continues to be a big (and growing) issue for retailers. Confirmed CBP orders underpin FY23E, with additional orders via the framework likely in future years, which would drive revenue growth and, given the strong gross margin, earnings and cash.

FYE MAR (£M)	2020	2021	2022	2023E
Revenue	8.0	6.7	8.4	12.7
Adj EBITDA	-1.1	-1.5	-1.7	0.1
Fully Adj PBT	-1.2	-2.3	-2.3	-0.4
Fully Adj EPS (p)	-0.8	-1.7	-1.1	-0.1
EV/Sales (x)	3.9x	4.6x	3.7x	2.4x
EV/EBITDA (x)	-28.9x	-20.6x	-18.2x	246.7x
PER (x)	N/A	N/A	N/A	N/A

Source: Company Information and Progressive Equity Research estimates.

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Estimate changes

Estimate changes			
£m unless stated	Old	New	Change (%)
Revenue	10.1	12.7	26%
Adj EBITDA	0.0	0.1	N/A
Fully adj PBT	-0.5	-0.4	N/A
Fully adj EPS (p)	-0.3	-0.1	N/A

Source: Progressive Equity Research estimates

Financial Summary: Thruvision

Year end: March (£m unless shown)

	2020	2021	2022	2023E
PROFIT & LOSS				
Revenue	8.0	6.7	8.4	12.7
Adj EBITDA	(1.1)	(1.5)	(1.7)	0.1
Adj EBIT	(1.5)	(2.0)	(2.3)	(0.4)
Reported PBT	(1.1)	(2.5)	(1.7)	(0.2)
Fully Adj PBT	(1.2)	(2.3)	(2.3)	(0.4)
NOPAT	(1.3)	(1.8)	(2.0)	(0.2)
Reported EPS (p)	(0.8)	(1.7)	(1.1)	(0.1)
Fully Adj EPS (p)	(0.8)	(1.7)	(1.1)	(0.1)
Dividend per share (p)	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET				
Operating cash flow	(0.8)	(0.6)	(1.6)	(0.9)
Free Cash flow	(0.9)	(1.0)	(2.3)	(1.5)
FCF per share (p)	(0.6)	(0.7)	(1.6)	(1.0)
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.3	0.0	0.0	0.0
Shares issued	0.0	0.1	0.2	0.0
Net cash flow	(1.0)	(1.1)	(1.8)	(1.5)
Overdrafts / borrowings	0.0	0.0	0.0	0.0
Cash & equivalents	8.4	7.3	5.4	4.0
Net (Debt)/Cash	8.4	7.3	5.4	4.0
NAV AND RETURNS				
Net asset value	13.4	11.3	9.4	8.2
NAV/share (p)	9.2	7.8	6.5	5.6
Net Tangible Asset Value	1.2	1.1	1.2	1.1
NTAV/share (p)	0.9	0.8	0.8	0.8
Average equity	13.7	12.3	10.4	8.8
Post-tax ROE (%)	(8.8%)	(18.9%)	(16.8%)	(5.5%)
METRICS				
Revenue growth	34%	(16.3%)	24.8%	52.0%
Adj EBITDA growth	(19.8%)	40.4%	13.1%	(107.4%)
Adj EBIT growth	(14.7%)	32.8%	11.8%	(81.0%)
Adj PBT growth	(30.5%)	94.8%	(3.9%)	(81.0%)
Adj EPS growth	(33.8%)	128.0%	(33.3%)	(88.4%)
Dividend growth		N/A	N/A	N/A
Adj EBIT margins	(19.0%)	(30.1%)	(27.0%)	(3.4%)
VALUATION				
EV/Sales (x)	3.9	4.6	3.7	2.4
EV/EBITDA (x)	-28.9	-20.6	-18.2	246.7
EV/NOPAT (x)	-23.8	-17.6	-15.2	-154.9
PER (x)	N/A	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A
FCF yield	(2.5%)	(3.0%)	(6.7%)	(4.2%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

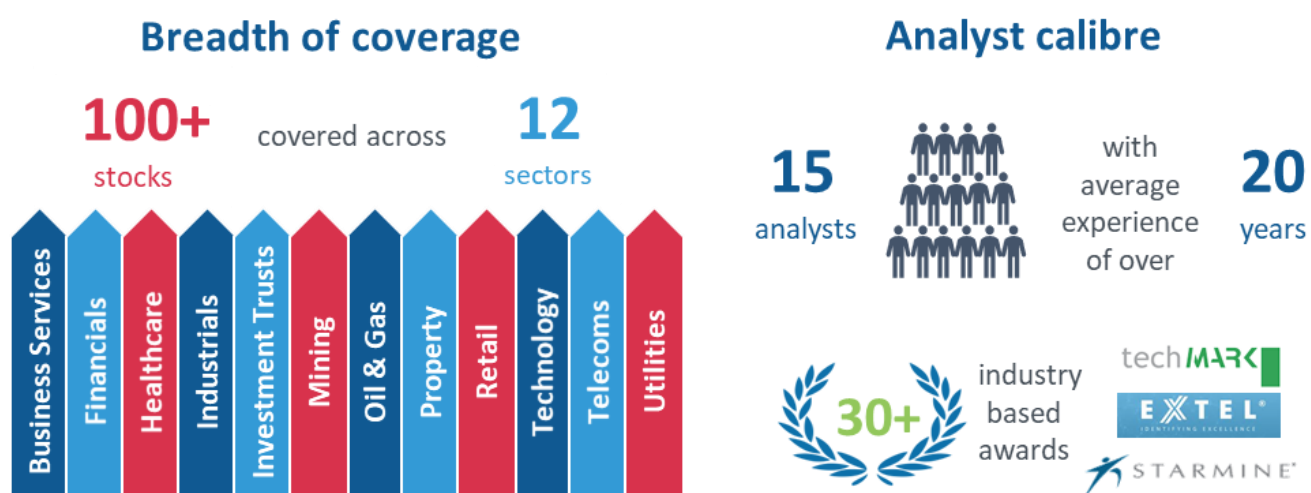
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