

THRUVISION TECHNOLOGY

21 April 2023

THRU.L

24.5p

Market Cap: £35.7m

SHARE PRICE (p)



12m high/low

35p/22p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£2.8m (at 31/03/23)
Enterprise value	£32.9m
Index/market	AIM
Next news	FY results, June
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

THRUVISION IS A RESEARCH CLIENT OF
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Breakthrough revenue growth

Thruvision has issued a positive full-year trading update to 31 March, detailing revenue growth of 48% and EBITDA nearing breakeven. We expect the group's medium-term performance to benefit from several drivers. In particular, the Customs division should continue to grow, underpinned by the CBP framework and interest from other international agencies. We also expect Retail Distribution (formerly Profit Protection) to gain market share, benefit from new product rollouts and grow profitable revenue when the retail environment improves. We look forward to further developments as Thruvision's technology becomes more accepted and mainstream.

- FY23 – record revenue.** Thruvision guided at the half year that FY23 would be materially second-half weighted. Today's update points to FY23 revenue growth of 48% to £12.4m (FY22: £8.4m) and adjusted EBITDA nearing breakeven, with a loss of £0.2m (FY22: loss of £1.7m). Net cash at 31 March was £2.8m (FY22: £5.4m), slightly below expectations due to the post year-end timing of payments. The group's strategy to focus on the two main markets of Customs and Retail Distribution has delivered a robust performance in FY23 despite the difficult economic backdrop.
- CBP framework agreement – a key strategic milestone.** Orders under the multi-year CBP framework, which runs to September 2026, are usually placed in the latter part of the US Government fiscal year, ending 30 September. The CBP order backlog was successfully delivered in H2 following the two orders totalling £8.7m (\$9.7m) received in September. Once deployment is complete, CBP will be using over 100 of Thruvision's latest systems to screen for contraband, having made public its intention to acquire 500 'passive body scanners' over the next five years.
- Retail Distribution – a huge opportunity.** Employee theft remains a problem for the retail industry and Thruvision is well placed to take advantage when economic conditions improve. Performance has remained robust despite a tough trading backdrop, with the group gaining traction in Europe and the US. Management estimates that there are over 20,000 distribution centres across the UK, US and Europe, representing a huge strategic opportunity. There is also strong take-up of its 'Walk-THRU' mass-screening lane, with a major UK retailer verifying ROI in under a year.
- FY24 estimates.** Given the unusually high levels of macro uncertainty impacting the retail sector and the lumpy nature of customs revenues, we have chosen to await further updates before introducing FY24 estimates.

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	-0.5
Fully Adj EPS (p)	-0.8	-1.7	-1.1	-0.2
EV/Sales (x)	4.1x	4.9x	3.9x	2.6x
EV/EBITDA (x)	-30.8x	-21.9x	-19.4x	223.3x
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.

Thruvision in brief

Thruvision is a leading provider of walk-through security technology based around its deep expertise in radio-frequency and mechanical engineering, given its origins in the UK Government space laboratories. It designs, manufactures and supplies a unique passive terahertz sensor technology to provide a 'safe distance' screening solution for both metallic and non-metallic objects. Thruvision's patented technology is capable of detecting concealed objects in real time using an advanced AI-based detection algorithm.

The company has offices in Oxford in the UK and Washington DC in the US. The technology is already deployed in over 20 countries around the world, with strong relationships within the US Department of Homeland Security, including agencies such as Customs and Border Protection (CBP) and the Transportation Security Administration (TSA). Thruvision is rapidly establishing itself as the industry-leading solution with retailers and distribution centres to combat employee theft. It has a well-established position with a number of leading UK and US retailers including Tesco, Next, Boots, JD Sports and Saks, as well as with global logistics providers including DHL and CEVA.

Investor criteria – how Thruvision measures up

What investors look for	What Thruvision offers
Large and growing market with diverse revenue streams	The global market for people screening is vast and incremental product improvements can drive growth. The addressable market for Customs is large and growing with CBP alone committed to 500 units over the next four years. Retail distribution represents a very large, growing and unregulated market, estimated at 20,000 distribution centres (DCs) in the UK, EU and US.
Recurring (or repeat) business from blue-chip customers, or otherwise reliable revenue base	In FY22 most revenue came from existing customers buying additional units or upgrading. Next Plc partnered with the group for the development of the WalkTHRU screening lane solution, which will help drive additional growth.
Defensible position with barriers to entry	Innovation and development keep Thruvision's products at the forefront of technology and in customer demand. The group has invested over \$50m in R&D, with significant patent protection for its product families.
Strong margins, cash generation and dividends	Gross margins are high, and the level of overhead should support the anticipated revenue increase. Given the breakthrough CBP order and new and existing retail demand, we forecast a significant increase in revenue in FY23 with breakeven to be achieved at the EBITDA level.
Positioned for acquisitive growth	We expect further continued organic growth as Thruvision gains traction in its core markets, adding new clients, increasing the product range and developing further product upgrades. Customs revenue is also underpinned by the recent CBP framework agreement.
Strong ESG credentials – as a business or via products/services	Thruvision maintains an outsourced component procurement and manufacturing capability, via a subcontractor, in the US, thus negating the requirement to transport units from the UK to this major market.
Credible, strategic and experienced management team	The group is led by a highly experienced team in Tom Black and Colin Evans, who delivered a tenfold return to investors when security technology specialist Detica Group PLC was acquired by BAE Systems for £538m in 2008.

Source: Company information, Progressive Equity Research analysis

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)	(0.3)
Fully Adj PBT	(1.2)	(2.3)	(2.3)	(0.5)
NOPAT	(1.3)	(1.8)	(2.0)	(0.2)
Reported EPS (p)	(0.8)	(1.7)	(1.1)	(0.2)
Fully Adj EPS (p)	(0.8)	(1.7)	(1.1)	(0.2)
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)	(1.4)
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)	(1.4)
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	9.1
NAV/share (p)	9.2	7.8	6.5	6.3
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	9.3
Post-tax ROE (%)	(8.8%)	(18.9%)	(16.8%)	(5.2%)
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%)	(75.6%)
Adj EPS growth	(33.8%)	128.0%	(33.3%)	(81.2%)
Dividend growth		N/A	N/A	N/A
Adj EBIT margins	(19.0%)	(30.1%)	(27.0%)	(3.4%)
VALUATION				
EV/Sales (x)	4.1	4.9	3.9	2.6
EV/EBITDA (x)	-30.8	-21.9	-19.4	223.3
EV/NOPAT (x)	-25.4	-18.8	-16.2	-140.0
PER (x)	N/A	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A
FCF yield	(2.4%)	(2.8%)	(6.4%)	(4.3%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

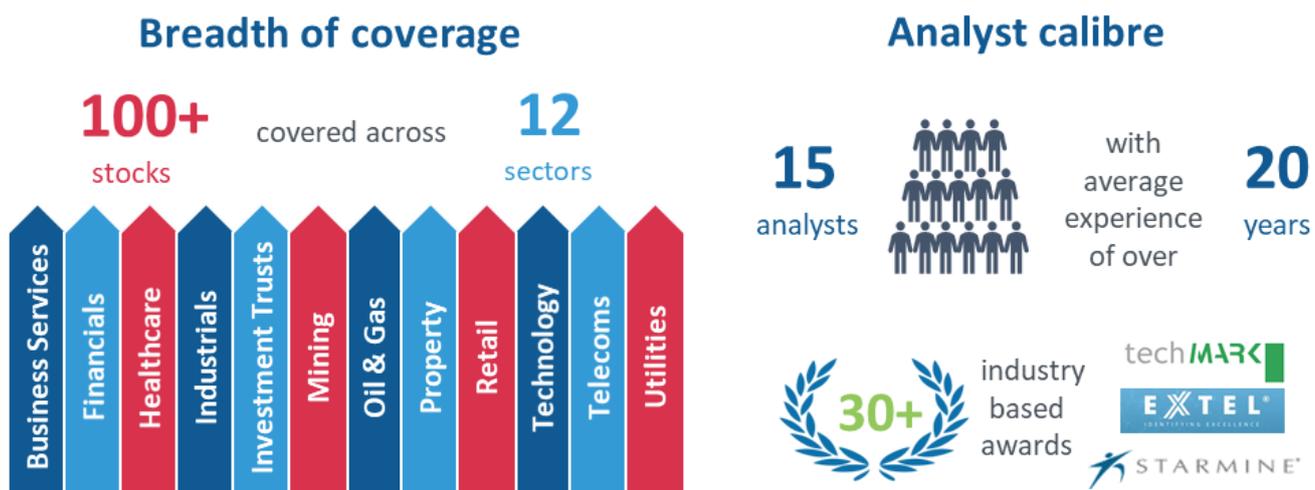
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