

THRUVISION TECHNOLOGY

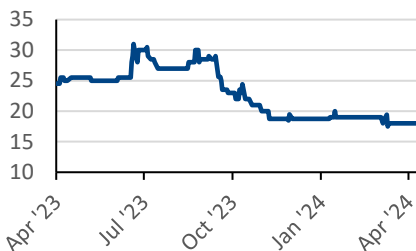
26 April 2024

THRU.L

18p

Market Cap: £29m

SHARE PRICE (p)



12m high/low 31p/18p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£4.1m (at 31/03/24)
Enterprise value	£24.9m
Index/market	AIM
Next news	Prelims, June
Shares in issue (m)	161.0
Chairman	Tom Black
CEO	Colin Evans
CFO	Victoria Balchin

COMPANY DESCRIPTION

Thruvision is the leading developer, manufacturer and supplier of walk-through security technology.

www.thruvision.com

THRUVISION IS A RESEARCH CLIENT OF
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Strong growth outside CBP

Thruvision's year-end trading update confirms revenues broadly in line with our expectations at c.£7.8m, and an EBITDA loss of c.£2.5m. There is good momentum from both new and existing clients, with Thruvision reaping the benefits of a broad customer base, spanning a number of international markets. Adjusting for the impact of US Customs and Border Protection (CBP) orders, revenue growth was 85% to £7.6m (FY23: £4.1m). Demand has been strong from the Entrance Security market given the worsening geopolitical climate, and recent policy changes are driving demand from US Aviation. Around 70% of revenue came from existing customers, most of whom were upgrading to the group's WalkTHRU technology, which is gaining significant traction. We are encouraged by the level of revenue growth outside of CBP and will look to introduce FY25 estimates as the year progresses, with the multi-year CBP framework in place for when funding support returns.

- Thruvision has established itself as the industry-leading solution** to stop employee theft, winning notable contracts in the period, including a global sportswear brand for use in its US operation and further WalkTHRU orders from two existing FTSE 100 clients. It has a steadily grown a portfolio of UK and US leading retailers, such as Tesco and NEXT, and global logistics providers, such as GXO. Employee theft continues to be a material (and growing) issue for the UK retail industry (see [Market forecasts highlight scale of opportunity](#)).
- Important validation for WalkTHRU** following the operational testing and evaluation for US aviation worker security screening, at San Diego International Airport, completed at the end of March 2024. This is part of the ASSIST Program by the National Safe Skies Alliance designed to help airport operators meet security requirements, which we believe will be a direct benefit for Thruvision as it drives demand for security screening.
- International government demand is high.** In Customs, Thruvision has been gaining traction with international agencies, securing an order for further systems from an existing Asian client. Orders under the CBP framework are usually placed at the US fiscal year-end (September), but remain dependent on further Congressional funding for the border.

FYE MAR (£M)	2021	2022	2023	2024E
Revenue	6.7	8.4	12.4	7.8
Adj EBITDA	-1.6	-1.7	-0.2	-2.5
Fully Adj PBT	-2.4	-2.3	-0.8	-3.2
Fully Adj EPS (p)	-1.7	-1.1	-0.5	-1.9
EV/Sales (x)	3.7x	3.0x	2.0x	3.2x
EV/EBITDA (x)	-16.1x	-14.7x	-113.6x	-9.8x
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.

Strong revenue growth outside of CBP

For FY24, revenue is expected to be in the order of £7.8m (FY23: £12.4m) versus our forecast of £8.1m, with an EBITDA loss of £2.5m (FY23: loss of £0.2m), in line with our estimate. The adjusted gross margin remains strong and has improved to 53% (FY23: 51.5%). Adjusting for the impact of US Customs and Border Protection (CBP) orders, revenue growth was 85% to £7.6m (FY23: £4.1m).

The cash balance on 31 March was £4.1m, following the £3.2m gross raise in October 2023. This included a £2.5m strategic investment from Pentland Capital, which we believe serves as clear validation of Thruvision’s business model (see [Strategic investor endorsement via £3.2m raise](#)).

Thruvision is operating in four distinct end markets, creating a more diversified revenue base with multiple growth opportunities which underpins management’s confidence in reaching profitability in the short term. We will look to introduce FY25 estimates as the year progresses.

Growing theft across retail customers and employees

Thruvision recently commissioned Retail Economics, a leading independent consultancy, to produce an in-depth report on the scale of theft in the UK retail market. The report estimates that in calendar year 2023 the value of retail theft will reach £7.9bn, with 40% of this theft from retail workers themselves, concentrated in warehouses and distribution centres. Inventory losses or ‘shrinkage’ is estimated at 1.7%, adding to the backdrop of rising operating costs and squeezed profitability for retailers. The scale of the strategic opportunity is also vast, with management estimating there are over 20,000 distribution centres across the UK, US and Europe that could deploy Thruvision.

Allocation of retail theft across customers and employees



Source: Thruvision and Retail Economics

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.

Thruvision has strong relationships within the US Department of Homeland Security, including agencies such 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, which is a large and growing market.

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 large and growing. The Retail Distribution market is an unregulated and potentially very large and growing market, estimated at 20,000 distribution centres (DCs) in the UK, EU and US. The International Customs Agencies market is estimated at 2,000 units worldwide, with around 500 of these with CBP.
Recurring (or repeat) business from blue-chip customers, or otherwise reliable revenue base	Thruvision has an established position with leading UK and US retailers including Tesco, Next, Boots, JD Sports and Saks, and global logistics providers including GXO, with good repeat business (additional units and upgrades). In its International Customs division, the biggest customer is US Customs and Border Protection (underpinned by its framework agreement), while it also serves a number of additional agencies.
Defensible position with barriers to entry	Thruvision's products are built on its deep expertise in Terahertz frequency engineering. It has patent protection for its technology and currently no direct competition. The closest products on the market are metal detectors, which are limited to metallic objects, and airport body scanners, which are large, expensive and slow.
Strong margins, cash generation and dividends	Gross margins are high, and the level of overhead should support the anticipated revenue increase. Its diversified business model, with a broad customer base in a number of international markets, is helping to offset the lack of a US Customs and Border Protection (CBP) order in this US Government fiscal year, which we view as a timing issue.
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 upgrades. The product is proven to be very 'sticky' with strong evidence of existing customers buying more units and upgrading.
Strong ESG credentials – as a business or via products/services	While the majority of manufacturing is undertaken in the UK, Thruvision also maintains a proven outsourced capability 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 the highly experienced team of Chairman Tom Black and CEO 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. CFO Victoria Balchin also brings a wealth of experience from quoted industrial businesses.

Source: Company information, Progressive Equity Research analysis

The Thruvision solution

Thruvision has a unique market position as the only company with proven technology in the UK, US and Europe that can screen people in real-time at walking speed. The model is evolving, with strong interest for 'WalkTHRU' lanes that allow mass screening. The platform hardware is modular in construction, making it extremely scalable and repeatable in manufacture, with differing image processing applications to meet different customer requirements.

High-performance people screening cameras

LPC7116

LPC7116 is a very high performance camera, optimised for WalkTHRU screening, and designed to detect smaller items on moving people.

FEATURES

ULTIMATE SENSOR TECHNOLOGY

Features Thruvision's patented very high performance 16-channel sensor technology, combining speed and resolution to give the ultimate in both WalkTHRU and SpotCHECK performance.

SmartSCREEN READY

LPC7116 features built-in hardware support for Thruvision's intelligent SmartSCREEN software feature package.

DynamicDETECT READY

LPC7116 features built-in support for Thruvision's automatic concealed item detection software.

BENEFITS

COMPREHENSIVE SECURITY

Detects all types of metallic and non-metallic materials, including clothing, liquids, electronics, tobacco, foodstuffs and paper.

Shows concealment size, shape and location, in real-time, to allow rapid decision making without the need for physical pat-down.

RESPECTFUL

Cannot distinguish age, ethnicity or gender, and complies with GDPR.


SAFE

Safe for everyone, including pregnant women, children and people with implanted medical devices.

100% SCREENING

WalkTHRU capability enables all employees leaving your facility to be screened, eliminating randomised selection processes.



 [THRUVISION.COM](https://www.thruvision.com)

8/06E. SPECIFICATIONS SUBJECT TO CHANGE WITHOUT NOTICE

THRUVISION

Source: Thruvision

Financial Summary: Thruvision

Year end: March (£m unless shown)

	2021	2022	2023	2024E
PROFIT & LOSS				
Revenue	6.7	8.4	12.4	7.8
Adj EBITDA	(1.6)	(1.7)	(0.2)	(2.5)
Adj EBIT	(2.1)	(2.3)	(0.9)	(3.1)
Reported PBT	(2.5)	(1.7)	(0.8)	(3.0)
Fully Adj PBT	(2.4)	(2.3)	(0.8)	(3.2)
NOPAT	(1.8)	(2.0)	(0.7)	(3.0)
Reported EPS (p)	(1.7)	(1.1)	(0.5)	(1.9)
Fully Adj EPS (p)	(1.7)	(1.1)	(0.5)	(1.9)
Dividend per share (p)	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET				
Operating cash flow	(0.6)	(1.6)	(2.5)	(1.1)
Free Cash flow	(1.0)	(1.8)	(2.6)	(1.7)
FCF per share (p)	(0.7)	(1.2)	(1.7)	(1.1)
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	0.1	0.2	0.1	3.0
Net cash flow	(1.1)	(1.8)	(2.7)	1.3
Overdrafts / borrowings	0.0	0.0	0.0	0.0
Cash & equivalents	7.3	5.4	2.8	4.1
Net (Debt)/Cash	7.3	5.4	2.8	4.1
NAV AND RETURNS				
Net asset value	11.3	9.4	8.8	8.8
NAV/share (p)	7.8	6.5	5.8	5.5
Net Tangible Asset Value	1.1	1.2	1.2	1.2
NTAV/share (p)	0.8	0.8	0.8	0.7
Average equity	12.3	10.4	9.1	8.8
Post-tax ROE (%)	(18.9%)	(16.8%)	(8.8%)	(33.8%)
METRICS				
Revenue growth	(16.3%)	24.8%	48.5%	(36.9%)
Adj EBITDA growth	45.0%	9.5%	(87.1%)	1053.7%
Adj EBIT growth	36.1%	9.2%	(60.4%)	252.2%
Adj PBT growth	98.8%	(5.9%)	(62.4%)	272.6%
Adj EPS growth	128.0%	(33.3%)	(53.8%)	253.0%
Dividend growth	N/A	N/A	N/A	N/A
Adj EBIT margins	(30.9%)	(27.0%)	(7.2%)	(40.2%)
VALUATION				
EV/Sales (x)	3.7	3.0	2.0	3.2
EV/EBITDA (x)	-16.1	-14.7	-113.6	-9.8
EV/NOPAT (x)	-13.8	-12.3	-34.6	-8.4
PER (x)	N/A	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A
FCF yield	(3.9%)	(6.9%)	(9.5%)	(5.9%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

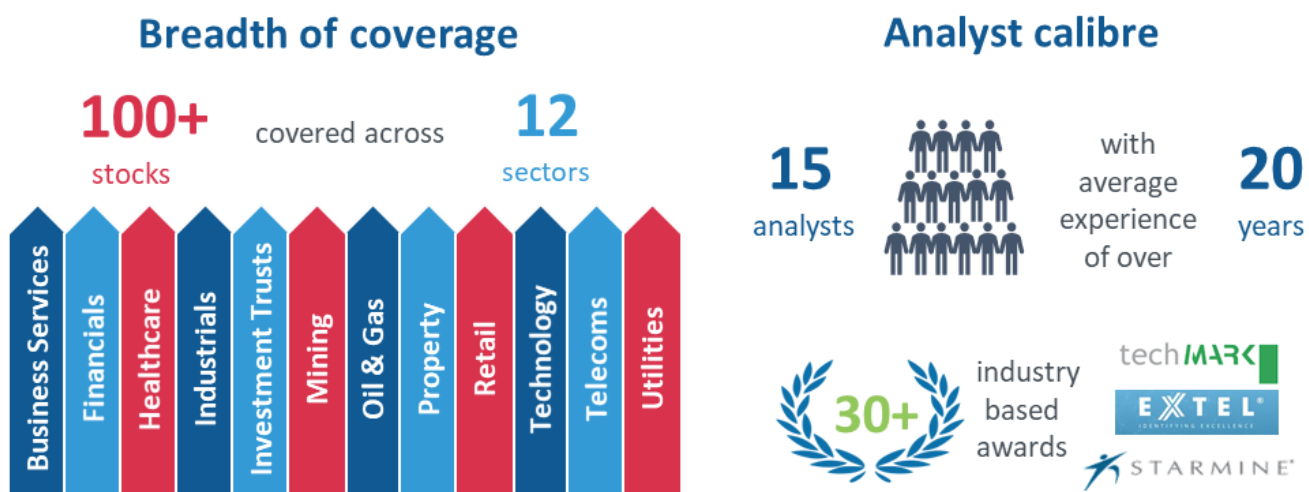
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