

THRUVISION TECHNOLOGY

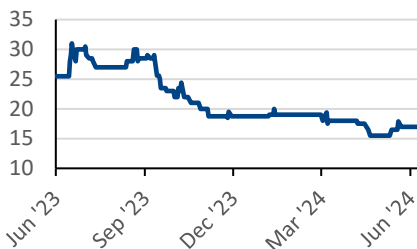
28 June 2024

THRU.L

17p

Market Cap: £27.4m

SHARE PRICE (p)



12m high/low

31p/16p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£4.1m (at 31/03/24)
Enterprise value	£23.3m
Index/market	AIM
Next news	Trading update, October
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
PROGRESSIVE

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Strategic sales partnerships set to drive growth

Thruvision's FY24 results are in line with the April trading update, demonstrating progress in expanding its reach through a broader set of sales partnerships. The group's unique offering and growing traction in its four core markets drove revenue growth of 85%, adjusting for lack of a US Customs and Border Protection (CBP) order. The technology is fully proven in the international security market and 70% of revenue across the group was from existing customers, most of whom are well-known government agencies and leading retailers. The broad customer base and activity in more markets is helping to offset the lack of a CBP order in this US Government fiscal year, given the well-publicised US Federal Budget stalemate. Given the current sales pipeline, we estimate that revenue and profitability is tracking towards the level achieved in FY23. We therefore introduce FY25 estimates with revenue of £10.9m and EBITDA of -£0.8m.

- Gross margin improvement and non-CBP revenue growth of 85%.** Although overall revenue decreased by 37% to £7.8m (FY23: £12.4m) and adjusted EBITDA was a £2.5m loss (FY23: loss of £0.2m), the majority of revenue was non-CBP (£7.6m vs £4.1m in FY23, up 85%), highlighting the increasing scale and resilience of other revenue streams. Adjusted GM improved to 53% (FY23: 51.5%). Net cash at 31 March was £4.1m (FY23: £2.8m), following the £3.2m (gross) fundraise in October 2023 that saw strategic investor Pentland Capital becoming a 10% shareholder.
- Strategic sales partners.** Given its proven technology across a broad customer base, Thruvision is looking to increase market share in a number of growing and established markets. In FY24, new sales leadership was added, and management has increased indirect sales to expand reach. A strategic sales partnership was announced with Sensormatic Solutions, the leading global retail solutions company, with strong interest from some of the world's largest retailers.
- 70% repeat business.** Thruvision continues to benefit from high levels of repeat purchasing by existing customers, which for FY24 was 70% of revenue. This mainly comprised customers upgrading to the latest WalkTHRU technology, which still has little to no direct competition.
- All four markets have active opportunities.** Management has made significant progress on a number of strategic and commercial initiatives, and in doing so has built a much stronger underlying business, with all four markets showing signs of healthy demand for 2025 and beyond.

FYE MAR (£M)	2022	2023	2024	2025E
Revenue	8.4	12.4	7.8	10.9
Adj EBITDA	-1.7	-0.2	-2.5	-0.8
Fully Adj PBT	-2.3	-0.8	-3.0	-1.3
Fully Adj EPS (p)	-1.1	-0.5	-1.9	-0.7
EV/Sales (x)	2.8x	1.9x	3.0x	2.1x
EV/EBITDA (x)	-13.7x	-106.3x	-9.2x	-29.1x
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.

Financial highlights

Overall revenue decreased by 37% to £7.8m (FY23: £12.4m) and adjusted EBITDA was a £2.5m loss (FY23: loss of £0.2m), reflecting the lack of significant orders from CBP in FY24. However, adjusting for the impact of CBP orders, revenue growth was 85% to £7.6m (FY23: £4.1m), driven both by new customers and from existing customers upgrading. Repeat purchasing accounted for 70% of FY24 revenue.

The adjusted gross margin (production overheads are excluded) improved to 53% (FY23: 51.5%), reflecting improved product mix from an increased proportion of higher-performance product sales. However, the statutory gross margin was down to 45.1% (FY23: 47%) as a result of lower throughput.

Cost control was strong despite investment for growth. Administrative costs decreased by 5% to £6.5m. While overheads were flat at £6.1m (FY23: £6.1m), this was higher as a percentage of revenue, at 78% (FY23: 49%).

Statutory loss after tax increased to £2.8m (FY23: loss of £0.8m), with the adjusted loss after tax of £2.9m increasing by £2.2m. The tax credit of £0.1m (FY23: £0.2m) reflects R&D tax credits receivable. Unrelieved trading tax losses in the UK available to carry forward are £9.3m (FY23: £7.3m), with no deferred tax asset recognised (FY23: none).

Thruvision – Key performance metrics, FY24 vs FY23

	FY24 (£m)	FY23 (£m)
Revenue	7.8	12.4
Adjusted gross profit	4.1	6.4
Adjusted gross margin	53.0%	51.5%
Adjusted EBITDA loss	(2.5)	(0.2)
Adjusted loss before tax	(3.0)	(0.8)

Source: Company information, Progressive Equity Research

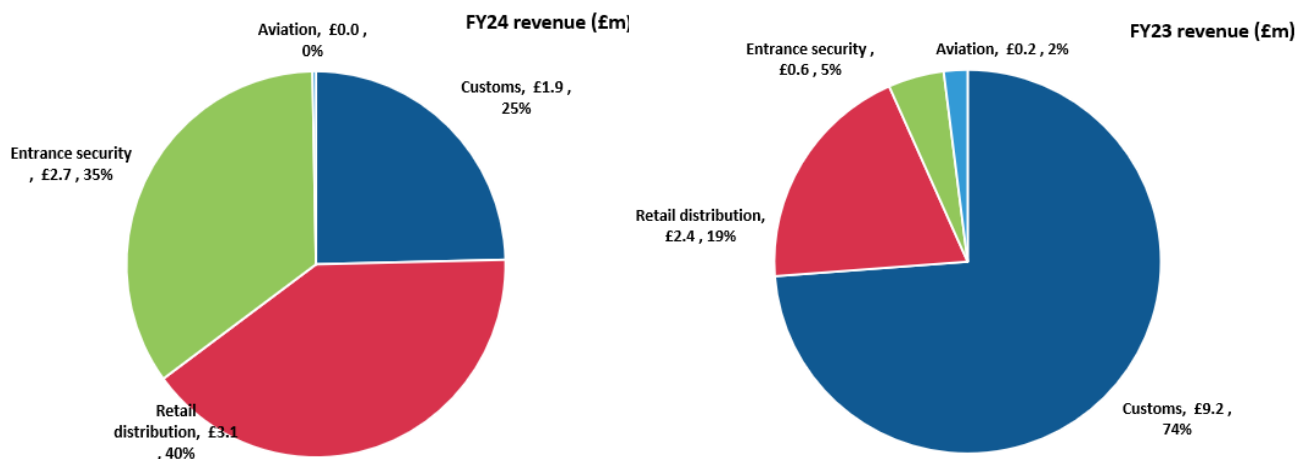
Net cash at 31 March was £4.1m (FY23: £2.8m). In late October, Thruvision raised £3.2m gross, which included a £2.5m strategic investment from Pentland Capital, now a 10% shareholder. Post year-end, Thruvision agreed a continuation of its overdraft with HSBC at £0.1m from 31 May 2024 for 12 months.

Trade and other receivables resulted in a £2.1m inflow in the year, driven by higher sales in the final quarter of FY23 compared to the current year. Trade and other payables resulted in an outflow of £0.7m driven by the lower bonus accrual and timing of stock purchases. Capital expenditure of £0.6m (FY23: £0.1m) was driven by investment in demonstration equipment of £0.5m to support the growth in non-CBP activities

Segmental performance

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.

Thruvision – Divisional revenue split



Source: Company information, Progressive Equity Research estimates

International Customs Agencies

Good progress was made during the year in broadening the international customer base. Two new customers were added, bringing the total number of customs agencies that deploy Thruvision technology to 11, with a further large order also received from an existing customer in Asia.

Overall revenue was impacted by the lack of a CBP order in the current financial year, falling to £3.1m (FY23: £9.2m). Although disappointing, we understand that the existing CBP units have been well-received. We therefore expect that further orders will come through in FY25, potentially in September. CBP has 328 Ports of Entry, with Thruvision currently supplying technology to around 14 of these. In early 2022, CBP made public its intention to acquire 500 ‘passive body scanners’ over the following five years. The framework agreement allows CBP to place additional orders up to the end of September 2026.

Retail Distribution

Retail Distribution performed well despite retailers controlling discretionary spend. Overall revenue was lower at £1.9m (FY23: £2.4m), which included upgrades and new customers. We understand that initial orders with new clients can be relatively small and continue to build, therefore the full benefits from recent client wins are yet to flow through.

Underlying demand for detection is robust as employee theft remains a growing issue in the industry. The rate of customer acquisition for Thruvision has been strong, with its blue-chip clients upgrading software and hardware, plus growing traction among some of the largest global third-party logistics players.

At the end of last year, Thruvision and Retail Economics published a report forecasting that theft would cost UK retailers c.£7.9bn in 2023, with employee theft from distributions centres (DCs) representing approximately £1.4bn of this total (see our note *Market forecasts highlight scale of opportunity*, 13 November 2023).

Allocation of retail theft across customers and employees



Source: Thruvision and Retail Economics

Management estimates there are over 20,000 DCs across the UK, US and Europe that could use the solutions. This represents a huge strategic opportunity, particularly in the US, and Thruvision continues to invest to take advantage of this growth potential. The signing of a sales partnership with Sensormatic Solutions is an important initiative that should increase the customer base internationally. Thruvision’s cameras and scanning software complement Sensormatic’s robust loss-prevention solutions portfolio and already large global retail customer base.

Sensormatic Solutions’ technology



Source: Sensormatic Solutions, Progressive Equity Research

Aviation

Thruvision continues to focus on the US market given its longstanding relationship with the US Government's Transportation Security Administration (TSA). Security screening in the aviation industry is a highly regulated activity. To date, Thruvision has only been given regulated approval for aviation worker screening in the US. In autumn 2023, the TSA issued a National Mandate requiring US airports to upgrade security screening for aviation workers. Under this Mandate, Thruvision technology is listed by the TSA in its Aviation Worker Screening Toolkit.

Thruvision completed testing of the WalkTHRU solution at San Diego International Airport with the National Safe Skies Alliance, an independent, non-profit organisation funded by the US Federal Aviation Administration. While current revenue remains relatively depressed at £23k in FY24 vs £246k in FY23, Thruvision is well placed to benefit as US airports adapt to meet the new TSA-mandated aviation worker obligations. Management notes a meaningful pick-up in enquiries, which should lead to revenue in FY25.

In terms of actual passenger screening, which would allow it to compete with airport body scanners, there is a continued delay to the accreditation process, with TSA funding focused on the roll-out of new passenger bag CT scanners, which is behind schedule.

Entrance Security

Thruvision saw strong growth in 2024 following renewed interest in Entrance Security given the global political unrest. This included new sales activity in prisons, critical national infrastructure sites, natural resources and high-security buildings. Revenue increased significantly to £2.7m in FY24 vs £0.6m in FY23.

The Thruvision product can process high visitor throughput rates and reliably detect mass-casualty threats such as assault rifles and person-borne bomb vests. New customers were secured across the Middle East, Europe and Africa.

Outlook and introducing FY25 estimates

FY24 results highlights the growth opportunities across all four core markets and the strength of the group's diversified business model. Thruvision's product range has expanded, with strong demand for its WalkTHRU solution and a major new product release in early 2024, the 71 Series. The group currently holds six patents.

Thruvision continues to benefit from the security issues and geopolitical unrest around the world, with a significant pick-up in Entrance Security solutions.

Given Thruvision's focus to expand its reach in each of the four potentially very large markets through a broader set of sales partnership, we forecast FY25 results heading back towards FY23 levels. Management is confident that the current sales pipeline points to activity returning to levels achieved in 2023. Coupled with tight cost control, this should translate into sustainable profitability and positive cashflow generation.

We therefore introduce FY25 estimates with revenue of £10.9m, reflecting strong top-line growth of 40%, an adjusted EBITDA loss of £0.8m and net cash of £3.0m.

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

8/06E. SPECIFICATIONS SUBJECT TO CHANGE WITHOUT NOTICE

THRUVISION

Source: Thruvision

Financial Summary: Thruvision

Year end: March (£m unless shown)

	2022	2023	2024	2025E
PROFIT & LOSS				
Revenue	8.4	12.4	7.8	10.9
Adj EBITDA	(1.7)	(0.2)	(2.5)	(0.8)
Adj EBIT	(2.3)	(0.9)	(3.0)	(1.3)
Reported PBT	(1.7)	(0.8)	(2.8)	(1.2)
Fully Adj PBT	(2.3)	(0.8)	(3.0)	(1.3)
NOPAT	(2.0)	(0.7)	(2.9)	(1.2)
Reported EPS (p)	(1.1)	(0.5)	(1.9)	(0.7)
Fully Adj EPS (p)	(1.1)	(0.5)	(1.9)	(0.7)
Dividend per share (p)	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET				
Operating cash flow	(1.6)	(2.5)	(0.8)	(0.6)
Free Cash flow	(1.8)	(2.6)	(1.4)	(1.1)
FCF per share (p)	(1.2)	(1.8)	(0.9)	(0.7)
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	0.2	0.1	3.1	0.0
Net cash flow	(1.8)	(2.7)	1.3	(1.1)
Overdrafts / borrowings	0.0	0.0	0.0	0.0
Cash & equivalents	5.4	2.8	4.1	3.0
Net (Debt)/Cash	5.4	2.8	4.1	3.0
NAV AND RETURNS				
Net asset value	9.4	9.4	8.8	8.8
NAV/share (p)	6.5	6.5	6.0	5.7
Net Tangible Asset Value	1.2	1.2	1.2	1.4
NTAV/share (p)	0.8	0.8	0.8	0.9
Average equity	10.4	10.4	9.1	8.8
Post-tax ROE (%)	(16.0%)	(7.8%)	(31.2%)	(13.3%)
METRICS				
Revenue growth	24.8%	48.5%	(37.1%)	39.5%
Adj EBITDA growth	9.5%	(87.1%)	1050.7%	(68.3%)
Adj EBIT growth	9.2%	(60.4%)	240.7%	(55.7%)
Adj PBT growth	(5.9%)	(62.4%)	254.1%	(57.7%)
Adj EPS growth	(33.3%)	(52.0%)	238.6%	(60.8%)
Dividend growth				
Adj EBIT margins	(27.0%)	(7.2%)	(39.0%)	(12.4%)
VALUATION				
EV/Sales (x)	2.8	1.9	3.0	2.1
EV/EBITDA (x)	-13.7	-106.3	-9.2	-29.1
EV/NOPAT (x)	-11.5	-32.3	-7.9	-18.6
PER (x)	N/A	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A
FCF yield	(7.3%)	(10.4%)	(5.2%)	(4.2%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

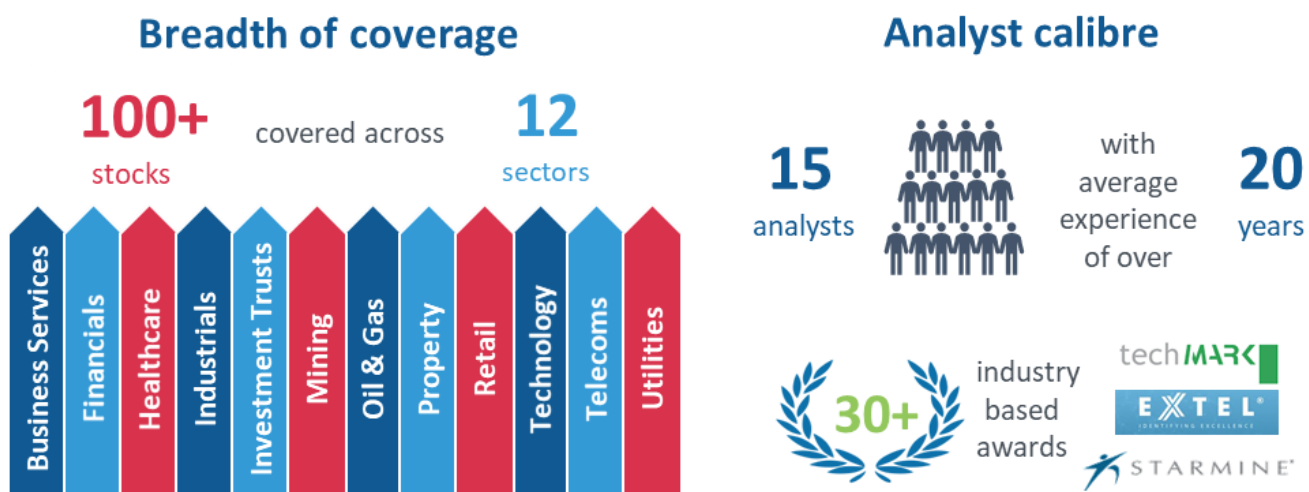
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