

THRUVISION TECHNOLOGY

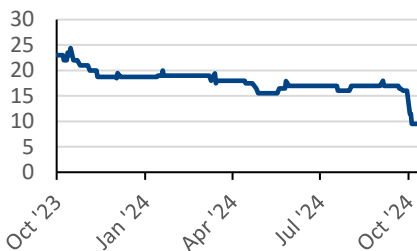
24 October 2024

THRU.L

9.5p

Market Cap: £15.3m

SHARE PRICE (p)



12m high/low

24.4p/9.5p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£1.8m (at 30/09/24)
Enterprise value	£13.5m
Index/market	AIM
Next news	Prelims, June
Shares in issue (m)	161.1
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

ANALYSTS

Gareth Evans

+44 (0) 20 7781 5301

gevans@progressive-research.com



Tessa Starmer

+44 (0) 20 7781 5303

tstarmer@progressive-research.com



www.progressive-research.com

Strong progress in Retail Distribution in H1

Thruvision's H1 25 results are in line with the trading update on 14 October. The strategy under the recently restructured board remains unchanged as Thruvision establishes itself as the industry-leading provider of walk-through screening solutions, reaping the benefits of a broad customer base in international markets. There is good momentum in demand from new and existing clients, and strong progress in expanding its reach as it looks to scale the business through a broader set of sales partnerships, such as with Sensormatic. With a healthy order pipeline and potential larger orders that would significantly extend the order backlog, we look forward to further updates as the year progresses.

- H1 25 reflects the progress in Retail Distribution**, which doubled in revenue, accounting for 85% of the H1 total, with orders from new customers such as John Lewis and DP World. The inherent lumpy nature of Customs resulted in no material orders in H1, compared to a single order for £1.9m in the prior year from an Asian customs agency. Given the timing of some larger orders, we trimmed estimates at the time of the update in line with guidance of £9m revenue. However, we note that our revised estimates for FY25 still factor in over 15% revenue growth on FY24.
- Financial highlights.** Revenue in H1 25 decreased 45% to £1.9m (H1 24: £3.5m), however the prior year period contained the large single order mentioned above. Adjusted gross profit decreased by £0.9m (£0.8m volume and £0.1m mix), with the adjusted gross margin at 50.4% (H1 24 53.9%). Net cash at 30 September was £1.8m (31 March 2024: £4.1m), following careful management of working capital, with an undrawn overdraft facility of £0.95m for further working capital requirements.
- 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, and management has increased indirect sales to expand reach. In June, a strategic sales partnership was announced with Sensormatic Solutions, the leading global retail solutions company, and an additional 10 value-added resellers (VARs) in different geographic territories have also been appointed.
- 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	9.0
Adj EBITDA	-1.7	-0.2	-2.5	-1.7
Fully Adj PBT	-2.3	-0.8	-3.0	-2.2
Fully Adj EPS (p)	-1.1	-0.5	-1.9	-1.3
EV/Sales (x)	1.6x	1.1x	1.7x	1.5x
EV/EBITDA (x)	-8.0x	-61.6x	-5.4x	-13.7x
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

Retail Distribution has performed well, with revenue double that of the prior-year period. However, this strong performance was offset by the absence of any material Customs or Entrance Security orders due to the lumpy nature of the work, particularly in Customs. The comparable period benefitted from a single order for £1.9m from an Asian customs agency.

Therefore, overall revenue decreased by 45% to £1.9m (H1 24: £3.5m) and adjusted EBITDA was a £2.1m loss (H1 24: loss of £1.4m), reflecting lower volumes.

The adjusted gross margin (production overheads are excluded) remained broadly stable at 50.4% (H1 24: 53.9%), with adjusted gross profit falling by £0.9m (£0.8m volume and £0.1m mix) to £1.0m (H1 24: £1.9m). However, the statutory gross margin was down to 34.0% (H1 24: 45.7%) as a result of lower throughput.

Cost control was strong and administrative costs were flat at £3.2m. While overheads were down 9% (£0.3m) at £2.8m, this was higher as a percentage of revenue, at 144% (H1 24: 86%) with lower sales volumes only partly offset by the continued tight cost control.

Statutory loss after tax increased to £2.5m (H1 24: loss of £1.6m), with the adjusted loss after tax of £2.3m increasing by £0.7m.

Thruvision – Key performance metrics, H1 25 vs H1 24

	H1 25 (£m)	H1 24 (£m)
Revenue	1.9	3.5
Adjusted gross profit	1.0	1.9
Adjusted gross margin	50.4%	53.9%
Adjusted EBITDA loss	(2.1)	(1.4)
Adjusted loss before tax	(2.4)	(1.6)

Source: Company information, Progressive Equity Research

Segmental performance

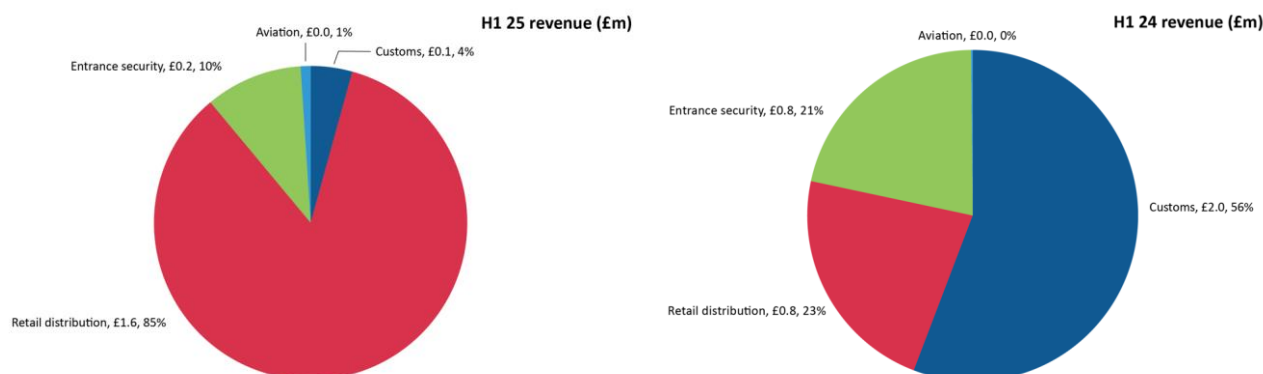
Thruvision is operating in four distinct end markets, creating a more diversified revenue base with multiple growth opportunities, which underpins management's confidence in reaching profitability in the medium term.

The order backlog currently stands at £0.5m, to be delivered during the second half of the year (H1 2024: £1.0m). However, the sales pipeline contains significant tenders, a number of which are expected to contribute to second-half revenues, with significant near-time opportunities in Entrance Security and Retail Distribution.

First-half revenue mix

Thruvision has been driving market share in Retail Distribution, which coupled with the absence of any large orders in Customs or Entrance Security in H1 resulted in a change in the split of revenue by end market, with Retail Distribution now accounting for 85% of total revenue in the period.

Thruvision – Divisional revenue split



Source: Company information, Progressive Equity Research estimates

Customs Agencies

Overall revenue was impacted by a lack of orders in the period, falling to £0.1m (H1 24: £2.0m). However, interest levels remain strong. Thruvision has worked with its two new customers in Central America and South-East Asia to fully implement the systems, and high-profile seizures have already occurred.

Thruvision continues to engage with US Customs and Border Protection (CBP). The CBP has 328 Ports of Entry, with Thruvision currently supplying technology to around 14 of these. The framework agreement allows CBP to place additional orders up to the end of September 2026, and management 'remain hopeful of additional orders' under this framework, which would materially boost revenue.

Retail Distribution

Retail Distribution performance was strong despite retailers controlling discretionary spend. Overall revenue increased to £1.6m (H1 24: £0.8m), which included upgrades and new customers in both Europe and the US. 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.

Notable highlights in the period included Adidas implementing further WalkTHRU lanes in the US, and ID Logistics became a new customer in early October. DP World, the global logistics company, placed its first order in Europe and a number of existing customers added to their Thruvision fleet. Thruvision also has two major trials underway with a global online retailer and a global third-party logistics provider.

Underlying demand for detection is robust as employee theft remains a growing issue in the industry. The Thruvision product is increasingly being used to both check inbound staff for concealed weapons or other prohibited items such as drugs, while employing the same systems for theft detection for outbound staff. Once embedded into a client’s infrastructure, the Thruvision solution delivers a fast payback and becomes inherently ‘sticky’ within the organisation.

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.

Allocation of retail theft across customers and employees



Source: Thruvision and Retail Economics

The signing of a sales partnership with Sensormatic Solutions is an important initiative that is starting to yield benefits by increasing 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

Entrance Security

There has been renewed interest in Entrance Security in prisons, critical national infrastructure sites, sites of national significance and high-security buildings given the global political unrest. Despite strong performance at the full year, the first half was quiet for Entrance Security and revenue decreased to £0.2m (H1 24: £0.8m and FY24: £2.7m).

Thruvision continued to supply the Dutch Prison Service, a recognised leader in prison estate security, which has led to increased interest from prison services elsewhere in mainland Europe. Given the levels of interest, management believes that this could potentially develop into another important market for the product.

The Thruvision product can process high visitor throughput rates and reliably detect mass-casualty threats such as assault rifles and person-borne bomb vests. Management notes significant Entrance Security opportunities within its sales pipeline driven by global unrest and a generally deteriorating security situation, with significant opportunities for the solution in the Middle East.

Aviation

As previously noted at the full year, 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 low at £20k in H1 25 (H1 24 £6k vs £23k in FY24), Thruvision is well placed to benefit as US airports adapt to meet the new TSA-mandated aviation worker obligations to increase security screening of all airport employees as they transition from landside to airside. The TSA has publicly confirmed that the Thruvision solution is compliant with this new mandate.

Thruvision is now seeing interest from airports in the US, with its first order received from a regional airport under the recent TSA Mandate and additional sales expected in this area.

Outlook and FY25 estimates

Thruvision's product range has expanded, with strong demand for its WalkTHRU solution and a major new product release in 2024, the 71 Series, which was brought to market in the final quarter. The group currently holds patents in five families.

Thruvision continues to benefit from the security issues and geopolitical unrest around the world, with a healthy pipeline across all four markets and significant near-term opportunities in Entrance Security and Retail Distribution. The sales pipeline is already benefitting from the strategic partnership with Sensormatic, adding opportunities across Europe, with additional major channel partners expected to be added in near the future.

We trimmed FY25 estimates at the October trading update given modest slippage expected into the next financial year due to the timing of orders and inventory lead times. Management guided that revenue is anticipated to be £9.0m for FY25, which still reflects revenue growth of 15%, with an adjusted EBITDA loss of £1.7m and net cash of £2.5m. A number of very significant opportunities are also being pursued, which could materially extend the order backlog. Given Thruvision's focus to expand its reach in each of the four potentially very large markets through a broader set of sales partnership, coupled with tight cost control, we believe this should translate into sustainable profitability and positive cashflow generation in the medium term.

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.



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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	9.0
Adj EBITDA	(1.7)	(0.2)	(2.5)	(1.7)
Adj EBIT	(2.3)	(0.9)	(3.0)	(2.3)
Reported PBT	(1.7)	(0.8)	(2.8)	(2.1)
Fully Adj PBT	(2.3)	(0.8)	(3.0)	(2.2)
NOPAT	(2.0)	(0.7)	(2.9)	(2.2)
Reported EPS (p)	(1.1)	(0.5)	(1.9)	(1.3)
Fully Adj EPS (p)	(1.1)	(0.5)	(1.9)	(1.3)
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)	(1.1)
Free Cash flow	(1.8)	(2.6)	(1.4)	(1.6)
FCF per share (p)	(1.2)	(1.8)	(0.9)	(1.0)
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	(1.6)
Overdrafts / borrowings	0.0	0.0	0.0	0.0
Cash & equivalents	5.4	2.8	4.1	2.5
Net (Debt)/Cash	5.4	2.8	4.1	2.5
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%)	(24.2%)
METRICS				
Revenue growth	24.8%	48.5%	(37.1%)	15.2%
Adj EBITDA growth	9.5%	(87.1%)	1050.7%	(30.6%)
Adj EBIT growth	9.2%	(60.4%)	240.7%	(24.5%)
Adj PBT growth	(5.9%)	(62.4%)	254.1%	(25.7%)
Adj EPS growth	(33.3%)	(52.0%)	238.6%	(28.6%)
Dividend growth				
Adj EBIT margins	(27.0%)	(7.2%)	(39.0%)	(25.6%)
VALUATION				
EV/Sales (x)	1.6	1.1	1.7	1.5
EV/EBITDA (x)	-8.0	-61.6	-5.4	-13.7
EV/NOPAT (x)	-6.7	-18.8	-4.6	-6.1
PER (x)	N/A	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A
FCF yield	(13.0%)	(18.7%)	(9.3%)	(6.4%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

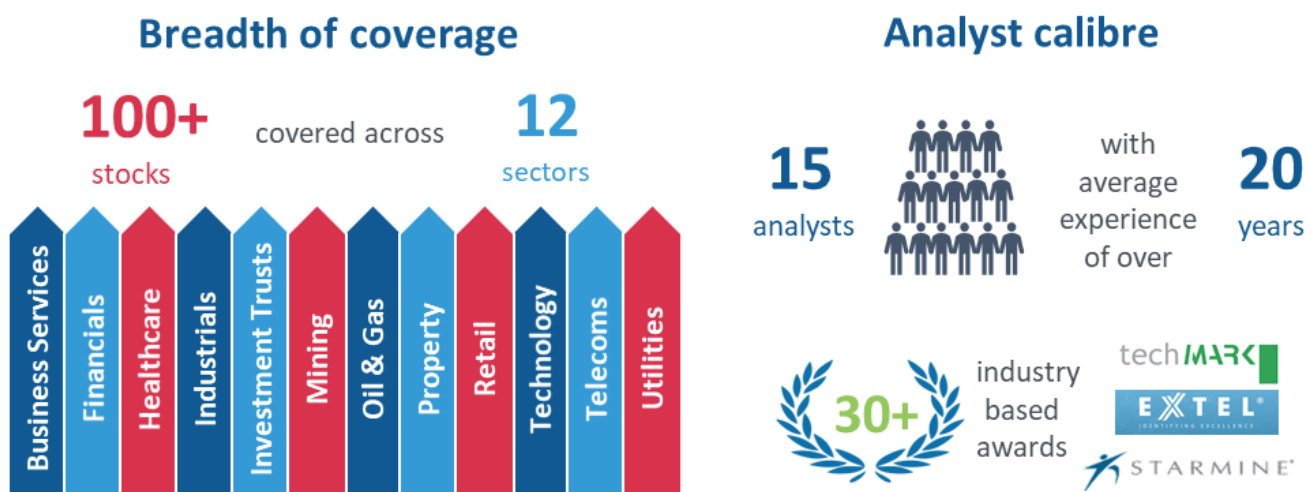
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To arrange a meeting with the management team, or for further information about Progressive, please contact us at:
+44 (0) 20 7781 5300
info@progressive-research.com