

# 1Spatial

FY19 results

## Strategic and financial progress

FY19 represented a year of good strategic and financial progress for 1Spatial. It divested Enables IT, raised capital and shifted to subscription licensing, all while increasing revenue and EBITDA margins. Investment in innovative 3D, LMDM and mobile projects should begin to bear fruit in FY20 and ensure that this progress continues. The recent acquisition of Geomap-Imagis (GI) further enhances its technical capability. Factoring GI into our forecasts helps raise our FY21e adjusted EPS by 14% to 1.0p.

Year end	Revenue (£m)	EBITDA* (£m)	PBT* (£m)	EPS* (p)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)
01/18	16.9	0.4	(1.5)	(2.3)	2.0	85.6	N/A
01/19	17.6	1.2	(0.9)	(1.1)	2.0	29.0	N/A
01/20e	22.8	2.1	0.8	0.7	1.5	16.6	51.4
01/21e	25.6	2.7	1.4	1.0	1.3	12.6	36.0

Note: \*EBITDA (adjusted), PBT and EPS (fully diluted) are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. Forecasts include the consolidation of Geomap-Imagis from May 2019 onwards.

## Financial progress

Reported revenue growth of 4.1% y-o-y does not provide the full picture. The adoption of IFRS 15 and the US government shutdown each affected growth by c 1%. In addition, from June 2018 the company began shifting away from selling one-off perpetual licences to focus on recurring licences, reducing upfront revenues to enhance long-term visibility. Adjusted EBITDA margins rose to 6.7% (4.4pp) y-o-y, driven primarily by a £0.6m reduction in operating costs.

## Strategic progress

1Spatial made substantial progress against its transition plan in FY19. Divestment of Enables IT and capital-raising enhanced its focus, enabling increased investment in innovative 3D, location master data management (LMDM) and mobile initiatives, which should begin to bear fruit in FY20. The recent GI acquisition further enhances its capability with Esri platforms, market presence and scale. Significantly it should help stabilise 1Spatial's performance in France and Belgium, where revenues fell 11% y-o-y in FY19 (see our note [Fixing France – further evidence of execution](#)).

## Forecasts: GI raises FY21e adjusted EPS by 14%

Reflecting a full year of consolidation for GI and a modest adjustment to underlying estimates raises our FY21 EBITDA estimate by 24% and adjusted EPS by 14% to 1.0p (see Exhibit 1). We now forecast FCF of £0.7m in FY21 (vs £0.2m previously).

## Valuation: Rating yet to reflect execution

1Spatial's results highlight growing evidence of execution against its transition plan. While the shares have performed well since the GI acquisition (up 11%), at 1.3x FY21e EV/sales, the rating does not yet reflect this in our view. Based on an analysis of its peers, delivering a sector average EBITDA margin (c 15%) would justify a 2.0x EV/Sales multiple and a share price of 50p, c 39% above the current price.

## Software & comp services

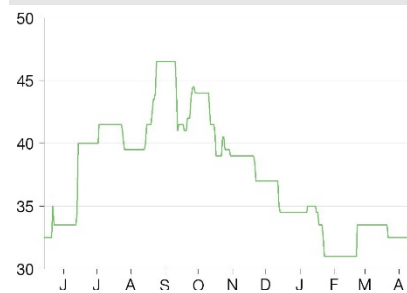
14 May 2019

Price **36.0p**

Market cap **£40m**

Net cash (£m) at end FY19	6.4
Shares in issue	111m
Free float	93%
Code	SPA
Primary exchange	AIM
Secondary exchange	N/A

## Share price performance



%	1m	3m	12m
Abs	7.5	7.5	10.8
Rel (local)	11.3	7.6	19.6
52-week high/low		46.5p	31.0p

## Business description

1Spatial's core technology validates, rectifies and enhances customers' geospatial data. The combination of its software and advisory services reduces the need for costly manual checking and correcting of data.

## Next events

AGM June 2019

## Analysts

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## Changes to forecasts

Exhibit 1 highlights the changes to headline forecasts, predominantly reflecting the consolidation of GI from May 2019 onwards. We conservatively assume a 29% or £5.7m increase in FY21 revenues and, including only very modest assumptions on cost savings, a 24% rise in EBITDA. Factoring in the issue of 12m additional shares (12%), our FY21 adjusted EPS estimate rises by 14% to 1.0p.

### Exhibit 1: Changes to forecasts

	FY19	FY20e				FY21e			
		Old	Change	New	Change (%)	Old	Change	New	Change (%)
Revenue (£m)	17.6	18.8	4.0	22.8	21.5	19.9	5.7	25.6	28.8
Adjusted EBITDA* (£m)	1.2	1.7	0.4	2.1	22.4	2.2	0.5	2.7	24.1
Adjusted PBT* (£m)	(0.9)	0.5	0.3	0.8	58.7	1.1	0.3	1.4	24.5
Adjusted EPS* (p)	(1.1)	0.4	0.3	0.7	85.5	0.9	0.1	1.0	13.9

Source: \*EBITDA, PBT and EPS (fully diluted) are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. GI contribution from May 2019.

**Exhibit 2: Financial summary**

	£'000s	2016	2017	2018	2019	2020e	2021e
31-January		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
Revenue		18,300	15,133	16,938	17,624	22,836	25,638
Delivery costs		(7,715)	(6,868)	(7,994)	(8,449)	(10,753)	(12,325)
Gross Profit		10,585	8,265	8,944	9,175	12,083	13,313
Adjusted EBITDA		2,902	(874)	403	1,188	2,080	2,731
Operating Profit (before amort. and except.)		1,584	(12,494)	(1,302)	(738)	731	1,357
Acquired Intangible Amortisation		(200)	0	0	0	0	0
Exceptionals		(1,081)	(2,590)	(1,041)	(672)	(500)	0
Share based payments		(976)	(566)	538	(218)	(218)	(218)
Operating Profit		(673)	(15,650)	(1,805)	(1,628)	13	1,139
Net Interest		(27)	(25)	(151)	(191)	64	14
Other		(421)	(266)	0	0	0	0
Profit Before Tax (norm)		1,136	(12,785)	(1,453)	(929)	794	1,370
Profit Before Tax (FRS 3)		(1,121)	(15,941)	(1,956)	(1,819)	77	1,153
Tax		503	1,081	753	389	150	150
Profit After Tax (norm)		1,136	(12,785)	(1,453)	(929)	779	1,139
Profit After Tax (FRS 3)		(618)	(14,860)	(1,203)	(1,430)	227	1,303
Average Number of Shares Outstanding (m)		691.3	728.9	63.3	87.4	104.9	111.2
EPS - normalised (p)		0.16	(1.75)	(2.30)	(1.06)	0.74	1.02
EPS - normalised fully diluted (p)		0.16	(1.75)	(2.30)	(1.06)	0.74	1.02
EPS - (IFRS) (p)		(0.09)	(2.04)	(1.90)	(1.64)	0.22	1.17
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		57.8	54.6	52.8	52.1	52.9	51.9
EBITDA Margin (%)		15.9	N/A	2.4	6.7	9.1	10.7
Operating Margin (before GW and except.) (%)		8.7	N/A	N/A	N/A	3.2	5.3
<b>BALANCE SHEET</b>							
Fixed Assets		22,115	13,025	10,873	10,479	11,479	12,279
Intangible Assets		18,900	11,968	10,540	10,194	11,194	11,994
Tangible Assets		1,638	1,057	333	285	285	285
Investments		1,577	0	0	0	0	0
Current Assets		16,202	11,442	7,050	11,481	14,378	16,686
Stocks		0	0	0	0	0	0
Debtors		10,815	8,929	5,510	4,998	8,600	10,200
Cash		4,996	1,966	1,319	6,358	5,653	6,361
Other		391	547	221	125	125	125
Current Liabilities		(11,071)	(13,029)	(10,234)	(8,578)	(10,915)	(13,277)
Creditors & other		(11,071)	(12,348)	(9,183)	(8,578)	(10,915)	(13,277)
Short term borrowings		0	(681)	(1,051)	0	0	0
Long Term Liabilities		(1,579)	(1,535)	(899)	(192)	(192)	(192)
Long term borrowings		0	0	0	0	0	0
Other long-term liabilities		(1,579)	(1,535)	(899)	(192)	(192)	(192)
Net Assets		25,667	9,903	6,790	13,190	14,750	15,496
<b>CASH FLOW</b>							
Operating Cash Flow		(722)	(1,061)	245	(749)	378	3,307
Net Interest		(31)	(166)	(167)	(175)	64	14
Tax		55	425	751	410	150	150
Capex		(3,800)	(4,042)	(1,035)	(1,394)	(2,297)	(2,100)
Acquisitions/disposals		(1,033)	(900)	115	0	(4,500)	(500)
Financing		1,940	896	0	7,996	5,500	0
Dividends		0	0	0	0	0	0
Net Cash Flow		(3,342)	(4,848)	(91)	6,088	(705)	872
Opening net debt/(cash)		(8,250)	(4,996)	(604)	(268)	(6,358)	(5,653)
HP finance leases initiated		0	0	0	0	0	0
Other		88	456	(245)	2	0	0
Closing net debt/(cash)		(4,996)	(604)	(268)	(6,358)	(5,653)	(6,525)

Source: Company data, Edison Investment Research. Note: Forecasts include the acquisition of GI from May 2019.

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