

1Spatial

Contract win

Another big UK contract win for 1Spatial

1Spatial continued its streak of winning big contracts in the UK and today announced the award of an £8m new multi-year contract, in partnership with a consortium and following a competitive tender, with a department of the UK government. We believe this is its biggest win in company history, two weeks after announcing its c £6.5m contract with the UK government's [Geospatial Commission](#). The contract will deliver a multi-year digital transformation programme for the department, and we expect management will provide further details on the contract when it releases interim results on 29 September. As a result, we plan to adjust our FY22 and FY23 forecasts once those are announced. Our attention remains on the long-term growth of the geospatial market, with growth rates likely to increase from FY22 through FY23. We are encouraged by the contract momentum and see scope for acceleration, as the UK government's 'Build back better and greener' initiative continues to provide tailwinds for the spatial data market.

Year end	Revenue (£m)	EBITDA* (£m)	EBIT* (£m)	EPS* (p)	EV/sales (x)	EV/EBIT (x)	P/E (x)
01/20	23.4	3.2	1.0	0.6	1.8	41.0	70.2
01/21	24.6	3.6	0.4	0.2	1.7	93.1	231.7
01/22e	25.8	3.8	0.6	0.3	1.6	65.5	128.7
01/23e	27.5	4.3	1.1	0.6	1.5	38.9	64.8

Note: *EBITDA, EBIT and EPS exclude amortisation of acquired intangibles, exceptional items and share-based payments.

The five-year contract will have a total value of c £8m to 1Spatial and is primarily in software licences (c £6.0m) with the remainder (c £2m) in software configuration and integration services. The licence revenue is about £1.2m in annual recurring revenue for five years and is expected to begin in calendar 2023, while the smaller service component should start in late FY22 and run through FY24. About £5.6m of revenue is contractually committed, including the software configuration and integration services, and the first three years of licensing fees. Altogether, management expects £2.1m in revenue to be delivered over the next two financial years. It anticipates FY23 revenue and EBITDA to be slightly ahead of expectations.

The contract's heavier weighting on software licence fees (~75%) continues 1Spatial's transition into a SaaS company focused on recurring, high-margin licence revenue rather than one primarily with a geospatial software and services model. A key competitive advantage for 1Spatial is that it has one of the only platforms (1Integrate), to our knowledge, that can control, integrate and validate such large, complex amounts of geospatial data from multiple sources.

The win followed an intense competitive tender done in partnership with a consortium, and engaging in this type of partnership is a key part of 1Spatial's growth strategy, particularly in the UK. According to management, choosing the right partner to join was a critical factor in this win, and it expects to continue the trend of bidding alongside other select partners.

Software and comp services

27 September 2021

Price **41.0p**

Market cap **£45m**

Net cash (£m) as of end FY21	4.3
Shares in issue	110.5m
Free float	93%
Code	SPA
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



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.

Analysts

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