

# 1Spatial

Full-year results

Well positioned to cope with any downturn

**1Spatial's FY20 results (to January) confirm reported revenue growth of 33% y-o-y and EBITDA rising 83% (pre IFRS16). The company generated positive underlying cashflow and EBIT in H2, has seen no impact on trading from COVID-19 so far and just secured a \$2.6m contract win in the US. However it is prudently acknowledging that sales cycles are likely to lengthen in the current economic climate. As a precaution it has withdrawn forward guidance and stands ready to take action on costs if needed.**

Year end	Revenue (£m)	EBITDA* (£m)	EBIT* (£m)	EPS* (p)	EV/sales (x)	EV/EBIT* (x)	P/E (x)
01/18	16.9	0.4	(1.3)	(2.3)	1.5	N/A	N/A
01/19	17.6	1.2	(0.7)	(1.1)	1.5	N/A	N/A
01/20	23.4	3.2	0.1	(0.1)	1.1	184.0	N/A

Note: \* EBITDA, EBIT and EPS exclude amortisation of acquired intangibles, exceptional items and share-based payments. Geomap-Imagis (GI) consolidated from May-19.

## Profitability and cash generation in H2

1Spatial delivered revenue of £23.4m (up 33% y-o-y) and underlying EBITDA of £3.2m in FY20 (marginally ahead of the £23.0m and £3.1m indicated in the March trading statement). Organic growth was flat, with a 7% y-o-y rise in Spatial Solutions revenue offset by declines in GIS, but margins improved. Bolstered by a full period of GI, 1Spatial achieved both profitability (at the underlying EBIT level) and positive FCF in H2. Improving financials and the strategically significant GI deal (see [Fixing France](#)) demonstrate the progress the company made in FY20.

## Trading in line, but reduced visibility

Much has changed around the world since January but management has seen no impact of COVID-19 on financial performance so far. Trading is in line with its expectations, new multi-year contracts have been signed with an HS2 supplier (UK), Seine Grands Lacs (France) and State of Michigan (US – see over). While the pipeline remains healthy the company is acknowledging that, in the current economic climate, sales cycles are likely to extend, and this is creating additional forecast uncertainty. In this context it is not providing any guidance and we have withdrawn our FY21 forecasts.

## Well positioned to cope with any downturn

1Spatial enters this period of reduced visibility in good health. Assuming no organic growth, FY21 revenue would be £25.4m and recurring revenues account for 41% of sales. At the end of FY20 gross cash stood at £5.1m and it has since extended its credit facility by £1.8m. 1Spatial is cash generative and profitable on an underlying EBIT basis and stands ready to take 'appropriate action' on costs if needed.

## Valuation: Excessive punishment?

1Spatial has executed well over the last three years, sharpening its strategic focus and raising margins. Visibility is not great but COVID-19 has had no material impact to date and we believe management has scope to mitigate the effect of a slowdown should the need arise. At 26.5p the shares have recovered much of the ground lost in 2020 but remain down 18% over the last year versus AIM, which is down 8%.

Software & comp services

15 June 2020

**Price** **26.5p**  
**Market cap** **£30m**

Net cash (£m) at end FY20	3.9
Shares in issue (post equity raise)	111m
Free float	93%
Code	SPA
Primary exchange	AIM
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	36	9.9	(2.9)
Rel (local)	39.5	26.2	(18.5)
52-week high/low		36.0p	13.5p

### 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 event

Interim results	November 2020
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## **US\$2.6m contract win with the US State of Michigan**

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Following the results 1Spatial announced it has signed a five year contract with US State of Michigan valued at \$2.6m to upgrade to the enterprise 1Integrate platform. As an existing customer this win can be seen in the context of 1Spatial's "land and expand" strategy and will also include access via 1Data Gateway, 1Spatial's recently launched portal.

Of the \$2.6m contract, c. \$1.5m will be recognized within two years as service revenue and \$1.1m will be recognized as software licence revenue spread over the five years. Against a broader backdrop of uncertainty this is a significant win and a meaningful boost to its US business (annual revenues of £2.3m in FY20) in particular. The company has a healthy pipeline and is aiming to sign further large deals but the timing of these wins is difficult to predict.

**Exhibit 1: Financial summary**

	£000s	2016	2017	2018	2019	2020
Year end 31 January		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Revenue		18,300	15,133	16,938	17,624	23,385
Delivery costs		(7,715)	(6,868)	(7,994)	(8,449)	(11,123)
Gross Profit		10,585	8,265	8,944	9,175	12,262
Adjusted EBITDA		2,902	(874)	403	1,188	3,226
Operating Profit (before amort. and except.)		1,584	(12,494)	(1,302)	(738)	139
Acquired Intangible Amortisation		(200)	0	0	0	(111)
Exceptionals		(1,081)	(2,590)	(1,041)	(672)	(1,167)
Share based payments		(976)	(566)	538	(218)	(398)
Operating Profit		(673)	(15,650)	(1,805)	(1,628)	(1,537)
Net Interest		(27)	(25)	(151)	(191)	(195)
Other		(421)	(266)	0	0	0
Profit Before Tax (norm)		1,136	(12,785)	(1,453)	(929)	(57)
Profit Before Tax (FRS 3)		(1,121)	(15,941)	(1,956)	(1,819)	(1,732)
Tax		503	1,081	753	389	248
Profit After Tax (norm)		1,136	(12,785)	(1,453)	(929)	(57)
Profit After Tax (FRS 3)		(618)	(14,860)	(1,203)	(1,430)	(1,484)
Average Number of Shares Outstanding (m)		691.3	728.9	63.3	87.4	110.2
EPS - normalised (p)		0.16	(1.75)	(2.30)	(1.06)	(0.05)
EPS - normalised fully diluted (p)		0.16	(1.75)	(2.30)	(1.06)	(0.05)
EPS - (IFRS) (p)		(0.09)	(2.04)	(1.90)	(1.64)	(1.35)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		57.8	54.6	52.8	52.1	52.4
EBITDA Margin (%)		15.9	N/A	2.4	6.7	13.8
Operating Margin (before GW and except.) (%)		8.7	N/A	N/A	N/A	0.6
<b>BALANCE SHEET</b>						
Fixed Assets		22,115	13,025	10,873	10,479	19,206
Intangible Assets		18,900	11,968	10,540	10,194	15,560
Tangible Assets		1,638	1,057	333	285	374
Investments		1,577	0	0	0	3,272
Current Assets		16,202	11,442	7,050	11,481	14,985
Stocks		0	0	0	0	0
Debtors		10,815	8,929	5,510	4,998	9,644
Cash		4,996	1,966	1,319	6,358	5,108
Other		391	547	221	125	233
Current Liabilities		(11,071)	(13,029)	(10,234)	(8,578)	(12,844)
Creditors & other		(11,071)	(12,348)	(9,183)	(8,578)	(12,709)
Short term borrowings		0	(681)	(1,051)	0	(135)
Long Term Liabilities		(1,579)	(1,535)	(899)	(192)	(5,892)
Long term borrowings		0	0	0	0	(1,086)
Other long-term liabilities		(1,579)	(1,535)	(899)	(192)	(4,806)
Net Assets		25,667	9,903	6,790	13,190	15,455
<b>CASH FLOW</b>						
Operating Cash Flow		(722)	(1,061)	245	(749)	572
Net Interest		(31)	(166)	(167)	(175)	(144)
Tax		55	425	751	410	314
Capex		(3,800)	(4,042)	(1,035)	(1,394)	(2,320)
Acquisitions/disposals		(1,033)	(900)	115	0	(2,151)
Financing		1,940	896	0	7,996	2,805
Dividends		0	0	0	0	0
Net Cash Flow		(3,342)	(4,848)	(91)	6,088	(1,178)
Opening net debt/(cash)		(8,250)	(4,996)	(604)	(268)	(6,358)
HP finance leases initiated		0	0	0	0	(1,221)
Other		88	456	(245)	2	(72)
Closing net debt/(cash)		(4,996)	(604)	(268)	(6,358)	(3,887)

Source: 1Spatial, Edison Investment Research

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