

1Spatial

Trading update

Trading in line, no COVID-19 impact so far

1Spatial's trading update confirms FY20 (ended January) financials will be in line with our estimates. We update exceptionals, amortisation of acquired intangibles and the year-end cash balance but make no material changes to underlying forecasts. The company has seen no impact from COVID-19 so far but is ready to take 'appropriate action'. Given this, the halving of the share price in the last two weeks seems an overreaction.

Year end	Revenue (£m)	Adjusted 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)	0.7	N/A	N/A
01/19	17.6	1.2	(0.7)	(1.1)	0.6	N/A	N/A
01/20e	23.0	3.1	0.8	0.8	0.5	13.3	17.7
01/21e	25.6	3.7	1.5	1.0	0.4	7.6	13.2

Note: *Adjusted EBITDA, EBIT 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.

Revenue/EBITDA at least £23m and £3m

Expectations for revenue and EBITDA of 'at least' £23m and £3m are in line with our forecasts. The year-end gross cash balance of £5.1m is below our estimate (£6.1m), reflecting delays in cash collection. We understand collections picked up in February and, excluding a £1.0m exceptional charge related to the Geomap-Imagis (GI) acquisition, 1Spatial generated £1.5m of cash in H2.

Underlying forecasts unchanged despite COVID-19

We adjust our forecasts to include the amortisation of acquired intangibles for the first time (£0.8m, non-cash), increase FY20 exceptionals to £1.0m (previously £0.5m) and reduce our year-end FY20 gross cash balance (see Exhibit 1). However, our underlying forecasts are unchanged. 1Spatial has seen no impact on orders from COVID-19 so far but stands ready to take 'appropriate action'.

Progress in FY20 and prospects undimmed

1Spatial made substantial progress in FY20 in our view. The GI deal addressed a geography unaligned strategically and underperforming financially (see [Fixing France](#)). The business reached underlying EBIT breakeven and was cash generative in H2. Clearly COVID-19 increases forecast uncertainty, but there is no direct impact on 1Spatial so far. The US is growing healthily and the [1Data Gateway launch](#) should significantly enhance scalability.

Valuation: Share price halved, forecasts unchanged

1Spatial's share price has halved in two weeks. At 13.5p, it stands at its lowest level since listing and the implied FY21e EV/EBIT multiple is just 7.6x. It is difficult to rule out an indirect impact of COVID-19 on the business but 1Spatial appears willing, and has scope, to mitigate an impact should it be needed. In our view, the current rating is not appropriate for a growing, now cash-generative business that has executed well in the last three years.

Software & comp services

23 March 2020

Price **13.5p**
Market cap **£15m**

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

Share price performance



%	1m	3m	12m
Abs	(55.0)	(50.9)	(58.5)
Rel (local)	(34.2)	(27.2)	(41.5)
52-week high/low		37.0p	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 events

 FY results May 2020

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Forecast changes

Exhibit 1: Forecast changes							
£m	FY19	FY20e			FY21e		
		Old	New	Change (%)	Old	New	Change (%)
Revenue	17.6	22.8	23.0	0.9	25.6	25.6	0.0
EBITDA	1.2	3.1	3.1	0.0	3.7	3.7	0.0
Depreciation	(0.1)	(0.1)	(0.2)		(0.2)	(0.2)	
IFRS-16	0.0	(0.0)	(1.0)		(0.0)	(0.9)	
Amortisation of cap soft	(1.8)	(2.2)	(1.2)		(2.1)	(1.2)	
Adjusted EBIT	(0.7)	0.8	0.8	0.0	1.5	1.5	0.0
Amortisation of acquired intangibles	0.0	0.0	(0.8)		0.0	(1.2)	
Exceptionals	(0.7)	(0.5)	(1.0)		0.0	0.0	
Reported EBIT	(1.4)	0.3	(1.0)	N/A	1.5	0.3	(78.3)
Gross cash	6.4	6.1	5.1	(16.1)	6.9	6.8	(0.4)
Debt	0.0	(0.8)	(1.2)		(0.8)	(1.2)	
Net cash	6.4	5.3	3.9	(26.7)	6.1	5.6	(7.6)

Source: 1Spatial announcements, Edison Investment Research

Exhibit 2: Financial summary

	£000s	2016	2017	2018	2019	2020e	2021e
Year end 31 January		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		18,300	15,133	16,938	17,624	23,036	25,638
Delivery costs		(7,715)	(6,868)	(7,994)	(8,449)	(10,953)	(12,325)
Gross Profit		10,585	8,265	8,944	9,175	12,083	13,313
Adjusted EBITDA		2,902	(874)	403	1,188	3,135	3,730
Operating Profit (before amort. and except.)		1,584	(12,494)	(1,302)	(738)	836	1,471
Acquired Intangible Amortisation		(200)	0	0	0	(800)	(1,150)
Exceptionals		(1,081)	(2,590)	(1,041)	(672)	(1,000)	0
Share based payments		(976)	(566)	538	(218)	(218)	(218)
Operating Profit		(673)	(15,650)	(1,805)	(1,628)	(1,182)	103
Net Interest		(27)	(25)	(151)	(191)	(36)	(102)
Other		(421)	(266)	0	0	0	0
Profit Before Tax (norm)		1,136	(12,785)	(1,453)	(929)	799	1,367
Profit Before Tax (FRS 3)		(1,121)	(15,941)	(1,956)	(1,819)	(1,218)	0
Tax		503	1,081	753	389	150	150
Profit After Tax (norm)		1,136	(12,785)	(1,453)	(929)	799	1,139
Profit After Tax (FRS 3)		(618)	(14,860)	(1,203)	(1,430)	(1,068)	150
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)	0.76	1.02
EPS - normalised fully diluted (p)		0.16	(1.75)	(2.30)	(1.06)	0.76	1.02
EPS - (IFRS) (p)		(0.09)	(2.04)	(1.90)	(1.64)	(1.02)	0.14
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	52.5	51.9
EBITDA Margin (%)		15.9	N/A	2.4	6.7	13.6	14.5
Operating Margin (before GW and except.) (%)		8.7	N/A	N/A	N/A	3.6	5.7
BALANCE SHEET							
Fixed Assets		22,115	13,025	10,873	10,479	13,479	15,279
Intangible Assets		18,900	11,968	10,540	10,194	13,194	14,994
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	16,223	18,371
Stocks		0	0	0	0	0	0
Debtors		10,815	8,929	5,510	4,998	11,000	11,400
Cash		4,996	1,966	1,319	6,358	5,098	6,846
Other		391	547	221	125	125	125
Current Liabilities		(11,071)	(13,029)	(10,234)	(8,578)	(13,204)	(15,277)
Creditors & other		(11,071)	(12,348)	(9,183)	(8,578)	(12,004)	(14,077)
Short term borrowings		0	(681)	(1,051)	0	(1,200)	(1,200)
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	16,305	18,181
CASH FLOW							
Operating Cash Flow		(722)	(1,061)	245	(749)	(1,477)	5,300
Net Interest		(31)	(166)	(167)	(175)	(36)	(102)
Tax		55	425	751	410	150	150
Capex		(3,800)	(4,042)	(1,035)	(1,394)	(3,297)	(3,100)
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	(2,460)	1,748
Opening net debt/(cash)		(8,250)	(4,996)	(604)	(268)	(6,358)	(3,898)
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)	(3,898)	(5,646)

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

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