

artec technologies

Technology
27 January 2021

Positive FY20 progress, focus on MULTIEYE

In a post year-end trading update, artec reported strong sales growth, with FY20 revenues rising 50% y-o-y to €3.2m (FY19: €2.0m), marginally below consensus (€3.25m). Management expects a significantly improved FY20 profit figure y-o-y when it reports its FY20 results. 24% of FY20 revenues are recurring, with contract terms of up to four years giving increasing forward visibility. Two-thirds of sales came from the security side of the business, which continues to show good momentum, while the media business suffered from contract delays due largely to uncertainty around the COVID-19 pandemic. Management remains confident in the outlook for both media and security segments, with security its key focus for FY21.

FY20 results overview

Despite the challenges of COVID-19, artec won new clients in Spain, Turkey and the GCC, including a Qatari sports broadcaster, news agency and sports academy. Clients included a mix of existing and new customers from both the security and broadcast segments. Recurring revenues (cloud contracts, software and services) of €0.75m represented 24% of overall revenue, up from 12.5% in FY19. The security segment represented two-thirds of artec's sales in FY20, with €0.2m of new service contracts signed with DACH security authorities. With the cancellation of trade fairs and events, progress on the media side of the business was slower than expected, with a number of orders delayed due to COVID-19. However, eight of Germany's 14 state media authorities are now clients. Despite delays to contract awards, artec's management remains confident in the outlook for both sectors.

Strategic focus on MULTIEYE security surveillance

In FY21 and beyond, artec sees considerable growth potential in law enforcement, as it positions itself as a GDPR-compliant data collector and processor for security authorities based around its private cloud-based software platform, MULTIEYE. Expanding MULTIEYE's video surveillance functionality is artec's key strategic goal for FY21, with artec planning to offer a 'try before you buy' proposition to drive regional and international sales in FY21.

Valuation: Continuing growth justifies valuation

artec's share price has reflected the progress made by the business, rising c 50% in FY20 and >100% since the group's mid-March lows. The group trades on a consensus FY21e EV/EBITDA multiple of 14.3x and a P/E of 32.9x. With a positive outlook and sustained growth, the shares have scope for continued appreciation.

Consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/18	2.94	0.42	0.02	0.0	N/M	N/A
12/19	2.01	(0.16)	(0.42)	0.0	N/M	N/A
12/20e	3.25	0.52	0.08	0.0	57.1	N/A
12/21e	4.45	0.85	0.13	0.0	32.9	N/A

Source: Refinitiv

Price €4.28
Market cap €12m

Share price graph



Share details

Code A6T
 Listing Deutsche Börse Scale
 Shares in issue 2.86m
 Last reported net cash at 30 June 2020 €0.13m

Business description

artec technologies develops cloud-based software solutions for the recording and analysis of video and audio, in two sectors: video security technology and crime prevention; and broadcast media.

Bull

- Momentum building in the security business, with a growing list of reference clients.
- Strong growth in multi-year contracts.
- IP-based, patent-protected technology solutions.

Bear

- Scale and growth potential limited by operational and resourcing constraints.
- Revenue visibility improving but still limited.
- Volatile trading history, with financial outcome subject to contract delays.

Analyst

Richard Williamson +44 (0)20 3077 5700
tech@edisongroup.com

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia